

Impact of Security on Trade and Development: Inter Relations between India and Pakistan

Introduction

This paper attempts to explore the dialectical relationship between security, on the one hand, and trade and development on the other, in the context of India-Pakistan relations. In Section I, the issue of security is examined with reference to India's drive to become a global power in the changed geo-strategic environment following the end of the Cold War. The implications of such an initiative for the long term security of state and society in both India and Pakistan are analyzed. In section II, the imperatives for replacing the notion of security based on confrontation to one based on co-operation are analyzed with reference to trends in the economy, society and environment of India and Pakistan. Finally, in Section III of the paper an alternative approach to resolving the current gridlock in India-Pakistan relations is proposed.

Security in the Geo-strategic Context

At the end of the Cold War era, with the collapse of the Soviet bloc, new threat perceptions are emerging alongwith a new structure of global power relations. The resurgence of Islam as a major factor in political and social change has, in the perspective of some Western strategists, replaced communism as the main global security threat for Western industrialized countries. At the same time, the new economic environment characterized by increased mobility of capital, technological know-how and goods and services (especially after the recent GATT agreement), together with the pursuit of economic liberalization strategies by most developing countries, have created the prospect of unprecedented economic growth in the emerging markets". This could lead to a dramatic shift over the next decade in the relative economic power positions of a number of countries in Asia, such as China, India, Pakistan, Central Asian Republics and countries of the Asia Pacific region.

It may be interesting to note that the heartland of both the resurgence of Islam, and the unleashing of new economic forces, is the region stretching from the

Middle East and Iran in the West, Central Asia and China in the North, and the countries of ASEAN in the South and East. Thus, India happens to be placed in the centre of a region where new political and economic forces are emerging, with a strategic significance for the security and economic interests of the West. It is in this context that a number of recent developments in the region indicate that India may be positioning itself to become a significant player in the global power structure, with consequent implications for the security of Pakistan in particular and world peace in general. These initiatives are:

D) India has developed short and medium range missiles, with more recently the capacity for inter-continental ballistic missiles. According to a just released study of the Wisconsin Project, titled Risk Report,¹ India's single stage Prithvi missile with a range of up to 250 kms, and a nuclear capable mobile launcher, can hit Islamabad with a warhead of between 500 to 1000 kg. The two stage Agni missile with a nuclear capable mobile launcher, can deliver a 1000 kg warhead over a 2400 kms range, thus capable of targeting Beijing. The four stage polar satellite launch vehicle (PSLV), successfully tested last October, could be made into an Inter-Continental Ballistic Missile (ICBM) capable of hitting London, Tokyo or New York City. India also has plans to test sometime in 1996-97, the Geostationary Satellite Launch Vehicle (GSLV), which can be converted into an ICBM capable of delivering a payload of up to 1000 kg anywhere in the world.

India has long claimed the right to run a space programme and has never committed itself not to convert its space rockets into nuclear capable missiles. This creates a legitimate concern amongst India's neighbours that its development of space rockets could soon be converted into nuclear capable missiles, giving India a global military outreach. Such security concerns in Pakistan are further reinforced by the fact that Western industrialized countries which place such rigorous controls over the export to Pakistan of technology, even remotely related with missile development, have actually directly or indirectly helped India develop its rockets and missiles. For example, the medium range Agni missile was built on the basis of guidance technology developed by the German Space

Agency. India's four stage solid fuel space rocket called SLV-3 was built on the basis of the design of the US Scout rocket, provided to India by NASA. Again, France during the 1970s gave India the technology for a high thrust liquid motor used in the European Space Agency's Ariane satellite launcher. This technology was used by India to build the "Vikas" which became the second stage of the PSL V rocket launched by India last October, and which could be used as an ICBM later. Finally, Germany helped India with three vital missile technologies (according to the Wisconsin Project study): guidance technology, rocket testing, and composite materials.

It is clear that, on the basis of technological support from a number of western countries, India has been encouraged to pursue the objective of becoming a global military power.

2) India is currently seeking to persuade the US and Europe that India can play a strategic support role in the two major security concerns of the West:

a) It can act as a "bulwark" against the resurgence of Islamic political forces in South Asia and Central Asia.

b) As the largest parliamentary democracy in the world, with growing military and economic power, India can act as a counterweight to Communist China.

The sophistication of India's foreign policy thrust in this regard lies in the fact that while indicating its strategic role for Western security concerns, India seeks to pursue an improvement in bilateral relations with both China and Iran. The access and influence which India could achieve through close economic and political ties to these two countries, could give India increased leverage as a new structure of global power relations emerges in the post Cold War era. Mr. Mushahid Hussain, a distinguished expert on international relations, has pointed out two major initiatives by India in deepening and enlarging its relations with China and Iran respectively.

a) On January 5 1995, India's nuclear collaboration with China was revealed when India announced that it had received enriched uranium from China under a commercial contract.

b) India has reached an agreement with Iran under which Iran will provide India trade access to Central Asia, through rail and road transit links.

India's growing economic co-operation with Iran was emphasized by Iranian Foreign Minister Dr. Ali Akbar Velayati during his visit to India early January 1995. On January 5, in an interview with Tehran Radio, he termed the Islamic Republic of Iran as India's "natural ally".

3) India's major technological and economic collaboration had traditionally been with the former Soviet Union after whose collapse, India has been actively seeking enhanced economic and technical collaboration with the US. These attempts came to fruition during January 1995. First the US Commerce Secretary Ronald H. Brown led a large delegation of American businessmen to India, in recognition of what he termed as "the extraordinary potential of the Indian market". During this visit memoranda of understanding (MOU) were signed for two dozen joint venture plans, worth over \$ 7 billion in infrastructure, power generation, telecommunications and entertainment industries. (Earlier, a similar delegation of US businessmen in the power generation field had come to Pakistan, led by the US Energy Secretary, during which MOUs for joint ventures valuing US\$ 5 billion were signed). Subsequent to the visit of the US Commerce Secretary, another high level US delegation led by Defence Secretary William Perry, visited India. During this visit the US Defence Secretary announced plans for closer collaboration for training, joint exercises, and sharing of strategic perceptions between the military establishments of India and the US. (Earlier a similar bilateral understanding had been reached between the US and Pakistan). However, what was particularly significant was the announcement of US-India technological collaboration in R&D for weapons production. Defence Secretary Perry termed the Indo-American accord as the "first important step by India and the US toward normal security relations in over 40 years".

It is clear that in the new geo-strategic environment in the Middle-East and Asia, in the post Cold War era, India is seeking to become not only a "regional superpower" but a global military power. Its geographic size, reservoir of technical personnel, actual and

potential nuclear missile capability, and the size of its conventional military establishment, may well induce some elements of its ruling elite to seek such a role. Yet, the pursuit of global power through a rapidly growing military and missile capability may not be consistent with India's modest economic resources, widespread poverty, acute stresses on its social and political system and the potentially explosive Kashmir dispute with Pakistan.

Continued development of a nuclear missile capability by India is likely to induce a missile race with Pakistan. This would result in both countries shifting into a much higher growth path of military expenditures. For every counter measure taken by one country, the other would be obliged to produce increasingly sophisticated missiles in terms of payload, targeting and guidance systems. Military expenditures by India constitute 19.8 percent of total government expenditure, and those of Pakistan constitute 30.6 percent of total government expenditure.

The average annual military expenditure during 1987-91 was US\$ 460 million by Pakistan and US\$ 3,512 by India. These military expenditures constituted 6.2 percent of total imports in the case of Pakistan and 14.8 percent in the case of India. The sharp escalation in expenditures associated with the missile race would place intolerable financial hardships on the governments and peoples of the two countries.

The Imperatives for Co-operation between India and Pakistan

India and Pakistan are at a conjunctural moment in their history. New possibilities have emerged in the world whereby both countries, over the next decade, can dramatically improve the material condition of their people, overcome poverty, achieve high economic growth rates, arrest the deterioration in their environment, and build a new structure of peace and development. These possibilities now exist in terms of the availability of international private capital inflows (with inter-linked global stock markets), new markets for goods and services (the Middle East, South Asia, Central Asia, and South-East Asia), and the availability of green technologies for sustainable development. At the same time, if these new possibilities are not grasped

and India and Pakistan remain locked in conflict, there are powerful tendencies in both the countries towards growing poverty, social polarization, degradation of the natural environment, undermining of the financial and political structures, and a growing danger of nuclear war.

In spite of having rather different economic structures (with India having a capital goods, heavy industrial base, and Pakistan's economy having a relatively greater weight of consumer goods industries), yet the two countries have a remarkably similar profile in terms of changes over time in key economic indicators. While the percentage of people below the poverty line has declined it still remains quite high, at around 30 percent; the budget deficit has increased sharply in both countries as has the deficit in the balance of payments. For example India's budget deficit as a percentage of total government revenue has increased from about 30 percent in the late 1970s to about 49 percent in the early 1990s. Similarly, the ratio for Pakistan has increased from about 38 percent in late 1970s to over 50 percent in the early 1990s. The balance of trade deficit has similarly increased sharply in both countries leading to rapidly increasing debt servicing burdens. For example debt servicing as a percentage of gross aid disbursements between the late 1970s and early 1990s has increased from about 43 percent to over 50 percent; in Pakistan the same ratio has increased from 23 percent to 87 percent over the same period.

While financial resources are flowing out of both countries through heavy debt servicing burdens, both economies continue to grow at about 4 to 5 percent which is a slow rate compared to China and the ASEAN countries. Not only is GDP growth rate slow, in fact the employment generation capacity of both economies is declining over time, for given growth rates, due to increasing capital intensity of their technologies. Thus for example the capital intensity of India's manufacturing sector has increased from 41 percent to 45 percent over the last decade; Pakistan's has increased from 24 percent to 28 percent over the same period. These figures suggest that there is a tendency for unemployment to increase sharply in both countries due to the combined effect of slow GDP growth and declining employment elasticity with respect to output.

An examination of trends in the natural environment indicates a rapid erosion of top soil, desertification, forest depletion, and dangerously high levels of toxicity in large sections of the hydrologic system. In Pakistan for example, due to inadequate drainage and soil conservation, 25 percent of the un-irrigated cultivable land has been converted into desert due to soil erosion, while in India 27 percent of the cultivable land is affected by desertification. Such soil erosion is closely related with depletion of forest cover, which is occurring at an alarming pace in both countries. For example in Pakistan with an already meagre forest cover of 2.5 million hectares, as much as 0.1 percent per year is being depleted, while India, with a forest cover of 25 million hectares, is losing it at 0.3 percent per year.

The major rivers of both India and Pakistan have been found to have large deposits of fecal coliform. What is even more serious is that in large sections of the river system the level of chemical waste from industry has gone beyond the regenerative capacity of the river water.

The evidence suggests that after 48 years of independence in India and Pakistan, as much as one-third of population is living below the poverty line, the majority of the people do not have access over basic services such as clean drinking water, and health facilities. Yet due to large expenditures on the military and bureaucracy, the governments in both countries face such a severe financial crisis that they are incapable of taking any serious initiative to provide even adequate food and clean drinking water to all of their people.

At the same time the natural resource base is being eroded rapidly making it increasingly difficult to overcome poverty and deprivation in the next generation. Persistent poverty, high population growth rates and inadequate education facilities constitute the basis of increased social polarization, along communal, ethnic and regional lines. This has brought the state into increasing internal conflicts with its own people, thereby placing an acute stress on both national cohesion and democratic structures.

In a situation where India and Pakistan are in a state of confrontation due to the Kashmir dispute, the adversary tends to get drawn into internal conflicts. Thus for

example, India accused Pakistan of helping the Sikhs during the insurgency in Indian Punjab, and today Pakistan claims that Indian undercover agents are exacerbating the ethnic conflict in Karachi.

The confrontation between India and Pakistan originating in the Kashmir dispute, has induced escalating military expenditures in the pursuit of national security. Ironically, the resultant drawing away of resources from development has been a major factor in social polarization and internal conflicts, which constitute a far greater threat to the security of the individual than the existence of a neighbour across the border. While an escalating build-up of military capability has certainly not enhanced the security of the individual, it may not have even enhanced national security, insofar as the relative military power of the two states may not have changed significantly over the years. It may be time therefore to seek security in co-operation rather than confrontation. To do so however would require a new vision within which the Indian leadership could invest in the future of its own security and the security of the region, by resolving the Kashmir dispute, and in so doing laying the basis of a wide ranging co-operation between the countries of South Asia.

From Step-by-Step Diplomacy to the Great Leap Forward

The diplomacy between India and Pakistan has so far been bereft of imagination, flexibility, and sustained effort. It has sought to reiterate ad nauseam mutually irreconcilable standpoints, rather than seeking common ground within strategic visions. Consequently the modus operandi of interaction from fixed positions, has been the "step by step" approach, or the policy of marginal improvements in the "atmosphere" of India-Pakistan relations. Since the core issue of Kashmir has never been seriously addressed, what ever marginal gains in India-Pakistan relations were made, have very quickly been swept away by the waves of tension emanating from the dynamics of the dispute itself. The question of Kashmir must therefore be raised if we are to move from posturing goodwill to a substantial improvement in relations. It is important however to point out that raising the issue of Kashmir in isolation

from the issues of peace dividends, trade and development, creates the danger of having a double monologue rather than a dialogue. What may be useful perhaps is to discuss a package deal, which includes the following elements:

- 1)** Resolution of the Kashmir dispute.
- 2)** Moving towards a nuclear non-proliferation agreement, starting with a freeze on production of fissile material (as part of a global agreement), no first use of nuclear weapons, no testing of nuclear devices, no further development of missiles and no deployment of existing ones.
- 3)** Mutual conventional force reductions along with a specified substantial cut back in military expenditure by each of the two countries.
- 4)** A commitment by each country to spend the peace dividend (acquired through a reduction in its military expenditure) on specific projects within the country for poverty alleviation, food security, health, education, and protection of the environment.
- 5)** Specification of joint projects in water-shed management, control of soil erosion and siltation of dams, joint projects in control of air pollution, and joint projects in development of environmental technologies.
- 6)** Joint ventures in the private sectors of the two countries, facilitated by the respective governments, in the fields of energy production, distribution, and development of road, rail and river transportation.
- 7)** Joint ventures in industry, especially capital goods, electronics, and chemicals, through private sector collaboration backed by the respective governments.
- 8)** Joint ventures through private sector collaboration backed by the respective governments, in setting up high quality hospitals, universities, and research centres.
- 9)** Establishment of a South Asia Fund for Poverty Alleviation for income generation, primary health, and education, food security and small scale industry.
- IO)** Lifting of restrictions on trade, especially in the case of goods consumed by the middle and lower classes, with a view to reducing the prices at which these goods are available to these classes.

A package deal that specifies concrete improvements in the material conditions of the people of the two countries, through core area co-operation, would be a more credible basis for changing the mind-set of confrontation, than the illusory gains from "step by step" diplomacy.