

Any Ties That Bind? Diplomacy on the South Asian Subcontinent

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Abstract

The liberal peace emphasizes the importance of commercial ties and shared norms—of which shared democratic institutions have received most attention—for peaceful interstate relations. Ever since the creation of India and Pakistan in 1947, political relations between the two states have been tense and witnessed six military confrontations. The enduring rivalry has undoubtedly limited contacts between the two countries. The political elites have only intermittently supported direct diplomatic engagement, and there are severe restrictions on trade and travel between ordinary citizens. Further, India is generally seen as a successful democracy in a developing country, while for large parts of its history Pakistan has been an autocracy. India-Pakistan can therefore be considered as a worst-case scenario for the liberal peace with continued high levels of hostility likely. It is noteworthy, however, that over the same period India and Pakistan have become increasingly involved with the world community. We provide evidence suggesting that these indirect links can be seen to have functioned as (partial) substitutes for direct ties. Further, we analyze the relevance of indirect ties for diplomatic efforts to address three conflict issues: the Kashmir conflict, the Indus water basin and the nuclear programmes.

Introduction

The hostility between India and Pakistan is arguably one of the most prominent inter-state conflicts extant, whose saliency is highlighted by the presence of nuclear weapons on both sides. Conflict reduction is also necessary if the region is to release resources from military expenditure for poverty reduction. The liberal peace emphasizes the importance of commercial ties and shared norms—of which shared democratic institutions have received most attention—for peaceful interstate relations. The enduring rivalry has limited direct contact between the two countries. Political elites only support direct diplomatic engagement intermittently, and there are severe restrictions on trade and across border travel by ordinary citizens. Further, India is generally seen as a successful democracy in a developing country, while for large parts of its history Pakistan has been an autocracy. India-Pakistan can therefore be considered as a worst-case scenario for the liberal peace with continued high levels of hostility likely. It is noteworthy, however, that over the same period India and Pakistan have become increasingly involved with the world community. Can the latter substitute for direct ties? If so, how have global concerns about stability on the South-Asian Continent spurred diplomatic initiatives? In particular, is there evidence that these diplomatic efforts have made a difference to three salient issues in India-Pakistan relations: the Indus water basin and the Kashmir conflict, both now under the shadow of their nuclear competition? We argue that since trade between India and Pakistan has very limited, commercial ties cannot explain any management of conflict. However, indirect links via IGO and trade networks have become increasingly well developed and may have prevented things being even more conflictual. This is a modified version of the Kantian Peace, *relative to what could have happened*.

India and Pakistan emerged as separate nation states in August 1947, when British India was partitioned following independence from colonial rule. In 1971 the eastern wing of Pakistan separated to become Bangladesh. In many ways, India and Pakistan share a common heritage, including overlapping languages and ethnicities, as two major provinces of British India were split up in the partition process (Punjab and Bengal). The ostensibly differentiating factor is religion; although Pakistan is predominantly Muslim, up to 13% of India's population continues to be Muslim. The hostility between India and Pakistan dates back to the very

inception of these countries as independent states. Figure 1 charts the hostility levels of the two states on a scale of 0-6.¹ Hostility levels have usually been at a high level of 4, indicating belligerency short of outright war. They have fought six wars or fatal conflicts; three over the disputed territory of Kashmir in 1947-48, 1965 and 1999, the Rann of Kutch war in 1965, the secession of Bangladesh in 1971, and sporadic fighting over the uncharted Siachen Glaciers in the 1980s.

[Figure 1 about here]

As a further illustration of the high level of hostility, Figure 2 graphs the large military expenditures in the two countries, with a greater military burden for the smaller country, Pakistan indicating its efforts to balance the military might of India. The World Bank reports that the two countries have some of the highest military burdens in the world outside the Middle East.²

[Figure 2 about here]

India and Pakistan established formal diplomatic relations quickly following their independence, but the relations have remained “difficult and volatile”.³ Diplomatic relations were interrupted until 1976, following the 1971 India-Pakistan war. Since then period of reduced tensions with high-level bilateral meetings have alternated with periods of strained relations. Territorial disputes, in particular focused on Kashmir and East-Pakistan/Bangladesh, triggered deterioration of relations. More recently, religious tensions such as the destruction of the Ayodhya mosque by Hindu extremists in December 1992, and terrorist attacks in Mumbai in 1993 and 2008 as well as

¹ Gosh Faten, Glenn Palmer and Stuart Bremer, ‘The MID3 Data Set, 1993–2001: Procedures, Coding Rules, and Description’, *Conflict Management and Peace Science* vol. 21, no. 2, 2004, pp. 133-154.

² World Bank, *World Development Indicators* (Washington D.C., 2006).

³ US Department of State, *Background Note Pakistan*, <http://www.state.gov/r/pa/ei/bgn/3453.htm>, 6 October 2010.

the 2001 attack on India's parliament seriously damaged diplomatic relations. For example, the process of Composite Dialogues agreed by India and Pakistan in 2004 was halted after the 2008 Mumbai attacks and is yet to resume, even though it was agreed in principle to resume the process in April 2010. Yet after reviewing the historical record of bilateral diplomacy, Peter Lyon's concludes that:

the conversations and negotiations between India and Pakistan have been much more continuous and frequent than is often popularly believed. True, there is generally an acute disproportion between the number of these contacts and their rather slender accomplishments. But for both countries their bilateral encounters constitute a major aspect of their external relationships.⁴

It is noteworthy that more recently diplomatic engagement was initiated in the sideline of multilateral meetings, such as of the South Asian Association for Regional Cooperation (SAARC) in 2004 and 2010, or the Non-Aligned Movement in 2006. Pakistan has consistently striven for good diplomatic relations with the United States and China, as well as the Gulf States and Europe. During the Cold War, India promoted itself as one of the leaders of the Non-Aligned Movement. Since India has broadened its diplomatic portfolio and strengthened its relations with the United States, Japan, the EU, Iran and China. It is also very active in other multilateral organisations such as the Association of South-Asian Nations, SAARC, and the UN.⁵

Contacts between ordinary citizens are even more limited than elite interaction. There are important historical and cultural factors that have made the people of these two countries grow apart. First of all, there is the trauma of partition in 1947. Both the Indian and Pakistani Punjab were ethnically cleansed; some six million refugees were forced to flee the Indian Punjab to

⁴ Peter Lyon, *Conflict Between India and Pakistan: An Encyclopedia* (Santa Barbara, CA: ABC-CLIO Ltd, 2008). J. N. Dixit, *India-Pakistan in War and Peace* (London: Routledge, 2002), pp. 459 – 463, chronicles significant bilateral meetings between 1994 – 2001.

⁵ US Department of State, *Background Note India*, <http://www.state.gov/r/pa/ei/bgn/3454.htm>, 14 July 2010.

Pakistan and similarly four million people from the other side.⁶ At least half a million (but more likely a million) died in the violence associated with the partition of the Punjab province alone, something that has prompted many writers, including Stanley Wolpert to describe it as an act of stupendous mismanagement by the colonial administration.⁷ Secondly, since the late 19th century, the language that was common to all communities in Northern India, has grown, and is still growing apart. What used to be Hindustani has gradually metamorphosed into Urdu for Muslims and Hindi for non-Muslims. Prior to the advent of satellite television films or music in common or commonly understood languages could not be viewed in the other country except through clandestine means. Finally, the draconian consular practices of the two countries inhibit travel and cultural exchange, despite the much vaunted cricket tours. Initially, no visas were required for travel. Rail and air links between the two countries remain limited and subject to restrictions.⁸ As will be discussed more extensively below, trade between India and Pakistan declined sharply between 1947 and 1965, and has only partially recovered since then. Interestingly, throughout this period the economies of both India and Pakistan have become increasingly more open; as can be seen in Figure 3. Historically, Pakistan is more trade dependent. What, if any, are the consequences of these diverging trends—between limited bilateral contacts and increasing regional and global interaction—for crisis diplomacy in South Asia?

[Figure 3 about here]

Liberal Peace and the ‘Ties That Bind’

States have long been regarded to exist in a state of non-contractual anarchy vis-à-vis each other, making the exercise of power or the gathering of power by war an opportunistic act. Yet Liberals have long held that common values, and/or inter-state commerce can moderate these

⁶ Penderel Moon, *Divide and Quit* (Berkeley, CA: University of California Press, 1962).

⁷ Stanley Wolpert, *Shameful Flight: The Last Years of the British Empire in India* (Oxford: Oxford University Press, 2006).

⁸ Beena Serwar, ‘India and Pakistan are Stronger Together’, *guardian.co.uk*, 5 October 2010.

war-like tendencies.⁹ These views of the liberal peace, in turn, may be sub-divided into two types of theories: one set emphasising common norms (with democracy at the kernel of these shared beliefs), and another highlighting that conflict or war seriously disrupts international trade, thereby reducing the gains from trade, and thus inducing a rational leadership to eschew war. The former notion is more idealistic, and the latter idea is predicated upon a rational calculus of the opportunity costs of lost trade.

The idealist version of the liberal peace can be traced back to Immanuel Kant, who in his essay on the *Perpetual Peace* (1795)¹⁰ argues that although war is the natural state of man, peace can be established through deliberate design. This requires the adoption of a *republican* constitution by all states, which *inter alia* would check the war-like tendencies of monarchs and the citizenry; the cosmopolitanism that would emerge among the community of states would preclude war. Additionally, commerce between nations would grease the machinery that keeps the peace. We may refer to this strand of the liberal peace, where trade plays only an indirect role, as the *Kantian* peace. Kant also emphasized the importance of international law facilitating peaceful relations for the envisioned loose ‘federation’ of sovereign republics.

In their empirical evaluation of these arguments, Bruce Russett and John Oneal¹¹ find indeed that war is less likely between states that are both democratic and share more memberships in intergovernmental organisations (IGOs), preferably with predominantly democratic member-states. Historically, India has always had one of the highest democracy scores in the developing

⁹ The literature on the liberal peace is vast, but Michael W. Doyle, ‘Liberalism and World Politics’, *American Political Science Review* vol. 80, no. 4, 1986, pp. 1151–69, and Bruce M. Russett and John R. Oneal, *Triangulation Peace. Democracy, Interdependence, and International Organizations* (New York, NY: W.W. Norton, 2001) are seminal in the recent debate. For a recent survey, see Nils Petter Gleditsch, ‘The Liberal Moment Fifteen Years On’, *International Studies Quarterly* vol. 15, no. 4, 2008, pp. 691–712.

¹⁰ Immanuel Kant, *Perpetual Peace and Other Essays on Politics, History and Morals* (Indianapolis, IN: Hackett Publishing, 1795, reprinted 1983).

¹¹ Russett and Oneal, *Triangulating Peace*, pp 157 – 196.

world (scoring 7-9 out of 10), whereas military coups—in 1958, 1969, 1977 and 1999—interrupted Pakistan’s experience with democracy. The latter’s incomplete and intermittent process of democratisation is particularly problematic in the light of Edward Mansfield and Jack Snyder’s¹² observation that the road to democracy for countries at an early stage in the democratisation process contributes to the risk of conflict. They argue that national sentiments rise to the fore in the presence of weak institutions. This may apply to Pakistan, and even to India given its widespread poverty. Clearly, India and Pakistan could not rely on a shared democratic polity to mitigate conflict.

Erik Gartzke emphasises that common foreign policy goals reflected in the membership of international treaty organisations (IGOs) also promote peace. Han Dorussen and Hugh Ward make a similar point, except that they emphasise indirect network links.¹³ They argue that participation in the IGO network enables not only intergovernmental organisations but also third countries to mediate more effectively. It also minimizes any lack of information over preferences, intentions and capabilities, even when there is no direct dialogue between antagonists, like India and Pakistan. It is thus encouraging that India and Pakistan have both engaged consistently and progressively with the international community as witnessed by their membership of IGOs. Figure 4 graphs joint IGO membership of India-Pakistan which has increased from 26 up to 66 between 1947 and 2000. This is contrasted with the average joint IGO membership for all pairs of states in the world which has increased from approximately 17 to 39.¹⁴ Throughout this period, the number of IGO co-memberships India and Pakistan has

¹² Edward Mansfield and Jack Snyder *Electing to Fight: Why Emerging Democracies Go to War* (Cambridge, MA: MIT Press, 2005).

¹³ Han Dorussen and Hugh Ward, ‘Intergovernmental Organizations and the Kantian Peace: A Network Perspective’ *Journal of Conflict Resolution* vol. 52, no. 2, 2008, pp. 189–212. Erik Gartzke, ‘The Capitalist Peace’, *American Journal of Political Science* vol. 51, no. 1, 2007, pp. 166 – 191.

¹⁴ The global mean is measured as the average for all politically relevant dyads, where the latter are defined as all states that share a common border as well as pairs of states involving the ‘major powers’; for this period, the permanent members of the UN Security Council.

been above average. This trend appears also to have been largely unaffected by the many crises in the Indo-Pakistan history.

[Figure 4 about here]

There is also less foreign policy divergence now as compared to the past. India under Nehru (1947-64) championed the non-aligned movement, and was closer to the Soviet Union in the 1960s, 1970s and 1980s, from whom it obtained concessionary military assistance. Pakistan, by contrast, was a member of the long defunct military pacts such as the Baghdad Pact or CENTO (Central Treaty Organisation) and SEATO (South East Asian Treaty Organisation) during the height of the Cold War. The USA showed some favour to Pakistan and gave it military aid during the late 1950s, early 1960s and 1980s. It, however, suspended military aid to Pakistan (and India) after the 1965 war, which did not resume until the Soviet invasion of Afghanistan in 1979 and the Reagan Presidency in 1981. Pakistan moved closer to its enemy's enemy, China, in the mid-1960s, after India border disputes with China had led to war in 1962. It became increasingly reliant on China, rather than the United States, for the transfer of military hardware and technology. With the end of the Cold War, the strategic interests of the major powers in South Asia were transformed. With the Soviet Union is long gone, Russia's influence in the region has declined. There has been rapprochement between India and China, and the USA views both Pakistan and India as allies in its war on global terror.

The second liberal view that trade between nations directly contributes to the peace can be related to the Baron de Montesquieu's, *Spirit of the Laws* (1748)¹⁵, where he states that commerce tends to promote peace between nations because mutual self-interest precludes war. There remains however considerable debate on whether any opportunity costs of lost gains from trade deter inter-state conflict. While all analysts agree that war impedes trade, the 'realist' view is that countries may choose to disrupt their potential enemy's gains from trade by ceasing trading with them, even if this means hostilities. Katherine Barbieri and Jack Levy

¹⁵ Charles-Louis de Montesquieu, *De l'Esprit des Lois* (Paris: Flammarion, 1748, reprinted 1979).

(1999), using an interrupted time series framework found little impact of war on trading relationships for seven dyads from 1870. They argue that any disruption to bilateral trade caused by war is, in many instances, remedied after peace emerges. Both trade and war produce winners and losers. Even if there are losses to the aggregate economy from war or diminished trade, some groups may gain, and these groups may be the more politically influential. Charles Anderton and John Carter, however, dispute these results.¹⁶

[Figure 5 about here]

Solomon Polachek and Carlos Seiglie maintain that wars and disputes between geographically contiguous states involve substantial losses, as more efficient geographically proximate trade is displaced.¹⁷ At the same time, the absence of trade between neighbours also increases the probability of conflict. Polachek in collaborative research with John Robst and Yuan-Ching Chang demonstrates that geographical proximity has a greater conflict enhancing effect when two nations fail to realize opportunities for trade.¹⁸ Both findings have worrisome implications for India and Pakistan. Figure 5 shows that India-Pakistan official trade (as a proportion of Pakistan's total international trade) steadily declined from nearly 20% in the early 1950s,

¹⁶ Katherine Barbieri and Jack S. Levy, 'Sleeping with the Enemy: The Impact of War on Trade', *Journal of Peace Research* vol. 36, no. 4, 1999, pp. 463 – 479. Charles H. Anderton and John R. Carter, 'The Impact of War on Trade: An Interrupted Times-Series Study', *Journal of Peace Research* vol. 38, no. 4, 2001, pp. 445–457.

¹⁷ Solomon W. Polachek, 'Conflict and Trade', *Journal of Conflict Resolution* vol. 24, no. 1, 1980, pp. 55-78. Solomon W. Polachek, 'Why Democracies Cooperate More and Fight Less: The Relationship between International Trade and Cooperation', *Review of International Economics* vol. 5, no. 3, 1997, pp. 295-309. Solomon W. Polachek and Carlos Seiglie, 'Trade, Peace and Democracy: An Analysis of Dyadic Disputes', *IZA DO* No. 2170, 2006.

¹⁸ Robst, John, Solomon Polachek and Yuan-Ching Chang, 2007. 'Geographic Proximity, Trade and International Conflict/Cooperation', *Conflict Management and Peace Science* vol. 24, no 1, 2007, pp. 1-24.

plummeting to almost zero after their war in 1965, and has shown some signs of recovery in the 1990s, but it is still below the levels of the 1950s.

The pattern of trade also strongly suggests the various disputes have had a negative impact on trade between India and Pakistan. The simultaneity problem or reverse causality between economic interdependence and conflict has received a lot of attention lately. Studies by Hyung Min Kim and David Rousseau as well as Omar Keshk, Brian Pollins and Rafael Reuveny report that, after controlling from simultaneity, conflict diminishes economic interdependence, but not the other way around. Håvard Hegre in collaborative research with Oneal and Russett, however, finds that even controlling for reverse causality, trade still reduces the probability of conflict. Interestingly, they fault earlier studies for failing to control for geographic distance or relative capability. Arguably, both factors would be salient for the India and Pakistan.¹⁹

Han Dorussen and Hugh Ward argue that in the classical-liberal tradition, “trade is important not only because it creates an economic interest in peace but also because trade generates ‘connections’ between people that promote communication and mutual understanding.”²⁰ Patrick McDonald²¹ argues further that it is not just the trade intensity between nations, but a commitment to the policy of free trade, that may promote the liberal peace as it serves to

¹⁹ Omar Keshk, Brian Pollins and Rafael Reuveny, ‘Trade Still Follows the Flag: The Primacy of Politics in a Simultaneous Model of Interdependence and Armed Conflict’, *Journal of Politics* vol. 66, no. 1, 2004, pp. 1165-79. Hyung Min Kim and David L. Rousseau, ‘The Classical Liberals Were Half Right (or Half Wrong): New Tests of the ‘Liberal Peace’, 1960-88’, *Journal of Peace Research* vol. 42, no. 5, 2005, pp. 523–543. Håvard Hegre, John R. Oneal and Bruce Russett, ‘Trade does promote peace: New simultaneous estimates of the reciprocal effects of trade and conflict’, *Journal of Peace Research* vol. 47, no. 6, November 2010, pp. 749–763.

²⁰ Han Dorussen and Hugh Ward, ‘Trade Networks and the Kantian Peace’, *Journal of Peace Research* vol. 47, no. 1, January 2010, p. 29. Gartzke, ‘The Capitalist Peace’, provides a further re-interpretation of the classical-liberal tradition.

²¹ Patrick J. McDonald, ‘Peace through Trade or Free Trade?’, *Journal of Conflict Resolution* vol. 48, no. 4, 2004, pp. 547–572.

dampen domestic protectionist and pro-war interests. The nature of advanced capitalism makes territorial disputes, which are mainly contests over resources, less likely as the market mechanism allows easier access to resources. The nature of production makes the output of more sophisticated goods and services increasingly reliant on 'ideas' that are research and development intensive, and skilled personnel can be acquired through more open global labour markets. Moreover, the disruption to integrated financial markets makes war less likely between countries caught up in that web of interdependence. We might also add the fragmented nature of production with components produced in different international locations. Much of world trade is trade in components between the same multi-national firms across national borders. Accordingly, Gartzke proposes the notion of the *capitalist* peace in which the saliency of international trade in goods and services is minimised. In fact, he argues that the intensity of trade is the least important feature in the peace engendered by modern capitalism. Unfortunately, there is also little in terms of financial and investment flows between India and Pakistan limiting the immediate relevance of the capitalist peace.

Dorussen and Ward rehabilitate the pacifying role of trade through a novel channel. They argue that trade has important *indirect* effects over and above the interdependence induced by bilateral trade. Increased trade generally, may do little to mollify war-like tendencies between a pair of countries, but if each of these countries interacts considerably with third countries, it will not be in their interests to go to war with each other, as it disrupts other links and networks. Because indirect ties by means of trade are economically valuable, they will also encourage mediation. In other words, any two countries are less likely to go to war with each other if there trade with the rest of the world is substantial even when their bilateral trade dependence is low. Figure 6 contrasts the trend of India-Pakistan connections by means of trade with the global trend. Until the second Kashmir war in 1965, trade connection between India and Pakistan were close to the global mean. Since then, and contrary to the trend in IGO engagement, the third-country trade connections have remained significantly below the global average for the whole period. More promising is that, at least since the early 1980s, India-Pakistan again follow the global trend of increased interdependence.

Syed Mansoob Murshed and Dawood Mamoon find that conflict between India and Pakistan has significantly hampered bilateral trade between the two nations.²² However, they also find that the converse holds; more trade between India and Pakistan decreases conflict and any measures to improve bilateral trade would be a significant confidence building measure. Currently, however, Pakistan and India's general degree of openness to world (instead of bilateral) trade has to be the dominant economic factor in conflict resolution. These results echo McDonald's finding that generally freer trade, not just trade interdependence facilitates peace, as well as the suggestion of Dorussen and Ward that increased multilateral trade increases the trade costs of hostility.²³

To summarize, from the perspective of the liberal peace, the limited direct interaction between India and Pakistan remains worrisome. Weak and regularly undemocratic political institutions (particularly in the case of Pakistan), and restricted economic interdependence characterize their history. More promising is their increased interaction with the outside world; India and Pakistan have an above average number of common membership of international organisations which shows their consistent and progressive engagement with the world community and may reflect a partial convergence of foreign policy interests over the post-Cold War period.²⁴ Connections by means of trade with 'third countries' have also increased markedly even though they still clearly lag behind the global mean. Both developments suggest that India and Pakistan have developed ties with a vested interest in avoiding escalation of the often tense political situation. Next, we explore whether we can find further evidence that these ties via third countries and IGOs have indeed been valuable.

²² Syed Mansoob Murshed and Dawood Mamoon, 'Not Loving Thy Neighbour as Thyself: Trade, Democracy and Military Expenditure Explanations Underlying India-Pakistan Rivalry', *Journal of Peace Research* vol. 47, no. 4, 2010, pp. 463–76. However, Phillippe Martin, Thierry Mayer and Mathias Thoenig argue that bilateral trade rather than openness is more important for peace; Phillippe Martin, Thierry Mayer and Mathias Thoenig, 2008. 'Make Trade not War?', *Review of Economic Studies* vol. 75, no. 3, 2008, pp. 865–900.

²³ The appendix extends the formal model of Murshed and Mamoon to identify the importance of trade displacement.

²⁴ Gartzke, 'The Capitalist Peace', pp. 166 – 191.

The Role of Third Parties in Crisis Diplomacy

Here it is obviously impossible to do full justice to the diplomatic history of India and Pakistan over the last 60 years, or even to fully evaluate how diplomacy may have mediated, or possibly exacerbated, tensions. Instead, the aim of the three brief case studies below is to suggest how indirect links, in particular via IGOs but more recently also by way of commercial connections, may have prevented the record being even more conflictual. IGOs have been relevant because they mediated and, more commonly, facilitated by providing a venue for both sides to meet during crises. IGO meetings also have provided third countries with an opportunity to mediate or facilitate and, more tenuously, commercial ties may have motivated them to do so. Finally, IGOs have promoted dyadic cooperation more generally, with a potential to reduce tension.

Kashmir

Any search for the seeds of conflict between these two countries has to acknowledge the saliency of the Kashmir territorial dispute. Kashmir was not directly ruled by the British, but a quasi-autonomous princely state with a Hindu prince ruling over a predominantly Muslim population. The partition plan allowed princely states to stay independent or to opt for either India or Pakistan. While not a single princely state with a Hindu majority was permitted to join Pakistan, the Hindu ruler of Kashmir was persuaded to accede to India.²⁵ This angered many, including tribesmen in Pakistan's North-West Frontier Province alongside Afghanistan. The tribal incursion into Kashmir led to a response by the regular Indian army, and later irregular and regular Pakistani forces were drawn into the fray. The majority of Kashmir is in India (including the Kashmir valley) and Pakistan controls the smaller and more rugged mountainous part of Kashmir. The disputed territory of Kashmir triggered direct military confrontation between India and Pakistan in 1947-48, 1965 and 1999. Even when they are not engaged in outright war, Indian and Pakistani troops confront each other every day, with fingers literally

²⁵ On the early stages of the Kashmir dispute see Josef Korbel, *Danger in Kashmir* (Karachi and New York: Oxford University Press, 1954, reprinted in 2002).

on the trigger, along the ceasefire line or line of control established on 1st January 1949. India and Pakistan amassed troops along the border in 1951 and 2002. Moreover, India has regularly accused Pakistan of fomenting, aiding and abetting the insurgency in Indian Kashmir since 1989 and of related wider acts of terrorism inside India. In Indian administered Kashmir, an armed insurgency combined with public protest has gradually grown since 1989, along with demands for full 'independence'. Unlike in the past, the protests at this juncture in Indian held Kashmir seem mostly home grown in nature. Indian Kashmir is also heavily militarized with 700,000 Indian military, paramilitary and police personnel dealing with insurgency as well as facing the Pakistan army. There also widespread allegations of human rights abuses, including the extra-judicial 'disappearance' of suspected insurgents; Indian Kashmir is also subjected to emergency legislation granting immunity to the activities of the security forces.

With initial encouragement from India, the UN has attempted to mediate in the dispute between India and Pakistan from January 1948, nearly immediately following independence. The UN brokered a ceasefire in 1949 and deployed the United Nations Military Observer Group (UNMOGIP), one of the first and longest running UN peacekeeping missions, to monitor the ceasefire line. In 1972, India and Pakistan formally defined the Line of Control in Kashmir which followed the 1948 ceasefire line with only minor alterations.²⁶ India maintains that with the 1972 Simla accords the mandate of UNMOGIP lapsed; a position that Pakistan does not accept. The position of the UN Secretary General has been that, in these circumstances, a decision from the Security Council is needed to terminate UNMOGIP. As a consequence, India and Pakistan vary in their level of cooperation with UNMOGIP. Only Pakistan continues to lodge complaints about ceasefire violations, while India has restricted the activities of the UN observers on Indian territory. But India has not severed the ties with UNMOGIP completely and still provides accommodation, transport and other facilities.

²⁶ See, <http://www.un.org/en/peacekeeping/missions/unmogip/>. UN Security Council resolutions 39 and 47 (1948); of further relevance is resolution 91 (1951). With resolution 307 (1971), the UN Security Council supported the de facto ceasefire ending the 1970 war, during which the UN had been largely ineffectual.

The 1949 ceasefire envisaged a plebiscite to determine the fate of Kashmir, but it has never been implemented due to Indian reservations. Moreover, following the Simla accords, India has advocated bilateral talks as a conflict-resolution mechanism and has been adverse any international debate on the issue. Bilateral talks have been relatively regular since the mid 1980s, but failed to resolve the Kashmir issue and occasionally even contributed to tensions.²⁷ During the Cold War, the major powers were similarly unable, and possibly even unwilling, to resolve the conflict. Robert Wirsing holds that the

[India-Pakistan] rivalry offered all three of these powers [the USA, Russia, and China, *authors*] tempting opportunities for alliance, for arms sales, and for much else; at the same time it continued to impose severe limitations on the policy options open to them. [...] [T]he stubborn persistence of the Indo-Pakistan rivalry exerts, for the most part, a profoundly conservative influence on these policies, breeding in them at least as much continuity as discontinuity and, in particular, discouraging changes in policy that would promote greater regional stability and cooperation.²⁸

In his analysis of major power involvement and the persistence of the India-Pakistan conflict, Ashok Kapur similarly argues

that the resolution of the India-Pakistan conflict has not been the primary motive in the policies of major powers that have been heavily involved in the area. The interventionist

²⁷ Lyon, *Conflict Between India and Pakistan*. Dixit, *India-Pakistan in War and Peace* recounts the failure of bilateral talks leading up to the Kargil crisis in 1999.

²⁸ Robert Wirsing, 'Great-Power Foreign Policies in South Asia', in: Devin T. Hagerty (ed.), *South Asia in World Politics* (Lanham, MD: Rowman & Littlefield Publishers, 2005, pp. 135–160), p 136.

character of their diplomatic and military postures was driven by a desire to maintain a situation of manageable instability.²⁹

Manageable instability, however, still meant that the major powers had an interest in preventing outbreaks of war and in securing ceasefire in case of war. Sumit Ganguly recounts how during crises in 1987 and again in 1990, the United States counselled restraint and direct dialogue between India and Pakistan.³⁰ Illustrating the changed mood following the end of the Cold War and shared concerns about possible war, Presidents George H.W. Bush and Mikhail Gorbachev issued a joint statement urging restraint over Kashmir in 1990.

Indus Water Basin

UNEP³¹ lists the Indus River system as one of the potential water conflict. Population and per-capita demand for water are growing rapidly in the Indus basin on both sides of the border, while water resources are limited. The pressures of waters scarcity particularly affect Pakistan; by some accounts, the flow of water in Pakistani controlled rivers has been falling at 7% per-annum over recent years. Pumping of groundwater is leading to salinisation of aquifers used to provide water for rapidly growing urban areas in Pakistan as well as increasing demands from agricultural production in Pakistan and Indian controlled Punjab. The 2010 Pakistan floods³² heightened concerns about the possible, highly unpredictable, effects of climate change which

²⁹ Ashok Kapur, 'Major powers and the persistence of the India-Pakistan conflict,' in: T.V. Paul (ed.), *The India-Pakistan Conflict. An Enduring Rivalry* (Cambridge: Cambridge University Press, 2005, pp. 131–155), p. 133.

³⁰ Sumit Ganguly, *Conflict Unending. India-Pakistan Tensions since 1947* (New York: Columbia University Press, 2001), pp. 79–100.

³¹ UNEP, *Hydropolitical Resilience and Vulnerability along International Waters: Asia* (Nairobi: United Nations Environmental Programme, 2009).

³² BBC, *Will the Pakistan Floods Strike Again?*, <http://www.bbc.co.uk/news/science-environment-10958760>, 13 August 2010.

may affect seasonal monsoon rain patterns and by reducing rainfall in the headwaters of the river system in Kashmir and Tibet.

The border between Pakistan and India divided a large-scale canal irrigation system, engineered by the British in the 19th century, which had contributed to the massive development of grain and cotton production in the Punjab. The 1948 partition allocated most of the area of irrigated land to Pakistan, but left India in upstream control of water resources since the Indus flows through Indian-controlled Kashmir; and several of its major tributaries also flow through or originate in Indian controlled territory. Pakistan was left in a vulnerable position as a downstream state in relation to a potentially hostile neighbour. On 1 April 1948, India indeed shut off the water flowing into Pakistan's canals affecting eight per cent of Pakistan's cultivable land as well as the city of Lahore.³³ While India claimed this was an accident, Pakistan viewed it as a hostile act. Though the water soon started to flow, tensions remained high.

From 1952, India and Pakistan negotiated under the auspices of the World Bank. The dialogue was initiated by the president of the World Bank, Eugene R. Black, and had as the initial objective to manage the basin as a shared resources. After talks collapsed in 1954, the World Bank proposed to divide the river basin with exclusive use of the waters. India got the three eastern rivers, the Ravi, Beas and Sutlej, while Pakistan was awarded the three western flows of the Indus, Jhelum and Chenab. Beside getting 80% of the available water, Pakistan was compensated by being allowed to build up-stream dams and guaranteed supply of water from India for a ten-year transition period. The World Bank organised a consortium of donors, which raised 900 million USD in addition to 174 million USD that was promised by India. The membership of the consortium—USA, Canada, the UK, West Germany, Australia and New Zealand—reflected the US dominance of the World Bank and its strategic interests which at the time clearly favoured Pakistan. The Indus Waters Treaty was signed in Karachi, Pakistan on September 19, 1960.

³³ Graham P. Chapman, *The Geopolitics of South Asia. From Early Empires to the Nuclear Age* (Farnham: Ashgate Publishing, 3rd edition, 2009), 261–282.

The Indus Water Treaty has proven to be resilient to major crises, even wars, in India-Pakistan history. As Grahan Chapman concludes “[t]here are conflicts—over shifting river courses on the border and the consequent river- training works, over drainage and local floods—but these are not of major international significance”.³⁴ The Transboundary Freshwater Dipute Database makes further mention of 35 cooperative events, including 3 treaties, 11 non-military economic, technological or industrial agreements and 8 cultural or scientific agreements.³⁵ The most serious dispute so far concerned the Baglihar dam on the River Chenab which Pakistan claimed violated the Treaty. After the failure of bilateral talks on the issue between 1999 and 2004, Pakistan raised the issue to the World Bank whose final verdict, delivered on February 12, 2007, was accepted by both sides. The verdict only resulted in fairly modest reductions to Indian design. The further issue relating to the initial filling of Baglihar dam was resolved on June 1, 2010.

Nuclear Competition

India detonated a nuclear devise in 1974. About the same time, Pakistan embarked on an effort to develop nuclear weapons for which the Indian test provided an additional impetus. Subsequently, the Carter administration instituted some sanctions against India and Pakistan over their nuclear programmes.³⁶ In 1998, Pakistan conducted nuclear tests following Indian nuclear tests in the same year, making the nuclear capabilities of both sides explicit. The effects, if any, of these developments for stability in South Asia remain unclear. Sumit Ganguly, also in collaboration with Devin T. Hagerty, and Saira Khan all argue that the recognition of each other’s nuclear capabilities may well have moderated the policies of India

³⁴ Chapman, *Geopolitics of South Asia*, p. 282.

³⁵ UNEP, *Hydropolitical Resilience and Vulnerability along International Waters: Asia*, pp. 44–45. Aaron Wolf, *Transboundary Freshwater Dispute Database*, a project of the Oregon State University Geosciences Department, 2003. Available online at: <http://www.transboundarywaters.orst.edu/>.

³⁶ Gary C. Hufbauer, Jeffrey J. Schott, Kimberley A. Elliott and Barbara Oegg, *Economic Sanctions Reconsidered* (Washington D.C: Peterson Institute for International Economics, 3rd edition, 2009).

and Pakistan during crises.³⁷ The overt nuclearisation clearly did not stop both sides from initiating crises. Pakistan still supported the intrusion of insurgents into the Kargil, prompting a military response from India. Interestingly, the response was limited to the Kargil area and India avoided crossing the Line of Control. Following 9/11 and in the wake of Muslim extremists attack on Indian Parliament, India threatened with a limited conventional war against terrorist bases inside Pakistan's Kashmir, but eventually decided to back away, possibly fearing nuclear escalation.

The possibility of a nuclear confrontation appears also to have raised the interest of third-parties to mediate or at least to facilitate peaceful dialogue between India and Pakistan. Ganguly argues that it motivated the efforts of the USA to temper Pakistan policies in 1987 and 1990.³⁸ Gaurav Kampani argues that in response to India's more assertive coercive diplomacy under the nuclear shield, the USA pressured the Musharraf regime to crack down on some of the fundamentalist Islamic groups active in Kashmir in 2002.³⁹ On occasion, IGOs have also played a role in reducing tensions. The 2002 regional Conference for Interaction and Confidence Building Measures in Asia (CICA) meeting can serve to illustrate how the exchange of information and mediation outside the formal context of the IGO business at the time can still matter. CICA's first summit meeting became a venue for intensive international mediation in Indian-Pakistani relations during the height of the 2002 Kashmir crisis, even though CICA is relatively weakly institutionalized and India's Prime Minister Vajpayee and Pakistan's President Musharraf refused to engage in direct dialogue at the meetings. There were, however, significant bilateral

³⁷ Ganguly, *Conflict Unending*, pp. 108–110. Sumit Ganguly and Devin T. Hagerty, *Fearful symmetry: India-Pakistan crises in the shadow of nuclear weapons* (Seattle, WA: University of Washington Press, 2005). Saira Khan, 'Nuclear weapons and the prolongation of the India-Pakistan rivalry', in: Paul (ed.), *The India-Pakistan Conflict*, pp. 156–177.

³⁸ Ganguly, *Conflict Unending*, pp. 79–100.

³⁹ Gaurav Kampani, 'Kashmir and the India-Pakistan Nuclear Issues', in: Devin T. Hagerty (ed.), *South Asia in World Politics*, p 172.

talks between China and Russia on one hand and India and Pakistan on the other.⁴⁰ Significantly, CICA was not the main mediator, but it nevertheless had a clear latent function in relation to the conflict.

The SAARC meetings have proven to be even more significant. The decision of Vajpayee to attend the 12th SAARC summit in Islamabad in 2004 allowed for a further reduction of tensions. Vajpayee and Musharraf agreed to re-establish the Composite Dialogue to resolve their bilateral disputes. The Composite Dialogue would encompass territorial disputes as well as promotion of friendly exchanges, terrorism and drug trafficking, and economic and commercial cooperation. The first round in this renewed Composite Dialogue was held in New Delhi on June 27-28, 2004. The July 2008 bombing of the Indian Embassy in Kabul, followed in November 2008 by terrorist attacks in Mumbai, brought the process to a halt. The 16th SAARC summit provided yet another opportunity to restart the dialogue, when Indian Prime Minister Manmohan Singh and Pakistani Prime Minister Yousuf Raza Gilani met on the sidelines the meeting and signalled they would work toward resuming dialogue.⁴¹

Conclusions

The case studies provide some evidence for our proposed modified version of the Kantian or liberal peace; given limited and tenuous direct contacts between rival states, indirect connections can provide ties, however weak by themselves, that may prove to be essential in crisis situations.⁴² In this respect, SAARC seems to be the most promising IGO while the USA is most promising third-party mediator.

⁴⁰ Keesing's, 'Reduction of tension with Pakistan'. Keesing's Record of World Events 48 (June 2002): p. 44841.

⁴¹ US Department of State, *Background Note Pakistan*.

⁴² Dorussen and Ward, 'Trade Networks and the Kantian Peace', pp. xxx – xxx, and Dorussen and Ward, 'Intergovernmental Organizations and the Kantian Peace', pp. 189–212. survey classical liberal arguments about the importance of indirect trade links.

SAARC is the main regional organisation promoting economic, scientific⁴³, technological, and cultural cooperation in South Asia. Its origins date back to 1985 when it was formed by seven states, including India and Pakistan.⁴⁴ At that point bilateral relations between India and Pakistan were at their most promising since the 1950s. The development of SAARC's institutions and programmes has been gradual and generally seen as failing to live up to expectations and its potential.⁴⁵ In 1995, the seven member states ratified the South Asian Preferential Trading Association (SAPTA). Notably, preferential trade agreements are the weakest form of regional trade agreements, as the concessions granted can be fragmentary piecemeal and not general. Protectionism can continue, especially in the presence of confounding rules of origin and complex non-tariff trade barriers. Suresh Moktan⁴⁶ evaluation of SAPTA using gravity models suggests that the trade creating role of SAPTA (a multilateral agreement) would require reinforcing *bilateral* trade agreements. This suggests a major role for economic diplomacy. It is also noteworthy that bilateral agreements do not exist between India and Pakistan, but do exist between other South Asian states except Pakistan and Bangladesh. A free trade agreement, SAFTA, was set up in 2006 and envisages a 20-30% tariff reduction, except for items on a sensitive list. Progress on implementation is, however, slow and fraught with difficulties.

Wirsing⁴⁷ points out that Russia, China and the USA share a major interest in the stability of the relations between India and Pakistan, and

⁴³ T.V. Padma, 'More scientific dialogue ahead for India and Pakistan', <http://www.scidev.net/en/grants/news/more-scientific-dialogue-ahead-for-india-and-pakis.html>, 11 January 2005.

⁴⁴ The others were Sri Lanka, Bangladesh, Nepal, Bhutan and the Maldives. Afghanistan joined in 2007.

⁴⁵ Anupam Srivastava, 'Globalization and Economic Liberalization', in: Devin T. Hagerty (ed.), *South Asia in World Politics*, p 275–276.

⁴⁶ Suresh Moktan, 'Evaluating the Intra-regional Exports and Trade Creation and Trade Diversion Effects of Trade Agreements in SAARC Countries', *South Asia Economic Journal* vol. 9, no. 2, 2008, pp. 233–260.

⁴⁷ Wirsing, 'Great-Power Foreign Policies in South Asia', p. 153

for economic and other reasons, in simultaneous development of friendly parallel ties with both states. [...] The only one of the three currently to have highly promising relationships with both India and Pakistan is, of course, the United States. Arguably, the United States alone has the resources and capabilities to convert its parallel and positive bilateral relationships with these two states into a sustained project of regional conflict resolution.

The USA has developed significant trade relations with both Pakistan and, particularly since the mid 1980s, India. The USA is the leading trading partner for Pakistan as well as India, and the USA is the largest investment partner for the latter. There are also large number of immigrants from countries to the USA; between 1999 and 2009, 166.700 new legal residents arrived from Pakistan and 665.400 from India.⁴⁸ Lacking reliable direct bonds resilient to recurring crises, the indirect ties (via IGOs like SAARC and the World Bank and third countries like the USA and the former colonial ‘master’ the UK) appear to be best option available to contain the India-Pakistan rivalry.

Appendix: A Model of Trade Disruption and Hostility

Consider a single country’s decision making with regard to belligerence, based on Polachek. The welfare of either country (U) depends upon consumption (E), and security (S), entering the utility function in a separable fashion:

$$U = u(E, S) \tag{1}$$

Where:

$$E = cQ - X + M - T \tag{2}$$

Q is the total endowment of the country where a proportion c is devoted to private and public non-military consumption and investment; a fraction $1-c$ to a public good covering security or

⁴⁸ Over this period, Pakistani made up 1.5% and Indians 6% of all new legal residents in the USA. Data from Migration Policy Institute, <http://www.migrationpolicy.org/>.

military expenditure. X and M denote exports and imports to the rival country, and T represents trade (exports minus imports) with the rest of the world. There is also a balance of trade constraint; the value of exports must equal imports:

$$X(S) - M + T = 0, \dots X_s < 0 \quad (3)$$

Following Polachek let us postulate that conflict disrupts trade, hence we write $X(S)$, i.e. trade is a function of conflict. Specifically, it lowers exports, but unlike in Polachek's model both countries are hostile towards each other, and not just one country (described as the actor) against a passive target. So, in our model, both countries' exports to each other will decline, along with ambiguous effects on the terms of trade. The country whose goods are demanded more elastically will experience the negative terms of trade effect. Nevertheless, exports displaced by conflict are a loss, as they represent foregone trade, especially in the context of neighbours who might be expected to trade substantially in peaceful circumstances.

Substituting (3) as a constraint and (2) into (1) allows us to write a Lagrangian function (L), where λ indicates the Lagrange multiplier:

$$L = u(cQ - X + M - T; S) + \lambda[X(S) - M + T] - C(S) \quad (4)$$

The function C represents the distortionary (taxation and crowding out) costs of security expenditure, which rises with S , so that the derivative is positive. This is an additional cost associated with security spending, absent in Polachek's original model. The first order condition with respect to S is:

$$u_s = -\lambda X_s + C_s \dots u_s, C_s > 0, X_s < 0 \quad (5)$$

In equation (5) the marginal utility of security (u_s) is equated to its marginal costs. The latter (on the right-hand side of (5)) is comprised of the trade disruption due to conflict, and the cost of diverting resources to military and security expenditure. This, last effect, is absent from the Polachek models. The first-term on the right-hand side of (5) can be interpreted as the trade displacement effect. The parameter, X_s , is the loss in bilateral trade, due to hostility with a

bilateral trading partner, but λ refers to the more general multi-lateral trade losses due to conflict, the disruption to trade networks that Dorussen and Ward speak of. The Lagrange multiplier (λ) represents the marginal utility of trade in general, and therefore λ is the 'cost' of disrupted trade, and includes the harmful effects of economic sanctions such as the diminution of aid and military assistance.

The second term on the right hand side of (5) refers to the fact that the cost of conflict is not just confined to displaced trade, but it also has a distortionary resource cost because of security expenditure, either because of distortionary taxation or due to the crowding out effect on other forms of investment, including government spending on health and education. Note, that security expenditure and benefits derived from confronting one's enemy does yield positive utility, but comes at a price. There is, therefore, an additional cost of belligerent behaviour over and above losses from trade displacement, and is likely to be substantial because it detracts from poverty reduction directly.

Figure 1 Pakistan and India Hostility Levels

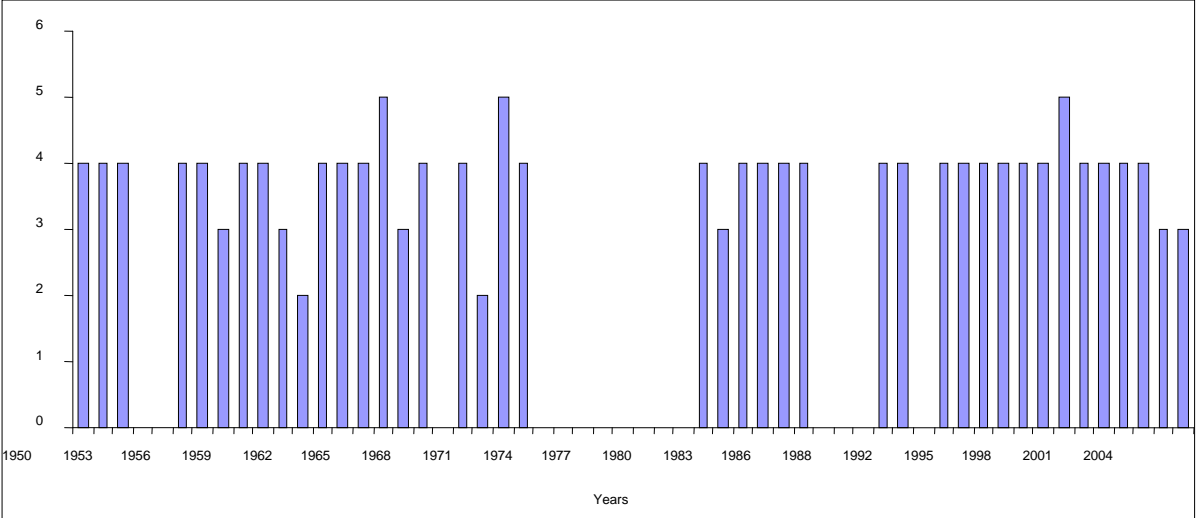


Figure 2: Defence Spending as a Proportion of GDP in India and Pakistan

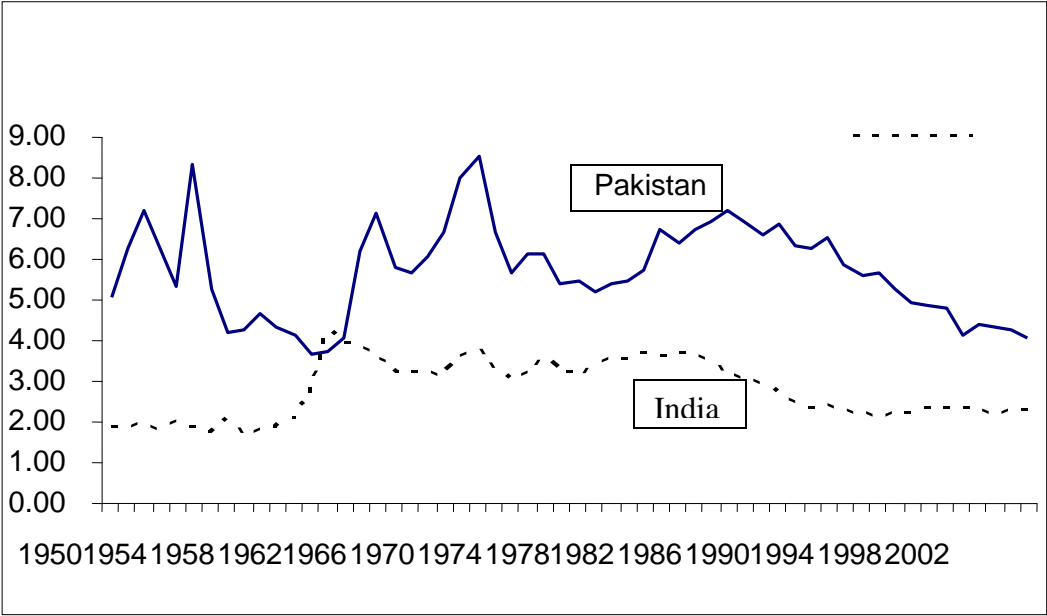


Figure 3: Trade Openness for Pakistan and India

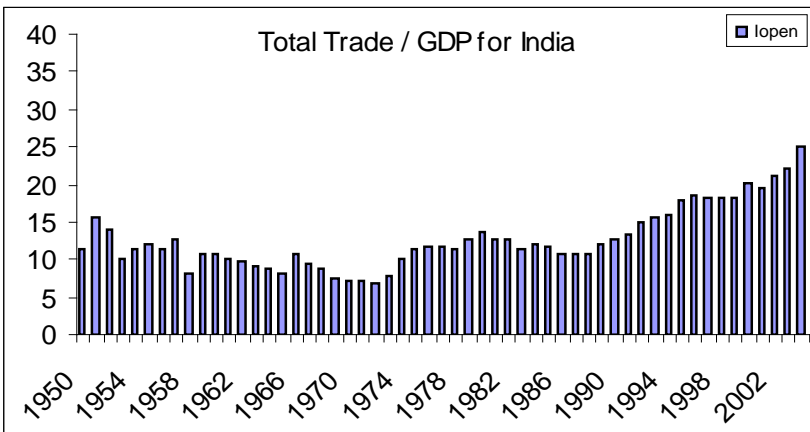
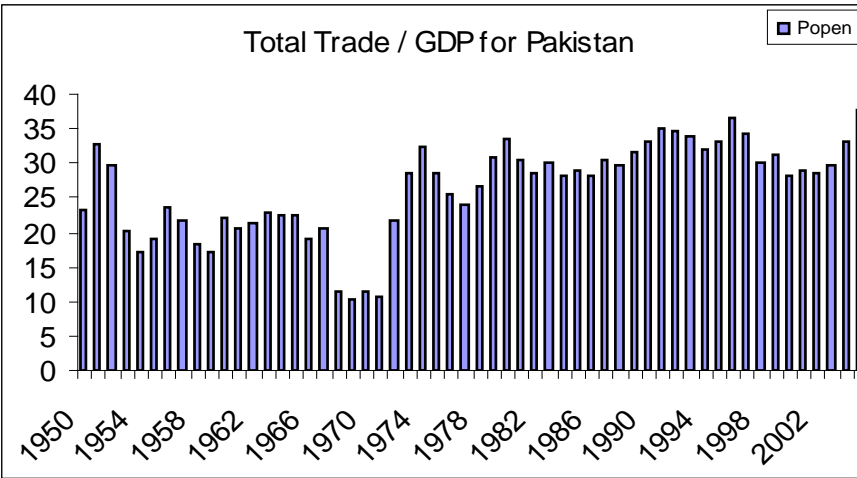


Figure 4: IGO membership, India Pakistan compared with Global Mean

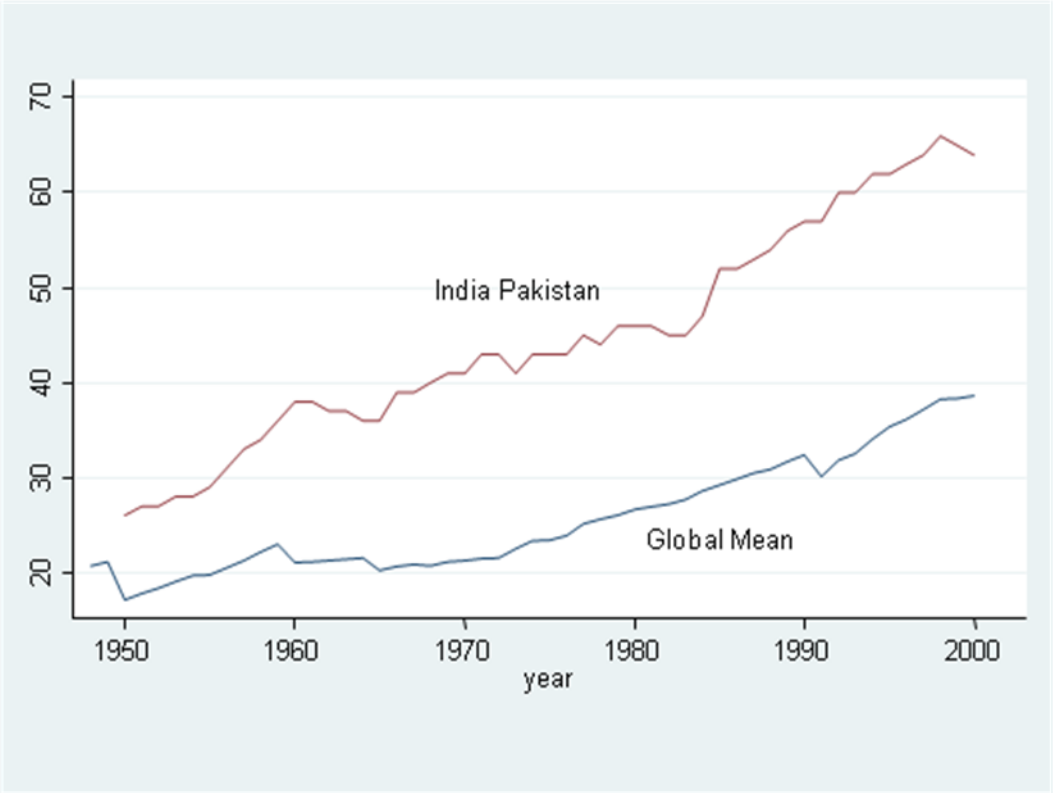


Figure 5: Patterns in India-Pakistan Trade

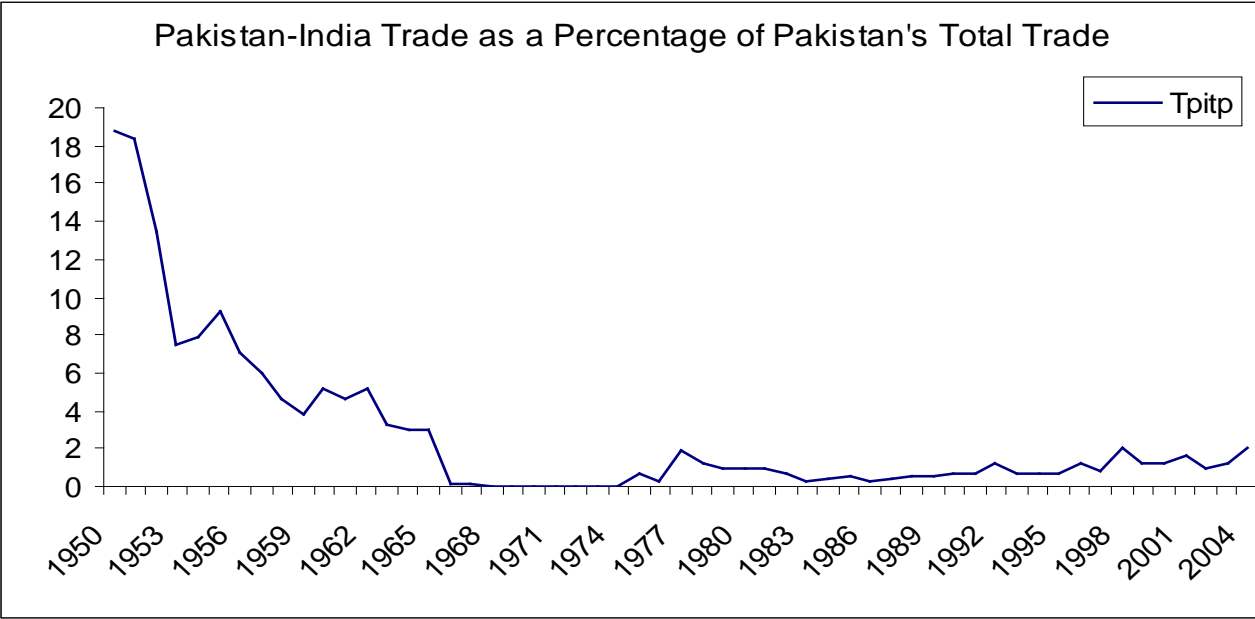
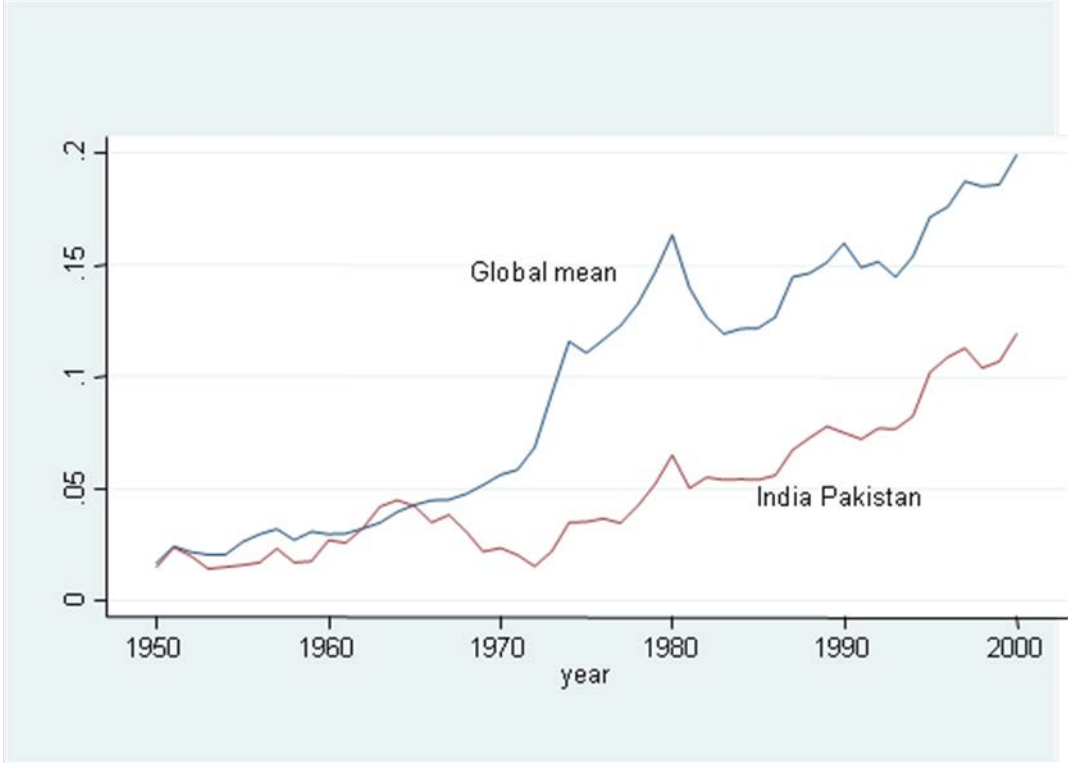


Figure 6: Connections by means of Trade via Third Countries, India Pakistan compared with Global Mean



Note: trade volume in natural log weighted by GDP