

The Line of Control (LoC) Trade: A Ray of Hope

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Abstract

The cross-Line-of-Control-trade is said to be the biggest confidence-building measure on Kashmir between India and Pakistan. Many analysts argue that it is a cosmetic step which was started by the two governments as they were compelled to address the humanitarian aspect of the Kashmir problem due to various factors. However, even if it is a cosmetic step, the question arises as to whether it has really benefitted the Kashmiri people in different spheres of their lives - economic, psychological, emotional, and political. The paper also tries to explore that despite the many problems that traders have to come across during their business dealings, Kashmiris are determined that this process is sustained and does not fall prey to the uncertain relationship that exists between India and Pakistan. The paper traces the events of the past 14 years that led to the initiation of this confidence-building measure (CBM), discussing in detail the benefits and problems that are being faced by the traders, and suggests a number of recommendations as a way forward.

Introduction

Trade between the Jammu region and the Kashmir valley, Jammu and Kashmir, and the rest of the world along the Silk Route goes back to hundreds of years, and continued until the subcontinent was divided into two independent countries in 1947. Earlier, due to its geographical location, the valley of Kashmir was difficult to access, and thus trade with other parts of India and other regions of the globe remained limited. However, by the middle and later part of the nineteenth century, Jammu and Kashmir gradually enhanced its trade ties with neighbouring areas. Trade from Kashmir to the rest of the world through Punjab showed marked improvement from 1869 as ghee, grain, fruits, nuts, and wooden products formed major exports of Kashmir, and salt, sugar and cotton cloth were imported in this period.¹ The following years saw consistent growth in the economic activity of the region. By 1919, European markets were flooded by the silk that was produced in Kashmir.²

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The division of the state of Jammu and Kashmir into two parts in 1947, and the subsequent imposition of the ban on human and goods' transfer left a deep psychological and emotional mark on the people, as well as the economy of both parts of the state. Azad Kashmir is lagging behind in economic and industrial development due to ineffective policies by the successive Azad Jammu and Kashmir³ governments, resulting in a high rate of unemployment, whereas the Indian-held Kashmir has hardly witnessed peace and tranquillity and therefore, development and opportunities for employment have remained low with the result of widespread poverty. According to the state's economic survey of 2012-2013, the Indian side of Jammu and Kashmir has the highest unemployment rate of 5.3 per cent, in comparison to its neighbouring states.⁴

Kashmir has been a source of two full-fledged wars and one near-war situation between India and Pakistan in the past 67 years. As an unfinished agenda of the partition plan, Kashmir has been witness to much bloodshed, as thousands of Kashmiri youth have lost their lives for the sake of their peoples' right to self-determination. Since 1947, all efforts to settle this issue according to the wishes of the Kashmiri people have gone in vain. Traditionally, both India and Pakistan had viewed the Kashmir issue through their respective security lens, and the humanitarian aspect of the Kashmir issue was ignored in any deliberations that took place between the two countries on this matter. However, this situation has changed in the recent past, and today the humanitarian aspect of the conflict has taken the central point.

Framework

For years, liberals and realists have argued whether economic interdependence really play a role in bringing peace between states besides the economic gains that are accrued, or whether it is less likely to avoid circumstances where states find themselves engaged in conflict despite their economic dependence on each other. Each school of thought has presented its own arguments in support of their views, but the fact that cannot be denied is that in the past few decades, economic and trade relations have taken a key position in ensuring peace and security between the two countries.

Liberals believe that economic interdependence leads to incentives for cooperation, reduces misperceptions, and fosters formal and informal mechanisms that might help in resolving conflicts of interests between states.⁵ It leads to peaceful relations between states as they enjoy the mutual benefits of trade. In the words of Montesquieu, "the natural effect of commerce is to bring about peace. Two nations which trade together render themselves reciprocally

dependent.”⁶ States find it difficult to meet the costs of war and of maintaining a military force. Trade, on the other hand, is an easy and cheap way of achieving material gains. Internal economic development with a worldwide market for goods and services is far more beneficial, as compared to invading a land. War may provide short term benefits, but the long run costs mostly override these. Therefore, states avoid policies that might lead to war or a suspension of economic ties.

According to liberals, governments also have to respond to domestic demands for economic welfare. States do not strive for mere survival. Instead, economic growth and welfare are the main goals and therefore, the potential loss of trade after a war or the costs of war result in states having lesser interest in war. Peaceful coexistence with mutual economic benefits in the form of trade serves the purpose of the state.

The growing economic relations between China and India can be cited as one example of the liberal theory of economic interdependence. Both the countries have fought wars and have a range of disputes in their bilateral relationship. However, despite their disputes, both India and China have improved their economic relations, and have taken it to a point where it has become the determining factor in their relationship. Similarly, LoC trade, although it is not considered to be international trade but rather trade between divided parts of a state, can be termed as another example of the liberal theory of economic interdependence. It has not only helped the Kashmiri people in finding new avenues of economic development, but has also raised hopes that if sustained, it would help in finding a lasting solution of the Kashmir issue, and bring about peace and security in the region. Having economic stakes in this trade, Kashmiris have been raising their voices for bringing requisite improvements in the process and making this CBM a success.

As far as methodology is concerned, this paper revolves around trade between the divided parts of the state of Jammu and Kashmir through the Line of Control. For this purpose, data was collected through different sources. A lot of work on Kashmir has been undertaken by a number of national and international think tanks. Their work and publications were used for developing a better understanding of the issue. A number of independent organisations that are exclusively working on Kashmir were also helpful, as their focus on peace-building helped in understanding the problems that are being faced by the Kashmiri people. Besides, newspapers were used for information on latest developments. In addition to these, interviews were also conducted with officials of the concerned ministries for information and data collection.

Run-up to the Travel and Trade Service

With major developments taking place around the globe, such as the disintegration of Soviet Union and the end of Cold War, the nuclearisation of South Asia, the rise of China, and the subsequent global War on Terror, a paradigm shift has occurred in the policy of India and Pakistan towards Kashmir. Following attacks on the twin towers in the US and the global War on Terror, India and Pakistan felt compelled to shun hostilities and come to the negotiating table for a meaningful dialogue. This led to President Musharraf floating his four point formula.⁷ Following the restoration of direct transport links between India and Pakistan which were disrupted after the attack on Indian Parliament,⁸ a ceasefire agreement along the Line of Control (LoC) as well as the international border was a welcome development.⁹ The composite dialogue process also resulted in a number of CBMs on Kashmir. In January 2004, Indian Prime Minister Vajpayee visited Islamabad to attend the SAARC summit and met the Pakistani President Musharraf. Both the leaders pledged to fight terrorism, resume meaningful dialogue on all issues including Jammu and Kashmir and further consolidate CBMs.¹⁰ In fact, even before the start of the dialogue process, the leaders from both sides of the border had been talking about making progress on the issue of Kashmir. For Indian Prime Minister Vajpayee, it was important to have ‘forward movement on Kashmir under the ambit of humanity’.¹¹ Similarly, for the Pakistani President Musharraf, an ‘out of the box’ solution was imperative.¹² This resulted in India-Pakistan engagement on Kashmir which basically took note of humanitarian concerns instead of political positions.

The 14th Lok Sabha elections in India saw the Congress party along with its allies forming a new government in New Delhi. This change at the helm of affairs in India did not affect the dialogue process. Subsequent meetings between the Foreign Ministers of the two countries in September 2004, and later that month between Prime Minister Manmohan Singh and President Musharraf, saw Kashmir being discussed at length- particularly the opening of the LoC for travel. Early next year, on February 16, 2005, a formal announcement was made of a bus service which was to be run between Srinagar and Muzaffarabad.¹³ Two months later on April 7, 2005, despite a militant attack on a Tourist Reception Centre in Srinagar that was accommodating 24 passengers,¹⁴ the bus service was formally launched.

The basic aim of this step was to facilitate divided families. This paved the way for more people-to-people contacts and trust-building between the people of the two parts of Kashmir. A week later, President Musharraf visited Delhi and

met Prime Minister Manmohan Singh. At the end of their deliberations, both the leaders decided to work more extensively to take forward the dialogue process and continue further discussion on Kashmir in a purposeful manner for a final settlement.¹⁵ They also decided to take further measures to increase interaction and cooperation across the LoC, including agreed meeting points for divided families, trade, pilgrimage, and cultural interaction. They strongly condemned the attempt to disrupt the bus service, and reiterated their commitment to curb terrorism. They also decided that the frequency of the bus service would be increased, and a second route between Poonch and Rawalakot would be opened.¹⁶ This second route between Poonch and Rawalakot was opened in June 2006.¹⁷ Earlier, the 2005 earthquake also served as a turning point. The massive destruction and human loss forced the Kashmiris to demand that they should be allowed to cross the LoC and enter Azad Kashmir in order to help their brethren. This paved the way for the opening of five foot-crossing points to facilitate relief and rehabilitation work, and to provide an opportunity to the divided families to hold meetings.¹⁸

Encouraged by these developments, the Kashmiri people started to urge the two governments to also allow them to conduct trade. By 2006, these demands led India and Pakistan to reach an understanding, that they would allow the Kashmiri people to conduct trade of selected items that are produced in Kashmir. India also expressed its desire to find a solution where borders become “irrelevant”¹⁹, without making any compromise to their territorial integrity and official positions. Prime Minister Manmohan Singh, while talking to the media in Srinagar, stressed that:

“There are real winds of change in the subcontinent today. Economics, technology and travel are altering older mind sets of suspicion, fear and hostility. It is undeniable that much has changed between India and Pakistan in the past few years. Trade, people-to-people contact, cultural exchanges and most of all the desire to move on are altering the landscape of our relationship. I would like the entire state of Jammu and Kashmir to be part of this wider process”.²⁰

The year 2008 brought with it many problems for the Indian government. Violent riots broke out in Kashmir over the transfer of 39.88²¹ hectares of land by the state government for a temple trust. Continuous unrest in the valley forced the government to take its earlier decision back, which infuriated Hindus in the Jammu region. With Jammu erupting into protests, the main highways were blocked, which restricted the movement of goods to and from Kashmir valley to the other parts of India.²² This situation forced the Kashmiri people to take to

streets and march towards the LoC, demanding that the trade links between the two parts of Kashmir be restored at the earliest. Slogans like “Kashmir ki mandi, Rawalpindi (Rawalpindi is the natural market for Kashmiri produce) were heard in every nook and corner of Kashmir valley.²³ The loss of several lives due to these protests at the hands of security forces put the Indian government in a dilemma. Not only did it present a serious internal law-and-order problem, but India’s image in the international community also became questionable. In this scenario, it was felt that the initiation of cross-LoC trade, the decision for which had already been taken by the two governments, would sooth the anger in the valley. Furthermore, assembly elections were also approaching in the state. In order to ensure public participation in the election and to make it credible within the country as well as internationally, it was absolutely important for New Delhi to win the hearts and minds of the people, and thus it was the perfect time to kick-start this CBM.

In order to negotiate dates and other details i.e. the movement of trucks, code of conduct for drivers, permits and lists of items et cetera, a number of meetings were held between high-level government officials of the two countries. The meeting between Pakistan’s President Asif Ali Zardari with the Indian Prime Minister on the sidelines of the UN General Assembly session in New York resulted in the announcement of October 21, 2008²⁴ as the date for the launch of cross-LoC trade of twenty one items for duty free passage. The Joint Working Group on Cross-LoC CBM finalised the terms and conditions for the trade in its meeting on September 22, 2008 which included the following:

- a. Trucks would be allowed to go to a designated point.
- b. A system of computerised single entry permits, known as Truck Entry Permits, would be issued in triplicate by the respective Trade Facilitation Officers. The permits would contain a picture ID of the driver, his name, address, license number and details of the vehicle. The permit will specify that there is no contraband or dangerous material in the vehicle or in the consignment.
- c. The drivers of these trucks would wear bright yellow and pink jackets/vests with “Driver-Chakoti/Rawalakot and Driver Salamabad/Chakandabagh” inscribed on the back.
- d. The permit would allow the driver to enter and exit after unloading/loading the cargo.
- e. Trucks of carrying capacity amounting to 1-1.5 tonnes would be employed.
- f. Cargoes would be sealed by the Trade Facilitation Officer.

- g. The signatures and seals of the Trade Facilitation Officers would be exchanged by both sides.
- h. Cargo manifests indicating the items being carried, the particulars of consignor(s) and consignee(s), and packing list with marks and numbers would accompany the consignment. A copy of the invoice raised by the exporter would also be carried. Both these documents would be attested and sealed by the Trade Facilitation Officer.
- i. Appropriate security arrangements would be made.
- j. Truck movement shall be between 0900 hrs and 1600 hrs.
- k. Truck movement would be on Tuesdays and Wednesdays, both on Srinagar-Muzaffarabad and Poonch-Rawalakot routes.
- l. In case of Force Majeure, the Trade Facilitation Officers would get in touch with each other and resolve the matter as the situation demands, on the spot.²⁵

It was also agreed that the matters related to this trade would be reviewed annually.

A New Dawn

On the announced date i.e. October 21, 2008, 13 trucks carrying apples came towards Azad Jammu and Kashmir (AJK), and 14 trucks containing fruits, onions and spices moved towards Srinagar after a gap of 61 years.²⁶ Since a final settlement of the dispute of Jammu and Kashmir is still not in sight, both India and Pakistan do not recognise LoC as an international border and therefore, it was decided that this trade would be a zero-tariffs trade. In fact, it is considered to be trade between two parts of a state. This CBM was meant to uplift the economic condition of the Kashmiri people, reduce their suffering, and increase and facilitate the interaction between Kashmiri people to create interdependencies between them. Trade has been especially beneficial for the members of divided families, unemployed youth, and former combatants. Besides holding a ceasefire agreement along the LoC and international border (apart from occasional incidents), the bus service and the introduction of trade are considered to be the biggest achievement of composite dialogue between India and Pakistan. Having symbolic as well as real value, LoC trade is expanding as more and more traders are joining in. It has indeed helped the people of the divided state to engage in an activity that is mutually beneficial economically, and enhances their role in the process of resolving the Kashmir issue.

Increasing People-to-People Contacts

According to one survey, a significant majority of Kashmiri traders - 60 per cent to be precise- believes that people-to-people contacts in the form of trade and travel can go a long way in finding a lasting solution of the Kashmir problem.²⁷ With the passage of time and the trade gaining momentum, more and more people are coming out and denouncing hostilities across LoC, supporting peace between the two countries. The continuance of LoC trade without any problem following the Mumbai terror attacks, when the composite dialogue between India and Pakistan came to a sudden halt, is a testimony of the determination of Kashmiri people to keep this CBM afloat. It was only the skirmishes that took place on LoC earlier and in the middle of last year that forced the traders to suspend trade for some time.

Making this CBM a Success Story

For a majority of traders, supporting a confidence-building measure between two arch rivals was the main motivating force. Many people feel emotional attachment with the other side of Kashmir, and are thus willing to take all sorts of risks to make this process a success. In addition to it, the advantage to the divided families to be reunited with their loved ones makes LoC trade and travel even more beneficial. Interestingly, according to one survey, more than 50 per cent of the trade taking place is between relatives, as this has helped the traders make this CBM a success despite the presence of so many hurdles.²⁸ This aspect of LoC trade and travel is important, as only people's support and participation can take this CBM to the point where it can serve as a base over which political issues can be resolved.

Employment Opportunities

For the unemployed Kashmiri youths, this trade presented an opportunity for employment. Hundreds of people have now found their livelihood by becoming traders, drivers and loaders etc.²⁹ In towns where these trading points are located, an upward trend in economic activity has been witnessed, as people having property close to the transit points have established storage units or other infrastructure to facilitate people involved in trade.

A Peaceful Path

In addition to the unemployed educated youth, it is worth mentioning that some former combatants have also chosen to leave the path of violence, not only

for the sake of economic gains, but also to give peace a chance. A report by Conciliation Resource and Pakistan Institute of Legislative Development and Transparency puts the number of such combatants at 40.³⁰ The report further states that a number of militant organisations who were initially against this CBM are now increasingly realising the potential of cross-LoC trade in bringing lasting peace to the region. Similarly, leading Kashmiri political parties including the All Parties Hurriyat Conference, People's Democratic Party, and National Conference have all expressed their optimism about this CBM.³¹ It is also worth mentioning that so far, cross-LoC trade has not been a source of security compromise for both India and Pakistan.

Establishing the Jammu and Kashmir Joint Chamber of Commerce and Industry (JKJCCI)

The rapidly expanding people-to-people contacts and the determination to keep this CBM alive also paved the way for a number of other positive outcomes. In this regard, the formation of Jammu and Kashmir Joint Chamber of Commerce and Industry (JKJCCI) in 2012, following an agreement that was signed between the stakeholders in Istanbul, is a step forward in the right direction.³² JKJCCI came into existence as a result of joint efforts by the trader communities from both sides of the divide. The joint chamber is supposed to: (a) “act as a pressure group to nudge state and national governments to implement their official vision of enhancing cross-LoC collaboration beyond mere symbolism” and (b) “to galvanise other stakeholders in the economy to support the initiative, thereby creating a sense of ownership and empowerment on both sides of the LoC”.³³

Economic Activity

Cross-LoC trade is also expected to bring improvement in the economy of Jammu and Kashmir by turning the conflict zone into a hub of economic activity. Furthermore, with peace and tranquility, this CBM would also help in attracting local and foreign investment in the region. This trade will also be responsible for the development of local industries, like the walnut-wood furniture industry or the timber industry.

Bridging the Gap between Jammu Region and Kashmir Valley

Another hallmark of LoC trade is that it brought both the Kashmir valley and Jammu region on the same page.³⁴ Jammu, being a predominantly non-Muslim majority area, has mostly stayed away from all the earlier CBMs. For them, any effort of finding a solution to the Kashmir dispute was akin to serving the purpose of “anti-state elements”. However, this time around, apart from a section

of the people who saw this CBM as a security threat, the Jammu region by and large also found this CBM to be advantageous enough to join in and make every effort to make it a success.

Trade Facts and Figures

Initially, it was agreed between India and Pakistan that trade activity across LoC will take place two days a week - on Tuesdays and Wednesdays. However, it was increased to four days a week in July 2011, and the number of trucks from each side was increased to 200 from 25.³⁵ The list of 21 tradable items that were agreed on by the two governments are listed below:

*Items Traded from Salamabad to Chakoti and
Chakandabagh to Rawalakot*

Sr. No	Items
1.	Carpets
2.	Rugs
3.	Wall Hangings
4.	Shawls and Stoles
5.	Namdas
6.	Gabbas
7.	Embroidered Items
8.	Furniture including Walnut Furniture
9.	Wooden Handicrafts
10.	Fresh Fruits and Vegetables
11.	Dry Fruits including walnuts
12.	Saffron
13.	Aromatic Plants
14.	Fruit bearing plants
15.	Dhania, Moongi, Imli and Black Mushrooms
16.	Kashmiri Spices
17.	Rajmah
18.	Honey
19.	Papier Mache products
20.	Spring, Rubberised Coir/ Foam Mattresses, Cushions, Pillows and Quilts
21.	Medicinal Herbs

Source: “Items to be traded from Salamabad to Chakoti and ChakandaBagh to Rawalakote” document obtained from Ministry of Foreign Affairs, Government of Pakistan, Islamabad.

*Items Traded from Chakoti to Salamabad and
Rawalakote to Chakandabagh*

Sr. No	Items
1	Rice
2	Jahnamaz and Tusbies
3	Precious Stones
4	Gabbas
5	Namdas
6	Peshawari leather Chappals
7	Medicinal herbs
8	Maize and maize products
9	Fresh fruits and vegetables
10	Dry fruits including walnuts
11	Honey
12	Moongi
13	Imli
14	Black Mushroom
15	Furniture including walnut furniture
16	Wooden handicrafts
17	Carpets and rugs
18	Wall hangings
19	Embroidered items
20	Foam mattresses, Cushions and Pillows
21	Shawls and Stoles

Source: “Items to be traded from Chakoti to Salamabad and Rawalakote to ChakandaBagh” document obtained from Ministry of Foreign Affairs, Government of Pakistan, Islamabad.

Some more information provided by the Travel and Trade Authority (TATA) Muzaffarabad, Azad Kashmir is as follow:

Current volume of trade per month	Rs. 400-500 Million
Currents volume of trade per anum	Rs. 5-6 Billion
Total number of trucks that have crossed Loc from Indian Occupied Kashmir to Azad Kashmir	32,000
Total number of trucks that have	26,000

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crossed Loc from Azad Kashmir to Indian occupied Kashmir	
Items mostly exported from Azad Kashmir to Indian occupied Kashmir	Fresh fruits, dry fruits, embroidered items, carpets, herbal medicines, daal moongi
Items mostly exported from Indian occupied Kashmir to Azad Kashmir	Kashmiri spices, embroidered items, Imli, coriander, onions, coconut, dry fruits, fresh fruits and herbal medicines
Total number of traders from Azad Kashmir currently registered with TATA	14,000

Source: Information provided by Travel and Trade Authority (TATA), Muzaffarabad, Azad Kashmir.

It is generally argued that cross-LoC trade has not been able to realise its full potential. Besides other problems related to trade modalities, officials blame the ban on items like garlic, ginger, ajvaine, coconut and dates by the Indian authorities, and dal moongi by the Ministry of Commerce, Pakistan for these state of affairs.

Impediments to the Trade

As mentioned earlier, despite its utility, LoC trade suffers from a number of short comings. Due to these problems, many established traders do not see this venture as an attractive opportunity and they continue to look for other options. However, those who have ventured into this CBM are determined to continue it, and are raising their voice at different forums for the improvement of this process.

Lack of Communication Channels

The cross-LoC trade is unique in the way that in this business, traders usually do not know who exactly they are dealing with, as they have had no chance of holding direct interaction with their counterparts. Due to security concerns, the governments have also banned traders from international direct dialling system. Furthermore, no postal or courier service is available to the traders.³⁶ This problem was solved by the traders when they decided to exchange their business cards through truck drivers.³⁷ This helped many traders to know who they were dealing with and what other options were available. In many cases, it has been

observed that the traders are actually trading with their own relatives that live across the line, or seek guarantees from their relatives for their counterparts.

Limited Tradable Items and Conducting Market Surveys

At the moment, 21 items of Kashmiri origin are allowed by the two sides to be traded. However, traders believe that the list must be much longer, containing at least 85³⁸ items. Many of the items that have been included in the existing list are not according to the market realities. Some of the items are not really in demand in the market across the LoC or are more direly required at the local markets. Furthermore, traders are also not allowed to conduct market surveys across the line. Traders demand that they should be allowed to conduct market surveys and trade items on day-to-day market needs. Traders also demand that the governments of India and Pakistan should allow them to include items that are produced anywhere else in country. This will lead to a true increase in trade volume and profits.

Absence of Banking System

Absence of proper banking systems is yet another problem that the traders from both sides have to deal with. As no decision was taken about the currency to be used in trade during the official deliberations, traders did not have any proper mechanism to make payments. This situation forced the traders to rely on barter system. It has been a source of great concern for the traders, as often and particularly in the initial days of this CBM, it was hard for the traders to conduct barter trade with a person they hardly knew. Although most of the traders have relatives across the Line of Control, doing business with partners whom they have never met poses a great challenge for them. The absence of a proper banking system also results in uneven trade.

Providing Better Infrastructure Facilities

Provision of better infrastructure is another demand for which the traders want immediate attention of the authorities. Only 1.5 metric tons per truck is allowed to cross the LoC because of the weak infrastructure, which causes financial constraints for the traders due to high fuel, insurance, and other costs. In addition to it, traders cannot take their goods to the final destination. Trucks are supposed to be unloaded and reloaded near the check points for screening and after crossing the LoC; commodities are once again reloaded on local trucks, which often cause damage to items like vegetables and fruits.³⁹ The storing facilities at the Trade Facilitation Centres (TFCs) are also of little help to the

traders. The traders feel that there should be a bigger screening machine to avoid the process of off-loading and reloading the trucks.

Smuggling

Another major problem that has been noticed is the increasing involvement of big business tycoons from outside Jammu and Kashmir. Established business people from other parts of India and Pakistan are using this CBM to trade their goods across the LoC, using the Kashmiri people as facilitators. In this way, they are able to evade taxes that they have to pay if they trade their goods through other border points. Unlike Kashmiri traders, these business tycoons do not face problems of communication and therefore, are in a better position to know the market demands. This situation also requires the urgent attention of concerned authorities, as this CBM was meant solely for the Kashmiri people.

Dispute Settlement Mechanism

Also, there is no formal mechanism to settle disputes between the traders. Disputes are mainly settled by using means like family pressure, as traders from both sides more often than not belong to the same families. Elsewhere, on receiving formal complaints, the Trade Facilitation Officers arrange a meeting between the parties to settle the dispute in an amicable manner.⁴⁰ Perhaps an introduction of a formal system to settle disputes will help traders overcome these problems.

Hostilities on Line of Control

Besides the aforementioned problems, tensions and active hostilities on LoC also cast their dark shadow on this CBM. Cross-LoC bus service and trade came to a sudden halt earlier and in the middle of last year, when tensions between the two countries escalated as both sides lost a number of soldiers and civilians in an exchange of fire. Similarly, the recent incident of India arresting a Pakistani driver on the charges of smuggling 114 packets of brown sugar is another example.⁴¹ As per the understanding between the two governments, if any such incident takes place, the truck and the driver are to be returned to the host country with all the available proofs, as only the host country can conduct proper investigation into the matter.⁴² However, in the above mentioned case, India preferred to arrest the driver and refused to hand him over to the officials of Azad Jammu and Kashmir. In response to this, Pakistani officials also held all 27 truck drivers coming from the Indian-held Kashmir.⁴³ This incident resulted in the suspension of trade and travel for over five weeks. Moreover, as per the

modalities that were agreed upon by the two governments, empty trucks are supposed to return during daylight. According to government sources, the Indian side is not adhering to the set timings.

Good and friendly relations between India and Pakistan are absolutely imperative to make this process a success. The past few months have clearly shown that tensions on LoC or even the international borders have an adverse effect on the smooth flow of trade. It is the need of the hour that India and Pakistan work more closely and extensively to find ways of overcoming the problems being faced by Kashmiris, and make this CBM a success in letter and in spirit.

Way Forward

In light of the arguments presented in the course of this paper, some pertinent policy suggestions are given below.

1. It is imperative that both India and Pakistan work towards improving facilities at the trading points. Facilities of uninterrupted power supply, cold storage to preserve food items, and x-ray machines to scan goods are required at the TFCs in order to facilitate traders, and to avoid unnecessary delays and damaging of goods, especially perishable items.
2. Due to the absence of a proper banking system, the LoC trade is commonly known as a “blind trade” or a “proxy trade”.⁴⁴ There is an urgent need to introduce a proper banking system in order to not only create a proper business environment and facilitate traders, but also to ensure sustainability of this CBM. There is an urgent need for a bank from Azad Kashmir to open a branch in the Indian-held Kashmir and vice versa.
3. It is also important that heeding the demands of traders from both sides, the governments in India and Pakistan should work towards revising the existing list of tradable items. This list should be much longer, details of items included in the list should be specified to avoid any sort of confusion, banned items should be replaced with new ones and lastly, this list should be in accordance with the market realities of both sides of the divide. A number of suggestions have been made in this regard by different agencies. The Federation of Chambers of Commerce at the Indian-held Kashmir believes that export of manufactured products should be allowed by the two governments. It has advocated the inclusion of 52 items in the list. Similarly, Joint Chamber wishes tourism and software industries to be part of cross-LoC trade. In order to address

this genuine problem faced by traders on both sides, both the governments need to take concrete steps.⁴⁵

4. Communication channels should be easily available for the traders so that they may conduct their business negotiations without any hindrance. Furthermore, traders should be allowed to travel between the two parts of Kashmir to have first-hand information on market demands, and meet their counterparts in person. It is high time that all sorts of communication channels, including landlines, mobile, courier and postal services be opened between the two parts of the state. Joint Chamber had suggested special multiple entry Trade Pass for the traders. The visits by the traders to other parts of the state should be made easy and hassle-free.
5. The main motive, as touted, behind introducing this CBM was to address the economic and humanitarian concerns of the Kashmiri people. However, in the recent years, some of the government departments that are responsible for checking smuggling have been raising their concerns over the fact that LoC has become a major route for smuggling. As mentioned earlier, cross-LoC trade is a duty free trade. This characteristic has made it attractive to the business tycoons, both from India and Pakistan. It is being demanded by these departments that proper custom officials be assigned the duty to curtail smuggling. However, introducing any such move would imply that Pakistan considers this trade to be an international trade, which will have political implications. Besides, since this move was introduced solely for the benefit of Kashmiri people, therefore, any move in this regard without taking the traders on board is not advisable.⁴⁶ It is also worth mentioning that these concerns expressed by some of the departments are not shared by the authorities in Azad Kashmir, which are directly responsible for overlooking this trade. In view of the situation, both India and Pakistan need to devise a strategy that could check any illegal trade being conducted across the Loc, without harming the interest of genuine Kashmiri traders.
6. New routes for trade and travel should be opened. There are a number of recommendations to open Kargil-Skardu, Jammu-Sialkot, Turtuk-Khapulu, Chahamb-Jorian to Mirpur, and many other routes to further interconnectedness between the two parts of Kashmir. At the same time, authorities on both sides need to make a genuine effort to improve infrastructure on the existing routes.
7. The JKJCCI need to play a more proactive role in resolving the problems of traders and finding new avenues to further economic activity.
8. It is also important that all the traders are registered with the authorised body so that the smuggling activities can be checked.

9. Corruption by the officials on both sides of the divide is yet another problem, where immediate attention of the authorities in both countries is required, so that traders are not discouraged and are able to take full advantage of this CBM.
10. Peace at LoC is absolutely imperative for the sustenance and growth of cross-LoC CBMs. Tensions and military hostilities on LoC disrupts the smooth flow of the system. Both India and Pakistan need to take concrete steps to ensure that the events of January and August 2013 are not repeated.
11. It is also important that both India and Pakistan should encourage and facilitate intra-Kashmir dialogue on a regular basis, so that the people belonging to both parts of Kashmir may have an opportunity to understand each other's points of view, and develop their recommendations based on mutual consensus to find a peaceful solution to the Kashmir problem.
12. Civil society and media should play a more proactive role, not just in removing the grievances of traders, but also to ensure a smooth-sailing expansion of travel and trade, and saving it from the adverse effects of tensions between India's and Pakistan's relations.
13. It will have to be ensured that the cross-LoC trade remains effective to bring a meaningful change in India-Pakistan relations, and that it does not become hostage to the impending peace process.
14. Both India and Pakistan need to make a solemn pledge that this CBM will only be used for the purpose of trade, and it will not be used for any purposes that might be detrimental to the interest of Kashmiri people.

Conclusion

The experience of the last 60 plus years has made it very clear for India and Pakistan that the idea of using force for the resolution of Kashmir issue would not serve anyone's purpose. Perhaps, due to this realisation, the introduction of LoC travel and trade between the two parts of Kashmir was viewed both as a source of economic gains, and an opportunity for peace-building.

Besides economic benefits, travel and trade across the LoC has a lasting effect over the emotional needs of the people of Kashmir. It has helped reunite families separated for more than 60 years across the line with one another. It is also believed that this CBM has opened the way for cooperation in many other fields like education and tourism.

Hence, the lesson to glean here is that trade can play a decisive role in not just improving the economic condition of the people, but also in bringing lasting peace to the region. In the form of interdependence, there is an incentive for the people to raise their voices in favour of peace and against hostilities. It is now up to the people of Kashmir and the governments of India and Pakistan to take maximum advantage of this CBM by making genuine efforts of addressing the concerns of traders and making this process sustainable.

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