



Cross-LoC Trade Challenges and Opportunities in J&K

D. Suba Chandran

Assistant Director, IPCS, New Delhi

As soon as the new Government takes over in Islamabad, we will execute an agreement with Pakistan. I am pretty hopeful that the (cross-LoC) trade would start in the next 90 days

- Jairam Ramesh, Union Minister of State for Commerce, 17 March 2008

The LoC was officially opened for the first time in 2005 for the movement of people, since its closure after the Indo-Pak war in 1947-48. Despite the militant attack on the Tourist Reception Center in Srinagar on the day of its inauguration, the first bus service between Srinagar and Muzaffarabad became operational in April 2005. If the objective of this bus service was to make borders irrelevant, as Manmohan Singh and Pervez Musharraf have hinted on different occasions elsewhere, it is time to contemplate further measures that would augment this process.

Can cross-LoC trade be one such measure and will it be in India's interests? Is cross-LoC trade feasible and sustainable? What are the challenges/hurdles? How can these be addressed to take this process forward?

I TRADE ACROSS LOC: A RATIONALE

Trade across the LoC is clearly in India's interests for the following reasons. Ever since the inauguration of the bus service between the two Kashmir, all the three regions on the Indian side – Jammu, Kashmir and Ladakh have been anxiously waiting for further measures to open communications across the LoC. Today, there are two bus services across the LoC, meant only for divided families. There are, however, numerous

other people, in all parts of J&K, belonging to different religions – Muslim, Hindu, Sikh and Buddhist, who would wish to travel across. Even though they may not have relatives across the LoC, they would like to travel for various cultural and religious reasons. Numerous religious places of worship exist across the LoC that are of interest to all the communities in this region – Nangla Sahib, Sharada Shrine, Hazratbal, Baba Ghulam Shah – to name a few. There are also numerous places of tourist interest – Jammu, Chingus, Srinagar, Gulmarg, Pahalgam, Kargil, Leh, Skardu, and Mirpur, among others. Besides the potential for cross-LoC trade, the Chambers of Commerce and Industries in Jammu and Srinagar (JCCI and KCCI) have been demanding that the LoC should also be opened for trade. Thus, cross-LoC trade is a natural corollary to the process initiated in 2005.

Second, the present level of cross-LoC interactions have addressed or included significant sections of the civil society on both sides of the LoC, however limited these may have been. Though there are procedural delays, divided families have been crossing the LoC at regular intervals over the last three years. Political leaders belonging to the mainstream and separatist groups have also been allowed to cross the LoC. The Hurriyat leaders from Kashmir Valley were allowed to visit the other side after the earthquake in 2005, and mainstream leaders from Muzaffarabad region have visited the Indian side more than once. There was even a "heart-to-heart" dialogue between the political leaders on both sides. Members belonging to the media across the LoC were allowed to visit each other. There have also been cultural interactions. In November 2007, women's groups from both sides met in Srinagar for a three-day conference.

To conclude, it appears that all sections of civil

society have been allowed to meet, except the business community. Like any other segment of civil society that has been allowed to interact, this group is equally important. Allowing trade across the LoC would address this discrepancy.

Third, movement of goods across the LoC will be a meaningful CBM between New Delhi and J&K, especially the Kashmiris. Besides initiating a peace process with Islamabad, New Delhi has also started another process within India— addressing the concerns and issues with various sections in J&K. The Prime Minister has held three Round Table Conferences so far, besides forming five working groups on issues relating to cross-LoC interactions, governance, union-state relations and so on.

The Working Group on cross-LoC interactions has highlighted the need for cross-LoC trade as a legitimate aspiration of the people of J&K. A section in the Kashmir Valley feels psychologically suffocated, as the only physical link of the Valley with the rest of world is through the Jawahar Tunnel. There is also a feeling in the Valley that New Delhi deliberately wants to keep the Jawahar Tunnel as the sole outlet for the Kashmiris to make them completely dependent on India. Allowing the movement of goods across the LoC will address this psychological perception.

A section of the separatists and various militant groups are against cross-LoC interactions and have a hold over the civil society in Kashmir Valley. Cross-LoC trade will reduce this hold of the extremist elements

Fourth, cross-LoC trade will help the economic situation in the Jammu region and Kashmir Valley. In the Kashmir Valley, the horticulture industry, especially the fruit growers, and carpet and furniture industries, will benefit enormously if the LoC is opened for trade.

Today, the fruit industry in the Valley depends on an unreliable route – NH-1A, to send its goods to New Delhi. From Jawahar Tunnel to Jammu, especially in the Ramban region, this road is prone to landslides, shooting stones and snow. On the other hand, apples from Anantnag would reach Lahore and Rawalpindi via Muzaffarabad much faster than they would reach New Delhi. In Jammu

region, the manufacturing sector from Samba to Jammu, is so developed that the entire belt has become an industrial area. The JCCI is confident of sending goods ranging from tea to tyres, via Suchetgarh and Sialkot. With the six-lane highway between Sialkot and Lahore coming up, goods from Jammu will reach Lahore in four to six hours.

Fifth, cross-LoC trade would yield huge political dividends in terms of addressing militancy in the Kashmir Valley. A section of the separatists, led by Syed Ali Geelani and various militant groups are against cross-LoC interactions. Today, they have a hold over the civil society in Kashmir Valley, through clever manipulation of political issues. Cross-LoC trade will reduce this hold of the extremist elements. For example, Geelani belongs to Sopore, which is considered his fortress, where his writ runs unchallenged. The fruit industry in Sopore region, if allowed to trade its apples across the LoC, would help counter the adverse propaganda by Geelani and his militant supporters in PoK.

II PROBLEMS, HURDLES, AND CHALLENGES

Clearly, the benefits of opening the LoC for trade are immense. However, this process has numerous problems, hurdles, and challenges that need to be overcome.

Why is Islamabad going slow on Cross-LoC Trade?

The primary hurdle to cross-LoC trade seems to emanate from Islamabad. Though there have been several announcements in the past regarding the impending visits of the business community led by the AJK Chambers of Commerce and Industry (AJKCCI), they have not materialized, since they were denied permission. .

Why is Islamabad against cross-LoC trade? Though there has been no public statement, one can understand Islamabad's reluctance. A section in India argues that its government fears that cross-LoC trade would lead to normalization of relations between the two countries, which would undermine the latter's strategy in Kashmir. If this is the primary reason, then why is Pakistan allowing cross-LoC interaction of divided families, media and sections of civil society, as mentioned above? Obviously, these measures are also likely to lead to normalization of ties. Therefore,

Islamabad's reasons for going slow on cross-LoC trade seem to extend beyond the 'normalization' argument.

Perhaps, Islamabad fears that cross-LoC trade would make the status quo permanent, making the Line of Control a permanent border between the two countries. For trade to take place across the LoC, there are numerous legal issues that need to be addressed. While travel between the two Kashmirs now involves the use of local identification documents; the movement of goods across the LoC will require some legal understanding. Issues relating to origin and destination of goods will then play a prominent role. The question of who will physically oversee the entry and exit of goods at the crossing points – customs or any other authorities of each country, also arises. If the customs authorities are put in charge, legally it would signify that the goods will be leaving one country to enter another. This, from Islamabad's perspective, amounts to converting the LoC into IB.

Trade "to" or "through" other Kashmir?

The second major challenge is likely to be the question of whether the trade is "to the other Kashmir" or "through other Kashmir". If the movement of trade is likely to be only between the two Kashmirs, then the business communities in Jammu and Kashmir will not be very enthusiastic, for it will not be a profitable proposition. For example, if the LoC is to be opened for the apples trade of Kashmir valley only to reach Muzaffarabad and Mirpur, one convoy of trucks will be enough to flood the markets in both these towns. What the KCCI is actually hoping for is trade through the other Kashmir, enabling goods to reach Karachi via Rawalpindi, Islamabad and Lahore. The JCCI will be extremely upset, if the LoC is opened only in the Kashmir Valley at Uri. The business community in Jammu region regards the opening of the Jammu-Sialkot road for trade to be vital.

If trade is to take place only between the two Kashmirs, the business communities are likely to be disappointed and, in the long run, this move may backfire. This is precisely what happened between India and China after opening Nathu La in Sikkim for trade. The business community in Sikkim was enthusiastic at first about the opening of Nathu La. They expected trade to take place

"through Sikkim and Tibet" instead of "between Sikkim and Tibet". While the business community wanted the goods from Tibet (and China) to pass through Sikkim to Kolkata port and beyond, actual trade was limited to the border zone. It actually constitutes only border trade in this region. In Kashmir, if the trade is limited only to between its two parts, the Nathu La experience will get repeated in Uri.

Are there adequate goods to trade?

The third major challenge is likely to be the basket of goods that can be traded across the LoC. Here, if the current status of Indo-Pak trade is to be taken as the yardstick, then the record of both countries on bilateral trade has not been encouraging. While the business communities in Jammu and Kashmir regions would like to trade everything across the LoC, the governments in New Delhi and Islamabad are unlikely to go beyond 25 to 30 goods in the trade basket. Again, this is what has happened in Nathu La, where the people of Sikkim are allowed to export only 29 items and import 15.

The business communities in Jammu and Kashmir Valley have identified several commodities which could be traded through the LoC. If the governments of India and Pakistan decide to keep the trade basket to the minimum, then the cross-LoC trade may be good rhetoric and address the international audience, but do little to address the actual concerns at the ground level in J&K.

Is the AJKCCI interested?

The fourth major challenge emanates from across the LoC. How much interest do the business communities in Muzaffarabad have in cross-LoC trade? And how much influence does the AJKCCI have over Islamabad in pressurizing the government of Pakistan to move forward, than to get mired in legal issues? A section in India

If the movement of goods is likely to be limited only between the two Kashmirs, then the business communities in Jammu and Kashmir will not be very enthusiastic, for it will not be a profitable proposition.

believes that the business community in AJK is not enthusiastic like people in general or their counterparts in Jammu and Srinagar. If this is true, the following factors could be as the reasons for the relative lack of interest or enthusiasm on the other side. How big is the PoK business community? If they are not strong enough to trade with the rest of Kashmir across the LoC, there is every reason for them to resist cross-LoC trade. This is an issue which needs to be further probed. Second, the business community in Jammu and Kashmir is not as keen to trade with the other Kashmir, as it is to trade with the rest of Pakistan. Another point that needs to be probed is, if there is "trade through" PoK, will it affect the local business community? For example, will the goods from Kashmir Valley "flood" the markets of Muzaffarabad and Mirpur?

Perhaps the PoK business community is also not sure of their returns. What would they gain from cross-LoC trade? If the trade basket is limited to ten or fifteen items, as is presently the case, how would that benefit the traders in PoK? This is why there should be a dialogue between the business communities across the LoC. Since there have been very few meetings between the two communities, the AJK side is not convinced. Finally, unlike the business community on the Indian side, they are not able to pressurize the government of Pakistan. Both the JCCI and KCCI are vociferous in making their demands – both in the capitals of the State and the country. They may not have adequate influence to influence the final policy, but they can certainly act as an important pressure group.

III THE ROAD AHEAD

As explained in the first section, cross-LoC trade is clearly in India's interests for numerous psychological, economic, and political reasons. Despite obvious security considerations this is a risk worth taking, given its overall benefits.

Convincing Islamabad on the legal issues relating to cross-LoC trade will be a challenge for New Delhi. Pakistan is unlikely to agree to the Nathu La model. Before Nathu La was opened for border trade, China tacitly recognized Sikkim as a part of India, thus removing the legal hurdles. Who will

actually man the border posts? This has become a political question, rather than a procedural one. Issue. Hence the answer to this challenge can only be found at the political level.

New Delhi also has to take into account the inputs of the KCCI and JCCI and draw up a well-planned and time-bound road map. If trade is to start in the Kashmir Valley, then the JCCI should be convinced that this process will expand and include the Jammu region in the near future. If the initial efforts however, are likely to remain limited in terms of "trade to" PoK and not "through" it, then the business communities in J&K should be made to understand that this is a process, likely to be implemented in stages. And that this will also apply to the trade basket in terms of goods traded.

If the business community, on the other side, is not convinced about the profits of cross-LoC trade, it could be due to a lack of awareness. For this reason, it is imperative that the business communities on the two sides meet. It is unfortunate that Pakistan has not been allowing the AJKCCI to visit J&K. However, this limitation can be easily overcome. Given the communication facilities and interests of research institutes and think tanks, a meeting between the business communities could be arranged in neutral territory – anywhere from Bangkok to Dubai.

Jairam Ramesh had promised in March 2008 that cross-LoC trade would be initiated in 90 days. The foetus takes complete shape with its features clearly delineated in 90 days. Given the political dimensions however, of this problem one will need to be much more patient on such an important issue, which has the potential to change the basic contours of the conflict in J&K.

One would not mind waiting longer; as long as this process is not stillborn.



**INSTITUTE OF PEACE
AND
CONFLICT STUDIES**

B 7/3 Safdarjung Enclave,
New Delhi 110029 INDIA