

Strategic Analysis Paper

5 November 2012

Pakistan-India Relations: Old Rivals, New Beginnings?

Andrew Manners

FDI Assistant Analyst

Key Points

- Relations between Pakistan and India are complicated. Characterised by ups and downs and intermittent breakdowns, the future of the relationship is anything but certain.
- The issues of Kashmir and terrorism remain as challenging as ever. They continue to shape the relationship and are significant hurdles to normalising relations.
- Despite these difficulties, dialogue is rarely disrupted for long, and there are many opportunities both countries can capitalise on to build warmer relations in the longer term.
- Should relations become normalised, both states may enjoy great economic benefits, as well as ongoing stability in the region, especially as the United States withdraws its troops from in Afghanistan in 2014.

Summary

Relations between Pakistan and India are anything but simple. Characterised by periodic ups and downs and intermittent breakdown, sometimes verging on all-out war, former Indian politician Inder Gurjal accurately described the relationship as a 'tormented' one.¹ Indeed, the heated issues of Kashmir, terrorism and nuclear arms remain as challenging as ever.

¹ Scott, D., 'India's Relations with Pakistan', in *Handbook of India's International Relations*, p. 59, Routledge, 2011.

Despite this, though, the silver lining in the troubled relationship is that disruption in dialogue is never permanent; the governments of both countries invariably return to negotiation. Looking forward, there are a number of opportunities that Pakistan and India may capitalise on in order to build a deeper relationship in the longer term.

The normalisation of relations holds great benefit for both countries, especially when one considers their shared economic interests. In addition, with the drawdown of United States forces from Afghanistan in 2014, the two nuclear-armed rivals will need to find a consensus in order to stabilise Afghanistan and the region more generally, especially amid growing concerns over the potential “Talibanisation” of Pakistan. Therefore, although future relations are uncertain, these issues and the roles that both states can play in promoting regional stability will see Pakistan-India relations remain of critical importance in the coming decade.

Analysis

One Step Forward, Two Steps Back

Since partition, relations between Pakistan and India have been constantly challenged by territorial disputes and competing state narratives and nationalism. With the Kashmir issue taking centre stage in their tumultuous relationship, India and Pakistan fought three wars in the first 25 years of their existence.

This rivalry was heightened in 1989 by Pakistani support for an insurgency in Indian Kashmir using military proxies. As the impasse over Kashmir continued, tensions escalated further in 1998 when India, followed by Pakistan, began testing nuclear weapons. The tests caused great anxiety among the international community and led to sanctions being placed on both countries. Seeking to avoid further sanctions and to appease international pressure, India and Pakistan initiated talks that resulted in the *Lahore Declaration*, which was signed by the two countries’ prime ministers in February 1999. The declaration committed both states to ‘intensify their efforts to resolve all issues.’

Only three months later, however, hopes of peace were dashed and the promises of the declaration abandoned as Pakistani-backed infiltrators triggered a skirmish in the Kargil region of Kashmir. Tensions continued to simmer and peaked again in 2001-02 following a terrorist attack on the Indian parliament. As the fighting looked set to continue, international pressure for a resolution led the two sides to return to the negotiating table in 2004. The resulting Composite Dialogue lasted five years, during which ‘the public diplomatic gestures of Indian and Pakistani leadership facilitated discussion and softened attitudes among civil society and the media on both sides.’² At the same time, closed-door dialogues made progress in drafting the conditions for peace. Backchannel negotiations

² United States Institute of Peace, 15 July 2011, ‘Optimism and Obstacles in India-Pakistan Peace Talks’.

launched in 2004 brought the two close to an agreement on Kashmir, with journalist Steve Coll writing at the time that the talks signified ‘an end to the cover wars and suspicion.’³

True to the oscillatory nature of the relationship, however, four years later, the prospect of peace was sunk once again after the 2008 Mumbai terrorist attacks, which New Delhi ultimately attributed to Pakistan’s Inter-Services Intelligence (ISI). The progress achieved in the Composite Dialogue was quickly derailed. Following the attacks, the two states almost completely cut ties with one another. Finally, the emergence of “cricket diplomacy” between the prime ministers at a March 2011 Cricket World Cup semi-final saw the resumption of talks. These talks have renewed hopes of a settlement between the two rivals and both countries have expressed the desire to normalise relations.

In April this year, Pakistani President Asif Ali Zardari paid a private visit to India, the first such visit since 2005. Although the visit was unofficial, due to the fact that the Composite Dialogue between the two states has not yet restarted, it is believed that he and Dr Manmohan Singh, India’s Prime Minister, discussed a range of issues, including terrorism and economic ties. Following the talks, Singh said ‘relations between India and Pakistan should become normal. That is our common desire. We have a number of issues and we are willing to find tactical, pragmatic solutions to all of these issues.’ Zardari also voiced his desire to normalise relations, claiming: ‘we would like to have better relations with India ... we are hoping to meet on Pakistan soil very soon.’ It is also hoped that the appointment of India’s new Foreign Minister, Salman Khurshid, will bring new energy to India’s efforts to improve relations with Pakistan. In one of his first official statements since becoming Foreign Minister, Khurshid said that he hopes to work more closely with Pakistan.

Such talk is unlikely to make significant headway on the key issues that continue to plague the troublesome relationship. Nonetheless, it is a step in the right direction and may well signal a new chapter in Pakistan-India relations. Indeed, with the US troop withdrawal in Afghanistan drawing nearer, much rides on Pakistan and India settling their differences. Many countries, especially the United States, will also be hoping that the two can normalise relations sooner rather than later. Several challenges remain, however.

Challenges to Normalisation and Peaceful Relations

Despite the wish of both countries to normalise relations, two main challenges continue to obstruct it. The first is reaching a resolution on Kashmir, a prospect that appears increasingly difficult given the political roadblocks that currently exist. The second is the issue of terrorism and Pakistan’s inability to curtail militant activities and prosecute terrorists. If Pakistan-India relations are to improve, these two challenges must be overcome.

Kashmir

Although Pakistani and Indian leaders have acknowledged a mutually agreeable basis for settlement, the issue of Kashmir remains unresolved and continues to hamper relations. The contested area has divided the two states for some 60 years and, as such, is a highly sensitive issue. Any resolution therefore faces political roadblocks and widespread public

³ *Ibid.*

discontent. This is especially the case since the Mumbai attacks, as nationalism has increased and the popular images of one another have hardened. To be sure, as ‘the public sentiment in India is hostile, and Pakistani political parties have disowned the progress made in the Composite Dialogues, contending that frameworks agreed upon were authorised by a military dictator seen to lack the mandate for such unilateral decisions.’⁴

If recent official statements are anything to go by, any solution to the Kashmir issue appears out of reach. As recently as 1 October 2012, the two states were engaged in a war of words over the issue at the United Nations General Assembly. Both countries continue to espouse the same rhetoric that has dogged negotiations for decades. Pakistan continues to support the Kashmiri cause, while India maintains that ‘the people of Jammu and Kashmir have peacefully chosen their destiny in accordance with democratic practices and they continue to do so.’

The issue of Kashmir may not be as salient as other recent concerns such as terrorism, especially given that the ongoing stalemate has lasted almost 60 years. Nevertheless, it remains a significant hurdle and has the potential, along with related violence and its ability to spark nationalistic movements, to once again derail relations, as it has in the past.

Terrorism

A second point of divergence in the Pakistan-India relationship is terrorism. So far, Pakistan has proven unable to curtail militant activities and prosecute those responsible for terrorist attacks. This is a serious concern for India, especially after the 2001 and 2008 terrorist attacks by Pakistani based militant organisations, which India believes the ISI was behind.

Of particular concern is the future of Hazif Saeed, the alleged “mastermind” behind the Mumbai terrorist attack that killed 166 people. His future and accountability continues to dominate the agenda between the two states. India has given all the evidence related to the attack to Pakistan and now wants its neighbour to detain and extradite Saeed for trial. In Pakistan, however, the Lahore High Court has quashed all cases against Saeed, essentially freeing him. In April 2012, Washington offered a US\$10 million bounty for Saeed. So far, the bounty has had little effect, with Saeed boasting, ‘this is a laughable, absurd announcement. Here I am in front of everyone, not hiding in a cave’, *ABC News* reported on 5 April 2012. He went on to identify his leading role in the Difa-e-Pakistan council of religious parties and claimed that the bounty was merely an attempt by the US to ease India’s concerns.

India has vowed that it will only move forward on normalising relations once Pakistan demonstrates a commitment to countering terrorism. Many believe that Pakistan lacks the requisite will and capacity, however, and is therefore unable to satisfy India’s demands. On 26 September 2012, Pakistan’s President Asif Ali Zardari told leaders at the 67th United Nations General Assembly that ‘no country and no people have suffered more in the epic struggle against terrorism, than Pakistan.’ Certainly, Pakistan has suffered immensely at the hands of terrorist attacks. Yet, even if Pakistan had the will, which some doubt, it is unlikely to possess the capacity to defeat terrorist forces, especially given the enormous

⁴ *Ibid.*

administrative, economic and political problems it faces – problems that have led some observers to controversially label it a “failing state”.

Thus, although the US is believed to be placing increased pressure on Pakistan to bring terrorists to justice, there remains little confidence in New Delhi that progress will be made. Moreover, the threat of another terrorist attack on Indian soil that could be traced back to Pakistan-based militants remains constant. This would likely derail relations once again. Like Kashmir, the issue of terrorism will remain a major irritant in the relationship and will need to be addressed if relations are to improve.

Shared Economic Interests and Steps Forward

One avenue with the potential to change Pakistan-India relations is economic co-operation. In recent times, efforts to unite Kashmir ‘through cross-Line of Control bus service, partial liberalisation of visa regimes and the creation of intra-Kashmir business entities, such as the Federation of Jammu and Kashmir Chamber of Commerce and Industry, have symbolised an attempt to approach the problem of Kashmir, emblematic of larger bilateral challenges, through less conventional means.’⁵

Beyond Kashmir, trade ties between the two states have great potential. In 2008, trade between the two accounted for a mere \$2 billion, or roughly one per cent of each country’s overall trade. Since then, trade has been improving steadily and there are promising signs heading into the future.

Pakistan, in particular, has much to gain if it can penetrate the buoyant Indian market. In order for this to happen, however, it will need to reciprocate India’s granting Pakistan most favoured nation (MFN) status in 1996. In November 2011, Pakistan’s Cabinet gave an in-principle approval for ‘trade normalisation’ with India and said that MFN status would be granted gradually. As India expert and FDI Senior Visiting Fellow [Dr Sandy Gordon notes](#), ‘Pakistan has promised to grant MFN status to India by December [2012]... by moving from a system in which only items stipulated on a “positive list” could be traded, to one in which a small “negative” list covers excluded items, for example, those relating to defence.’

India, meanwhile, will need to reduce its current non-tariff barriers, which have proved major impediments to improving economic ties. Should these events materialise, the trade potential between the two states could be as much as \$20 billion annually, roughly a tenfold increase on current figures.

Indeed, both sides have shown some impetus for change. On 28 April 2011, Pakistan and India issued an ambitious joint statement that vowed to improve trade ties. In addition, both countries have agreed to try and increase bilateral trade from the current \$2.7 billion per year to \$6 billion by 2013-14. More recently, in October 2012, the two sides struck a visa deal which, while not bringing great trade benefits, is a positive step forward in the relationship.

⁵ See note 2, above.

Given this, there is reason for optimism. These high hopes were captured by Indian Prime Minister Manmohan Singh when he declared: 'if there is co-operation between Pakistan and India and not conflict, vast opportunities will open up for trade, and travel and development will create prosperity in both countries.'⁶ At the same time, increased economic co-operation should act as a deterrent to future conflict and may well flow on into other, more troublesome, areas of the Pakistan-India relationship.

Afghanistan and Regional Stability

Another opportunity to build better relations lies in finding a security agreement concerning Afghanistan as the US withdraws the bulk of its troops in 2014. Analysts in Washington assert that the relationship between the two could well turn out to be the most important factor in Afghanistan's future. US Secretary of Defense, Leon Panetta, has gone on the record as saying that co-operation between Pakistan and India was required for a stable Afghanistan.

Despite this, Pakistan and India are divided as to how to approach the security situation in Afghanistan. India would like to see ongoing peace in Afghanistan, especially given any instability could spill over into its borders. New Delhi has therefore poured billions of dollars of aid, as one of Afghanistan's largest regional donors, in order to achieve this aim. Similarly, in October 2011, India and Afghanistan signed a strategic partnership agreement, the first Afghanistan signed with any country, in which India would train Afghan forces. This is important; although the Afghan National Security Force has reached its goal of recruiting 350,000 troops, it will mean little if it does not receive the ongoing training that is needed to ensure the Taliban cannot take control of the country again.

Conversely, Pakistan is wary of any partnership between India and Afghanistan, especially as the current Afghan government appears more sympathetic towards India than Pakistan. Pakistan has tolerated, so far at least, the insecurity in Afghanistan and its own northern tribal areas because the groups that operate in those places counter India's regional clout and influence. But the spill over of insurgent groups into Pakistan may force Islamabad into co-operating with India in order to halt such activities within its borders. The recent attacks and sectarian violence perpetrated by Lashkar-e-Jhangvi and the Pakistani Taliban are evidence of this. As FDI Visiting Fellow and Pakistan expert [Dr Claude Rakisits notes](#), 'If the Taliban were to retake control of Afghanistan, it would embolden the Pakistani Taliban in their campaign against the Pakistani state.'

To that extent, ongoing peace in Afghanistan and regional stability is in the interests of both Pakistan and India. As the US prepares to drawdown its troops, the security of Afghanistan should be seen as a both challenge and opportunity that both states must address together. In the long-term, this may also help to foster warmer Pakistan-India relations.

Conclusion

The future of Pakistan-India relations is far from certain. There are both major problems and opportunities that could tilt the relationship either way. The protracted issues of Kashmir

⁶ *Ibid.*

and terrorism will remain a thorn in the side of both states and will continue to hamper the normalisation of relations into the future. That said, there are also opportunities which both states can capitalise on in order to improve their economic and security ties and possibly normalise the relationship moving forward. Economic ties continue to gain momentum with piecemeal initiatives and reforms, and there is much hope on both sides that trade will continue to grow. Afghanistan appears less certain, but both states would do well to fashion a security agreement that promotes peace and security in the region while taking into account the various national interests of all the states involved. If that can be achieved, then the problem of militant insurgency, especially in Pakistan's north, which continues to concern India, would become less significant. That, too, would certainly contribute to better relations between Pakistan and India in the future.

Any opinions or views expressed in this paper are those of the individual author, unless stated to be those of Future Directions International.

Published by Future Directions International Pty Ltd.
80 Birdwood Parade, Dalkeith WA 6009, Australia.
Tel: +61 8 9389 9831 Fax: +61 8 9389 8803
E-mail: lluke@futuresdirections.org.au Web: www.futuresdirections.org.au