

Seminar Report
**“Regional Trade Integration and Conflict
Resolution: Prospects for South Asia.”**

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**Institute of
Social and Policy Sciences**

Welcome Remarks

Mr. Kashif Mumtaz, Research Fellow, Institute of Social and Policy Sciences (I-SAPS), welcomed the participants and introduced the theme of the seminar. The seminar, he said, was an effort to explore trade-peace-conflict linkage with a particular focus on South Asia. Referring to the mushrooming of Regional Trade Agreements (RTAs) globally during the last two decades, he said, though much had been said about their potential to spur greater trade flows and promote peace among nations, the latter argument remained empirically understudied. The seminar, he said, would try to see as to what extent this argument was valid in general and in south Asian context in particular. He then introduced the speaker and the discussant.

‘Regional Trade Integration and Conflict Resolution: Prospects for South Asia’

Dr. Shaheen Rafi Khan

Research Fellow Sustainable Development Policy Institute (SDPI)

Dr. Khan started by thanking I-SAPS for inviting him to deliver this seminar. Giving the background of his presentation, he said, it was derived from his recently published book “Regional Trade Integration and Conflict Resolution: The Case of South Asia”, which was the result of a two year long project that SDPI undertook for the Canada-based International Development Research Center. The project, he said, was global involving partners from four other research institutions from Singapore, South America, South Africa and South Asia.

His presentation, he explained, was South Asia specific and would address the link between trade and conflict. For the presentation, he said, he had combined two related studies in the book: the first study looked at the relevant South Asian RTAs, while the second one examined how critical bilateral relations were to the process of regional integration and conflict mitigation.

Giving an overview of the contents of his presentation, Dr. Khan said, he would briefly discuss the proliferation of RTAs over the past two decades or so before moving to the research question itself and its three constituent elements. Then, he said, he would move on to theoretical debate about the subject, look at the taxonomy and formal structures of RTAs in South Asia, and would then discuss the empirical meat of the presentation. He said he would look at the direction of interaction between trade and conflict to determine whether trade mitigated the conflict or conflict restricted trade between countries. Then, he said, he would move down to look at the same hypothesis in a bilateral context between India and Pakistan before concluding with a recap.

Setting the context of his presentation, Dr. Khan gave a brief background to RTAs, noting that in the last fifteen years or so, close to 250 RTAs had been notified to World Trade Organization (WTO), with the last eighteen months being most prolific in RTA history with the notification of 43 RTAs. The drivers or the origins of these RTAs, he said, were heterogeneous, reflecting a broad array of economic, social, political, and cultural forces. These drivers could be endogenous to the region and they could originate outside it, he further said.

Thus, Dr. Khan elaborated, RTAs could have their origins in new markets and trade opportunities; they could be the results of attempts to establish countervailing negotiating power especially when frustrated with multilateral trade negotiations by WTO; or they could be the outcome of efforts to curb illegal trade. RTAs, he continued, could also be shaped by

political forces and strategic considerations, or, in a more benign sense, they could have common socio-cultural roots, and could even be the results of attempts to export models of regional cooperation such as the European Union (EU) did, especially in Africa. This heterogeneity, he said, clearly illustrated that RTAs promoted far more than just trade or for that matter economic integration. More inclusively they could be seen as a means to achieve both socio-economic development and political stability within the region, he said.

Dr. Khan then posed his research question: *what was the significance of the recent and rapid development of Regional Trade Agreements (RTA) for tension, violent conflict and peace building both within and between states?* This question, he said, had been motivated by the European model of trade integration which had created peace, stability, and economic prosperity across Europe. But, he asked, was it possible to replicate this model worldwide; did this model represent a cookie-cutter approach which could be followed blindly in developing countries; or were there certain economic and institutional pre-conditions that needed to be met before an RTA could become a viable social, economic and political entity.

Dr. Khan continued by deconstructing the research question into three constituent elements: Did the potential for intra-regional trade exist; had RTA's been able to synergize this trade potential; and had the regional integration process mitigated conflict? Apparently, he said, this was a very neat construction. However, he commented, in the process of examining each sub-question, his fellow researchers had come to a process inversion as, in a Hegelian concept, the problem got turned on its head.

Every research question, he said, was motivated by the literature on the subject. So, he added, was the case with the present question which drew principally on two theories - classical trade theory and international relations theory. Classical trade theory, he explained, argued in favour of peace benefits for included countries. RTAs, he said, according to this theory, could bring about political stability through increased economic interdependence; within countries, increased trade spurred domestic economic activity and reduced unrest within domestic populations.

International relations theory, he said, presented opposing possibilities arguing that high interdependence could be either peace-inducing or war-inducing depending upon the expectations of mutual trade. Elaborating upon the argument, he said, if the expectations were that the future trade was going to increase or be substantial, that would have a dampening impact on conflict. On the other hand, he said, if the expectations were low then the countries were likely to go to war with each other. Another variant, he said, was that a state's choice between trade and conflict was based on relative trade benefits. As, he explained, it was possible that both countries might benefit from trade but one of them benefited more which could create resentment and generate tensions between two countries.

As far as the empirical evidence was concerned, Dr. Khan noted, it supported both views. He said the EU and to a lesser extent South America pointed to economic inter-linkages which had led to significant decline in conflict between states, whereas in Asia and Africa there was little evidence of political stability despite the existence of RTAs such as South Asian Free Trade Agreement (SAFTA) and Southern African Development Community (SADC).

Before discussing the South Asian RTAs, Dr. Khan shared a few definitions with the audience to set the context for subsequent discussion. *Conflict*, he said, encompassed both violent conflict and destabilizing but non-violent disputes between and within states. Though, he said, the definition was somewhat broad-based, it was not diffuse as it avoided defining security as *human security*, which, in practice, could mean almost anything that contributed to human well-being. *Regional Trade Integration*, he said, referred to a generalized process of

closer trade links between the countries of a particular region that might or might not be cemented through a formal legal agreement. *Regional Trade Agreements*, Dr. Khan said, were formalised legal arrangements between states that reduced barriers to trade on a reciprocal and preferential basis for other member countries.

Dr. Khan then looked at three important South Asian RTAs - South Asian Association for Regional Cooperation (SAARC); South Asian Free Trade Agreement (SAFTA); and South Asian Preferential Trade Agreement (SAPTA), describing their formal structures as well as the linkages between them. SAARC, he said, was the first regional integration initiative in South Asia which was established in December 1985 with an overarching aim to promote economic, social, cultural, and political integration. SAPTA, he said, was trade specific; was designed to promote SAARC’s economic mandate; was signed on April 11, 1993; and entered into force on December 7, 1995. Over time, Dr. Khan noted, the commodity coverage under SAPTA had increased with the tariff cuts ranging from 5% to 100%. In effect, he said, concessions on para-tariff and non-tariff measures were negotiated bilaterally on a step-by-step basis and followed a product-by-product approach. SAFTA, he added, was signed during the 12th SAARC summit in Islamabad on January 6, 2004 and was ratified in December 2006. SAFTA, he added, built upon SAPTA in that it had a much broader framework and had moved away from product by product approach that restricted SAPTA’s progress. SAFTA ultimately sought to eliminate barriers to trade by instituting a free trade regime, he noted. Referring to the table shown below, Dr. Khan noted that these regional agreements were broad-based as their language covered a broad range of issues. SAPTA and SAFTA, he said, focused on economic issues, whereas the SAARC approach to economic integration was more eclectic as it embraced social, economic, political, and cultural aspects. Though, he said, SAFTA agreement included a large number of conflict and governance clauses, those were mostly in relation to trade and economic aspect.

Trade, Non-trade and Governance Language

Clause/ Text	Trade	Non Trade Economic	Non Economic Non Conflict	Conflict	Governance
SAARC	7	3	28	5	7
SAPTA	18	14	2	1	6
SAFTA	19	57	5	11	15

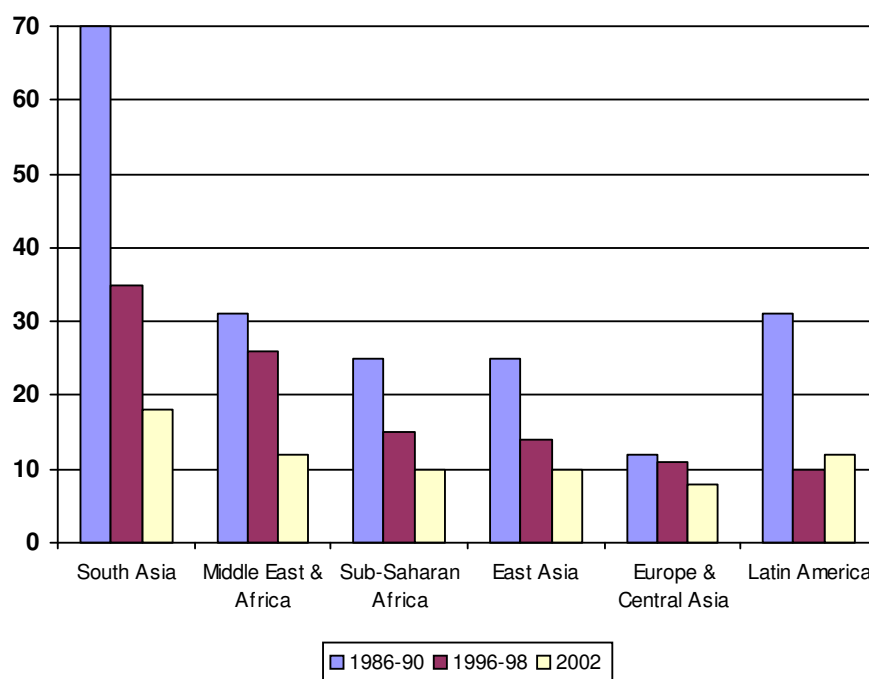
Following this, Dr. Khan proceeded to what he said was the meat of the presentation that is examining the causality between trade and conflict by taking the traditional route whereby trade was supposed to mitigate conflict. As mentioned in the earlier part of the presentation, he addressed three questions: Did the potential for intra-regional trade exist; had RTA’s been able to synergize this trade potential; and had the regional integration process mitigated conflict?

In the context of first question, he said the real issue was, were there trade and economic complementarities within the region. Answering this question, Dr. Khan said that clearly there were promising prospects for intra-SAARC trade in a range of products such as steel, cotton, coffee, textile, garments, rubber, and light engineering goods. However, he said, owing to existing trade barriers, number of these items were currently being obtained from extra-regional sources. Referring to Studies by Khan and himself, which had quantified informal trade between India-Pakistan, between India-Nepal, and between India-Bangladesh, he noted

that in all cases informal cross border trade exceeded formal trade considerably by upto a factor of five. This, he said, indicated the presence of trade complementarities within the region and suggested that SAARC countries could gain considerably in intraregional trade. In a potential sense, he added, trade integration also paved the way for broader economic integration via cross border investment and joint ventures in manufacturing, services, utilities and Information Technology. Concurrently, business exchanges and other private institutional arrangements can also be leveraged, he said.

The tale of tariffs, according to Dr. Khan, was also very encouraging. Referring to the table shown below, he noted that obligations under both the RTAs as well as under WTO had resulted in tariff reduction over time. Drawing an inter-regional comparison, he noted that tariff reductions in South Asia had been the most pronounced.

Tariff-barriers: An Inter-regional Comparison



Dr. Khan then turned to the second question: had the RTAs, with their trade promoting mandates and tariff reductions that they had brought about, synergised regional trade? The evidence, he answered, surprisingly showed that formal trade flows had been abysmally low with trade among the SAARC countries accounting for a mere 4% to 5% of their global exports. Also, he said, this trade had declined dramatically over the past five decades, dropping to its current level from 19% in 1948-49 and had remained stagnant over the years. In fact, he said, trade to GDP ratio stood at less than 1% which, surprisingly, was lower even than the figure for Sub-Saharan Africa.

Have RTAs Synergized Regional Trade?

Year	Intra-SAARC trade	SAARC world trade	Percentage
1986	1055	44042	2.4
1987	1146	49480	2.3
1988	1732	52669	3.3
1989	1723	58595	2.9
1990	1590	65490	2.4
1991	1914	63435	3.0
1992	2488	71149	3.5
1993	2458	72211	3.4
1994	2937	82839	3.5
1995	4263	103878	4.1
1996	4928	110962	4.4
1997	4447	115370	3.9
1998	6001	123144	4.9
1999	5511	131152	4.2
2000	5884	146924	4.0
2001	6537	143443	4.6

To the third question that had the regional integration process mitigated conflict, Dr. Khan’s answer was a clear no. He said that only the two smallest SAARC members - Maldives and Bhutan - were politically stable, whereas all other states were considered politically fragile with the average stability values falling well below the current global average as calculated by the European Commission (EC) in 2005.

Explaining the taxonomy of conflict in South Asia, he said, one would see a tale of war over time when looking at the interstate conflict. He underlined the fact that India, the region’s dominant player, had shared a history of friction in its relations with all of its neighbours be it Bangladesh, Sri Lanka, or Pakistan. Looking at intra-state conflict; he again noted a very high incidence of conflict, with a notable element being that internal conflicts had frequently drawn upon cross border support and provocations and brought the involved countries to the brink of war as was the case of India and Sri-Lanka and India and Pakistan vis-à-vis Kashmir. The causal links, Dr. Khan inferred, were not from trade to conflict but the other way round. In other words, he said, all the major trade initiatives in the region had historically been hostage to conflict.

Turning his initial thesis on its head, Dr. Khan proceeded to demonstrate that political stability was a pre-condition for trade relations to flourish, leading eventually to greater economic integration. Discussing some of the political inhibitors of trade, he said, they were primarily bilateral in nature because, as mentioned earlier, due to power imbalance in the region where India was the dominant power, all the major regional integration initiatives had been held hostage to the nature of relations of regional countries with India.

During the 1990s, he elaborated, political differences stalled progress on SAFTA as throughout this period, India blamed Pakistan for supporting an armed-insurgency in Kashmir and creating instability in the state. In 1998, he added, India and Pakistan declared themselves to be the nuclear states and the military crises of 1999 and 2002 followed, leading to a delay in finalizing SAFTA with the deadline revised to January 1, 2006 from 2001. Similarly, he said, the Composite Dialogue between India and Pakistan linked trade concessions to progress on Kashmir which had continued to stall progress on SAFTA.

In the case of India and Sri Lanka, he said, the planned 1989 SAARC summit in Colombo was postponed due to Sri-Lankan opposition to the presence of the Indian Peace-keeping Force (IPKF) on the island at the time. Similarly, he added, in the case of India and Nepal tensions over greater economic and political freedoms had hindered trade relations between the two. India-Bangladesh trade, he noted, was hostage to differences over the Farakka Barrage. Clearly, he inferred, trade was hostage to politics.

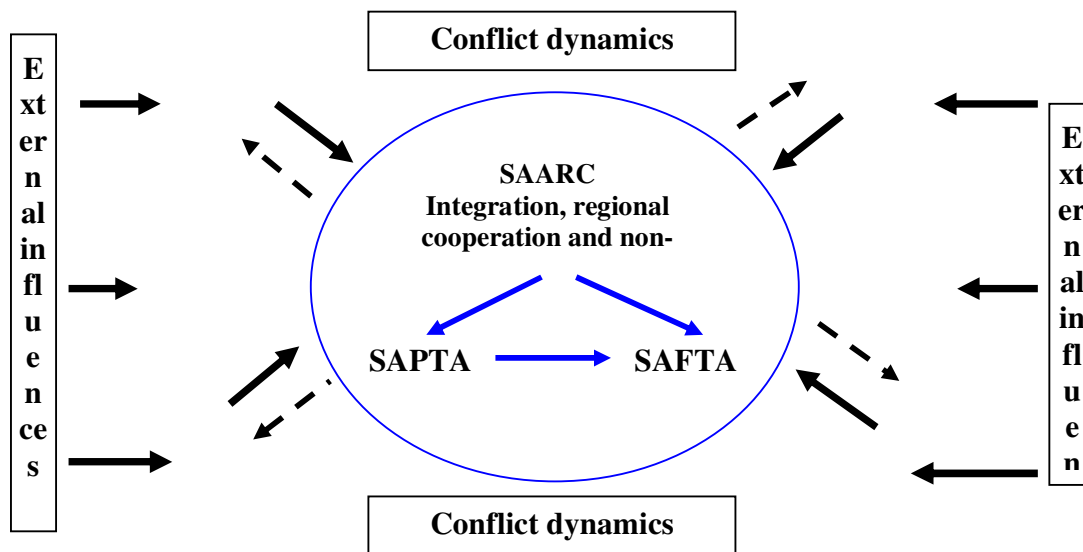
From there, Dr. Khan moved to the next question that how were intra-regional tensions and conflicts diffused? The evidence, he commented, suggested that the external influences did have a strong role to play either directly or indirectly for example the US had a strong influence in the case of Pakistan and India. Interestingly, he noted, in the initial years of regional cooperation, political and strategic concerns deterred economic cooperation, but post-9/11, the situation seemed to have reversed. Nuclear instability and the terrorist or militancy threat in South Asia, backed by intense external pressure, had prompted Pakistan to revisit its relations with India, he said. Presently, he said, a Composite Dialogue was going on between two countries and a cautious thawing of relations between them was evident.

Similarly, he added, in the case of India and Sri-Lanka, the external influences were demonstrated by the activities of Norway, the World Bank, and the Asian Development Bank. Scandinavian countries in particular had played a significant role in moving the Liberation Tigers of Tamil Eelam (LTTE)-Sri Lankan peace process forward through the 2002 Memorandum of Understanding, Dr. Khan said. Besides, he said, the pressure from the US after the LTTE was listed a terrorist organization had led to clampdown on financial flows from the Tamil Diaspora.

While external factors had had somewhat benign influences on inter-state conflict, in relation to intra-state conflict, the impacts had largely been negative, Dr. Kahn noted. In the case of Pakistan, he explained, the secular elite had welcomed US intervention by and large but those within the lower classes were receptive to conservative rhetoric from religious quarters and these tensions and differences were starting to get exacerbated.

In the case of Nepal, he said, the UN intervention had been counter-productive as it had driven a wedge between the government of Nepal, the mainstream political parties, and Nepali citizens. It essentially showed Dr. Khan inferred that dispute resolution through mediation and under third party pressure could only prevent conflict; it could not resolve it. The long term message was, he said, that for conflict to be resolved permanently and for long term peace to be achieved, dispute resolution measures had to be built and institutionalized within the region itself, he said. Capping the story schematically, he said, though the original premise was that the causal link was from trade to conflict, in reality it was conflict which drove trade, and that conflict mitigation tended to have an external impetus.

The Process in Reverse



Dr. Khan proceeded to apply the analysis undertaken at the regional level to relations between India and Pakistan noting that this downscaling from the overarching to the specific had its own merit, and acquired even more importance given that relations between the two countries were key to how regional integration would unfold in South Asia. At the outset, he noted, both countries shared common historical, ethnic, linguistic, cultural, and religious roots but their relations had consistently been conflict-ridden evidenced by the three wars and four skirmish-inducing crises between them.

Similarly, he said, intra-state conflict was manifest in the shape of Khalistan, Kashmir, and sectarian violence in India, whereas in Pakistan there was the Balochistan insurgency as well as the ethnic violence. A lot of this intra-state conflict, he reiterated, was triggered by external cross-border interventions that could lead to a threat of open conflict between two countries or, in the alternate, evoked the specter of a nuclear conflict.

Moving on to ascertain what were the conflict drivers, Dr. Kahn noted that conflict was normally and justifiably co-related with the absence of democracy as by and large, elected governments had been able to diffuse conflicts; negotiators had been able to negotiate on the same wavelength; and the formal and informal channels of communication and dialogue had been established which were able to diffuse tensions before they reached the point of no return. He credited the Indian and Pakistan governments and also various civil society initiatives with finding enough wriggle room to improve political relations with India despite their subservience to the army and the intelligence agencies on strategic issues.

Another driver, he said, was the religious divide as both India and Pakistan were now defining themselves by their religious identities noting that though India would proudly flaunt its secular identity its strong sense of nationalism was increasingly underpinned by religious associations. In Pakistan's case, he added, the clergy had permeated both the public and private consciousness. All this, he said, generated a mutual rhetoric which was hostile and confrontational and fed into conflict.

External factors too, he said, influenced conflicts as external alliances had both fueled and deterred conflict - massive aid finance, military build ups encouraged confrontation whereas external intervention diffused the threat of conflicts or mediated when the conflict did occur.

In the case of economic drivers, he said, poverty was an obvious driver of extremism, and militancy. However, he said, there was a caveat regarding to the centrality of economics to extremism noting that there was enough evidence to the contrary that economic deprivation did not necessarily lead to violent recourse.

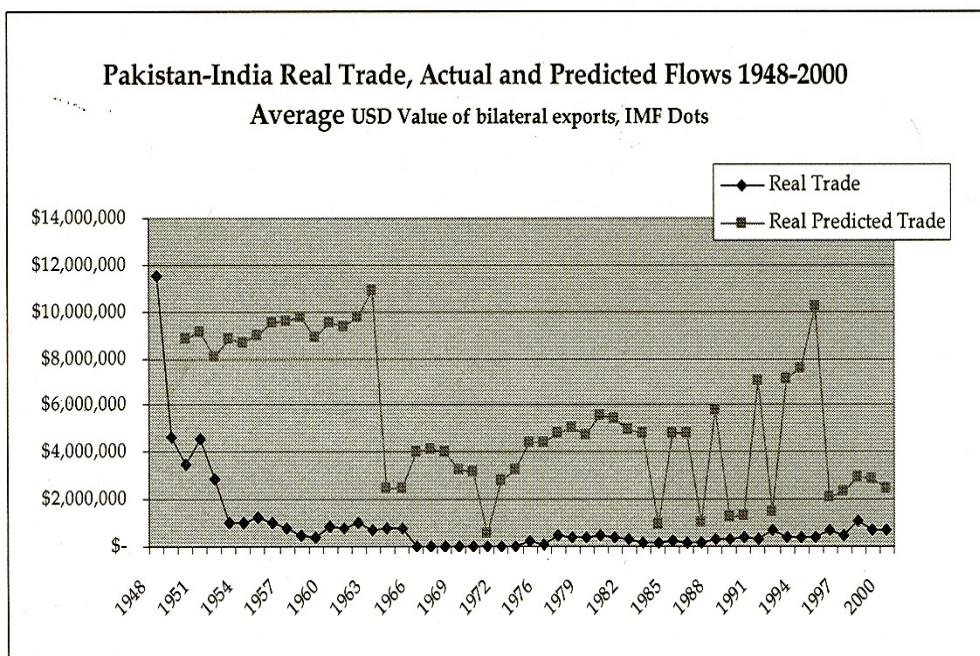
Dr. Khan then moved on to discuss the trade rationale observing that the static potential for trade between India and Pakistan, including both formal and informal trade flows, was close to \$ 1 billion whereas the dynamic potential had been estimated, using a global circulation model and an econometric model, at between \$ 10-12 billion. Besides, he said, there was also huge investment potential in industry, infrastructure, and communications.

As to why this trade or these economic linkages were not taking place, Dr. Kahn singled out several formal and informal trade barriers. Formal barriers, he said, included tariff and non-tariff barriers with the latter comprising quota-restrictions, trade bans and the denial of Most Favoured Nation status to India. Informal barriers, he added, were defined as transaction costs and comprised three categories: procedural costs, transport cost and rent seeking - a euphemism for bribes. These formal and informal trade barriers, he commented, changed with the ebb and flow of political relations between the two countries.

To prove that conflict was the driver of trade, Dr. Khan referred to the work done by Baron Sely, who has demonstrated this quantitatively by using a gravity model to estimate the peace dividend.

The Peace Dividend

Conflict inhibits trade



Referring to the table shown above, which showed predicted trade that would take place without conflict and the actual trade that had been taking place between two countries over time, he noted that the points of convergence were where there had been incidences of conflict. So in effect, he said, it confirmed the hypothesis of the inverted relationship between trade and conflict. In other words, he said, unlike the EU model, in South Asia’s case, trade was not the harbinger of peace; rather it was conflict which stifled trade.

Concluding his remarks, Dr. Khan reiterated that significant trade and economic complementarities existed within the South Asian region, as did the institutional arrangements to promote trade, in the form of RTAs. However, he said, the value of intra-regional trade was small, compared to South Asia’s trade with the rest of the world suggesting that conflict was an inhibitor of trade and that trade was hostage to conflict rather than a promoter of peace. Finally, he said, conflict mitigation per se tended to have an external impetus.

Dr. Safdar A. Sohail

Director General, Foreign Trade Institute of Pakistan

Dr. Sohail started by thanking Dr. Khan for his interesting presentation which, he said, was based on original research shedding light on a topic which was terribly important for all of us whether one looked at it from international relations’ perspective or from economics’ perspective. He appreciated Dr. Khan for giving a very exhaustive and theoretical background of RTAs. The topic, he said, gained added significance against the backdrop of India-Pakistan trade and its ramifications in different other spheres.

About the proliferation of regional trade integration initiatives, Dr. Sohail said that this ‘spaghetti bowl’ of RTAs, FTAs, and PTAs had grown to the extent that it had triggered a very active debate between multilateralism and regionalism. He noted that there was a renewed rush to RTAs especially after the Doha Development Agenda (DDA) had been stalled, which had resulted in a lot of literature looking at the whole issue more critically asking that should we go after RTAs for their own sake. In the case of Pakistan too, he said, there was a feeling in certain quarters that in its rush to signing RTAs, Pakistan just wanted to be on the bandwagon without preparing itself for them; it did not work out their implications nor did it promote them well. However, he argued, Pakistan had signed very meaningful RTAs, particularly those with Malaysia and China, which, if effectively promoted, could bring a lot of benefits to Pakistan.

In this context, Dr. Sohail continued, the linkage between trade and conflict was an important one – but the one on which there was relative shortage of quality literature. Therefore, he thought, Dr. Khan’s presentation would be a useful addition to the whole debate as in our own particular context this was the perception of linkage between trade and conflict which was having very serious ramifications for peace process and for trade and industry also.

On the EU experience, Dr. Sohail said that though it was a success story and had encouraged a lot of countries and nations to give a serious consideration to the options being offered by RTAs, the real question for us was as to what extent was the EU model applicable to South Asian context.

He noted that in the literature on the theory of trade integration, the linkage between trade, growth, and development was being increasingly emphasized. He, however, observed that more trade in itself might not bring development as was clear from the experience of the last decade when huge expansion in global trade was accompanied by an increase in inequality. So, he commented, it was possible that the contribution of trade in the economy of a particular country increased, but inequality would also increase, though poverty might decrease. In Pakistan’s case too, he said, though poverty decreased, inequality went up, prompting the question that what is the kind of nexus between these three?

Pakistan, he noted, now had fairly high trade to GDP ratio; though not as high as in Malaysia, still it was more than 30%, meaning that if important developments occurred in terms of trade, it would be good for Pakistan. Dr. Sohail then highlighted the increased importance being attached to export promotion as a national development strategy by the Pakistan government after the country had integrated its economy with the global trading system. In

fact, he said, the recent financial crisis in Pakistan resulting from a huge trade deficit which was more than its actual exports during the previous financial year, had made us think about the virtues and potential voices associated with trade liberalization. Now the question was, he said, what kind of trade liberalization should Pakistan opt for, and it gained increased importance when one thought of expanding trade within the region especially with India given the fact that both countries did have some complementarities but a lot of competition and very serious asymmetries too.

Referring again to the EU model, Dr. Sohail said, if any message could be deduced from it vis-à-vis the linkages between trade and conflict, it was that in the nineteenth and early twentieth century conflict had been driving the trade and it was not until after the Europeans had exorcised their hatred against each other in the two world wars by spilling all that blood that they saw the merit of peace. It was he said, with the Marshal Plan, after the WWII that the Western Europeans countries learnt to forget all their conflicts among themselves and started doing much more trade and once their trade level started going up they could see the benefits of deeper integration and they went for it. It was, he continued, a well known story starting from steel and iron, three countries, customs union, monetary union, and economic union, all leading them to where they were now. But, he said, we should not forget that around 70% of the EU trade took place within the region, so dependency was high as was manifested in the regionalization of supply chain within Europe.

On the issue of cultural homogeneity, Dr. Sohail only partially agreed with Dr. Khan noting that though Pakistan and India did share cultural, linguistic, and historical roots, there was nothing else which could point to a substantial cultural homogeneity. He then pointed to another important aspect in this connection which was the question of symmetry, observing that Western European countries had comparable economies so the size and scale of asymmetries that were there in South Asian context were not there in Europe even when one compared the per capita incomes of smaller countries with those of Germany and France. Another important difference, Dr. Sohail opined, was that of the role played by the EC secretariat in Brussels and the SAARC secretariat. Whereas the EC secretariat had made huge investments in working out the implications of increased trade, the SAARC secretariat, he said, had been relegated to the status of a post-office showing that the favourable conditions that the Europeans enjoyed did not exist in South Asia. Dr. Sohail drew the attention of the audience to the European experience starting from nineteenth century when they had been living out their conflicts and the colonies were actively engaging into the trade wars, to highlight the adage that the politics and trade/economics were joined at the hips. This, he said, was valid even today, as was clear from the tale of DDA.

He agreed with Dr. Khan that in case of South Asia there was a need to address first to the conflict if the conflict had to be resolved. As for as trade and conflict causality was concerned, he viewed it as more a circular thing meaning that if there was less conflict there would be more trade. Though, he said, the evidence was mixed, the relationship was fairly well established showing that it was important to reduce the conflict to benefit from more intra-regional trade.

Commenting on the type of conflict-drivers, discussed by Dr. Khan, Dr. Sohail found all of them obviously relevant, but noticed the omission of any reference to a word that in India until very recently had been a taboo to pronounce that is Kashmir. He agreed with Dr. Khan's exposition of the conditions which had created those drivers which were generating conflict.

But, he asked, if there were outstanding issues then what we would do of those issues? He drew the attention of the audience to the critical theories and the standing of mediation and facilitation, observing that as long as there would not be a basic notion of truth while defining the outstanding issues, the conflicts could never be resolved. In the neo-realist context, he

added, you could resolve the conflict but basically it would be a reaffirmation of the relationships of power and domination. However, he said, if you really wanted to resolve the conflict with the satisfaction of all the parties, there had to be an agreed upon notion that who was right in that conflict. Pointing to the Middle East Peace Process, he said the example of Oslo Accords proved that even in the interim stages of conflict resolution, the direction of resolution needed to be there and the parties needed to accept what was right and what was not right. In Pakistan’s case, he said, India was part of the Composite Dialogue but the question remained as to what extent it was willing to face the basic question and this was what had kept hostage the whole peace process. Dr. Sohail viewed the recent developments on Kashmir as having amply proved that even without any external interference; the Kashmiris had genuine grievances which needed to be looked into.

Going back to the India-Pakistan trade, he said the issue had a lot of shades, a lot of positions, and a lot of interpretations. Referring to Dr. Khan’s work, spearheaded by SDPI, on informal trade, along with many other studies, he noted that all these studies put the volume of informal trade between \$500 million to \$ 2 billion in 2003. Giving figures to highlight the growth patterns in India-Pakistan trade, he said that in 2007-08, Pakistan’s imports were to the tune of \$1.8 billion whereas its exports were only \$245 million. In 2006-07, he said, Indian exports were \$1.2 billion whereas Pakistani exports were \$385 million. The total trade volume in 2007-08 was more than \$2 billion which, he said, was a huge growth when compared with 1985 when it was hardly \$50 million.

He further said that the argument of formalizing the trade volume was largely taken care of by expansion of positive list by Pakistan which now had more than 1900 items on it. Even in the current trade policy, of which FTIP was part of formulation exercise, a lot of items were added to the positive list on the demand of the industry although in the media it was portrayed as very pro-India.

Dr. Sohail was of the view that if one looked at the non tariff barriers in India, the unwillingness of Indians to look at Pakistan to import, one would get the feeling that the Indians were not really keen to import from Pakistan despite the fact that Pakistan did have comparative advantage in many items. On the other hand, he said, when importing from Pakistan served their interests, such as cement, then they would do away with all the Non-Tariff Barriers (NTBs), otherwise if you wanted to export something to Bombay they would ask you to bring it to Calcutta.

He recalled how a couple of years ago when Pakistan would talk about Indian NTBs, many would blame her for a nationalist jingoism, but when it submitted a non-paper to SAARC secretariat listing all the Indian NTBs, situation became clear, and now I could confidently claim that India had a lot of NTBs and TBTs which it should reduce.

From purely economic perspective also, he said, government of Pakistan realized that the current level of trade deficit was not sustainable and many sectors of Pakistan’s economy needed protection in a legitimate way. Therefore, he said, it was better to gradually open up trade with India declaring that sooner they diffused the conflict better it would be for both the countries.

Dr. Sohail agreed with Dr. Khan’s argument that actual trade and investment potential between India and Pakistan was huge, commenting that prior to 1947 the economic relationship was much more dynamic and comprehensive. He said that South Asia should move towards deeper economic integration, noting that these FTAs and PTAs offered very limited possibilities for deeper economic integration, which would come through investment and through mutual recognition of standards. Though, he said, SAFTA in principle conceived

a common market, but the question remained as how to move towards that goal, if that was the ideal that had to be there.

He said that a lot of people thought that these asymmetries between India and Pakistan could be diluted if the nature of State obtaining in all the countries, including India and Pakistan, changed. To bring home his point, Dr. Sohail quoted an Indian author, Surrender Sharma, who had written an article recently in an American journal wherein he made this case that the current Indian State was the Successor State to the British colonial empire with all the features and attributes of British colonial empire, and pleaded for changing the essential nature of the State for the benefit of the people of India primarily and then those of the whole region.

Dr. Sohail believed that South Asians still lacked a South Asian vision which obviously had to come from the bigger partners. He was of the view that India had to commit itself to some kind of a South Asian vision, but if they were more interested in having trans-regional agreements such as those with South Africa and Brazil and were committed to South Asia more for moral posturing only, then the situation would continue to be the way it was.

General Discussion

Dr. Sohail’s comments were followed by a lively debate showing participants’ keen interest in the issues discussed during the seminar. One of the participants suggested putting conflictual issues on the backburner in order to let trade flourish, whereas another one pointed to the positive developments in India-Pakistan economic relations despite the Kashmir problem – an encouraging trend which he said needed to be sustained. Another participant was keen to know the reason behind Indians’ unwillingness to import from Pakistan and what Pakistan government had been doing to tackle this problem. The conflict-ridden history of India-Pakistan relations was cited by another participant who warned against the hopes of entertaining any sort of friendliness from Indian side. One of the participants wanted to know how did the faith-based groupings like Organization of Islamic Conference (OIC) function vis-à-vis regional trade integration initiatives. The increased need for regional economic integration amidst the global economic meltdown was highlighted by another participant. The findings of Dr. Kahn’s presentation which favoured International Relations theory’s primacy in explaining trade-peace-conflict linkage were highly appreciated by one of the participants who said that it was imperative to widely disseminate these findings which showed the hollowness of an idea imported from the West.

(The audio report of the Seminar, available on I-SAPS’ website, contains the complete discussion)