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Swords and Ploughshares

The Future of Kashmir

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Introduction

by MATTHEW A. ROSENSTEIN

October 2007 marked the sixtieth anniversary of the initiation of the conflict between India and Pakistan over Jammu and Kashmir (J&K). This timeframe equates roughly to three generations of people living under uncertainty in all parts of J&K, and three generations of Indians, Pakistanis, and the international community failing to reach consensus on how to resolve the questions underlying this seemingly intractable dispute. Although a "final solution" for J&K has consistently remained unattainable during this long and sometimes violent period, the arguments and strategies on both sides have not remained static, nor have the attitudes and behaviors of the people of J&K as they experienced shifts in their economic and political surroundings.

Today, there is a peace process in place between India and Pakistan. Though this process is comprehensive and includes various issues, there has been prominent focus on J&K. At the popular level, both countries have agreed to open the Line of Control (LoC) and allow limited interactions. People of divided families living along the LoC, especially in the regions of Jammu, Kashmir Valley, and Muzaffarabad, have been allowed to meet each other. Politically, both India and Pakistan have proposed new ideas, clearly showing a shift from their stated positions. Both Pakistani President Pervez Musharraf and Indian Prime Minister Manmohan Singh have underlined the need to make borders (including the LoC) soft and even irrelevant. The opening of the LoC immediately after the devastating earthquake in October 2005 and the two bus services (between Srinagar and Muzaffarabad; and Rawlakot and Poonch) are a part of this new process. At the security level, both countries have been sincerely pursuing their ceasefire and there have been no incidents between the two militaries across the LoC since 2004. There have been reports at the highest level within India regarding reduction in cross-border infiltration. These are the achievements so far.

However, this is only a part of the story. At the popular level, interactions across the LoC are still minimal, and are focused only on the divided families in the aforementioned three regions. The other regions—Kargil, Leh, Skardu, and Gilgit—are totally left out of these popular interactions. There is an increasing demand from all regions of J&K to open the LoC for trade and commerce. Politically, there is an internal peace process between New Delhi and various sections in Jammu and Kashmir. However, this process is not inclusive, as the separatist and militant groups fall outside the dialogue. On Pakistan's side, such a process is yet to be undertaken between Islamabad and Muzaffarabad. The Northern Areas so far have not become a part of any peace process—internal, bilateral, or cross-LoC. In terms of security, despite the decline in cross-border infiltration, violence in the Indian part of J&K continues. These are the challenges.

The collection of articles contained in this issue trace historical developments of various aspects of the Kashmir conflict, and present analyses and recommendations regarding what policy approaches might emerge from this point. The contributors—from India, Pakistan, the United States, and Kashmir itself—offer perspectives about the interests of each of these stakeholders and the international community, including China—another claimant to land in J&K. Above all, this issue of *Swords and Ploughshares* examines the many challenges, but also opportunities, associated with Kashmir, and highlights potential avenues for resolving the conflict in the context of contemporary Indo-Pak relations and against the backdrop of current conditions in J&K.

Suba Chandran's article reminds us that "the Kashmir conflict" can actually refer to two conflicts—one focused primarily on the disagreement between India and Pakistan, and another centered on the relationship of the people and institutions in Indian administered regions of J&K to the Indian central government. Chandran examines India's policies, concluding that New Delhi must include more diverse Kashmiri interlocutors in its dialogues, and should exercise greater practicality and flexibility in its negotiations with Pakistan. Next, Rifaat Hussain explores the historical evolution of Pakistan's official position with respect to J&K up until the present, with particular focus on the perceived shift since 1999 under Pervez Musharraf. As this issue goes to press, Pakistan finds itself at a political crossroads domestically. Hussain cautiously suggests that Pakistan's new outlook in the Kashmir dispute could signal opportunities for future progress, although much depends on the how the current uncertain political situation will unfold. The next article, by Mehraj Hajni, provides a Kashmiri scholar's perspective. Hajni offers insight into militancy and governance problems in the region. Although grounded by its treatment of these challenging trends, Hajni's

article lends a note of optimism with his vision for a more peaceful and prosperous J&K.

Ambassador Howard Schaffer, who has studied and experienced South Asian diplomacy throughout his distinguished career in the U.S. Foreign Service and beyond, examines the international community's efforts over time to assist in resolving the Kashmir issue. His article provides a balanced discussion of the present openings and pitfalls for the United States and other actors to facilitate a settlement. Although China, another stakeholder in the dispute, has for some time now professed neutrality after earlier alignment with Pakistan, Jabin Jacob points to Chinese strategic and economic interests that would benefit from a resolution.

Dipankar Sengupta shows how the Kashmir conflict has taken its toll in the form of harsh economic realities, especially since the onset of insurgency in the 1990s. Sengupta's findings hold important implications regarding participatory economic policymaking and entrepreneurship versus top-down development packages. Seema Sridhar examines the potential economic advantages of enhanced cooperation on water management issues in J&K. While demonstrating that one can legitimately term Kashmir a resource conflict, she shows that the restraint and cooperation displayed by India and Pakistan over water suggests a basis for confidence-building already exists.

One acknowledgment is in order. Suba Chandran from the Institute of Peace and Conflict Studies in New Delhi played a central role in conceptualizing and developing this collection of articles. His communications with several contributors and his editorial skills proved vital. Although any errors associated with this issue should rightly be attributed to me, tremendous credit is due to Suba, and especially his passionate commitment to improving conditions in J&K, for this issue seeing the light of day.

Finally, a few words about ACDIS at the University of Illinois. For nearly thirty years, ACDIS has made important contributions to dialogue about South Asian security issues. In that time, ACDIS has produced extensive resources about a wide range of problems relevant to South Asian security, including numerous scholarly monographs and edited collections, nearly seventy *Occasional Papers* and *Research Reports*, and several previous issues of *Swords and Ploughshares*. Many of these materials are available on the program's web site, http://www.acdis.uiuc.edu. As ACDIS approaches its thirtieth anniversary, the program remains committed to the study of South Asian security problems, while continuing to foster exciting new initiatives in other aspects of international security.

Short Takes

***F**ood will last while the forests last.*

—Kashmiri proverb

***T**oday there is talk of war everywhere. Everyone fears a war breaking out between the two countries. If that happens, it will be a calamity both for India and for Pakistan.*

—Mahatma Gandhi, speech about Kashmir at the Prayer Meeting on January 4, 1948

***I**f after a proper plebiscite the people of Kashmir said, "We do not want to be with India," we are committed to accept it even though it might pain us.*

—Jawaharlal Nehru, first Prime Minister of India, statement to the Indian Parliament on June 16, 1948

***I**f we want to normalize relations between Pakistan and India and bring harmony to the region, the Kashmir dispute will have to be resolved peacefully through a dialogue on the basis of the aspirations of the Kashmiri people.*

—Pervez Musharraf, Prime Minister (1999–2001) and President of Pakistan (2001–present)

***N**o meaningful dialogue can be held with Pakistan until it abandons the use of terrorism as an instrument of its foreign policy.*

—Atal Bihari Vajpayee, Prime Minister of India (1996 and 1998–2004)

***Y**ou are fire / A furious fire of burning youth / Come out / And cross the hills and dales / Raise a storm!*

—Dina Nath Nadim (1916–1988), Kashmiri poet

Jammu & Kashmir: India's Objectives and Strategies

by D. SUBA CHANDRAN

▶ **The *conflict of Kashmir* is primarily linked to the larger Indo-Pak conflict. Its actors include India, Pakistan, and Kashmiris.**

▶ **The *conflict in Kashmir* refers to the relations between New Delhi and various communities and their aspirations in Jammu, Kashmir, and Ladakh regions.**

▶ **Since the 1971 war, India's primary objective in the conflict of Kashmir has been to maintain the status quo and convert the Line of Control into an international border.**

There are two sets of conflicts relating to Jammu and Kashmir—the *conflict in Kashmir* and the *conflict of Kashmir*. The conflict of Kashmir is primarily linked to the larger Indo-Pak conflict and its actors include India, Pakistan, and Kashmiris. In the initial decades following the 1947 partition, India's primary objective in the conflict of Kashmir was to internationalize the issue to its advantage, based on its legal claim over the entire Jammu & Kashmir (J&K) region including the Mirpur, Muzaffarabad, Gilgit, and Baltistan regions. These four regions, under direct and indirect control of Pakistan, are administered through two different political entities. The regions of Mirpur and Muzaffarabad—called "Azad Kashmir"—have limited autonomy, while the Gilgit and Baltistan regions are referred as the Northern Areas and fall under the total control of Islamabad.

Withdrawal of Pakistani troops from "Azad Kashmir" and the Northern Areas—collectively referred to by India as Pakistan occupied Kashmir (PoK)—and its reintegration with the rest of J&K had been the primary objective of India during the initial phase of the conflict. However, this objective slowly changed in a shift that became visible during and after the 1971 War with Pakistan. A Line of Control (LoC) was established after this war, and it is widely believed that during negotiations leading to the Simla agreement that followed the war, India and Pakistan agreed to convert this line into a permanent border between the two countries. Ever since, India's primary objective in the conflict of Kashmir has been to maintain the status quo and convert the LoC into an international border.

The conflict in Kashmir refers to the relations between New Delhi and various communities and their aspirations in Jammu, Kashmir, and Ladakh regions. Though the high level of violence since the 1990s has hijacked the issues in J&K, there are other serious issues from these three regions. For example, people of Ladakh have been demanding a Union Territory (UT) status within India, while the people of Jammu region have been demanding a separate state, again within India. A major section within Kashmir Valley demands complete independence from India, while another section demands more autonomy in terms of federal-provincial relations. Political manipulation, bad governance and corruption have been major issues for all three regions.

India's policy towards the conflict in Kashmir has been narrowly focused in terms of addressing the political issues of Kashmir Valley, winning the Kashmiris politically and psychologically, and integrating them emotionally into the Indian mainstream. Until recently, the other two regions—Jammu and Ladakh—have been totally neglected by New Delhi.

India's Kashmir Policies and Strategies

What are the major issues in India's policies and strategies vis-à-vis the conflict in Kashmir and the conflict of Kashmir? Though India's policies towards both these conflicts have been criticized as ad hoc and reactive, in retrospect it appears New Delhi has been clear on what it wants regarding both conflicts. Externally with Pakistan, New Delhi wants to convert the LoC into an international border and make the status quo permanent. Internally, it wants to keep the demands for independence under control, aiming to win the Kashmiris psychologically and emotionally by integrating the political elite into the mainstream. The strategies that New Delhi has adopted to secure these policies may have different guises, but the policies on these two broader issues have remained constant. These policies and the strategies adopted to secure them require a critique before commenting on the contemporary situation and making conclusions about the road ahead.

The Prism of Terrorism • Until recently, India perceived both the conflict in and conflict of J&K mainly through the prism of terrorism. Internally, the absence of militant attacks is seen as the presence of peace and political stability in Kashmir. Problems of governance are seen as an offshoot of militancy; hence, the government has believed that once the latter is brought under control, there would be better governance. Issues such as corruption and bad governance are carpeted under militancy. Counterinsurgency operations have assumed more significance, without understanding that militancy has been the product of certain political questions and that once these political questions are addressed, the militancy would automatically die down. These political

questions raised by the Kashmiris may be real or imaginary or both; but it is the duty of the government to address them politically.

Externally, cross-border terrorism was perceived as the main bilateral issue vis-à-vis Pakistan. India has long avoided discussing J&K with Pakistan and repeatedly emphasized that until the latter stops cross-border terrorism, there could not be any meaningful negotiation. Internationally, while Pakistan attempted to highlight the issue of "human rights" and "political oppression" in Kashmir by New Delhi, India attempted to flag cross-border terrorism as the main issue and hurdle in taking any further measures.

As cross-border terrorism became the highlight of India's approach towards the conflict of Kashmir, two issues became prominent in the 1990s and in the early years of this decade. Any dialogue on demilitarization or troop relocation in J&K became a non-negotiable issue for New Delhi, as it was linked to cross-border terrorism. New Delhi repeatedly emphasized that unless cross-border terrorism is stopped, there cannot be discussion on troop withdrawal, as the latter is a response to the former.

▶ India has aimed to win the Kashmiris psychologically and emotionally by integrating the political elite into the mainstream.

▶ As part of a unilateral measure to address cross-border terrorism, New Delhi decided to fence the Line of Control.

▶ Only recently did the Indian government initiate substantial dialogue with political parties that fall outside the mainstream in Jammu and Kashmir.

As part of a unilateral measure to address cross-border terrorism, New Delhi decided to fence the Line of Control. The international border between the two countries has already been fenced and regularly patrolled by the paramilitary forces on both sides. The LoC until the mid-1990s was never fenced. Pakistan has always been opposed to the idea of India fencing the LoC, as it felt fencing would give an element of permanency to the LoC. As a part of not allowing the fencing, Pakistan resorted to continuous shelling whenever India undertook any efforts on the same. With a ceasefire in place since the end of 2003, India went ahead and completed fencing the LoC. Efforts are in progress to install advanced sensors and related equipments to electronically monitor this fencing.

India's Narrow Focus • The "political" approach vis-à-vis the conflicts in and of Kashmir that New Delhi has pursued has, until recently, always been narrowly focused. Within India, successive governments in New Delhi have carried out a strategy based on organizing periodic elections for the state legislative assembly of Jammu and Kashmir and sustaining an elected government at the state level. Elections, whether rigged or free, are seen as an "end" in J&K; the party or coalition that forms the government subsequently in Srinagar is expected to adhere to the existing provisions and maintain the status quo, without any demands on changing the nature of union-state relations. In the late 1990s, the Union government relied completely on the National Conference (NC) government led by Farooq Abdullah, and now seems to be continuing the same with the Congress-Peoples Democratic Party coalition government.

Once the state government is in place in Srinagar, the Union government's approach towards Kashmir is limited only to the former, irrespective of its popularity. Until recently, any further political engagements outside this sphere have been ad hoc and were without any focus; the Union government failed to initiate any substantial dialogue with those sections that fall outside the mainstream political parties, especially the separatists led by two factions of the All Parties Hurriyat Conference (APHC) and other independent leaders.

Only recently did the Union government initiate efforts to address all of the groups concerned. Two Round Table Conferences (RTCs) have been organized since 2006, and five working groups have been formed on different issues, which include the following: New Delhi's relations with the State, increasing relations across the Line of Control (LoC), boosting the State's economic development, rehabilitating the victims of violence, and ensuring good governance. These Working Groups have submitted their reports and New Delhi is yet to initiate follow up actions on these recommendations.

Vis-à-vis Pakistan, India has long refused to initiate a meaningful dialogue on Kashmir. As mentioned above, cross-border terrorism became a major issue in the conflict of Kashmir with Pakistan. However, since the end of the 1990s, for the first time India had agreed to include J&K as a part of various other bilateral negotiations including those over Siachen, Tulbul Navigation/Wullar Barrage, Sir Creek, elimination of terrorism and illicit narcotics, economic and commercial cooperation, and exchange of friendly visits.

Since 2004, two slogans have become the catchwords of India's approach towards Pakistan on Kashmir—"soft borders" and "making borders irrelevant." Atal Behari Vajpayee, the previous Prime Minister, took bold measures in addressing the conflict of Kashmir. Efforts were made to make borders "soft" in terms of breaching it legally through more crossing points and a liberalized visa regime. These efforts witnessed the introduction of the first bus service between the two countries from New Delhi to Lahore, and talks being initiated on opening the international border in other areas. As a result, today there is a new rail link between Sindh in Pakistan and Rajasthan in India and another bus service between Amritsar and Nankana Sahib across the international border. Although both these connections became functional under the Congress government, efforts were taken under Vajpayee's administration to make borders soft.

Manmohan Singh, the current Prime Minister, came out with a new slogan—making borders irrelevant. This caught people's imagination especially

after the devastating earthquake in October 2005. A few months before the earthquake, a bus service was introduced between the two Kashmirs—between Muzaffarabad and Srinagar—marking the first time such travel was possible in six decades. The opening of the LoC in the Jammu region followed this step; today there is another bus service between Poonch and Rawlakot.

Resolving the Conflicts: Challenges Ahead

Undoubtedly, in recent years India has taken significant measures to address both the conflicts in and of Kashmir. Further progress would depend on the following. First, in the past and even today, there has been no consensus at the national level on what could be India's game plan in Jammu and Kashmir and how far it could go in terms of a final resolution. The existing Parliamentary Resolution signifies India's maximalist position and not what is feasible and practical. The Union government has been reluctant to create such a consensus both inside and outside the Parliament. There is a clear difference between the secular moderates and the extremist Hindu Right in India. For a final resolution, a national consensus is essential inside India.

Two slogans have become the catchwords of India's approach towards Pakistan on Kashmir—"soft borders" and "making borders irrelevant."

What if a compromise acceptable to India, Pakistan, and a section of Kashmiris is not acceptable to jihadi forces?

So far economic and cultural interactions across the Line of Control have narrowly addressed the interests of only one region—the Kashmir Valley. But such interactions should address all regions of Jammu and Kashmir.

The same is also true inside Pakistan. There is no consensus inside Pakistan on what could be the final settlement of Kashmir. Though Pakistan has been insisting on the rhetoric of "what is acceptable to the people of Kashmir," in reality, both the State and its people will be unwilling to let go of territory under its control. While it would be agreeable to Pakistan to continue with the present set up in Muzaffarabad, it would be unacceptable to change the status quo, especially of the Northern Areas. The recent package announced by General Musharraf in October 2007 on the Northern Areas is cosmetic and a part of Islamabad's larger plan to keep this region under its perpetual control. The Northern Areas are strategically important to Pakistan today for various reasons. Among them, the Karakoram Highway (KKH) and the water resources of the region are significant. With Pakistan having plans to expand the KKH and construct a road-rail-gas pipeline link from Gwadar port in Balochistan to Kashgar in China, this region is of enormous importance.

Second, clearly whether it is making borders soft or irrelevant, India's strategies are aimed at not redrawing the existing boundaries, whereas Pakistan's efforts for six decades have been aimed at altering the status quo. Much would depend on how successfully India can be in convincing Pakistan on this issue.

Third, relating to the conflict in Kashmir, as mentioned above, New Delhi has taken significant measures. However, two important steps are not being addressed convincingly so far. One, the dialogue inside India, between New Delhi and various groups of Kashmir, even today remains unconvincing. The separatist groups, led by the two factions of the Hurriyat Conference, are yet to be taken into confidence. For various political reasons, both factions of the Hurriyat Conference have so far refused to enter into any meaningful dialogue with New Delhi. True, the Hurriyat certainly cannot be considered as the sole voice of the Kashmiris, for its support base is narrowly based inside Kashmir Valley and has no representation in the Jammu and Ladakh regions. However, undoubtedly, it does represent a segment of opinion inside Kashmir Valley.

Besides the separatists, the Union government has also not been able to initiate any dialogue with the militant groups. Today, the non-State armed groups fighting in Kashmir can be clearly divided into two groups. The first one, led by the Hizbul Mujahideen, has ambitions that are more political and limited to Kashmir. Cadres of Hizbul are primarily Kashmiris and have been fighting for a political cause. The second group is led by the Lashkar-e-Toiba and Jaish-e-Mohammad, with both political and religious ambitions aimed at a larger cause—beyond Kashmir—of destroying India. Cadres of Jaish and Lashkar are primarily drawn from Pakistan. The Indian security and intelligence forces have been successful in forcing the cadres of Hizbul to surrender or eliminating them considerably, thus weakening their base. However, Lashkar and Jaish have been fighting a bloody battle against the Indian security forces. Besides, the control of Pakistan's security forces over Jaish and Lashkar in recent years has been questioned seriously. The important question that needs to be addressed here is: what if a compromise acceptable to India, Pakistan, and a section of Kashmiris is not acceptable to these jihadi forces?

Finally, India has to take proactive and if needed even unilateral measures in increasing the cross-LoC interactions. In September 2007, both India and Pakistan agreed in principle to trade across the Line of Control. Ever since the LoC opened for the bus service between Muzaffarabad and Srinagar in 2005, people living in all five parts of J&K—Jammu, Muzaffarabad, Northern Areas, Kashmir Valley and Ladakh—have been demanding the opening of the LoC for economic and cultural interactions. While the Chambers of Commerce and Industries, both in Jammu and Srinagar, have pressured New Delhi to open the LoC for trade, people in the these five regions have been putting pressure on both governments to open more routes and allow more people to cross the LoC. The apple and carpet industries in Kashmir Valley in particular have been demanding the opening of the LoC for trade. Today, Kashmiri apples go from the valley by truck via Jammu to Delhi and then beyond. If the LoC is opened for goods, the apples from Anantnag and Sopore could

reach Rawalpindi via Muzaffarabad faster than they could reach New Delhi.

So far the cross-LoC interactions have been narrowly based in addressing the interests of only one region—the Kashmir Valley. The regions of Jammu and Ladakh have been largely ignored. There are numerous divided families in the Kargil region, who have relatives across the LoC in Skardu and Gilgit and also in the Jammu region. India should take active measures to open Kargil-Skardu and Jammu-Sialkot roads for the movement of divided families. There is a need to expand the interactions along the LoC and this enlargement should address all five regions—Jammu, Muzaffarabad, Kashmir Valley, Northern Areas and Ladakh.

Suba Chandran is Assistant Director of the Institute of Peace and Conflict Studies in New Delhi. He holds a Ph.D. from the School of International Studies, Jawaharlal Nehru University. He is the author or editor of several books on South Asian security issues, including Jammu and Kashmir: Preparing for a New Beginning (2006), Limited War: Revisiting Kargil in the Indo-Pak Conflict (2006), and Indo-Pak Conflicts: Ripe to Resolve? (2005).

Pakistan's Changing Outlook on Kashmir

by SYED RIFAAT HUSSAIN

Historically, Pakistan has viewed its dispute with India over Kashmir as the key determinant of its strategic behavior in the international arena. Advocacy of the rights of the Kashmiri people to freely determine their future has been the main plank of Islamabad's diplomatic strategy in the United Nations and other international fora. By championing the cause of the rights of the Kashmiri people, Islamabad has tried to remind the world that India's control over two-thirds of the State of Jammu and Kashmir is not only legally untenable but morally unjust, as it was achieved through an instrument of accession with a ruler who had lost the support of the vast majority of his predominantly Muslim subjects. Pakistan's official stance on Kashmir can be summarized into the following six interrelated propositions:

1. The State of Jammu and Kashmir is a disputed territory.
2. This disputed status is acknowledged in the UN Security Council resolutions of August 13, 1948 and January 5, 1949, to which both Pakistan and India are a party.
3. These resolutions remain operative and cannot be unilaterally disregarded by either party.
4. Talks between India and Pakistan over the future status of Jammu and Kashmir should aim to secure the right of self-determination for the Kashmiri people. This right entails a free, fair and internationally supervised plebiscite as agreed in the UN Security Council resolutions.
5. The plebiscite should offer the people of Jammu and Kashmir the choice of permanent accession to either Pakistan or India.
6. Talks between India and Pakistan, in regard to the future status of Jammu and Kashmir, should be held in conformity both with the Simla Agreement of July 1972 and the relevant UN Security Council resolutions. An international mediatory role in such talks may be appropriate if mutually agreed.

This stated Pakistani position on Kashmir has undergone a fundamental shift under President General Pervez Musharraf who, after assuming power in October 1999 in a bloodless coup, has been, in his own words, "pondering outside the box" solutions to resolve the dispute. This paper examines various aspects of the changing Pakistani outlook on Kashmir and analyzes different factors underpinning this change.

Pakistan's "New Thinking on Kashmir"

Pakistan's Kashmir policy has alternated between force and diplomacy, with the former remaining the dominant instrument until very recently. Having unsuccessfully tried wars in 1947-1948 and 1965, different forms of sub-conventional warfare in the 1980s and the 1990s, and limited war in Kargil in 1999 as instruments of its Kashmir policy to change the territorial status quo in its favor, Islamabad revived its quest for a diplomatic solution under President Musharraf. In summer 2001, two years after the Kargil conflict, which nearly provoked a full-scale India-Pakistan war, President Musharraf proposed a "reciprocal action plan" to New Delhi as a first step to defuse tensions between them and to promote peace. While calling upon India to stop atrocities in Indian-held Kashmir, it said "Pakistan might recommend to the freedom fighters to moderate their indigenous freedom struggle in Kashmir."

▶ Advocacy of the rights of the Kashmiri people to freely determine their future has been the main plank of Islamabad's diplomatic strategy.

▶ The stated Pakistani position on Kashmir has undergone a fundamental shift under President General Pervez Musharraf.

▶ Pakistan's Kashmir policy has alternated between force and diplomacy, with the former remaining the dominant instrument until very recently.

During his summit meeting with Indian Prime Minister Atal Behari Vajpayee in Agra on July 14–16, 2001, President Musharraf reassured his Indian host that he had come to meet him "with an open mind." He also underscored his desire to have "discussions with Indian leaders on establishing tension free and cooperative relations between our two countries." The Agra Summit failed to produce a tangible outcome, but the draft Agra Declaration that both sides considered issuing at the end of their historic meeting clearly stated that "settlement of the Jammu and Kashmir issue would pave the way for normalization of relations between the two countries." President Musharraf outlined his four-point approach to resolving the Kashmir dispute during his breakfast meeting with representatives of electronic and print media held in Agra on July 16, 2001. Responding to a question on how best to resolve the Kashmir dispute, President Musharraf said: "Step one was the initiation of dialogue…acceptance of Kashmir as the main issue was step two…negating certain solutions unacceptable to both sides was step three…exploring remaining options was step four."

In a remarkable reversal of Islamabad's verbal strategy on Kashmir, President Musharraf publicly stated on December 17, 2003 that even though "we are for United Nations Security resolutions … now we have left that aside." A month later, in a joint statement issued in Islamabad, following his meeting with Indian Prime Minister Vajpayee on January 6, 2004, Musharraf categorically pledged that he would not "permit any territory under Pakistan's control to be used to support terrorism in any manner." This statement was meant to mollify New Delhi's concerns relating to the issue of alleged "cross-border" infiltration from Pakistan.

By dropping the longstanding demand for a UN-mandated plebiscite over divided Kashmir, and by assuring New Delhi that Islamabad would not encourage violent activity in Indian-held Kashmir, President Musharraf tried to create much-needed political space for New Delhi to substantively engage itself with Islamabad for finding a workable solution to the festering Kashmir dispute.

President Musharraf reiterated his four-point proposal for resolving the Kashmir dispute while addressing a closed door symposium organized by the *India Today Conclave 2004* via satellite from Islamabad on March 13, 2004. According to him:

1. The centrality of the Kashmir dispute should be accepted by India and Pakistan.
2. Talks should commence to resolve the dispute.
3. All solutions not acceptable to any of the three parties are to be taken off the table.
4. The most feasible and acceptable option should be chosen.

A few months later, while talking to a group of newspaper editors at an Iftar dinner in Islamabad on October 25, 2004, President Musharraf called for a national debate on new options for the Kashmir dispute. The necessity for this debate stemmed from the fact that demands for conversion of the Line of Control (LoC) into an international border and a plebiscite were not acceptable to Pakistan and India respectively. To break the deadlock he suggested that identification of various zones of the disputed territory needs to be carried out followed by their demilitarization and a determination of their status. He identified seven regions in Jammu and Kashmir based on "religious, ethnic and geographical terms" for this purpose.

Two regions—Azad Kashmir and Northern areas—are under the control of Pakistan, whereas five regions are under Indian control. The first part comprises Jammu, Sambha and Katwa where Hindus are in majority. The second part also comprises Jammu but the areas include Dodha, Phirkuch and Rajawri where a Muslim population is in majority, which includes Gujars, Sudhans and Rajas who are also associated with Azad Kashmir. The third part is the area of Kashmir Valley, which also has Muslim majority. The fourth part is Kargil, which has Shia and Balti populations in majority, and the fifth area is Ladakh and adjoining areas where Buddhists live. President Musharraf further said that it was imperative that the linguistic, ethnic, religious, geographic, political and other aspects of these seven regions should be reviewed and a peaceful solution to the problem found.

Speaking at a conference organized by Pugwash in March 2006, President Musharraf renewed his call for demilitarization, asserting

> [his country's] proposals for demilitarisation and self-governance offered a practical solution to the Kashmir dispute. An ultimate solution to the problem on these lines would make the LoC irrelevant. And such a solution would neither require redrawing of borders, nor make Line of Control irrelevant. The demilitarisation would be a great confidence-building measure and provide relief to Kashmir. This will also help discourage militancy.

In an interview given to CNN-IBN news channel in January 2007, President Musharraf proposed joint management by India and Pakistan of the disputed region of Jammu and Kashmir. That arrangement would leave India and Pakistan with reduced sovereignty over the territories, which they presently control in Jammu and Kashmir. Musharraf further said in that interview that

> [he did] not agree with India's claim that there already was self-governance in the held Kashmir, and claimed that most of the people there do not accept the Indian government. If India believed there was self-governance, we keep sticking to this position, we will never move forward because we do not agree. Therefore, if you want to move forward, we have to leave stated position.

▶ Musharraf categorically pledged that he would not "permit any territory under Pakistan's control to be used to support terrorism."

▶ By dropping the long-standing demand for a UN-mandated plebiscite over divided Kashmir, Musharraf tried to create political space for New Delhi.

▶ The Kargil War exposed the inherent limitations of Islamabad's strategy of sub-conventional war against India in a nuclear environment.

In his autobiography, *In the Line of Fire***,** President Musharraf described his four-point proposal as "purely personal which needed to be sold to the public by all involved parties for acceptance."

He summarized his proposal as follows:

1. First, identify the geographic regions of Kashmir that need resolution. At present the Pakistani part is divided into two regions: Northern areas and Azad Kashmir. The Indian part is divided into three regions: Jammu, Srinagar, and Ladakh. Are all these on the table for discussion, or there are ethnic, political, and strategic considerations dictating some give and take.
2. Second, demilitarize the identified region or regions and curb all militant aspects of the struggle for freedom. This will give comfort to the Kashmiris, who are fed up with the fighting and killing on both sides.
3. Third, introduce self-governance or self-rule in the identified region or regions. Let the Kashmiris have the satisfaction of running their own affairs without having an international character and remaining short of independence.
4. Fourth, and most important, have a joint management mechanism with a membership consisting of Pakistanis, Indians, and Kashmiris overseeing self-governance and dealing with residual subjects common to all identified regions and those subjects that are beyond the scope of self-governance.

Factors Driving Pakistan's New Thinking on Kashmir

There are a number of factors driving Islamabad's new thinking on Kashmir. First, there is a clear recognition of the inefficacy of war in the wake of Pakistan's overt nuclearization in 1998 to resolve the central issue of Kashmir. In early 1999, troops of Pakistan's Northern Light Infantry, disguised as Kashmiri mujahideen, crossed the LoC and occupied strategic mountain peaks in Mushkoh Valley, Dras, Kargil, and Batalik sectors of Ladakh. Through this military incursion Islamabad sought to "block the Dras-Kargil highway, cut off Leh from Srinagar, trap the Indian forces on the Siachin glacier, raise the militant's banner of revolt in the Valley and bring the Kashmir issue firmly back to the forefront of the international agenda." Angered by Pakistan's military incursion, which endangered its vital supply routes to Leh and the Siachen, New Delhi launched a counter military offensive and threatened to impose a war on Pakistan in order to restore the status quo.

India also effectively mobilized world opinion against Pakistan. The G-8 countries held Pakistan responsible for the military confrontation in Kashmir and described the Pakistani military action to change the status quo as "irresponsible." They called upon Islamabad to withdraw its forces north of the LoC. The EU publicly called for "immediate withdrawal of the infiltrators." The United States also depicted Pakistan as the "instigator" and insisted that the status quo ante be unconditionally and unambiguously restored. Caving in to mounting international pressure for withdrawal, Pakistan's Prime Minister Nawaz Sharif made a dash to Washington on July 4, 1999 and signed a joint statement with President Clinton, which called for the restoration of the "sanctity" of the Line of Control in accordance with the Simla Agreement. The Kargil War exposed the inherent limitations of Islamabad's strategy of sub-conventional war against India in a nuclear environment and forced Pakistan into negotiations to resolve the core issue of Kashmir. Islamabad realized that war scares were neither good for its image as a nuclear weapon state nor for its economic development and progress.

Second, there has been sustained American pressure on Islamabad to bury the hatchet with India over Kashmir. The Kargil War and the 2001-2002 India-Pakistan military stand-off made Washington realize that without enduring peace, South Asia would remain a nuclear flashpoint and therefore, to use President Clinton's phrase, "the most dangerous place on earth." More importantly, the American strategic goal of peace and stability in Afghanistan cannot be achieved without moderating India-

Pakistan competition over Afghanistan. Renewal of the India-Pakistan rivalry for influence over Afghanistan was deemed bad news for peace in that war torn country. Islamabad feels hemmed in by the growing Indian diplomatic and economic presence in its strategic rear and therefore extremely reluctant to let the pro-Indian, Tajik-dominated dispensation in Kabul gain ground. Longstanding proposals for building trans-Asian gas pipelines would become feasible only through India-Pakistan cooperation in Afghanistan and also would allow trade to replace war as the primary interaction between Afghanistan and its neighbors.

▶ There has been sustained American pressure on Islamabad to bury the hatchet with India over Kashmir.

▶ Resumption of the India-Pakistan dialogue seems to be the only credible way of easing world concern over the safety and security of the Pakistani nuclear arsenal.

The third factor pushing Pakistan toward peace with India is the need to display responsible nuclear custodianship. In the aftermath of the Iraq war, which was waged to remove a "rogue" regime with potential for having weapons of mass destruction, Islamabad feels obligated to reassure the world community about its nuclear weapons and growing missile capabilities. Resumption of the India-Pakistan dialogue with its focus on nuclear risk reduction measures seems to be the only credible way of easing world concern over the safety and security of the Pakistani nuclear arsenal, which—after the A.Q. Khan episode—are being viewed by the international community with a great deal of apprehension.

The fourth factor underpinning Islamabad's new approach to Kashmir is the "boomerang" effect of jihad as an instrument of Pakistan's Kashmir policy. Emboldened by its pivotal role in the Afghan resistance movement that culminated in Moscow's military defeat in 1988, Pakistan turned its attention toward Indian-held Kashmir where a Kashmiri "intifada" broke out in 1988-89 against Indian repressive policies. Backed by Pakistan's Inter-Services Intelligence (ISI), several jihadi groups prominent among which were the Hizbul Mujahideen, the Al Badr Mujahideen, the Harkat-ul Mujahideen (previously known as Harkat ul Ansar), the Lashkar-i-Tayyiba, and Jaish-e-Mohammed "found a new cause in Indian administered Kashmir where an insurgency had erupted in 1989." Their involvement in the Kashmiri intifada transformed it from a domestic insurgency (conducted via the Jammu Kashmir Liberation Front) into a low-intensity conflict between India and Pakistan. As Islamabad's forward policy in Indian-held Kashmir began to take its toll on the Indian security forces and along with them those of the innocent civilians, New Delhi accused Pakistan of waging a proxy war against India from Azad Kashmir. Indian and foreign media reports identified at least 91 insurgent training camps in Azad Kashmir, "the bulk of which lie contiguous to the Indian districts of Kupwara, Baramullah, Poonch, Rajuari and Jammu."

The jihad strategy became an untenable proposition for Islamabad after the terrorist strikes against the United States on September 11, 2001, followed by suicide attacks against the Jammu and Kashmir state assembly in October and the Indian parliament in December 2001. These cataclysmic events changed the rules of the game and led to the blurring of the moral distinction between freedom fighters and terrorists. Under the new rules for a state's responsibility for terrorist groups operating inside its borders, Pakistan could no longer allow jihadi groups to use its territory with impunity, nor could it completely absolve itself of the responsibility for the violence perpetrated by them beyond its borders. Between December 2001 and July 2002, India threatened to wage a limited conventional war against Pakistan unless Islamabad terminated its support for what New Delhi portrayed as cross-border terrorism. Leveraging effectively its threat of war against Pakistan, New Delhi forced Islamabad to crack down on some of the fundamentalist Islamic groups waging war against the Indian government in Kashmir. Pakistan banned some of the jihadi groups in January 2002 and promised to permanently end its support for armed militancy in Kashmir provided New Delhi agreed to find a negotiated settlement of the Kashmir dispute. These moves by Pakistan's government caused huge disappointment among the Kashmir militant groups and some radical elements associated with them were recruited by Al-Qaeda to assassinate President Musharraf in December 2003. With Pakistan's pro-jihad Kashmir policy turned on its head, armed militant groups turned their guns and anger against the Musharraf regime. They assumed the role of "peace spoilers" by joining hands with the resurgent Taliban-Al-Qaeda forces operating out of the "lawless" borderlands along the Durand line between Pakistan and Afghanistan.

To stem the rising tide of extremist violence in the country, in which at least 1,896 people including 655 civilians, 354 security forces personnel and 887 terrorists died in 2007 alone, Islamabad intensified military operations against the jihadi elements in the tribal areas and stormed the radical Lal Masjid (Red Mosque) in the capital city of Islamabad in June 2007 on the suspicion that suicide bombers linked to Al-Qaeda had taken refuge in the mosque. More than 70 militants died in the assault on the Red Mosque. To avenge the military assault on the Red Mosque and to protest the intensified military operations against pro-Taliban forces in North Waziristan, armed militants scrapped a peace deal with the government in July 2007. In August they captured 280 soldiers including a colonel and nine officers after intercepting a military convoy in South Waziristan. In October 2007, armed militants ambushed an army convoy in North Waziristan in which 20 soldiers and 45 militants were killed. Over 20 soldiers of the Frontier Corps were captured by local Taliban militants on October 7 after they successfully assaulted a military checkpoint in Spin Wam, adjacent to Hangu district in troubled

North Waziristan. Reacting to these developments, President Musharraf told Dawn News TV that the prevailing conditions in the Federally Administered Tribal Areas (FATA) were "extremely precarious" and described the threat from religious extremism as the primary security challenge facing the country.

Pakistan's domestic politics took yet another violent turn on October 16, 2007 when over 136 people died and 500 were injured in Karachi, in a suicide bombing attack on the homecoming public procession of former Prime Minister Benazir's Bhutto's return to Pakistan. Militant elements linked to pro-Taliban warlord Baitullah Mehsud were widely believed to be behind this atrocity. In his condolence call to Benazir, President Musharraf expressed his deepest sorrow over the terrorist attack and vowed to arrest the culprits. This rising tide of terrorist violence within Pakistan has forced Islamabad to rethink its relationship with militant religious groups. The Kashmir jihad is now being viewed as a double-edged sword with Islamabad holding the sharper end of it due to its devastating "blowback" effect.

The jihad strategy became an untenable proposition for Islamabad after the terrorist strikes against the United States on September 11, 2001.

Musharraf described the threat from religious extremism as the primary security challenge facing Pakistan.

The India-Pakistan peace process seems to have made considerable progress in back-channel discussions.

Domestic Reactions to Pakistan's Shifting Kashmir Policy

President Musharraf's new thinking on Kashmir has evoked a mixed reaction at home. The religious right, led by Jamaat-e-Islami, has vociferously opposed his decision to ban the jihadi outfits and questioned the wisdom of his moves to seek a settlement of the Kashmir dispute outside the framework of the UN Security Council resolutions. Islamists have debunked the ongoing peace process as a "one man show" and have rejected Musharraf's proposals as a "U-turn," and a "roll-back" of Pakistan's principled position on Kashmir. They have decried summit meetings between President Musharraf and Indian leaders as a "national humiliation." Supporters of the Pakistan Muslim League (Nawaz Group) have also accused President Musharraf of taking a U-turn on the Kashmir issue and neglecting the people of Kashmir in his efforts to normalize relations with India. The Pakistan People's Party formerly led by the late Benazir Bhutto, while supporting President Musharraf's efforts to seek a rapprochement with India, had demanded greater transparency about discussions being conducted through the back-channel links between Islamabad and New Delhi. Significantly, on the eve of her return to Pakistan after eight years of self-imposed exile abroad, Bhutto publicly stated that if voted into power in the January 2008 elections, her party would continue the dialogue process with India. Prominent Azad Kashmiri leaders including former President and Prime Minister of Azad Kashmir, Sardar Abdul Qayyum, have also endorsed President Musharraf's general stance that there is no scope for militancy in their freedom struggle and a solution is only possible through negotiations and peaceful means.

It is worth noting here that the India-Pakistan peace process, contrary to prevalent public perceptions of slow progress, seems to have made considerable progress in back-channel discussions between Islamabad and New Delhi. This progress led Pakistan's foreign minister, Khurshid Mahmood Kasuri, to claim in April 2007 that both countries were extremely close to reaching a settlement of the Kashmir dispute. Media reports indicated that both sides had reached a broad agreement on five elements of this settlement. The agreed points are:

1. No change in the territorial layout of Kashmir currently divided into Pakistani and Indian areas;
2. Creation of a soft border across the LoC;
3. Greater autonomy and self-governance within Indian and Pakistani controlled parts of the state;
4. A cross-LoC consultative mechanism; and finally,
5. Demilitarization of Kashmir at a pace determined by the decline in cross border terrorism.

How this emerging consensus will get sold by Islamabad and New Delhi to their respective wary publics, determined peace spoilers, and vested interests associated with entrenched positions would largely depend on the vagaries of domestic politics in each country, which at the time of this writing is looking increasingly uncertain and fluid.

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The Kashmir Conflict: A Kashmiri Perspective

by MEHRAJ HAJNI

Kashmir is the most thorny and intractable issue between India and Pakistan. After the eruption of violence in the early 1990s, the conflict assumed alarming proportions. It worsened Indo-Pak relations and brought the two countries to the brink of a nuclear catastrophe. Precisely for this reason, the international community included Kashmir among the major trouble spots of the world and advised both India and Pakistan to exercise utmost restraint and start negotiations towards its resolution. A short historical analysis is essential, from a Kashmiri perspective, to understand the emergence of the Kashmir problem in its various dimensions.

▶ **The Kashmir conflict brought India and Pakistan to the brink of a nuclear catastrophe.**

▶ **In the 1947 partition, India laid claim to every Hindu majority area, on similar grounds Pakistan laid claim over the Muslim majority state of Kashmir, but such claim was always rejected by India.**

▶ **Developments within and outside Jammu and Kashmir resulted in complete alienation of Kashmiri Muslims from the rest of India.**

Origins of the Kashmir Conflict

In 1947, before British India was partitioned, there were around 600 princely states. Lord Mountbatten, the last Viceroy, advised the rulers of these states to accede to either India or Pakistan. Regarding the criteria for deciding which of the two dominions a state should join, Lord Mountbatten said, "Normally geographical situation and communal interests and so forth will be factors to be considered." These princely states acceded to either of the two dominions on these principles. Although the rulers of Junagarh, Hyderabad, and Jodhpur wished to accede to Pakistan, they were rejected by India on the grounds that they were contravening the partition plan because the majority of the populations in these princely states were Hindus. The problem over Kashmir arose as "India laid claim to every Hindu majority area, on similar grounds Pakistan laid claim over the Muslim majority state of Kashmir, but such claim was always rejected by India." Thus a dispute over the state of Jammu and Kashmir occurred and both the parties resorted to different methods and even fought wars to acquire this disputed state.

The tribal invasion in 1947, the "accession of Kashmir" to India, and the Indo-Pak war in the same year changed the entire map of Jammu and Kashmir and divided it into two parts—Indian administered Kashmir and Pakistan administered Kashmir. The "accession" of the state to the Union of India signed by the then ruler Maharaja Hari Singh did not mark the end of dispute over Kashmir for two reasons. First, the accession was made subject to the condition of the will of people to be ascertained after the restoration of normalcy in the state. Second, the issue became internationalized, as it was referred to the United Nations by the government of India. Besides, in both the Tashkent and Simla agreements following the wars of 1965 and 1971 respectively, it was agreed that the Kashmir issue constitutes a dispute that needs to be resolved through bilateral negotiations.

Since then, developments within and outside the state of Jammu and Kashmir had tremendous impacts on the psyche of the Kashmiri Muslims and resulted in their complete alienation from the rest of India. The installation of repressive regimes by the Union Government in New Delhi through unpopular and undemocratic methods, erosion of autonomy granted under article 370 of the Indian constitution, the systematic encouragement of corruption and nepotism, non-development of the state, problems of poverty and unemployment, impact of communal violence both within and outside the state, opportunistic alliances and accords between the National Conference (NC) and Congress Party, and electoral malpractices greatly influenced the young Kashmiri Muslims. Outside India, developments in Afghanistan, the Iranian revolution, the situation in Eastern Europe, and the break up of the Soviet Union also contributed in influencing Kashmiri youths towards looking for an alternative road.

The Roots and Growth of Militancy

Many youths in the late 1980s concluded that salvation lay in secession from India, which could be achieved only through an armed struggle. Meanwhile, Pakistan had been eagerly looking for an opportunity to exercise its influence over Kashmir and was also keenly waiting to avenge the humiliation inflicted upon it by India during the 1971 war. The growing situation in Kashmir Valley suited Pakistan, which started providing arms and ammunition to the angry young Kashmiri Muslims. As a result, an armed movement was established which received massive support in Muslim dominated areas of Jammu and Kashmir. Apart from common Kashmiris, "government employees, the police forces, the academic intelligentsia and even some top bureaucrats supported the separatist slogans raised by the militants." The situation worsened to the extent that it became a question of re-establishing the Indian state's writ over Kashmir.

In order to eradicate this armed militancy in the state, the Indian security forces resorted to force. The security forces used draconian measures, including identification parades, house-to-house searches, custodial killings, illegal detention, rape and molestation of Kashmiri women, and related coercive methods. The counter attacks by the militants were equally vicious, and as a result thousands of people were killed and numerous others physically and mentally disabled. Property worth billions of rupees was destroyed, as a large number of houses and even total localities were ravaged during encounters or exchange

of fire between the Indian security forces and the armed militants.

As a result, for the first time since 1947, the Kashmiri separatist movement took recourse to a violent upsurge with significant mass support. Kashmir had witnessed the politics of protest and separatism earlier, and at times even militant organizations were formed, but they failed to mobilize mass support. In the 1990s, the situation was different; there was a complete disruption of the administrative machinery and the state was brought under Presidential rule for six years from 1990-1996. During this period there was a complete political vacuum as almost all the pro-Indian political parties became dormant or irrelevant. The separatists floated their own organizations. Elections were held in 1996 for the state legislative assembly, resulting in the National Conference (NC) led by Farooq Abdullah forming the government. But the low voter turnout and the unending violence in the state rendered the government completely impotent. Besides, the failure of the government to fulfill its election promises—including the restoration of autonomy to the state, ending human rights violations, relief to the victims of violence, safe return of Kashmiri Hindus to their homes, and an end to the unemployment problems—made it unpopular. Thus in the 1990s, the armed movement gained momentum, while good governance remained a far cry, with human rights issues assuming significance.

▶ Pakistan started providing arms and ammunition to the angry young Kashmiri Muslims.

▶ To eradicate armed militancy in Kashmir, Indian security forces resorted to identification parades, house-to-house searches, custodial killings, illegal detention, and rape and molestation of Kashmiri women.

▶ The 1990s marked the first time that a Kashmiri separatist movement mobilized significant mass support.

▶ Significant voter turnout in the 2002 elections indicated that the people expected a new government in Jammu and Kashmir to usher in a new era of peace and prosperity.

The Challenges of Governance in Contemporary Kashmir

Elections were again held in 2002 for the J&K state legislative assembly. These elections are considered to be important for the following reasons: first, despite a boycott call by the separatists, more then 34 percent of eligible voters participated in the elections; second, the strongest regional party of J&K—the National Conference—was voted out of power and a new coalition government led by the Peoples Democratic Party (PDP) and the Congress came to power under the leadership of Mufti Mohammad Sayeed.

During the election campaign Mufti's PDP assured the people that if voted to power, it would work for good governance and release of prisoners, provide relief to the victims of violence, create conditions for the return of Kashmiri migrants to their native homes and rehabilitation of surrendered militants, repeal those laws which give unlimited powers to the Indian security forces, create employment opportunities for the unemployed, work for demilitarization, and finally strive to achieve an honorable solution to the Kashmir problem according to the aspirations of the people of Jammu and Kashmir. After taking the reigns of government, Mufti described all such ideas as elements of his "healing touch philosophy." Since the unending violence of the past several years had brought large-scale trouble and trauma to the people of the state, "healing touch" has been described as a systematic process to heal up their wounds. The significant voter turnout in the 2002 elections was an indication of the fact that the people were expecting that the formation of a new government in J&K would usher in a new era of peace and prosperity.

Unfortunately, an assessment of the performance of the Mufti-led coalition government would reveal that it failed to fulfill the people's expectations. Mufti's promises also proved to be Machiavellian in nature. The corruption and misuse of official positions by the bureaucrats and politicians continued unabatedly. The demolition drive launched against illegal construction on state land ultimately turned into a campaign against poor people and not against the illegal construction of rich drones. The number of unemployed persons in the state crossed over the two hundred thousand mark. The record of human rights violations reached an all time high. Custodial killings increased by three times as compared to the era of Farooq's government. The plight of Kashmiri migrants did not change and they could not return to their respective homes despite the tall claims of the government that normalcy had been restored. The council of ministers was expanded up to 45 percent of the total strength of the state assembly.

However, Mufti's government cannot be ignored in terms of its positive role in supporting the ongoing peace process between India and Pakistan. During Mufti's tenure in office, the peace process gained momentum and the Srinagar-Muzaffarabad bus service was opened for the passengers of Jammu and Kashmir.

After completion of its three years, the PDP handed over the chief minister post to its coalition partner, the Congress Party, in 2005. The immediate challenges of the Congress-led coalition government were to work for the rehabilitation of victims affected by the October 2005 earthquake, and carry forward the common minimum program agreed between the coalition parties. New Chief Minister Ghulam Nabi Azad assured a clean administration to the state, and announced the launching of a crusade against corruption and nepotism, which would thus work towards a *Khushal* (developed) state of Jammu and Kashmir.

Unfortunately, Azad's campaign against corruption also proved to be merely a hoax, as not only the top bureaucrats and police officers but also some ministers of his government have been described as involved in corruption and exploitation of Kashmiri women in a sex scandal. Although during his tenure two Round Table Conferences have been held on Kashmir, nevertheless the peace process between India, Pakistan, and some Kashmiri separatists lost its pace, with Azad apparently pursuing the policy of the Congress Party and thus viewing the Kashmir

crisis merely as a law and order problem. This is possibly the reason why most of the Kashmiris have lost their interest in the ongoing peace process within the Indian state. Moreover, the worsening of the relations between the two coalition partners has also affected the administrative performance of the Azad government, resulting in its diminishing popularity among Kashmiris.

Meanwhile the violence in Kashmir is continuing unabatedly, causing significant damage to the lives and property of innocent people. This continuous destruction of lives and property is not helping the changed psychological situation in the Valley, where there is a sincere desire amongst the Kashmiri people to end the violence, and an earnest belief that the conflict in Kashmir could be resolved only through a meaningful process of political negotiations. This trend could be seen in terms of the decline in Kashmiri Muslims joining the militant groups. Today, the indigenous character of the militant movement is weakening day by day.

Today, the indigenous character of the Kashmiri militant movement is weakening.

Kashmir is not simply a territorial dispute between India and Pakistan, and cannot be resolved without the involvement of those who are the main party in this dispute.

India, Pakistan, and the Kashmiris will find themselves in a win-win situation only after the re-unification of the divided state of Jammu and Kashmir and then giving it a sub-sovereign status.

Conclusion: A Vision for Kashmir's Future

Kashmir has always remained a bone of contention between India and Pakistan. In fact, there are three legitimate parties involved in this conflict—India, Pakistan, and the people of Kashmir. Each party has taken its own position on the question of Kashmir. For India, Kashmir is one of its integral parts, and hence this aspect is not open for dispute. For Pakistan, Kashmir represents a problem of partition, which is yet to be resolved. But for the people of J&K, Kashmir is not simply a territorial dispute between India and Pakistan, and cannot be resolved without the involvement of those who are the main party in this dispute. None of the parties involved in the dispute has shown any flexibility at any time in their stated positions on Kashmir, and as a result the dispute continued until it assumed the greatest degree of ferocity and finally became, in recent years, a nuclear flash point. All of the bilateral agreements signed over the years between different parties have proven to be exercises in futility.

The fresh negotiations launched between India and Pakistan and also between India and some Kashmiri separatists have generated positive hope in the region. It is largely believed that if the concerned parties will continue the process of negotiations by talking to one another—with more flexibility and exploring options beyond their stated positions—they will succeed in finding an acceptable solution to the vexed Kashmir problem. The new initiative has also generated a heated debate among many circles about the final solution of Kashmir. In this regard, numerous potential solutions are being proposed and discussed. However, in the given circumstances, the only possible solution is one in which every party will find itself in a win-win position. This objective can be achieved only after the re-unification of the divided state of Jammu and Kashmir and then giving it a sub-sovereign status.

The areas that are under Pakistan's control, including Gilgit and Baltistan, should be brought together with the areas under India's control (leaving Aksai Chin, which China will never return). Both Indian and Pakistani forces could jointly man the international border of the re-united Jammu and Kashmir. The currency of both countries could be acceptable in the state. Both would also speak in all international and regional fora on behalf of Jammu and Kashmir and thus manage its foreign affairs together. In view of its heterogeneous character, the state of Jammu and Kashmir would adopt a democratic polity based on the federal structure. In this way, the new sub-sovereign or semi-sovereign state of Jammu and Kashmir could act as a virtual bridge between India and Pakistan and would pave the way for peace, progress, and prosperity in the entire region of South Asia, which otherwise seems to be a distant dream. Thus, by working in close collaboration with one another, the three parties can become close friends and after a gap of few years can also think on the lines of granting the semi-sovereign state of Jammu and Kashmir complete sovereign status.

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The International Community and Kashmir

by HOWARD B. SCHAFFER

▶ Washington's main initiatives in recent years have focused on managing the India-Pakistan crises Kashmir has sparked, not on the elusive search for resolution of the Kashmir dispute itself.

▶ The United Nations Commission for India and Pakistan (UNCIP) called for an internationally-supervised plebiscite in which the Kashmiri people would decide whether to join India or Pakistan.

▶ The Eisenhower administration's 1954 decision to enlist Pakistan in the Western security alliance system effectively ended any lingering hope that U.S.-led efforts at the UN could produce a Kashmir settlement.

The international community's efforts to help resolve the Kashmir issue began only weeks after the dispute erupted in October 1947. The controversy remained on the world's radar scope for a quarter of a century, then faded away when India and Pakistan agreed at Simla in 1972 to resolve it peacefully by bilateral negotiations. The outbreak of an insurrection against Indian rule in the Kashmir Valley at the end of 1989 returned the problem to world attention. The United States and other major powers soon recognized that the nuclear capabilities of the rival claimants made the issue more dangerous and its resolution more urgent. But Washington's main initiatives in recent years have focused on managing the India-Pakistan crises Kashmir has sparked, not on the elusive search for resolution of the Kashmir dispute itself. It has urged both countries to reach a mutually acceptable settlement that takes into account the wishes of the Kashmiri people, and has declared its willingness to play a facilitating role in helping the parties resolve the issue if both the Indians and Pakistanis wish it to. Other interested powers have been even less involved. All have recognized that the continuing refusal of the Indian government to countenance an international role in Kashmir makes it likely that any outside efforts will be as unsuccessful as others were in the past.

This conventional—and till now sensible—approach may not necessarily remain valid. In this article, I will argue that recent important developments may—just may—offer opportunities for the world community led by the United States to play a useful part in resolving this seemingly intractable problem.

Failure at the United Nations

The international community's involvement in the Kashmir dispute is a history of repeated frustration and failure. Ironically, in light of India's later negative attitude toward "internationalizing" the issue, it was New Delhi that first brought Kashmir before the United Nations in January 1948, a few weeks after a series of events in the state that the claimants interpret in wildly different ways triggered a dispute still with us sixty years later.

The United States and Britain quickly took the lead in the Security Council's efforts to resolve the issue. In the Truman administration's view, the dispute seemed tailor-made for the fledgling organization's role as a crisis-manager and problem-solver. Initially, Washington tended to defer to London as the leader of the Commonwealth and the subcontinent's recent imperial master. Other nations played lesser, supporting roles, generally backing U.S.-British initiatives and providing experienced diplomats for a succession of special missions. In the earliest stages the Soviet Union generally stood aloof, though it increasingly came to favor the Indian position.

Much of the early action focused on the activities of the five-member United Nations Commission for India and Pakistan (UNCIP). The commission eventually adopted resolutions calling for a ceasefire, withdrawal of forces, and an internationally-supervised plebiscite in which the Kashmiri people would decide whether to join India or Pakistan. A third option, independence, was excluded. Aside from the ceasefire, the UNCIP resolutions were never implemented. Indian stonewalling was principally to blame: despite its official position, New Delhi did not want a plebiscite and was satisfied with the status quo, which gave it the key Kashmir Valley. A series of high-level missions under UN auspices were similarly unproductive in bringing about a settlement. The UN *was* able to set up a military observers' group stationed along the ceasefire line. The contingent played a helpful role in calming the situation along the line, at least until the second India-Pakistan War in 1965.

The Eisenhower administration's 1954 decision to enlist Pakistan in the Western security alliance system effectively ended any lingering hope that U.S.-led efforts at the UN could produce a Kashmir settlement. In Prime Minister Jawaharlal Nehru's view, the Cold War had come to the subcontinent. The Soviet decision to fully endorse India's position on Kashmir made it certain that Moscow would veto any proposed UN Kashmir resolution not acceptable to New Delhi. If Washington kept on promoting a role for the UN, it was only to keep its new ally Pakistan reasonably happy, not because it believed that any progress could be made. Other countries recognized the impossibility of resolving the dispute and stayed aloof.

Efforts by Major Powers

America, Britain, and the Soviet Union also made efforts outside the United Nations to resolve or contain the dispute. Two U.S. presidents became personally engaged. In the late 1950s, Dwight D. Eisenhower weighed in to promote U.S. supervised India-Pakistan negotiations on a basket of crucial issues including Kashmir. The Indians rejected this intervention. Eisenhower's successor, John F. Kennedy, concluded that India's defeat by the Chinese in the 1962 border war put a settlement within reach. The failure of Indian and Pakistani negotiators to make any progress in six rounds of discussion in which the United States and Britain became increasingly involved proved him wrong.

Moscow's turn came in 1966, when Alexei Kosygin, the Soviet premier, engineered an agreement at Tashkent that ended the second India-Pakistan War. But that pact merely restored the status quo ante bellum. It did not come to grips with the underlying issue of Kashmir's political future that had triggered the war.

Later International Efforts

The Tashkent conference was the last serious involvement by outside powers in the Kashmir issue until it exploded again onto the world stage at the end of 1989. In the following eighteen years, the United States again took the lead in international efforts to deal with the dispute and, more specifically, with a series of India-Pakistan crises the issue generated. President Bill Clinton's personal role in 1999 in persuading Prime Minister Nawaz Sharif to withdraw Pakistani forces from the Kargil area of Indian-administered Kashmir was only the most dramatic of several high-level U.S. interventions. But neither America nor any other country did much more than urge the two claimants to reach a settlement bilaterally. The most significant international call, orchestrated by Washington, came following the 1998 Indian and Pakistani nuclear weapons tests, when the Security Council and the Group of Eight urged New Delhi and Islamabad to return to the negotiating table. But as noted, the Clinton and George W. Bush administrations maintained that they were prepared to play a more active "facilitating" role only if India and Pakistan wanted them to. No other countries went even that far.

New Delhi continued to resist internationalizing the issue and rejected Washington's offers. India had long since recognized that its bringing Kashmir before the United Nations in 1948 was a blunder and concluded that as the militarily stronger status quo power it was in its interest to deal with the dispute bilaterally if at all. By the same token, Pakistan has believed at least since 1965 that only international intervention could change the political geography of the state—though it has at times stirred up trouble in Kashmir in the hope that this would lead the world to take the action it desired. But neither government has yet taken into full account the impact the nuclear tests have had on international consideration of the dispute. These explosions led the world community to focus on maintaining the stability of the subcontinent and lessened the importance it attached to the equities of the Kashmir issue. For the United States and other countries, the use of violence to change the status quo had become an unacceptable option in nuclear-armed South Asia. This attitude gave the Line of Control a "sanctity" it had not enjoyed before, to India's advantage.

The Soviet decision to fully endorse India's position on Kashmir made it certain that Moscow would veto any proposed UN Kashmir resolution not acceptable to New Delhi.

The Tashkent conference in 1966 was the last serious involvement by outside powers in the Kashmir issue until it exploded again onto the world stage at the end of 1989.

Neither India nor Pakistan has yet taken into full account the impact the nuclear tests have had on international consideration of the Kashmir dispute.

Fresh Possibilities for an International Role

Against this discouraging six-decade background, what role can the United States and other countries play beyond cheering the two sides on from the sidelines and helping defuse crises? Several developments have occurred in recent years that seem to argue for a more active international approach. Washington would need to take the lead in any such initiative. Other countries could help. Moscow could use its influence in New Delhi to persuade the Indians to be more forthcoming. Beijing could be helpful in Islamabad. Pakistan still views China as its most reliable friend among the major powers even though the Chinese no longer endorse the Pakistani position on Kashmir and urge, as the United States does, that India and Pakistan settle the dispute bilaterally. The European Union led by Britain should also be enlisted, and some Muslim countries might have some weight with the Pakistanis. The smaller South Asian nations should not be counted on. Anxious not to offend either India or Pakistan, they have taken advantage of the "no-bilateral dispute" provision of the rules of the South Asian Association for Regional Cooperation (SAARC) and have consistently kept their heads down on Kashmir. They will continue to do so. In short, it is only the United States that has the combination of political clout and diplomatic and economic resources to undertake the heavy lifting needed to persuade India and Pakistan to cross the elusive finish line and agree to a settlement.

Why should Washington undertake such a thankless task? I would cite four considerations:

1. *The United States and India have dramatically strengthened their relations and developed a serious strategic partnership.* This may lessen India's long-standing, knee-jerk opposition to any role for Washington in the Kashmir issue. It may also help New Delhi to recognize, as it should have since the Kargil crisis in 1999, that greater U.S. involvement could actually be beneficial from its viewpoint. The improvement in U.S.-India relations has not come at the expense of American ties with Pakistan, which remain strong.

2. *India's ambition to play a major role on the international stage has heightened*. In the past, the unresolved Kashmir issue has detracted from India's image and lessened its prospects for major power status and the permanent seat on an expanded UN Security Council that Indians believe should go with it. Now that India's breakneck economic growth has made its gaining a place at the international high table a more achievable goal, it may see Kashmir as an obstacle to the recognition it seeks and be more prepared to rid itself of this "albatross."

3. *A Kashmir settlement has become even more important to American interests in South Asia and beyond.* As noted, Washington has feared that another conflict between the two over Kashmir could escalate into a nuclear war ever since India and Pakistan acquired the capacity to develop nuclear weapons in the 1990s. Following 9/11, the critical role of Pakistan in shaping the future of Afghanistan and otherwise contributing to the global war against terrorism has given the dispute even more dangerous dimensions in the U.S. view. The continuing patronage Pakistani intelligence agencies provide Islamic extremists in Kashmir makes it more difficult both politically and militarily for Islamabad to help the United States and its coalition partners combat these forces on the Afghan frontier and elsewhere in Pakistan. Continued Pakistan-supported armed Islamic extremism in Kashmir also has an adverse impact on Pakistani political stability, another major U.S. interest.

4. *India's and Pakistan's positions on the terms of a settlement have grown closer.* The two sides have been discussing Kashmir in formal dialogue and through a regular back-channel for more than three years. Though the exchanges have resulted in only limited progress, both governments have been willing to continue them. They have also adopted useful confidence-building measures such as the opening of the Line of Control to the movement of people and goods. Their present determination to carry on despite disappointments, particularly for the Pakistanis, sharply contrasts to the long spells when New Delhi and Islamabad could find no basis for discussing Kashmir and other India-Pakistan problems.

▶ Only the United States has the combination of political clout and diplomatic and economic resources needed to persuade India and Pakistan to agree to a settlement.

▶ The unresolved Kashmir issue has detracted from India's image and lessened its prospects for major power status and the permanent seat on an expanded UN Security Council.

▶ Continued Pakistan-supported armed Islamic extremism in Kashmir has an adverse impact on Pakistani political stability.

In the process, both countries, but especially Pakistan, have floated ideas that bring their positions closer together on several key issues. President Pervez Musharraf's publicly stated willingness to give up Pakistan's demand for a plebiscite and his conditional acceptance of the Line of Control as the permanent India-Pakistan border in Kashmir are historic events. The government of Prime Minister Manmohan Singh, for its part, has gone farther than its predecessors in welcoming and initiating confidence building measures concerning Kashmir as well as other aspects of India-Pakistan relations. Like Musharraf, Singh says he wants to make the Line of Control "irrelevant." There has been useful but inconclusive discussion on both sides about establishing joint institutions or mechanisms that would operate throughout the state and deal with a range of noncontroversial matters in which Kashmiris on both sides of the line share an interest. Tourism, forestry, and hydrology are some possible subjects. There has also been some talk of setting up a joint legislative consultative body. So far those who favor such cooperative arrangements have not defined the powers and responsibilities of the proposed bodies.

Caveats

Despite this progress, important gaps remain. India's informal response to Musharraf's call for greater self-governance for Kashmiris has been to equate it with the powers all Indian states enjoy. In addition, any serious discussion on this issue between New Delhi and "its" Kashmiris will be complicated by the unwillingness of the Hindu majority in Jammu and the Buddhist majority in Ladakh to accept political arrangements they fear would subjugate them to the Muslims of the Kashmir Valley.

The two sides remain at an impasse on disarmament. The Indians insist that they can only reduce or redeploy their armed forces in the state if Pakistan-sponsored insurgent activities cease or are sharply rolled back. Both tend to speak of disarmament as if it were a self-defining term, whereas in fact in would have to be defined in negotiations.

Moreover, the degree to which other Pakistanis accept Musharraf's proposals or can be persuaded to do so is unclear. The president's "out-of-the-box" ideas drew significant opposition when he first raised them, though it soon died down. The ideas seem likely to arouse even stronger protest should they become Pakistan's formal position. Nor is it certain that a successor civilian or military regime would accept them.

But although the prospects of a Kashmir settlement have risen and the importance of such a resolution is now greater for American interests than before, political pressures in Washington and Islamabad make such a role inadvisable at this point. For the United States to play a more active part will require both policy space and time. The lame-duck Bush administration, overstretched by Iraq and other foreign policy problems more immediately pressing than Kashmir, has neither. The Pakistani and Indian governments also need to feel secure enough to take the political risks inevitable in a settlement. Fighting for his political life, Musharraf cannot take on this added challenge. And India, which as the status quo power has never been in a hurry to resolve the dispute, is not likely to view a weakened Musharraf or a fledgling insecure civilian or military successor as reliable negotiating partners.

So until more propitious circumstances arise in Washington, Islamabad, and New Delhi, the United States should maintain its present policy of watchful waiting.

Bases for a Settlement

The new U.S. administration that takes office in 2009, however, should look for opportunities to

play a more active part. Should it undertake such an intervention, its efforts should be designed to help the parties reach a settlement that will include several key elements:

- The Line of Control, or something geographically close to it, will become the permanent border between Indian and Pakistani Kashmir.
- The border will be sufficiently porous to allow for the easy movement of people and goods across it.
- Kashmiris on both sides of the line will be granted a greater degree of self-government.
- Joint institutions will be established on an all-Kashmir basis to play a role in managing non-controversial matters affecting Kashmiris on both sides.

American officials should work quietly, suggesting useful building blocks to the parties to help them achieve a settlement along these lines. They can act as a sounding board, advising each side of the likely acceptability to the other of proposals it is considering putting on the negotiating table. But Americans should not sit at the negotiating table—a bad idea and one the Indians will not accept. Keeping to an informal, unobtrusive role they will want to discourage any public discussion of their activities. As the negotiations are likely to be protracted, Washington and its diplomats in the field should accept that they are in it for the long haul, keep patient, and repress the natural American preference for swift results.

Despite its improved relations with the United States, India will be more wary of an outsider's role than Pakistan. Washington needs to look for ways to persuade New Delhi to accept an agreement that does not meet all of India's demands. An offer of strong and active U.S. backing for a permanent Indian UN Security Council seat could be one approach worth weighing. Washington might also usefully consider providing support to some of the proposed joint mechanisms in Kashmir by establishing with the World Bank and other potential donors a special fund for Kashmir reconstruction. It should also enlist other countries to brace its efforts while recognizing that it will have to bear the major international burden. Similarly, it will need to find creative ways to persuade the Pakistanis that a settlement that offers little or no change in the geographic status quo in Kashmir is worth their while.

Even under improved political circumstances a diplomatic initiative to resolve Kashmir is far from a sure bet, so Washington should keep it expectations appropriately modest. If there is any lesson to be drawn from the events of the past six decades it is that the Kashmir issue is complex and difficult and needs to be addressed with due respect for its tortured history.

By giving India, Pakistan, and the Kashmiri people the added push they need to get them across the elusive finish line, Washington supported by others may be able to provide major help to bring to an acceptable conclusion a dangerous, seemingly intractable problem that has undermined Indian and Pakistani interests, played havoc with the lives of the Kashmiri people, caused serious political problems for the United States and the international community, and made the state a potential tinder-box for nuclear war.

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▶ Musharraf's publicly stated willingness to give up Pakistan's demand for a plebiscite and his conditional acceptance of the Line of Control as the permanent India-Pakistan border in Kashmir are historic events.

▶ India is not likely to view a weakened Musharraf or a fledgling insecure civilian or military successor as reliable negotiating partners.

▶ Washington might consider establishing with the World Bank and other potential donors a special fund for Kashmir reconstruction.

China and Kashmir*

by JABIN T. JACOB

Perceptions about the People's Republic of China's position on Kashmir have long been associated with its "all-weather" friendship with Pakistan. However, the PRC's positions on Kashmir have never been consistently pro-Pakistan, instead changing from disinterest in the 1950s to open support for the Pakistani position in the subsequent decades to greater neutrality in the 1980s and since. While China has continued military support to Pakistan even during military conflicts and near-conflicts between India and Pakistan, its stance on Kashmir has shifted gradually in response to the prevailing domestic, regional, and international situations.

China's positions on Kashmir have never been consistently pro-Pakistan, instead changing from disinterest in the 1950s to open support for the Pakistani position in the subsequent decades to greater neutrality in the 1980s and since.

The PRC's interest in Kashmir developed gradually following its take-over of Tibet in 1950 and its related claims to territory on both the Indian and Pakistani sides of Jammu and Kashmir.

China has for over two decades consistently called for a peaceful resolution of the Kashmir dispute, terming it a dispute "left over from history."

Background

Following the partition of the state of Jammu and Kashmir in 1947, it was two years before the Communists put the Nationalists to flight and came to power in Beijing. The PRC's interest in Kashmir developed gradually following its take-over of Tibet in 1950 and its related claims in Aksai Chin in Ladakh on the Indian side of Jammu and Kashmir (J&K) and Hunza and the Shaksgam Valley in Pakistan Occupied Kashmir (POK).

Following the war with India in 1962, China began supporting "self-determination" in Kashmir and even provided material support via Pakistan for a brief period. Following the 1965 war between India and Pakistan, this assistance was ended even though political support continued until Deng Xiaoping shifted the policy towards one of greater neutrality in the late 1970s. Nevertheless, Pakistan continued to be important to China's strategic calculus in South Asia. Beijing consistently helped arm Pakistan with both conventional and nuclear weapons through much of the 1980s and 1990s and this military cooperation with Pakistan did not cease during either the Kargil crisis of 1999 or the year-long military buildup along the Indo-Pak border in 2002 (called Operation Parakram in India). Even if the case may be made that such support to Pakistan has strengthened Pakistan's hands on the Kashmir dispute, it is difficult to draw a direct link between the twists and turns in the Kashmir situation and Chinese arms supplies to Pakistan. Further, China has for over two decades consistently called for a peaceful resolution of the Kashmir dispute, terming it a dispute "left over from history." Both during Kargil and Operation Parakram, China refused to endorse the Pakistani positions or to raise the issue at the United Nations. Coupled with rising trade and the continuing border dialogue between India and China, this has given rise to hopes in India that the Kashmir dispute will no longer be a card the Chinese will use against it.

China and Pakistan Occupied Kashmir

The Karakoram Highway (KKH) connecting Gilgit and Kashgar has served as a vital strategic lifeline of Sino-Pakistan relations. While trade continues to be limited along the highway, the Chinese have pledged considerable amounts in aid to widen and repair the KKH and to connect it to Pakistan's existing highway network so as to improve connectivity with the Pakistani coast. Any altruistic intentions aside, maintaining the KKH in working condition right through the year is an important part of the Chinese strategy to reduce its dependence on oil supplies through the Malacca Straits and instead have them routed through alternative corridors such as via Gwadar. China must also be hoping to plug into additional road networks planned between Pakistan and Afghanistan and further onwards to Central Asia as part of enhancing its strategic reach in South and Central Asia and to keep an eye on developments there.

The Chinese have also invested in other infrastructure projects in different parts of the Northern Areas, including hydro-power projects, water-diversion channels and telecommunication facilities. Economic links between the Northern Areas and the Chinese province of Xinjiang are limited and depend almost entirely on the overland route. However, links between Xinjiang and other parts of Pakistan are picking up as trade delegations from the former visit the Pakistani cities of Islamabad, Rawalpindi, and Karachi regularly and Pakistani delegations visit Urumqi. The Habib Bank of Pakistan has an office in Beijing but is also owner of a 20 percent stake in the Urumqi City Commercial Bank (UCCB) that it acquired in February 2006.

One of the major concerns the Chinese have had in recent years in its relations with Pakistan has been the fear of Islamic fundamentalism originating in that country, which helped radicalize Uighur separatists in Xinjiang in the 1990s and which probably has at

*For the purposes of this paper, "Kashmir" refers to all of the different parts of the erstwhile kingdom of Jammu and Kashmir, namely Jammu, Kashmir, Ladakh, and Baltistan, unless specifically stated otherwise. The Indian side will continue to be referred to as Jammu and Kashmir (J&K) and comprises parts of all four with Baltistan represented in the main by Kargil, Drass and Turtuk. The Pakistani side will be referred to as Pakistan Occupied Kashmir (POK) and comprises the major portion of Baltistan, now referred to as the Northern Areas, and a separate administrative unit that goes under the name of Azad Jammu and Kashmir (AJK).

least partly contributed to China's changed stance on the Kashmir dispute. It has to be remembered that Chinese arms that were funneled into Afghanistan in the 1980s, via the KKH to be used against the Soviets, eventually found their way back into Xinjiang via the same route and were used by Uighur separatists. It was no surprise, therefore, that when the bilateral trade agreement China had signed with Pakistan in 1963 lapsed in 2000, the Chinese did not renew it for over three years. Border trade has also been affected by the increased number of check-posts and greater Chinese vigilance at the borders. Yet another Chinese concern has been the smuggling of narcotics through this border.

Nevertheless, for all its concerns, it is likely that China will, for the foreseeable future, continue to consider Pakistan important for its primary role as a counter to India and because the KKH is likely to figure increasingly in China's plans for strategic outreach.

▶ The Chinese have pledged considerable amounts in aid to widen and repair the Karakoram Highway and to connect it to Pakistan's existing highway network so as to improve connectivity with the Pakistani coast.

▶ The Chinese have invested in infrastructure projects in different parts of the Northern Areas, including hydro-power projects, water-diversion channels and telecommunication facilities.

▶ The Chinese have had a fear of Islamic fundamentalism originating in Pakistan, which helped radicalize Uighur separatists in Xinjiang in the 1990s.

China and Jammu & Kashmir

It is the memory of India's loss to China in the 1962 conflict, the Chinese occupation of Aksai Chin in Ladakh, and claims over Arunachal Pradesh in India's east that are the biggest spurs to India's anti-China lobby. It appears, however, that over time the strategic importance of Aksai Chin to the Chinese has declined vis-à-vis that of Arunachal. At one level, it might be argued that things can hardly change given that the Sino-Indian border dispute is unlikely to be resolved except in its entirety, but at another level, it needs to be seen whether simply waiting for the big steps towards resolution is enough. In this context, Ladakh perhaps provides the ideal location for experimenting with ways of carrying forward Sino-Indian relations and for exploring new approaches towards an eventual resolution of the boundary dispute.

Ladakh, which has historically had close links to Tibet and Xinjiang, lost these in 1962, and has over the years receded into the background of the Indian imagination. Leh, the Ladakhi capital, once served as the hub of the Silk Route trade into undivided India, but a combination of the British preference for Gilgit as the focus of Sino-Indian trade and later, of the Sino-Indian war led to Ladakh losing its former preeminence and turning heavily dependent on Indian central government subsidies and fair-weather tourism for economic sustenance.

The way forward for Ladakh hinges primarily on two factors: better infrastructure development and connectivity, and increased tourist inflow. On the first, the Indian government has begun to move with greater vigor of late but tourism is also affected by the anachronistic Inner Line permits that are still required for access to areas closer to the Line of Actual Control (LAC) and which continue to close off huge chunks of Ladakh to anyone but scarce local populations and the Indian Army. While the Indian government is beginning to shed its previous inhibitions about building roads along the LAC, this has run into strenuous opposition from the Chinese, even as the latter have expanded and modernized infrastructure on their side of the LAC. This has stymied Indian efforts but it also needs to be asked if the Inner Line permits and exclusive use largely by Indian armed forces form part of the reason for Chinese protestations. Perhaps if the region were thrown open more freely to tourists, the Chinese would be able to object far less to Indian road-building efforts.

Foreign tourists are more important for the Ladakhi tourist economy at present than are Indian tourists, but this situation is likely to change were the Leh-Manasarovar pilgrim route reopened. This route connecting Ladakh with Mt. Kailash and Lake Manasarovar—holy sites for both Hindus and Buddhists—passes through disputed territory via the last Indian outpost of Demchok. So far the Chinese have been reluctant to give the go-ahead to the route, perhaps because of the limited economic gains for themselves—the Chinese do not want to lose tourism to Kailash-Manasarovar on their side that contributes to local economies all the way from Lhasa. Meanwhile, smuggling contributes to the local economy on both sides of the LAC with thermos flasks and blankets entering Ladakh from Tibet and Indian tea headed in the other direction.

A case could also be made for the reopening of border trade via the Karakoram Pass that provides Ladakh's opening to Xinjiang, even if the route presents greater difficulties for road-building than the Leh-Manasarovar one. This route, also one of the axes of the Silk Route, would pass through the Nubra Valley and the last Indian outpost of Daulat Beg Oldi onwards to Kashgar and would certainly prove an instant attraction for tourists.

China's Interests in the Kashmir Dispute

Its current professed neutrality apart, China retains a continuing interest in the resolution of the dispute for several reasons. First, the status of the over 2,000 square miles of territory ceded by Pakistan to China under the Sino-Pakistan Frontier Agreement of 1963 would come up for renegotiation under the terms of the Agreement if India and Pakistan resolved their dispute over Kashmir and India became the sovereign power over the ceded area. Second, in the event of a resolution and India regaining control over the Northern Areas, this would cut all land connections between China and Pakistan and put traffic through the KKH also under Indian control. This would imply losses or at least a degree of wariness for China on several strategic fronts, including its plans of routing energy supplies from West Asia

through Gwadar. Third, even if resolution of the Kashmir dispute comes in the form of an acceptance of the current status quo, but with soft borders or "irrelevant" borders as is now being mooted, India will certainly demand greater access to the Northern Areas (and indeed, the rest of Pakistan), beginning with economic access, which could challenge Chinese plans in the region. But fourth, and more positively, resolution—even if on the basis of status quo—can actually lead to greater possibilities for economic interactions between India and China, as outlined above, and certainly these could prove more profitable from the Chinese point of view than those with Pakistan. Further, there could conceivably be added impetus for the resolution of the Sino-Indian boundary dispute as well.

▶ Resolution of the Kashmir dispute between India and Pakistan can actually lead to greater possibilities for economic interactions between India and China.

It remains to be seen whether resolution or stalemate on the basis of status quo will be the case. In the meantime, there have been calls for Chinese involvement in the Kashmir dispute from Kashmiris on both sides of the divide. Abdul Majeed Mallick, the former Chief Justice of the High Court of Azad Kashmir and leader of the Jammu and Kashmir Liberation League, has claimed that the Chinese ambassador to Pakistan had promised him that China would return Aksai Chin if Kashmir were to become independent. Similarly, in 2006 during the World Social Forum in Karachi, Indian Kashmiri leader and Hurriyat Chairman Mirwaiz Umer Farooq called for China to be made a party to the resolution of the Kashmir dispute, since it not only occupies a part of Kashmir, but is also one of the major powers in the region. The Pakistani Foreign Office, however, ruled out any role for China, saying that only India and Pakistan were parties to the dispute according to the relevant UN resolutions. During his visit to Pakistan in November 2006, Chinese President Hu Jintao too did not refer to any Chinese role in the resolution of the Kashmir dispute, saying only that his country supported Pakistan and India resolving the issue through dialogue. However, in December 2006, Umer Farooq repeated his call for China's involvement and indicated that his group was thinking of visiting Beijing in this regard.

▶ There have been calls for Chinese involvement in the Kashmir dispute from Kashmiris on both sides of the divide.

Prospects for the Future

It is important to further explore the points made above regarding greater interaction in the economic sphere among the three countries and in particular between India and China, not just in the interest of a resolution of the Kashmir dispute but in the interests of better relations among all three countries.

▶ China aims to have stability in its neighborhood and increased market penetration in South Asia, and for both reasons stability in Kashmir and peace between India and Pakistan are essential.

China aims to have stability in its neighborhood and increased market penetration in South Asia, and for both reasons stability in Kashmir and peace between India and Pakistan are essential. China's Western Development Strategy (WDS) for its interior provinces including Tibet and Xinjiang make it imperative that there is peace and stability on the borders of these provinces as they aim to increase their external trade and serve as major hubs for trade with China's western neighbors.

China has hitherto been viewed in the countries of South Asia largely either in terms of the strategic potential it provided vis-à-vis another country or in terms of the threat that it posed. This latter was the case, it must be remembered, even with Pakistan in the 1950s and led then-Pakistani President Ayub Khan to propose to India a joint defense of the subcontinent against the communist threat. As relations with India deteriorated, Pakistan subsequently changed its position to viewing China as a hedge and an ally against India. It is time that such short-term positions give way to more sustainable grounds for the Sino-Pakistan partnership. And economics provides the way forward, especially for the Northern Areas, which remain among the most neglected regions under Pakistani governance.

Similarly, in the case of India, some three decades after the diplomatic ice with China was first broken and more than a decade since the border agreements of 1993 and 1996, there really has not been any great progress on the resolution of the boundary dispute. It is time that the two countries explored and pushed the limits of economic cooperation. While border trade between the two countries has been slow in picking up at Nathu La on the Sikkim-Tibet frontier in India's east, this has as much to do with infrastructural bottlenecks as with the lack of political will in New Delhi to push things faster. In the context of the possible linkages through Ladakh outlined above, it might, however, be Beijing that is the more reluctant party.

What both India and Pakistan need to realize is that China is at that stage of its economic rise where it is looking for greater contacts with markets towards its south to balance its dependence on the American and European markets. Furthermore, linkages with Western markets are not sufficient for the development of either Tibet or Xinjiang, whose economies need sustained and sustainable links with markets in India and Pakistan to really take off. The two South Asian neighbors thus have the opportunity today to move beyond conflict and use the China "card" to mutual benefit for a change. In each of the several scenarios outlined above, it is Kashmir that lies right at the center of the map and it is about time that the region is allowed to shed its troubled history and take on a new garb as a hub of peace and economic development.

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Policy Making in a Terrorist Economy

by DIPANKAR SENGUPTA

Primer: The Economy of Jammu and Kashmir

The economy of Jammu and Kashmir before the beginning of the insurgency that beset it in 1990 had been primarily an agricultural economy. There was very little industry (although Kashmiri handicrafts created a niche for themselves) and the service sector was dominated primarily by tourism. These sectors of the economy, which brought in cash to the state, depended heavily on customs from the rest of India. Apples from the valley of Kashmir found their markets elsewhere in India, while tourists from different parts of India buoyed local tourism and handicrafts. Indeed, given its low population the narrowness of Jammu and Kashmir's domestic market could not be expected to support rapid growth of the state's economy. Thus integration with the wider national market was of vital importance to the state's economy.

▶ **Integration with the wider national market was of vital importance to Jammu and Kashmir's economy.**

▶ **Given its low population, the narrowness of Jammu and Kashmir's domestic market could not be expected to support rapid growth of the state's economy.**

▶ **The strengths and weaknesses of the state's economy reflected its mountainous terrain in most areas, which ensured that transport costs would be high.**

The manner of this integration was not merely a unification of markets but also free transit for the citizens from the rest of India. This, it may be noted, had been achieved only in 1953—five years after the state's accession—following an agitation led by Shyama Prosad Mookherjee, founder of the Bharatiya Jana Sangh (Indian People's Union), against the identification card rule that was seen to be a hindrance to the free entry and exit of people from other parts of India. Jammu and Kashmir's economy was therefore tied to the national economy of the country. Given the fact that the Indian economy did not quite take off in the first three decades after independence, neither did that of the state. It may be noted that the strengths and weaknesses of the state's economy reflected its terrain. Except for some areas in Jammu and the valley, the state is mountainous, ensuring that transport costs would be high. Consequently, the state could have a cost advantage only with those products where it had a monopoly or high value-low volume items where high transport costs could be neutralized. The state was and remains the highest producer of apples in India, as well as a host of dry fruits and traditional handicrafts that fitted this criterion. But the state then and even now added very little value to raw fruit that it produced, thus missing an opportunity to supplement its poor creation of gainful employment. Such a step required an economic regime that would allow entrepreneurs to take advantage of opportunities and set up plants and factories as freely as possible. However, India's economic regime prior to 1991 was governed by a system of permits and licenses and did not allow for such autonomous efforts on the part of independent private agents. Therefore, in spite of tremendous potential in terms of raw material available, agro-industries never took off. Thus, three decades after accession, the sectoral composition of the economy of Jammu and Kashmir was as described in Figure 1, below.

There was marginal change in the decade that followed and the overall composition of the Jammu and Kashmir economy remained the same.

The onset of insurgency was a major blow to those sectors of the economy that were linked to the money economy. However, different sectors of the economy coped in different ways with the result that the trajectory of evolution of each sector differed dramatically. Some sectors were obviously very badly affected. Others were forced by circumstances to take steps, as a result of which they did amazingly well without any government effort. A study of these various sectors in a milieu of economic uncertainty and government policies in those settings is extremely important for a better comprehension of how agents react under these circumstances. The lessons learnt from such a study have policy implications and are directly linked to the possibilities of a peace dividend.

Sectors Badly Affected: Tourism

The insurgency completely crippled the tourism industry in the Kashmir valley. Tourist arrivals that had numbered over 700,000 in 1988 and over a half-million in 1989 fell to little over ten thousand in 1990. Kashmir valley tourism was not to witness a return to six figures until 1998, when it barely crossed a hundred thousand. It doubled the following year but fell off after the Kargil conflict with Pakistan that year. The valley remains attractive to

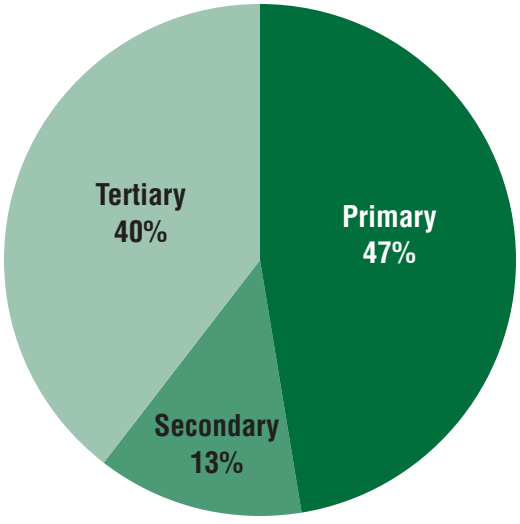

Figure 1 • 1980–1981

tourists even with the threat of terror. Indeed, tourists have to be specially targeted by terrorists to dissuade them from visiting the valley. The possibility that this dissuasion is planned is heightened given that the tourist groups chosen for attack (usually grenade attacks) have been from West Bengal and Gujarat where Kashmir has been a favorite destination. This is not to say that the entire state witnessed a decline in tourist arrivals. The other regions of the state, Jammu and Ladakh, were less affected. In fact, outstation tourist arrivals in Jammu rose from two million to over four million in the 1990s. Ladakh was of course more affected, but numbers never fell precipitously as in Kashmir. Jammu's tourism was pilgrimage tourism mainly centered on the Shri Mata Vaishno Devi Shrine. But in contrast to Kashmir, the bulk of arrivals in Jammu came from a lower economic stratum and the amounts that they spent reflected this characteristic. Thus, even as the number of pilgrims to the shrine crossed six million in 2006, tourism generated only Rs 450 crores (approximately $110 million) for the region, a modest sum given the absolute numbers involved.

▶ **India's economic regime prior to 1991 was governed by a system of permits and licenses that did not allow for entrepreneurship.**

▶ **The insurgency completely crippled the tourism industry in the Kashmir valley.**

▶ **The 1990s witnessed a sharp decline in infrastructure in the state, due to sabotage by militants and neglect.**

The Potential Peace Dividend

Tourism as an industry naturally relies on peace and stability for sustenance. Tourist arrivals in the various regions of the state reflect this, in the sense that numbers in each division depend on local law and order conditions as well as proximity to conflict zones. This is why Ladakh suffers. The peace dividend for this sector therefore could be enormous. For one the synergies that complementarities between Jammu and Kashmir provide could lead to a massive boost in tourism in both places but more significantly to the valley. Religious pilgrims to the Mata Vaishno Devi Shrine or the Shrine of Baba Ghulam Shah Badshah at Rajouri (also in Jammu Division) could easily travel a bit further—via a new rail link that now will connect the Valley to the rest of the country for the Vaishno Devi pilgrims, and via the Mughal Road for the pilgrimage tourists in Rajouri. Thus the Valley would gain by mere proximity to Jammu. But more importantly, India's burgeoning middle class—a product of India's economic liberalization policies and a class that is no longer afraid to spend, and which seeks to travel to neighboring Himachal Pradesh to cool off during summer, swelling tourist arrivals there to over 5 million—would also look to the Valley to cool off. It is well known that Jammu and Kashmir has all the geographical features of Himachal and more to attract tourists of all hues, from adventure tourists, to eco-tourists, to religious tourists, to those who merely want to "get away." What it does not have is safety and security. This is partially true also of those areas of Jammu that would compete with the Valley for the same kind of tourists.

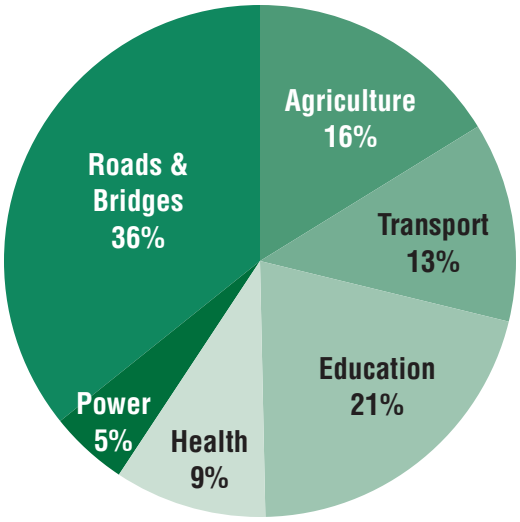

Figure 2 • Destroyed Infrastructure: Sectoral Impact

Secondly, these parts of Jammu that border Himachal Pradesh also lack the necessary infrastructure, with existing infrastructure having been severely degraded in the 1990s due to neglect forced by the insurgency.

Infrastructure

The 1990s witnessed a sharp decline in infrastructure availability in the state. Some of this was due to sabotage by militants targeting social and physical infrastructure. Neglect played its part also, especially when it came to assets like roads in hilly terrain with considerable precipitation.

Figure 2 above reflects the impacts of the infrastructural damage. While transport infrastructure damage—that is, vehicles damaged—could be very easily replaced, this is not true for roads and bridges. Given the fact that the money economy of the state is particularly dependent on connectivity with the rest of India for its survival, the damage to sectors like horticulture was immense. Before the targeting of infrastructure, horticulture exports to other states had not been affected by militancy. But the years following1993-94 witnessed a precipitous trend, from which this sector would recover only in 2000.

This again is not unusual. Horticulture is a local activity carried out largely with the help of local people. Horticultural production *per se* does not depend on law and order in the sense that tourism does, as local people are not targets of attack by militants. But when infrastructure is targeted (as shown in the figure), the outcome cannot be in doubt. However, with the security forces gaining ascendancy over the militants in the valley, widespread targeting of infrastructure is no longer that easy. More importantly, it draws local ire, alienating the very

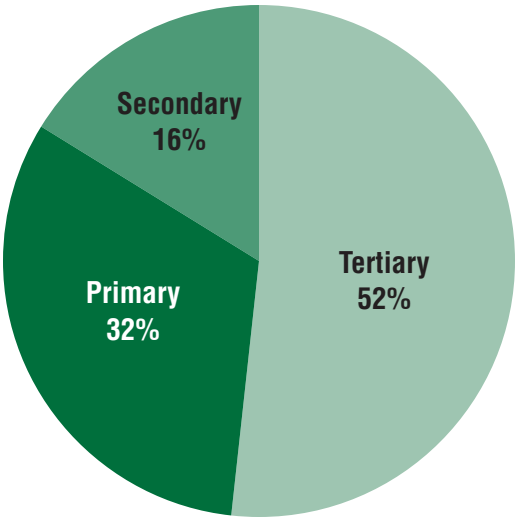

Figure 3 • 2001–2002

Table 1 • Composition of J&K SDP: 2001–2002

Sector	Magnitude (Rs crore)	(% share)
Agriculture	3902.75	27.64
Forestry and logging	493.84	3.50
Fishing	102.52	0.72
Mining & Quarrying	14.67	0.10
Subtotal: Primary	**4513.79**	**31.96**
Manufacturing (reg.)	175.82	1.25
Manufacturing (Unreg.)	550.35	3.90
Construction	2087.66	14.72
Electricity, Gas & Water	–478.66	–3.39
Subtotal: Secondary	**2326.48**	**16.47**
Transport, Comm. and Trade	720.04	5.10
Trade, Hotel and Rest.	1424.53	10.09
Banking and Insurance	627.42	4.44
Real Estate	773.09	5.47
Public Administration	2184.30	15.47
Other Services	1551.94	10.99
Subtotal: Tertiary	**7281.32**	**51.56**
NSDP	14121.59	100
Population	102.83	
Per Capita	13733	

The central government came in with packages to revive the economy through grants intended to restore infrastructure and other parts of the economy, resulting in a sectoral break-down that defied common economic logic.

The state "development" practices ended up making militants richer while entrenching the institution of corruption deeper and deeper.

people whose support militants must have to operate successfully.

Government Policy and the Creation of a Terrorist Economy

The state's response to an economy damaged by militancy developed along predicted lines. As in North East India, the central government came in with packages aimed at reviving the economy through grants intended to restore infrastructure as well as other parts of the economy. The effect of all this was to create an economy whose State Domestic Product (SDP) sectoral break-down, as given by Table 1 and Figure 3, defied common economic logic. The ultimate twist to this bizarre economic history was the revelation by the National Sample Survey Organisation that Jammu and Kashmir ranked highest of all the states when it came to per household asset ownership in the country, with Rs 10.87 lakhs (approximately $27,650) per household.

The profile of economic activities, with its accent on construction and public administration and substantial contributions from banking and real estate, would be puzzling to most economies. The revelation about asset ownership only compounded the puzzle. There is of course little doubt that the massive increase in the number of security forces sent to this troubled state and the expenditures made locally to maintain this force would have an expansionary effect on the local economy.

But it also now increasingly clear that as in the North East, the economic packages announced by the central government would follow a particular trajectory that would deliver similar results. As "packages" and "projects" were announced, the preferred vehicles of delivery were contractors who or at least whose political patrons reposed their faith in the Indian Constitution. The mode of awarding contracts remained opaque. Such businessmen soon attracted the attention of the militants and became easy targets for extortion. It may be argued that there was social sanction for this treatment not the least because the manner in which these contracts were secured were not seen to be above board. The relations built up by the businessmen and the extorting militants had some serious consequences. As long as the money was paid, the business operations of the businessmen would not be targeted. This of course assumed that the militant who received these sums was capable of maintaining sufficient discipline in his cadre to prevent others from targeting businessmen who paid up. However, should such a person be killed by the security forces, it meant that fresh arrangements would have to be made between the businessmen and the militants who succeeded their slain comrades. Indeed, the killings of migrant laborers in June 2006 happened just after the security forces killed a top militant. The killing of the laborers was not an act of retribution but a signal that a new set of militants had arrived and new "arrangements" would have to be made. In short, while the state had in place a system of "development" practices aimed at buying

the "hearts and minds" of the people, what it ended up doing was to make militants richer while at the same time entrenching the institution of corruption deeper and deeper into the culture of the state. It is no wonder then that Transparency International India finally ranked the state as "most corrupt," relieving Bihar of this dubious honor.

It is this system of transfers that led to the state being a massive consumer of white goods, automobiles as well as a source of financial investment, a totally unexpected state of affairs for a region bogged down in a quagmire of violence for over a decade. The poverty ratio for the state had plunged to a very low and enviable 3.5%, compared to the national average of 26.1%. Of course, military expenditures in the state cannot entirely account for this dramatic fall in poverty. It must be remembered that unlike most parts of India, land holdings were fairly equitable as a result of successful land reforms carried out by Sheikh Mohammad Abdullah's government during his first stint as Prime Minister of Jammu and Kashmir. Thus, asset inequality in terms of land holdings had long been addressed with its obvious impact on poverty. But the fall in poverty rates especially at a time of sustained militancy only pointed to open and surreptitious transfers, which while mitigating poverty entrenched the already existing system of corruption even deeper.

▶ Jammu and Kashmir represents a paradox where sectors that are relatively unaided have managed to carve a niche for themselves in the global economy, while sectors that are the recipient of state largesse have not been able to do so.

▶ A participatory approach to economic policy and development in Jammu and Kashmir is needed, including the involvement of local popular bodies like village councils.

Handicrafts

The sector that did remarkably well during this period was the handicrafts sector. Employment in this industry increased throughout the 1990s from 225,000 workers directly employed to 320,000 in 2001. Since this industry is in private hands, it may be assumed that this represented gainful employment. The growth occurred at the same time when the total number of training centers declined from 635 (1994) to 535 (2000). While the total number of cooperatives set up to help artisans market their wares almost doubled in the 1990s, their combined sales almost halved. On the other hand, the state-owned Jammu and Kashmir Handicrafts Corporation did a far more impressive job by upgrading its Management Information Systems and ensuring that its total turnover increased from Rs 5600 million ($142 million) in 1994-5 to Rs 8690 million ($220 million) in 2000-1. The total expected turnover (domestic sales plus exports) in 2007 is in the range of Rs 15,000 million ($381 million), but there are observers who claim that this is a conservative estimate and that the actual figure is at least twice this number.

What is noteworthy is that the bulk of this trade takes place beyond the aegis of the state and through private hands un-aided by the state. This again is ironically due to the militancy that swayed the state in the 1990s. Itinerant Kashmiri handicraft merchants forced into hawking their wares house-to-house in many Indian cities became a common sight. This strategy was necessitated by the fact that a major source of demand—tourists—had stopped visiting the valley. Soon Kashmiri handicraft dealers had hit upon the novel idea of setting up shop in those parts of India where visitors thronged, such as Goa, Delhi, and Kerala. Thus, Kashmiri handicrafts facing the vicissitudes of militancy adopted such measures and tactics whereby they were able to overcome the limitations of the market defined by tourist arrivals in the Valley and integrate themselves with the national and global economy. This sector did so without much help from the state and in extremely difficult conditions. They were able to do so because handicrafts remain a business where much of the production takes place indoors. Curfews do not affect production and demands on infrastructure are few. Thus production is not affected by militancy. The nature of its markets does not call for a "just-in-time" system, and as such small disruptions in supply are easily absorbed.

This is in marked contrast to sectors such as small and medium scale enterprises, which have not been able to wean themselves from generous subsidies to compete and integrate with the national market. Thus, the state of Jammu and Kashmir represents a paradox where sectors that are relatively unaided have managed to carve a niche for themselves in the global economy, while sectors that are the recipient of state largesse have not been able to do so.

Policy Implications

What policy implications may one derive from India's Kashmir experience viewed through the prism of economics? It is clear that the central government's effort to bribe the state into submission has not worked. It is also clear from the success stories in the handicraft sector that such an approach is not warranted. What is needed is a participatory approach to economic policy and development.

The destruction in rural infrastructure, which needs to be repaired, should see the involvement of village councils (called *Halqa Panchayat* in the state). The centralized manner in which these tasks are planned in the state currently involve the District Collector, the Members of Legislative Assembly who belong to that district, and the Member of Parliament under whose constituency that district falls. Popular involvement in planning and execution is totally absent. While the 73rd and 74th Amendments to the Indian Constitution have given constitutional status and some financial teeth to the local bodies in the rest of India, this is not true in Jammu and Kashmir which *vide* Article 370 has its own constitution. The state's local level bodies are disempowered and elections are irregular. Thus an important instrument of

local empowerment, policy planning, and implementation is absent. It is doubtful that these bodies will be targeted by militants for extortion, as that would alienate the very people whose support or at least silence is necessary for militancy to thrive. The lack of use of local popular bodies to create rural infrastructure instead of private contractors chosen in a centralized manner through dubious means does little to reduce popular alienation or re-create infrastructure. What it leads to is a skewed income and asset distribution apart from enriching the militants. Similarly, steps taken in the direction of entrepreneurship training among local residents so as to enable them to set up enterprises on their own is a more sustainable model than setting up state-owned enterprises. These activities, especially in the areas of adding value to horticultural produce, can do much to generate incomes and employment. Making them targets of extortion by militants may not be accompanied by the same social sanction as in the case of extortion of government contractors.

So far, neither the state government nor the central government has moved in this direction, although most recently the central government has prodded the state government in the direction of democratic decentralization. This clearly is an opportunity lost, as the goal of economic development need not be given up even when an insurgency is on. But in a milieu where years of "easy money" accentuated by "security concerns" create an impressive array of vested interests bolstered by casualty graphs that point downwards accompanied by surprisingly steady numbers of militants waiting to infiltrate into India, resources keep on flowing in the same manner and volume as previously. In such circumstances, policy shifts—especially radical ones—are the first casualties.

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Source for all figures and tables: J&K Economy: Reform and Reconstruction. A report on economic needs assessment. *Asian Development Bank (June 2004).*

Kashmir and Water: Conflict and Cooperation

by SEEMA SRIDHAR

Water, Wars, and Kashmir

Conflicts over water—a precious resource, the supply of which is growing sparser and the demand for which is ever mounting—have been much talked about by experts. Growing populations and extending development would render conflicts between water-rich and water-scarce nations inevitable. Upstream states that control the flow of water to downstream states would use this valuable resource as a key diplomatic and strategic tool to coerce the downstream nations into submitting to its demands. According to the 2002 United Nations World Water Development Report, there were 507 conflictive events over water during the previous fifty years. Thirty-seven among these involved violence, of which 21 consisted of military acts (18 between Israel and its neighbors). "Some of the most vociferous enemies around the world have negotiated water agreements [concerning international rivers] or are in the process of doing so," says the report. Global warming would act as a catalyst to water-conflict scenarios, with decreasing rainfall and increasing evaporation in some areas that have made the regular climate patterns erratic. Intermittent phases of flooding and droughts causing massive human suffering would pressure governments into turning off the taps to its neighbors.

The Indus River, whose basin cradled one of the oldest civilizations of the world, sustains Pakistan today. Both India and Pakistan depend on snow-fed rivers that rise in the Himalayas. Pakistan depends on the Indus for its survival and sustenance. The Indus, moreover, passes through Jammu and Kashmir, which is in dispute between the two countries. The history of water sharing between India and Pakistan has been marked by exceptional cooperation and intermittent conflicts over the interpretation of the water sharing treaty that forms the basis for this cooperation. The Tulbul Navigation Project and the Baglihar, Kishanganga, and Salal hydroelectric power projects are a few contentious issues between the two countries revolving around the Indus Waters Treaty (IWT). The incongruities in interpretations of the IWT have been attributed to political motives, rather than differences over technical and engineering aspects of water management.

The Indus Waters Treaty: Emergence of an Effective Conflict Management Tool

The IWT brokered by the World Bank (WB) provided for the division of the rivers between India and Pakistan. The eastern rivers—Sutlej, Beas

and Ravi—were allocated to India. The western rivers—Jhelum, Chenab and Indus—were allotted to Pakistan (barring their use by India under specified conditions in Jammu and Kashmir), with limited consumptive rights over these to India. How did the IWT come into being?

In April 1948, the lack of a water-sharing agreement led India to curtail the flow of west flowing tributaries to Pakistan. This brought to the fore the imperative of negotiations for an equitable distribution of the Indus River and its tributaries between the two riparian states, and for developing a coherent plan for integrated development of the water basin.

▶ **Pakistan depends on the Indus River, which passes through Jammu and Kashmir, for its survival and sustenance.**

▶ **The history of water sharing between India and Pakistan has been marked by exceptional cooperation and intermittent conflicts.**

▶ **The Indus Waters Treaty was signed by India, Pakistan, and the World Bank in Karachi in September 1960.**

The hurried partition of the Indian subcontinent through the India Independence Act by British Parliament in 1947, under the duress of increasing communal violence, resulted in the creation of two new independent states, India and Pakistan. The two countries, however, were beleaguered by problems related to delineation of their international boundaries; accession of a number of princely states, especially that of Jammu and Kashmir; as well as the decisions about their complex river systems, the Indus (shared by India with West Pakistan) and Ganges and Brahmaputra (shared by India with East Pakistan). Of these three rivers, the Indus basin—typified by thousands of kilometers of man-made irrigation canals and headworks that regulated the flow of its waters—proved to be the most complicated. What exacerbated the problem was the fact that the Indus originated from the disputed territory of Jammu and Kashmir, the legal status of which both countries became involved in war soon after independence in 1947. However, the waters irrigated most of the fertile lands of Punjab, divided into East and West Punjab.

The existing water turn systems were frozen by a "Standstill Agreement" in December 1947 at the two headworks of Madhopur (on the Ravi) and Ferozepur (on the Sutlej) until March 31, 1948. Upon expiry of this agreement on April 1, 1948 and in the absence of a new agreement, India discontinued the delivery of water to the Dipalpur Canal and the main branches of the Upper Bari Daab Canal from these headworks. The Arbitral Tribunal (AT) that was set up by the Indian Independence Act to look into differences over matters of division of assets between the two countries also expired on the same day.

In April 1948, the Engineers of the two divided Punjab States met in Simla and signed two Standstill Agreements regarding continuous flow from two other canals, Depalpur and Central Bari, until October 1948. As per this agreement the West Punjab provincial government would pay seigniorage charges and proportionate maintenance costs, and interest on a proportionate amount of capital. In July 1950, Pakistan stopped seigniorage payments to India, which continued to supply water as per the agreement. Due to ongoing hostilities between the two neighbors on account of Kashmir, no further talks were held.

David Lilienthal, former chairman of the Tennessee Valley Authority and a former Chairman of Atomic Energy Commission, USA visited the two countries in 1951 and proposed that India and Pakistan work out a program jointly to develop and operate the Indus Basin river system. Inspired by this idea, Eugene R. Black, then President of the World Bank, visited the two countries and proposed a Working Party of Indian, Pakistani, and World Bank engineers to tackle the functional aspects of water sharing. The two countries accepted this mediation and the World Bank stepped in with its own draft proposals for resolution in February 1954, distributing the three Eastern Rivers to India and the three Western rivers to Pakistan. Protracted talks were held amid mounting tensions, and finally the Indus Waters Treaty was signed by Jawaharlal Nehru, then Prime Minister of India; Field Marshal Ayub Khan, then President of Pakistan; and W.A.B. Illif, then President of the World Bank, in Karachi in September 1960.

The IWT provided for one of the most comprehensive dispute resolution mechanisms. Under the IWT, India can undertake projects on the western rivers for general conservation, flood control, irrigation and hydropower generation, and duly inform Pakistan of the same. Pakistan's objection would render it a matter of dispute to be settled either by negotiations or by a neutral expert, or by arbitration. Three members, one from India, one from Pakistan and the third member by mutual agreement or an International Court of Justice appointee in lieu would be the arbitrators. Any unresolved "question" between the two parties through the Permanent Indus Commission becomes a "difference" to be referred to a neutral expert, who is appointed by the two countries, and failing that, the World Bank. If the neutral expert's recommendations are unacceptable to either of the parties, the matter would be treated as a "dispute" and it would be referred to a Court of Arbitration established by the World Bank, along with other institutions such as the secretary general of the United Nations.

Water Conflict: Key Issues of Contention

Water sharing between the two neighbors has been characterized by intermittent conflict and long sustained cooperation. However, recent issues have brought the sustainability of the IWT under serious scrutiny. Twenty-seven projects undertaken by India in the Indus basin in Jammu and Kashmir have been questioned by Pakistan. This has resulted in delays in implementation, prohibitive increases in costs, and stalling of development in J&K. Three of the most

contentious issues—the Baglihar Hydel Power Project (BHP), Tulbul Navigation Project (TNP), and Kishenganga Project—are discussed below.

Baglihar • The 900 megawatt (MW) BHP on the Chenab River in Doda district in Jammu stands out as a key issue between India and Pakistan. It was also the first ever to be referred for international arbitration through the dispute resolution mechanism under Article IX of the IWT. Pakistan feared that the BHP would divert considerable downstream flows and could also be used to cause floods in the riparian areas.

Similar objections were raised by Pakistan over Salal, a 480 MW hydropower project on the Chenab in 1978, that storage could be used for drying up flows as well as for flooding the lower riparian states. However, any attempt to flood Pakistan would inundate the Indian side of the Line of Control (LoC) first. Such action would also run counter to the rules of war and against the Geneva Conventions, inviting international condemnation. It is highly unlikely, therefore, that India would indulge in such an act and such fears are thus unfounded. India's agreement to make design changes in the Salal dam has resulted in severe siltage problems and India was wary of a repetition of the same.

In response to Pakistan's objections over the BHP, India contended that as it was a run of the river project, the water utilized for power generation would be released back into the river stream and therefore there would be no difference in the quantum of water release. Both India and Pakistan tried to resolve the issue through bilateral talks. Pakistan's demand to shelve construction work until the issue gets resolved was not heeded by India, as the latter did not want a repetition of the TNP, which has been shelved since 1987. Since no breakthrough was achieved, Pakistan sought arbitration of a neutral expert under the ambit of the IWT to look into the matter. The report by the neutral expert, Raymond Laffitte, vindicated the Indian position that the BHP was not in violation of the Indus Waters Treaty. Design changes, including reductions in freeboard and pondage and increase in the height of the power intakes, were recommended. The neutral expert overruled Pakistan's objections over the use of gated spillways, as it is one of the most important techniques to handle the problem of sedimentation. The verdict on the BHP case will hopefully establish momentum for building such projects in the conflict-ridden state, to augment developmental work there.

Tulbul • The Tulbul navigation project, called Wullar barrage in Pakistan, is part of the composite dialogue within the framework of the peace process underway between India and Pakistan (unlike the BHP, which was referred for international arbitration).

The TNP originally envisaged the construction of a 439-feet long and 40-feet wide barrage by India in 1984 on the River Jhelum, at the mouth of Wullar Lake, near Sopore in Kashmir. With a maximum storage capacity of 0.30 million acre feet (MAF), it was intended to maximize the utilization of water at India's largest fresh water lake, making the Jhelum navigable by regulating water storage in the Wullar through enhancing currents in the Jhelum during the lean months from November to February. Pakistan claims the TNP is in violation of the IWT, believing it could be used by India to control the river's flow as a geo-strategic weapon.

The Indian stance is that the purpose of the barrage is to make the river navigable in summer and not to affect the outflows into Pakistan. The barrage, according to Pakistan, would impede flows into their Upper Chenab Canal and the Lower Bari Doab Canals. The case was referred to the Indus Waters Commission in 1986, but failed to be resolved. Before Pakistan could move to the International Arbitral Court, India stopped construction and the project has been shelved ever since 1987.

The most recent talks in August 2007 in the fourth round of composite dialogue ended inconclusively. In 1991, a draft agreement was prepared, which allowed the construction of the barrage with certain technical stipulations—such as leaving 6.2 meters of barrage ungated, reducing general storage capacity by 30,000 acre feet—with due monitoring by the Indus Water Commissioners. However, the draft agreement was not signed, since Pakistan linked its resolution to the 390 MW Kishenganga hydroelectric project, another unresolved issue between the countries, and demanded that India should forego its construction. The 1991 draft could be used as a basis for resolution as it asserted that the issue would be resolved within the scope of the IWT. Each contentious issue has to be resolved separately for giving resolution a real chance. The tremendous potential of waterways in J&K needs to be utilized and reaching a consensus over such projects is imperative.

Kishenganga • The Kishenganga Project entails a 75 meter high concrete dam at Gurez at about 8,000 feet to store 140,000 MAF of water and divert some flows through a 22 km tunnel bored into the mountain into the Madmati Nala, which empties into the Wullar Lake. Kishenganga, called Neelum on the other side of the LoC, is a tributary that flows into the Jhelum near Nowshera (close to Muzaffarabad). Inter-tributary transfer is allowed under the IWT. Pakistan's objection is that the water is not transferred into the same tributary Neelum, although it finally gets into the Jhelum. It also fears that the project would flush the Wullar Lake. India informed Pakistan about the project in 1994, while Pakistan contends that the construction of a dam on the Neelum near

▶ Recent issues have brought the sustainability of the Indus Waters Treaty under serious scrutiny.

▶ Twenty-seven projects undertaken by India in the Indus basin in Jammu and Kashmir have been questioned by Pakistan.

▶ The Baglihar Hydel Power Project was the first issue to be referred for international arbitration through the Indus Waters Treaty's dispute resolution mechanism.

▶ The Tulbul navigation (Wullar barrage) project is part of the composite dialogue within the framework of the peace process underway between India and Pakistan.

Nowshera had been underway for irrigation purposes and that 133,000 hectares was already being irrigated at that time. Pakistan's Water and Power Development Authority (WAPDA) does not show this as one of its projects, and there is no evidence to substantiate this claim. According to India, the work on the Kishenganga Project commenced well before the Neelum project, while Pakistan insists to the contrary. Determination of the "existing use" of water that will get affected and the date that is to be taken into account for the same are the major issues of the dispute, among others.

Areas for Cooperation: Revising the Indus Waters Treaty

▶ The Kashmiris feel that the Indus Waters Treaty is unfair to them, as India relinquished consumptive rights over the west flowing rivers, which pass through Jammu and Kashmir.

▶ Addressing the current power situation holds the key to the development question in Kashmir and would provide enormous employment opportunities.

▶ Cooperation between India and Pakistan over water issues would represent a significant confidence building measure that would favorably impact the livelihoods of millions of people on both sides of the Line of Control.

The Indus is the lifeline of Pakistan and water sharing is therefore a very emotive issue in Pakistan as well as in Kashmir. The Kashmiris, however, feel that the IWT is unfair to them, as India relinquished consumptive rights over the west flowing rivers, which pass through the Indian state of Jammu and Kashmir (J&K). To meet the energy requirements of the state, harnessing these rivers is essential. The benefits that would have accrued to the state were surrendered by the Indian government without due consultation with the local government. Several power projects in the state have been held up due to disputes with Pakistan over the IWT. Having a hydroelectric power potential of over 20,000 MW, J&K is in need of the critical infrastructure to harness its abundant resources. So far, hardly 1,500 MW of this potential has been exploited, both under state and Indian Central Government schemes. Against its requirement of over 1,600 MW, the state generates only about 450 MW. The state has an annual expenditure of Rs 2000 crore (approximately $500 million) on purchasing power from outside to meet its demands. The ongoing peace process in Kashmir needs to be complemented by an augmented pace of development. Addressing the current power situation holds the key to the development question in the region and would provide enormous employment opportunities. Speedy resolution of the pending disputes is vital and the IWT, which has been honored even during wartime, needs to be the basis for resolution.

Article VII of the IWT envisages future cooperation, pointing to the "common interest in the optimum development of the rivers" and calling upon both sides "to cooperate, by mutual consent, to the fullest extent in undertaking engineering works in the rivers." Both India and Pakistan are also poor managers of water and have an inter-provincial problem of water sharing. Joint mechanisms under the IWT for harnessing and management of water should be part of the portfolio of confidence building measures between the two countries. The IWT-2 that is discussed in some policy circles would be a take off from the IWT, which is instructive on the purposes of cooperation and dispute resolution and also provides ample scope for revision. With climate change threatening to impact rainfall patterns and water supply, both India and Pakistan need to think seriously of such a joint mechanism. Achieving the goals of more storage structures and better distribution channels requires joint deliberation. Laffitte stressed the use of modern technology in the BHP report, and cooperation on such technology for better water management would be extremely pertinent. It would significantly help in integrating the region economically. Political determination on both sides is absolutely necessary to make resolution and initiation of such joint management of the Indus basin possible. Politicizing this emotive issue of water, as has occurred in the past, cannot be allowed to overshadow the process of such emerging cooperation. Solutions to water sharing issues are vital for the development of Jammu and Kashmir, and cooperation would represent a significant confidence building measure that would favorably impact the livelihoods of millions of people on both sides of the LoC.

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