



## RESEARCH REPORT 2

Security and Terrorism in Africa Project

February 2009



### **What's Urdu for biltong?**

Can South Africa help Pakistan?

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## ABOUT THE SECURITY AND TERRORISM IN AFRICA PROJECT

A new project in 2005, Security and Terrorism in Africa examines how Africa fits into the global terrorism and counter-terrorism equations post-9/11. It focuses on four key areas of research: Are there factors that make African states more or less prone to terrorism? What factors serve to radicalise states and societies? What can be done to address this internally? What can be achieved through external engagement?

Specific research involves country and regional case studies on the particular natures of Islam in the African context and the extent to which it is susceptible to external influence; terrorism and counter-terrorism activity in the Horn and Sahel regions; and the potential for engagement by African states in international counter-terrorism and non-proliferation policy in bridging the gap between the West and problematic states and regions, including Pakistan, North Korea, Syria and Iran. The project involves extensive liaison with African and foreign security specialists and policy-makers and the international academic community to develop a widening network of expertise on global security and terrorism issues. This project was headed by Kurt Shillinger from 2005–08.

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## ABBREVIATIONS AND ACRONYMS

AGOA	African Growth and Opportunity Act
AJK	Azad Jammu and Kashmir
AL	Awami League
ASGI-SA	Accelerated and Shared Growth Initiative of South Africa
BNCs	Bi-national Commissions
BJP	Bhartiya Janata Party
CBMs	confidence-building measures
FDI	foreign direct investment
GDP	gross domestic product
FTA	free-trade agreement
ICG	Indian Coast Guard
IPAs	Investment Protection and Protection Agreements
ISI	Inter-Services Intelligence
ITEC	India Technical Co-operation Programme
J&K	Jammu and Kashmir
LoC	line of control
MFN	most favoured nation
MoU	Memorandum of Understanding
PKR	Pakistan rupees
PPP	Pakistan Peoples Party
ROW	rest of the world
SAFTA	South Asian Free-Trade Area Agreement
SAIIA	South African Institute of International Affairs
UAE	United Arab Emirates
UN	United Nations
UNCTAD	United Nations Conference on Trade and Development
US	United States
USAID	United States Agency for International Development
USD	United States dollar

## CHAPTER 1

**EXPLORING THE SOUTH-SOUTH COMMITMENT:  
CAN SOUTH AFRICA HELP PAKISTAN?**

KURT SHILLINGER

Following its democratic turn in 1994, Nelson Mandela wrote the year previously, the second pillar of South African foreign policy would be the principle ‘that just and lasting solutions to the problems of humankind can only come through the promotion of democracy worldwide. ...’<sup>1</sup> This policy plank had distant echoes in the final articles of the Freedom Charter pledging that ‘South Africa shall strive to maintain world peace and the settlement of all international dispute by negotiation — not war.’<sup>2</sup> Initially, democratic South Africa sought the application of these ideals in Africa, the primary focus of its diplomatic efforts. In the opening decade of the 21<sup>st</sup> century, however, South Africa, perhaps sensing that the post-Cold-War unipolar moment was fading and eager to find its niche as an emerging power, has looked increasingly outward beyond its own continent to the cultivation of ‘South-South’ trade and security relationships. As former Deputy Foreign Minister Aziz Pahad stated at an intergovernmental seminar on co-operation and development in South America in January 2007:

The challenge is to develop a strategy to position the developing countries in a way that will ensure that we are able to make the global agenda to be relevant to our interests. Such a strategy should be based on solidarity and partnership of the countries of the South through integration and co-operation. This closing of rank will result in the developing countries using our collective strength to turn the global agenda to be favourable to our interests. ... Now we are opening a new trench of struggle for international peace and stability, the struggle against poverty, underdevelopment, global inequality and marginalisation. In partnership we can win this battle.<sup>3</sup>

South Africa has found this ‘closing of rank’ sweet where fruitful economic partnership across the South-South axis holds promise and heady in international fora when asserting contrarian approaches to Western global security priorities. Within an 18-month period, for example, South Africa held three rounds of its bilateral economic commission with Chile, a country whose vast mineral wealth and accelerating mining industry closely suits South Africa’s own strength in that sector. By contrast, it took more than three years for Pretoria to convene its first and only session of a joint commission with Pakistan. Granted, political turmoil in the latter has been a limiting factor, but that in itself raises an important set of questions about both the limitations and potential imperatives of meaningful engagement by and among emerging non-Western powers.

What are the compelling factors of South-South co-operation? How should the benefits of engagement across the South-South axis be measured? If a key goal of such

engagement is international peace and stability, as Pahad argued, is there a point at which moral considerations should balance or even offset economic interests? Put differently, is South–South co-operation primarily a defiant attempt to break economic dependence on the West, or in a multi-polar world are emerging powers and developing states their own brothers' keepers?

This volume of papers explores these questions through the lens of South Africa's relationship with Pakistan — a relationship that has deep historical and cultural roots and is attended by the rhetoric of good intentions, but whose potential is markedly unrealised.

## A PERFECT STORM?

State failure is a subjective concept, but it is measurable by any number of indices: demographic pressures, group grievances, disparities in development, poor service delivery, economic decline, delegitimisation of the state, external intervention and, importantly, security limitations.

By any of these yardsticks, Pakistan ranks among the most dysfunctional and destabilised states in the world — higher on the Foreign Policy Failed State Index, for example, than Nigeria, Angola, Iran and Cuba. In the six decades since independence, only one parliament — the most recent — completed its full five-year term. The country has never experienced a successful succession of democratic governments. Decades of military rule, coups d'état, and corruption in both military and civilian governments have resulted in declining health care, education levels and the delivery of other vital services and a growing and increasingly violent divide between the state and ideologically driven groups.

Although the government is expected to achieve most of the targets set out in the Millennium Development Goals by 2015 and the annual economic growth rate is 5.8%, more specific indices illustrate Pakistan's pallid socio-economic health. Gross national income is \$700 per capita. The country ranks 136 of 177 on the United Nations Human Development Index. Nearly one-fourth of the population (22.32%) lives below the poverty line (\$16 per adult per month). On gender empowerment, Pakistan ranks 82<sup>nd</sup> out of 93 countries measured. Poverty alleviation programmes account for a mere 6% of annual state expenditure. Underscoring the country's urgent demographic fragility, 63% of the population is under the age of 25 years, and barely half of this sector is literate (53% of males aged 15–25, 42% of females).<sup>4</sup>

Against this socio-economic profile, Pakistan is sandwiched between two hostile neighbours. Along the Durand Line, or border with Afghanistan, tribal areas of the Northwest Frontier Province, Waziristan and Baluchistan are increasingly under the control of violent Islamist factions intertwined with like elements from Afghanistan. The government readily admits that its 80 000 troops deployed along the border are woefully insufficient. Asked about Western military and development assistance in these areas, including USAID's ongoing strategy of building schools in the Northwest Frontier Province, then-Governor Muhammad Aurakzai shrugged his shoulders: 'What are 96 schools? Yes, they are nice, but they are not enough.'<sup>5</sup> Pakistan's other main border, with India, is equally problematic, the stop-start composite dialogue between Islamabad and Delhi is constantly beset by human rights grievances and acts of terrorism over the disputed territory of Kashmir. These crises partly arise from and are exacerbated by

ongoing involvement of the Pakistani military intelligence services with terrorist groups — as evidenced most recently by, according to US intelligence claims, support for the bloody attack on India's High Commission in Kabul in early August 2008.

In the broader geo-political context, Pakistan remains at the center of divided interests, with Washington leading the West in pressuring Pakistan to toe an increasingly compromised line in countering terrorism by violent Islamist groups originating within or along its borders, on the one hand, and Russia and China subordinating these concerns in favour of extending an oil pipeline network through the region and across part of Pakistani territory.

In brief, Pakistan ranks as a very dangerous possible entity in the post-9/11 era: a fragile and faltering nuclear state with proliferating Islamist extremism demonstrably beyond its control.

### WAITING ON A FRIEND

If there is a silver lining to this cloud, it is the return of civilian democratic government in 2008. Conceived in crisis and midwifed in violence, the transition nonetheless provides a unique opportunity for fresh internal reforms and new regional and international diplomacy. That the opportunity may be short-lived was underscored by the suicide bombing of the Islamabad Marriot, one of the worst attacks in Pakistan's history, on 20 September 2008, just two weeks after the election of Asif Ali Zardari as president.

Until late 2007, it appeared that military ruler General Pervez Musharraf, would succeed in steering the electoral process smoothly toward a third term. But nine years after seizing power in a bloodless coup, tensions belied his surface calm. Their confidence in Musharraf increasingly frayed by growing extremist violence and pro-democracy demonstrations, Washington and London quietly put pressure on Musharraf to allow both of the two exiled previous democratic leaders, Nawaz Sharif and Benazir Bhutto back to contest elections in November. He balked, sacked first the Supreme Court Justice and then the entire Court, and imposed a state of emergency. Both former leaders returned defiantly to take up the democratic mantle. On 27 December, despite repeated warnings for her safety, Bhutto was assassinated in a shooting/suicide bombing after a political rally in which she forcefully spoke of the need to rein in extremist forces destabilising the country.

The tragedy assured Musharraf's political demise. Although he succumbed to pressure to take off the uniform and seek a third term as a civilian, a coalition between Bhutto's Pakistan Peoples Party (PPP) and Sharif's faction of the Pakistan Muslim League, captured the legislature.

The marriage did not last long. Natural rivals, the two parties split within months of the February vote over what Sharif claimed was the PPP's failure to follow through on a pledge to restore the Supreme Court. Shortly thereafter, facing increasing unpopularity, Musharraf resigned.

The election of Zardari, Bhutto's widower, three weeks later, solidified the return of the Pakistan Peoples Party, Pakistan's counterpart to India's Congress Party, and was the culminating event in a tumultuous year of transition. With the government, military and military intelligence all under new leadership, the potential exists for important policy reforms. What Pakistan needs is a champion.

South Africa is uniquely suited to the role. It shares close cultural ties with both India and Pakistan. Its own experience in conflict resolution through dialogue, constitutional reform, political accommodation, and democratisation provide valuable lessons for Pakistan. It also carries a strong, non-aligned voice in the international arena, particularly on questions of international security and development. There are also more tangible interests at stake. Pakistan remains an important source of opiates entering South Africa, illegal immigration and human trafficking. South African Revenue Service officials also point to Pakistan nationals as a critical factor in abuse of South African travel documentation.

On a more positive note, as the sixth most populous nation, with 160 million people, Pakistan represents an untapped marketplace for goods, services and expertise.

These chapters do not provide all the answers, but they point to areas that could be better developed. Written by academics and practitioners from South Africa and South Asia, they provide ‘insider’ perspectives on the potential and value of stronger bilateral ties.

Husain Haqqani, now Pakistan’s ambassador to the US, expertly traces the complex historical dynamics between the military and Islamist elements and their destabilising effects. Unless the military is untangled from the country’s political sector, he argues, Pakistan has no chance of normalising relations between the state and its disgruntled religious and tribal groups, or its ties with neighbouring Afghanistan and India.

Nazruddin Shaikh, a former Pakistani foreign secretary, provides a practitioner’s perspective on the dynamics of the India-Pakistan peace process, identifying openings for constructive engagement by a fresh, non-aligned third party such as South Africa.

One of the region’s preeminent scholars, Rifaat Hussain lays out a comprehensive review of the India-Pakistan peace process during the Musharraf years, a period marked by both progress and setbacks, highlighting the complexity of the Kashmiri dispute. As the tragic August 2008 bombing of the Indian High Commission in Kabul, in which Pakistani intelligence services were implicated, underscores, the process remains highly vulnerable.

Chellaney Brahma, another leading security analyst from the region, offers an Indian perspective on this challenge, highlighting, as does Haqqani, the urgent imperative of reform of Pakistan’s security services under civilian, democratic rule as a precondition to regional and international security. Normalisation of economic ties with India and the development of a robust civil society, he argues, are also vital to achieving stability in Pakistan.

Moed Yusuf and Willem Van der Spuy share Pakistani and South African perspectives on the economic potential between the two countries — a trade relationship that has been overshadowed by Pretoria’s prioritisation of India. From their respective perches, both analysts imply the benefits of achieving stable, clean civilian governance in Pakistan.

## CONCLUSION

The post-9/11 orientation around international peace and security has been marked by a Western preoccupation with identifying the sources of violent extremism and anticipating the global trajectory of this menace. Studies on terrorism that have taken their cues from this predisposition overlook an important part of the analytical equation. Trans-national

terrorism is a factor in Africa, for example, but specific regional actors also represent alternative approaches to defusing the phenomenon.

The political transitions that took place in South Africa and Pakistan, almost simultaneously, in September 2008, provide both countries with opportunities to reexamine domestic policy and international engagement. At a critical point in Pakistan's history as a nation, South Africa can provide an experienced, sympathetic hand. There is much at stake, and much to gain.

## ENDNOTES

- 1 Nelson Mandela, 'South Africa's Future Foreign Policy,' in *Foreign Affairs*, New York: Council on Foreign Relations, 1993. This article was viewed on <<http://www.foreignaffairs.org/19931201faessay5221/nelson-mandela/south-africa-s-future-foreign-policy.html>>.
- 2 See <<http://www.anc.org.za/ancdocs/history/charter.html>>.
- 3 Aziz Pahad, Santiago, Chile, 30 January 2007. See <<http://www.dfa.gov.za/docs/speeches/2007/paha0130.htm>>.
- 4 Figures are from the United Nations Development Fund as viewed on <[www.undp.org.pk/index.php?option=com\\_content&task=view&id=674&Itemid=92](http://www.undp.org.pk/index.php?option=com_content&task=view&id=674&Itemid=92)>.
- 5 Interview in Islamabad, 4 February 2007.

## CHAPTER 2

## MILITARISM AND MILITANCY IN PAKISTAN

HUSAIN HAQQANI

Pakistan's recently ousted military ruler, General Pervez Musharraf, described his philosophy as 'enlightened moderation'. In the aftermath of the terrorist attacks on the United States on 11 September 2001, Musharraf was forced to abandon his country's alliance with Afghanistan's Taliban. Instead he took on the mantle of a leader dedicated to changing Pakistan from an Islamic ideological state to a moderate Muslim country. But Musharraf's commitment and ability to put Pakistan on a new path were always dubious, and his legacy of severely strained relations between the military and extremist factions provides the most critical challenge to the newly installed democratic government. How this challenge is answered will determine Pakistan's future as a state.

Were Musharraf's policies really aimed at changing Pakistan's direction, or simply part of an effort to salvage the central policy paradigm that was adopted by Pakistan's military-led oligarchy in the country's early days? This paper defines the core elements of the grand strategy of Pakistani officials, drawing on the findings already published in my book *Pakistan Between Mosque and Military*.<sup>1</sup> I also assess the relevance of that strategy to General Musharraf's policies, in an attempt to explain why Pakistan continues to be seen as at best a troubled state, which at any given time is facing either an internal or external crisis.

Pakistan's Islamists made their strongest showing in a general election during the parliamentary polls held in October 2002, securing 11.1% of the popular vote and 20% of the seats in the lower house of parliament. Since then, they have pressed for Taliban-style Islamisation in the Northwest Frontier Province (which borders on Afghanistan), where they control the provincial administration. The Islamists' political success at home flies in the face of General Musharraf's repeated and widely publicised assurances of his intention to alter Pakistan's policy direction radically, to break away from the Islamist and Jihadi extremism of the recent past.

In a major policy speech given on 12 January 2002, Musharraf announced measures to limit the influence in Pakistan of Islamic militants, including those previously described by him as 'Kashmiri freedom fighters'. 'No organisations will be able to carry out terrorism on the pretext of Kashmir', he declared. 'Whoever is involved with such acts in the future will be dealt with strongly[,] whether they come from inside or outside the country'.<sup>2</sup>

Musharraf's government made a distinction between 'terrorists' (a term applied to Al Qaeda members, mainly of foreign origin) and 'freedom fighters' (the label officially preferred in Pakistan for Kashmiri militants). The Musharraf government also remained tolerant of the remnants of Afghanistan's Taliban regime, hoping to use them to resuscitate Pakistan's influence in Afghanistan should the current regime falter. (The incumbent president, Hamid Karzai, was installed by the US).

This duality in Pakistani policy is the result of a structural problem that is rooted in history and remains a consistent element of state policy. It is not the inadvertent outcome

of decisions made by some governments (beginning with the administration of General Zia ul Haq in 1977), as is widely believed. Since the country's inception, its leaders have played upon religious sentiment as an instrument of creating and strengthening a unique identity for Pakistan. As any elementary school student knows, Pakistan is an 'ideological state', and its tenets are those of the Islamic faith. Although the country's rulers have been ostensibly pro-Western, Islam has been the rallying cry used by them to marshal resistance to the threats that they believe India presents. These heads of state have attempted to calibrate militant Islamism so that it serves a nation-building function without destabilising either the country's internal politics or its relations with Western countries. General ul Haq went further than other leaders in 'Islamising' Pakistan's legal and educational systems, but this policy was an extension of a consistent philosophy practised by the state rather than an aberration.

The alliance between the mosque and the military in Pakistan has been forged over a long period, and its character has changed with the twists and turns of the country's history. Islamist groups have been sponsored and supported by the state at different times, for their ability to influence domestic politics and strengthen the political dominance of its armed forces. In the South Asian region, the Islamists have allied themselves with the efforts by the Pakistan military to seek strategic depth in Afghanistan and to put pressure on India to open negotiations over the future of Kashmir. However, relations between ideologically-motivated clients and their state patrons are not always smooth, which partly explains the inability of Pakistan's generals to exert complete control over the Islamists since 9/11.

Since Pakistan emerged as an independent country in August 1947, the country's state institutions, most notably those concerned with national security (such as the military and the intelligence services), have played a leading role in founding Pakistani national identity on the basis of religion. This political commitment to an 'ideological state' gradually evolved into a strategic commitment to the Jihadi mindset, especially during and after the Bangladesh war of 1971. At that time the Pakistani generals used Islamist idiom and the help of Islamist groups to prevent secular leaders elected by the majority Bengali-speaking population from taking over in East Pakistan.

The Bengali rebellion and the brutal suppression of the secessionists by the military followed. After the 1971 war the country was bisected by the birth of Bangladesh as an independent state. In the western wing of Pakistan, the subsequent effort to create national cohesion between disparate ethnic and linguistic groups through religion took on greater significance, and the manifestations of Islamic fervour became more militant. Religious groups, both armed and unarmed, gradually became more powerful as a result of this alliance between the mosque and the military. The radicalism and violence these groups professed, which sometimes appeared to threaten Pakistan's stability, are in some ways the result of a state project gone wrong.

Pakistan's freedom struggle was relatively short, beginning with the demand by the All India Muslim League for a separate state in 1940, and ending with the announcement of the partition plan in June 1947. While the Muslim League claimed to speak for the majority of Indian Muslims, its strongest support and most of its national leadership came from regions in which Muslims were in the minority.<sup>3</sup> Even after the Muslim League won over the local notables in the provinces that were to constitute Pakistan, the League's leaders did not reach consensus over the future direction of the new country. Issues such

as the new nation's constitutional scheme, the status of various ethno-linguistic groups within Pakistan, and the role of religion and theologians in matters of state were still unresolved when Pakistan gained independence.

The Pakistan that was created was more homogeneous from a religious point of view, but economically and administratively it was a backwater. Riots involving Muslims, Hindus and Sikhs resulted in massive migrations from Pakistan to India and vice versa, although nothing of the kind had been envisaged by Pakistan's founders. The communal Islamic basis of partition, coupled with the devotional fervour it generated, made religion even more central to the new state of Pakistan than the country's founding father, Jinnah, may have foreseen. To complicate matters further, when Pakistan was finally established it faced an environment of insecurity and hostility. Many of India's leaders predicted the early demise of the new country.

Getting the new state on its feet presented major challenges to Pakistan's rulers. One was the political task of weaning the new nation's commitment away from the tribal, ethnic and language-based loyalties they had previously identified with. Another was that Pakistan had virtually no industrial base, and the major markets for its agricultural products were in India. These political and economic challenges — and the early responses to them by Pakistan's leaders — influenced Pakistan's evolution as a state and nation profoundly. The ambiguity on religious issues that had made it possible to unite the supporters of Pakistani independence could no longer be maintained once the country had come into being.

The greatest support for Pakistan had come from Muslims living in provinces that were not included in the new state. Yet a disproportionate number of the Muslim League's leaders, senior military officers and civil servants in Pakistan's early administration came from these 'excluded' regions (which became part of India). Inter-provincial rivalries, ethnic and language differences and the divergent political interests of various elite groups had remained dormant while Pakistan was only a demand. But after it became a state, these issues became obstacles to constitution-writing and political consensus-building. India, which became independent at the same time as Pakistan, agreed on a constitution in 1949 and held its first general election in 1951. In contrast, Pakistan's first constitution was not promulgated until 1956, and was abrogated by a military coup within two years.

Jinnah's successors opted to patch over the domestic differences in Pakistan in the same spirit in which Muslim unity had been forged during the pre-independence phase. They defined Pakistani national identity through religious symbolism, and carried forward the hostility between the Indian National Congress and the All India Muslim League by stoking the rivalry between India and Pakistan. The dispute over the princely state of Jammu and Kashmir and continued criticism of the justification for Pakistan by Indian politicians and scholars helped fuel the view at home that 'India did not accept the partition of India in good faith and that, by taking [over parts of Kashmir that had been allotted to Pakistan] piecemeal, she could undo the division'.<sup>4</sup> The fears that Muslim identity would be diluted, which had been behind the demand for carving Pakistan out of India, became the defining characteristic of the new nation-state. This defensive mindset has been reinforced over time through Pakistan's educational system and constant propaganda.

The emphasis on Islam as an element of national policy empowered the religious leaders of the new country. It also created a nexus between the ‘custodians of Islam’ and the country’s military, civil-bureaucracy and intelligence personnel, who saw themselves as the guardians of the new state. Pakistan’s administration held inflexibly to the belief that India represented a threat to Pakistan’s continued existence. In consequence, relations between the two countries remained hostile, and Pakistan’s leaders set store by maintaining a large military capacity. This in turn helped the armed forces to become a dominant element in the country’s life.<sup>5</sup> It also gave rise to a search for foreign allies who could support growth in the country’s defence and economic sectors. This explains Pakistan’s alliance with the West, especially the US.

Each element of this policy tripod — religious nationalism, confrontation with India, and alliance with the West — influenced the other, sometimes in imperceptible ways. Sometimes the government’s need to give priority to one factor made distortions and convoluted explanations necessary to manage another. Thus, India had to be depicted to the Pakistani populace as an enemy of Islam to bolster Pakistan’s self-image as a bastion of the Muslim faith. Again, Pakistan had to persuade the US of its anti-Communist credentials before it could secure American weapons, which were needed to confront the Indian armed forces.

The strongest objections to the imposition of an Islamic paradigm on the new state came from Pakistan’s eastern wing. Bengali-speaking Muslims (from what is now Bangladesh) initially supported the idea of Pakistan, hoping that this would earn them at least an equal say in the running of Pakistan’s affairs. But while the Bengalis were more numerous, it was soldiers, politicians and civil servants from West Pakistan that dominated the new government. Within a year of independence, Bengalis in East Pakistan were rioting in the streets, to demand recognition of Bengali as a national language. Soon thereafter, ethnic Sindhis, Pashtuns and Balochis from the western wing of the country also complained about the domination of the civil services and the military’s officers’ corps by ethnic Punjabis and Urdu-speaking migrants from northern India.

Pakistan’s secular elite assumed that they would continue to lead the country while rallying the people behind them on the basis of Islam. They thought they could ‘use’ Muslim theologians and activists, who were organised in religious parties such as the Majlis-e-Ahrar (Committee of Liberators) and Jamiat-e-Ulema Islam (Society of Muslim scholars), to do so.

Pakistan also inherited the ‘religious sections’ of the British intelligence service in India. These had been created to influence different religious communities during the period of colonial rule, manipulating them for various political purposes, for example to ward off the mounting political pressure for Indian self-rule. Following classic ‘divide and rule’ reasoning, the leaders of the Raj assumed that they would have better administrative control if groups within the various religious communities, especially Hindus and Muslims, could be persuaded to pursue sectarian issues.<sup>6</sup> The newly-formed Pakistani intelligence organisations hoped to use the same tactic to counter the threats of Communism and ethnic nationalism.

The religious political parties were small in number, and carried the stigma of having opposed the idea of Pakistan; but they could make statements the secular officials could not. The Pakistani intelligence services were particularly attracted by the prospect of using theologians to create an impression of ‘pressure from below’ in favour of policies that

would not otherwise capture the popular imagination.<sup>7</sup> The most prominent among the religious political parties after Pakistan's independence was the Jamaat-e-Islami, which had been founded by Sayyid Abul A'la Maududi in 1941.

A parallel development during Pakistan's formative years was the rise to power of the military and the civil bureaucracy. The politicians of the Muslim League had little or no administrative experience, and therefore relied heavily on the civil servants they had inherited from the Raj. The Kashmir dispute as well as the country's ideological project fuelled Pakistan's rivalry with India, which in turn increased the former's need for a strong defence capability. The circumstances of its birth made the military and the civil service even more crucial players in Pakistan's life than they would otherwise have been.

There were relatively few Muslim officers in the highest echelons of the British Indian army and civil service. For the first few years after Pakistan came into being, British generals commanded its forces and British officers filled many important civil service positions. Mid-ranking Muslim officers who were anxious for promotion accused the British officers of favouring India, and played the religious card to motivate their removal.<sup>8</sup> At the time of partition, Pakistan was allocated 30% of British India's army, 40% of its navy and 20% of its air force.<sup>9</sup> Its share of revenue to support these forces was, however, a meagre 17%. This caused Pakistan's central government to feel concern about its ability to pay for and maintain all its military services, especially as the war in Kashmir had already started. In its first budget, the new administration was forced to allocate 70% of the projected expenditure in its first year's budget to defence.<sup>10</sup>

Pakistan's military leaders wooed the US by presenting themselves as allies who could help address America's strategic concerns of the moment as they related to South Asia. In exchange they aimed to secure aid for their own projects of national consolidation (which were based on Islam and confrontation with India). These were initiated by Ayub Khan and continue to this day under General Musharraf.

After the first military takeover in Pakistan in 1958, General Ayub Khan announced a comprehensive programme of reforms, and styled himself a revolutionary leader. Most of the reforms were in the temporal domain, but the question of ideology did not escape attention. The study of Islam or Islamiyat was introduced as a compulsory part of education at all levels.<sup>11</sup> Curricula and textbooks were standardised to present a version of history that linked Pakistan's emergence to Islam's arrival in the sub-continent, rather than the alternative narrative that Pakistan's creation was the outcome of a dispute over the constitution of post-colonial India. Ayub Khan's close companion and Secretary for Information, Altaf Gauhar, revealed several years after Khan's death that 'In 1959 Ayub had written a paper on the "Islamic Ideology in Pakistan", which was circulated to army officers among others'.<sup>12</sup>

The Bureau of National Reconstruction, Ayub Khan's agency for intelligence and research, published a study of Pakistan's security requirements, and recommended that the country look beyond the alliance with the US to meet its defence needs. The reason given was that in addition to the threat from India, Pakistan had also inherited all the security problems faced by the British Raj, given Afghanistan's claim on the Pashtun tribal areas in the country's northwest and the possibility of a Russian push through Afghanistan and Pakistan.<sup>13</sup>

Pakistan must be prepared for the day when [the relationship with the US] is dissolved or loosened ... Then our 'proven and trusted manpower' should be able to hold its own ground. To meet this situation, Pakistan should turn to its own ideology and inherent strength. The duty of self-defense (Jihad) which Islam has ordained makes it incumbent upon everyone to contribute towards the national defense. It also underlines the importance of individual effort and initiative which have become extremely important under conditions of modern warfare.

The solution proposed by the Bureau of National Reconstruction for Pakistan's security problems was 'irregular warfare'.<sup>14</sup>

The death in 1964 of India's long-serving Prime Minister, Jawaharlal Nehru, at a time of Muslim unrest in the Indian-controlled parts of Kashmir, encouraged the anti-India hardliners in Pakistan to test this doctrine of irregular warfare, albeit in an offensive posture. Infiltrators were sent into Kashmir in August 1965 to ignite a wider uprising. On 6 September, India retaliated by widening the war along Pakistan's border. The US suspended supplies of arms to both India and Pakistan. This was particularly disadvantageous to Pakistan, because of that country's greater dependence on American weapons. The war ended in stalemate, which meant that the military advantage Pakistan had hoped for was denied it.

The 1965 war with India had several consequences for Pakistan, each of them important to the country's future. First, it bred anti-Americanism among Pakistanis, based on the argument that the US had not come to Pakistan's aid, despite being its ally. Second, it forged closer links between the Pakistani military and the Islamists. Appeals to religious symbolism and calls to Jihad were used to build the morale of soldiers and the populace. Third, it widened the gulf between East and West Pakistan, as the Bengalis felt that the military strategy of Ayub Khan had left them completely unprotected. Fourth, it weakened the position of Ayub Khan, who forfeited America's confidence while proving unable to score a definitive victory against India.

Pakistan's state-controlled media generated a frenzy of Jihad, extolling the virtues of Pakistan's 'soldiers of Islam'.<sup>15</sup> Several junior officers who had seen action in the war, including some who later rose to the rank of general, came back to describe it as a struggle of Islam against Un-Islam — terminology that had previously been used only by religious ideologues such as Jamaat-e-Islami's Maulana Maududi.<sup>16</sup>

Ayub Khan resigned in March 1969, after several months of violent demonstrations against his government. Pakistan's second military regime (1969–1971), led by General Yahya Khan, was relatively short-lived, but its impact on the country proved long-lasting. The pre-occupation of Pakistan's ruling elite during that period was to fend off challenges to its dominance from populist political parties. In East Pakistan, the Awami League (AL) was questioning the cultural and economic neglect of the Bengali majority by the central government, and demanding greater autonomy. The AL's leader, Sheikh Mujibur Rehman, campaigned for a six-point programme that envisaged a loose confederation between Pakistan's two wings, rather than a centralised state controlled by the Punjabi-dominated military. The Bengalis also sought an easing of tensions with India, and a reduction in Pakistan's military spending. Instead of waking up to Bengali concerns, the Pakistani establishment accused the AL of being India's Trojan horse, and of seeking the country's dismemberment.

In West Pakistan, the Pakistan Peoples Party, led by Zulfikar Ali Bhutto, demanded economic reform and a closer alignment with China against India.

Both parties ignored the ideological concept of Pakistan and were therefore seen by the government as representing a threat to the strategy for national survival. Soon after assuming power, Yahya Khan extended the military's role to that of guardian of Pakistan's 'ideological frontier', a notion that has prevailed ever since.

Yahya Khan held general elections in December 1970, in the belief that no single political party would emerge victorious. When the AL of East Pakistan won the polls outright, with the PPP emerging as the largest party in Western Pakistan, he took military action against the Bengalis. Just as Islamic sentiment had characterised Pakistan's earlier military confrontations, so the war against the Bengali people was portrayed as a battle to protect Pakistan's Islamic identity. The Pakistani army typified their actions in East Pakistan as a counter-insurgency drive, while at home the troops were represented as Mujahideen fighting enemies of Islam.

In addition to fostering religious frenzy in the troops, the regime gave the Jamaat-e-Islami, the various factions of the Muslim League, the Nizam-e-Islam Party, and the Jamiat Ulema Pakistan — the parties that had lost the election to the AL — a semi-official role.<sup>17</sup>

The military regime's shenanigans failed to resolve the political crisis in East Pakistan. The 1971 war, in which India supported the Bengali nationalists, resulted in the emergence of Bangladesh as an independent country. The military administration in Pakistani relinquished its role to a civilian government after its humiliating defeat, only to return to power five years later in an environment of political confrontation.

However, the rout of the Pakistan army at the hands of India in 1971 failed to persuade Pakistan's elite of the need for reconciliation with their larger neighbour. Within 24 hours of taking over in the aftermath of that defeat, Pakistan's new civilian ruler, Zulfikar Ali Bhutto, asked the US if it would help to rebuild Pakistan's military capability, and even offered to allow American naval bases along the Balochistan coast in exchange.<sup>18</sup>

The reconstruction of Pakistan's military forces started soon after the war and, this time, included the possibility of commissioning nuclear weapons as part of its strategy to deal with the security threat it associated with India. When the latter conducted preliminary nuclear tests in 1974, ostensibly for peaceful purposes, Bhutto declared that Pakistan too would acquire weapons capability at all costs.

Pakistan's third military ruler, General Ziaul Haq (1977–1988) moved Pakistan further down the path of Islamisation towards Jihadi militancy, especially while the country was supporting the anti-Soviet Jihad in Afghanistan. The notion of a holy war that began under Ziaul Haq continued under his civilian successors. During his regime, Pakistan became a major global centre for radical Islamist ideas and the groups that profess them, a development Musharraf now says he wants to reverse.

An analysis of Pakistan's 58-year history shows that the military's desire to dominate the political system and define Pakistan's national security priorities has been the most significant (though by no means the only) factor in creating an Islamic ideological model for Pakistan. An important component of this model is fear and hatred of India, which is also the justification used for Pakistan's continuous efforts to become the military equal of India (which now entail the possession of nuclear weapons capability).

Pakistan's rulers have traditionally used the alliance between the Islamists (the mosque) and their armed forces (the military) to help maintain, and sometimes exaggerate,

psycho-political fears in the population at large about national identity and security. Yet the disproportionate focus of these administrations on ideology, military capability and external alliances has weakened Pakistan internally. The country's institutions — ranging from schools and universities to the judiciary — are in a state of general decline. The economy's stuttering growth is largely dependent on the level of concessional flows of external resources.

Pakistan's gross domestic product (GDP) stands at about \$75 billion in absolute terms and \$295 billion in purchasing power parity, making Pakistan's economy the smallest country (in terms of economic size) to test nuclear weapons thus far. Pakistan suffers from massive urban unemployment, rural underemployment, illiteracy and low per capita income. One-third of the population live below the poverty line and another 21% subsist just above it.

Soon after independence, 16.4% of Pakistan's citizens were literate, compared with 18.3% of India's (significantly larger) population. By 2003, while India had managed to attain a literacy rate of 65.3%, Pakistan's stood at only about 35%. Today, Pakistan allocates less than 2% of its GDP to education, and the amount allotted to primary schools in the national budget ranks close to the lowest in a rating of 87 developing countries. Its low literacy rate and inadequate investment in education has led to a decline in Pakistan's technological base, which in turn hampers the country's economic modernisation.

The dominance of Pakistan's internal affairs by its generals is a direct outcome of the circumstances that prevailed during the early years of its statehood. However, the country's situation has changed considerably over the intervening years. A planned withdrawal of the military from political life is essential if Pakistan is to become a stable, functioning country. The alternative is an unstable state that is armed with nuclear weapons and infested with Islamist extremism, teetering almost constantly on the verge of failure.

Radical Islamic groups that portray themselves as the guardians of Pakistan's religious purity have had a special status conferred on them by the military and civil bureaucracy that normally governs Pakistan. The Islamists claim that they are not only the protectors of Pakistan's nuclear deterrent capability but the champions of securing Kashmir for Pakistan. Secular politicians who seek greater autonomy for Pakistan's different regions — or demand that religion be kept out of the business of the state — have come under attack from the Islamists for deviating from Pakistan's *raison d'être*.

Pakistan's secular elite used an appeal to Islam as a national rallying cry against threats, both perceived and real, from India, which is predominantly Hindu. They assumed that the country's clerics and Islamists were too weak and too dependent on the state to mount a challenge to the power structure. Unsure of their fledgling nation's future, the politicians, civil servants, and military officers who led Pakistan in its formative years chose to foster the antagonism between Hindus and Muslims that had led to partition to create a distinctive identity: 'Islamic Pakistan resisting Hindu India'. Hostility between India and Pakistan continues, despite the periodical attempts that have been made to broker peace between them.

Pakistan's political identity as an 'ideological state' has gradually evolved into a strategic commitment to exporting the jihadist mindset in order to gain regional influence. But this policy has also nurtured an extremist Islamism in Pakistan that in the last few years has become a threat not only to local but to global security. It is also the greatest stumbling-block to Pakistan's own long-term national cohesion and development.

The international community can probably help Pakistan most in the long term by using its influence to reshape the ideologically limited view of the national interest held by the country's military. Militancy in both the religious groupings and armed forces of Pakistan entails support for terrorism. Both are inextricably linked to Pakistan's chosen identity as an ideological state: but both are inimical to its viability.

Normalisation of relations between India and Pakistan and Pakistan's return to democracy are key to Pakistan's long-term stability. The latter has, nominally, been achieved, though the nascent return to democracy is extremely fragile. It remains to be demonstrated whether the generals' withdraw from the political arena will endure. If Pakistan does not transcend the dynamic created by an ideology defined by both the mosque and an overly dominant military, it runs the risk of becoming a failed state with nuclear weapons.

## ENDNOTES

- 1 Haqqani H, *Pakistan Between Mosque and Military*. Washington DC, Carnegie Endowment for International Peace. Lahore: Vanguard Books, 2005.
- 2 English rendering of President General Pervez Musharraf's Address to the Nation, 12 January 2002. Available at <[http://www.pak.gov.pk/President\\_Addresses/presidential\\_addresses\\_index.htm](http://www.pak.gov.pk/President_Addresses/presidential_addresses_index.htm)>.
- 3 For a discussion of the relatively weak support for Pakistan in the areas that were included in the new country, and the local politics behind it, see Talbot I, *Pakistan – A Modern History*. New York: St. Martin's Press, 1998, Chapter 3, pp. 66–94.
- 4 Khan MMR, *The United Nations and Kashmir*. Groningen, Netherlands: J.B. Wolters, 1956, p. 62.
- 5 'The military' in Pakistan's political context generally means the Pakistan army, which is the oldest and strongest of the three armed forces. The Pakistan army's history, structure, motives and view of self is described in detail in Cohen SP, *The Pakistan Army*. Berkeley: University of California Press, 1984. The second edition with additions and updating, Karachi: Oxford University Press, 1998.
- 6 The role of the provincial special branches (secret service) in Indian provinces under British rule can be gleaned from the documents of the period at the British India Library. Reference to the religious sections in the Northwest frontier, for example, can be found in Khan W, *Facts are Facts*. New Delhi: Vikas Publishing House, 1987.
- 7 Personal interviews with Pakistani intelligence officers of the time have helped me confirm that the religious sections continued to operate after Pakistan's independence.
- 8 For a discussion of this phenomenon, see Siddiqui AR, *The Military in Pakistan — Image and Reality*. Lahore: Vanguard Books, 1996, pp. 9–12.
- 9 Jalal A, *The State of Martial Rule*, Cambridge: Cambridge University Press, 1990. p. 42.
- 10 *Ibid*, p. 70.
- 11 Nayyar AH & A Salim, *The Subtle Subversion — The State of Curricula and textbooks in Pakistan*. Islamabad: Sustainable Development Policy Institute, 2003, p. 3.
- 12 Gauhar A, *Ayub Khan: Pakistan's First Military Ruler*. Karachi: Oxford University Press, 1996, p. 93.
- 13 *Ibid*. The author was a senior official in the Bureau of National Reconstruction.

- 14 *Ibid.*, pp. 65–67.
- 15 Siddiqui, *op. cit.*, p. 107.
- 16 See, for example, Major General Malik TH, *The Story of My Struggle*. Lahore: Jang Publishers, 1991, p. 45. General Malik saw action in 1965 as a battalion commander. The army's Chief of Staff, General Ziaul Haq, forced him to retire from the army in 1976 on grounds of fanaticism.
- 17 Maniruzzaman, *The Bangladesh revolution*, p. 101.
- 18 Telegram dated 17 February 1972, 'GOP Soundings on US Bases, Defense Pact and Arms for Pakistan' from the US Embassy in Islamabad to the State Department in Roedad K (ed.), *The American Papers*, pp. 795–796.

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## CHAPTER 3

# ATTAINING REGIONAL PEACE: A PAKISTANI PERSPECTIVE

NAJMUDDIN SHAIKH

The growing interest that South Asia holds for South Africa, as the latter seeks to broaden its economic ties with a politically turbulent region that is nevertheless experiencing rapid economic growth, is both timely and historically grounded. The ties between South Africa and South Asia run deep, not least because a significant number of South Africans can trace their origin to the subcontinent. The region also provided support (perhaps more ardently than the rest of the world) for the struggle that led to the present political dispensation of equal rights for all South Africans.

This paper explores the current dynamics of the India–Pakistan peace process. These provide the background against which any constructive third-party efforts by South Africa, as a friend to both states, should be framed.

The opportunities for external parties to influence either Pakistan or India in this complex conflict are, admittedly, few. However, as the most important economic power in Africa, a country with longstanding-historical connections with both India and Pakistan, and a state demonstrably committed to nuclear non-proliferation, South Africa has a voice that resonates across the sub-continent. I believe there is a fund of affection in South Africa for South Asia, because Pakistan and India were at the forefront of the international movement to offer backing to the African National Congress in its struggle to bring apartheid to an end.

Pretoria can make two important contributions to the peace process between India and Pakistan. First, unlike South Africa, most members of the international community will be hesitant to develop trade and investment linkages with a tension-ridden region. Second, if nuclear weapons cannot be eliminated from South Asia, their production and deployment should be restrained as far as possible, and South Africa can exert its influence to bring this about.

Four factors underpin the current relationship between the neighbouring rivals, Pakistan and India. First is the fidelity of both heads of state to the commitment undertaken in April 2005 by former President Pervez Musharraf and the Indian prime minister, Manmohan Singh:

Conscious of the historic opportunity created by the improved environment in relations and the overwhelming desire of the people of the two countries for durable peace and recognizing their responsibility to continue to move forward towards that objective, the two leaders [Musharraf and Manmohan Singh] had substantive talks on all issues. ... They determined that the peace process was now irreversible.<sup>1</sup>

Equally important, perhaps, in the context of the Kashmir issue, was the press conference that former President Musharraf gave after the Joint Statement had been announced. On this occasion, obviously as a result of an agreement with Prime Minister Manmohan Singh, he laid out the parameters within which the two sides would try to find a solution.

Second, in contrast with an almost daily diet of reports of clashes or exchange of fire between Indian and Pakistani soldiers on the Line of Control (LoC) which divides the part of Jammu and Kashmir controlled by Pakistan and the part of Jammu and Kashmir under the administration of India, a period of 41 months has elapsed during which the guns have been silent. Third, civilians now enjoy at least some movement across the LoC, alleviating the hardships that countless divided families have endured for decades. Fourth, beyond Kashmir, people-to-people exchanges have increased exponentially. Whereas the Pakistan High Commission in New Delhi was accustomed to grant some 30–40 visas a day, the number has risen to more than 350 daily. The rail and bus services already in existence are in full use, and talks preparatory to expanding them are under way. Cultural exchanges have increased dramatically, and trade has shown a 76% growth (although the balance is considerably in India's favour).

In the security field, the two countries have formally agreed an arrangement to give prior notification of missile launches and military exercises. So far, these undertakings are being faithfully implemented.

## THE COMPOSITE DIALOGUE

All of the developments outlined above and the general ambiance that has been created have led most people in both countries to believe two things: that there is no possibility of a return to the state of near-war that existed in 2002, and that their leaders are committed to the peace process.

However, serious concerns remain. Sceptics suggest, for instance, that similar periods of a thaw in relations between Pakistan and India have occurred in the past, and that the peace process initiated in 2005 has yet to make substantive progress on a range of key issues. They pointed out that despite the Joint Statement published in April 2005 there was little to show that any advance had been made on the question of the Kashmir update. There had been no reduction of Indian troops in that state; nor had there been any substantial diminution in the oppression to which the Kashmiris believe these forces subject them. (The Indian military have wide-ranging powers of arbitrary arrest.) On the other hand, the Indians argue that Pakistan has not lived up to its promises. These are to dismantle the network of terrorists India believes is based in Pakistan, and which launches attacks on Indian-held Kashmir and recently on other targets in India; and to halt the infiltration of insurgents into Kashmir. One example of an act of terrorism coming from Pakistan, according to the Indian media, was the horrific bombing of the trains in Mumbai in July 2006.

Pakistan, in agreeing to consider solutions to the disputed territory of Kashmir (such as joint management), made the substantial concession of no longer demanding that any proposed solution be put to the vote in Kashmir. Another compromise was entailed in Pakistan's accepting the condition set by India that no change in the borders of Kashmir would form part of the talks, even while Pakistan reiterated its inability to accept the LoC

as the international border. Pakistan has of course made it clear that these concessions were intended to allow a breakthrough proposal that would be acceptable to both sides to be made on the Kashmir issue. If no progress is made towards a resolution, Pakistan reserves the right to revert to its original position: asking for the implementation of the UN resolutions that call for the holding of a free and impartial plebiscite to allow the people of Kashmir to determine whether they wish to belong to Pakistan or India.

Indian observers have conceded that this willingness to compromise represents a considerable advance in the Pakistani position, and calls for an imaginative response from India. A reciprocal gesture was anticipated by Pakistan when one of its former prime ministers, Mr Atal Bihari Vajpayee, talked of the need to move off the beaten track to find a solution that could be the harbinger of a durable peace in South Asia. Such a response would lend substance to the assertion by Prime Minister Manmohan Singh in the press conference he gave to foreign correspondents in New Delhi on 31 May 2005:

We [India and Pakistan] share a number of similarities and should work together at finding a solution which makes borders meaningless and irrelevant. So it should not matter whether a person is living in Srinagar [the capital of Indian-held Kashmir] or Muzzafarabad [the capital of Azad Kashmir or what the Indians call Pakistan-occupied Kashmir].<sup>2</sup>

This expectation has not been borne out by subsequent events. India's contention is that Pakistan has not lived up to its commitment to bring an end to infiltration into Indian-held Kashmir by militants. However, this is a difficult position to sustain. The Indians claim that covering fire from the Pakistan army's artillery caused the Indian troops to crouch down in their bunkers, and so allowed the infiltrators a free passage across the Indian lines. The Indians argued further that, because of Pakistani interference, they had not been able to build a sensor-equipped fence that could detect infiltration. However, there is good reason to discount these contentions. Since the ceasefire the Pakistani army has not fired its artillery. Also, the Indians have not only built a three-layered fence, but have placed sophisticated movement sensors on one or more of its strands. Given the above, it would appear to be reasonable to expect that even if Pakistan was not fulfilling its side of the bargain, the level of infiltration should have dropped. The Indians occasionally acknowledge this argument, if only when they are boasting of the success of their operations; but then they revert to the complaint that Pakistan is not doing enough to stem the flow of militants across the LoC.

No concrete steps, such as a reduction of troops in Indian-held Kashmir, the release of political prisoners or the curbing of the power of the security forces to harass ordinary Kashmiris, have been taken by India. This is not to say that there has been no progress in the talks. The Mumbai train bombing in July 2007 led to a postponement of the Foreign Secretaries' meeting, but it did not necessarily represent a suspension of dialogue. As participants in this seminar know, discussions between Pakistan and India are proceeding, and not only in the committees set up to debate the items that comprise the agenda of the composite dialogue. Additional talks are being conducted through a back channel, by means of which emissaries of the two leaders hold non-binding discussions, primarily on the Kashmir question, but also on other items of mutual concern. In my opinion it is important that the Kashmiris are included in these consultations, and that their assent is won to whatever agreement the two sides move towards. It is equally desirable that

some tangible evidence that progress is being made is supplied to the Kashmiris, to give them hope that the process is advancing. In this way India and Pakistan can create an environment in which the Kashmiris see little advantage in continuing to support the activities of militants.

The press reports on the discussions of the Siachen Glacier appear to offer little hope that a conclusion has been reached. This dispute relates to an area in Kashmir where the LoC was not demarcated. This territory was held by Pakistan, but was occupied by the Indians in 1984. According to the Indian interpretation of the agreement that defined the border (the LoC) in Kashmir at the time of the ceasefire, the Glacier lies on India's side. Pakistan maintains an opposing view. Both countries have deployed large contingents of troops to the area, and have spent enormous sums of money in maintaining these forces on snow-bound heights of more than 19 000 feet. More soldiers have been lost to frostbite and other weather-related causes than to actual war casualties. The Pakistanis have slightly easier access to the area, so it costs them only Pakistan rupees (PKR) 100 to provide a chappati (flatbread) to a Pakistani soldier, whereas the same staple costs India PKR 500 per soldier. (It has to be borne in mind that on the plains a chappati would cost only PKR 1.) This example demonstrates the degree to which both sides are wasting money on what is recognised by both to be a strategically valueless piece of territory.

Commentators, both Indian and Pakistani, have pointed out repeatedly that such wasteful expenditure can be ill-afforded by either side, and have pleaded for a withdrawal from the Glacier, which would allow these resources to be used instead to alleviate the grinding poverty in both countries. Despite various efforts to obtain an agreement on Siachen, such as the statement by the Pakistani foreign minister in late 2006 that the Foreign Secretaries of the two countries may announce an agreement, this has not happened.

There is another issue on which it appears that a resolution could easily be arrived at if there was sufficient political will on both sides. This is the contested demarcation of the land boundary in the Sir Creek area. The border between the Indian province of Gujarat and the Pakistani province of Sind was drawn in 1914 (when both provinces were part of British India) as lying on the eastern bank of the Sir Creek, a small watercourse that flows into the sea. However, the Indians insisted that since this was a waterway, the internationally-accepted Thalweg principle (that the border should be placed in the middle of the navigable channel) should be taken as the basis for the demarcation. The Pakistanis pointed out that the Thalweg principle applies when there is a navigable channel that enables the waterway to be used by vessels. As the Sir Creek has never been navigable, this principle is not applicable. There is also the problem of shifts in the course of the Creek, a common phenomenon in estuaries. This dispute is exacerbated by to the impact the opposing arguments have on the drawing of the maritime boundary, and therefore on the demarcation of the Exclusive Economic Zones of the two countries. Also, there is speculation that large deposits of fossil fuels exist offshore in this area, which adds particular significance to the question of where the border lies.

Some Indians, in a reversal of the position India normally adopts — that all disputes between Pakistan and India must be settled bilaterally, without involving third parties or international organisations — are now suggesting that the dispute should be shelved. The Law of the Sea Commission should then make a definitive ruling on the maritime boundary, as it is required to do if agreement between the two sides has not been reached

by 2008. Currently, however, both sides have agreed that a further survey should be carried out to determine the true course of the Creek. Once its position is correctly reflected in the maps of the region, both sides will conduct further negotiations. It is Pakistan's contention that if India cannot be trusted to stand by boundaries that were agreed upon long before the two countries became independent, it would be even more difficult to resolve other and knottier problems. I think that were the relationship to improve in other areas, so that a greater measure of trust and confidence between the two countries were to come about, the Indians would abandon this stance. For the moment they see no advantage in fulfilling an obligation that may mean the loss of valuable offshore resources. My own opinion is that if Pakistan and India are attempting to build mutual trust, they should start with the premise that where old agreements exist, they must be honoured.

The first phase of the reconciliation process started with an exchange of letters between Prime Minister Vajpayee of India and President Musharraf in June 2001, which led to the abortive summit held in July of that same year. In their exchanges, both sides expressed the view that poverty was their common enemy, and that they should devote their efforts, jointly and severally, to alleviating the wretched lot of the masses in the two countries. Today both countries are making good, even remarkable, economic progress. India achieved a growth rate of 8% in 2005, and is likely to improve on that figure in 2006. Pakistan's growth rate was similar to India's in 2005, but is expected to stand at about 7% the year after. In both countries, however, there is a perception that this economic growth is making the rich richer, is marginally improving the lot of the rapidly-expanding middle class, but is doing little or nothing for the poor.

However, talks between Pakistan and India have not placed much emphasis on poverty. Although discussions of strategic matters have been held between the two countries, the Indians have made it clear that they want to focus on measures to avert the possibility of an accidental nuclear war. They are not prepared to take the further step of agreeing to restrain a further building-up of nuclear and conventional capability. The Indo-US Civil Nuclear Co-operation Agreement, which was approved by the American Congress and signed on 10 October 2008, will not only open a new page in India's relationship with the US, but will make uranium and plutonium resources available for the former's military nuclear programme. What use will India make of this?

In the negotiations Strobe Talbott held with Pakistani and Indian officials after the demonstration of nuclear capabilities by both countries in 1998, he tried to obtain from them a clear definition of the 'minimum nuclear deterrent' that both countries had repeatedly stated was the goal of their military nuclear programmes. He got no satisfactory reply from either side. He did, however, warn them repeatedly that the US-Soviet competition in this field during the Cold War had meant that the two countries had spent some \$5.5 trillion to create and maintain their nuclear arsenals, and in the process they had acquired the (entirely redundant) capacity to destroy the world 20 or 30 times over. Clearly he was suggesting the deleterious economic effects of stepping onto the slippery slope of a nuclear arms race. This kind of self-destructive competition is almost inevitable if restraints are not agreed upon.

Nevertheless, the Indians have said that they are interested in acquiring an Anti-Ballistic Missile capability. Their agreement with the US shows that they are intent on building up their nuclear weapons arsenal. Pakistani strategic planners cannot afford to ignore India's escalation of weapons acquisition as they consider their own defence

needs. The region could well find itself involved in an unproductive arms race unless some measures of restraint, such as the arms control agreements reached between the US and the Soviet Union, are agreed upon. Pakistan recognises that India believes its security concerns are wider than those of Pakistan, and that its defence strategy has of necessity to plan on a bigger scale than is needed merely to counter threats emanating from within the South Asian region. But there is no reason why an agreement between India and Pakistan cannot take this into account.

There are people in India who argue that their country cannot play the global role justified by its population size and economic weight unless it has a military force that can match or exceed those of other major powers in the region, particularly China (and perhaps Russia). There are others, however, who offer an alternative view. They argue that in the current global situation, India would be much better off if it devoted greater resources to fighting poverty and to developing its economic power. In this way it could compete for influence using its economic rather than its military weight. Needless to say, I believe that the latter course is the wiser one, and that it would work not only to the benefit of the Indian people but of South Asia as a whole. I also consider that setting limits on military expenditure should be formalised in bilateral or regional agreements. This would deprive vested interests in Pakistan of the pretext they now use for their country's inordinately high defence expenditures at the cost of economic development and poverty alleviation. (To provide a context for the amounts recently spent by India and Pakistan on military hardware, a recent Congressional Research Service report showed that in 2005 India was the biggest purchaser of arms in the developing world, having bought weapons worth \$5.4 billion. Pakistan was 6<sup>th</sup> on the list, with an expenditure of \$1.7 billion.) India has always said that it would like democracy to flourish in Pakistan, and to see a reduction in the influence its armed forces exert over Pakistan's political life. It should, however, be evident that as long as India's military capabilities continue to grow, Pakistan will have no option but to accept that a great proportion of its scarce resources is devoted to defence. It is an old axiom of politics that he who controls the purse wields the political influence.

From the Indian perspective, the major bone of contention with Pakistan is the issue of terrorism. Pakistan's failure to dismantle what India calls the 'network of terrorism' that operates in Pakistan amounts, the Indians maintain, to a breach of a promise that President Musharraf has made repeatedly, in statements and in joint declarations with India. Pakistan recognises that terrorism is an important issue for the world and for the region, but it has itself been the victim of terrorism as manifested in sectarian violence and in attacks on foreigners. Pakistan has condemned every terrorist attack that has been visited on the Indian people, has offered to co-operate in any investigations of these occurrences, and has made it clear that if Pakistanis are found to be responsible, they will be apprehended and dealt with under the harsh anti-terrorism laws now in force.

There is, however, the feeling in Pakistan that India has chosen to dwell obsessively on this subject to evade substantive discussions of the unresolved issues between them, and to use the terrorism issue as a pretext to avoid adopting any ameliorative measures in Kashmir. The Pakistanis point out that in July 2001 President Musharraf was invited to the Agra Summit, which occurred at a time when India was claiming that intensive terrorist activity originating in Pakistan was taking place. Then India was willing to talk to a Pakistan that was being ostracised by the international community. However, the situation and international attitudes changed after 11 September 2001. Pakistan became a

partner of those countries that initiated the ‘war against terror’, after having been actively wooed by the US and its allies.

Pakistanis believe that India’s pique over the former’s altered status was the reason for India’s extreme reaction to the attack on the Indian Parliament in December 2001. The military confrontation that ensued subjected the relationship between the two countries to severe strain, caused considerable international concern, and affected Pakistan’s international standing. Otherwise, the incident yielded no result beyond a reiteration of pledges already made to prevent further terrorist attacks as far as possible. Commenting on this period and on a subsequent terrorist strike on a particularly holy temple in Gujarat which did not provoke any Indian accusations against Pakistan, I pointed out that the different ways in which the two attacks had been handled by New Delhi showed that it was really up to India to decide what effect acts of terrorism on its territory would have on Indo–Pakistani relations.

In a meeting held in Havana in September 2006, the leaders of the two countries agreed to set up a mechanism to ensure co-operation in tackling the problem of terrorism. This was to my mind a good thing. However, it would become a wasted effort if it provided merely another means of blaming Pakistan for its acts, whether of commission or omission. I think both sides have to accept that Pakistan believes it is in its interest to seek a normalisation of relations with India, and that it wishes to create an atmosphere in which the dialogue can continue, so that substantive steps can be taken to address the unresolved issues.

It would therefore be highly illogical for the Pakistan government or any of its agencies to organise, or connive at, the carrying out of any terrorist act in India. Incidents of this nature are as serviceable to its interests as a hole in the head. One assumes that there are people on both sides of the border who create such incidents because they believe that improved relations between Pakistan and India are inimical to their own agendas. The interests of the two countries, the two peoples and the region as a whole require that both sides continue to pursue the peace process and refuse to be held hostage by those who seek to disrupt its progress.

In summary, Pakistan and India are on the right path to establish the sort of good-neighbourly relations that are a *sine qua non* both to foster the development of the region and to attract the sort of economic and trade ties with the rest of the world that the region sorely needs. It would, however, be naïve to assume that this path will continue to be followed unless progress is made towards resolving outstanding issues in a just and equitable manner. The return of democracy in Pakistan provides a necessary fresh albeit tenuous impetus. Engendering trust between Islamabad and Delhi is a critical precursor to further stability both within Pakistan and across its eastern border. Here South Africa, as a friend to both countries, can play to its strengths.

## ENDNOTES

- 1 Joint Statement, 18 April 2005.
- 2 Text taken from BBC coverage of the press conference given by India’s prime minister, 31 May 2005.

## CHAPTER 4

# THE INDIA–PAKISTAN PEACE PROCESS: AN EVALUATION

DR SYED RIFAAT HUSSAIN

South Asia's strategic landscape is laced with many protracted and violent intra-state (internal) and inter-state (external) conflicts. Efforts to resolve these through various means (including the use of force) have, by and large, proven unsuccessful. There are many wide-ranging reasons underlying this failure. There are such structural factors as the inherent intractability of some of these conflicts (Kashmir being the most outstanding example). Another is the rigid behavioural patterns that are manifested in the persistent belief that war is the best mode of handling clashes of interest. Other reasons concern the unsuccessful attempts to broker peace that have taken place in the past. Among them are weak peace agreements that focus on negative rather than on positive aspects of the situation under negotiation; imperfect peace deals that lack such necessary mechanisms as demilitarisation zones, confidence-building measures (CBMs) and monitoring; peace accords that have not been fully implemented; and settlements that ignore their distributional consequences for the parties to the conflict.

Compounding these difficulties is the enormous challenge of building peace in the aftermath of war.<sup>1</sup> Boutros Boutros-Ghali, the former secretary-general of the United Nations (UN) described the elements of post conflict peace-building as:<sup>2</sup>

- action to identify and support structures which will tend to strengthen and solidify peace, in order to avoid a relapse into conflict;
- rebuilding the institutions and infrastructures of nations torn by civil war and strife; and
- [tackling the] deepest causes of conflict: economic despair, social injustice and political oppression.

In this chapter I review recent developments in the bilateral ties between India and Pakistan, against the backdrop of their enduring enmity. I pay special attention to the resumption of the India–Pakistan composite dialogue in February 2004, and the efforts made by both countries to identify areas of common interest, despite their divergent views on Kashmir. The discussion is divided into three broad sections. Section one presents an argument for the existence of a peace process between India and Pakistan which, along with the ever-present dangers created by crises, wars and tensions, runs like a scarlet thread through the fabric of their bilateral ties. In section two I summarise some of the key factors that have prevented the India–Pakistan peace process from yielding positive results in the past. I also review the impact on their bilateral relations of India's and Pakistan's decisions to conduct nuclear tests in 1998, and the marked deterioration in

their relationship following the terrorist attack on the Indian parliament on 13 December 2001. In section three, while arguing for the necessity of a permanent peace between India and Pakistan, I assess the results of the latest phase of the composite dialogue, which began in February 2004 following Prime Minister Vajpayee's visit to Islamabad in January. This led to the issuing on 6 January of an India–Pakistan joint statement calling for the resumption of the stalled peace talks. In conclusion, I underscore the necessity for the participants in the dialogue to focus their efforts on resolving the Kashmir dispute as a sine qua non for achieving lasting peace between neighbours who now are both armed with nuclear weapons.

### THE INDIA–PAKISTAN PEACE PROCESS

In general terms, a peace process may be defined as involving concerted efforts by the parties engaged in dispute to seek a resolution through dialogue and negotiations. The initiation of a peace process normally follows incidents of armed confrontation between the parties concerned. Usually, the negotiations take place in the presence of interested third parties. The beginning of peace talks, while reducing those pressures that cause violence to escalate, does not guarantee that peace will be secured. To the contrary, a failure of the peace dialogue to yield positive results may make it more likely that violent conflict between the disputants will resume.

There are several reasons to believe that India and Pakistan are committed to the peace process. First, both countries have regularly engaged in bilateral talks to sort out their differences on a wide range of issues. These include border demarcation, boundary adjustment, water distribution, matters concerning trade and commerce, the protection of minorities, the Kashmir question, peacemaking, and CBMs on conventional and nuclear weapons. Second, the India–Pakistan bilateral talks have yielded a large number of agreements that have a fairly good compliance record on both sides (See Table 1 page 31).

The third reason is that, despite their lack of agreement on Kashmir, India and Pakistan have made conscious efforts since the mid-1990s to push the peace process forward. Fourth, since India and Pakistan acquired nuclear weapons in May 1998, the world community has repeatedly called upon them not only to exercise restraint but also to forego both their use and the threat of it in settling their differences. All four of the nuclear crises that have occurred between India and Pakistan (Brasstacks in 1986–87, the 1990 Kashmir crisis, the 1999 Kargil conflict, and the 'compound crisis' of summer 2002) were defused with the help of a third party, the US.

### FACTORS THWARTING THE BUILDING OF AN ENDURING PEACE BETWEEN INDIA AND PAKISTAN

Historically, India–Pakistan relations have never been friendly. At least four factors can be identified as sources of the persistent enmity between Islamabad and New Delhi. First, there is a clash of opposing ideologies in the diametrically opposed philosophical systems of Islam and Hinduism. As pointed out by SM Burke, 'Centuries of dedication to such

**Table 1: Important Indo-Pakistan Agreements (1948–2006)**

Number	Date and Place	Issues	Status	Comments
1	27 July 1949, Karachi	Ceasefire line in Jammu and Kashmir	Operational	Gave rise to Siachin dispute
2	8 April 1950	Minority rights	Operational	Communal harmony
3	22 January 1957, New Delhi	Trade and commerce	Contested	Spawned most favoured nation (MFN) controversy
4	9 September, Karachi	Water rights (Indus Water Basin)	Operational	Potential for conflict
5	January 1966, Tashkent	Peacemaking after 1965 War	Overtaken by events	Third party mediation
6	2 July 1972, Simla	Peace and security after 1971 War	Contested	Framework for normalisation
7	27 August 1973, New Delhi	Prisoners of war	Implemented	Trust building
8	14 April 1978, New Delhi	Design of the Salal Hydro electric plan	Contested	Source of discord
9	31 December 1988, Islamabad	Cultural co-operation	Lapsed	Important for people-to-people contacts
10	31 December 1988, Islamabad	Prohibition of attack against nuclear installations and facilities	Operational	Vital nuclear CBM, trust building
11	6 April 1991, New Delhi	Advance notice of military exercises and troop movement	Operational	Important military CBM
12	17 August 1992, New Delhi	Over-flight rights and prevention of airspace violations	Operational	Important CBM
13	23 June 1997, Islamabad	Joint Working Groups for composite dialogue	Resuming after being interrupted	Framework for dialogue process
14	20 February 1999, Lahore	Peace and security (Lahore Declaration, Joint Statement and MoU nuclear CBMs)	Operational	Core principles of conduct
15	6 January 2004, Islamabad, Joint Statement	Cross-Border terrorism, dialogue process	Operational	Reassurance, reciprocity
16	16–18 February 2006, Islamabad	Composite dialogue schedule	Operational	Vital for substantive dialogue
17	17 September 2006, Havana, Joint Statement	Resumption of composite dialogue process, on cross-border terrorism and Kashmir	Operational	Vital for ongoing dialogue

Source: Compiled by the author.

diametrically opposed systems as Islam and Hinduism could not but nurture an utterly different outlook on the outside world among their respective followers'.<sup>3</sup>

The second source of tension between India and Pakistan relates to the asymmetry between them in terms of geographical size, strategic interests and economics. Howard Wriggins noted,<sup>4</sup>

However unjustified Indian leaders may have thought it, Pakistan's overriding concern vis-à-vis India ... [is the] fear of India's size, the size of its army ... and fear compounded out of not infrequent public statements by prominent Indians regarding the tragedy of partition and reiterating [a belief in] the inherent unity of the subcontinent.

The third factor that contributes to a perpetual state of hostility between India and Pakistan is the legacy of misperceptions and the culture of mistrust spawned by the trauma of partition. This has carried over in the mindsets of those who took over the administration of the two countries. Leo Rose and Richard Sisson comment, 'Most of the political and social concepts that dominated the ideology and psychology of the narrow elites that controlled these two movements survived into the independence period and have not disappeared'.<sup>5</sup>

Last but not least is the unresolved issue of Kashmir. Besides being the root cause of the first two wars between India and Pakistan, and a trigger event for the conflict in Kargil during May–July 1998, Kashmir is now universally recognised as a nuclear flashpoint. This makes it a very serious issue for international security.

Because of the divisive impact of these four (irreconcilable ideologies, the violent legacy of partition, hostile images of the enemy, and the unresolved issue of Kashmir), India and Pakistan have been constrained to frame their security policies unilaterally. In other words, intended gains for one side were supposed to result in an equivalent loss for the other. However, this unilateralist way of thinking about security became untenable after May 1998, when both countries acquired nuclear capacity.

## NUCLEARISATION AND THE IMPACT OF 9/11

In the wake of the South Asian nuclear tests, the relationship between military and political stability has become absolutely critical; the former cannot be achieved without the latter. As states armed with nuclear weapons, India and Pakistan now enjoy 'security' in the basic sense of the word (that is, the security that stems from knowing that a resort to war is no longer a rational choice for either side). Notwithstanding some specific imbalances in military force to Pakistan's disadvantage, there is sufficient weight on either side to discourage any direct military confrontation.<sup>6</sup> According to E Sridharan:<sup>7</sup>

explicit nuclearisation with a demonstrated missile capability has assured Pakistan's security in a way that reduces the sensitivity to relative gains in the military sphere. ... Pakistan is more secure vis-à-vis a possible Indian military threat than ever before. ... Therefore, it has less to fear and much to gain from greater economic engagement with India.

Relations between India and Pakistan reached their lowest ebb after the terrorist attack

on India's parliament on 13 December 2001, in which over a dozen people, including five security guards, were killed. Despite Islamabad's swift and strong condemnation of the attack, India's Prime Minister Vajpayee blamed the militant groups Lashkar-i-Tayyiba and Jaish-i-Mohammed from Kashmir for carrying out the attack, and charged Pakistan with supporting them. Islamabad denied these allegations and accused New Delhi of having 'stage-managed' the attack, to discredit those involved in the Kashmiri struggle for freedom, and also to give a bad name to Pakistan as a state that fostered terrorism. New Delhi's response was to initiate a full-scale military mobilisation, and in May 2002, war between India and Pakistan seemed a distinct possibility. Faced with the nightmare scenario that an India–Pakistan war using conventional weapons might turn into a nuclear conflagration that would have devastating consequences, both for the region and the American anti-terror campaign against Al Qaeda, Washington exerted intense diplomatic pressure on New Delhi and Islamabad to persuade them to pull back from the brink of war.

Despite the martial tenor of the pronouncements issuing from New Delhi, in his address to the nation on 12 January 2002 Pakistan's President Musharraf announced a sweeping reform agenda. Condemning the radical Islamists who had set up a 'state within a state',<sup>8</sup> he declared his determination to rid Pakistani society of their pernicious influence. He announced a ban on all sectarian activity, and set up special courts to accelerate bringing those involved in such activities to trial. Most significantly, he banned six extremist Islamic groups involved in sectarian campaigns. These included Lashkar-i-Tayyiba and Jaish-e-Mohammed, both of which had already been designated as terrorist groups by the US State Department.

When President Musharraf said, 'No organisation will be able to carry out terrorism [under] the pretext of Kashmir',<sup>9</sup> he signalled a qualitative shift in Pakistan's attitude towards Islamic militancy in Kashmir. Two days before President Musharraf's landmark speech, Islamabad announced the setting up of National Kashmir Committee, under the presidency of Sardar Muhammed Abdul Qayyum Khan, a former president of Azad Kashmir and a political moderate. The purpose of this committee was to find a new means to continue the struggle for the rights of the Kashmiri people.

However, Islamabad's sweeping measures to curb Islamic militancy in Pakistan and to end armed support to the insurgents in Kashmir failed to dissipate the gathering clouds. Fearing that war with India was imminent, Pakistan withdrew more than 50 000 troops it had deployed along its border with Afghanistan to prevent Al Qaeda and Taliban forces from entering its territory. Islamabad also informed Washington that in the event of the outbreak of war with India, it would have to reclaim some of the airfields that it had loaned to the US for its military operations in Afghanistan. Aware that such a war would play havoc with its military campaign against Al Qaeda, Washington launched a frantic diplomatic effort to defuse the crisis. Following the visit of the deputy Secretary of State, Richard Armitage, to New Delhi and Islamabad in June 2002, both countries agreed not to resort to armed confrontation.

In response to the pledge made by President Musharraf that he would 'permanently'<sup>10</sup> end his country's support for armed militancy in Indian-held Kashmir, New Delhi lifted some of the diplomatic and economic curbs it had imposed on Islamabad in the wake of the 13 December 2001 terrorist attacks on the Indian parliament. President Musharraf's promise, although greeted with howls of 'sell-out' by Islamic hard-liners in the country,

evoked positive responses from New Delhi. During a visit to Kashmir, India's prime minister, Atal Behari Vajpayee, said that he wanted to extend a 'hand of friendship'<sup>11</sup> to Pakistan. Taking advantage of this offer, Pakistan's prime minister, Mir Zafarullah Khan Jamali, called Mr Vajpayee on 28 April 2003. During their telephonic conversation the two prime ministers discussed ways of improving bilateral ties. Both announced they would return their diplomats to each other's capitals, and they also agreed to re-establish communication and sporting links. On 2 May 2003 Prime Minister Vajpayee told the Indian parliament that he was willing to make his 'third and final' effort to achieve peace by agreeing to hold 'decisive talks'<sup>12</sup> with Pakistan.

Having realised the futility of attempting to resolve their differences over the central issue of Kashmir by going to war, and under constant pressure from the world community, India and Pakistan, slowly but steadily, began to move towards rapprochement.

The ongoing normalisation of relations between India and Pakistan is critically different from previous attempts in that Islamabad is willing to go beyond its previous position (that a resolution of the Kashmir dispute can be found only within the framework of a UN resolution). In a remarkable reversal of Islamabad's previous pronouncements on Kashmir, President Pervez Musharraf publicly stated on 17 December 2003 that even though 'we are for United Nations Security resolutions ... now we have left that aside'.<sup>13</sup> In a joint statement issued in Islamabad following his meeting with the Indian Prime Minister, Atal Bihari Vajpayee, on 6 January 2004, President Musharraf pledged that he would 'not permit any territory under Pakistan's control to be used to support terrorism in any manner'.<sup>14</sup> By making this undertaking he intended to mollify New Delhi's concern over alleged 'cross-border' infiltration from Pakistan.

By dropping his long-standing demand for a UN-mandated plebiscite in Kashmir, and by assuring New Delhi that Islamabad would not encourage violence in those parts of Kashmir held by India, President Musharraf created some badly-needed political space. This has allowed New Delhi to engage with Islamabad in a far more substantive way in seeking a workable solution to the festering Kashmir dispute. Following the meeting between Musharraf and Vajpayee on 6 January, the first round of official talks between the two countries was held in Islamabad from 16–18 February. The joint statement issued in Islamabad on February 18 announced that they had agreed to resume the stalled composite dialogue,<sup>15</sup> and that the foreign ministers of both countries would meet in August 2004 to review the overall progress made by the composite dialogue.<sup>16</sup>

The surprise victory of the Congress Party, led by Sonia Gandhi, in the May 2004 Indian national elections, raised even greater hope that a permanent peace would be achieved between India and Pakistan. However, such hopes must be tempered by the recognition of three fundamental realities. First, the Congress-led government of Dr Manmohan Singh is a coalition that is pitted against a very strong Bahartiya Janata Party (BJP)-led opposition. This situation, which suggests a lack of internal political strength and the absence of a towering political figure like that of Mr Vajpayee in the new government, make it unlikely that New Delhi will muster the political will to achieve a breakthrough on the critical question of Kashmir. Second, the Congress has historically supported the status quo on the division of Kashmir. Having signed the Simla Agreement in July 1972, its policy on Kashmir since then has been to endow the Line of Control with the character of an international boundary. Third, even if the new government managed to show the necessary political resolve to move beyond its previous position, the Congress will be

hampered by a parliamentary resolution on Kashmir that was passed unanimously by its members on 22 February 1994. This resolution called upon Pakistan ‘to stop forthwith its support to terrorism’, which it described as ‘the root cause of tension between the two countries’. It also demanded that Pakistan cease ‘violation of the Simla Agreement and the internationally accepted norms of inter-state conduct’. Expressing its concern at the ‘pitiable conditions and violations of human rights and denial of democratic freedoms of the people in those areas of the Indian state of Jammu and Kashmir, which are under the illegal occupation of Pakistan’, the resolution claimed on behalf of the ‘people of India’ that:<sup>17</sup>

- The state of Jammu & Kashmir has been, is and shall be an integral part of India and any attempts to separate it from the rest of the country will be resisted by all necessary means;
- India has the will and capacity to firmly counter all designs against its unity, sovereignty and territorial integrity;
- demands that Pakistan must vacate the areas of the Indian State of Jammu and Kashmir, which they have occupied through aggression; and resolves that
- All attempts to interfere in the internal affairs of India will be met resolutely.

### RESUMPTION OF THE INDIA–PAKISTAN COMPOSITE DIALOGUE

India and Pakistan formally resumed the stalled peace process in February 2004. Since then, the India–Pakistan composite dialogue has yielded tangible progress in many different areas, which are summarised in Table 2 (page 36).

The Indian prime minister, Manmohan Singh, put forward the Five Working Groups proposal at the Second Jammu and Kashmir Round Table in Srinagar on 25 May 2006. This initiative seeks to involve local Kashmiris in the following discussions:

- applying confidence-building measures across segments of society;
- strengthening relations across the Line of Control;
- developing Kashmir’s economy;
- ensuring good governance; and
- strengthening relations between the State and the Centre, ie essentially undertaking measures to improve ties between New Delhi and the Indian-administered Jammu and Kashmir.

The positive steps jointly taken by India and Pakistan to improve their relations through the mechanism of the composite dialogue include the following.

- The ceasefire along the LoC agreed in November 2003, which terminated armed hostilities after 13 years, continues to hold.
- The conclusion of several nuclear CBMs, includes an agreement to establish a permanent hotline between the two foreign secretaries, and the decision to draw up an agreement with technical parameters on pre-notification of missile flight tests.

**Table 2: Status of India–Pakistan Composite Dialogue (June 2006)**

Agenda item	Status of negotiations	Progress achieved	Sticking points	Prospects	Indian views	Pakistani views
1. Peace and security, including CBMs	Ongoing	Agreements on secure hotline, missile test notification; consultations on security concepts and nuclear doctrines; agreement to implement the 1991 Agreement on air space violations; to hold monthly Flag meetings between local commanders; to return inadvertent line crossers speedily; to make periodic reviews of existing CBMs.	Permanent relocation of strike formations in forward positions. No nuclear first use versus no use of force.	Good.	Current moves must pave the way for a Treaty of Peace, Security and Friendship between the two countries.	Without resolving the core issue of Kashmir, peace between India and Pakistan will remain elusive.
2. Jammu and Kashmir	Ongoing. Active back channel links.	Observance of ceasefire along LoC since November 2003. No visible progress towards resolution of Kashmir problem. Floating of new ideas and proposals: self-governance, demilitarisation and joint management. New Delhi–Srinagar round table discussions. Five Working groups proposal to seek Kashmiri support for Indian policies in Kashmir.	Adherence to stated Indian and Pakistani positions: 'No redrawing of borders' versus 'Territorial status quo unacceptable to Pakistan'.	Good if talks continue and their ambit is expanded to include the views of Kashmiris from both sides of the divide.	Termination of cross-border infiltration from Pakistan as a pre-requisite for progress on Kashmir.	India's outright rejection of Pakistan's proposals regarding demilitarisation zones, self-governance and joint management betrays a lack of serious commitment to making substantive progress on the resolution of the Kashmir issue.
3. Siachin	Several rounds of talks.	Ceasefire since November 2005.	Delineation of LoC beyond NJ9842. Authentication of present positions of occupation versus evolving a framework for troop withdrawal to create a complete zone of disengagement.	Stalemate.	Pakistan must agree to authentication of existing Indian position before troop withdrawal to an agreed location can take place.	Both sides must work for troop withdrawal and agree not to violate the de-limited zone.

Agenda item	Status of negotiations	Progress achieved	Sticking points	Prospects	Indian views	Pakistani views
4. Sir Creek	Technical level talks continuing.	May 2006 agreement to conduct a joint survey of Sir Creek and the adjoining region.	No factual agreement on the termination points of the land boundary in the Sir Creek area.	Promising.	Negotiate a fixed boundary around the middle of the Creek on the 1914 resolution map.	Seek arbitration if bilateral efforts do not lead to delimitation of the maritime boundary.
5. Tulbul/Wullar, Baglihar and Kishenganga	Continuing talks.	Agreement on design modification.	Conflicting interpretation of Indus-Water Treaty.	Progress hinges on the overall state of India-Pakistan relations.	India is not violating Indus-Basin Treaty, as Tulbul is a navigational project.	Indus-Water Treaty forbids a water storage-yielding barrage on the river Jhelum, in India. International mediation sought to determine whether Indus-Basin Treaty is being violated.
6. Terrorism and drug Trafficking	Continuing talks.	Reiteration of commitment to combat terrorism in all its forms and work toward its elimination; MoU on countering narcotics trade, emphasising closer co-operation between drug enforcement agencies. Agreement to create India-Pakistan anti-terrorism institutional mechanism to identify and implement counter-terrorism initiative and investigations.	Pakistan must discontinue its support for cross-border activities of the banned Jihadi groups such as LeT.	For terrorism not very promising. For anti-drug trafficking seems promising.	Unless the issue of cross-border terrorism is addressed, no meaningful bilateral co-operation against terrorism is possible.	Pakistan is doing all that it can to bring cross-border terrorism under control. India must share its intelligence with Pakistan. India is using cross-border terrorism to deflect attention from its state-sanctioned violence in Indian-held Kashmir. India-Pakistan must evolve an institutional mechanism to jointly investigate acts and incidents of terrorism.

Agenda item	Status of negotiations	Progress achieved	Sticking points	Prospects	Indian views	Pakistani views
7. Economic and commercial co-operation	Continuing talks.	Revival of India–Pakistan Joint Commission; India–Pakistan Joint Working Group to study the feasibility of Iran–Pakistan–India gas pipeline project; Draft proposal for a shipping protocol.	India’s demand for most favored nation status; implementation of SAFTA (South Asian Free-Trade Area Agreement).	Promising.	Pakistan must immediately grant most favoured nation status to India. Economic co-operation should not be held hostage by the resolution of the Kashmir dispute.	Unless progress towards resolution of Kashmir dispute is achieved, prospects for economic co-operation will remain limited.
8. Promotion of friendly exchanges in various fields.	Ongoing talks.	Resumption of bus service between Srinagar and Muzaffarabad; operationalisation of bus service between Amritsar–Lahore and Amritsar–Nankana Sahib; operationalisation of Poonch–Rawalakot bus service and a truck service between Muzaffarabad and Srinagar; Munabao–Khokrapar train service. Proposal for a Karachi–Mumbai ferry service; MoU between The Pakistan Maritime Security Agency (PMSA) and Indian Coast Guard (ICG) to enhance communication links.	Lack of liberal visa regime.	Promising.	Friendly exchanges are a vital tool for peace building between the two countries.	Friendly exchanges per se have a limited value. Resolution of Kashmir dispute must be accorded the highest priority.

- Discussions preparatory to agreements on reducing the risks of nuclear accidents, the unauthorised use of nuclear weapons and preventing confrontations at sea have been initiated.
- The bus line between Srinagar, the capital of Jammu and Kashmir (J&K), and Muzaffarabad, the capital of Azad Jammu and Kashmir (AJK), resumed service in April 2005.
- After the October 2005 earthquake in AJK the LoC was opened at five points to assist both the provision of humanitarian assistance and meetings between members of divided families.
- A truck service was launched on the Srinagar–Muzaffarabad route in May 2006.
- A second cross-Kashmir bus service linking Poonch in J&K with Rawalakot in AJK was introduced in May 2006.
- The rail and road links across the international border between the two countries have been reopened. These include a bus service linking Sikhism’s holiest city, Amritsar in India, with Nankana Sahib, the birthplace of Sikhism’s founder in Pakistan; and a railway line between Munnabao in Rajasthan and Khokhrapar in Sindh, which became operational in January 2006.
- Bilateral trade has been resumed through Wahgah on the international border.
- An agreement has been made to return to the previous shipping routes.
- The Joint Economic Commission and Joint Business Councils, both of which promote commercial activity between the two sides, have been reactivated.
- A Joint Working Group has been set up to explore the prospects for building an Iran–Pakistan–India gas pipeline.
- An India–Pakistan anti-terrorism institutional mechanism has been created to identify and implement counter-terrorism initiatives and investigations.

### KASHMIR REMAINS THE KEY

The most important issue, on which the fate of the India–Pakistan composite dialogue depends, remains the Kashmir dispute. Notwithstanding their occasional reiteration of their formal positions on the subject, New Delhi and Islamabad seem to be inching towards a consensus on how best to cut the Gordian knot of the Kashmir dispute. Various possible solutions have been proposed since the resumption of the composite dialogue in January 2004.

Addressing a group of newspaper editors at an Iftar dinner in Islamabad on 25 October 2004, President Musharraf called for a national debate on new options for the Kashmir dispute. This debate is necessary because the demands for conversion of the LoC into an international border (India’s position) and a Kashmiri plebiscite (Pakistan’s) are each unacceptable to the opposing side. To break the deadlock Musharraf suggested that the identification of separate zones of the disputed territory needed to be carried out. This should be followed by their demilitarisation and a determination of their status. He identified seven regions in Jammu and Kashmir that could be seen as differentiated in ‘religious, ethnic and geographical terms’. Two of these regions — Azad Kashmir and Northern Areas — are under the control of Pakistan. The remaining five are under Indian control. Of these, the first zone comprises Jammu, Sambha and Katwa, where Hindus are in

the majority. The second is also in Jammu, but the relevant areas include Dodha, Phirkuch and Rajawri, where the population is largely Muslim but comprises Gujars, Sidhans and Rajas as well. (These three groups are also associated with Azad Kashmir.) The third zone is the Kashmir Valley, which also has a Muslim majority. The fourth is Kargil, which is largely occupied by Shia and Balti; and the fifth area is Ladakh and its adjoining areas, where Buddhists live.<sup>18</sup> President Musharraf also said on the same occasion that it was imperative that the linguistic, ethnic, religious, geographic, political and other aspects of the seven regions should be taken into consideration, so that a peaceful solution to the problem could be found.

President Musharraf's call for an open discussion on Kashmir was termed by the Pakistani opposition parties a 'roll-back', and dismissed by India as unacceptable, because it envisaged redrawing the territorial map in Jammu and Kashmir.<sup>19</sup> During his visit to New Delhi in April 2005, several months later, President Musharraf mentioned 'self-governance', and on May 2005 he proposed 'demilitarisation' and 'maximum self-government' for Kashmir. Following the severe earthquake in October 2005 that devastated large parts of Pakistan-controlled Kashmir, President Musharraf repeated the idea of 'identify[ing] what is Kashmir' before demilitarising the identified region, and working towards giving self-government to the people of that region. In October 2005, Pakistan's minister for Kashmir and Northern Areas Affairs, Faisal Saleh Hayat, espoused various formulas for the government of Kashmir: 'joint control..., limited sovereignty... or a devolution system ...'. Prime Minister Shaukat Aziz reportedly brought up these ideas in November 2005 at the 13<sup>th</sup> South Asian Association for Regional Co-operation Summit at Dhaka, where he met his Indian counterpart on the sidelines. The demilitarisation and self-governance proposals also form the key focus of back-channel discussions between Islamabad and New Delhi.<sup>20</sup>

In a January 2006 interview, President Musharraf clarified his definition of self-governance for Kashmir as follows: 'We are working for something between autonomy and independence. And I think self-governance fits in well.' Another idea mooted by President Musharraf is joint management, which follows identification, demilitarisation, and self-governance.

Despite their characterisation of the latest phase of composite dialogue as 'irreversible',<sup>21</sup> India and Pakistan must contend with the bitter reality that the ongoing peace dialogue is far from robust. This fragility was highlighted by New Delhi's decision to freeze the composite dialogue in the wake of the Mumbai bomb blasts of 11 July 2006, in which 200 people were killed and over 800 injured. Accusing 'elements from across the border' of helping the Mumbai attackers, Prime Minister Manmohan Singh warned Islamabad that it would be difficult to pursue peace talks 'if such acts of terrorism are not controlled'.<sup>22</sup> Reacting to the postponement of the peace talks, Pakistan's Prime Minister Shaukat Aziz accused India of not 'sharing his country's passion for peace',<sup>23</sup> and President Musharraf cautioned New Delhi that any stalling of the peace process would be tantamount to playing into the hands of the terrorists.<sup>24</sup>

Following their bilateral meeting on the sidelines of the 16<sup>th</sup> summit of the Non-Aligned Movement in Havana, Cuba, on 16 September 2006, Prime Minister Manmohan Singh and President Musharraf agreed to resume the peace talks. In a joint statement issued after their meeting, the two leaders 'decided to continue the joint search for mutually acceptable options for a peaceful negotiated settlement on all issues between

India and Pakistan, including Jammu and Kashmir[,] in a sincere and purposeful manner'.<sup>25</sup> The joint statement noted that while there had been 'useful discussions' on the Jammu and Kashmir issue, 'there is a need to build on convergences and narrow down divergences.'<sup>26</sup> The joint statement committed both sides to maintaining the momentum of the peace process and achieving success, as 'it was important for both countries and for the security of the region.'<sup>27</sup> Reflecting India's concerns regarding terrorism and Pakistan's insistence that they can be meaningfully addressed only through an agreed mechanism of impartial investigation, the joint statement called for 'an India–Pakistan anti-terrorism institutional mechanism to identify and implement counter-terrorism initiatives and investigations'.<sup>28</sup> The resumption of the composite dialogue reflects the sensitivity of the two leaders to 'reputational risks', which do not allow them to freeze the peace talks indefinitely. It also underscores the primacy of the core issue of Kashmir. The long-term sustainability of the dialogue depends on their achieving tangible progress in narrowing down their differences on the contested territory. Unless it can make progress toward a solution, the India–Pakistan composite dialogue will remain not only devoid of substance but also perennially vulnerable to attempts by peace-spoilers to derail it.

## ENDNOTES

- 1 The United Nations has identified six major tasks that may be part of peacebuilding: (1) de-militarisation of combatants; (2) electoral assistance; (3) re-establishment of rule of law; (4) reconstruction of civil society; (5) economic assistance; and (6) return of refugees and internally displaced persons.
- 2 Boutros-Ghali B, *An agenda for Peace Preventive Diplomacy, Peacemaking and Peace-keeping*, New York: United Nations, 17 June 1992.
- 3 Burke SM, *Mainsprings of Indian and Pakistani Foreign Policies*, Karachi: Oxford University Press, 1975, p. 22.
- 4 Wriggins H, 'The balancing process in Pakistan's foreign policy,' in Lawrence Ziring, *et al.* (eds), *Pakistan: The Long View*, Durham, N.C.: Duke University Press, 1977, pp. 303–304.
- 5 Sisson R & L Rose, *War and Secession: Pakistan, India and the Creation of Bangladesh*. Karachi: Oxford University Press, 1992, p. 35.
- 6 According to Brigadier Naeem Ahmad Salik, Director of the Arms Control and Disarmament Directorate at the Strategic Plans Division, Joint Staff Head Quarters, 'Although the balance is clearly tilted in India's favour, what is generally overlooked is the fact that India's conventional advantage is by no means overwhelming, and Pakistan has so far been able to maintain a manageable ratio of forces and is capable of holding its own for a considerable time'. Salik NA, 'Regional dynamics and deterrence: South Asia', *Security Studies*, Fall 2003, p. 217.
- 7 Sridharan E, 'Improving Indo–Pakistan relations: International relations theory, nuclear deterrence and possibilities for economic co-operation', *Contemporary South Asia*, 14, 3, September 2005, p. 322.
- 8 Text of President General Pervez Musharraf's address to the nation on Radio and Television in *Dawn*, 13 January 2002.
- 9 *Ibid.*
- 10 *Ibid.*
- 11 *The Hindu*, 6 April 2002.

- 12 *Times of India*, 3 May 2002.
- 13 *Dawn*, 18 December 2003.
- 14 For the text of the 6 January Joint Statement, see <<http://in.news.yahoo.com/040106/137/2ar3r.html>>.
- 15 The following schedule of meetings was announced after the February meeting in Islamabad. (1) Foreign Secretaries would meet in May/June 2004 for talks on peace and security including CBMs and Jammu and Kashmir; (2) Talks on Siachin; Wullar Barrage/Tulbul Navigation Project; Sir Creek; Terrorism and Drug-trafficking; Economic and Commercial Co-operation; and Promotion of Friendly Exchanges in various fields would be held at the levels already agreed, in July 2004. It was also agreed that the following technical-level meetings would be held between the two sides. (1) Meeting between the Director General, Pakistan Rangers, and the Inspector General, Border Security Force, in March/April 2004. (2) Expert level talks on nuclear CBMs in the latter half of May 2004. (3) Committee on Drug-trafficking and Smuggling in June 2004.
- 16 Text of Indo-Pak Joint Statement, 18 February 2004, as quoted in *The News*, 19 February 2004.
- 17 The complete text of the Resolution can be found at <[http://www.cifjkindia.org/legal\\_docs/legal\\_docs\\_006.shtml](http://www.cifjkindia.org/legal_docs/legal_docs_006.shtml)>.
- 18 Rana J, 'Let UN oversee seven part Kashmir', *The Nation*, 26 October 2004.
- 19 Making a *suo motu* statement on foreign policy-related issues in the Indian Parliament, Prime Minister Manmohan Singh said that during his meeting with the Pakistan president, Pervez Musharraf, in New York in September 2004 they had agreed that 'possible options for a peaceful, negotiated settlement of the Jammu and Kashmir issue should be explored in a sincere spirit and a purposeful manner'. However, he added: 'I made it clear to President Musharraf that while we are willing to look at various options, we would not agree to any redrawing of boundaries, or another partition of the country.' 'No Redrawing of Border: PM', *Press Trust of India*, 21 December 2004.
- 20 During her weekly press briefing in Islamabad on 27 February 2006, the spokesperson for the Pakistan Foreign Office, Tasnim Aslam, told the reporters, 'we do have various levels of engagement with India on this [self-governance] issue'. Akhlaque Q, 'Self-governance being discussed with India', *Dawn*, 28 February 2006.
- 21 The joint statement issued at the end of President Musharraf's visit to India on 18 April 2005 said: 'Conscious of the historic opportunity created by the improved environment in relations and the overwhelming desire of the peoples of the two countries for durable peace and recognising their responsibility to continue to move forward towards that objective, the two leaders had substantive talks on all issues. They determined that the peace process was now irreversible. In this spirit the two leaders addressed the issue of Jammu and Kashmir and agreed to continue these discussions in a sincere and purposeful and forward looking manner for a final settlement. They were satisfied with the discussions and expressed their determination to work together to carry forward the process and to bring the benefit of peace to their people'. For the full text of the statement see *Dawn*, 19 April 2005
- 22 'India lacks "passion" for peace: Pak PM', *The Daily Star* (Dhaka), 30 July 2006.
- 23 *Ibid.* In an interview with a journalist from the Indian magazine *Outlook*, Pakistan's Prime Minister Shaukat Aziz said: 'I believe you must have a passion for peace. We in Pakistan, President Pervez Musharraf and I, have a passion for peace. I have yet to see this passion on the part of India'.

- 24 Addressing the National Security Council meeting in Islamabad on 18 July, President General Pervez Musharraf said: 'We must not allow such terrorist acts to undermine the historic opportunity for lasting peace between Pakistan and India'. He went on to say that instead of hurling unsubstantiated allegations and aspersions at Pakistan, India should share any concrete information it had with that country. Ul Haque I, 'Stalling of Dialogue serves terrorists' objectives: Musharraf', *Dawn*, 19 July 2006.
- 25 Musharraf, Singh agree to resume dialogue', *Dawn*, 17 September 2006.
- 26 'Peace Process to Resume', *The News*, 17 September 2006.
- 27 *Ibid.*
- 28 *Ibid.*

## CHAPTER 5

### CHARTING A BETTER FUTURE FOR PAKISTAN: A VIEW FROM INDIA

BRAHMA CHELLANEY

The central issue that will determine the level of peace and security in southern Asia region is not so much the state of the relationship between India and Pakistan as what lies ahead for the latter. Will Pakistan emerge as a stable, moderate, Muslim state? Or will it sink deeper into militarism, extremism and fundamentalism?

How the Pakistani state evolves in the coming years will have an important bearing on security, not just regionally but also internationally. Appellations that Pakistan has earned in recent years, such as ‘Problemistan’, ‘Terroristan’ and ‘Al Qaidastan’, have underlined its potential to threaten international security. From South Africa to Europe, and from India to the United States (US), Pakistan’s future has become an important issue. The reason is that transnational terrorism originating in Pakistan poses a risk both to the internal stability of individual states and to international security.

Many states face serious internal challenges or conflicts. However, as the main sanctuary of Al Qaeda today, Pakistan is in a class of its own. The world may pay little attention to the civil conflict in Sri Lanka, for example, because that war is unlikely to affect international security. But this is not the case with Pakistan, which cannot be ignored because it has been identified as a common thread in a high proportion of the investigations that follow acts of international terrorism. As the then ruler of Pakistan, General Pervez Musharraf, himself acknowledged on 21 July 2005, in an address to the nation after the London subway bombings, ‘Wherever these extremist or terrorist incidents occur in the world, a direct or indirect connection is established with this country’. The US may have roped in Islamabad as an ally in its ‘war on terror’ at the point of a gun, but, as the US national security adviser, Steven Hadley, said, Pakistan is also the ‘site where the war is being carried out’.

Thus the world at large has an important stake in Pakistan’s future — in ensuring that it emerges as a moderate, de-radicalised, stable state. It follows that the rest of the world has as much a responsibility to contribute to the stabilisation of Pakistan as the Pakistani people.

What role, if any, can South Africa play? Two principles are worth noting. First, co-operation and dialogue between states is often more influential than sanctions in bringing about political change. Second, a military dictatorship that is part of the problem, internally as well as regionally, cannot become part of the solution. South Africa’s strengths and foreign policy orientation, however, make it an ideal partner. As a leading non-aligned state with natural cultural affinities and economic links with Pakistan, South Africa has credibility in that country. And as a current member of the UN Security Council, South Africa has a platform from which to advocate international engagement with Pakistan.

Furthermore, if democracy is good for the peoples of South Africa, India and the US, it is also good for the people of Pakistan. That is why the short-sighted, politically expedient US policy of propping up a one-man junta in Pakistan proved so counterproductive. It effectively gave legitimacy to Musharraf's military takeover and postponed the country's return to democracy by nearly a decade — a period in which the internal situation in Pakistan worsened and terrorism escalated. That in turn made the situation in Afghanistan uncontrollable. The engine of General Musharraf's dictatorship was oiled by American aid, as was that of his predecessor, General Zia ul-Haq, who was directly responsible for the rise of the forces of *jihad*.

The 2006 *Failed States Index* of the Fund for Peace, Washington, ranks Pakistan as the ninth most dysfunctional state in the world, ahead even of North Korea. As the latest survey published by Transparency International reveals, two-thirds of the Pakistanis polled regard the present military regime as the most corrupt the nation has known since experiments with democracy began in 1988, following the death of the incumbent military dictator in a mysterious plane crash. In Transparency International's annual *Corruption Perceptions Index*, Pakistan has slipped from the 87<sup>th</sup> position in 1999, when Musharraf grabbed power, to 142<sup>nd</sup> out of the 163 countries listed. It has now been identified as one of the three most corrupt states in Asia, along with Bangladesh and Burma (Myanmar).

Even Pakistani journalists were compelled to acknowledge that military rule was the taproot of Pakistan's problems. For example, on 3 November 2006 the Karachi-based *Dawn* newspaper published an article by a columnist, Ayaz Amir, who wrote:

Extremism is not just a problem in the tribal areas. Strange notions of *jihad* and strategic depth lurk in the mindset of the army command and the intelligence services. Rooting out these notions requires not the spurious nostrums of moderation at which Gen[eral] Musharraf has become so skilful but a move toward a genuine democracy in which the army's sole function should be to look after national defence and confine itself strictly to its role under the Constitution. *Military rule has been the mother of extremism in Pakistan.*

Amir went on to urge that, '[w]e must return to being a normal country...'

The scourge of terrorism in Pakistan originated not so much from the influence of the mullahs as from the generals, who rekindled the flame of *jihad* and in doing so brought the Taliban into being. By passing the blame for their disastrous *jihad* policy to their puppets, the mullahs, Musharraf and his fellow generals made many outsiders believe that the key to stability in Pakistan is to contain the religious fringe, not the puppeteers. Make no mistake: It is the military that created and nurtured the forces of *jihad* and helped Islamist groups gain political space at the expense of mainstream parties.

Despite Musharraf's forced resignation in 2008 and an elected president now in office, the military continues to cast a long shadow on policymaking. Unless the military's vice-like grip on power is broken and the rogue Inter-Services Intelligence (ISI) agency is cut down to size, in Pakistan there can be no real, sustained movement toward genuine democracy or against terrorism. Neither can the illicit flow of drugs be stemmed. Narco-terrorism is another phenomenon attributable to the military. It dates back to the Afghan war of the 1980s, when the US Central Intelligence Agency used the ISI as a conduit for funnelling arms to the anti-Soviet guerrillas.

The Lashkar-e-Taiba and several other terrorist groups have enjoyed long-standing relationships with the Pakistani military, especially with the ISI, which used them in two ways: as part of its covert war in Indian Kashmir and its attempt to create a compliant Afghanistan. The Taliban actually was the creation of the Pakistani military and intelligence. The ubiquitous ISI still has an octopus-like reach within Pakistan, and is seen as a state within a state. According to the report of the bipartisan 9/11 commission in the US, the ISI 'was in bed with Osama bin Laden'.

As for the current state of stability on the subcontinent, the only occasions when India and Pakistan have come close to peace have been during the brief periods of democratic rule in Islamabad.

In the absence of participatory processes that engage civil society on issues of governance and accountability, prolonged periods of military rule have helped radicalise Pakistani society. What steaming Pakistan needed was a safety valve in the form of democratic empowerment of its restive masses. But what military rule created was a pressure-cooker society congenial to the growth of extremism. The spoils of power fattened the military, which even today controls fields as varied as agriculture and education and runs businesses ranging from banks to bakeries. Yet another factor has been US aid, which is so munificent that the Pakistan military — the world's fifth largest — relies on Washington for a quarter of its entire budget. Military rule also heightened regional tensions that the army has a vested interest in keeping up. After Musharraf came to power, Pakistan and India twice come close to war.

As former ISI director-general, Asad Durrani, candidly told a gathering at the Washington-based Carnegie Endowment for International Peace on 18 October 2006, the Pakistan army has had to rig polls over the years to perpetuate its hold on power. After Pakistan's leading opposition figure, Benazir Bhutto, was assassinated in late 2007, Pakistan's politics teetered on a knife's edge. Ms Bhutto was killed at the very public park where the 1951 assassination of the country's first prime minister, Liaquat Ali Khan, paved the way for the military to step into politics. Just as Pakistan become increasingly Islamised following the 1979 execution of Bhutto's father by the general who deposed him, the daughter's assassination may help reinforce Islamist radicalisation.

A key lesson that can be learned from the rise of international terrorism is that acts of terror spring from religious and political extremism that has been nurtured by autocratic systems and the suppression of democratic voices. Terrorism not only threatens the free, secular world but also springs from the rejection of democracy and secularism. Organisations intent on exporting *jihad* do not flourish in democratic societies. Given the way in which the culture of *jihad* has now become deeply woven into the national fabric of Pakistani society, any attempt to drain the terrorism-breeding swamps in that country will face a multitude of difficulties. For instance, some of the thousands of Pakistani *madrassas* are not just seats of theology but also schools that offer weapons training. What has made this radicalisation in society so difficult to reverse is that it carries the imprimatur of religious approval.

The only possible counter to the growth of terrorism is the development of a robust civil society that can act as a check on political undercurrents that are deleterious to domestic stability. No state with a well-developed civil society has ever become, or been faced with the danger of becoming, dysfunctional. However, a civil society sufficiently well-developed to prevent the kind of dysfunction prevalent in Pakistan, can emerge

only against a background of sustained democracy. Although the democratisation of that country would cause short-term pain, it would bring enduring, long-term benefits. Participatory processes, by empowering the masses and allowing issues to be sorted out through the ballot box, would also give society a safety valve — a necessary condition for any process of countering radicalisation.

Pakistan cannot put off its evolution towards a democratic polity forever. Like Pakistan, South Korea was troubled for many years by military governments that did not allow democracy to take root. Yet, in a relatively short period, South Korea has made the transition from military rule to full democracy, and is building a vibrant civil society. Pakistan can do likewise.

There is a role for South Africa to play here, too, in presenting insights gained from its own evolution into a true democracy since 1994. It has shown through its own recent history that democracy is a powerful moderating force in society, that it can smooth the rough edges of extremism and marginalise the hard-line constituencies. Among African states, South Africa is one of the few that has never suffered a coup d'état.

In addition to embracing democratisation, Pakistan needs to reform its Kashmir policy, which has saddled the state with a huge burden that it can neither continue to bear nor easily discard. Retaining its hold on the areas of Kashmir under Pakistani administration and laying claim to India's Kashmir Valley are central to the agendas of the military and the Islamists. But this comes at a heavy price for both Pakistan and the whole region.

Amin M Lakhani, a Pakistani–American writer, summed up the situation in Kashmir in an article, 'Nineteen "Kashmiris" and Counting', published on 16 September 2002 in the *Wall Street Journal*:

Pakistan's singular obsession with Kashmir, subordinating it to all other priorities, has been self-defeating. Domestically, it has thwarted Pakistan's economic, social and political development. Internationally, this single-minded agenda has diminished the country's stature and smeared its reputation. Even its spiritual development has been warped by the proliferation, popularization and increase in relative power — post-Partition — of religious groups that represent an intolerant, militant and gender-biased interpretation of Islam. In one word, Pakistan's obsession with Kashmir has been suicidal, albeit of a time-delayed variety. More importantly, the obsession with Kashmir has prevented the acknowledgement, and hence resolution, of innumerable domestic problems, each more critical and bigger than Kashmir. At a minimum, there are 19 Kashmir-sized problems in Pakistan.

Islamabad continues to assert its right to possession of the Indian-administered, Muslim-dominated Kashmir Valley on the basis of religion, even though there are more Muslims in India now than in Pakistan, the homeland that was created for subcontinental Muslims. The only effect on Pakistan of the loss of its religious basis for its claim on Kashmir has been to adopt a more hard-line approach.

Changing the territorial status quo in Kashmir may be dear to the Pakistani military, but preserving it is equally important to most of the Muslims of India, who are opposed to yet another partition based on religion. On this point India will never yield. Its future as a secular, united state is very much linked to averting just such an outcome. As a melting-pot of different cultures that is home to all religions (for example some of the

oldest Jewish, Christian and Muslim communities in the world), India celebrates unity in diversity.

In a recent commentary posted on the Stimson Center's website, an American analyst, Michael Krepon, wrote:

Every terrorist attack that now occurs ... clarifies that the 'core issue' on the subcontinent has become terrorism, not Kashmir. And because of Pakistan's choice of a Kashmir policy that relies so heavily on proxy violence to leverage India, Islamabad has lost the presumption of innocence whenever horrific acts of well-co-ordinated terror are directed against India.

The ugly fact is that Pakistan is the main sanctuary of Al Qaeda and the Taliban, and openly hosts terrorist groups that are waging terror campaigns against India. Consequently there is a presumption that Pakistan is guilty when major acts of terror occur in India, as they have from New Delhi to Bangalore, and from Benares to Mumbai, in recent years.

Indeed, every major terrorist act against India underscores the vulnerability of the Indo-Pakistan normalisation process. Any new impulse to establish stable, co-operative bilateral relations is difficult to sustain as long as terrorist attacks continue unabated.

However, in the competition between India's determination to preserve the status quo and the irredentism of Pakistan, Kashmir serves merely as the symbol, not the cause, of hostilities on the subcontinent. These are rooted in complex factors that include history, religion and the politics of revenge. As Musharraf himself acknowledged in 1999, Pakistan's low-intensity conflict with India would continue even if a solution to the dispute over Kashmir were magically found. Since 1990, Pakistan-aided *jihadists* have conducted a purge of the Hindu minority living in Indian Kashmir, killing a number of them and forcing the others to flee. Several hundreds of thousands of Hindus who have been forced from their homes now live in refugee camps in other parts of India. This ranks as one of the most successful campaigns of ethnic cleansing to be carried out in modern times. The *jihadists*, having ethnically cleansed much of Indian Kashmir of its Hindu minority, now target the small number of Hindus that remain in isolated, rugged pockets.

Underscoring the complexity of the situation in Kashmir is the fact that one-fifth of the original state of Jammu and Kashmir is under China's occupation. This includes the areas seized from India by China and the small slice of its own portion of Kashmir that Pakistan ceded to Beijing in 1963 (without offering any public explanation). Against this background, what solution can there be to the Kashmir question? It is not possible to undo the division of Kashmir into three parts, with India holding 45%, Pakistan 35% and China 20%, and any compromise has to recognise that. Yet it is Pakistan's insistence on redrawing the borders that is the cause of conflict, terrorism and *jihad* on the subcontinent. The Pakistani military persists in the illusion that if it continues its 'war of a thousand cuts', a bleeding India will let go of its sovereignty over the Kashmir Valley. Pakistan mistakenly believes that the balkanisation of India offers it the only escape from its economic problems stemming from an unsustainably high level of defence spending.

Regional peace and security can be built only on the foundations of co-operation between states, particularly in the areas of economy and energy. At present Asia has the world's fastest-growing economies, the fastest-rising military expenditures and the most dangerous security flashpoints. Asia is coming together economically, but not politically.

The good news is that in most cases politics does not trump economics in Asia. Despite the revival of the historical rivalry between China and Japan, the former has emerged as the latter's largest trading partner. Again, although China continues to publicly threaten full-scale invasion of Taiwan should it pursue full independence, the island remains the single largest investor in mainland China. And despite the underlying strategic dissonance in Sino-Indian relations, China is India's fastest-growing trading partner and is on course to become its largest trading partner within a couple of years.

The bad news is that Pakistan remains the odd state out, refusing to establish even normal trade relations with India. As a result, India is looking eastwards. After establishing free-trade zones with Sri Lanka and Nepal, India has brought into force a free-trade agreement (FTA) with Thailand and a comprehensive accord similar to an FTA with Singapore. It has now agreed to conclude an FTA with the whole of the Association of South East Asian Nations as well as with Japan.

Pakistan would pursue its own advantage by establishing normal trade arrangements with India. As has been shown repeatedly in different parts of the world, the European Union and the North American Free-Trade Area included, countries with relatively small economies tend to benefit the most from openness to bilateral and regional trade alliances. In southern Asia, Sri Lanka has nearly tripled its exports to India since the FTA between them came into force in 2002. Islamabad, however, has declined to reciprocate India's granting it most favoured nation (MFN) status in the 1990s. It even declines to allow India the trade access to the Pakistani market obligatory under the 2006 South Asian Free-Trade Area Agreement (SAFTA).

Since MFNs became the norm under the rules of the World Trade Organisation, the world has changed radically. Now the usual measure of good inter-state relations is not even an MFA, but rather an FTA plus a strategic partnership. But the part of southern Asia that is Pakistan has not kept pace with these developments.

Pakistan and India need to build and maintain a peaceful diplomatic environment by establishing an interdependency between their economies and their energy supplies. This would significantly improve regional geopolitics and security, and create greater regional prosperity.

There is tremendous potential for building a regional energy grid in southern Asia involving a matrix of pipelines from Burma, Bangladesh, Turkmenistan and Iran. However, such a regional energy network has to be supported by greater economic co-operation between the states concerned. At present these countries face daunting internal challenges, such as high levels of corruption, environmental and other man-made problems, and wide disparities in social and economic development. These increasingly complex problems, unless addressed, will act as a drag on regional stability. They can be dealt with only by establishing stable political relationships that put the accent on mutually beneficial co-operation.

It therefore becomes even more important for the government of every country in the region to pursue policies that break free from history and are pragmatic, growth-oriented and forward-looking. An inability to resolve all the disputes and problems should not hold up collaboration on those issues that can be addressed. To the contrary, the catalysing power of co-operation on practical matters such as trade and energy supplies may help to overcome political obstacles.

## CHAPTER 6

### PAKISTAN'S OPPORTUNITIES FOR TRADE AND INVESTMENT IN SOUTH AFRICA

MOEED YUSUF

South Africa's history of apartheid and its virtual isolation from international politics before it made the transition to democratic rule in 1994 makes it a unique case. Like most other countries, Pakistan had no diplomatic relations to speak of with South Africa during the apartheid years, but after 1994 both states reached out to each other. However, little has been achieved in terms of strengthening relations over the last 12 years, although recently there has been a change in approach on both sides. The two countries are eagerly exploring ways of opening up their relations. A Joint Commission, a development that many believe could provide a much-needed impetus to bilateral relations, was signed in March 2007.

The holistic nature of the Joint Commission also provides hope that the currently lacklustre levels of Pakistan–South Africa trade and investment will improve. Thus far, there has been no serious analysis of the true potential of economic interaction between the two sides. That the Joint Commission addresses trade and investment ties as a key priority makes it an even more urgent task to carry out such an analysis. In this contribution I undertake the task.

In this chapter, I discuss one aspect of the potential for trade and investment between the two countries, focusing solely on the possibilities for Pakistan's export and investment in South Africa, and making no attempt to assess the equivalent potential in the reverse direction. I start by examining the current state of trade and investment, in order to make projections for the future. Next, I discuss the political economy of trade to identify the reasons for the poor state of economic interaction between Pakistan and South Africa at present. Finally, I suggest a way forward: that is, I make recommendations for strengthening their economic relations.

#### CURRENT STATE OF TRADE AND INVESTMENT, AND POTENTIAL FOR THE FUTURE

##### Trade

##### Present status

Pakistan's current trade ties with South Africa are dismally weak. Trade flows between the two sides have been a mere trickle, with relatively small volumes of a limited number of commodities being exchanged. Pakistan's exports to South Africa as a percentage of its total trade with the rest of the world has consistently remained below 1%, except in 2004–

2005, when the figure rose to 1.07%. The major categories of commodity that Pakistan exports include cotton fabric, yarn, textile products, leather clothing, rice, sports goods, surgical instruments, chemicals, and fish and fish preparations.<sup>1</sup>

**Table 1: Bilateral trade flows between Pakistan and South Africa<sup>2</sup>**

Year	Exports	Imports	Balance
1999–2000	84.64	54.27	30.38
2000–01	69.64	87.73	-18.09
2001–02	76.08	62.58	13.50
2002–03	111.23	56.58	54.65
2003–04	122.42	98.46	23.96
2004–05	196.76	127.24	69.52

Source: Karachi Chamber of Commerce and Industry; Trade Development Authority, Government of Pakistan; Department of Trade and Industry, South Africa; South African High Commission, Pakistan, 'Recent trends in South Africa's trade with Pakistan'.

**Table 2: Bilateral trade as a percentage of total trade with the rest of the world (ROW)**

Year	Trade (% of ROW)
1999–2000	0.75
2000–01	0.82
2001–02	0.73
2002–03	0.76
2003–04	0.88
2004–05	1.08

Source: Author's calculation based on statistics from Department of Trade and Industry, South Africa and Federation of Pakistan Chamber of Commerce and Industry, Pakistan.

### Potential for trade

The first concern stemming from the meagreness of the trade levels between Pakistan and South Africa centres on whether the current situation reflects the best that can be hoped for. In that case, there would be little scope for strengthening the trade relationship. Since no existing estimates are available, I suggest we conduct a notional analysis to estimate the potential for trade between the two countries. This may encourage a belief that there are many areas in which exports from Pakistan can find a receptive market in South Africa.

To draw up the table above, I simply compiled a list of the most important items exported from Pakistan to South Africa, and compared the export values of these products with Pakistan's total exports (to the world). The items included constitute 70% of the total

volume of Pakistan's exports to South Africa,<sup>3</sup> so I apply a raising factor of 0.7 to the final estimate.

**Table 3: Export levels in items with export potential to South Africa (2004–05)**

Export value of Pakistani exports to South Africa		Export value of Pakistani exports to ROW	
Items	Value (\$ million)	Items	Value (\$ million)
Leather Clothing	39.90	Leather Clothing	329.27
Cotton Fabrics	53.29	Cotton Fabrics	1,863.00
Rice	30.88	Rice	932.55
Artsilk & Synthetic Textiles	13.52	Artsilk & Synthetic Textiles	1,088.00
<b>Total</b>	<b>137.59</b>	<b>Total</b>	<b>4,212.82</b>

Source: Trade Development Authority, Government of Pakistan.

In order to arrive at a realistic range of potential volumes of trade from Pakistan to South Africa, I take two benchmarks. First, Pakistan exports represent 4.75% of its total exports of these items. Second, Pakistan's exports are 7.98% of its exports in these items. The benchmarks have been selected keeping in mind the percentage of Pakistan's total exports that go to its major export markets. Apart from the US, which is an outlier in terms of Pakistan's global export trends, Pakistan's most significant export destination is the United Arab Emirates (UAE), to which 7.98% of Pakistan's total exports are sent.<sup>4</sup> I take this figure as the high-end benchmark. The lower benchmark is the average percentage of total exports that flow to the five major export destinations that follow the UAE in importance: Afghanistan (6.47%), United Kingdom (5.44%), Germany (4.18%), Hong Kong (4.13%) and Italy (3.56%). In essence, if South Africa attained a trade level equivalent to the higher benchmark, it would become the largest importer of Pakistani products after the USA. Export flows equivalent to the lower benchmark would mean that South Africa would rate as Pakistan's fifth-largest recipient of exports.

Under the first benchmark, the potential value of exports comes to:

$$= 4\,212.82 \times 4.75\% = 200.64$$

Applying the raising factor:

$$= 200.64 \div 0.7 = \mathbf{\$285.86 \text{ million}}$$

Under the second benchmark, the value is:

$$= 4\,212.82 \times 7.98\% = 336.18$$

Applying the raising factor:

$$= 336.18 \div 0.7 = \mathbf{\$480.26 \text{ million}}$$

The potential range for exports therefore falls between \$286–480 million.<sup>5</sup> These figures do not present an optimistic picture. There are also two additional factors that may make it difficult to realise this forecast.

One factor often overlooked when analysing Pakistan's export potential is domestic production capacity. Pakistan's export-oriented production is primarily geared to cater to small and medium-sized markets, so much so that industries in the key sectors are already functioning at close to full capacity.<sup>6</sup> While arguably this situation could be addressed by expanding the production base, doing so would require a time-consuming and costly reform of the industry's structures. In the short run, production in Pakistan will remain limited, with very little surplus available to trade with new markets.

Second, Pakistan's production of commodities intended for export is heavily concentrated on the textiles and clothing sector, which accounts for almost 70% of the country's total exports.<sup>7</sup> Every one of Pakistan's significant trade partners has a high local demand for Pakistani textiles and clothing products. South Africa's current drive towards protecting its domestic textiles and clothing industry could prove a serious impediment to trade in these commodities in the future. In early 2006, South Africa concluded a bilateral agreement with China to restrict the inflow of Chinese textiles at the higher end of the value chain.<sup>8</sup> Although at present many of South Africa's quotas apply to products that are not competitive with Pakistan's, it seems likely that fewer textiles will be imported from South Asia in general. Personal discussions with various trade officials have revealed that South Africa is looking to protect its textiles and clothing industry as a whole. So, while South Africa may welcome investment and joint ventures in that sector, it is unlikely to encourage massive imports of manufactured products.

### **South Africa as a regional trade hub**

So far this discussion has focused on exports from Pakistan to South Africa directly. However, the entire perspective on trade prospects is altered if a new variable is added to the cost–benefit equation. This is South Africa's potential role as Southern Africa's hub of trade, a role it is aggressively positioning itself to assume. This presents a key opportunity that ought to excite the Pakistani business sector. Given its remarkable infrastructural capacity and the poor state of the economies in the rest of the region, South Africa's aim to be the economic lynchpin of a cluster of adjacent countries is a realistic goal. While economic analysts from Pakistan have tended to view South Africa as representing no more than a market of 44 million people that has little to offer, that country's potential as an opening to Africa in general is huge. The existence of the Southern African Customs Union and Southern African Development Community, and South Africa's pivotal role in the protocols of these organisations, present clear opportunities for Pakistan to gain preferential access to the markets of the region.<sup>9</sup>

Currently, Pakistan uses the port of Mombasa in Kenya as its principal entry and transition point for trade with Africa. This is largely attributable to a people-to-people connection with the proactive Pakistani expatriate community in Kenya, and to Pakistan's familiarity with Kenyan trade and transit regulations. However, according to some informal estimates, the costs of sending goods to the Southern African region from Mombasa are 1.5 to 2 times higher than they would be if a South African port were to be used as Pakistan's transition hub.<sup>10</sup> Again, while no concrete estimates are available,

it seems likely that the value of Pakistani exports to the rest of Southern Africa may end up being greater than the \$286–480 million estimated for exports to South Africa alone.

## **Investment**

### **Current status**

On the investment front, the situation is as dismal as the current state of Pakistani exports. Before 2002, Pakistani investment in South Africa was virtually non-existent. While accurate and more recent investment figures are not available, estimates range between a mere \$7–10 million.<sup>11</sup> Even this figure seems exaggerated. The majority of investment from Pakistan targets the chemicals, plastics, textiles, food, and real estate sectors.<sup>12</sup> Another cause for pessimism is that the bulk of current investment is accounted for by a handful of medium-sized projects. This implies that the overall number of Pakistani investors is very small. Most of the major investment initiatives backed by Pakistani commercial interests have been undertaken in the last three years.

### **Possible avenues for investment**

While it is impossible to quantify investment potential, there are a number of extremely lucrative avenues for Pakistani investors to be found in South Africa. Primary among them are the agro-processing, textiles and clothing, tourism and entertainment, chemicals, surgical goods and plastics sectors.<sup>13</sup> A number of other opportunities exist, but their combined contribution to overall investment is likely to be small.

One could contend that the mere presence of theoretically attractive sectors in no way guarantees that investment in them would be lucrative. There may already be ‘crowding out’; or the investment opportunity might be limited in terms of volume. While such a caveat is valid, the Pakistan–South Africa case suggests a more optimistic outlook is warranted.

To put Pakistani investment in South Africa in context, thus far Pakistan’s total outward foreign investment has been miniscule. In 2004, the figure stood at a scant \$56 million.<sup>14</sup> The major constraint on Pakistani outward investment is lack of resources, but it is here that South Africa presents a unique opportunity.

The situation in South Africa complements the need of Pakistani investors to engage in collaborative initiatives that lighten the resource burden. South African entrepreneurs in a number of sectors are willing to invest capital in return for collaboration with foreign investors who can contribute technological know-how. This is especially true in sectors where Pakistani investors might have a comparative advantage. Some interest in attracting Pakistani technological expertise has already been shown by South African firms in the surgical goods industry. The investments Pakistanis have recently made in the chemicals and plastics sectors have already proven successful, and the expansion of their involvement through similar joint projects seems probable.

Moreover, a major incentive for Pakistani investors in South Africa is the country’s highly concessionary terms of trade with the US and the European Union in certain commodities. For example, the African Growth and Opportunity Act (AGOA) allows for favourable terms of access to the US market for textiles and clothing from sub-Saharan Africa.<sup>15</sup> Pakistani investors could enter into joint ventures in textile production in South Africa, and by these means benefit from such preferential access. This example is merely

### South Africa's investment climate

On a theoretical level, South Africa's investor-friendly climate is a positive factor. South Africa is ranked 29<sup>th</sup> in the world in terms of ease of doing business, and an impressive 9<sup>th</sup> in terms of protecting investor interests. In all indicators of investor friendliness, South Africa compares favourably with the other countries of sub-Saharan Africa, and is only marginally behind the ratings of the Organisation for Economic Co-operation and Development countries.<sup>16</sup>

one instance of a number of sectors of interest to Pakistani entrepreneurs.

Realistically, while there are lucrative opportunities available in South Africa, Pakistani investors would have to acquaint themselves with the country's investment potential in order to capitalise on the unique advantages it offers. This investigation of business openings abroad does not involve the kind of structural changes needed to expand Pakistan's export potential. However, it would still require that Pakistan's investors establish institutional arrangements with their South African counterparts, which would probably be possible only in the medium term.

Although the above analysis does not present an overly optimistic prognosis for the short term, especially with regard to trade, it is also clear that the current level of economic interaction falls far below what could be achieved. This leaves us with two important concerns: why has the true potential for trade between Pakistan and South Africa not been realised thus far?, and what measures ought to be taken to fulfil this potential?

## BARRIERS TO TRADE AND INVESTMENT

An analysis of the key deterrents to trade and investment between Pakistan and South Africa suggests that technical trade-related barriers play a very small role. Those trade-related problems that have occurred have been attributable to overarching issues at the political level. It is therefore pertinent to situate the debate within the context of political economy.

To begin with, an important macro-level issue is that Islamabad's economic policy has never identified Africa as a desirable trade partner. Although the continent represents a vast market of 890 million people, Pakistan's trade and investment focus has consistently been directed towards the West and the Middle East. As already noted, Pakistan's largest recipients of exports are the US, Japan, Germany, the UK, UAE, France and Saudi Arabia.<sup>17</sup> Its trade with Africa as a percentage of the total is less than 6%.<sup>18</sup> One measure of the lack of importance accorded to Africa is that despite the minimal trade flows between Pakistan and South Africa, its volume of trade with Pretoria is higher than with any other African state.<sup>19</sup>

Pakistan's lack of attention to Africa as an economic partner is compounded by specific concerns that affect bilateral Pakistan–South Africa political relations. Political interaction has remained lukewarm, after an initial upturn in 1994. Although the former South African president, Nelson Mandela, visited Pakistan in May 1999 and attempted to

consolidate a closer connection with Pakistan, relations between the two countries hit a roadblock after South Africa, then the Chair of the Commonwealth, strongly supported Pakistan's suspension from that body in the aftermath of the bloodless coup that brought General Parvez Musharraf to power in 1999.<sup>20</sup> Although diplomatic relations remained officially unaltered, there was a marked change in Pretoria's attitude towards Islamabad. To the South African government, Pakistan had committed two major blunders, its declaration that it had acquired nuclear capacity and its absence of democracy, to both of which South Africa was staunchly opposed. The nuclear tests Pakistan carried out in 1998 and the military coup that ousted its elected government, occurring within two years of each other, meant that South Africa could not support Pakistan without compromising its international position on these issues.

The result was that South Africa's collaboration on various fronts with Pakistan came to a virtual halt. A prime example is the stalled progress on the Joint Commission, which was in the process of being drafted in 1999. This automatically resulted in a lack of progress in economic matters. It also ensured that Pakistan would be kept awaiting decisions on a number of defence-related deals that were being planned at the time.

Moreover, South Africa has been influenced by Pakistan's global image deficit. Intermittent events that have been reported in the South African media in the recent past have tainted Pakistan's image. Perhaps the issue most pertinent to South African interests is the large number of 'illegal' Pakistani immigrants to South Africa, some of whom have been involved in illicit activities. Moreover, specific incidents connected with the US 'war on terror', such as the arrest of two South African citizens in Pakistan, have also raised eyebrows in diplomatic circles.<sup>21</sup>

Add to the above the 'India factor', the overwhelmingly strong political and economic ties between Pretoria and New Delhi. Substantial economic integration in production as well as investment already exists between the two countries. Trade flows are in the range of \$1.5 billion.<sup>22</sup> India is one of the top 10 investors in South Africa.<sup>23</sup> Although an Indo-South African relationship should not be worrisome to Pakistani businessmen in terms of trade alone, both Pakistan and India tend to view their relationships with other countries as a zero-sum game. Opinion among members of the Pakistani business community I interviewed seemed unanimous that the strong hold India has on the South African market, the natural propensity of Pretoria to favour economic ties with New Delhi (given the historical connection between the two countries), and the large and highly influential 'Indian' expatriate community in South Africa leave Pakistani interests with little room to manoeuvre. Examples of Pakistani textile orders being rejected to give preference to Indian exports were cited. While there is no way to prove such instances apart from first-hand experience, what is relevant to our discussion is that a genuine suspicion exists that the Indo-South African relationship sets Pakistani businessmen at a disadvantage. This is part of what has kept the Pakistani business community from exploring the South African market more aggressively.

### **The impact on trade of considerations relating to political economy**

The link between political concerns and a bilateral economic relationship is clear. Given the political dissonance discussed above, it is hardly surprising that trade ties between Pakistan and South Africa have not developed. Improved trade relations have been a low

### Views expressed by the business community in Pakistan

Interestingly, the few Pakistani businessmen involved in trade with South Africa are content with their relationship. They view the trading environment, South African trade governance, and ease of doing business in a positive light. However, these businesspeople maintain categorically that Pretoria has never made a serious attempt to open up trade with Pakistan (just as Islamabad has not sought closer relations with Pretoria). As a result, individuals have few opportunities of forging connections with potential business partners, chambers of commerce, official trade departments and other relevant stakeholders. The 'India factor' remains a concern, but not because of political tensions between India and Pakistan. As already mentioned, this is more a result of the perception that members of the South African business community feel more comfortable working with Indian than with Pakistani investors, which offers scant opportunity for the latter to enter the South African market. The interviewees cited the roles played by both Indian mega-investment in South Africa and the Indian diaspora as the major determinants of this situation. Finally, trade communities in Pakistan remain pessimistic about the possibility that economic ties with South Africa will reach meaningful levels unless concerted efforts are made at the political level by their respective governments.

priority for both sides, and neither government has made any concerted effort to consult the other to work out their trade complementarities. This relative lack of engagement is illustrated by the extremely small trade mission South Africa maintains in Islamabad, which functions more as an inquiry centre than a hub for attracting trade and investment from Pakistani business circles. One is hard-pressed to find any proactive initiatives on this front. Even more striking is that South Africa does not have a presence in Karachi, the centre of Pakistan's commercial activities. A mission was set up in Karachi in 1994, but was subsequently closed down abruptly.<sup>24</sup> Since then, an honorary consul-general, usually a Pakistani businessman, has served as the principal representative of South African interests in Karachi, yet another indicator of the low priority accorded it by South Africa.

Cool political relations after 1999 also meant that the two sides were unable to formalise any trade or investment agreement, even though a trade facilitation agreement and an avoidance of double taxation protocol were drafted in 1998. All of these were put on hold, and as a result progress was arrested and the agreements were never implemented.<sup>25</sup> While a number of analysts have suggested that a golden opportunity was lost in 1998–99, the fact is that the agreements being contemplated at the time were generalised, overarching frameworks designed merely to initiate an economic relationship. By themselves, they would have amounted to little more than an official understanding on paper. Neither party to the proposed agreements envisaged a meaningful trade and investment accord that would be specific enough to motivate strong trade and investment flows.

Finally, the political economy of trade has also manifested itself through punitive actions. South Africa imposed a 33.48% anti-dumping and 6.146% countervailing duty on Pakistani printed cotton bed linen in 2001.<sup>26</sup> Pakistan reciprocated by levying a 27.33%

anti-dumping duty on certain types of tinplates imported from South Africa in 2002.<sup>27</sup> While such duties are imposed in response to breaches of the multilateral trade protocols, and have frequently been used even between countries with cordial diplomatic relations, there is a strongly political angle to such developments. It is no coincidence that the anti-dumping duties on Pakistani bed linen have recently been removed (retroactively) just when the two sides are attempting to improve their trade relations.

## THE WAY FORWARD

### Exploring the direction of flow: Politics → trade; or trade → politics

The economic theory of interdependence holds that integrated economic ties could have a positive spin-off in terms of a 'peace dividend'. While in this case there is no actual conflict between the two sides, an extension of the theory would imply that past political disagreements would be overlooked if economic ties could be sufficiently strengthened.

Would this work in the Pakistan–South Africa case? The short answer is 'No'. As ought to be clear from the discussion outlined above, political relations have been allowed to affect economic ties, even during the brief history of diplomatic relations between the two countries. The order of causality is therefore from political relations → trade, rather than in the opposite direction, as suggested above. The prerequisite for reversing this causal relationship is to improve trade and investment ties beyond a 'critical level', a feat that has not been achieved thus far. Even so, stronger trade ties need not necessarily have a positive impact on political relations. It is clear, therefore, that improvement in political relations has to come first. In other words, the foremost emphasis in terms of policy recommendations must be to address the political points of difference.

Despite the importance of the political sphere, the suggestions that follow tend to focus on the ambit of trade for the most part, as this has been the subject of the chapter.

### Next steps

- First and foremost, the mutual suspicions generated on both sides (for South Africa by the illegal immigrants, Pakistan's lack of democracy and its role in fostering terrorism, and for Pakistan by the India factor) must be laid to rest. The governments on both sides could do a great deal to alter public perceptions by mounting aggressive public relations campaigns, not only within official channels but also through increased interaction between academics and the media in both countries.<sup>28</sup> The end goal would be to ensure political coherence by establishing closer diplomatic ties.
- A parallel mechanism should be employed on the economic front. The official government channels and the business sectors of both countries should work concurrently towards improving the environment for trade and investment. The principal objective would be to ensure much greater interaction between the two business communities. To achieve this, it is essential to foster greater dialogue, provide a free flow of information on potential avenues for investment and trade protocols, and, most importantly, establish much stronger and more proactive trade missions on both sides. For South Africa, the latter would imply opening up a mission in Karachi

dedicated to trade matters.

- As an immediate step the Department of Trade and Industry in South Africa and the Trade Development Authority of Pakistan/Board of Investment in Pakistan as well as the trade missions in both countries should establish formal links to enable them to prepare detailed lists of potential trade and investment options, both for specific projects and long-term commitments.
- There is also an urgent need to finalise and conclude trade and investment agreements between the two countries. It is pertinent to point out that formalising the relationship in this way should not stop at the overarching trade agreement and the Joint Commission. These should provide the first step towards the establishment of joint trade committees, investment exploration missions, and ultimately to some form of preferential arrangement.
- Connectivity between various business communities should also be brought about through periodic (and mandatory) meetings and interaction at various trade meets or fairs. Thus far, such personal interaction has been minimal. A few delegations from Pakistan have visited commercial expos and trade fairs in South Africa, but none of these encounters have led to the establishment of long-term and mutually beneficial trade relationships. Such interaction could also be facilitated through business-to-business incentives that encourage companies, whether Pakistani or South African, to explore the market in each other's country. The key is to ensure mutual interest, rather than a situation in which one side is seeking only its own benefit, while ignoring the interests of the other party. Thus far, the business sectors in both countries have tended to emphasise the investment and export potential of their respective countries while showing little interest in reciprocation.
- As previously mentioned, those entrepreneurs and businessmen currently dealing with South Africa (and vice versa) have reported a positive experience. However, given their extremely small number and the lack of communication and contact between the two business sectors, such experiences have not been projected. These businessmen could be co-opted to become a resource for promoting the new market they have entered. They should be encouraged to convey their experiences to other interested parties, and to help bring about closer connections between the business communities on both sides.

## CONCLUSION

The current state of the economic relationship between Pakistan and South Africa is dismal. Pakistani exports to South Africa have never reached the \$200 million mark. The most exaggerated investment estimate stands at \$7–10 million. However, while there seems little potential for much improvement in trade and investment in the short run, my estimates suggest that in the future both could reach levels significantly higher than at present. The primary barriers to opening up trade and investment relations are to be found outside the trade ambit. Political concerns have been at the forefront, and have had an adverse effect on economic interaction. Improvement in trade and investment ties in the future would require to be preceded by positive developments on the political front. The key to more dynamic economic relations would be for both governments to adopt a

### **Does South Africa need to provide a balance for the 'India factor'?**

While ideally Pakistani investors and businessmen would like to see greater equality in South Africa's ties with Pakistan and India, such a scenario is unrealistic. As noted above, India's influence in South Africa and the level of economic interaction between these two countries simply does not allow Pretoria to give Pakistan equal status with India, even though it is South Africa's official policy to ensure a balance in its relationship with the two South Asian states. It seems unlikely that much will change in the future.

There is also a genuine hesitancy among Pakistani businessmen to enter into commercial dealings in South Africa. This must be addressed if both sides are to form a constructive trade relationship. The solution is to make it possible for Pakistanis entering the South African market to collaborate with specific entrepreneurs or partners with whom they can work comfortably. Gradually, as confidence improves, the need for partnerships with local businesspeople may disappear. Also, as part of the effort both governments should make to foster economic relations, they should identify clear niches in the market for businessmen and investors from Pakistan. In essence, a special status needs to be accorded to Pakistani business interests in South Africa in the initial phase of the drive to bolster economic ties.

### **A word about the reverse relationship: South Africa → Pakistan**

While analysing the potential for South African exports and investment in Pakistan is outside the scope of this paper, a few major points on the subject may be made, given that the South Africa → Pakistan direction of flow was not discussed (from the Pakistani perspective) at the SAIIA event.

The single most important message is that South African investment and trade potential in Pakistan is significantly greater than Pakistan's potential, as discussed in this chapter.

South Africa is guilty of not having explored the Pakistani market, as is made obvious by the absence of a trade mission in Karachi and the minimal impact of the Islamabad mission.

Areas of the Pakistani market in which South Africa has a comparative advantage remain largely under-explored. Potentially exportable items from South Africa include: petroleum products, automotives, chemicals, transport equipment, tea, paper, household effects, iron and non-alloy steel and electronic equipment.<sup>29</sup>

Just like South Africa, Pakistan's investor-friendliness is attractive. The statistics on ease of doing business for Pakistan also compare favourably with those for the rest of the region, especially India, which is already a major economic partner of South Africa.<sup>30</sup>

Likewise, the investment potential in Pakistan is substantial, both in terms of 'wholly owned' projects and joint ventures. Key areas of interest may be chemicals, mining technology, infrastructure development, capital equipment, construction, minerals and energy, among others.<sup>31</sup>

Those South African businessmen or investors who have had experience of working in Pakistan remain overtly positive.

proactive agenda to improve the image of their respective countries in the eyes of potential investors. Concurrently, both formal and informal interaction between the members of the business communities on both sides should be ensured through regular meetings. Co-opting those Pakistanis who already have business interests in South Africa would also allow the latter's trade missions in Pakistan to acquaint members of that country's commercial sector with the positive aspects of the South African trade and investment environment.

## ENDNOTES

- 1 South African High Commission, Pakistan, 'South Africa–Pakistan trade relations', <<http://www.southafrica.org.pk/trade>>.
- 2 It must be noted that there are huge discrepancies in the trade statistics of Pakistan and South Africa. Some Pakistani and South African sources differ by a factor of greater than 2. Figures for 2005–2006 are especially misleading, and thus have not been used in this chapter.
- 3 The total volume of Pakistani exports in 2004–2005 was \$196.76 million (see Table 1).
- 4 Federal Bureau of Statistics, Government of Pakistan, 'External trade statistics'.
- 5 This analysis is by no means statistically robust. The use of notional benchmarks and the application of a raising factor could easily be challenged. However, the objective of this exercise was limited to providing a crude range, for which such a method suffices.
- 6 While there are some exceptions, this is broadly true. See Moeed Y, 'Pakistan–India trade: Short-term versus long-term impact', *The Friday Times*, Vol. XVII, No.5, 25–31 March 2006.
- 7 All of these are trade statistics supplied by Pakistan Textile Mills Association, International, <[http://www.aptma.org/Pak\\_Textile\\_Statistics/ecml.asp](http://www.aptma.org/Pak_Textile_Statistics/ecml.asp)>.
- 8 Swindells S, 'Will China deal help South Africa's textiles makers?' 26 June 2006. <<http://www.just-style.com/article.aspx?ID=94202>>.
- 9 South Africa has continuously projected itself as the hub of trade in southern Africa, but the Pakistani business community has paid little attention to this aspect.
- 10 Interviews with senior members of the Federation of Pakistan Chamber of Commerce and Industry and the Karachi Chamber of Commerce and Industry.
- 11 Informal estimates provided by various officials in Pakistan and South Africa.
- 12 Trade Mission, South African High Commission, Pakistan.
- 13 Karachi Chamber of Commerce and Industry, 'South Africa', country profiles; Trade Mission, South African High Commission, Pakistan
- 14 UNCTAD, 'FDI from developing and transition economies: Implications for development', World Investment Report 2006. <[http://www.unctad.org-wir06\\_fs\\_pk\\_en.pdf](http://www.unctad.org-wir06_fs_pk_en.pdf)>.
- 15 The World Bank, 'Explore economies: Doing business in South Africa', <<http://www.doingbusiness.org/ExploreEconomies/Default.aspx?econ.htm>>.
- 16 African Growth and Opportunity Act (AGOA), <<http://www.agoa.gov/>>.
- 17 Federal Bureau of Statistics, Government of Pakistan, 'Foreign trade statistics of Pakistan'.
- 18 *Ibid.*
- 19 *Ibid.*
- 20 See text of President Mandela's speech at a banquet hosted by the Pakistani Prime Minister on 4 May 1999, available at <<http://www.anc.org.za/ancdocs/history/mandela/1999/nm0504a>>.

- html>. Also see the concluding statement of the Special Meeting of the Commonwealth Ministerial Action Group on the Harare Declaration, 18 October 1999. The text is available at <<http://www.thecommonwealth.org/Templates/Internal.asp?NodeID=34708>>.
- 21 Fabricius P, 'Kasrils warns citizens against involvement in "terrorism"', *Cape Times*, 20 May 2005. Perceptions of Pakistan in South Africa have been negative for some years. As early as March 1998, the South African High Commissioner acknowledged Pakistan's poor image in South Africa while speaking at the Karachi Chamber of Commerce and Industry. Karachi Chamber of Commerce and Industry, 'South Africa'.
  - 22 Van Der Spuy W, 'South Asia Strategy', paper presented at the South African Institute for International Affairs, 8 November 2006.
  - 23 *Ibid.*
  - 24 Gangat R, 'Lessons and impressions on doing business in Pakistan', paper presented at the South African Institute for International Affairs, 8 November 2006.
  - 25 Karachi Chamber of Commerce and Industry, 'South Africa'; Trade Mission, South African High Commission, Pakistan.
  - 26 *Ibid.*
  - 27 *Ibid.*
  - 28 The Pakistan High Commission in South Africa is in the process of initiating interaction between various South African stakeholders and their Pakistani counterparts, which is a commendable step.
  - 29 Van der Spuy, *op. cit.*
  - 30 The World Bank, 'Explore economies: Doing business in Pakistan', <<http://www.doingbusiness.org/ExploreEconomies/Default.aspx?econ...>>.
  - 31 Karachi Chamber of Commerce and Industry, 'South Africa'. Sasol, a leading South African producer of minerals and liquid fuels, has recently agreed to invest in setting up a facility Pakistan to to convert coal into gas.

**CHAPTER 7****SOUTH AFRICA'S ECONOMIC FOCUS IN  
SOUTH ASIA**

WILLEM VAN DER SPUY

The history of the economic relations between South Africa and Pakistan in the post-1994 environment has been one of early ambitions proving stillborn owing to the weight of international political opinion. However, conditions are again ripe for taking stock of the potential opportunities a relationship between these two countries offers, and for plotting possible ways to expand and strengthen economic ties between them. In this chapter I give a brief overview of the South Africa–Pakistan economic interaction through the prism of the country's engagement with South Asia. For the Department of Trade and Industry (DTI), the focus is mainly on the countries of India, Pakistan, Bangladesh and Sri Lanka. However the ambit of this chapter does not include discussion of Sri Lanka and Bangladesh, although similar trade development initiatives to those described below are to be explored by Pretoria in the near future as part of a broader interaction with South Asia.

As a starting point, and believing it might prove of value, I provide a review of some of the broader trade and industrial policy initiatives undertaken in South Africa since 1994. My aim is to create a sufficiently detailed context for this government's activities in the South Asian region. When South Africa embarked on its new dispensation, its domestic economy was characterised by high levels of protection and strong subsidisation and import substitution. These, combined with the country's isolation internationally, translated into inefficient and uncompetitive conditions that stunted any prospect of growth. In contrast, the international trade environment was experiencing a deepening integration of markets, which affected international production and, by extension, the international division of labour.

The South African government's response was to adopt a number of policies and programmes intended to address the severe developmental and socio-economic challenges facing the country. A number of these targeted the restructuring of the economy. The aim was to establish a globally competitive and integrated manufacturing economy that was able to respond to the rapidly-changing dynamics of international trade. A core element of its economic planning was to improve South Africa's access to foreign markets, ideally on a preferential and predictable basis. (It is important that a country has diversified market access so as to avoid the shocks caused by market disruptions in any particular region with which it has strong trade links.)

It is within this context that the government, through the DTI, works towards the goals of sustainable economic activity and employment for all South Africans. It does this through promoting higher levels of investment and increased access for South African products and services in international markets. It also strives to create a fair, competitive and efficient marketplace for both domestic and foreign businesses, and to protect the

interests of consumers. These are the priorities behind the Accelerated and Shared Growth Initiative of South Africa (ASGI-SA) and the government's programme of action.

In the area of international trade, the DTI's focus has been on objectives that include the following:

- the expansion of trade and facilitation of foreign direct investment (FDI) with key markets globally;
- the provision of support for economic development and capacity-building in Africa; and
- the promotion of South Africa's interests in the rules-based multilateral trade system.

Since 2000 the government's trade policy has focused on three distinct but interrelated realms: the African developmental agenda and multilateral and bilateral/regional initiatives. Strengthening and formalising trade and economic links with other countries in Africa is of fundamental importance, in that South Africa's own economic development is linked with that of the continent as a whole. In the multilateral arena the establishment of the World Trade Organisation marked the emergence of a strengthened rules-based international trading system, which aims to ensure that economic interactions, including the resolution of disputes, are governed by a system of regulations, and not solely by the interplay of economic power. For these reasons, developing countries, South Africa among them, have a clear interest in strengthening the system in a manner that promotes their own economic growth.

Within the global economic environment, countries tend to be separated into two categories. Traditionally developed countries such as the US and Japan, and those represented by the European Union have in the past been the dominant poles of growth and market size. They therefore tend to be the main trading partners of many countries. Whilst these economies still play a powerful role and therefore offer markets that are necessary to an economic programme that has a global reach, over the last decade emerging markets have assumed greater prominence internationally. Some countries, such as China and India, have become major political and economic powers in the last ten years, and are now exerting greater influence over the international trading system.

Apart from the new poles representing developed and emerging markets, there are also a host of developing countries that are important because they offer rapidly-growing markets and serve as new sources of trade and investment. These new frontiers of global trade demand greater attention. So-called 'South-South' economic relationships offer vast and untapped opportunities for entrepreneurs. These have remained unexplored because traditional trading patterns have been geared in such a way that developing countries sought to find entry into established markets, with the result that economic interaction between or amongst developing countries was neglected. Furthermore, in the light of the complementarities that emerge between countries with comparable levels of industrial development, it has become clear that these economies can also offer each other unique opportunities in terms of investment, joint ventures and technology transfer.

It is within the developing markets category that trade with South Asia has a particular role to play in South Africa's planning. The World Bank's *World Development Report 2007* notes that South Asia has tremendous potential for economic growth because of the

relative increase in the proportion of the population that is of working age, as compared with that of people too young or too old to work. However, taking full advantage of this circumstance will be contingent on a commensurate rise in saving and investment, and sufficient productive employment for the growing supply of labour. It seems likely that this promise of growth is being fulfilled, because the countries of the region have recorded a strong economic performance in recent years. This means that, although half the world's poor are believed to be living in the South Asian region (which has a combined population of around 1.4 billion people), poverty in South Asia could be eradicated within the next few decades.<sup>1</sup>

Although of late South Africa's trade with South Asia has shown some growth, in the past Pretoria did not view the region as representing an important market. Reasons for this attitude include South Africa's international isolation, a result of the previous government's apartheid policies; the economic sanctions imposed by many countries, including those in South Asia; and a focus on the part of both the South African government and domestic business enterprises on their traditional trading partners, such as the US, the countries of Europe and Japan.

If one considers Table 1 (page 66), it is clear that South Africa's trade with South Asia has been steadily increasing since 2004. Also, the region's proportion of trade has increased from 0.83% of South Africa's overall trade in 1994 to 2.41% in 2005. This growth can be attributed to South Africa's steady progress in integrating with the global economy since 1994. In the process South Africa has not only increased the volume of its trade but diversified and expanded into new markets.

However, if one looks more closely at the data given in the table, one country, India, has had a predominant share of the country's South Asian trade, accounting for 88% of the total. However, the proportion of South Africa's trade with the region has been increasing on a consistent basis (as has its economic interaction with India), as is reflected in Figure 1 (page 68).

## SOUTH AFRICA-INDIA TRADE RELATIONS

India is a key trading partner of South Africa. It is the second most populous country in the world, and its market is particularly attractive, as India has a large middle class (estimated at about 300 million people) and other favourable demographic characteristics. India has also enjoyed a period of sustained economic growth, which promises a dramatic increase in the spending-power of its population of one billion. In recent years India has emerged as one of the world's fastest-expanding economies. Since 2002 it has boasted a GDP growth of around 8%, which has remained resilient despite volatile oil prices and the slowdown in the US economy. Although growth is still driven by domestic demand, India's exports are increasingly contributing to the country's growth and promising to do even better in the future. This reflects the advances India is making towards convergence with the global economy. Following a period of restructuring, Indian companies are expanding as a result of increasing corporate profits. They are now actively entering the international market through investments and acquisitions.<sup>2</sup>

Historically, relations between South Africa and India have been strong because of the politically active and economically successful Indian community based in South Africa.

This early connection has translated into a firm political commitment on both sides. The two countries are now fostering closer economic links. Bilaterally, the common objective is to bring this about through encouraging co-operation not only at the governmental but also at the business level on both sides. The Joint Ministerial Commission, which provides an institutional mechanism for ministerial consultations on political and economic matters, has introduced several initiatives intended to strengthen relations between the two countries. These include a trade agreement; and various co-operative arrangements dealing with defence issues, science and technology programmes, small and medium-sized enterprise development, and sectoral matters; capacity-building through the India Technical Co-operation Programme; and a Memorandum of Understanding (MoU) on Telecommunication.

Table 2 (page 67) reflects the most recent import and export figures up to and including 2006. Total trade between the two countries in 2005 saw a considerable increase over the figures for 2004. Exports rose by 100% and imports by 55%, meaning a growth in total trade of 75%. Whilst the positive trend has continued, there was only a marginal increase in total trade in 2006, and exports actually decreased. This indicates that 2005 was an atypical year because of a certain substantial and once-off transaction (the purchase of South African-made aircraft by India).

**Table 1: South Africa–South Asia (India, Pakistan, Bangladesh, Sri Lanka) trade (Rand '000)**

Year	South Asia	India	India % of South Asia	SA Global Trade	South Asia % SA Global Trade
1994	1,388,584	907,174	65	167,056,298	0.83
1995	2,075,816	1,454,463	70	201,179,249	1.03
1996	2,922,327	2,131,169	73	229,045,477	1.28
1997	3,559,353	2,881,165	81	259,476,885	1.37
1998	3,981,344	3,256,864	82	289,124,422	1.38
1999	4,648,850	3,874,749	83	312,911,305	1.49
2000	5,697,584	4,715,245	83	397,980,960	1.43
2001	6,690,966	5,413,537	81	467,362,482	1.43
2002	8,338,082	6,980,547	84	589,529,006	1.41
2003	7,949,484	6,476,470	81	534,420,256	1.49
2004	9,771,395	8,260,304	85	603,173,294	1.62
2005	16,480,930	14,423,567	88	683,070,229	2.41

Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data. <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

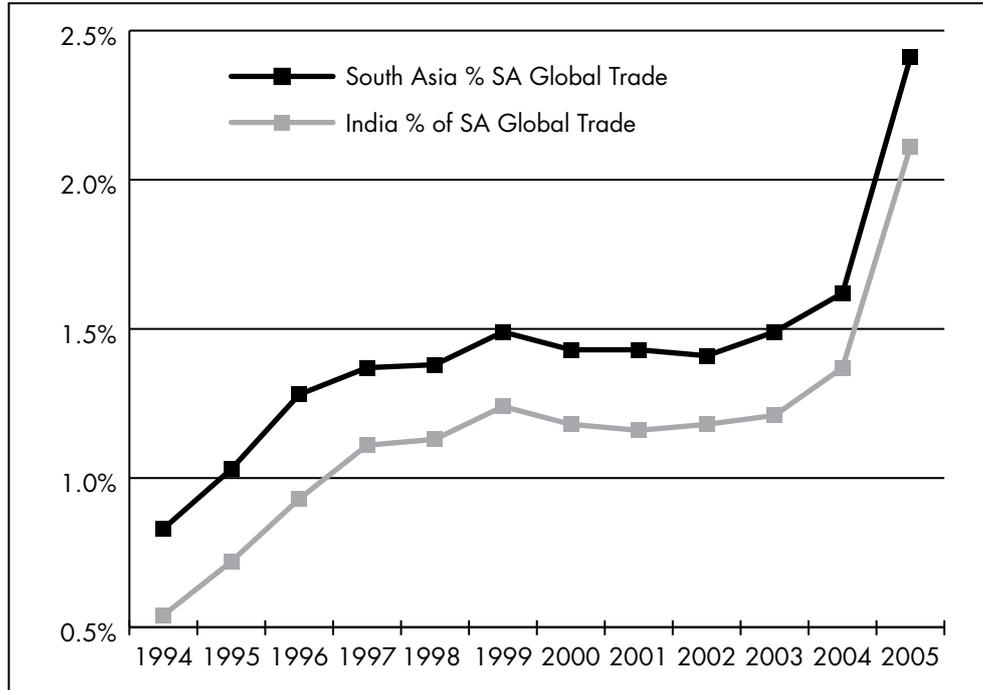
**Table 2: South African exports/imports India**

Year	South African exports India (Rand '000)	South African imports India (Rand '000)
1993	95,167	170,812
1994	493,063	414,111
1995	731,143	723,320
1996	1,047,031	1,084,138
1997	1,338,273	1,542,892
1998	1,625,366	1,631,498
1999	2,362,443	1,512,306
2000	2,950,440	1,764,805
2001	3,300,032	2,113,505
2002	4,037,280	2,943,267
2003	3,350,322	3,126,148
2004	3,713,043	4,547,261
2005	7,393,783	7,029,784
2006	5,576,312	10,960,347

Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

The expansion in trade is attributable to a growing awareness in South African business circles of opportunities in India, and a similar recognition by their Indian counterparts of openings in South Africa. At one level this greater mutual interest has caused companies to see 'new' avenues for trade (although many of these might have been available before but had gone unnoticed by foreign investors). On another level, trading relationships that have already been established have consolidated as mutual confidence and trust have grown.

If one looks at the products traded in recent years, aircraft (hence the anomalous figures for 2005), gold, coal, iron and steel products, precious and semi-precious stones and yarn exports have increased significantly. Most other categories have also seen a large rise in value of exports. In terms of imports, automobiles, rice, light oils and organic chemicals show the most significant increases across the majority of products. Analysts of the figures for commodities report that the primary explanation for the increase in our exports is the current commodity boom in Asia, which is largely being driven by India and China. Prices have increased and peripheral markets have been crowded out by the escalating demand from these countries. India has, for example, become a net importer of iron ore, which South Africa can provide.<sup>3</sup>

**Figure 1: SA-South Asia trade compared with SA-India trade**

Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data. <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

However, if one looks at Table 3 (page 69), analysts have calculated, basing their estimates on South African exports and Indian imports, that at a broad aggregate level exports could reach a value of \$13.038 billion. At the same time Table 4 (page 70) reflects the potential for sourcing goods worth \$11.298 billion from India. This puts the estimate for potential total trade between India and South Africa at about \$24.336 billion. If this sum is converted (US\$1 = ZAR<sup>7</sup>), the value set on potential trade is ZAR 170.352 billion, which is significantly higher than the current 2006 total trade value of ZAR 16.536 billion. Figures based on this kind of calculation are only indicative of what might be possible, however. The actual ability of both countries to achieve these targets is dependent on the general trading environment, including trade barriers; issues arising from marketing and price/quality dynamics; supply constraints; and consumer preferences. Nonetheless, it is clear that there are a great number of ways in which to expand trade and investment between India and South Africa.

## SOUTH AFRICA-PAKISTAN TRADE RELATIONS

Although the country has undergone a period of political turmoil, Pakistan's economy has shown strong and sustained growth in recent years. GDP growth exceeded 8% during 2004-05, after three years of substantial expansion. This steady rate of improvement can be attributed to the government's fiscal adjustment policies, which have been supported by official and private inflows; and to debt relief, which has led to a marked improvement

**Table 3: Top 10 potential South African exports to India**

Product code	Product label	South Africa's exports to India	India's imports from world	South Africa's exports to world	Indicative potential trade \$ thousand
		Value 2005 in \$ thousand	Value 2005 in \$ thousand	Value 2005 in \$ thousand	
27	Mineral fuels, oils, distillation products, etc	179,991	9,035,780	4,893,902	3,940,312
71	Pearls, precious stones, metals, coins, etc	159,810	4,181,804	5,769,418	2,868,273
84	Nuclear reactors, boilers, machinery, etc	25,168	13,677,336	3,605,527	1,687,230
72	Iron and steel	168,371	9,263,477	5,769,418	1,341,496
85	Electrical, electronic equipment	20,497	10,167,603	976,573	892,990
87	Vehicles other than railway, tramway	5,329	1,530,471	4,118,841	583,765
73	Articles of iron or steel	3,259	1,212,521	747,441	475,598
39	Plastics and articles thereof	5,125	2,235,223	605,488	465,399
88	Aircraft, spacecraft, and parts thereof	243,017	2,135,615	653,424	400,776
29	Organic chemicals	24,610	3,839,601	858,670	382,279
<b>TOTAL</b>					<b>13,038,118</b>

Source: South Africa Trade Map, <<http://www.tips.org.za/node/637>>.

in public and external debt indicators. At the same time, reforms in the financial sector have rendered Pakistan's banking system robust. This too is contributing to the upward trend in the economy.<sup>5</sup>

As already noted, since 1994 South Africa has been systematically re-establishing relations with its traditional markets, and also venturing into new ones. By the late 1990s South Africa had not forged strong links with Pakistan. The two governments therefore agreed to expand their relations. A Letter of Understanding for the Establishment of a Joint Commission was signed by both parties in 1999, with a view to promoting increased political, trade and economic relations between the departments of foreign affairs on both sides.

**Table 4: Top 10 potential South African imports from India**

Product code	Product label	South Africa's imports from India	India's exports to world	South Africa's imports from world	Indicative potential trade \$ thousand
		Value 2005 in \$ thousand	Value 2005 in \$ thousand	Value 2005 in \$ thousand	
84	Nuclear reactors, boilers, machinery, etc	51,645	4,203,641	8,681,359	2,786,153
87	Vehicles other than railway, tramway	190,786	3,305,937	5,639,969	1,568,145
85	Electrical, electronic equipment	39,594	2,778,184	5,719,379	1,493,833
27	Mineral fuels, oils, distillation products, etc	139,817	11,912,192	7,846,179	1,052,491
30	Pharmaceutical products	52,811	2,453,571	1,168,572	1,008,079
99	Commodities not specified elsewhere	27,865	1,024,909	4,798,825	1,000,186
39	Plastics and articles thereof	22,013	2,168,815	1,411,447	733,614
71	Pearls, precious stones, metals, coins, etc	24,325	15,836,460	1,105,681	608,178
28	Inorganic chemicals, precious metal compound, isotopes	6,417	777,849	830,374	529,734
29	Organic chemicals	59,333	4,875,747	1,031,764	517,811
<b>TOTAL</b>					<b>11,298,224</b>

Source: South Africa Trade Map, <<http://www.tips.org.za/node/637>>.

The Joint Commission aims to foster closer co-operation in the political, economic, trade, educational, industrial, health, cultural, science and technology, tourism and defence fields. However, owing to the international political condemnation that followed the change in government in Pakistan, South Africa's commitment to pursuing these initiatives was arrested. Nonetheless, trade between South Africa and Pakistan continued,

even though no active support was being provided by the governments on either side.

If one considers the trade pattern shown in Table 5 (page 72), over the last decade or so South Africa's exports to Pakistan grew from ZAR 164.630 million in 1994 to ZAR 1.080 billion in 2006, reflecting an increase of around 656% over that period. At the same time, imports rose from ZAR 97.986 million in 1994 to ZAR 896.271 million (around 915%) in 2006. However, although these figures appear impressive, it should be borne in mind that the previous trade levels were very low.

If one looks at the goods traded between the two countries, flat rolled products of iron or non-alloy steel featured as the top commodity imported by Pakistan in 2005 and 2006, accounting for 30.5% of South Africa's exports to that country. The figures for 2006 show a growth of 87.1% over those for 2005. Iron ores, ferrous waste and scrap, cane and beet sugar, paper and paperboard were the goods in greatest demand after flat rolled products. On the imports to South Africa side, woven fabrics made from synthetic fibre moved from third position to number one over the same period, having increased by 44.4% between 2005–06. Articles of apparel and clothing, linen (for beds, tables and kitchens), woven fabrics of cotton, woven fabrics of synthetic filament yarn, leather and carpets were next most popular commodities.<sup>6</sup>

Using a similar type of projection as that used for trade with India, the statisticians who compiled Table 6 (page 73) calculate the potential for South African exports to Pakistan as falling in the region of \$3.167 billion (or ZAR 22.169 billion), which is substantially higher than the ZAR 1.080 billion registered in 2006. Similarly, in Table 7 (page 74) the potential for imports is estimated at about \$1.561 billion (or ZAR 10.927 billion), as compared with the ZAR 896.271 million recorded in 2006. Again these figures are theoretical. Whether these higher levels of trade can be achieved is contingent on the range of conditions touched upon earlier. What is clear, though, is that there is considerable scope for expanding trade between the two countries.

In this analysis, certain issues have continually come to the fore. Firstly, its economic interaction with India is the dominant factor in South Africa's trade with the South Asia region. Secondly, both Pakistan and India possess significant openings for increased trade. However, in the case of India there is a record of systematic government engagement and support for trade initiatives with South Africa that have been ongoing over many years. In contrast, this country's economic interaction with Pakistan it is still in the initial phase. The volume of South Africa's trade with India, as compared with its involvement with other South Asian countries, can be correlated to the much greater size of the Indian market in global terms. Also, there is much interpenetration and sharing of information between the business sectors of India and South Africa. These interactions have been driven and supported by active policy and implementation initiatives by the two governments over the last decade.

In order to explore the trade opportunities between South Africa and Pakistan more fully, a similar process of government support and engagement should be entered upon. More specifically, the two governments could make use of a range of instruments to deepen trade and investment links. These include:

- conducting detailed economic analyses of markets and sectors;

**Table 5: South African exports and imports**

Year	South African exports (Rand '000)	South African imports (Rand '000)
1994	164,630	97,986
1995	273,650	108,408
1996	346,426	143,245
1997	239,575	144,831
1998	237,661	149,029
1999	272,584	179,247
2000	359,975	318,726
2001	607,659	316,224
2002	503,859	396,329
2003	706,594	404,124
2004	628,295	552,116
2005	1,020,985	665,235
2006	1,080,173	896,271

Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

- introducing government-to-government mechanisms such as Bi-national Commissions, Joint Ministerial Commissions and Joint Trade Committees;
- negotiating general trade agreements and Investment Protection and Protection Agreements (IPPAs);
- encouraging trade missions and visits;
- holding seminars; and
- launching export and investment promotion activities.

In each bilateral arrangement, various activities based on the specifics of the different markets should be undertaken. A meeting of the Joint Commission, which is South Africa's chief instrument of bilateral engagement with Pakistan, was held at senior officials level in March 2007. Officials representing the DTI participated in the discussions on trade, industrial co-operation and investment promotion. Both sides acknowledged the low levels of trade and bilateral investment in each other's markets. In an attempt to unlock the potential for investment and advance industrial co-operation, the officials on both sides agreed to identify areas of synergy and complementarity to encourage more focused collaboration between the two business sectors. They also agreed that further co-operation was required, both to identify and analyse opportunities and to devise programmes that would open up new avenues for trade.

**Table 6: Top 10 potential South African exports to Pakistan**

Product code	Product label	South Africa's exports to Pakistan	Pakistan's imports from world	South Africa's exports to world	Indicative potential trade \$ thousand
		Value 2005 in \$ thousand	Value 2005 in \$ thousand	Value 2005 in \$ thousand	
2710	Petroleum oils, not crude	0	2,193,192	1,410,781	1,410,781
8703	Cars (incl. Station wagon)	551	771,455	2,860,108	496,138
1701	Cane or beet sugar and chemically pure sucrose, in solid form	0	452,500	275,155	213,056
8708	Parts & access of motor vehicles	240	192,470	625,103	173,246
8704	Trucks, motor vehicles for the transport of goods	0	217,454	497,238	165,686
7207	Semi-finished products of iron or nonalloy steel	1,883	236,343	269,731	148,051
3902	Polymers of propylene or of other olefins, in primary forms	0	242,072	171,967	146,604
7210	Flat-rolled prod of iron or non-all/s wd>/-600mm, clad, plated or coated	12,122	200,234	254,686	143,446
4011	New pneumatic tyres, of rubber	0	145,165	203,566	135,884
2809	Diphosphorus pentoxide; phosphoric acid and polyphosphoric acids	0	134,388	192,889	134,319
<b>TOTAL</b>					<b>3,167,211</b>

Source: South Africa Trade Map, <<http://www.tips.org.za/node/637>>.

**Table 7: Top 10 potential South African imports from Pakistan**

Product code	Product label	South Africa's imports from Pakistan	Pakistan's exports to world	South Africa's imports from world	Indicative potential trade \$ thousand
		Value 2005 \$ thousand	Value 2005 \$ thousand	Value 2005 \$ thousand	
2710	Petroleum oils, not crude	0	641,904	1,013,377	641,904
1006	Rice	1,524	1,099,267	229,266	218,964
9018	Electro-medical apparatus (electro-cardiographs, infra-red ray app, syringes, dental	874	178,125	377,065	177,268
6204	Women's suits, jackets, dresses skirts etc&shorts	583	290,858	144,391	96,700
2917	Polycarboxylic acids, their anhydrides, halides etc & their derivatives	0	92,557	125,579	92,124
6203	Men's suits, jackets, trousers etc & shorts	827	596,441	110,369	74,703
8525	Television cameras, transmissn app for radio-telephony	0	69,410	1,645,991	69,410
5201	Cotton, not carded or combed	0	80,495	66,525	66,525
6109	T-shirts, singlets and other vests, knitted or crocheted	308	216,396	73,564	62,218
3926	Article of plastic nes.	105	61,381	107,492	61,273
<b>TOTAL</b>					<b>1,561,089</b>

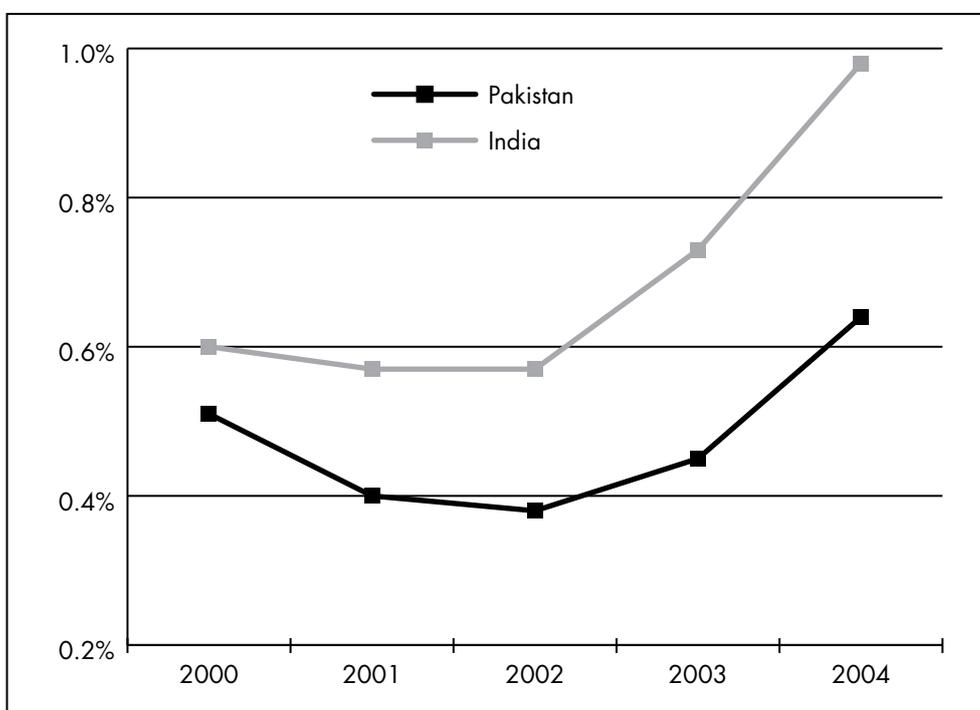
Source: South Africa Trade Map, <<http://www.tips.org.za/node/637>>.

Therefore, it would appear that the tide is changing for economic relations between South Africa and Pakistan. It is now up to the two sides to agree on specific and pragmatic programmes that will unlock the hitherto unexplored possibilities for trade and investment in each other's countries over the years to come.

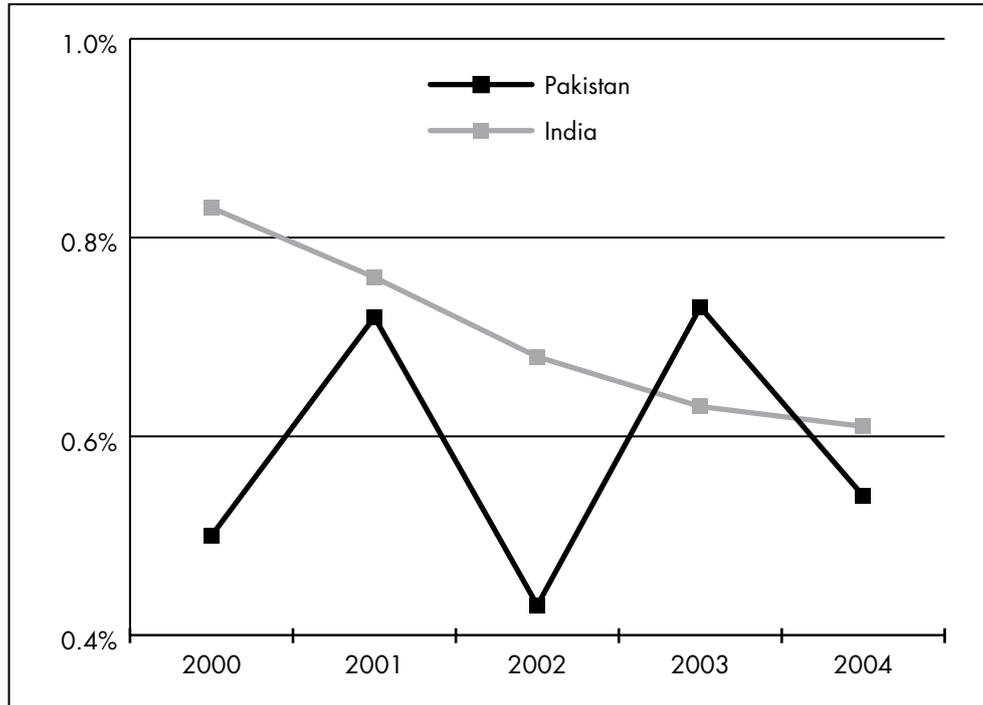
At present, the DTI acknowledges that India currently plays a larger role in South Africa's international trade profile than Pakistan (owing to the huge size of the Indian market and the fully-developed and consistently applied trade framework that exists between India and South Africa). This imbalance is reflected in a comparison between the share that South Africa has of India's and Pakistan's global exports: it was 0.98% of India's exports in 2005, and only 0.64% of Pakistan's. However, if one considers South Africa's share of imports to each of these countries in the same year (2005), the figures are 0.61% into India and 0.54% to Pakistan. Thus on South Africa's export front there is a considerably smaller difference in market penetration. This suggests that although our country's trade with Pakistan is still relatively low in volume, there is a substantive basis on which the relationship can be built.

Just as South Africa has been working to integrate with the global economy since 1994, so is it now systematically aiming to broaden its engagement with South Asia. Although India has been the first market in the region with which South Africa has sought to forge closer trade ties, Pakistan now features as a new partner with which this country can develop mutually beneficial trade arrangements. Both sides seem poised to launch joint programmes that will serve this purpose.

**Figure 2: South Africa percentage share in country's exports**



Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

**Figure 3: South Africa percentage share in country's exports**

Source: Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

## ENDNOTES

- 1 World Bank, *World Development Report 2007 — Regional Highlights*, <<http://econ.worldbank.org/>>.
- 2 India: 2006 Article IV Consultation—Staff Report; Staff Statement; and Public Information Notice on the Executive Board Discussion IMF, p. 5, w<<http://www.imf.org/external/pubs/ft/scr/2007/cr0763.pdf>>.
- 3 Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.
- 4 ZAR = South African rands.
- 5 Pakistan: Selected Issues and Statistical Appendix, IMF 2005, p. 5, <<http://www.imf.org/external/pubs/ft/scr/2005/cr05408.pdf>>.
- 6 Department of Trade and Industry statistics compiled from South African Customs & Excise data, <[www.thedti.gov/econdb/](http://www.thedti.gov/econdb/)>.

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In addition SAIIA has 49 corporate members which are mainly drawn from the South African private sector and international businesses with an interest in Africa and a further 53 diplomatic and 11 institutional members.

