

## NATO IN AFGHANISTAN: OUTLOOK AND CHALLENGES

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### Abstract

*It is for the first time that NATO forces are assigned an “out-of-the-area” responsibility in Afghanistan, i.e., outside the European theatre. Now NATO-led ISAF is not only involved in combat and peacekeeping functions but has also taken up the role of nation-building in the war-ravaged country. In fact, NATO’s relevance and future will be judged by its performance in Afghanistan. These forces face a challenging task. The low troop levels, strong caveats and reservations of member-states to engage in active combat, and multifarious socio-economic problems of Afghanistan, all cumulatively affect NATO-led ISAF’s mission and performance. The toughest challenges however lie in the south and eastern restive Pushtun provinces that are affected by Taliban insurgency. While it is going to take some time for NATO troops to disengage from Afghanistan, it is crucial that military means are simultaneously backed by robust socio-economic measures in order to win the “hearts and minds” of the Afghan people. Notwithstanding international support and assistance, Afghanistan’s immediate neighbours, and above all, the Afghan people themselves have to put their act together in undoing the ill-effects of superpower intervention and civil war that have afflicted their country. Therefore, a robust multi-dimensional strategy of economic and political rehabilitation is necessary. Needless to say that a normalised Afghanistan will be a positive factor that would significantly contribute to peace and stability in the region and beyond.*

### Introduction

“**A** fghanistan is NATO’s most important mission,” said Jaap de Hoop Scheffer, NATO’s Secretary-General. However, NATO faces formidable challenges in the assigned task since Afghanistan stands as a test case for NATO’s capabilities in an “out-of-area” mission. In fact, it faces a daunting task that signifies conditions, where “extreme belief systems, unstable and intolerant societies, strategic crime and the globalisation of commodities and communications combine to create a multi-dimensional threat that transcends geography, function, and capability.”<sup>1</sup>

It seems that after 9/11, the onerous task of nation-building has been added to the original US/NATO forces’ mandate of combating rebel elements only. Hence, the military alliance’s future success or failure will be judged by its

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<sup>1</sup> Julian Lindley-French, “Big World, Big Future, Big NATO,” *Nato Review*, Winter 2005, 5.

performance in a country, which has been wrecked by violence for over three decades.

NATO was formed in 1949. It was meant to be an exclusively Anglo-US military alliance with the express objective of keeping the Soviet Communism at bay in “liberated” Europe, keeping a vigil over disarmed Germany and stationing of US forces in Europe as security guarantee. However, the end of the Cold War and demise of the Soviet Union, cast serious doubts on its role and functions as a military alliance. The question was legitimately posed: Was NATO still relevant under the altered international geo-strategic environment or not?

In the post-Cold War that witnessed independence of Central Asian Republics (CARs), newly-arisen threats of Islamic militancy and terrorism, potential nuclear weapon states, quest for energy resources and fear of failed states, all coalesced to re-define the role for NATO. Henceforth, the military alliance thought of expanding its functions and interests in what came to be called a unipolar world. Resultantly, a global NATO started coming into effect.

Afghanistan is NATO’s first mission outside the Euro-Atlantic orbit. Primarily, a military alliance, but cognisant of the complexities of the post-Cold War milieu, its role expanded beyond strictly military into social, economic and cultural instruments of conflict-resolution. Moreover, it started assuming peacekeeping role in some places together with reconstruction work by developing inter-governmental and non-governmental partnership. In Afghanistan, NATO’s predecessor was International Security Assistance Force (ISAF). Today, it comprises 36-nations of nearly 35,000 troops, out of which, 20,000 are US forces. In fact, the US initially wanted to reduce its troop level in Afghanistan and desired NATO to take over its functions.

ISAF was created in accordance with agreements resulting from the Bonn Conference of December 2001, which followed the ouster of the Taliban regime. The US commenced *Operation Enduring Freedom* (OEF) on October 12, 2001 and invoked NATO’s mutual defence clause but did not choose NATO to take the lead, despite support from many NATO countries. NATO, being part of the OEF, did not command forces till long and still does not control all the troops in that country.

The concept of UN-mandated international force, which came to be called ISAF, was launched to assist the newly-established Afghan Transitional Authority (ATA) to create a secure environment. This force was assigned functions in and around Kabul, and later, to support reconstruction-cum-rehabilitation activity in war-ravaged Afghanistan. Resultantly, a three-way partnership paved the way for creation of Afghan Transitional Authority, United Nations Assistance Mission to Afghanistan (UNAMA) and ISAF.

As such, ISAF is not a UN force but is deployed under the United Nations Security Council (UNSC) mandate. The four United Nations Security Council Resolutions (UNSCRs) viz., No. 1386, 1413, 1444 and 1510, were all

related to the ISAF.<sup>2</sup> Initially, individual nations volunteered to lead the ISAF for six-month duration. These were the UK, Turkey, followed by Germany and Netherlands with support from NATO. Since August 11, 2003, NATO has led the ISAF mission and is financed by common funding and troop contributions from members of the alliance.

NATO has a force commander headquartered in Kabul, Afghanistan. Its role in heading the ISAF obviated the need for the change in command that was needed after every six months. The force is structured into ISAF headquarters, the Kabul multinational brigade, Kabul international airport and Provincial Reconstruction Teams (PRTs).

The North Atlantic Council (NAC) is NATO's highest decision-making body, which provides political direction and coordination for the mission. Moreover, it works in close concert with non-NATO nations, taking part in ISAF, and holds special regular meetings with these nations.

#### *Evolution of NATO Mission*

- Phase I:* On August 11, 2003, NATO started assuming authority for the ISAF mission and taking over operations in Kabul.
- Phase II:* It started expanding its mission to the north, the west, and south and east of Afghanistan in 2004, 2005 and 2006 respectively.
- Phase III:* It worked in stabilising these areas.
- Phase IV:* It is the current stage, which marks transition to Afghan forces and redeployment of NATO forces, where necessary. ISAF has assumed responsibility for 12,000 US troops which had been previously under US command. This was necessary to deal with insurgencies in south and eastern regions.<sup>3</sup>

NATO's role in ISAF is to confer legitimacy for its future role. So, it is essential that its mission is successful in Afghanistan. In order to confer legitimacy on ISAF's role, it was initially limited to Kabul, but from October 13, 2003 under UNSCR 1510, it was expanded into other eight provinces of Afghanistan through setting up of PRTs.

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<sup>2</sup> See "NATO in Afghanistan: Fact sheet", <http://www.nato.int/issues/afgnaistan/040628-factsheet.htm>.

<sup>3</sup> Helle C. Date, "NATO in Afghanistan: A test case for Future Missions," *Backgrounders*, The Heritage Foundation, Washington D.C., No. 1985, December 8, 2006.

## Taliban Resurgence

Since 2006, the level of Taliban violence has increased, reaching its highest level in 2007. For example, militant attacks against foreign forces and locals in 2007 are 20 per cent higher than 2006. Around 6,000 people, mostly militants, have died in insurgency-related violence in 2007, as compared to nearly 4,000 in 2006.<sup>4</sup>

The boldness, frequency and intensity of suicide attacks, ambushes, bomb blasts, direct fighting and kidnappings for ransom have increased. These are mostly targeted against foreign troops, Afghan National Army, police, government functionaries, teachers, tribal elders and foreign agencies. Suicide bombing attacks have also soared from five during 2001-2005 to more than 100 in first eight months of 2007.<sup>5</sup> The insurgents have launched more than 112 suicide attacks in the last ten months of 2007 as compared to 120 recorded in 2006.<sup>6</sup> By October 2007, the number of US casualties had reached 87, almost equaling to 90 in 2006.<sup>7</sup> The number of international soldiers killed in hostile action in Afghanistan so far has arisen to nearly 201. The level of militancy has increased in southern provinces of Helmand, Kandahar and Uruzgan, which are mostly controlled by Taliban. The fighting is spreading to some of the northern provinces.

## NATO's Challenges

In fact, NATO's problems as a military alliance are of similar nature which bedevils NATO-dominated ISAF in Afghanistan. As a multinational military force, NATO-led ISAF faces formidable challenges. It is thought that the level and quantum of forces in that country is hardly sufficient to control the rising insurgency. Afghanistan is less than one-third of Iraq's population but is nearly 1.5 times bigger in terms of area. In order to compensate for troops' paucity on the ground, there has been an excessive reliance on air power. Consequently, this has resulted in the rise of anti-US and anti-Western sentiments.

It is now increasingly felt that there is a dire need for better coordination between NATO and the US forces.<sup>8</sup> The latter are currently

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<sup>4</sup> "Violence has increased in Afghanistan: UN," *Daily Times* (Lahore), December 4, 2007, 13.

<sup>5</sup> Report by UN SC office as cited in Sardar Ahmad and Bronmen Roberts, "Afghans still waiting for peace," *Daily Times* (Lahore), October 7, 2007, A5.

<sup>6</sup> S. Mudassir Ali Shah, "Getting bloodier and messier," *Dawn* (Islamabad), October 13, 2007, 7.

<sup>7</sup> Associated Press cited by Jason Straziuso, "US plans longer stay in Afghanistan as violence grows," *Daily Times* (Lahore) October 6, 2007, A5.

<sup>8</sup> As mentioned by Afghan Defence Ministry spokesman, General Mohammad Zahir Azmi, "Afghanistan in its bloodiest year", *Daily Times* (Lahore) December 3, 2007, A5.

engaged in fighting the Taliban forces in southern and eastern Afghanistan. Lately their role is getting blurred as NATO troops are also involved in performing the same functions. Besides, there are many “national caveats”, expressed by NATO member-states. However, the insurgency will take a long time to subside due to difficult and rugged terrain, cross-border tribal sympathies and support, rampant warlordism and menace of drugs.

As far as drugs are concerned, in 2007 there was a record harvest of opium. Tellingly, Afghanistan accounted for nearly 93 per cent of the world opium, with more cultivated land than that in the combined Latin American countries, viz., Colombia, Bolivia and Peru. ISAF has advocated spraying poppy fields with herbicide in the Taliban-held areas. However, the Afghan government has objected to this step for adverse effects on the local population.<sup>9</sup>

Many of US allies will be measuring the success of NATO in terms of US leadership. Any failure will affect the leadership role of the US. While the US and its allies have not fared well in Iraq, the task has been accomplished not too badly in Afghanistan, e.g., unlike Iraq, the ISAF mission in Afghanistan is UN-mandated. In Afghanistan, the fighting has not taken a sectarian hue like Iraq. Besides, the country’s northern and western regions are relatively free from violence while strong militancy remains localised in southern and eastern regions.

However, while the allies agree on the overall mission to stabilise, there are differences on the means to realise the objective. Also, donations for rebuilding Afghan economy are not forthcoming as expected. Besides, the allies’ description of the PRTs as the leading edge for controlling insurgency is beset with divergent approaches. Whereas some member nations have achieved some positive results, others are showcasing for participation in NATO. This includes some East European countries, now allied with the US in what is commonly called “New Europe.”

Admittedly, high expectations are attached to NATO’s performance. The new ex-Soviet republics, emerging from stranglehold of Communism lack experience, funds and adequate military forces to mount reconstruction efforts. These problems are compounded by President Hamid Karzai government’s ineptness, corruption and lack of resolve. To this could be added the aid fatigue of donor nations. Moreover, power-hungry warlords, thriving on drug trade, the resurgence of Taliban, and poor infrastructure in a war-shattered country act as impediments for meaningful development.

As a country, Afghanistan is like tribal confederalism, where the Afghan monarch once exercised only nominal authority from the centre. This system was rudely disturbed by the two military interventions (Soviet Union in

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<sup>9</sup> “US, Afghans meet on drug spray chemical,” *Daily Times* (Lahore), October 9, 2007, A5.

1979 and USA in 2001) and the intervening civil wars. It is not the level of insurgency, *per se*, but poor governance that is at the heart of the problem in Afghanistan. No wonder, President Hamid Karzai government finds it convenient to scapegoat immediate neighbours, particularly Pakistan and international community for lack of success in quelling Afghan insurgency.

Thus, the deployed ISAF forces in the country face a peculiar dilemma: if they root out the rampant drug trade, they lose sympathies of people who depend upon cultivation of poppy as a means to livelihood. On the other hand, should they not act effectively, war and violence would continue to be fuelled by the drug money. Also, fighting and reconstruction work cannot go simultaneously. A French official, with rich experience of Algerian War in the 1950s stated: "Breaking down insurgent's doors in the morning [makes] it difficult to build bridges in the afternoon."<sup>10</sup>

### **NATO: Regional Perspectives**

NATO's role is viewed with mixed motives by Afghanistan's neighbours. In principle, Afghanistan's immediate and not-so-immediate neighbours would not like to see a prolonged US presence in the region. Albeit, they would welcome phased withdrawal, yet not any precipitate exit from Afghanistan.

#### *Pakistan*

Pakistan, an immediate neighbour of Afghanistan, has mixed views about NATO-led ISAF and US-led troops. The Pakistani public thinks that the US and its NATO allies prop up the Karzai regime. Pakistan's troubled FATA regions and internal problems warrant US presence till the situation gets stabilised. However, US' occasional threats of cross-border intervention to use force against alleged "safe havens", raises concerns and resentment. There are accusations that Pakistan is following a dual policy of handing over certain Al-Qaeda personnel as a sop to the West, while turning a blind eye to the sympathetic Taliban. Lately, the entry of Al-Qaeda influence in the region has heightened these fears.

While Pakistan has handed over nearly 700 Al-Qaeda suspects, it has been accused of being "soft" on the Taliban. The US Under Secretary of State Nicholas Burns warned that the US will "not hesitate to use its own forces" to deal with Al-Qaeda elements "holed up" in Waziristan, if Pakistan could not do so.<sup>11</sup> Moreover, there were threatening statements from certain US

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<sup>10</sup> "Mission impossible?, Why Stabilising Afghanistan will be a stiff test for NATO," *Financial Times* (London), July 31, 2006, 9.

<sup>11</sup> Nicholas Burns, cited in "US concerns mount", *Daily Times* (Lahore), November 26, 2006, A6.

Democrat presidential candidates, such as Barak Obama of targeting “safe havens” in the FATA region.<sup>12</sup>

Pakistan government has reacted strongly to these remarks, as it has already deployed nearly 100,000 troops in the region, and nearly 1,000 of its soldiers have been killed in military operations. Moreover, it has established nearly 900 check posts and set up many crossing points along its mountainous border with Afghanistan.<sup>13</sup>

It seems that NATO and the US coalition forces may be in Afghanistan for a long haul. The Afghans, as a fiercely independent people, would like to manage their relations by themselves. It is pointless to believe that quantum of troops or pressures on Pakistan to “do more” will help solve the problem, unless major reconstruction and rebuilding of economy and institutions is given top priority. The former Governor of North West Frontier Province of Pakistan (NWFP) Lt. General (ret) Ali Muhammad Jan Aurakzai sometimes ago had warned that the Afghan War was turning into a war of resistance and added that even if 50,000 more troops were inducted to fight for 10 to 15 years the problem will not get resolved.<sup>14</sup>

### *Iran*

Iran, an immediate western neighbour of Afghanistan, was supportive of the US intervention against the 1979-Soviet Union invasion of Afghanistan and had hosted nearly two million Afghan refugees. The rise of Taliban with their gender and sectarian policies alienated sympathies of the Iranian regime. When the US decided to launch an invasion for the ouster of the Taliban regime, Iran tacitly welcomed it. Supportive of the Northern Alliance, especially after the latter’s coming into power, it has remained steadfast in its support of the Afghan regime. This was notwithstanding President Karzai regime’s close links and dependence on the US.

Today, Iran’s strategy remains rather ambivalent: while hardly desirous of any hasty US withdrawal from Afghanistan as it could mean collapse of the Karzai regime, Iran would prefer that the US remains engaged in Afghanistan and nearby Iraq to prevent intervention against Iran. Also, it provides diplomatic maneuvering space to Iran to improve leverage and bide time for the pursuit of its peaceful nuclear energy programme.

As western neighbour of Afghanistan, Iran felt relieved on the forced removal of unpopular regime in Afghanistan. The Taliban rule of 1996-2001 in

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<sup>12</sup> Ibid.

<sup>13</sup> “Pakistan sets up 900 posts to check infiltration: Pakistan embassy refutes Afghan charge,” *Daily Times* (Lahore), November 20, 2006, A3.

<sup>14</sup> Christine Lamb’s interview with Lt. Gen Ali Muhammad Jan Aurakzai in Aziz-ud-Din Ahmad, “Shock and awe policy in tribal areas,” *The Nation* (Islamabad), November 30, 2006, 6; Also see Ambassador (ret.) Tanvir Ahmad Khan, “Important Mission to Kabul,” *Dawn* (Islamabad), December 4, 2006, 7.

Afghanistan, was a dark period when many Shiites were killed. However, after the fall of Taliban regime in Afghanistan, the relations with Iran were normalised.

Iran's interest lies in eventual withdrawal of foreign forces but not their precipitous exit that would create a vacuum in the region. Should Taliban stage a comeback in Afghanistan, Iran may not hesitate to control Herat, the western region of Afghanistan, which has been historically under its influence.

#### *Russia*

Similarly, Russia would not like the Talibanisation of Afghanistan, albeit they would welcome US withdrawal or thinning out of its forces. In this regard, Afghanistan's neighbours such as Uzbekistan and Tajikistan would also disfavour any return to power of the Islamist Taliban. Russia, while willing to support NATO efforts through reconstruction and intelligence, is unwilling to contribute any troops. It is, however, willing to write off \$10 billion debt to Afghanistan during its military occupation.<sup>15</sup> According to its Defence Minister, Sergei Ivanov, Russia has "most vital, visceral interest"<sup>16</sup> in ISAF's success in the stabilisation of Afghanistan. This feeling springs from the bitter experience of Afghan invasion and entanglement in the country in the late 1970s through 1980s.

#### *India*

Ostensibly relieved at the ouster of the Taliban regime, India has opened a number of consulates in southern and eastern provinces of Afghanistan. It is also involved in some rebuilding activity and welfare projects. The strategy is to outdo Pakistan politically and try to win the "hearts and minds" of Afghan people on the dictum of "my enemy's enemy is my friend." The Northern Alliance government comprises many people who were either educated or had stayed in India during the Afghan civil war. The Indians think that the US must reinforce its troops to deal effectively with the resurgent Taliban menace. They also hold the view that any "deal" with Taliban would affect the credibility of NATO. In addition, they are apprehensive of the rising influence of Taliban in Pakistan's troubled tribal regions. Further, they are supportive of Pakistan's efforts, especially in handling the Lal Masjid episode of July 2007. However, the simmering trouble in Pakistan's tribal regions and Balochistan, is in line with Indian policy to keep Pakistan in trouble.

India is also a strategic ally of the US while Pakistan, as a major non-NATO ally, is often admonished for "not doing enough." While India would like Pakistan to remain militarily entangled on its troubled western borders, it does not wish to destabilise Pakistan. Because it would not only jeopardise

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<sup>15</sup> <http://www.cbc.ca/world/story/2007/02/09/Russia-afghanistan.html>.

<sup>16</sup> *Ibid.*



energy transportation plans from Iran and Turkmenistan, the contagion effect of Taliban/Al-Qaeda could affect India's own Muslim population which has thus far remained immune from these influences.

### *Turkey*

Once asked about NATO or any other institution's involvement in Afghanistan, the Turkish ambassador to India remarked: "You can leave Afghanistan but Afghanistan will not leave you."<sup>17</sup> Turkey's links with Afghanistan are historical as well as cultural. It has trained Afghan army and police and has provided finances for development and strengthening of Afghan political institutions. Turkey is concerned about the rise of suicide attacks and drug production in the last two years. It feels that NATO is a credible military alliance that must succeed in Afghanistan through cooperation of neighbours.

## **Perspectives of NATO-led ISAF**

### *Germany*

Afghanistan and Germany have had long historical ties during the two World Wars. Germany was one of the first countries to volunteer for command of ISAF forces. This is the first time that German troops were sent abroad after World War II. Presently, it has approximately 3,500 troops stationed in Afghanistan — its largest peacekeeping force since 9/11.

The German forces are mostly located in the northern province of Mazar-e-Sharif. German Chancellor Angela Merkel is keen for promoting stability in Afghanistan and has pledged a longer engagement for the NATO contingent. Also, the former German Defence Minister, Mr. Struck, had voiced "national caveats" for German forces from getting involved in active combat.

However, the Germans are prepared to take some combat role against drug traffickers, warlords and other armed groups in the vicinity of their PRTs. By refusing patrols and active combat role, they came under criticism from other NATO partners. This is also true of Danish and Polish forces, which are reluctant to undertake missions in the war-torn south. Although most of the Germans would like their troops back home soon, Chancellor Angela Merkel, despite domestic opposition, has pledged full support to the peacekeeping

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<sup>17</sup> Keynote address by Ambassador Halil Kakenci as cited in "SAPRA India Seminar: NATO in Afghanistan: Prognosis," [http://www.subcontinent.com.sapra/activities/afgaistan\\_nato\\_roundatable\\_20060923.html](http://www.subcontinent.com.sapra/activities/afgaistan_nato_roundatable_20060923.html).

mission in Afghanistan.<sup>18</sup> The Germans have undertaken training of some 17,000 Afghan national police but it is felt that a limited number of only 195 German trainers are not enough.<sup>19</sup>

*US, Britain and Canada*

Out of Afghanistan's 34 provinces, at least six troubled provinces in the south and east are experiencing violence. US, Britain and Canada share somewhat similar views on the role and functions of ISAF. All of them are actively involved in combat functions and are maintaining PRTs in the Afghan unstable political regions. Many British and Canadian forces in Phase 3 started arriving in Afghanistan in spring 2006 and worked under the command of OEF in fighting against the Taliban. On July 31, 2006, most of these forces were "re-badged" as NATO forces, serving ISAF's Phase 3 mission. The US had approximately 23,000 troops in OEF by late November 2006. It has cut down its troops by 3,000 with the number presently coming down to 20,000. The US officials believe that ISAF must undertake the lowest level of peacekeeping in combat operations against the Taliban forces and warlords.

The OEF's principal task was, and still remains, combating insurgency by Taliban and Al-Qaeda-led elements. The US administration thinks that the PRTs should be engaged with USAID in developing reconstruction and irrigation facilities in different regions by cooperating with local population. However, they hold the view that when these PRTs are handed over to NATO allies, the latter would be more constrained towards reconstruction.

A US general presently commands NATO forces. The US-led coalition operates beyond NATO structure, as they are engaged in major combat against Taliban and Al-Qaeda forces. The US forces do not keep account of civilian casualties and are not accountable to any international body. They heavily depend upon aerial strikes that result in high civilian casualties — commonly termed as "collateral damage".

Some US senators want the NATO allies to assume greater responsibility, especially in undertaking combat role.<sup>20</sup> Bagram is a major US air base to the north of Kabul and 13 more military bases have been established. Recently, the Pentagon is planning to increase its contingent by 3,200 Marines, and in the Bucharest NATO meeting urged the Europeans to take a greater burden of fighting.

Britain's views are generally in consonance with the US. The former has had historical experience of having fought three Afghan Wars. Currently,

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<sup>18</sup> "Afghanistan can count on German support: Merkel," *Daily Times* (Lahore), September 13, 2007, A5.

<sup>19</sup> Interview of NATO Secretary-General Jaap de Hoop Scheffer to *Spiegel Online*, reproduced in *Daily Times* (Lahore), September 13, 2007, A5.

<sup>20</sup> "US senators press NATO on Afghanistan," *Daily Times* (Lahore), July 1, 2007, A5.

Britain has 6,000 troops and their number would increase to 7,700 by the end of 2007.<sup>21</sup> Also, it has provided OEF component and combat aircraft support to both OEF and ISAF.

A significant number of British troops are stationed in the restive southern province of Helmand — home to poppy cultivation in Afghanistan. Hesitantly, they have assumed an aggressive role against Taliban activity, partly because most of the heroin production finds its way to the UK from this province.

While Britain is prepared to cut back its forces in Iraq, its commitment to Afghanistan is still firm. However, increasing doubts are being voiced by intellectuals like Correlli Barnett, a Cambridge historian, who thinks that Britain's involvement in Afghanistan suffers from "delusions of grandeur" which has led to "ludicrous over-commitment and is a case of overstretch."<sup>22</sup> Likewise Sir Richard Dannatt, the head of the British army, has complained of serious overstretch and morale problems.<sup>23</sup>

Under the minority conservative government, Canada's foreign policy is subservient to the US foreign policy. Today, Canadians are in Afghanistan as the British were in South Africa during the Boer War (1899-1902), when they maintained influence there.

By February 2009, Canada intends to increase its troops to 2,300. Generally supportive of peacekeeping functions, it is hesitant to commit troops to combat role over the long haul. Its main area of operations is the troubled province of Kandhar where Taliban activity has lately re-surfaced.

#### *Australia*

Australia has nearly 1000 troops in Uruzgan province and is engaged in fighting and controlling the drug menace. In 2003, it sent nearly 2,000 troops to Iraq to support the US-Britain coalition.

#### *Netherlands*

With a troop level of 1,650, Netherlands, has taken a nuanced position. Its forces are mostly concentrated in the southern province of Uruzgan — one of Afghanistan's most troubled regions, where Taliban resurgence has started since spring 2006. The Dutch parliament and public are divided as the public is generally reluctant to associate its forces with fighting. Abu Ghraib persecution scandal and Guantanamo prison torture are debated in the Dutch

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<sup>21</sup> "UK army undermanned," says General Dannatt," *Daily Times* (Lahore) November 19, 2007, A9.

<sup>22</sup> "Imprisoned behind UK action in Iraq, Afghanistan," *Daily Times* (Lahore), October 27, 2007, A9.

<sup>23</sup> "UK army undermanned," says General Dannatt , op. cit.

parliament. The Dutch wear olive and not camouflage uniforms and believe in greater cooperation from the US troops. Lately, they have provided four F-16s. Although participating in the two PRTs, their philosophy is different from the US. While the US prefers to undertake its own construction work, the Dutch provide funding to the Afghan government and make the Afghans responsible for governance.

The Dutch reticence is based on earlier negative experience of ill-defined missions. For example in 1995, the Serbian troops surrounded the UN-designated safe haven of Srebrenica in Bosnia and threatened to kill Dutch peacekeepers stationed there. When the Dutch were allowed to leave, Serbian forces massacred 8,000 Muslim men, thus bringing down the Dutch government.<sup>24</sup> There are chances that Dutch forces could be withdrawn in case of any major casualties in Afghanistan. However, the Dutch Centre-Left coalition has announced that it would extend the mandate of forces stationed in Afghanistan until 2010.<sup>25</sup>

### **NATO's Scorecard**

NATO's performance in Afghanistan is rather mixed. Under the cover of ISAF, Afghanistan has witnessed, however flawed, parliamentary and presidential elections for the first time in history. The Taliban are a "small minority," but are adept in exploiting poverty and poor governance which the Karzai government has been unable to tackle. As a result, the disenchantment against government is spreading fast into the wider Pushtun population.

Afghanistan's case, however, is different from the US-British performance in Iraq. In Afghanistan, the NATO contingent was sanctioned by the UNSC. Moreover, subsequent parliamentary elections, modest development in infrastructure, framing of Afghan Constitution, representation of women in *Loya Jirga* and some headway in educational and monetary reforms were steps in the right direction and a positive change from the Taliban period. Also, the NATO forces have been able to prevent, so far, any sectarian conflict.

On the negative side, lack of adequate troops and equipment, over-reliance on aerial bombardment, failure to control poppy cultivation, warlordism, poor governance, lack of coordination with Pakistan over joint operations, presence of sizable refugees in Pakistan, and disrespect of Pak-Afghan border at some places cumulatively pose major problems. The Taliban insurgency is restricted to the south, east and some central regions, and has not yet affected the relatively peaceful north. The foreign forces, including

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<sup>24</sup> Laura J. Winter, "Bigger role for NATO in Afghanistan?," *The Christian Science Monitor*, [www.csmonitor.com/2006/0131/p06s01-wose.html](http://www.csmonitor.com/2006/0131/p06s01-wose.html).

<sup>25</sup> "40 Taliban killed, 14 held in Afghanistan," *Daily Times* (Lahore) December 3, 2007, A6.

NATO are perceived as Christian-Judaic forces that are occupying Muslim land. It is feared that both NATO and US forces will stay there till the next decade or so.<sup>26</sup> This breeds resistance and resentment. It bodes ill for West Asia and the Middle East as a whole. Also, it affects future prospects for any plans to forge regional economic integration and transfer of energy through building oil or gas pipelines.

In the 1980s, the war against the Soviet occupation could not last beyond ten years. The law of inertia postulates that military occupation endures till foreign forces are physically evicted under strong domestic pressures.<sup>27</sup> The Soviet army was nearly 100,000-strong and operated alongside the then full-fledged Afghan national army but could not prove a match to stout Afghan resistance. The Soviets had to exit after loss of lives and major domestic changes in their country. Presently, a nominal Afghan national army, which is ill-equipped, ill-trained and poorly motivated, has been entrusted to fight motivated Taliban forces. Hence, there is excessive reliance on air power by the US, and to some extent, by NATO-led ISAF forces to compensate for limited troops and inability to sustain casualties of their forces.

### **Policy Guidelines for NATO-led ISAF**

Many suggestions are proffered here on how to make NATO mission and performance more effective in Afghanistan. There is a need for a holistic approach, combining a judicious mix of the military and non-military tools. The following aspects need attention:

1. *Limiting Civilian Casualties:* The US is trying to limit own casualties through heavy reliance on aerial bombing. Nearly 350-400 sophisticated precision munitions are dropped on average in a month in Afghanistan. Aerial strikes cause heavy civilian casualties which breed greater resentment against foreign forces.
2. *Afghan Troops to Assume Greater Responsibility:* Afghan troops should assume more responsibility in sharing combat role. Some 70,000 soldiers are going to be trained by 2010 but only 16,000 are ready for deployment.<sup>28</sup> There is a need to rethink

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<sup>26</sup> See Iqbal Khattak, "NATO staying on for 5 to 10 years in Afghanistan," *Daily Times* (Lahore), November 24, 2006, A4; also see Associated Press cited by Jason Straziuso, "US plans longer stay in Afghanistan as violence grows," *Daily Times* (Lahore), October 6, 2007, A5.

<sup>27</sup> Rodrigue Tremblay, "Why are Canada and NATO in Afghanistan?," *Dawn* (Islamabad), February 5, 2007.

<sup>28</sup> Interview of NATO Secretary-General Jaap de Hoop Scheffer to *Spiegel Online* as reproduced in *Daily Times* (Lahore), September 13, 2007, A5.

- policies relating to searches and detention of people, which only antagonise the public against US/ NATO troops.
3. *Status of Forces Agreement*: There is a need for an agreement on “Status of Forces Agreement” with Afghanistan and not as an occupying force.
  4. *Setting up of NATO Relief Fund*: NATO relief fund should be established to compensate the killed, maimed and affected people.
  5. *Fast-Track Economic Development*: Emphasis on full-scale economic development and not reliance on NATO is the solution. The latter can only provide some breathing space for stabilisation till Afghan institutions get established. The war on terror might last for thirty years or so, projects the Oxford Research Group.<sup>29</sup> Jane’s data of last 91 insurgencies since World War II says that popular support to indigenous government is critical to success against insurgencies. But mal-administration and corruption cause erosion of popular support for Afghan national government. Perhaps a mini-Marshall Plan costing \$20 billion or so could help prop the war-shattered economy.
  6. *Greater Coordination*: There is a need for better coordination between NATO and US forces. The latter are engaged in fighting the Taliban in south and eastern Afghanistan. However, their functions often get blurred, as lately, NATO troops are also getting involved in similar role. NATO should adopt inter-operable communication systems, address troop deficiency, apportion proportional funding and foster greater coordination amongst the US, NATO, Afghan and Pakistani forces.
  7. *Enlargement of NATO*: If Afghanistan has to be stabilised early enough, NATO enlargement must include other alliance-friendly members. These issues were discussed in NATO summit in Riga, Latvia, on November 28-29, 2006 by President Bush.
  8. *Extension of Troop Rotation Period*: Instead of six month rotation of troops, the tenure should be increased to a minimum of two years for better acclimatisation and performance.
  9. *Reconstruction and Rehabilitation*: Greater emphasis should be placed on reconstruction/rehabilitation and rejuvenation of economy. Building of infrastructure such as roads, dams, powerhouses, schools, medical hospitals, dispensaries, light

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<sup>29</sup> “Terror war could last 30 years,” *Daily Times* (Lahore) November 23, 2006, A12.

- industries and other facilities will not only enforce the writ of the state, but also promote forces of market economy and goodwill.
10. *Winning of "Hearts and Minds"*: There is a need to win the "hearts and minds" of the local Afghans through co-opting liberal, secular and moderate Pushtuns. Communication infrastructure and establishing good governance would contribute to nation-building. Building up of the armed forces, police, courts, judiciary and administrative structures are crucial to take over functions of NATO as early as possible. "The center of gravity should not be Al-Qaeda or Taliban alone but the Afghan people," says Afghan scholar, Hekmat Karzai.<sup>30</sup> Albeit, America has set aside \$15 billion to help rebuild Afghanistan, the pledges have yet to be translated into concrete actions.<sup>31</sup>
  11. *Return of Refugees*: Refugees and displaced people are other important issues to be tackled. While refugees need to be sent back to Afghanistan, any sudden expulsion from Pakistan is not the solution.
  12. *Curbing Poppy Cultivation*: If poppy cultivation cannot be eliminated overnight, at least, some thought should be given to give permission to some international pharmaceutical companies to buy poppy directly from Afghan farmers.<sup>32</sup>
  13. *Addressing National Caveats*: The "national caveats" of some NATO member states are placing restrictions in undertaking the required type of operations, regional deployments and functions. These must be narrowed to forge greater and tighter coordination. In addition the US forces, the British are doing most of fighting with a sizable presence in Helmand, the Dutch are present in Uruzgan and the Canadians are active in Kandhar province. Other nations are fielding smaller contingents and are hesitant to take up combat roles.
  14. *NATO and Non-NATO Cooperation*: There is a need for greater cooperation of non-NATO countries to enlarge and strengthen commitment to Afghan forces.
  15. *Setting up of a High Level Coordinator*: A top civilian coordinator with full powers to coordinate and unify international approaches in Afghanistan is needed, opines Lord Paddy

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<sup>30</sup> Former Director of Centre for Conflict and Peace Studies, Kabul, as cited in B.E. Cole and Jorge Aquilar, "Five years after the fall of the Taliban," *Dawn* (Islamabad), November 21, 2006.

<sup>31</sup> *Dawn* (Islamabad), August 3, 2007, 15.

<sup>32</sup> Jonathan Power, "Thinking the unthinkable," *Daily Times* (Lahore), February 2, 2007, A7.

- Ashdown.<sup>33</sup> The peacekeeping forces need to avoid overlapping and duplication of functions.
16. *Model Development Zones*: The warlords, flushed with drug money, are buying weapons with impunity to fight the Afghan forces. Based on this, a writer has lamented that it might take at least 20 years for the Afghans to establish an army of a standard corresponding to Bangladesh.<sup>34</sup> Hence, induction of more troops to fight is not the ultimate remedy but greater focus on setting up of development zones to act as models in needed.
  17. *Cooption of Moderate Taliban/Pushtuns*: Another way to win “hearts and minds” of Afghan people is by co-opting moderate Pushtun elements. Liberal, secular and moderate Pushtuns are different from the Islamist Taliban.
  18. *Return of Afghan Refugees*: Sending back Afghan refugees and inviting back the Afghan Diaspora are important for economic rehabilitation of the country. While refugees need to be repatriated from Pakistan, where they constitute a sizable 2.6 million, their sudden expulsion is not advisable as it may further burden the Afghan government.
  19. *Avoiding the “New Great Game”*: The harsh reality of Afghanistan, already riven with linguistic, ethnic, provincial, religious and ideological cleavages, cannot be ignored. These fissures have been exacerbated over the years. Ideally, if normalcy is to come, foreign occupation must gradually end. Moreover, regional countries involved in the “New Great Game” must avoid interfering in the internal affairs of that country. Iran, Pakistan, India, Central Asian republics and Al-Qaeda elements, duly supported by certain Arab Gulf States are cases in point. Nevertheless, realpolitik dictates that this is conveniently espoused than followed.

### **Future of NATO-led ISAF**

Insurgency in Afghanistan might last for the foreseeable future as NATO and partner nations are unlikely to significantly enhance troop levels. In the first four years after the major conflict ended, Kosovo received \$1.6 billion in international aid for a population of just below two million, in the four years,

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<sup>33</sup> Former UN high representative and EU special representative for Bosnia-Herzegovina in Darren Ennis, “West won’t win Afghan war: former UN envoy,” *Dawn* (Islamabad), October 19, 2007, 14.

<sup>34</sup> *Ibid.*



after the Taliban's ouster Afghanistan's 29 million people, while pledged with \$15 billion received only \$4.7 billion.<sup>35</sup>

Some observers feel that it would need at least eight to ten years for Afghan stabilisation. Should NATO forces leave prematurely, Afghanistan would face cross-border interventions from neighbours and pressures from emboldened Al-Qaeda/Taliban elements.

There is urgent need to build the Afghan army, police and judiciary. A national army could be preventive against threats or interference from regional countries and transnational groups such as Al-Qaeda. When national armies disintegrate, civil wars break out as they did in Lebanon, Iraq and Sudan.

Future challenges to NATO emanate from terrorism, spread of nuclear weapons and energy issues. From a static military alliance, it is contemplating to build a NATO Response Force (NRF) of 20,000, capable of intervention on five day's notice. Its functions have spilled into humanitarian peacekeeping and post-conflict nation-building. Many countries, such as India, Japan and Brazil, act as potential global partners of NATO (with non-military functions), while Pakistan and Bahrain are already designated as "major non-NATO allies."

Majority of Afghans, unlike the Iraqis would prefer NATO troops to stay in Afghanistan till completion of mission, albeit prefer a time-frame for eventual phased withdrawal. This could be equally said of Iran, Pakistan, and the CARs. In addition, Russia and China would not like a "cut-and-run policy" that creates a vacuum and strongly sucks in Taliban/Al-Qaeda elements.

Overall, it is felt that the problems accumulated over a long period of nearly three decades in Afghanistan cannot be resolved easily and in the near future. Lately the US has promised reinforcement of more troops.

## Conclusion

NATO forces' heavy reliance on air power to "get rid of Taliban as quickly as possible," observed Ahmad Rashid, has resulted in dropping of 350-400 bombs a month. Most of these are sophisticated precision munitions, killing about 600 civilians so far in 2007.<sup>36</sup>

Both NATO's top operational commander, US General John Craddock and President George Bush have exhorted the NATO Secretary-General Jaap de Hoop Scheffer to minimise civilian casualties in Afghanistan. While the US-led coalition is fighting anti-terrorism, ISAF is adhering to a peacekeeping mandate; however, the line often gets blurred in view of mounting insurgency.

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<sup>35</sup> Laura J. Winter, "Bigger role for NATO in Afghanistan?", *The Christian Science Monitor*, <http://www.csmonitor.com/2006/0131/p06s01-wose.html>.

<sup>36</sup> Ibid.

It is in this context that the NATO Secretary-General pointed out that NATO is "... a political and military alliance [and] not a development and aid organization."<sup>37</sup> At best, he adds, it can offer only a "supporting role" while it remains the primary responsibility of the Afghan government to fight corruption and deal with poppy cultivation.<sup>38</sup>

The Dutch, Canadians and Australians are doing the hard part of fighting within the ISAF and, as a consequence, bearing the brunt of casualties. Unfortunately, the Muslim nations' contribution in stabilising Afghanistan through economic and military assistance remains minimal and perfunctory.

As the fifth poorest country in the world, Afghanistan is a traumatised nation. This state has come about after having suffered bouts of foreign interventions and decades of civil war. The country's recovery towards normalcy and ultimate peace will, therefore, require fortitude, political innovation, and international cooperation. Afghanistan might take a long time to attain normalcy. In order to maintain minimal law and order and ensure non-disruptive elections, it needs to field a sizable trained army and police. It is mandatory upon the international community to keep up its promises to assist NATO forces in bringing peace to Afghanistan instead of leaving it in lurch as it did after the Soviet withdrawal.<sup>39</sup> ■

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<sup>37</sup> Ibid.

<sup>38</sup> Ibid.

<sup>39</sup> See Tom Koenigs' UN Special Representative of Afghanistan's interview to *Spiegel Online*, in "Afghanistan needs more Western troops," *Daily Times*, 2 August 2007, A8.

## PAKISTAN-INDIA TRADE: ROUTE TO INTRA-REGIONAL AND INTER-REGIONAL CONNECTIVITY

Dr Rashid Ahmad Khan\*

### Abstract

*At the last (14<sup>th</sup>) SAARC Summit held in New Delhi in April 2007, the Heads of State/Government of eight South Asian countries called for broadening connectivity among the SAARC countries through promoting cultural exchanges, people to people contacts, building social and physical infrastructure and enhancing the level of economic cooperation and intra-regional trade. This paper underlines the importance of intra-regional trade as a key instrument for promoting connectivity among the SAARC countries and argues that expansion of bilateral trade between Pakistan and India and provision of transit facilities will lead to broader connectivity among the SAARC countries. The paper further argues that the resolution of political disputes between Pakistan and India is not only imperative for realizing the goal of open and free trade between the two countries, it would also open the way to broader connectivity among the SAARC countries.*

### Introduction

The role of trade in regional integration can hardly be overestimated. Intra-regional trade holds the key to the success of any regional cooperative effort. The European Union (EU) and the Association of Southeast Asian Nations (ASEAN), are two outstanding examples of achieving regional cooperation through the promotion of intra-regional trade. In these two regions, development of regional cooperation has witnessed a steady growth of intra-regional trade. Unfortunately, in South Asian region, the reverse has happened. In 1948, intra-regional trade was 34 per cent; but it has dwindled to 6 per cent in 2007. This contrasts sharply with intra-regional trade in EU (almost 60 per cent) and ASEAN (about 20 per cent).<sup>1</sup> Despite the fact that it has been more than two decades since SAARC was setup in 1985, trade among the member countries has remained dismally low. The failure to promote trade among the South Asian countries is the principal reason behind a very fragile regional cooperative framework under SAARC, which also includes Afghanistan. The low level of intra-regional trade in South Asia is

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<sup>1</sup> "Regional Business Development in ASEAN: AFTA,"

<http://www.aseansec.org/10331.htm>.

largely due to the restricted flow of goods and services between the two strongest economies of the region, namely Pakistan and India. The trade between these two countries is carried on the basis of positive list, which, though considerably expanded over the last one decade, does not fully reflect the true potential of their bilateral trade. In 1995, there were only 325 items, which Pakistani traders were allowed to import from India; in 2004, the number grew to 687; and in 2006, the Government of Pakistan increased the number to 1075.<sup>2</sup> Khurshid Mahmood Kasuri, the former foreign minister of Pakistan claimed that Pakistan had reduced tariffs on 90 per cent of Indian exports to Pakistan leading to their increase by 200-400 per cent in the last two years.<sup>3</sup> India, however, insists on free flow of trade and removal of obstructions. Commenting on Pakistan's decision to increase the number of importable items from India, Indian Foreign Minister Pranab Mukherjee said, "I am not interested in the number of items. I am interested in seeing the obstructions, which are there, are removed and there should be free flow of trade."<sup>4</sup> Despite the differences over open and free trade, Pakistan and India seem determined to increase the volume of bilateral trade. In the meeting on trade and economic cooperation, held in August last year in Islamabad, Pakistan and India vowed to boost bilateral trade by ten-fold (from the existing level of slightly above \$ 1 billion) to \$10 billion in the next three years. But the issues of MFN status, trade imbalance and non-tariff barriers, which continuously obstruct the exploitation of actual trade potential between the two countries, remains unresolved.<sup>5</sup>

This paper argues that despite Pakistan's refusal to open trade with, and accord MFN status to India, the two countries are heading inexorably towards greater exchange of goods and services, under emerging geo-strategic and geo-economic imperatives. The ongoing peace process between Pakistan and India, implementation of South Asia Free Trade Area (SAFTA) agreement, globalisation and World Trade Organization (WTO), extension of SAARC membership to Afghanistan and growing desire of Pakistan to function as an energy and trade corridor between South Asia and West Asia have created their own dynamics. These dynamics are propelling Pakistan and India towards greater interaction in a number of areas, including trade. The paper further contends that an increase in the volume of bilateral trade between Pakistan and India is the most essential pre-requisite for broadening intra-regional and inter regional connectivity. If trade between Pakistan and

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<sup>2</sup> For Indo-Pak trade figures from 1948-1993, see Rashid Ahmad Khan, "Pakistan-India Trade Relations: Problems and Prospects," *Regional Studies*, vol. XIII, no. 1, 1995, Institute of Regional Studies, Islamabad.

<sup>3</sup> *Dawn* (Islamabad), August 3, 2006.

<sup>4</sup> *Dawn* (Islamabad), November 8, 2006.

<sup>5</sup> *The News* (Lahore), August 5, 2007, <http://www.thenews.com/pk/print1.asp?id=67066>.

India remains restricted, SAFTA will remain meaningless.<sup>6</sup> If formal trade is not allowed between Pakistan and India, there will be no incentive for the development of transit and transport infrastructure connecting Central Asia and West Asia with South Asia. The failure to remove differences between Pakistan and India on the issue of bilateral trade, will adversely affect the prospects of evolving South Asia into an economic union. The promotion of intra-regional and inter-regional connectivity under SAARC is, therefore, closely linked with Pakistan-India trade. The two countries are conscious of it, and are, for this reason, endeavouring to overcome differences over the issue of bilateral trade and economic cooperation under the composite dialogue process initiated in early 2004. Although Pakistan still maintains that trade between the two countries is linked to the resolution of Kashmir dispute, the talks on trade and commercial relations have yielded positive results. There are strong possibilities that even without Pakistan according MFN status to India, the volume of bilateral trade will register an appreciable increase under the impact of emerging geo-strategic imperatives.

But before we discuss the impact of these developments on the prospects of bilateral trade between Pakistan and India, it would be useful to begin with a brief description of the respective stances of the two countries on the issue of free trade between them.

The issue of open and formal trade is one of the most contentious issues between Pakistan and India. Despite recent increase in the volume of bilateral trade and the pledges to boost it further, the approaches of the two countries to the issue remain sharply divergent. India asserts that Pakistan's refusal to grant MFN status to India is a discriminatory act, a violation of obligations under WTO and a negation of commitments under South Asia Free Trade Area (SAFTA) agreement. India has also asked Pakistan to allow trade between the two countries through land routes, especially Wagah and transit trade facility to export goods to Afghanistan, which was admitted into SAARC as member a year ago. Pakistan has, however, rejected Indian request on the ground that "option does not suit it at this point of time."<sup>7</sup>

Pakistan recognises the benefits the trade with India could bring to its industry and economy. In a statement following the decision in January 2004 by Pakistan and India to resume composite dialogue process, Humayun Akhtar Khan, former federal minister for commerce said that Pakistan was ready to discuss with India not only the issue of bilateral trade but also that of MFN status, as Pakistan's economy and industry would gain benefits under SAFTA in some sectors.<sup>8</sup> In a study, *Implications of liberalizing trade and investment*

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<sup>6</sup> Muchkund Dubey, "SAARC and South Asian Economic Cooperation," *Economic and Political Weekly*, April 7, 2007, 1238.

<sup>7</sup> *The Hindu*, November 27, 2006, quoting Pakistani press reports.

<sup>8</sup> *The Nation* (Lahore), January 8, 2004.

with India, conducted in 2006, the State Bank of Pakistan (SBP) also underlined the social and economic benefits that would accrue to Pakistan through liberalising trade with India. Trade liberalisation, the study asserted, will benefit consumers, particularly in Pakistan, increase custom revenue and push out smugglers and trade mafia involved in what is being called circular trade through Dubai, Singapore and Afghanistan.<sup>9</sup> Independent scholars have also stressed the potential and the benefits of free trade between Pakistan and India. “Pakistan-India trade, unconstrained and on the basis of MFN status, holds great potential. Trade can also bring peace in the region as deep animosities between states can be overcome by trade, which produces a dynamic of interdependence between the people and owners of productive systems.”<sup>10</sup> Another scholar has remarked that “the route towards better relations between India and Pakistan is open trade between the two countries.”<sup>11</sup>

Despite these arguments in support of liberalised trade with India, Pakistan is still reluctant to accept the Indian demand for trade on the basis of negative list and grant of MFN status. Successive governments in Pakistan have held the view that open and free trade with India is out of question until the political disputes, especially the dispute over Kashmir, are resolved. In addition to the resolution of political disputes, Pakistan also links the opening of trade with India with the provision of level playing ground, implying the removal of non-tariff barriers by India. Pakistan, said the former prime minister Shaukat Aziz, was willing to open up trade links with India, but it desired the resolution of disputes, especially the issue of Kashmir, which should go in tandem with the ongoing process of normalisation in other spheres. Adding further, he said: “We need to find a level playing field when it comes to bilateral trade between the two countries.”<sup>12</sup>

Similar is the stand on the issue of transit trade facility demanded by India to export goods to Afghanistan. Pakistan’s official position on this issue is that transit trade facility for India to send goods to Afghanistan can be considered “if there is definitive positive movement towards the resolution of disputes between Pakistan and India, that would make it possible for the government (of Pakistan) to prepare public opinion” (in favour of decision to grant India transit trade facility through land). Till then, Pakistan maintains, India was welcome to avail transit trade facility through the port of Karachi.<sup>13</sup>

<sup>9</sup> *Dawn* (Islamabad), January 25, 2006, <http://www.dawn.com/2006/01/25/ebrl.htm>.

<sup>10</sup> Shahid Javed Burki, “Pakistan, India and Regional Cooperation,” in ed. Imtiaz Alam, *Trade, Tariffs and Customs in South Asia-SAPANA South Asian Studies*, vol. II, (Lahore: South Asian Policy Analysis Network (SAPANA), 2006), 187.

<sup>11</sup> S. Akbar Zaidi, “India-Pakistan Trade,” in ed. Imtiaz Alam, *Ibid.* 206.

<sup>12</sup> *Dawn* (Islamabad), May 2, 2006 (talk with a delegation of South Asia Free Media Association in Islamabad).

<sup>13</sup> *Dawn* (Islamabad), January 1, 2007.

Thus, instead of agreeing to open trade with India on the basis of negative list, Islamabad has adopted a stepwise approach in the expansion of bilateral trade, through increasing the number of importable items from India. The SBP study had suggested to gradually increasing the list of importable items from India in response to Indian offer for more access to Pakistani exports.<sup>14</sup> Under this approach, Pakistan has considerably increased the number of tradable items from India to include industrial raw materials and machinery, which are being imported from rest of the world at higher cost. At the same time Pakistan is demanding an end to non-tariff barriers on Pakistani exports to India.

### **Pakistan-India Trade**

A close look at the pattern of Pakistan-India bilateral trade during the last decade, especially in the last four years, would show that the two countries have considerably moved away from their previously held rigid positions on bilateral trade and are willing to take measures to promote it. As Table I (Pakistan-India Bilateral Trade During 1995-2007) shows, there has been gradual increase in the volume of trade between the two countries. According to the figures provided by International Monetary Fund (IMF), the volume of two-way trade between Pakistan and India in 1995 amounted to US\$ 120 million only. In the year 2000, it went up to US\$ 236 million; and in 2005, it touched US\$ 700.5 million. In 2006, the two countries traded goods worth US\$ 1130.5 million. The Table also shows that although there has been increase in the volume of bilateral trade between Pakistan and India, the balance of trade has always been in favour of the latter. For example, in 1995, Pakistan imported from India goods worth US\$ 81 million, but its exports to India were only US\$ 39 million. In the year 2000, Pakistan imported from India goods worth US\$ 178 million; but could export to India goods worth only US\$ 58 million. In the year 2005, Pakistani exports to India stood at \$180.2 million against US\$ 520.3 million worth of imports from India. In 2006, the goods imported from India by Pakistan were valued at US\$ 713.6 million; whereas Pakistani exports to India amounted to US\$ 416.9 million. (See Table I). The Pakistani side complains that in the area of trade, India is not providing a level playing ground, and Pakistani imports are subjected to unfair, discriminatory and undercover practices at the Indian entry points. This has led to the unfavourable balance of trade for Pakistan.

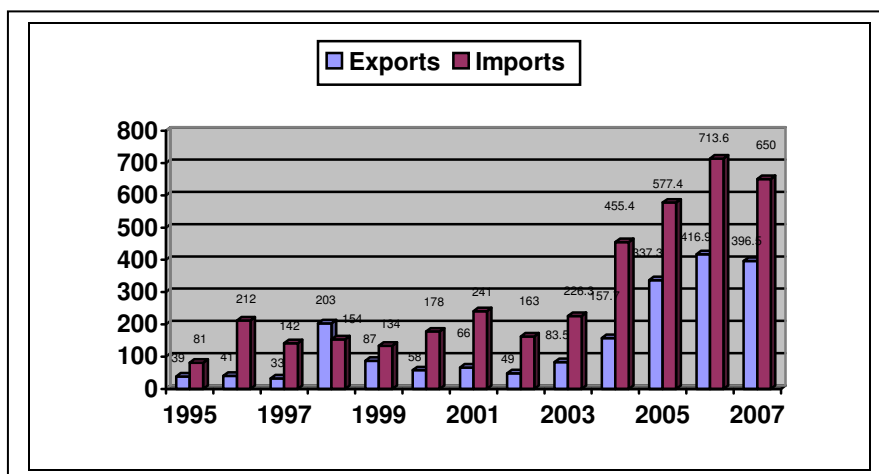
The obstacles in the way of trade growth between Pakistan and India are, therefore, not only political and strategic, they also relate to certain trade practices by India, which Pakistan alleges are unfair and protectionist. According to Pakistani official and business circles, India has enforced certain

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<sup>14</sup> *Dawn* (Lahore), <http://www.dawn.com/2006/01/25/ebri.htm>.

**Table-I**  
**Pakistan's Trade with India (1995-2007)**

(in million US\$)



Source; IMF: *Direction of Trade Statistics* (Various Issues).

N. B. Data for 2007 contains first three quarters.



tariff and non-tariff barriers and import-restriction practices that impede the flow of goods from Pakistan into India.

After examining the current status and the respective positions of Pakistan and India on bilateral trade, it would now be argued in the following part of the paper that a decision by Pakistan on MFN status for India, and trade, on the basis of negative list, may take some time due to the non-resolution of political disputes, especially Kashmir; but there are strong possibilities under emerging geo-political and geo-economic imperatives, of increased border trade between the two countries, including the transit trade facility for India to transport goods to Afghanistan through land route. In the following part of the paper, we would discuss these imperatives and their likely impact on bilateral trade between Pakistan and India.

### **Composite Dialogue Process**

Trade and economic cooperation constitutes one of the eight areas of the Composite Dialogue Process in which Pakistan and India are engaged for the last four years. Till October last, four rounds of the bilateral talks at various levels, including the foreign secretary level, have been completed. Although no major breakthrough has been achieved on political disputes, significant progress has been made in the areas of communication links and people to people contacts. There are now five bus, one truck and two railway services that operate between Pakistan and India, besides the air links. One more, truck service between Rawalakot and Poonch in Kashmir and another bus route between two Punjab through Head Sulaimanki in Pakistani Punjab, are being planned. These links have facilitated people-to-people contacts between the two countries. As President Pervez Musharraf has recently said, never in history so many Pakistanis have gone to India or so many Indians have come to Pakistan. The process has contributed to the reduction of trust deficit between Pakistan and India, creating an environment conducive to taking up more complex, difficult and sensitive issues like the issue of trade, and Jammu and Kashmir. Pakistan-India peace process has made a major contribution to the manifold growth of bilateral trade between the two countries during the last three years. As the two countries consolidate the gains already secured from the peace process, plans are being put in place for greater movement of goods across the international boundary between Pakistan and India and Line of Control (LoC) between two parts of Kashmir. In accordance with the decision reached in bilateral talks held in July last year, Pakistan and India allowed trucks across Wagah up to the designated points for loading and unloading of cargo.

With the induction of new political dispensation in Pakistan following February 2008 elections, prospects for just and durable peace, including open trade between Pakistan and India have increased. This is testified by the very

encouraging statements from the leaders of two major components of coalition government, namely Pakistan Peoples Party Parliamentarians (PPPP) and Pakistan Muslim League-Nawaz (PML-N). Asif Ali Zardari, Co-Chairperson of PPP, in an interview with an Indian newspaper, advocated free trade with India without waiting for the final settlement of dispute over Jammu and Kashmir. Trade with India, he had said, should not be allowed to become hostage to Kashmir. He also supported the ongoing peace process and said efforts for complete normalisation between Pakistan and India should be accelerated. The statement by Zardari, actually reflects PPP's position on foreign policy, outlined in party's manifesto, for election-2008. In section dealing with foreign policy, the manifesto, prepared under the guidance of slain PPP leader Benazir Bhutto, commits the party towards pursuing the composite dialogue process and says that the party "would not allow lack of progress on one agenda to impede progress on the other." Referring to recent improvement in relations between India and China, especially phenomenal increase in the bilateral trade between the two countries, despite the persistence of dispute over border, the manifesto says that "when elected to power, the PPP intends to tackle the social and economic malaise infecting the region by promoting an Asian Common Market that can attract investment, create jobs, build peace and trade through all of South Asia."<sup>15</sup> This statement clearly shows that the PPP-led government in Pakistan intends to (a) vigorously pursue the ongoing peace process and composite dialogue with India, and (b) while doing so, wants to de-link the issue of bilateral trade from Kashmir because that is the only way towards realising the vision of Asian Common Market. Under the new regime, we may see Pakistan and India engaged in serious efforts to remove differences impeding the implementation of SAFTA, including the differences over MFN status, open trade and transit facilities.

PML-N has not committed itself to putting the Kashmir issue aside and opening free and official trade with India. But its leader and twice prime minister of Pakistan, Mian Mohammad Nawaz Sharif, is credited with taking the first major peace initiative with India by receiving former prime minister Atal Bihari Vajpayee in Lahore in February 1999 on his historic journey by Lahore-Delhi-Lahore bus service. The two leaders, after their meeting, issued a statement, known as Lahore Declaration that spelt out their intent to build confidence between the two countries and settle all outstanding bilateral disputes, including the dispute over Jammu and Kashmir peacefully and through dialogue. Sharif is known to be keen for normalising relations with India, by promoting economic and business links and people to people contacts. In a recent statement, he has suggested unilateral abolition by Pakistan of visa restrictions on the Indian visitors. His party, as a major

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<sup>15</sup> The Manifesto of Pakistan People's Party for Election 2008.

coalition partner, is likely to support new government's policy of accelerating the pace of peace process with India. There are, therefore, greater chances for the ongoing peace process with India to move with faster pace as it will be receiving bi-partisan support in Pakistan. If peace process moves forward, there will be progress on the issue of trade. Both will reinforce each other as trade is recognised as the most important CBM between the two countries.

### **SAFTA**

In view of the fact that the quantum of informal trade among SAARC countries has been much higher than the formal trade, the member countries made a number of efforts to control the informal trade. Normally, there are two strategies that the countries employ to exercise this control. One is through effectively patrolling the porous borders and establishing the check posts. Through this mechanism, the flow of goods is monitored between the countries having common borders. The other is related to economic measures such as reducing tariff rates and transactional costs at customs stations to make the informal trade enviable for the trading parties. The market forces of demand and supply determine the quantum of informal trade and margin of profit is the key factor in the determination of two alternatives i.e. whether to trade in goods in a legal way or to smuggle them informally.<sup>16</sup>

Since, despite stringent measures, informal trade or smuggling of goods between countries like Pakistan, India, Bangladesh and Nepal (now include Afghanistan also), has not been checked by the state enforcement agencies of these countries, it was thought that a low tariff regime and free flow of goods and services between these countries would bring informal trade into the fold of a legal and formal framework for trade and exchange of goods. The first attempt made by the SAARC members to realise this objective was SAPTA, which became operational in 1995. The tariff reduction regime under SAPTA covered two categories of SAARC member states: Least Developed Countries (LDCs) and Non-Least Developed Countries (Non-LDCs). The LDCs included Bangladesh, Bhutan, Maldives and Nepal; where as Non-LDCs comprised Pakistan, India and Sri Lanka. Despite tariff reduction under SAPTA, intra-regional trade in South Asia did not register any noticeable growth in terms of total world trade. For example, in 1995 when SAPTA was put into operation, the total intra-regional trade in the SAARC region was US\$ 4265 million, which was only 3.91 per cent of the total world trade. In the year 2000, intra-SAARC trade stood at US\$ 5311 million — 3.87 per cent of world's total. In 2005, a year before operationalisation of SAFTA, the intra-

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<sup>16</sup> Jamil Nasir, *SAFTA: Potential, Prospects and Limitations*, (Lahore: The Lahore Chamber of Commerce and Industry, 2007), 55.

regional trade in the SAARC region rose to US\$ 14115 million; but again, it was only 4.85 per cent of the total world trade.<sup>17</sup>

Realising that the countries of South Asia needed another framework under which trade could be further liberalised, SAFTA was launched from July 1, 2006. The primary objective of the Agreement, according to Article 3, is to promote and enhance mutual trade and economic cooperation among SAARC countries. To achieve this objective, the agreement proposes various measures for the member countries to follow. One of them is to eliminate trade barriers and facilitate cross-border movement of goods between the territories of the member states. Thus, as member countries, Pakistan and India are under obligation within the framework of SAFTA, to allow free movement of goods between them through elimination of tariffs, para-tariffs and non-tariff barriers on the cross-border movement of goods.

The implementation of SAFTA led to Pakistan's action in 2006 to increase the positive list of tradable products from 773 to 1075 items. According to a study, these can double Pakistan's formal trade with India from \$1 billion to \$2 billion. If Pakistan and India agree to a closer economic cooperation, the volume of bilateral trade between the two countries could quadruple.<sup>18</sup> The non-tariff barriers are an obstacle not only in the way of bilateral trade between Pakistan and India; they also seriously obstruct the growth of trade among the SAARC countries. This fact was admitted by the Indian Minister of State for Commerce, Jai Ram Ramesh recently.<sup>19</sup> Under the Composite Dialogue Process, the two countries have agreed to address this problem. It is hoped that the removal of non-tariff barriers and other obstructions would lead to growth of Pakistani exports to India. It will be an important incentive for Pakistan to soften its attitude on the MFN issue and allowing free trade and transit facility to India.

### **Afghanistan as SAARC Member**

The inclusion of Afghanistan as the eighth member of SAARC has created an important imperative for trade facilitation between Pakistan and India. Afghanistan has historic political, economic and cultural links with South Asia. As member of SAARC, Afghanistan becomes automatically entitled to the benefits under SAFTA. Since the country has the lowest per capita income among the members of the regional grouping, it would be classified as LDC and become eligible for the longer implementation period and special and

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<sup>17</sup> Ibid., 60.

<sup>18</sup> Study by Pradeep Mehta and Huma Fakhar reported by *Dawn* (Islamabad), December 8, 2006.

<sup>19</sup> *Dawn* (Lahore), January 24, 2008.

differential treatment.<sup>20</sup> The membership of SAARC has opened up new opportunities for Afghan products to reach hitherto untapped markets in Bangladesh, Nepal and Sri Lanka. The main destination for Afghan exports in the SAARC region, however, would remain Pakistan and India. During the last four years, bilateral trade between Pakistan and Afghanistan, has grown from a few million rupees to over one billion US dollars. There is a big potential for Afghanistan's trade to grow with the countries of South Asia, especially Pakistan and India. Bilateral trade between Pakistan and Afghanistan, continues to grow, but the big problem in trade between Afghanistan and India is the non-availability of transit-trade facility across Pakistan. Pakistan has so far refused to accept the Indian demand for transit trade facility, linking it with the progress on resolution of political disputes between the two countries. Given the lack of progress on the resolution of political disputes, especially over Kashmir, despite four years of uninterrupted Pak-India talks under the ongoing peace process, the grant of transit trade facility by Pakistan to India is unlikely, at least in the short term. But if SAFTA is to be made beneficial for the member states through the reduction of tariffs, there will have to be some mechanism for solving the problems related to transit trade facilities. In case any such agreed mechanism is put in place under SAFTA, it would inevitably involve the modernisation and building of transport infrastructure and greater facilitation of border trade between Pakistan and India.

### **Globalisation**

A fundamental transformation is taking place in relations among nations, especially economic relations under globalisation. The process of globalisation has forced a change in the mind-set of nations. The focus of countries has shifted from military security to human security, which means provision of better education, improved health facilities, decent living, basic necessities, ensuring food and water security to the citizens. These objectives cannot be achieved unless there is greater investment in building social infrastructure. In order to be able to do so, the countries of the world are basing their external policies on mutually beneficial cooperative relationships in trade and commerce.

South Asian region is no exception. The most prominent example before us is the phenomenal growth in trade between India and China, during the last about four years. The process of globalisation and WTO has made such changes compulsive. The growth of bilateral trade between Pakistan and India is also, to a great extent, the result of this process, which has now become universal and irresistible. The policy of raising high walls of tariffs and

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<sup>20</sup> *South Asian Free Trade Area: Opportunities and Challenges*, (Washington D.C.: US Agency for International Development (USAID), 2005), 216.

other trade and non-trade barriers is now inconsistent with powerful forces of globalisation. As the process of globalisation gains momentum, it will be difficult for Pakistan and India to keep their respective trade regimes restrictive. During the last four years, the volume of bilateral trade between Pakistan and India has continued to show increase. For example, in 2003 Pakistani exports to and imports from India, respectively amounted to US\$ 84 million and 226 million respectively. In 2006, Pakistan exported to India goods worth US\$ 417 million; while imports from India, reached the level of US\$ 713 million, pushing the volume of two way trade between the two countries beyond one billion US Dollars. (For Pakistan-India Trade 1995-2007, see Table I)

### **Energy and Trade Corridor**

Another important factor, which is likely to push Pakistan and India towards an enhanced level of interaction in the areas of trade and economic cooperation, is Pakistan's desire to act as an energy and trade corridor between South Asia on the one side and West Asia and Central Asia on the other. The desire has been expressed through a number of statements by Pakistani leaders underlining the strategically important geographical location of Pakistan. Pakistan is also aware that this desire cannot be realised without a growth in bilateral economic cooperation and trade between Pakistan and the countries of South Asia, especially India. It is for this reason that Pakistan is focusing on reinforcing and expanding its links with the countries of the region. In 2004, the then Prime Minister Shaukat Aziz undertook a visit to South Asian countries. He visited these countries as Chairman of SAARC, but announced a number of initiatives for the promotion of bilateral trade, economic and cultural relations with the countries, he visited. As to the significance of close relationship between Pakistan and Afghanistan, for Pakistan's functioning as a bridge between South Asia and Central Asia, this was made clear by President Pervez Musharraf while addressing the Afghan leadership in Grand Tribal Jirga in Kabul on August 12, 2007. "We have," he said, "a vision for Pakistan and for the region. We want to see Pakistan develop as a hub of economic activity linking South Asia, Central Asia and West Asia through trade, energy and communication corridor. [But] we cannot play this role without a partnership with you in Afghanistan."<sup>21</sup> The steep rise in the volume of bilateral trade between Pakistan and Afghanistan during the last three years reflects a conscious effort by the two countries to establish such a relationship. In 2003, as Table II shows, Pakistani exports to Afghanistan amounted only to goods worth US\$ 409 million. In 2006, the volume of Pakistani goods exported to Afghanistan grew to US\$ 1316 million. Although as the Iranians have put it India is "dragging its feet" on final agreement on Iran-Pakistan-

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<sup>21</sup> *The Post* (Lahore), August 13, 2007.

**Table-II**  
**Pakistan's Trade with SAARC Countries**  
(in million US\$)

Year Trade	2003		2004		2005		2006	
	Export	Import	Export	Import	Export	Import	Export	Import
Afghanistan	409	31	465	49	1065	53	1316	66
Bangladesh	166	43	197	45	234	68	261	89
Bhutan	0.2	0.16	0.1	0.08	0.2	0.37	0.3	0.71
India	84	226	158	455	337	577	417	713
Maldives	2.5	0.21	1.9	0.06	2.9	3.4	3.6	4.2
Nepal	4.5	1.9	3.0	3.7	4.0	3.5	4.0	4.4
Sri Lanka	84	43.2	134	46.0	153	59.1	190	73.1

*Source: IMF, Direction of Trade Statistics, Year Book 2007*

India (IPI) gas pipeline, New Delhi has not yet formally opted out of its commitment. At the same time, India has shown its readiness to join Turkmenistan-Afghanistan-Pakistan (TAP) gas pipeline project. There are good prospects of extending this pipeline to Nepal and China. Thus, in the near future, not only trade but energy supply from Central Asian reserves would also become an important linkage between South Asia and West/Central Asia through Pakistan.

### **Conclusion**

There is a general consensus that an unconstrained Pakistan-India trade and transit trade facility for direct trade between Afghanistan and India, through Pakistani territory, would provide a tremendous boost to the process of regional integration in the SAARC region. But an end to these constraints does not seem to be an early possibility in view of Pakistan's refusal to accord India MFN status and allow export of Indian goods to Afghanistan through Wagah border without the resolution of political disputes. However, under a peace process, which both countries claim, has achieved "satisfactory progress," bilateral trade between the two countries has considerably increased during the last three years. The deliberations of the last meeting on trade and economic cooperation also show that Islamabad and New Delhi seem determined to further increase the volume of their bilateral trade. The process will generate its own momentum, clearing most of the obstructions in Pak-India bilateral trade, and export of Indian goods to Afghanistan through Wagah border, even in the presence of Pakistan's current stance on MFN status and transit trade facility for political reasons. The emerging strategic, political and economic dynamics in South Asia are likely to put increased pressures on both Pakistan and India to liberalise their bilateral trade as it holds key not only to the success of SAFTA but would also promote intra-regional and inter-regional connectivity. Despite some shortcomings and flaws, SAFTA holds good promise as a framework to accelerate the process of free trade within the SAARC region. The process of globalisation and the rise of successful regional trading blocs are certain to impel Pakistan and India towards greater interaction in the area of economic cooperation and bilateral trade. This will lead to the modernisation and construction of transport infrastructure and transit facilities involving Pakistan, India, Bangladesh and Nepal. The connectivity among the SAARC countries and between the regions of South Asia, West Asia and Central Asia will, thus broaden intra-regional and inter-regional cooperation. ■



## NUCLEAR IRAN AND REGIONAL SECURITY: AN IRANIAN PERSPECTIVE

Dr Amir Sajedi\*

### Abstract

*Security is known as the basic and the most important need of mankind. The provision of security is guaranteed in cooperation and the establishment of correct relations among different countries. Cooperation in various politico-economic, technological, cultural and military fields has a great role in ensuring development and security. The players in the Persian Gulf region have different potential and their participation in providing regional security can come in various degrees. Iran's progress in industrial and nuclear fields demands that Iran, as a regional country with greater potential as compared to other regional countries, should play greater role in providing security. If Iran's advancement in peaceful nuclear technology can be diverted to the service of regional countries, not only their fear of Iran would lessen but some of the nuclear needs of the regional players would also be met by Iranian experts. Such cooperation along with diplomatic moves by Iran can have significant impact in diffusing the Western propaganda regarding Iran's nuclear issue. It would bring greater proximity among the Gulf countries and increase the hope for shaping collective security in the real sense of the word. This would also help in ensuring regional stability, decreasing threats from outside powers and expediting their exit from the region.*

### Introduction

From the outset, security has been the most important need of mankind, and all world communities have been pursuing security and its consolidation so that they could live in peace and tranquility and have progress and prosperity. In this connection, each one of the communities has been trying to seek an appropriate approach for itself. Following the end of Cold War especially in the wake of 9/11, the United States of America, the only remaining super power after the Cold War era, presented a new realistic approach by making use of Thomas Hobbes' concept of liberal realism.<sup>1</sup> This concept encompasses US interests and those

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<sup>1</sup> Mohammad Ali Kadivar "Liberalism and Conservatism in Thomas Hobbes' Thoughts," *Political & Economic Ettela'at*, no. 5-6, 2005, Tehran, 88-89.

of its allies without taking into consideration the conditions and interests of other players. In this concept, Hobbes believes that war and contradictions never come to an end and the world is always living in a condition of permanent war. The concept further says that the threatening elements on the scene may change but it is the contradictions that never end. Hobbes says that the world is formed of irregular atoms and he conceives a superior power to establish order among them. From such a perspective, the international arena is a battleground for gaining more power which leads to disorder and it is the responsibility of the big power to assume the role of leadership and establish order in the world.<sup>2</sup>

In order to lead the world, the superior power desires that other countries do not gain sufficient power to come close to it. This is because gaining power by some of these units can weaken the strategic position of the superior power. So, from this perspective of the American Liberal Neo-Rightists (Neo-Conservatives), the Cold War never comes to an end and only the threatening units on the international stage change. In this international system, there is a kind of security rivalry which always makes conflict and war probable. Those holding power in the US believe that increase in the power of non-friendly governments can eventually cause contradiction and damage the superior power. Therefore, such threats should not be allowed to shape, and ought to be prevented. In order to achieve it, the power holders in the US believe that the US should play the role of world police and in case assistance is required, they should benefit from UN cooperation and those of their Western allies.

Against the concept of the American neo-conservatives, there is the concept presented by the leaders of the Islamic Republic of Iran, which says that Islam is a universal religion which should rule the world. According to these leaders, Islamic dynamism plays a significant role in the Muslim world and it is the Muslim unity that can defeat the enemies of Islam. They believe that the Muslim world has a superior standing as it has more than a billion population and is rich in fossil energy.<sup>3</sup> It is worth mentioning that this concept of the Iranian leaders has not been welcomed by the countries of the region and beyond.

Each political unit has its own particular objective which it pursues on the basis of its potential and power. In international relations, all elements (resources and potential) that are used to achieve the objective are known as power. It is through them that on the stage of international relations the

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<sup>2</sup> According to 'Thomas Hobbes' concept, human freedoms and prevention from threatening damages to these freedoms are of great significance. In order to establish human society on the basis of durable security, "presence of an absolute and contractual legislature under the control of a single ruler," is essential.

<sup>3</sup> *Muslim World as Viewed by Imam Khomeini* (Tehran: Orug Printing Institute, 1999), 1-7.

governments can achieve what they want. Since power is a universal entity, tension in international societies is something unavoidable. Therefore, it is natural for the big powers to use different means including negotiations, reasoning, reward, threat or use of force to compel smaller political units to accept their views. So, power is a potential strength of a government, which can be used as a tool for achieving its goals.

Hobbes considers conflict and clash among mankind as something natural and believes that the reason behind it is the motive and efforts undertaken by a person to gain power and his fear of failure. Fear of attack by others compels people to seek more power in order to overcome elements threatening security. Hobbes says the fear that countries may face threats, forces them to perpetually seek power and domination over others. Hans Morgenthau is also of the view that on the international stage, tussle for gaining power is something universal and is not limited to a particular period of time.<sup>4</sup> Max Weber says that the traditional political world of power can only be seen in the extent of authority and potential of one side bringing under submission the other side. Kenneth N. Waltz believes that countries should pursue their national interests and the supreme interest is to enhance a country's power. There is also a view that power means compelling others to do what we want or stop them from doing what we do not want. From his point of view, power is essential to pursue any objective which can be materialised.<sup>5</sup>

The main purpose of gaining power, its preservation and enhancement is to acquire and protect national security and materialisation of other objectives of a country. National security means preserving territorial integrity, safeguarding people's welfare, sustaining the country's politico-economic system and its independence. Provision of general welfare, improvement of the plight of people, gaining prestige, expansion of country's ideology and political system, checking ideological influence of the opponents as well as prevention of expansionism are also considered among other national objectives. Only those countries can contemplate gaining more power that have different elements because such elements constitute the foundation of countries national power.<sup>6</sup>

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<sup>4</sup> Hushang Ameri, *Principles of International Relations* (Tehran: Agah Publication Institute, 1991), 11-210.

<sup>5</sup> *Ibid.*, 216.

<sup>6</sup> Hans Morgenthau has introduced eight main elements of national power, i.e., geographical position, presence of natural resources, industrial potentials, military preparedness, population, national traits, national spirit, and quality of diplomacy. Rodolf Stein Mitz has also cited eight factors, i.e., population, expanse of land, wealth, political facilities, quality of command, national unity and solidarity, friendship of big powers, and moral standards. See Ali Asghar Kazemi,

In addition to these elements, diplomatic potential on the international scene is also of great significance because such tools are required to bargain and seek concessions as well as convince other members of the international community.

In the wake of 9/11, for the American leaders the world turned into two camps of friends and foes. Political units present in the enemy camp are the same irregular atoms which can inflict damage to the interests of the West with the help of power and tools that they hold or can acquire. So, with this argument, Neo-Realists believe that the irregular atoms should be given an order and brought under control.

But this approach of the Neo-Realists came under criticism and was challenged by certain anti-West developing countries. The leaders of these countries believe that such an American approach is domination- seeking and imperialistic in nature and prevents the development of other countries and is also acting as a major obstacle in the way of international peace. So, the system offered by the Americans, was unacceptable from the perspective of governments seeking development and progress as they did not find it in line with their interests and found their security threatened in opposing big powers. These countries consider this kind of approach as big powers' interference in their affairs and they want negation of any kind of unilateral rules resultant from such an approach. In other words, these countries, not only do not accept the US proposed concept of international security but also consider it as an obstacle in the way of their progress and security.<sup>7</sup> They consider economic progress as a significant factor in establishing security. From their perspective the country's defensive power is under economic power and it is the economic potential that can uplift the defensive potential and help acquire desired security. So, as a result of more economic achievement, defence potential will also increase bringing with it greater security.

As we are aware, economic progress is directly linked with progress in the field of science and technology. It can, therefore, be said that science and technology are main factors of power and guarantee security. "Today, science is a determining factor in deciding fate of war," or as Carl von Clausewitz said, "Science will determine military power in the future."<sup>8</sup>

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International Relations in Theory and Practice (Tehran: Qomes Publishers, 1993), 77-175.

<sup>7</sup> Mustafa Delavar Aqdam "Capabilities and Approaches of Islamic Republic of Iran for Making Nuclear Technology Indigenous" *Foreign Policy*, (Tehran, no. 3 & 4, 2005), 700-703; Yazid Saeq, *Security in Developing Countries, Confronting 21<sup>st</sup> Century* (Tehran: Academic and Cultural Publishers, 1998), 25-28.

<sup>8</sup> Mohammad Javad Omidvar, *Security in 21<sup>st</sup> Century, China's Perception* (Tehran: The Institute for Political and International Studies, 2002), 71-83.

Today, all developing countries want to progress in the field of science and technology, but all of them do not enjoy similar resources and conditions. Different political units have different conditions which make their progress either slow or rapid. Some of these countries have experts, sufficient financial resources, correct strategic management and diplomatic potential to make substantial progress in a short period. Countries that enjoy important strategic position and have rich natural and human resources, but stand in contradiction with the West from ideological point of view, place themselves more in rivalry with the US administration, influenced by Hobbes philosophy. Seeking continuation of greater hegemony over the world, the US uses military, economic, political and diplomatic levers to prevent the threats of these countries and ensure that these countries do not increase their power. It is in this connection that the US and the West try to stop these countries from having access to science and technology that could have military use. On the other hand, such moves by the West and the US to seek hegemony and create obstacles are considered as threats by the developing countries. To avoid such threats and to have more stability, countries such as Iran are determined to further their strategy of development and progress on the basis of science and technology.<sup>9</sup> Other Gulf Arab states also feel that they need to improve their status and standing in the region by developing their science and technology in various fields, so that they are not left behind. In order to achieve their objective, they are already conducting talks with France to conclude contracts for acquiring nuclear technology.

### **Security Perspective of the Arab States of the Persian Gulf**

The security of Persian Gulf has been the main worry of regional Arab countries since their independence.<sup>10</sup> Therefore, insecurity in any part of this region, can pose threats and danger to these countries. The significance of the Gulf security for the Arab governments of the region can be reviewed from various angles. One dimension is the economic dependence of these countries on oil which passes through the Gulf waterway and the Strait of Hormuz. The other dimension is the question of legitimacy of these regimes both inside and outside the countries.<sup>11</sup> The events of the recent decades clearly show the security weakness of these countries. The capture of the Sacred Mosque in Makkah by forces opposing the Al-e-Saud regime (1979),

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<sup>9</sup> Afsaneh Ahadi, *Iran's Nuclear Dossier - Trends and Views*, (Tehran: Abrar Moaser Publication, 2005), 76-81.

<sup>10</sup> Mohammad Ali Imami, *The Impact of the Internal Factors on the Persian Gulf* (Tehran: The Institute for Political and International Studies, 2001), 288.

<sup>11</sup> Ray R. Anderson, Robert F. Seibert and John G. Wanger, *Politics and Change in the Middle East: Sources of Conflict and Accommodation; Structural Conflicts in the Persian Gulf Region* (New Jersey: Prentice Hall, 1988), 101-104.

unsuccessful Coup in Bahrain (1981), successful Coup in Qatar (1995), emergence of political opposition groups within and outside the regimes of Bahrain, Kuwait, Saudi Arabia and Iraq etc., cast aspersion on domestic security of the Gulf countries. On the foreign dimension, the events of the past decades such as Iraq's aggression on Kuwait and its occupation made it clear that these countries are not capable of protecting themselves and establishing security in the region. The reasons are lack of expert manpower, not enough advancement in science and technology, absence of militaristic spirit, not having defensive capabilities, and dependence on outside powers.<sup>12</sup>

Since independence of the Gulf Arab countries, extra-regional great powers have repeatedly shown that they are capable of thwarting threats against the weak Arab countries. Escorting Kuwaiti oil tankers in 1986 during Iran-Iraq war and the liberation of Kuwait from the clutches of Iraq in 1991, are the incidents which showed to the Arab governments that it is the big powers that can maintain and preserve the security of these countries and the region. Each of the Arab countries in the Gulf Cooperation Council has bilateral security agreements with the US and other Western powers.<sup>13</sup> These Arab governments believe that the US with its great power is able to establish security and suppress forces threatening them in the region. The Arab governments have adopted these policies due to weakness of their armed forces and the threats present against them. Therefore, the presence of a super power in the region, is of particular significance to these countries and this situation could not be altered by other powers. The silence maintained by certain Persian Gulf littoral states over the US attack on an Arab country (Iraq) in 2003 and cooperation extended by them in this regard, can be assessed within the same context. Although Iraq was occupied by the US forces and the Ba'ath Party collapsed, continued unrest and insecurity in Iraq have added to the worries of these countries. Unrest in Iraq, which may lead to the partition of that country, can spread to other regional countries as well. Therefore, these governments do not want the Western forces to leave the region and believe that American forces should stay. They want peace in the region. Hence, they do not favour any clash between Iran and the US in this region.<sup>14</sup>

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<sup>12</sup> Mohammad Ali Imami, op. cit., 294-302.

<sup>13</sup> Asghar Jafari Valdani, *Status of Persian Gulf in International System — Geo-politics of Persian Gulf at Start of New Millennium*, 11<sup>th</sup> International Conference on Persian Gulf, (Tehran: The Institute for Political and International Studies, 2000), 50; Kadir Nasri Meshkin, *Factors and Obstacles of Convergence in Persian Gulf Region*, 8<sup>th</sup> International Conference on Persian Gulf (Tehran: The Institute for Political and International Studies, 1997), 130.

<sup>14</sup> *Jame Jam* (Tehran), January 10, 2006, 1.

It is nearly sixteen years that different US administrations have been accusing Iran of making efforts to acquire nuclear weapons.<sup>15</sup> The American leaders have been successful to an extent in convincing the European governments and the Gulf Arab states that Iran's objective is not only to acquire peaceful nuclear technology but, concurrent with its progress in various sectors of nuclear technology, Iran has the intention of producing nuclear weapons. These efforts by the Americans convinced even Russia and China to vote in favour of the UN Security Council Resolutions 1737 and 1747 to impose sanctions on Iran to prevent it from acquiring such technology and equipment which may help it in making progress in the nuclear field.<sup>16</sup> Hence it is natural for the weak Arab countries in the region to act cautiously with regard to Iran having access to nuclear technology.<sup>17</sup> Fear of growing tensions in the Gulf region and Iran's hegemony as well as Western propaganda in this regard have been the reasons for the flow of weapons worth billions of dollars to regional Arab countries on their request. This Arab attitude indicates that the Arab governments neither want Iran's full military domination in the region, nor Iran-US war which can threaten the security of the Gulf waterway and create environmental hazards.<sup>18</sup> Therefore, Arab states of the Gulf region want that the Middle East region should be free of nuclear weapons and weapons of mass destruction. This policy of the Gulf Arab countries not only desires that Iran should not have a nuclear edge in the region but also wants Israel to abandon its nuclear weapons.<sup>19</sup>

The Gulf Arab countries, which, in the not-too-distant past, have repeatedly experienced insecurity in the region, are aware that if the Iranian government acquires nuclear weapons, given its basic contradictions with the US and Israel, tensions and clashes in the region would increase and their consequences would be far more undesirable than all the previous wars. In other words, the negative impact of these clashes would affect all the countries in the region. The proximity of Bushehr Nuclear Plant with these countries has added to their worries. The undesirable effects of radioactivity or leakage from this nuclear plant would be far more dangerous for these countries than for central Iran. In view of the above scenario, regional Arab

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<sup>15</sup> Amir Sajedi, *Big Power's Policy on Development and Stability in Persian Gulf*, 7<sup>th</sup> International Conference on Persian Gulf (Tehran: The Institute for Political and International Studies, 1996).

<sup>16</sup> *Jombouri Eslami* (Tehran), December 26, 2006, 13.

<sup>17</sup> *Hamsabari* (Tehran), January 17, 2006, 2.

<sup>18</sup> *Afarinesh* (Tehran), January 14, 2006, 1.

<sup>19</sup> During conference on security in the Persian Gulf region held in Manama, Bahrain in 2004, the Foreign Minister of Bahrain announced that all Middle East countries should make efforts to have a region free of nuclear weapons and weapons of mass destruction.

countries want that Iran's negotiations with the International Atomic Energy Agency (IAEA) should continue. They are also encouraging the West to resolve Iran's nuclear issue through dialogue. These countries strongly oppose any US or Israeli military strikes on Iran's nuclear centres, especially Bushehr Nuclear Plant.

### **Iran's Bid to Acquire Nuclear Technology**

Iran's first step to acquire nuclear technology began in 1956 when a nuclear training and research centre was set up in Tehran University. Two years later Iran officially joined IAEA. By 1957, a civil nuclear cooperation programme was established under the US Atoms for Peace Program.<sup>20</sup> From 1959, when the then Iranian Cabinet approved the construction of Iran's nuclear reactor, until the end of Pahlavi regime in 1979, cooperation with Iran by the West, especially the US, had continued. Enriched uranium needed by the research reactor at Tehran University was provided by the US. During the period, the then Iranian government also signed the Nuclear Non-Proliferation Treaty (NPT) Protocol which was ratified by the parliament. The government also established Iran's Atomic Energy Organization (IAEO) in 1974 for the construction of nuclear plants. From the time of establishment of IAEO, upto the beginning of the Revolution, Iran purchased two 1200MW reactors from Germany and two 900MW reactors from France. It also concluded several contracts with Western companies including the Kraft Work Union of West Germany for the construction of Bushehr Nuclear Plant. However, West's nuclear cooperation with Iran stopped after the Revolution. The shipment of enriched uranium from the US also stopped. The contracts signed by Iran with the West in this connection were also terminated. Iran set aside the nuclear issues for a long time due to Iraq's imposed war on Iran. Even the Bushehr Plant which was bombed by the Iraqi planes became inactive. After the end of eight-year war in 1988, Iran's nuclear activities expanded and it signed cooperation agreements in this connection with countries such as the Czech Republic, Japan, China, Ukraine and Russia. However, except Russia, other countries stopped nuclear cooperation with Iran due to the US pressure. Russia was the only country which did not submit to the US pressure and continued its nuclear cooperation with Iran. During this period, the Iranian government undertook covert steps for acquiring nuclear technology such as purchase of fuel from newly independent states of the former Soviet Union and through seeking assistance from nuclear scientist A. Q. Khan. But the US pressure and propaganda against Iran's nuclear activities and revelations in this connection continued. These moves were such that Iran, in order to build confidence with the IAEA, voluntarily accepted the Additional Protocol in 2003 and temporarily

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<sup>20</sup> [http://www.en.wikipedia.org/wiki/Nuclear\\_Program\\_of\\_Iran](http://www.en.wikipedia.org/wiki/Nuclear_Program_of_Iran).



suspended uranium enrichment.<sup>21</sup> President Mohammad Khatami announced in February 2003, “I assure all peace-loving individuals in the world that Iran’s efforts in the field of nuclear technology are focused on civilian application and nothing else.”<sup>22</sup> Despite this, West’s and especially the US propaganda against Iran’s nuclear activities did not cease. As a result of Western propaganda and influence over the trend to review Iran’s nuclear dossier at the Board of Governors, Iran had to increase its cooperation in several other areas, including the issue of Plutonium 210. Iran’s talks with the “group of 5+1” (permanent UNSC members + Germany) also did not yield any result. By suspending its uranium enrichment, Iran had expected greater cooperation from IAEA, but Iran’s expectations and demands were not fulfilled. In August 2005, Iran informed the IAEA that it had resumed activities related to uranium enrichment at its Esfahan Nuclear Centre. The IAEA Resolution against Iran eventually referred Iran’s nuclear dossier to the UN Security Council where after lengthy discussions with two Security Council member countries — China and Russia — Resolution 1737 was approved. The Resolution envisaged certain sanctions against Iran on the basis of Article 41 of Chapter 7 of the UN Charter, demanded that without any delay, Iran should suspend its uranium enrichment and its research in this connection should be monitored by the IAEA. Further, all countries should avoid transferring any equipment and technology to Iran which could be used in nuclear energy issues. However, the completion of Bushehr Plant, which is underway with Russia’s cooperation, was not included in the sanctions. Iran was also called to prove within sixty days its commitment to the Resolution as the same should be reflected in the IAEA Director General’s report, failing which harsher sanctions would be imposed against Iran.<sup>23</sup>

While saying that Iran’s nuclear activities are compatible with rules and regulations and are completely legal, Iranian officials criticised Security Council Resolutions 1737, 1747 and 1803, describing them as the US instigated resolutions. Since these resolutions were approved as a result of West’s political pressure, they have no logical justification. The Iranian government also called on IAEA to review Iran’s nuclear dossier without accepting the US political pressure and in line with the agency’s rules and regulations, otherwise Iran would consider leaving NPT.<sup>24</sup> Western political pressure on Iran’s nuclear activities was not only limited to the resolutions, but through its widespread propaganda – such as visits of the US Secretary of State Condoleezza Rice and of the US Secretary of Defense to the Middle

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<sup>21</sup> Afsaneh Ahadi, *op. cit.*, 131-134.

<sup>22</sup> Richard L. Rusell, *Weapon Proliferation and War in the Middle East* (London: Routledge, 2005), 76.

<sup>23</sup> Article 24 of UN Security Council Resolution 1737.

<sup>24</sup> *Hamshabri* (Tehran), January 10, 2006, 2.

East Arab countries – the West projected nuclear Iran as a threat not only to the Gulf and the Middle East region but to the entire world.<sup>25</sup> In such a climate, it is natural for the neighbouring Gulf countries to feel threatened. Under such propaganda and Israel's threatened attack on Iran's nuclear facilities, some of the Gulf region countries called on Iran to honour the resolutions and continue negotiations with the group of 5+1.

In order to decrease the concern of the international community especially the Gulf countries, Iran increased its cooperation with the IAEA and provided answers to some of its inquiries including clarification about Plutonium-210, and P-1 and P-2 centrifuges. Although, IAEA has announced that Iran's nuclear activities have been peaceful and no sign of diversion has been seen, it has asked Iran to answer more questions and stop uranium enrichment.

### Conclusion

The attitude of countries on the international scene is reflective of their intentions. In the first place, every country pursues its own objectives and national interest and the interests of other players take secondary position. Some of the players are contented with the status quo and are interested in preserving it while others are unhappy and are trying to change the status quo by challenging it. The pressure of the West, especially of the US, against Iran is not only due to its nuclear activities, but Iran's Middle East policies stand in deep contradiction with those of the US. Factors such as non-resolution of the Palestine issue, Iran's support for organisations such as Islamic Jihad, Hamas, Hizbollah, and the rejection of the existence of Israel, pressure of nuclear Israel in the Middle East with the US support and the US presence around Iran,<sup>26</sup> in Afghanistan, Iraq, Turkey and the Gulf, a cause of strong concern for Iran, indicate deep Iran-US contradictions. The presence of nuclear Iran in the Middle East region can not only cause concern for international community in case of a military conflict, but it can also disturb the equation of power leading to weakness of the US and its strategic ally in the region, i.e., Israel. This is the reason why the US along with Israel is making efforts to deprive Iran from having access to nuclear technology which according to Washington could be used for military purpose. Iran's access to nuclear fuel cycle can add to the concerns of the US and Israeli leaders. This is why, after several years, Israel has recently admitted of having nuclear weapons.<sup>27</sup> The admission is the result of the fact that Iran is getting closer to completing nuclear cycle.

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<sup>25</sup> *Jame Jam* (Tehran), January 17, 2006, 2.

<sup>26</sup> Louise Fawcett, *International Relations of the Middle East* (Oxford: Oxford University Press, 2005), 278-79.

<sup>27</sup> *Ayandeh* (Tehran), December 26, 2006, 3.

Iran is at a major diplomatic crossroad. Iran, which has achieved major success in nuclear technology, should convince the Gulf regional states about the peaceful nature of its nuclear programme, and that it has no desire whatsoever to develop nuclear weapons. By exercising correct management in the nuclear crises, Iran can effectively help in removing the fear of the Gulf Arab states. It is not enough for Iran to announce that there should be a nuclear free Middle East. Iran must change the climate by using effective diplomatic tools. This objective can be achieved by inviting experts and political leaders of different countries including experts from non-aligned countries, representatives from Arab countries, especially ambassadors and experts from the Gulf regional countries to visit Iran's nuclear centres and by presenting transparent reports to the IAEA about the peaceful nature of its nuclear programme.

The West would never be willing to provide nuclear technology to Arab countries because it does not trust them. Also, if nuclear plants fall in the hands of anti-West groups, especially Al-Qaeda, it can pose serious and dangerous threats to the West. Arab countries need nuclear technology for desalination of sea water, power generation etc., which can be met through cooperation and transfer of nuclear technology to these countries by Iran. It can also help change present regional climate. The establishment of a nuclear consortium with the participation of the Gulf Arab states in a neutral country may also prove to be helpful. This kind of cooperation can bring about realistic and practical policies in relations among regional countries and can have deep impact on improving the critical condition in the Gulf.

Islamic Republic of Iran's transparent cooperation with IAEA including the clarification on Plutonium-210, P-1 and P-2, which Iran has already done, and acceptance of Iran's proposal based on the establishment of a consortium comprising several countries to carry out uranium enrichment can defuse propaganda and political pressure of the US and other Western countries against its nuclear activities. It is in this way that it can be expected that not only the fear of the regional Arab countries that Iran can go nuclear can be removed, but greater progress in the industrial and technological field can be achieved through regional countries' cooperation and participation. Necessary guarantees regarding non leakage of radioactive material from Bushehr Nuclear Plant and non-contamination of the Gulf waterway as well as several visits to the Gulf Arab countries by the Iranian officials to seek support for Iran's nuclear programme and to remove their concerns are quite essential. Further, Iranian Foreign Minister Mr. Mottaki's statement supporting Gulf Cooperation Council Secretary General, Abdul Rehman Al Atiyeh's talks with the IAEA Chief Mohamed ElBaradei on the peaceful nuclear activities of the Gulf Arab countries has had significant impact. Mr. Larijani's visit to the Arab countries of the Middle East, and the visit to Saudi Arabia by Mr. Hashemi Rafsanjani – second powerful figure in Iran – at the

head of a 130 strong delegation are also viewed as Iran's efforts in this connection. These moves can lead to greater stability in the region. Greater proximity among regional countries can also make it possible for them to secure regional security and stability and bring an end to the presence of outside powers.

Change in Iran's behaviour vis-à-vis Arab-Israel peace process, Lebanon and radical groups in the region can not only take Iran out of political isolation but can also end economic sanctions imposed by the UN Security Council Resolutions. Peace and stability in the Gulf region will remain a distant dream as long as Iranian leaders continue to view the US as a hegemon and domination-seeking power which does not want to see a strong Muslim world, and as long as the Islamic Republic of Iran is seen as an axis of evil in the Middle East by the American neo-conservatives. ■

## PAKISTAN'S TRADING RELATIONS WITH CENTRAL ASIA (1991-2007)

Dr Ahmad Rashid Malik\*

### Abstract

*Trade is increasingly identified as a driver of the cross-border regional economy. The economies of Pakistan and Central Asian countries have developed under two conflicting economic systems in the past. Therefore, in spite of close geographical proximity, cultural similarities and political will, strong trading relations have not developed between them. Additionally, lack of a modern and efficient trading infrastructure perpetually obstructs the growth of trading ties between Pakistan and Central Asian countries. Therefore, building of national and transnational transportation roads network, railways lines, sea ports and civil aviation links are essential to promote trade between them. Moreover, trade in gas, electricity, transit transportation and natural resources would give an enormous boost to their existing trading and commercial relations, leading toward regional economic integration, prosperity and peace.*

### Introduction

**B**ased on close geographical proximity, historical linkages and cultural affinities, Pakistan and Central Asian countries are cultivating stronger trading and commercial ties with each other. Pakistan provides the shortest trade and transit-trade land route facility to Central Asian countries through the Karachi Port and the newly operationalised Gwader Deep Sea Port in Balochistan. Within the main parameters of commerce, the primary focus of Pakistan's economic relations with Central Asia has been on bilateral and transit trade, and developing transnational energy corridors for the transmission of gas and hydro-electricity. These prospects seem promising. Pakistan's ever-growing energy needs for oil, gas, and hydro-electricity, increasing at the rate of 10 per cent per annum, could be supplied by the energy-rich Central Asian countries. Moreover, Pakistan being an energy and transit-trade corridor could link up Central Asian countries to emerging economic but energy deficit countries, such as India. Fostering regional trade,

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commerce, and investment cooperation, a number of fora have also been set up in the region. With the same token, Pakistan has signed a number of agreements and Memorandums of Understanding (MoUs) and set up a number of Joint Ministerial Commissions (JMCs) with Central Asian countries. However, with the passage of long 17 years, strong trading relations have not developed between Pakistan and Central Asian countries.

This paper seeks to outline patterns of trade between Pakistan and Central Asian countries for the cross-border region and implications for the promotion of regional trade infrastructure. The paper will examine the ground realities by discussing the patterns of ongoing trade, prospects, and the reasons as to why trading and commercial relations could not develop between Pakistan and Central Asian countries more rapidly. The paper briefly compares current trends in economic development between Pakistan and Central Asian countries to understand the dynamics of future economic relations and prospects of building a strong trading infrastructure lying across the vital energy-rich region. How geo-political factors have been hindering the growth of such prospects and obstructing the building of inter-regional trade and energy corridors, will also be explored. Finally, the paper puts an emphasis on critical issues of trade development and promotion by making suggestions for the policy-makers to kick-start the trading relations.

### **Economies Compared**

In order to critically evaluate Pakistan-Central Asia trading relations, it is essential to make a precise comparison of economic fundamentals of Pakistan and those of Central Asian countries. The known and hidden potentials of Central Asian countries and Pakistan are exciting. Nevertheless, actual trade comes in the form of hard commodity exchange and not in the form of potentials. In this regard, economic fundamentals play a role in framing trading relations between nations. The size of the Gross Domestic Product (GDP), trade base, consumer class, type of industry, technology innovation, and the like factors determine trading relations between nations. If a comparison was made, Pakistan and Central Asian countries present a non-complementary trading relationship so far because there are striking differences between the economic fundamentals of Pakistan and those of Central Asian countries particularly in terms of population, GDP, trading base, human development levels, literacy rate, and per capita income. There are also vast economic disparities within Central Asian countries and between them and Pakistan.

Geographically, Kazakhstan's total land area of 2,724,900 sq km is three times bigger than Pakistan's total area, i.e., 796,095 sq km. However, Pakistan is the second largest country after Kazakhstan. Whereas Central Asian countries are landlocked, Pakistan has a costal line of 1046 km. In terms of population and GDP, Pakistan is the largest country with a population exceeding 158 million

and with a GDP of more than US\$ 110 billion in 2005. While the entire population of Central Asian countries reaches 66.8 million for the same period with Uzbekistan having the largest population of 26 million and Turkmenistan with the smallest population of 4.8 million. According to the Human Development Report of 2007-08, both Pakistan and Central Asian countries fall in the Medium Human Development level. Kazakhstan ranks highest among other Central Asian countries by falling as the 73rd ranking country in Human Development Index (HDI) of the United Nations Development Program (UNDP). While Pakistan falls 136th in HDI, which is the lowest ranking if compared with Central Asian countries. All Central Asian countries have almost attained universal literacy rate, whereas Pakistan's literacy rate has hardly reached 49.9 per cent. A vast disparity in terms of per capita income exists within Central Asian countries; Kazakhstan taking the lead with US\$ 3,372, followed by Turkmenistan with US\$ 1,669. The lowest per capita income occurs in Tajikistan, i.e., US\$ 355. In terms of per capita income, Pakistan with its US\$ 711, falls in the middle ranking if compare with Central Asian countries. The trading base of Pakistan is far greater than all of Central Asian countries. Moreover, being the largest country in terms of population, consumer class of Pakistan is far greater than all Central Asian countries. Pakistan, therefore, has a great potential market for Central Asian businessmen (See also Table1).

**Table 1. Economic Comparison: Pakistan and Central Asian Countries**

<b>Countries</b>	<b>Area Sq Km</b>	<b>Population Million</b>	<b>GDP (US\$ Billion)</b>	<b>Literacy (%)</b>	<b>HDI Ranking</b>	<b>Per Capita (US\$)</b>	<b>Exports (US\$ Million)</b>	<b>Imports (US\$ Million)</b>
Azerbaijan	86,600	8.4	12.6	98.8	98	1,498	6.3	5.2
Kazakhstan	2,724,900	15.2	57.1	99.5	73	3,772	3.8	2.3
Kyrgyzstan	198,500	5.2	2.4	98.7	116	475	1.7	974
Tajikistan	143,100	6.6	2.3	99.5	122	355	1.3	1.7
Turkmenistan	491,200	4.8	8.1	98.8	109	1,669	6.1	4.3
Uzbekistan	448,900	26.6	14.0	- -	113	533	5.4	4.0
Pakistan	796,095	158	110.0	49.9	136	711	16.3	24.6

Source: UNDP, *Human Development Report 2007-2008*.

### **Trade Infrastructure**

Transportation physical infrastructure that includes railways, roads, ports, civil aviation, and telecommunications plays a leading role in developing and

expanding trade within the national borders, the region, and beyond.<sup>1</sup> Island nations depend on seaborne trade. Landlocked countries depend on land borne trade with a desire to acquire access to waters. Industry depends on a modern and an efficient transportation infrastructure. Trade is increasingly identified as a driver of the cross-border regional economy. The key to development in the region is trade, which in turn requires improvement notably in transportation.<sup>2</sup>

Pakistan thus provides the best possible shortest access to sea to the landlocked Central Asian countries via the land links such as roads and railways. Interestingly, in spite of a number of economic woes, the post-independence transportation network of Pakistan has become far greater than the entire Central Asian countries. For instance, total length of highways in Pakistan has exceeded 236,041 km, whereas Kazakhstan's total highways stands 36,700 km, a country which is three times larger than Pakistan. The road network of other Central Asian countries is relatively small. However, railway network of Kazakhstan (13,841 km) is larger than Pakistan's 8,831 km. Pakistan needs to further expand its railway network. Transnational road and railway infrastructure, linking Central Asia to Pakistan's Karachi Port, Port Qasim, and the Deep Sea Gwader Port, have not developed yet.

#### *Roads Links*

Pakistan is known for its ability to build roads in Northern Areas linking the country up to China through the world's most difficult high mountain terrains. Started in 1966 and completed in 1978, the Karakorum Highway is a part of the Asian Highway, a concept given by the United Nations Economic & Social Council for Asia-Pacific (UNESCAP). The up-gradation of the 335 km Karakorum Highway with an estimated cost of US\$ 510 million, a part of the Medium Term Development Framework (MTDF) 2005-10, and the National Transportation Corridor (NTC) replacement program 2007-14, with the sole purpose of keep running the road round the year even for heavy traffic, would link up Pakistan and China with Central Asia. It is a bold step toward the revival of the ancient Silk Route by linking China and Central Asia up to Gwader Port. The project is going to be completed by December 2011. Pakistan has also been exploring the possibility of a highway connection between Gilgit and Tajikistan over the Pamirs through the Ghizer District of the Northern Areas of Pakistan.

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<sup>1</sup> See an excellent paper on the development of physical infrastructure for trade written by Christopher Grigoriou, "Landlockedness, Infrastructure and Trade: New Estimates for Central Asian Countries", *Policy Research Working Paper 4335*, Development Research Group Trade Team, The World Bank (August 2007).

<sup>2</sup> S. Frederick Starr, "A Partnership for Central Asia", *Foreign Affairs*, vol. 84, no. 4 (July-August 2005), 165.



Further, Pakistan has initiated a number of policy measures since the early 1990s consisting of roads building, highways, motorways, expressways, airports and sea ports to improve the existing transportation network and to expand it further on modern lines to meet the growing demand of the economy, which has been increasing around 7 per cent per annum for several years. By 2006, total length of roads in Pakistan is 259,758 km against 236,041 as built earlier that includes 162,879 km High Type roads such as highways (inter-provincial roads) and motorways. Pakistan has become a pioneer in efficient and limited access high-speed motorway in South Asia as well as in Central Asia by first constructing 339 km long the Lahore-Islamabad Motorway (M-2). With the completion of 53 km the Faisalabad-Pindi-Bhattian (M-3) and 155 km Islamabad-Peshawar Motorway (M-1), total length of constructed motorway has reached 547 km. If two more sections i.e., 136 km Karachi-Hyderabad Motorway (M-9) and the 57 km Karachi Northern Bypass (M-10) were included, the total constructed length of motorway would reach 740 km of total around 3000 km motorway planned. This will reduce the time distance between south and west of Pakistan and onward to Afghanistan and China. This means that around 25 per cent motorway length has been completed and the work on the remaining sections is in progress. With the completion of the Karachi-Ratodero and Gwader-Ratodero Motorways, Pakistan would present the most efficient high-speed limited motorways in South Asia and Central Asia. The completion of road infrastructure would facilitate bilateral, regional, and transit trade between Pakistan and Central Asian countries from the existing low level of US\$ 73 million trade to a quantum increase.

#### *Railway and Civil Aviation Links*

Pakistan is making efforts to convert the country into a regional transit hub and integrate it into the regional rail network up to the neighbouring countries such as China, India and Iran. To develop a railway link with China, a pre-feasibility study to construct a 750 km rail link between Havelian-Khunjrab has been assigned to a German and an Austrian firm.

The civil aviation sector also needs to be improved. None of Pakistan's airline flies into any destination in Central Asia. Uzbekistan Airline is the only airline that connects Pakistan with Central Asia, and started flying in June 2006. There is a need to develop direct air links between Pakistan and several of Central Asian cities to improve passenger and cargo traffic.

#### *Energy Corridors*

Pakistan is one of the fastest growing economies with energy deficiency. There is shortage of oil, gas, and electricity, which severely affects the economy. At present, Pakistan meets its 75 per cent energy demand from its own domestic sources. For instance, 50 per cent gas demand is met with domestic

production, 28 per cent domestic oil, and 12 per cent by electricity. Coal's contribution is 7 per cent, while nuclear power generation contributes to one per cent to meet energy challenges. The gap between the supply and demand keeps increasing. Pakistan, therefore, is seriously working on a number of options to meet its energy demand. In this regard, the Turkmenistan-Afghanistan-Pakistan (TAP) gas pipeline project is a priority. There is also possibility that the Asian Development Bank's (ADB) 1,680 km proposed TAP, which will be completed by 2011, may convert into the TAPI (Turkmenistan-Afghanistan-Pakistan-India) by including India as the United States supports this project. Pakistan would import 3.2 billion cubic feet gas from Turkmenistan, which would be shared by both Pakistan and India. China is also importing gas from Turkmenistan. If a pipeline can go into India from Pakistan, China may become the fifth stakeholders in the TAPI by making it the TAPIC (Turkmenistan-Afghanistan-Pakistan-India-China). This would make the project economically more feasible. Pakistan has an excellent record of building gas transmission lines and could contribute in this project by offering its expertise. A recent report of the World Bank suggests that Pakistan and Afghanistan are the "best transit states for access to Central Asia's energy".<sup>3</sup>

### *Electricity*

Pakistan's electricity market is expected to grow at about 10 per cent per annum over the next fifteen years. At present, there is around 3000 megawatt electricity shortage in the country. As for electricity, the gap between the supply and demand is also on the rise for the last many years. To meet electricity demand, private sector, particularly, international power companies, was invited to participate in the generation of electricity on commercial basis in the early 1990s and their participation generates 32 per cent of the total generation. Pakistan is trying to generate hydro electricity because furnace oil based power generation, being produce by the private sector, is becoming more expensive. A report compiled by the Government of Pakistan, reveals in its summary that for exporting electricity to South Asia, a significant capacity is currently available in Central Asia (Kazakhstan, Kyrgyztan, Tajikistan, Turkmenistan and Uzbekistan.). The report states that hydro-electricity generation in these Central Asian countries should further be expanded on competitive basis for South Asian markets.<sup>4</sup>

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<sup>3</sup> "Potential and Prospects for Regional Energy Trade in the South Asia Region", *Working Paper, Report No 41582*, World Bank (June 1, 2007).

<sup>4</sup> Government of Pakistan, Ministry of Power & Water, "Central Asia-South Asia Electricity Trade", *Background Paper*, [www.pakistan.gov.pk/ministries/water-power-ministry/media/NewBackgroundPaperforISBMay.doc](http://www.pakistan.gov.pk/ministries/water-power-ministry/media/NewBackgroundPaperforISBMay.doc).

Besides the World Bank, Islamic Development Bank and USAID, the private sector has expressed its interest in the transmission of electricity lines between Pakistan and these Central Asian countries. Preliminary studies have identified the following two options for transmission of power: (a) from Tajikistan to Pakistan via the Wakhan corridor; and (b) from Tajikistan to Pakistan via Mazar-e-Sharif, Kabul and Jalalabad. A Memorandum of Understanding (MoU) between Pakistan and Tajikistan for sale of electricity to Pakistan, and mutually beneficial cooperation in the field of hydropower development, in particular high voltage transmission lines, was signed in April 2005. Pakistan's Minister for Power and Water made a visit to Tajikistan in April 2005 and visited Sarband, Sangtuda, Bighazi, Nurak, and Rogun for the purpose of buying electricity from Tajikistan. The US leading power giant, AES Corporation, plans to invest US\$1 billion for realisation of power supply project from Tajikistan and Kyrgyzstan to Pakistan and Afghanistan.<sup>5</sup> The ADB is also willing to invest in the project.<sup>6</sup>

Central Asia has abundant hydropower resources and surplus electricity that can be provided at competitive cost to Pakistan via Afghanistan. The Third Conference of the Central Asia-South Asia Regional Electricity Market (CASAREM), consisted of Kyrgyzstan, Tajikistan, Pakistan and Afghanistan, took place in Kabul on November 14-16, 2007. This followed earlier conferences held in Dushanbe and Islamabad. Participants at the Kabul meeting reviewed reports on the technical and economic feasibility and institutional aspects of the project which had been prepared with support from the ADB and the World Bank. An agreement was signed in Kabul on 16 November 2007 to implement a US\$500 million electricity connection between Central Asia and South Asia. In its first stage, the project would transfer around 1300 megawatts of electricity from Tajikistan and Kyrgyzstan to Pakistan and Afghanistan.<sup>7</sup>

Through a Memorandum of Understanding signed at the end of conference, all four countries confirmed the feasibility and scope of the project which would comprise a 750 km high voltage electricity transmission system between Tajikistan and Pakistan via Afghanistan; a DC-AC converter station in Kabul; and an AC transmission link between Kyrgyzstan and Tajikistan to supply electricity from Kyrgyzstan to South Asia via Tajikistan; and the overall institutional framework for this electricity trade to take place.<sup>8</sup> In this regard, the parties agreed to establish an Intergovernmental Council

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<sup>5</sup> <http://tajikistan.neweurasia.net/2006/06/19/tajikistan-to-export-electricity-to-afghanistan-and-pakistan/>.

<sup>6</sup> Asian Development Bank, Central Asian Regional Economic Cooperation (CAREC): *Energy Sector: Status Report*, August 28-29, 2006.

<sup>7</sup> World Bank, Press Release, November 19, 2007, [www.worldbank.org.pk/](http://www.worldbank.org.pk/).

<sup>8</sup> The World Bank, "Agreement signed in Kabul on electricity transmission project that connects Central Asia with South Asia", *Press Release*, November 19, 2007.

(IGC), which will provide the policy oversight and a Secretariat under the IGC to be established at Kabul to shoulder the day to day responsibility of developing the project. A greater intra-regional cooperation among Central Asian countries particularly among Tajikistan, Kyrgyzstan, Uzbekistan and Turkmenistan, and inter-regional cooperation among Central Asian countries, Afghanistan and Pakistan is urgently required to help implement electricity transmission lines.

### **The Regional Trade Syndrome**

Regional stability is considered a contributing factor for the increase of trade among countries. This proposition, however, does not fit into while explaining the Pakistan-Central Asia trade in regional context. The following six points support the above argument:

- Political and security situation in and around Afghanistan has often been put forward to pin point the main reason behind the low and discouraging level of trade between Pakistan and Central Asia. However, Pakistan-Afghanistan bilateral trade has increased manifold during the period under study. For instance, bilateral trade stood US\$ 72 million in 1992, which increased to US\$ 1.3 billion in 2006, an unprecedented increase of 1818 per cent during 1992-2006.<sup>9</sup> Moreover, there is a large chunk of undocumented trade in the form of smuggling between Pakistan and Afghanistan, besides transit trade through the Karachi Port. This explanation shows that in spite of political instability inside Afghanistan and deteriorating security in the region particularly along the border side of the two countries, trade has been increasing between them.
- Secondly in support of the above factor, Pakistan-India bilateral trade could also be put forward during the period under study. For instance, Pakistan-India trade stood US\$ 188 million in 1992 that increased to US\$ 1.1 billion in 2006, an increase of 501 per cent during 1992-2006, in spite of the resolution of a number of bilateral disputes and contentious issues between the two countries spread over the past 60 years.<sup>10</sup>
- Thirdly, within the regional context, the Pakistan-China trade has also gone to unprecedented increases during the period under study. For instance, bilateral trade was recorded US\$ 475 million in 1992 that jumped to US\$ 5.5 billion in 2006, which is an increase of 1074 per cent during 1992-2006.<sup>11</sup> Over the years, this led to make China as Pakistan's largest trading partner.

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<sup>9</sup> IMF: *Direction of Trade Statistics* (1993-2008).

<sup>10</sup> Ibid.

<sup>11</sup> Ibid.

- Fourthly, within the Eurasia regional context, Pakistan-Russia trade has increased from US\$ 105 in 1992 to US\$ 431 in 2006, which was an increase of 310 per cent, despite Russia being at a farther distance than Central Asian states.<sup>12</sup>
- Fifthly, with Iran, which lies in the south west of Pakistan, bilateral trade has also been increasing between them. For instance, the bilateral trade that stood at US\$ 275 million in 1992 had increased to US\$ 676 million in 2006, an increase of 146 per cent during 1992-2006.<sup>13</sup>
- Lastly, Pakistan's trade with the Middle East has increased from US\$ 2.4 billion in 1992 to US\$ 12.3 billion in 2006, an increase of 410 per cent.<sup>14</sup> This trade mainly comprises of oil imports by Pakistan. However, at the same time, Pakistan has substantial exports to the Middle East.

On the basis of the above analysis with regard to regional political and security situation and its implications for trade between Pakistan and Central Asia, it may be pointed out that regional political and security situation leads toward greater trade integration. However, for the promotion of bilateral trade, this factor could be overlooked as the nations could trade with or without a congenial political and security environment. They, nevertheless, need a trade infrastructure developed along with trade complementarity. On the basis of this analysis, it may be pointed out that a modern physical trade infrastructure does not exist between Pakistan and Central Asian countries, which is a hindrance in promoting the trade between them.

### **Changing and Emerging Trading Patterns**

The economies of Pakistan and Central Asian countries have developed under two extremely conflicting economic systems: Capitalism and Communism. The task of the Central Asian countries was more arduous than Pakistan's as they had to switch over to free market economy, unlike Pakistan, by introducing fundamental reforms in their economic system. Building trading and commercial relations that was started after the independence of Central Asian countries with the dissolution of the Union of the Soviet Socialist Republics (USSR) in 1991 thus appeared somehow a brand new experience for both Pakistan and Central Asian countries.

Trade between Pakistan and Central Asia has been so low that during the first few years after the independence of Central Asian countries that even data of Pakistan's trade with Azerbaijan, Kyrgyzstan, Tajikistan and Turkmenistan was not available. However, trade data of Pakistan's trade with Kazakhstan and Uzbekistan became available. International Monetary Fund's

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<sup>12</sup> Ibid.

<sup>13</sup> Ibid.

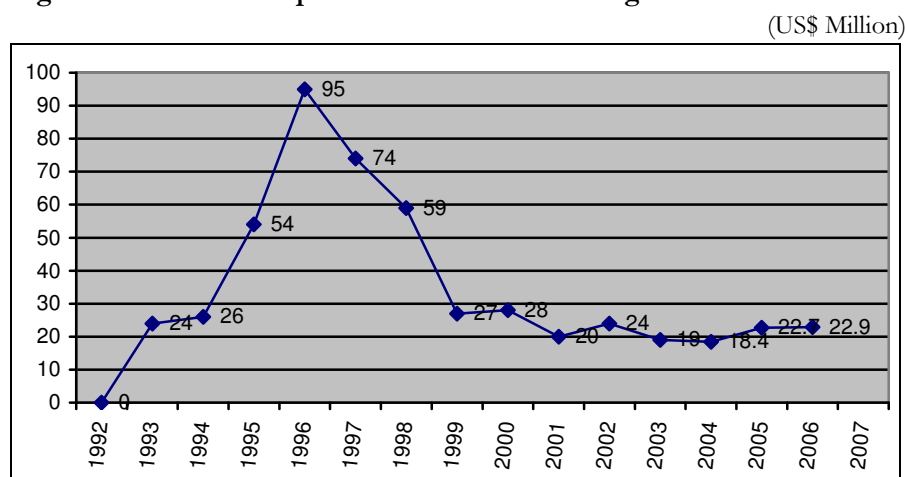
<sup>14</sup> Ibid.

(IMF) *Direction of Trade Statistics* started giving data of Pakistan's trade with Tajikistan in 1994, Azerbaijan and Turkmenistan in 1995, and that of Kyrgyzstan as late as in 1996. Therefore, it is also difficult to find out trade data of Pakistan with Central Asian countries during the Soviet time to draw analyses of trade patterns. The ancient Silk Route trade had existed for 2,500 years. Nevertheless, modern trade patterns can be divided into the following three distinctive phases:

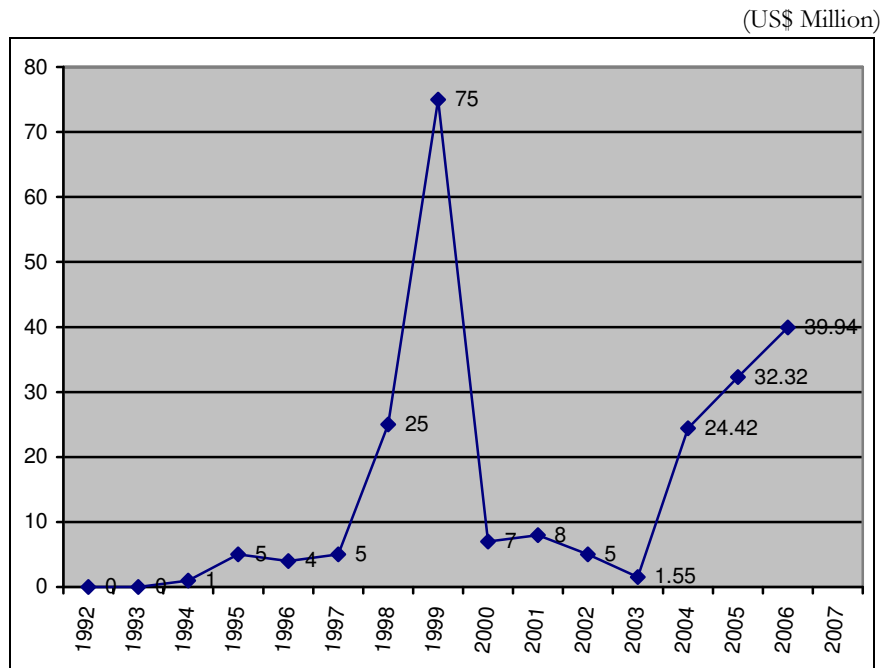
- I. The Soviet Time Trade (1947-1990)
- II. The Initial Phase Trade (1991-1996)
- III. The Second Phase of Trade (1997-2007)

During the initial period, trade between Pakistan and Central Asian countries had remained somewhat inconsistent and overall showed a discouraging trend. Nevertheless, efforts were made during 1993-96 when Pakistan's exports rose from US\$ 24 million in 1993 to US\$ 26 million in the following year up to US\$ 54 million in 1995 with ever-higher increase of US\$ 95 million in 1996. As for Pakistan's imports from Central Asia were concerned, they have remained extremely inconsistent and had shown an overall downward trend during 1992-2007. However, during 1998 and 1999, an upward trend of Pakistan's imports from Central Asia occurred when in 1998 imports increased to US\$ 25 million from US\$ 5 million in 1997, and went up to US\$ 75 million in 1999, an increase that only occurred in Pakistan's imports from Central Asia during the past 16 years or so (See Figures 1 & 2).

**Figure 1. Pakistan's Exports to Central Asia during 1992-2007**



Source: IMF, *Direction of Trade Statistics*, Yearbooks 1998, 2004, 2005, 2007 & 2008. (Washington: International Monetary Fund). Data for 2007 has been up to the First Three Quarters.

**Figure 2. Pakistan's Imports from Central Asia during 1992-2007**

Source: Ibid.

As far as the share of Central Asian countries of Pakistan's total exports and imports is concerned, this appeared quite negligible: less than one per cent of Pakistan's total trade. The ever-increase percentage share was recorded in 1996 when Pakistan's exports rose to US\$ 95 million, an increase of 76 per cent from the previous year. Similarly, in 1995 an increase of 108 per cent was recorded from the previous year. In the following years, particularly during 2004-6, percentage share of Pakistan's exports to Central Asia had remained around 0.7 per cent of Pakistan's total exports. Similarly, percentage share of Pakistan's imports from Central Asia was recorded 0.8 per cent in 2003, which further deteriorated in the following years.

In terms of Pakistan's percentage imports from Central Asia, the picture was not different to that of Pakistan's percentage exports to the region. Again 1995 and 1998 appeared as landmark years when a 400 per cent increase was recorded in Pakistan's imports from Central Asia from the previous years i.e., 1994 and 1997 (See Table 2).

**Table 2. Pakistan's Exports to & Imports from Central Asia:  
Percentage Change Over the Previous Year**

<i>Year</i>	(US\$ Million)					
	<i>Exports</i>	<i>% Change</i>	<i>Imports</i>	<i>% Change</i>	<i>% Share of Central Asia of Pakistan's Exports</i>	<i>% Share of Central Asia of Pakistan's Imports</i>
1992	-	-	-	-	-	-
1993	24	-	-	-	0.2	-
1994	26	8.3	1	-	0.2	-
1995	54	107.7	5	400.0	0.2	0.2
1996	95	75.9	4	-20.0	0.1	0.3
1997	74	-22.1	5	25.0	0.9	0.2
1998	59	-20.3	25	400.0	0.1	0.3
1999	27	-54.2	75	200.0	0.1	0.1
2000	28	3.7	7	-90.7	0.3	0.1
2001	20	-28.6	8	14.3	0.3	0.1
2002	24	20.0	5	-37.5	0.4	0.2
2003	19	-20.8	1.6	-68.0	0.4	0.8
2004	18	-3.2	24	140.0	0.6	0.7
2005	23.7	23.4	32	33.3	0.7	0.5
2006	23.9	0.9	40	25.0	0.5	0.4
2007	-	-	-	-	-	-

Source: Ibid.

### **Bilateral Trade**

Pakistan's overall exports to all six Central Asian countries either deteriorated or could not maintain momentum during 1992-2007. A survey of Pakistan's exports to Central Asian countries shows that there had been an overall decaling trend of exports to these countries during the period under study.

For instance, Pakistan's exports to Azerbaijan have shown some increases during 1995-97, rising to US\$ 5 million in 1995 to US\$ 12 million in the following year to US\$ 13 million in 1997. Afterward exports have steadily declined and reached as low as just US\$ 1 million in 2003, but by 2006, have slightly recovered to US\$ 3 million. Pakistan's exports to Kazakhstan have also shown a declining trend during the period under study. It was in 1996 and 1997 that exports rose to US\$ 16 million and went up to an ever-high level of US\$ 18 in the following year. However, afterward there was an overall declining trend and exports could not recover. Similarly, Pakistan's exports to Kyrgyzstan have also remained highly fluctuated. After a modest improvement during 1996-98 exports have rather declined with slight recovery that was made in 2005. However, even after that period, exports have continuously declined. Tajikistan is geographically close to Pakistan's border but difficult



mountain terrain obstructs the growth of trade between the two countries. During 1994-97 Pakistan's exports to Tajikistan have shown some modest increases from US\$ 1 million in 1994 to US\$ 9 million in 1997. However, onward there has been a downward trend up to 2007 and at no point in time afterward any improvement was recorded. Pakistan's exports to Turkmenistan had also kept declining from US\$ 13 million in 1996 to as low as US\$ 1 million by 2007. Pakistan's exports to Uzbekistan had been the most successful story among other five Central Asian markets during the initial period up to 1996 when exports increased as high as US\$ 95 million in that year from US\$ 54 million from the previous year. However, a slight downward trend occurred after that period and exports declined to US\$ 74 million in 1997 to US\$ 59 million and US\$ 27 million in the following two years respectively. From 2000 onward, a marked decrease had been witnessed in Pakistan's exports to that country from US\$ 10 million to as low US\$ 2.4 million by 2007 (See Table 3).

**Table 3: Pakistan's Exports to Central Asia during 1992-2007**

(US\$ Million)

<i>Year</i>	<i>Azerbaijan</i>	<i>Kazakhstan</i>	<i>Kyrgyzstan</i>	<i>Tajikistan</i>	<i>Turkmenistan</i>	<i>Uzbekistan</i>
1992	-	-	-	-	-	-
1993	-	10	-	-	-	24
1994	-	7	-	1	-	26
1995	5	8	-	4	2	54
1996	12	16	3	4	13	95
1997	13	16	7	9	8	74
1998	4	18	7	8	4	59
1999	1	8	3	2	2	27
2000	1	10	3	2	2	10
2001	1	7	1	2	3	6
2002	2	10	1	1	3	7
2003	1	10	3	0.2	1.6	3.2
2004	1.9	8.6	2.7	0.3	0.9	3
2005	2.3	9.9	5.3	1.5	0.9	2.8
2006	2.8	12.3	2	1.8	1.2	2.8
2007	0.12	9.0	.93	.14	1.0	2.4

Source: Ibid.

Similar to exports, Pakistan's overall imports from Central Asian countries have also shown a marked decline during the period under study. The worst case of imports had been with Kyrgyzstan from whom Pakistan's imports could not rise even up to US\$ 0.7 million by 2007. The Kazak exporters tried to make some inroads into the Pakistani market during 1995-97 but could increase their exports from US\$ 3 million in 1997 by declining to US\$ 1 million in 2007. A similar discouraging picture appeared that of Azerbaijan whose exporters could not increase their exports beyond US\$ 1.2 million through the past 16 years. Tajik exporters had found some room in Pakistani market by increasing their exports from US\$ 7 million in 2004-06 to US\$ 9 million in the following year.

A relatively encouraging picture for Turkmen and Uzbek exporters had existed in Pakistan during the period under study. For instance, Turkmen exporters have increased their exports to Pakistan from US\$ 1 million during 1996-97 to US\$ 5 million in 1999 to US\$ 9 million in 2004, 12 million in 2005, and as high as US\$ 14 million and US\$ 13 million in 2006 and 2007 respectively. It seems that Turkmen exporters could find more room for their products in Pakistani markets in the foreseeable future. Among all the Central Asian exporters, Uzbek traders and businessmen got the most outstanding response for their commodities in Pakistani market after 1992. For instance, Uzbek's exports risen to US\$ 23 million in 1998 to as high as US\$ 68 million in the following year. However, during 2000-03 Uzbekistan's exports to Pakistan steadily declined to US\$ 1.3 million in 2003. Afterward, a modest recovery has been taking place and by 2007 Pakistan's imports from Uzbekistan have recorded US\$ 15 million. Similar to Pakistan's imports from Turkmenistan, the future of Uzbekistan's exports to Pakistan seems bright. (See Table 4).

**Table 4. Pakistan's Imports from Central Asia during 1992-2007**  
(US\$ Million)

Year	Azerbaijan	Kazakhstan	Kyrgyzstan	Tajikistan	Turkmenistan	Uzbekistan
1992	-	-	-	-	-	-
1993	-	-	-	-	-	-
1994	-	-	-	-	-	1
1995	-	2	-	1	-	3
1996	-	2	-	-	1	1
1997	1	3	-	-	1	1
1998	1	1	-	-	-	23
1999	1	-	-	1	5	68
2000	-	1	-	-	-	6
2001	1	-	-	1	1	5
2002	-	-	-	-	1	4
2003	0.02	0.05	0.01	0.08	0.09	1.3
2004	0.4	0.8	0.01	7.55	9.33	6.33
2005	1	0.7	0.04	7.47	11.57	11.57
2006	1.2	0.9	0.05	9.23	14.26	13.3
2007	.9	1.0	0.7	0.15	13.48	14.61

Source: Ibid.

The basket of Pakistan's exports to and imports from Central Asian countries is quite small. Export commodities of Pakistan are consisted of pharmaceutical products, textiles, apparel, cloths, fabrics, footwear, leather products, tobacco, and surgical instruments. While Pakistan's imports from Central Asian countries are consisted of aluminium, chemicals, cotton, iron, steel, electrical appliances, sunflower seeds, honey, and urea etc (See Table 5).

**Table 5. Pakistan's Commodities Exports to & Imports from Central Asia**

<p><i>Exports to Azerbaijan</i> Pharmaceutical products, textile yarn, fabrics, apparel, cloth accessories, rice, matches, polyethylene, terephthalate, handicrafts, &amp; others.</p> <p><i>Imports from Azerbaijan</i> Cotton, aluminium, alloys, organic chemicals, &amp; others.</p>
<p><i>Exports to Kazakhstan</i> Apparel, cloth accessories, footwear, textile yarn, fabrics frame &amp; mounting of plastic, tobacco/tobacco manufactures essential oil, perfume material, pharmaceutical products, leather, leather manufacture, specific industrial machinery.</p> <p><i>Imports from Kazakhstan</i> Electrical appliances &amp; parts, Polyester fiber not carded, combed, polypropylene, iron &amp; steel, manufactures of metal, cotton, polyvinyl chloride un mix subset., salt of ore metallic acids, special machinery for particular industry, paperboard &amp; articles, &amp; others.</p>
<p><i>Exports to Tajikistan</i> Textile yarn &amp; fabrics, apparel &amp; cloth accessories, tobacco/ tobacco manufactures, pharmaceutical products, leather &amp; leather manufactures, &amp; others.</p> <p><i>Imports from Tajikistan</i> Chemical material &amp; products, cotton American (staple), sunflower seeds &amp; others.</p>
<p><i>Exports to Turkmenistan</i> Textile yarn &amp; fabrics, apparel &amp; cloth accessories, footwear, pharmaceutical products, edible products &amp; prep., surgical instruments, vegetables, fruits &amp; others.</p> <p><i>Imports from Turkmenistan</i> Cotton American (staple), cotton, Cinema film in roll unexposed, sunflower seeds, &amp; others.</p>
<p><i>Exports to Uzbekistan</i> Tobacco/ tobacco manufacture, leather &amp; leather manufacture, textile yarn, fabrics etc., travel goods, hand bags, apparel, cloth accessories, footwear, surgical instruments, misc. manufactures, essential oil perfume material, baby milk food, sports goods &amp; others.</p> <p><i>Imports from Uzbekistan</i> Natural honey, goatskins raw, polystyrene, waste etc of ethl/polym/last, cotton, cotton American (staple), urea whether/not aqueous solution, &amp; others.</p>

Source: Karachi: Federation of Pakistan Chamber of Commerce and Industry (FPCCI), *Pakistan Trade*. Pakistan's commodities exports & imports data from Kyrgyzstan is not available.

Summing up the ongoing limited bilateral trade but vast potential between Pakistan and Central Asian countries, Svante E. Cornell maintains that economic and trade ties are set to increase rapidly, and funds channelling to build road links and pipelines could speed up this process.<sup>15</sup>

## Policy Options

<sup>15</sup> Svante E. Cornell, "Central Asia's Pakistan connection", *The News* (Rawalpindi), November 18, 2001.

The following six points will enable Pakistani policy-makers to devise a strong trading and commercial policy toward Central Asian countries:

- I. Like the Indus River, the road transportation network is also the backbone of the economy of Pakistan. It is estimated that the building of the whole national and transnational road transportation network would increase Pakistan's GDP, foreign investment, energy capacity, and the public sector development. Therefore, building of national and trans-national transportation corridors should be given a priority in national economic policies of the Government of Pakistan.
- II. Commodities' trade is not going to be the focal area of trade between Pakistan and Central Asian countries. Rather the bulk of trade would be in the transportation of energy resources such as oil, gas and hydroelectricity besides trade in industrial metals such as iron, steel, aluminium, zinc, lead, and industrial and construction materials. The transportation of these materials depends on the availability of road transportation. So priority should be given to the construction of trans-regional road network.
- III. To meet the growing needs of energy resources such as gas and electricity in Pakistan, priorities should be given to the TAP and electricity transmission lines projects from Tajikistan, Kyrgyzstan, and Uzbekistan.
- IV. By virtue of its geo-strategic location, Pakistan could emerge as an influential player in the region.<sup>16</sup> For this purpose, it needs greater deliberate efforts to cooperate and coordinate not only with Central Asian countries and China but with a number of leading players across the region such as India, Iran, Russia and the United States as well as with Japan and South Korea for building trading, energy, and transportation corridors.
- V. The CASAREM hydro-electricity project, as mentioned above, should be the starting point to all other energy resource projects. Being a model project between Pakistan and Central Asian countries, it is going to be a feasible project to be done in the shortest possible time. The common "risk" factor, namely Pakistan being the "market risk", Tajikistan being the "supply risk", and Afghanistan being the "transit risk" would be a guiding star for other projects to be undertaken in the future.
- VI. It should be noted that Pakistan and Central Asian countries are potentially emerging democracies. The question of instability in the region should be addressed from within through cooperation. Outside intervention would only further complicate the situation. Inter-state

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<sup>16</sup> Ibid.

connectivity between Pakistan and Central Asian countries should be enhanced at par with the Association of South East Asian Nations (ASEAN) and other successful regional fora. This would ultimately not only enhance trading and commercial activities between Pakistan and Central Asian countries but also in the wider region.

### **Conclusion**

The commodities' trade is a far smaller fraction of potential trade between Pakistan and Central Asian countries. Trading relations between Pakistan and Central Asian countries cannot be developed under the existing infrastructure. There is an urgent need to fundamentally revamp the existing structure of trade between Pakistan and Central Asian countries to kick-start a promising and a mutually beneficial trading relationship. The new trading infrastructure comprising roads, railways, warm-water port facilities and a coordinated civil aviation system would help materialise the energy projects and give an enormous boost to the regional economies. Afghan instability has been over-emphasised as an obstacle to the promotion of trade between Pakistan and Central Asian countries. This, however, does not mean that the Afghan issue should not be addressed. The early resolution of the Afghan crisis would further help rebuild vital energy projects and give a quantum jump to overall trading and commercial relations among the countries in the region and ultimately trigger much larger economic development in Central Asia, Pakistan, and also in South Asia in the days ahead.■

## FOREIGN INVESTMENT IN COMPLEXITY OF GLOBALISATION AND SOCIO-POLITICAL ECONOMY: A CASE STUDY OF BALOCHISTAN

Dr Musarrat Jabeen\*

### Abstract

*The present foreign investment trends in international political economy due to globalisation have been penetrating, while accentuating complexity vis-à-vis local, regional and international economies. International system is a web of numerous political, economic and social systems. All these systems are dynamic as they interact with each other, driven by national interests of different nation-state systems, under different circumstances. Globalisation is overwhelming. Its significance to local economies needs to be assessed and managed, so that the local economic system may be maneuvered to face the contemporary challenges. This study focuses on Balochistan,<sup>1</sup> an area securing geo-economic significance in the world, where the nation-state systems are complex to manage their economies, while dealing simultaneously with local, national and global challenges. Balochistan lacks the genetic muscle to absorb the foreign investment propelled by national and international motivations; therefore, strategies are to be evolved to manage the complexity, affecting socio-political capital necessary for economic development and foreign investment.*

### Introduction

**I**nternational system vis-à-vis nation-state systems is complex; in fact, it is a web of numerous political, economic and social systems. For instance, one of the components of this system may be the political system of USA or the economy of a community in Balochistan. At the same time, the components have their own systems and subsystems. All these systems are dynamic as they interact with each other, driven by national interests of different nation-state systems, under different circumstances. Each

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<sup>1</sup> In terms of area, Balochistan is the largest (43 per cent of Pakistan) province of Pakistan bordering Afghanistan and Iran. It has 770 km coastline implying huge absorption capacity of foreign investment. The richness of the province in mineral resources and topographical conditions give it strategic importance. As the hub of geo-economic activities towards Afghanistan, its vitality in international system is highlighted. Any sort of socio-economic jeopardy in the province would not only affect Pakistan but also the entire region.

system emerges with some past-present-future nature of national interest of comprising units.

Globalisation is overwhelming. Its significance to local economies needs to be assessed and managed, so that the local economic system may be maneuvered to face the contemporary challenges. This study will focus on Balochistan; an area securing geo-economic significance in the world, where the nation-state systems are complex to manage their economies, while dealing simultaneously with local and global challenges. Balochistan lacks the genetic muscle to absorb the foreign investment propelled by national and international motivations; therefore, this study evolves some strategies to manage the diverse trends, affecting socio-political capital necessary for economic development and foreign investment.

This study will be relying on generative approach for management of complexity (See Table 1). The following questions would be discussed in the study.

1. How central is complexity in international system?
2. How local-national-international politics interact and inflate complexity in the management of foreign investment?
3. How new values can be added to manage complexity and foreign investment to deal with the emerging challenges of time?

**Table-1**  
**Generative Approach for Management of Complexity**

Concepts	Narratives
1. Suitability	To complex situation
2. Systematic	To think and align
3. Repulsive	To preconceived notions
4. Pragmatic	To provide alterative course of action

The specific argument of the paper is that complexity has emerged in the management of foreign investment in Balochistan because of *globalisation*: spurred by burgeoning population, demand for economic development, international instability and *apprehensions* of local population that the economic development will marginalise their identity.

The paper is divided into five sections: following the introduction, section two gives a profile of Complexity Doctrine; section three elaborates the geology of conflict related to foreign investment in Balochistan; section

four envisages strategies for Socio-political Strengths to manage the foreign investment and complexity; and section five forms the conclusion.

### **A Profile of Complexity Doctrine**

Dynamism of international system symbolises with all comprising systems and their linkages: as the systems emerge with different networks in dynamic situations. The complexity cannot be evaded, while managing foreign investment in a particular economy in a globalised world.

The theme of this paper is based on the *doctrine of complexity*. Local, national, regional and international factors join together to create an internal complex situation based on external realities. With reference to foreign investment in Balochistan, the doctrine is correlated with the following facts:

- Foreign investment with dynamic complexity has a shrewd impact on socio-economic set up of Balochistan. This is determined by applying the first index in Table 2 meant for this research; as the factors may persist in international political economy to *germinate complexity in Balochistan*.
- The networks encompassing Balochistan, because of its socio-economic and geo-strategic position induce different *conflicting practices to permeate complexity*; involving regional and international stake-holders. This is determined by applying the second index in Table 3 meant for this research.

Foreign investment is a likely contributory cause to complexity; it is good for Balochistan but is bad if the question is not managed on equity basis that who will get what benefit from foreign investment? In Pakistan-Balochistan, public servants are shabbily paid, transparency is lacking, oversight is a norm, and accountability is minimal, and the risk of corruption is real. Corrupt politicians and officials may benefit from foreign investment, but society as a whole suffers. A small portion of revenue is used for social and economic development. Various reasons are cited for this, which predominantly comprise military/security spending, debt servicing (45 per cent of GDP goes to debt servicing) and corruption. Foreign funds and investment have been sustaining corrupt and repressive practices. All such factors formulate the frame of complexity.



**Table-2**  
**Index of Dynamic Linkages and Complexity**

This index analyses the factors germinating complexity supported by dynamic linkages of foreign investors. Following are the indicators:

<b>Dynamic Linkages</b>	<b>Indicators</b>
1. Core linkages of foreign investors	The foreign investors have their bases in home countries.
2. Overwhelming linkages of foreign investors	They dominate the world economies through WTO, IMF and World Bank conditionalities and packages; or sometimes by manipulating the national elite. The decade of 1990s is known as the period of conditionalities in the economic history of Pakistan.
3. Penetrative linkages of foreign investors	Foreign investors go deep into the resources by building links with the elites.

**Table-3**  
**Index of Networks of Conflict**

This index analyses the vertical and horizontal networks of conflict encompassing Balochistan. Following can be the factors:

<b>Networks of Conflict</b>	<b>Factors</b>
Historical networks	Immediate or actual history of conflict
Economic networks	Globalisation of war economy. Economic ties between conflict and neighbouring societies at regional and international level.
Political networks	Conflict supported by political realities at regional and international level.
Strategic networks	Conflict supported by strategic realities at regional and international level.

Techniques like supreme national interest applied and propagated by power structure, sham democracy in Pakistan-Balochistan, and ineffective

lower tiers of government result in inequities in foreign investment management. The dynamism of foreign investment is evaluated in Table 4.

**Table-4**  
**The Dynamism of Foreign Investment in Balochistan**

Foreign investors are strong because of their unique coordination and linkages:

***Foreign investors from China, Australia, European Union and USA in Balochistan***

They have become strong enough to affect the fiscal and monetary policies of Pakistan-Balochistan. They are most forceful to affect the political economy, transmitting impact on subsystems of governance at socio-political level.

***National elite and power structure of Pakistan***

Conjoining globalisation and local resources, they are flexible to facilitate the foreign investors.

***Provincial elite and power structure of Balochistan***

Abreast of right-oriented politics, they fit well to exploit the social factor as against development.

***Socio-political fabric of Balochistan***

The low basic amenities and local disempowerment make the economic development passive.

The foreign investors supported by national elite are penetrative even all over the province. The penetration process is motivated by virtue of technical know-how as the foreign investors are rich in technology — the richness of resources is overwhelmed by the availability of technical know-how. In other words, they are the de facto owners of resources as they need it and they can utilise it.

Ultimately, the goal of a foreign investor is to transfer profits from the penetrated to the penetrators, as it is the profit motive that leads to the penetration of peripheral societies.<sup>2</sup> Local elites in Pakistan try to structure their domestic position in ways that favour their international connections.

<sup>2</sup> Charles W. Kegley and Eugene R. Wittkopf, *World Politics: Trend and Transformation*, 4th ed. (New York: St. Martin's Press, 1991), 143.

Thus, it is not the sheer economic might of the outside that dictates the dependent status of the state. The political repression applied locally but often with foreign support, is necessary to safeguard the privileges of the few. Development is possible, but not outside the confines of the dominance-dependence relationship between foreign investors and the ruling elite. National decision-making powers are concentrated to serve the interests of the elite.

With frequent interaction among nation-state systems because of communication development, accentuated competition for economic development, increasing population and growing demand for energy, have aspired the nation-states to commend the natural resources existing in other territories and Balochistan offers one such example.

The situation is complex when it is compared to any other previous imperialism or globalisation in two respects: one is the thickness (frequency of interaction) of present globalisation and the second is lesser information gap existing between penetrators and the penetrated. Now the societies are more aware about their rights. Maybe, they are not able to protect the same, but it is not simple to rule others.

### **Geology of Conflict Related to Foreign Investment in Balochistan**

This section takes the cognizance of local perception of foreign investment as the earlier economic developments benefited national elite more than the local population.

“Economic development of a region is influenced by economic, social, cultural and religious factors”, said Ranger Nurkse, an economist. Conflict in Balochistan has been prompted; as contenders are seeking to possess the economic resources, and to occupy the same exclusive position, while playing incompatible roles through incompatible means. The issue is about the management of mega projects and the relationship of mutual trust and benefit between the federation and the province. The struggle and the fighting are to determine the owner of “Balochistan’s wealth and resources, the Baloch or someone else.” According to the Constitution of Pakistan, the wealth of natural resources belongs to native people. However, very less compatibility exists between local, national, and international agendas to format the political economy of Balochistan.

There is an outcry by the natives and the Centre that the province is deprived and poor. The Centre utilises it to find a pretext to interfere in the provincial matters and the natives try to acquire more benefits from the Centre. Dependency, disharmony between the Centre and the province, mistrust between the government and the people, regional and international factors, are the headlines of conflict.

*Dependency*

Balochistan is dependent on Centre, because of myriad factors. Balochistan is 43 per cent in terms of area, but has only 5.6 per cent population of Pakistan. The division of national resources on the basis of population is under review in Pakistan. No federation in the world follows population as the sole criterions for distribution of revenues, among the units of federation. For example, in three other federations of the world — India, Australia and Germany — population has been given 10 to 11 per cent ratio, while other factors have been given much more weightage.<sup>3</sup> The other factors, in case of Balochistan that could be included, are backwardness, share of the province in national wealth and inverse population density.

Balochistan also receives direct transfers from the federal government, on account of its ownership of gas. These transfers relate to the excise duty and royalty on gas, and its share of the Gas Development Surcharge (GDS). Since Balochistan has no role in the entire process, it cannot influence the federal government's policy on this account. The royalty on gas is paid in recognition of the ownership rights of the province. It is fixed at the rate of 12.5 per cent of the gas sold and valued at the well-head price. However, the well-head has been pitched at a low level for the gas fields in Balochistan, compared with the royalty being paid on gas fields discovered recently whose well-head prices are much higher. At present, the GDS is determined on the basis of the cost of exploration and is distributed between the provinces according to the proportion of volume contributed by different gas fields to total national gas supply. This sharing arrangement has been put in place despite the fact that GDS collected is a function of the difference between the weighted prescribed price (determined on the basis of the well-head price, O&M cost, excise duty) and the price paid by the consumer. Balochistan gas fields are mature and are fast depleting, and this has resulted in the reduction of the share of Balochistan in the GDS. Since the well-head price for Balochistan fields is low, its contribution margin per unit of gas, to the total GDS, is more than the contribution of gas fields in other provinces. By allocating the GDS receipts on the basis of volume rather than total value of gas sold (being the product of volume and average weighted price paid by the final consumers), Balochistan's share is being artificially repressed. Whereas it contributes 53 per cent to 65 per cent under different formulas, it is now getting a share of roughly 35 per cent in the GDS distributed between the provinces. If the formula is changed to give Balochistan a fair share, it would get a GDS of approximately Rs. 9.8 billion, instead of the present Rs. 4.8 billion.<sup>4</sup>

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<sup>3</sup> Sabihuddin Ghausi, "Distribution of resources: Sindh Balochistan develop difference", *Dawn* (Karachi), July 10, 2005.

<sup>4</sup> Shahid Kardar (former finance minister of Punjab), "The bitterness of the Baloch", *Dawn* (Karachi), January 27, 2005.

Balochistan contributes only around six per cent of revenues and receives federal transfers as 94.5 per cent for provincial expenses; which also highlights both the heavy dependence on federal transfers and the huge mismatch between the assigned responsibilities of the province and the wherewithal available to it to discharge such an obligation. The high fiscal dependence on federal transfers is on account of the centralised tax structure (especially after the introduction of GST), as almost exclusive powers are granted by the Constitution to the federal government to make use of the revenue potential provided by all major, broad-based taxes. The skewed distribution of tax revenues brought about by the NFC Award 1997, has left Balochistan little leeway in absorbing the cost of shortfalls in such transfers, since the potential for mobilising revenues from its own taxes and user charges for provincially provided services, has tended to be limited.<sup>5</sup>

### *Mistrust*

Mistrust exists between bureaucracy and the people of Balochistan. The role of military bureaucracy to subdue the politicians has accentuated the mistrust. During 1970 election, the people of Balochistan voted for the National Awami Party (NAP) which stood for full provincial autonomy. Its leaders tried to implement manifesto so as to bring fruits of development and employment to the local population. The central government dismissed the provincial government after levelling allegations against the NAP government.

The basic cause for discontentment is under-development and widespread poverty. There is a persistent fear that the mega projects in Gwadar and the coastal regions would provide a cover for the induction of outsiders into Balochistan, thus making the Baloch further deprived and impoverished. The genuine projects are suspected to threaten the identity and livelihood of the local inhabitants.

There is a disjunctive conjunction between contemporary rights talks and the historical processes through which rights came to be framed; Balochistan is an unending tale of political and socio-economic lapses. Despite its wealth of natural resources, it remains the most backward province of the country. A deep-rooted sense of deprivation and frustration has made its people highly wary of the policy-makers in Islamabad, raising serious questions about the state of federalism in Pakistan. The current atmosphere is so murky that even genuine development projects initiated by the federal government are looked upon with askance eyes and resisted only because there are unaddressed questions in terms of their actual utility and benefit to the people of Balochistan.

### *Centre-Province Disharmony*

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<sup>5</sup> Ibid.

Balochistan politics needs to be looked upon as part of Pakistan. It has always been facing the crisis of political development as highlighted by Leonard Binder in *Religion and Politics in Pakistan*.<sup>6</sup> The crisis of *identity* means that people of a nation fail in large to identify themselves as one nation and are rather divided into ethnic and religious groups. The crisis of *legitimacy* means that government is not based on popular support but is rather based on coercion and force. A country suffers from the crisis of *participation*, where the people are denied to vote. In crisis of *representation*, attitudes, preferences, viewpoints and desires of the entire citizenry, are not shaped into governmental actions.

Since independence, the people of Pakistan in all provinces have had no role in determining the course of their history or the direction of their country's policies. They have been exploited in the name of ideology and external threats, while the real domestic challenges facing the country have remained unaddressed. The governments have been presiding without taking the people into confidence or accepting the responsibility of their actions or policies. The Constitution has not been implemented in its true spirit.

In this backdrop, Islamabad has taken upon itself many actions to perform, in view of the massive share of national revenues and resources that it appropriates. The federal development programme includes not only Gwadar, the coastal highway and the Sandak Project, but also the construction of provincial roads (like those connecting Chaman-Quetta and Quetta-Kila Saifullah), which in the normal course should be implemented by the provincial government, especially because some of them fall entirely within the purview of the provincial and local governments. The development projects also suffer from poor design and lack of prioritisation; activities that the provincial government is much better placed to carry out. It is just that the federal government will simply not let go the functions and resources that rightfully belong to lower formations of government.

The five highways towards Gwadar are made because of international interests; secondly, all the revenue will go to federal government. In Gwadar Housing Scheme, the land mafia residing in Karachi, has manipulated the land record in their favour with the help of government machinery and now the per acre land prices have gone up from thousands to millions.<sup>7</sup> The plan to build cantonments in Gwadar, Dera Bugti, Kohlu and Khuzdar in Balochistan, are aimed at ensuring full control over the resources of the province and to keep a close eye on local population.

The issue of Dera Bugti has become complicated in view of the fact that the government has mobilised armed forces, thus creating a situation of

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<sup>6</sup> Leonard Binder, *Religion and Politics in Pakistan*, (Berkeley: University of California Press, 1963), 43.

<sup>7</sup> Irshad Ahmed Haqani, interview with Sardar Attaullah Mangel, *Jang* (Quetta), September 20, 2005.

armed conflict. The government must recognise Balochistan people's due right on the natural resources of their province. The coastguard agency treats the people as criminals. Women and children are humiliated on the pretext of carrying out search. The Baloch people think that subjugation is taken in the name of development. In Frontier Corps, 75 per cent personnel are from NWFP, 20 per cent from Punjab and 5 per cent from Sindh.<sup>8</sup>

In between, lies the provincial tier of government, to work with the tribal system and abide by the Central government simultaneously. The provincial government sides with the Centre, and seems unable to manage the potential of local political system in the larger interest of the country.

The problems of Balochistan over the years have not been properly spelt out in our Constitution. There is a constitutional framework, delineating the federal and the concurrent legislative lists, with all residuary subjects being left to the provinces. In essence, the problems are in the non-implementation of the Constitution and in the pattern of governance and the centres of power that have kept the whole country in a state of flux for all these years of our independent statehood. The sharp ethnic tensions are the result of continued sense of political and economic neglect among the people of the smaller provinces. There is a strong underlying resentment in Balochistan against what is seen as continued "Punjabi dominance", inequitable distribution of power and resources, and exploitation of province's natural wealth.

Tribal system has been in vogue since the time the Arab tribes landed in the territory. During British period, Balochistan was divided into British Balochistan and Native Balochistan. The British Balochistan was 25 per cent of the province and mostly comprised the Pathan belt. The rest included mostly the Baloch areas. Seventy five per cent of native Balochistan, was led by Khan of Kalat, as the small tribes were paying royalty to him and he was paying it to the British government. This tribal system which was supposed to serve as a bridge between the people and the government, almost failed to deliver the goods. Sardars are like demigods to their people who look upon them as their bonded subjects. The local population cannot ask them for the welfare of the tribe. Rather, the tribesmen are directed to question the government to secure more benefits which will be used by Sardars of tribes. In fact, people are being exploited by Sardars who are also their political leaders. They hold sway over their tribesmen's life and death. How could any one dare to vote against their Sardar in an election? The Sardars become chief ministers and ministers through the electoral process. On being elected, they wield unbridled state power, which is otherwise not available to them. People in Kohlu recount the views of their Sardar Nawab Marri's on development: "the rulers will plunder the wealth of the area, once we allow roads to be

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<sup>8</sup> Rehmat Ali Baloch, "Round Table Dialogue - Provincial Autonomy", organised by Balochistan NGOs Forum Quetta, May 24, 2005.

constructed. The government had been taking away gas from the Bugti area, Sui, for decades but in return, the local population got very little.”<sup>9</sup>

#### *Regional and International Factors*

One of the drastic impacts of Afghan situation on the tribal set up of the province, was the deepening crisis of penetration and the growing militancy among tribesmen. The indigenous population of Balochistan, divided into a large number of tribes, might have been familiar with the traditional knowledge of guerrilla warfare, nonetheless, they were peaceful and non-warlike. The prolonged Afghan War, entailing a low-intensity conflict between the Soviet/Afghan forces and Mujahideen, the emergence of Klashnikov culture, and availability of advanced weapons, made a large number of tribes militant and violent,<sup>10</sup> such as Marri, Bugti, Rind, Mengal, Achakzai and Raisani tribes. A sizable Marri tribesmen who had been involved in a large scale insurgency in 1973-74, fled to Afghanistan, returned 18 years later, and are more violent and militant today than they were before.

In the era of globalisation, political institutions are being affected as per the requirement of global agendas, and the political institutions in Balochistan are no exception to this reality. In turn, political institutions are affecting the development and behaviour of civil society.

Gwadar port is being developed with full assistance from the Chinese. There was a recent report in the American press, expressing concern over the Chinese interest in some ports, including Gwadar. It was suggested that the Chinese were trying to seek bases all along the oil route. Also, there are people in the White House, who are for military action against Iran. There are reports that Americans are building a new base in Herat, Afghanistan, to encircle Iran. A request for NATO logistics hub in Karachi, has already been reported to be conveyed to Pakistan. That is where Balochistan would offer a tempting target for international intrigue.

Recently, gas pipeline planned among Iran, Pakistan and India through Balochistan impacted upon the US relations with all the three countries. The visits of Indian and Pakistani heads of states to USA, may be cited in this respect. Also, the foreign investment in Balochistan is a matter of concern for UAE coastal economies as well.

If it is determined that the wealth of natural resources belongs to the people, and the people are unable to utilise it in their own favour, what can be the mechanism to build a synergy between local population and operational modalities to manage foreign investment at socio-political level. This is a question that merits early solution.

<sup>9</sup> Rab Nawaz Gazni, “The Review”, *Dawn* (Karachi), February 10-16, 2005, 6.

<sup>10</sup> Emma Dunken, *Breaking the Curfew: A Political Journey through Pakistan*, (London: Michael Joseph, 1989), 7.



### **Building Socio-Political Capacity to Manage Foreign Investment**

“If world poverty were simply an economic problem, we would be closer to a solution by now. But development is a web of economic, political, institutional, ethnic, and class-related connections with persistent historical roots,” said Robert M. Solow, Professor Emeritus of Economics, at MIT. Accordingly, there should be political commitment for economic development of Balochistan. The process requires a sense of urgency. More complex analysis of both the causes and symptoms of conflict in Balochistan lead to following suggestions:

- Move from discrete projects in specified areas to looking more at other parts of Balochistan, i.e., Awaran.
- More strategic engagement with tribal system at different levels to try to ensure that they have both the capacity and the political will to uphold their responsibilities to protect the right of the poor and the marginalised.
- More collaborative work with other social movements and networks at different levels, particularly with moderate and progressive political leaders.

This study presents three strategies to manage the foreign investment at socio-political level. Views of some nationalists are indicated so as to broaden the outlook of strategies.

#### *Building Local Component for Development*

The right to development is a human right as declared by UN Declaration of 1986 and focused by UNDP Human Development Index 1990. The rights-based approach emphasises that development should be based on the recognition of equal rights of all citizens to the resources required for material well being and social uplift, along with such a concept of development that the contribution of state is given prominence. Legitimate political institutions can embark upon socio-economic development. In Balochistan, the political institutions control the economic process, because there are no efficient economic institutions within the political network. Capacity building is required to bring changes in decision-making support system to build knowledge-based economy.

A lot is required to promote labour-intensive, small and medium enterprises and to tap into other strengths of Balochistan. Again, any short list of these should include agro-based industries, ground water development projects, livestock development including abattoirs for export to the Gulf (where they can easily win a big share of the market, presently dominated by

the imports from Australia and New Zealand), cold storage, fruit and vegetable processing plants and development of mineral resources. These and similar other projects and business by the people of the province, would address their problems much better than capital-intensive projects, largely concentrated in one or two regions only.

### *Three Potential Areas for Industrial Investment*

The most suitable place for industrial development is Lasbela district, where all facilities are available. The second area is Naseerabad, where agriculture is fairly developed producing the raw material. In addition, basic infrastructure, railroad, electricity, water and other facilities are available. Proximity of Sindh is an additional factor finding markets for finished products. The third area is Mekran, with the highest literacy rate and manpower, which got good exposure in the Gulf region. The construction of Gwadar Port with a free trade area and the proposed Export Processing Zone, will add to the investment opportunities. Major valleys of Mekran, Kech and Panjgur, are known to be the cultural capital of Balochistan, where highly literate population is available to man the future industries. Seafood industry including fisheries has vast scope for development on Balochistan coast, right from Bunewari near Hub to Jiwani on the borders with Iran. The seafood industry alone can earn about two billion dollars in foreign exchange, if the available sea wealth area is exploited. The government in this case will have to stop illegal fishing and indiscriminate use of deadly fishing gears that is being patronised by corrupt political bosses for the past many decades.<sup>11</sup>

Chromite was found in Balochistan in 1903. A refinement plant and an iron up gradation plant is needed in Dilband. Onyx marble is available in Chaghi, which should be refined. Balochistan can also produce the best quality of cotton.<sup>12</sup>

The short-term interests of land mafia or vested interest groups should not damage the interests of local population. As of now, most of the infrastructural development is related to coastal roads and linking Gwadar with Karachi. The government should pay equal attention to developing road and rail links from Gwadar to the hinterland of Balochistan, so that the Baloch equally share the development.

A national law should be enacted fixing a minimum of between 1-2 per cent of Profit Based Tax to be contributed by resource extraction companies towards a "Community Development Fund," which should be used for long-term welfare of the community/union council/tehsil, where these facilities are located.

<sup>11</sup> Saleem Shahid, "Investment Opportunities", <http://www.eldis.org>.

<sup>12</sup> Fazle-Haider, Freelance Business Columnist, interview at Quetta, June 15, 2005.

### **Building Centre-Province Harmony**

If politics does not catch up with economics, many things can go wrong. There is a need for leadership, institutions and cooperation in many dimensions. State has to assume the responsibility to build infrastructure and public economy. A shift is required in conventional development thinking by stressing that development should focus on people, their knowledge and institutions. The relations between the Centre and the province can be improved by genuine federal system, fiscal devolution, and by building confidence in people.

In addition, to have amicable civil-military relations, the concept of “We-ness” can be launched between the military and local population. Pakistan military was the shield, which stopped USSR from invading Balochistan in pursuit of hot waters in 1980s. Pakistan military provides defence against external threat. At the same time, the territory of Balochistan provides strategic depth to Pakistan military to benefit at national and regional level. Similarly, Pakistan navy would find it easier to operate closer to the Gulf. During times of crisis, it could move its naval assets farther from Indian naval and air threat. But the military should be from all over Pakistan. As for proportionate Baloch representation in the armed forces, the plea has already been accepted, as around 100 officers from Balochistan are now being inducted annually. Disciplinary clauses of relegation and withdrawal are also relaxed. However, unpopular policies such as building cantonments should be reviewed.

#### *Genuine Federal System*

Balochistan demands the provincial autonomy provided in the Lahore Resolution of 1940.<sup>13</sup> The question of provincial autonomy remains the key to addressing the issues of federalism. If necessary changes are warranted in Pakistan’s Constitution, they should be accordingly made. The Constitution has been amended many a time for reasons of political power or expediency. It can be amended now to remove the underlying causes of injustice and socio-economic deprivation of the people of smaller provinces. A new federal structure has to be devised in the interest of stability in Pakistan. This will require a recasting of the Constitution and the establishment of a more viable structure that gives meaningful autonomy to the provinces. This involves a slashing of the Concurrent List and the handing over of full control of all key resources like oil and gas, where these resources are located. The people of Balochistan also need to be freed of the outdated and exploitative Darbari and Sardari tribal system, which keeps them backward. The Sardars in Balochistan must understand the new realities of the world. Instead of obstructing genuine

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<sup>13</sup> Senator Amanullah, “Round Table Dialogue-Provincial Autonomy”, organised by Balochistan NGOs Forum, Quetta, May 24, 2005.

development and security related projects, they should welcome any public or private investment in their province, which would ultimately bring direct or indirect socio-economic dividends to their people. With greater share in political power and better economic opportunities, the people of Balochistan could chart for them a new and better place in the federation of Pakistan. A system is needed to check the abuse of economic and political power.

Lack of legislative and financial powers is causing the conflict between the Centre and the province. All the civil armed forces should be under the control of provinces. And all the natural resources should be under the control of the provinces. The Senate should be directly elected. It should have the financial powers and be able to bypass the National Assembly, while the latter should not be able to bypass the former. If the coast guard remains in seas, it should be in the control of the Centre and if it comes to land, then its control should rest with the province.<sup>14</sup> The federating units must be empowered to make all laws for their own units.<sup>15</sup> National Finance Commission (NFC) Award should be revised to satisfy all federating units.<sup>16</sup>

The answer to the injustices felt by the Baloch people, lies in having in a genuine federal system and not in a system based on some misconceived notion of “supreme national interest”. The people cannot be fully satisfied by simply increasing the size of the federal government’s development programmes in Balochistan and enhancing job quotas for the Baloch in federally managed public services and projects.

The solution lies in dialogue and mutual adherence to the agreed constitutional framework. Wherever a change or adjustment is warranted, it should be made through political and constitutional means. The government should establish its firm authority so that the rule of law prevails in every corner of the country. The government and the local forces should have reconciliation with local residents and work together in places, especially where military operations against insurgents have taken place. The government should listen to the voices of the local people and involve them in the decision-making process, when planning local development projects.

Legislative powers regarding Gwadar and other mega-projects, must vest in the Balochistan Assembly and the entire income, in the shape of taxes, at present going to the federal government, should belong to Balochistan government. The head of the port authority should also be a Baloch and 60 per cent of the membership of its board of directors should be from

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<sup>14</sup> Sardar Attaullah Mangel, “Gwadar project and difference in Baloch Nationalists and Government”, *Jang* (Quetta), September 19, 2005.

<sup>15</sup> Ibid.

<sup>16</sup> Abdur-Rahim Ziaratwal, “Round Table Dialogue - Provincial Autonomy”, organised by Balochistan NGOs Forum, Quetta, May 24, 2005.

Balochistan. All foreign investments in Gwadar should be made on the pattern of the UAE, that is on the basis of 51 per cent local and 49 per cent foreign partnership. Without meeting this condition, no license should be issued. There should be a written guarantee that the head of the Gwadar Port Authority would be a genuine Balochistani.

Twenty per cent of royalties should go to the district governments to carry out regular development works, 30 per cent should go to a provincial “Human Resource Development Fund”, to fully finance the education of talented boys and girls of the province to study science and technology in quality institutions in Pakistan and abroad. The remaining 50 per cent should go to the provincial exchequer to improve the financial resources.<sup>17</sup> Along with this, a mutually agreed formula for the division of royalties — not just for the gas from Sui but also for the copper from Saindak and the gas pipeline from Iran to India across Pakistan — and its actual implementation would offer a pragmatic solution. The idea should be to restore confidence and good faith between the Centre and the province.

### **Management of Regional-International Relations vis-à-vis Foreign Investment in Balochistan**

Balochistan’s relation to foreign investment may be managed in three ways: The first emphasises the mitigation of its worst excesses. Second can be to bring market forces into balance with the social needs of the people. Third stresses the responsibility of people and political institutions to adapt to the needs of global markets.

The real challenge is to manage external factor, because political institutions take the cognizance of contemporary realities as much as they serve their interests. In Balochistan, the private sector lacks the economic strength which is needed for development. Therefore, the national and international private sectors would encroach upon the province. In this situation, integration of diverse identities and a strategy for economic development merits serious attention.

The remedy lies in granting political and economic rights to all regions and groups enabling them to make economic and political advancement. This will also help the preservation of the identity of a region. This step needs to be supported by measures aimed at neutralising the negative effects of globalisation on the economy, so that the size of the cake is not reduced and its distribution is not skewed further, giving rise to an upward swing in poverty level and an assertion of cultural identities with renewed force. Hence, there is a need for economic development, economic strategic vision at community,

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<sup>17</sup> Muhibullah Shah, “Balochistan: a Jewel in the Crown of Pakistan”, *Dawn* (Karachi), March 19, 2005, 13.

provincial, national, regional and international levels. A Forum for the Economic Development of Balochistan should be created, co-opting all stakeholders.

### **Conclusion**

The intrinsic strength of Balochistan is not highlighted while discussing Balochistan. A full constellation of circumstances producing irritants in Balochistan is operative, but the gravity of the situation is not fully taken into account. The power structure of the province has not taken cognizance of the issue in the real sense for a sustainable solution. The Baloch politicians, at the helm of affairs, are not capable enough for the task. To become a politician is looked upon by them as a pastime. Illiteracy and ignorance exists at different levels. The power structure of Pakistan does not understand that the Balochistan factor is a denominator of economic development in Pakistan.

Unlike past 60 years of neglect, the people of Balochistan are now partners in development. But genuine democracy does not exist; as either the elections are engineered by the bureaucracy or hampered by the tribal system. Sardars fear the loss of power once the economic development takes place. The government has been patronising majority of sardars for furtherance of its own objectives. Provision of incentives to native population becomes difficult in the tribal system.

The tribal and native systems do not recognise that foreign investment is the fountain head of development. The investors from outside Balochistan are looked upon as foreigners. They fear that outsiders, whether foreign or domestic, will undertake development work and threaten the identity and livelihood of the local inhabitants. The foreign investors do influence economic policies. Their policy design is often defective, ignoring ground realities. They are interested in mega projects which yield more benefits to international investors and the rest of the country, as compared to local population.

While locating Balochistan in global foreign investment trends, it appears that the natural resources have become integrated into the political economy of local, regional and global conflicts. With the present disparity in technology between developed and developing nations, the theory of comparative advantage prescribes that developing nations should continue to specialise primarily in the production and export of raw material, fuels, minerals, and food to developed nations in exchange for manufactured products.<sup>18</sup>

Balochistan may remain dependent, as independence requires competency. Ownership is not the most critical factor. Balochistan may insist

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<sup>18</sup> Dominick Salvatore, *International Economics*, 7<sup>th</sup> ed. (USA: Fordham University, 2000), 362.

on majority ownership by its locals. But if locals are incapable of successfully making the important entrepreneur and managerial decisions, there is still reliance on others. Entrepreneurship is more important than management. It seems that international interests would work with the power structure of Pakistan, so it is desirable on part of local socio-politics to resolve issues and irritants amicably with power structure of Pakistan for the development of Balochistan. It also seems that future socio-political fabric to be generated by virtue of migration streams from other provinces of Pakistan and from outside Pakistan will also be affecting the future political economy of the province. The globalisation is set to work in terms of free market economy, core-periphery economic parity, and the stakeholders may be locating their share and status in consonance with their geo-economic muscle.

In a nutshell, the locals are suffering from crisis of identity and poverty, the national elites at the helm of affairs are facing the issues of federation legitimacy, while the foreign powers are overvaluing their interests, whether they are Chinese commercial interests, Indian geo-economic interests or the US' war on terrorism. As for interests of Balochistan, Father of the Nation, Quaid-i-Azam Mahomed Ali Jinnah, while addressing Sibi Darbar, as Governor-General of Pakistan, on February 14, 1948, called for "... enabling them [people of Balochistan] to secure for themselves the same position and the same political status within the polity of Pakistan, which are open to their brethren in other provinces..."<sup>19</sup> His advice should be followed in letter and spirit. ■

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<sup>19</sup> *Quaid-i-Azam Mahomed Ali Jinnah: Speeches as Governor-General of Pakistan – 1947-1948* (Karachi: Pakistan Publications, n.d.), 54.

## WORLD BANK MEDIATION ON BAGLIHAR DAM: IMPLICATIONS FOR PAKISTAN-INDIA RELATIONS

Amer Rizwan \*

### Abstract

*The construction of the Baglihar Dam by India on the river Chenab – allocated for the exclusive use of Pakistan by the 1960 Indus Waters Treaty – is yet another manifestation of India’s propensity to violate the rights of its smaller neighbours, and to manipulate the things where even the explicit treaty provisions prohibit it from doing so. The verdict made by the Neutral Expert, appointed on the request made by Pakistan, upheld three of four objections raised by Pakistan, thereby validating Pakistan’s contention that the project was not being carried out in accordance with the provisions of the Indus Waters Treaty. However, by interpreting the objection raised by Pakistan regarding the spillways on the basis of “international practice” and “engineering norms of the day” rather than International Law, the Neutral Expert went against the spirit of the Indus Waters Treaty, failing to redress the key concerns expressed by Pakistan. The verdict, though far from being satisfactory to Pakistan, has much in store for the policy makers of both the countries in so far as the resolution of their longstanding disputes is concerned.*

Natural resources, if effectively tapped, can guarantee the prosperity of a country. However, in the developing countries, mismanagement, slower economic growth and a strong desire in these states to exercise stringent control on their already scant natural resources, prevail for certain interrelated reasons. This trend has led them to tax the environment and the nature beyond their natural capacity. This desire, on the part of these countries, has all the potential of breeding violent conflicts over the so-called issues of “blue gold” i.e. water. South Asia is one such region which owing to all the aforesaid factors, coupled with the recent upsurge in the growth and production, has led to create more appetite for energy. Countries of South Asia are naturally endowed with hydro-potential, which if effectively tapped, can at least partially meet their higher demands for energy. India, the biggest country of the region, has to allay the concerns of its neighbours, i.e., Pakistan and Bangladesh as the lower riparian states and Nepal and Bhutan as the upper riparian states, while utilising the hydro

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potential of its waters.<sup>1</sup> While discussing the paraphernalia of this complex situation would be beyond the scope of this study, suffice to say that Indian actions, time and again, corroborate that the concerns and apprehensions of these relatively smaller Indian neighbours are not totally out of place.<sup>2</sup>

## Background

In the spring of 1948, after the winding up of the arbitral tribunal (standstill agreement), India stopped waters of the rivers, flowing into Pakistani portions of the lower Doab canals and Dipalpur canal from the Ferozepur Headworks, spelling almost a disaster for the fledgling state. The water flow cut off by India affected 1.6 million acres of Pakistan's irrigated land i.e. 5.5 per cent of its total irrigated area.<sup>3</sup> At the time of independence, the boundary line between the two newly created independent countries i.e. Pakistan and India, was drawn right across the Indus Basin, leaving Pakistan as the lower riparian. Moreover, two important irrigation headworks, one Madhopur on Ravi River and the other at Ferozepur on the Sutlej River, on which the irrigation canal supplies in Pakistani Punjab had been completely dependent, were in the Indian territory.<sup>4</sup> A dispute thus arose between the two countries regarding the

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<sup>1</sup> The very inking of the Indus Waters Treaty 1960 is a manifestation that Pakistan faced a virtual disaster in the face of Indian attempts to stop the waters of the rivers flowing into Pakistan thereby violating one of the basic recommendations made by the Madrid Declaration 1911 regarding the use of international watercourses for purposes other than navigation. These discourage basin alterations and harmful modifications of the international rivers. The tensions between India and Nepal over the Mahakali Treaty and the latter's discontent over the inequitable water distribution, and Bangladeshi misgivings over the Farakka Barrage in India, just 15 kms upstream from the border with Bangladesh are also embedded in the similar perceptions of the respective countries. See Asma Yaqoob, "International River Waters in South Asia: Source of Conflict or Cooperation?", *Regional Studies*, vol. XXII, no. 4, Autumn 2004, 119-125.

<sup>2</sup> G.T Keith Pitman, "The Role of the World Bank in Enhancing Cooperation and Resolving Conflicts on International Watercourses: The Case of the Indus Basin" (World Bank Technical Papers no. 414, Washington D.C. 1998). According to the writer India halted water to some of the Pakistani canals at the start of the summer irrigation season. The point is, had it not for the inter-dominion agreement or the Indus Waters Treaty, India would have done this again as well. Dipak Gayali and Ajaya Dixit say (in "How Not to Do a South Asian Treaty," *Himalayan Magazine*, vol. 14, April 2001) that in December 1991, India compelled Nepal to sign an MOU, which allowed India the 577 m of Nepalese territory required for the Tanakpur Barrage in exchange for 10 million units of electricity and 150 cusecs water for irrigation.

<sup>3</sup> Farzana Noishab and Nadia Mushtaq, "Water Disputes in South Asia", *Strategic Studies*, vol. XXI, no. 3, Autumn 2001.

<sup>4</sup> M Munir, Member of the Boundary Commission, quoted in G W Choudhury, *Pakistan's Relations with India 1947-1966* (London: Pall Mall Press, 1968), 55. According to him, Lord Mountbatten exploited his position to modify the Award of

utilisation of irrigation water from the existing facilities. This abrupt act of stopping the flow of rivers water into Pakistani canals stressed the urgent need for Pakistan to formulate an agreement between the two countries regarding the future use and distribution of the combined waters. India demanded that Pakistan should recognise Indian proprietary rights over these rivers, so that it could not get any water from them as a right. Pakistan on the other hand, insisted on resolving the issue on the basis of the time-honoured principle of upper and lower riparian states.<sup>5</sup> The ensuing negotiations between the two countries did not resolve the problem. The inter-dominion agreement was signed between the two countries as an ad hoc arrangement.

### **Indus Waters Treaty 1960**

After protracted negotiations, the Indus Waters Treaty was signed in Karachi on September 19, 1960 by the then Prime Minister of India Jawaharlal Nehru, the then President of Pakistan Field Marshal Mohammad Ayub Khan and Mr. W.A.B. Illif, of the World Bank in a five-day summit under the good offices of the International Bank for Reconstruction and Development (IBRD) or World Bank. However, it was deemed effective from April 1, 1960.

The Treaty *inter alia* gave three eastern rivers, namely Ravi, Sutlej and Beas to India, the three Western rivers, Indus, Jhelum and Chenab to Pakistan and constituted a permanent Indus Waters Commission comprising a Commissioner each from both the countries, to resolve the disputes between the parties. The Treaty sets out the procedure for settlement of the differences and disputes. It also provides for settlement of disputes through the International Court of Arbitration. Safeguards are incorporated in the Treaty to ensure unrestricted flow of waters in the Western rivers. Pakistan was to meet the requirements of its Eastern river canals from the Western rivers by constructing replacement works. However, as an upper riparian state, India

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the Radcliffe Boundary Commission in the Punjab to give two Muslim sub-divisions (Tehsils) of Gurdaspur District to India. By virtue of this, not only a corridor was provided to India to have an inland access to the state of Jammu and Kashmir, but also the two vital headworks were given to India.

<sup>5</sup> By that time the rights and obligations of the lower and upper riparian states were governed by the guidelines or recommendations made by the Madrid Declaration 1911, regarding the use of international watercourses for purposes other than navigation. These discourage basin alterations and harmful modifications of the international rivers. However later the International Law Association developed the Helsinki Rules of 1966 on the Uses of the Waters of International Rivers. The Helsinki Rules outlined principles related to the “equitable distribution” of shared watercourses and commitment not to cause “substantial injury” to co-riparian states. See: Meredith A. Giordano and Aaron T. Wolf, “The World’s International Freshwater Agreements”,

[http://www.transboundarywater.orst.edu/publications/atlas/atlas\\_html/foreword/international/agreements.html](http://www.transboundarywater.orst.edu/publications/atlas/atlas_html/foreword/international/agreements.html).

was allowed certain specific consumptive and non-consumptive uses in the western rivers as well. The Treaty also circumscribed India's right to build water storage facilities in the rivers allocated to Pakistan. The generation of hydroelectric power is one of the uses allowed to India with certain restrictions imposed on the operation of such plants. It is under this provision that India is constructing many what it calls the run-of-river projects on the rivers and their tributaries that are specifically to be used by Pakistan under the terms of the Indus Waters Treaty. Baglihar Hydro-electric plant is one such project that India is constructing on the river Chenab in Chanderkote in Doda district of the Indian Held Kashmir about 110 Kilometers eastward of the Line of Control and 147 Kilometers above the Marala Headworks in Pakistan.

### **Baglihar Hydroelectric Project: Background and Technical Parameters**

Earlier, on April 14, 1978, the Salal Agreement had been signed between Pakistan and India on the controversial Salal Hydroelectric plant on the Chenab River. The agreement is the only success story i.e. a "question" was amicably and bilaterally resolved under the ambit of the Indus Waters Treaty. Again, in 1985, India started work on Wuller barrage or Tulbul project on Jehlum River. Pakistan lodged a strong protest with the Indian government, saying the construction was in violation of the Indus Basin Treaty and asking India to stop work on the project for three months. Since then, work on the project is suspended.<sup>6</sup> However the issue is one of the agenda items of the India-Pakistan Composite Dialogue Process and is yet to be resolved. Yet another controversial project, being carried out by India, is Kishanganga storage-cum-hydroelectric power project on the River Neelum, a tributary of River Jehlum.

However, the issue that received much media glare is the Baglihar Hydroelectric Project. This project was conceived in 1992, approved in 1996, and its construction began in 1999. After completion, this would be the largest power station in the Indian Held Kashmir. The 900 MW hydro-power station is being built in two stages: 450 MW was commissioned at the end of 2005 in the first phase, while the second phase was to be completed by the first quarter of 2008. The project envisages the construction of a 144.5 meter high and 317 meter long concrete gravity dam across the River Chenab with a gross storage capacity of 321,048 Acre Feet.<sup>7</sup> According to technical experts, the project could deprive Pakistan of 8,000 cusecs of water

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<sup>6</sup> Alok Kumar Gupta, "Baglihar Project: Another Bone of Contention" Article No. 1619, Institute of Peace and Conflict Studies, New Delhi, January 20, 2005, <http://www.ipcs.org/whatsNewArticle2.jsp?action=showView&kValue=1619&status=article&mod=b>.

<sup>7</sup> Record. Ministry of Foreign Affairs Pakistan. Dy. No. 569 KA (I), April 2, 2007.

per day.<sup>8</sup> All this would mean that Pakistan would witness a descendent curve in its crops production ratio as the farms are irrigated by river waters in much of its Punjab province. Pakistan contends that certain design parameters of the project, such as excessive freeboard of the dam, location of intake for the power plant, excessive pondage and location of the spillways, are in contravention to the Indus Waters Treaty. In simple words, the height of the dam would stop the flow of water into Pakistan; the very structure violates the 1960 Indus Waters Treaty, that run of the river projects apart, under the provisions of the Treaty the water of River Chenab is to be exclusively used by Pakistan, and that the gated structure of the dam would also provide India the capability to manipulate the flow of water to Pakistan's disadvantage. However, India holds that it is a run-of-the river project and is fully compatible with the provisions of the Indus Waters Treaty.<sup>9</sup>

Owing to this conflicting view, the "question" has been discussed at the level of the Permanent Indus Commission since 1992. Several rounds of meetings between the officials of the Indus Water Commission from both countries in New Delhi, Islamabad and on the site of the dam, failed to resolve the issue. After that and keeping in view Indian aversion to any third party role, bilateralism was given a chance. However, two rounds of intense negotiations failed to reconcile the conflicting positions of the parties. Pakistan considered Indian negotiating strategy as:

- (i) one of delay, of foot dragging, of "tiring you out";
- (ii) of "creating facts" – proceeding with construction plans, even when aware that the plans may well violate the treaty, so that Pakistan, confronted eventually with *fait accompli*, would have no choice but to cut its losses and accept an unfavourable compromised settlement; and
- (iii) insisting on a bilateral framework of talks, without intending ever to settle it on any but India's terms.<sup>10</sup>

Owing to the continuing differences between the two parties on the design of the project, it was agreed during Prime Minister Shaukat Aziz' visit to India on November 23-24, 2004 that a final effort would be made for the resolution of the issue by convening a meeting of the Water Secretaries and

<sup>8</sup> "Baglihar Hydroelectric Project: Delhi proposes dates for inspection". *Dawn*, (Islamabad), October 6, 2003.

<sup>9</sup> "New Delhi to take appropriate action if Pakistan approaches WB over Baglihar Dam," January 11 2005, <http://in.news.yahoo.com/050111/139/2iyh4.html>.

<sup>10</sup> R.G Wirsing and C. Jaspardo, "Spotlight on Indus River Diplomacy: India, Pakistan, and the Baglihar Dam Dispute," *Asia-Pacific Center for Security Studies*, May 2006, 4.

Water Commissioners of the two countries. Even the said meeting did not produce any results, as India refused to comply with Pakistani demand that construction work on the project be postponed as a precondition for continuing the talks. India argued that it will not repeat the folly of stopping the work as it had done in the case of Wuller Barrage. In Pakistan, the public perception was that India was deliberately dragging the process of negotiations and in the meanwhile was expeditiously carrying on the project.

### **Failure of Diplomacy: A Request Made to World Bank**

In the wake of exhaustion of all these channels, Pakistan sent a written request to the World Bank on January 15, 2005 to appoint a Neutral Expert, stating that a “difference” had arisen between India and Pakistan under Article IX(2) of the Indus Waters Treaty, relating to the Baglihar Project. Disagreements by the parties on the interpretation of the provisions of the Treaty are classified into three categories: questions are examined by the Permanent Indus Commission; differences by a Neutral Expert; and disputes by a Court of Arbitration. The Bank after consultation with the parties, appointed Raymond Lafitte, Professor at the Federal Institute of Technology of Lausanne, Switzerland as the Neutral Expert on May 10, 2005 to determine the claims. Pakistan’s request raised a number of Points of Difference for Expert Determination in respect of the design of the project on the basis that certain features of the design did not conform to the criteria specified in the Treaty. To put it simply, Pakistan’s contentions were based on the following points:

- India’s calculations of the design, flood and the height of the dam (freeboard) i.e. 4.5 meters are excessive, and provides India with the handle to artificially raise the water level in the operating pool above the full pondage level.
- India’s calculations of the required Pondage of 37.5 Mm are too high as the correct pondage should be 6.22 Mm.
- The level of intakes for the Power Plant i.e. 818 metres are not at the highest level as required by the Treaty.
- Conditions at the Baglihar site do not require a gated spillway, and the gates of the spillways were not at the highest level. The location of the spillway gate that is 27 metres below the dead storage level (the level beyond which water cannot be drawn down or depleted except in cases of emergencies) is unnecessary.<sup>11</sup>

There are apprehensions that the project can wreak havoc in Pakistan if water supplies are suspended for 28 consecutive days during

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<sup>11</sup> Record: Ministry of Foreign Affairs Pakistan. Dy. No. 569 KA (I), April 2, 2007.

December, January and February, as it would affect agriculture and other requirements at Marala Headworks. Pakistan also apprehends that the project may lead to inundation of the area above Marala Headworks due to the sudden synchronised releases from Dal-Hasti, Salal and Baglihar reservoirs.

Even before the final determination, the Neutral Expert had expressed in the initial determination that Pakistan's contention was valid, when seen strictly in the context of the Treaty, but the modern day technology provided ways of addressing Pakistani concerns regarding the project.<sup>12</sup> The Expert gave his determination on February 12, 2007. As per text of the determination, the Neutral Expert while interpreting the Treaty has relied on the rules of the Vienna Convention on the Law of Treaties, which reflect customary international law with regard to ordinary methods of treaty interpretation.

The Treaty contains clear language and wording on how and to which extent India and Pakistan may be allowed to utilize the Indus system of rivers. The Treaty also gives a clear indication of the rights and obligations of both Pakistan and India. These rights and obligations should be read in the light of new technical norms and new standards as provided for by the Treaty — the Neutral Expert is of the opinion that interpretation of the Treaty must be guided by the principle of integration and the principle of effectiveness. These two principles provide for the Treaty to find effect in its whole and to ensure that each of the object(s) and purpose(s) of the Treaty is given fullest weight and effect when interpreting rights and obligations under the Treaty.<sup>13</sup>

### **The Neutral Expert's Determination and the Parties' Reaction**

The neutral expert, Mr. Raymond Lafitte partially upheld some of the objections raised by Pakistan. His principal findings are:

- Freeboard of the dam is not at the lowest elevation. So height of dam structure (Freeboard) should be reduced by 1.5 m (from 4.5 m to 3.0 m) *above the full pondage level leading to a dam crest elevation at 843.0 m asl.*
- The pondage capacity of the dam should be reduced by 13.5 per cent.
- The elevation of the power intake tunnels, stipulated by India is not at the highest level, as required by the criteria laid down in

<sup>12</sup> "Verdict on Baglihar dam controversy on Feb 12". *Dawn*, (Islamabad), January 30, 2007.

<sup>13</sup> Executive Summary of the Expert Determination on Baglihar Hydroelectric Project; Lausanne, February 12, 2007.

the Treaty. So the intake level should be raised by 3 metres and fixed at 821.0 m asl.

All these findings limit some flow control capabilities of the earlier design.

- The height and gated control of the spillways are conforming to the engineering norms of the day. *The NE considers, in conformity with the state of the art technology, that the conditions at the site of the Baglihar plant require a gated spillway. An analysis done by the NE on 13,000, existing spillways in the world shows that 89% of these structures ... are gated.* He also finds that with the ultimate objective of the sustainability of the scheme, it is essential that the present position of the spillways (below the dead level) be retained. This arrangement is a *sine qua non* for the *maintenance purposes* of the project i.e. sediment control and evacuation of the large part of design flood.<sup>14</sup>

The day the determination was received, Pakistan called it a “great victory” claiming that by accepting three out of four objections to the dam built by India, the World Bank Neutral Expert has held India responsible for violating the Indus Waters Treaty, because Baglihar’s design was incorrect.<sup>15</sup> In the same way, India claimed victory by saying that the changes recommended by the Neutral Expert are minor and that the power-generation capacity of the project would not be affected.<sup>16</sup> The way the findings are implemented and the Determination interpreted will have far reaching implications for Indo-Pakistan relations. However, Pakistan is ostensibly not satisfied by the Neutral Expert’s determination on the gated spillway count. Both the then Federal Minister for Water and Power Minister Liaqat Ali Jatoi and the Indus Waters Commissioner Jamaat Ali Shah’s dissatisfaction is well-known.<sup>17</sup> Pakistan Indus Water Commissioner Jamaat Ali Shah revealed that Raymond Lafitte accepted Pakistan's stance on the spillway gates — that under the Indus basin treaty they could be installed at the highest possible level.

But in the final verdict the neutral expert supported Indian position using the word 'international practices' and 'state of the art' technology. On this issue of the spillway gates, the World Bank expert has deviated from the Indus basin treaty that gives

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<sup>14</sup> Ibid.

<sup>15</sup> “Verdict on Baglihar dam”. *Dawn* (Islamabad), February 12, 2007.

<sup>16</sup> “Breakthrough on Baglihar?” *The Hindu*, (Delhi), February 14, 2007.

<sup>17</sup> Indus Water Commissioner, Jamaat Ali Shah speaking in PTV Programme “*Black and White*” April 28, 2007.

clear guidelines for building hydroelectric projects on the western rivers of Chenab, Jhelum and the Indus.<sup>18</sup>

Dr Ijaz Hussain, former Dean, Faculty of Social Sciences, Quaid-i-Azam University Islamabad, has also contented that the case was not decided in accordance with International Law and the terms of the Treaty. He further argues that Pakistan can challenge the award.<sup>19</sup>

Whereas the textual interpretation allows India to construct a submerged spillway on the ground that it is consistent with sound and economical design, the object and purpose forbids it to do so because it provides it with the means to interfere with the free flow of waters.<sup>20</sup>

The then Pakistani Federal Minister for Water and Power, also suggested that Pakistan may avail of its right to go into the appeal against the verdict.<sup>21</sup> There is serious consideration in the official circles of Pakistan as to how to challenge the neutral expert's determination on the Spillways in an arbitral tribunal, and to maintain simultaneously that the other findings remain binding.<sup>22</sup> Pakistan undoubtedly fears that the verdict may amount to a *carte blanche* for India to build more dams. This could potentially be a source of more tension between the two neighbouring countries. India, on the other hand, takes the award as a precedent to be followed in its all other disputes with Pakistan.<sup>23</sup>

### **The Impact of the Verdict on the Indus Waters Treaty**

For India, the Indus Waters Treaty, for all practical purposes stands amended in its favour. India considers this a high time to re-examine its approach to the Wuller barrage and Kishanganga project. The government of Pakistan is, thereby, mindful of the more creeping violations by India on the rivers allocated to Pakistan under the Treaty, specifically on both Jhelum and Chenab rivers. This attitude of India would further exasperate the Pakistanis who inwardly think Pakistan to be the loser in the verdict. However, knowing full well that India is averse to any third party role, Pakistan may rightfully hope that India would not test its patience too far. However, all this has not

<sup>18</sup> Adnan Adil, "A win-win verdict" *The News*, Islamabad, March 4, 2007.

<sup>19</sup> Ijaz Hussain, "Not treated according to the treaty". *Daily Times* (Lahore), February 28, 2007.

<sup>20</sup> Ijaz Hussain, "Can Pakistan challenge Baglihar Verdict?" *Daily Times* (Lahore), March 14, 2007.

<sup>21</sup> "Pakistan may Move Court of Arbitration": *The Tribune* (Chandigarh), February 15, 2007.

<sup>22</sup> Ministry of Foreign Affairs, Pakistan. Dy No. 569 KA (I), April 2, 2007.

<sup>23</sup> "India to tell Pakistan; Expert's is way out for stalled river projects" *The Indian Express* (New Delhi), February 14, 2007.



deprived Pakistan of its legal right i.e. to go to the World Bank if its rights under the provisions of the Treaty were violated yet again.

Much of the impact of the judgment on the Indus Waters Treaty can be observed once it is clear as to whether or not India and Pakistan are going to implement the findings of the Neutral Expert in good faith. Already Indian experts have been describing the verdict to be a virtual license to build more dams of the sort, thereby trying to take maximum leverage out of the legal lacunas created by the modern day engineering and technology.<sup>24</sup>

Although the text of the Expert's Determination does not out rightly suggest that the findings are of binding nature, yet the President of the World Bank, Mr. James D Wolfensohn, before appointing the Neutral Expert, said that the verdict of the expert would be "binding" on the parties.<sup>25</sup> Again, the canons of fair-play and practice demand that because they have been the outcome of a long and intricate legal process, these findings may be implemented. There is an interesting dimension to the same. Pakistan is not satisfied at least with parts of the Determination, yet it, time and again, reiterates that it is binding and that it should be implemented. It is so because the Determination has been made in accordance with the Treaty, and probably Pakistan's own interests rest on the continuing accession to the original Treaty. Ironically, India does not hint at the binding character of the Treaty yet it is fully resolved to exploit the Determination in its favour. As stated earlier, India wants to use the Determination politically by getting more leverage in its other water issues vis-à-vis Pakistan and by demonstrating to the Kashmiris that it is making the Treaty more subservient to their interests.

### **Implications for Pakistan-India Relations**

Pakistan's economy is agriculture-based and hydro-power is the main source (about 50 per cent) of energy for the domestic as well as for the industrial consumers. According to CIA World Factbook, 22 per cent of Pakistan's Gross Domestic Product is agricultural and 42 per cent of its labour force is engaged in agriculture.<sup>26</sup> There is also threat perception in Pakistan that the dam can also be used as a weapon by India. So it is but natural that it would eye with scepticism any developments that are detrimental or are potentially

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<sup>24</sup> "J & K Can Plug Into More Power As Neutral Expert Clears Baglihar Dam" *The Indian Express* (New Delhi), February 12, 2007. Indian Union Minister, Saifudin Soz welcoming the verdict said that the modifications will marginally add to the costs, and that the award by the Neutral Expert would deeply influence all future interpretations of the Treaty between the two countries.

<sup>25</sup> "Baglihar, World Bank and appointment of neutral expert" *Daily Times* (Lahore), February 10, 2005.

<sup>26</sup> The CIA World Fact book. (2006), <http://www.cia.gov/cia/publications/factbook/geos/pk.html>. The page was last updated on 17 April, 2007, and was accessed on 30 April 2007.

harmful to its interests. Any controlling mechanisms by India on the Western rivers may either flood Pakistan's farms and populated areas or may stop the much-needed water during the dry spell. This nightmare of Pakistan is more than often almost realised by the statements from the Indian elite. A former Indian High Commissioner to Pakistan, Mr. G Parthasarathy reportedly said,

Should we not consider measures to deprive the Pakistanis of the water they need to quench their thirst and grow their crops? Should we not seriously consider whether it is necessary for us to adhere the provisions of the Indus Waters Treaty. ... extraordinary circumstances demand extraordinary responses.<sup>27</sup>

Pakistani concerns were confirmed when India probably replied in affirmative to the questions raised by Mr. G Parthasarathy by actually releasing, in July 2005, 564,000 cubic feet per second of water into the Chenab from the Baglihar dam thus flooding portions of Pakistan.<sup>28</sup> It is primarily owing to these factors that there is almost a knee-jerk reaction in Pakistan whenever India intends to construct anything on the western rivers of the Indus River System. However, some official Indian circles also blame Pakistan for taking domestic political leverage out of the purely technical issues.

Pakistan may or may not be making a political leverage out of technical issues yet there is no denying the fact that India is doing so by trying to drive a wedge between the pro-Pakistani Kashmiris and their Pakistani supporters. It is condoning its own commissions or omissions under the Indus Waters Treaty by propagating that Pakistan is responsible for laying obstacles in its efforts to raise the life standard of the Kashmiris living in the Indian Held Kashmir (IHK). The IHK has been reeling inter alia under severe power shortage for the last few decades which has impeded developmental activity in the region. Ironically, it is richly endowed with extensive water resources. This power shortage has often been attributed to India's inability to harness these resources owing to Pakistan's objections. The Kishenganga, Salal, Wuller are cited by the Indians as the few of well known stalled projects.<sup>29</sup> Construction of all these projects creates

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<sup>27</sup> Asma Yaqoob, "International River Waters in South Asia: Source of Conflict or Cooperation?", *Regional Studies*, vol. XXII, no. 4, Autumn 2004, 138.

<sup>28</sup> "Pakistan Issues Warning after India Releases Water into Chenab": *China Daily* [http://www.chinadaily.com.cn/english/doc/2005-07/08/content\\_458432.htm](http://www.chinadaily.com.cn/english/doc/2005-07/08/content_458432.htm). Although India had issued information to Pakistan on the release, yet had there been no reservoir, there would have been no need to discharge the huge volume of water; Hence the greater number of such reservoirs in the Indian Held Kashmir, the more would it be potentially disastrous for Pakistan.

<sup>29</sup> Seema Sridhar, "The Baglihar Verdict: Brighter Days Ahead for J&K?"

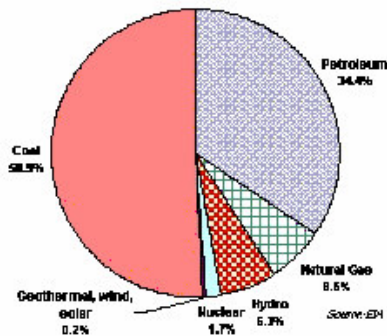
environmental concerns in Pakistan as well. According to international practice, if pollution causes trouble in a downstream country, an upstream neighbour may opt to pay for a treatment plant in lieu of reduced inputs or reduced withdrawals.

Making arguments on the basis of this point, the pro-Indian Kashmiri leaders leave no stone unturned in questioning the Kashmir credentials of Pakistan. However, the key question is whether large dams are the only answer to the power woes of Indian Held Jammu & Kashmir? Several projects such as the Dulhasti, Uri-II have been inordinately delayed by Indian authority while Pakistan's interventions have nothing to do with these projects. The topography of the region makes transmission and distribution of power extremely difficult. The Indian government has never given due importance to develop small hydropower generating plants in IHK, which could have been developed not at the expense of the Indus Waters Treaty and good neighbourly relations with Pakistan.<sup>30</sup> Political analysts also question this argument by stating that India gets its 50.9 per cent and 34.4 per cent from Coal and Petroleum respectively; hydropower contributes just 6.3 per cent to the total energy consumption in India. If the energy needs of entire India could be met mostly by non-hydro power sources, then it is anybody's guess as to where the shoe pinches in IHK.

**Source:**

EIA Country Analysis Briefs, India: Environmental Issues, Energy Information Administration (February 2004), 2/2/06.  
<http://www.eia.doe.gov/emeu/abs/india/enr.html>

**India's Fuel Share of Energy Consumption, 2001 (Btu)**



She holds that Pakistan's persistent objections to these projects are a combination of the natural concerns of a lower riparian as well as political maneuverings of an interested party in the conflict in J&K. India holds Pakistan as the main culprit for the inadequate power generating infrastructure in the state. While this view does reverberate the reality of Pakistan delaying large projects in the state, alternative ways of addressing the crisis could have been given due importance by India in the meantime. [http://www.sspconline.org/article\\_details.asp?artid=art116](http://www.sspconline.org/article_details.asp?artid=art116).

<sup>30</sup> Seema Sridhar, "The Baglihar Verdict: Brighter Days Ahead for J&K?", [http://www.sspconline.org/article\\_details.asp?artid=art116](http://www.sspconline.org/article_details.asp?artid=art116).

Indian media likewise creates an impression that as the Indus Waters Treaty fails to incorporate the interests of the Kashmiri people, so it should either be altogether scrapped or substantially amended so that Kashmiri people are able to harness the power of the rivers that originate from Jammu and Kashmir.<sup>31</sup> Writing in the Chennai-based Frontline, A. G. Noorani argues, “the fact that the state (the Jammu and Kashmir) was not consulted while the treaty was signed does not affect its validity...”.<sup>32</sup> The pro-Indian Kashmiri leaders may be joining the chorus with their Indian mentors, yet the All Parties Hurriyat Conference (APHC) questions the wisdom of violating the Indus Waters Treaty by urging the parties to abide by the Treaty in its letter and spirit. Besides, it is also argued that any would-be power supply and “prospective” development and prosperity are nullified by the fact that the dam construction would submerge almost the entire Doda.<sup>33</sup> It seems that one reason why the APHC and Pakistan sanctify the Indus Waters Treaty is its origination as a result of multilateral arrangements.

Again, there are certain elements in India and Pakistan who have great faith in the Chenab Formula of conflict resolution that would not only end the water woes of Pakistan but would also offer the best possible solution to the Jammu and Kashmir dispute. The Formula is based on the “Dixon Plan”, proposed in 1950 by Sir Owen Dixon, who came as a United Nations representative to Pakistan and India. According to the Formula, IHK would be partitioned, with Pakistan being granted the Kashmir Valley and a substantial (and Muslim majority) of Jammu, enough to give it command of the Chenab River. Pakistan may hypothetically consider “Doaba”, a narrow strip of land between Chenab and Ravi in the suburbs of Shakargarh, stretching up to Chamb, Doda and Rajwari districts as international border. India would be supposedly bound to agree to give territory from Kargil upward to Pakistan. Most of the towns in Jammu and on the left bank of the Chenab are Hindu majority while in most of the districts on the western side of the Chenab, the Muslims are preponderant. As per Formula, Pakistan may forego its claim on the Buddhist Majority Ladakh region, but it would never compromise on the Valley.<sup>34</sup> The proponents of the Formula argue that in

<sup>31</sup> R. G. Wirsing & C. Jaspardo, “Spotlight on Indus River Diplomacy: India, Pakistan, and the Baglihar Dam Dispute,” *Asia-Pacific Center for Security Studies*, May 2006.

<sup>32</sup> Asma Yaqoob, op. cit., 139.

<sup>33</sup> “Baglihar Dam to Submerge Doda: Gillani” *The Pakistan Tribune* (online), January 11, 2005, <http://www.paktribune.com/news/index.shtml?90057>.

<sup>34</sup> “Pakistan toying with Chenab Formula,” *The Tribune*, [www.tribuneindia.com/2001/20010623/world.htm#1](http://www.tribuneindia.com/2001/20010623/world.htm#1).

See also R.G. Wirsing & C. Jaspardo, “Spotlight on Indus River Diplomacy: India, Pakistan, and the Baglihar Dam Dispute,” *Asia-Pacific Center for Security Studies*, May 2006. According to the paper, the Dixon Plan assigned Laddakh to India, the Gilgit-Baltistan and Azad Kashmir to Pakistan, split Jammu between the two and

such an eventuality, even the Indus Waters Treaty could be terminated, because then Pakistan would be able to develop Chenab's potential to the maximum, not only in terms of storage dams for irrigation but also for hydroelectric power and flood control.<sup>35</sup> Nevertheless, this is only a hypothetical situation and both India and Pakistan have to make hard and bold decisions before arriving at this situation. Until then, abiding by the Treaty is the best course to follow.

India might abjure any third party role in India-Pakistan disputes, yet, Indus Waters Treaty, Run of Kuch, Kargil crisis, 2001-02 standoff between India and Pakistan are but some of the cases which prove the utility of outside facilitation if not outright mediation. The failure of the two parties to resolve the issue of Baglihar as a "question" under the ambit of the Indus Waters Treaty bilaterally and its referral to the World Bank Neutral Expert has inter alia a diluting impact upon the so-called Indian "Monroe Doctrine".<sup>36</sup> Renowned Indian journalist Kuldip Nayar, is of the opinion that as a gesture of good will and in order to sustain the peace process, India should renounce and abandon the Baglihar project.<sup>37</sup> The Indian leadership, subject to taking the piece of advice from him seriously, would have saved its traditional insistence on resolving the issues with Pakistan bilaterally from being damaged. Moreover, any bilateral concession on Baglihar would have a de-electrification impact on the public opinion in Pakistan which, in normal circumstances, is highly sceptical of Indian motives and actions. Moreover, the pacifists such as Kuldip Nayar and Praful Bidwai do not subscribe to the propaganda by a section of the Indian elite that the findings of the Neutral Expert would set a judicial precedent and India would be legally entitled to tap the waters of the western rivers.

### **Should the Treaty Be Revised?**

Undoubtedly, both India and Pakistan, need to manage the increasingly important water-related issues with great circumspection and imagination; that is a sine qua non, not only for a peaceful South Asia, but also for the internal stability and development of the countries of the region. The Indus

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envisaged a plebiscite in the Valley. The proposal though accepted by Pakistan, was rejected by India.

<sup>35</sup> Ibid.

<sup>36</sup> C. Raja Mohan "Beyond India's Monroe Doctrine," *The Hindu*, January 2, 2003. The author says that the concept of Indian Monroe Doctrine is not new. None other than Nehru himself propounded it. Indira Gandhi reincarnated it with "Indira Doctrine". It implies that Indian Subcontinent is India's exclusive sphere of influence and New Delhi must strive to prevent the intervention of great powers in the affairs of the region. These are ideas that have long animated the nation's foreign policy. However, the writer believes that these ideas are outmoded now.

<sup>37</sup> Kuldip Nayar, "Natwar's Pride, Neighbour's Agony," *Deccan Herald* (Bangalore), August 31, 2005.

Waters Treaty was deliberately designed in order to settle the issues relating to water resources between the two countries once and for all, and it accomplished this aim by getting India and Pakistan to consent to the permanent partitioning of the Indus River System. It is the only agreement between India and Pakistan that is not only the product of peaceful negotiations with an active mediation by a third party, but which has also stood the test of time. However, there are observers, mostly on the Indian side, who question the rationality and the basis of the continued existence of the Treaty. By deviating from the time-honoured principle embodying the rights and obligations of the upper and lower riparian states, the Treaty has foreclosed any option of joint management of the Indus River System for ecological and environmental reasons, they argue.

An Indian commentator on water resources, Mr. B. G. Verghese is of the opinion that Indus-II should be constructed on the basis of Indus-I that would stipulate “a joint investment, construction, management and control” of the three western rivers allocated to Pakistan “but under the Indian control”. This, he argues, would lead to a lasting solution of the Jammu and Kashmir problem and would help transforming the Line of Control into a bridge of peace and tranquility.<sup>38</sup> He probably tries to invoke Article XII of the Treaty that provides the modifications of the Treaty on mutually agreed terms, though the Treaty has no exit clause. It is probably inter alia against this backdrop that India reportedly offered to share Baglihar and Kishanganga electricity with Pakistan.<sup>39</sup> Mr. Ramaswamy Iyer, a researcher in the New Delhi Institute of Policy Research goes a step further by saying that Indus Waters Treaty is a negative Treaty and it leads the signatories nowhere. He is of the opinion that if the cooperation of India and Pakistan on the Indus Waters is to be sought, there ought to be negotiated a totally new treaty; it simply cannot grow out of the existing treaty.<sup>40</sup>

No doubt, there are dissenting voices on Pakistani side as well, complaining that Pakistan has got merely 75 per cent of the share of waters when it has 90 per cent of the irrigated land, and the new patterns of irrigation under the Treaty provisions has led to ecological and environmental problems in Pakistan.<sup>41</sup> Again, the latter has to consistently and painstakingly vigil the

<sup>38</sup> B. G. Verghese, “It’s time for Indus-II,” *The Tribune* (Chandigarh), May 25, 2005.

<sup>39</sup> “India offers to share Baglihar and Kishanganga's electricity”, *Daily Times* (Lahore), June 15, 2005.

<sup>40</sup> Ramaswamy R. Iyer “Water in South Asia: A Tour d’ Horizon,” [www.cprindia.org/admn/paper/pdf](http://www.cprindia.org/admn/paper/pdf).

<sup>41</sup> Sardar Mohamamd Tariq, “Indus Waters Treaty 1960 and Emerging Water Management issues for Pakistan” in Pervaiz Iqbal Cheema, Rashid Ahmad Khan and Ahmad Rashid Malik (eds.), *Problems and Politics of Water Sharing and Management in Pakistan*, (Islamabad: Islamabad Policy Research Institute, 2007).

motives and actions of India, because it apprehends that India may breach the Treaty parameters any time. The Treaty in itself offers very frail defences against its breach by India. Such a process is more than often frustrating for Pakistan because India tests Pakistan's patience on this count off and on. Again, the Treaty has allowed India to utilise the waters of the eastern rivers to its benefit. It helped in diverting waters to arid areas like Rajasthan and developing irrigation facilities. As for the scrapping and overhauling of the Indus Waters Treaty, the simple logic is that how can Pakistan and India do away with an agreement that has been the outcome of almost a decade of rigorous negotiations with the active participation of the IBRD as a mediator and broker? Would Pakistan and India ever be in a position to conclude a bilateral agreement to the mutual satisfaction of the two parties, that is accorded sanctity and that can withstand the test of time? The answer lies in the inability of the two countries during the last six decades to bilaterally resolve even the relatively minor issues such as Sir Creek, Wuller, MFN etc. Four rounds of Composite Dialogue Process have not made any headway in issue-resolution. In the first place, therefore, any bilateral agreement between Pakistan and India on the Indus Waters is a remote possibility. Moreover, such an agreement would not be durable and mutually satisfactory.

There are some reservations regarding the Treaty in both countries. The general view in Pakistan is that India has got more water than its due share of Indus waters under the Treaty. Many in India think that the Treaty is very unfair to India and needs to be renegotiated. In the event of a review of the Treaty, both India and Pakistan will want to improve their respective shares. Obviously, that is not possible. The best course is perhaps to leave things as they are.<sup>42</sup>

Likewise, hydrologists in Pakistan believe that a breakdown of the Treaty may lead to widespread famine and further inflame the ongoing conflict over Kashmir. Moreover, the scrapping of the Treaty may have a debilitating effect on the hydropower capacity, which can adversely affect the domestic and industrial consumers alike.<sup>43</sup>

It is also worth mentioning on the issue of joint management of the Indus Rivers that both Pakistan and India had received and rejected the proposal, put by Mr. David Lilienthal, former chairman of the Tennessee Valley Authority, as early as in the 1950s that there should be a single integrated authority to operate, maintain, and distribute the Indus Waters between India and Pakistan.<sup>44</sup> Again, if we subscribe to Mr. B. G. Verghese's and Mr. Ramaswamy's hypotheses, then it presupposes that the Ganges Water

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<sup>42</sup> Ramaswamy R. Iyer, op. cit.

<sup>43</sup> Shumaila Zeveqar, "The Baglihar Issue": *The Post* (Islamabad), March 10, 2007.

<sup>44</sup> Sardar Mohamamd Tariq, op. cit.

Treaty between India and Bangladesh, and the Indo-Nepal Mahakali River Treaty are ideally catering to the needs of the parties which is factually incorrect. It is no denying the fact that the diversion of the Ganges Water and the construction of the Farakka Barrage on the river Ganges are the real concerns for Bangladesh, and that the Mahakali Treaty was ratified on September 20, 1996 by the Nepali Parliament, only under foreign pressure. In both the cases the element of duress and unilateralism is manifest.<sup>45</sup> India has constructed a number of barrages quite close its border with Nepal that obstruct the flow of water and inundates land in Nepal. It is quite ironical because usually the upper riparian is responsible for inundating the land in the lower riparian, although in most of the cases the problem is natural, not man-made. In this case, the upper riparian is the affected party thanks mainly to the man-made problems.<sup>46</sup> So when the Bihar Government complains to Nepal each year on the havoc created by the river Bagmati from Nepal in Bihari villages each year, then it can easily be treated as a dual policy by India.<sup>47</sup> The dichotomy is attributable to India's own poor track-record as an upper riparian state. Similarly, India has a long-standing policy of adhering to bilateral negotiations, presumably because it can best address its own needs vis-à-vis each of its neighbours separately.<sup>48</sup> Robert A Wirsing and Christopher Jasparro aptly argue, "The integrated development approach is Utopian. It is only possible with a paradigm shift in mindset and complete end to hostilities, both physical and psychological."<sup>49</sup>

Therefore, the only option for India and Pakistan is the continuous accession to the Indus Waters Treaty in letter and spirit. Any deviations and modifications would unleash complications in a tense and hostile environment. Baglihar is not the only water dispute between Pakistan and India; the two countries have locked their horns on the Wuller Barrage and Kishanganga projects as well. Besides, India envisages constructing many more hydroelectric projects on the western rivers and their tributaries in the Indian Held Kashmir. Salal agreement is the only incident, where an agreement has been reached under the Permanent Indus Water Commission. Again, until very recently, water-related issues were considered to be just peripheral problems. The two countries are yet to settle disputes over Kashmir, Siachin,

<sup>45</sup> Farzana Noishab and Nadia Mushtaq, op. cit.

See also Asma Yaqoob, "International River Waters in South Asia: Source of Conflict or Cooperation?", *Regional Studies*, Volume XXII, No.4, Autumn 2004, p.119 - 125

<sup>46</sup> The author's conversation with a Nepali Diplomat.

<sup>47</sup> "South Asia flood death toll rises" *BBC Report*, 7 August 2007, [http://news.bbc.co.uk/2/hi/south\\_asia/6932636.stm](http://news.bbc.co.uk/2/hi/south_asia/6932636.stm).

<sup>48</sup> Jesse H. Hamner and Aaron T. Wolf, *Colorado Journal of International Environmental Law and Policy* - 1997 Yearbook, 1998.

<sup>49</sup> R.G. Wirsing & C. Jasparro, op. cit.



Sir Creek as well. The rejoice in New Delhi and Islamabad over the Baglihar verdict has made the so-called pacifists to think more ambitiously beyond the water issues about the possibility of a third party mediation. Many in India and Pakistan hope that this unprecedented agreement between India and Pakistan to agree on a third party verdict is an indication that there is a mutual will for conflict resolution. For instance, there is a possibility that given this mutual will to setting a maritime boundary in Sir Creek by the international cut-off date, both India and Pakistan may agree to a UN monitored peace zone in Siachin. India has been sceptical of an outside mediation but, here in case of Baglihar, it has shown amenability. It is also suggested that although Pakistan has suffered relative loss in the Neutral Expert's Determination on Baglihar, but given sagacity and proper manipulation and astuteness, Pakistan may use Baglihar to make way for third party intervention on Kashmir. It was primarily owing to Indian aversion to third party intervention and the threat of Soviet Veto to stop any move in the UNSC that has already frustrated any attempt in this regard. It is by no means to suggest that India would concede any room on this count even now very easily. However, once the utility of third party is established in amicably resolving the Indo-Pakistan disputes and Indian policy makers start keeping in mind a "Shining India" that is stable inside and is also not bleeding from the outside, that is to emulate the economic power of the more gigantic neighbour China, and an India that envisages and endeavours to break the regional capsule and establish itself as a global power to be reckoned with, then there is no reason to be pessimistic in this count.

### **Verdict's Impact on the Hydro-Electric Cooperation at the Regional Level**

Any negative development over the findings of the Neutral Expert may have a fall-out on the regional hydro-power cooperation in South Asia, as has been envisaged by SAARC. It is interesting to note that fifty-seven of the multilateral and bilateral water-related treaties (39 per cent) focus on hydropower. Power-generating facilities bring development, and hydropower provides a cheap source of electricity to spur developing economies. Some analysts, however, suggest that the age of building dams will soon end, because of lack of funding for large dams, a general lack of suitable new dam sites, and environmental concerns.<sup>50</sup>

SAARC has had the ambition of creating a power pool since it was created in 1985. In this respect, there are suggestions for using the existing regional frameworks for water cooperation. Cross-border mistrust, particularly between India and its neighbours, has held back progress, but rising demand for electricity has generated more enthusiasm for the project. It is hoped that if the hydro potential of the north-eastern Pakistan, northern India, Nepal and

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<sup>50</sup> Jesse H. Hamner and Aaron T. Wolf, *op. cit.*

Bhutan could be properly developed, the power supply situation across the entire region can be improved.<sup>51</sup> Indus Waters Treaty is an effective role-model for bilateral arrangements in this regard. At the 25th meeting of the SAARC Council of Ministers in Islamabad in July 2004, it was agreed that an “Energy Ring” or transmission grid would be created. Later, the First SAARC Energy Ministers meeting was held in October 2005 in Islamabad. The meeting recommended establishing SAARC Energy Centre in Islamabad to promote development of energy resources, including hydropower; energy trade in the region; to develop renewable and alternative energy resources; and promote energy efficiency and conservation in the region. Besides, the Heads of State or Government at the 13<sup>th</sup> SAARC Summit held at Dhaka underlined the need to constitute a South Asian Energy Dialogue process, involving officials, experts, academics, environmentalists and NGOs, to recommend measures to tap potentials of cooperation in energy sector, and to provide inputs to the Working Group on Energy. All these pious intentions could only be translated into action if the member countries show greater will and far-sightedness in pooling and collective utilisation of their resources. However, the experience of SAARC has not been successful so far, since it, in itself, requires the building of mutual trust among the South Asian states. Political leaders in South Asian countries have to be convinced of the potential benefits accruing from such cooperation. Indian hegemonic attitude towards other South Asian states needs to be radically redirected into a more cooperative one. In fact, the weight of historic evidence tends to favour water as a catalyst for cooperation: organised political bodies have signed 3,600 water-related treaties since AD 805, versus only seven minor international water-related skirmishes (each of which included other non-water issues). The only water-related war between states on record occurred about 4,500 years ago. Therefore, it is high time, India and Pakistan should realise that cooperation on the water related issues is a *sine qua non*, and a relatively easy issue to be tackled thereby as a trendsetter.<sup>52</sup>

### **Baglihar Ruling and the Kishanganga Project**

Pakistan’s main objection to the 330-megawatt Kishanganga hydro-power project, being carried out by India on the river Jehlum, is that the 21 kilometers long canal that involves the diversion of the waters of a tributary of the river is in contravention of the provision of the Indus Waters Treaty. According to the Indian plan, Kishanganga water is to be diverted to a tunnel to Bandipore, where it will join the Wuller Lake, and then the Jehlum River. According to Pakistan’s Indus Waters Commissioner, Jamaat Ali Shah,

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<sup>51</sup> Neil Ford, “Baglihar threatens Indus deal”: *International Water Power*, September 12, 2006, <http://www.waterpowermagazine.com/story.asp?storyCode=2042877>.

<sup>52</sup> Jesse H. Hamner and Aaron T. Wolf, *op. cit.*

Pakistan has reservations about the design of the dam because it would affect Pakistan's own plan of a power station on the Jehlum river. The Baglihar verdict has something in store for the parties on the Kishanganga court as well. In the first place, the Indian side's readiness to respond to the Pakistani request of setting a timeframe for dialogue is a marked diversion from its practice of dragging the negotiations to the point of no return during the parleys on Baglihar. Again, there is no reason to be totally pessimistic about the failure of India and Pakistan to reach an agreement on the technical issues involved in the matter. The parties have failed to define the very nature of their mutual differences on the project i.e. whether Pakistani objections should be treated as "questions" that can easily grow into "differences" and be taken up for arbitration, or they are mere "objections" i.e. a step before arbitration.<sup>53</sup> Jamaat Ali Shah, Pakistani Indus Waters Commissioner, said after the recently inconclusive meeting on Kishanganga with his Indian counterpart: "Both sides have agreed that the issue should be resolved at the Commissioners' level and third party mediation must be avoided. It reflects sincerity of purpose on both sides."<sup>54</sup> Again the Indian side has already altered the design of the dam on Pakistani objections in this regard and has made it a run of the river project.<sup>55</sup>

### Conclusion

If India continued to talk of exercising control over the waters of the western rivers that are vital to Pakistan's very existence, then, it may prove to be a great irritant in the India-Pakistan peace process and the Composite Dialogue Process. Certainly, the crisis has all the potential to derail the peace process if sanity did not prevail. Even it can take the two countries to the brink of total hostility as well. However, in all likelihood, mutual mistrust on the water-related issues would continue. Pakistan would use all the channels, bilateral as well as multilateral, in order to frustrate Indian designs of exploiting the Neutral Expert's Determination in its favour. India will, no doubt, refer to and use the Verdict as a lever in its future diplomatic maneuvering vis-à-vis Pakistan, but it would not use it at the expense of the normalisation process with Pakistan and regional peace and harmony which would pay more dividends to India than any country in the region in the longer run.<sup>56</sup> Secondly,

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<sup>53</sup> The distinction is important in that the disagreements between the parties on the interpretation of the provisions of the Indus Waters Treaty are classified into three categories: questions are examined by the Permanent Indus Commission; differences by a Neutral Expert; and disputes by a Court of Arbitration.

<sup>54</sup> Ahmad Fraz Khan, "Pakistan, India fail to bridge differences," *Dawn* (Islamabad), June 3, 2008.

<sup>55</sup> *Ibid.*

<sup>56</sup> Faruk Ashrafeen, "Budge on Baglihar too," *The Post* (Islamabad), May 17, 2006. Indian Prime Minister Manmohan Singh, while launching Jagat Mehta's book, *Negotiating for India: Resolving Problems through Diplomacy*, reportedly expressed the fear

India has to court Pakistan in order to meet its ever increasing energy demands. Pakistan, being the potential energy corridor, can provide the most economical route for the supply of gas through pipelines to India and beyond from Central and West Asia.<sup>57</sup> Thirdly, as discussed earlier, the weight of historic evidence tends to favour water as a catalyst for cooperation rather than confrontation. Some compromised formula or boundary line would thereby be evolved whereby Pakistan would consider recourse to third party mediation as a futile and expensive exercise. India would forego the room offered to it by the Neutral Expert's Determination. Towards that end, the World Bank would have to guarantee the safety of Pakistan's interests not only on the question of Baglihar but on all of the aforementioned hydropower projects on Western Rivers in letter and spirit of Indus Waters Treaty.

The issue of distribution of water between Pakistan and India is of inescapable nature; so only farsightedness, on the part of the protagonists, can lead to a lasting solution of the problem in the longer run. Pending this, the prospects of future cooperation between the two states on other political issues i.e. Siachin Glacier and Kashmir issue etc. would be dampened. Failure on this count would definitely take a toll on the peace process and the prosperity of the peoples of the region who are languishing in abject poverty, illiteracy, terrorism, human trafficking and other social, political and economic menaces. This vicious cycle of depleting resources, spawning unemployment and fuelling extremism in both the countries is feared to intensify in the near future in the absence of any consensus on the use and distribution of water resources. In a nutshell, progress on Baglihar and other water issues is a test case for future cooperation between India and Pakistan on wide-ranging issues, particularly in the wake of much touted rhetoric at the conclusion of 14<sup>th</sup> SAARC Summit. ■

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that unresolved disputes with the neighbours could invite foreign intervention and asked his diplomats to pay more attention to negotiated settlements.

<sup>57</sup> Maqbool Ahmad Bhatti, "Energy, Water issues in South Asia" *Dawn* (Islamabad), February 26, 2007.