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The India-Pakistan imperative**

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## South Asian Regional Cooperation: The India-Pakistan Imperative

**Samad Aftab\***

*A central factor in the lack of South Asian regional cooperation is the visceral animosity between India and Pakistan. The India-Pakistan security dilemma has prevented the region from exploiting a number of opportunities that regional cooperation could offer, including the benefits of economic growth, water/energy security and the social construction of intraregional goodwill through cultural interaction. These benefits could be employed by national governments to pursue development goals.*

*It is incumbent upon India and Pakistan to pave the way for substantive regional cooperation by taking measures to encourage cross-border economic and social activities. There are a number of challenges in the India-Pakistan relationship that hinder regional cooperation. However economic integration, if decoupled from political disputes, provides a model through which the two states can develop mutually beneficial relations.*

*In particular, three specific areas of cooperation between Pakistan and India should be pursued: increased levels of trade and the introduction of reforms that facilitate bilateral foreign direct investment; cooperation vis-à-vis water and energy resources; and the reduction of travel restrictions. These processes would constitute the first steps towards wider regional cooperation.*

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## **Introduction**

A central factor in the lack of South Asian regional cooperation is the visceral animosity between India and Pakistan. Both states stand to gain from the economic and social opportunities of a more open South Asian region. For instance, there lies significant potential to establish a valuable trade and investment relationship between the two states; in addition, mutual gains can be accrued from cooperation in energy and water security. These in turn could translate into greater interconnectivity of the South Asian region, which through prudent policies could be transformed into a significant geo-economic hub at the heart of Asia. However, the inability of India and Pakistan to look beyond geopolitical and realist concerns – and to extricate their political disputes from effective economic and social cooperation – has been to the detriment of the region as a whole.

This article argues that it is incumbent upon India and Pakistan to pave the way for substantive regional cooperation by taking measures to encourage cross-border economic and social activities. The following section studies the primary challenges manifest in the India-Pakistan relationship that continue to hinder regional cooperation. The core problem is that India and Pakistan view each other as their primary security threats. In addition, the two states disagree on how regional cooperation should function and whether economic cooperation or conflict resolution and political reconciliation should come first. This article argues for the former: economic integration—not just trade and investment relations but also collaboration on energy and water security—decoupled from political disputes, provides a model for both states to engender mutually beneficial relations.

What is the logic behind regional cooperation in South Asia? At a fundamental level, regional cooperation would enhance the capabilities of the constituent member states of the region to pursue development goals. Much potential exists for mutually beneficial gains from enlarged markets and the sharing of common resources. However, India and Pakistan need to take the initiative in spurring regional interconnectivity. A pertinent example is the fact that the South Asian Free Trade Area (SAFTA) cannot function effectively if India and Pakistan continue to disallow the use of their territories for transit between their neighbouring states and the rest of South Asia.

The final three sections of this article discuss measures for spurring regional interconnectivity. Three specific areas of cooperation between India and Pakistan are examined: increased levels of trade and the introduction of reforms that facilitate bilateral foreign direct investment (FDI); cooperation vis-à-vis water and energy security; and substantive reduction of cross-border travel restrictions. These processes would constitute the first steps towards wider regional cooperation.

### **The India-Pakistan security dilemma and its impact on regional cooperation**

The fractious relationship between India and Pakistan remains at the heart of the inability of South Asia to benefit from the opportunities that regional cooperation offers.<sup>1</sup> Other South Asian leaders have on occasion expressed frustration at the detrimental impact of the bilateral enmity between India and Pakistan on the functioning of the South Asian Association for Regional Cooperation (SAARC).<sup>2</sup>

The most glaring hurdle to sustained cooperation in South Asia is the territorial dispute between India and Pakistan over the Kashmir region. For both Pakistan and India, this dispute constitutes the primary cause of their enmity since partition in 1947. The result is that the two preeminent states in the region not only lack a common threat perception, but also view each other as a strategic rival and an existential security threat.<sup>3</sup>

A pertinent countervailing example is that of the Association of Southeast Asian Nations (ASEAN). It is notable that ASEAN was formed shortly after the *Konfrontasi* between Indonesia and Malaysia.<sup>4</sup> However, during the organisation's early years, ASEAN member states banded together against the 'communist threat' despite the existence of bilateral disputes.<sup>5</sup>

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<sup>1</sup> R. Dossani, D. C. Sneider & V. Sood (eds.) *Does South Asia Exist? Prospects for Regional Integration* (Stanford, CA: The Walter H. Shorenstein Asia-Pacific Research Center, 2010), p. 21.

<sup>2</sup> For example, refer to the statement by former President of the Maldives, Mohamed Nasheed, in: S. D. Muni, 'SAARC at Twenty Five', *ISAS Brief (160)*, *Institute of South Asian Studies* (2010), p. 2.

<sup>3</sup> S. Rahman, 'Same but Different?: Comparing the ASEAN and SAARC Frameworks', *ISAS Working Paper (123)*, *Institute of South Asian Studies* (2011), p.14.

<sup>4</sup> The *Konfrontasi* refers to the conflict between the two states over Indonesia's opposition to Malaysian independence.

<sup>5</sup> Rahman, 'Same but Different?: Comparing the ASEAN and SAARC Frameworks' (2011), p. 14.

The ASEAN example illustrates how relations between regional states can be transformed if they converge upon common threat perceptions.

In South Asia, however, due to the lack of a common threat perception, India, as the preeminent state in both military and economic terms, will need to convince its regional neighbours that it is not out to dominate as a regional hegemon.<sup>6</sup> Pakistan tends to view cooperation with India through the prism of relative gains, and is reluctant to pursue substantive cross-border economic cooperation with its neighbour in the absence of a significant political détente.<sup>7</sup> For its part, therefore, it will need to compromise and transition towards viewing cooperation through the prism of absolute gains. In practical terms, this means decoupling economic integration from political disputes.

*Economic integration or conflict resolution: which comes first?*

Is it necessary for Kashmir and other major political disputes to be resolved before substantive economic integration can take place? Pakistan holds this view and has in the past called for Article 10 of the SAARC Charter, which precludes the deliberation of ‘bilateral and contentious issues’,<sup>8</sup> to be amended.<sup>9</sup> India, however, has been resolute in its determination to keep Kashmir and other bilateral disputes off the SAARC agenda. It argues that SAARC should pursue economic cooperation, which could lead to a more positive environment in which to discuss complex bilateral disputes.

Consensus between India and Pakistan over what takes precedence is more important than the specific approach taken. However, it is unlikely in the near future at least that all the SAARC states will agree to transform the organisation’s functioning so that it offers a framework for bilateral conflicts to be resolved. Thus, economic cooperation is the more likely avenue for progress. The recent elections of economically liberal leaders in India and Pakistan—Prime Minister Modi and Prime Minister Sharif—

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<sup>6</sup> K. Sridharan, ‘Regional Organisations and Conflict Management: Comparing ASEAN and SAARC’, *ISAS Working Paper (33)*, *Institute of South Asian Studies* (2008), pp. 15-16.

<sup>7</sup> E. Sridharan, ‘Improving Indo-Pak relations: international relations theory, nuclear deterrence and possibilities for economic cooperation’, *Contemporary South Asia*, vol. 14, no. 3 (2005), pp. 321-339.

<sup>8</sup> SAARC, *SAARC Charter* <<http://www.saarc-sec.org/SAARC-Charter/5/>> accessed 30 June 2014.

<sup>9</sup> Sridharan, ‘Regional Organisations and Conflict Management: Comparing ASEAN and SAARC’ (2008), p. 12.

have increased the likelihood of substantive economic cooperation between the two states, which may spill over into other areas of cooperation and set in motion wider economic integration.

Spillover is a central component of the theory of regional integration known as *neofunctionalism*. Haas defines spillover as “the way in which the creation and deepening of integration in one economic sector would create pressures for further economic integration within and beyond that sector.”<sup>10</sup> Applied to South Asia, spillover would see states undertaking a process of eliminating barriers to trade, permitting intraregional FDI, agreeing upon energy and water cooperation, and encouraging intraregional cultural interaction. These reforms would enable entrepreneurs and businesses to invest across the region, facilitating a broader level of economic integration. This would create a larger pool of people and businesses with an interest in further liberalising relations between the two states, conditioning a level of interdependence where the benefits of economic, social and political ties far outweigh the perceived risks that may arise from cross-border cooperation.<sup>11</sup>

### **Areas of regional cooperation in South Asia**

The rationale behind regional cooperation in South Asia lies in the opportunities it offers its member states to pursue development goals. South Asia is beset with a number of development and human security problems. These include abject poverty, high levels of illiteracy, rising extremism, vulnerability to natural disasters, poor infrastructure, widespread corruption, water scarcity, and concerns over energy security. Along with Sub-Saharan Africa, South Asia ranks amongst the lowest in the world along a vast majority of development indicators. A 2012 World Bank brief noted that South Asia is home to over 550 million people who live under less than \$1.25 a day, which equates to 44% of the population defined as poor in the developing world.<sup>12</sup> The same brief espouses

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<sup>10</sup> E. B. Haas as cited in: B. Rosamond, *Theories of European Integration* (Houndmills: Macmillan Press, 2000), p. 60.

<sup>11</sup> A. Hashwani, ‘Non-trade-related stakes of the Pakistan-India relationship’ in M. Kugelman & R. Hathaway (eds.) ‘Pakistan-India Trade: What Needs To Be Done? What Does It Matter?’, *Woodrow Wilson International Center for Scholars Asia Program and the Fellowship Fund for Pakistan* (2013), pp. 116-128.

<sup>12</sup> World Bank, *South Asia Regional Brief* (2012)

<<http://www.worldbank.org/en/news/feature/2012/09/25/south-Asia-Regional-Brief>> accessed 30 June 2014.

regional cooperation as a vital tool in spurring economic growth, which could significantly reduce the level of poverty.<sup>13</sup>

The logic for regional cooperation in South Asia is the economic growth and water and energy security that would ensue from the enlargement of markets and the management of shared resources.<sup>14</sup> All of the South Asian states (except for Sri Lanka and the Maldives) share common rivers that originate in the Himalayas. But persistent disputes over these rivers in addition to governmental mismanagement have led to water scarcity in the region. According to a study by the Asian Development Bank (ADB), water availability per capita in South Asia has decreased by around 70% since 1950.<sup>15</sup>

A related problem is the annual inundation of some South Asian states, such as Bangladesh, with floods. Despite being an endemic environmental circumstance, the devastation caused by the floods could be mitigated through intraregional cooperation in solving disputes over shared rivers, collaboration on infrastructure projects and the sharing of hydrological data. In the absence of such measures, floods continue to devastate parts of the region on a regular basis.<sup>16</sup>

The states of South Asia also face energy shortages. Over 30% of the population in Pakistan and India, and over half the population in Bangladesh and Nepal live without access to electricity despite the substantial hydropower potential that lies untapped in South Asia's mountain ranges and rivers.<sup>17</sup> Thus far South Asia has collectively tapped only 16% of this hydropower potential.<sup>18</sup> In the coming decades, the concomitance of scarce resources in South Asia, a booming population

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<sup>13</sup> *Ibid.*

<sup>14</sup> Dossani, Sneider & Sood, *Does South Asia Exist? Prospects for Regional Integration* (2010).

<sup>15</sup> N. Langton & S. Prasai, 'Will Conflicts Over Water Scarcity Shape South Asia's Future?', *Wadhvani Chair in US-India Policy Studies, Center for Strategic & International Studies*, vol. 2, no.1 (2012), p. 1.

<sup>16</sup> N. S. Khadka, 'South Asia Disunity Hampers Flood Warnings', *BBC* (19 July 2013) <<http://www.bbc.co.uk/news/science-environment-23358255>> accessed 30 June 2014.

<sup>17</sup> N. S. Khadka, 'South Asia's Energy Crisis Demands Collective Action', *BBC* (12 August 2012) <<http://www.bbc.com/news/business-19107372>> accessed 30 June 2014.

<sup>18</sup> S. Mitra, 'The South Asian Hydropower Story', *Observer Research Foundation*, vol. 9, no. 28 (2012) <<http://www.orfonline.org/cms/sites/orfonline/modules/enm-analysis/ENM-ANALYSISDetail.html?cmaid=46182&mmacmaid=46183>> accessed 30 June 2014.

and a lack of regional cooperation will generate further strain in the region and provide a source of conflict amongst regional states. It is imperative that the collaborative management of water resources and partnership in energy provision becomes a priority for the governments of the region.

Similarly, economic cooperation through trade and intraregional investment is central to the future of regional cooperation in South Asia. At present, intraregional trade between SAARC members lies at a paltry 5.7% of total trade in the region.<sup>19</sup> The levels of intraregional trade in South Asia as a segment of trade with the rest of the world are shown below:

**Intraregional trade in South Asia [excluding Afghanistan]<sup>20</sup>**

Country/Region	Year	Exports %		Imports %	
		South Asia	Rest of world	South Asia	Rest of world
<b>Bangladesh</b>	2000	1.4	98.6	9.6	90.4
	2007	4.9	95.1	14.7	85.3
<b>Bhutan</b>	1999	99.2	0.8	75.4	24.6
	2008	98.8	1.2	75.1	24.9
<b>India</b>	1999	3.8	96.2	0.8	99.2
	2008	5.4	94.6	0.6	99.4
<b>Maldives</b>	1999	19.6	80.4	20.9	79.1
	2008	11.1	88.9	16.7	83.3
<b>Nepal</b>	1999	39.2	60.8	47.8	52.2
	2003	53.8	46.2	53.6	46.4
<b>Pakistan</b>	1999	3.7	96.3	1.9	98.1
	2008	4.9	95.1	4.4	95.6
<b>Sri Lanka</b>	1999	2.8	97.2	11.7	88.3
	2008	7.1	92.9	22.4	77.6
<b>South Asia</b>	1999	4.0	96.0	3.8	96.2
	2008	5.7	94.3	4.3	95.7
<b>World</b>	1999	1.0	99.0	1.0	99.0
	2008	1.9	98.1	1.5	98.5

<sup>19</sup> Dossani, Sneider & Sood, *Does South Asia Exist? Prospects for Regional Integration* (2010).

<sup>20</sup> G. Saini, *Prospects of Regional Economic Cooperation in South Asia* (Cambridge, UK: Woodhead Publishing Limited, 2012), p. 54.

Smaller economies such as Bhutan and Nepal show high levels of intraregional trade. However, this can be explained by the fact that both are landlocked countries and heavily dependent on India as their primary trading partner. The larger economies of South Asia, in particular India and Pakistan, carry out minimal intraregional trade relative to their total trade. SAARC's value of trade as a percentage of total Gross Domestic Product (GDP), at a miniscule 1.6%, also lags far behind other regional blocs.<sup>21</sup>

The economic growth that would result from increased intraregional trade, investment and labour flows would boost the ability of the states to pursue development goals. Intraregional FDI can contribute to GDP growth in South Asia and birth positive externalities such as technology and skills, roads and other infrastructure. It can also provide a stimulus to economic growth in the form of industry and jobs creation at various levels of the supply chain.

South Asia will play a defining role in the coming decades. The rise of India as an economic powerhouse will be central to realising the 'Asian Century'. However, the perennial instability of this region not only hampers vital development goals for hundreds of millions mired in poverty, but it also has severe implications for the region's ability as a whole to contribute to the global economy. State-led regional cooperation provides a viable model to counteract these problems in the long run without contravening national interest.

It is incumbent upon India and Pakistan to create an amicable atmosphere and the requisite political climate for this to occur. The remaining sections will focus on specific measures that these two states can undertake to achieve this goal.

## **India-Pakistan: trade and foreign direct investment**

### *Trade*

Pakistan and India need to open their markets to each other before South Asian intraregional trade can take off. Both states stand to gain from the enlarged markets and subsequent economic growth. Pakistan requires a growth rate of over 7% for successive decades if it is to achieve a material

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<sup>21</sup> *Ibid.*, p. 57.

improvement in its Gross National Income.<sup>22</sup> India is presently witnessing a relative economic slowdown after two decades of remarkable growth.<sup>23</sup> From the current level of US\$2.5 billion in annual bilateral trade, some predictions suggest that liberalising reforms would generate a minimum annual trade value of US\$10 billion within the first few years.<sup>24</sup> Other projections put the value of 'potential trade' between India and Pakistan at US\$19.8 billion.<sup>25</sup> Another study estimates that annual trade of \$US50 billion could be achieved if trade was completely liberalised.<sup>26</sup> For these significantly higher volumes of trade to be achieved, the governments of India and Pakistan must proceed with a period of stringent reforms and initiatives.

An important step would be taking the initiative in implementing the principles of the South Asian Free Trade Area (SAFTA), which was agreed upon in 2006. This agreement laid out obligations to reduce intraregional tariffs to a maximum of 5% by 2015 for India, Pakistan and Sri Lanka, and by 2018 for the remaining states. However, there has been minimal progress in achieving these targets. Many of the South Asian states still maintain barriers to trade in the form of *sensitive lists*, *negative lists* and *positive lists*. These lists outline the goods that can or cannot be traded between states, and also cover goods that may be traded, but are not provided tariff concessions. Over half of Indian goods that can be potentially exported to Pakistan are banned under Pakistan's negative list, and over a third of Pakistani goods that can be exported to India fall under India's sensitive items list.<sup>27</sup> India also seemingly indicates a preference for trade outside of SAARC, as its present sensitive list for trade with South Asian nations is three times larger than a list it presented to ASEAN for a potential trade agreement.<sup>28</sup>

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<sup>22</sup> H. Shaikh, 'Pak-India Trade: A Regional Perspective', *Policy Brief, Jinnah Institute* (2013), p. 2.

<sup>23</sup> 'The Great Deceleration', *The Economist* (27 July 2013)  
<<http://www.economist.com/news/leaders/21582256-emerging-market-slowdown-not-beginning-bust-it-turning-point>> accessed 30 June 2014.

<sup>24</sup> Shaikh, 'Pak-India Trade: A Regional Perspective' (2013), p. 4.

<sup>25</sup> N. Taneja, 'Enhancing India-Pakistan trade', *New America Foundation* (2013), p. 1.

<sup>26</sup> M. Khan, 'India-Pakistan Trade Relations - A New Beginning', *New America Foundation* (2013), p. 2.

<sup>27</sup> Taneja, 'Enhancing India-Pakistan Trade' (2013), p. 7.

<sup>28</sup> P. Athukorala, 'Intra-regional FDI and Economic Integration in South Asia: Trends, patterns and prospects', *Background Paper No. RVC 7, Arndt-Corden Department of Economics, Crawford School of Public Policy, College of Asia and the Pacific, Australian National University* (2013), p. 10.

Significant progress could be made from Pakistan granting India Most-Favoured Nation (MFN) status. Pakistan has often proclaimed its readiness to do so in the past, but has never followed through due to domestic pressure over the issue.<sup>29</sup> Overcoming these internal hurdles and granting India MFN status would be a positive development for economic relations between these two states.

However, MFN status will have minimal impact if not backed up by the requisite structural reforms to facilitate cross-border trade and financial connectivity.<sup>30</sup> Thus, the creation of additional trade routes along the India-Pakistan border is necessary. Prior to the 1965 war, 11 trade routes existed between the two states.<sup>31</sup> At present the only major land-route for trade is the Wagah-Attari border, which divides Pakistani and Indian Punjab. Opening up a land-route at the Munabao-Khokhrapar border, which divides the southern Pakistani province of Sindh with the Indian state of Rajasthan, would dramatically increase cross-border trade and could be the first step towards the creation of more trade routes along the border.<sup>32</sup>

In addition, Pakistan and India must open up land routes that connect all the South Asian countries in order to permit wider regional trade. This would not only provide both states valuable transit fees but would also contribute to thawing bilateral relations, spurring regional economic interdependence and promoting regional stability.<sup>33</sup> For a landlocked nation such as Afghanistan, an agreement such as SAFTA is essentially pointless if it is not provided access through Pakistan to the other South Asian states. Similarly, India does not allow Pakistan access to Bangladesh, Bhutan and Nepal via its territory.

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<sup>29</sup> Pratyush, 'Growing India-Pakistan trade bodes well for South Asia', *The Diplomat* (15 April 2013) <<http://thediplomat.com/2013/04/growing-india-pakistan-trade-bodes-well-for-south-asia/>> accessed 30 June 2014.

<sup>30</sup> P. De, S. Raihan & E. Ghani, 'What does MFN Trade Mean for India and Pakistan?: Can MFN be a Panacea?', *Policy Research Working Paper 6483, The World Bank, Poverty Reduction and Economic Management Network, Economic Policy and Debt Unit* (2013), p. 10.

<sup>31</sup> M. Z. Khan, 'MFN Status for India on the Cards', *Dawn* (26 January 2014) <<http://www.dawn.com/news/1082756/mfn-status-for-india-on-the-cards>> accessed 30 June 2014.

<sup>32</sup> Khan, 'India-Pakistan Trade Relations - A New Beginning' (2013), p. 11.

<sup>33</sup> R. Harshe, 'India-Pakistan Conflict over Kashmir: Peace through Development Cooperation' in V. Kukreka & M. Singh (eds.) *Democracy, Development and Discontent in South Asia* (New Delhi: SAGE Publications, 2008), pp. 309-328.

The limited trade infrastructure, and its poor quality, is also a major hurdle to trade between India and Pakistan. The efficiency of trade that does occur between the two is handicapped.<sup>34</sup> This can be improved by permitting private investment into infrastructure building on both sides of the border. A public-private setup would expedite the logistics of trade between the two states.<sup>35</sup> The regulated privatisation of a specific area pertinent to cross-border trade, such as the building of vital infrastructure, would result in improved levels of trade and investment. Subsequently, this would require a greater need for infrastructure and the improvement of procedure and logistics, and, in turn, the levels of trade and investment would increase again.

### *Foreign direct investment*

Both India and Pakistan also stand to gain from permitting cross-border FDI. Indian investors have expressed interest in investing in Pakistani mining, petroleum, energy, power and infrastructure projects.<sup>36</sup> In 2012, India announced that it would permit both outward and inward FDI with Pakistan.<sup>37</sup> This has yet to coalesce into a Bilateral Investment Treaty (BIT) between the two countries. For that to happen, Pakistan would have to grant India MFN status first. India's announcement regarding Pakistani FDI was made around the time that Pakistan proffered its intention to grant India MFN status by the end of 2012. Granting MFN status to India would boost the chances of securing a BIT in the near future.

The enlarged market that would result from a cross-border BIT would provide Indian and Pakistani firms economies of scale, which would be a major incentive for cross-border trade and investment. Bilateral FDI between India and Pakistan has large potential in areas such as information technology (IT), business process outsourcing (BPO), entertainment and financial and health services. Furthermore, Indian

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<sup>34</sup> S. Haq, 'Indo-Pak trade: Without Investment in Infrastructure, Bilateral Trade Will Fall', *The Express Tribune* (30 June 2013) <<http://tribune.com.pk/story/570267/indo-pak-trade-without-investment-in-infrastructure-bilateral-trade-will-fall/>> accessed 30 June 2014.

<sup>35</sup> *Ibid.*

<sup>36</sup> K. Kochhar & E. Ghani, 'What can India and Pakistan do to Maximize the Benefits from Trade?' in M. Kugelmann & R. Hathaway (eds.) 'Pakistan-India Trade: What Needs To Be Done? What Does It Matter?', *Woodrow Wilson International Center for Scholars Asia Program and the Fellowship Fund for Pakistan* (2013), pp. 97-115.

<sup>37</sup> 'India permits FDI from Pakistan', *The Indian Express* (1 August 2012) <<http://www.indianexpress.com/news/india-permits-fdi-from-pakistan/982460/>> accessed 30 June 2014.

entrepreneurs would find Pakistan a valuable location to invest due to its proximity to Central Asia from land, and the Middle East and Persian Gulf via the Arabian Sea.<sup>38</sup> For Pakistan, India's highly skilled workers and technological expertise would improve the quality of products and competitiveness of its own firms. Sustained FDI will also generate benefits in the form of externalities such as improved infrastructure, access to technology and research, training and education, improved business and project management standards, and a wide range of cheaper access to products needed for the agricultural and manufacturing industries. Finally, FDI will result in a beneficial multiplier effect across the supply chains of both states.

### **India-Pakistan: energy and water cooperation**

In a region that is plagued by energy and water insecurity, it is incumbent on the larger powers to pave the way for cooperation that will entail benefits for all stakeholders. If Pakistan and India do not find a way to share common scarce resources, and collaborate on projects that increase the availability of energy and water to both economies, the future stability of the region has bleak prospects, with concerns of water security being the primary cause of a major conflict in South Asia in the future.<sup>39</sup> India and Pakistan signed the Indus Waters Treaty in 1960 under the auspices of the World Bank. However, they have had a number of disputes over water resources since then. In addition, as all of the major rivers that flow into Pakistan either originate from or flow through the Indian state of Jammu & Kashmir, Pakistan lives with the constant fear that India can cut off its water supply during a conflict.

Instead of continuing down a zero-sum path that has been detrimental to both sides, the two states could embark upon water sharing schemes such as Integrated Water Resources Management (IWRM) of the Indus River Basin.<sup>40</sup> The success of such a resource-sharing venture would benefit

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<sup>38</sup> I. Nabi, 'Pakistan's Trade with India: Thinking Strategically' in M. Kugelman & R. Hathaway (eds.) 'Pakistan-India Trade: What Needs To Be Done? What Does It Matter?', *Woodrow Wilson International Center for Scholars Asia Program and the Fellowship Fund for Pakistan* (2013), pp. 31-52.

<sup>39</sup> Langton & Prasai, 'Will Conflicts Over Water Scarcity Shape South Asia's Future?' (2012), p. 2.

<sup>40</sup> Global Water Partnership defines IWRM as: 'a process which promotes the coordinated development and management of water, land and related resources in order to maximize economic and social welfare in an equitable manner without compromising the sustainability of vital ecosystems.' <<http://www.gwp.org/en/Press-Room/A-Water-Secure-World/>> accessed 30 June 2014. See also: S. Hameed,

both India and Pakistan by mitigating the damage caused by floods in addition to meeting their water needs. It would also provide a precedent for wider regional cooperation in other major basins such as the Ganges and Brahmaputra river systems.

Energy security is a related area that India and Pakistan can collaborate on. India and Pakistan are in a highly strategic location at the heart of Asia, with Central Asia to their north, Iran and the Middle East to their West, and East Asia and Southeast Asia to their east. This location provides the opportunity to become a regional hub for trade in both commodities and energy resources. A project such as the proposed TAPI Pipeline, connecting Turkmenistan, Afghanistan, Pakistan and India, if successfully implemented, can provide relief to the energy needs of all parties as well as monetary incentives for the nations providing transit, which in this case would include Pakistan and Afghanistan. A World Bank report published in 2013 notes that Pakistan and India—members of the Economic Cooperation Organization (ECO) and the East Asia Summit (EAS) respectively—“can jointly build a stronger connectivity and trade partnership among Southeast, South and Southwest Asia.”<sup>41</sup>

Limited progress on the TAPI pipeline under the auspices of the Asian Development Bank seems to be underway.<sup>42</sup> The SAARC Energy Centre (SEC), based in Islamabad, should play an important role in these projects by facilitating negotiations between the parties. It must ensure that the TAPI project is not shelved by advocating its importance to both India and Pakistan. The SEC should also encourage Pakistan to consider importing electricity from India, which is willing to supply Pakistan,<sup>43</sup> to help reduce its devastating shortfall. Finally, an IWRM approach in water sharing at the Indus River Basin could incorporate joint ventures on small-scale hydropower projects that would also help make up the gap in energy supply.

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‘Prospects for Indian-Pakistani Cooperation in Afghanistan’, *Center for Strategic & International Studies* (2012); A. H. Mohammad, ‘Water sharing in the Indus river basin: Application of Integrated Water Resources Management’, *Master's Thesis, Swedish University of Agricultural Sciences* (2011).

<sup>41</sup> De, Raihan & Ghani, ‘What does MFN Trade Mean for India and Pakistan?: Can MFN be a Panacea?’ (2013), p. 21.

<sup>42</sup> Asian Development Bank, *44463-013: Turkmenistan-Afghanistan-Pakistan-India Natural Gas Pipeline Project, Phase 3* (2014) <<http://www.adb.org/projects/44463-013/main>> accessed 30 June 2014.

<sup>43</sup> A. Phadnis, ‘India willing to export electricity to Pakistan’, *The Express Tribune* (14 June 2013) <<http://tribune.com.pk/story/563213/india-willing-to-export-electricity-to-pakistan/>> accessed 30 June 2014.

## India-Pakistan: cross-border tourism

If Pakistan and India were to ease travel restrictions across the border for their civilians, two important benefits would accrue. First, from an economic perspective, there is significant scope for the tourism industry to profit.<sup>44</sup> Second, it would facilitate greater cross-border exchange. People-to-people contact is a vital component in transforming the multifarious misconceptions that the general populaces in both countries have of their neighbour. A visa-on-arrival scheme<sup>45</sup> would not only boost commercial prospects for businesses, but would also present opportunities for cultural interaction. At present, SAARC runs a 'Visa Exemption Scheme' that permits people defined under certain categories to travel freely in the region.<sup>46</sup> This should be extended to the general populace and encouraged in particular by the Pakistani and Indian governments. Over time this may help generate the rudimentary norms and values of a regional community.

In 2012, Pakistan and India agreed upon an improved visa regime.<sup>47</sup> However, the two states have delayed in fully implementing the agreement, in line with the historical pattern of purported agreements in various sectors that are not implemented beyond a minimal level.<sup>48</sup> Furthermore, without adequate government encouragement and support of cross-border tourism, there is very limited potential for travel between the two countries. Though the present security situation in Pakistan restricts the potential for inward tourism into Pakistan, the Pakistani government must still engage with its Indian counterpart in the promotion of cross-border initiatives such as arts and sports festivals. India offers huge potential as a tourism hub for Pakistanis to visit and foster people-

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<sup>44</sup> Pak-India Business Council, *Conference: Indo-Pak Bilateral Trade Potential* <<http://www.pakindiabusinesscouncil.com/conference-indo-pak-bilateral-trade-potential.html>> accessed 30 June 2014.

<sup>45</sup> 'SAARC CCI suggests visa on arrival', *Dawn* (8 December 2012) <<http://www.dawn.com/news/769976/saarc-cci-suggests-visa-on-arrival>> accessed 30 June 2014.

<sup>46</sup> SAARC, *SAARC Visa Exemption Scheme* <<http://www.saarc-sec.org/SAARC-Visa-Exemption-Scheme/100/>> accessed 30 June 2014.

<sup>47</sup> 'Pakistan, India ease visa regime', *Dawn* (8 September 2012) <<http://beta.dawn.com/news/747956/pakistan-india-agree-to-ease-visa-regime>> accessed 30 June 2014.

<sup>48</sup> 'India to offer group tourist visa to Pakistanis', *Pakistan Today* (11 April 2013) <<http://www.pakistantoday.com.pk/2013/04/11/news/foreign/india-to-offer-group-tourist-visa-to-pakistanis/>> accessed 30 June 2014.

to-people relations. Together, the Pakistani state of Punjab and its Indian counterpart constitute approximately 100 million speakers of the Punjabi language. Finally, India is also home to approximately 160 million Muslims, nearly the whole population of Pakistan.<sup>49</sup>

In recent years, there has been a rising awareness of the importance of cross-border cooperation amongst the civil societies in India and Pakistan. Initiatives like Aman ki Asha have been at the centre of an increasing segment of the populace in both states who desire peace between the two nations.<sup>50</sup> This has resulted in the proliferation of cross-border musical and literary festivals, and conferences discussing the steps that must be taken towards peace. There have also been an increasing number of institutes and think-tanks in South Asia which continue to encourage economic, political and social partnerships in the region. In early July 2013, the Jinnah Institute, a think-tank based in Islamabad, Pakistan, hosted a conference with the New Delhi based Centre for Dialogue and Reconciliation.<sup>51</sup> The discussions explored and promoted the pursuit of peace between India and Pakistan. A similar Track II initiative titled the 'Chaophraya Dialogue' is regularly organised between the Australia India Institute (Melbourne) and the Jinnah Institute.<sup>52</sup>

However, the Pakistani and Indian governments must take up the mantle in encouraging cross-border tourism and developing an amicable atmosphere between the two peoples. The Track II initiatives mentioned above are instances of civil society interaction that pave the way for formalised cooperation at the governmental level. If the relationship between the populace of India and Pakistan could evolve into one of mutual respect and empathy, it would be a remarkable boon for broader regional cooperation and stability.

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<sup>49</sup> 'Mapping the global Muslim population', *Pew Research, Religion & Public Life Project* (7 October 2009) <<http://www.pewforum.org/2009/10/07/mapping-the-global-muslim-population/>> accessed 30 June 2014.

<sup>50</sup> 'Aman ki Asha' translates to 'Hope for Peace'; see also: *Aman ki Asha* <<http://amankiasha.com/faqs.asp>> accessed 30 June 2014.

<sup>51</sup> Jinnah Institute, *Islamabad Dialogue III* <<http://jinnah-institute.org/3rd-islamabad-dialogue-2/>> accessed 30 June 2014.

<sup>52</sup> Chaophraya Dialogue, *About Chaophraya Dialogue* <<http://chaophrayadialogue.net/about-us.php>> accessed 30 June 2014.

## **Conclusion**

The bitter relationship between India and Pakistan holds hostage hopes for regional cooperation in South Asia. Thus, it is incumbent upon these two states to take the initiative in improving their cross-border connectivity and subsequently paving the way for substantive regional cooperation. Regional cooperation provides a model to pursue development goals and raise the welfare of impoverished populations in South Asia. The importance of a more unified, integrated and interdependent South Asia is crucial to the future prospects of the region.

The economic growth that would ensue from high levels of intraregional trade and FDI is necessary for individual governments in the region to tackle the high levels of poverty in their countries. Cooperation in energy and water resource management would help prop up energy and water security. In addition, cross-border travel between India and Pakistan is vital in building people-to-people relations, a central component of a regional community. Taken together, these processes would constitute the first steps towards the development of entrenched regional cooperation.

India and Pakistan must recognise their joint responsibility. They must acknowledge that their inability to cooperate has a debilitating impact on the wider region. If the two states can make real progress in their relations in the coming years, their own populations and also those of South Asia as a whole will benefit. Isolationism is not an option for neighbours; bold steps are required.