

The Politico-Economic Dimensions of the Kashmir Conflict - A Historical and Contemporary Analysis

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Abstract

The Kashmir Conflict has been a bone of contention between India and Pakistan for more than seven decades. As a consequence of this, the prospects of good neighborly relations have been hampered especially in the realm of economy. This paper aims to determine the underlying reasons behind the Indo-Pak conflict based on Kashmir by reviewing the historical roots of the Kashmir conflict, the resulting deterioration of the Kashmiri socio-political fabric and the lack of political freedom with special focus on the IIOJK. This study attempts to analyze the short- and long-term repercussions of abrogation of Articles 370 & 35A on Indo-Pak ties as well as on the Kashmiri people. The methodology followed in the paper is qualitative in nature and uses graphs and tables for analysis. This paper also attempts to link the heretofore untapped trade potential between India and Pakistan with the raging conflict over Kashmir - the stagnating politico-economic aspect of Kashmir Conflict acting as a non-tariff trade barrier in Indo-Pak Trade. This study recommends the resumption of bilateral trade between India and Pakistan for mutual economic gains as well as reducing excessive deployment of security forces which will help steer both the countries towards welfare domestic policies. However, for this to materialize the Kashmir issue must be resolved according to the will of the Kashmiri people.

Keywords: *Kashmir Conflict, History, Indo-Pak Trade, Politico-Economic, Article 370, Politics, Economy*

Introduction

Kashmir has been the point of contention between the two nuclear rivals of South Asia – India and Pakistan for more than seven decades. The disputed nature of Kashmir has prevented prioritization of welfare policies both within India and Pakistan due to the imperativeness of securitization of national policies by both the states. This implies, that the chronic stand-off between the two states of South Asia warrants swift remedy. There exists a prevailing misunderstanding within the academic and general circles about the inception of the problem in Kashmir and most associate it with partition and independence, yet the reality of the matter is that Kashmir's mishandling dates back farther than 1947 and systematically begins with the Dogra rule since 1846 (BTTN, 2023).

The Dogras received Kashmir from the British in lieu of 75 lakh rupees in 1846 after the Sikh defeat at the conclusion of the First Anglo-Sikh War 1846 turning it into a Princely State under British Suzerainty. Much of the policies practiced by subsequent Dogra rulers were detrimental to the public interest and Muslims experienced severe marginalization. This historical background is important to understand since it is part of the Kashmiri identity and the generational impact it has had on Kashmiri Muslims are yet to heal.

Politics in IIOJK has been characterized by a lack of transparency and significant disregard for the rule of law. Mainstream politics in IIOJK has always been a variable constantly under the influence of Delhi's machinations and interventions. No political freedom is allowed to the Kashmiris under Indian rule where individuals and political parties are heckled, persecuted and tortured if they opt for anything less than accepting Indian rule. The list of suppressed elements includes even those who have stuck to the Indian line and towed their narrative. The events following the abrogation of articles 370 and 35A has brought Delhi's ruthlessness in the limelight especially under the BJP regime.

Since 1947, Pakistan and India have not tapped into their true bilateral trade potential. Much of the trade between the two countries is carried out through informal channels and third parties. Neither are in the economic benefit of both the countries especially for Pakistan which does import Indian products but pays a higher price due to the role of middlemen thus exacerbating the cost on the national treasury.

Another prime reason why the issue of Kashmir remains unresolved is the lack of political freedom in Kashmir which has prevented mass awareness among the Kashmiris and has perpetuated their existence within the lower echelons of social order. This coupled with the geopolitical ambitions of both India and Pakistan makes the region highly sensitive where both the states do not risk implementing their own versions of development nor does there exist any bottom-up mechanism initiated by people themselves to uplift their social standing due to the perpetual emergency-like situation especially in IIOJK.

1.1. Significance of the Study

This paper aims to clarify the enduring conflict in Kashmir by shedding light on the historical persecution of Kashmiris throughout the Dogra rule and extending to the contemporary persecution of Muslims in Kashmir. This paper also intends to highlight the façade of local politics in IIOJK and focuses on the political dynamics of Kashmir in light of the abrogation of articles 370 and 35A of Indian Constitution and the demographic changes thereafter. This study also analyzes Kashmir's status as a non-tariff trade barrier between India and Pakistan – missed bilateral opportunities and the deterioration of Kashmir's local economic fabric.

1.2. Methodology

This paper follows a qualitative research approach which relies on the evaluation of secondary data sources. Trade data from the Pakistan Bureau of Statistics and World Bank is used as the major source for economic data. It is then utilized for analysis using graphical and tabular displays to improve comprehensibility. To get a thorough grasp of the Kashmiri discourse relevant reports, books, and research papers have been carefully investigated. The study uses a dual approach, combining analytical and descriptive methodologies, to offer a thorough overview of the topic

Kashmir: A Historical Background

The Muslims of Kashmir faced discrimination at the hands of Dogra rule on the sole basis of their religion. The Dogra state was in essence a Hindu state with Pundits finding it easy to associate with the state and marginalize Muslims in the process (Wani, 2015). Racism and class-based rule of law was the essence of the century-long Dogra rule. The Dogra rule in Kashmir was a dismemberment of the Kashmiri social fabric and its legacy's effects are unlikely to be reversed very soon. In the words of Winston Churchill, "To Build may have to be the slow and laborious task of years. To destroy can be the thoughtless act of a single day". The discrimination against Muslims carries on up to the present day with the only difference being the new faces of the rulers. The perpetrators (Hindu Ideologues) and the victims (The Muslims) remain largely the same. The Draconian laws established by the current Indian government amount to Human Rights Violations and are in flagrant violation of International Covenant on Civil and Political Rights (ICCPR) (Saghir, 2022).

The Treaty of Amritsar, through which the Dogras acquired Kashmir from the British, rendered private ownership by the Kashmiris as null and void (Schofield, 2000). The Hindu centric policies such as the ban on cow slaughtering meant that Muslims were racially discriminated against (Brinckman & Thorp, 1996). Additionally Jagirs were granted mostly to Hindus who were considered loyal to the Maharaja (Naik, 2012). All the while when the Kashmiri peasantry, who were mostly Muslims, lived under abhorrent socio-economic conditions failing to make ends meet even though they were the mainstay of the Kashmiri economy (Naik, 2012). Under the Dogra revenue system the cultivator was left with limited resources which were not enough to sustain the cultivators themselves (Naik, 2012).

It is a well-established thesis that the Muslims faced systematic marginalization at the hands of Dogra Raj. The Muslims comprised 65 percent of the population of the state and 80-95 percent of the population in the Kashmir Valley itself, thus the motive was with the Dogras to suppress this segment of the society in order to incapacitate and prevent systematic non-conformity by the Muslims (S. Hussain, 2020). This was especially true when looked in terms of the characteristic of Dogra Raj which was not a hereditary line of rule rich in history rather it was a result of political engineering and opportunism that handed over the Kashmir State to the Dogras. This apparently triggered the application of severe socio-economic policies to compensate for such a lacking (S. Hussain, 2020). The Muslims were left far behind in the state administration. During the reign of Maharaja Hari Singh although Muslims comprised the majority of the population yet they were sidelined in the bureaucracy as Sikhs and Hindus filled 78 percent of the gazetted positions whereas Muslims only occupied 22 percent of the posts, those too mostly lower ranks (Copland, 1981).

The Muslim way of life, under the Dogra raj, was characterized by abhorrent socio-economic conditions, no voice in politics, no role in decision making, forced financial and labor exploitation at the hands of the ruling elite, and a total exclusion from the system and the opportunities it provided.

The rise of Pro - Muslim Politics

Thus, suppression of the Muslims at the hands of the Maharajas of Kashmir and their facilitators kept the lid of socio-political enlightenment shut for them. The 19th Century concluded without any serious opposition raised by the Muslims to the "Dharam Raj" except Anjuman-e-Islamiyya which was raised in 1888 (Ali et al., 2019). The Maslow's hierarchy of needs suggests five levels of needs. At the base lie the basic survival needs of food water and shelter, then come the safety needs, then belonging needs,

self-esteem and finally self-actualization. Maslow argues that in order to reach the higher, non-tangible, and metaphysical needs, one must raise themselves up from the *basic* needs, to *safety*, then *belonging*, and so on. The Muslims, by virtue of being victims of state oppression were most of the times deprived of the basic needs, hence, under such circumstances, they could not seek any political nourishment or development. The organized discrimination against the Muslims was evident in their socio-political isolation as they were left out of decision making, keeping them in the most vulnerable strata of the social order which resultantly made survival a bitter challenge for them (Ali et al., 2019).

The status-quo, however, was not without its upside. For one, it initiated a long awaited yet much needed political awareness amongst the Kashmiri Muslims, especially the younger blood. The late 19th Century and the dawn of the 20th Century witnessed the emergence of political mobilization in the sub-continent aimed against the 'British Raj'. This trend penetrated into the State of Kashmir and soon mild agitation against Dogra rule materialized.

A significant move towards Muslims' political representation came in the form of '*Mirwaiz-e-Kashmir*' organization in 1905. Lead by Rasul Shah, the *Mirwaiz* grew into a popular mobilization of the Muslims by 1931, in the process uniting the Muslims of Kashmir under a single leadership (Arakotaram, 2010).

2.2 Reading Room Party and its Transformation

The Reading Room Party consisted of considerably educated Muslim youngsters who regularly gathered at a Reading Room in Srinagar, hence the name *Reading Room Party*. It was from there that the Muslim intellectuals disseminated newspaper writings and pamphlets aimed at achieving socio-political upheaval of the Kashmiri Musalmans (Muslims) (Ali et al., 2019). The contribution of the *Reading Room Party* is noteworthy in the sense that it was the first systematic step towards inducing *active politics* amongst the Kashmiri youth in particular. It indulged in collecting statistics and data regarding Muslim representation in the bureaucracy which provided much needed appraisal of the Muslims' conditions within the state of Kashmir (Najma Zahoor, 2020). The political events post 1930 and the subsequent emergence of Muslim activism was not sudden in nature but rather the result of tireless conviction on part of political activists such as Chaudhry Ghulam Abbas and Sheikh Muhammad Abdullah. The famous Abdul Qadeer case and the ensuing unrest on July 13, 1931 which resulted in 163 casualties was a moment of bitter enlightenment for the Kashmiri Muslims which cemented the Muslim's threat perception against the Hindu Raj (Arakotaram, 2010). The formation of a mainstream political party, thus, became imperative and consequently the *All India Jammu and Kashmir Muslim Conference* was established on October 16, 1932 with Sheikh Muhammad Abdullah as its first President and Chaudhry Ghulam Abbas as its first General Secretary (Ali et al., 2019). Differences existed between the two however on the basis of their ideological orientations. Sheikh Abdullah was more inclined towards secularism and believed the Kashmiri cause to be that of the Muslims, the Hindus, Sikhs and Buddhists combined. On the other hand, Chaudhary Abbas held tightly to his Muslim identity and his struggle for Kashmir was characterized by Muslim Nationalism, being anti-Dogra and an inclination towards Pakistan.

No Room for Politics

The people of Indian Illegally Occupied Kashmir have not experienced genuine political participation even after partition. According to a Freedom House report, Indian Occupied Kashmir scored 27 out of

100 in political rights and civil liberties in 2022 which renders its status as ‘not free’ (Freedom House, 2022). Given the controversies surrounding domestic politics in IIOJK, another characteristic of Kashmiri politics was uncertainty and non-continuity. Sheikh Abdullah, for example, was arrested thrice by Indian forces within a span of 14 years ranging from 1951 to 1965 even though he was considered to be a congress ally (Arnold, n.d.). The government dismissals and the impositions of presidential rule over and over again in IIOJK proves that efforts were being made to delegitimize popular politics in Kashmir and subdue active political process. The smooth functioning of the political process in IIOJK has also been marred by ethno-national identity prevailing over state-national identity whereby Muslims identify more with Pan-Islamism rather than identifying with the Indian state whereas the Hindus seem to be trapped by the concept of Hindu supremacy over the others (Verma, 1987). This conflict of identity has acted as a primary hurdle in the development of a singular Kashmiri identity much to the dismay of some secular leaders, most prominently Sheikh Muhammad Abdullah, who wrongly underestimated the power of religion in the sub-national identification of Kashmiris. The continued failure of subsequent state government in Kashmir in delivering their promises catalyzed anti-Indian perception especially among the Muslims who in 1977 formed the Jammu Kashmir Liberation Front (JKLF). However, in 1984 Maqbool Bhat, one of the founders of JKLF, was executed by the Indian government. Dismayed by the inefficient governance and lack of sincerity on part of Delhi, in 1989, the Kashmir Insurgency formally began as part of anti-Indian agitation by the larger Kashmiri populace as many Kashmiris sought alternative ways of obtaining their right to self-determination.

Subaltern politics in Kashmir gained strength after the early years of the insurgency when the All Parties Hurriyat Conference was set up by senior political leaders namely Shabbir Ahmed Shah, Syed Ali Shah Geelani, Abdul Ghani Lone, Moulvi Abbas Ansari and Abdul Ghani (Cockell, 2000). Their focus this time was to assert the Kashmiri right to self-determination which included Independence for Kashmir or accession to the state of Pakistan. The aim of this amalgamation was to initiate a new form of political mobilization among the Kashmiris whose main characteristic was to distance itself from any form of association with statist politics. The establishment and activism of the APHC was a defining factor in anti-Indian politics in Kashmir, but the leadership of the Hurriyat was, in the traditional manner of the Indian Security Forces, dealt with an iron hand, most notable among them being Yasin Malik, the head of the Jammu Kashmir Liberation Front who faces life imprisonment charges and Ms. Asiya Andrabi, the leader of Dukhtaran-e-Millat, a women based pro-independence political organization, who was arrested in 2018 by India’s National Investigation Agency (Sandhu, 2018).

IIOJK has rarely experienced open politics where the central government abided by its pledge of granting autonomy to the region. The outcome of elections in IIOJK has since partition been highly influenced by Delhi whereas the beneficiaries of that system failed to deliver anything concrete to the people. The promises of the National Conference to steer Kashmir into the right direction by negating identity politics and focusing on secular development across the board did not materialize and instead the entire leadership of the party turned dynastic when Farooq Abdullah took control of the party after Sheikh Muhammad Abdullah’s demise.

Political Developments in Kashmir – Post 2019

The attack in Pulwama where 40 Indian Military Personnel were killed marked a historic low in the bilateral relations between India and Pakistan where instead of moving towards an amicable resolution to the Kashmir issue, the tussle in the region turned ugly when the Indian Air Force crossed Pakistan's airspace to conduct a failed 'surgical strike' on alleged terrorist hideouts without providing any substantial evidence for it, losing two aircrafts in the process. In response Pakistan launched its own 'controlled strike' across the border reaffirming its capacity and intent to defend its territory against unjustified attacks. It is to be understood that military tensions and conflicts between India and Pakistan has undermined peaceful resolution of the Kashmir issue. India in particular uses Kashmiri militancy to sabotage any prospects of dialogue on the issue – this is especially true in the case of Pulwama (Ministry of Foreign Affairs - Pakistan, 2023).

Table 1: Reported atrocities committed by Indian Security Forces 2019-2021

Sr. No.	Nature of Atrocity/Crime	Number of Incidents
1.	Total killings (fake encounter/extra-judicial)	442
2.	Tortured/Injured	2,136
3.	Total pellet gun injured	584
4.	Persons lost complete eyesight	2
5.	Persons lost partial eyesight	24
6.	Civilians arrested	15,324
7.	Arson (houses, shops, etc.)	1,040
8.	Women widowed	26
9.	Children orphaned	67
10.	Women disgraced/molested	116

In August 2019, the Indian government illegally and unilateral changed the special status of Indian Occupied Kashmir by abrogating article 370 and 35A paving way for its merger with the Indian Union (CNN, 2019). The legal status of Indian Occupied Kashmir can only be changed by the state government but after the dissolution of Mehbooba Mufti's government in 2018, no state government was in place in the mean period reflecting, once again, how fragile the façade of local governance has been in IIOJK since 1947. Following the abrogation, mass civil unrest against the reversal of article 370 and 35A began. Severe clashes occurred between protestors and security forces which amounted to thousands of casualties proving yet again that India's retention of IIOJK has been based on raw, unjustified and disproportionate use of power. Coercion remains the only modus operandi in the absence of logic for the Indian government. Were India, in essence, been a true democracy as it likes to brand itself as, it would have respected both international norms and the spirit of democracy by arranging a plebiscite thereby allowing the Kashmiris to decide what course they want to take. The abrogation of article 35A is of graver concern since it was this article that granted, among others, exclusive rights to indigenous Kashmiris to buy and own property thereby giving them a certain degree of autonomy to maintain the demography of Kashmir as it historically has been. With 35A scrapped, the Indian government is trying to tip the demographic balance in its own favor. If this goes unchecked, India might as well be in favor of a plebiscite within a decade but it first has to alter the demography. According to reports, the Indian government has already issued about 4 million domiciles to non-Kashmiris (Baig & Shakoor, 2021). The suppression of Kashmiris continues under Draconian laws imposed by Delhi, where custodial killings are prevalent and extrajudicial murders take place in broad

day light.

In a controversial move to gain legitimacy for its actions, India organized a meeting of the G20 in Indian Occupied Kashmir in May 2023. The prime motive for this move was to portray that Kashmir has returned to normalcy and that the abrogation of article 370 and 35A was a step in the right direction (Hanif, 2023). India seeks to add a veneer of tranquility over the incessant human rights violation in Kashmir. The international community's criminal silence over India's persistence commitment to human rights violations in Kashmir is in part driven by national interests. United States which consider itself a defender of Human Rights around the world has maintained its indecisiveness and has yet to condemn Indian atrocities partly because it considers India as an anchor against Chinese expansion in the region and as such would not risk upsetting the Modi regime on which it relies a lot geopolitically. However, China's boycott and Saudi Arabia's limited participation in the G20 meeting in Kashmir must not go unnoticed. The two friendly nations valued their ties with Pakistan— had Pakistan maintained mutually gainful relations with the rest of the nations, more of them would certainly have given the idea of boycott a thought as was the case with China. Yet that stands far from the truth and Pakistan is currently undergoing through its worst crises in decades. The world will not listen to Pakistan's demands until it realizes its power potential, both hard and soft – much like India is trying to do currently.

The implications of the reversal of article 370 and 35A is multi-faceted. First, the ability to change the Kashmiri demography is to India's advantage. As discussed earlier, issuing hundreds of thousands of domiciles to non-Kashmiris, including Hindus who were not considered indigenous, will allow them to buy property, engage in business, and participate in elections through vote and participation. The BJP leader in Kashmir, Ravinder Raina claimed with confidence that the next chief minister would be theirs (Jain & Kapoor, 2023). Apart from demographic engineering, the BJP central government will certainly attempt to commit electoral engineering as well through rigging the elections and bringing their own party to power. Two, under the draconian laws imposed by the Indian government, dozens of Kashmiri political leaders were arrested immediately after the abrogation of article 370. These include Farooq Abdullah, Omar Abdullah and Mehbooba Mufti, all of whom were at one-point chief ministers of the state of IIOJK (Fareed, 2019). This signals towards a more overt suppression policy adopted by the Hindutva-BJP regime in dealing with political opposition. The fate of the opposition groups in Kashmir for the last few decades is now applicable to Delhi's allies as well. India is well on its way towards authoritarianism under the BJP regime. Finally, religious freedom in Kashmir has been curbed since August 2019. Multiple Mosques and Shrines in Srinagar were locked and congregational prayers prohibited (Zargar, 2019). Religious mobilization is a prime characteristic of resistance in Kashmir with clerics playing a crucial role through their powerful sermons, as a result Delhi is exerting extreme pressure on these clerics warning them of dire consequences if they attempt to 'stir up trouble'. In another instance, multiple clergies were counselled by the Indian military on the benefits of the abrogation of article 370 and were told to disseminate the same through their sermons (Zargar, 2019).

The BJP regime is waging an all-out psychological war on the people of Kashmir through demographic maneuvering, terrorizing the population, and suppression of free political activity to gain its objectives. The ruling regime in India has adopted a psychopathic approach disregarding respect for human dignity, norms, customs, traditions, and freedom of the people of Kashmir.

Economic Aspect of the Kashmir Conflict

Indo-Pak Trade History and Kashmir Issue

Pakistan and India are one of the two major economies in the South Asian Region; together they make up 85% of the population and a major portion of the region's gross domestic product (GDP). They have a long continuous border, comparable cultures, and in the not-too-distant past, they benefited from seamless transit and commercial connections. The main factor impeding India and Pakistan's bilateral trade has been political turmoil over Kashmir Conflict (SOUTH ASIA MONITOR, 2003). A third of Pakistan's imports and over three-fifths of its total exports were destined for the Indian market at the time of its independence in 1947. When Pakistan declined to discount its currency following India's devaluation in 1949 and later implemented import restrictions, this started to alter. Since then, times of conflict or increased tension have seen a dramatic fall in bilateral trade (F.Naqvi, 2009).

In this context, the South Asian Association for Regional Cooperation (SAARC) Comprises of eight South Asian countries: Afghanistan, Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. SAARC's main purpose since its inception in 1985 has been to enhance the member countries' economic and regional integration. However, political disputes between two of SAARC's main members, Pakistan and India, have plagued the organization from its creation. Recent events on the Pakistan-India border have prompted the cancellation of the 19th SAARC Summit, which was planned to take place in Islamabad in November 2016. With recently enforced limits on the cross-border exchange of artists, film exhibitions, and participation in cultural activities, other economic activities such as import and export of commodities between the two nations were also affected (Nakhoda, 2016). Political tensions and uncertainties have serious economic repercussions. Therefore, understanding the trade dynamics from a historical perspective is crucial for understanding the economics of the Kashmir conflict.

There has been a protracted conflict between India and Pakistan ever since they became sovereign states. The outcomes of this conflict include the wars of 1948, 1965, 1971 and the Kargil Issue in 1999. The Kashmir conflict in particular evolved and turned into a point of friction between the two nations. Due to India's unwillingness, the Kashmir conflict went unsolved for more than 70 years, which affected bilateral ties between India and Pakistan. The frequent crossing of the Line of Control, claims of eavesdropping, and violence against embassy workers on both sides are some of the most obvious signs of hostility between the two countries. The two countries have had limited bilateral connections and have been engaged in a perpetual conflict throughout history (Lyon, 2008).

The impediments in Pakistan-India trade received considerable attention in the past few decades. The World Bank has supported the notion and argued that the countries are trading much below their full potential (M. Z. Khan, 2018). Historically, the General Agreement on Tariffs and Trade was negotiated right after the independence of both India and Pakistan and under Article 24 of GATT, special dispensation was granted to both countries. From 1947-65 both countries continued their bilateral trade and were major trade partners despite the existence of political differences since inception. In addition, several trade agreements were made to enhance trade facilitation but then the unresolved Kashmir issue came into play in 1965 and trade become the casualty of war.

During the period of 1947 to 1965, India and Pakistan signed several bilateral agreements to facilitate trade relations. Such agreements have facilitated bilateral trade including trade in goods, air service,

banking, border trade, and avoidance of double taxation on goods. In this regard, Pakistan imported flour from India to meet domestic demand in Sindh and East Pakistan and exported grain to India's province confronted with the shortage. Both countries had bank branches in each other's countries. The situation turned the other way when India crossed the International Border without declaring war and the deep-rooted issue of Kashmir came into play leading the trade into the strait (Horimoto, 2002). In 1948-49, trade with India constituted for more than 70% of total Pakistan's trade and 63% of its own exports were to Pakistan. The overall legal trade stood at PKR 184.06 crore to a record low-slung of PKR 10.53 crore in 1965. There was a trade embargo on trade between the former and the latter because of the war of 1965 in Kashmir. Despite the efforts of both countries, no trade was conducted (Inst et al., 2013).

In addition, it was followed by the war of 1971 for which the root cause of India's involvement in this war was the Kashmir issue, which resulted in the separation of East and West Pakistan. Afterward, the Simla agreement was signed between these countries, which allowed them to resume trade to some extent in 1974 (Robert G, 2004). In January 1975, both countries agreed on full-fledged trade agreement and established railway lines for trade. However, the conflicts of 1965 and 1971 "ruthlessly affected" the trade that has not recovered fully to date (Kugelman & Hathway, 2012).

In 1998, nuclear tests again interrupted trade relations. Trade was again suspended in 2002 when India accused Pakistan for involvement in attacks on the Indian parliament in December 2001. India withdrew its troops from its border with Pakistan in 2002 and the door was reopened for trade (Khan et al, 2009). Relations between Pakistan and India were already tense before the Kargil War. When Pakistani exporters received a concessionary package from the European Union (EU) in 2002, Pakistan's private sector once more suffered due to India's legal challenge against the EU package significantly impacting Pakistani exporters. The Indian government's unfriendly action harmed bilateral commercial relations even more, reinforcing its view of Pakistan's private sector as an enemy state. (Kugelman, 2012)

Although both nations' relationships changed in the first decade of the twenty-first century, international trade remained negligible. Trade dialogue was resumed and trade was restarted between the years 2004 to 2008. After the Mumbai attacks in 2006, these ties were shortly strained. However, some trade did continue despite the unrest this time (Bhasin, 2012). Bilateral ties improved when the Pakistan-India discussions were restarted in March 2011. The cause might be globalization, which promoted regional integration for pragmatic reasons within the area. Despite continuous hostilities, the business groups of both nations started bilateral trade (Saleem et al., 2014). In order to boost bilateral trade, Pakistan decided to grant India Most Favored Nation (MFN) title in November 2011. Although there were some early objections from more nationalist groups against giving India MFN status, Pakistani businesspeople have mainly supported the move (M. Khan, 2013). It could be helpful to keep in mind that, despite several difficulties and barriers, commerce between India and Pakistan increased by approximately 10 times between 2001 and 2011, reaching a total of \$2 billion (Husain Ishrat, 2012).

Many people refer to the period from 2011 onwards as the consolidation of better economic connections. If one were to return to the bigger context, it is the most fruitful stage for bilateral trade in terms of both decision-making and numbers (Vaid & Maini, 2012). However, the abrogation of Article 370 has resulted in a halt in trade once again. In August 2019, Pakistan halted commerce with India when New Delhi chose to repeal Article 370, which removed Jammu and Kashmir's special status. In early 2019 India accused Pakistan of involvement in the Pulwama attack, and removed

Pakistan from its list of "Most Favored Nations". In consequence of that, bilateral trade between India and Pakistan suffered once again (Kumar, 2019)

3.2 Pakistan – India Trade

Pakistan and India are the most populous countries in South Asia region. Both countries are significant constituents of SAARC due the fact that they have a potential for intra-regional trade. Presently trade between these two countries takes place via three channels namely formal, illegal and through a third country. The formal trade is regarded as trade by official means and is marginal, illegal trade between the countries occur via the porous Pakistan-Afghanistan border, which is usually undocumented. Moreover, the informal trade occurs through the third party that includes mainly Dubai and Singapore. The latter are free trade ports that formally facilitate the traders from both countries.

3.3 Formal Trade

The trade between the two countries has a significant potential for growth as projected by many analysts that if the political ties remain normal the bilateral trade between the countries can reach \$50 billion annually (Pohit & Taneja, 2015). Historically, the official trade between India and Pakistan has remained negligible in commensuration with their respective global trade volume trends and neither of the countries fall in the ladder of top ten major trade partners. It can be argued that this might be due to the closed nature of both economies, but the primary reason behind this is the political tensions between these neighboring countries over the Kashmir conflict. The nature of this formal trade is explained in table-2, which shows the nature of trade since 1994.

Table 1: Pakistan's Overall Trade Pattern with India (Million US\$)

Years	Pakistan exports to India	Pakistan imports from India	Trade Balance
1994-95	41.6	63.99	-22.39
1995-96	40.74	94.5	-53.76
1996-97	36.13	204.66	-168.53
1997-98	88.97	153.41	-64.44
1998-99	174.72	145.6	29.12
1999-00	53.65	127.35	-73.7

2000-01	55.4	235.09	-179.69
2001-02	49.2	186.5	-137.3
2002-03	70.7	166.5	-95.8
2003-04	93.7	382.4	-288.7
2004-05	288.2	548.2	-260
2005-06	337.2	576.7	-239.5
2006-07	326.704	1115	-788.3
2007-08	291.7	1266.23	-974.5
2008-09	354.64	1691.48	-1336.84
2009-10	235.32	1080.40	-845.08
2010-11	274.98	1559.92	-1284.94
2011-12	272.86	1607.35	-1334.48
2012-13	347.99	1572.59	-1224.59
2013-14	402.75	1874.06	-1471.31
2014-15	392.21	2104.80	-1712.59
2015-16	312.28	1669.29	-1357.00
2016-17	348.10	1644.39	-1296.29

2017-18	334.75	1696.14	-1361.38
2018-19	383.05	1928.47	-1545.42
2019-20	66.31	1008.55	-942.25
2020-21	0.17	242.68	-242.51

Source: Pakistan Bureau of Statistics (PBS) and World Integrated Trade Solutions (WITS)

Over the years, Pakistan's exports to India and imports from it has experienced a significant ebb and flow which reflects the influence of various economic and political factors. Throughout these three decades Pakistan's imports have exceeded the exports and trade remained in deficit for Pakistan. This trade imbalance reflects the economic disparities and varying industrial capacities of the two countries. In the period from 1994-95 to 1999-00, the trade volume remained stagnant with negligible fluctuations in the trade balance indicating limited growth and development of trade. In addition, in 2013-14 exports with a value of 402.75 million remained the highest in these three decades. Similarly, imports in 2014-15 remained the highest; this was the period, which is referred to

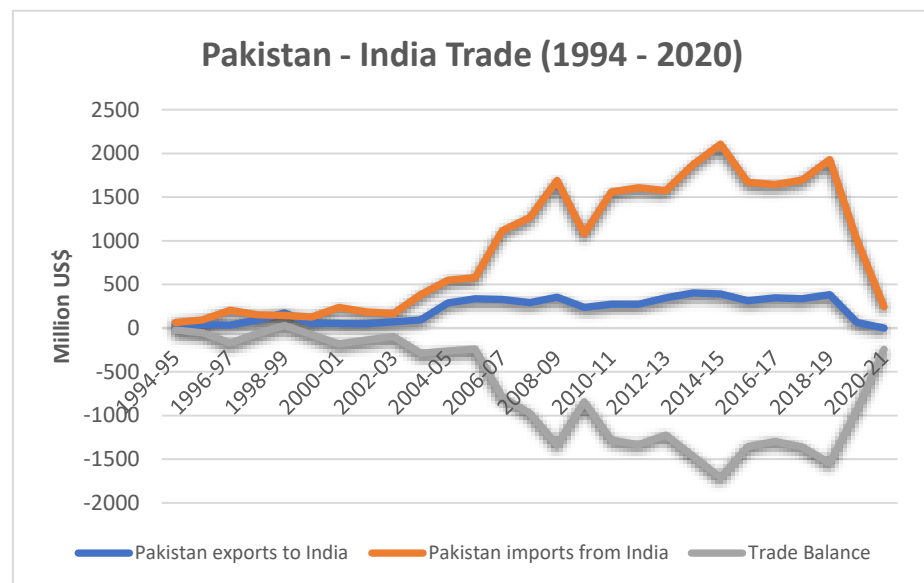


Fig 1: Graph showing the change in India Pakistan Trade over the years

as the most peaceful period of bilateral trade relations in which both nations granted the status of MFN to each other. Lastly, multiple causes, such as the heated political atmosphere, border disputes, and trade restrictions due to the abrogation of Article 370, put in place by both countries, are the primary reasons for the substantial fall in trade during the 2020–21 period; this is portrayed in the graph-1. A sharp decline occurred right after the year 2019-2020 when India abrogated Article 370, and in retaliation bilateral trade has been suspended by Pakistan. If both nations take initiatives to remove tariff and non-tariff obstacles, trade between India and Pakistan might rise from \$2 billion to \$37 billion annually. However, long-standing hostility and mistrust have caused several failures and substantial obstacles to mending economic relations (Malik, 2020).

3.4 Informal Trade

Informal trade between India and Pakistan involved informal means via a third country's border. Smugglers/traders mostly conduct informal trade between Pakistan and India by exchanging commodities at the Indo-Pakistan border. Informal trade is also taking place through Afghanistan, with commodities being legitimately shipped from India to Afghanistan and then smuggled into Pakistan via Peshawar, which is located near the Pakistan-Afghan border. Cosmetics, alcoholic beverages, stainless steel utensils, ayurvedic medications (30 percent cheaper in India), videotapes, cassettes, confectioneries and cashew nuts, tea, and coffee, live animals, and spices are among the items smuggled into Pakistan (Bashir, 2001). In 2012–13, illegal trade between India and Pakistan reached US\$4.71 billion, and in 2015, it climbed by US\$10 billion annually. The potential of Pakistan and India's trade can be observed via illicit trade. The platforms in Dubai facilitate the shipment of over 68% of Indian goods to Pakistan. Since then, the border with Kashmir has exported a very small number of goods (Ahmad & Samsu, 2017). In addition, as goods are transshipped from India to Dubai, then delivered to Bandar Abbas in Iran, and finally transferred to Afghanistan to reach Pakistan, about 51% of illicit trade going through Dubai does not enter Karachi straight. Only around 18% of trade via third country trade transiting from India to Karachi via Dubai is done by sea (Hussain & T., 2013). There are several reasons that lead to an increase in the informal trade but one of the concerning ones is the political tensions over Kashmir between the both countries, which has resulted in the suspension of formal trade channels several times in the past (SBP, 2007).

3.5 Effect of Kashmir Conflict on Local Economy of Kashmir

In conflicts like Kashmir, human loss is the primary tragedy, which is further coupled with the economic catastrophes to oppressed class. The repeated shutdowns, that include curfews and protest, have significantly dented the local economy of Kashmir, which is an undeniable fact. According to the government of IIOJK the estimated loss due to unrest in 2016 was over 16000 crore INR for the period of five months i.e. July 8th to November 30 (Express, 2017). In 2010, the government claimed Losses of 21,000 crore for 85 days (Today, 2010). In addition, A gross state domestic product (GSDP) of about 38000 crore indicates that the state generates 104 crore worth of goods and services per day. The Kashmir valley is the region most affected by the turmoil, accounting for roughly 50% of the GSDP, or 50 crores daily. When there is war, like in Kashmir, the tertiary sectors of the economy take the worst blow (B. Hussain, 2010). The squandering of human potential and "loss of creativity that has stunted development and forced people to think only of survival instead of development" are two additional costs of violence that are noteworthy (Dr. Mahapatra, 2007). Moreover, the conflict's economic impact cannot be limited to a single industry, since it also had an impact on key local businesses including tourism, horticulture, and handicrafts that provide significant employment opportunities for residents (Mushtaq Ahmad & Hussain, 2011). Thus, a report from the Kashmir Chamber of Commerce and Industry claims that the repeal of Article 370 has had a significant negative impact on business and has cost the region's economy 17878 crore. This decision caused a loss to the tourism industry, which accounts for 8% of the state's GDP, and drove 340,000 visitors to depart within 24 hours. Local athletes also had severe losses. Additionally, it led to the closure of 12 information telecommunications enterprises, which collectively employ about 1500 people in the valley of Kashmir, or a significant decline in business, which reflects that any development in the Kashmir conflict is having a direct and indirect influence on the economy of Kashmir.

Recommendations

Following are the proposed recommendations to the Pakistani power corridor.

1. The historical context of exploitation of Kashmiris at the hands of the “Hindus” must be highlighted extensively on national and international forums i.e., the excesses in Kashmir date back not from 1947 but 1846. This can be achieved by policy makers and statesmen disseminating this narrative in their public and private interactions both with the people and with other counterparts. This will prove instrumental in highlighting the gravity of the matter.
2. The United Nations has failed in its prime objective of resolving conflicts peacefully. Realpolitik reigns supreme in international relations with the UN and its instruments constantly on their knees in face of it. Pakistan should not entirely disengage the UN from the matter but total reliance on the UN for a resolution to the Kashmir conflict is irrational.
3. Pakistan must speed up its diplomatic efforts in engaging the global community in the issue and gain support for its own narrative on Kashmir; however, for that to prove fruitful Pakistan must engage the world from a position of power. That can only happen once Pakistan consistently performs well in the economic realm and becomes a converging point for the interests of Major Powers. This is the era of narratives rather than hard power – if Pakistan succeeds in portray Kashmir’s indigenous narrative convincingly, the dynamics of the conflict will change significantly to Pakistan’s advantage. For instance, a lot of countries might have given boycotting G20 in Kashmir a thought or could have condemned India’s actions thus restricting India’s political mobility.
4. Pakistan must highlight the plight of the Kashmiris to the full extent in order to build the diplomatic pressure on India to arrange the much-awaited plebiscite. Indian rule over Kashmiris should be portrayed as unacceptable for the people of IIOJK. The day-to-day oppression of the Kashmiris by the Indian security forces should be brought to the foreground and international perception be steered in the direction of a plebiscite as the only viable solution to the Kashmir conflict.
5. In the context of political conflicts between India and Pakistan, trade has become a casualty. India and China are also entangled in border conflicts, but they haven’t allowed these factors to affect the gains from bilateral trade and are involved in the trade of approximately \$135 billion trade yearly. In this regard, Pakistan should think of gains from trade with India and quite necessarily disentangle economic interests from political differences. Therefore, bilateral trade relations should be considered in isolation and not in congruence with political conflicts to reap the potential of gains from trade.
6. Pakistan should allow cross-border trade with India and design robust formal channels to promote trade flows through formal channels. This will have a downward spiral effect on the informal trade which will reduce the burden on Pakistan’s economy by decreasing the cost on the national exchequer.

Conclusion

This paper concludes that by keeping the Kashmir issue unresolved Pakistan, India and the people of Kashmir suffer from a drainage of resources in a frictional environment which is wearing down both the countries. The Kashmir conflict’s major victim is undoubtedly the Kashmiri people themselves. The majority of the population has undergone systematic mismanagement and exploitation from 1846. The least the people of Kashmir deserve is the right to determine their own future. Kashmir has never

been part of India, culturally or psychologically. The locals who participate in day-to-day bureaucracy do so mainly under socio-economic compulsions. Deep down, they are Kashmiris to the core, have their own identity and cherish it more than the superimposed Hindu-Nationalist identity.

India has addressed the Kashmir issue mainly through belligerence, hard headedness and a general aversion to compromises. It is committing unilateral changes in IIOJK all the while being ignored from the radar of so-called human rights violations, blatant disregard for International Humanitarian Law and utter indifference towards international norms and customs. It continues to deal the legitimate demands of millions of Muslims Kashmiris heavy-handedly in addition to using the Indian constitution as a tool of betrayal. The abrogation of articles 370 and 35A signals India's intent to proceed unilaterally on the subject of Kashmir; this behavior has partially been substantiated by India's self-perception as an indispensable ally to the West in the region especially in context of China.

The conflict in Kashmir has not only impeded the growth of bilateral trade, but also resulted in substantial fluctuations in both formal and informal trade between these two countries. Though formal trade is showing potential for considerable growth, this has been hindered from being utilized to its full potential because of the tensions and conflicts that resulted in trade disequilibrium and lost economic opportunities. Due to the frequent disruptions in legal trade channels, informal trade, driven by third-party routes, has increased dramatically, showcasing the adaptability and tenacity of regional traders.

The Kashmir dispute continues to be a significant obstacle to the region's ability to realize its full economic potential, notwithstanding infrequent periods of improved trade relations and efforts to strengthen commercial links. Political and economic considerations are linked, which emphasizes the need for a comprehensive and long-lasting peace agreement that can open up the economic prospects that have long eluded this unstable region. Until then the chances for peace and development in South Asia would remain dim due to the economic effects of the conflict in Kashmir.

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