



Jammu and Kashmir

Trade across the Line of Control

Discussion papers

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Political leaders and traders from Azad Jammu and Kashmir (Pakistani side) and Jammu and Kashmir (Indian side) hug on the Chakoti Bridge after 60 years of separation. Source: Muhammad Arif Urfi



The first truck carrying goods for trade crossing Aman Setu (Peace Bridge) at Chakoti in October 2008 at the Line of Control from Jammu and Kashmir (Indian side) to Azad Jammu and Kashmir (Pakistani side).

'... the communication that takes place for furthering trade and economic development may be as important as more direct political mediation efforts.'

Summary

Introduction

In 2009-10 Conciliation Resources and its regional partners organised a series of consultation meetings on the development, value and contribution of trade across the Line of Control (LoC) in Jammu and Kashmir and its relevance for the normalisation process between India and Pakistan.

Twelve people who took part agreed to document their understanding and ideas. The resulting papers analyse policy and strategic frameworks with in-depth practical descriptions of the achievements and barriers to trade and its potential to improve communication across the conflict divide.

The study builds on previous publications about the region, especially by the United States Institute of Peace, however it is the first effort of its kind in presenting analysis articulated by local authors from across the LoC on this issue. Most of the authors come from non-academic backgrounds, identified for their diverse and practical experience. This adds to the authenticity of their papers, which are not intended to be judged on academic merit.

Conciliation Resources' role throughout this process has been that of a facilitator and supporter of constructive debate. All views expressed are the authors' own.¹ Their papers are grouped within the following themes:

- the political economy of the cross-LoC trade and peace process is discussed by Ayesha Saeed, Rekha Chowdhary, Malik Javeed Iqbal and Arif Kamal
- challenges of the current trade and two open routes are explored by Ershad Mahmood, Saroj Razdan and Zafar Choudhary
- Sandeep Singh, Ismail Khan and Navreet Milton advocate opening new trade routes along the LoC.

Finally, personal stories by two traders from either side of the LoC, Pawan Anand and Kashan Masood, show the impact and importance of this trade in rebuilding relationships across the divide.

How trade can help bring peace to the region

The roots of the new trade dispensation are traced to a growing quest among the people of the region for intra-Kashmir connectivity and recognition of its relevance for stabilising the conflict-torn region. A trade framework was agreed in the 2004 meetings between the then Indian and Pakistani heads of state, and later unfolded amid pressure to open

routes during the 2005 earthquake emergency response in the region.

The potential for cross-LoC trade to help achieve peace is explored in each paper from different perspectives and with varying degrees of optimism. Additionally, the case studies of people directly involved in the trade show the unique ways in which trade has evolved, mostly avoiding political influence and helping to build trust between traders across the LoC despite them rarely being able to meet.

It is argued that trade can contribute towards peace in the region through three reinforcing mechanisms: interdependence creating an incentive for peace, paving the path for normalisation of the situation and providing a chance for greater interaction among the general population. The value of the communication that takes place for furthering trade and economic development may be as important as more direct political mediation efforts.

Several authors compare and contrast 'interdependence' with 'interconnectedness' making the point that through expanded and reasonably equitable trade the interdependence built so far can greatly stabilise the contested region and thus influence relationships between states seeking peace. In this context interdependence is seen as moving beyond interconnectedness.

Cross-LoC trade's impact

Improved movement of populations – people previously separated for over 60 years – through the two LoC crossing points opened so far is emphasised by several authors as important for ground-level understanding of differences. Trade is showing itself to transcend ethnic and religious divides. Enforced restrictions on the goods allowed in each other's markets are ending as legitimate trade develops. Families divided for decades are reunited. Employment opportunities, direct and indirect, are developing to provide the services required to operate the trade.

Some former cross-LoC combatants have chosen to take part in trade, both as a means to join in economic opportunities for which they believe they fought, and in recognition that trade may prove a peaceful means to resolve the conflict. In this light,

1. We have retained authors' preferred usage of names, terms and spellings for place names, events and situations rather than attempt uniformity on subjects for which language and terms have developed in several directions. This introduction similarly uses names and terms without any prejudicial positions or views.

the trade reveals its potential to affect deep-rooted and antagonistic perceptions of the conflict.

Challenges and limitations

Many impediments to fully developed trade exist and are described in several papers. Ownership of the intra-Kashmir trade, especially the local population's share, is a key question in the debate. Moreover, restrictions on the goods that can be traded, limitations on trade volume, strict security and inspection regimes are hurdles yet to be overcome.

Lack of adequate banking and communications systems limit much of the trade to basic bartering. Payments, when feasible, take much time and few opportunities exist for proper market surveys across the LoC. The cooption of limited trade by wealthier businesspeople from outside Kashmir is also seen as a negative development. While frustrating, several authors argue that such factors have not daunted traders and businesspeople, and have instead stimulated the development of intra-LoC cooperation between commerce and trade associations. Formal cooperation through chambers of commerce, however, is limited by bureaucratic impediments, business rivalries and political divisions, whether LoC-specific or between Jammu and the Valley, despite the business community's enthusiasm.

Rebuilding trust and relationships through cross-LoC trade

An examination of the changing mindset in the Jammu Region describes the historical lack of trust between regions. The author shows how through a well-planned cross-LoC trade delegation visit it has been possible to begin to build mutual trust and cooperation. Cross-LoC trade and other confidence building measures like cross-LoC tourism can therefore improve trust the author argues. He concludes trade is one area where India and Pakistan can find Jammu on the same page with Kashmir Valley and Azad Jammu and Kashmir, despite their entrenched political positions.

The potential to improve and extend the relationships between communities along the entire LoC by opening up other strategic crossing points for trade and people is presented in one paper and mentioned in others. Clear analysis of the local and regional gains is presented. There is also an opportunity to revive and develop trade links between Gilgit-Baltistan and Afghanistan, and through the Wakhan corridor to Tajikistan and the rest of Central Asia, demonstrating the far-reaching potential of unlocking the gates that separate and divide India and Pakistan.

Solutions to the restrictions hindering trade are offered by several authors; although the more pessimistic doubt trade can thrive without changes

in political will, suggesting that solutions must come from higher up rather than among traders and businesspeople on the ground. Overall though, they are positive and consider the contribution of even the current volumes of controlled trade to hold potential for achieving an improvement in, if not a solution, to the Kashmiri situation. Some place high hopes on the contribution of cross-LoC trade liberalisation to peace; pointing to the potentially huge economic and social gains from improved trade, industrial and agricultural development, tourism (regional and international) and religious pilgrimage as transcending the political impasse between the two countries that continues to override local cries for peace.

Further progress in expanding the areas and quality of intra-Kashmir trade is seen as incremental, in keeping with the pace of the India and Pakistan peace process. In the meantime, there is marked recognition that greater local ownership of the trade would promote more stability in the region and thus enable the two states to carry forward the normalisation.

Personal stories

Intra-Kashmir trade: bridging gaps between communities



Kashan Masood is one of the leading entrepreneurs in Azad Jammu and Kashmir. He has been involved in cross-LoC trade from the beginning, and is the chairman of a traders' body called the LoC Trade Council in Poonch region. He is also involved in local politics and social work.

"I have lived near the Line of Control (LoC) in Rawalakot-Poonch sector since my childhood. I started my small business and social work in this area in the early 1990s. It coincided with the eruption of the mass movement followed by the militancy in Kashmir Valley. Ever since, our area is declared a trouble zone. I witnessed military presence tremendously increase within two to three weeks in the area. Suddenly India and Pakistan were on the brink of war. Daily exchange of heavy fire became routine. Dozens of people were killed in crossfire in my area and a large number of common citizens sustained injuries. Some became disabled and unable to lead a normal life.

Almost all inhabitants had to leave their homes, businesses, cattle and orchards. They found no safe place around three kilometres near the LoC. Local government tried to rehabilitate displaced families but due to limited financial resources and traditional inefficiency, it could not provide necessary support to the affected families. A huge number of kids could not attend regular school as school buildings were destroyed in the cross-LoC shelling.

On the other hand, we used to hear that India was mistreating people in Kashmir Valley, particularly womenfolk. Against this backdrop, a call for Jihad against Indian forces became the mantra of several non-state actors in those days. It also attracted several promising youngsters to abandon their studies and cross the LoC and join the militants.

The governments of India and Pakistan brokered the ceasefire in 2003. This was followed by the start of a number of Kashmir-specific confidence building

measures such as a fortnightly bus service and subsequently intra-Kashmir trade. This rekindled hope and these measures were hailed across the LoC.

It is a matter of fact that intra-Kashmir trade was not started in a well planned fashion and was a quite blurred initiative mainly because of administrative hitches.

Despite the fact I had no direct personal or blood relations across the LoC nor any previous experience in cross-border trade I managed to join the trader groups. The local authorities assured me they would issue a trade license to send the goods. I considered it a golden opportunity to participate in a unique and historical event across LoC.

We were welcomed by a huge bevy of men and women with waving hands and placards inscribed with slogans of love, upon reaching the crossing point to send goods. The enthusiasm was overwhelming and people were showering us with petals. It immensely encouraged me to stay in this business. I suddenly realised it's not just a trade venture but can become a tool for people to people diplomacy.

I had an unforgettable and memorable chat with a group of ageing Sikhs who had to leave Pakistan controlled Kashmir back in 1947. They enquired about their old friends, ancestral homes and schools in chaste local dialect. It stunned me as after six decades they were still able to preserve their

'We've become reconnected with traders living on the other side of the LoC ... Now, traders are vocal supporters of the peaceful settlement of the Kashmir issue.'

language and even accent. Within a few moments we became friends as if we had lived together for generations.

Since then I am trading with unflinching dedication despite several ups and downs and a severe lack of proper infrastructure, telecommunication facilities and banking systems. The pathetic local road network and limited market access are also major impediments for strengthening trade.

Unfortunately government officials, instead of regulating and facilitating the entire venture, are trying to create unnecessarily difficulties and some are involved in malpractice openly asking for bribes and favours.

To voice traders' concerns and put forward their suggestions and recommendations we established

a body named the LoC Trade Council. It helped us to interact with the government officials and make collective decisions to improve trade conditions. Due to our collective efforts local authorities not only accept our suggestions but also consult us before taking key decisions.

Most of the traders are locals and have no formal business knowledge. Nevertheless we manage to conduct this business and have developed strong business ties across the LoC. In fact, we earn huge profits out of this business. Of course at times we've had to bear financial losses but we can sustain it so far. Uprooted and displaced people from the adjacent areas of the LoC have not only returned home but also are contributing and benefiting from this trade, which is a silver lining in the conflict-hit area of Kashmir.

Above all, we've become reconnected with the traders living on the other side of the LoC. Now, we understand their issues and problems more clearly, and have a broader understanding of their perspectives on the resolution of the Kashmir conflict.

In my view, intra-Kashmir trade can become a tool to bridge gaps between different communities. We have developed lasting ties with our counterparts across the LoC. Now, traders are vocal supporters of peaceful settlement of the Kashmir issue.

The gains of Cross-Line of Control trade



Pawan Anand is a leading cross-Line of Control trader in the Poonch region of Jammu and Kashmir, India. He is president of the Cross-LoC Traders Association on Poonch-Rawalakot sector. He represents the third generation of a prominent business family that migrated

from Rawalakot to Poonch in 1947.

"I had never imagined that so much would change in Poonch in a short span of less than two years. Now it is a different place with different people. Life in Rawalakot, Hajeera, Bagh or in other parts of Pakistan-administered Kashmir (PaK) is now a part of our daily talk. We have traced our forgotten relatives, made new friends and discovered collaborations for mutual growth in business. Despite odds, there is no looking back. Our feelings have changed. Take for example: a lack of rain or access to it in PaK is a cause of concern for us here on the Indian side. We fear its impact on crops that will bear on our local markets. Devoid of free access or opportunities of communication we find ourselves on the same page of past, present and future. That's how the cross-Line of Control (LoC) trade has changed things.

Sometime in the summer of 2006 when the cross-LoC bus service was about to be launched between Poonch and Rawalakot we heard that India and Pakistan were also talking about using this road for trade. We looked keenly towards the bus service but the idea of trade appeared ridiculous. There was a general perception in the region that some political leaders and bureaucrats at top levels in India and Pakistan were getting too ambitious without any knowledge of ground realities. At a stone's throw from the LoC and being home to hundreds and thousands of divided families, Poonch has remained under the watchful eyes of security agencies ever since the separatist and militant movement broke out in Jammu and Kashmir. Possession of anything with even a remote symbolic connection with Pakistan could have landed you in a police lockup. For example Pakistani salt or any product made in Pakistan was sufficient to raise suspicions. Under such circumstances trading with PaK was in no one's imagination. We ignored the developments and did not even discuss the prospects of trade. Even a person like me, a third generation businessman, whose family had migrated from Hajeera in PaK and had lot of relatives left on other side of divide had no interest in cross-LoC trade. We, however,

keenly monitored the cross-LoC contacts through the bus service that came into operation that year. Of course, there were some stories of change but restricted to isolated and secluded villages.

What set me thinking

For me, things came for a sudden change in the first week of October 2008. A friend engaged in construction asked me to accompany him towards the LoC where he had taken a road-building contract. I was wonderstruck to see the pace of construction activity on the road to the LoC. Half a dozen government and private agencies employing hundreds of workers on different forms of construction suggested something very serious was going on. Big buildings and wide roads were coming up fast. I was told that engineers and labourers were working double shifts. Local authorities were under pressure to finish off work in time as top authorities in the Indian government were monitoring it all. I saw, on the way, chief engineers of state-owned engineering departments overseeing works. After driving a few kilometres down, I met the Commanding Officer of the General Reserve Engineering Force (GREF) of India supervising construction work. Even though main roads in border districts of Rajouri and Poonch are constructed and maintained by GREF it was rare to see the top GREF officer personally supervising work on site. Until then I'd never seen government works executed with so much interest. Being a businessman, a local of Poonch having roots in Hajeera (PaK), my drive on LoC road was perhaps the most beautiful experience of many years. For days I remained in deep thought and engaged in discussions with locals on how to become a part of this road journey. The road to LoC was certainly something worth taking but it appeared a complete government affair with very little or almost no available knowledge among locals about the next steps.

In mid-October, the Deputy Commissioner of Poonch convened a meeting of local traders. We were anxious about the meeting as we saw in it an opportunity to learn about the LoC trade and possibilities of our participation. Before attending the meeting we had elaborate discussions among ourselves on how to become a part of cross-LoC trade process. There was a mix of ideas and in absence of any proper knowledge none among us could actually imagine the practical steps of getting involved in trade. To my surprise, I found even the local Deputy Commissioner knew hardly more than I, or any of the participants. He however informed us about the government's decision on cross-LoC trade and requested us to collect some fruits and vegetables from markets as a goodwill gesture to send across as gifts. We liked the idea but did not go to town collecting fruits in kilogrammes and

dozens. Instead four of us joined hands to buy four truckloads of best quality fruits and vegetables, packed them up in colourful wrappers, decorated the trucks and handed them over to the authorities for further dispatch to Rawalakot. The cross-LoC trade was to be formally launched the next day.

Scene at the LoC

Since the cross-LoC trade was being simultaneously launched on both routes, the main attention of authorities, as expected, was on the Srinagar-Muzaffarabad route. State Governor N.N. Vohra and all top political leaders had gone to Chakhoti on the Srinagar-Muzaffarabad sector where an elaborate function was held to flag off the first convoy of trucks. The Governor's adviser Mr Tyabji and some bureaucrats were sent to Poonch where the local administration had planned a relatively low-key affair.

Our feeling of getting less attention was soon overcome when we saw people coming from the other side of the LoC to the Zero Point. No one had imagined what was going to happen next. A gathering of nearly a thousand persons from both sides was soon seen immersed in deep emotions. Then it was hardly anyone's concern as to who the chief guest was. Among the locals hardly anyone didn't have tears in their eyes. For a moment there was no distinction between Muslims, Hindus and Sikhs when people from both sides met their long forgotten kin, started enquiring about their relatives and friends, villages and belongings. They sat in groups of threes and fours talking about days of togetherness and recalling the shared past moments. People from both sides had brought along gifts, mostly eatables and even cooked food in Tiffin carriers. Many of them ate together at the Zero Point and some requested that eatables may be distributed back in their ancestral villages on the either side. I had never seen, heard of or read about anything like that in my life.

It is very difficult to describe in words the emotional scene prevailing at the LoC meeting point that day. The majority in the gathering was, of course, traders but I didn't find anyone talking about trade. Most of us had actually gone there with a view to understand the cross-LoC trade process and talk to the counterparts on the other side about feasibility, but this completely disappeared from the agenda. Governor's adviser Mr Tyabji spoke to the gathering for a while but everyone in the gathering had wanted him to finish soon so that they were able to talk to each other longer.

A few things that touched me deeply were scenes when I saw people offering prayers facing the Indian side of the territory, kissing the ground beneath and taking home a lump of soil from this side. I came to know many things I never knew

before. Among the participants in meetings from PaK was a driver from Hajeera, the place our family had migrated from in 1947. His name was Javed. I started talking to him about our relatives we had left behind. During discussions, it turned out that Javed was my maternal uncle who had converted to Islam. Our sense of happiness and sadness had no measures. We were happy that we met and sad that we were meeting after so long. The day ended against the wishes of all of us. It had to end. We returned home as different people looking forward to more such meetings even as each one of us desired that the boundaries keeping us divided must blur.

Trade skills and secrets

The first consignment dispatched to Rawalakot and the consignment that came in exchange from that side was not priced. To formally operationalise the trade, the next consignment had to be exchanged the following week. Nobody showed any interest in doing that. We had no idea of what was required on the other side, what were the prevailing prices and who was to receive the goods, if sent at all. Meanwhile, we got the list of goods to be exchanged and the details of standard operating procedures but that was insufficient in guiding the trading mechanism. The administration again came to us with same plea that at least something should be sent across as a goodwill gesture. There had to be at least some system in place as trading through free gifts could not have become a sustainable process. For a couple of months it remained an absolutely low-key affair. People from local administration would come again and again and mobilise a couple of small trucks of vegetables every week or maybe every alternate week for sending across. Perhaps the same exercise was going on on the other side of the LoC as we did not see much coming in from there. Among traders in Poonch there was a strong feeling for a proper trade mechanism with Rawalakot but no one had an idea how to do that. In absence of any opportunity of meeting or talking through telephones it appeared that the trade euphoria was over. In those two months from 21 October 2008 there was, however, a process going on which we didn't notice with much seriousness. Traders on both sides were exchanging their business cards through truck drivers, which helped both sides build a database of trading counterparts with some knowledge of who was dealing in what.

Sometime in January 2009, I got a truckload of fruits sent in my name by a Rawalakot based trader called Haji Akbar. Now I was thinking of sending something in exchange when I got a phone call from him asking me for a truck of onions. Next week I sent him onions. I thought onions were in demand there and in exchange I was expecting fruits or something

else. However, to my surprise, he again sent me onions. As a businessman I was soon able to understand why onions in exchange of onions. That consignment of onions from Rawalakot was much better in quality and much cheaper in price than our produce. In the absence of an opportunity to discuss marketing our products, the gentleman in Rawalakot apparently took this creative way of product comparison. Here was the first breakthrough. We started dealing in onions from that side and garlic from this side. Since there are no dependable communication links and no proper opportunities for discussions, we have created our own language and means of communication – sending products to each other in limited quantity for market analysis and response. That has worked all along.

Trade started picking up gradually in 2009. Meanwhile, as the demand increased, we formed a consortium of traders by associating four more companies. In the next few days we got calls from more traders on the other side asking for specific items in huge quantities. Three more traders from Rawalakot joined us. As the days passed by and profits began to soar on both sides, the trade started getting competitive. We would often get calls from the other side advising us not to deal with one party or the other because no one seemed interested in losing profits. The same thing happened on this side. Towards the end of March trade was touching an all-time high when a trader from Rawalakot came to the Trade Facilitation Centre in Poonch as a driver (drivers are allowed to cross sides and not traders). There we had a first technical meeting, tabulated details of all business transactions till then and evolved our own mutually agreed mechanism of currency exchange rates. We agreed to value one Pakistani rupee at 0.56 Indian rupees for an indefinite period irrespective of frequent changes in exchange rates. Following this meeting, things were better strategised, word spread on both sides about currency exchange values and traders were now more informed about requirements on both sides. By this time we also got a fairly good idea of traders' potential on each side, their reliability and credibility. During these days we got an offer from another Bagh based, widely networked trader named Zardar Abbasi. Initially he put our potential to the test by placing order after order and sending almost nothing in return. Four months later we met at Zero Point on 7 July 2009. By that time our individual trade between my firm and his firm was calculated at INR 4,138,628 (INR 2,371,718 from my side and INR 1,766,910 from his side). Since we are in a barter trade, Abbasi owed me goods worth INR 604,808, which we got from him in the next few days. This one meeting strengthened our trust in each other; we knew the market potential better and had a clear understanding of things to follow. It has been a year since we met last and as of today trade between us is running into crores of rupees.

Bottlenecks and unanimity

Things were never smooth and they are not expected to be in the near future. India and Pakistan's governments have just thrown a challenge upon us. They have only opened the links and literally left all risks and responsibilities for us to handle. Since October 2008 we have seen relations between India and Pakistan going up and down but nothing has impacted on us. We are insulated by a shield of mutual trust. We have not allowed diplomatic acrobatics between New Delhi and Islamabad to affect us in any manner. On the contrary we have fought for all our problems jointly. There is bureaucratic red tape on both sides. When authorities on the Indian side inconvenienced us in any manner we found instant support from our counterparts on the other side and vice versa. Every time we suspended trade in protest against government trade authorities, it was always a unanimous decision. This unanimity among traders is rare to find anywhere. That does not mean we don't have problems among ourselves. We sort out our problems on our own. In normal circumstances one would find hundreds and thousands of trade-related litigations before courts and tribunals on both sides of the divide. We too have come across numerous disputes mostly pertaining to blockage of payments but our mechanism of dispute redress and arbitration is guided by the principle of mutual trust. That is the biggest gain.

The change

I am not the only person engaged in cross-LoC trade on Poonch-Rawalakot route. There are 189 others and there are as many stories of change. We have become a different people altogether. We have undergone a huge difference in our thinking, in our perceptions and our outlook. Weekly volume for my trade firm may be a little higher than others, but each one of us is as overwhelmed as I am. And this process is not limited to the 189 traders involved. Their families have emotional stakes and there are hundreds of others who have economic spin-offs by way of their direct or indirect association with the process. The mindset of state apparatus too appears to have undergone a huge change. As recently as two years back, possession of anything linked to Pakistan would result in inconvenient questioning by the security authorities. Today Pakistani products are not only openly available in markets they are also in huge demand in new areas in the region. There are instances of government officials dealing in the cross-LoC trade indirectly through their relatives or agents. Overall however, the trade has been useful in building trust and allaying suspicions.

This is a translated transcript of an interview by Zafar Choudhary.



Thousands of people from both sides of the Line of Control celebrated its opening for trade in October 2008. "Since then we have seen relations between India and Pakistan going up and down but nothing has impacted on us ... we have traced our forgotten relatives, made new friends and discovered collaborations for mutual growth in business," says trader Pawan Anand. Source: Muhammad Arif Urfi

The political economy of cross-Line of Control trade and the peace process



A crowd of local people and traders gather to witness the historic crossing by the first trucks in 60 years at Aman Setu (Peace Bridge) at the Line of Control in October 2008. Source: Muhammad Arif Urfi

The political economy of cross-LoC trade



Rekha Chowdhary is a Professor in the Department of Political Science, University of Jammu with 33 years of teaching experience. Focusing on Jammu and Kashmir as her major area of research she has published on contemporary issues concerning

J&K including Conflict and Peace, Militancy and Separatism, Democracy and Electoral Process, Gender and Human Rights. Her latest publication is an edited volume *Identity Politics in Jammu and Kashmir* (Vitasta, 2010). She has been a Visiting Fellow, QEH, Oxford (1992-1993), Commonwealth Fellow, University of Oxford (1997-1998) and Fulbright Fellow, SAIS, John Hopkins University, Washington DC (2005).

Abstract

The 2004 Indo-Pak peace process has sought to tackle the intractable nature of the Kashmir conflict through a more creative concept of 'irrelevance of borders' that goes beyond a traditional focus on sovereignty, territory and boundaries. Rekha Chowdhary explains how an emphasis on 'people', 'economy' and 'trade' has enabled a breakthrough in entrenched positions and argues that cross-Line of Control (LoC) trade offers great potential for economic growth in the region because of its symbolic and political value. Once current constraints are addressed and trade relations become firmly established across the borders, it is argued that political hostilities will gradually become irrelevant, paving the way for further cooperative measures.

Introduction

The Line of Control (LoC) dividing the two parts of Jammu and Kashmir was slightly softened with the starting of bus services between Uri and Muzaffarabad in April 2005 and between Poonch and Rawalakot in January 2006. Five foot-crossing points, meanwhile, were opened in October 2005 for the purposes of relief and rehabilitation following the massive earthquake that affected large parts of Pakistan-administered Kashmir.¹ In May 2008 steps were taken to initiate cross-LoC trade during the visit of Pranab Mukherjee, Indian Foreign Minister, to Islamabad. Final affirmation was given by the Indian Prime Minister, Manmohan Singh, and his Pakistani counterpart, Asif Ali Zardari, during the sidelines of the UN General Assembly session in New York in September 2008. The Joint Working Group on Cross-LoC Confidence Building Measures (CBMs) finalised terms and conditions for trade between the two parts of J&K on 22 September 2008. It decided on duty-free trade for 21 items initially.² On 21 October 2008, cross-LoC trade started from two routes: Muzaffarabad-Uri and Poonch-Rawalakot.

Conflict resolution through the irrelevance of borders

Concept of 'irrelevance of borders'

Formally launched in 2004, the peace process sought to tackle the intractable nature of the 'Kashmir conflict' through a more innovative concept of the 'irrelevance of borders'. This concept went beyond the conventional categories of 'sovereignty', 'territory', 'boundaries' and 'borders', seeking a movement forward through 'people', 'economy' and 'trade'.³ Through this concept it was possible to break through the non-negotiable and maximal positions of India and Pakistan and to find a way out of the competitive nationalisms – Indian, Pakistani

1. These points were: Nauseri-Tithwal, Chokothi-Uri, Hajipur-Uri, Rawalakot-Poonch, and Tattapani-Mendhar
2. The 21 items approved for import and export included: carpets, shawls, namdas, gabas, embroidery items, fruits, vegetables, dry fruits, saffron, imli, rajmash, kashmiri spices, foam mattresses, medicinal herbs, jahnamaz, tusbies, precious stones, peshawari chapple, maize, maize products, honey and rice.
3. In specific terms, the concept of irrelevance of borders, in the words of Chari and Rizvi, include a 'wide range of measures ... proposed to promote interactions across the LoC and enable the two parts of Kashmir to develop a multifaceted relationship.' Classified into four categories, these measures include: 'Promoting people to people contact, increasing trade and commerce across the LoC, encouraging humanitarian aid and development, improving governance, including security administration ...' Chari, P. R. & Hasan Askari Rizvi, 'Making Borders Irrelevant in Kashmir', Special Report, United States Institute of Peace – USIP (September 2008): 6-7

and Kashmiri – which had made the conflict almost impossible to resolve.

The contours of the peace process were established with Pakistan insisting it would not agree to a resolution that was based upon the status quo and India making it clear it would not agree to a resolution that would involve changing of boundaries, redrawing maps or compromising sovereignty.

The concept of irrelevance of borders implies that the Line of Control that symbolised the division of the State of J&K as well as its unsettled and unresolved status is to assume more dynamic character. Rather than being a barrier, it is to be animated so that interaction between the two sides can be possible through free movement of people, goods and services.

Cross-LoC trade and the irrelevance of borders

Symbolic and political value of cross-LoC trade

Economic integration across the Line of Control remains central to the conflict resolution process. It is considered very important for generating interest from people on both the sides of LoC. The idea is to create so much economic stake in the peace process that a 'bottom up pressure' can be built to 'hasten up the process of normalisation between the two parts of the state' and to sustain it long term.⁴ Rather than merely providing a point of exit from the conflict, it offers a new paradigm of mutual dependence and development.

Cross-LoC trade as the basis of conflict resolution has substantial potential since it has symbolic as well as real value. Also it has considerable future possibilities. The report of the Working Group constituted by the Prime Minister on Strengthening Relations Across the Line of Control emphasises the 'importance of people to people contacts and freer travel facilities for the persons residing on the two sides of the LoC for promotion of friendly and beneficial cooperation and strengthening of peace in the region.'⁵ According to the report, 'The opening up of routes for trade and commerce would help in not only improving the economic conditions on both the sides but would also be an important step towards normalisation of the situation'.⁶

That the trade, to begin with, was to have more instrumental than real value has been generally acknowledged. When trade started it was highlighted by many as a 'humble beginning'⁷ and a 'very significant event in symbolic terms'⁸ that would help 'bridge the divide between the two sides of Kashmir'⁹ and ultimately lead to the resolution of the Kashmir issue.¹⁰

Economic logic of cross-LoC trade

Cross-LoC trade has strong economic logic, mainly due to the economic backwardness of the J&K state. There are various constraints under which the state economy operates. Of these, the first emanates from the overdependence of the state on New Delhi, and its debt liabilities. After subsidising the state economy for many years, New Delhi reversed its policy of liberal financing and substituted the aid given so far with a loan. As a result, debt and interest repayments began comprising a large part of J&K state budget expenditure.

Though agriculture remains the main source of livelihood, the only opportunities provided to the expanded middle class are through the state employment sector. However, J&K state is already running an overloaded administrative structure with around 400,000 government employees. Salaries have been its biggest liability. Much of the budget goes into financing wages. Industry suffers not only from lack of capital investment but also infrastructural resources. The problems of power, expensive raw material and transportation costs have been disincentives for private sector investment.

Because of these economic problems and political uncertainties, the processes of globalisation, liberalisation and privatisation seem to have escaped J&K state.

Multiple stakeholders in cross-LoC trade

It is both in the physical isolation of Kashmir and the contestation of the division of the state that one can find a strong support in the Valley for reopening traditional routes for free movement of people and trade. Although much of the response towards

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4. Yusuf, Moeed. 'Promoting Cross-LoC Trade in Kashmir: An Analysis of the Joint Chamber', USIP Special Report, 230 (August 2009): 9
 5. Five Working Groups were constituted during the Round Table Conferences (RTCs) convened by the Prime Minister of India. The RTCs were organised to generate a debate and evolve a consensus on various issues related to Jammu and Kashmir.
 6. 'Strengthening Relations Across the Line of Control: Report of the Working Group', (January 2007): 2
 7. At the initiation of trade, Governor N.N. Vohra stated it was an important day for people across LoC as the opening of the historic Jhelum-Valley Road for trade would cement relations between people across LoC. He said although this was a humble beginning, it would be a step towards the revival of the economy. "Though it would be symbolic in the beginning but we hope that the activity would also grow on the routes in future." *Greater Kashmir*, 22 October 2008
 8. At the inauguration of trade, Amin Hashwani, President of the Pakistan-India CEP's Business Forum emphasised the symbolic basis of the trade activity. He said: "It is a good beginning and should be seen positively but more steps are needed to take the process forward. The trade will increase people to people contacts and give a sense of hope to Kashmiris on both sides." <http://www.merineews.com/article/history-in-making-cross-loc-trade-starts-in-kashmir/145484.shtml>
 9. Sardar Attique Khan, the then Prime Minister of Pakistan-administered Kashmir, cited in *Greater Kashmir*, 22 October 2008
 10. Mehbooba Mufti cited in *Greater Kashmir*, 22 October 2008.



Source: Epilogue Magazine

opening borders is sentimental, there is also a view that it will remove economic dependence on the only available route. Opening borders is also considered important for ensuring 'uninterrupted flow of consumer items in the valley and for exporting fruits and other items from Kashmir'.¹¹ As compared with an average 36 hours to reach Delhi market, it takes merely six to eight hours to reach Islamabad.¹² Others who can benefit from trade include those in the carpet and furniture industry.

While there are political, psychological and emotional reasons for the support of cross-LoC trade in Kashmir, in Jammu one can find solid economic logic. Jammu is a trading city controlling the wholesale trade not only of distant parts of the region but also Kashmir. For the traders therefore, opening routes across the LoC makes good business sense.

Stakeholders of the cross-LoC trade are not limited to the urban centres of Jammu and Srinagar but are also located in distant areas like Poonch and Uri and many other points, especially those close to the LoC. For Poonch, which is quite backward and marginalised, the trade has provided new opportunities for its economy.

The LoC passes not only through the regions of Jammu and Kashmir but also the Ladakh region and there is therefore demand for opening traditional trade routes. It is felt this distant, landlocked area will benefit greatly from trade through the Kargil-Skardu route.

It is because of the multiple stakes in the cross-LoC trade in various parts of the state that trade's

significance for conflict resolution is enhanced – more so due to political divergence within the state, which becomes a problematic in evolving political consensus. The conflict has specificity and is located in the ethno-nationalist politics of Kashmir. It does not extend itself in the same manner in Jammu and Ladakh as it manifests itself in the Valley.

Against the sharp political divide expressed often between the Kashmir Valley on the one hand and Jammu and Ladakh on the other, the route openings and trade process provide a common interest and therefore a common stake in the peace process.

Political and economic constraints for trade

Trade at the symbolic level

Though the initiation of trade has the purpose of developing stakes in the peace process, the trade itself is hostage to the peace process. It was expected that over time the trade would be expanded. However since the peace process has stalled, trade continues to operate at a minimum. The traders involved have lots to complain about. They argue the list of tradable items does not follow economic rationale and is not based on reality.

11. Akhtar, Shaheen. 'Expanding Cross-LoC Interactions: Perspectives from Pakistan', IPCS Issue Brief 130, p 2 http://www.ipcs.org/pdf_file/issue/IB130-Ploughshares-Shaheen.pdf

12. Ibid

There are also basic issues related to economic facilities and infrastructure. The lack of communication facility from the Indian side and a banking facility, are seen as the two most important impediments to normal trade. Because they have no direct connection with the traders on the other side, traders on the Indian side of J&K have to follow a circuitous route for communication. Citing security reasons, the government has banned the international direct dialling system from within J&K to any part of Pakistan, including Pakistan-administered Kashmir. (Although a few telephone hotlines have been installed recently.) It is also not possible for traders to visit their counterparts on the other side of the LoC. Theoretically, they can use the bus service, mainly meant for residents, to freely move to the other side but in practice the service has not been opened to the public and remains restricted to 'divided families'.

'There is overwhelming popular demand for expanding the cross-LoC trade but it remains confined due to security concerns.'

The most important constraint on the trade however is defined by the absence of a financial arrangement. No decision has been taken on the currency to be used for trade and no banking system has been provided. Hence, trade takes place through the most medieval barter system.

Regional imbalance in trade relations

Because of the symbolic basis of the trade there is a gradual regional imbalance developing. It is mainly on the Jammu side that trade is sustained. On the Kashmir side, it is a picture of dismal trade. Rather than economic logic, what prevails is the political value of the trade; it is being sustained for its 'significance' and for its 'potential' or its 'emotional value'.¹³ Yet the longer it fails to develop an economic interest the less significant the other values will be.

The regional imbalance in the trade is due to several reasons, the most important being the role of the large numbers of divided families located in Jammu region rather than Kashmir. The two districts of Rajouri and Poonch are cut across the LoC and are home to the most divided families. Geography is also a factor. It is more convenient to trade from Jammu side than Kashmir. That is why many Muzaffarabad firms started trading through Rawalakot route and a few traders from Kashmir have shifted their trade from Kashmir side to Poonch-Rawalakot side. Furthermore, there is a trading culture in Jammu, so traders of Jammu have played a role in promoting the trade.

The security concerns

There is overwhelming popular demand for expanding the cross-LoC trade but it remains confined due to security concerns. Despite the shift in the approach to the conflict's resolution, the conventional approaches continue and therefore fear remains that LoC routes will be used for infiltration of militants and arms from the other side. This seems to be a major reason for the Indian government remaining slow on the trade process.

Lack of coordination between the Kashmir and Jammu's trading groups

Due to the political divergence that exists between the two major regions of the state, Jammu and Kashmir, trade interests within the state suffer a lot. However, rather than a linear one-to-one relationship between business and politics, there is a rather complex relationship between the two. Generally, there is much mutual trade interest between the traders of Jammu and Kashmir (hence generally trade is seen as a silent basis for cementing political differences between the two regions and evolving a space for common interest and consensus), but there are also times when the political divergence overtakes economic rationale and the business community in the two regions takes a hostile position against each other. This happened during the Amarnath agitation in 2008, which caused political tension between the two regions and saw the traders become divided along political lines. Tension between traders was so intense that trade was totally disrupted between Jammu and Kashmir regions.

Mutual dependence apart, there remains a gap between Jammu and Kashmir business communities, which is reflected in the lack of joint efforts to consolidate cross-LoC trade. Despite the two communities being positively attuned to this initiative and each asking for its expansion, there is little joint effort for pushing the trade process. As pointed out by Moeed Yusuf, this is one major reason why the Joint Chamber of Commerce set up between the Indian and Pakistani side of Kashmir could not go beyond its establishment stage.

The prospects of trade

Trade interests

Despite all the obstacles and problems faced by the traders, trade has not only continued but is carried out with enthusiasm and vigour, especially on the Poonch-Rawalakot side. The number of the trading companies, which was restricted to a few local traders initially, has expanded and new traders from

13. Dar, Hamidullah & Rasul Gul, 'Cross Kin Trade', *Kashmir Life*, 25 April 2009, pp 16-17 <http://www.kashmirlife.net/back%20issue/April%2025/index.html>

Jammu and local areas have also joined. The traders are quite innovative and have found ways to serve their interest.

Traders on the whole see much business rationale in the trade across the LoC but for this they demand revision of the permitted trading items according to market logic. During a joint meeting of traders from both sides organised by the local administrators of Poonch and Rawalakot, a demand was made that traders be given the freedom to trade according to day-to-day market needs. There is also a demand from Jammu for opening the trade to the manufacturing sector.

In many ways, the traders have extended trade activities beyond J&K. The goods sent from the Indian side, especially fruits, are not only those available from J&K. There is much trade in items like bananas and coconuts, which the traders procure from other parts of India. There are also situations where outsiders are involved as invisible partners.

What needs to be done

Overall there is a need for a trading environment, which is totally missing right now. The trade, where it continues, takes place more for sentimental reasons than economic reasons. For trade to serve its purpose of increasing economic activity and creating employment, it needs a proper business environment. The minimum required is regular financial and banking arrangements so trade can move beyond medieval bartering. The second requirement is the opening of two-way communication. Also it is important to give traders an opportunity to cross the LoC to make market assessments that will allow them to go beyond the 'blind trade' system that they operate within.¹⁴

It is also important to open new trade routes. The Working Group on Strengthening Cross-LoC Relations recommended opening the following routes – Kargil-Skardu, Jammu-Sialkote, Turtuk-Khapulu, Chahamb-Jorian to Mirpur, Gurez-Astoor-Gilgit, Titwal-Chilhan (across Neelam Valley), Jhangar (Nowshera) – Mirpur and Kotli. It also recommended opening additional meeting points in Ladakh region – Hundurman on Kargil-Skardu route and at a suitable point at Turtuk-Khapulu route.

14. An effort however is made at times by the district administrations in the trade points to allow traders from both sides to meet. In these meetings, traders are able to establish personal contacts and also assess the market conditions.

15. The third Working Group on Economy sees potential in the cross-border trade beyond the LoC. It says, 'if trading is permitted across the border, it will open up immense opportunities not only with PaK but also with Pakistan and other Central Asian Countries.' 'Economic Development of Jammu and Kashmir: Working Group No. III', p 23

16. Habibullah, Wajahat. 'The Political Economy of the Kashmir Conflict', Special Report, 121, United States Institute of Peace (June 2004): 11. <http://usip.forumone.com/files/resources/sr121.pdf>

Future possibilities

Through a fully active cross-LoC trade, it is possible to develop the stagnated and backward economy of the state and free it from its dependency. The borders, which have so far played an obstructionist role, making it landlocked, will on the contrary help boost economic growth and make it dynamic.

In three different but related ways, cross-LoC trade will contribute to the economy in Jammu and Kashmir. First, the economic activities of the local traders will be augmented and they could also explore alternative markets across the LoC.

Second, trade activities in the long run would not be limited to traders within J&K but would involve those from other areas in India and Pakistan. Once trade interests are entrenched across the borders, the political hostilities would become gradually irrelevant. The state which until now has been known as the 'nuclear flashpoint', would become the 'economic and trade flashpoint' between India and Pakistan. Rather than remaining a source of conflict between the two countries, it will become a bridge between the two.¹⁵ This in itself will change the character of the economy of the state. Many problems of the state's economy arise from its conflict-ridden status. Once the role of the state reverses from being a 'problematic' to an economically active zone between India and Pakistan, it will be able to receive all the benefits of liberalisation and globalisation. Private investment will be forthcoming and financial institutions will not be shy of investing.

Finally, generating this kind of economic activity will help the state fully explore its trade and industrial potential. Industries with potential for immediate growth in Kashmir include the furniture industry – especially walnut wood furniture; horticulture – especially fruit processing; and floriculture. There is also a huge manufacturing sector located in Jammu, which will be boosted. Habibullah identifies watershed development, timber industry, fruit processing and power generation as the key investment areas in J&K. According to him, 'if these sectors were active, they could help jumpstart the entire economy.'¹⁶

Once trade relations are properly established, it would make way for further cooperative measures between the two sides of Jammu and Kashmir across the LoC. The Working Group on Strengthening the Cross-LoC Relations has recommended a number of joint activities that can be undertaken by both sides.

It also talks about exploring 'scope for cooperation on subjects of common interest like environment protection, water management, natural disaster management and forestry'. Suggestions have also been made about joint tourism and power projects.

Intra-Kashmir trade and the logic of strategic peacebuilding¹



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Abstract

A number of recent studies have examined the trade resumed between the two parts of Kashmir administered by India and Pakistan and its usefulness for the Indo-Pak peace process. Ayesha Saeed asserts that intra-Kashmir trade is an excellent opportunity to assist the normalisation process begun in 2004 and build a strong platform for strategic peacebuilding and conflict transformation in the region. The paper assesses views from the ground and finds that peacebuilding occurs more by chance than by policy or design. It recommends that a policy framework be developed to enable traders to play the role of conscious peacebuilders by integrating a peacebuilding agenda into their everyday trade activities.

Introduction

In October 2008 intra-Kashmir trade resumed between the two parts of Kashmir administered by India and Pakistan.² It was the last major step taken by India and Pakistan in the normalisation process started in 2004.

A number of recent studies have examined intra-Kashmir trade and its utility for the Indo-Pak peace process.³ This paper argues that intra-Kashmir trade provides an excellent opportunity to assist the normalisation process and build a strong platform for strategic peacebuilding and conflict transformation in the region. It is recommended a policy framework be developed to enable traders to play the role of conscious peacebuilders by integrating a peacebuilding agenda into a mundane activity like trade.

Views

Two traditional views influence much of the debate on this issue. One is that state actors have the sole capacity to solve conflicts. This approach maintains that state actors have the best ability to deliver peace and so policy frameworks depend on governments almost exclusively. Thus peace will return when the states of India and Pakistan settle differences. The second view is that international trade can create interdependence between trading parties and therefore generate conditions for 'liberal peace'. Through liberal peace, markets increase chances for peace and the costs of conflict.

Here I argue that:

1. With *both* local and state actors actively involved, ownership of peacebuilding processes increases.
2. Strong interdependence allows divided people to focus on (re)building relationships between them, and;
3. These relationships are included as means to transform broader relationships across the

1. I would like to acknowledge the generous feedback received on an earlier draft of this paper at the Joint-Analysis Workshop on Cross-LoC Trade, Colombo in March 2010.
2. 'Cross-LoC Trade Begins amid High Hopes,' *Dawn*, 22 October 2008, <http://www.dawn.com/2008/10/22/top2.htm>
3. See Burki, Shahid Javed. 'Kashmir: A Problem in Search of a Solution,' *USIP Peaceworks*, No.59 (March 2007), Schaffer, Teresita & Howard Schaffer, 'Kashmir: The Economics of Peacebuilding,' Seminar Report No.171, Institute of Peace and Conflict Studies, New Delhi, 17 January 2006, <http://ipcs.org/seminar/jammu-kashmir/kashmir-the-economics-of-peacebuilding-730.html> and Yusuf, Moeed. 'Exploring the Potential for Economic Development and Cross-LoC Collaboration in Jammu Kashmir,' *Pugwash Issue Brief* 5, No. 1 (2007)

Kashmir region and enable local people to become active parts of a robust peace matrix.

Traditional framing of intra-Kashmir trade

Political framing

Intra-Kashmir trade is considered a confidence building measure that helps improve bilateral relations between India and Pakistan. Though difficult to see in government policy, trade improves relations between India and Pakistan and makes peace palpable by the 'furthering of trade and tourism between the two sides ... A key peacebuilder'.⁴

Discussions on intra-Kashmir trade must acknowledge it is nested within the broader Indo-Pak bilateral relationship. Charu Lata Hogg argues that India's growing economic potential has been 'crucial in shifting mindsets to viewing neighbouring countries as essential arteries for regional trade and resources rather than as security threats';⁵ though this has not extended to Pakistan and Bangladesh. She highlights 'the emergence of a vibrant private sector (in the form of trade and industry representatives) as an important ally in building regional relationships is not only challenging conventional military wisdom but also changing regional dynamics'.⁶

Shahid Javed Burki has calculated the economic cost of the 63-year Kashmir conflict for the nations of Pakistan and India. He argues a 'fundamental element of creating 'pressure for peace' involved informing the respective publics of Pakistan and India about the enormity of ... costs associated with the policies pursued by both capitals'.⁷

Yusuf makes similar arguments.⁸ The 'hope is that enhanced economic interdependence would act as a catalyst for ameliorating the conflict by creating a strong, indigenous constituency that can push the two states towards peaceful resolution of the dispute'.⁹

Theoretical framing

Trade can contribute towards peace in the region through three reinforcing mechanisms: interdependence creating an incentive for peace, paving the path for normalisation of the situation and providing a chance for greater interaction at the level of the masses.

In a quantitative study on trade networks and the Kantian peace, Han Dorussen and Hugh Ward observe that the effect of trade on the incidence of conflict is comparable to that of democracy. Highlighting participation in international trade networks, they conclude, 'indirect trade ties have become increasingly important to peace, suggesting

that communication effects may be more important than mediation effects'.¹⁰

Katherine Barbieri, exploring trade and peace, argues the relationship can be qualified in four distinct ways:¹¹ i) increased trade creates peace, ii) symmetrical trading relationships are necessary for peace, iii) trade leads to conflict, and iv) trade is irrelevant and peace depends on the nature of interdependence.

Non-violent resolution of disputes may result from stronger communications and interstate relations, which are products of interdependent mechanisms fostered by trade. However, unequal interdependence (between trading partners) may exacerbate conflict and hinder peacebuilding.

So interdependence can be contrasted against interconnectedness: 'Interdependence usually implies relations of mutual need and, by extension, mutual vulnerability between actors', while interconnectedness 'merely represents weak linkages among states incapable of having a significant influence on interstate relations'.¹² It is the nature of interdependence that determines the real potential of trade and economics for the furthering of peace (or conflict).

Conflict sensitive market development techniques for trade seek to incorporate peacebuilding objectives. A recent study noted 'an increasing interest in market development approaches as a means to both promote economic growth and to further peacebuilding efforts by making market development conflict-sensitive'.¹³ This interest is built on the realisation that lack of economic growth can serve as one of the underlying causes of conflict. Conflict sensitive market development can function before trade, for example, by providing civilian jobs for combatants.

An educated and deliberately designed intervention carries the capacity to balance the imperatives of economic recovery and conflict mitigation in a given context and assist the process of peacebuilding

4. Ibid, Schaffer & Howard, 'Kashmir: The Economics of Peacebuilding'

5. Lata Hogg, Charu. *India and its Neighbours: Do Economic Interests Have the Potential to Build Peace* (London: Chatham House and International Alert, October 2007): 7

6. Ibid: 13

7. Burki, 'Kashmir: In Search of a Solution': 21

8. Yusuf, 'Exploring the Potential for Economic Development and Cross-LoC Collaboration in Jammu Kashmir': 17

9. Ibid, Yusuf, 'Promoting Cross-LoC Trade in Kashmir'

10. Dourssen, Han & Hugh Ward. 'Trade Networks and the Kantian Peace,' *Journal of Peace Research* 47, No. 1 (2010): 29-42

11. Barbieri, Katherine. 'Economic Interdependence: A Path to Peace or a Source of Inter-State Conflict?', *Journal of Peace Research* 33, No. 1 (1996): 29-49

12. Ibid

13. International Alert, 'Practice Note 1: Market Development in Conflict-affected Contexts', *Strengthening the Economic Dimensions of Peacebuilding Practice Note Series*, (March 2010)14. Ibid: 11

and reconstruction in a conflict-battered society. To be useful, deliberate local level peacebuilding programme design demands clarity about the goals and purposes, and understanding of the actors and dynamics of the conflict, requiring a market and conflict analysis of peacebuilding goals.¹⁴

With increasing realisation that economic fortunes in a conflict setting are often deeply enmeshed with the political dynamics of the situation, greater attention is being paid to the relationship between trade and peace. The influence of trade in conflict situations can be thought of in terms of economic (and social) interaction between conflict-ridden communities. In the intra-Kashmir context, peace can result from trade by:

1. Understanding the impact of conflict on the local capacities for trade and development over the past 60 years, as well as the impact of reinitiating trading in the conflict setting.
2. Requiring that conflict-sensitive approaches are applied both to the markets in Azad Jammu Kashmir, and Jammu and Kashmir and to trading routes across wider Kashmir to serve the regional economic and political objectives.

The ground reality of trade

An assessment of intra-Kashmir trade queries the following:

1. Is trade enabling the opening of communication channels between the divided regions?
2. What sort of people to people interaction is resulting?
3. What is the nature of emerging interdependence or interconnectedness?
4. Have peace constituencies been facilitated?
5. Are new markets in Azad Jammu and Kashmir sensitive to conflict?

Recent assessment of the trade regime reveals that as the initial enthusiasm for intra-Kashmir trade diminishes, logistic and bureaucratic difficulties are sapping the incentive for trade. Well-documented restrictions on intra-Kashmir trade including weak communications, banking, trade volume and tradable item controls have reduced its utility and viability.¹⁵

Not all developments from intra-Kashmir trade so far have been negative. As a confidence building measure trade has survived the aftermath of the 2008 Mumbai attacks. A Federation of Jammu and Kashmir Chamber of Commerce and Industry has emerged. The joint chamber is the result of the combined effort of the trade and commerce leadership from the two sides of Kashmir. The chamber has been hailed as 'the first nongovernmental body of note; its presence complementing the hitherto topdown approach to

cross-LoC collaboration'.¹⁶ The chamber has two significant objectives:

1. To *act as a pressure group* to nudge state and national governments to implement their official vision of enhancing cross-LoC collaboration beyond mere symbolism.
2. To *galvanise other stakeholders in the economy* to support the initiative, thereby *creating a sense of ownership and empowerment* on both sides of the LoC.

The joint chamber has sought interdependence through creation of institutionalised economic relations, which can contribute to normalisation of relations across the LoC.

Building a political economy of peace: views from the ground

A discussion forum of traders and representatives from Azad Jammu Kashmir (AJK), held on 16 December 2009 in Islamabad, saw intra-Kashmir trade as:

- 'Trade diplomacy' focused on discovering mechanisms to move beyond stated positions and to make Kashmiri people the ultimate arbitrators of the conflict.
- Even though traders have suffered economic losses, they wish to sustain the process and nurture peace constituencies.
- Intra-Kashmir trade would enable a voice for the ordinary Kashmiri at the negotiating table and equip them to influence the peace process.
- The creation of 'an incentive for peace' and an alternative to violence. Some militants have forsaken violence and re-entered society because of this effort.
- Pakistan sees intra-Kashmir trade as symbolic only and political leadership in AJK has failed traders, so now individuals are taking trade forward, enabling Kashmiri people to challenge central decision-making.
- Despite restrictions on trade, communications etc, space for alternative types of conflict resolution is emerging.
- Trade has not facilitated direct people to people contact because of operational restrictions imposed by Pakistan and India.

14. Ibid: 11

15. Akhtar, Shaheen. 'Expanding Cross-LoC Interactions: Perspectives from Pakistan', IPCS Issue Brief 130 (September 2009)

16. Yusuf, Moeed. 'Promoting Cross-LoC Trade in Kashmir', United States Institute of Peace (September 2009)

- Little understanding exists of the dynamics and conflict sensitivity of the emergent trade markets in AJK.

Assessing intra-Kashmir trade *vis-à-vis* interdependence and conflict-sensitive intervention: what is missing?

The above discussion can lead to observations on three counts.

Firstly, from interactions with traders from AJK, it is obvious there are multiple objectives behind intra-Kashmir trade. Although economic compulsions are important, traders believe their efforts take place within a broader peacemaking agenda.

Secondly, the impact of intra-Kashmir trade is discernable at different levels:

1. Trade serves the economic goals of the trading parties.
2. Conflict-sensitive approaches to trade address conflict problems of trading communities.
3. Trade can influence relationships between the two Kashmirs and relations between India and Pakistan through interdependence and opportunities for communication between markets *and* people.

Thirdly, interdependence is limited by bureaucratic restrictions on trade and difficult communications, preventing contact and weakening spirits.

Interconnectedness rather than interdependence results in this context and peacebuilding occurs more by chance than policy or design, although the silver lining is a small peace constituency within the Kashmiri trader community.

Despite the Indo-Pak framework not being conducive to bridge-building and interdependence, if strategically directed, trade can help create a transformational platform within Kashmir.

An alternative lens: strategic peacebuilding with a focus on relationships

We need to integrate transformation of the Kashmiri conflict with intra-Kashmir trade by:

- Creating a relational platform or an infrastructure of peacebuilding for the transformation of the conflict setting – a transformational approach predicated on long-term commitment to peacebuilding with a committed cadre of local and external actors desiring non-violent change.
- Focusing on constructive social change as well as increasing the financial value of trade.
- Involving strategically placed individuals from local communities to middle-tier actors from the civil society connected with the elite political leadership to develop an inclusive debate on the conflict.

- Connecting individuals in a strategic manner to build stronger relationships and buttress the momentum for peacebuilding.
- Developing clarity about the objective of the trade effort. What is the goal and purpose of the intervention?

Incorporating strategic peacebuilding into intra-Kashmir trade

Intra-Kashmir trade within the framework of liberal peace is not a wasted effort. We need to make visible and explicit the underlying dynamics, to support the achievement of peace in the region. Required is to:

- *Clarify the objectives of intra-Kashmir trade* – ensure the process of trade results in long-term positive dividends and the adoption of conflict sensitive approaches to developing trade markets.
- *Qualify and quantify interdependence sought through trade* – interdependence of relationships forms the bulwark of successful peacebuilding. Therefore, it is recommended that we explore the exact nature of interdependence that we seek to achieve through intra-Kashmir trade by recognising the value of creating relationships and better understanding between people.
- *Advocate with state and national governments* to make a strong case for the peacebuilding potential of this effort for the entire region.
- *Support domestic ownership* – and equip domestic actors with the tools necessary to strategically use trade for peacebuilding purposes.
- *Widen and train peace constituencies* – first, locally on both sides in support of intra-Kashmir trade, second, peace constituencies need to be strengthened across the LoC and intra-Kashmir trade needs to be optimised towards this goal. These peace constituencies provide the tangible networks for future utilisation in an emergent peacebuilding infrastructure.
- *Provide peacebuilding training to traders* – sensitise Kashmiri traders to conflict sensitivity of the trade effort, and peacebuilding and conflict transformation techniques.
- *Set a peacebuilding agenda for the region* – trade is not an end that we seek, it is a means. Therefore, it is important to set a clear, coherent vision of the peace outcomes we expect to achieve through trade.

This paper does not seek to revolutionise the discourse on intra-Kashmir trade. It seeks only to introduce a greater degree of nuance and strategy into the endeavour so that intra-Kashmir trade becomes an explicit tool for peacebuilding and conflict transformation.

Freedom of movement across the Line of Control: a political economic view



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Abstract

Restrictions on trade and movement between people living in the Pakistani and Indian sides of the Kashmir divide have contributed greatly to six decades of suffering and deprivation for Kashmiris. As a step in confidence building, Arif Kamal believes the softened borders allowing people and goods to cross the LoC can help address Kashmiris' grievances, assuaging their sense of identity and unity. Though inhibited by many security and bureaucratic restrictions, bus services and trade crossings have helped normalise Jammu and Kashmir relations. Expectations are that opening trade routes will enable trading communities to become the nucleus of a new peace constituency, thus reducing conflict. This paper considers the impact of neglecting opportunities and concludes the revival of cross-LoC trade is the best antidote to militancy. Restoring bonds among people within the conflict zone could act as a stepping stone for peacemaking between India and Pakistan.

Introduction

Pakistan and India have allowed nominal human contact and economic exchanges across the Line of Control (LoC) in the disputed state of Jammu & Kashmir since 2005. After almost six decades of closed borders this is seen as the first confidence building step with Kashmiris.¹ However, greater contact across the Kashmiri divide is contingent upon progress in India-Pakistan normalisation.

Neither India nor Pakistan has been able to impose its preferred solution to the Kashmir conflict. The impasse has pushed politicians to show flexibility in their positions without abandoning them. 'Making borders irrelevant' holds the promise of a pragmatic approach to the conflict.² Interaction through people and goods is central to addressing the Kashmiris' grievances, assuaging their sense of identity and unity, and stabilising the environment in the conflict-prone state.³ From the liberal theorist perspective, economic interdependence may increase the incentive for peace and create an impulse to normalise relations. Human and material bonds could serve as a catalyst for subduing hostility.⁴ Dale C. Copeland shows that high levels of dependence can lead to peace or war. When expectations for trade are positive, leaders expect to realise those benefits – trade will 'constrain'. If leaders are pessimistic about future trade and relaxation of restrictions and fear being cut off from vital goods then the rational strategic choice may prove negative.⁵

Historical background

Cross-LoC movement of goods and people ought to be viewed in the historical background of: (a) peculiarities of the border regime in Kashmir, (b) the impact of the *de facto* separation line on the political economy of the state, (c) essential parameters of the Kashmir dispute, especially

1. Central Committee, All J&K National Students Federation, Communiqué, Mirpur, 28 January 2006
2. Chari P.R. & Hasan Askari Rizvi, 'Making Borders Irrelevant in Kashmir', Special Report, United States Institute of Peace (September 2008)
3. Kamal, Arif. 'Contemporary Kashmir Scenario: Viewing from the Prism of Human Dynamics', *Greater Kashmir*, Srinagar (October 2008)
4. For a fuller discussion of the theory of economic interdependence in the liberal domain, consult: *Economic Interdependence and International Conflict* by Edward D. Mansfield & Brian M. Pollins (University of Michigan, 2006)
5. Copeland, Dale C. 'Economic Interdependence and War: A Theory of Trade Expectations,' *International Security*, Vol.20, No.4 (Spring 1996) <http://www.mtholyoke.edu/acad/intrel/copeland.htm>

India-Pakistan dynamics that tended to negate the native human factor, and (d) resurgence of Kashmiri identity and its imprint.

The separation line: a peculiar border regime

The 'Line of Control' (770 kilometres) in the disputed state (population 16 million) follows the Ceasefire Line⁶ of the UN Security Council resolutions. This arrangement was first established in 1948 and monitored by the UN as a precursor to the awaited Indian and Pakistani troop withdrawals from the disputed state and a UN supervised plebiscite to determine Kashmiri people's free will. The non-implementation of the promise on withdrawals and plebiscite was followed by successive India-Pakistan wars (1965, 1971) while the disputed state experienced political turmoil and militant manifestations. In the aftermath of the 1971 war, the parties accepted a new separation line, proximate to the Ceasefire Line, depicting their actual control with minor adjustments. In the post-Simla phase, the Kashmir dispute experienced greater emphasis on India-Pakistan bilateralism while the UN role was de-emphasised.⁷

India and Pakistan disallowed movement of people and goods across the divide. Though a pass was issued⁸ initially, crossings were considered a security hazard and thus human movement had stopped after the 1950s. The LoC was out of bounds for all civilians.

Impact of the conflict divide

The separation line caused a disconnection in the organic unity of Kashmiri people so vital to trading within the state and with the neighbourhood. The economy of various regions has since been run on 'artificial respiratory mechanisms' by the controlling administrations.⁹

The economy of the Indian-controlled Valley has been the worst hit. The existing 'artificial respiratory mechanisms' were clearly identifiable following the 2008 movement against Amarnath land transfers and the blockade of Kashmiri trade to India. In the process, slogans such as '*Kashmir ki mandi, Rawalpindi*' (Rawalpindi is the natural market for Kashmiri produce) emerged. Pakistan-controlled Kashmir has remained resource-constrained because of separation from the heartland of the state.¹⁰

Being a conflict and security zone, development in Jammu and Kashmir has suffered, impeding Foreign Direct Investment (FDI) and bilateral and multilateral donors with the private sector to develop resources. Consequently, poverty is widespread through unemployment. Human development indices are lower than neighbouring areas. Political debate overrides discussion of economic losses and sufferings of the people of Jammu & Kashmir.¹¹

Broader political questions

Kashmir is perhaps the most intractable dispute in contemporary history. Indian and Pakistani positions are poles apart. Both sides have converged on territoriality rather than concern for human dynamics.¹² The result is a resurgence of Kashmiri identity with responses from 'passive resistance' to 'militancy' and from there to an expectant posture regarding what might unfold in an Indo-Pakistan peace process.¹³

Significance of the cross-LOC movement

The impulse

Kashmiris want to revive historical routes across the divide in Kashmir and beyond. The LoC prevented people delivering aid after the earthquake of 2005. It was the attempted march from Srinagar ('*Muzaffarabad Chalo March*') that precipitated the decision in Delhi and Islamabad to initiate the process of cross-LoC trade,¹⁴ seen as a momentous step. Merchants acted as vanguard of the peace constituency and three chambers of commerce (AJK Chamber and two J&K Chambers) led and unfolded a joint Federation of Chambers of Commerce and Industry, the first cross-LoC institution¹⁵ with support from the political elite on either side.¹⁶

6. See map on inside cover

7. Lamb, Alastair. *Birth of a Tragedy: Kashmir* (Oxford: Oxford University Press, 1990)

8. Interview with a former Prime Minister AJK (name withheld), November 2009

9. There have been many viable economic trade routes from Pakistani Punjab to the state of Jammu & Kashmir. The real name of presently Rawalpindi-Muzaffarabad road throughout history has been Rawl-Srinagar Road and all trade activities between the valley of Kashmir and Pakistani Punjab have been carried through this route. On the other side Jammu-Sialkot route through Sujitgarh has been one of the shortest and most attractive trade corridors for Pakistani Punjab and Jammu and Poonch areas of the State of Jammu & Kashmir – Mirpur and Kotli being a part of greater Jammu has been linked through Mairinder-Tattapani-Khoiratta-Noshehra on Poonch side and Chamb-Pallanwala between Bhimber and Jammu.

10. Zulfiqar Abbasi, President of Jammu-Kashmir Federation of Chambers of Commerce, 'LoC Trade: A case for up gradation', speech at the annual conference of the Institute of Sustainable Development, December 2009

11. Habibullah, Wajahat. 'The Political Economy of the Kashmir Conflict'

12. Kamal, Arif. 'Contemporary Kashmir Scenario: View from the Prism of Human Dynamics', *Greater Kashmir*, Srinagar, October 2008

13. Hasan, Khalid. *Azadi Kashmir Freedom Struggle 1924-1988* (Lahore: Printing Professionals, 1999): 14

14. Abbasi, President of Jammu-Kashmir Federation of Chambers of Commerce, 'LoC Trade: A case for up gradation' speech at the annual conference of the Institute of Sustainable Development, December 2009

15. Ibid

16. Hussain, Bilal. 'Trans-LoC trade. It's symbolic!', *Kashmir Times*, Jammu-Srinagar: 22 October 2009

The expectation

Together with India-Pakistan dialogue, intra-Kashmir processes including cross-LoC trade, assure that any outcome of negotiations shall be presented before Kashmiris. Revival of the trade routes would bring about a strong and effective peace constituency that outweighs the rhetoric of the politicians. The trading community and their customers could become a nucleus for a new peace constituency.¹⁷

The cost of a divided Kashmir is carried by almost one and a half billion people of South Asia. The revival of cross-LoC links for movement of humans and goods will be the best antidote to militancy.

Current route openings

Scale

Soon after the bilateral peace process started in 2003, a mutually agreed ceasefire was enforced along the LoC. A bus service began in 2005. Fourteen months later, five LoC crossing points were opened for relief assistance after the 2005 earthquake, and an understanding was reached to conduct cross-LoC trade in selected primary products of Kashmiri origin in 2006.

‘Despite symbolic achievements in trade and people movement, the two governments need to move faster politically to sustain these gains. They need to shed security apprehensions and develop trust.’

All involved, including the Indian and Pakistani governments, agree that only expanded cross-LoC interaction can achieve the interdependence necessary to stabilise the area, but progress is subject to the political climate.¹⁸

Underutilisation

Low usage of the bus service is due to cumbersome permit procedures that can take as long as six months and require passengers to transfer on foot to the other side, changing buses.¹⁹

Cross-LoC trade runs by barter for a list of 21 arbitrarily agreed items fixed in Islamabad and Delhi. Transactions during the year 2009 were an estimated Indian Rupees 45.26 crores (value of consignments carried in 2273 trucks²⁰), with no official data released on either side. Communication by phone is banned by the Indian side, reducing trade and bus travel.

Impediments

The current trading arrangement is fraught with stringent bureaucratic restrictions. The 21 items are primary products and seen as unhelpful for trade and market realities.

Neither the Jammu & Kashmir Bank on the Indian side and the AJ&K Bank on the Pakistan side have branches across the LoC, nor any arrangement with a third bank to carry forward transactions.

Business circles have called for sector specific action plans, beyond traditional goods trade, to achieve full trading potential. Trade in services and investment may have potential for holistic cross-LoC business. Surveys are needed to identify this potential.

Economic interdependence at scale can create the ‘bottom up pressure’ needed to speed normalisation between the two parts of the erstwhile State. Interdependence requires robust cross-LoC relationships among economic stakeholders. The current ‘blind trade’ system has a crippling effect on cross-LoC trade and incentives for the business community.²¹

Stakeholders and roles

Chambers of Commerce and the administrations in Srinagar and Muzaffarabad have been proactive and enthusiastic with a joint Federation of Chambers of Commerce formed without any prompting from Islamabad and Delhi. The process also received eloquent support from the mainstream political elite on either side of the divide while the bureaucracy in Islamabad and Delhi constrains progress. ‘Notwithstanding the ultimate ambition of allowing Kashmiri civil society to have a larger stake in decision-making, both the Indian and Pakistani governments remain unchallenged in their ability to veto any Kashmiri aspirations’.²²

Future potential

While progress is incremental it will be more sustainable if the exercise is enforced by a number of innovative steps:²³

- a. Multiple entry passes will help movement beyond ‘blind’ trade.

17. Abbasi, President of Jammu-Kashmir Federation of Chambers of Commerce, ‘LoC Trade: A case for up gradation’ speech at the annual conference of the Institute of Sustainable Development, December 2009

18. Yusuf, Moeed. ‘Exploring the Potential for Economic Development and Cross-LoC Collaboration in Jammu’

19. Maqbool Dar, Umer. ‘It’s blind trade across LoC’, *Greater Kashmir*, Srinagar, 22 October 2009

20. Ibid

21. Yusuf, Moeed. ‘Exploring the Potential for Economic Development and Cross-LoC Collaboration in Jammu’

22. Ibid

23. Federation of Jammu and Kashmir Chamber of Commerce and Industry, ‘Joint Recommendations to Facilitate Cross-LoC Trade,’ No. FJ&KCCI-01, 30 October 2008



Trucks loaded with goods queueing to cross the security barrier on the Poonch-Rawalakot trade route.

Source: Kashan Masood

- b. Improved telecommunication and postal facilities for trade and family communication.
- c. Upgraded banking facilities to build confidence.
- d. Expanded list of goods with all traders participating in its development.
- e. Cross-LoC institutional links for trade syndicates and bankers.
- f. Joint task groups explore development of renewable energy and minerals for long-term and sustainable benefits.²⁴

Conclusion

Despite symbolic achievements in trade and people movement, the two governments need to move faster politically to sustain these gains. They need to shed security apprehensions and develop trust. It is important to keep in view that alleviating Kashmiris' sufferings and strengthening the peace constituency there can eventually lead to the disputed state becoming a reliable link between the economies of Pakistan and India, and South Asia. For this, international stakeholders can play a vital role in helping to overcome stereotypes and broaden perspectives.

The trade is varyingly described as 'blind trade' and 'proxy trade'. A gauge of success will rest upon the local population gaining greater ownership of trade processes, and greater 'trickle down' effect from economic and commercial activity. International stakeholders and civil society should persuade New Delhi and Islamabad to enlarge local peoples' role in the process.

Cross-LoC contacts can increase the prosperity of Kashmiris and reduce the possibility of conflict. Economic interdependence and peace, though limited, is generating a constituency led by the merchant class. Stakeholders now should facilitate intra-Kashmir dialogue and promote relevant commercial and economic avenues. The Federation of Chamber of Commerce and Industry can pilot the dialogue. Others, including the security services should be brought on board.

24. 'Opportunities and Challenges Ahead: Eleventh Intra-Kashmir Dialogue', report by Center for Dialogue and Reconciliation, Srinagar, 9-11 October 2009

Cross-Line of Control trade: a step towards peacebuilding and conflict resolution



on the Kashmir conflict, *Cry My Beloved Valley*.

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*"Borders cannot be redrawn but we can work towards making them ... just a line on the map. People on both sides of the LoC [Line of Control] should be able to move freely and trade with one another- I also envisage ... the two parts of Kashmir can with active encouragement of the governments of India and Pakistan work out a cooperative, consultative mechanism ... in solving problems of social and economic development of the region."*¹

Dr Manmohan Singh, Prime Minister of India.

Abstract

The limitations of cross-Line of Control (LoC) trade as a confidence building measure because of weaknesses in the arrangements and facilities for trade put at risk its contribution to peacebuilding and the gains made so far in economic development. To prevent cross-LoC trade being seen as mere tokenism, Malik Javeed argues that the Indian and Pakistani governments must recognise its psychological and economic value, and within it the potential to help solve the conflict over Kashmir. Recommendations to address the barriers to successful trade and development are presented. The paper concludes that the countries should now make borders irrelevant, removing the internal barriers and harmonising external barriers to trade.

Politics and psychology of the Kashmir conflict

An Indo-Pak détente is vital to regional stability. Nuclear weapons have only deterrent value and war cannot end conflict. Only dialogue can help nurture peace and cooperation. Outsiders have only exacerbated the conflict. The countries are in the first round of a missile race. The lessons the Americans and Soviets learnt are disregarded.

Claims and counter claims by India and Pakistan confuse and make the conflict inconclusive. Jammu and Kashmir (J&K) is now a geographical term: the human proportions of this territory have largely been overlooked and the *problem* analysed only politically and not psychologically for a *solution* to invisible barriers.²

Kashmir conflict and Indo-Pak approach

Sixty-one years on, the states still paint demonic versions of each other through their state media. Domestic politics whip up hostile sentiments. The countries remain caught up in bilateralism and pursuit of a resolution that excludes the people of J&K. All possible avenues of resolving the dispute have been thwarted and wars fought. Despite pacts and negotiations no decisive outcome is visible or appears likely.³

1. Dr Manmohan Singh, Prime Minister of India, addressed a rally at the launch of Amritsar-Nankana sahib bus service on 24 March 2006

2. Lone, Sajad Gani. 'Achievable Nationhood, A Vision Document on Resolution of Kashmir Conflict', 2006

3. Ibid

Globalisation and South Asia

Globalisation is reducing the importance accorded to national territorial boundaries. New generations, with higher literacy, incomes and access to the media seek peaceful coexistence. Pursuit of economic, military and political objectives has seen reorganisation of the world into economic and political blocs. Globalisation reduces the importance of territory as a tangible stake in conflict between states and increases the significance of tradable resources linked to territory. Regionalisation on the other hand, can enhance collective economic, political and military clout. Regional integration in South Asia in the near future is a more desirable prospect, despite competing nationalisms. The people of Kashmir in particular and people of J&K in general, would have to assess the relevance of their current objectives in a regionalised South Asia.⁴

Indo-Pak economic cooperation, irrelevant borders

As a paradigm shift, India and Pakistan now visualise a resolution to the Kashmir conflict through economic cooperation linked to conflict resolution. 'Softening' borders is a compromise to converting the LoC into an international border, allowing easy movement of people, goods and services within Kashmir. This means different things to different people. Some understand it to mean that different parts of Kashmir will be united, others that they will be allowed to travel and trade freely, and still others believe that making borders irrelevant will permit more cultural exchanges, differences that are not important to a resolution of Kashmir's problem. The proposal accommodates the immense ethno-political diversity and divisive trends within the region.

The Kashmiri intelligentsia believes neither India nor Pakistan will agree to the unification of the state only on terms the other country will reject. Therefore making borders irrelevant is the best available option, supported most strongly within the business communities, a natural corollary to the movement of divided families. Gaining popular support depends on what arrangements are negotiated and how swiftly they are implemented.⁵

Control of borders remains a central goal for nation states and citizens. Trade among hostile countries is seen as the only civilised interaction and economic cooperation reduces standoff, hate and mistrust. Post World War II, the General Agreement on Tariffs and Trade was seen as an instrument for promoting world peace. Other examples are economic cooperation between Argentina and Chile: after mobilising for war over territory in 1978, by 1999 the two countries had developed economic cooperation; and the European Union. Despite three

full wars and the Kargil war, India and Pakistan, armed with nuclear weapons, mobilised their armies and stood eyeball to eyeball. India, after blaming Pakistan for the 2008 Mumbai attacks, and Pakistan, after blaming India for her interference in tribal areas and Balochistan, did not suspend cross-LoC trade. So, although unable to impose their preferred solutions, India and Pakistan have become flexible on Kashmir, thus encouraging creative approaches to conflict management.

Cross-LoC trade: trade or symbolism?

Though since 2004 some flexibility is observable, the 2008 Mumbai blast is an example of why there is little progress. The two countries' postures and show of amity give the impression six decades of hostility may be transformed into a new era of peace. Yet a single incident in Mumbai is enough cause a reversion to cantankerous positioning. Although confidence building measures (CBMs) have been implemented J&K was unrepresented in their formulation and they failed to evoke popular excitement. The opening of the Srinagar-Muzaffarabad bus service, seen as the best CBM to date, only brought together divided families and, even then, in limited numbers through a cumbersome and drawn-out process.

Cross-LoC trade has multiple elements: people to people contact, trade, economic prosperity with great potential. The concept of intra-Kashmir trade through Srinagar-Muzaffarabad and Poonch-Rawalakot in 2005, which only started in October 2008 because political will was lacking, required struggle and sacrifices by the people of Jammu and Kashmir.

'Most Kashmiris feel that cross-border trade would help people understand one another and develop a common approach to solving the Kashmir dispute as well as achieving economic union.'

Beyond symbolism

The trade initiative is not confined to economics: it represents political and psychological unification. Most Kashmiris feel that cross-border trade would help people understand one another and develop a common approach to solving the Kashmir dispute as well as achieving economic union.⁶

4. Achievable Nationhood, loc. cit.

5. Chari, P. R & Rizvi & Hassan Askari, 'Making Borders Irrelevant in Kashmir', Special Report No. 210, United States Institute of Peace (2008)

6. Achievable Nationhood, loc. cit.



Source: *Epilogue Magazine*

The reunion of those militants who crossed over to AJK from the early 1990s for armed training, with their families in J&K is the professed aim of several traders, and is both symbolically and personally important for many.

Barriers to trade

Trade has shown steady progress despite hurdles. Traders and business communities on both sides have shown determination not only to sustain current trade activity but also to increase it.⁷ Traders at the Trade Facilitation Centre (TFC) in Salamabad, Uri find security problematic. A trader said, “they keep vigil on us not only here at trade centre but everywhere, our phones/cell phones are tapped, our every move is watched and after every trade we are questioned like criminals, but we are determined to trade whatever sacrifices are demanded because we want to help our brothers who are across the border and who joined the trade and abandoned the armed path”.⁸ Traders disclose mismanagement and corruption at the centre.

Traders say business tycoons from Delhi and Islamabad have hijacked the business and profits. “These businessmen decide what to trade, create demand and set the rates; we Kashmiri traders are mere commission agents.” Traded goods serve other

markets and Kashmiris are not helped, “but we have a compulsion as well as emotion with this trade because our brothers who have shunned the violent path are now mainstreaming”.

Trade should be transacted without government interference according free trade policies,⁹ but current trade is by barter and is simply a cosmetic arrangement.¹⁰ Trade is restricted to two days a week and is only approved for 21 items, some unclearly defined.

The 70-90 traders all say the TFC is inadequate: “There is no basic provision for cold storage, goods are left outside all night and in the morning tonnes of goods have vanished,” said one trader from Srinagar. There are no X-ray machines for scanning goods. Unloading takes hours and goods are damaged. There is no banking system or communications for trading across the LoC.

AJK has a small market size and the Kashmir market is four times bigger than AJK. Despite this trade volume is increasing.

7. Mahmud, Ershad. ‘Intra-Kashmir Trade’, *Greater Kashmir*, Srinagar. 28 October 2009

8. Interview: Showkat (name changed), trader from Baramulla J&K

9. N.A. Dar, President, Kashmir Chamber of Commerce and Industries, Kashmir

10. Prabodh Jamwal, Editor, *Kashmir Times*, Jammu

The process of economic integration of the two parts of Jammu and Kashmir could start with the weakest form of economic integration – a Preferential Trade Agreement, in which both India and Pakistan would offer tariff reductions and finally declare a Free Trade Area eliminating tariffs between the two parts of J&K.¹¹

LoC trade unions and their demands

The Federation of J&K Chambers of Commerce and Industries has started as a joint chamber across the LoC. Its main role is to act as a pressure group for expanding cross-LoC trade and economic cooperation. But so far the joint chamber has not emerged as an effective collective voice.

The LoC Trade Union was established in 2009 by 70 trading companies and now it has become a joint J&K and Jammu cross-LoC trade union. The unions are functioning better than the joint chamber. They are leaving no stone unturned to make the trade real, and Kashmir and Jammu are following common goals and not individual interests. They could further press for the official vision to go beyond symbolism.¹²

A joint Cross-LoC Trade Union demanded the removal of impediments to trade:

- a. allow seven days trade
- b. all 21 items shall be traded and 52 items added as submitted
- c. barriers be harmonised
- d. start construction of truck terminals and TFCs
- e. vehicles must ply both sides of the LoC
- f. monthly buyer–seller meetings at Salamabad-Chakoti
- g. no discrimination on basis of religion or region
- h. J&K police help stop harassment by agencies
- i. multiple-entry permits for traders
- j. banking and communication facilities for traders.¹³

Developing trade

Total trade has exceeded 300 Million INR. A trade officer at a TFC said: “The average two day trade is 50 Million INR and we have a highest record of trade of 80 Million INR. This indicates that this cross-LoC trade is blooming.”

At Uri due to the two hydropower projects Uri I & Uri II and the presence of army camps, many people are employed. If trade is permitted every day, local people can construct hotels and guest houses for the traders. The value of land might rise and people could construct shops and kiosks at the TFC to generate income. Plans to open a branch of J&K Bank Ltd in Muzaffarabad would improve the ease of trade.

Recommendations

- Non-traditional products can be traded through Srinagar-Muzaffarabad to markets in AJK and across Pakistan.
- Mutton and beef can be traded through Muzaffarabad.
- Cement industries, flour and spices can serve the AJK market.
- Pakistani cotton, precious stones and Peshawar leather chapel-footwear will sell in Kashmir and India beyond.
- Apples could be traded widely.
- The potential for tourism and pilgrimage can be developed.
- A rail link between Srinagar and Muzaffarabad and onward will boost the peace process.
- The media should publicise trade’s potential to promote peace.
- The two governments should create border teams to strengthen trade and solve problems.

Conclusion

Indian and Pakistani policymakers should involve militants in trade as part of a wind of change. Both countries should now make borders irrelevant, removing the internal and harmonising external barriers to trade. Let economics step in and sow the seeds of common economic interests among the people of J&K and AJK and let politics reap the fruits from the resolution of Jammu and Kashmir conflict.

11. The Self-Rule Framework, loc. cit.

12. Tariq Ahmad Wani, President LoC Trade Union Kashmir

13. Ibid

Challenges and benefits of existing trade routes



Traders from Azad Jammu and Kashmir (Pakistani side) welcome the first truck arriving from Jammu and Kashmir (Indian side) at Chakothi Peace Bridge in October 2008.

Source: Muhammad Arif Urfi

Cross-line of Control trade: changing the mindset in Jammu region



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and Kashmir, living in Jammu.

Abstract

Historical differences of sentiments and perceptions within three regions on the Indian side of Jammu and Kashmir—Jammu, Kashmir Valley and Ladakh are serious problems for New Delhi in using confidence building measures between India and Pakistan. Zafar Choudhary argues however that cross-Line of Control (LoC) trade is changing that because Kashmir and Jammu are in common cause with each other, and with Pakistan-administered Kashmir (PaK), for moving forward on trade. This shared view can aid cooperation and cultivate peace between them. This paper discusses the positive change in local attitudes and trust that cross-LoC trade has been able to bring about in Jammu region in relations with Kashmir Valley and PaK since the first jointly celebrated trade delegation visits in October 2008.

Introduction

In his paper 'Kashmir: a problem in search of solution',¹ Shahid Javed Burqi acknowledges 'that any resolution of this (Kashmir) dispute may be years in making' as he explores 'the utility of forging enhanced economic opportunities for people of the region' and further argues that doing so may prepare the grounds for the eventual resolution of this dispute. The Cross-LoC trade initiated in October 2008 is a step forward. "We are investing in peace and intend to earn friendship, otherwise there are no profits involved in this trade," said Zulfiqar Abbasi, a trade leader from Mirpur.² The leader of Kashmir's Hurriyat Conference, Mirwaiz Omar Farooq, stressed; "cross-LoC trade and contacts is a welcome step but things should not end here."³

Why Jammu differs

There is no broad consensus between Jammu region and Kashmir Valley on larger issues like resolution of the Kashmir dispute, relations with New Delhi or launching of development projects, business and education. The biennial shuttling of the seat of power between Jammu and Srinagar was a way to achieve emotional integration between the regions.⁴ Unification is blocked by ethnic and demographic distinctiveness. Differences are stark: the July 13 state holiday is celebrated as Martyrs Day in Kashmir Valley and is important for both separatist and pro-India parties, while in Jammu it is observed as 'Black Day' to protest revolt against the authority of Maharaja Hari Singh, the last Dogra ruler of Jammu and Kashmir.

On the Indian side, the Muslim majority state of Jammu and Kashmir comprises three distinct regions – the near total Muslim majority Kashmir Valley, Hindu majority Jammu and Buddhist majority Ladakh.⁵ For its Hindu majority character, proximity to the rest of India and its deep business relations with most Indian states, Jammu region has traditionally exhibited a pro-India patriotic outlook

1. United States Institute of Peace, March 2007. Shahid Javed Burqi is a former Vice President of the World Bank. <http://www.usip.org/resources/kashmir-problem-in-search-solution>
2. Zulfiqar Abbasi, President of AJK Chamber of Commerce and Industries, addressing traders and civil society in Jammu, 13 October 2008
3. *Kashmir Times*, Jammu, 28 September 2008
4. Documented by Prof Hari Om, Chair Professor, Maharaja Gulab Singh Chair, University of Jammu.
5. Since the migration of Kashmiri Pandits (Hindus) in 1989-90, more than 97 per cent of total population in Kashmir is Muslim. At the 2001 census, Muslims represented 37 per cent of the population in Jammu province.

and a majority in Jammu defends the Indian cause in Jammu and Kashmir against the separatist campaign in Kashmir Valley. Scholars in recent years argue that an influential section of the population in Jammu exhibits a Hindu rightwing mindset.⁶

The cross-LoC trade and earlier the bus service connecting two parts of the divided state are the only initiatives that have taken Jammu region on board. All earlier confidence building measures left out Jammu, who saw them as appeasing 'anti-national elements'.

Unlike in Kashmir Valley and Pakistan-administered Kashmir (Pak), in Jammu region the concept of nationalism means 'Indian nationalism' – 'Kashmiri nationalism' is thus understood as anti-nationalist, secessionist and pro-Pakistan. The Hindu rightwing has much influence in Jammu with no significant resistance from the Muslim majority marginal districts of Rajouri, Poonch and Doda, so discussion there is for full integration of Jammu and Kashmir with the Union of India and taking back 'Pakistan occupied Kashmir' through military means. The 1994 Indian parliament resolution⁷ to take back 'Pakistan occupied Kashmir' is still seen as the most important initiative to resolve the Kashmir issue despite later governments in New Delhi climbing down from this position.

Strong opposition to confidence building measures like softening the Line of Control and making it a Line of Cooperation for trade and tourism emanates from the mainland of Jammu region (Jammu, Samba, Kathua, Udhampur etc). Leaders there claim militants would take advantage and smuggle arms.⁸ The launch of Poonch-Rawalakot bus service in June 2006⁹ did not help much in changing attitudes. The importance of cross-LoC bus services was felt in the city of Jammu only when some prominent Hindu and Sikh families reported favourably to the media and civil society on visits to their ancestral villages in the Mirpur area of PaK.

A blessing in disguise

Though discussions started May 2006¹⁰ the launch of cross-LoC trade in 2008 was timed to appease Kashmir Valley just ahead of assembly elections. In summer 2008 Jammu and Kashmir passed through a crisis, perhaps the worst for India in 50 years. Kashmir Valley erupted on the transfer of a piece of land to a temple trust on two counts – the hardliners saw it as a government sponsored attempt to change the demographic profile of the Valley while moderates based their opposition on ecological concerns. Under pressure, the state government rescinded the land allotment order leading to an immediate and violent backlash in Jammu and other parts of northern India.¹¹ Hundreds of thousands of people in Kashmir Valley vented their anger against India and took a separatists

sponsored symbolic march to the Line of Control demonstrating for connections with Muzaffarabad in PaK as the Armanath disturbances had blocked the National Highway through Jammu. Several protesters including a prominent separatist leader, Sheikh Abdul Aziz, were killed. In Jammu the local Hindu dominated business community called for complete snapping of trade ties with Kashmir. In such a surcharged atmosphere New Delhi felt strong pressure¹² from Indian civil society and therefore immediately started talking about cross-LoC trade between Srinagar and Muzaffarabad to ease tension in Kashmir. Jammu saw this as weak appeasement by Delhi to secessionist pressure, while the Kashmir Valley saw it as the start of lasting resolution of the Kashmir issue.

Delhi feared Kashmir Valley would not vote in legislative assembly elections announced September 2008. Lack of voter participation would be an expression of the right for self-determination for Kashmir. So the Indian government rushed through the cross-LoC trade proposal to ease tension in Kashmir and win public trust. In New York in September 2008, the leaders of India and Pakistan announced its go-ahead. A delegation of traders from Muzaffarabad was invited to visit Kashmir Valley and then Jammu. Hardliner separatists called the proposal a cosmetic measure to deviate attention from the core issue. However it was largely welcomed in the Valley. A 23-member traders' delegation from Muzaffarabad was warmly welcomed in Srinagar even though the government and civil society groups were apprehensive of the response in Jammu, where the atmosphere was surcharged by the Hindu temple land row.

6. Guha, Ramchandra. *India After Gandhi –The History of World's Largest Democracy* (Picador, India 2008). See chapters 'A Valley Bloody and Beautiful' and 'Securing Kashmir'.
7. Parliament under Prime Minister PV Narasimha Rao passed a resolution on 22 February 1994 agreeing that entire Jammu and Kashmir was and is an integral part of India.
8. "Government of India is making things easy for militants and anti-India elements by making Line of Control porous. On one hand we are fighting a battle and talking about winning over our territory illegally held by Pakistan and on other hand there are discussions about cross-LoC trade": Ashok Khajuria, Jammu based BJP leader, press conference, Jammu. *Daily Excelsior*, 26 November 2007
9. First Cross-LoC bus service was launched between Srinagar and Muzaffarabad on 7 April 2005 and second service 20 June 2006.
10. Kashmir cross-LoC trade accord was reached between India and Pakistan after technical level talks held in New Delhi on 2-3 May 2006. <http://www.dawn.com/2006/05/04/top1.htm>
11. Jammu shut for 59 days in July and August 2008 either on call of Hindu groups or under curfew.
12. Arundhati Roy's article in *The Guardian*, UK: 'India needs azadi from Kashmir just as much as – if not more than – Kashmir needs azadi from India' impelled India to go for fresh confidence building measures in Kashmir. <http://www.guardian.co.uk/world/2008/aug/22/kashmir.india>

Psychological unification

The PaK trade delegation was received festively in Jammu. Security arrangements for delegates prevented unpleasantness from radical elements. Civil society groups, trade and business organisations and prominent individuals competed to host the delegation. At a reception hosted by the Jammu Chamber of Commerce and Industries and other organisations, speakers from both sides expressed respect for each other. Not once during long speeches were the words 'occupied' or 'held' used. Speakers from Jammu used the words 'our friends and brothers from other side' while addressing PaK traders. The word 'Azad Kashmir', an anathema in Jammu, was not objected to at all when the PaK traders used it. Strong sentiment was expressed for bringing down barriers and allowing free movement of peoples and goods between both sides of the LoC. Next day at a trade exhibition hundreds of traders displayed their products and jostled to explain market potential and the importance of two-way trade relations.

When cross-LoC trade was launched on 21 October 2008 simultaneously on Srinagar-Muzaffarabad and Poonch-Rawalakot routes, fruits and gifts were initially exchanged unpriced. The trade through Poonch-Rawalakot route was limited to traders from Poonch Township. Later, scores of firms from Jammu and its adjoining districts joined in. In the first months, market trends, price differences and local demands were explored. With knowledge, the trade value jumped from a few thousand to hundreds of thousands of rupees. Since mid-2009 average weekly trade volume has been about Rs 5 Crores, remarkable given that buyers and sellers do not know each other, communication and banking facilities are unavailable and infrastructure is very poor.

Though the trade facilitation centre at Poonch is more than 200 kilometres and a 12-hour drive away from Jammu's markets, no trader has so far defaulted despite hundreds of thousands of payment rupees being blocked.

The trade facilitation authorities and local administration in Poonch are now considering restricting trader numbers as more join in. Of 190 traders engaged, 80-90 are from Poonch, four from Rajouri, nearly 10 from Kashmir Valley and the rest from Jammu districts.

"Once this trade gets strengthened with basic facilities, the economic opportunities will force people to leave behind the perceptions of conflict," said Pawan Anand, a Poonch trader. Enthusiastic protests or demonstrations to strengthen the trade system at Poonch are lacking for the Srinagar-Muzaffarabad route. "Buying goods from markets in Delhi or elsewhere and bringing them to Srinagar

for dispatch to Muzaffarabad involves tremendous losses on costs of transportation," said Nazir Ahmed Dar,¹³ president of the Kashmir Chamber of Commerce and Industries. "We have not pulled out of the cross-LoC trade ... we want this trade strengthened and therefore we have been appealing to the governments of India and Pakistan to allow transit trade."

Conclusion

Despite losses, Jammu business people lobby for stronger trade and for opening more routes because local markets within Jammu and Kashmir are very limited. As cross-LoC trade and travel are confidence building measures to lessen tension in Kashmir, the Jammu traders' community in Jammu is cozying up to traders and other civil society actors in Kashmir Valley. The presidents of Jammu Chamber of Commerce and Industries and the Kashmir Chamber met to form a joint chamber for Jammu, Kashmir and Muzaffarabad (AJK Chamber).

"The Joint Chamber will soon be an apex representative body for cross-LoC trade," says Y. V. Sharma¹⁴ of Jammu Chamber. Jammu realises that good relations with Kashmir and PaK have peace and economy dividends for all. Cross-LoC trade has not wiped out the lack of trust between regions but it is helping build mutual trust and cooperation, which needs to be enhanced by cross-LoC trade and other confidence building measures like cross-LoC tourism. Cross-LoC trade is one subject where India and Pakistan can find Jammu on the same page with Kashmir Valley and PaK.

'Cross-LoC trade is one subject where India and Pakistan can find Jammu on the same page with Kashmir Valley and PaK.'

¹³ Interview with author

¹⁴ Interview with author

Bringing peace and development: a case study of intra-Kashmir trade



Ershad Mahmud is a regular columnist cum researcher and an active civil society member based in Islamabad. He specialises in contemporary Kashmir politics and India-Pakistan relations. He has written extensively on the Kashmir issue besides actively supporting intra-Kashmir dialogue and trade.

Abstract

Despite setbacks such as the 2008 Mumbai attacks and various practical obstacles, cross-LoC intra-Kashmir trade has made progress. Ershad Mahmud compares the significances of the Srinagar-Muzaffarabad and Poonch-Rawalakot routes, and finds the decision to open the Line of Control to trade has improved relations on either side. Families have been reconnected and self-employment opportunities generated. Some ex-militants are now traders, and trade unions and chambers of commerce operate across the LoC. This paper makes recommendations to build on these gains, including the need to control corruption by officials, and for investment in PaK to develop markets. Businesspeople need capacity-building to understand trade's relationship to peacebuilding. Although intra-Kashmir trade cannot resolve or dilute underlying political disputes, it nonetheless offers a platform for reconciliation and broader understanding.

Overview

October 2008 saw the beginning of intra-Kashmir trade relations. Two routes, Srinagar-Muzaffarabad and Poonch-Rawalakot, were opened. This reunited divided families and aimed to lead to a settlement of the Jammu and Kashmir issue. It earned backing from all involved including civil society and the media despite setbacks such as the November 2008 Mumbai attacks. However traders on both sides are confronting identical challenges and the small size of Pakistani-administered Kashmir (PaK) limits industrial and agricultural production and market consumption.

Muzaffarabad and Rawalakot routes

The reasons for opening the Srinagar-Muzaffarabad route for trade are economic and political, as 95 percent of migrants who left their homes in the post-1990s uprising are from the Kashmir Valley and settled in Muzaffarabad Division.¹ Muzaffarabad is a traditional trading corridor between the Valley and Rawalpindi. The people of Kashmir feel the route opening is an achievement. It is also the shortest all-weather route connecting the Kashmir Valley through Muzaffarabad to Rawalpindi.²

Poonch-Rawalakot route connects many refugees from Indian-administered Poonch, Rajouri and Jammu regions who settled in Poonch Division of PaK or neighbouring Mirpur Division.³ This route also connects the Jammu region with PaK. The route will be more important when the Mughal road from the Valley to Poonch-Rajouri opens in the near future.⁴

Conflict divides families and businesses

The UN brokered the ceasefire agreement in 1949, but all trade routes were closed and a travel permit scheme was discarded a few years later,⁵ inflicting misery on the people of the Jammu and Kashmir.⁶

1. See Rahman, Khalid. & Ershad Mahmud, 'Kashmiri Refugees: Facts, Issues and the Future Ahead', *Policy Perspectives*, January 2006, Institute of Policy Studies, Islamabad
2. The road alongside the Jhelum River was the main all seasons route to Kashmir Valley pre-partition. http://news.bbc.co.uk/2/hi/south_asia/4352015.stm.
3. Poonch was semi-independent JAGIR within the Maharaja's dynasty. See Alastair Lamb, *Birth of a Tragedy: Kashmir 1947* (Hertingfordbury: Roxford Books, 1994), pp 54-80. The populace of current Poonch division under PaK was dependent on the Mendhar Tehsil for food and many other items.
4. Shortest route (76 km) between the Kashmir Valley, Rajouri and Poonch. Connects Poonch and Rajouri through Rawalakot with PaK.
5. Noorani, A. G. 'Trading in Kashmir', *Dawn*, 14 February 2009
6. The Line of Control divided families and ruined trade and industry. Pakistan estimates two million refugees settled in Pakistan. Department of Rehabilitation and Relief, unpublished records, Muzaffarabad: Government of PaK, 2010

People near the LoC in Indian-administered Kashmir (IaK) had to find alternative markets to those of Poonch city and Rajouri district. The people of PaK turned to the markets in Punjab, particularly Rawalpindi. Poonch and Rajouri traded with Jammu city. The wars in 1965 and 1971, and militancy in the 1990s further hindered development.

Respite for local communities

With insurgency in the late 1980s the LoC became a battleground with huge civilian losses and destruction of infrastructure. New Delhi threatened air strikes to destroy militant camps inside PaK claiming that militants crossed for arms and training. Pakistan rejected the allegations.

The November 2003 ceasefire and composite dialogue process that followed allowed business and farming near the LoC to resume. Over 35,000 people of Kashmir Valley took refuge in Muzaffarabad division from militancy and Indian army actions in the 1990s. The opening of the Muzaffarabad route then mitigated anguish over separation.

Trade comes into play

In October 2008 at the UN General Assembly, leaders Asif Ali Zardari and Manmohan Singh announced the opening of two trade routes, rejuvenating economic activity but restricting trade to 21 items. Within weeks trucks plied the Srinagar-Muzaffarabad and Poonch-Rawalakot routes. A working group to oversee and enhance intra-Kashmir trade has not met since the 2008 Mumbai attacks, which halted the composite dialogue.

The Jammu and Kashmir Joint Chamber of Commerce & Industries (J&KJCCI) was set up to facilitate, coordinate and regulate trade activities. The two governments declared cross-LoC trade as zero tariff so it is not treated as international trade.

The existing framework

Under a Standard Operating Procedure, 21 items are included in a trade list, mainly agricultural and horticultural products. Trade is on Tuesdays and Wednesdays only. The Pakistani government started two Trade Facilitation Centres (TFCs) and established a Trade and Travel Authority (TATA) with trade facilitation officers (TFOs) to regulate trade.⁷

Trade facilitation officers ensure the smooth handling of trade with other government agencies. They select the traders and consignments for each trade day and coordinate trading matters with their counterparts on the other side of the LoC.

Status of trade

Over three billion Pakistani rupees of trade volume was reached by June 2010 despite only 21 items being traded – even though some of these have also

been banned because of local shortages. Traders and businessmen want 85 items in the revised list. J&KJCCI demands market forces should guide trade. A new traders' union has proposed a revised list without success. Shujat Bukhari asks for a shift from product to consumption-based trade so that trade can regain momentum.⁸

PaK offers limited markets

PaK is dependent on Punjab and Khyber-Pakhtunkhwa provinces and their markets for food and other necessities. PaK's government preferred to develop commercial ties with the adjoining cities of Punjab or Pakhtunkhwa and ignored local business centres, road networks, the farming potential and livelihoods. PaK cannot compete with IaK productivity. While Mirpur and Bhimber offer ideal locations for industrialisation because of proximity with Punjab, 350 out of approximately 400 industrial units started in the late 1990s have closed.⁹ However, the PaK diaspora is keen to invest in nascent intra-Kashmir trade.¹⁰ Muzaffarabad and Rawalakot could become trade and business hubs for goods from Srinagar and Jammu. Trade that does take place to Punjab is hampered by customs procedures and duties.

Major impediments to trade

Telecommunications, banking and marketing

Lack of telecommunication and banking facilities block trade. New Delhi has permitted five telephone lines that traders would use across LoC.¹¹ A Muzaffarabad trader states that, "even if we have information we still need more because in business we bargain a lot and secondly, rates keep on fluctuating".¹² Sometimes extra truckloads need to be sent to balance trade in the absence of banking. When traders have met, many intelligence agents were present and some were questioned about their discussions.

Unskilled traders' constraints

Small-scale traders say their major constraint is lack of trading knowledge, marketing and communication skills. They do not know what to say about trade and peacebuilding linkages and policies. An intensive capacity building programme is needed.

7. <http://www.kashmirilife.net/Special%20Report%2025.html>

8. Bukhari, Shujat. 'Bumpy ride', *Frontline*, India Vol. 27, No 3: (30 January-12 February 2010)

9. Interview: Zulfiqar Abbasi, former president Azad Jammu and Kashmir Chamber of Commerce and Industries, 6 February 2010, Islamabad.

10. A million expatriate Kashmiris keep an estimated Rs. 2000 billion deposits in Pakistani banks.

11. <http://www.kashmirilife.net/Special%20Report%2025.html>

12. Tariq Wani, cross-LoC trader in Muzaffarabad

Inbuilt flaws hamper trade

Trade is permitted two days per week from 9am to 4pm. Restricted loads per truck and transshipment at crossings make trade uneconomic and spoils perishable goods. Lack of power stops computer work at trade facilitation centres. Due to sensitive military locations, these centres cannot expand nor local entrepreneurs build facilities to ease trade.

Proxy trade marginalises local entrepreneurs

Big businessmen in Lahore and Sialkot are hijacking intra-Kashmir trade from local Kashmiris. Unlike PaK traders, Lahore or Sialkot based businessmen neither face communication problems nor transaction impediments. To run a proxy trade these business tycoons hire local traders as facilitators.

Task before the PaK authorities

Local trade authorities are weak in disseminating information and little technical assistance is available at the TFO. Police and authorities are making money through bribes to support proxy traders. Traders have to bribe officials to get clearances. The PaK government has taken some measures to check corruption at Rawalakot route but not at the Muzaffarabad route.

‘intra-Kashmir trade ... offers a platform for reconciliation and broader understanding of the ground realities of the Jammu and Kashmir issue.’

The socio-economic impact of trade

Initially, the intra-Kashmir trade was regarded as a confidence building measure and a symbolic goodwill gesture by the Indian government. Critics on the other hand dubbed it an Indian ploy to assuage the resentment in Kashmiris, in the wake of the Amarnath Yatra agitation against the land allotment to a Hindu shrine in 2008, without addressing the core issue of the Kashmir conflict.

Divided families of Kashmir Valley, Poonch, Rajouri and certain businessmen running their independent companies immediately got involved and tried to make it a success. Evidence shows that business ventures across religious lines are flourishing, particularly in the Poonch-Rawalakot region.

Poonch-Rawalakot trade is interesting because traders belonging to Azad Kashmir are almost one hundred percent Muslims while counterparts in district Poonch are non-Muslim, strengthening peaceful coexistence.

Employment and livelihood opportunities

Several traders say their start was modest but they now earn good profits. Other employment has grown: 150 traders are registered and over 60 trucks cross to Poonch from the Rawalakot side each day. Over 120 local people work as labourers. Tea stalls, shops and hotels cater for traders, drivers and officials. Over 700 people visit the Rawalakot trading facilitation centre (TFC). Around 60 per cent of the 250 traders registered with Muzaffarabad TFC migrated from the Kashmir Valley in the 1990s. Six thousand traders want to conduct business across the LoC, so TATA enforces registration: a trader must submit a two million rupee bank guarantee and pay Rupees 3500 for each a truck as scanning fee.¹³

Because of trade, land prices are rising and local people are holding onto property until business develops further. During the first quarter of 2010, TFO Rawalakot received over 1000 new trade applications, “making timely processing impossible” confided one trading officer. Traders wait several weeks to send their goods across LoC, causing tensions with officials. With no official storage available, local businessmen plan to build private stores if LoC fighting does not resume.

The beginning of trade union activism

Traders have organised a trade union called the LoC Trade Council, which has been vocal on smoothing trade and is backed by J&KJCCI. Traders want changes in policies and representation in decision-making. They say policies are security driven and not in the interest of trade. They are gaining ground and appear in the media, protesting by not sending goods.

Nascent peace constituency

Reportedly 40 former militants have joined trade activity and helped sustain it, particularly on the Muzaffarabad route. Militant organisations were against the start of intra-Kashmir trade but have gradually joined in. Unregretful about their past, they realise that political objectives cannot be achieved through violence under the prevailing circumstances. Militants, and local communities who suffered greatly due to militancy see it as their right to make the best use of trade opportunities.

Recommendations

Experts propose trade should diversify to include tourism, forestry, waterways, power generation, information technology, education, anti-poverty programs and disaster management.

13 Ibid

- The MoU should be revised to include more items and services.
- Trade be allowed all weekdays from 8am to 8pm.
- Truck numbers should be unrestricted.
- Banned items should be replaced with new ones immediately.
- Owing to limited markets in Pakistan-administered Kashmir traders should be allowed to use this area as a trade corridor to trade their goods in Pakistan and beyond.
- Allow weekly meetings to sort out issues at TFC
- Give travel passes to freely move across the LoC. Or allow travel on the weekly bus service.
- Investigate formation of a common market or *mandi* on the Line of Control.
- Allow time for new decisions to be implemented to avoid trading losses.
- J&KJCCI to play a vital role by helping authorities verify and register traders and discourage proxy traders.
- Ensure effective participation and active involvement of the Joint Chamber.
- Relevant authorities across the Line of Control to be in regular contact to facilitate traders.
- Recruit and train adequate staff for TFC.
- Communication, such as phone facilities, fast internet connections for emails and other communication should be made available immediately.
- Encourage private sector to build warehouses and cold storage to facilitate trade.
- NGO sector to provide local traders needed skill development through workshops and training.

Conclusion

The two-year trade experience shows that it has created new employment opportunities, rehabilitated displaced people and generated a sizeable economic activity across LoC, particularly in border districts. To some extent, it has provided an alternative to the violence-stricken youths to become partners in trade and business. However, it should not be concluded that intra-Kashmir trade could resolve or dilute underlying political disputes. Nonetheless, it offers a platform for reconciliation and broader understanding of the ground realities of the Jammu and Kashmir issue.

Finally, it is important that changes in the policy framework are made urgently to help ongoing trade become a success story to support peacebuilding, leading to a final resolution of the Jammu and Kashmir issue.



Source: Epilogue Magazine

Cross-line of Control trade in Jammu and Kashmir state through Poonch – Rawalakot route



Saroj Razdan is a senior journalist with over 20 years of experience working in Jammu and Kashmir for leading national and local newspapers. She worked as a senior correspondent for *Indian Express* until early 2010 and is now a freelance consultant and

news analyst. Apart from extensively reporting on political affairs, Saroj has been focusing on investigating the victims of militancy and human rights issues. She is a member of South Asia Free Media Association, and a founder member of South Asian Women in Media, from J&K.

Abstract

The opening of the Kashmiri Line of Control (LoC) by India and Pakistan between the old route of Rawalakot and Poonch has improved contact and enabled limited trade of goods but many hurdles need to be overcome to help realise its full potential. Saroj Razdan assesses the mixed progress of this trade, outlining how it works day-to-day, its inbuilt flaws and the slow progress in improving restrictions on security, banking and communication. Views from cross-LoC traders, officials, consumers and other stakeholders are presented, along with concrete recommendations for the action needed to enable trade to help improve Kashmiri relationships and to promote local ownership of trade.

Introduction

Poonch is remote, close to the Line of Control (LoC) and beset with militancy. In 2008 Poonch hit the headlines with the opening of the old route connecting Rawalakot in Pakistan-administered Kashmir (PaK), which allowed travel of divided relatives and limited trade by trucks. Both governments wish to promote confidence and friendship. Profits have increased, though traders' complaints cause hiccups. Inadequate infrastructure, controls on scale and the type of trade, lack of trust and security concerns limit trade growth. The governments and chambers of commerce lack willingness to support vibrant, viable intra-Kashmir trade that could make all Kashmir communities prosperous.

How trade works across the LoC: its value and hurdles

Trade is permitted two days a week, with restricted truck numbers and for 21 approved items. Though subject to review every three months the list has not been revised. The Indian government agreed to increase the days and number of vehicles, yet this has not occurred.

Trading is by barter as no banking is allowed in 'foreign' currencies because the Indian government sees PaK as an occupied territory. The Chambers of Industries and Commerce of Jammu and of Kashmir have approached the Indian government and the Reserve Bank of India to create a mechanism for trade through the banks. With no money changing hands, traders currently "send goods valued in our currency and the traders in Rawalakot send goods back at the value of their currency," said Rajinder Singh, a trader from Poonch.

Inevitably some goods are undervalued. "We do not know whether our exports are accurately balanced by the goods we receive in exchange ... there remains scope for differences as the currency values differ," said Rajinder Vaid, a trader from Jammu. The lack of direct telecommunication links hinders negotiations between traders: "When we are in dire need or have the urgency, we contact them or convey the message about order of goods etc through our relatives abroad [Dubai or London]," said one trader.

Potential confidence building and banking measures

Recent media reports indicate that the Indian government is more receptive to taking steps to strengthen cross-LoC trade. Proposals include a banking system to replace barter, an increase to four trading days and upgraded infrastructure at the two trade facilitation centres. The J&K government has been pressing for Indian and Pakistani banks to open vostro accounts of each other's rupees for the trans-LoC trade. Trade could thus be treated as domestic. But for practical reasons, since Indian and Pakistani rupees are not traded in each other's country, the Reserve Bank of India and the State Bank of Pakistan will have to buy and sell both rupees transacted for trade at fixed rates to prevent the exchange risk to traders while trading in dual currencies.

Limited telephone contact

The J&K government says that New Delhi had agreed to five telephone lines for traders' communication from the Chakkan-Da-Bagh route. India's Ministry of Telecommunications has ordered international calls to be allowed from trade centres only in Jammu and Kashmir to Pakistan. All registered traders will collect identity cards at the trade facilitation centres. Indian officials complain that Pakistan does not respond to proposals to enhance cross-LoC trade, including requests for meetings of business chambers. Meetings agreed between traders on marketing are not held regularly, as planned.

Physical movement of goods

There is a Trade Facilitation Centre (TFC), approximately three kilometres from the main Poonch city in Rangarh village from where the goods are forwarded from zero line towards Chakkan-Da-Bagh. The area is walled, and signed 'Cross-LoC Trade Centre'. Military barracks and official chambers have been set up, plus a huge godown¹ hall. The centre lacks equipment, though there is an examination hall for inspecting goods under X-ray machines and an office for a planned laboratory for testing goods by the Quarantine Department of the State Agriculture Department.

The TFC fails to meet minimum standards according to the authorities and traders. It needs a whole body goods truck scanner, functioning laboratory, all-weather inspection weigh bridge and godown areas. "The traders for their interest are overlooking the security aspects when they pester for loading or unloading more numbers of vehicles ... in absence of proper scanning facilities we cannot take the risk of allowing increased numbers," said a senior officer. "There is no foolproof system ... the chances of any lapses can be reduced with the use of proper scanning machines with the mechanism for only

permissible sized boxes and containers that can be placed under the scanners."

The trading community

A community of a dozen traders in October 2008 has increased to 150. More are outsiders than local to Poonch. The trade is for limited items by drivers with special documents and ID. The Immigration Centre is well equipped and staffed. The drivers state: "We are enjoying this work ... [we] carry it out with a sense of responsibility."

Abuses of the system

Some 'players' from Delhi and Punjab have joined trading and push goods on a large scale by proxy through hired local agents to earn profits by circumventing taxes at other borders.

Goods approved under trade agreements

Traders were not involved in listing the first 21 tradable items but have pushed for a revised list of 84 items yet to be implemented. At first traders just sent truckloads back and forth, like gifts, to test the market. Then real trade started, as indicated in Tables 1 and 2 on page 40.

Current status of trade

Tit for tat bans on goods over the past two years – for example ginger from PaK banned by India and export of moongi to India stopped by Pakistan – has led to temporary suspensions of trade. Traders also strike and demonstrate over limits on how many trucks are permitted (25 per day through Rangarh). The TFC is vulnerable to nepotism and corruption, with staff favouring family members. Traders seek permission to undertake market research through direct visits across the LoC to expand trade. They demand increases in trucks permitted, more tradable items and lifting of bans on profitable items.

Marketability of goods and impact on local markets

Traders only exchange goods that earn profits. Differences in rates for local goods traded across the LoC do not stimulate consumption. Duty-free trade of non-indigenous items that move outside the local area generate the most profit for traders. Building materials from Rawalakot and poultry, mutton, vegetables and pharmaceuticals to PaK markets, if permitted, would be profitable.

1. A warehouse

Table 1

Goods exported to PaK. (Ten items shown according to their value in Indian Rupee from 21.10.2008 to 24.12.2009)

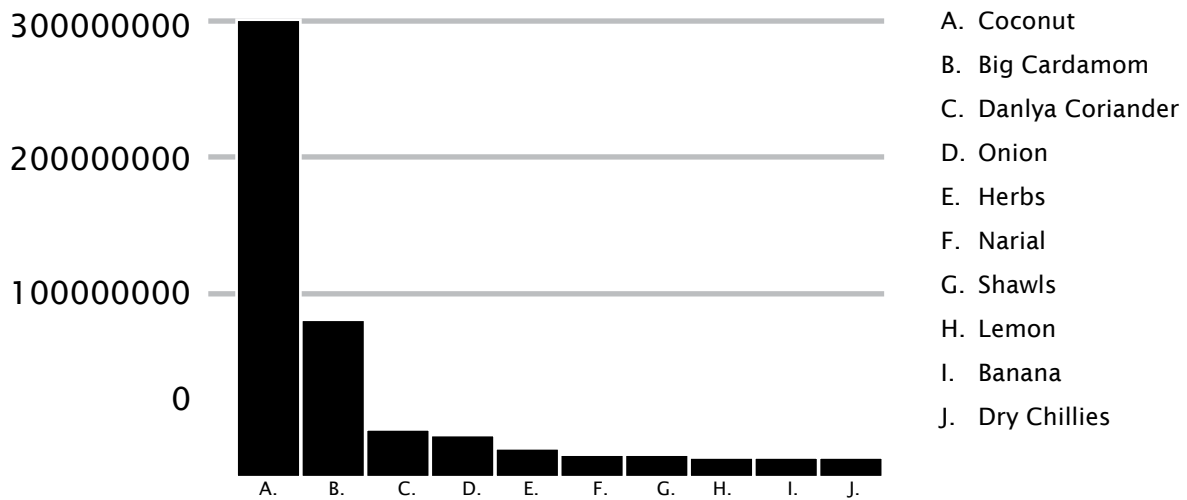
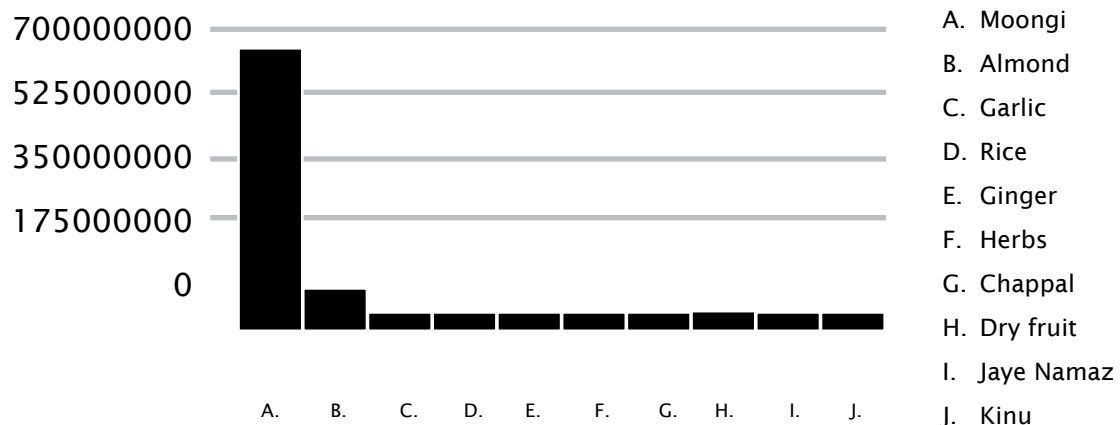


Table 2

Goods imported from PaK. (Ten Items shown as per value in Pak Rupee from 21.10.2008 to 24.12.2009)



Views and opinions of local people, consumers and civil society in Poonch

“The activity which was meant to make borders irrelevant has not achieved result[s] in real sense ... nor has it benefited the local consumers economically,” said Dr R Raina, a Poonch city resident.

“The activity should have impacted the relations between India and Pakistan and ... should have positively affected the consumers ... but that is not happening on [the] ground,” said K.K. Kapoor and Raja Mohammad Abbas Khan, both residents of Poonch.

Chamber of Commerce of Jammu

The Chamber of Commerce of Jammu region kick-started trade but: “We have held 2-3 meetings with the government ... we have asked them to make [trade] organised and regular besides setting up of requisite facilities and infrastructure,” said Y.V. Sharma, the new president of the Chamber of Commerce and Industry (CCI), Jammu Province. “We understand the stalled dialogue process between the two countries has had its impact on the trade activity through borders as well but things should now click in a better way if the trade has to prosper.”

Local politicians' views

"The activity is not serving the purpose for which it was envisaged ... it is an activity in which few players from both sides are getting some relief and benefit," said Aijaz Jan, an elected legislator from Poonch.

Security environment

Trade is heavily monitored for security risks. Inspections and checks are numerous but not foolproof, which is why trade and movements of goods are strictly limited.

Some concrete recommendations

1. Political front

The state government and New Delhi need to show political will to get things going smoothly, generating opportunities for trade and removing hurdles.

- Civil society and media to pressurise centres of power.
- International community to play supportive role in confidence building measures.

2. Role of institutions

- Chambers of Commerce and Industrial Associations to develop their positions, capacities and roles on trade.
- Chambers to lobby for positive change.
- Chambers to regulate trader registration and avoid cooption by outside 'proxy' businessmen.
- Chambers to collect and present data.
- Form an effective joint, cross-LoC alliance of chambers.

3. Trading modalities

- Traders need opportunities to meet each other and with TFOs support, with permits issued for this.
- Phone lines, effective banking arrangements, and a website for sharing information are required.
- Expand the scope of the cross-LoC trade and make it inclusive at all levels.
- Regularise the position of proxy traders and have them add value to the trade process by bringing in trade lobbies to influence authorities.

4. Infrastructure upgrading

- Upgrade TFC facilities.
- Make security foolproof so trust can increase.
- Build warehouses.
- Increase trading hours and trucking quotas.

- Reduce nepotism and corruption by appointing trusted custodians.

5. Trade item lists and expansion

- Hold quarterly meetings between traders, Chambers and authorities to review trading lists and other arrangements.
- Study and make trade relevant to markets, with authorities sharing information across the LoC.
- Check that set rates stimulate local market activity to engage and satisfy the needs of local people.
- Consider including local indigenous products in trade to stimulate economy.

Conclusion

Though cross-LoC trade has created a lobby of businessmen, the latter are only interested in consolidating business gains and focusing on steps that achieve them greater profits. Trade has established rapport and constant contact between the two sides but few 'actors' are involved. Consumers at ground level feel they are not included and are distancing themselves. There is limited political mobilisation because civil society involvement is slowing down.

The cross-LoC trade should be viewed and taken as a bridge to reduce gaps rather than a point of conflict. Steps announced by the Indian government such as the surrender policy and amnesty to the youth who crossed over during the militancy, will not yield much unless impetus is given to those confidence building measures already in place – the cross-LoC trade and travel for passengers are two such initiatives that must be developed.

The case for opening new trade routes



*Fuel trucks returning from Leh on the recently re-opened national highway between Srinagar and Leh. It used to take several weeks to reach Leh, now it just takes two days with an overnight stay in Kargil.
Source: Rajesh*

Bridging divisions – the role of new cross-Line of Control trade routes



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thesis on 'Nehru's concept of Secularism and his response to communalism'. Sandeep is also a peace activist and regularly undertakes research on peace and conflict issues.

Abstract

Opening new travel and trade routes can improve relationships between communities along the Line of Control (LoC), and help make the peace process more inclusive by bringing mainland Jammu and Ladakh on board argues Sandeep Singh. This paper explores the feasibility of new trans-LoC routes and analyses the outlook of the region's key stakeholders, the possibilities for trade and other areas, and the visible obstacles in the opening or reopening of these routes. The importance of these routes' role in helping to build economic interdependence and trust, thus strengthening the peace process, must not to be overlooked.

Introduction

The problem of Jammu and Kashmir (J&K) has reached a stalemate. Nuclearisation of India and Pakistan as well as the 9/11 attacks on the United States have changed the nature of conflict. The overall political shift including the end of the Cold War, the rise of China and its support to the peace process between India and Pakistan and internal economic pressures have convinced both nations of the need to resolve the conflict without affecting the territorial integrity of either state.¹

With the 2008 opening of Uri-Muzaffarabad and Poonch-Rawalakot road links to trade and people transit, all stakeholders in the conflict resolution field believed cross-LoC interaction would lead to the interdependence required for building peace. It is time to think further to augment the process for more concrete results.²

To make the process more inclusive both mainland Jammu and Ladakh have to be connected. Cross-LoC trade loses its meaning if the two regions are not brought on board.

Problems that confront cross-LoC trade

Current trade is not appropriate given what is locally produced. Items like maize and mutton are not included. However such trade may create inflation so political leaders may not support it.³ Industrial goods should be traded where excess capacity exists or can be added. Cross-LoC trade is nominal and does not significantly increase the market for either side as is shown by trade figures for the route: Poonch-Rawalakot: 2008-09 Rs. 60.66 lakhs and in 2009-10 of Rs. 3778.02 lakhs.⁴

Banking and communications

Barter has been the basis of cross-LoC trade as there are no banking facilities. Without regular phone contact trade cannot develop. International direct dialling should be introduced for smooth trading across the LoC.⁵ Recently the Indian

1. Chari P. R. & Hasan Askari Rizvi, 'Making Borders Irrelevant in Kashmir', Special Report 210, United States Institute for Peace, USIP (September 2008)
2. Puri, Balraj. *Kashmir: Insurgency and after* (New Delhi: Orient Longman 2008)
3. Interview: Prof Dipankersen Gupta, Department of Economics, University of Jammu.
4. Interview: Annil Suri, President of Bari Brahmana Industrial Association
5. Moeed Yusuf, 'Kashmir Joint Chamber of Commerce', Special Report, USIP (2008)

government approved a banking system using the Asian Currency Unit.

Security

Security is the main concern for the Jammu based political parties. They hold that security cannot be compromised for trade. Opening LoC routes must be managed cautiously so that benefits are not jeopardised.⁶

Infrastructure

Roads and bridges need improvement and trade facilitation centres must be multipurpose to meet trading needs.

Marketing

Market research is needed if the potential of trade is to be known.⁷ Traders need multiple entry passes.⁸ Local marketing companies can be hired by traders.⁹ The Indian Ministry of Telecommunications agreed to install international dialling phone facilities in several offices.¹⁰

Lack of trust

To build trust among those involved and resolve the transactional issues, regular meetings of the trade leaders should take place at the LoC facilitation point, with a dispute committee introduced to resolve disagreements.¹¹

The prospects of new trade routes

Key stakeholders

The Chamber of Commerce and Industry Jammu (CCIJ) and the Federation of Chamber of Industries Kashmir (FCIK) have come together and are powerful institutions to promote trade.¹² The Bari Brahmana Industrial Association (BBIA)¹³ and political parties (Bharatiya Janata Party – BJP)¹⁴ advocate the parallel opening up of trade with Pakistan through Sialkot. The idea of peace for trade and trade for peace can be strengthened and deepened among J&K and northern Pakistan by trade with Gujarat, Gujranwala, Sialkot, Lahore (in Pakistani Punjab) from Jammu and Rawalpindi, Islamabad from Srinagar through Pakistan-administered J&K. It is essential to recognise the bulk of trade between India and Pakistan occurs anyway through third party transfer and smuggling, leading to corruption and the loss of customs revenue.¹⁵

The prospective peace dividend

The establishment of cross-LoC trade will be supplementary to the peace process and can help national and state levels develop solutions acceptable to the common people.¹⁶ Peace through trade along the LoC replaces the conflict of 62 years.

Involving Jammu in the peace process

The predominately Hindu region of Jammu has been relegated to a bystander in dialogue about its future. The Indian government has alienated Jammu by focusing on negotiations with leaders of Kashmir. Positively involving Jammu in trade will help include all stakeholders' perspectives.

Balancing cross-LoC trade

Balanced trade will not be possible because of the dynamic industrial sector in Jammu and lack of the same in Pakistan-administered Jammu & Kashmir (PaJK). However, supply of industrial products from Jammu benefits the industrialists of the Jammu region while people and consumers of PaJK will have more choice.¹⁷ People to people contact and trade will augment and promote each other.

Significance of different feasible routes

Neglected development in border areas is one of the key issues in the peace process. Trade and dividends from it through transit points will ensure economic progress. The following routes across the LoC right from Palanwala in Akhnour sector to Leh in Ladakh have the potential to boost cross-LoC linkages (*see map on page 45*).

Kargil-Skardu

- Tourism potential across divided Ladakh and Gilgit-Baltistan building on high levels of current tourism on both sides.
- Returns from tourism can be doubled.¹⁸
- Large number of divided families can reunite, Balti is the main tribe divided.
- Historical roots – Silk Route.

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6. Interview with Harshdev Singh, former education minister, Jammu Kashmir government and chief legislative party of National Panthers Party, J&K legislative assembly
 7. Observation by Moeed Yusuf, Colombo conference from 28 March – 1 April 2010
 8. Interview: Annil Suri, President of Bari Brahmana Industrial Association (BBIA)
 9. Moeed Yusuf, Kashmir 'Joint Chamber of Commerce', Special Report, USIP (2008)
 10. *Kashmir Times*, 'Cross-LoC trade – Delhi says yes to banking facilities', 1 May 2010
 11. Interview: Y.P. Sharma, president of Jammu Chamber of Commerce
 12. Chandran, Dr Subha. 'Cross-LoC – challenges and opportunities in J&K', Issue Brief No. 66, IPCS (May 2008)
 13. Interview: Annil Suri, President of Bari Brahmana Industrial Association (BBIA)
 14. Interview: Chaman Lal Gupta, Former Defence Minister of State, India, presently chief BJP legislative party in J&K legislative assembly
 15. Chari, P. R. & Hasan Askari Rizvi, Special Report 210, United States Institute for Peace (Sept 2008)
 16. Interview: Prof. A. N. Sadhu, former HOD, Department of Economics, University of Jammu
 17. Interview: Prof. Dipankersen Gupta, Department of Economics, University of Jammu
 18. Interview: Jenab Mohd. Ashraf, former director of tourism, Jammu and Kashmir government

- Kargil-Skardu 130 km.¹⁹
- Extension of the Karakoram Highway from China to Ladakh in Indian Jammu & Kashmir, leading to additional south-east Asian tourism through China.
- China will help achieve peace.²⁰
- Development of the Kargil town as a transit point in between Leh and the area of the Gilgit Baltistan of the Pakistan administered Ladakh.
- Nominal potential for trade as landscapes and agriculture are similar.
- Can remain open throughout the year while other routes in Indian-administered Jammu & Kashmir (IJK) are cut by snowfalls in the Zojila pass.²¹

Leh-Turtuk-Khaplu-Skardu

- Dual purpose: alternative to Kargil-Skardu route and satisfies people of Leh.
- Leh to Turtuk 205 km, further 200 km Turtuk-Skardu.
- Links to Leh airport for tourism.
- Completes the circuit Kargil-Skardu-Khaplu-Turtuk-Nubra-Leh-Kargil, improving self-sufficiency of the (pre-partitioned) Ladakh region.²²

Mendhar-Tatapani-Kotli

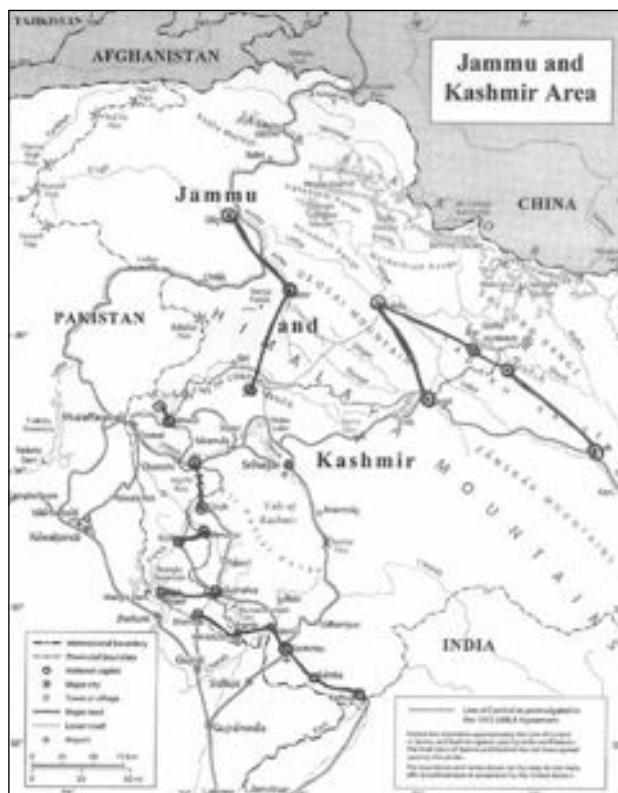
- Shortest route of those proposed.
- Connects Mendhar town of Poonch district with Kotli in PaJK.
- Starts from Mendhar-Mankote-Tatapani (IaJK) to Kotli (PaJK): 80 km
- Reunites families.
- Minimal trade potential as products similar, mainly agricultural.²³

Poonch-Hazipir-Bagh-Uri

- Dual purpose: link Poonch with Bagh and unite two parts of the Indian administered area ie Uri in Kashmir Division with Poonch in Jammu Division.
- Unite the Pahari speaking people blocked by Pir Panjal range.²⁴
- Trade gains minimal.

Nowshera-Jhaggar-Mirpur

- Dual purpose due to proximity with Jammu city while being part of Rajouri district.
- 30 km from Nowshera to Jhaggar and approximately 60 km from Jhaggar to Mirpur.
- Completes the circle of Jammu-Nowshera-Mirpur-Bhimber-Palanwala-Jammu.²⁵
- USP of Nowshera indicates its possible emergence as the centre point for an undivided Jammu.



Map of Jammu and Kashmir with eight potential trade routes

Palanwala-Chaamb-Bhimber

- Most promising and useful route for trade.
- 65 km Jammu-Palanwala, 5 km Palanwala-Chaamb and 35 km Chaamb-Bhimber so 105 km Jammu-Bhimber.
- Populations keen to reestablish former trade.²⁶
- Most clear and cost effective route.²⁷
- Will tap the industrial output from Jammu, Bari Brahmana, Samba and Kathua.²⁸

19. Ali, Wilayat. 'Reopening Kargil-Skardu Road - a dream only', *Kashmir Times*, 14 February 2009

20. Interview with Shahwaz Khan, lifetime chairman, Chamber of Gilgit-Baltistan

21. Ali, Wilayat. 'Reopening of Kargil-Skardu Road', *Kargil Number*, 17 February 2009

22. Interview with Gulam Mehdi (resident of Leh) and Phd research scholar, Department of Sociology, University of Jammu

23. Interview: Ashok Kumar and Shafaqat Mehmood (traders from Mendhar town)

24. Interview: K. D. Maini, social activist of Poonch town (J&K)

25. Interviews: Ashvani Gupta, Rajneesh Sharma (traders from Nowshera town)

26. Interviews: Lal Chand, Sarpanch Panjtoot, Palanwala, Akhnoor; Mela Ram Sharma of village Palanwala, Akhnoor; Shivdev Singh, vice-president refugee committee of 1999 Kargil war, village Palanwala, Akhnoor

27. Interview: Kuldeep Raj Gupta, trader in village of Palanwala, Akhnoor

28. Interview: Educationist, Prof Zahoor-ud-Din, Former Registrar, University of Jammu

- Jammu Chamber of Commerce can be activated to support trade through the route.
- Enhance tourism and educational exchanges as Jammu is emerging as an education hub in the state of J&K.²⁹
- Excess capacity will boost exports without inflation.^{30 31}

Gurez-Astore-Gilgit

- 86 km from Bandipore and 123 km from Srinagar.
- Links with Astore then to Gilgit and Kashmir Valley to Pakistan administered northern Kashmir.
- Increase tourism.

Titwal-Chilan

Alternative to the Uri-Muzaffarabad LoC route for people to people contact.

Conclusion

Universally, confidence building measures play an important role for conflict transformation. Opening new travel and trade routes between India and Pakistan is feasible. However, the tragic memories of partition and the contrasting ideological position of both countries require conscious efforts towards innovation and flexibility from both sides. Free flow of trade and transit across the LoC will help the communities on both sides of Jammu & Kashmir become key stakeholders in the peace process involving general populations, replacing militant infiltration with gainful trade.

There is a pressing need for opening at least one route in Jammu and one in Ladakh to make the process of cross-LoC linkage more inclusive and result oriented. Opening new trade routes, particularly for Palanwala-Bhimber, will prove to be the most viable for trade among all the cross-LoC routes, leading to opening the Jammu-Sialkot route sustaining international trade – essential for the Indo-Pak peace process for divided J&K. Trust deficits can be minimised through the establishment of economic interdependence.

29. Interview: Prof. Dipankarsen Gupta, Department of Economics, University of Jammu

30. Interview: Prof. Dipankarsen Gupta, Department of Economics, University of Jammu

31. Interview: Annil Suri, President, Bari Brahmana Industrial association (BBIA)

Unlocking the cross-border trade potential of Gilgit-Baltistan for peace and development



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Abstract

Opening the Gilgit-Baltistan route for trade with neighbouring regions and countries based on the use of the Karakoram Highway (KKH), together with air links, could boost tourism and natural resource development as well as trade. Not to do so is a missed opportunity explains Ismail Khan. This paper traces the history of Gilgit-Baltistan's political status and examines reasons for the failure to develop the region's economic potential, which include India-Pakistan tensions over Kashmir and a decline in trade with China. Details of road routes across Gilgit-Baltistan and Kashmir and their current conditions and potential for trade are outlined. A win-win situation is predicted for all parties if political commitment and cooperation to open the route is forthcoming.

A bird's eye view

Known historically as the 'Axis of Asia', and a pivot where 'Three Empires Meet', Gilgit-Baltistan has all the potential to become a modern-day 'Axis of Trade Corridors' linking economic blocs of South, Central and West Asia, thus ushering in a new era of regional collaboration, exchanges, peace and development in South Asia.

Rich in natural resources, Gilgit-Baltistan (GB) was part of the fabled Silk Route and its potential for trade and tourism remains. Over the past three decades a new economic corridor – the Karakoram Highway (KKH) – has already transformed parts of Gilgit-Baltistan. However, its true potential as a regional business hub is yet to be realised.

Trading activity across the region is limited. In 2007-08 a mere 4 per cent (about Rupees 3.1 billion) of Chinese imports to Pakistan and only 1.5 per cent of Pakistan's exports to China came through the KKH.¹

The road link from GB to Indian-administered Kashmir Valley and Ladakh region remains cut off since 1947. There is growing demand from local traders, transporters and civil society to open the Gilgit-Srinagar, Skardu-Kargil and Khaplu-Leh roads. Pakistan and India were considering this but negotiations between the two countries hit snags following deteriorating relations.

Hostage to history and geography

GB has a unique administrative status. Related to the Kashmir dispute, for the past 60 years it was accorded a special territorial and administrative position under direct supervision of the federal government in Islamabad through the then Ministry of Kashmir Affairs and the Northern Areas (subsequently renamed the Ministry of Kashmir Affairs and Gilgit-Baltistan). New empowerment measures have made Gilgit-Baltistan a province-like entity.

Ethnic, cultural and religious diversity is an important aspect of GB. The ethnic, linguistic, social and religious diversity of the region has often complicated and slowed down the intra-regional economic integration process.

Gilgit-Baltistan is about as large as the Khyber Pakhtunkhwa (formerly North West Frontier Province) province of Pakistan and has had historic trade relations with Wakhan province of Afghanistan and

1. KKH – The Karakoram Highway links Islamabad with Beijing.



A side road of the Karakoram Highway, alongside the Indus River in Gilgit-Baltistan.

Source: Anton Öttl and Gert Wrigge

through the narrow Wakhan strip to Tajikistan and other oil rich countries of Central Asia to the north, Sinkiang province of China to the northeast, and Indian-administered Ladakh and Kashmir Valley to the southeast.

Subsistence agriculture, fruit growing, livestock rearing and agro-forestry dominate land use. Limited local needs and high costs of accessing distant markets have been major impediments in agricultural sector growth. According to experts, scope for investment exists in fruit culture and processing of high value crops and medicinal plants.

Gilgit-Baltistan relies on a large network of rivers and streams based on glacier melt for irrigation. Per capita income is about half the national average with around 34 percent believed to be living below the poverty line, though with wide variations across the area.

Literacy and access to and quality of education in the region have improved markedly over the years. Nearly 70 per cent of people in urban areas have access to tap water, and about as many enjoy electricity coverage.

The area holds excellent potential for developing natural resources, such as water for irrigation and hydropower generation (approximately 40,000 megawatts), minerals, tourism and trade. However limited financial resources, capacity issues, and disruption of communication infrastructure including blockages of the KKH because of landslides and other issues have so far been major obstacles.

Need for new corridors

New KKH arteries as a potential trade corridor between Pakistan, China, India, Afghanistan and Tajikistan

Islamabad to Gilgit is about 580 kilometres. The Khunjerab Pass at 4800 metres on the border with China is 280 kilometres north of Gilgit city, and the nearest Chinese city Kashgar is another 490 kilometres.

In 1966 Pakistan's army corps of engineers and their Chinese counterparts started building the KKH on the footprint of the ancient Silk Route, completing

it in 1978. KKH transformed the region's social and economic outlook. Link roads from KKH amplified the impact and benefit of the highway to ordinary people. The KKH has enabled the free flow of people and goods for education, medical, trade and jobs.

The Chinese government also accorded preferential facilities to local traders. The Gilgit-Baltistan Chamber of Commerce and Industry - GBCCI (formerly NACCI), persuaded the two governments to sign a protocol allowing local traders to travel to neighbouring Sinkiang province on a border pass, instead of difficult-to-get visas.

Trade between Pakistan and China through KKH has grown steadily. But recent statistics reveal a sharp downward slide from Pak Rupees 6.19 billion in 2006-07 to Rupees 3.15 billion in 2007-08. The decline of exports through KKH was down Rupees 314 million in 2004-05 to Rupees 45 million in 2007-08.

Local traders say the decline in trade volume is due to a rise of duties, and procedural delays at Sost by the customs department, which in their view is aimed at diverting the business to Karachi by interest groups. Visa constraints because of security concerns could be the other factor.

The KKH is a crucial link between the two countries. Pakistan and China have made substantial investment to build and maintain the connection. Both governments are also striving to find ways to use the highway for trade with Tajikistan, Kazakhstan and Kyrgyzstan. China is already building fast 'bullet' train infrastructure from Beijing to Sinkiang that will reduce distances dramatically and boost cross-border trade. The potential of a 'Trans-Karakoram oil pipeline' across Gilgit-Baltistan and Azad Kashmir to Gwadar, also linking the Central Asian grid, cannot be dismissed.

The Gilgit-Skardu highway is an important offshoot of KKH. The all-weather metalled road has brought uncountable benefits to poor communities along it.

Similarly, the road from KKH to Astore, which was the direct road link historically between Gilgit and Srinagar, has been upgraded almost up to the Line of Control (LoC), but cross-border access for the past six decades blocks links with Kashmir.

Highways to heaven: unbolting GB and Ladakh - Kashmir road links

Ladakh and Gilgit-Baltistan were trade routes between the Orient and Central Asia for diverse goods. Merchants, explorers, spies and soldiers frequented the region. By 1846 the Dogra rajas from Jammu had subjugated all the major valleys. They subdivided Gilgit-Baltistan into two *wizarats* (districts), placing Hunza, Nagar, Ashkoman and some tribal areas under Gilgit Wizarat, while Ladakh and Baltistan came under the Ladakh Wizarat.

But the 1947 partition created an impenetrable wall between the two sides and larger geostrategic considerations in New Delhi and Islamabad made mere pawns of the local communities' trade and economic interests in GB and Ladakh as well as in Kashmir Valley. Today the people of Gilgit-Baltistan and Leh-Kargil are waiting to see if the roads between Kargil and Skardu, Gilgit and Srinagar and one between Khaplu and Leh, will be flung open as part of the peace dividend. If the road between Srinagar and Muzaffarabad in 'Kashmir proper' in the epicentre of the conflict can be unbolted, ask the normally laid-back and 'passive' people of Gilgit-Baltistan and Leh-Kargil: "why not us"?

In July 2004, the writer along with a couple of politicians and a lawyer from GB travelled 1500 km from Skardu to reach Srinagar to attend the first peace conference of its kind in 57 years. Upon a request to local government, the GB participants were allowed a visa extension permitting a visit to Kargil, another 203 km from Srinagar. It took four days and about 1700 km of road travel to reach Kargil from Baltistan. The direct road would have taken no more than four hours, but that route remains closed since 1948. The distance from Skardu, capital of Baltistan, to Kargil town is only 173 km, and the distance from Astore to Srinagar is even shorter. The stone wall built over the preexisting road between Skardu and Kargil where it meets the LoC, is a barrier that has kept traders and a large number of divided families apart for six decades.

Before 1947, the main access road to Gilgit-Baltistan was through Srinagar and Ladakh. Although communication infrastructure was rudimentary to say the least, as it took about 10 days for caravans to travel the difficult terrain from Gilgit-Baltistan to Kashmir and vice versa.

Tourism experts believe that opening the historic road between Gilgit-Baltistan and Ladakh-Kashmir could trigger a major boom in trade and tourism activities, energising economies far beyond these steep valleys.

Presently GB has about 140 hotels of various classes with an overall capacity of nearly 2500 rooms. According to Ministry of Tourism data, occupancy rates were 52 percent in Gilgit, 58 percent in Hunza, and 72 percent in Skardu in 2007. Local accommodation includes the high-end Serena Gilgit and Shangrilla Resort Skardu. A new class of renovated princely palaces such as Shigar Fort Residence and Khaplu Palace is becoming popular among high budget excursionists, mostly diplomats based in Islamabad. Pakistan Tourism Development Corporation operates motels in all major valleys and key tourist spots.

The tourism sector in the region suffered heavy losses after 9/11. The road between Gilgit-Baltistan and Kashmir Ladakh if opened could revive the sector, attracting international tourists to the Buddhist 'Mecca' of Ladakh. The road would also provide pilgrims direct access to shrines and relics precious to Buddhist, Muslims and Hindus. If India and Pakistan remove the stone wall across the road at the LoC in the Kharmang valley the peace dividend would begin flowing, ushering in an era of 'cross-border tourism'.

With no activity for 60 years, the range of trading other than tourism is hard to predict. Many products traded may not originate from the region, but as a trade corridor local economic growth is assured. The main local exports could be herbs, fresh fruits, minerals, handicrafts and consumer goods.

The Ladakh-Baltistan and Gilgit-Kashmir and Ghizar-Tajikistan roads could provide alternative routes in crises such as on 4 January 2010 when a landslide pulverised Atta-Abad village, creating a huge artificial lake, burying over a dozen people and leaving many homeless in the Karakoram winter.

The Skardu-Kargil road would link parts of the two most peaceful areas on both sides of the LoC. Gilgit-Baltistan and Leh-Kargil have been spared the violence that has affected Srinagar valley and other areas of J&K. The Srinagar-Muzaffarabad bus service has rekindled hopes of forgotten communities that perhaps they too can look forward to similar links.

Conclusion

To realise the potential described requires a committed policy, and institutional mechanisms from neighbouring countries – Pakistan, China, India, Afghanistan and Tajikistan – to promote transregional trade via GB.

To use the KKH and allied road links requires matching efforts in trade liberalisation, ensuring fair and value added import and export regimes, minimising procedural bottlenecks and overcoming other physical and psychological policy barriers.

Despite the long distances, hazardous mountain roads and high transportation costs, the relative advantage of GB in the medium and long term is its secure and peaceful environment where business could be conducted.

Required policy measures include building cross-country roads and bridges, developing a customs station, dry ports, warehouses and cold storage chains, and facilitation of trade with Ladakh and Kashmir, requiring improved trust between Pakistan and India. Also needed are lowered trade barriers, visas for local traders, and improved capacity building of local traders and trade organisations

including the Gilgit-Baltistan Chambers of Commerce and Industry.

GB should be declared a tax-free economic zone. With increased cross-border trade, not only goods and services from Gilgit-Baltistan can be exported to neighbouring countries, but the revenue GB can generate by allowing the territory to become a viable trade and energy corridor for some of the world's largest markets in the neighbourhood, could lift local people out of poverty, and promote regional integration, peace and stability.

Traders of Swat, Bajour (Federally Administered Tribal Areas – FATA) were major beneficiaries of the KKH trade during the pre-terrorism era. In a region fraught with conflicts, war and long-drawn disputes, expanded trade and cross-border exchanges through a GB corridor could lead to a win-win proposition for all the countries in the immediate and extended neighbourhood of the GB.

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Opening of the Kargil – Skardu route: a reflection



Navreet Milton is a journalist, who has been writing for national dailies and periodicals for 15 years. During her stay in Kargil she was touched by the inability of the locals to meet their relatives living across the border due to severing of the old Kargil-Skardu trade

route. This prompted her to carry out research and write about the reopening of this Central Asian trade route.

Abstract

Arguments for the opening of a route through the Line of Control between Kargil and Skardu are social and economic, with potential political benefits. Both areas share common cultures, values and before partition, traded and socialised freely. Partition has split the populations and raised political difficulties with non-recognition by India of the creation and governance of Gilgit-Baltistan by Pakistan. The gains from opening this route will be free movement of divided families, prosperous trade and increased tourism. The article considers what is needed to successfully open the route.

Introduction

While militant activities give the Indian and Pakistan governments sleepless nights, others are urging the opening of the Kargil-Skardu route to boost peace prospects. It would be an historical event and a sea change for development when opened.

Kargil at a glance

Ladakh, Kashmir and Gilgit-Baltistan were integral parts of India. Gilgit-Baltistan and Kargil have the same culture, tradition, language and religion and this area was the independent kingdom of Ladakh for nearly 900 years. No less significantly, the first Muslim Sultan to rule from Srinagar (Lha Chin Ngyalbu-Rinvhen later named Sultan Saddar ud Din: 1324-27) was a Balti prince.

Kargil, situated at 8702 feet, is on the banks of the River Suru covering 14,036 square kilometres with a population of 125,000. Skardu has 225,000, situated at 8200 feet. Pakistan took control in 1947, preventing the area becoming part of the Indian federation. Politically, Ladakh is represented in the Indian parliament and in the Jammu & Kashmir assembly. Ladakh, Kargil and Leh district local governments form the Ladakh Autonomous Hill Development Council (LAHDC).

Views of locals on opening the Kargil – Skardu road

Kargil townspeople are of the view that if the Srinagar-Muzaffarabad, Srinagar-Uri and Poonch-Rawalakot roads can be opened then why not open their link to Skardu? Governments of both countries need to work positively to open this road for emotional values and to boost the economy. Kargil wants connection with Skardu to remove its dependence on the half-yearly impassable Zojilla road. This would facilitate the provision of goods (such as timely deliveries of medicines), provide business opportunities and reunite families.

Reaction of government and political leaders

Gilgit-Baltistan has been subject to high-level political moves in 2010 and its name was changed from the Northern Areas to Gilgit-Baltistan. This new status of GB has an impact on the prospects for cross-LoC trade because it means that the region is going to be closely integrated into Pakistan and further detached from Jammu and Kashmir. When asked his views on opening the Kargil-Skardu road, Ghulam Hassan Khan, a member of the Indian



A car zigzags along the mountainous Leh-Kargil road. Source: Steve Evans

parliament from Ladakh said that, “Commercially it would not bring the desired results initially but if it is extended till Gilgit on commercial basis then it is definitely going to exchange the business worth crores ... India is growing fast in fruit production and if Pakistan agrees to hand over much of its apricot produce to us then certainly the production business will see a boom as apricot is grown in abundance. However the uppermost benefit will be towards the removal of psychological blockage and thus it will bridge the gap amongst the divided families of both the regions”.

Trade overview

Until 1949 Kargil-Skardu enjoyed massive trade. Kargil was the epicentre, with the route the most convenient for trade by Punjabis or the *lalas* from Hoshiarpur. Silk, saddles, long boots, famous *yarkandi* carpets, salt, wool and medicines used to come in, and India’s exports included spices, cotton clothes, muslin, indigo, soaps, mirrors and combs.

The main agriculture products grown in this town could be exported to the other side to boost the economy. Apricots of great quality and quantity, raisins and local herbs plus other produce can boost both markets. Kargil could export sugar, apple, pears, tea (famous *jagurri* and Kashmiri *kehwa*), garments and local vegetables. Leh has skilled artists in woodcarving and painting and, along with pashmina and bakery products, their exports would uplift the prosperity of both

countries. A joint economics group from India and Pakistan should visit these regions to look at their trading potential.

Tourism

‘Adventure tourism’ in Ladakh, Skardu and Gilgit-Baltistan has much potential. The region has the highest peaks of the Karakoram, including K2. Both areas attract religious tourism and pilgrims. A huge Buddha figure surrounded by small Bodhisattvas is carved on a rock, three kilometres from Skardu across Sadpara Nullah and there are rock carvings and drawings of a monastery near Perkuta (Mehdi Abad) Nalah. Apart from domestic tourists, foreign tourists also visit Leh to see the ancient Buddhist rock carvings and monasteries. Once the route is open, foreign tourists would be able to cross over to Skardu via Kargil, boosting the local economies. In December 2009, tourism minister Newang Rigzin Jora hinted at the opening of the Kailash Mansarovar route through Ladakh.

The way ahead

In March 2010 in Colombo participants focusing on cross-LoC trade from the divided sides of Kashmir sat under one roof and exchanged their views during a three-day conference. Various creative ideas were proposed to promote improved trade and build confidence. A number of those ideas, some specifically relating to the Kargil-Skardu route and others having wider relevance, were the following:

- Stakeholders of both regions must discuss their concerns freely and make sure their collective voice is spread and flagged regularly.
- Market surveys are required where the traders and the people concerned work on possibilities for vitalising and spreading business.
- Kargil, with its rugged terrain, must be analysed for accessibility towards improving routes.
- Measures to improve infrastructure to promote links and movement between regions should be undertaken and must be wide in coverage.
- It is essential to encourage inter-regional movement for which the youth in particular must come forward and participate in cross-cultural and educational programmes. Both governments (India and Pakistan) must initiate this process to break the barriers across the divide.
- The media could promote understanding of similarities, for example the culture and the language across Kargil-Skardu, because both regions are highly neglected by the mainstream media.
- There must be awareness campaigns to educate traders to explore the market more broadly so that the regions benefit from the route openings.
- Politicians must be involved in the talks and their opinions sought on opening the new routes.

Conclusion

Undoubtedly it would be an extra assignment for security agencies to tackle and provide security along this cold and torturous region but if a child gets to meet his father or mother after a decade it would be worth it. The opening of Kargil-Skardu road, a long cherished demand of this mountain region, would not only bring economic opportunities in the region but also dry up the tears of a son who has longed for the past six decades to hug his mother before her death.

If Islamabad and New Delhi sit together at a table and thrash out the dynamics of this problem, it would be a dream come true for hundreds of thousands of people. It would change feelings of people from both regions and countries, and they could begin to forget the enormous damage caused to them by partition in 1947.

One major incentive would be to improve relations and enjoy the benefits of commercial activity between these two geographically large but sparsely populated districts, which share the same culture, tradition and geography. Above all, the opening of the Kargil-Skardu road would bring new opportunities for cooperation between the two regions, which could contribute to growth.

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Trucks carrying goods from Muzaffarabad, Azad Jammu and Kashmir (Pakistani side) arrive in October 2008 at the Trade Facilitation Centre at Salamabad (Uri), a town in the north of Jammu and Kashmir (Indian side). Source: Epilogue Magazine.

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