

From New Delhi by Ramtanu Maitra

A glimmer of hope

Facing economic recession, both India and Pakistan are showing keen interest in improving trade ties.

After decades of self-flagellation, India and Pakistan have agreed to hold talks to improve economic and commercial cooperation. At the top of the agenda is increased collaboration in rail transportation and telecommunications, and effective resolution of Pakistan's proposal to sell on a long-term basis 3,000 megawatts of electrical power to power-starved northern India.

Common sense says that the economic requirements should spearhead an improvement of relations between two warring nations, but that theory does not necessarily hold in the case of these two nations on the subcontinent. In 1985, two heads of state (both since assassinated), Indian Prime Minister Rajiv Gandhi and Pakistani President Zia ul-Haq, were engaged in efforts to enhance economic ties through negotiations between their respective finance ministers, V.P. Singh and the late Dr. Mahbubul Haq. But, as happened with similar efforts in 1976, the efforts were quickly sabotaged.

On the Indian side, all discussions on Indo-Pakistani relations are dominated by security issues and handled exclusively by the intelligence community and those academicians who have links to intelligence, or by geopoliticians who promote balance-of-power ideology as the preferred foundation on which to anchor India-Pakistan relations. One other complaint of New Delhi, is that while India has provided Pakistan most favored nation (MFN) trade status (both are members of the World Trade Organization), Pakistan has not reciprocated. As a result, Pakistan does not treat imports from

India on a par with imports from other countries that enjoy MFN status with Islamabad.

On the Pakistani side, however, the opponents of improved India-Pakistan economic relations are more numerous. Some in Pakistan have the illusion that they belong to a country which is not part of the subcontinent, but rather is part of the Islamic world of Arabia. Some others are afraid that the improvement in economic ties will lead to improvement in overall ties with India, which, in essence, will undermine the *raison d'être* of Pakistan's existence. There are also some who worry that India, because of its developed industrial and technological base, if given access to Pakistan's markets, will cause the untimely death of many nascent Pakistani industries.

It would be too optimistic at this stage for both New Delhi and Islamabad to assume that although both countries are suffering extreme economic despair, improving economic ties would paralyze the saboteurs of better relations. These efforts were torpedoed earlier with the help of the Cold War geopoliticians, and the same people, under a different guise, can do it again.

Official India-Pakistan trade, which doubled from a scant 3.4 billion rupees (less than \$100 million) to a not-too-significant 6.8 billion rupees in 1997-98, has great potential. Pakistan can also benefit a lot by having access to the technologies developed by Indian industries, and thus be able to strengthen its own industries as well.

More significant, perhaps, is the

thrust provided by China in the north of the subcontinent. By adopting a policy to build the Eurasian Land-Bridge, linking China to Europe through Central Asia and providing access to Europe to the South and Southeast Asian countries, Beijing has helped to change the mindset of a few, both in New Delhi and Islamabad.

The present level of discussions indicates that both the Indians and the Pakistanis are keen to discuss cooperation in two-way rail transport of goods. In fact, according to a scribe with a leading English daily, the Pakistani side has evinced interest in holding separate talks on rail cooperation. The southern flank of the Eurasian Land-Bridge, linking Iran and points west through the subcontinent to Southeast Asia, as proposed by the Schiller Institute, will be based on railroads.

In addition, the suggestion by the Unocal-led consortium to extend the proposed Turkmenistan-Afghanistan-Pakistan gas pipeline to India, is still alive. Unocal officials indicate that the proposal has met with the approval of both Islamabad and New Delhi. In the current India-Pakistan talks, the pipeline issue cannot be discussed since the realities on the ground in Afghanistan are clearly not in favor of starting the project.

In addition to the respective nations' economic needs of the hour, the process got a boost because of the impetus provided by the South Asian Association of Regional Countries (SAARC). Under the South Asian Preferential Trading Arrangement, India has granted 10% tariff concessions on 363 items from Pakistan, while the latter has provided similar facilities to 265 items from India. India's recent decision to unilaterally lift import licensing restrictions on more than 2,000 items supplied by SAARC member-countries, would no doubt help Pakistan significantly.