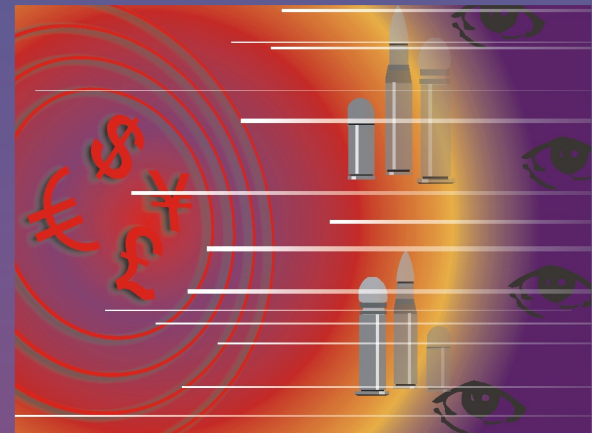


UNITED NATIONS INSTITUTE FOR DISARMAMENT RESEARCH
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Costs of Disarmament— Mortgaging the Future: The South Asian Arms Dynamic

Susan Willett

In the absence of arms control and disarmament, arms racing has free reign. To better appreciate the benefits of arms control and disarmament it is useful to examine the consequences of situations where these are lacking, and where relations between states are ruled by virulent arms build ups. The arms laden security nexus operating between India and Pakistan is one such example. Having invested heavily in armaments to prop up national defences, both countries have amassed tremendous costs in terms of development and grater regional tensions, which in turn have led to social hardship and unrest, growing insecurity and diminished national welfare.



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Mortgaging the Future:
The South Asian Arms Dynamic**

Susan Willett

UNIDIR
United Nations Institute for Disarmament Research
Geneva, Switzerland

NOTE

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PREFACE

This is the third in a series of books by Susan Willett investigating the complex issue of the costs and benefits of arms control and disarmament. The project carried out by the author sought to address the frequently heard argument that arms control is too expensive, and that the costs of implementing existing and prospective treaties and agreements are a valid obstacle to disarmament.

The first volume in the series: *Costs of Disarmament—Rethinking the Price Tag: A Methodological Inquiry into the Costs and Benefits of Arms Control*, published in 2002, tackled some of the main preliminary challenges in assessing the cost/benefit dimensions of arms control. One major finding was that costs tend to be inflated (notably by detractors of arms control) by attributing certain expenses not to the normal life-cycle of any weapons system, but to arms control measures instead. It also indicated that the quantification of the costs and benefits of arms control is usually undertaken within the narrow confines of expenditures related to specific treaty implementation and verification procedures, which tends to ignore the broader socio-economic, developmental, and indeed security benefits also associated with judicious arms control.

The second volume, *Costs of Disarmament—Disarming the Costs: Nuclear Arms Control and Nuclear Rearmament*, published in 2003, provided an analysis of the costs and benefits of nuclear arms control treaties between the United States of America and the Soviet Union/Russian Federation. It highlighted the benefits, whether tangible or intangible, fiscal, environmental and security-related of arms control over unconstrained arms-competition, as well as its constructive impact on global security.

The present study takes a closer look at the flip side of the coin: not so much the benefits of arms control actually engaged in, but the costs of arms control forgone. The author's focus on the South Asian arms dynamic does not amount to putting its two main protagonists to the pillory—indeed, a number of other regional settings and countries might equally have been chosen for illustrative purposes. The importance of South Asia for the evolution of global security as a whole, however, fully warrants her choice.

Moreover, the implications of Susan Willett's findings go well beyond the South Asian region itself, and it is hoped they can stimulate further salutary thought on the costs genuinely attributable to arms control, but also on the full panoply of costs incurred for lack of sustained arms control and disarmament.

Of the many people who have contributed in one way or another to this work whether in or outside of UNIDIR, I should like, with this final volume in the series, to single out and thank Susan Willett for bringing to bear her exceptional blend of rigorous thoroughness and creativity to a set of issues as arduous to conceptualize as it is significant for the evolution of international security—and thus for human life itself.

Christophe Carle
Deputy Director, UNIDIR
Geneva
2003

ACRONYMS

AEC	Atomic Energy Commission
ASEAN	Association of Southeast Asian Nations
BJP	Bharatiya Janata Party
CFE	Conventional Forces in Europe Treaty
CIA	Central Intelligence Agency
CSBM	Confidence- and security-building measure
CTBT	Comprehensive Test Ban Treaty
DRDO	Defence Research and Development Organisation
GDP	Gross domestic product
HDI	Human Development Index
HuM	Harkat-ul-Mujahideen
ICBM	Intercontinental ballistic missile
IMF	International Monetary Fund
INC	Indian National Council
ISRO	Indian Space Research Organisation
ISI	Inter-Service Intelligence (Pakistan)
JeM	Jaish-e-Mohammad
JKLF	Jammu and Kashmir Liberation Front
LeT	Lashkar-e-Toiba
LoC	Line of Control
MDG	Millennium Development Goals
MMA	Muttahida Majlis-e-Amal
NESO	North East Students Organization
NPT	Nuclear Non-Proliferation Treaty
NSCN	National Security Council of Nagaland
NTM	National Technical Means
OSA	Organization of American States
PLA	People's Liberation Army
RBI	Reserve Bank of India
RSS	Rashtrya Swayamsevak Sang
SAARC	South Asian Association for Regional Cooperation
SDR	Special Drawing Rights
ULFA	United Liberation Front of Assam
ULFOSS	United Liberation Front of Seven Sisters
UNDP	United Nations Development Programme
VHP	Vishva Hindu Parishad

“The future beckons to us. Whither do we go and what shall be our endeavour? To bring freedom and opportunity to the common man, to the peasants and workers of India: to fight and end poverty and ignorance and disease: to build up a prosperous, democratic and progressive nation, and to create social economic and political institutions which will ensure justice and fullness of life to every man and woman.”

Jawaharlal Nehru
Tryst With Destiny
Address to the Constituent Assembly
New Delhi
14-15 August 1947

“You will find that in the course of time the Hindus would cease to be Hindus and Muslims would cease to be Muslims, not in the religious sense because that is the personal faith of each individual, but in the political sense as citizens of the state.”

Quaid I Azam Muhammad Ali Jinnah
Inaugural Speech
14 August 1947

INTRODUCTION

This is the last in a series of three reports from UNIDIR's Cost of Disarmament Project. It might seem strange to some of our readers that the final report should concentrate on the costs of the arms race in South Asia, when the project's focus is primarily concerned with the costs of arms control implementation and disarmament measures. But in any programme that attempts to illustrate the cost-effectiveness of arms control, the case has to be made that expenditures on arms control can increase security far more cost-effectively than the equivalent, or much greater expenditures on military force. One way of doing this is to examine a counter-scenario to arms control, that is a situation in which arms control has been rejected in favour of enhancing military capabilities and resorting to force.

At a hypothetical level there are two possible counter-scenarios to arms control that are at variance with the current global situation, which is characterized by an ambivalent mix of arms control and rearmament. These counter-scenarios include a situation of generalized *rearmament* and alternatively a situation of generalized *disarmament*. The costs of a prevailing situation can always be measured with a degree of accuracy and thus constitute a "hard case". The more speculative nature of alternative scenarios in which quantitative measures are more often than not hypothetical, represent "soft cases". Hard and soft interpretations of the benefits also apply, but these are less measurable in quantitative terms as they reveal themselves as desirable political and/or social outcomes. The matrix below outlines the main features of the three scenarios.

COUNTER-SCENARIO MATRIX

Disarmament	Current situation	Rearmament
Cuts in military expenditures	Flattening military expenditures	Rising military expenditures
Disposal of WMD and conventional weapons	Reductions in WMD accompanied by ballistic missile defences and nuclear modernization programmes	Increasing reliance on WMD and weaponization of new geo-political spaces (i.e. Space, Antarctic)
Compliance with arms control treaties	Partial adherence to arms control treaties	Breakdown in arms control treaties
Non-proliferation	Stalemate	Proliferation
Commitment to multilateralism	Multilateralism and unilateralism	Unilateralism
Cooperative security environment, emphasis on conflict resolution	A mix of cooperative and competitive security	Competitive security environment, rising insecurity, instability
Build-down in arms dynamic	Simultaneous arms reduction and rearmament	Build-up of arms dynamic
Benign global security environment	Rising and diminishing tensions and competition	Increased likelihood of war
Peace dividend	Military expenditure burdens	Costs of war

In addressing a counter-scenario it is clearly problematic to say what *might* hypothetically happen, *if* multilateral arms control were more effective, or more universally accepted. To do this one must make the case that such agreements are a viable and politically feasible option. Nevertheless, for policymakers alternative possibilities and their outcomes should always be considered as part of the process of public policy choice. Not to do so, is to abrogate responsibility vis-B-vis those constituencies that public policy makers reputedly represent. Nevertheless, the abdication to technocratic views in public policy choice is revealed in the common belief that the techno-structure always identifies the “objectively” appropriate response by means of established best practice. This approach to policy making is at clear variance with commercial practice, which always involves consideration of relative gains over a range of options.

If, for no other reason than to ensure the best and most appropriate use of public money, decision-making for the “public good” should involve the (more or less systematic and explicit) elaboration and consideration of counter-scenarios. However, in the field of arms control and disarmament, when the quantitative costs and benefits have been examined they have all too often been analyzed within the narrow confines of verification regimes, and have therefore been isolated from the broader economic gains secured through arms control implementation.

The most conspicuous benefits that arms control provides are the savings derived from reducing the macroeconomic burden of arms racing associated with high or rising military expenditures. High military expenditures have been shown to generate opportunity costs particularly in developing countries where they act to retard socio-economic development. Thus arms control can indirectly benefit development *if* the will exists to redirect defence savings towards development goals. Where unrestrained arms racing results in war, the economic, environmental and human costs may be very high, particularly if weapons of mass destruction are involved. Arms control, by contributing to the de-escalation of arms racing and therefore to the propensity for peace, can generate enormous benefits in both the economic and human security spheres.

Although cost-benefit analysis tends to be preoccupied with quantifiable measures, capturing the qualitative variables of arms control or conversely arms racing is often more important, because these have greater *social value* and/or *social detriment* along the peace to conflict continuum. Moreover, they provide indications of future costs and/or benefits. For instance one cannot immediately calculate the beneficial effect of confidence- and security-building measures (CSBMs), which are designed to reduce tensions and mutual distrust and improve inter-state relations over time. Although the costs associated with diplomatic missions and negotiations are experienced in the short-term, in the long-run, CSBMs have been shown to translate into disarmament and arms control gains, which in turn become reflected in declining military expenditures and improved security (quantifiable measures). This observation about short-term costs and long-term gains highlights the importance of *time* as an essential factor in assessing the costs and benefits of arms control. If an assessment of the gains and losses are made prematurely about the outcome of an arms control regime they may prove inconclusive, or at worst misrepresent the final outcome.

The India-Pakistan arms dynamic provides a useful counter-scenario to arms control in that both countries are engaged in a protracted arms race, which has periodically intensified and spilled-over into conflicts, particularly over the disputed territory of Kashmir. Moreover, the arms race is exacting high socio-economic costs, which are apparent in the levels of poverty and underdevelopment in both countries. Finally, by diverting resources from important poverty alleviation targets, the arms race is indirectly contributing to rising levels of internal insecurity and conflict. In this manner the arms race has created a pervasive security-insecurity nexus in which the external security crisis contributes to and exacerbates the growing internal security crisis.

The nuclear tests in May 1998 marked the emergence of India and Pakistan as *de facto* nuclear weapon powers, confirming their rejection of the norms of nuclear non-proliferation and marking a dangerous and disturbing escalation in their enduring military rivalry. In pursuing nuclear weapons, both states have increased their levels of formal and off-budgetary military expenditures, which are not only exacting a high price in socio-economic terms, but have also increased budgetary deficits and levels of domestic and external debt.

The political and military elites in Islamabad and New Delhi have legitimized rising levels of military expenditure on the basis that it enhances national security and deters external aggression. Recent events, however, do not support such claims. The ever increasing acquisition of military capabilities and more specifically of nuclear weapons and ballistic missiles have intensified hostilities, leading to the Kargil War in 1999 and a ten-month military stand-off in 2002 in which leaders on both sides engaged in a dangerous level of nuclear brinkmanship. High-level diplomatic interventions notably by the United States and to a lesser extent by the United Kingdom helped to avert a full-scale war and a possible nuclear exchange, but the nuclear weaponization of each country is proceeding apace. Meanwhile the macroeconomic and socio-economic opportunity costs associated with the arms race have retarded the pace of development and exacted an onerous burden on the already poor and economically marginalized in both countries.

The pursuit of bellicose policies by the governments in Islamabad and New Delhi are contributing to growing levels of human insecurity—here understood as a lack of basic needs—in a region of the world that contains

40% of the world's poorest inhabitants. Poverty and conflict interact to produce multiple threats to human existence within the region's poorest communities. P.R. Chari has observed that "poverty and deprivation have aggravated the incidence of social unrest."¹ The poorest regions in both India and Pakistan suffer from predatory local states, lawlessness, corruption, crime, insurgency and low intensity conflicts, which have resulted in high levels of human insecurity and social fragmentation. Put in this context the cost of maintaining a highly militarized security environment has also contributed to an internal security dilemma in each society manifest in growing levels of internal instability and unrest. Nowhere else in the world except sub-Saharan Africa is the intrinsic conflict between human security and traditional security so acute or in such urgent need of redress.

The costs and risks associated with the Indian-Pakistani arms race are therefore very high, not just in traditional macroeconomic and opportunity cost terms, but also as an expression of external and internal security. For Pakistan, plagued as it is by economic stagnation, widespread social discontent and rising Islamic fundamentalism, the price of attempting to pursue military parity with India may be very high indeed. Pakistan has many of the characteristics of a failing state. While its collapse may have been temporarily delayed by the generous aid packages that Islamabad has received since allying with the United States in the "war against terrorism" there are few signs that the structural problems that the country is experiencing are being tackled. The dogged insistence on pursuing the building of nuclear weapons is likely to bankrupt the nation. This will have dire consequences for the region and beyond.

In elaborating on these issues this study proceeds as follows. First a brief background to the strategic origins and enduring rivalry between India and Pakistan is presented. Then the conventional arms build up and the nuclearization of the arms dynamic is examined. This is followed by details of the economic costs associated with the arms dynamic including military expenditure trends, opportunity costs and effects on development. Thereafter the relationship between the failure of development and the growing internal instability and insecurity is laid out. Finally the study concludes with a series of suggestions on measures that need to be taken if India and Pakistan are to break out of their highly destabilizing spiral of instability, conflict and poverty.

CHAPTER 1

THE SECURITY-INSECURITY NEXUS

The historical antagonism that has raged between India and Pakistan since partition in 1947 has made the South Asian region one of the most unstable and volatile regions of the world.² The two countries straddle the South Asian region, with large military forces, sustained by high levels of military expenditures. They are engaged in a competitive weapons acquisition process, which has culminated in them becoming *de facto* nuclear weapon powers. The search for security through military means has resulted in a *security-insecurity nexus* typified by ever increasing levels of insecurity and instability.

The concept of arms racing has been widely applied to the military rivalry that typifies security relations between India and Pakistan. However, the metaphor of a race is somewhat simplistic, as it fails to capture the complex dynamics that typify the competitive arms acquisition policies of the two belligerents. While not rejecting the concept of arms racing altogether, Barry Buzan and Eric Herring have coined the notion of an *arms dynamic*, which “refers to the entire set of pressures that make actors (usually states) acquire armed forces and change the quantity and quality of armed forces they already possess.”³ The concept is used, not only to describe the process of arms acquisitions, but also to analyze the particular circumstances that give rise to a competitive arms build-up.

As a more inclusive concept, the notion of an arms dynamic simultaneously captures both the external dimensions that define aggressive competition between states and internal structural forces including economic, political, technological and institutional forces, that contribute to a country’s arms build-up.⁴ To this we must add history, which has played a particularly pernicious role in the hostility that defines the military competition between South Asia’s dominant states.

HISTORICAL ROOTS OF RIVALRY

The historical antagonism that has raged between India and Pakistan for the past fifty-five years emerged out of the dissolution of the British Raj and the orgy of bloodletting that accompanied partition in 1947. The two successor states that materialized from this catastrophic beginning embraced diametrically opposed concepts of nationhood. For Pakistan partition represented the successful culmination of the Muslim League's campaign for a separate Muslim nation, based on its *two-nation* theory—the idea that India's Muslims and Hindu's constituted two separate nations, each deserving a separate state. To the opposing Indian National Congress (INC) partition and the formation of an Islamic state were anathema to its notion of nationhood rooted in secular and democratic principles.⁵ Of this fundamental clash Ashley Tellis has observed that “These states became competitive from the beginning because each sprang from a deeply held premise that in effect served to challenge the other's legitimacy: Pakistan, born out of the insecurity of some South Asian Muslims, challenged India's claim that its secularism was genuine enough to allow different religious, linguistic and cultural groups to survive and flourish within it. On the other-hand, if India were successful in maintaining a free political system that allowed its various groups to live together peacefully and prosperously, it undercut the reason for which Pakistan was established in the first place.”⁶ The antagonism created by these contradictory concepts of nationhood have been carried over into the post-independence politics of the new nations, becoming entrenched in an ideological conflict between India's secularism and Pakistan's religious fundamentalism, which has found its most violent expression in the conflict over Kashmir.⁷

To date India continues to blame partition on the misplaced policies of the departing British and believes that the creation of Pakistan was an accident of history which has denied India its rightful place in the world as a regional and global power. Meanwhile Pakistan confronts a hostile and resistant neighbour that holds hegemonic ambitions and is determined to force Pakistan to become a pliant and subservient neighbour. These perceptions have translated into the essential components of each country's threat perception and strategic doctrine, which underlie the regional arms race and form a persistent barrier to the resolution of conflict. As Rajpal Budania has stressed “The psycho-cultural barriers of the past continues to mar and negate any sensible steps towards peace-building and co-operation in the region. Overemphasis on the historical variables has

obviously led to the misperception of the contemporary situation.”⁸ By focusing on their differences and entering into a competitive and belligerent rivalry, both India and Pakistan have failed to live up to the visions of their founding fathers.

MILITARY AND SECURITY POSTURES

Three factors have contributed to the bellicose relations between India and Pakistan: the trauma of partition, the asymmetric division of power between the two countries and the unresolved issue of Jammu and Kashmir. Over time these issues have become complicated by the geo-strategic politics and extra-regional alliances, which have acted to polarize tensions and increase the militarization of their relations.

The communal carnage that accompanied partition and its memory continues to inform perceptions about security on both sides. Despite the specificity of their rivalry, particularly their opposing cultural norms, India and Pakistan embrace a very “traditional” approach to security and international relations.⁹ According to this outlook the insecurity of a state and the territory it defends arises as a result of the structure of an international system, which is viewed as anarchic and prone towards confrontation.¹⁰ In such an environment it is the responsibility of a rational state to defend itself by increasing its military power. In so doing a state becomes potentially dangerous to its neighbour. Uncertainty and the lack of trust about the neighbour’s intentions encourage rival states to enhance their military capabilities. The subsequent security dilemma reinforces the veracity of the original perception of insecurity, thus justifying military planners’ insatiable need for ever-greater resources to enhance the security function of the state.

Operating within this paradigmatic framework India and Pakistan have amassed large conventional military forces, armed with advanced fighter aircraft, armoured personnel carriers, attack helicopters, submarines and surface to air missiles.

Structural and geo-physical asymmetries have ensured that India has an overwhelming advantage in conventional military capabilities, which has intensified Pakistan’s sense of insecurity. The preoccupation with acquiring ever more destructive kinds of military technology, reflects a tendency on

both sides to resort to force as a means of settling disputes. As a consequence, war between these heavily armed nations has occurred on four occasions since partition: the 1947-48 and 1965 wars in Kashmir, the 1971 war in Eastern Pakistan which resulted in the creation of Bangladesh and, most recently, the 1999 Kargil War. In addition, there have been a number of serious border crises along the Line of Control (LoC), such as on the occasion of the 1987 Brass tacks military exercise, the 1990 crisis and the May/June 2002 crisis when a full-scale military confrontation was narrowly averted.¹¹

Table 1: India Pakistan Conventional Military Balance of Power 2000¹²

Major Weapon Systems	India	Pakistan
Main Battle Tanks	3,414	2,285
Armoured Personnel Carriers	157	1,000
Towed Artillery	4,175	1,467
Attack Helicopters (army and air force)	192	20
Surface-to-Air Missiles	1,795	850
Submarines	16	10
Carriers	1	0
Destroyers	8	0
Frigates	12	8
Corvettes	19	0
Naval Combat Aircraft	37	5
Combat Aircraft	774	353

Pakistan

India's overwhelming size has been perceived as a source of constant threat by Islamabad's military planners. India is four times the size of Pakistan, with a population and economy seven times larger. This bestows India with an enormous comparative advantage. In face of this disparity the Pakistani military has had an almost obsessive desire to achieve parity with India, at any cost. Given its inferior resource base, and the consequent difficulty of defeating India in a conventional military exchange, Pakistan has resorted to a three-pronged strategy to overcome its strategic weakness,

including extra-regional alliances, low-intensity warfare and nuclear deterrence.

Extra-Regional Alliances

By courting alliances with extra-regional powers Pakistan has attracted military assistance, allowing for a build-up in its military capabilities, and has sought support in its struggle against India. The Cold War proved a favourable environment for forming coalitions with extra-regional great powers. The United States became interested in allying with Pakistani due to its proximity to the Soviet sphere of influence, in particular Afghanistan, and due to its influence within the Muslim world, particularly the Middle East and Persian Gulf, where the US has extensive oil interests. Pakistan signed the Mutual Defense Agreement with the United States in 1954. Generous levels of US military assistance enabled Pakistan to modernize its armed forces, but the US did not prove helpful for its operations against India. Washington was only interested in cooperating with Pakistan, in as much as it was useful to its broader geo-strategic objective of countering the Soviet Union within the region. When Pakistan went to war with India in 1965 over Kashmir and in 1971 over East Pakistan Washington condemned Pakistan's bellicose actions, withdrew its support and imposed an arms embargo. Left in the cold, Islamabad turned to China as an alternative ally, one that had its own disputes with India. Overtime China has proved to be a more reliable ally than the United States, despite its lack of comparable international clout. It has, in particular, been an important source of military technology, especially in the sensitive areas of missile technology and nuclear weapons know-how.

The period of neglect by the United States ended abruptly when the Soviet Union invaded Afghanistan in December 1979. Once again Pakistan became an indispensable ally of the US. Over an eight-year period Pakistan's military dictator, General Zia-ul Haq, received some US\$ 7 billion in military and economic aid from Washington. The military aid enabled the Pakistani military to modernize its conventional weaponry, and there is some suggestion that it may have been used to build up Pakistan's nuclear weapons capabilities.¹³ During this period of cooperation the Central Intelligence Agency (CIA) and Pakistan's Inter-Service Intelligence (ISI) mounted a huge covert operation designed to marshal Afghan resistance against the Soviet Union. Over the years some 100,000

mujahadin were recruited and trained as soldiers. After the Soviet withdrawal from Afghanistan many of these fighters took their jihad to Algeria, Chechnya, Kashmir and Kosovo. With the retreat of the Soviet Union from Afghanistan in 1989 the United States once again withdrew military aid from Pakistan and imposed an arms embargo in protest over Pakistan's nuclear proliferation activities.

After fourteen years of being shunned by the US, Pakistan has yet again assumed a position of strategic importance to the United States, this time as a crucial ally in the "war against terrorism". US sanctions were lifted and under the Foreign Operations Appropriation Act the United States agreed to provide a US\$ 1.29 billion bilateral aid package much of it for direct budget and balance of payments support. The United States has also promised the cancellation of US\$ 1 billion from Pakistan's US\$ 2.8 billion bilateral debt. These arrangements can be interpreted as compensation for Pakistan's cooperation with the United States in Afghanistan. In addition Pakistan has received arms transfers including six C-130E transport planes, six Aerostat L-88 radar systems, 4,000 grenade launchers and other riot control gear and parts for UH-1H helicopters, M113 armoured personnel carriers and F-16 jets.¹⁴

US cooperation with Pakistan has always occurred during periods of military rule. Washington's willingness to provide military assistance and arms transfers has had the unfortunate effect of legitimizing the country's military rulers and thus indirectly helped to undermine the fragile democratic traditions within Pakistan.

Low-Intensity Warfare

After the humiliating defeat of the Pakistani army in the 1971 war with India, it was clear that Pakistan could not hope to ensure victory over India in a conventional war. Influenced by the successful strategy of low-intensity warfare developed during the period of cooperation between the ISI and CIA in Afghanistan, the Pakistani military increased its level of support to the mujahadeen operating in both Kashmir and Assam. Islamabad was intent on capturing territory in Kashmir through a war by proxy.¹⁵

The ISI is thought to have supplied arms and training to militant organizations such as the Jammu and Kashmir Liberation Front (JKLF), the

Hezb-ul-Mujahedin, the Harakat-ul Ansar, Al Umar, Al Barq, Jaish-e-Mohammad and Lashkar-e Toiba. Many of the militants from these groups were trained in Afghanistan, but since the defeat of the Taliban, militant training camps have moved to Pakistani Kashmir. The ISI is also suspected of operating training camps near the border with Bangladesh where members of separatist groups of the Northeastern states, known as the United Liberation Front of Seven Sisters (ULFOSS) are trained to use military equipment and engage in terrorist activities. These groups include the National Security Council of Nagaland (NSCN), the People's Liberation Army (PLA), the United Liberation Front of Assam (ULFA), and the North East Students Organization (NESO).

Facing resource constraints much of the covert support for militant groups has been funded by the illicit businesses activities of the ISI, which include narcotics and gun trading. Drug money has been used by the ISI to finance not only the ongoing proxy war against India in Kashmir but also its covert activities in Northeast India. It has been estimated that the ISI's illicit trade and illegal businesses pump more than US\$ 2 billion dollars per annum into the Pakistani economy.¹⁶ This trend led the Paris based Association of the Study of the Geopolitics of Drugs to describe Pakistan as a "narcostate".¹⁷ Critics of the ISI say that it has become a state within a state, answerable neither to the leadership of the army, nor to the President or the Prime Minister. With no effective supervision of the ISI, corruption, narcotics, and big money have come together to add a further complication in the volatile political situation in South Asia.

Since 11 September the United States has put Pakistan's military leader, General Pervez Musharraf, under considerable pressure to rein in the ISI's support for the mujahadeen. In two widely hailed speeches delivered on 12 January and 27 May 2002, Musharraf variously pledged that all militant infiltration across the LoC would end and that there would be no tolerance of organizations that openly propagate extremist sentiments. In addition, he announced the banning of the Lashkar-e-Toiba (LeT), the Jaish-e-Mohammad (JeM) and the Harkat-ul-Mujahideen (HuM)—the three jihadi outfits at the forefront of terrorist activities—and moved to arrest several hundred militants scattered across the country. Islamic fundamentalists were also purged from leadership positions in the ISI and the military.

These measures have helped to reduce insurgency raids over the LoC by some 40-50%, but this has been insufficient to assuage Indian accusations that Islamabad continues to wage a war of terror in Kashmir. Many suspect that Musharraf no longer has control over the militant groups in Kashmir. This state of affairs not only confounds future attempts at conflict resolution with India, but may also present a very real security threat to the Pakistani state itself, which has come under increasing criticism from the mujahadeen for its dealings with the United States.

Nuclear Weapons

As early as the 1960s the Pakistani military concluded that the only way to achieve parity with India was to acquire a nuclear deterrent.¹⁸ With China's help Zulfikar Ali Bhutto instigated Pakistan's nuclear weapons programme in 1972. The programme gained momentum following India's nuclear test in 1974, by which time the military had arrested effective control of the programme from civilian authorities. By the early 1980s Pakistan had acquired uranium enrichment know-how and considerable technological prowess in the nuclear weapons field. According to Dr Qadeer Khan, a leading nuclear physicist and one of the principal architects of Pakistan's nuclear weapons programme, Pakistan had acquired nuclear capability as early as December 1984, after its success in enrichment of uranium. All cold tests had been conducted by this date and President Zia Ul Haq had been informed that nuclear tests could be conducted at two-weeks' notice.¹⁹ Nevertheless, sensitive to international opinion, particularly that of its ally the United States, Pakistan chose to delay testing, adopting a policy of ambiguity about its nuclear capabilities, a strategy which came to be known as *non-weaponized deterrence*.

When Indo-Pakistani tension boiled over Kashmir in 1990, Pakistan accelerated its uranium enrichment programme, much to the consternation of the United States, which imposed economic and military sanctions in protest. As a result of the sanctions Nawaz Sharif took the decision to cap the enrichment programme, but he lacked sufficient authority over the Pakistani military to actually roll back the nuclear programme as desired by the US.²⁰ Although weapon-grade uranium production was halted, it was thought that by this time Pakistan had acquired sufficient stocks and enough key non-nuclear components to be able to assemble nuclear weapons in a matter of weeks.

Pakistan's 40-megawatt heavy water research reactor at Khushab completed in 1996 with Chinese assistance is thought to have production facilities able to produce enough plutonium for between one and two nuclear bombs per annum. This increases Pakistan's nuclear weapons production capacity by 20-30% from earlier output levels. The designs for its nuclear weapons are thought to have been acquired from the Chinese, in the early 1980s. Weapons based on Chinese designs are likely to have a yield of 20 kilotons, comparable with the bomb dropped on Nagasaki.

Throughout its existence Pakistan's nuclear strategy has largely been responsive to India's nuclear weapons programme. Its nuclear ambiguity has shadowed that of India's and its decision not to join the Nuclear Non-Proliferation Treaty (NPT) or sign the Comprehensive Test Ban Treaty (CTBT) mimicked the path that New Delhi forged with regard to arms control and non-proliferation treaties. If there was an exception to this rule it was that Pakistan attempt to put forward a number of arms control proposals, including a suggestion for a nuclear-weapons-free zone in South Asia. India has always rejected these proposals, on the grounds that they do not take into consideration the "China factor", which New Delhi insists is the main *raison d'etre* for its own nuclear weapons programme. The authenticity of Pakistan's arms control and disarmament proposals are a matter of some speculation. In effect Pakistan's initiatives were a cost-free gesture, because Islamabad anticipated that New Delhi would disregard its proposals.²¹ If Pakistan had been genuine about its arms control initiatives when India tested in early May 1998 it could have taken the moral high ground by refraining from testing and calling for a regional arms control regime. Instead Pakistan responded in a tit-for-tat manner by testing on 28 May 1998. In so doing Pakistan lost the opportunity of having for the first time an independent nuclear policy.

Pakistan's nuclear arsenal is thought to consist of a small number of complete, but unassembled nuclear weapons that could be prepared rapidly for military action. Some estimates reckon that Pakistan could deploy between 15-25 nuclear weapons, although it should not be forgotten that such estimates are highly speculative given the high levels of secrecy that surround the programme. Currently it is thought that Pakistan could produce up to three to four nuclear weapons per annum using its existing stock of weapon-grade uranium. At the same time the Kushab reactor is likely to enable Pakistan to irradiate lithium-6 to produce tritium, a material used to "boost" nuclear weapons so as to improve their yield and

weight efficiency. Pakistan's main delivery vehicle includes US-built F-16s, but the strategic competition with India has spurred Pakistani efforts to acquire ballistic missiles. Chinese and more recently North Korean assistance has sustained these efforts. Pakistan's missiles consist of three types. The short-range Hatf 1 and Hatf 2, which do not appear to have entered operational service. The Shaheen solid-propellant missiles based on the Chinese M-11 missile which Pakistan is thought to have obtained from China in the early 1990s. It was tested amid much publicity in mid-1999. The longer-range Shaheen I and Shaheen II appear to correspond to the Chinese M-9 and DF-15, respectively. The Ghauri missile developed by the A.Q. Khan Research Laboratories appears to be a version of the North Korean Nodong liquid-fuelled missile.

Table 2: Pakistan Missile Systems²²

Designation	Range (km)	Payload (kg)
Haft 1	60-100	500
Haft 2	280	500
Shaheen (Haft 3)	300	500
Shaheen I (Haft 4)	800	500
Shaheen II (Haft 6)	2,000	
Ghauri (Haft 5)	1,350-1,500	700

Nuclear advocates in Islamabad had assumed that nuclear weapons would be the great equalizer with India, but testing has brought with it an intensification of Pakistan's strategic insecurities. Given its severe resource constraints Pakistan is finding that it cannot sustain the weaponization race with India. Indeed, certain Indian strategists have declared the intent to bankrupt Pakistan in a nuclear arms race, much as Ronald Reagan's administration did with the Soviet Union in the 1980s.²³

Another negative consequence of testing for Pakistan is that it has nuclearized the Kashmir dispute which deepens the risks associated with Pakistan's strategy of low-intensity warfare, and makes resolution of the conflict even more problematic. Finally, the shift in policies from ambiguous to overt minimum deterrence has created an even stronger arms dynamic

that can only end in ruin for Pakistan, of one form or another, unless drastic measures are taken to reverse the current trends.

India

For its part India has had a far less praetorian tradition than Pakistan. Nevertheless, over the years, India's approach to security has gradually shifted from Nehru's idealism which opposed nuclear weapons and great power politics, towards a realist posture that has embraced nuclear weapons as the ultimate symbol of power and prestige.

Nehru's abiding suspicion of the Indian military, which he regarded as a tool of the British Raj ensured that strict civilian control was exerted over the armed forces from the time of independence.²⁴ Rather than focus on building military power Nehru concentrated on building the state. Strongly believing in the priority of social and economic development, defence budgets were kept under control to prevent them from crowding out expenditures more beneficial to development and growth. Defence allocations averaged at 1.8% of gross domestic product (GDP) for the first 15 years following independence.

Under Nehru's policy of *pansheel* India embraced a security posture of non-alignment and peaceful coexistence.²⁵ Despite Nehru's commitment to peaceful coexistence, his government's position towards Pakistan was essentially hostile. Nehru and many other influential thinkers within the Congress Party believed that the one thing that kept India from claiming her rightful place in the world was the regrettable process of partition, which had led to the creation of Pakistan. Many of this generation of politicians lived with the hope of the eventual reunification of the two countries, which led to intense levels of mistrust and hostility between the two new nations.

In keeping with his idealist values Nehru strongly opposed nuclear weapons and supported the principles of nuclear non-proliferation. India became a party to resolution 2028 in the United Nations General Assembly in support of the non-proliferation of nuclear weapons in 1965, and championed the ideals of non-proliferation and disarmament among those developing countries that were against the power politics of the dominant military powers. However, with China's emergence as a nuclear weapon state in October 1964 doubts began to form about the wisdom of India's

policies towards nuclear weapons.²⁶ Only in subsequent years did India come to reject the very principle of non-proliferation as inherently discriminatory.

India's defeat in the border war with China in 1962, the latter's emergence as a nuclear weapon state and its alliance with Pakistan all heightened India's sense of strategic vulnerability. Attitudes towards defence expenditures and development also underwent a transformation. Defence expenditure was dramatically increased and maintained at an average annual rate of 3.05% of GDP for the next 25 years. These increases were justified in economic development terms ostensibly due to the positive spin-offs into the civil economy that military expenditures produced.²⁷ Emphasis was placed on greater military self-reliance, which highlighted the need for indigenous defence production rather than the purchasing of completed weapon systems from abroad. These developments marked the birth of India's military industrial complex.²⁸

On taking power in 1966 Indira Gandhi sought a new security policy based on "peace through strength". In rejecting her father's idealism she began a quest for strategic influence in the South Asian region and beyond by augmenting India's military power. Under her leadership the consolidation of military power, the maintenance of India's dominant position within the sub-region, and the elimination of Pakistan's claim to parity, became primary security goals.

The emergence of the Washington/Islamabad/Beijing axis in 1971 resulted in a growing sense of external vulnerability. New Delhi turned to the Soviet Union for support. The Treaty of Friendship and Cooperation, which was subsequently signed between the two new allies in 1971, signaled a profound compromise of India's policy of non-alignment and heralded in a new era of engagement in regional power politics. Its relationship with Moscow enabled India to secure relatively sophisticated military hardware on favourable terms.

India's pro-nuclear lobby, proved highly successful in persuading Indira Gandhi of the strategic exigency of nuclear weapons and the necessity of rejecting the NPT.²⁹ On 18 May 1974 India conducted her first nuclear weapons test, described by Indira Gandhi as a "peaceful nuclear explosion". India claimed the test, which may have only been partially

successful, produced a yield of 12 kilotons. Western intelligence agencies estimated the probable yield at 4-6 kilotons.

Domestic and international reactions of alarm put further plans for testing on hold. Nevertheless, India made significant progress in refining its weapons design and fabrication capabilities, including reducing the size of weapons and increasing their efficiency and yield through boosted fission using tritium. At a formal level, however, the Indian government presented a policy of ambiguity towards its nuclear weapons capability, adopting a “nuclear option” or “non-weaponized deterrence” strategy. This involved the potential capability to assemble nuclear weapons rapidly—within hours or a few days—with the expressed intention of only doing so if a serious threat arose to its security. According to George Perkovich “the nuclear option reflected India’s normative aversion to nuclear weapons, its emphasis on global nuclear disarmament, and political leaders’ preferences to concentrate resources and energy on economic development.”³⁰ To Perkovich and other “nuclear optimists”, the condition of “non-nuclear deterrence” was seen as a source of regional stability.³¹ To be effective, however, non-nuclear deterrence required a demanding set of confidence-building measures to provide assurances to each side about the other’s intention. These did not materialize. Rather mistrust and tensions flourished and with it a determination to emerge from the nuclear closet.

In the 1980s the defence budget increased its share of GDP to an average of 3.58% of GDP, primarily as a result of the rising costs of weapons and manpower, but also in response to the deteriorating regional security environment, following the Soviet invasion of Afghanistan and the large arms build-up in Pakistan. After the mid-1980s, hawkish pressure on the government to go overtly nuclear in response to Pakistan’s reported nuclear preparations increased. India rejected seven proposals by Pakistan for nuclear restraint and regional disarmament, saying it would only discuss nuclear disarmament in “global, multilateral” fora, and in a “non-discriminatory” framework. India’s only strategy of containing the “Pakistani nuclear threat” was to appeal to the US to exert pressure on Pakistan, through the Pressler Amendment. Meanwhile, its own stockpiling of high-grade plutonium continued, with an estimated 300-450 kilograms accumulated by the mid-1990s enough for 60 to 90 fission bombs.

At the international level India still maintained its advocacy for comprehensive nuclear disarmament. In 1986 India joined the Five-

Continent Six-Nation Initiative for Nuclear Disarmament and in 1988 put forward the Rajiv Gandhi Plan for the elimination of nuclear weapons at the United Nations. This involved a step-by-step process including restraint at an early stage by the threshold states, including India. However, as the negotiations for a CTBT, which India had pioneered, entered their final phase, New Delhi stalled, making signing the CTBT conditional upon “time-bound” disarmament by the five nuclear weapon states. During negotiations it produced clauses that appeared radical, but were designed to delay an agreement and prepare the ground for non-accession to an eventual agreement.

Domestically, however, the government was coming under pressure to oppose the CTBT and proceed to conduct test explosions. In 1995, before the CTBT “rolling text” adopted its final form, the government launched preparations for a test at Pokhran. The Cabinet was divided, and US military satellites detected the preparations. The fear of economic sanctions and adverse publicity, dissuaded the Indian government from testing, but a significant shift had occurred in public opinion about the desirability of coming out of the nuclear closet.

Two significant events contributed to India’s final decision to test. The first was the indefinite extension of the NPT in 1995, which allowed for the continued possession of nuclear weapons by Britain, China, France, Russia and the United States, for the indefinite future while denying the rest of the world these weapons. The NPT’s discriminatory flaws outraged India, and reinforced its suspicions of the hypocrisy and double standards of the non-proliferation movement. The second was the defeat of the Congress Party in the 1996 elections. The leading party in the new coalition government, the Hindu nationalist Bharatiya Janata Party (BJP) out rightly rejected India’s previous ambiguity towards nuclear weapons.

Jaswant Singh’s book *Defending India* provides an in-depth discussion of the transformation in Indian strategic thinking that accompanied the BJP’s ascent to power.³² In it Singh argues that as a result of Nehru’s legacy India suffered from “a near total emasculation of the concept of state power” an absence of a “sense of history” and an “absence of a sense of geographical territory”.³³ According to Singh this lack of strategic perception contributed to India’s ambiguous approach to all strategic matters including nuclear weapons. The BJP with its strong nationalist orientation was determined to break with this imprecision in order to

reclaim India's greatness. For the BJP nuclear weapons became the symbol of a nationalist revival.

India's nuclear tests on 11 and 13 May 1998 marked a significant change in India's nuclear doctrine—a final rejection of Nehru's explicit opposition to nuclear deterrence—and a categorical acceptance of minimum nuclear deterrence as official security policy.³⁴ Minimum nuclear deterrence is a strategy in which a state inserts nuclear warheads in operational delivery systems such as nuclear capable bomber aircraft or missiles, deploying the minimal number of nuclear weapons to inflict severe damage on an adversary after it has suffered a nuclear attack. India's Prime Minister Atal Behari Vajpayee declared in a policy statement in the Indian parliament on 4 August 1998 that India's nuclear doctrine would be based on the morally justifiable concept of no-first-use, the very same concept which Indian policy makers and analysts denounced as not credible when it was espoused by China.³⁵

A hastily put together "Draft Nuclear Doctrine" issued on 17 August 1999 outlined the intention to develop and deploy a nuclear triad embracing land-, air- and sea-based delivery systems.³⁶ The document rationalized India's nuclear deterrence as a means of countering the threat posed to India by China's nuclear arsenal. This claim has been subject to vigorous contestation by a number of strategic analysts.³⁷ Eric Arnett for instance has argued that the claim that China poses a threat is "not only cynical but inconsistent with the history of defence planning...[since] China and India have never made planning for a conventional or nuclear war against one another a high priority."³⁸ Michael Quinlan maintains that India's nuclear aspirations derive from "a general sense that India is undervalued and insufficiently respected in the world and, more specifically, a long-standing and vigorously fostered resentment, particularly anti-Western, at the perceived unfairness of a non-proliferation regime which legitimates five nuclear possessors and seeks to debar all others."³⁹ Itty Abraham, on the other-hand asserts that India's aspiration to be a nuclear weapon state is not so much about external security threats and the need for deterrence, but more about overcoming the Indian states post-colonial crisis of legitimization.⁴⁰

Intense criticisms of India's ill-defined nuclear doctrine have done little to dampen the Indian government's enthusiasm for nuclear deterrence. The race into further weaponization is now on, with the regular testing of

intermediate-range ballistic missile systems adding a new and dangerous escalation to the South Asian arms dynamics.⁴¹ New Delhi believes that a nuclear-capable missile delivery option is necessary to deter Pakistani first-use of nuclear weapons and thereby preserve the option to wage limited conventional war in response to Pakistani provocations in Kashmir or elsewhere. Nuclear weapons also serve as a hedge against a confrontation with China.

India's nuclear weapons programme is shrouded in secrecy resulting in much speculation about its current and eventual size. The Federation of Atomic Scientists puts India's nuclear arsenal at 60 warheads.⁴² This assumption was based on statements made by K. Subrahmanyam in 1994, who suggested that India desired a force of some 60 warheads carried on ballistic missiles and on aircraft. Based on extensive interviews with military personnel Rammanahar Reddy suggests that the eventual size of India's nuclear arsenal is more likely to be around 150 warheads.⁴³

Currently several means exist to deliver nuclear weapons including Jaguar, MiG 27 and Mirage 2000 combat aircraft. In addition, India has developed and deployed Prithivi ballistic missiles with ranges from 150-250 kilometres, which could hit Pakistan. The longer range Agni II missile, which is believed to have a range of about 2,500 kilometres, will be deployed during 2003. The Agni III, which is currently in development, is thought to have a longer range than the Agni II, being designed specifically as a nuclear delivery system against China. India is also acquiring submarine to complete the maritime component of its nuclear weapons triad.

Table 3: Indian Missile Systems 2002⁴⁴

Designation	Range (km)	Payload (kg)	First Launch	Operational	Inventory
Prithvi	150 250	1,000 500-750	25 Feb. 1988	1994	75+
Sagarika	250-300	500			None
Dhanush	300-350	500			None
Agni	2,500	1,000	May 1989	2000+	None
Surya	12,000	-	-	-	None

There is much speculation concerning Indian plans for an intercontinental ballistic missile (ICBM) programme, referred to as the Surya. Some Indian defence writers argue that possession of an ICBM is a key symbol in India's quest for recognition as a world power and useful in preventing diplomatic bullying by the United States. Most components needed for an ICBM are available from India's mostly indigenous space-launch programme. India could possibly convert its Polar Space Launch Vehicle into an ICBM within a year or two of a decision to do so. India is also cooperating with Russia on the development of the Brahmos cruise missile.

The question arises whether India will need to conduct more nuclear tests before fully deploying its nuclear arsenals. The jury is still out on this question. In India several defence and nuclear scientists have maintained that no more nuclear tests are needed; others have argued that they are crucial, especially if India plans to develop a nuclear triad as envisaged in its Draft Nuclear Doctrine. The central pillar of the triad, a nuclear submarine force, cannot be deployed without sub-surface testing of suitable missiles. Thermonuclear devices would also need more testing, since the single ambiguous test conducted in May 1998 does not sufficiently prove that India has the capacity to build these advanced nuclear weapons. Development of the Agni III and longer-range missiles to establish a deterrent capability against China would also require extensive testing before deployment. Further steps are required to deploy these nuclear weapons which, in the Indian system, implies having them incorporated into the armed forces' tactical doctrine and familiarization drills.

THE STABILITY-INSTABILITY PARADOX

The belligerent security postures adopted by both India and Pakistan have created a classic security dilemma in which the drive for strategic advantage has led to the erosion of each country's security and stability, resulting in what Michael Krepon and Chris Gage refer to as a *stability-instability paradox*.⁴⁵ By conducting their nuclear tests in May 1998, and emerging as *de facto* nuclear weapon powers, both states have crossed a dangerous political threshold. From a policy of deliberate ambiguity both states now have minimum nuclear deterrence postures although India has a no-first-use strategy, which Pakistan has eschewed.⁴⁶ To legitimize their deterrence postures both sides have made a number of claims to the effect

that by becoming self-declared nuclear powers they have enhanced national and regional stability, reduced the likelihood of nuclear exchanges, deterred the potential for conventional war, reduced the likelihood of a nuclear arms race, and increased their respective bargaining powers in the international arena, thereby enabling them to promote the prospects for global nuclear disarmament.⁴⁷

South Asian strategic doctrine has been greatly influenced by the work of realist scholars such as Kenneth Waltz, Martin van der Creveld and Jordan Seng who as nuclear optimists posit that minor proliferators contribute to deterrence stability.⁴⁸ Ostensibly stability is achieved through two processes. First by hiding and moving small nuclear forces adversaries are deterred from being able to make a pre-emptive strike, because they could not ensure the successful elimination of an opponent's nuclear weapons.⁴⁹ Moreover, minor proliferators do not need large numbers of nuclear weapons to have a second strike force, thus preventing a destabilizing arms racing.⁵⁰ And second new nuclear weapon states are less likely to suffer the same command and control problems that the super-powers confronted during the Cold War.⁵¹ Seng claims that small nuclear forces allow central leaders to maintain "broad operational access with just a handful of domestic phone calls or transmissions."⁵²

Contrary to the nuclear optimists expectations of enhanced stability the regional security environment has deteriorated dramatically in the aftermath of the nuclear weapon tests. Mario Carranza's writing in early 1999 predicted that "the possession of nuclear weapons may encourage risk taking, not caution."⁵³ Without a doubt Pakistani military forces were emboldened by the possession of nuclear weapons when deciding to back mujahadeen incursions over the LoC in the Kargil region in the spring of 1999. The ensuing war resulted in the bloodiest exchanges between the two sides since partition. Political leaders on both sides traded threats that they would not hesitate to use nuclear weapons in the face of provocation.⁵⁴ It took concerted international diplomatic involvement to prevent the war sliding into a nuclear exchange.

The Kargil war illustrated just how destabilizing the South Asian nuclear arms race has become, and how deterrence theory has resolutely failed to stabilize relations between the rival states. Spurred on by their irreconcilable differences over Kashmir, both countries are now engaged in a race to weaponize their nuclear capabilities. They are accumulating

stockpiles of fissile materials, mating warheads to missiles, and improving the accuracy and range of missiles. The testing of short- and medium-range missiles, such as the Pakistan's Ghauri II and Shaheen II and India's Prithvi and Agni II missiles is a highly destabilizing characteristic of the on-going nuclear arms race. High speeds and short distances would entail warning times of only a few minutes, an extremely undermining factor in situations of tension.

One central problem with nuclear deterrence theory is the assumption of the rationality of the actors involved. In India and Pakistan there is every indication that the military bureaucracies are capable of organizational behaviour that is likely to lead to deterrence failures and deliberate or accidental war.⁵⁵ Statements made by senior Indian politicians during the 2002 military stand-off in Kashmir reveal a belief that a limited nuclear war can be survived.⁵⁶ Pakistan's lack of strategic depth and its adoption of a "first strike" posture reinforce international concerns that deterrence stability between these volatile states is highly fragile, particularly in the highly bellicose atmosphere that has developed since May 1998.

Given the geographical contiguity of the two antagonists, Pakistan's first-use strategy is highly troublesome, because there is little time (potentially of the order of minutes) for Indian decision makers to respond with restraint during a crisis. This makes the need for effective command and control systems essential if accidental war is to be prevented.⁵⁷ Both countries now claim to have instigated effective command and control systems, however, as Clayton Brown and Daniel Wolven have pointed out, a suitable command and control system can only be developed once leaders have clearly defined the deployment and operational strategies that their nuclear forces would pursue in a crisis situation.⁵⁸ Given the on-going developments of missile delivery systems and the vagaries of doctrinal statements, existing command and control systems are unlikely to be either safe or reliable, let alone both.⁵⁹ The fact that India may be reviewing its no-first-use option adds to the level of uncertainty about the reliability of existing command and control systems.⁶⁰

What makes India and Pakistan's nuclear relations so precarious is that they are taking place in the absence of any sort of restraint regime that might help to stabilize relations. At the very least a freeze on the ballistic missile race would be a necessary precondition to ease tensions between the two countries, before more serious steps towards denuclearization could be

taken. All that does exist is the bilateral agreement pursuant to the Lahore declaration from India and Pakistan to provide each other with advance notification of missiles tests.

Ashley Tellis thinks it is too late to roll back the nuclear weapons programmes and claims that the best that can be done is to encourage India and Pakistan to agree to confidence-building measures to diminish the risk of nuclear war.⁶¹ This line of reasoning accepts the argument that India and Pakistan have legitimate security concerns that justify nuclear weapons but as Carranza argues: “India and Pakistan are *not* more secure after the nuclear tests. India now faces greater constraints on using its conventional military superiority across the border in Kashmir because of the possibility of a Pakistani tactical or strategic nuclear response. Pakistan is also *less* secure because of its strategic vulnerability and inescapable dilemmas it would confront before making the decision to escalate war with India to the nuclear level. Should nuclear weapons be used in a future Indo-Pakistani war the destruction on both sides would be unimaginable and although India might survive as a functioning country Pakistan could well cease to exist.”⁶²

The levels of mistrust and suspicion are at an all time high and prospects for dialogue and negotiations appear remote. Unless the conflict over Kashmir is resolved the incentives for both countries to continue the arms race will remain powerful. In such an environment the danger of a nuclear exchange continues to be a very real possibility. An unnamed senior US official quoted during the military stand-off in Kashmir during the summer of 2002 observed that “It might be three months, it might be nine months, but we all know that India and Pakistan will go back to the brink again. Maybe next time they will go over the brink.”⁶³ Considering the history of misperceptions in prior Indo-Pakistan crises, such pessimism about the Indo-Pakistani rivalry is not hard to comprehend.⁶⁴

THE EFFECTS OF A NUCLEAR EXCHANGE

Arundhati Roy, the Indian writer and environmental activist, reminds us in a paper entitled “The End of Imagination” that:

If there is a nuclear war ... Our cities and forests, our fields and villages will burn for days. Rivers will turn to poison. The air will become fire. The

wind will spread flames. When everything is burned and the fires die, smoke will rise and shut out the sun. The earth will be enveloped in darkness. There will be no day only interminable night. What shall we do then, those of us who are still alive? Burned and blind and bald and ill, carrying cancerous carcasses of our children in our arms, where shall we go? What shall we eat? What shall we drink? What shall we breathe?⁶⁵

A great variety of circumstances, created intentionally or arising accidentally may trigger a nuclear conflagration in South Asia. The destructive power per unit of nuclear weapons can have an explosive yield far greater than the total of all explosives ever used since the invention of gun-powder. But the feature that makes nuclear weapons unique is that in addition to causing loss of life through blast or by burns, nuclear weapons have a third killer effect-radiation. And the lethal action of radiation extends well beyond the theatre of war and continues long after military hostilities have ended.

The actual effects of a future nuclear war are difficult to estimate because of the many quandaries involved. For instance, we can only guess at how many warheads will be exchanged and what types their yields will be. The impact of nuclear exchange also depends on the geographic location of the blast and on the modulation of the blast. M.V. Ramana in an article entitled "Bombing Bombay? Effects of Nuclear Weapons and a Case Study of a Hypothetical Explosion" has attempted to estimate the effects of a 15-kiloton air-burst over Bombay's financial district. From his calculations he has estimated that the total number of immediate deaths would be between 200,000- 800,000 depending on where the air-burst occurs over the city and what the population density of that area is. In the long-term there would certainly be many more deaths due to radiation related causes. These would include leukemia, thyroid cancer, breast cancer and lung cancer.⁶⁶

CHAPTER 2

ECONOMICS OF INSECURITY

The pursuit of military solutions to Indo-Pakistani disputes has failed to achieve a satisfactory outcome for either side, while the subsequent nuclearization of their rivalry has intensified instability and insecurity within the region. The political and military elites in both countries are still convinced that the rising costs of pursuing their current policies are a price worth paying, in order to maintain national security. But as military rivalry has intensified a vicious cycle has ensued, in which rising military expenditures and the acquisition of ever more destructive military capabilities no longer bear any relation to security. In fact they have become a measure of the growing levels of insecurity and instability and a reflection of the poor levels of attainment of human security and development within their societies.⁶⁷

MILITARY EXPENDITURE TRENDS

For most of the 1990s while global military expenditures were in decline, the South Asian region proved an exception to this trend. Between 1992-2001 regional military expenditures increased by 54%, rising from US\$ 11.3 billion in 1992 to US\$ 17.4 billion in 2001 (1998 prices).⁶⁸ India and Pakistan accounted for 85% of these expenditures, with India accounting for two-thirds of the total.

As we have seen the levels of military expenditure attained in both countries are determined by a multiplicity of interrelated factors.⁶⁹ The regional arms dynamic and the patronage demands of politically powerful military establishments have ensured that the national defence burdens of India and Pakistan bear little relationship to the justifiable needs of basic self-defence. Casual observation suggests that economic growth rates are an important determinant of increasing military expenditures, but the share of military expenditure in national output in India and Pakistan has tended to be fairly independent of the GDP growth rate.⁷⁰ This is particularly so in the

case of Pakistan where poor economic performance does not appear to have inhibited military spending levels.

In a resource-constrained environment military expenditure diverts government resources that could be utilized for development such as poverty alleviation, improved education and health services, infrastructure development, etc. A joint study by the International Monetary Fund (IMF) and the World Bank found that in the average developing country a doubling of military expenditure reduced the growth rate for a while eventually leading to a reduction in the level of national income by 20%.⁷¹ War pushes military expenditures higher. One estimate put the cost of India's military presence in the remote Siachen glacier during the Kargil War at US\$ 700,000 a day.⁷² Both India and Pakistan announced increases in military spending after the war, Pakistan by 10% and India by 14%. The economic costs of war are, however, higher than those generated by military spending increases because conflict tends to inhibit trade and investment, and generate many socio-economic costs as a result of loss of life, displacement and interruption to production. According to the World Bank economist Paul Collier, who specializes in the economics of conflict, during war the growth rate is typically reduced by around 2%.⁷³

The economic losses associated with war often continue long after a conflict has been terminated, because of the loss of investor confidence and the perceived risks of further conflict. Pakistan has been particularly hard hit in this respect. Active military conflict can lock a country into a sustained phase of economic contraction and underdevelopment, which is independent of the actual rates of military expenditure.

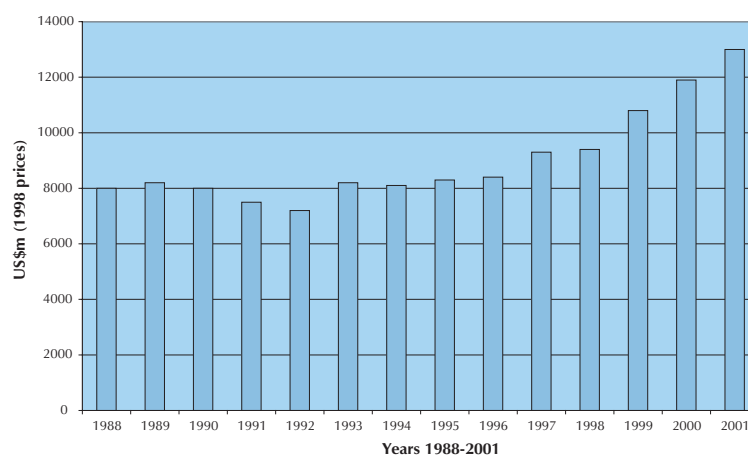
Indian and Pakistan have both experienced declines in GDP growth rates. Undoubtedly part of the explanation for declining growth rates is the global economic slow-down which has dampened trade and investment levels, but the effects of international sanctions that were imposed as a result of the nuclear tests in May 1998 have also taken their toll. Sanctions had a disproportionate effect on Pakistan, due to its dependence on external capital markets and overseas development assistance.

India's Military Expenditure Trends

India is ranked eleventh in SIPRI's top fifteen military spenders in the world.⁷⁴ Its 2001 budget of US\$ 12.9 billion (1998 prices), accounted for

2.7% of GDP. Based on official figures annual per capita expenditure on defence amounts to US\$ 10.5. India has more than 1.3 million men under arms and spends more on its military than South Korea, Israel, Turkey or Spain. During the 1980s official defence expenditure reached a peak of 3.7% of GDP, this was brought down to an average of 2.5% of GDP during the 1990s, but since Pokran II military expenditure has again been on an upward trend. Historically, Indian governments have been mindful of the trade-offs between military expenditure and economic growth and have endeavoured to keep military expenditure at a level that does not compromise other national priorities. However, there is some indication that the BJP is less sensitive to these issues. The rise in nationalist sentiments that threaten to undermine India's inclusive, liberal and secular polity with a new monocultural vision centred on Hindu revivalism has spilled-over into a more belligerent and assertive foreign and security policy. The desire to assert Indian hegemony within the region and beyond is manifest in a power projection policy, which is obsessed with enhancing military strength. Such aspirations, which partly explain the decision to go nuclear, come at a price reflected in rising military expenditures.

Graph 1: Indian Military Expenditure Trends 1988-2001
(US\$ millions, 1998 prices)⁷⁵



The largest increases in military expenditure occurred following the tests in May 1998 and the Kargil campaign in Kashmir in 1999. India's expenditures generated by the war were estimated at Rs100 million per day, which was met by an extra allocation to the defence budget of Rs 17.3 billion.⁷⁶ In the aftermath of the war, the Indian military set out ambitious proposals for the acquisition of approximately US\$ 1.45 billion of conventional defence equipment and ammunition from Russia, France, South Africa and Israel, including the purchase of a new aircraft carrier, a squadron of Mirage 2000 and Su-30 combat aircraft, and Russian T-90 tanks.⁷⁷ The military are also considering an upgrade of India's submarine fleet and has signed agreements with Israel to buy artillery shells, radar systems and drones. The budget announced in February 2000 designed to accommodate some of these new purchases, represented a 28% increase on the previous year, taking Indian military expenditures to US\$ 13.5 billion (at 2001 prices).

The Indian government claims complete transparency in its defence budgetary allocations, but there is evidence to suggest that a significant percentage of military related expenditures are allocated under alternative budgetary headings.⁷⁸ For instance:

- Pension liabilities of the armed forces are allocated to civilian budgets. It was estimated that in 1998 military pension payments were worth the equivalent of 14% of the defence budget. Expenditure on the Ministry of Defence is also debited to civilian budgetary headings. This conforms to the general convention of funding all Ministries from a central budget.
- Expenditures on paramilitary forces like the Border Security Force, Central Reserve Police Force, Indo-Tibetan Border Police and Assam Rifles, are all funded by the Ministry of Home Affairs. These paramilitary forces come under the control of the Army when they are employed in counter-insurgency operations. In 1999 the Indian government spent some US\$ 773 million on paramilitary forces.
- A significant amount of the spending on India's nuclear weapons programme is accredited to the Atomic Energy Commission (AEC), which has a separate budgetary process. The manufacture of nuclear weapons is undertaken jointly with the AEC and the Defence Research and Development Organisation (DRDO), which are also funded independently.

- A significant part of the cost of the missile programme is underwritten by the Satellite Launch Vehicle Programme of the Indian Space Research Organisation (ISRO).

Following Pokran II the Department of Energy, which oversees AEC activities, and the Space Agency received dramatic increases in their allocations to cover the rising costs associated with the expanding nuclear weapons programme.⁷⁹ The Department of Energy received a 59% increase in its budgetary expenditures and the Department of Space a 62% increase. Together these two departments received an increase of just under Rs 1.2 billion in 1999. Clearly if these items were included into the official defence budget the military burden would be significantly higher than the government currently claims.

Nuclear weaponization is undoubtedly a major factor pushing up the formal and off-budgetary military allocations. It is not easy, however, to calculate the cost of the programme because of the high levels of secrecy attached to all aspects of nuclear weaponry. Nevertheless, there have been a number of estimates made, some more realistic than others. One attempt, made by Peter Lavoy, the Director of Counter-Proliferation Policy in the Office of the US Secretary of Defence, claims that India has allocated more than US\$ 1 billion for the design and manufacture of the Prithvi and Agni missiles and is likely to have spent five times that figure, or US\$ 5 billion, for the production of fissile materials and the manufacture of a few nuclear warheads.⁸⁰

While these costs are significant, of greater concern is the price that New Delhi must pay to establish a credible and secure nuclear deterrent in the future. In 1994 K. Subrahmanyam suggested that India desired a force of some 60 warheads carried on ballistic missiles and on aircraft, which would cost about US\$ 250 million over 10 years.⁸¹ If this seems a low estimate it is because of the assumption that a substantial part of the costs have already been spent over the past 30 years of the programme's life, and therefore constitute sunk costs. However, this estimate does not take into account the cost of delivery systems, command and control systems, security systems or the life cycle costs of the weapons.⁸² A more realistic assessment has been made by Rammanohar Reddy who has taken the full spectrum of costs into consideration. Based on the evidence provided by retired military officers with professional insight into the nuclear weapons programme Reddy has calculated that in order to have sufficient weapons

to counter both Pakistan and China an arsenal of between 120-150 weapons will be required.⁸³ This figure would enable India to devastate about five major cities in Pakistan and ten in China, assuming that each warhead has a 15-20 kiloton capacity, similar in size to those dropped on Hiroshima and Nagasaki. India's stocks of weapon-grade plutonium are likely to suffice for only 50 nuclear warheads, therefore, if a hundred additional 15-20 kilotons weapons are required, India will need an additional 800 kilograms of plutonium. Existing reactors do not have the capacity to produce this quantity so India will have to build a new reactor. On the basis of these defined needs the capital costs are likely amount to around US\$ 7 billion (1998 prices) spread over about ten years. This total does not include the life cycle costs such as development, operation and maintenance costs, which are calculated at between US\$ 10-12 billion (1998 prices). Reddy's estimates of the cost of the different components of Indian's nuclear weapons programme are provided in Table 4.

Table 4: Investment Costs of India's Nuclear Weaponization (1998 prices)⁸⁴

Cost/Programme Components	Rupees (millions)	US\$ (millions)
Capital Costs		
One plutonium reactor	700	175
One missile production plant	500	125
150 nuclear weapons	600	150
Cost of missiles	4,025	100
Cost of refitting JAF squadron	60	15
Cost of 3 N-submarines	12,000	3,000
Cost of C3I system	3,525+	900+
Cost of 2 remote sensing satellites	2,000	500
Cost of Radar and missiles defence systems	5,000	1,250
Sub-Total	28,410	6,215
Development, operation and maintenance	40-50,000	10-12,000

NB: To overcome the costs and time delays in building submarines India has opted for a cheaper option by leasing equipment from Russia. In January 2003 India signed a US\$ 3billion deal with Russia to lease four long-range nuclear bombers and two nuclear capable submarines.⁸⁵

If the costs are spread over ten years, from 1999-2009, the annual costs of weaponization will amount to roughly 0.5% of GDP, which is not insignificant. It will consume 5% of the central government's tax revenue each year and increase total annual defence expenditure by about 10% per annum. Costs increases of this magnitude are likely to prove onerous to the Indian economy. The dramatic increases in military expenditures that have occurred since 1999, particularly the 28% rise in January 2000, have already placed a severe strain on the central government budget. Any further demands are likely to generate substantial opportunity costs, particularly for development and poverty alleviation. Rammanohar Reddy has provided an insight into the scale of the opportunity costs of India's nuclear weaponization programme. (See Table 5.)

Table 5: Opportunity Costs of India's Nuclear Weaponization Programme (1998 prices)⁸⁶

Military Programme	Rupees (millions)	US\$ (millions)	Alternative Use of Resources
One nuclear bomb	4	1	3,200 rural houses
One Agni missile	60	15	Annual operation costs of 15,000 primary healthcare centres
Missile production facility	500	125	Drinking water for 37,000 villages
Arsenal of 150 nuclear bombs	600	150	Central government funding of all public health programmes
One nuclear powered sub-marine	4,000	1,000	Cost of 1,000 megawatt power plant
Annual cost of weaponization (minimum expenditure)	3,000	750	Central government expenditure on elementary education 1998-99
Total cost of weaponization	40-50,000	10-12,000	15 million rural houses or Incremental cost of providing universal primary education for all Indian children of four years and over

NB: All costs are in current prices. No attempt has been made to include the sunk costs of the programme up to 1998. The estimates only include future costs of

India's weaponization programme, which are assumed to be spread over the ten-year period 1998-2008.

Pakistan's Military Expenditure Trends

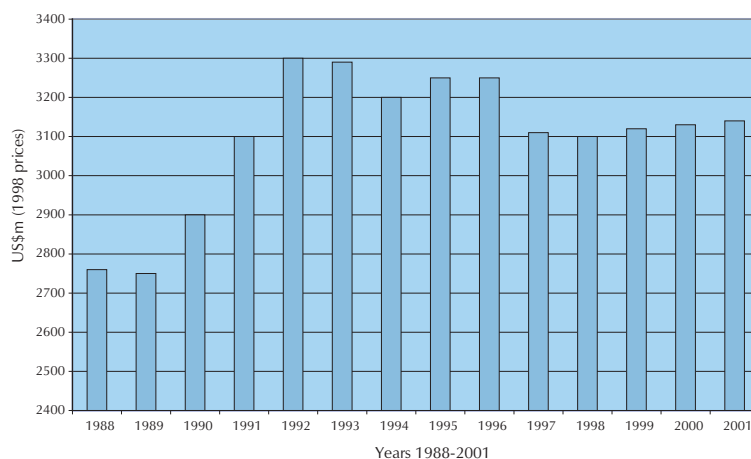
Successive Pakistani governments have justified the maintenance of high levels of military expenditure, in order to meet the threat posed by India's overwhelming military power. Ayesha Siddiqa-Agha argues that internal as well as external political dynamics have been equally important in defining Pakistan's military expenditure trends.⁸⁷ From the day Pakistan was created militarism has been a pervasive phenomenon of Pakistan's domestic political life. Stephen Cohen notes that the Pakistani army "has used its power and special position within Pakistan to ensure that it be supplied with adequate weapons, resources, and manpower. It has always regarded itself as the special expression of the idea of Islamic Pakistan, and a few officers have advocated an activist role in reforming or correcting the society where it has fallen below the standard of excellence set by the military."⁸⁸

The military's prescribed role as defender and ideological guardian of Islam, has afforded the military a special status in the nation's political hierarchy, and has justified its interventionist role in domestic politics. Since independence Pakistan has experienced four military coups,⁸⁹ with the result that the country has spent 25 of the 55 years since its inception under military rule. During its periods of political control the Pakistani military have engaged in repeated military adventurism, resulting in a series of disastrous and costly wars with India.

Under General Ayub Khan military expenditure peaked at 9.7% of GDP (1965) accounting for 63.5% of central government expenditure largely as a result of the war with India in Kashmir. Expenditure again soared in 1971 under the disastrous leadership of General Yahya Khan as a result of the war in East Pakistan this time reaching 7.5% of GDP, or 58.6% of central government expenditure.⁹⁰ During the 1980s, under General Zia ul Haq, military expenditures averaged out at 6.6% of GDP. Even when the military were not in power they have been able to exert considerable pressure on civilian governments to maintain high military expenditures. For instance in the mid-1990s military spending peaked at 7.1% of GDP.⁹¹

Repeated military defeats by India have done little to dampen Pakistan's belligerence, rather its has reinforced the justification for maintaining high military spending, in order to counter the threat posed by India's overwhelming military superiority. For much of the period of independence military expenditures have accounted for between 40%-50% of central government expenditure and have been a major factor contributing to budgetary deficits and rising levels of indebtedness. Since the mid-1990s, however, the government has been under considerable pressure from the international financial community to reduce defence spending in order to regain macroeconomic stability and keep the debt burden under control. The decline in military expenditure in 1996 indicated that such pressure was producing results. By the year 2000 military expenditure accounted for 4.5% of GDP and just over 21% of government expenditure. This positive downward trend was reversed in 1999 following the nuclear tests and Pakistan's defeat in the Kargil war in 1999, when military spending rose by 10% from US\$ 2.9 billion in 1999 to just under US\$ 3.1 billion in 2000.

Graph 2: Pakistan Military Expenditure Trends 1998-2001
(US\$, millions, 1998 prices)⁹²



As the government has attempted to reconcile the demands of its international creditors, particularly those of the IMF, with the demands of

the military, a growing proportion of Pakistan's military expenditure has become concealed under alternative budgetary headings. The *Military Balance* has estimated that if off-budgetary items such as nuclear related spending and allocations to its paramilitary forces are included, Pakistan's military spending would be around US\$ 4 billion per annum, that is almost a third higher than the official military spending data suggests.

Like New Delhi, Islamabad has been reluctant to reveal the full cost of its nuclear weapons programme. Peter Lavoy estimates that Pakistan is likely to have spent about US\$1 billion on the design and manufacture of a small number of nuclear-capable missiles—the Ghauri and Shaheen missiles and roughly \$5 billion on the production of fissile materials and the manufacture of a few nuclear weapons.⁹³ The cost to Pakistan of producing an operational nuclear deterrent is likely to be lower than that of India's owing to its greater reliance on foreign suppliers. Nevertheless, as Pakistan is a much poorer and more indebted country than India, the opportunity costs are likely to be much higher. Lavoy has predicted that like the Soviet Union, the cost of creating and maintaining a credible nuclear deterrent could escalate "to the point of bankrupting the governments and societies supporting the development of weapons of mass destruction."⁹⁴ Given Pakistan's precarious economic situation this prediction may come true sooner rather than later.

THE ECONOMIC EFFECTS OF MILITARY EXPENDITURES

The effects of military expenditure on growth and development are variable and complex.⁹⁵ The main factors to be considered include: macroeconomic effects, budgetary trade-offs, and the effects on human development.

Aggregate growth is affected by high and rising military expenditures, through its effects on savings and investment.⁹⁶ The most detrimental effect is on resources available for investment, which tend to accrue from national savings. In a supply-constrained environment, defence expenditures can reduce national savings in three ways:

- By increasing budget deficits and reducing government surpluses;
- By drawing down on foreign reserves for arms imports at the expense of importing investment (capital) goods;

- By reducing private savings as private consumption is forced to increase as a result of cuts in social provisioning (i.e., health, education, personal security, etc.).

The most common trade-off is in budgetary planning, where the crowding-out effects of military expenditure can be strong. At the level of central government expenditure military spending has been found to crowd-out social and infrastructure expenditures. Which sector loses or gains cannot be predicted and there is much variability across time and space depending to a large degree on the government in power. The financing of defence expenditures may also increase the burden of internal and external debt, particularly in circumstances of acute economic constraints. Debt servicing adds to budget deficits and can create a vicious cycle that ultimately limits public investment and thus development gains. Where rising military expenditures are financed by deficit and borrowing, a trade-off exists between current consumption and future consumption.⁹⁷

Where high or rising military expenditure crowds out social spending it generates opportunity costs. Opportunity costs refer to the sacrifice involved in using resources for one form of public expenditure, rather than another form of public expenditure, i.e., the alternative use of those resources. The opportunity costs associated with high or rising military expenditures tend to be higher in countries that experience severe resource constraints.

In many developing countries the decline in public expenditures caused by the crowding out effects of military expenditures have been shown to have an adverse effect on human development. Prolonged under-investment in human development is the main culprit for weakening growth performance in developing countries as it affects productivity levels due to poor education, skill and health levels.

India

The dramatic increase in India's military expenditure that has occurred since 1998 is placing increasing pressure on the government's budget thereby contributing to a growing budget deficit and increasing levels of indebtedness. The ability of the Indian government to increase dramatically military expenditure without incurring increased levels of domestic or

external debt is minimal. This is partly because the scope for increasing taxation is limited and the potential to reallocate resources from other items of public expenditures is circumscribed by the fact that existing national commitments to politically sensitive outlays such as food, fertilizers, electricity and so on, cannot be altered without political turmoil.

Despite a relatively buoyant rate of growth of 5.2% of GDP in 2002, the country has a significant fiscal deficit, which it has been unable to bring under control at both the central government and state level. The general government (central and local state) deficit in 2002 was at 9.1% of GDP up from about 5% in the mid- to late-1990s. The government's failure to bring the deficit under control despite a decade of high growth is a major factor contributing to India's sagging economic performance. The fiscal deficit is an obstacle to reducing inflation and implies higher interest rates and a heavy burden of interest payments, which has been crowding-out government spending in capital formation and in social provision.

If the growing deficit is financed mostly by expanding the Reserve Bank of India (RBI) credit to the government, the effect will be higher inflation and pressure for the depreciation of the rupee, and eventually higher nominal interest rates. If mostly borrowing in international capital markets finances the deficit, the effect will be to erode economic sovereignty and to make the economy more susceptible to external shocks. Already increases in Indian government borrowing at market rates, have resulted in a steep escalation of the interest burden. In 1999 around 40% of the central government revenue was allocated to interest payments to service external debt.

Table 6: India Macroeconomic Indicators 2000⁹⁸

Key Indicators	1999	2000
GDP Growth (%)	6.4	5.8
Inflation (%)	3.3	7.0
Consolidated Public Sector Deficit as % of GDP	11.3	11.0
External debt as % of GDP	22.0	22.3
External Debt Service as % of GDP	17.5	13.1

The government budget deficit was estimated to be 5.4% of GDP in the fiscal year 2002 slightly higher than 5% in 2001.⁹⁹ Combined with the deficits of state governments, it is estimated that borrowing accounted for 10% of GDP in 2001. Commenting on India's 2001 budget *The Economist* noted that "Historically one of India's biggest problems has been that recurring episodes of fiscal duress have been dealt with by cutting public spending that is needed, while shelling out more and more on programmes that are wasteful, or worse."¹⁰⁰ The detrimental effect of rising military expenditures is not lost on this commentator: "with a very large increase in defence spending (unsurprising in view of the fractious state of Indo-Pakistan relations) and no more than a modest flow of revenue from privatisation, this leaves the scope for needed public investment after this budget looking slim."¹⁰¹ By proceeding with the weaponization and deployment of its nuclear capacity the detrimental effects of rising military expenditures are likely to increase, adding to India's deficit and by implication its external debt burden.

The Indian economy was not adversely affected by the sanctions imposed by the international community following the nuclear tests in May 1998. This was because India is not overly dependent on international capital markets and therefore the budgetary effects of sanctions were accordingly less severe than the effects on the Pakistani economy. The termination of foreign assistance cost India about US\$ 51.3 million in aid which affected specific development projects but provided little incentive to terminate its nuclear programme as the budgetary impact was minuscule.¹⁰²

Pakistan

Pakistan is an exceedingly poor nation, with an average per capita income of only US\$ 440, a deteriorating macroeconomic situation reflected in low rates of growth and an unsustainable level of debt. Pakistan's economy has been in crisis for over a decade. Aggregate growth fell below 4% per annum for most of the 1990s, making Pakistan the slowest growing country in South Asia. This trend had reversed the respectable rate of growth that had been achieved during the 1980s averaging out at 6% per annum. Not only is growth slow, but also government finances are in a critical condition. Tax collection fell to only 16% of GDP in 2000 with actual collection less than half of what it should have been. This contributed to a

chronic fiscal deficit that rose to 6.4% of GDP in 2000. Net official indebtedness accounted for 120% of GDP and net public external debt accounted for 230% of export earnings in the year 2000.¹⁰³ This makes Pakistan one of the most externally leveraged economies in the world and made it highly vulnerable to the effects of international economic sanctions that were imposed in 1998 following the nuclear tests.

Table 7: Pakistan Country Profile 2000¹⁰⁴

Key Indicators	
Population (millions)	138.1
GDP (US\$ billions)	61.0
GDP Growth (%)	3.7
GNP per capita (US\$)	440
Current Account Balance/GDP	-5.4
Total Debt (US\$ billions)	26.6
Total Debt/GDP (%)	43.6

Against a background of deficit and debt the impact of international sanctions on the Pakistani economy were very severe.¹⁰⁵ The seriousness of the situation became apparent when the government declared a national emergency and suspended the constitution immediately after the nuclear tests, as the economic crisis deepened. Before the imposition of sanctions the Pakistani government had predicted a growth rate of about 6% for 1998 but had to revise this forecast to 3.1% for 1999.¹⁰⁶ Sanctions hit Pakistan severely because of its dependence on international capital markets for loans and concessions.¹⁰⁷

Currently interest on public debt plus defence spending consumes 70% of total government revenues, thus crowding out many other areas of public expenditure. The total public and private debt to GDP ratio has risen almost uninterruptedly for the past two decades. The growth in the fiscal deficit and public debt coincided with rising levels of military expenditure at the end of the 1980s when defence spending as a proportion of GDP peaked at 7.2% in 1987. Despite the fact that Pakistan relied heavily upon external military aid to fund its weapons modernization programmes, in

almost all cases it has had to pay interest on these concessional loans which significantly increased Pakistan's interest payments on debt which have grown from a modest 2.4% of GDP in 1982 to the level of 7% of GDP in 2001.¹⁰⁸

Table 8: Macroeconomic Indicators¹⁰⁹

Key Indicators (%)	1980s	1990-1994	1995-1999
Compound growth rate of real GDP	6.5	4.9	3.3
Inflation	7.2	11.5	7.9
Fiscal deficit/GDP (excl. grants)	7.1	7.2	6.5
Fiscal deficit/GDP (incl. Grants)	6.4	6.7	6.4
Public debt/GDP	66 (mid-1980s)	94 (mid-1990s)	101 (mid-2000)

In the mid-1980s public debt as a proportion of GDP amounted to 66%; by 2000 this had risen to 101% of GDP. On 30 June 2001 public debt was about US\$ 61 billion at end period exchange rates. According to one report the World Bank has ranked Pakistan in the same category as the Congo and Ethiopia, in terms of severely indebted poor nations.¹¹⁰

The debt burden has exacerbated the budgetary squeeze due to the rising cost of debt servicing. The IMF has been administering strict conditionality in exchange for foreign currency support, involving constraints on public expenditures, including military spending. This external pressure largely accounts for the downward trend in military expenditures throughout the 1990s, which fell from 6.8% of GDP in 1990 to 4.5% of GDP in 2001.¹¹¹ The World Bank had projected that military expenditure would continue to decline to 3.3 % of GDP by 2004, if Pakistan stayed on course with the IMF structural adjustment programme, but this projection was based on the assumption that regional tensions, particularly the Kashmiri dispute, would abate. Since making this projection regional tensions have increased due to the crisis in Afghanistan, and the deepening hostilities between India and Pakistan over Kashmir.

Mindful of the detrimental effects of a continued arms race with India the World Bank has observed that “a new arms race with India could be fiscally disastrous. Clearly the projected redirection of public expenditure away from defence and interest and back towards the development budget is fundamental to achieving the growth and social objectives that Pakistan has set for itself.”¹¹²

The aftermath of 11 September has seen a number of developments in the Pakistani economy. On the one hand there have been negative effects. International capital has downsized its operations in Pakistan because of the insecurities associated with operations in Afghanistan and the rising level of instability within Pakistan itself. Trade with Pakistan and export orders have also declined. Estimating the losses in trade the Ministry of Commerce has reported that in 2001 “exports could decline by US\$ 1.4 billion this year as buyers are reluctant to book new orders and some of them have cancelled the old orders.”¹¹³ An additional negative factor has been the rise in military expenditure that has occurred in the post 11 September period, which has placed an extra burden on the Pakistani economy. At this point it is still too early to assess what the financial burden of being a frontline state in the war against terrorism. Estimates of between US\$ 1.5-2.5 billion in the financial year 2001 have been made in the Pakistani press, but these estimates are by their speculative nature, very unreliable.

On a more positive note General Musharraf’s support for the war against terrorism has resulted in considerable economic benefits. US sanctions were waived and various financial aid packages including fresh loans from the IMF and World Bank, the rescheduling of debt payments and wider access to international markets have been the rewards.

The Pakistani government had hoped for a complete debt write-off deal, but so far this has not materialized. Rather debt arrears have been rescheduled. Most of the assistance that Pakistan has received is in the form of loans, which while easing the current situation only adds to the long-term debt. So in many ways Pakistan may end-up worse off in the long run. Shalini Chawla concludes that “it remains to be seen whether the Pakistani economy is able to exploit the opportunity created by the current inflow of international financial assistance by changing its economic strategy and overcoming the domestic unrest. Otherwise the negative effects of the war will outweigh the positive effects and leave Pakistan’s economy in a much worse position than it was prior to September 11, 2001.”¹¹⁴ International

estimates of the costs to Pakistan of the events of 11 September and the subsequent military campaign in Afghanistan range up to US\$ 2 billion, which includes the negative impact on trade and investment. Thus despite the large increases in aid, it may be that Pakistan has only accrued marginal economic benefits from its involvement in the war against terrorism.

Table 9: Pakistani Financial Gains Since 11 September¹¹⁵

World Bank	US\$ 300 million	For the privatization and restructuring of the banking sector
IMF	Special Drawing Rights (SDR) of US\$ 1.322 billion	A three-year arrangement
Asian Development Bank	US\$ 950 million for year ending December 2001	A substantial rise from the original loan of US\$ 626 million
United States	US\$ 1 billion	Rescheduled debt of US\$ 379 million US\$ 95 million in direct assistance for democracy, education, health, child labour and elimination of drugs trade US\$ 30 million food assistance US\$ 73 million for border security and law enforcement US\$ 400 million export-import assistance US\$ 200 million in Overseas Private Investment Council funds
Japan		Rescheduled repayments on US\$ 550 million loan
Canada		Rescheduled repayments on US\$ 238 million loan plus US\$ 300 million loan converted into development assistance
Great Britain	US\$ 152 million	Three year loan
United Arab Emirates	US\$ 265 million	Financial assistance for hydropower projects

THE HUMAN DEVELOPMENT COSTS

High or rising military expenditures have been shown to crowd out those social welfare expenditures that are critical to human development.¹¹⁶ A series of United Nations studies on the opportunity costs of military expenditures in developing countries found that the diversion of expenditures to military functions left a lack of resources to meet basic human needs exacerbating indices of poverty, infant mortality, inadequate housing, poor health care provision, lack of clean water, sanitation, education and so on.¹¹⁷ To a certain degree these trade-offs have been made consciously in Pakistan, and not only by the ruling military elite. In 1969 Zulfikar Ali Bhutto argued that “Pakistan’s security and territorial integrity are more important than economic development.”¹¹⁸

In both India and Pakistan the leading elites have presented military expenditure as a “public good” with beneficial socio-economic effects. Ostensibly the security military expenditure established creates the conditions for investment and economic growth to flourish. Moreover it is claimed to have a positive impact on investment through various spin-offs that complement civilian economic activities. Empirical evidence does not support the claim that spin-offs from military expenditure aid growth and development.¹¹⁹ As was highlighted in the previous section rising military expenditures have incurred increasing levels of deficit and external debt, (a problem of chronic dimensions in Pakistan). According to the World Bank debt build-up and the diversion of funds into the military have several adverse implications for development:¹²⁰

- It makes an economy more vulnerable to exogenous political and economic shocks;
- It squeezes development spending in order to contain budget deficits. In Pakistan for instance development spending fell from 10% of GDP in 1980 to less than 3% by 2000;¹²¹
- It stunts the development of human capital, which is at a premium in a globalize world economy;
- It adversely affects the quality of life for the poor and marginalized through poor social provision;
- It imposes cuts in public investment in infrastructure such as roads, power, water supply and irrigation, thus raising the cost of doing business;
- It discourages private investment.

The long-term diversion of public resources away from development goals has contributed to both countries' poor performance on the Human Development Index (HDI), developed by the United Nations Development Programme (UNDP).¹²² The HDI is a composite measure of basic social indicators such as life expectancy at birth, educational attainment (measured in terms of the adult literacy rate and school enrolment rates) and per capita income (measured in terms of purchasing power parity which provides a better measure of progress in development than the more traditional per capita income indicator used by mainstream economists). The human development index has been constructed every year since 1990, in an attempt to measure average achievements in basic human development in one simple composite index, and to produce a ranking of countries accordingly. With the normalization of the values of the variables that make up the HDI, its value ranges from 0 to 1. The HDI value of a country exposes the distance that it has already traveled towards the maximum value of 1 and also allows for comparisons with other countries. The difference between a country's value and the maximum value reveals the development shortfall-and provides a challenge to a country to reduce its real levels of poverty. Out of a survey of 175 countries India ranks 124 and Pakistan 138 on the HDI.

The Millennium Development Goals:

- Halving the proportion of the world's people living on less than US\$ 1 a day;
- Halving the proportion of the world's people suffering from hunger;
- Halving the proportion of the world's people without access to safe drinking water;
- The achievement of universal completion of primary schooling;
- The achievement of gender equality in access to education;
- A reduction in maternal mortality ratios by three-quarters;
- A reduction in under-five mortality rates by two-thirds;
- A halt and reversal to the spread of HIV/AIDS, malaria and other major diseases.

Table 10: India and Pakistan Human Development Index 2002¹²³

Country and HDI Rank	India 124	Pakistan 138
Life expectancy at birth	63.3	60.0
Adult literacy rate (%)	57.2	43.2
School enrolment (% of population)	55	40
Real GDP per capita (purchasing power parity \$)	2.358	1, 928
Population living on less than \$1 a day	44.2	31.0
Population living on less than \$2 a day	86.2	84.7
HDI value	0.577	0.499

The most basic requirements for human development are health, education and a decent standard of living. Without these, many choices are simply not available to the tens of millions of Indians and Pakistanis who live below the poverty line and whose opportunities in life remain inaccessible. Provisioning of these areas in both countries is very poor despite the commitment that both India and Pakistan have made to increase expenditures on health and education during the United Nations Millennium Summit in 2000.

At the United Nations Millennium Summit the international community agreed upon an ambitious agenda for reducing poverty and improving the lives of the poor. Among the many objectives set out by the declaration are specific, quantifiable and monitorable goals for development and poverty eradication by 2015, known as the Millennium Development Goals (MDGs).

The UNDP's *Human Development Report 2002* follows individual countries' progress towards the MDGs.¹²⁴ It has found that with respect to the target to halve the proportion of people suffering from hunger by 2015, India is far behind. On the target to reduce under-five and infant mortality rates India is lagging and Pakistan is far behind. A UNESCO report released

in November 2002 entitled *2002 Education for All Global Monitoring Report: Is the World on Track* argued that on the basis of its current performance India is unlikely to achieve the goals of universal primary education, gender equality or halving illiteracy rates by 2015.¹²⁵ This is because despite the fact that India enjoyed average rates of GDP growth around its 6% target, over the last few years, public expenditures have not been increased sufficiently to ensure a better distribution of resources and opportunities. Educational expenditures for example have remained constant at 3.2% of GDP for the last 15 years, while public health expenditure has declined as a proportion of GDP from 0.9% in 1990 to 0.7% in 1998.¹²⁶

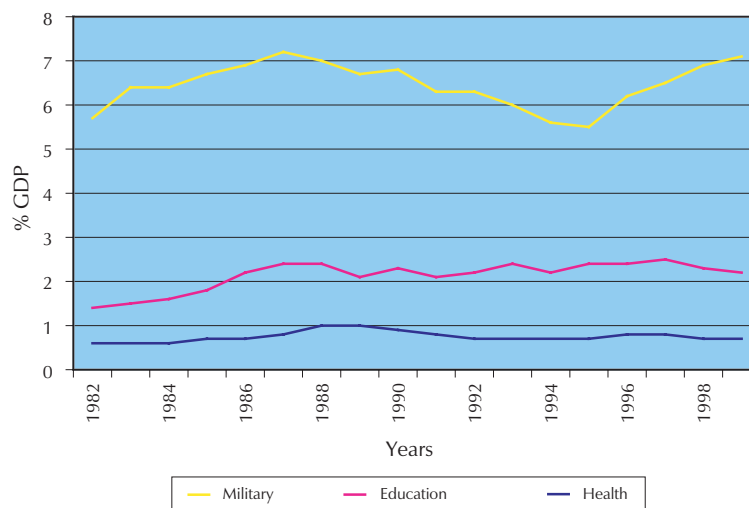
India has made some impressive development gains in recent years, but still some 35% of the country's population lives below the poverty line—defined as access to minimum calories needed for healthy living, and some 47% of children under five remain malnourished. Some 2.2 million infants die each year, although most of these deaths are avoidable, and 550 million people are still illiterate. Close to 85% of the population is reported to have access to safe drinking water, however, problems of rapidly declining water tables, deteriorating quality and increasing contamination threaten this availability. Despite the narrowing of gender gaps along several fronts, a strong anti-female bias still pervades Indian society. Given current economic circumstances particularly the budgetary pressures imposed by rising military expenditures it is unlikely that either India will succeed in achieving its human development targets by 2015.

As military expenditures have grown the rate of poverty reduction has slowed down dramatically particularly in rural areas, which have experienced a reduction in social expenditures.¹²⁷ According to the World Bank the poor states in India would need to increase real outlays for primary education at the rate of 13% per annum in order to achieve universal education and effect quality improvements by the year 2007. Similarly basic health needs of the population and the goal of "Health for All" cannot be met without substantial increases in expenditure.¹²⁸

In the case of Pakistan the prospects for meeting its Millennium Development Goals are far bleaker than those of India. Stagnation and underdevelopment have become structural features of Pakistan's development performance. Current estimates suggest that one third of Pakistan's total population that is some 47 million people live in absolute

poverty.¹²⁹ Unemployment and underemployment affect 5.8 million people increasing at an annual average of at least 500,000. Only 40% of the population is literate (28%), compared to the average literacy rate of 49% in South Asia and 53% in low-income countries worldwide. Infant mortality remains high at about 90 per 1,000 live births, compared with an average of 73 per 1,000 in South Asian countries and 83 per 1,000 in low-income countries worldwide. Low levels of education and poor health continue to constrain the growth of productivity throughout the economy.

Graph 3: Government Spending Priorities¹³⁰



Robert Barro has shown that investment in human development via health and education expenditures are particularly important determinants of economic growth and development for Pakistan.¹³¹ A World Bank background paper to the 2002 Pakistan poverty assessment showed education to be the most important among the factors that impact on the country's long-term growth of per capita income. A 10% increase in the secondary school enrolment rate was found to result in a 0.5% increase in the subsequent average per capita growth rate.¹³² Yet Pakistani public expenditure on education has been declining due to the crowding out effects of military expenditure and deficit funding.

For much of the Cold War generous donations of foreign assistance helped to mask the underlying structural weakness of the Pakistani economy and averted attention from weaknesses being generated by what can essentially be described as a war economy. In the 1990s the failings of the Pakistani economy became more apparent as the costs of its burgeoning military budget and the associated debt burden could no longer be ignored. An estimated 70% of federal spending goes to debt servicing and defence, which results in the government's continuing inability to fund basic social services and other important development needs. This has exacerbated problems of internal dissent and Islamic radicalization, and as radical Islamic groups have provided assistance where the state has failed, the unfortunate consequence has been the further radicalization of larger sections of society. In the wake of 11 September US military assistance has yet again bailed out a Pakistani military regime. But this will only provide temporary relief to a government that is prepared to bankrupt its economy and sacrifices the well being of its citizens in its race to maintain nuclear parity with India.

When security, welfare, justice and basic necessities are not provided for, states fail. According to Mary Anne Weaver, Pakistan's structural weakness is so advanced that it "could well become the world's newest failing state—a failed state with nuclear weapons."¹³³ All the signs of a collapsing state are there such as an unsustainable debt burden, economic crises, erosion of the rule of law, social unrest, political instability, corrupt governance, private militias, gun and drug smuggling, and rent-seeking political elites.¹³⁴ Recent financial support and debt forgiveness from the US in exchange for cooperation in the war against terrorism has delayed the state's demise, but unless there is a radical transformation in the economic and political governance of the country, the collapse of the state is unlikely to be averted. On this issue Stephen Cohen has observed that: "Pakistan's most unique feature is not its potential as a failed state but the intricate interaction between the physical/political/legal entity known as the state of Pakistan and the idea of the Pakistani nation. Few if any other nation-states are more complex than Pakistan in this respect, with the Pakistani state often operating at cross-purposes with the Pakistani nation. The state has certainly been failing for many years, but the Pakistani nation also is a contested idea, and the tension between them is what makes Pakistan an especially important case. Pakistan has not fulfilled either its potential or the expectations of its founders, but it is too big and potentially too dangerous for the international community to allow it simply to fail."¹³⁵

Cohen wrote this before the build-up to the war against Iraq had begun in earnest. In early 2003 the international community's efforts and concerns were preoccupied with the Iraq and the increasing international divisions about the course of action with respect to the United Nations resolution 1441. Subsequently little serious attention was being paid to the Pakistan crisis, despite the fact that an implosion could have catastrophic consequences for the region and beyond.

CHAPTER 3

POVERTY, INSECURITY AND CONFLICT

The development failures in India and Pakistan mean that the four horsemen of the apocalypse-war, disease, hunger and displacement-continue to plague the lives of millions of people on the sub-continent. Some 40% of the region's population or over five hundred million people live in abject poverty. The scale of the problem has its corollary in the human drama of Africa, but in the densely populated countries of India and Pakistan where the political elites of India and Pakistan appear impervious to such suffering, the humanitarian crisis has a low profile. The failure to tackle poverty and underdevelopment is contributing to the growing levels of internal insecurity and instability, which in turn have become part of the broader security dilemma between the two states.

Profound ethnic differences are often presented as the cause of much of the internal conflict on the Indian sub-continent, but this tends to oversimplify the causes which more directly relate to structural problems such as high income inequality, competition for scarce resources, inept and corrupt governance, military centralization and conflict resolution traditions that rely upon the use of force.¹³⁶ Income inequality, by fuelling social discontent, increases socio-economic instability as measured by deaths in domestic disturbances and riots. Even during periods of rapid economic growth such as experienced in India over the last ten years, income inequality can increase, leading to rising social tensions. In other words growth without distribution has exacerbate problems of discontent, particularly where expectations of development are high, but remain unmet. The risk of political instability increases with the growth of income disparities by class, caste, region and community especially when these disparities lack legitimacy among the population. When class, caste ethnic and religious and economic differences overlap, perceived grievances and the potential for strife intensifies.

Internal instability has tended to be concentrated in the poorer regions of India, which suggests that there is a threshold of development above which conflict and violence occur less often. In Pakistan the most troubled regions include Sindh and the North West Frontier Territories, although dissent has now become widespread throughout Pakistan. The experience of prolonged economic stagnation and corrupt governance, has led an increasing number of Pakistani citizens to harbour a sense of social injustice which arises from a discrepancy between expectations of a better life and the reality of grinding poverty and deprivation. This deprivation has spurred on dissent, which has provided the motive for collective violence.

THE RISE OF EXTREMISM

Poverty and ignorance feed extremism and multiply support for radical groups rooted in religious fundamentalism and nationalism. Extremism poses a fundamental challenge to the progressive aspirations of the founding fathers of both India and Pakistan and to those groups in both societies that aspire to modernity. Elites in both countries have cynically used identification with ethnic or religious communities as a means of building power bases. The accent on identification has helped to transfer political hostility from the socio-economic inequities and power disparities within their own societies to the elites and subjects of other communities within or outside their own societies.

Hindu Fundamentalism

In India secularism has gradually weakened giving rise to a form of Hindu nationalism, based on the ideology of Hindutva—a fundamentalist Hindu socio-political ideology that asserts a unifying Hindu culture for all Indians—which increasingly influences the media and the national and foreign security policies of the BJP. The connection between being a Hindu and being a nationalist is a central tenet of Hindutva.

The role of Hindutva as represented by the BJP cannot be separated from the broader grassroots movement from which it stems. The BJP belongs to a group of organizations known as the Sangh Parivar or “Sangh Family” which collectively represent the ideology of Hindutva in its varied social and organizational guises. The primary ideological organization is the

Vishva Hindu Parishad (VHP). The Rashtrya Swayamsevak Sang (RSS) supplies the backbone of the movement and is paramilitary in nature, drawing much of its organizational inspirations from the German Nazi party.¹³⁷

The BJP's victory in the Gujarat state elections of 2002 highlighted a critical aspect of the Sang Parivar's work as an effective grassroots social movement. The RSS and the VHP have spent many years cultivating a base in Gujarat focusing on poor and backward communities. The elections may have been a defining political moment for the country. If the RSS and the VHP continue to gain support for their Hindu revolution other states may swing towards the BJP. Pressure will then be on for the BJP to adopt a more overt stance on Hinduvta than it currently has under the moderate leadership of Vajpayee.

Hindu nationalism has been whipped up by this movement to oppose Muslim Pakistan as a means of detracting large swathes of India society from the failures of its internal policies. In so doing Indian Muslims have become the target of ethnic rage. The pogrom of Muslims in Gujarat in the spring of 2002 in which 2,000 Muslims were killed and 90,000 mostly Muslims were displaced, is testimony to growing Hindu intolerance and a shift away from India's more secular traditions. Indian domestic ethnic antagonism has emerged as a metaphor for the international conflict with Pakistan, reinforcing Pakistan's historical insecurities about India and making resolution to their conflict more complex.

Jihadi of Pakistan

In contrast, Pakistan's religious fundamentalism is nourished primarily by the absence of democracy and the lack of formal state education. In the 1970s and 1980s religious extremism was encouraged by Zia ul Huq, who actively supported the Mujahideen in Afghanistan and brought the Wahabbi Sunni sect of Islam to Pakistan, which was effectively spread through the madrassas, private religious education institutions. The general failure of the state to provide education for the poor meant that for many impoverished Pakistanis their only form of education came from these extremist institutions that preached religious intolerance and the importance of jihad. The religious extremism nurtured by the madrassas has traditionally expressed itself in street protests and riots and in the

burgeoning number of *jihadi* groups within Pakistan dedicated to violent change. These groups have been deeply engaged in the campaigns of terror in Afghanistan, Central Asia and Kashmir. Since 11 September the Musharraf regime has reigned in the *jihadi*, but as Ashley Tellis notes: “The modicum of domestic stability and reduced sectarian violence that the present military regime has achieved has come unfortunately at the price of a further erosion in the already weak democratic tradition in Pakistan. This in turn makes it all the more unlikely that the present regime will be able to permanently arrest the growth of radical *jihadi* movements in Pakistan or create the structural conditions necessary for a stable democracy in the long-haul.”¹³⁸

In the October 2002 election an extra-ordinary and alarming trend emerged in Pakistani politics, the fundamentalist groups organized themselves into a coalition movement, the Muttahida Majlis-e-Amal (MMA), which managed to win a number of parliamentary seats. One explanation for this success, apart from the voter’s disillusionment with mainstream parties, is that rising poverty and the failure of IMF policies to make a difference in the life of common people helped to bestow support to the religious parties that do much of their work within the impoverished rural communities that are bearing the brunt of Pakistan’s economic malaise.¹³⁹

PAKISTAN

In Pakistan the highly uneven distribution of resources, in particular the concentration of wealth and power in the hands of the Punjabi/Pathan elite, who control the government and military, have intensified sources of internal ethnic dissent. The Punjab dominates almost all aspects of national life, generating resentment in the smaller ethnic groups such as the Baluch, Sindhis and Urdu speaking Muhajirs, all of whom have at one time or another been active against the government in Islamabad.

Sindh

For most of the 1990s the principal challenge of civil unrest came from the province of Sindh, Pakistan’s second most populated province. The Sindh province is popularly referred to as the “province of permanent

sectarian violence".¹⁴⁰ In Karachi the capital of Sindh, which has a population of some 13 million people, violence, fear and terror are commonplace. The violence in Karachi and its surrounding province can be traced back to the time of partition. Sindh's largest group of migrants seeking sanctuary from the communal bloodletting of partition were the Urdu speaking Mujahirs who came from the North of India and tended to be well educated, having held government posts during British rule. They insisted on keeping their identity and language. This group aligned itself with the Punjabi elite who dominated the military. The civil military bureaucratic nexus that subsequently evolved exercised a high degree of influence over the country in the early formative years.

The domination of these migrants in the political and economic life of Sindh and the imposition of Urdu as the official language alienated the indigenous Sindhis who by far outnumbered the migrants. Resentment led the Sindhis to join forces against the Mujahirs to resist marginalization from economic and political power. Overtime the resentment and marginalization led to the outbreak of conflict between the Sindhis and the Mujahirs. The Pakistani government instead of addressing the grievances of the Mujahirs allowed the situation to get out of control, to a point in the 1990s when the violence had reached the proportions of a civil war. The virtual breakdown of law and order in 1992 led to the imposition of military rule, which suppressed Mujahir dissent through heavy handed operations including extra judicial killings which only which acted to intensify the resentments of the disaffected. Several militant Mujahir groups now operate in the province including the *Jaye Sindh*, which is thought to receive financial support from India. Indian ties with the dissident groups in Sindh are designed to remind Pakistan that its involvement with insurgents in India and Kashmir are not free of cost.

Gun Culture

Fuelling the instability and human insecurity in Pakistan is the rampant gun culture and the spread of narcotics based corruption, which has flourished since the Soviet War in Afghanistan. It is widely believed that a large percentage of the weapons that the United States supplied to the Mujahadeen in Afghanistan were diverted to black markets all over Pakistan. One estimate of the illegal number of Kalshnikovs in the black market has put the figure at 135,000.¹⁴¹ Along with imports, skilled

Pakistani gunsmiths make copies of imported guns, increasing the supply of weapons in the market. Arms bazaars in Darrra Adam Khel and Karachi have attained international notoriety. Market saturation has meant that the price of weapons has declined to a point where most Pakistanis wanting to arm themselves can afford a gun. Easy availability of small arms, although by no means the cause of violence, has nevertheless contributed to the increased use of weapons, resulting in rising levels of crime and homicides.

Pakistanis have traditionally been well armed, but the availability of cheap modern weapons has meant that criminals and private citizens have considerable fire-power at their disposal. Cultures of violence in which arms equate to power have a long historical tradition in certain ethnic groups, most notably amongst the tribesmen of the wild North West Frontier Territories. The travel writer William Dalrymple noted in his book *The Age of Kali* that "Violence is to the North West Frontier is what religion is to the Vatican. It is a *raison d'etre*, a way of life, an obsession, a philosophy. Bandoliers hang over people's shoulders; grenades are tucked into their pockets. Status symbols here are not Mercedes or Saville Row suits; in Peshawar you know you have arrived when you can drive to work in a captured Russian T-72 tank."¹⁴² In this region tribal law and the rule of the gun rather than the rule of law prevails. The Pakistani state has little if any jurisdiction over this tribal area. Consequently small arms and drug smuggling proliferate, as do kidnapping murder and terrorism. In the case of the latter, members of Al-Qaeda are known to have found sanctuary amongst the fierce Pashtun communities in the region. These cultures of violence, shadow states and criminal fraternities are likely to continue to proliferate in the absence of alternative economic options and a weak and undemocratic state.

INDIA

In India instability and insecurity are less pervasive than in Pakistan, nonetheless there are whole regions where lawlessness, violence and the rule of terror have replaced the rule of law and the jurisdiction of the state. According to one report, more than 200 of India's 535 districts experience insurgency, ethnic conflict, religious extremism, caste clashes and other crises.¹⁴³ In the Indian states of Bihar, Uttar Pradesh and Orissa, which together account for half of India's poor, violence and instability have become the norm. The most lawless region in India is, however, the

Northeast, where Assam, Arunachal Pradesh, Manipur, Meghalaya, Mioram, Nagaland and Tripura constitute some of India's most underdeveloped states.¹⁴⁴ A large number of these states are weak or failing, a trait that is at once a cause and an effect of the relative poverty and conflict.

Stagnation and decline contribute to political decay leading to the corruption of the state itself. Corrupt states have a tendency towards predation. Predatory rule involves coercion, material exploitation, personality politics, which tends to degrade the institutional foundations of the economy and state. Local elites personally benefit through rent-seeking activities, which undermine economic progress and development. The state of Bihar has become an exemplary predatory state, in which the very institutions of the state have become incorporated into the structures of violence, crime and insurgency.¹⁴⁵ Organized crime has penetrated all structures of power, including the media, to the extent that the state is the primary institution of criminal activity. In such circumstances the needs of the poor and vulnerable have been systematically ignored as the mechanisms of state are abused in the pursuit of personal enrichment and aggrandizement enforced by the violent bandit leaders who now constitute the local political elite.

India's Northeast

The Northeast region has become the site of some of the most durable and intractable insurgency movements in the country. The region is characterized by extraordinary ethnic, cultural, religious and linguistic diversity with more than 160 tribes belonging to five different ethnic groups. These tribes live in abject poverty. Decades of neglect and misrule from the center, initially under the British and then by New Delhi, excluded the Northeast region from the patterns of administration and development, experienced elsewhere in India.¹⁴⁶ Subsequently, progress towards modernization and democratization has been retarded, creating a deep schism between the tribal areas and the rest of India.

The tribal populations have come into increasing friction with migrant populations that have moved into their region who are far better adapted to the institutions and processes of the modern world. This has led to deep

tensions between the underdeveloped tribal groups and the migrants, resulting in a proliferation of inter-ethnic conflicts throughout the region.

Table 11: Selected Social Indicators Northeast Region 1997¹⁴⁷

State	Population (millions)	Literacy Rate (%)	Life Expectancy at Birth	GDP per capita (US\$, 1997 prices)
Assam	26.6	64.28	57.3	126
Arunchal Pradesh	1.0	54.74	NA	274
Manipur	2.3	68.87	NA	175
Meghalaya	2.3	63.31	NA	173
Mizoram	0.8	88.49	NA	195
Nagaland	1.9	67.11	NA	238
Tripura	3.1	73.66	NA	132

While every state in the region is affected by organized violence four of the seven—Assam, Manipur, Nagaland and Tripura—witness a scale of conflict in which recorded fatalities are well over 200 per annum. Over the ten-year period of 1992-2001 some 12,181 have been killed.¹⁴⁸

Each state has a multiplicity of insurgent groups variously demanding autonomy and succession (the movement for independence in Nagaland emerged even earlier in 1952) and often engaged in conflict between each other.¹⁴⁹ A growing number of Muslim fundamentalist militias are backed by Pakistan's military intelligence agency the ISI. This is particularly notable in Assam where the ISI backs the ULFA, which has inspired a large number of copycat organizations. There are now thought to be 15 militant Muslim groups operating in Assam.¹⁵⁰

While the original motivation for insurgency in this region was grievance against an exclusory state, over time these groups have become deeply entrenched in criminal activities. Initially militant groups engaged in drug, gun smuggling and abductions as a means of financing their insurgency operations, but these activities now appear to have become ends in themselves. According to one survey of the conflicts in India's Northeast: "In contrast to the common perception of terrorist activity as violent confrontation with the government, there is a more insidious subversion of the established order through a consensual regime against a

backdrop of widespread breakdown of law and order, and terrorist groupings have demonstrated their preference towards systemic corruption rather than the dismantling or destruction of the prevailing political order.”¹⁵¹ The apparent “successes” of these groups’ criminal activities has encouraged the formation of copycat organizations inspired by the financial gains that can be made from such activities.

It is clear from the experiences in India’s Northeastern territories that in the absence of state mechanisms that can provide basic safety nets or elementary security, individuals and/or whole communities have resorted to their own solutions. Where the state has failed warlords, drug barons, criminal gangs and bandits have emerged as alternative systems of power, profit and protection. Late in the day New Delhi has attempted to redress some of the inequities and development challenges within the Northeastern region and dialogue and negotiations with insurgency groups have taken place. Whether these belated initiatives will be successful is a moot point, however. Once parallel power structures become entrenched and shadow economies become endemic it is difficult to wean-off those that have a vested interest in perpetuating the cultures of crime and violence.

Kashmir

The most conflict prone region in South Asia is Kashmir, over whose sovereign rights both Indian and Pakistan make claims. The origins of the dispute over Kashmir may be traced back to the process of partition under British rule.¹⁵² The British delay in deciding over the Kashmir’s accession to either Pakistan or India, created the initial point of contention. In a bid to preserve Kashmir’s independence, its Hindu ruler, the Maharaja Hari Singh, declined to accede to either nation. An invasion by Pashtun tribesmen in August and September 1947 and an uprising among Kashmiri Muslims in the state’s western regions ultimately compelled the Maharaja to seek the assistance from Prime Minister Nehru of India. Nehru agreed to send troops only if Kashmir formally acceded to India. On 27 October 1947, the maharaja agreed to Kashmir’s accession to India on the condition that Kashmir be permitted to maintain its own constitution. Indian troops effectively halted the Pakistani forces, driving them back to the western third of the state, which then came under Pakistan’s control as “Azad” (free) Kashmir. United Nations intervention achieved a cease-fire on 1 January 1949. Under the terms of two United Nations resolutions made in 1948

and 1949, the Kashmiris were to be given the right to their own self-determination through a plebiscite. India has consistently refused to honour this. New Delhi's intransigence about allowing the Kashmiris to decide democratically on their own future is linked to the more general fears about secessionist movements in India. Their fear is that if Kashmir were to become independent other provinces such as Assam and Nagaland would also secede.

Through the 1950s and 1960s, political discontent with the New Delhi's attempts to manipulate politics in Kashmir escalated, as successive local governments colluded with the central government in New Delhi to erode Kashmir's autonomy and democratic rights. In 1964 the first militant group, the Jammu and Kashmir Liberation Front (JKLF), was formed to fight for independence. The appearance and consolidation of a powerful separatist movement among Kashmiri Muslims, led to a rapid military response from India, giving rise to large-scale and serious human rights violations. In 1965 the Ayub Khan regime in Pakistan emboldened by its recently modernized army, launched another attack on Indian forces in a bid to claim Kashmir. But again Pakistani forces were humiliated by India's superior military might. Following a further military defeat in Eastern Pakistan, India and Pakistan signed the Simla Accord on 2 July 1972, under which both countries agreed to respect the cease-fire line later to become known as the LoC and to resolve differences over Kashmir "by peaceful means". The Simla Accord left the "final settlement" of the Kashmir question to be resolved at an unspecified future date. Since then, the Simla Accord has been the touchstone of all bilateral discussions of the Kashmir issue. The LoC continues to demarcate the juridical control over Kashmiri territories, which gives India two thirds of the territories and Pakistan one third.

Belligerence over Kashmir hardened in the 1990s with the rise of Hindu nationalism in India and Islamic fundamentalism in Pakistan. Resentment was also growing in Kashmir towards India's policies in the state, which become increasingly heavy handed amidst accusations of widespread human rights violations and disappearances. Opposition to Indian misrule consolidated into a mass movement for *azadi*—independence from Indian rule. The militant groups fighting for independence are divided between those who believe the territory should become part of Pakistan, and those who believe that Kashmir should become an independent state. Some of the groups openly advocate an

Islamist ideology; others desire a secular Kashmiri state that would include Kashmiri Buddhists, Hindus and others.

Unable to defeat India through conventional military means the Pakistani military has since the late 1980s resorted to a strategy of low intensity proxy warfare orchestrated by the insurgent activity of jihad groups. The slow war of attrition has resulted in untold human suffering and immense socio-economic dislocation. The full cost of the Kashmir conflict is unknown, but there are a number of signs, which give an indication of the price of the war. There have been an estimated 40,000 and 50,000 deaths in the last decade and a total of 350,000 persons have been displaced.¹⁵³ The Kashmiri economy is severely depressed. The tourist industry has collapsed, much of the handicrafts industry has moved outside the state, and although agricultural production continues, it is subject to disruptions as a result of the security situation. No significant investment has taken place in Kashmir since 1990.

The Kashmiri Pundit community, a minority Hindu community that traditionally lived in the Kashmir valley has been virtually entirely displaced since 1990. The fragmentation of communities has led to the destruction of social capital, which is so crucial for social cohesion and cultural continuity. The psychological trauma of war has impacted severely on vulnerable groups in society. Generations of children growing up in conditions of violence have ended up with severe adjustment problems, while women victim of rape face horrendous psychological, social, physical and cultural trauma, particularly when they are from strict religious communities. War has also exacted high political costs. The prolonged conflict has undermined the process of democratic consolidation that has taken place elsewhere in India since the 1950s.¹⁵⁴ And there has been erosion of basic rights and the suspension of due legal procedures. Since 1990, thousands of people have been detained without trial and regularly hundreds of people a year die in detention or just disappear.¹⁵⁵

Liberal internationalists explain the forms of violence and internal conflict that are proliferating in India and Pakistan as irrational, resorting to descriptive terms such as “the collapse of civilization” and a “return to anarchy”—a Hobbesian state of nature in which order and rationality are suspended.¹⁵⁶ But far from being irrational responses, these forms of violence and internal conflict are highly rational in situations of economic scarcity where few choices for basic economic survival exist.¹⁵⁷ Regional

inequalities and underdevelopment have proved fertile ground for the rise in fundamentalism, nationalism and secessionism movements. Such movements pose potent threats to internal stability as they generate internal conflict and social fragmentation. These internal security problems are compounded by the role of external powers that have covertly supplied arms and finance in support of separatist movements—e.g. Chinese support for insurgents in Nagaland, Pakistani support for secessionist groups in Assam and Kashmir, and Indian support for Mujahir groups in Sindh. In this manner external security dynamics feed on and exacerbate the internal security nexus.

The simultaneous deteriorations of both the internal and external security environments are two sides of the same coin. In both countries the preoccupation with gaining a security advantage through the acquisition of ever more destructive arms detracts scarce resources from pressing development and internal security needs. At the same time the process acts to increase insecurity in both the external and internal security environments. For the Pakistani state the long-term costs of pursuing this path may be very great indeed.¹⁵⁸ India on the other hand could go in one of two directions: if it remains true to its secular and democratic values its economy could continue to grow allowing for greater headway in sustainable development and poverty alleviation resulting in a more stable and peaceful society.¹⁵⁹ If, on the other hand, fanatical nationalism spurred on by Hindutva gathers pace, war and strife are likely to ensue leading India into extreme chaos and disintegration, beset by religious and ethnic disputes and a deepening criminalization of the economic base. The choice is the responsibility of India's political elite.

CHAPTER 4

SEEKING SOLUTIONS

The military elites in both India and Pakistan have sought to achieve security through traditional military means, but as the preceding pages have shown both countries are paying an unsustainable price for maintaining a destabilizing and highly dangerous arms race. While India can accommodate the economic burden of the arms race with greater ease than Pakistan, it too may face perilous consequences if it refuses to change direction in the not too distant future.

History has shown us that there are wide ranges of conditions in which adversaries can best achieve their security goals through cooperative policies, rather than competitive ones. Even in a situation where states maximize their national interests in a self-seeking manner there is room for cooperation. Towards the end of the Cold War, for example, the super-powers recognized that there were distinct advantages in working together to reduce the risks and uncertainties of the arms race, rather than engage in a relentless arms competition. States often pursue cooperation precisely because of the dangers associated with seeking relative advantages in an arms competition can backfire, leading to less security in the longer term. As the security dilemma literature suggests it is often better in security terms to seek parity rather than maximum gains which may spark off another round of arms acquisitions.¹⁶⁰ But how can a more cooperative approach be introduced into the South Asian context?

DIALOGUE, MEDIATION AND ECONOMIC INCENTIVES

The first step is obviously resolution of the crisis in Kashmir. Both countries need to take seriously a change of direction in their policies towards Kashmir, which can only end in disaster for all involved if the dispute is allowed to proceed along its current course. Serious dialogue between India and Pakistan needs to be encouraged, as well as dialogue

between the Indian government and the Kashmiris who have many grievances that need to be resolved. At the moment India and Pakistan's agendas remain obdurately opposed, with India refusing to entertain dialogue while insurgency continues in Kashmir or while a military regime resides in Islamabad, and with Pakistan refusing to abandon its support of guerrilla operations in Kashmir before India cedes to its demands.

Those who view peace as a threat represent the particular challenge to the resolution of conflict. Pakistan fears that the end of violence in Kashmir will simply perpetuate the status quo, i.e., that the LoC will become an internationally recognized border that Pakistan obdurately refuses to recognize. This outcome would please India but not the Pakistani elites or the Kashmiris who are increasingly hostile to either Indian or Pakistani rule and who fear that an Indo-Pakistani dialogue will marginalize their interests and concerns. India, for its part, fears that any change in the status quo will be to its disadvantage. Thus any workable agreement has to deal constructively and sensitively with all these fears that could derail negotiations once they commence. For these reasons the benefits of peace, particularly the economic benefits, need to be spelt out to all parties to the dialogue.

Ahmad Faruqi has suggested that by encouraging each state to estimate the economic and social benefits of a negotiated peace greater support for a resolution to the crisis could be cultivated.¹⁶¹ This sort of confidence-building exercises could help to encourage India and Pakistan to "focus on their underlying interests and to get away from their fixed positions".¹⁶² Eric Margolis has calculated that if India and Pakistan were to end their arms race the resources saved would enable each country to double their annual rates of growth, all other things being equal.¹⁶³

While dialogue remains elusive there may be small yet significant measures that can be taken to reduce the tensions along the LoC, which may help towards building trust and confidence, over the longer term. Immediate practical steps should include monitoring of the LoC.¹⁶⁴ Mindful of each country's sensitivity towards this issue, pressure needs to be brought to bear to introduce a system that would allow India to present proof of reported incursions, but also enable Pakistan to reject any false claims of infiltration. Given the firm rejection of joint monitoring patrols by Pakistan, some form of independent monitoring could be introduced. This could be based on third party airborne or satellite surveillance, to avoid the presence

of third party troops on the ground an option that has been rejected by India. Such a solution to monitoring the LoC, would be independent, non-intrusive and could help both countries make their case.

Most analysts agree that US involvement in the peace process is essential if conflict resolution is to have a chance. Since 11 September the US has taken a renewed interest in the region, giving precedence to operations against Al-Qaeda and the Taliban, and the nurturing of both India and Pakistan as regional allies. India is enjoying the benefits of a new relationship with the United States, which relies on a range of common interests many of which bear no relationship to Pakistan. However, New Delhi has been using its new ties to pressure Washington to take a hard-line stance on Pakistan's involvement in Kashmir, arguing that Pakistan is engaged in terrorist activities. This may well backfire on India.

Washington's deeper engagement in the region provides a unique opportunity for it to encourage dialogue between India and Pakistan. Yet the US is conspicuously delaying firm action to permanently resolve the Kashmir crisis. Undoubtedly the key consideration underlying US policy is the belief that Kashmir is simply not an issue in which a decisive and positive outcome is very likely. It would seem that Washington has been applying a degree of caution in its approach to Pakistan while its usefulness as an ally in its operations against Al-Qaeda and the Taliban continue. It no doubt recognizes that it cannot afford to push Musharraf too far, because of the likely backlash from anti-American fundamentalists groups in Pakistan—including those in the armed forces. But the viability of not pressing hard for a solution must be questionable in the long run. Ignoring the Kashmir dispute risks the danger of permitting the emergence of a new "hotbed" of pan-Islamic extremism for the sake of short-term expediencies. Peter Chalk and Chris Fair argue that Washington is yet again compromising the long-term security of the region for its short-term strategic interests.¹⁶⁵

With its attention focused elsewhere, notably on the aftermath of the Iraq war, the Bush administration has failed to come up with a long-term solution to the crisis. Current pronouncements that lay stress on the importance of dialogue and confidence-building measures are simply not enough. The United States could do more by utilizing its considerable leverage to entice the leaders of each state to secure a settlement. The US, in conjunction with other G8 nations and the European Union, has considerable leverage through the multilateral financial institutions and

other multilateral economic and trade mechanisms that could be used to jump-start negotiations and force a solution through. Two types of incentives could be offered to encourage India and Pakistan to focus on their underlying interests in resolving their differences over Kashmir:

- Economic aid to revitalize their economies—although further aid to Pakistan should be conditional on the restoration of democracy;
- Debt relief in the form of debt write-offs or conversion to zero-interest loans linked to a reduction in defence expenditures.

The economic and development incentives for both countries need to be spelt out in detail with inducements provided step-by-step by the multilateral organizations and the international donor community. However, no policy to link conflict resolution with economic incentives can be expected to succeed without dialogue between those who advocate policies and those who implement them. One objective of dialogue would be to allow India and Pakistan to express their own problems and solutions, which could improve the outcome. A second benefit would be that through dialogue with donors the focus of policy coordination could be sharpened. Third the messages that donors wish to convey could be clearly stated and clarified during the dialogue process.

The provision of incentives would need to be contingent upon securing further progress on reducing tensions, thus a degree of peace conditionality would have to be attached to donor rewards. For example the Pakistani government would have to continue reigning in the mujahadeen in Kashmir before aid was dispersed. Similarly India must be encouraged to restrain its heavy handedness and human rights violations in Kashmir, before aid or improve trade concessions are agreed. These should be settled upon in a putative manner rather than imposed on India and Pakistan in punitive way.

CONFLICT RESOLUTION FRAMEWORK

Economic incentives for conflict resolution can only succeed if they are applied within a broad conflict resolution framework that supports a new regional order and one that is based on a number of interrelated and mutual reinforcing parameters.

Conflict Resolution Framework

- a) Improved external security through the provision of security guarantees
- b) Improved internal security through the codification of the rights of minorities and ethnic groups within states and through the provision of institutional mechanisms through which minority groups can seek redress of their grievances regarding the violation of their rights
- c) Establish regional conflict resolution mechanisms that do not rely upon unilateral action by external powers
- d) Increase economic security by increasing the flow of technical and financial assistance to those areas most needy so that socio-economic development can be enhanced and a major component of internal conflict can be overcome
- e) Concentrate on policies that enhance sustainable development and environmental security

These objectives are ambitious and assume a fundamental shift in the security orientation of both nations—a move away from the stress on territorial security of the state to one that embraces collective security, conflict prevention and resolution mechanisms that become institutionalized. Regional security organizations are important in this context and there are some successful precedents from which inspiration can be drawn. Regional organizations such as the Organization of American States (OAS), the league of Arab States and the Association of Southeast Asian Nations (ASEAN) all have credible experience in mediation and the promotion of common interests among their members. The South Asian Association for Regional Cooperation (SAARC), although set up to encourage economic cooperation could be encouraged to expand its function into the field of conflict resolution and political and military security. To reinforce this shift multilateral institutions could act as mediators to promote broader measures of security that encompass regional cooperation, political pluralism, sustainable human development and human security.

THE ROLE OF CIVIL SOCIETY IN CONFLICT RESOLUTION

India and Pakistan's nuclear tests in May 1998 were greeted by their respective publics with mass displays of overt jubilation. But the euphoria was quickly dampened when it became increasingly clear that a perilous path had been taken.¹⁶⁶ The heightened tensions in Kashmir exposed the way in which nuclear weapons far from enhancing security had made the environment far less secure. The spectre of a regional nuclear holocaust had for the first time become a real rather than distant possibility. At the same time the international sanctions imposed after the tests exacerbated the economic and social problems of the region, particularly those of Pakistan.

Those opposed to the nuclear option began to adopt a more assertive position. A full-blown nuclear debate ensued. For the first time the military, the intelligentsia, pacifists and the media engaged in a public debate about the pros and cons of going nuclear. On the whole the unparalleled debate has made the public more sensitive to the dangers of the nuclear arms race and more sceptical about the rhetoric that their political leaders have subjected them to. Public scepticism now exists about the wisdom of weaponization, which has grown, with an appreciation of the need for restraint.

Concerned at the lack of constructive dialogue between their national leaders civil society groups in both India and Pakistan have taken initiatives to instigate people-to-people contact across the great cultural and historical divide in order to generate mutual understanding and to push for official dialogue and peace initiatives from below. A number of retired senior Pakistani military officers joined ranks with the peace movement to oppose the concept of nuclear deterrence, both at a regional and global level. These officers joined a dozen like-minded Indian counter-parts in an appeal for the denuclearization of South Asia and for a shift of government policy to eliminate poverty and underdevelopment within the region.¹⁶⁷ Initiatives of this nature are an essential mechanism in building the momentum for change at a societal level, which in turn will bring popular pressure to bear on the respective governments in India and Pakistan.¹⁶⁸

There are other positive signs that the momentum for peace and disarmament are growing within civil society. In November 2000 a National Convention for Nuclear Disarmament and Peace was held in New Delhi.¹⁶⁹ Over 600 delegates attended the Convention, with more than

500 delegates from across India and 50 “solidarity delegates” from Pakistan. Delegates also attended from Bangladesh, Sri Lanka, Australia, Canada, France, Japan, New Zealand, South Africa, the United Kingdom and the United States. The Convention released an “Interim Charter for Nuclear Disarmament and Peace”.

Interim Charter for Nuclear Disarmament and Peace

This National Convention for Nuclear Disarmament and Peace resolutely opposes nuclear weapons in India, South Asia and globally. Nuclear weapons are evil and immoral. They divert resources from real needs, promote insecurity, are genocidal, undermine democracy, endanger the environment and future generations. This Convention unequivocally condemns India’s entry into the Nuclear Weapons Club in 1998, which represents a betrayal of its own past positions. This Convention resolves to bring together largest members of groups, organisations and individuals on a common platform with the following Agenda. To carry forward this Agenda we constitute ourselves into a National Coalition for Nuclear Disarmament and Peace.

Much could be done by bilateral and multilateral donors to encourage such initiatives through enhancing financial and moral support to the growing regional peace movement and the pressure group for people-to-people contact in both India and Pakistan.

Another positive development is the growing importance and influence of the *third generation* (since independence and partition), which is now emerging as an influential grouping within Pakistan and India. This generation was not witness to the large-scale conflict that occurred during partition, and therefore does not carry the burden of historical memory—its concerns are less determined by the nationalist past than by a future of global possibilities.¹⁷⁰ This generation will soon begin to have a positive influence on policy outcomes. Young policy makers from this generation should be nurtured and encouraged to seek positive resolution to their respective country’s security dilemma.

ARMS CONTROL AND DENUCLEARIZATION

Arms control is urgently required in order to reduce the harmful effects of the dangerous arms race and to achieve strategic stability within the region. However, mutual suspicion built up over decades and national sensitivities collude to restrict the scope of measures that can be adopted. The major obstacle to nuclear arms control is *nuclearism*, or the cult of the bomb, which is deeply ingrained among influential Indian and Pakistani political and military elites.¹⁷¹ Nuclearism endorses deterrence theory's central creed that security can only be guaranteed as long as both countries threaten each other with massive destruction. Despite the irrationality of this posture, witnessed in the display of nuclear brinkmanship by key leaders on both sides, deterrence policy is unlikely to be abandoned by either country's elites until, as Mario Carranza has argued, "the formation of a broad anti-nuclear coalitions with enough power to compel their governments to abandon the madness of current nuclear policies and unilaterally or bilaterally renounce nuclear weapons."¹⁷² And only then will the elites provide "real economic, social and environmental security to the millions of people living in South Asia."¹⁷³

One of the most influential factors informing the regional cult of nuclearism is the purchase on power and influence that nuclear weapons have bestowed on India and Pakistan. This is a particularly important aspect of India's nuclear aspirations and it would appear from the way in which the Bush administration has sought to court India as a regional ally that New Delhi's strategy has reaped the rewards and recognition as a regional hegemon that its elites have sought for so long. This has had the effect of reinforcing New Delhi's conviction of the importance of nuclear weapons for inflating its global status.

For its part the United States cannot expect to stem the South Asian nuclear arms race while its own policies announced in the 2002 Nuclear Posture Review have reinstated nuclear weapons to the centre stage of US security policy. Nor can the US argue with any credibility against further nuclear tests in South Asia as long as Washington itself categorically rejects the CTBT. Rejecting the fundamental premise of arms control and the nuclear non-proliferation regime, the Bush administration has fixated on pre-emption and offensive counter-proliferation strategies, which may include the first use of tactical nuclear weapons, in an attempt to deny weapons of mass destruction to other states. Through example, this decision

helps to legitimize South Asian nuclearism and simultaneously acts to undermine alternative visions of peace and security on the sub-continent and beyond.

So long as some states are allowed to possess nuclear weapons legitimately and derive “perceived” benefits from them, then other states in the international system will aspire to possess them. As George Perkovich has argued “the fact that several powerful countries continue to assign great value to their nuclear arsenals reinforces just how important these weapons can be as a source of power and prestige and raises their attractiveness to others.” This role model has the effect of impeding efforts to persuade India and Pakistan to curtail their weaponization programmes.¹⁷⁴ Real security against weapons of mass destruction requires all nuclear-weapon states to embrace arms control and vigorously enforce the treaties rules, regulations and procedures.

Currently the international and regional environments are not conducive to arms control in South Asia; nevertheless, there are a number of interim measures that could be implemented that would help to build trust and confidence and that could eventually pave the way for more ambitious arms control and disarmament measures. These include improved command and control arrangements, a moratorium on the weaponization and deployment of nuclear weapons, the formal establishment of a hotline, a missile test notification agreement, a bilateral test-ban agreement, conventional arms control and restrictions on international arms transfers.¹⁷⁵

Command and Control Measures

Although both countries maintain that their command and control systems ensure the safety and security of their nuclear weapon arsenals against accidental or premature launch, it is suspected by a number of security analysts that neither country’s system is robust enough to be foolproof. Given the highly acrimonious nature of their relationship and their close proximity both countries require far more effective command and control systems to be in place. In the past, the permanent five nuclear weapon states have been reluctant to provide command and control technologies because it made nuclear weapons safer to deploy and was subsequently seen as encouraging nuclear weapons proliferation. Now that

both sides are intent on operationalizing their nuclear weapons more cooperation on technology transfer is necessary.

Moratorium on Weaponization and Deployment

India and Pakistan should be encouraged to announce a moratorium on weaponization and missile deployment, with specific mechanisms for clarifying or correcting controversial situations. A moratorium would have several advantages for both India and Pakistan:

- It would help to prevent a hair-trigger situation;
- It would reduce the financial burden of ensuring the safety and security of their nuclear arsenals;
- It would reduce the threat perception threshold;
- If a conventional war occurred, non-deployment would reduce the likelihood of a nuclear exchange.

Non-deployed missile launchers could be stored in designated sites where national technical means (NTM) could be used to monitor compliance with the possibility of supplemental third party satellite reconnaissance and on-site monitoring. A non-deployment agreement would also have to embrace categories of nuclear capable aircraft in forward air bases and sea-based launch systems such as submarines. The no-fly-zones agreed to in the 1991 accord on preventing air-space violations could be extended to cover nuclear capable aircraft.

Hotlines

There is an existing hotline between the respective heads of state in India and Pakistan and the Military Chiefs of Staff, but it has rarely been used. A formal agreement should be encouraged that establishes the use of a dedicated hotline aimed at containing tensions so that conflict does not escalate into a nuclear exchange and for the management of other aspects of nuclear stability. The hotline agreement between the United States and Soviet Union that was established in 1971 could serve as a model for this type of arrangement.

Bilateral Test Ban Agreement

Both India and Pakistan have declared unilateral moratoriums on further nuclear tests and have implied that a test ban would not infringe on their nuclear capabilities. But both countries remain opposed to signing the CTBT, India because of unresolved issues pertaining to dual-use technology, and Pakistan because it will not sign unless India has done so. Given these difficulties with the CTBT, assurances of non-testing could come from a formalized bilateral agreement. With its rejection of the CTBT, the US has forfeited any credible influence on this score. The European Union, on the other hand, fiercely supports the CTBT and has some significant economic carrots and sticks to wield, if only it could motivate itself!

Conventional Arms Control

The danger of a nuclear exchange could be reduced through efforts to improve conventional arms stability. A force limitation zone along the border designed to lower armament levels in forward positions and reduce the risks of surprise attacks would help to reduce the risk of an escalating conflict. In the long run a conventional arms control agreement styled on the Conventional Forces in Europe (CFE) Treaty which set ceilings on offensive weapon systems could be introduced as a means of eradicating the destabilizing strategic asymmetry that has encouraged Pakistan to rely on nuclear deterrence and other destabilizing strategies to counter the Indian "threat".

Limiting Excessive Arms Transfers

India and Pakistan both rely to varying degrees on external supplies of military technology transfers to keep their arms race going. The five permanent members of the United Nations Security Council are the main suppliers of arms to India and Pakistan and thus share a certain degree of responsibility for the regional arms race. Restraining arms sales would help to prevent the provocative arms build-up between the two nations which has been a major factor contributing to their volatile relations. It would also help to prevent the undermining of the Pakistani economy, which is straining under the dual burden of deficit and debt. In an ideal situation in

which the permanent members strictly adhered to the principle of restraint there would be more possibility of coordinating a coherent international response to the Indo-Pakistani crisis. However, if the permanent members persist in selling arms to one side or the other, policy coherence on conflict resolution will be undermined and, in the long run, the attempt to link economic incentives to conflict resolution will be weakened.

A NEW SECURITY-DEVELOPMENT PARADIGM

For both India and Pakistan the arms race has been a zero-sum game in which the real losers have been the ordinary citizens, who suffer the interrelated deprivations of underdevelopment and rising levels of human insecurity.¹⁷⁶ There is an alternative to this spiral of descent.

A key to changing the current circumstances may lay in encouraging an improvement in India and Pakistan's economic relations. Improved levels of trade would help to create influential communities that have a greater stake in peace.

Tentative steps towards enhancing security and development in South Asia, however, require a radical transformation in the current political economy of both security and development.

The challenge of transforming an environment, which marginalizes and impoverishes people, into one that provides sustainable livelihoods and human security is a starting point for guaranteeing greater security and stability for all on the Indian sub-continent. Writing in 1994 in the UNDP's *Human Development Report 1994*, the late Dr Mahbub al Haq observed that: "For too long, the concept of security has been shaped by the potential for conflict between states. For too long, security has been equated with threats to a country's borders. For too long, nations have sought arms to protect their security. For most people today, a feeling of insecurity arises more from the worries about daily life than from the dreads of a cataclysmic world event. Job insecurity, income insecurity, health insecurity, environmental insecurity, security from crime these are the emerging concerns of human security all over the world."¹⁷⁷

The UNDP's promotion of human security has had an effect on other multilateral organizations such as the IMF and World Bank who have

tentatively embraced the concept. For instance Michael Camdessus, the former managing director of the IMF, has observed that: "Poverty is the ultimate systematic threat facing humanity. The widening gaps between rich and poor nations are potentially socially explosive. If the poor are left hopeless, poverty will undermine societies through confrontation, violence and civil disorder."¹⁷⁸ Recognition of this relationship was heightened by the shocking events of 11 September 2001. James Wolfenson, President of the World Bank, observed that: "The horrifying events of September 11th have made this a time of reflection on how to make the world a better and safer place. ... We must recognize that while there is social injustice on a global scale—both between states and within them, while the fight against poverty is barely begun in too many parts of the world, while the line between progress in development and progress toward peace is not recognized—we may win a battle against terror but we will not conclude a war that will yield enduring peace."¹⁷⁹

Since low incomes, income inequality, slow economic growth are important contributors to internal conflict and instability, India and Pakistan with the support of the international community must strengthen and restructure their political economies. This requires a radical transformation in three broad categories of governance. First an improvement in financial management by reducing the burden of military expenditures and the associated levels of deficit and debt. Second an improvement in social provisioning by increasing investment in health and education. This implies prioritizing poverty alleviation and human development over the wasteful allocation of resources to the military, in particularly the nuclear weapons programmes. Third an improvement of governance at both the central and local state level. Multilateral and bilateral donor agencies can do much more to ensure that these reforms become priorities. The recent shift in the goals of the IMF and the World Bank, which lay greater stress on poverty alleviation and human development rather than simply on economic growth, should help to push governments in the right direction. But far more overt pressure must be brought to bear to keep defence expenditures low and to ensure greater transparency in all aspects of military expenditures.

At present both countries' military budgets reflect little of the dramatic increases in expenditure required for their nuclear weapons programmes. Other improvements might include a greater coherence in aid programmes, increased funding for basic needs and measures designed to dampen the

effects of external shocks (draught, famine, war, natural disasters) and the writing down of debt burdens. These changes need to be accompanied by increased pressure on recipients to enact economic and political and institutional changes, particularly in the security field which donors have traditionally been reluctant to tackle. Security sector reform measures, which are increasingly championed by development agencies, do not go far enough in revising security structures or the restructuring the institutional mechanisms designed to deliver and improve security.

If anything security sector reform reinstates the centrality of the security of the state and the role of the military over and above other forms of security designed to improve and enhance the human security of citizens. Civil control of the military, greater transparency in military budgeting, improved military training and the provision of human rights instruction are all important features of effective and professional military forces. Traditionally military training teams such as the British Military Training and Assistance Team have fulfilled this function and such tasks were paid for out of the military budgets of the donor nation. The more recent trend in the use of development funds to fulfill these tasks has resulted in the active diversion of funds from development functions, such as meeting basic needs and meeting more general poverty alleviation targets. This is a travesty at a time when overseas development assistance is woefully low and wholly inadequate for helping the developing world to meet its Millennium Development Goals. Clearly donor organizations need to work in close cooperation with institutions designed to professionalize the armed forces but they should recognize that their comparative advantage lies in the promotion of development, which provides the best form of security for future generations in the region.

In India and Pakistan there is a great expectation among those opposed to the militaristic tendencies of their leaders that if their mutual conflict is resolved there could be a peace dividend that could be of great significance for development. Such expectations are derived from a large body of literature on the peace dividend that contains an implicit assumption that defence savings can have an automatic and *nontrivial* impact on the well being of citizens.¹⁸⁰ According to this view the potential consequences of a peace dividend for *national well-being* can take various forms. A peace dividend may improve the citizens' economic affluence as defined, say, by an increase in average per capita income, it may help to reduce the socio-economic disparities between privileged and underprivileged segments of

the population by improving the equity of national income distribution, and it could enhance peoples' physical welfare as measured in terms of a reduction in the incidence of hunger and malnutrition, infant mortality, communicable disease, adult illiteracy.

This approach assumes that defence savings are *fungible* and can be readily transferred to non-defence expenditures. However, empirical studies show that peace dividends are not easily translated into concrete achievements like more schools, medical centres, and poverty alleviation, and that even where social welfare gains are designed to be derived from a peace dividend substantial time lags occur. To the extent that defence expenditures have been financed by deficit and borrowing, the potential for a peace dividend to enhance social welfare is likely to be small, as "deficit reduction" is inclined to be a priority in the wake of defence cutbacks. In such circumstances the trade-off between defence and non-defence spending extends into the future in the form of debt repayments, which occur at the expense of future consumption and/or investment. This is most likely to occur in the case of Pakistan where the debt overhang has reached unsustainable levels. This does not mean that a peace dividend is unavailable. For Edward Dommen and Dimitri Loukakos, "a peace dividend appears with the return of economic confidence. Peace is fundamental, and a change in military expenditures is not a pre-condition to restore confidence necessary for future investments."¹⁸¹ Here the authors adopt a post-conflict approach that posits that a peace dividend transpires with the return of economic confidence. Peace is fundamental, while a change in military expenditures is not a pre-condition to restore the confidence necessary for investment and growth. In this approach the greatest peace dividend is peace itself.

The Dommen and Loukakos form of a peace dividend may be beneficial in the Indian context but given the extent of the economic crises in Pakistan, the international community may want to reward Pakistan's commitment to a peace process with debt write-offs to ensure that rapid development gains are perceived by an increasingly impoverished and disaffected population. Otherwise, if peace is perceived to fail to bring about a development gain, the country may well implode bringing about a humanitarian disaster of great magnitude. More worrying still is the possibility of a regime change, in which Pakistan's nuclear weapons end up in the possession of the very forces that non-proliferation and counter-proliferation efforts have sought to prevent from acquiring such weapons.

Debt write-off would be a small price to pay to prevent this scenario from occurring and to ensure enduring peace and stability on the sub-continent. In other words, peace without a development dividend may be very costly indeed.

CONCLUSION

That India and Pakistan are involved in a dangerous arms dynamic is apparent for the entire world to see. In the name of security, the elites of both countries have taken their nations to the edge of the nuclear abyss. In so doing they not only risk a nuclear exchange but by diverting funds into rising military budgets to accommodate their weaponization programmes have condemned millions of people to lives of misery, deprivation and conflict. Not only has current consumption and development been retarded, but by increasing military expenditures by means of deficit funding future development has been mortgaged for coming generations. With current spending priorities focused on formal and off-budgetary military allocations neither country is likely to meet its Millennium Development Goals by the year 2015. The perpetuation of poverty and under-development will only intensify internal instabilities, crime and conflict thereby escalating levels of human insecurity and violence. In other words, the costs and risks of pursuing the present course are high in both economic and human security terms.

The responsibility for this situation lies primarily with those that have governed India and Pakistan, in the way in which they have allowed nationalism, domestic politics and vested interests to dictate security policies and military expenditure patterns which have resulted in their citizens paying the price of underdevelopment, poverty and rising levels of insecurity. Quality of governance is increasingly being recognized as among the primary factors behind recent development successes. It is also the factor or rather lack of it that explains the lost development opportunities for many nation states including India and Pakistan. Experience has shown that good governance can help secure human development and improve human security, but in the absence of good governance the opposite occurs, individual well-being and security is eroded and the institutional capacities required to meet basic human needs are undermined. There is thus a general acceptance that human deprivation and inequities exist not just because of economic reasons, but go hand in hand with social and political factors rooted in poor governance and misplaced priorities.

Poor governance is not, however, restricted to the domestic level, the past and present policies of the international community have also contributed to India and Pakistan's conditions. The transfer of arms and

military technology, the provision of military assistance and the placing of geo-strategic interests above regional security concerns or domestic politics have all acted to reinforce the militarization of the regional security environment at the expense of peace and development. Recent events in South Asia suggest that external powers need to move beyond their traditional policies to develop long term relationships built upon cooperation and engagement with both India and Pakistan. Since 11 September the United States is in a unique position to play an important role in securing a negotiated peace between its new regional allies India and Pakistan. Through the use of behind the scenes diplomatic pressure combined with economic incentives that seek to advance economic development and internal stability the United States could provide the impetus to jump start dialogue on Kashmir, which if successful could pave the way for other substantive talks regarding nuclear arms control and disarmament.

Notes

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- ² P. R. Chari and A. Siddiq-Agha, *Defence Expenditure in South Asia*, RCSS Policy Studies 12, Colombo: Regional Centre for Strategic Studies, 2000; General Khalid Mahmud Arif, "The Roots of Conflict in South Asia: A Pakistani Perspective", in Bharat Karnad (ed.), *Future Imperilled: India's Security in the 1990s and Beyond*, New Delhi: Viking, 1994; Neil Joeck, "Maintaining Nuclear Stability in South Asia", Adelphi Paper No. 312, IISS, London: Oxford University Press, 1997; Kanti Bajpai et al., *Brass tacks and Beyond: Perception and Management of Crisis in South Asia*, New Delhi: Manohar, 1995; Michael Krepon and Mishi Faruquee, *Conflict Prevention and Confidence-Building Measures in South Asia: The 1990 Crisis*, Occasional Paper 17, The Henry L. Stimson Centre, New York: St. Martins Press, 1994.
- ³ Barry Buzan and Eric Herring, *The Arms Dynamic in World Politics*, Boulder CO and London: Lynne Rienner Press, 1998, p. 79.

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- ⁴ George Perkovich, *India's Nuclear Bomb: The Impact on Global Proliferation*, Los Angeles: University of California Press, 1999. Perkovich argues that India's decision to pursue the nuclear option was largely influenced by internal political motivations.
- ⁵ Rajpal Budania, *India's National Security Dilemma: The Pakistan Factor and India's Policy Response*, New Delhi: Indus Publishing Company, 2001, p. 47.
- ⁶ Ashley J. Tellis, "South Asia", *Strategic Asia 2001-2002*, The National Bureau of Asian Research, 2001, <http://strategicasia.nbr.org/Report/pdf/ShowReportPDF.aspx?ID=6&f=1>, p. 224.
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- ⁹ Here traditional refers to the realist interpretations of security. Key realist texts include Nicolo Machiavelli *The Art of War*, Neal Wood (ed.), New York: Da Capo Press, 1965; Hans J. Morgenthau, *Politics Among Nations: The Struggle for Power and Peace*, New York: Knopf, 1978; Kenneth Waltz, *Theory of International Politics*, Reading Mass.: Addison-Wesley, 1979; Hedley Bull, *The Anarchical Society: A Study of Order in World Politics*, London: Macmillan, 1977.
- ¹⁰ See Kenneth Waltz, *Theory of International Politics*, Reading Mass.: Addison-Wesley, 1979.
- ¹¹ For details of the Brass tacks operation see Bajpai et al., op. cit. note 2.
- ¹² *The Military Balance 2000-2001*, IISS, London: Oxford University Press, 2001.
- ¹³ M. Zuberi, "Building the Bomb: Collaboration for Self-Reliance and the Counter-Example of India", *Journal of the United Services Institute of India*, Vol. CXXIX, No. 535, January 1999, p. 42.
- ¹⁴ Tamar Gabelnick and Matt Schroeder, "Guns are U.S.", *Bulletin of Atomic Scientist*, January/February 2003, p. 39.

- ¹⁵ John Pike, *Directorate for Inter-Services Intelligence (ISI)*, Intelligence Resource Programme, Federation of Atomic Scientists, www.fas.org/irp/world/pakistan/isi/index.html.
- ¹⁶ Surveys put the annual opium production in Pakistan at 1,600 tons revealing a steep increase in the past few years. Pakistan controls the distribution and sale of heroin, which is processed in factories located in its North West Frontier Province run by drug barons belonging to the Pakistani Khattak and Afridi tribes. They have close ethnic links with poppy growers in Afghanistan. Incidentally, there is an Indian connection too—acetic anhydride, used in the conversion of morphine into heroin, is being smuggled from India to Pakistan, where the demand is obviously strong and profits are enormous. The money laundered through the drug trade is funnelled into unaccounted secret funds meant for arms procurement and support to terrorist groups in Jammu and Kashmir and elsewhere in India, but also to far-off places like Chechnya. ¹⁷Pierre Arnoud Chouvy, “Pakistan: Axes of the Afghan Drug Trade”, *Geopolitical Drug Newsletter*, AEGD, No. 5, 2002, p. 7.
- ¹⁸ For a history of the development of Pakistan’s nuclear weapons programme see David Albright and Mark Hibbs, “Pakistan’s Bomb: Out of the Closet”, *The Bulletin of Atomic Scientists*, July/August 1992, <http://www.thebulletin.org/issues/1992/ja92/ja92.albright.html>.
- ¹⁹ This information was given in a speech made by Dr Qadeer Khan at a function held at the Pakistan Polytechnic in Allama Iqbal in January 1999 and reported in *New Dawn*, 31 January 1999.
- ²⁰ Barbara Crossette, “Pakistan Asks Talks on Atomic Spread”, *New York Times*, 7 June 1991.
- ²¹ Mario Carranza, “An Impossible Game: Stable Nuclear Deterrence After the Indian and Pakistan Tests”, *The Nonproliferation Review*, Vol. 3, No. 6, Spring/Summer 1999, p. 14, <http://cns.miis.edu/pubs/npr/vol06/63/carran63.pdf>.
- ²² *WMD Around the World—Pakistan*, FAS, <http://www.fas.org/nuke/guide/pakistan/missile/index.html>.
- ²³ Sultan Shahin, “Wars don’t come cheap”, *Asia Times*, 26 January 2002.
- ²⁴ Stephen Philip Cohen, Stephen P. Cohen and Michael H. Armacost, *India: Emerging Power*, Washington D.C.: Brookings Institution Press, 2001, p. 128.
- ²⁵ Panchsheel, the spirit of which remains enshrined in the Indian Constitution, has five basic principles; these include: a) mutual respect for each other’s territorial integrity and sovereignty, b) mutual non-aggression, c) mutual non-interference in each other’s internal affairs,

- d) equality and mutual benefit and e) peaceful coexistence. Nehru believed that these principles could form a solid basis for an enduring peace and security in the region and pave the way for greater regional and international cooperation.
- ²⁶ For a discussion of India's evolving strategic and foreign policies see J. Bandhyopadaya, *The Making of India's Foreign Policy*, Calcutta: Allied Publishers, 1980.
- ²⁷ For detailed discussions of these issues see H. C. Sen, *Defence and Development*, New Delhi: United Services Institute of India, 1974 and K. Subrahmanyam, *Defence and Development*, Calcutta: Minerva, 1973.
- ²⁸ See Chris Smith, *India's Ad Hoc Arsenal*, SIPRI, New York: Oxford University Press, 1999.
- ²⁹ Jasjit Singh (ed.), *Nuclear India*, Institute for Defence Studies & Analyses, New Delhi: Knowledge World, 1998, p. 290.
- ³⁰ Perkovich, op. cit. note 4, p. 3.
- ³¹ George Perkovich, "A Nuclear Third Way in South Asia", *Foreign Policy*, No. 91, Summer 1993, pp. 85-104.
- ³² Jaswant Singh, *Defending India*, New Delhi: MacMillan, 1999.
- ³³ *Ibid.*, pp. 13, 16 and 17.
- ³⁴ T. T. Poulouse, "India's Deterrence Doctrine: A Nehruvian Critique", *The Nonproliferation Review*, Vol. 6, No. 1, Fall 1998, pp. 77-84.
- ³⁵ K. Subrahmanyam, "Vajpayee Propounds Nuclear Doctrine", *Times of India*, 5 August 1998.
- ³⁶ The text of India's nuclear doctrine is available at <http://www.meadev.govt/indnucl.d.htm>.
- ³⁷ See for instance Leo Rose, "India and China: Forging a new Relationship in the Subcontinent" and Walter Andersen, "India's Foreign Policy in the Post Cold War World: Searching for a Paradigm", in Shalendra D. Sharama ed., *Asia Pacific in the New Millennium: Geopolitics, Security and Foreign Policy*, Research Papers and Policy Studies 43, Institute of East Asian Studies, University of California at Berkeley, Berkeley: University of California Press, 1999.
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- ⁴⁰ Itty Abraham, *The Making of the Indian Atomic Bomb: Science, Secrecy and the Postcolonial State*, New Delhi: Orient Longmans, 1999.
- ⁴¹ See Naeem Ahmad Salik, "Missile Issues in South Asia", *The Nonproliferation Review*, Vol. 9, No. 2, Summer 2002, and V. R. Raghavan, "Limited War and Nuclear Escalation in South Asia", *The Nonproliferation Review*, Vol. 8, No. 3, Fall-Winter 2001.
- ⁴² See *WMD Around the World—Nuclear Weapons*, FAS, <http://www.fas.org/nuke/guide/india/nuke/index.html>.
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