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## A Study of Areas of Cooperation between India & Pakistan

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**Abstract:** However, Indo-Pak relations since partition have been a bone of contention. Both the countries have been at war multiple times. For the peaceful co-existence and India's neighborhood policy has been favourable with the South Asian countries. Nevertheless, we cannot ignore the fact that there are several good reasons urging the need for greater economic and cultural co-operation between India and Pakistan. Economic co-operation between the two countries is built primarily around their trade relations. In other words, political relations are likely to be influenced by trade conditions and by possibilities of aid, which in turn, influence trade relations. India as a big brother of Pakistan has always played a vital role to make the relations with Pakistan cordial. Nevertheless, Kashmir issue has always been contradictory in the Indo-Pak relations. India has always been very positive to make the relations harmonious. Most of the scholars agree with the fact that there are many areas of co-operation as well as issues of contention since 1947. The present research paper highlights areas of co-operation in Indo-Pak relations.

**Keywords:** Economic Co-operation, Kashmir Issue, Bone of Contention.

**Introduction:** The fact is that two hundred years of outside interference have exacerbated the bitter conflict between India and Pakistan; it cannot be resolved in a matter of months or a year. However, this enmity can be overcome, or at least a modus vivendi reached if all concerned undertakes proper efforts. History points to the examples of France and Germany, and Egypt and Israel. India and Pakistan can make peace too but only with co-operation, not interference the outside.

Economic co-operation, which unites the facts of India and Pakistan, would reduce the likelihood of the two going to war. Furthermore, peace between them would enable the use of much needed finance currently spent on their militaries, to strengthen other sectors of their economies, logically co-operative projects are those which seek to secure adequate supplies of energy and food, two major concern of developing countries in the late 20<sup>th</sup> century.

After the second war between India and Pakistan both the countries signed an agreement which is called Shimla Agreement. In Shimla Agreement (1972), in order to progressively restore and normalize relations between the two countries step by step, it was agreed that:

- More effective steps shall be taken to resume communications, postal, telegraphic, sea, land including border posts and air links including over flights.
- A large number of appropriate steps shall be taken to promote travel facilities for the nationals of the other country.
- It was also trade and co-operation in economic and other agreed fields will be resumed as far as possible.
- Furthermore, an exchange in the fields of science and culture will be promoted.

Therefore, regarding this connection, delegations from the two countries will meet from time to time to work out the necessary details. Therefore, recalling the provisions of the Shimla Agreement of 1972 to progressively restore and normalize relations between the two countries, India and Pakistan signed a protocol at New Delhi on the 30<sup>th</sup> November 1974. It said that necessary step would be taken by the both the countries to restore direct shipping services by the 15<sup>th</sup> February 1975. Such services will cover the carriage of Cargo between the two countries.

Desiring to develop, extend and strengthen the commercial relations between the two countries on the basis of equality and mutual benefit, on 23<sup>rd</sup> January 1975, the two governments agreed to take all appropriate measures to facilitate, strengthen and diversify trade between the two countries. The two governments agreed to co-operate effectively with each other to prevent infringement and circumvention of the laws and regulation of either country in regard to matters relating to foreign exchange and foreign trade. All payments and charges in with trade shall be effected in freely convertible currency in accordance with the foreign exchange regulations in force from time to time. The governments of the two countries decided to meet in April, 1975 in New Delhi to explore the possibilities of trade in other commodities such as, engineering goods, jute manufactures, tea, coal, iron and steel products, rice bidi leaves and railways track material.

That is why; prospects of developed economic relations between India and Pakistan received a big boost in January 1986. The Finance Minister of the two countries signed a memorandum of understanding for increasing bilateral private trade. The agreement allowed the private sector in Pakistan to import 42 items from India. In the public sector the two sides agreed to double the quantum of trading during 1986-87. This trade agreement appeared to be significant step forward in the two countries' search for a framework of mutually beneficial bilateralism. However, in actual practice the progress in this sphere remained very limited even after the signing of this agreement.

The Indian Council for cultural relations, which was established in 1950 has played an important role to promote harmonious relations between the two countries. Its delegations visited Pakistan during 1989-90 and sponsored many cultural visits.

Furthermore, a new initiative was taken in 1997 in the direction of Indo-Pak economic co-operation in the spirit of regional co-operation. India and Pakistan agreed that India would purchase 30000 MW of surplus power generated from hydel resources of Indus river basin in Pakistan. The World Bank had also asked Pakistan to share its surplus power with neighbours like India. It was assumed that this would set a good example of friendly co-operation in regard to sharing of natural resources.

Likewise, leader of both the countries met in New York in 1998. During our Prime Minister's meeting with Pakistani Prime Minister Mr. Nawaz Sharif in New York on 23<sup>rd</sup> September 1998, the Foreign Secretary of India and Pakistan reported to the two Prime Ministers that they had reached an agreement including economic and commercial co-operation. In the first round dialogue in November 1998 talks about economic and commercial co-operation were made. During discussions on economic and commercial co-operation, India emphasized that there were many avenues for mutually beneficial co-operation including in areas such as electric power and transportation. Detailed discussions on the technical, legal and financial aspects at the expert level have taken place in Islamabad and New Delhi on the subject of purchase of power by India from Pakistan.

On the subject of promotion of friendly exchanges, India proposed a cultural exchange programme, which would build on the commonalities between the two countries. India also emphasized the need of regular contacts to address humanitarian issue relating to fisherman and civilian prisoners and people-to-people contacts.

As a goodwill gesture to improve the bilateral relations, India released a total of 149 Pakistani fishermen in its custody. It also proposed to Pakistan that the fisherman of the two countries who stray innocently into the territorial waters of the other country should not be kept in custody but should be released on completion of formalities. Acting on this principle, India conveyed to Pakistan on 2 November 1998 its decision to release 40 Pakistani fishermen who were captured on 24<sup>th</sup> October 1998. Pakistan also released 190 Indian fishermen who were held in its custody. India took the initiative to start a Delhi-Lahore bus service. An agreement and a protocol for the regulation of this service were signed in Islamabad on 17<sup>th</sup> February 1999. Trial runs of an Indian bus to Pakistan and a Pakistan bus to India had been held in January 1999.

In Vajpayee era, the dialogue process continued and some results over the purchase of electricity from Pakistan and relaxation in Visa regime had come. In May 2004, Man Mohan Singh government also asserted that it would continue the political, economic and cultural co-operation between the two. In the year of 2014, after the formation of NDA government, bilateral relations have been unsatisfactory.

**Trade Relations:** Till 1947 India and Pakistan were complementary components of a single political unit. Goods and traders moved across freely between them. In the early years India imported raw jute, raw cotton, food grains and such other raw material from Pakistan while Pakistan imported coal, textiles, sugar, matches, jute goods, iron and steel and a few other manufactured goods. Since partition much water has flown across the border and trade relations between the two countries have fluctuated in tandem with the overall political relations between the two countries.

During the post Indo-Pak war period of 1966-1975, there was virtually no trade. Bilateral trade did resume in 1975-76, but it remained at an insignificant level till very recently. Although the total Indo-Pak trade has been growing in absolute terms in recent years, its percentage share in India's global trade can hardly be considered significant. In year 1999-2000 Indo-Pakistan bilateral trade amounted to Rs. 702.9 crores. India's total bilateral trade during the same year amounted to Rs. 317702.16 crores. Indo-Pakistan bilateral trade amounted to 0.22% of India's total trade. It is also interesting to note that throughout the period of recorded Indo-Pak trade, India had a positive trade balance only in a few financial years and in all other years it was mostly in favor of Pakistan. However, since 1993-94 India has enjoyed a growing trade surplus with Pakistan. The situation changed in 1998-99 mainly because of major sugar exports of Pakistan to India. During 1999-2000 the trade between the two countries declined, as there was no export of sugar either from India or from Pakistan.

Meanwhile, during the year 1999-2000, the total Indian exports to Pakistan were estimated at Indian Rs. 405.34 crores and India imported from Pakistan goods valued at Indian Rs. 296.74 crores. During the financial year 2000-01 (April-December 2000), there has been substantial increase in India's exports to Pakistan. The total bilateral trade during this period of 841.2 crore has already exceeded by 19.74% over the total trade during the financial year 1999-00. In the recent years bilateral trade has jumped and is expected to cross \$ 1.5 billion when 2006-07 figures are announced. Exports to Pakistan in 2006-07 stood at \$ 980.33 million while imports were \$ 247.48 million during the same period.

The main items of Indian exports to Pakistan were tea, spices, guar gum meal, oil meals, fruits and vegetable seeds, iron ore, processed minerals and ores, drugs and pharmaceuticals, dyes and intermediaries, organic, inorganic agro chemicals, rubber manufactures, paints and enamels, paper and wood products, plastic and linoleum, metal manufactures, iron and steel and man-made fibres. The main items of Indian imports from Pakistan were – fruits and nuts, organic and inorganic chemicals, textile yarn, fabrics and made ups, sugar leather, metal scrap and metal-ferous ores and electronic goods.

Pakistan follows a highly restrictive trade regime with India and there are several constraints, which adversely affect free trade between the two countries. First along the land border between India and Pakistan, there is only one trade transit point with rail/road link and customs/immigration facilities that too with very limited facilities for loading, unloading, transit storage and transshipment. Trade by road is not

allowed and has to be conducted by rail. Secondly, Government of Pakistan has permitted only 600 items that can be imported from India. Thirdly, although India has unilaterally given MFN status to Pakistan, the latter has not reciprocated. Fourthly, bilateral shipping arrangements do not permit loading by ships of one-country cargoes meant for third countries at sea ports of the other country. While India has liberalized the visa regime significantly and business visa seekers are now not required to stand in the queue and are given exemption from police reporting almost routinely, the same is not the case with the visiting Indian businessmen. At the Colombo SAARC Summit in December 1999 India had announced removal of quantitative restrictions on 2000 items for SAARC countries including Pakistan, which was an additional concession to Pakistan. Pakistan has linked normalization of economic and commercial ties with India to resolution of the “core” issue of Kashmir.

Despite restrictions and impediments, supply and demand economics operates in Indo-Pakistan bilateral trade. There is a significant volume of informal trade, which takes place between the two countries. Indian goods are also shipped to Pakistan via third countries – mainly, in the Middle East and the Far East. On conservative estimates, the actual volume of “third country” trade between India and Pakistan is estimated to be four to five times of the official trade. A more liberal estimate of the via third country and smuggling channel trade mentioned in the business circles pegs the volume of close to US \$1.0-2.0 billion.

During the last few years, there was a perceptible surge in the trade between India and Pakistan, mainly on account of increasing Indian exports. The prospects of further growth in Indo-Pak trade remain poor because of a vociferous insistence on the part of the Military government that free trade cannot be allowed until the “Core” issue of Kashmir is resolved and until India creates a ‘level playing field’ by withdrawing some unspecified subsidies to its industry. The enthusiasm of the Indian business community also has dampened as a result of Kargil and increase in cross border terrorism on the part of Pakistan in the Indian state of Jammu and Kashmir. The Pakistani business community still sees enormous opportunities in trading with India and keeps trying to hook up with Indian business. It may, however, be noted that there is a growing demand for Indian goods in Pakistan because of their cost and quality competitiveness and low cost of transport.

**Conclusion:** Now summing up the above discussion, it can be concluded that economic and cultural co-operation as well as political co-operation seems to restore hope for peace in Kashmir and in the others various fields of conflict. Shimla Agreement was recognized as a good step towards normalizes the relations between the two. It directly promoted exchange in various fields of science and culture between India and Pakistan. Trade Accord, January 1986 also provided a good opportunity of economic co-operation. A new initiative was taken in 1997 in this direction. In September 1998, agreement on economic and commercial co-operation was also seen as a positive step in this direction. On the subject of friendly exchange, good

steps were taken from both the sides in October and November 1998 by releasing fishermen from both the sides. But shadow aspect of the Indo-Pak relations lies in the fact that Pakistan has always linked the normalization of economic, commercial, cultural and political ties with India to resolution of the “core” issue of Kashmir. However, there are indefinite possibilities of economic and cultural co-operation between the two, but the enthusiasm of the trade community has been dampened as a result of cross-border terrorism in Kashmir.

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