

**STEPHANIE FLAMENBAUM**

E-mail: sflamenbaum@usip.org

**MEGAN NEVILLE**

E-mail: mneville@usip.org

## Optimism and Obstacles in India–Pakistan Peace Talks

### Summary

- Following March 2011’s “cricket diplomacy,” there is reason to be optimistic about progress on South Asian normalization as India and Pakistan have resumed bilateral dialogues.
- Improved relations are critical to U.S. interests in South Asia with respect to the stabilization of Afghanistan, reduction in Pakistan-based militant threats, and alleviation of regional nuclear tensions.
- Terrorism and the Kashmir issue remain the most toxic points of divergence which could derail progress as in past bilateral talks.
- Bilateral economic agreements should be pursued in order to enable commercial progress to facilitate political reconciliation.
- With the looming drawdown of international forces from Afghanistan in 2014, and the subsequent shift in the regional power balance, it is imperative that the international community utilize its leverage to ensure that Pakistan-India talks progress.

“Improved India-Pakistan relations will fundamentally alter Pakistan’s strategic outlook, dismiss the relevance of militant proxies and allow India and Pakistan to work jointly in tackling terrorism.”

After a prolonged hiatus following the November 2008 Mumbai terrorist attacks, India and Pakistan have reinitiated bilateral dialogue. Both have been candid in their admission that peaceful coexistence is critical to their interests. Though these new rounds of secretary level talks present a moment of optimism not seen since the collapse of bilateral talks in 2008, questions remain over the feasibility of successful outcomes, particularly in light of continual sticking points such as the territorial dispute over Jammu and Kashmir and terrorism. Answers to these questions are crucial not only for India and Pakistan, but also for the U.S.’s interest in ensuring stability in South Asia.

### One Step Forward, Two Steps Back

Since partition, peace between India and Pakistan has been challenged by territorial disputes and competing state narratives. With the Kashmir issue at the heart of their mutual animosity, India and Pakistan fought three wars in the first quarter century of their existence. In 1989, the rivalry experienced a paradigm shift when Pakistan chose to support an insurgency in Indian Kashmir through militant proxies. This shift saw further escalation in 1998 when India, followed by Pakistan, tested nuclear weapons. These nuclear tests heightened international anxiety, leading to imposition of international sanctions on both countries. In seeking to ease international pressure, India and Pakistan initiated talks which resulted in the “Lahore Declaration,” signed by the two countries’ prime ministers on February 21, 1999. The declaration committed India

and Pakistan to “intensify their efforts to resolve all issues.”<sup>1</sup> Three months after Indian Prime Minister Vajpayee’s symbolic ride on the inaugural bus trip from New Delhi to Lahore, however, the promises of the declaration were abandoned when Pakistani-backed infiltrators triggered a limited war in the Kargil region of Kashmir.

When tensions peaked again in 2001-02 following a terrorist attack on the Indian parliament, prospects for resuming talks seemed unattainable. Nonetheless, the potential for a stalemate in the protracted crisis and international pressure for resolution once again led the two sides to the negotiating table in 2004. The resulting Composite Dialogue lasted five years, during which the public diplomatic gestures of Indian and Pakistani leadership facilitated discussion and softened attitudes among civil society and the media on both sides. More importantly, closed-door dialogues made substantial progress in drafting the conditions for peace. In addition to confidence building measures (CBMs), including the resumption of New Delhi-Lahore bus service and a number of concessions on the Line of Control (LoC) in Kashmir, comprehensive backchannel negotiations launched in February 2004 brought India and Pakistan close to agreement on Kashmir, the Siachen Glacier, and Sir Creek, the key outstanding issues. In the *New Yorker* article, “The Back Channel,” journalist Steve Coll argues that these talks signified “an end to covert wars and suspicion” which could have established a “transformational peace.”<sup>2</sup>

True to the oscillatory nature of the India-Pakistan relationship, the progress of the Composite Dialogue was derailed after the 2008 Mumbai terrorist attacks. It was not until the emergence of “cricket diplomacy” between the Pakistani Prime Minister Gilani and Indian Prime Minister Singh at the March 2011 Cricket World Cup semifinal between India and Pakistan that the two sides agreed to resume negotiations. Currently, secretary level talks suggest that the driving forces may once again favor a settlement between the two long time rivals.

## The U.S.’s Stake in Normalization

Normalization of relations is critical to the U.S.’s foreign interests and domestic security concerns. U.S. efforts to stabilize Afghanistan, address larger counterterrorism pursuits and strengthen bilateral relations with India are unlikely to succeed fully unless India and Pakistan make progress toward rapprochement.

The U.S. could benefit doubly from an improved India-Pakistan relationship. First, Pakistan’s strategic mindset, often singled out by policymakers in Washington as a key impediment to America’s ability to achieve its objectives, remains intrinsically linked to Pakistan’s perception of a threatening India. Although officially denied, many contend that the security establishment still views some Pakistani-based militant organizations as assets to their India policy. Neither monetary inducements nor concerns about growing internal instability over the past decade have forced the Pakistani military establishment to rethink its affinity for strategies condoning militant activity. The current regional theater affirms that the only path capable of sustaining a transformation in Pakistan’s security calculus that will engender resolve to eradicate militant forces and to eliminate concerns about a hostile government emerging in Kabul travels through New Delhi. Improved India-Pakistan relations will fundamentally alter Pakistan’s strategic outlook, dismiss the relevance of militant proxies and allow India and Pakistan to work jointly in tackling terrorism. The July 13, 2011 Mumbai bombings, believed at the time of this writing to have been carried out by the Indian Mujahideen, indicate that India is not immune to domestic terror threats. The bombings subsequently highlight the need for India and Pakistan to cooperate rather than quarrel over terrorism as it remains a regional challenge.

Second, developments that assuage tensions will allow the U.S. to forge more substantive and advantageous partnerships with India and Pakistan. As a result of India and Pakistan's deeply rooted mutual suspicion, U.S. diplomatic, economic and political outreach attempts are inhibited by South Asia's zero sum framework. The onset of the U.S.-India strategic alliance which has included expanded economic cooperation, a civil nuclear deal, and defense contracts has left Pakistan discontented. Pakistan sees the U.S. as having tilted in favor of India and in the process having upset the regional India-Pakistan balance. India, on the other hand, continues to see Pakistan's importance in Afghanistan as dissuading the U.S. from pressing Pakistan sufficiently to tackle anti-India militants on its soil. In essence, even though the U.S. has consciously moved away from a zero sum approach towards these two countries, India and Pakistan have not. As long as the rivalry dominates Indian and Pakistani mindsets, the U.S. will never be accepted as a neutral party and any outreach attempt will be interpreted negatively in the South Asian context.

## Key Challenges to Normalization

Despite whisperings of progress, there remain two key sticking points that could derail the current momentum that the current round of talks between Indian and Pakistani leaders have begun to generate. First, resolution on Kashmir faces staunch political roadblocks despite Pakistani and Indian leaderships' backchannel acknowledgment of a mutually agreeable basis for a settlement. Since the Mumbai attacks, the public sentiment in India is hostile, and Pakistani political parties have disowned the progress made in the Composite Dialogues, contending that frameworks agreed upon were authorized by a military dictator seen to lack the mandate for such unilateral decisions. Moreover, the Kashmir-related CBMs that sought to enhance interaction between Indian and Pakistani Kashmir have only been partially successful owing to their limited scope and bureaucratic hurdles, a reality which has prevented Kashmiris from developing genuine interdependence despite a desire to move forward.

The second point of divergence is terrorism. Pakistan's inability to curtail militant activities and prosecute terrorists in a sincere manner is a serious concern of India. India suffered tremendous 'reputational' costs following the 2001 and 2008 terrorist attacks by Pakistani-based militant organizations as its inaction in the face of these attacks brought into question the utility of India's nuclear deterrent against subconventional attacks.<sup>3</sup> As a result, India has vowed to move forward on normalization only following demonstrated Pakistani commitment to countering terrorism. For reasons grounded both in will and capacity, Pakistan is unlikely to fully satisfy Indian demands. India is likely to remain wary of Pakistani intentions and lack the confidence that would allow both sides to forge ahead without continuously pointing to past failings. Without this confidence, the dialogue process will continue to be held hostage to the threat of another terrorist attack on Indian soil traced back to Pakistan-based militants.

## Steps Forward Through Shared Economic Interests

One potential and hitherto underexplored avenue with potential to change the nature of India-Pakistan ties is economic cooperation. As Shahid Javed Burki notes in *Changing Perceptions, Altered Reality*, the cost of ongoing conflict, particularly costs tied to military expenditures in Kashmir, has regularly proved capable of bringing India and Pakistan to the negotiating table. This was evident in the negotiation of the Indus Water Treaty of 1960, in which economic and environmental benefit for both sides diffused negotiating tensions, supplemented by the economic leverage held by the international community.

In more recent years, efforts to unite Indian and Pakistani Kashmir through cross LoC bus service, partial liberalization of visa regimes and the creation of intra-Kashmir business entities, such as the Federation of Jammu and Kashmir Chamber of Commerce and Industry, have symbolized an attempt to approach the problem of Kashmir, emblematic of larger bilateral challenges, through less conventional means.<sup>4</sup> Despite limitations on the timeframe for exchanges, and inability of businesses to easily communicate, transfer money, or establish economies of scale, willingness on both sides of the LoC to seek economic avenues of mutual benefit suggest a broader willingness to look beyond the nationalistic and religious rhetoric of the conflict to find common ground capable of improving livelihoods.

Beyond Kashmir, trade ties between India and Pakistan have great potential. In the words of Indian Prime Minister Manmohan Singh, “If there is cooperation between Pakistan and India and not conflict, vast opportunities will open up for trade, and travel and development that will create prosperity in both countries.”<sup>6</sup> Figures vary, but the most optimistic put the trade potential at more than \$20 billion. In 2008, trade between India and Pakistan amounted to a mere \$2 billion, representing approximately one percent of each country’s overall trade.<sup>5</sup> If Pakistan reciprocated India’s granting Pakistan most favored nation (MFN) status in 1996, and India reduced its current non-tariff barriers, major impediments to the potential twenty-fold increase in trade between India and Pakistan could be lifted.<sup>7</sup> This increase in trade could sow the seeds for economic interdependence, establishing through person-to-person interactions a strong constituency in support of peaceful coexistence. Pakistan’s position that trade cooperation follow progress on Kashmir has been the major hurdle in improving economic relations. As Pakistan weighs future options, the politicization of its stance on trade should be forgotten, with commercial progress seen as leading to political reconciliation rather than the other way round. While the mutual 2008 goal to reach \$10 billion in trade by 2010 has been missed, Pakistan’s disengagement of commerce issues from the question of Kashmir could bring the two countries significantly closer to a relationship of productive cooperation on a longer path to peace.

## Avoiding Steps Back

The necessity of encouraging India-Pakistan normalization is underscored by the dangers continued animosity poses for the nations’ combined one billion citizens. India assures the international community that its restraint following the 2008 Mumbai attack will not be repeated. Pakistan is equally adamant that any Indian aggression will see a response in kind. Thus, any crisis-triggering event could swiftly supplant current optimism with conventional military action, and possibly a nuclear standoff.

As the July 2011 talks proceed, the U.S. should encourage India and Pakistan to persist with dialogue and to insulate the process from exogenous developments. With the looming drawdown of international forces from Afghanistan in 2014, the international community, and particularly the U.S., must utilize their leverage now more than ever to ensure that bilateral negotiations continue to move forward rather than repeating the backwards momentum of the past.

## Endnotes

1. Islamic Republic of Pakistan and Republic of India, The Lahore Declaration, February 21, 1999, Lahore, Pakistan.
2. Steve Coll, “The Back Channel,” *The New Yorker*, March 2, 2009.
3. Moeed Yusuf, “Banking on an Outsider: Implications for Escalation Control in South Asia,” *Arms Control*, June 2011.

## ABOUT THIS BRIEF

USIP is engaged in research and dialogue on India-Pakistan relations. In addition to facilitating discussion at the civil society level through events on the ground in Pakistan, USIP supports two Track-II dialogues on India-Pakistan relations, one focused on broader regional issues and the other on strategic stability, all of which informs USIP's activities in Pakistan. This brief applies a problem-solving lens and draws upon the lessons provided by the Track II dialogue process. The authors, Stephanie Flamenbaum and Megan Neville, are respectively a program assistant and research assistant in USIP's Center for Conflict Management.

4. Moeed Yusuf, "Progress on Cross LoC Trade: an Analysis of the Joint Chamber" USIP Special Report, August 2009.
5. Mohsin S. Khan, "Improving India Pakistan Relations Through Trade," East Asia Forum, April 19, 2010, <http://www.eastasiaforum.org/2010/04/19/improving-india-pakistan-relations-through-trade/>.
6. "India ready to walk extra mile if Pak acts against terror: PM," *The Times of India*, March 1, 2010.
7. On July 11, 2011 Pakistan indicated that it would begin the process of granting most favored nation status to India. If this comes to fruition, the symbolic and tangible benefits to India-Pakistan trade relations stand to have substantial impact on the overall relationship. See Iftikhar Gilani, "Pak to give India MFN status, calls for South Asian Paliament," *Tehelka*, July 11, 2011, [http://www.tehelka.com/story\\_main50.asp?filename=Ws110711pak.asp](http://www.tehelka.com/story_main50.asp?filename=Ws110711pak.asp).



UNITED STATES  
INSTITUTE OF PEACE

2301 Constitution Ave., NW  
Washington, D.C. 20037

[www.usip.org](http://www.usip.org)

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