

# only way to transform Indo-Pak relations

transport links across their nations.

Second, once they agree to open up transport corridors, they cannot continue to block energy pipelines. Pakistan has been keen on building natural gas pipelines from Iran and Central Asia to service the Indian market. If Pakistan chooses to combine that proposal with an offer on transit in the other direction for Indian goods, New Delhi will find it hard to say "no". Until now India has had two main arguments against natural gas

supplies. These instruments have been effectively employed in other volatile parts of the world.

The other Indian argument has been about reciprocity. New Delhi says there is a long list of decisions on economic cooperation the two sides have to take in restoring normal and mutually beneficial engagement. India insists that Islamabad cannot cherry pick on items of specific interest to it. India has hinted in the past that it could reconsider its approach to the

advantage. Until now Pakistan has sought to use its location to gain strategic advantages vis-à-vis India. If Pakistan chooses to become an economic bridge — a role for which it is naturally positioned — between the subcontinent and the western and northwestern parts of Asia, it will significantly enhance its own regional standing. If Pakistan can become a bridge to the west, Bangladesh is India's link to the east. At present both are geographic barriers for India.

sides should aim at achieving.

Fifth, if India and Pakistan allow transit trade across their territories it goes without saying that they would exploit the suppressed potential for trade between the two Punjabs and between other regions such as Sindh in Pakistan and Rajasthan, Gujarat and Maharashtra in India. All these regions were part of a single economic space and it was post-Partition politics that prevented natural commercial exchange between these territories.

At a recent conference in Islamabad, the former Pakistan Finance Minister and an internationally reputed economist, Shahid Javed Burki, argued that a deliberate and uninhibited opening up of trade links with India would add three percentage points to the annual growth rate in Pakistan. India in general and its bordering regions with Pakistan in particular will benefit immensely from a liberalised trading regime with Pakistan. But to realise the full potential trade between India and Pakistan both sides must put in place some basic infrastructure.

(These would include permission for national banks of either country to operate on the other side, promotion of shipping links, upgrading of transport corridors, improving the communication links, and greater cooperation between the national stock exchanges. At the talks on economic cooperation in Islamabad, India must offer to negotiate new agreements as well as unilateral gestures to break the current negative mindsets that are preventing mutually beneficial economic cooperation.

The level of commercial exchanges between the two nations is at such a primitive level that it does not take much

for both sides to make a success of the talks on economic cooperation. Any movement forward in these talks will provide the much-needed chapeau for the first round of the dialogue. This composite and integrated dialogue is premised on the assumption that the two nations will simultaneously move on the resolution of the question of Jammu and Kashmir and move towards a complete normalisation of bilateral relations.

On its part, India had promised at the end of June during the talks between the two Foreign Secretaries that it was prepared for a "serious and sustained" dialogue on the Kashmir question. It is up to Pakistan now to offer satisfaction to India on issues of concern to it. On the question of increasing people-to-people contact, Islamabad has responded positively to the Indian suggestions and come up with some of its own. A similar response on trade and commercial exchanges will dramatically improve the prospects of the peace process.

In the past, Pakistan has conveyed ambiguous signals on expanding trade links. But the latest hints from Islamabad are that Pakistan has been clearing the decks for a more positive approach towards economic cooperation with India. On its part, New Delhi should seize the moment to articulate a broad vision on transforming economic relations with its western neighbour. If Pakistan responds constructively, India will have reason to hope that the peace process will survive well beyond the first round. If Pakistan holds back, New Delhi would have to hedge its own bets on the longevity of the current engagement with Islamabad. COURTESY THE HINDU

A comprehensive deal in which both sides agree to two-way transit facilities could bring many benefits. Firstly, it will restore natural trade routes within the subcontinent and across it. Secondly, India and Pakistan cannot continue to block energy pipelines. Thirdly, trade and transit across the South Asian frontiers will put India, Pakistan and Bangladesh in a win-win situation in geopolitical terms. And finally, it will also help reduce the sense of political rivalry in Afghanistan

pipelines through Pakistan.

One relates to security. Pipelines everywhere in the turbulent developing world have security problems. A pipeline through Baluchistan will in fact be vulnerable to attacks. But so have been India's pipelines on its own territory moving energy from the mainland to the Northeast. If the security problems with pipelines are endemic, there are a variety of solutions — legal means and insurance cover among others — to limit the costs of potential disruption of

pipeline if Pakistan is prepared for a broader range of economic cooperation. If Islamabad were ready for transit of goods and energy in both directions across its territory, many of India's objections would have been met.

Third, trade and transit across the South Asian frontiers will put India, Pakistan and Bangladesh in a win-win situation in geopolitical terms. The President of Pakistan, Pervez Musharraf, has often declared that he wants to utilise Pakistan's geopolitical location at the crossroads of Asia to national economic

Fourth, trade and transit between India and Pakistan would also help reduce the sense of political rivalry in Afghanistan. Both New Delhi and Islamabad have high stakes in cultivating enduring relations with Afghanistan. At present, in trying to neutralise each other, they both diminish themselves. If India and Pakistan begin to pursue economic cooperation in self-interest, Afghanistan will be partner to both. A trade and transit treaty involving New Delhi, Islamabad and Kabul is a natural objective the three

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# Transit — the

*A decision by New Delhi and Islamabad to offer each other transit facilities for energy and goods will in one stroke reorder the geopolitics of the western subcontinent, Central Asia and the Persian Gulf*

**I**NDIA and Pakistan have an opportunity this week to complete their first round of composite dialogue with a bold new economic initiative. If there is one single big idea that could transform India-Pakistan relations it is transit. A decision to offer each other transit facilities across their borders for energy and goods will in one stroke reorder the geopolitics of the western subcontinent, Central Asia and the Persian Gulf. If India and Pakistan are ready to pursue their own enlightened economic interests, they will seize the moment to cut a simple deal on transit at their talks on economic cooperation this week.

Let us take a look at where India and Pakistan stand on transit trade. India is keen on overland trade with Afghanistan and Central Asia through Pakistan. Islamabad has been unwilling so far to provide such facility for India. Pakistan, however, offers transit the other way in moving natural gas through pipelines from Iran and Central Asia. Here it has been India's turn to say "no." The current negotiating positions of the two sides mean they are open to one-way transit — that is most advantageous to them. A comprehensive deal in which both sides agree to two-way transit could bring many benefits.

For one, granting such mutual transit will restore natural trade routes within the subcontinent and across it. India now transports its goods to Afghanistan and Central Asia along a circuitous route through Iran. Without access to the Partition trade routes between the Indo-Gangetic plain and the western outreaches of the subcontinent, India is involved in developing a variety of expensive transport corridors that go around Pakistan.

Islamabad, in turn, has to circumnavigate peninsular India to get its products into Bangladesh, Bhutan, Nepal and Myanmar. A deal on transit will open the western and central parts of Asia to India and the eastern and southeastern parts of the continent to Pakistan. When that happens it is not merely Indian and Pakistani goods that will traverse the subcontinent. The rich economies of Europe as well as East Asia will be able to use the transport corridors across the subcontinent. India, Pakistan and Bangladesh will gain access to each other as well as collect revenues from the larger flows of trade from other nations across their territories.

Until recent history complicated it, the subcontinent used to be the crossroads of civilisations and transcontinental commerce. But the post-Partition divisions in the subcontinent have choked these transport corridors. Pre-existing road and rail links across the new frontiers of South Asia have been laid to waste. Having pursued a "beggary neighbour" policy for decades, India and Pakistan will have to do very little now to create shared prosperity in the region. They just have to unlock the