

COST OF CONFLICT

BETWEEN INDIA AND PAKISTAN




Strategic Foresight Group

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International Centre for Peace Initiatives




Strategic Foresight Group



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Foreword

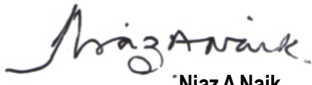
The summit of the South Asian leaders at the beginning of 2004 in Islamabad provides an opportunity to open a new chapter in the history of the region. The past half century, and particularly the last decade, has seen a roller coaster ride in the relations between India and Pakistan. There were moments of hope. There were moments of despair. The ceasefire announced just prior to the South Asian summit is one such moment of hope. The challenge is to transform this moment into a new future.

Once the euphoria of the South Asian summit settles, rational and systematic efforts will be needed to bring about the change. At this juncture, this publication on the cost of conflict between India and Pakistan is most timely. While people are aware that costs are incurred in the hostility between India and Pakistan, they often believe that such costs are manageable. It is therefore necessary to have an in-depth understanding of the costs involved, in a conflictual relationship and the benefits that can be accrued by reconciliation and peace building. This document is of exceptional quality in its comprehensive coverage and analytical strengths. It is the first time that we have such all encompassing information and analysis in one place on the implications of adversarial relationship between India and Pakistan.

I want to congratulate Strategic Foresight Group of the International Centre for Peace Initiatives for bringing out such a timely publication. In particular, I wish to compliment co-authors Ms Ilmas Futehally, Ms Semu Bhatt and creative consultant, Ms Sumedha Vaidya, for converting their brilliant analysis into innovative graphical presentation. I also wish to compliment several Indian and Pakistani experts who have provided invaluable input to the co-authors.

I wish to invite Indian and Pakistani leaders, government officials, scholars, media persons, business leaders and others to examine the findings and reflect them in policies of change. I believe that this publication is bound to be provocative and we will not agree with its each and every observation. But I trust that it will spark an engaging debate. I also believe that the methodology and technology used by Strategic Foresight Group can be applied beyond India, Pakistan or even South Asia. The world faces far too many conflicts and we need intellectual capacity to understand their costs. It is my great pleasure to offer this product of an exceptional intellectual and creative exercise to the people of the region and, indeed, the world.

Islamabad
January 2004



Niaz A Naik

Preface

The SAARC Summit in January 2004 concluded a regional agreement on the South Asian Free Trade Agreement and a bilateral agreement between India and Pakistan on Composite Dialogue. While the process itself is an inter-governmental one, it needs to be supported by the strategic community with research and analysis. In this context, it is necessary to estimate costs of hostility between India and Pakistan so that the relevant decision makers can assess if they want to continue on the path of peace or risk a conflict when they face hurdles.

In recent times some social scientists have examined the cost of conflict looking at a broader canvas. Publications examining these costs include World Bank Policy Research Report *Breaking the Conflict Trap* by Paul Collier, *The True Cost of Conflict* by Michael Cranna, *The Cost of War: The Economic, Socio-political and Human Cost of the War in Sri Lanka* by the National Peace Council. In the India-Pakistan sphere, Maj. General Mahmud Durrani's book on *The Cost of Conflict and the Benefits of Peace* is focussed mainly on military costs. Our document aims to provide a comprehensive view of past, present and even future cost of conflict between India and Pakistan.

Some costs are directly associated with hostility between the two countries. Some costs may appear to be indirect. Some costs constitute a small but critical component of a larger picture. For instance, India has potential to raise its GDP growth rate from 7% to over 10%. Such an increase will depend on many factors such as infrastructure improvement, liberalisation, removal of red tape, agricultural reforms and stability with Pakistan. Thus, India-Pakistan relations is just one of the many factors, but because of its inter-dependence with other factors, it contributes to over 3% deficit in India's economic potential. Similarly, Pakistan is in the grip of extremist religious forces and terrorist groups. Pakistan's ability to loosen their grip depends on relations with Afghanistan, Iran, Shia-Sunni dynamics within the country, organised crime and relations with India. Thus, India is only one of the many factors in determining the future of terrorism but because of its interdependence with other factors, it contributes to Pakistan's social costs.

It is often suggested that we should talk about benefits of peace rather than the cost of conflict. Such a proposition is meant to situate the debate in positive semantics. The costs of conflict and the benefits of peace are two sides of the same coin. We emphasize costs rather than benefits in this publication because the former are wide ranging, while the latter are specific. It is important to make it possible for the people of India and Pakistan to benefit from peace and reconciliation through trade, cultural exchanges and cooperation in general. It is much more crucial for them to rid themselves of cost and their interdependent relations of such costs, with other evils in the society.

Our observations reveal complexity of multi-sectoral linkages in India and Pakistan and between them. Since the nuclear tests in May 1998, the two countries have developed a "swing model" of bilateral relations. When there is a swing towards peace, it is believed to be inevitable and permanent, even though it lasts for a few weeks. When there is a swing towards hostilities, peace is completely discounted overnight. On the surface, peace and security appear to be alternatives. Beneath the surface urge for peace and compulsions of hostility co-exist. If the balance of reality has to tip in favour of peace, it is necessary to understand and unravel the incentive structure of conflict.

The emphasis of this document is on stating what is obvious but also what is not obvious. It is on analysing the past, but also on projecting the future. It is on cost of conflict but also in a subtle way, on benefits of peace and cooperation. It is clear to us that our observations are provocative. We hope that they will be debated with an open mind.

Mumbai
January 2004

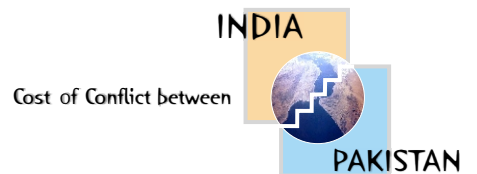
Sundeep Waslekar
President
Strategic Foresight Group

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THE CONTEXT



Basic Statistical Data

India



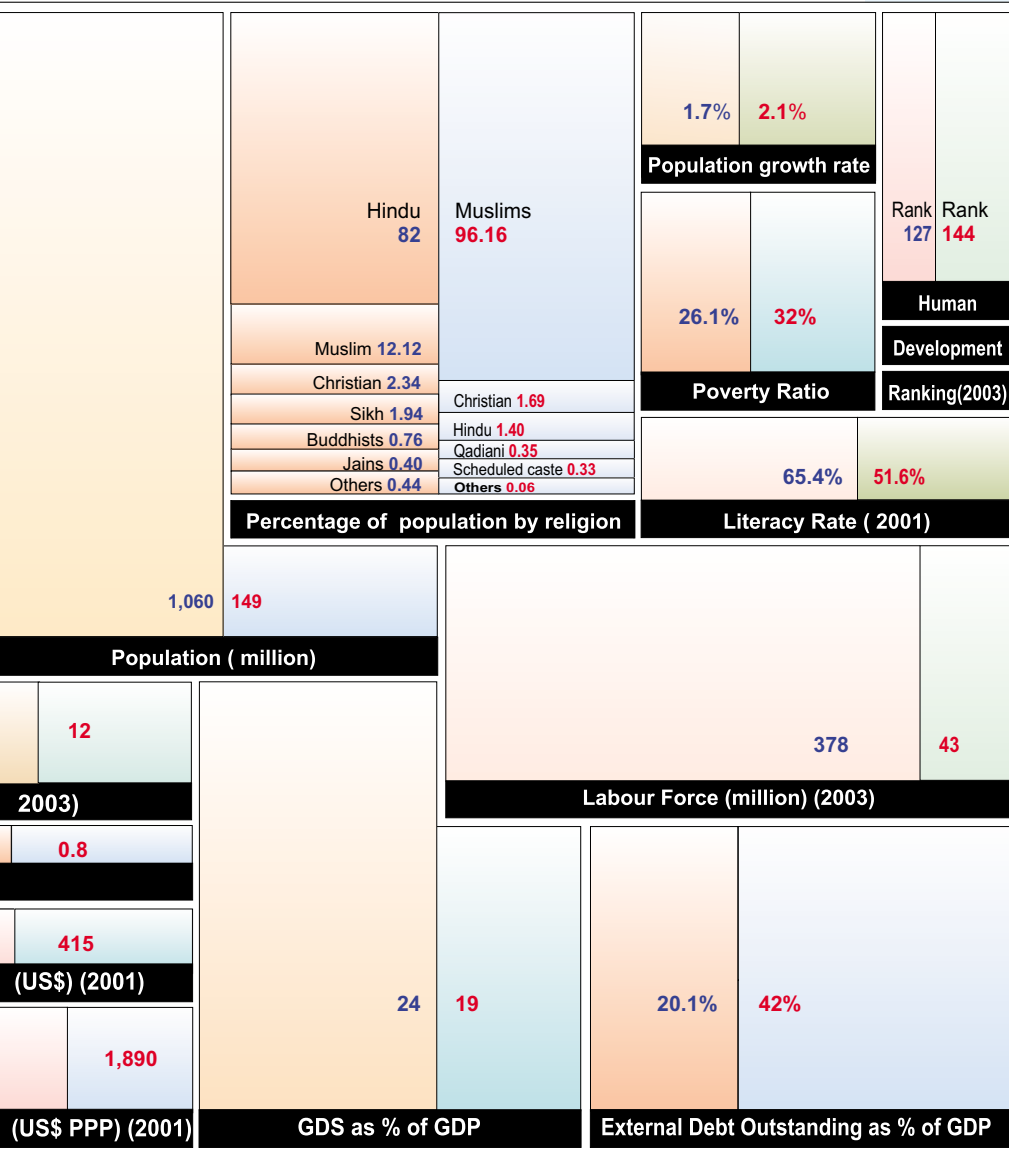
| | | | |
|------------------------------------|--|---|----------------------------|
| Bharatiya Janata Party | Pakistan Muslim League (Quaid-e-Azam) | New Delhi | Islamabad |
| | | Capital | |
| Indian National Congress | Pakistan People's Party | APJ Abdul Kalam | General Pervez Musharraf |
| | | Head of State | |
| Communist Party of India (Marxist) | Jamaat-e-Islami Jamaat-e-Ulema Islami | Atal Bihari Vajpayee | Mir Zafarullah Khan Jamali |
| | | Head of the Government | |
| Telugu Desam Party | Pakistan Muslim League (Nawaz Sharif) | 3,287,263 | 796,095 |
| Samajwadi Party | Muttahida Quami Movement | | |
| Main Political Parties | | | |
| Hindi | Urdu | **Area (in sq. Km.) | |
| Official Language | | 100 | |
| | | Foreign Exchange Reserves (in US\$ billion) (as of Dec 31, | |
| | | 4.2 | |
| | | FDI (US\$ billion) 2002-03 | |
| 477 | 59 | Agriculture - 25% | Agriculture - 25% |
| | | Industry - 26% | Industry - 23% |
| | | Services - 49% | Services - 52% |
| *GDP (US\$ billion) (2001) | | *GDP per capita | |
| | | 462 | |
| | | Structure of economy | |
| | | 2,840 | |
| | | *GDP per capita | |

GDS: Gross Domestic Savings

*Human Development Report 2003

**As per the claims of respective governments

Pakistan



INDIA

Cost of Conflict between



PAKISTAN

1. Heads of Government – Past and Present



INDIA

Jawaharlal Nehru Prime Minister **Congress** Aug 15, 1947 - May 27, 1964

Lal Bahadur Shastri Prime Minister **Congress** Jun 9, 1964 - Jan 11, 1966

Indira Gandhi Prime Minister **Congress** Jan 24, 1966 - Mar 24, 1977

Morarji Desai Prime Minister **Janata Party** Mar 24, 1977 - Jul 28, 1979

Charan Singh Prime Minister **Janata Party** Jul 28, 1979 - Jan 14, 1980

Indira Gandhi Prime Minister **Congress(I)** Jan 14, 1980 - Oct 31, 1984

Rajiv Gandhi Prime Minister **Congress (I)** Oct 31, 1984 - Dec 2, 1989

V.P. Singh Prime Minister **Janata Dal** Dec 2, 1989 - Nov 10, 1990

Chandra Shekhar Prime Minister **Janata Dal (S)** Nov 10, 1990 - Jun 21, 1991

P.V. Narasimha Rao Prime Minister **Congress (I)** Jun 21, 1991 - May 16, 1996

Atal Bihari Vajpayee Prime Minister **Bharatiya Janata Party** May 16, 1996 - Jun 1, 1996

H.D. Deve Gowda Prime Minister **Janata Dal** Jun 1, 1996 - Apr 21, 1997

I.K. Gujral Prime Minister **Janata Dal** Apr 21, 1997 - Mar 19, 1998

Atal Bihari Vajpayee Prime Minister **Bharatiya Janata Party** Mar 19, 1998 - till date

PAKISTAN

Nawabzada Liaquat Ali Khan Prime Minister **Muslim League** Aug 15, 1947 - Oct 16, 1951

Khwaja Nazim-ud-Din Prime Minister **Muslim League** Oct 17, 1951 - Apr 17, 1953

Mohammad Ali Bogra Prime Minister **Muslim League** Apr 17, 1953 - Aug 11, 1955

Chaudhry Muhammad Ali Prime Minister **Muslim League** Aug 11, 1955 - Sep 12, 1956

Maj. Gen. Iskander Ali Mirza President **Republican Party** Mar 23, 1956 - Mar 27, 1958

Hussain Shaheed Suhrawardy Prime Minister **Awami League** Sep 12, 1956 - Oct 18, 1957

Malik Feroze Khan Noon Prime Minister **Republican Party** Dec 18, 1957 - Oct 7, 1958

General Mohammad Ayub Khan President **Military** Mar 27, 1958 - Mar 25, 1969

General Mohammad Yahya Khan President **Military** Mar 25, 1969 - Dec 20, 1971

Zulfikar Ali Bhutto President
Prime Minister **Pakistan People's Party** Dec 20, 1971 - Aug 13, 1973
Aug 14, 1973 - Jul 5, 1977

General Mohammad Zia-ul-Haq President **Military** Sept 16, 1978 - Aug 17, 1988

Mohammad Khan Junejo Prime Minister **Pakistan Muslim League** Mar 23, 1985 - May 29, 1988

Benazir Bhutto Prime Minister **Pakistan People's Party** Dec 2, 1988 - Aug 6, 1990

Mohammad Nawaz Sharif Prime Minister **Pakistan Muslim League (N)** Nov 6, 1990 - Apr 18, 1993
May 26, 1993 - Jul 8, 1993

Benazir Bhutto Prime Minister **Pakistan People's Party** Oct 19, 1993 - Nov 5, 1996

Mohammad Nawaz Sharif Prime Minister **Pakistan Muslim League (N)** Feb 17, 1997 - Oct 12, 1999

General Pervez Musharraf Chief Executive **Military** Oct 12, 1999 - Apr 2001

General Pervez Musharraf President **Military** May 2001 - till date

Mir Zafarullah Khan Jamali Prime Minister **Pakistan Muslim League (Q)** Nov 10, 2002 - till date

*The period showing two leaders indicates the power sharing arrangement between them.



2. Bilateral Meetings between Heads of

India



| Date | Venue | Leader (India) |
|------|-----------|-------------------------|
| 1950 | Karachi | Pandit Jawaharlal Nehru |
| 1950 | New Delhi | Pandit Jawaharlal Nehru |
| 1953 | New Delhi | Pandit Jawaharlal Nehru |
| 1958 | New Delhi | Pandit Jawaharlal Nehru |
| 1960 | New Delhi | Pandit Jawaharlal Nehru |
| 1960 | Karachi | Pandit Jawaharlal Nehru |
| 1966 | Tashkent | Lal Bahadur Shastri |
| 1972 | Simla | Indira Gandhi |
| 1982 | New Delhi | Indira Gandhi |
| 1985 | New Delhi | Rajiv Gandhi |
| 1987 | Jaipur | Rajiv Gandhi |
| 1988 | Islamabad | Rajiv Gandhi |
| 1997 | Male | I K Gujral |
| 1999 | Lahore | Atal Bihari Vajpayee |
| 2001 | Agra | Atal Bihari Vajpayee |
| 2004 | Islamabad | Atal Bihari Vajpayee |



Government of India and Pakistan

| Leader (Pakistan) | Outcome |
|----------------------------|---|
| Nawabzada Liaquat Ali Khan | Proposal of pact on immigrants and minorities |
| Nawabzada Liaquat Ali Khan | Liaquat-Nehru pact relating to immigrants and minorities |
| Mohammad Ali Bogra | Agreement to resolve Kashmir dispute in accordance to the wishes of the people |
| Malik Feroze Khan Noon | Agreement to resolve all outstanding issues |
| Gen. Mohammad Ayub Khan | Agreement to resolve mutual disputes |
| Gen. Mohammad Ayub Khan | Indus Waters Treaty |
| Gen. Mohammad Ayub Khan | Tashkent accord to resolve the post 1965 war disputes |
| Zulfikar Ali Bhutto | Simla Accord to return territory and POWs captured in the 1971 war and to promote peace and friendly relations |
| Gen. Mohammad Zia-ul-Haq | Agreement to form a Joint Commission to discuss bilateral issues and to continue the discussions on non-aggression pact and Treaty of Peace, Friendship and Cooperation |
| Gen. Mohammad Zia-ul-Haq | Proposal of agreement on non-attack on each other's nuclear facilities |
| Gen. Mohammad Zia-ul-Haq | Cricket diplomacy by President Zia-ul-Haq to ease tensions post-Operation Brasstacks |
| Benazir Bhutto | Agreement of non-attack on each other's nuclear facilities |
| Mohammad Nawaz Sharif | Agreement to a Composite Dialogue with 2+ 6 formula |
| Mohammad Nawaz Sharif | Lahore declaration to resolve all outstanding disputes, including Kashmir and to refrain from intervention and interference in each other's internal affairs |
| Gen. Pervez Musharraf | Inconclusive |
| Gen. Pervez Musharraf | Agreement to a Composite Dialogue |

Pakistan



Cost of Conflict between

INDIA



PAKISTAN

3. Timeline of India - Pakistan Relations

FIRST DECADE AFTER INDEPENDENCE

1947 - 1956

1947



14-15, August 1947
Independence



1947 - 49

- Conflict in Kashmir
- Inter-Dominion Agreement to prevent mass exodus of minorities
- United Nations Security Council orders a cease-fire in Kashmir
- Karachi declaration establishes a UN supervised cease-fire line

SECOND DECADE AFTER INDEPENDENCE

1957 - 1966

1957

- Trade agreement to mutually accord favourable treatment to the bilateral trade

1960

- Indus Waters Treaty

1963

- Pakistan cedes nearly 1500 km of Kashmir (Pakistan) to China

THIRD DECADE AFTER

1967 - 1976

1968

- Indo-Pakistan Western Boundary Case Tribunal on the Rann of Kutch awards Pakistan with northern Rann of Kutch

1971

- Full scale war
- Creation of Bangladesh

FOURTH DECADE

1977 - 1986

1978

- Agreement regarding the design of the Salal Hydro Electric Plant on river Chenab

1954

- Jammu and Kashmir State Assembly ratifies its accession to India

1955

- Pant-Mirza Agreement to prevent Border incidents and protect places of worship

1965

- Full scale war

1966

- Tashkent Declaration

INDEPENDENCE

1972

- The Simla Peace Accord

1973

- Agreement on repatriation of prisoners of 1971 war

1974

- Pakistan recognizes Bangladesh
- India goes nuclear with a Peaceful Nuclear Explosion

AFTER INDEPENDENCE

1979

- Government of Pakistan agrees to allow the Indian Consulate to be opened in Karachi

1984

- Siachen conflict

1985

- Formation of SAARC

INDIA



PAKISTAN

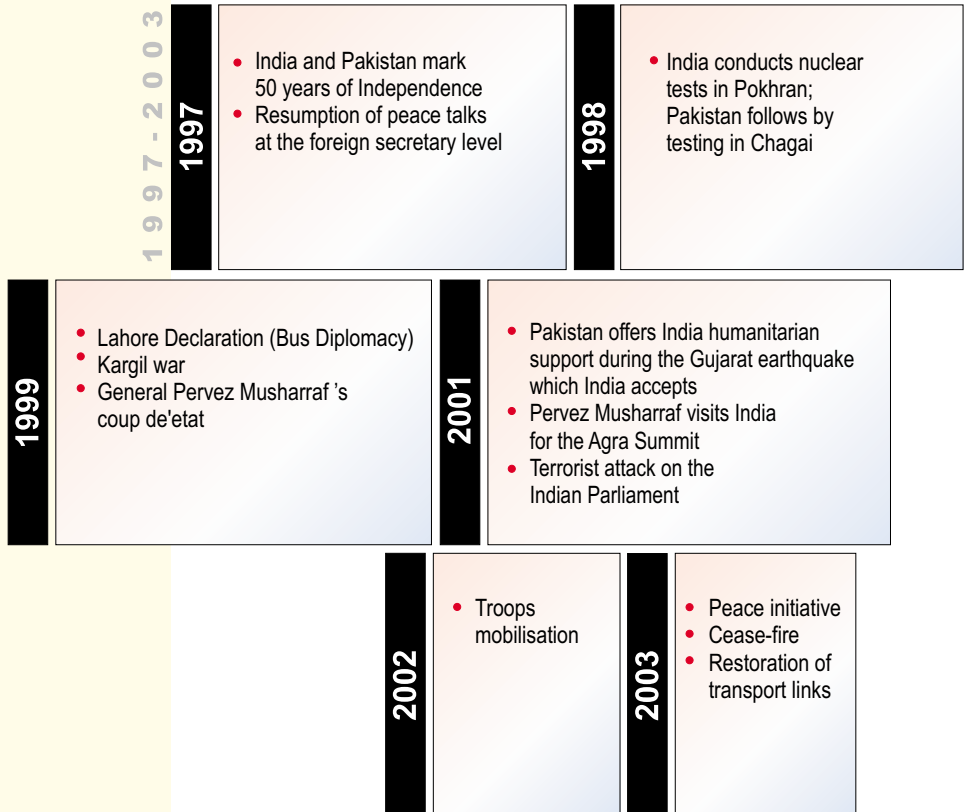
Cost of Conflict between

Timeline of India - Pakistan Relations

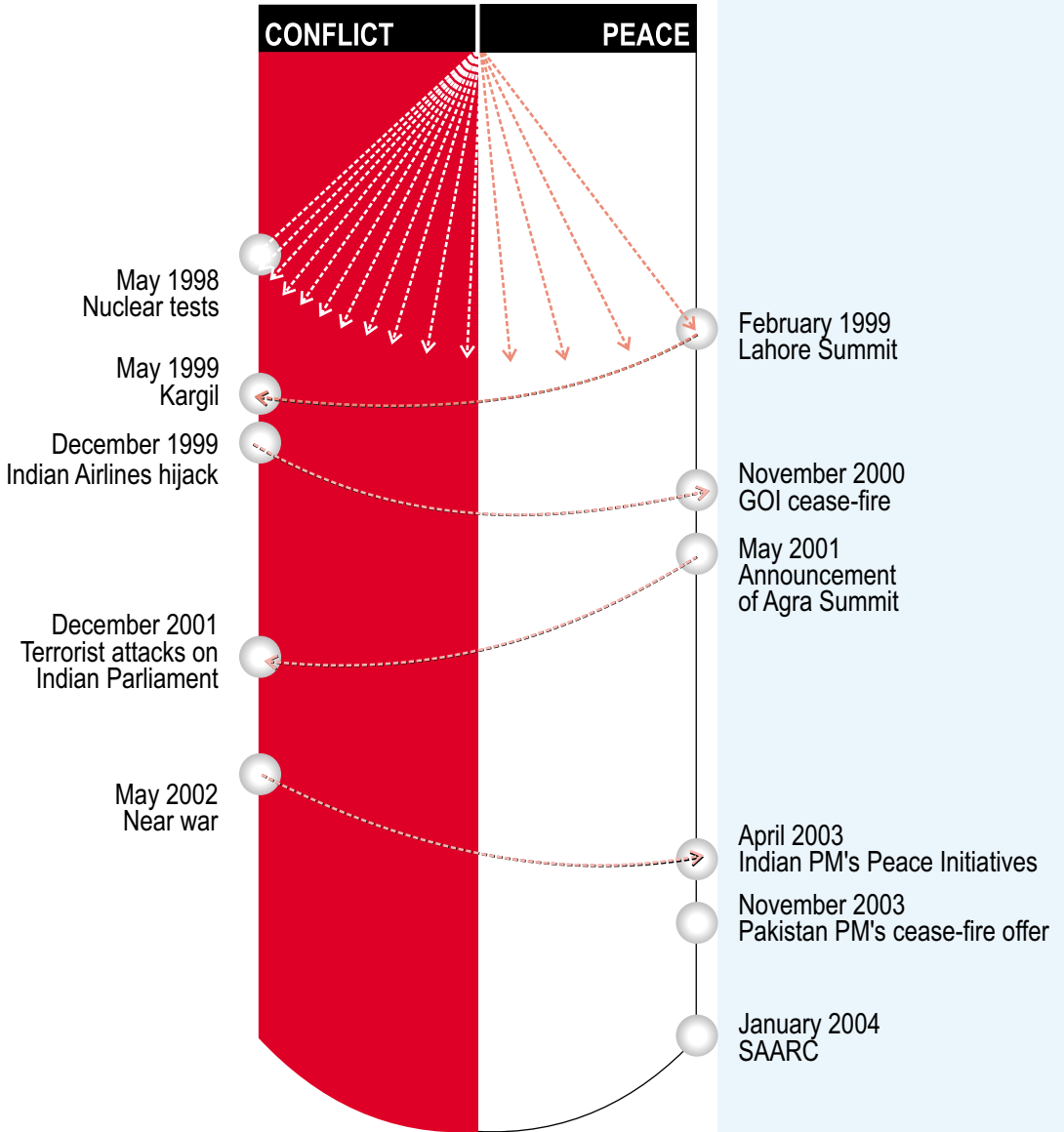
FIFTH DECADE AFTER INDEPENDENCE



SIXTH DECADE AFTER INDEPENDENCE



4. Swing Model of India-Pakistan Relations



Chapter 1: ~~Military Costs~~

Introduction

India and Pakistan are involved in arms race at various levels of lethality or tools

- Nuclear arms and ballistic missiles
- Conventional weapons
- Tools of terror.

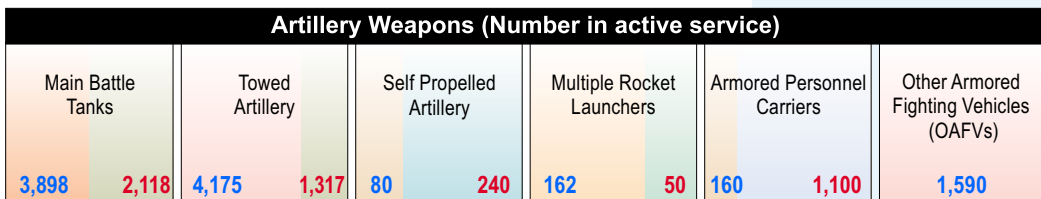
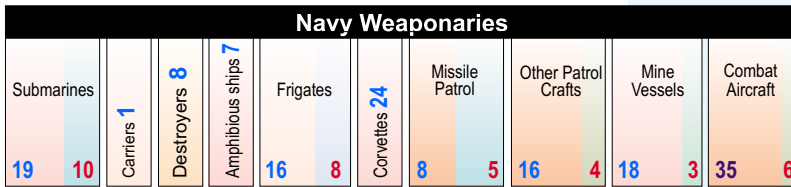
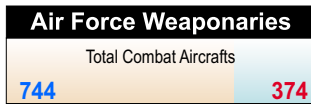
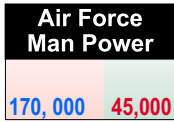
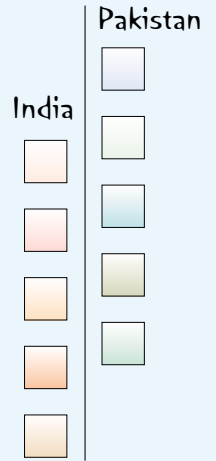
The Indo-Pakistan confrontation takes place at different levels of intensity

- Low intensity warfare
- Troops mobilisation in anticipation of a war but without war
- Localised conflict
- Full-scale war.

In case of a confrontation, conflict or a war, military costs include financial costs, human lives and policy losses. The military costs vary according to the types of confrontation.

Backgrounder

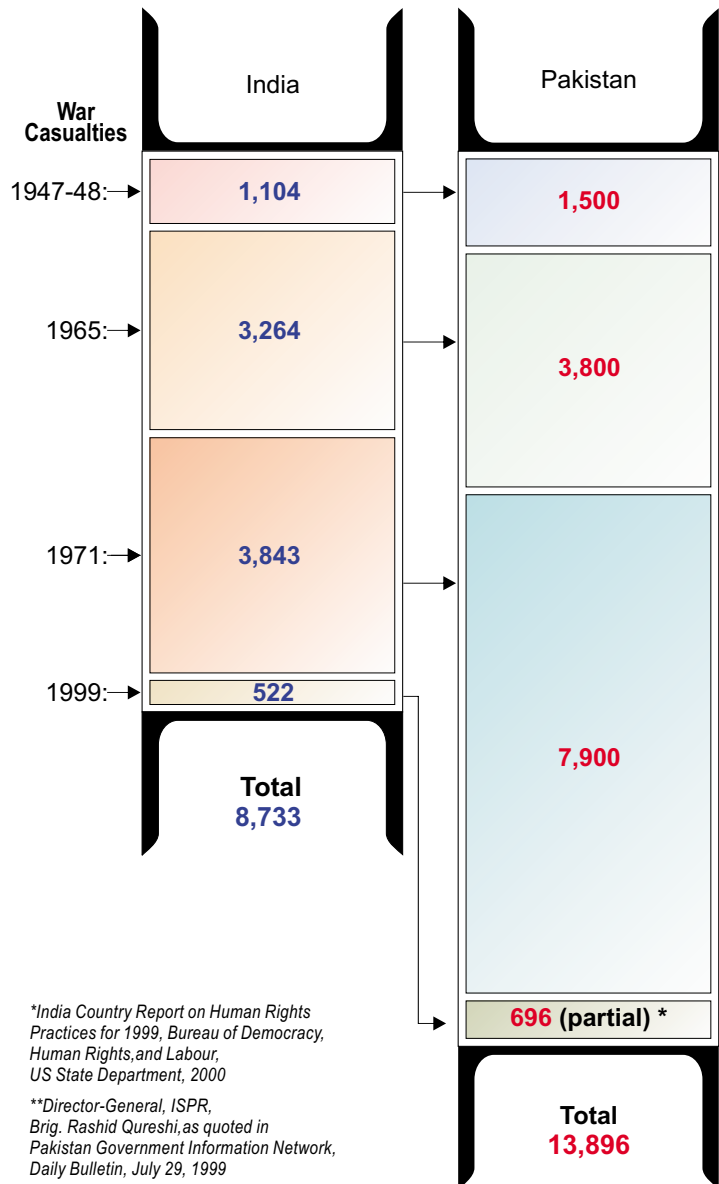
Comparative Military Assets



1. Human Costs of Four Wars

The figures provided here include only the death toll of military personnel on both sides. They do not include the number of soldiers wounded, maimed and disappeared. Apart from the combined death toll of 22,600 for India and Pakistan, there were approximately 50,000 wounded or maimed on both sides. Though reliable data on disappearances and civilian casualties is not available, it would be safe to assume that at least 100,000 families suffered direct human costs on account of the four wars between India and Pakistan.

However, given the discrepancies that prevail in the war related details provided by both the governments, these figures could be even higher. One such example is the varying figures that emerged about Pakistani casualties during the Kargil conflict. The US State Department quoted the Pakistani military casualties at approximately 700. According to Director-General, ISPR, Brig. Rashid Qureshi** it was about 270, whereas according to the then Prime Minister Nawaz Sharif*** the entire Northern Light Infantry of Pakistan was wiped out during the conflict claiming 2,700 lives.



*India Country Report on Human Rights Practices for 1999, Bureau of Democracy, Human Rights, and Labour, US State Department, 2000

**Director-General, ISPR, Brig. Rashid Qureshi, as quoted in Pakistan Government Information Network, Daily Bulletin, July 29, 1999

***Nawaz Sharif as quoted in Gulf News, February 11, 2002

2. Conflict over Siachen

The territorial dominance over the 110 km. stretch from map unit NJ 9842 till Siachen glacier, which remained undelineated by the Radcliffe line of 1947, the cease-fire line of 1949, as well as Line of Control (LOC) of 1972 due to its inhospitable and uninhabited terrain, has become a major issue of contention between India and Pakistan since 1984. The cause of the contention lies in the precise direction of the LOC beyond NJ 9842, which according to a vague statement in the 1949 Karachi

Agreement would move "...thence north to the glaciers". Pakistan's stand is that the line should move from the last recognised point to the Karakoram Pass, giving the entire Siachen area to Pakistan, whereas India insists on the extension of line along the natural boundary of Saltoro range, which fall on the western side of Siachen.

Since April 1984, the conflict has forced Indian and Pakistani snow warriors to fight along the Saltoro ridge at altitudes ranging between

10,000 to 22,000 feet above sea level, making Siachen the highest battleground in the world. At present India controls two-third of the glacier along with Sia La and Bila Fond La, two of the three key mountain passes, whereas Pakistan controls the Gyong La pass that overlooks the Shyok and Nubra river valley and India's access route to Leh district.

The geostrategic importance of India's ancient window to Central Asia lies in its proximity to Karakoram pass and its importance for the security of Leh and Ladakh. For Pakistan, it could serve as another direct link up with China.

Approximately Rs. 50,000 per soldier is spent on clothing to put up with temperatures as low as -50° Celsius. Helicopters ferry food and other supplies to the troops, making Siachen the most expensive air maintenance operation in the world. Human costs for troops, apart from casualties, include psychological disorders, frostbite, hypoxia, high altitude pulmonary and cerebral edema and snow blindness. Enemy firing accounts for hardly 3 per cent of the total casualties; the weather extremities of the glacier cause the rest.

| India | Pakistan |
|--|------------------------|
| Soldiers killed | |
| 1 every second day | 1 every fourth day |
| | |
| Soldiers killed (2003 - 07) | |
| 913 | 456 |
| Economic Costs (2002-03) | |
| Rs. 40 million / day | Rs. 10 million / day |
| Rs. 14.6 billion / year | Rs. 3.7 billion / year |
| Economic Costs (2003-07) | |
| Rs. 73 billion | Rs. 18 billion |
| Per year cost as % of GDP (2002-03) | |
| 0.07 | 0.09 |

Inclusive of the entire Siachen - Saltoro ridge region.



3. Costs of Confrontation in 2002

a. Costs of Troops Mobilisation



2002 - 03 & 2003-04 India

- 2.5 to 10 per cent as per income slabs

2002 - 03 Pakistan

- War Risk Surcharge by insurance and merchant shipping companies visiting Pakistani ports

Total cost as per cent of GDP

| | |
|------|------|
| 0.38 | 1.79 |
|------|------|

Total cost incurred

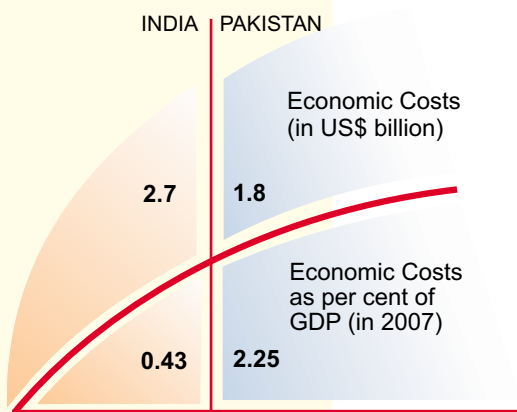
| | |
|---------------|---------------|
| \$1.8 billion | \$1.2 billion |
|---------------|---------------|

Cost incurred in first month (Dec 2001-Jan 2002)

| | |
|---------------|---------------|
| \$600 million | \$400 million |
|---------------|---------------|

Number of troops mobilised (Dec 2001 - Oct 2002)

| | |
|---------|---------|
| 700,000 | 300,000 |
|---------|---------|



Since 2003 was the year of the Prime Minister's peace initiative and 2004, the election year for India, the possibility of a future India-Pakistan confrontation, à la 2002 mode, lies somewhere in between 2005 and 2007. The duration of such a confrontation will not be more than 10-11 months, as continuance of conflict beyond that period will lead to a war. Cost escalation will be at least 50 per cent of cost incurred in 2002. Assuming an average growth of 7 per cent for India and 4.5 per cent for Pakistan, the costs will account for approximately 0.43 per cent of GDP for India and 2.25 per cent for Pakistan in 2007.

Economic cost of possible future confrontation

| Foreign Tourist Arrivals (% change) 2001 | |
|---|--------|
| - 4.2 | -10 * |
| 2002 | |
| - 6.9 | - 80 * |

| Key Exports 2001-02 | |
|------------------------|----------------------------|
| IT \$ 7.6 billion | Textiles \$ 5.4 billion |
| 2002 - 03 | |
| IT \$ 9.5 billion | Textiles \$ 6.5 billion |

*Adapted from Report from the Ecotourism Society of Pakistan, http://www.ecotourism.org/news/Report_Ecotourism_Society_of_Pakistan.pdf

| **Key Exports (% change) 2002-03 | |
|-------------------------------------|--------------|
| 25 % increase | 20% increase |

**Key exports in both the countries are subject to the personal inspection of facilities by foreign customers and / or assurance of completion and delivery of orders on time, and hence are affected in wake of the war fear and subsequent issuance of travel advisories.

Costs due to closing of air space

- Affected number of flights
- Economic Loss/year (in US\$ million)
- Increase in flight time due to detour
- Loss to Aviation Authorities (in US\$ million per month)

Indian Airlines: 90 per month
Air India: 200 per month

Indian Airlines: 1.8
Air India: 12

Indian Airlines: 5-55 minutes
Air India: 30-60 minutes

Airports Authority of India: 4.3

Pakistan International Airlines:
100 per month

Pakistan International Airlines: 3.3

Pakistan International Airlines: 45-60 minutes

Civil Aviation Authority of Pakistan: 3

INDIA

Cost of Conflict between



PAKISTAN

Costs of Confrontation in 2002

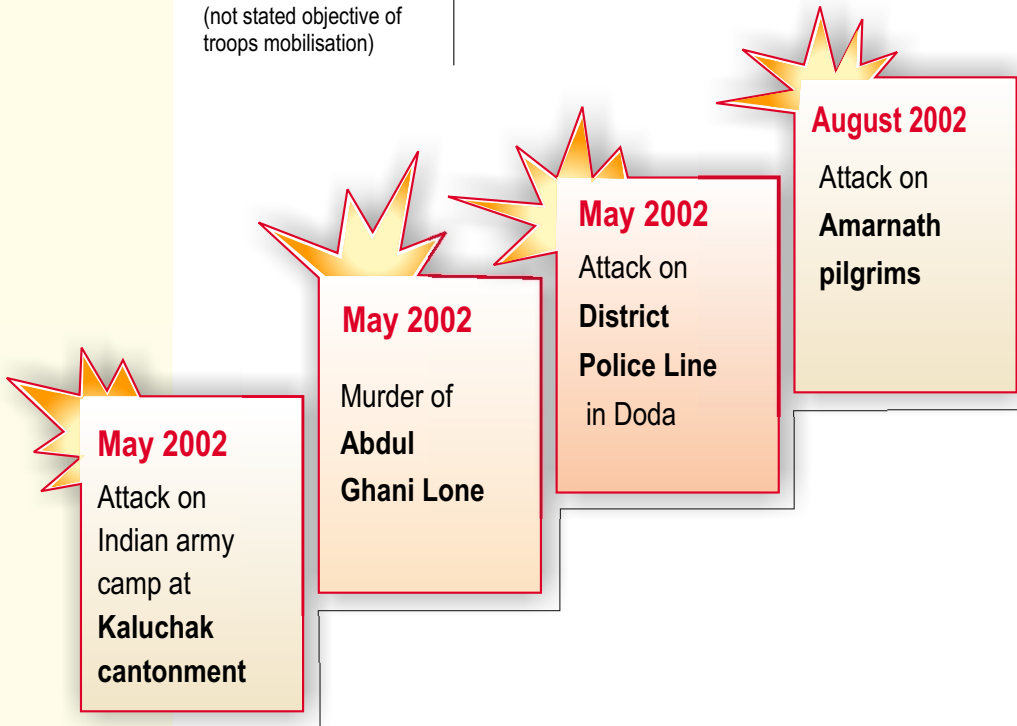
b. Policy Costs and Benefits

Policy Costs

- | INDIA | PAKISTAN |
|--|--|
| <ul style="list-style-type: none">• No outcome in terms of reducing cross-border terrorism — narrow space in future• Negative implications for troops' morale | <ul style="list-style-type: none">• Dilution of policy focus; relative neglect of Afghan front• Uncertainty arising from Indian brinkmanship• Demoralisation of Troops |

Policy Benefits

- | INDIA | PAKISTAN |
|--|---|
| <ul style="list-style-type: none">• Successful completion of J&K elections (not stated objective of troops mobilisation) | <ul style="list-style-type: none">• International attention |



Atmospheric Advantage for Terrorism

November 2002

Attack on
Raghunath
and
Panjbakhtar
temples

November 2002

Attack on
CRPF
camp in
Srinagar

**Strengthening
of Lashkar
-e-Taiba's
grip on
Pakistani
society**

**Increased
attacks
on foreigners
within
Pakistan**

The costs of the 2002 crisis were low in terms of macroeconomic indicators but high in terms of policy and political costs. Pakistan in fact witnessed a 1.7 percentage point increase in GDP growth from 3.4 per cent in 2001-02 to an estimated 5.1 per cent in 2002-03. As for India, GDP growth in 2002-03 decelerated to 4.4 per cent. However, the respective growth and fall in GDP were directly associated to the foreign exchange inflow in the case of Pakistan and slowdown in the agriculture sector in

the case of India. Performance of the external sector in both the countries remained buoyant and decline in opportunities in FDI and exports were largely due to global recession.

Travel advisories had an impact on tourist arrivals. But travel advisories were issued more due to the war in Afghanistan and partially due to troops mobilisation. In case of Pakistan, increased attacks on foreigners within the country was the main reason for a major dip in tourist arrivals.

4. Military Expenditure

a. Annual Military Expenditure


| Military Expenditure | Year | INDIA | | | PAKISTAN | | |
|------------------------|---------|----------------|--------------------|-----------------------|----------------|--------------------|-----------------------|
| | | In Rs. billion | As per cent of GDP | As per cent of Budget | In Rs. billion | As per cent of GDP | As per cent of Budget |
| | 2001-02 | 570 | 2.7 | 15.6 | 149 | 4.1 | 23.9 |
| | 2002-03 | 560 | 2.5 | 13.9 | 158 | 3.9 | 22.3 |
| | 2003-04 | 653 | 2.7 | 14.9 | 160 | 3.8 | 19.9 |
| | 2006-07 | 706 | 2.4 | | 188 | 3.9 | |
| ME Per Capita (in Rs.) | 2003 | | | 528 | | | 1,060 |
| | 2007 | | | 622 | | | 1,161 |

India spends substantially more on defence than Pakistan, but the per capita military expenditure of Pakistan is twice that of India.

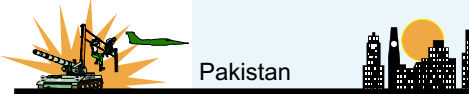
Though India and Pakistan's per capita GDP rank in US\$ PPP* terms are 115 and 137 respectively, India and Pakistan rank 3rd and 15th respectively in the list of major military spender countries of the world. Indian military expenditure shot up by 12 per cent in the post-Kargil budget of 2000-01 followed by a 5 per cent escalation in 2001-02. However, in 2002-03 the military budget was lowered only to be increased by 17 per cent in 2003-04. In similar comparison, the defence expenditure of Pakistan came down drastically by 12.8 per cent in 2000-01 because of changes in accounting methods, shifting military pensions worth Rs. 36 billion from defence to general expenditure. Defence expenditure however jumped by 27 per cent during the period from 2001 to 2004. Projections for 2006-07 are based on current trends.

*Human Development Report 2003

b. Comparison of Military and Development Expenditure



| India Expenditure | | | |
|------------------------|--------------------|------------------------|--------------------|
| Military | | Development | |
| Total (in Rs. billion) | As per cent of GDP | Total (in Rs. billion) | As per cent of GDP |
| 570 | 2.7 | 1,279 | 6.1 |
| 2001-02 | | | |
| 560 | 2.5 | 1,369 | 6.1 |
| 2002-03 | | | |
| 653 | 2.7 | 1,479 | 6.2 |
| 2003-04 | | | |
| 706 | 2.4 | 1,722 | 6.1 |
| 2007 | | | |



| Pakistan Expenditure | | | |
|------------------------|--------------------|------------------------|--------------------|
| Military | | Development | |
| Total (in Rs. billion) | As per cent of GDP | Total (in Rs. billion) | As per cent of GDP |
| 149 | 4.1 | 126 | 3.5 |
| 2001-02 | | | |
| 158 | 3.9 | 164 | 4.1 |
| 2002-03 | | | |
| 160 | 3.8 | 160 | 3.8 |
| 2003-04 | | | |
| 188 | 3.9 | 196 | 4.1 |
| 2007 | | | |

Human Development Rank (2003) for India and Pakistan, which are two of the 15 major military spenders in the world (US\$ PPP), is 127 and 144 respectively. Both the countries have abysmal social indicators in terms of poverty, infant mortality rates, malnutrition in children, basic education levels, basic health facilities and access to basic amenities.

India and Pakistan have poverty ratios of 26.1 and 32 per cent respectively. There are approximately 10 million child labourers in each country. Infant mortality rate per 1000 live births in India is 67, whereas for Pakistan it is 84. The literacy rates are 65.4 per cent and 51.6 per cent respectively for India and Pakistan.

Debt servicing limits the options to spend on development expenditure in both the countries. A cut in defence outlay could release 1 per cent of GDP in India's case and nearly 2.5 per cent of GDP in Pakistan's case.

5. Gross Terror-economy Product and Conflict Economy

a. GTP of Pakistan

| Jihadi forces | | | |
|----------------------|---------|--------------------------------------|-------------------------------------|
| Overheads | Numbers | Payments per month per head (in Rs.) | Payments per annum (in Rs. billion) |
| Armed jihadi | 200,000 | 10,000 | 24 |
| Training, Propaganda | 50,000 | 10,000 | 6 |
| Donation collection | 200,000 | 2,500 | 6 |
| Mosque network | 50,000 | - | - |
| Other expenses* | - | - | 4 |
| Leaders** | - | - | 40 |
| Total | | | 80 |

**taken at 10 per cent of total*
***Leaders are reported to retain 50 per cent of the total*

Total - Rs. 80 billion **COMPONENT 1**

| ISI | |
|------------------------------------|--------------------|
| Salaries of Staff - Rs. 12 billion | COMPONENT 2 |
| Operational Costs - Rs. 12 billion | |
| Total - Rs. 24 billion | |

| Invisible GTP | |
|---|--------------------|
| Share in black economy, which accounts for approximately 50 per cent of Pakistan's GDP, is difficult to estimate. But considering even a small 5 per cent share from the black economy is funnelled for conflict, the figure comes to Rs. 100 billion | COMPONENT 4 |
| Share in Black economy | |
| Total - Rs. 100 billion | |

| Share in Afghanistan's Drug economy | |
|---|--------------------|
| Share in Afghanistan's poppy economy (50% of the total) | COMPONENT 3 |
| Share in Afghanistan's Drug economy | |
| Total - Rs. 60 billion | |

Pakistan's Visible GTP
 Comp 1
 +Comp 2
 +Comp 3
Rs. 164 billion

+
Pakistan's Invisible GTP
Rs. 100 billion

↓
Total GTP of Pakistan
Rs. 264 billion

↓
6.6% of GDP

Pakistan's Conflict Economy
 GTP+ Military Expenditure = Rs. 264 billion + Rs. 160 billion = Rs. 424 billion → **10.6% of GDP**

Pakistan's conflict with India, Iran and the Shia community within the country, and most significantly its involvement in Afghanistan, has created Conflict Economy. The Conflict Economy has two components: formal, expressed in military expenditure and informal, expressed in its Gross Terror-economy Product. Besides, there is an invisible terror-economy component, which would be difficult to estimate, as it includes share in crime, smuggling, illegal arms trade, and other clandestine activities. Obviously the figures are not totally reliable but it is possible to make some approximate calculations. The number of personnel and their income or expenditure per month is based on direct ground level interviews as well as discussions with Western experts, who have conducted similar interviews. The strength of ISI varies as per definition. According to some sources, the professional staff number 10,000. There are reports of at least 100,000 ISI staff and operatives being active in channelling CIA funds to Afghan mujahideens during the 1980s and there is no evidence of the strength of ISI being reduced. The professionals would be paid much more than Rs 10,000 per month, depending on the rank and area of operation. A lower figure is used here since the non-professional cadre personnel would be paid less.

b. GTP of Kashmir

Hypothesis: 4 passages per day, 7 months a year
Total passages per year: 800

| A. Cost of Incursions into Kashmir | | | | |
|------------------------------------|--------------------|-----------------|----------------------|----------------------------------|
| | Number per passage | Number per year | Amount paid per head | Amount per year (in Rs. million) |
| Terrorists | 10 | 8,000* | Unknown | Unknown |
| Guides | 4 | 3,200 | 60,000 | 192 |
| Porters | 30 | 24,000 | 12,000 | 288 |
| | | | Total | 480 |

* Terrorists are reported to exit once they carry out the job assigned to them and then re enter again for another assignment. On an average, the number of terrorists in Kashmir remains in a small band of 3,000-4,000 all the time (inclusive of the local terrorists, who form nearly 30 per cent of the active pool).

| B. Cost of Launching Terrorists and Relief Cost | | |
|---|--------------------------|--------------------------------------|
| Cost | Amount per head (in Rs.) | Total cost per year (in Rs. million) |
| Launching | 200,000 | 200 |
| Training | 50,000 | 50 |
| Relief to families of the terrorists killed | 200,000 | 200 |
| Total | | 450 |

The costs are calculated for training, launching and relief of 1,000 terrorists per year as approximately 1,000 foreign terrorists are killed in Kashmir per year. It is believed that a new pool of 1,000 militants replaces the number of terrorists killed.

Total GTP of Kashmir
A+B+C
 Rs. 480 million
 + Rs. 450 million
 + Rs. 2,624 million
 = **Rs. 3,554 million**
(Rs. 3.5 billion)

| C. Payment to Organisations Active in Kashmir | |
|---|--------------------------------|
| Organisation | Amount paid per month (in Rs.) |
| APHC | 200,000,000 |
| Hizbul Mujahidden | 10,000,000 |
| Harkat-ul-Ansar | 4,000,000 |
| Al Barq | 1,200,000 |
| Other groups | 3,500,000 |
| Total per month | 218,700,000 |
| Total per year (in Rs. million) 2,624 | |

The payments made to these organisations are inclusive of payments to local terrorists and relief payments made to the families of the local terrorists killed.

The visible GTP of Kashmir, which is mainly sponsored by ISI, is approximately Rs. 3.5 billion per year. If unascertained costs, such as monthly payments to foreign terrorists, their maintenance costs, rewards for a major act of terror, as well as the costs of arms and ammunitions involved in terrorist operations, are taken into account, it could be safely assumed that the total GTP could be two or three times the calculated figure. Thus, the costs of sponsoring terrorism in Kashmir for ISI add up to approximately Rs. 7-10 billion. However this amount is miniscule when the heavy economic costs it exacts on Indian side as well as the large number of Indian troops it manages to engage in counter insurgency operations are taken into account.

Chapter 2: ~~Social and Political Costs~~

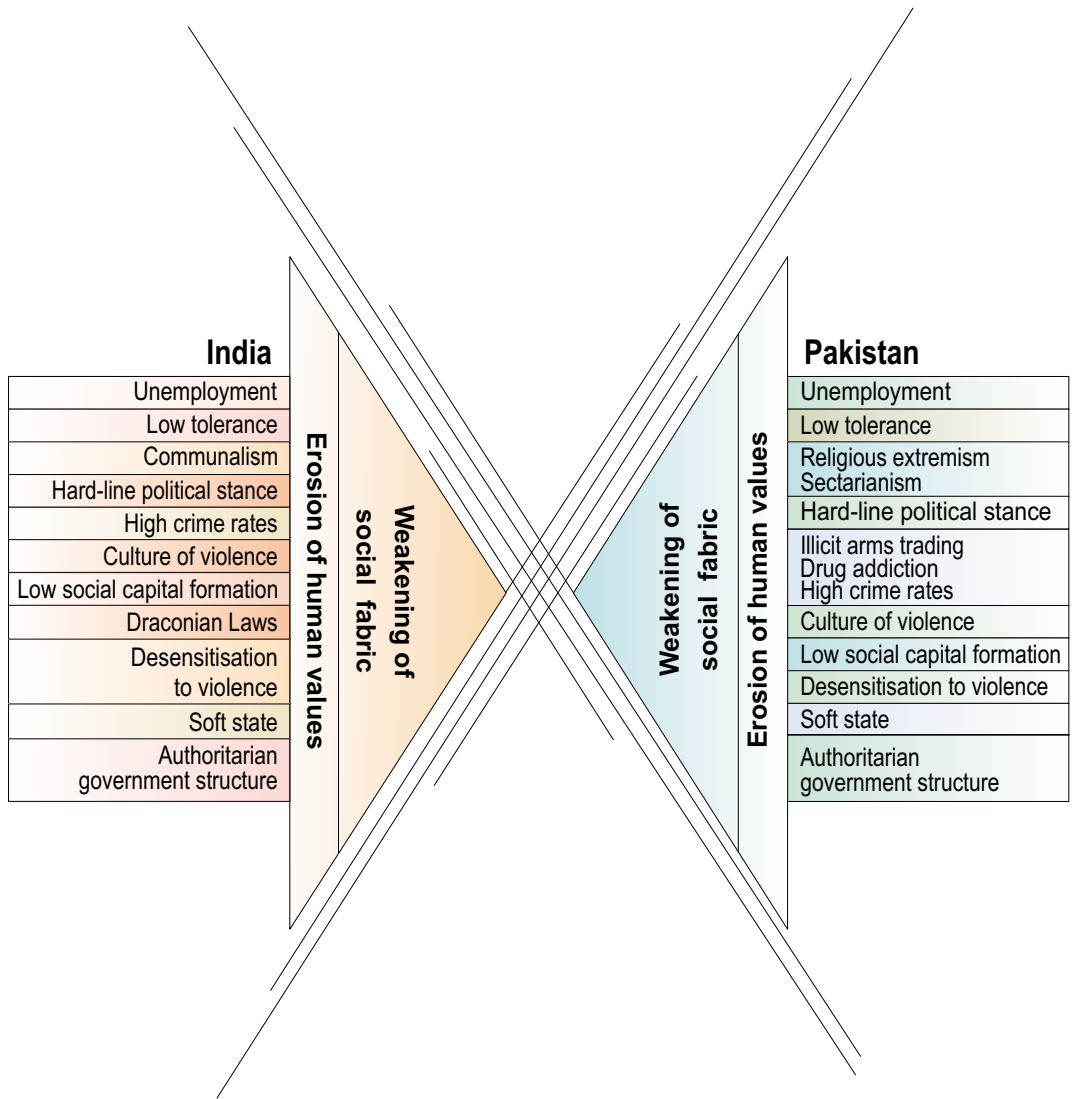
Introduction

Whether it is insurgency in Kashmir, Punjab or North East India or dissident movement in Sindh or sectarian clashes in Karachi or Quetta, India and Pakistan suspect the covert hand of the other in fanning their respective internal conflicts.

For India, the obsession with Pakistan has resulted in excessive focus on national security. Terrorist attacks on Indian Parliament, the subsequent attacks elsewhere in India, especially Mumbai and their linkages to Pakistan-based terrorist organisations have forced India to seriously examine the threat posed by Pakistan abetted violence from Jammu and Kashmir to the rest of India. India is further concerned about the data suggesting formidable ISI network in nine Indian states, mushrooming of illegal madrassas on the Bangladesh and Nepal borders and involvement of ISI in fuelling communal violence in India.

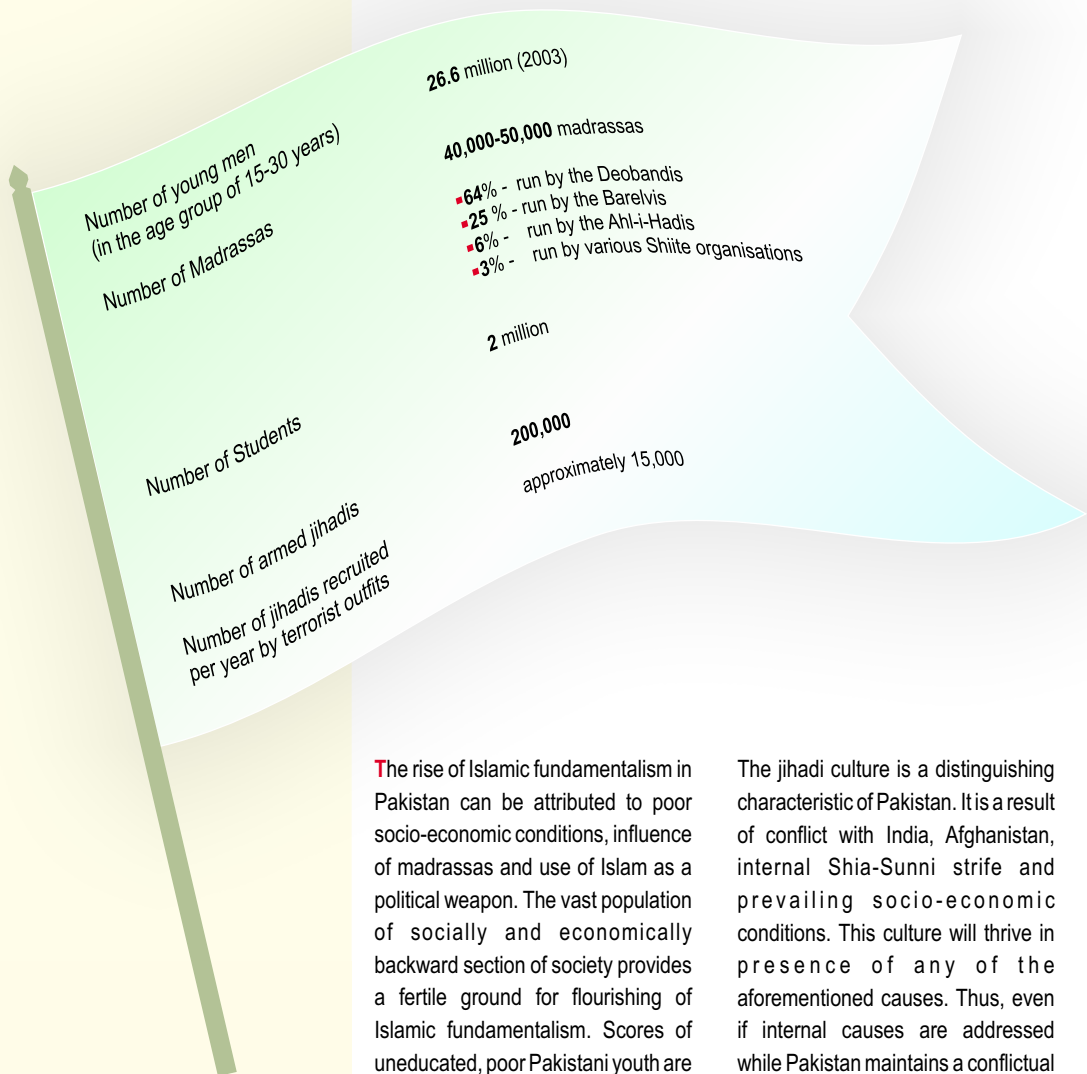
Present day Pakistan stands polarised on religious, ethnic and sectarian grounds. Violence enhanced by increasing jihadi influence and rampant gun and drug culture, has eroded the law and order situation of the country. Effectiveness of various government measures to curb extremism – be it the ban on jihadi organisations, or arrest of terrorists – remains questionable. With rising political and financial stakes of religious, jihadi and military institutions in the country, the triad needs continued hostility with India to consolidate their respective positions in the Pakistani society.

Backgrounder



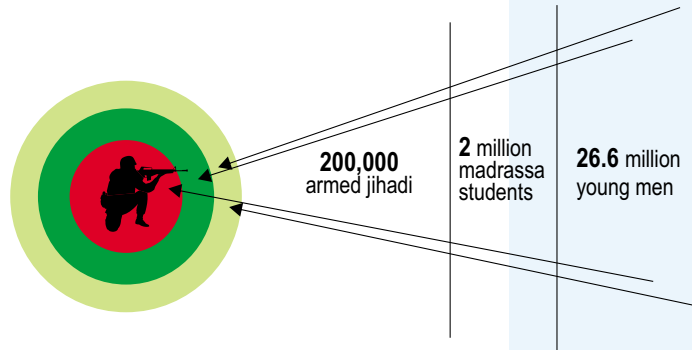
1. Jihadisation of Pakistani Society

a. Growth of madrassas and jihadis



The rise of Islamic fundamentalism in Pakistan can be attributed to poor socio-economic conditions, influence of madrassas and use of Islam as a political weapon. The vast population of socially and economically backward section of society provides a fertile ground for flourishing of Islamic fundamentalism. Scores of uneducated, poor Pakistani youth are attracted to the jihadi groups, either for the want of employment or under the influence of religious preaching.

The jihadi culture is a distinguishing characteristic of Pakistan. It is a result of conflict with India, Afghanistan, internal Shia-Sunni strife and prevailing socio-economic conditions. This culture will thrive in presence of any of the aforementioned causes. Thus, even if internal causes are addressed while Pakistan maintains a conflictual relationship with India, the jihadi culture will continue to grow, though at a lesser extent.



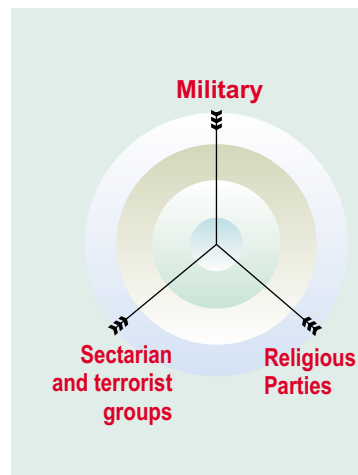
Pakistan banned some jihadi outfits following the January 2002 speech of General Musharraf, however most of the banned outfits have re-emerged under new names. Also, some outfits remained operative in Kashmir (Pakistan) under the pretext that the ban was not enforceable there. In fact, post 9/11 US actions has intensified jihadi activities and jihad recruitment drives in Pakistan. Between January to June 2003, various terrorist outfits recruited more than 7,000 youngsters in the age group of 18-25 with Lashkar-e-Taiba (LeT) and Jaish-e-Mohammad (JeM) recruiting more than 3,350 and 2,200 men, respectively.

Various madrassas in the country play an important role in such recruitment drives. Proliferated since 1980 thanks to financial

assistance from the state, religious charities from Saudi Arabia, and the Gulf, and domestic contributions, madrassas have been churning out graduates at an astronomical rate.

The financial stakes in jihad are very high, with annual income of

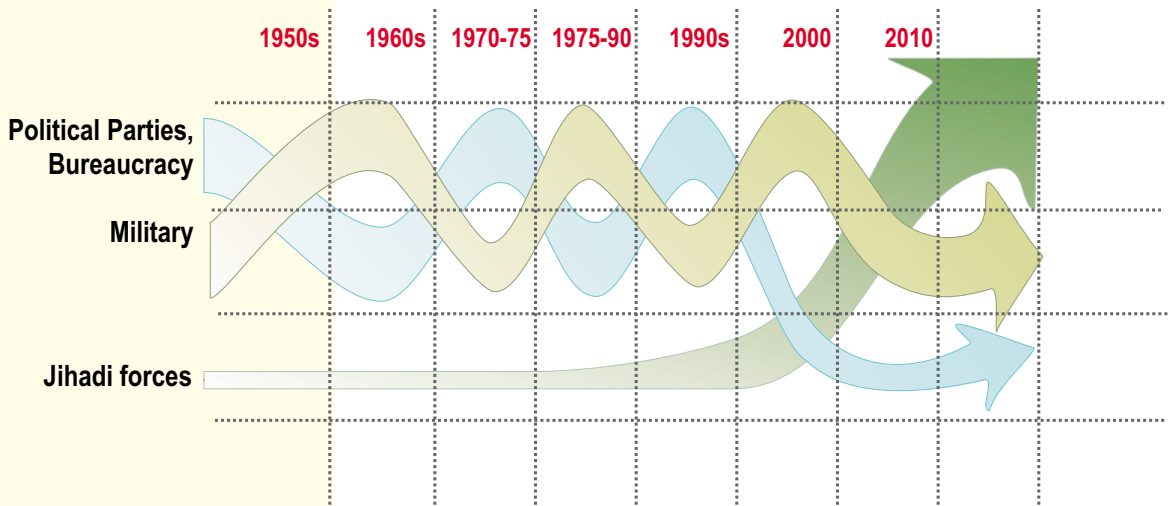
such groups ranging in billions of rupees. The jihad in Kashmir serves as a platform for raising money, labour and profile of jihadi organisations. And thus, these groups are not likely to give up their agenda in Kashmir easily.



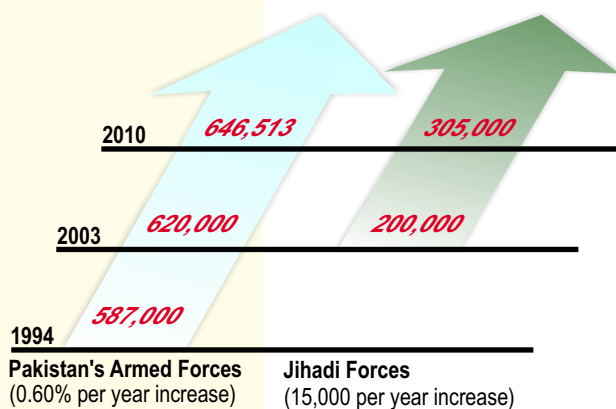
Also, a major support base of these jihadi organisations within the Pakistan Army and the ISI, makes them even more powerful. From Zia's rule and onwards, Pakistan Army seeks the help of Islamic fundamentalists to further their interests; may it be political - to keep a check on moderate and liberal political parties detrimental to military's vested interests, or strategic - to carry on a low intensity war with India at a minimal cost. This close cooperation over the years has developed many sympathizers of jihadi groups in all the echelons of Pakistan armed forces.

Jihadisation of Pakistani Society

b. Transformation of Pakistan's Institutions



Growth of Army and Jihadi Forces



The growth of jihadi forces from near non-existence at the time of partition to the rise of power in the form of six parties coalition in Parliament, signals the transformation of Pakistan's political and social institutions. Growing military and jihadi influence has sidelined significance of democratic institutions. With its growing influence on the Pakistani society as well as lower grades of army, the jihadi force, which at present features as an important player in the Pakistan's power structure, is likely to become the most important player by the end of this decade.

c. Extremist Groups and their Political Affiliations

| Terrorist or Sectarian Group | Areas of Operation | Political Wing |
|---|-------------------------------------|---|
| Hizbul Mujahideen | Kashmir | Jamaat-e-Islami |
| Harkat ul Mujahideen <i>(formerly Harkat ul Ansar)</i> | Kashmir; Afghanistan | Jamiat-e-Ulema Islami (JUI(F) and JUI(S)) |
| Sipah-e-Mohammad | Shia segments in Pakistan | Tehrik-e-Islami <i>(formerly Tehrik-e-Jaffria Pakistan)</i> |
| Jamaat-ud-Dawa <i>(Lashkar-e-Taiba)</i> | Kashmir, Rest of India, US, Iraq | Jamiat-i-Ulema-i-Ahl-i-Hadis |
| Lashkar-e-Jhangvi | Shia segments in Pakistan | Milat-e-Islamia <i>(formerly Sipah-e-Sahaba Pakistan)</i> |

All these political parties are constituents of MMA except Sipah-e-Sahaba.

The win of Mutahida Majlis-e-Amal (MMA), a coalition of six Islamic religious parties, has been the most striking outcome of the October 2002 elections, which has been largely dubbed as “window dressing for continuing military rule”. The religious parties, which have never before won more than 5 per cent of the national vote, achieved 11 per cent polling and formed the local governments in NWFP and Balochistan.

With approximately 70 per cent of Pakistan's mullahs having political affiliations and a poor and unemployed populace providing fertile social base, the religious parties' hold on the society is likely to increase manifold. The agenda of these parties range from making Pakistan a strict Islamic country, to campaign against US interference in Pakistan, to jihad against India, to establish a global ‘ummah’ with dominance of Islam in the world, particularly the West.



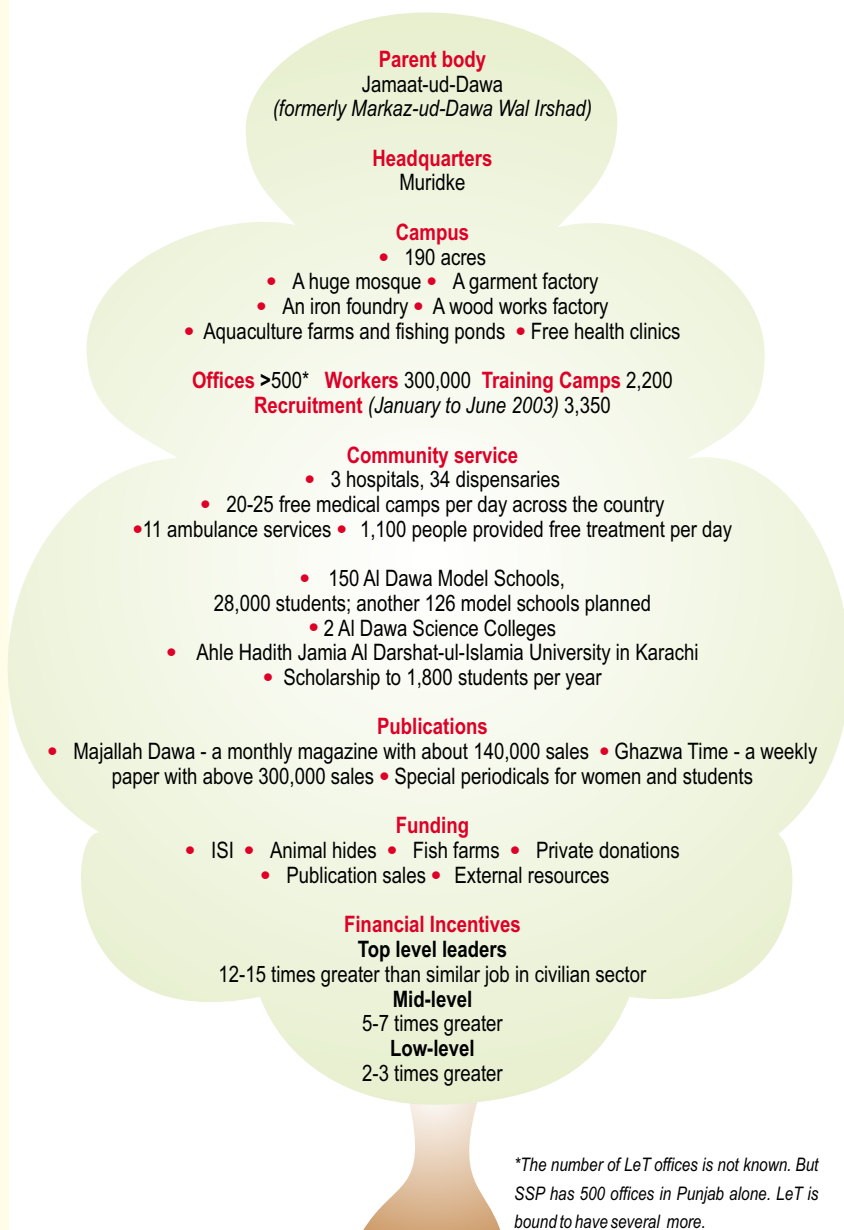
Jihadisation of Pakistani Society

d. Growing Stronghold of Terrorist Organisations

The focus of war on terror is on Al Qaeda. But a much larger force of terror is set to emerge in the form of Lashkar-e-Taiba (LeT) in the next few years, along with Jaish-e-Mohammad (JeM) and Sipah-e-Sahaba (SSP), all based in Pakistan. While Al Qaeda was a clandestine network, the strategy of LeT and other two bodies is to create a mass base and ensure almost unlimited supply of funds and manpower from a large number of sources. In the long run, LeT is in many ways more dangerous than Al Qaeda.

JeM – created in January 2000 by Maulana Massod Azhar, released as a result of the hijacking of an aircraft of Indian Airlines in December 1999 – as well as LeT, enjoy the privilege of access to government schools for recruitment of boys. It is interesting to note that the rise of LeT and JeM since January 2000 coincides with a military coup in Pakistan in October 1999 which brought General Pervez Musharraf to power. Ironically both organizations have become stronger since they have been banned in 2002, if measured by public response to their conferences and fund raising drives and recruitment campaigns.

With its comprehensive social organisation, LeT poses a threat to take over the state of Pakistan, if it enters into an alliance with segments of the military and persuades JeM and SSP to enter into a power sharing deal and eschew competition.



*The number of LeT offices is not known. But SSP has 500 offices in Punjab alone. LeT is bound to have several more.

Jihadi Organisations In Pakistan

- Al-Badr • Al-Omar • Dawaat-e-Islami • Harkat-ul-Ansar • Harkat-ul-Jihad Islami • Hizbul Mujahideen (HM)
- Imamiya Students Organisation • Islamic Front • Jamiat-e-Ahle Sunnat • Jamaat-e-Islami (Jel) • Jaish-e-Mohammad
- Jamiat-i-Ulama-i-Ahli-i-Hadis (JUAH) • Jamiat-e-Ulema Islami (JUI) • Jamiat-ul-Ulema Pakistan (JUP)
- Lashkar-e-Taiba (LeT) • Lashkar-e-Jhangvi Pakistan (LeJ) • Markaz-ud-Dawa Wal Irshad (MDI) • Punjab Sunni Tehrik
- Sipah-e-Mohammad Pakistan • Milat-e-Islamia (formerly Sipah-e-Sahaba Pakistan) • Tehrik-e-Jihad
- Tehrik-e-Islami (formerly Tehrik-e-Jaffria Pakistan) • Tehrik-e-Mujahideen • Tehrik-e-Nifaz-e-Fiqah-e-Jaffria (TNFJ)

2. Growth of Crime in Pakistan

a. Narcotics

Drug seizures by Pakistani Law Enforcement Agencies

| Year | Heroin (Kg.) | Opium (Kg.) | Hashish (Kg.) |
|--------------|---------------|---------------|----------------|
| 1998 | 3,364 | 5,022 | 65,909 |
| 1999 | 4,974 | 16,329 | 81,458 |
| 2000 | 9,497 | 8,929 | 129,943 |
| 2001 | 4,823 | 4,498 | 45,668 |
| 2002 | 12,709 | 2,686 | 85,126 |
| TOTAL | 35,367 | 37,464 | 408,104 |

Drug trafficking, organised crime, illicit arms trading and terrorism are interlinked due to the sharing of resources, personnel, and networks. If terrorist groups are allowed to operate, they are bound to strengthen crime, especially drug trade, due to close links between functionaries in the two sets of activities. Crime infested social environment is a fertile ground for terrorism to grow.

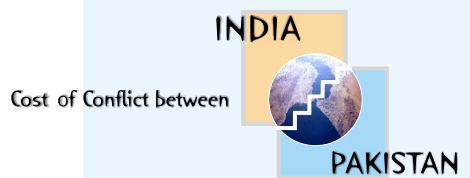
Thriving illegal arms production industry in Pakistan has made it the hub for black market weapons in the region. Vast quantities of illegal weaponry are poured into India, especially Kashmir to support insurgency. The money from the industry is also used to fund terrorist activities in Jammu and Kashmir. The problem is acute in the semi-autonomous tribal regions bordering Afghanistan. Darra Adam Khel in NWFP is the main centre of illegal arms production in Pakistan. It has around 3500 gunsmiths toiling in some 900 illegal arms mini workshops. Arms production has become a kind of cottage industry in this small town, which has the capacity to produce over 100 AK-47s per day.

b. Small Arms

The number of people involved in the illegal arms industry: 50,000

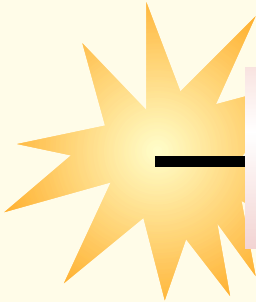
Illegal weapons: 18 million

Weapons seized (up to 2003): 0.25 million



3. Acts of Terror in Pakistan

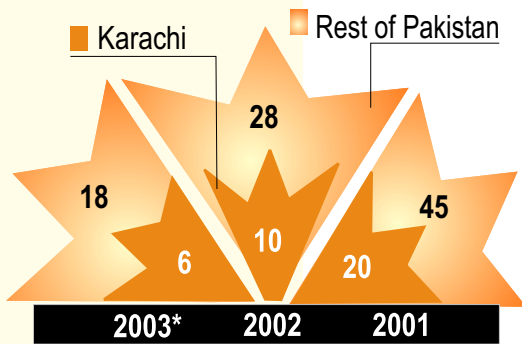
a. Sectarian Violence



| | 1998 | 1999 | 2000 | 2001 | 2002 | Total | Projections For 2003-07 |
|----------------------------|------|------|------|------|------|--------|-------------------------|
| Number of Incidents | 188 | 103 | 109 | 154 | 63 | 617 | 200-925 |
| Killed | 157 | 86 | 149 | 261 | 121 | 774 | |
| Injured | 231 | 189 | NA | 495 | 257 | 1,172* | |

* Figures for 2000 pertain to terrorist attacks using explosives only. Figures for casualties and incidents of other terrorist activity such as killings of abducted victims, etc is not available.

b. Bomb Blasts



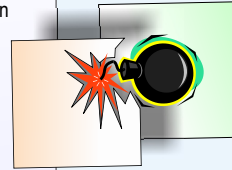
*Upto Oct 3, 2003

Pakistan's state agencies have promoted the growth of terrorist organisations to serve their objectives in Afghanistan and Kashmir. In reality, terrorist groups do not operate in watertight compartments. They share resources, personnel and training facilities. The infrastructure of jihad produced to fight low intensity war against India comes very handy for those groups who want to attack the Shia community at home. Thus, while on the surface, sectarian violence may be a domestic activity, it is very much a product of jihadi infrastructure created for wars on Pakistan's two borders.

4. Major Incidents of Terror in India

(Excluding attacks on military facilities in J&K)

| Incident | Number of people killed | Number of people injured |
|---|-------------------------|--|
| Bombay Serial Blasts (13 blasts) <i>March 12, 1993</i> | 257 | 717 maimed, numerous injured; Property loss Rs.300 million |
| Coimbatore bomb blasts (12 Blasts) <i>February 14, 1998</i> | 33 | 153 |
| Hijack of Indian Airlines flight No IC 814 with 155 passengers from Kathmandu <i>December 24, 1999</i> | 1 | Release of 3 militants |
| Terrorist attack on Red Fort, New Delhi <i>December 22, 2000</i> | 1 civilian 2 SFPs | |
| Attack on J&K State Legislative Assembly <i>October 1, 2001</i> | 24 civilians 11 SFPs | 70 |
| Attack on Indian Parliament <i>December 13, 2001</i> | 2 civilians 9 SFPs | |
| Attack on the American Centre, Kolkata <i>January 22, 2002</i> | 4 SFPs | 17 |
| Bomb blast in a bus outside the Ghatkopar railway station, Mumbai <i>December 2, 2002</i> | 2 | 31 |
| Blast at McDonalds Restaurant at Mumbai Central Railway Station <i>December 6, 2002</i> | — | 25 |
| Bomb blast outside Vile Parle Railway Station, Mumbai <i>January 27, 2003</i> | 1 | 30 |
| Bomb blast in a coach of a local train at Mulund railway station, Mumbai <i>March 13, 2003</i> | 11 | 65 |
| Bomb blast in a BEST bus at Ghatkopar, Mumbai <i>July 28, 2003</i> | 3 | 31 |
| Serial bomb blasts at Zaveri Bazaar and Gateway of India, Mumbai <i>August 25, 2003</i> | 49 | 178 |



Over the last decade, India has faced more than a dozen major incidents

of terror. Post attack on World Trade Centre, the attacks in India have also been very symbolic, be it the State Assembly of Jammu and Kashmir, Gateway of India or the highest democratic institution of the country. Though not all of these attacks had casualties in higher numbers, the psychological impact of such attacks has been immense.

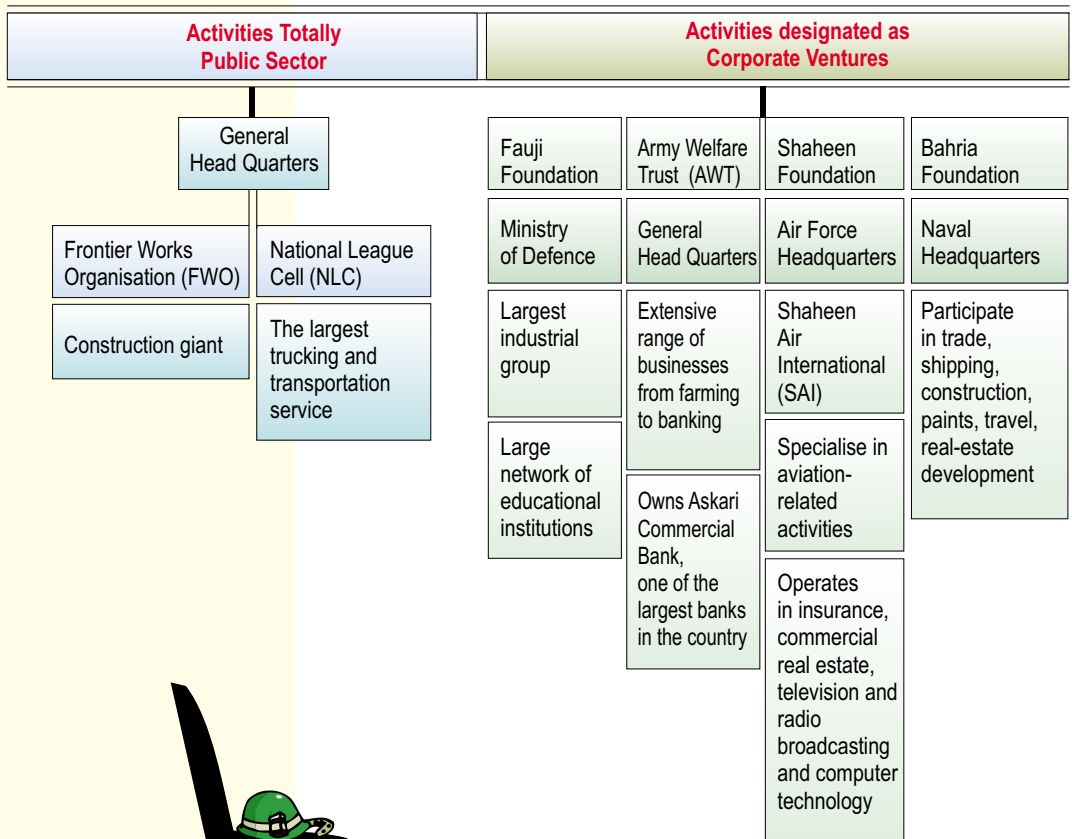
Mumbai, the commercial capital of India, has been a preferred target over the years. Since January 18, 1993, 31 blasts have rocked the city killing more than 300 people. Individuals with no or minimum criminal records or previously unknown organisations claimed the responsibility for them.

SFP: Security Force Personnel

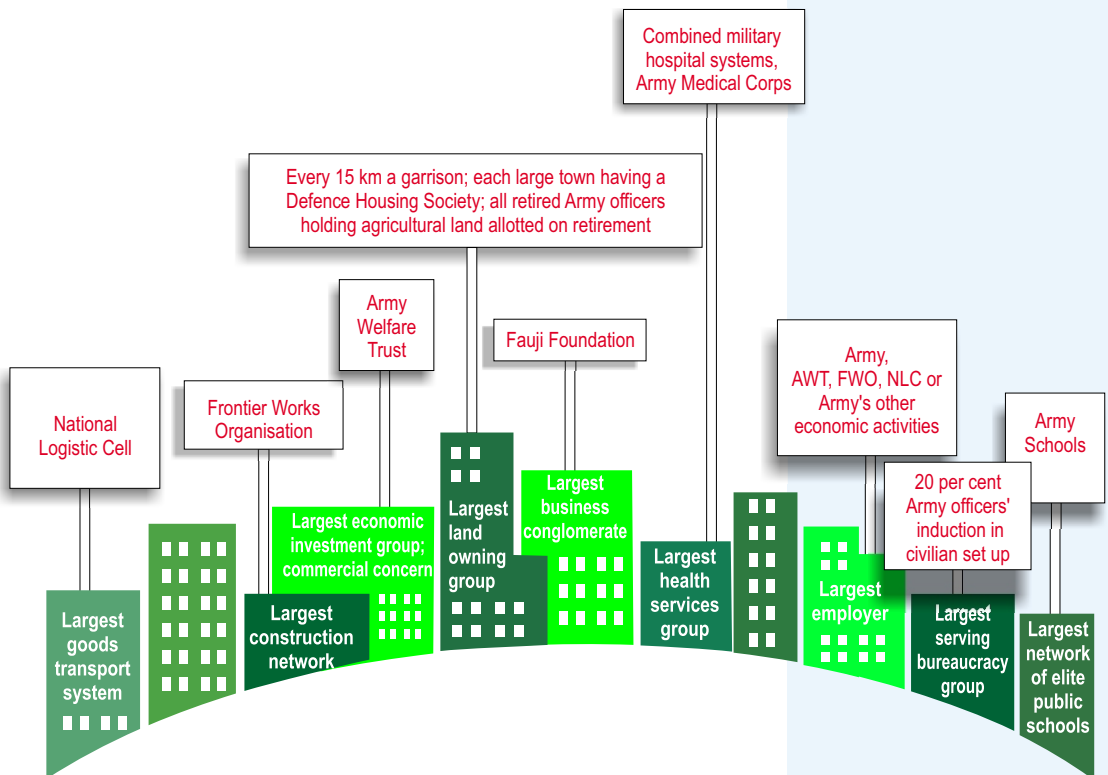
5. Authoritarian Governance

a. Military's influence in Pakistan

An Overview of Military's Business Activities



Influence of Pakistan's Army



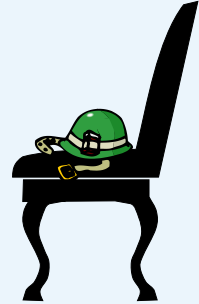
Authoritarian Governance



Military Officers in Federal Ministries

| Ministry/Division | Total |
|---|-------|
| Cabinet division | 13 |
| Commerce ministry | 5 |
| Communications ministry | 98 |
| Defence division | 113 |
| Defence Production division | 52 |
| Education ministry | 9 |
| Establishment division | 16 |
| Ministry of Foreign Affairs | 24 |
| Ministry of Food, Agriculture and Livestock | 6 |
| Ministry of Interior | 88 |
| Ministry of Health | 2 |
| Housing and Works ministry | 6 |
| Industries and Production ministry | 29 |
| Information and Broadcasting ministry | 3 |
| Ministry of Information Technology | 58 |
| Kashmir Affairs and Northern Affairs ministry | 25 |
| Labour and Manpower division | 5 |
| Ministry of Minorities Affairs | 17 |
| Ministry of Petroleum and Natural Resources | 39 |
| Ministry of Population Welfare | 1 |
| Planning and Development Division | 1 |
| Ministry of Religious Affairs | 1 |
| Revenue division (CBR) | 2 |
| Ministry of Science and Technology | 21 |
| Ministry of Railways/Railway Board | 72 |
| Ministry of Water and Power | 37 |
| Ministry of Women Development | 5 |
| Wafaqi Mohtasib | 6 |
| Officers inducted under military's 10 per cent quota in civilian posts | 37 |

Increasing influence of military in Pakistan (as of December 2003)



| | |
|---|---|
| Karachi Electric Supply Corporation (MD) | Brig. Tariq Mehmood Khan Sadozai |
| Lahore Electric Supply Corporation (CEO) | Brig. Riaz Ahmad Toor |
| Peshawar Electric Supply Corporation (CEO) | Brig. Tahir Saeed Malik |
| Islamabad Electric Supply Corporation (CEO) | Brig. Waseem Zafar Iqbal |
| Hyderabad Electric Supply Corporation (CEO) | Brig. (retd.) Muhammad Tariq Arshad |
| Quetta Electric Supply Corporation (CEO) | Brig. Tasadduq Hussain Shah |
| Oil & Gas Regulatory Authority (Secretary) | Brig. (retd.) Tariq Mehmood |
| Oil & Gas Development Corporation (MD) | Major General Pervez Akmal |
| Pakistan Telecommunication Authority (Chairman) | Major General (retd.) Shahzada Alam Malik |
| Special Communication Organisation (DG) | Major General Mohammad Waheed Akhtar Malik |
| Karachi Port Trust (Chairman) | Rear Admiral Ahmed Hayat |
| Gwadar Port Authority (Chairman) | Rear Admiral (retd.) Sarfraz Khan |
| Port Bin Qasim Authority (Chairman) | Rear Admiral Sikandar V Naqvi |
| National Highway Authority (Chairman) | Major General Farukh Javed |
| Pakistan Tourism Development Corporation (MD) | Major General Anis Ahmad Bajwa |
| Pakistan National Shipping Corporation (Chairman) | Vice Admiral (retd.) S Tauqeer Naqvi |
| Civil Aviation Authority (Chairman) | Air Marshall (retd.) Salim Arshad |
| Civil Aviation Authority (Director) | Air Commodore (retd.) Shahid Naveed |
| Pakistan Post Office (Director General) | Major General (retd.) Agha Masood Hassan |
| Pakistan International Airlines Investments (Chairman) | Lt. General (retd.) Hamid Nawaz Khan |
| National Accountability Bureau (Chairman) | Lt. General Munir Hafiz |
| Punjab Public Service Commission (Chairman) | Lt. General (retd.) Jehangir Nasrullah |
| Federal Public Service Commission (Chairman) | Lt. General (retd.) Jamsheed Gulzar Kiani |
| State Life Insurance Corporation of Pakistan (Director) | Air Marshall (retd.) Sharbat A Changazi |
| Punjab University (Vice Chancellor) | Lt. General (retd.) Arshad Mehmood |
| Engineering Technology Peshawar (Vice Chancellor) | Air Vice Marshall (retd.) Sardar Khan |
| Quaid-e-Azam University (Vice Chancellor) | Capt. (retd.) UAG Isani |

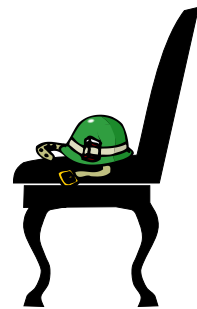
Authoritarian Governance

The military has over the years pervaded every segment of Pakistani society industry and commerce, diplomatic services, and civil institutions, not to forget education and health care services.

The military is the single biggest player in Pakistani economy, active in a wide variety of businesses ranging from fertilisers production to insurance companies. The core of the military business empire is a group of four foundations - initially set up to help retired service personnel - Fauji Foundation (FF), Army Welfare Trust (AWF), Shaheen Foundation (SF) and Bahria Foundation (BF). With assets worth \$5 billion the four foundations represent the biggest business and industrial conglomerate in the country and run some of the largest listed companies on the Karachi stock exchange. In the public sector, it has a monopolistic presence in the

form of the National Logistic Cell (NLC) and the Frontier Works Organisation (FWO). Also, multinational companies find it difficult to compete with these military organisations, which enjoy tax exemptions, subsidised electricity, strong political connections and immunity from public accountability.

The stakes of military in the economy at present are higher than ever before, and as such it needs to control politics to safeguard its own interest. Thus, the Musharraf era saw filling up of the bureaucracy with enrolled and retired military officers, resulting in the militarisation of civilian structures. Musharraf government also created a constitutional role for the army in the form of the National Security Council. The military has become the largest serving bureaucracy group in Pakistan,

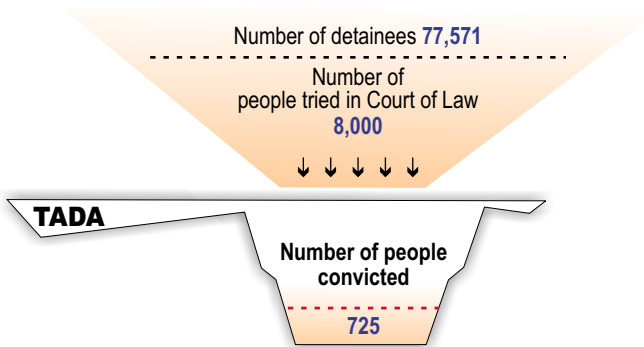


with approximately 1,027 serving or retired military men filling important positions in government institutions and state corporations, not to mention two provincial governors.

This economic and administrative power along with the allegiance of a considerable part of population employed by military's financial institutions, make the military the most powerful institution in Pakistan. It has been noticed that military institutions have profited more under military rules than civilian ones. Thus military needs to remain at the helm of affairs of the country to sustain these perks and privileges. And for its continued existence as a viable force, the military use the fear of India and the cause of Kashmiri Muslims to justify its existence, size and need for monetary activities. This is likely to continue in the future.

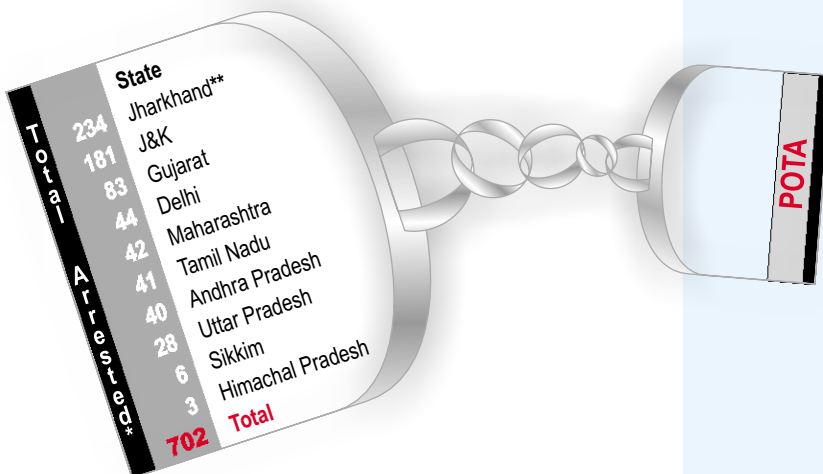
b. Legal Curbs on Civil Liberties in India

Terrorist and Disruptive Activities (Prevention) Act (TADA) (1989-95)



There are different forms of terrorism in India and all are not linked to the conflict with Pakistan. But many of the laws to control terrorism have been introduced to counter Pakistan's proxy war. For example, TADA was introduced in the wake of the agitation in Punjab. POTA was introduced to tackle violence in Jammu and Kashmir. Once introduced, these laws have wider implications in the country and civil society at large pays the price. Thus, terrorism in one part of the country can lead to implementation of laws which curb civil liberties on a much larger scale.

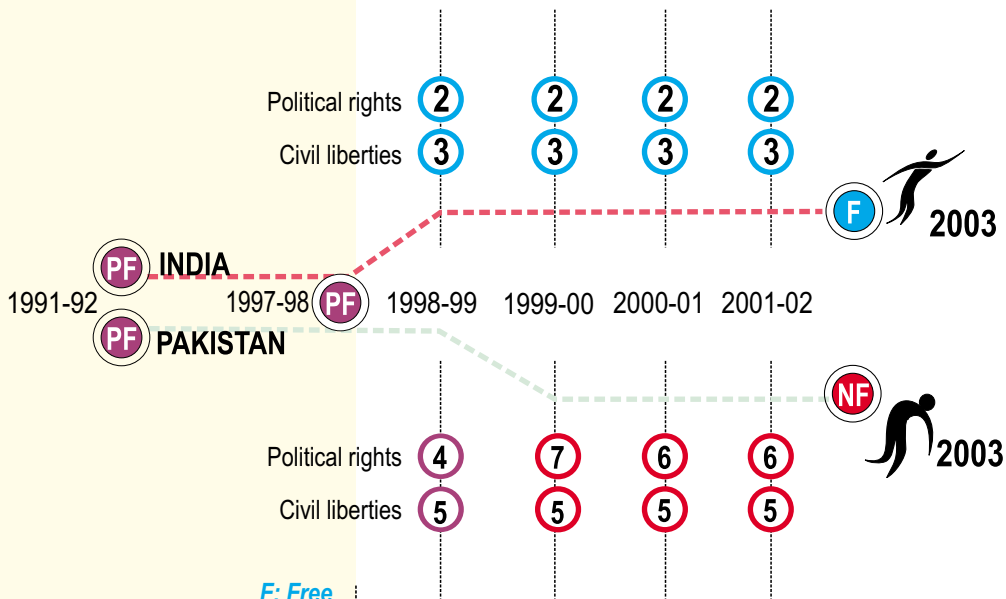
The Prevention of Terrorism Act (POTA)



*As of July 22, 2003

**104 persons discharged on review by the State Government

6. Human Freedom in India and Pakistan

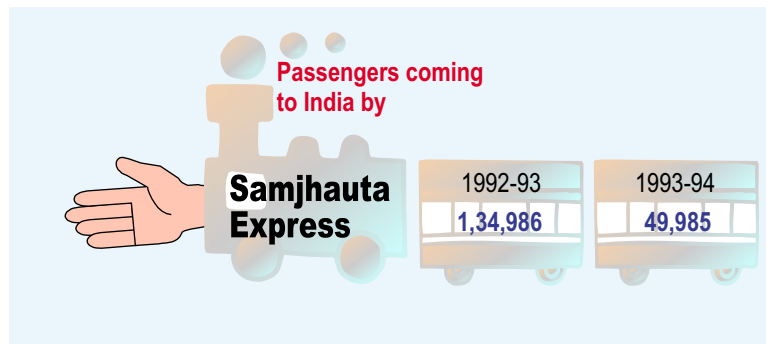


F: Free

PF: Partly Free

NF: Not Free

Political rights and civil liberties are measured on a one-to-seven scale, with one representing the highest degree of freedom and seven the lowest. Countries whose combined averages for political rights and for civil liberties fall between 1.0 and 2.5 are designated "free"; between 3.0 and 5.5, "partly free"; and between 5.5 and 7.0 "not free."



Successful elections in Jammu and Kashmir, terrorism free Punjab, lapse of TADA were some of the factors that helped India to progress from a partially free status in the early 1990s to a free status towards the end of the decade.

The military coup in 1999 and the subsequent suspension of its constitution put Pakistan into the not free state category. The elected government is subservient to the National Security Council and the combined office of the President and Chief of Army Staff.

7. Societal Costs

One of the objectives of the Simla Agreement was to build the foundations of a cooperative relationship between India and Pakistan with special focus on people to people contacts. Though a cultural agreement is in place between the two countries since 1988, cultural exchanges between them have remained minimal.

Millions of Indian Muslims have relatives in Pakistan. However cumbersome visa and other procedures make it difficult for these people to travel frequently to each other's country. There are many restrictions on obtaining visa and subsequent entry and movement:

- i. Visitors can enter only from fixed points
- ii. Only one bus and train service
- iii. Entry by air or sea is restricted to a limited number of entry points and the same entry and exit points must be used
- iv. Travel within India and Pakistan is restricted to a limited number of cities, and permission for specific cities must be acquired in advance.
- v. Daily reporting to police station.

The media flow across the border is minimal. Though nowadays, most of the newspapers are available on Internet, the accessibility is limited to a privileged few. Indian and Pakistani media are obsessed with each other. Even tangential news about India makes it to the front page of Pakistani newspapers and vice versa. Also, media in both the countries are more or less influenced by their respective government's policies – when governments of both the countries are engaged in talks, the media focuses on prospects of friendly relations between the two countries, and when the governments are at loggerheads, the media also adopts a hostile stance.



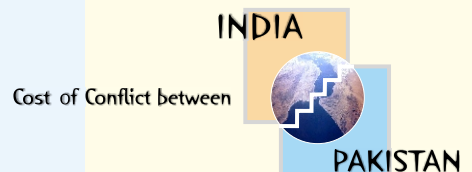
Restrictions in official trade have created a huge black market for CDs of Indian movies and music in Pakistan. The forthcoming Indo-Pakistan cricket series in 2004 is expected to be a huge sell out and is

Prices of Indian Magazines in Pakistan

| | India | Pakistan |
|--------------------|--------|----------|
| Outlook | Rs. 10 | Rs. 200 |
| India Today | Rs. 15 | Rs. 250 |
| Stardust | Rs. 40 | Rs. 75 |

aimed at recuperating the losses made due to severance of cricketing ties between the two countries. The reception given to Noor Fatima, who visited Bangalore for medical treatment, indicates benefits of people to people contacts and losses in the absence of them.

In recent years, the prolonged conflict between India and Pakistan has led to a gradual, but definite change in the values of the society. Lesser form of security has come to be accepted. This is perhaps the greatest cost that the countries will have to pay as these changes undermine many different aspects of society.



Chapter 3: ~~Economic Costs~~

Introduction

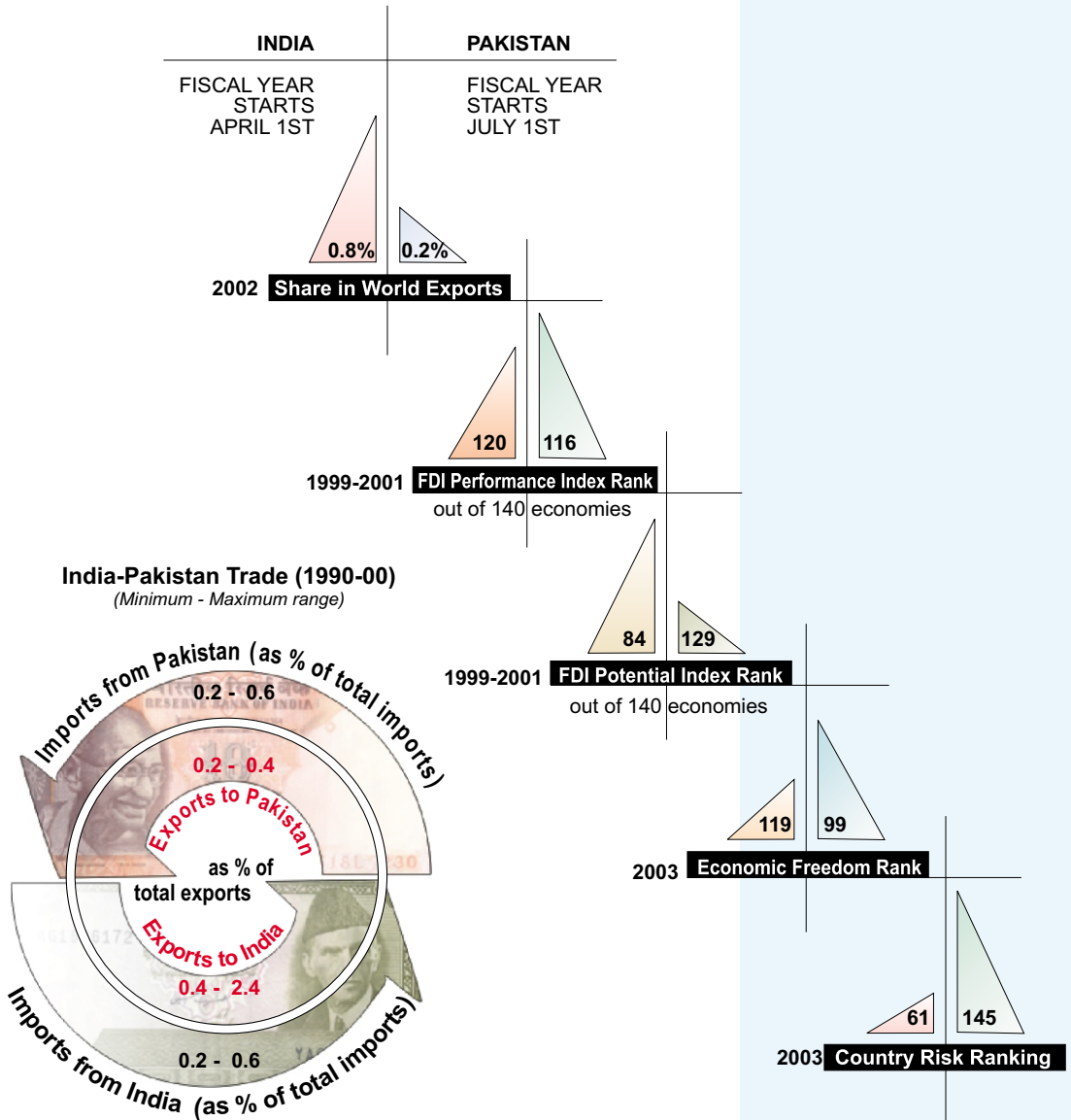
India-Pakistan trade takes place through three channels – official trade, which is marginal; illegal trade by way of smuggling; and unofficial trade carried out through third countries. Official trade, fraught with tariff barriers and quota problems, is marginal with the result that neither country make it to the top ten trading partners of the other. However, the size of informal trade between the two countries underlines the potential of flourishing bilateral trade between them. Indian tyres, textile machinery, tea, coffee, chemicals and drugs are favoured by Pakistanis; however they have to pay inflated prices for these goods coming through indirect routes. The India-Pakistan Chamber of Commerce and Industry formed in March 1999 has not been able to gain momentum due to conflict prone relations between the two countries.

On the surface, trade opportunities appear to be limited given the hostile political context. Pakistan discourages strong economic ties with India because of two reasons – one, the fear of Indian goods flooding the Pakistani market and the inability of Pakistani manufacturers to compete with Indian goods; and second, fear of the Kashmir issue taking a backseat in the light of increased economic cooperation. However, both the countries are miscalculating. Pakistan has free trade with China and yet is not facing much difficulty in competing with Chinese goods. India has a vast market of its surplus goods in Pakistan. Also, India stands to benefit through the land route access to Central Asian markets through Pakistan. Normalised economic relations will prove beneficial for both the countries. Indian manufacturers can exploit the existing markets in Pakistan whereas Pakistani consumers will have to pay substantially lower prices than they presently pay for the Indian goods. Pakistani manufacturers could easily tap India's large market size. Joint ventures, especially infrastructure and information technology projects, between India and Pakistan would be attractive proposals for foreign investors.

However, the real potential for cooperation for India and Pakistan lies in the energy sector. Both the countries with huge demands for natural gas can utilise the economically viable option of importing gas from Central Asia and Iran through joint pipelines. Similarly, there is a prospect of jointly harnessing and distributing hydropower. Also granting of transit rights will open up huge markets for India in Central Asia and for Pakistan in the South Asian countries.

Such cooperation would promote people-to-people contact, bring about economic integration, create stakes in continuing cooperation and enhance mutual confidence, which in turn would push both the countries to resolve the main issues of conflict. Thus, the primacy of economics in India-Pakistan relations can serve as a catalyst in resolution of political conflict between the two countries.

Backgrounder

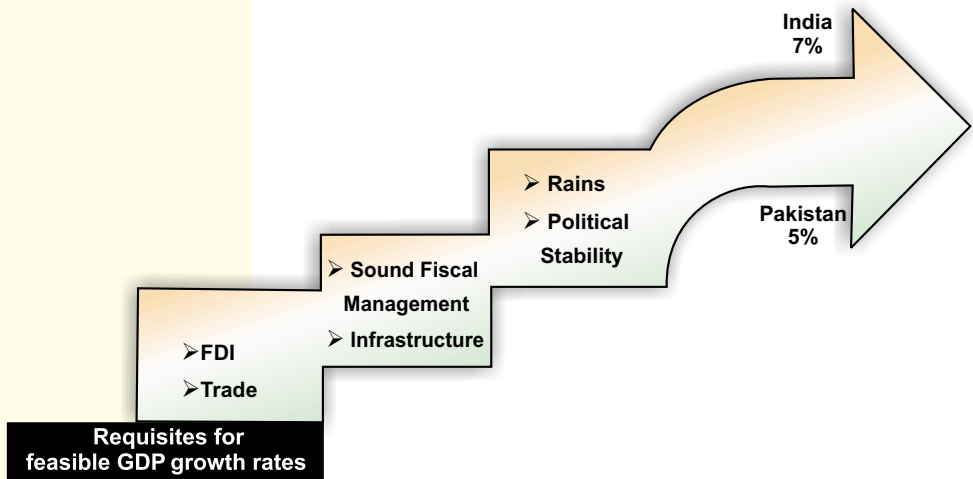


The FDI Performance Index ranks countries by the FDI they receive relative to their economic size. It is the ratio of a country's share in global FDI inflows to its share in global GDP.

The FDI Potential Index captures several factors (apart from market size) expected to affect an economy's attractiveness to foreign investors. It is an average of the values of 12 variables like GDP per capita, the growth of GDP over the previous 10 years, the share of exports in GDP, country risk, R&D share in GDP etc.



1. Opportunity Cost on Growth



| India | To achieve growth rates beyond feasible GDP growth | Pakistan |
|-------|--|----------|
| 10 | Growth rate (%) | 7 |
| 3.5 | ICOR | 4 |
| 35 | Required investment as per cent of GDP | 28 |
| 24 | Gross Domestic Savings (%) | 15 |
| 51 | Investment Gap in US \$ billion | 9 |

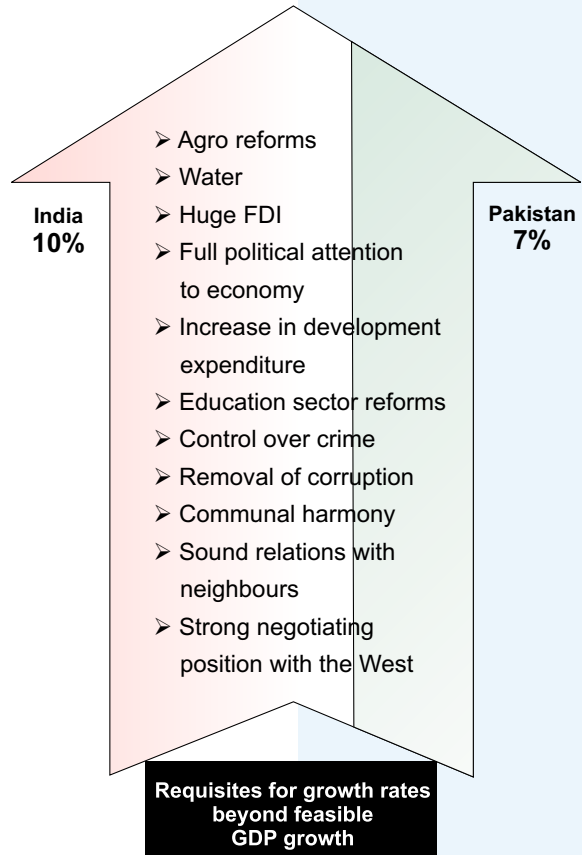
ICOR: Incremental Capital Output Ratio

For India to achieve 10 per cent growth rate, it needs investments to the tune of 35 per cent of GDP based on ICOR of 3.5. India's current domestic savings is 24 per cent of GDP, which implies an investment gap of 11 per cent of GDP that is to be filled through FDI. Based on this, India needs to attract FDI in the order of US\$ 51 billion – 12 times its current level to achieve 10 per cent growth rate. Similarly, Pakistan needs US\$ 9 billion in FDI – 11 times its current level to achieve growth rate of 7 per cent.

In the absence of a major conflict in the region and a global recession, India and Pakistan can achieve growth rates of seven per cent and five per cent respectively with some sound economic management. However such growth rates will neither help them alleviate poverty or take them into the league of the major economic players of the world.

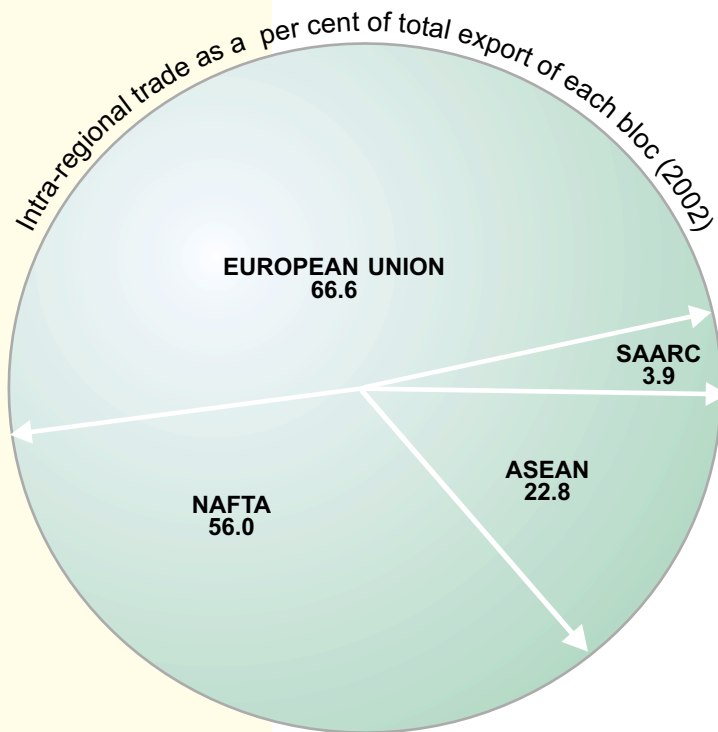
If India and Pakistan want to transform into developed countries by 2020 or 2025, they require very high growth rates in the order of 10 per cent for India and 7 per cent for Pakistan. But such high growth requires: (1) resources (2) political attention.

As for resources, there is investment gap of \$51 billion for India and \$9 billion for Pakistan. This can be filled by attracting huge FDIs, unlocking the rural economy and tapping the black economy. The former will require transparency and speedy decision-making. The latter will require social reforms. This calls for major political reforms that can be attained only by undivided political attention to the issue.

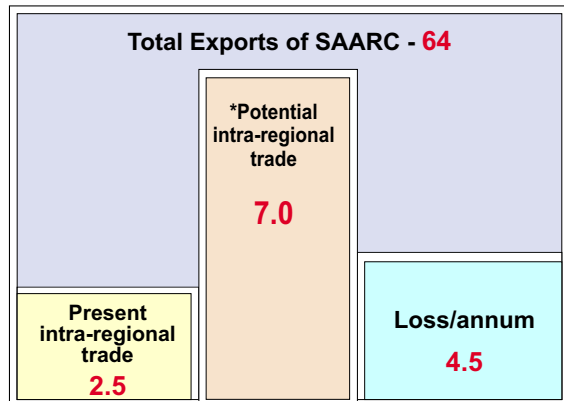


However, both countries should have peaceful relations with all their neighbours to provide undivided attention to internal issues. Thus, only a long lasting peace between them can allow India and Pakistan to concentrate completely on internal political and economic reforms and to achieve economic growth rates of 10 per cent and 7 per cent respectively.

2. Loss of Regional Cooperation



(in US\$ billion)



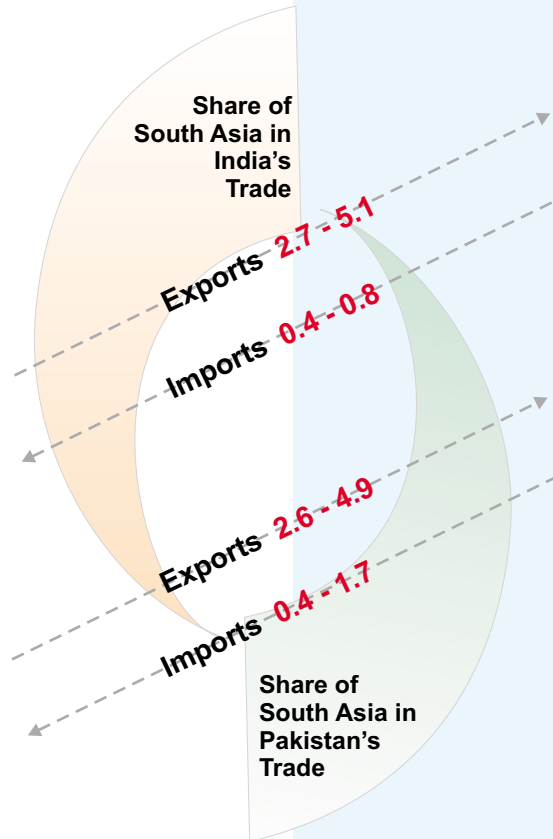
**Intra-regional trade - at 3.9 per cent of the total exports of SAARC (US \$ 64 billion) - comes to US \$2.5 billion. Estimating the trade potential of SAARC under conducive environment at half the potential of ASEAN, i.e. 11 per cent, the potential intra-regional trade of SAARC could be US \$ 7 billion.*

South Asia's share in India and Pakistan Trade -1990-00

(maximum and minimum range, in per cent)

Even though the South Asian Association for Regional Cooperation (SAARC) was launched in 1985, South Asia remains one of the most unintegrated regions of the world. South Asian Preferential Trade Agreement (SAPTA) was introduced in 1993 and implemented in 1995 as an initiation to a phased evolution of South Asian Free Trade Agreement (SAFTA). The SAARC Summit in January 2004 concluded an agreement on SAFTA to be implemented from January 2006. It is interesting to note that ASEAN, which has a solid track record in economic cooperation, plans to establish a free trade area only by 2020.

Peace between India and Pakistan, the subsequent creation of a Free Trade Zone area and economic integration of SAARC countries, along with development of transnational road and rail network, could turn South Asian region into a big economic zone and a regional market, second only to China in size.



3. Loss of Bilateral Trade

Facts

Current official trade*

\$200-250 million

Third country trade

\$1 billion

Contraband trade

\$1-2 billion

Loss of

Government Revenue

due to loss of

customs duties

(at 20 per cent)

\$0.20-0.40 billion

**Potential trade in
conducive environment**

\$3-4 billion

Trade under SAFTA

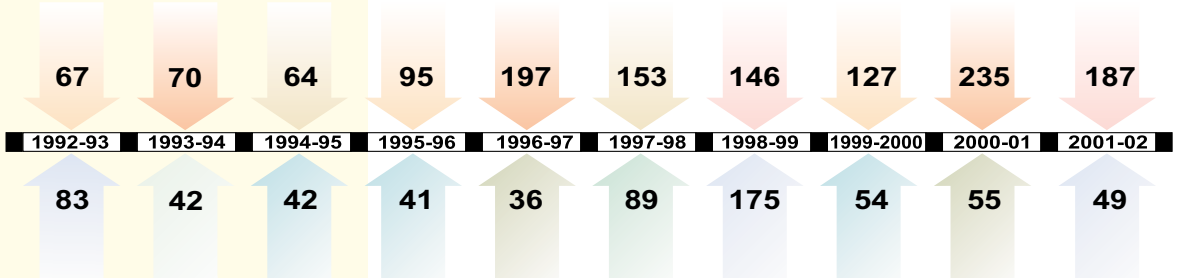
\$5 billion

India granted Most Favoured Status to Pakistan in 1995-96. Pakistan maintains a list of about 700 items that can be imported from India, although ninety per cent of the trade takes place in only 42 items. Except for nine years between 1965-74, India-Pakistan trade has been uninterrupted though the volumes of official trade have been negligible. India-Pakistan bilateral trade amounts to only about one per cent of their respective global trade. However, the volume of third country and illegal trade indicates the tremendous potential for bilateral trade between the two countries.

Several restrictions on official trade compel both the countries to import certain goods from far off sources,

**Average annual figures
per year during the
period from
2000 - 01 to 2002 - 03*

India's Exports to Pakistan



India Pakistan Trade 1992-2002 (in US \$ million)

Pakistan's Exports to India

Scenarios for bilateral India-Pakistan trade (In US\$ billion)

| Year | Hostile Environment | Conducive Environment | | | |
|-------------|---------------------|-----------------------|--|---|-------|
| | | Normal Trade | Conversion of Third Country trade into bilateral trade | Conversion of Contraband trade into legal trade | Total |
| 2003 | 0.20-0.25 | 0.25 | | | 0.25 |
| 2004 | 0.20-0.25 | 0.40 | 1.0 | | 1.4 |
| 2005 | 0.20-0.25 | 0.60 | 1.0 | 1.0 | 2.6 |
| 2006 | 0.20-0.25 | 1.0 | 1.0 | 2.0 | 4.0 |
| 2007 | 0.20-0.25 | 5.0* | | | 5.0 |
| 2003-07 | 1-1.25 | | | | 13.25 |
| Loss | | 12.00 | | | |

*Under SAFTA

which they can easily import from each other. India-Pakistan trade would ensure cheaper raw materials and low transportation and insurance costs, which would translate into good quality goods at economical prices for the population of both the countries. Also, while the consumers would benefit from cheaper and wider variety of imports, manufacturers will have access to wider markets in neighbourhood. Government in both the countries would earn

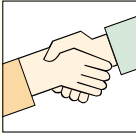
significant revenues that are right now lost due to unofficial trade. The trade transit rights will enable both the countries to exploit other geographically closer markets – Central Asia in case of India and Bangladesh, Nepal and Bhutan in case of Pakistan.

Also, closer business ties and creation of economic stakes in each other will help in reducing the hostilities between the two countries.

4. Loss of Bilateral Joint Ventures

(Potential Sectors of Cooperation)

| Areas for cooperation |
|----------------------------------|
| Agriculture |
| Tea |
| Chemicals |
| Plastics |
| Textile Machinery |
| Hydro Power |
| Tourism |
| Information Technology |
| Telecommunication |
| Automobile Ancillaries |
| Environment and Water Management |



| Sector | Pakistan's cost reduction on imports from India (in per cent)* |
|----------------------------|--|
| Steel | 50 |
| Finished engineering goods | 10 |
| Transport equipment | 25 |
| Bicycles | 20 |
| Pharmaceuticals | 30 |

*per unit

Current Beneficiaries: Smugglers and third country agents

Potential Beneficiaries: Governments and legitimate businessmen

At present, joint ventures between the two countries are non-existent, and so is direct investment. While India and Pakistan compete to sell their goods in the global market, there are many areas of enterprise in which both the countries can complement each other's needs and hence produce cost-effective, quality goods. Potential sectors for joint ventures include agricultural products, tyres, auto spare parts, minerals, chemicals, pharmaceuticals, leather, textile and telecommunications.

The exchange of technology and skills between the two neighbours will help enhance the quality of their goods at comparatively cheaper prices. Telecommunication networking between them will help closer interaction between the elite, as well as common people. Also, joint projects to provide IT-related services for world markets would be an attractive proposition for global companies.

Free intra-country tourism will ensure people to people contact, which will help in reducing the prevailing hostilities amongst the population of the two countries. Also, joint tourism projects, especially in the Himalayan region could provide a fillip to the tourism industry in both the countries.

India and Pakistan can establish joint ventures to harness and transmit the region's hydropower resources. Cooperation in water management and hydropower projects can help in increasing irrigation benefits, decreasing risks of floods, and establishing an Indo-Pakistan electric grid system for intra-country transmission of electricity.

5. Energy Economics

| Independent Pipeline / LNG option* | | |
|------------------------------------|------------|------------|
| PIPELINE | INDIA | PAKISTAN |
| Turkmenistan | 2.40 | 1.50 |
| Iran (Onshore) | 4.00 (LNG) | 1.50 |
| Gulf States | 2.90 (LNG) | 2.60 (LNG) |

| Joint Pipeline* | |
|-----------------|----------|
| INDIA | PAKISTAN |
| 1.80 | 1.20 |
| 1.80 | 1.20 |
| 2.50 | 2.00 |

*In US\$ per MMBtu of natural gas

LNG: Liquefied Natural Gas

MW: Mega watt

BCMY: Billion Cubic Metres per year

MMBtu: million British thermal units

KWh: Kilowatt-hour

India and Pakistan, both of which will require large volumes of natural gas imports to meet their future domestic needs, can tap the major gas deposits of Persian Gulf and Central Asia. Of the several options available, import of natural gas

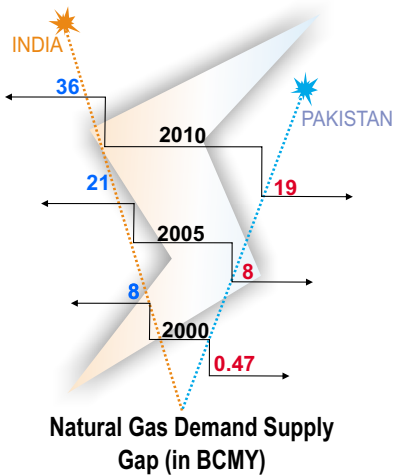
through pipeline is the most cost effective way. A single, joint natural gas pipeline extending overland from Pakistan to India would be economically more viable for both the countries than constructing their respective pipelines independently. At a conservative estimate, Pakistan can earn approximately \$500 million per pipeline per year in transit rights, whereas importing gas through pipeline can serve as a cheaper option for India than imports of LNG. However, India fears that Pakistan will use the pipeline as a strategic weapon in eventuality of a conflict.

Pakistan agreed in principle to export 300MW of electricity to India for 10 years in 1998. However, the

subsequent talks to fix a tariff rate remained unproductive as India offered to buy electricity at Rs. 2.2 per KWh, while Pakistan demanded Rs. 7.2 per KWh. Even at the price offered by India, the loss that Pakistan has incurred over the five years due to non-export of electricity to India runs in billions.

Pakistan, which has not exploited the solar energy technology on a large scale due to high costs and institutional problems, can benefit from India, which has world's largest solar energy program.

Interlinked power and gas networks will generate interdependence between India and Pakistan, which may help to reduce hostilities between them.



Chapter 4: ~~Diplomatic Costs~~

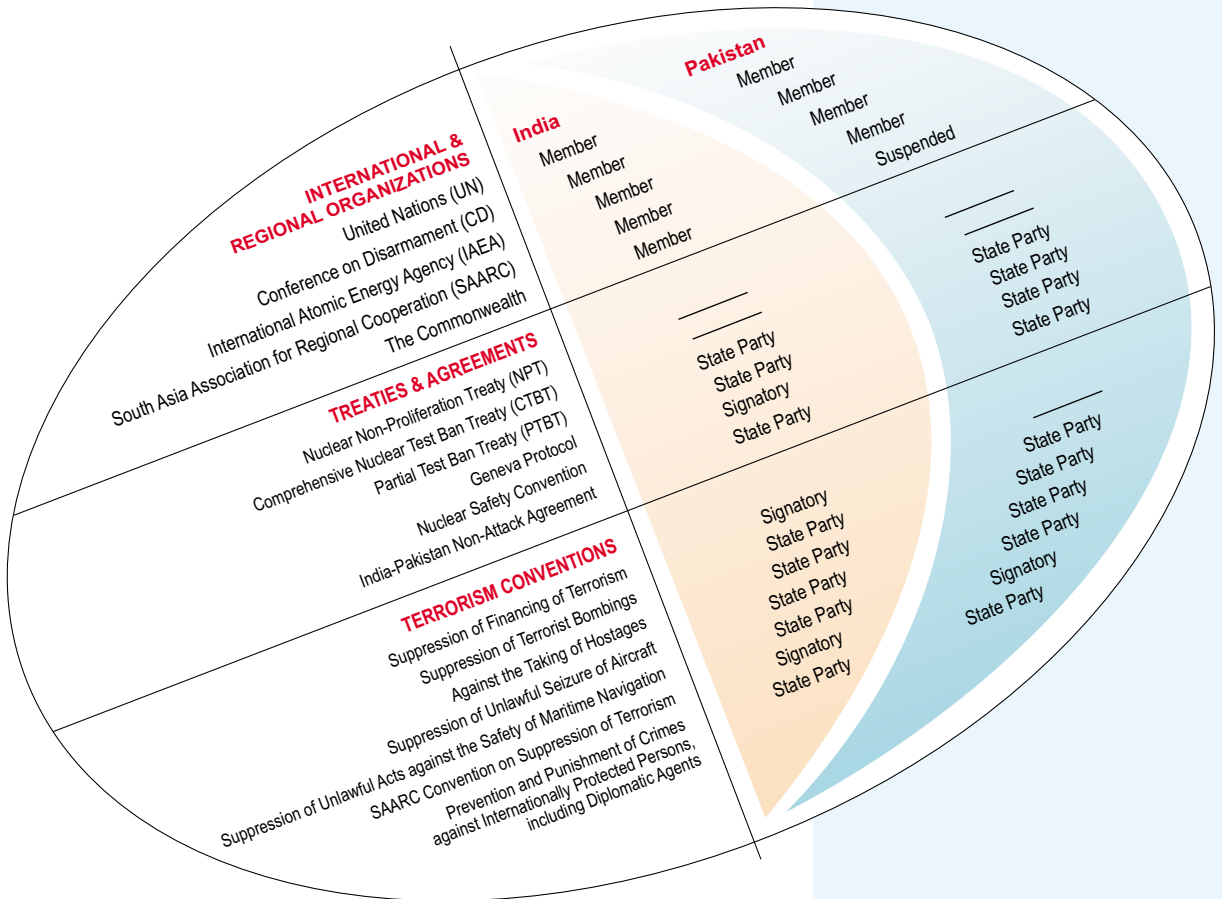
Introduction

Since independence, India and Pakistan have looked at the world through the prism of each other. This has affected not just their bilateral relationship but also their relations with other countries. While Pakistan seeks to internationalise the Kashmir issue, India seeks to brand Pakistan as a terrorist-sponsoring state.

Both the countries have rigid, counter productive policies vis-à-vis each other. Bilateral diplomatic ties reflect the border situation between them. The necessity to sign a special bilateral code of conduct, stipulating the norms for treatment of the diplomats, itself indicates that the diplomats are also not spared from the web of antagonism. Diplomats of both the countries have often complained about harassment and ill-treatment. Diplomatic ousters have become a pattern of action during heightened tensions. So are retaliatory expulsions of diplomats.

The failure on part of the two countries to resolve disputes through bilateral dialogue, brinkmanship and bellicosity using N-word, has given the international community, especially the US, a free hand to interfere in their internal affairs.

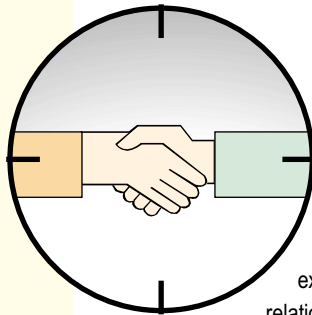
Backgrounder



A State Party refers to a State which has fulfilled and implemented domestic legislative legal practices to bring about the legal application of the Treaty on the government and the Treaty is formally declared to be applicable on the State Party, and the required legal instrument of ratification has been duly deposited with the depositary.

A Signatory State refers to a State whose competent authority or representative has affixed its signature to a Treaty text thus indicating acceptance of the Treaty and a commitment not to undertake any actions that would undermine the purpose of the Treaty, according to the Vienna Convention on the Law of Treaties, pending formal ratification.

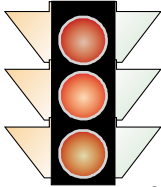
1. Harassment of Diplomats



Diplomatic relations between India and Pakistan are marred with acerbic accusations and tit-for-tat expulsions. It experiences the highs and lows of the relations between the two countries. Both the countries generally apply the same staff ceiling for their High Commissions.

Despite being bound by the Vienna Convention on Diplomatic Relations (1961), India and Pakistan felt the need to sign a bilateral Code of Conduct for Treatment of Diplomatic Personnel in India and Pakistan in 1992. However, the provisions of this code of conduct are also flouted a number of times. Both the countries frequently allege mistreatment and harassment of their diplomats. The harassment includes subjecting diplomats to verbal abuse, disconnection or tapping of their telephone lines, unauthorised surveillance of their offices and homes, etc. Physical harassment of diplomats in terms of man handling or bodily harm is also commonly complained of. Even so, such harassment was generally restricted to subordinate officials of the High Commissions. However, beginning of 2003 saw the heads of missions being subjected to aggressive surveillance. On January 7, 2003 Pakistan's acting High Commissioner Jalil Jilani complained of being followed by Indian intelligence agents for three consecutive days. During the same month, India's acting High Commissioner, Sudhir Vyas's car was repeatedly obstructed by Pakistani intelligence officials. In the following month, both diplomats were expelled.

2. Membership Blockades



ASEAN/ARF

Even after seven years of its induction into the ASEAN Regional Forum (ARF), India's goal to attain full membership of ASEAN remains distant. Apart from the China factor, apprehension of ASEAN about getting entangled in the India-Pakistan imbroglio proves to be the biggest hurdle for India. With India working towards establishing FTA with ASEAN, the situation may change later.

India is proving to be the biggest stumbling block in Pakistan's acceptance as an ARF member, which is the biggest security grouping deliberating regional peace and security in Asia.

United Nations Security Council

India justifies its claim for permanent membership in the UN Security Council based on its strategically important location, its status as the world's largest democracy, and its active involvement in UN peacekeeping missions, amongst others. However its hostility and arms race with Pakistan undermines its chances to secure permanent Security Council membership.

The Commonwealth

The Commonwealth suspended Pakistan from its key councils following the military coup in 1999. Pakistan accuses India of playing a key role in blocking its re-entry.

Organisation of Islamic Conference

Despite being homeland to the second largest Muslim population in the world, India's bid to gain observer status in OIC has been repeatedly rejected at the behest of Pakistan.

Shanghai Cooperation Organisation

India and Pakistan have not been included in SCO though they will benefit tremendously due to their vital interest in Central Asia. Pakistan encourages China to block India and India encourages Russia to bloc Pakistan entering SCO. This may change due to the new developments in India-China and Pakistan-Russia relations.

Economic Blocs

India and Pakistan have moved slowly in SAARC. India has evolved bilateral and sub regional cooperation with other SAARC countries. Also, India is member of other neighbouring economic blocs like Bangladesh, Indian, Myanmar, Singapore, Thailand Economic Cooperation (BIMSTEC) and Indian Ocean Rim Countries to the exclusion of Pakistan.

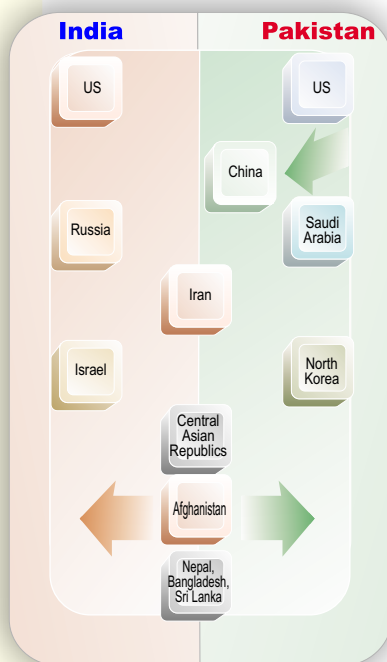
However, there are instances of India-Pakistan cooperation in international fora. For instance, in the WTO summit at Cancun in 2003, India and Pakistan cooperated with each other, as part of the G22 bloc. Such instances however, are few and far between.

3. Friends And Foes

US

Over the years, instead of focusing on strengthening Indo-US bilateral relations, India and US relations have remained stuck over India-Pakistan conflict and contentious issues. September 11 terrorist attacks brought

Pakistan into the forefront of US agenda, ruining India's hopes of establishing a non-hyphenated relation with the US. With Pakistan as a frontline ally, the US granted a \$ 3 billion aid package divided equally between economic and military assistance. India sees the facilitation of debt relief for Pakistan, by write offs and rescheduling of debts, as a leeway to allow Pakistan to purchase more weapons. This can affect Indo-US relations. Also, the Pakistan factor has compelled US to stall supply of sensitive technology to India causing hindrance to development of indigenous defence and science industries.



Pakistan sees US interest in it as a short-term strategic need. The long-term military cooperation with India, as reflected in the joint military exercises carried out by the US and India is resented by Pakistan. Pakistan also resents American approval of supply of modern weaponry from Israel to India. Also,

US assessment of India as a long-term strategic partner has given leverage to India in pressurising US to tone down its relations with Pakistan. Though Pakistan got substantial aid as a US ally in the war of terror, the pro India lobby has demanded to make it conditional on Pakistan taking strong measures to stop cross border terrorism into India. US also increasingly favours India's position of maintaining status quo in Kashmir rather than Pakistan's demand of holding a plebiscite.

China

India cites China as the reason for its military and nuclear development. However,

conflict with Pakistan demands more attention of Indian military, diverting its focus from China. Despite mutual efforts to forge strong bilateral ties, India's approach vis-à-vis China remains cautious due to China's close military links with Pakistan. India blames China for creating strategic instability in India's neighbourhood by supplying missile and nuclear technology to Pakistan. The Pakistani lobby in Beijing also plays an important role in undermining the relationship between India and China.

China's growing interest in Indian economy and the mutual efforts to forge strong economic ties and to resolve the border dispute peacefully is bound to bring in a new era of Sino-India friendship. This can lead China to slowly distance itself from Pakistan with a view to gratify India. Strong Sino-India ties may also translate into denial of future transfers of missile and nuclear technology from China to Pakistan.

Afghanistan

India and Pakistan are trying to woo Afghanistan at the expense of the other. Both the countries desire to have a government in Afghanistan that is friendly to it and hostile to the other. While Pakistan will like to see the new government formed under Taliban or Pashtun leadership, India supports the Northern Alliance. This leads to constant flux in the relations between India and Pakistan with regards to Afghanistan, which in turn is detrimental to the stability of Afghanistan. While Pakistan's efforts to wield influence within Afghanistan to create strategic depth against India have badly affected Pakistan's internal politics, India-Pakistan zero sum games in Afghanistan has deprived India of direct land access to Afghanistan.

If not for India-Pakistan rivalry, Afghanistan-Pakistan-India could become a major economic zone with access to Central Asian and Bangladeshi natural gas and energy resources. They can together become important players in the world energy market.

Iran, Israel and the Middle East

India's quest to establish military superiority over Pakistan by acquiring modern weapons and military technology played an important role in bringing India close to Israel. India's close relationship with Israel was achieved at the cost of compromising on India's stand on the Palestine issue and India's relationship with the Arab countries. India and Pakistan try to cultivate Iran to the exclusion of each other. India's interests in Chabahar port in Iran and creation of the south-north corridor competes with Pakistan's Gwadar port. In the absence of confrontation, India-Pakistan-Iran can exploit trade in energy and manufactured goods.



4. Duality of the International Community

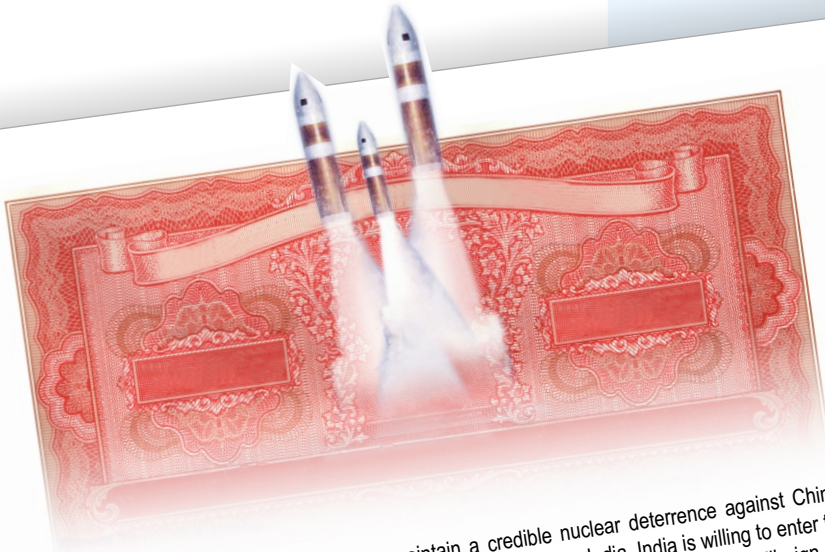


India's pursuit to attaining prominence in the region and Pakistan's quest for seeking parity with India has led both the countries into the vortex of arms race. Over the last decade, India has spent approximately \$8 billion on arms purchases, whereas Pakistan has spent nearly \$2 billion. Every successful arms acquisition deal by one country triggers off an arms procurement spree in the other.

US' renewed military ties with both India and Pakistan resulted in acquisitions of cutting edge defence technology by both the countries in 2003. The arms race started with US reopening its arms pipeline to Pakistan by agreeing to provide \$341 million worth of arms and agreeing to refurbish Pakistan's fleet of 28 old F-16 planes and permit the sale of 12 used F-16s from Belgium. India struck a defence deal with Israel in October under US acquiescence for the transfer of Airborne Warning and Control System (AWACS). India-Israel also signed a separate agreement of defence purchase worth \$30 million to combat terrorism. This was on the heels of purchase of 66 Hawk jets worth £1 billion from Britain. By the end of the year, Pakistan had started exploring the possibility of acquiring Chinese FT-2000 surface to air missiles, commonly known as AWACS killers, to counter India-Israel deal.

According to SIPRI Yearbook 2003, India and Pakistan ranked 3rd and 11th respectively in the list of recipients of major conventional weapons during the period of 1998 to 2002. At the height of tensions between India and Pakistan in 2002, both the countries procured arms worth \$900 million and \$600 million respectively. Many western countries exploited large arms market in India and Pakistan, by selling arms to either one or both the countries. In the first six months of the 2002 conflict, Britain issued 148 arms and other military exports licences to India and 18 to Pakistan, covering bombs, torpedoes, rockets, missiles, combat vessels, howitzers, military aircraft and their components. During the same period, the US signed a \$146 million deal with India to supply eight AN/TPQ-37 Firefighters, an artillery-locating radar system. In view of Pakistan's support to its war against terror, US signed a defence agreement with it called the Acquisition and Cross Servicing Agreement. China, Russia and France also tried to fuel the war situation by discussing and/or supplying arms. Ironically, these very countries dread the long-standing India-Pakistan conflict turning into nuclear confrontation, and indulge in excessive diplomacy whenever the tensions between the two rivals run high. But they very conveniently overlook the impact of arms sales to India and Pakistan.

5. Nuclear Arms Control Treaties



India's national defence doctrine is to maintain a credible nuclear deterrence against China, whereas Pakistan's doctrine is based on threat perception from India. India is willing to enter the global nuclear arms control treaties subject to certain conditions, while Pakistan will sign the treaties provided that India does it first.

India's stand against the Nuclear Non-Proliferation Treaty (NPT) and Comprehensive Test Ban Treaty (CTBT) is on the grounds of principle. India has consistently attacked the treaties as inherently discriminatory enshrining differential obligations between nuclear-weapon states and non-nuclear weapons states. India has shown willingness to enter NPT as a recognized nuclear-power state. However as the concept of enlargement of the nuclear states pool is not agreeable with the US, India had to choose between disarming and joining the NPT as a non-nuclear weapon state or maintaining a credible minimal nuclear deterrent. India chose to keep its nuclear option open. India's objection to the CTBT is based on non-ratification of the treaty by the US and a lack of time-bound framework of nuclear disarmament of the five permanent members (P-5) of the Security Council. Pakistan has no such objections with either the inherent principle of the treaties or with any of their signatory states. However, it links its stand on the treaties with what India does.

India and Pakistan are two of the only three states outside the NPT. Non-signing of the CTBT by India and Pakistan, among other reasons, makes it impossible to make the treaty effective. Fissile Material Cut-off Treaty (FMCT) and Missile Technology Control Regime (MTCR) are also being resisted by India and Pakistan. Though India has ensured the safety of its nuclear technology and material against commercial or illicit export, Pakistan on the other hand has been allegedly involved in clandestine missile technology transfers to North Korea and Iran.

X _____
X _____

INDIA

Cost of Conflict between



PAKISTAN

Chapter 5: ~~Costs for Jammu and Kashmir~~

Introduction

Ever since partition, territorial dominance over Kashmir has remained the major issue of contention between India and Pakistan, bringing them twice to war and twice to the brink of war. At the time of partition, Kashmir chose to remain independent of both India and Pakistan, but subsequently acceded to India following an attack by pro-Pakistani tribals. Pakistan rejects the accession and demands holding a plebiscite for the Kashmiri people to decide to join either India or Pakistan. India refuses to consider a plebiscite. As such both the countries consider the part of Kashmir held by other as illegally "occupied". India accuses Pakistan of providing training, monetary and logistic support to the militants to carry out a proxy war in Kashmir. Pakistan maintains that it only provides moral and diplomatic support to the struggle of the Kashmiris.

Since 1989, the Indian state of Jammu and Kashmir is mired in extreme terrorist activities and violence. Loss of human lives in Kashmir is many times greater than the combined casualties of four wars fought between India and Pakistan. Several hundred people have been maimed due to land mines particularly near the Line of Control in the Poonch and Rajouri districts of Jammu. The breakdown of the education system along with the culture of violence in the state carries serious long-term implications for the Kashmiri youth.

The situation has somewhat turned around following the election of Mufti Mohammad Saeed as the Chief Minister of Jammu and Kashmir in late 2002. His 'healing touch' policy has to some extent restored confidence, marginalized militant leaders and split the militant movement. Education, public services, tourism are on the path of recovery. Despite the turn around, the situation is far from satisfactory.

Backgrounder

A Quarter per cent of Conflict

0.25% OF CONFLICT

- Total area of India and Pakistan **4 million sq. km.**
- Combined GNP of India and Pakistan in 2001 **Approximately \$500 billion**
- Combined Population of India and Pakistan in 2001 **1.2 billion**

- Area of conflict/ contention* **10,000 sq. km.**
- Gross Area Product of Kashmir in 2001 **\$1.25 billion**
- Population of the contentious area of Kashmir in 2001 **4 million**

Conflict is over:
0.25 per cent of total area of India and Pakistan
0.25 per cent of the total economy of India and Pakistan
 Slightly over **0.25 per cent** of the combined population of India and Pakistan

**Even though India and Pakistan legally claim the state of Jammu and Kashmir, as it existed in August 1947 at the time of independence, in real terms their expectations are limited. India is hardly expected to claim Kashmir in Pakistan's control and Northern Territories. Pakistan is hardly expected to claim Ladakh and parts of Jammu. Thus, the contentious area for which both countries appear unwilling to compromise is bulk part of the valley and some parts of Jammu. The area would amount to 10,000-12,000 sq. Km.*



1. Human Costs



| | 1998 | 1999 | 2000 | 2001 | 2002 | ***2003 | Total | Projected Costs for 2004 - 08 |
|---------------------------------------|-------|-------|-------|-------|-------|---------|------------------------|-------------------------------|
| Number of Incidents of Violence | 2,932 | 3,071 | 3,074 | 4,522 | 4,038 | - | 17,637 | 22,046 |
| Civilian casualties by terrorists**** | 977 | 937 | 942 | 1,098 | 1,050 | 703 | 5,707 | 5,945 |
| Civilians Injured | 1,187 | 1,119 | 1,258 | 2,120 | 1,714 | 1,217 | 8,615 | 10,410 |
| Security Forces Killed | 236 | 355 | 397 | 536 | 453 | - | 1,977 | 2,471 |
| Total Terrorists killed | 999 | 1,082 | 1,520 | 2,020 | 1,707 | 1,223 | 8,551 | 10,322 |
| Foreign Terrorists killed | 406 | 548 | 870 | 1,198 | 1,063 | 845 | 4,930 | 5,957 |
| *Disappearances | | | 1,553 | 1,586 | 605 | | 3,744 | 7,800 |
| Widows (1990-02) | | | | | | | Approximately 14,000 | |
| Orphans (1990-02) | | | | | | | Approximately 17,500** | |

*Mufti Muhammad Sayeed to State Legislature Assembly on February 25, 2003

**Excluding children of disappeared people

***Up to October 15, 2003

****Including Village Defence Committees and Special Police Officers

The militant violence raging in Jammu and Kashmir since 1989 has precipitated a humanitarian crisis of tragic magnitude. Terrorism has extracted a terrible cost in terms of human suffering and destruction. There is no family that has not been a direct or indirect victim of the violence, not a single village or town that has escaped the ravages of the conflict. Youth and children are biggest victims.

Loss of life and property due to shelling

| Casualties (India) 2002 | | 2003-07 |
|-----------------------------------|-----|----------------|
| (Nov. 2001-Oct. 2002) | | |
| Civilians Killed | 83 | 415 |
| Security Forces Personnel Killed | 65 | 325 |
| Civilians Injured | 376 | 1,880 |
| Security Forces Personnel Injured | 170 | 850 |
| Property Damaged (India) | | |
| Government Buildings | 8 | 40 |
| Schools | 4 | 20 |
| Houses | 207 | 1,035 |
| Huts/Kuthars | 28 | 140 |
| Religious Places | 5 | 25 |
| Cattle Killed | 222 | 1,110 |
| Cattle Injured | 165 | 825 |

Cross border artillery exchange between India and Pakistan, which is routine even during the relatively low tension periods, not only exact loss of civilian lives and livestock in the villages in the vicinity of the border, but also inflict damage upon standing crops and property. Also, temporary displacement during heightened tensions has become a common phenomenon for the Kashmiris residing in the border areas.

The continuous shelling denies the villagers access to their fields and grazing grounds. Although, the embankments built by Indian security forces to shield the security personnel involved in fencing the border also protect the villagers and their farms, such embankments till date cover only approximately 80 kms out of about 1200 kms of the mutual border. In the remaining villages, people have either to face the bullets and mortars to cultivate their fields or to abandon farming.

Total human and material losses on the Pakistani side due to Indian shelling is unavailable, but the total casualties figure of 78 from January 2003 to August 2003, reflects on the high costs borne by the people on the Pakistani side of LOC. The annual average of civilian casualties has been 100 deaths and 300 injured per year.

2. Internally Displaced Persons (IDPs)

0.25% OF CONFLICT



Displacement from border areas

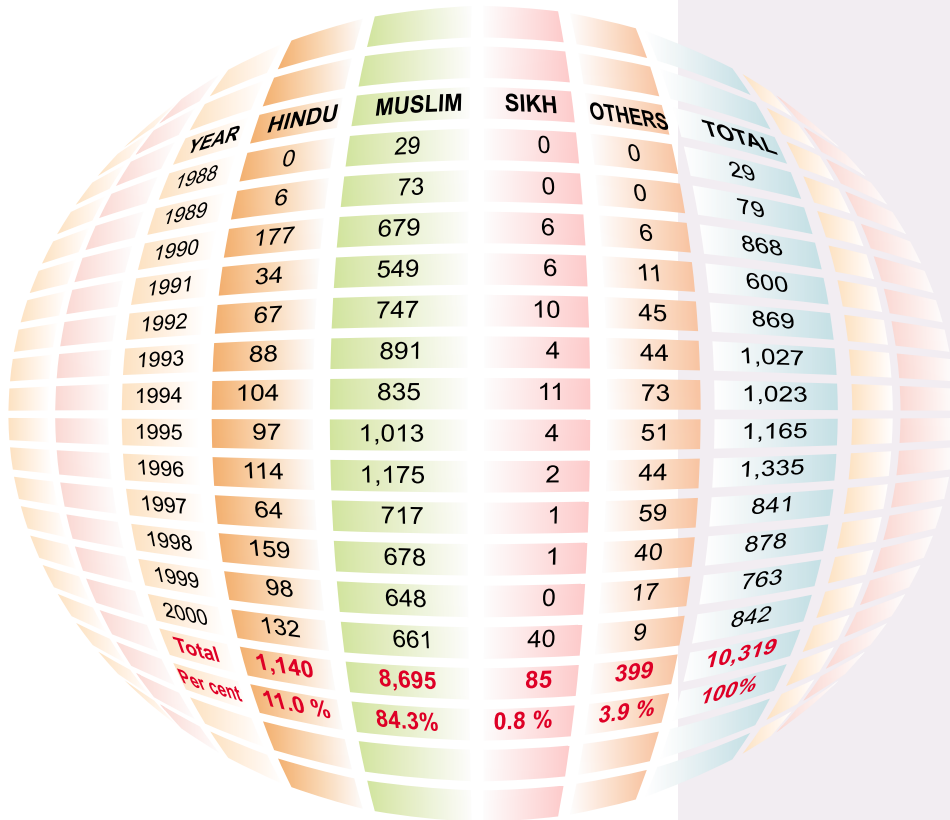


| India | Pakistan |
|---|---|
| Refugees and IDPs (pre 1999) | |
| 51,122 families of Kashmiri Pandits Over 10,000 Muslims | Approximately 17,000 refugees from the Indian Kashmir (some of whom have been in Pakistan since 1947) |
| IDPs during Kargil Conflict | |
| Kargil - 24,630 (3,574 families) Leh - 3,245 (540 families) Jammu - 100,000 (20,000 families) Total - 127,875 (24,114 families) | Over 40,000 people in Kashmir |
| IDPs post attack on Indian Parliament | |
| 153,131 (30,771 families) Residents in the Indian states of Punjab and Rajasthan moved their families and belongings out of range of Pakistani artillery | Approximately 45,000 people (5,729 households) internally displaced in the southern part of Kashmir (till June 2002) |
| IDPs during future confrontation (2007) | |
| Approximately 100,000 | Approximately 50,000 |

Heightened tensions between India and Pakistan have displaced number of families on both the sides of LOC and international border. Though most of these people remain temporarily displaced and are compensated for any economic loss endured, the compensation is very low in comparison to the psychological and economic costs suffered by them.

Displacement inside Kashmir (Pakistan) is mainly related to the Indian artillery shelling across the LOC. During periods of heightened tensions between the countries the civilians move away 10-20 kms from the LOC to get outside the range of the Indian artillery. However, the internally displaced persons from Kashmir (Pakistan) do not receive the same level of assistance as given to the refugees from India, as the Pakistani government wants them to return to their villages to sustain its claim over the area.

3. Religious Identity of Civilians Killed in Militancy

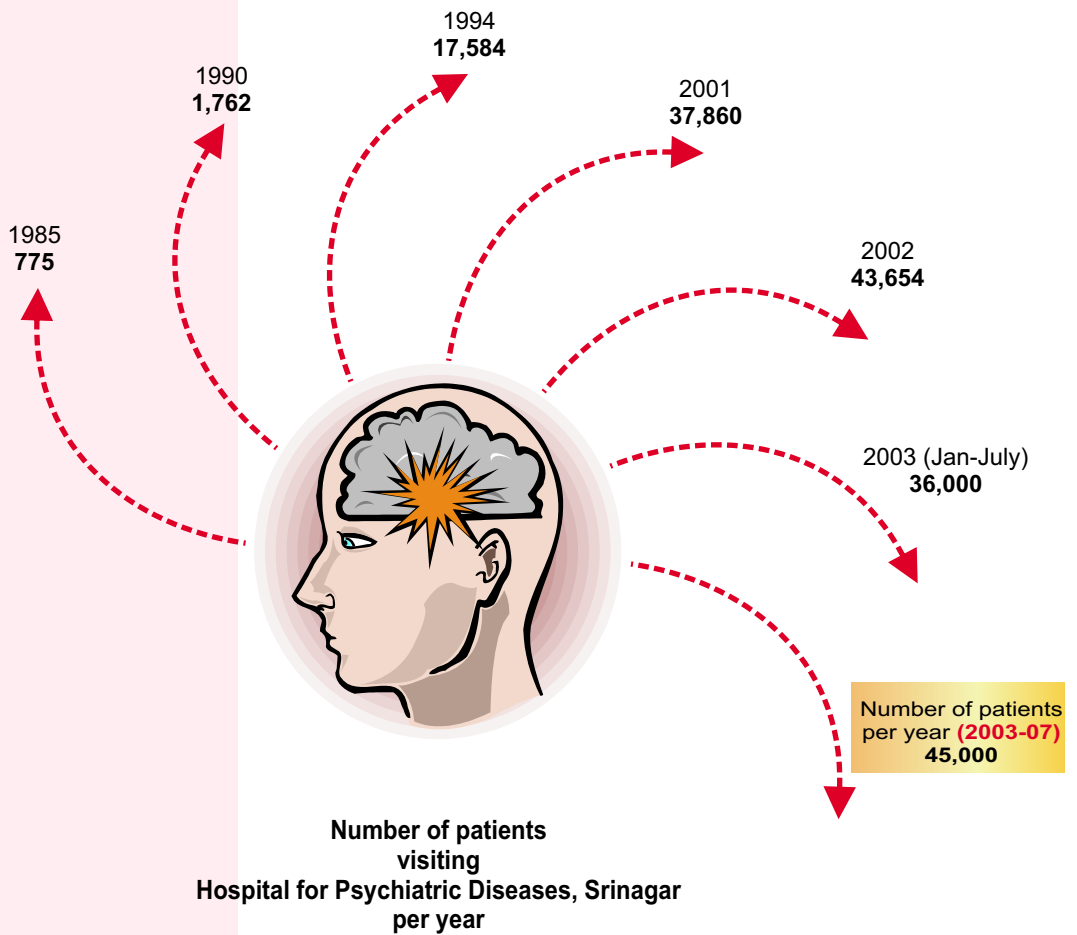


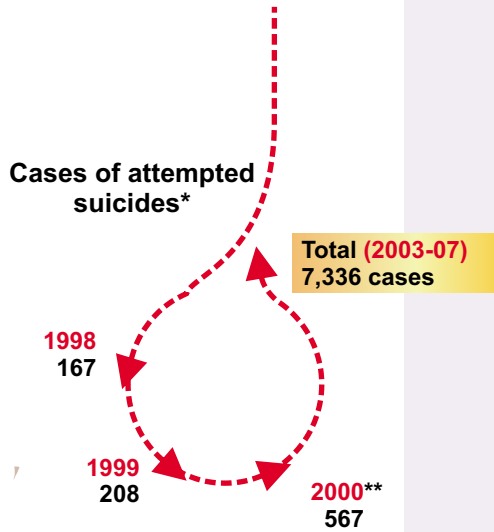
The majority of the victims of terrorist violence in Jammu and Kashmir are Muslims. This is obvious since Islam is the majority religion of the state.

The groups involved in violence have always claimed their actions in the state as jihad and justified their actions in the name of (i) people and (ii) religion. But the fact that majority community has primarily fallen victim to violence proves that terrorism in the name of Kashmiri people and Islam is actually causing the destruction of the Kashmiri Muslim people in whose name it is perpetrated. Many of the Hindu victims are pilgrims from outside the state. While attacks on Amarnath yatis or Vaishnavdevi devotees have attracted media attention, the fact is that a large number of local Muslims are also killed in day-to-day violence.

4. Psychiatric Impact of Violence

0.25% OF CONFLICT





**registered in SMHS, Srinagar **From April 2000-March 2001
The total is calculated on the basis of 25 per cent growth per year, with 80 per cent jump in case of perception of war or actual war*

Constant exposure to violence and threat of life has inflicted severe psychological trauma on the population of Kashmir. The number of cases in the only psychiatric hospital in the valley has increased from two per day in 1985 to more than 100 per day in 2002. The number sounds very large despite the fact that only about 10 per cent of the people suffering from psychiatric diseases reach hospital. The symptoms shown by the patients include depression, neuroses, phobias, chronic psychiatric problems, emotional instability and post traumatic stress disorders. Women and children of the valley are the most severely affected by this fear psychosis.

Fear psychosis, psychological trauma, unemployment and poverty have given rise to a new epidemic of suicidal tendencies amongst the Kashmiri youth. On an average two to three cases of attempted suicides are registered per day in SMHS and Sher-e-Kashmir Institute of Medical Sciences (SKIMS) — the two main hospitals of Srinagar. Approximately 75 per cent of the people attempting suicide are in the age group of 16-25 years. Also, the same age group is growing increasingly dependant on psychotic drugs. The cases of attempted suicide increased by 80 per cent during the 2002 military confrontation between India and Pakistan, which shows the psychological susceptibility of Kashmiris during the future stand offs between India and Pakistan.



5. Education Related Costs

0.25% OF CONFLICT

| | Costs |
|--|--|
| ✓ Educational Institutions destroyed (1989-02) | 643 |
| ✓ Exodus of Pandit teachers (1990-92) | 30,000 |
| ✓ Working days of schools/colleges per year during (1990-94) | 30-40 (stipulated working days: minimum 180) |
| ✓ Students enrolled in school (age group 6-11) | |
| Late 1980s | 85 per cent |
| Late 1990s | 28 per cent |



About 650 schools have been razed to the ground by terrorists and security personnel have occupied several hundred in the rural areas. Instead, madrassas have grown though it is difficult to ascertain their precise number and the student enrolled therein. Literacy rate of 54.46 per cent in the state is the second lowest in the country.

The quality of education has been seriously affected by indefinite strikes, intermittent closures and other disturbances, including several educational institutions being set on fire. Though the Mufti government has shown promise to improve the education system and facilities, it will take lot of investment in terms of money and attention, to put the education system on par with developed Indian states.

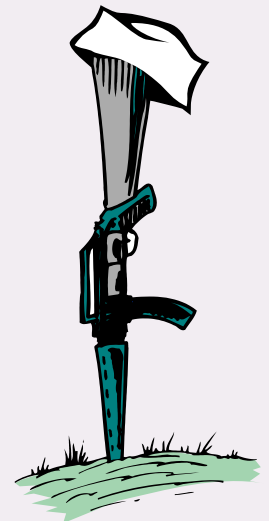
6. Politicide

Political killings with an aim to terrorise masses and thwart democratic process in the state, has been one of the mainstays of the militants' agenda in Jammu and Kashmir. From 1996 till October 2002 State Assembly elections, the terrorists have assassinated approximately 400 political activists and leaders in the state.

Heightened violence during the four phases of the 2002 State Assembly elections left 261 civilians, 150 security personnel and 370 militants dead and nearly 500 civilians and 200 security personnel injured. 50 polling booths were attacked by terrorists with a view to sabotage the polls. The election boycott by the secessionist organisations in the state also witnessed killings of 48 political activists, including the assassination of State Law and Parliamentary Affairs Minister Mushtaq Ahmed Lone and Abdul Rehman Sheikh, an independent candidate from Handwara.

Setting a new trend, militants killed two prominent terrorist-turned-counter-insurgents, within a span of 17 days. Former Member of Legislative Committee Javed Shah was killed on August 27, 2003, whereas Mohammad Yousuf Parrey alias Kuka Parrey on September 13, 2003.

| Year | Casualties of political activists |
|--------------|-----------------------------------|
| 1989 | 00 |
| 1990 | 14 |
| 1991 | 08 |
| 1992 | 12 |
| 1993 | 00 |
| 1994 | 08 |
| 1995 | 16 |
| 1996 | 75 |
| 1997 | 52 |
| 1998 | 45 |
| 1999 | 53 |
| 2000 | 30 |
| 2001 | 49 |
| 2002 | 87 |
| Total | 449 |



7. Infrastructure Costs



| | 1998 | 1999 | 2000 | 2001 | 2002 | Total | 2003-07 |
|----------------------------------|------|------|------|------|------|-------|---------|
| Attacks on Infrastructure | 177 | 136 | 129 | 274 | 255 | 971 | 1,214 |
| Government Buildings | 13 | 7 | 14 | 30 | 14 | 78 | 98 |
| Education Buildings | 15 | 9 | 6 | 16 | 10 | 56 | 70 |
| Private Houses | 273 | 284 | 330 | 419 | 421 | 1,727 | 2,159 |
| Bridges | 1 | 2 | 1 | 2 | 4 | 10 | 13 |
| Shops | 66 | 6 | 107 | 77 | 20 | 276 | 345 |
| Hospital | 0 | 0 | 0 | 1 | 0 | 1 | 1 |

The conflict in Jammu and Kashmir has exacted extensive damage to the infrastructure of the state. Violent incidents have taken toll on both public, as well as private properties. From 1989 to 2002, over 1,151 government buildings, 643 educational buildings, 11 hospitals, 337 bridges, 10,729 private houses and 1,953 shops have been gutted in some 5,268 terrorist attacks on infrastructure. Militants have also destroyed approximately 100 temples, 30 mosques and 5-6 gurudwaras in the state.

The enormity of economic damage caused due to devastation of such magnitude can be gauged by the fact that the estimates of damage till December 1996 were approximately Rs. 4 billion. The state receives additional central assistance for reconstruction of such damaged property.

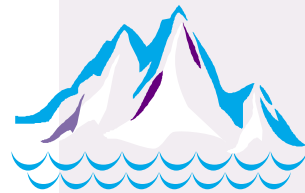
8. Environmental Costs

Kashmir's environment has taken heavy toll due to the militancy, as well as the India-Pakistan conflict. Both Dal and Wular lakes are plagued with eutrophication. The sizes of the lakes have reduced from 22 sq. km. in 1907 to 11 sq. km. at present in case of Dal Lake, and 279 to 65 sq. kms.* in case of Wular. This decrease has taken place over the last 50 years. There are many factors responsible for it. Though militancy alone cannot be blamed for it, it does make it difficult to carry out large-scale conservation programs.

Approximately 0.23 million trees are annually cut resulting in disappearance of nearly 500 hectares of forests every year. Subsequent soil erosion leads to frequent flash floods in the region. Smuggling of wood has become a major business in the state. An unarmed forest protection group was formed in 1996, but the fact that approximately 75 forest department officers have been killed since the inception of militancy, deters the group from patrolling the forests.

Also, the intermittent cross border firing sometimes results in forest fires. Heavy shelling during the Kargil conflict caused the disappearances of rare species such as the snow leopard, brown bear, wolf and ibex mostly found in Drass, Batalik, Kargil and Karakoram in Turtuk. Troop mobilisation in 2002 led to the large scale poaching of ibex, blue sheep, urian, the big horned sheep, antelope and snow leopard. Also, the dispute over Siachen contributes around 4000 drums per year full of human and artillery waste into the crevasses of the glacier. Due to the intense cold in this region, biodegradation of the waste is not possible, turning it into a long-term environmental problem.

* State Forest and Environment Minister G.M. Sofi as quoted in *The Hindu*, March 2, 2003



9. Toll on Tourism



| Kashmir Valley | Actual Domestic Arrivals | Actual Foreign Arrivals |
|----------------|--------------------------|-------------------------|
| 1985 | 465,599 | 38,015 |
| 1986 | 538,598 | 53,118 |
| 1987 | 664,081 | 57,537 |
| 1988 | 662,097 | 59,938 |
| 1989 | 490,212 | 67,762 |
| 1990 | 6,095 | 4,627 |
| 1991 | 1,400 | 4,887 |
| 1992 | 1,175 | 9,149 |
| 1993 | - | 8,026 |
| 1994 | 500 | 9,314 |
| 1995 | 322 | 8,198 |
| 1996 | 375 | 9,592 |
| 1997 | 7,027 | 9,111 |
| 1998 | 99,636 | 10,247 |
| 1999 | 200,162 | 17,130 |
| 2000 | 104,337 | 7,575 |
| 2001 | 66,732 | 5,859 |
| 2002 | 24,670 | 2,686 |

Total loss in terms of people (1989-02)

Loss in Rupees billion

Loss per year in Rupees billion

Assuming that (a) Total foreign tourist arrival is 15 per cent of the total tourist arrival
 (b) a foreign tourist spends approximately Rs. 1500 per day, while a domestic tourist spends approximately Rs. 750 per day
 (c) tourist stay for minimum of seven days

| Total Tourist Arrivals | Expected arrivals discounting militancy | Total Loss in terms of people (in numbers) |
|------------------------|---|--|
| 503,614 | | |
| 591,716 | | |
| 721,618 | | |
| 722,035 | | |
| 557,974 | 815,900 | 257,926 |
| 10,722 | 921,966 | 911,244 |
| 6,287 | 1,041,822 | 1,035,535 |
| 10,324 | 1,177,259 | 1,166,935 |
| 8,026 | 1,330,303 | 1,322,277 |
| 9,814 | 1,503,242 | 1,493,428 |
| 8,520 | 1,698,663 | 1,690,143 |
| 9,967 | 1,919,490 | 1,909,523 |
| 16,138 | 2,169,023 | 2,152,885 |
| 109,883 | 2,450,996 | 2,341,113 |
| 217,292 | 2,769,626 | 2,552,334 |
| 111,912 | 3,129,677 | 3,017,765 |
| 72,591 | 3,536,535 | 3,463,944 |
| 27,358 | 3,996,285 | 3,968,927 |
| | | 27,283,981 |
| | | 165 |
| | | 13 |

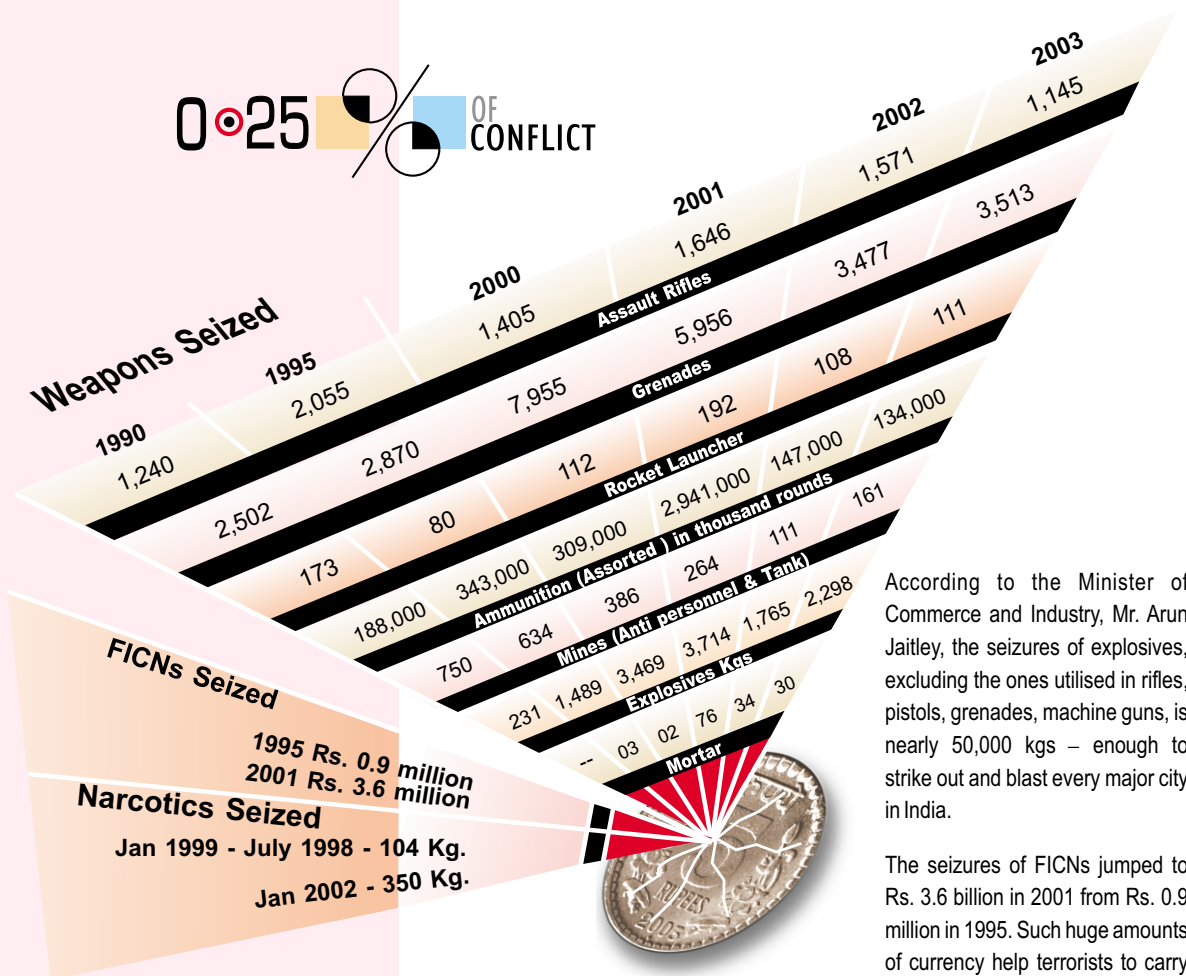
The tourism industry, which contributed a major share to the state revenue, is the worst hit by the growth of terrorism in the state. From upwards of 0.7 million tourists visiting the state before 1989, the number dropped to as low as 8,000 per year during periods of heightened militancy. And though the number of tourist arrivals has responded to decrease in terrorist activities, it has not reached the premilitancy levels.

The paradise on earth, which was considered as one of the best tourist destinations of the world, could have attracted nearly 4 million tourists in 2002 if not for militancy. Instead it saw the arrival of a mere 27,000 tourists, despite various promotional schemes employed by the government.

Even at very conservative estimates, the loss of revenue due to non-arrival of tourists in the valley comes to a staggering Rs. 165 billion over the period from 1989-02. Thus, the per year loss to state government comes to Rs. 13 billion, which is more than half of the state's annual outlay of 2002-03.

10. Tools that Impair Indian Economy and Society

0 25 OF CONFLICT



The terrorists infiltrating into Kashmir bring with them the tools to sabotage the Indian economy, and to victimize and terrorise its population. This includes fake Indian currency notes (FICN), weapons and narcotics.

The fact that the seizures amounts to a very small proportion of the total tools in circulation, puts a big question mark on the security arrangements of a state bolstered by the presence of approximately 500,000 military personnel, 40,000

Rashtriya Rifles, 21,000 Special Police Officers and approximately 79,000 State Police.

A wide array of sophisticated weapons and equipments are smuggled into India. This includes assault rifles, machine guns, anti aircraft guns, grenades, mortars, improvised explosive devices, mines, radio transmitters, passive night vision devices etc. Even a conservative estimate of the costs of arms, ammunition and equipment recovered from the militants comes to US \$ 20 million.

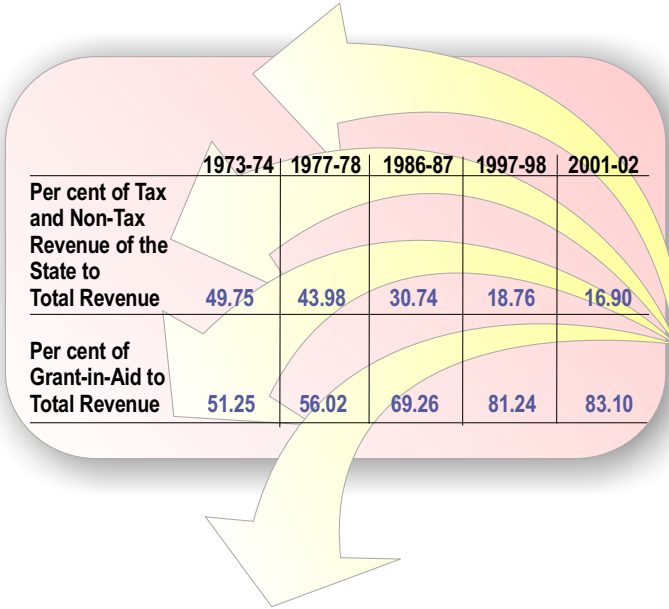
According to the Minister of Commerce and Industry, Mr. Arun Jaitley, the seizures of explosives, excluding the ones utilised in rifles, pistols, grenades, machine guns, is nearly 50,000 kgs – enough to strike out and blast every major city in India.

The seizures of FICNs jumped to Rs. 3.6 billion in 2001 from Rs. 0.9 million in 1995. Such huge amounts of currency help terrorists to carry out their operations in the state and also to attract the destitute into terrorism.

Kashmir valley is also increasingly getting caught up in drug trade. As against approximately 104 kg of narcotics seized in the one and a half year period from January 1997-July 1998, army seized 350 kg of narcotics in 2002. The militants are widely believed to smuggle narcotics from across the border to generate funds. However, the government suspects that they also distribute drugs amongst the Kashmiri youth.

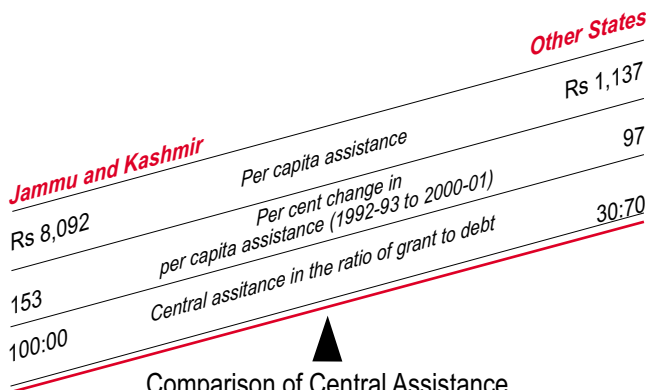
11. Central Assistance

Continuous Dependence on External Resources



Jammu and Kashmir, due to its special category status, receives varied assistance from the Central government, including special plan assistance, special central assistance and additional financial assistance. The entire plan expenditure of Jammu and Kashmir State is met by the Central government. It gets over 10 per cent of the total central assistance to other states. Central government spends 8-10 times more on a J&K citizen than on a citizen of any other state of India. Add to this projects in the state worth over Rs 250 billion being funded by the Central government. Inability to generate internal resources compels Jammu and Kashmir to depend upon aid and assistance from the Centre. The inception of militancy in the state, which narrowed the resource base even further, has led to a substantial increase in the level of dependence on Central government.

The Central government reimburses the entire security related expenditure of the state, including the expenditures on financial assistance to Kashmiri migrants, welfare activities, additional expenditure on police and security works and related activities. It also reimburses election related additional security expenditure to the state. Between 1989 and 2002, New Delhi reimbursed a total of Rs. 23.6 billion as security related expenditure.



Comparison of Central Assistance to J&K and Other States

INDIA

Cost of Conflict between



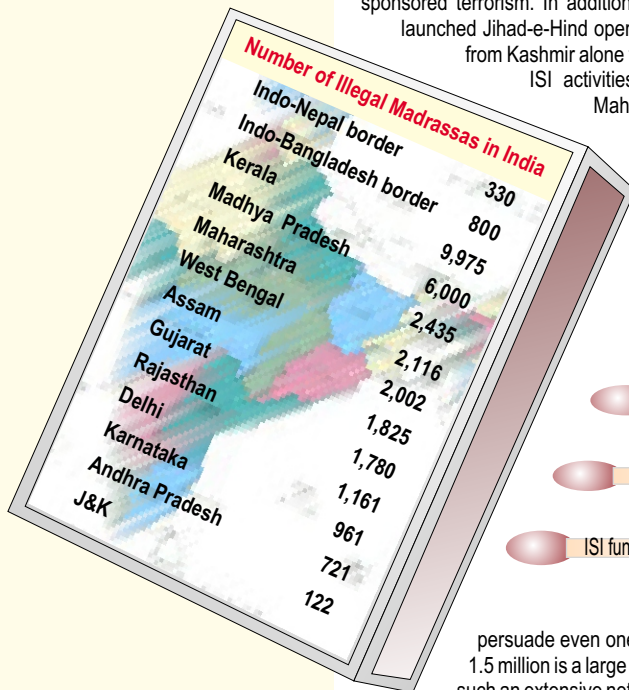
PAKISTAN

Chapter 6: ~~Conflict Escalation Ladder~~

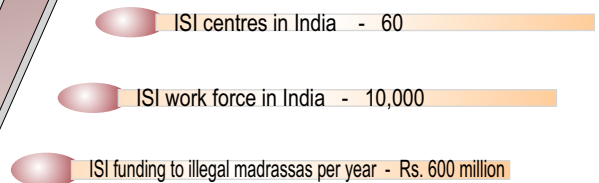


1. Interference in Internal Problems

India's fragile communal fabric is quickly becoming the primary target of Pakistan-sponsored terrorism. In addition to its Jihad-e-Kashmir operation, Lashkar-e-Taiba launched Jihad-e-Hind operation in early 2003 signifying the shift of LeT focus from Kashmir alone to the rest of India. In 2003, India identified enhanced ISI activities in nine states, namely Uttar Pradesh, Gujarat, Maharashtra, Bihar, Andhra Pradesh, West Bengal, Tamil Nadu, Kerala and Jharkhand, and an active network of ISI sponsored illegal madrassas through out the country. There are 150 million Muslims in India as per 2003 estimates. According to Pakistani scholars, if ISI manages to



ISI network in India



persuade even one per cent of them (1.5 million) to take up arms, these 1.5 million is a large enough number to create internal turmoil in India. With such an extensive network, it could become relatively easy for ISI to scheme Godhra-like incidents to foment large-scale communal violence in India. On the other hand, India would find the task of containing the communal conflagration increasingly difficult. The high communal tensions in India would provide further incentives to the jihadi groups in Pakistan to fight for the cause of Indian Muslims. It can also result in the deterioration of India's relations with Bangladesh and other Muslim nations.

In 2003, the Pakistan army started military operations coupled with development projects in the tribal belt of NWFP bordering Afghanistan with the aim to track Al Qaeda and Taliban persons hiding there and to improve the connectivity with the area. Tribal leaders are unhappy with the increased involvement of Pakistan army along with US troops in the tribal areas. There is an under current demand for the formation of Pakhtoonistan, carved from parts of Pakistan as well as Afghanistan. Tribals, incensed by the military operations, could reject the dominion of the federal government. With industrial focus shifting from Sindh to Punjab, water levels reaching their threshold, and disparities in financial allocation of National Finance Commission, inter-provincial rivalries between Punjab and Sindh over the issues of allocation of development funds and water are at an all time high. India can get tempted to take advantage of the existing internal disputes in Pakistan.

2. Increased Terrorist Violence

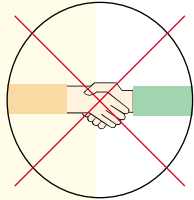


As Pakistani institutions undergo a major overhaul in terms of influence and power, the jihadi forces will become a force to reckon with in Pakistan society, as well as politics. Increased jihadi influence will translate in intensification of sectarian conflict and increased illegal activities for generation of funds for jihadi activities. The Kashmir cells of such jihadi organisations will step up violence in India. Major attacks in Kashmir (India) could increase substantially from once in 4-6 weeks in 2003 to 4-6 attacks a week in the coming years. The strategy of militants could also aim to expand terrorist attacks beyond Kashmir (India) to target main cities of India. The targets of the terrorist violence would either be

- Symbolic, such as VIPs, monuments, democratic institutions;
- Economic, such as stock exchanges, banks, corporate headquarters;
- Aimed at causing large-scale panic, nuclear installations, public transport, and other public places.

India can react by taking stringent action and by implementing harsh laws, which will lead to discontent among the Indian population. Indian citizenry will increasingly demand for curbing infiltration across the borders. With increasing threat to its internal security and economy, and under pressure from its population, India could retaliate by carrying out surgical air strikes on terrorist camps in Kashmir (Pakistan). Pakistan would threaten to fight back with all available options. The international community will turn hostile towards India for taking pre-emptive action. Increased terrorist violence in India, followed by Indian pre-emptive strikes will strain bilateral ties between the two countries.

3. Breakdown of Bilateral Ties



Bilateral ties would bear the brunt of increased India-Pakistan tensions. The diplomatic missions in New Delhi and Islamabad would be used by the respective host governments for conveying warnings and threats. The diplomatic staff would repeatedly be accused of espionage. Eventually both the countries will call back their High Commissioners and could close their respective missions. Cultural and social exchanges will be restricted. Trade and commerce will be stopped. Deteriorating relations will also be reflected in severance of transportation and communications links.

India and Pakistan will take a rigid "no-talk" stance vis-à-vis each other. Both the countries would also refrain from multilateral dialogues. The lack of communication between the two countries would make it impossible to de-escalate the tensions. Hostile propaganda, accusations and bellicosity will fan the tensions. International community would be most concerned about the deteriorating state of relations between the two nuclear neighbours. It would fail to engage the two nations in a dialogue. Amidst mounting tensions, the atmosphere would be ripe for US to intervene in the Indo-Pakistan conflict.

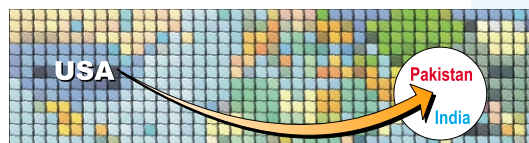
4. US Intrusion in the Dispute

Escalating Indo-Pakistan tensions, regional chaos and the perception of nuclear fall out in South Asia would provide US with reasons to intrude in the Indo-Pakistan dispute. Appointment of a special envoy to mediate in India-Pakistan conflict – which is being suggested since the Clinton administration days – would materialise. US would force both the countries to accept LOC, or any other solution as preferred by India.

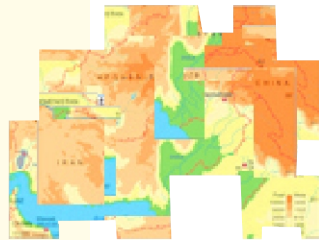
US could make trade, as well as aid conditional for both the countries, subject to the resolution of their bilateral conflict. US led suspension of multilateral aid to Pakistan can put Pakistan in a tight spot. Pakistan being an aid economy, could find it difficult to manage the economy of the country without external assistance. Increased economic stranglehold could lead Pakistan to give in to the pressure and accept the solution proposed by the US at the risk of instigating a large-scale domestic turmoil.

The Indian elite in the past has shown willingness in accepting a permanent solution to the border dispute. However, India's stand of refusing third party intervention to resolve its conflict with Pakistan would suffer a major set back. US may also force India to make some other concessions like

- Acceptance of large scale arms purchases by Pakistan, which can have long term implications for India
- Commitment of Indian troops for fulfilling US objectives elsewhere
- Acceptance of NPT or some regional version of NPT, in which case India will have to open its nuclear facilities for inspection.



5. Disintegration of Pakistan

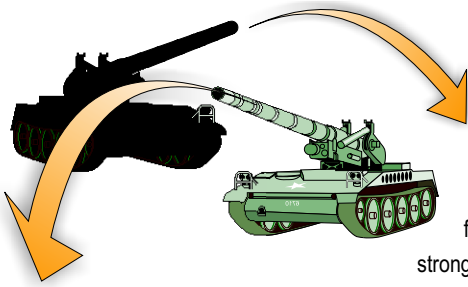


Continued conflict with India, domestic turmoil due to heightened inter provincial disputes and lack of economic and social development, would make Pakistan's internal

situation very volatile and unstable by 2010. Enforced large-scale unemployment would force the rural youth to join jihadi outfits. Jihadi forces will grow from 150,000-200,000 in 2003 to about half the size of Pakistan's military by 2010. Influence of religious parties would rise significantly, especially in NWFP and Balochistan. Militant outfit such as Lashkar-e-Taiba will grow substantially and would find a significant role in national politics. Growth of Islamic radicalism, coupled with poverty would lead to sectarian and ethnic conflicts. Democratic institutions would become dysfunctional, with law and order breaking down. Incoherency within the army would increase, due to growing conflicts between pro jihadi and pro US groups. The Pakistani establishment would collapse.

India will find it difficult to manage the massive refugee influx of about 10-15 million people with the potential to upset the demographic and economic balance of important cities in western India. Also, the quality of refugees will be dissimilar from the ones of 1947 partition and 1971 war. While the refugees in 1947 and 1971 were economic refugees, those in 2010 will include a large fraction of jihadi and anti social elements as well. India will face heightened violence, terrorism activities and communal tensions. India will have to take repressive steps to manage internal security problems. With its basic focus on averting law and order crisis, India will be unable to attend to its economic and development issues. Internal turmoil will deter foreign investments, leading to further regression on the economic front.

6. Conventional War

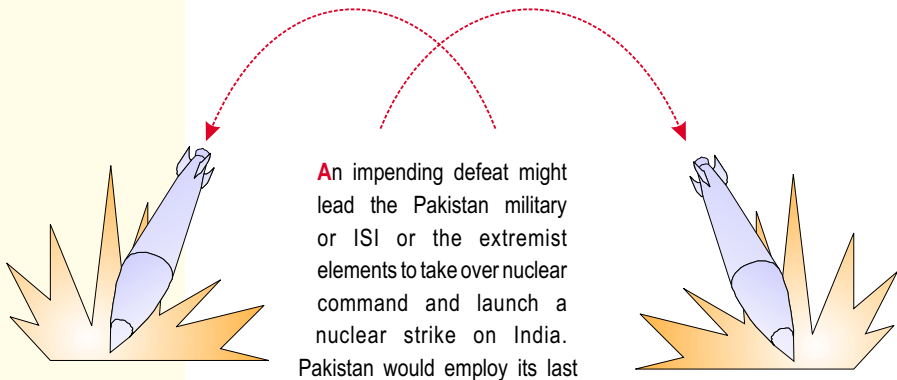


By 2010, with its imminent collapse looming large, Pakistan would be forced to strike India to consolidate its own domestic failure. India will respond strongly to thwart such conventional

attack. The war started on LOC would soon spread to the international border. Both the countries will go all out in deploying their full army, navy and air force to wipe out the enemy. The war would be short considering that the demoralized Pakistani troops will be fighting superior military might of India. The eventual outcome of the war in India's favour would lead to –

- Destabilisation of South Asian region
- Slackening of Indian economy
- Inability of Pakistan to bear the economic costs of the war.

7. Nuclear War



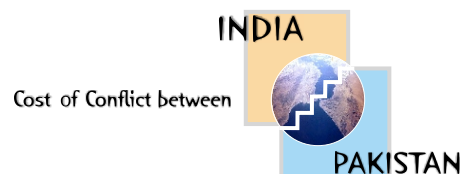
option by nuking a major Indian city. The nuclear fallout will claim thousands of immediate casualties; radiation will inflict the long-term damages on humans and the environment. Lack of infrastructure to deal with post-nuclear attack, unavailability of immediate medical aid to the survivors, disruption of emergency services, and contamination of food and water will result in more deaths. Severance of communications and transportation links will preclude the arrival of external aid. Society would not be able to cope with the catastrophe, as the psychological impact of the attack will be felt through the country, and indeed the world.

Disregarding the international appeals, India will carry out retaliatory nuclear strike on a major Pakistani city. Any semblance of national existence of Pakistan will disappear in the aftermath of a nuclear attack.

Pakistan has about 24-48 bombs, whereas India has about 60-90 bombs. Even if half of the arsenal is used by India and Pakistan, the fallout will be complete annihilation of Pakistan and total destruction of parts of India.

The possibility of this discontinuity is near zero. But it is necessary to examine it because there have been press reports of at least two occasions in the last decade when Pakistan's military leadership evaluated the nuclear option at least at the preliminary level.

Chapter 7: Nuclear Confrontation: A Case Study



Backgrounder

Missile Delivery Systems (India)

Prithvi SS-150
 Payload: 1000 kg
 Range: 150 km

Prithvi SS-250
 Payload: 500-750 kg
 Range: 250 km

Prithvi SS-350
 Payload: 700-1000 kg
 Range: 350 km

Agni I
 Payload: 1000 kg
 Range: 1500 km

Agni II
 Range: 2000-2500 km

Agni III
 Range: 3700 km

Agni IV
 Range: 4000 - 5000 km

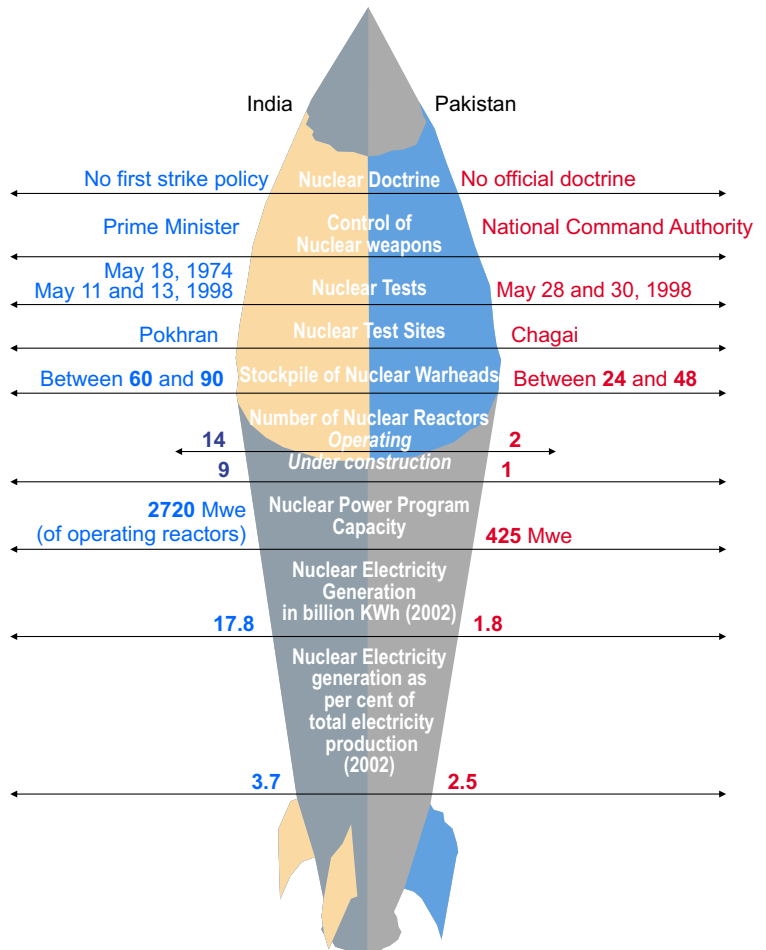
Surya (ICBM)
 Range: 5000 km

Dhanush
 Range: 350 km

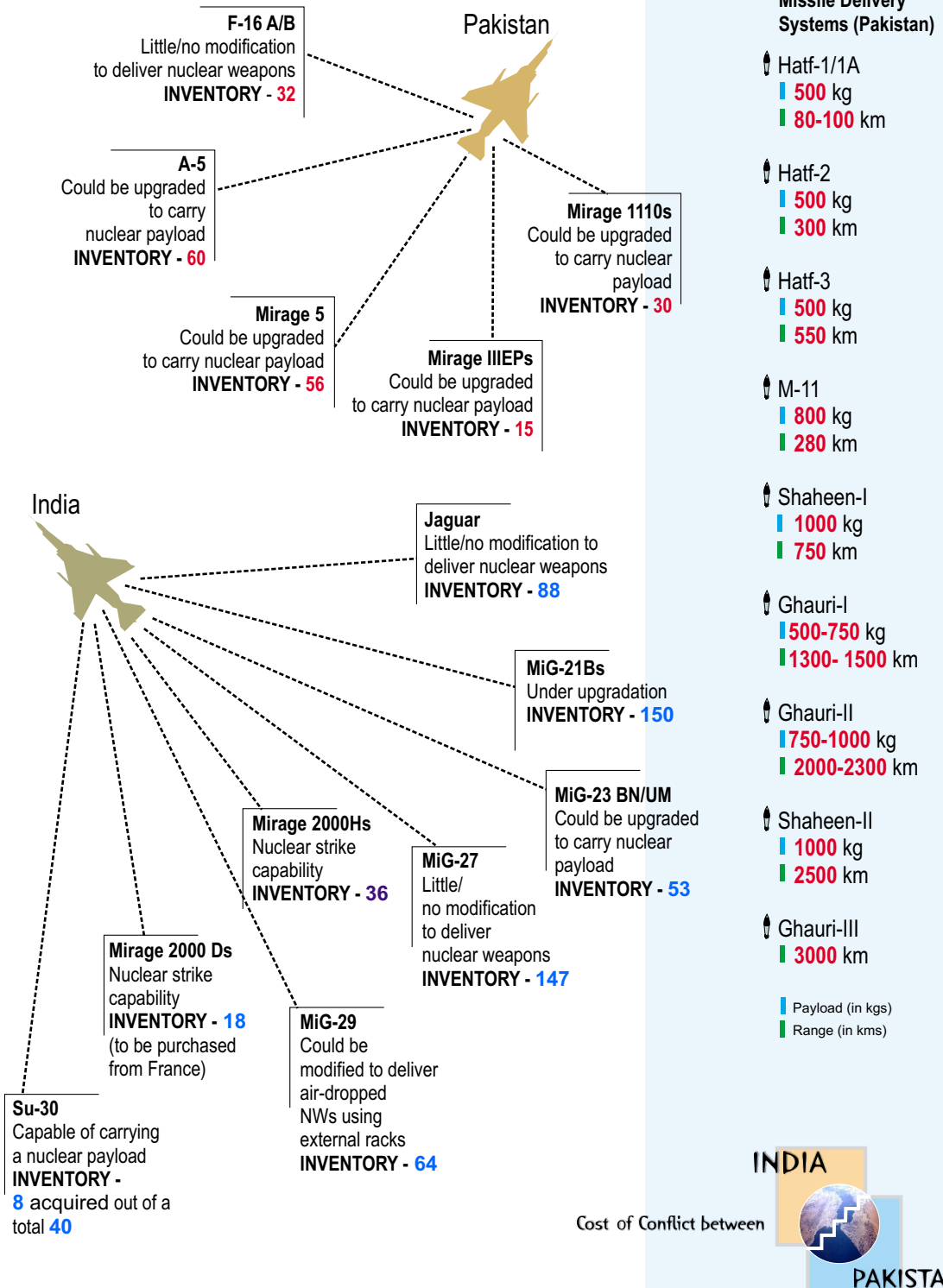
Sagarika (SLBM)
 Payload: 500 kg
 Range: 300 km

■ Payload (in kgs)
 ■ Range (in kms)

MWe: Megawatts electric
 KWh: Kilowatt-hour



Air Delivery Systems (India & Pakistan)



1. Introduction

Basic Information on Mumbai and Karachi

| Karachi | Total Area (in sq. km.) | Mumbai |
|--|---------------------------------------|---|
| 3,527 <ul style="list-style-type: none"> • East 139 • West 929 • Central 69 • South 122 • Malir 2,268 | Population (in million) | 437.71 <ul style="list-style-type: none"> • Town area 68.71 • Suburban area 210.34 • Extended suburban area 158.66 |
| 9.9 | Per capita income (in Rs.) | 11.9 |
| 2,380 | Telephones per '000 | 2,515 |
| 25 | Hospital beds per thousand | 239 |
| 1 | Importance to National Economy | 1.4 <ul style="list-style-type: none"> • Commercial capital of India • Contributes nearly half of India's excise tax, quarter of India's income tax and fifth of its GDP |
| <ul style="list-style-type: none"> • Commercial capital of Pakistan • Generates 15 per cent of national GDP and 25 per cent of Federal government's revenue • Two ports account for 95 per cent of the foreign trade of the country | National Strategic Assets | <ul style="list-style-type: none"> • Two of the 11 major ports of India – The Mumbai port and Nava-Sheva, which is the most modern port of India • Bhabha Atomic Research Centre • Western Naval Command headquarters • Mumbai Stock Exchange |
| <ul style="list-style-type: none"> • Only sea ports of the country; Karachi port and Port Mohammad bin Qasim • Fleet headquarter naval base (COMKAR) • Karachi Nuclear Power Plant (KANUPP) <ul style="list-style-type: none"> • Army Corp Command • Karachi Stock Exchange, the largest stock exchange in the country | Other Important Assets | <ul style="list-style-type: none"> • Two major refineries • Indian Film Industry • Operational base for prestigious financial institutions • Airports • Docks |
| <ul style="list-style-type: none"> • Ship building facilities, shipyards, docks <ul style="list-style-type: none"> • Airports • Refineries, oil wells and natural gas fields | | |

Why Mumbai and Karachi?

A number of scenario planning exercises looking at the security environment in South Asia over the next decade have realised the likelihood of a tactical exchange of nuclear weapons between India and Pakistan, if hostilities between the two countries continue to mount. Given India's stated no-first use policy, it is assumed that Pakistan would launch the first strike. In such a situation, it is likely that the target would be one of India's major cities, in the hope of bringing about maximum damage in the shortest period of time. For the purpose of this study, we assume that Pakistan launches a first-strike on a key target in the Indian city of Mumbai. In a retaliatory second-strike India bombs a key target in the port-city of Karachi.

It must be made clear here, that the purpose of this study is to calculate

the cost of such an attack to the two cities, Mumbai and Karachi and to the countries, in order to show the damage that would entail from such attacks. In recent years, media in both India and Pakistan, especially the vernacular press, have been advocating the use of nuclear bombs to resolve bilateral problems between the two countries. The aim of this study is to show the extent of damage that such an attack could cause, and that even to speculate on the use of nuclear weapons, is to think the unthinkable.

For the sake of this study, we have assumed that one bomb of fixed size, under set conditions, is dropped by Pakistan and India on Mumbai and Karachi respectively. The choice of city is not important. It could be New Delhi, Kolkata, Bangalore in India or Lahore, Islamabad, Quetta in Pakistan, as while the details would vary, the essential impact would remain unchanged. The top cities of Mumbai and Karachi have been chosen as they are the most popular and people can relate with them in imagining the horrors of nuclear war rather than a mere theoretical description.

Nuclear attack on the cities

The cities of Karachi and Mumbai are the "gateways" of Pakistan and India respectively. They form a key social, economic, political, geographical and cultural link of the country.

However, the difference between the two cities in terms of population, distribution, closeness of population to other targets, vulnerability of the cities to fires, socio-economic system and the political system, would create significant asymmetries in the potential effects of nuclear attacks. The time of the day, time of the year, weather conditions, size of weapon, height of burst and preparedness of the population, would make a great difference in the number of casualties resulting from an attack. For instance, the fallout of a nuclear attack is highly dependent on the winds. The surviving nation would be economically, socially and politically far weaker than calculable.

2. Case Study

a. Attack on Mumbai



ZONES OF DESTRUCTION

Assumption: A 15 kiloton (kt) bomb is dropped on the Fort area of Mumbai. The explosion takes place at a height of 600 metres (1800 feet). It is a daytime attack, with clear visibility, and the city is caught unawares. The attack takes place on a weekday, so commercial areas and offices are manned.

Immediate effect:

Zone 1: Within a radius of 1.1 km of Fort/Stock exchange building, there is complete destruction. (This is referred to Zone 1, where the impact of the nuclear weapon would be the greatest.) The nuclear explosion would result in the release of a great amount of energy in the form of high-energy X rays that gets absorbed in the air, which increases the temperature of the area surrounding the explosion point, and forms a fireball, which expands outward at a high rate. While it expands, the fireball cools down by emitting radiation. Within 0.1 milliseconds the radius of the fireball would be 15 meters and the temperature about 300,000 degrees Celsius. Together, the hot air, the products of the explosion and other debris would rise to form a mushroom cloud. As a result of these effects, the entire area that falls in and around the hypocenter would be totally incapacitated. There will be no survival and no chance of recovery of physical assets in the short term.

The two main suburban railway termini, Churchgate and Chhatrapati Shivaji Terminus (CST), fall within this Zone. The Central and Western Railways carry a total of 6.1 million commuters everyday, out of which nearly 4.5 million commuters pass through Churchgate and CST. It is not unrealistic to assume that 50 per cent of the people passing through these stations, i.e. approximately 2.25 million, work in Zone 1, and form the bulk of the people manning the main financial and commercial areas. Zone 1 had a total residential population of 247,109 in 2003 (population was 194,844 in 1991; calculated at 2 per cent growth rate). Thus immediate deaths in this Zone would be in the region of 2.3 million.

This Zone also consists of many important buildings and institutions. The destruction of these institutions and the people that work in them form a large core of Mumbai's financial, intellectual and governing elite. For example, destruction of Mantralaya - Maharashtra Government Secretariat - would end the functioning of Maharashtra state. In fact, if the people at Mantralaya were incapacitated, it would seriously hamper any rescue and rehabilitation work.

Government Offices and Important Buildings in Zone 1

Altanta, Amerchand Mansion, Anti-Corruption Bureau, Army Navy Building, Audit Director General of India, BEST Head Office, Bharat Industrial Corporation, Bombay House, Bombay Stock Exchange, Central Excise, Central Government Mint, Central Railway Office, Central Telegraph Office, CID Office, CIDCO, Civil Defence, Collectorate and Old Customs House, Council House, Dalamal House, Embassy Centre, Foreign Mail Offices, Gateway of India, Government of India Office, ICICI Chambers, Indian Merchants Chambers Building, Janabhoomi Chambers, Jehangir Art Gallery, Maharashtra Chamber of Commerce, Mahendra House, Maker Chambers (I-VI), Mantralaya, Marine Chamber, Mittal Court, Mittal Towers, Mumbai High Court, Mumbai Port Trust, New India Insurance Co., Office of the Home Guards, Overseas Communication Service, Patrak Hall, Prince of Wales Museum, Raheja Centre, Raheja Chambers, Rajabai Tower, Reserve Bank of India, Shaw Wallace Building, Shipping Corporation of India, The Taj, Thomas Cook Building, Town Hall, Tulsiani Chambers, Vidhan Bhavan, Western Naval Command, Western Railways HQ, Yogakshema

INDIA



PAKISTAN

Attack on Mumbai

Major roads in Zone 1

Dr. Dadabhoi Naoroji Road, Maharashtra Karve Road, Mahatma Gandhi Road, Nathalal Parekh Road, Netaji Subhash Chandra Road, Phirozshah Mehta Road, Shaheed Bhagat Singh Road, Sir Dorab Tata Road, St. Georges Road, Veer Nariman Road

Mumbai Stock Exchange is the oldest stock exchange in the country, with over 6,000 stocks listed. Approximately 70,000 deals are executed on a daily basis, giving it one of the highest per hour rates of trading in the world. The market capitalization of the BSE is Rs.5 trillion. Lying in Zone 1, there would be complete destruction, not just of the people manning the exchange, but of all records and vital financial databases as well. The destruction of such an institution would lead to the financial collapse, not just of the city, but also of the country. There is no way in which the country could recover from such a loss in the short term.

Since Zone 1 also houses majority of the security and civil defence offices and personnel, its destruction would affect the response and quality of any immediate disaster management plan that could be waged. There would be a complete crippling of the rail system of Mumbai, which is the major public transport system of the city. Apart from this, the collapse of buildings and high intensity fires would prevent road access to the Zone.

The roads falling in Zone 1 are the main link between North Mumbai and the areas south of Zone 1. The non-navigability of roads on the north-south axis would prevent traffic from passing through this Zone to provide relief to the southern parts of the city, which are affected to a lesser degree and where people would require immediate medical attention.

Many of the prestigious head offices of companies and industries located all over India are housed in buildings that fall in this Zone. The heads of companies and the main administrative offices of many of India's largest industrial houses and multinationals are found here. The crippling of these offices would affect their operations country wide, not to mention world-wide.

Apart from this, markets dealing with a wide variety of goods, in both the wholesale and retail markets are found in this Zone. This includes:

- The Crawford Market, a wholesale market for fruit, vegetables and meat;
- Mangaldas Market, a wholesale market for fabrics;
- Lohar Chawl, the main market of hardware and building materials.

Zone 1 houses two major hospitals: ENT Hospital and Parsis Lying-in Hospital. Both of these, along with the medical personnel manning them would be completely destroyed.

It is not possible to estimate the degree of economic loss to the city and the country if Zone 1 was completely destroyed, since the destruction would have far reaching repercussions, much beyond the actual Zone of destruction.

Zone 2: Within a radius of 1.7 km of the hypo-centre of the nuclear blast, covering an area of approximately 18.1 sq km, the effects of a 15 kt nuclear bomb would be different. In this area, referred to as Zone 2, there would first be a mechanical effect on an object or person in its path in the form of a pressure blow, followed by blast overpressure and high velocity winds. Physical objects, such as poles, cars, bridges etc. would be propelled outwards like missiles.

The intense flash of heat and light would cause firestorms and will result in structures bursting into flames. Additionally, weather conditions could make the fires coalesce and form "super fires". The new fire zones act as huge air pumps, sucking air from nearby areas and driving heated air upwards. Fire fighting would become impossible because of all this, added to which are hurricane force winds, thick smoke, destruction of water mains and debris from the blasts, blocking roads and access routes. This Zone also houses a number of warehouses and godowns, which would be completely gutted by fires. Fires from a number of different sources would break out, and since there would be no way for fire engines and other fire fighting equipment to reach there, even if they were available, the fires would rage on for many days, enveloping the whole region in smoke and haze.

The high temperature of the fireball emits a large fraction of thermal radiation, which is so strong that it causes burns (first, second and third degree burns), igniting of certain objects (like leaves, paper, rubber etc.) and explosion of siliceous sand. Thus for 5 km around the hypocentre everything that could burn would catch fire, there will be exposure to gamma and neutron radiation that could cause symptoms such as internal haemorrhage.

In Mumbai, the effect on Zone 2 would be immense. This Zone has a residential population of approximately 49,262 in 2003 (38,843 as per 1991 Census; calculated at 2 per cent growth rate). The floating population would be in the region of 50,000 people. The mortality rate among this group would be in the region of 40 per cent from radiation. However, there would be very high percentage of burns, as clothes, furniture and cars would burst into flames due to thermal radiation. A large number of broken bones and flesh injuries would result from objects flying through the air. Thus effective mortality would be far higher than 40 per cent.

Important Landmarks in Zone 2

Air India Building, Arcadia, Bombay Docks, Bombay Hospital, Colaba Causeway, Haj House, Income Tax Office, Mahatma Phule Market, Municipal Corporation of Greater Mumbai, Oberoi Towers, Petroleum House, Sasoon Docks, Tata Theatre, Udyog Bhawan, Wankhade Stadium

Main Roads in Zone 2

Anandilal Podar Marg, Badruddin Tayabi Marg, Bombay Hospital Lane, Chatrapati Shivaji Marg, Kalbadevi Road, Lokmanya Tilak Road, Mahapalika Marg, Maharshi Karve Road, Mahatma Gandhi Marg, Marzaban Road, Mata Ramabai Ambedkar Marg, Netaji Subhash Chandra Marg, P D'Mello Road, Prof. U.U. Bhat Marg, Shaheed Bhagat Singh Road, Shoorji Vallabhdas Marg, Sir Vithaldas Thakarsay Marg, Walchand Hirachand Marg



Attack on Mumbai

While some of the buildings in Zone 2 are modern ones built with reinforced concrete, others along some of the main roads in Zone 2 are old buildings which would collapse due to the shock waves caused. This would completely cut off all transportation facilities.

The port of Mumbai consisting of three enclosed docks, namely Indira, Princess and Victoria docks, falls within Zone 2. Fires would completely destroy the port area, as much of the cargo stored there contains chemicals and other inflammable materials. Its destruction would lead to the destruction of assets worth Rs.41.54 billion according to 2001-02 figures, when it handled 15,803,700 metric tonnes of cargo.

The hospitals that lie in this Zone such as G.T.Hospital, Albless and Cama Hospital, St. George Hospital, Bombay Hospital would be rendered helpless to carry out any rescue operations, since their own staff and infrastructure would be severely affected.

With the destruction of Zone 1 and Zone 2, and the harbour system of Mumbai destroyed, there would be no way in which immediate relief could be brought in. Thus the whole region south of Marine Lines station on the west side and Mohatta market on the east side would be completely inaccessible. Even those people who could have been saved by first aid and medical intervention would die due to lack of attention.

Zone 3: Zone 3 for Mumbai extends to a radius of 3.2 km from the hypocentre. Within this Zone, there would be partial fires, small explosions, widespread panic; and a complete breakdown in infrastructure, including communications. As most of the area within this zone falls in the sea, the marine environment would be severely affected. The total residential population of this area is 83,205 in 2003 (65,607 as per 1991 census; calculated at 2 per cent growth rate). Added to this figure is a floating population of 1.5 million.

Zone 3 houses some of the important markets in Mumbai. As an example, Mohatta Market is a five-storey building with each floor catering to a specific clientele. On the ground floor there are around 75 retail and wholesale shops. The first floor has the export shops. The third and the fourth floors are mostly government offices and the fifth has some shops dealing in textiles. Even a small fire with numerous inflammable goods to feed it could grow into a raging fire and gut the whole market. Additional fires caused by exploding cars, gas cylinders,

and cloth would make the fire spread at a very high rate. Given the situation that the rest of the city would find itself in, after a nuclear attack, it is unlikely that any kind of immediate help would be forthcoming.

Zone 3 also houses important offices, which would be completely gutted. While some of the people working in these building might be able to escape the fires, there would be many wounded by exploding glass, falling debris and burning embers. Zone 3 is also a residential area, and is home to a large percentage of Mumbai's Muslim population. The high number of deaths caused by explosions and their impact will result in the severe decimation of the Muslim population of the city.

Beyond Zone 3: While the area beyond Zone 3, on the south will not be affected much by the actual nuclear explosion, this region, consisting of Colaba, and the naval colony will be completely cut off from the rest of the city. For people to access food, water and shelter (most of the people working in this area, live in the suburbs of Mumbai), they would have to cross the region that has been severely affected. The very fact of their entering the affected region, could lead to their being affected by the long term effects of radioactivity that would persist in the central region. As terms of reference, one can only look to the Hiroshima experience where people who entered the radioactive Zone within a period of 100 hours, were severely affected.

There are surprisingly, no hospitals within this Zone. In fact, if a nuclear attack were to take place in the Fort area of Mumbai, this is the Zone where hospitals would be most useful, as they would be close to the area of impact, but far enough to have most of their infrastructure intact and functional.

Mumbai is different from a lot of other Indian cities, as the commercial and residential areas are well separated. Working members of the family commute daily to the south part of the city, whereby a small portion of the commercial centre experiences the influx of over 4 million office-goers. Thus, if a nuclear strike were to take place, it would in one stroke affect all the families living in Mumbai, even if their actual homes were far from the Zone of impact. There would be wide-spread panic in the suburbs, with all transportation and communication links to the affected areas, being cut off, and rumours of the destruction wreaked in the city coming in. In fact, it would not be an over-exaggeration to say that Mumbai would never be the same again, whatever efforts were put into the reconstruction of the physical assets of the city, as a majority of the productive population would be lost forever.

Important Markets in Zone 3

Bhendi Bazaar, Bhuleswar Market, Chattrapati Shivaji Market, Mahatma Phule Market, Mohatta Market, Morarji Gokuldas Market, Zaveri Bazaar

Important Offices in Zone 3

Amy Rustomji Hall, Bullion Exchange Building, Commissioner of Police, Institute Of Chartered Accountancy of India, World Trade Centre, Maker Towers



2. Case Study

Government Offices in Zone 1

City Court, Excise Division, General Post and Telegraph Office, Jinnah Courts, Karachi Police HQ, KESC Power House, Kharadar Police Station, Metropolitan Development Corporation, National Bank of Pakistan, National Insurance Company Ltd., Naval Police Post, Office of the District Controller of Stores Dry Port-Karachi, P.N.S.C. building, Pakistan Coast Guard HQ, Police Station Criminalistic Division-Crime Branch, Radio Pakistan, Railway Police Station, Sessions Court, Sindh Police HQ, State Bank of Pakistan, T&T Department, T.P.X Police Station, Telegraph House, Telephone Exchange, The Central Police Station, Foreigners Registered Office and a whole host of smaller police stations and banks

b. Attack on Karachi



ZONES OF DESTRUCTION

Assumption: India carries out a retaliatory strike with a 50 kiloton bomb dropped on the Karachi Port Railway Station at Saddar. The explosion takes place at a height of 600 metres (1800 feet). It is a daytime attack, with clear visibility. The attack takes place on a weekday, so commercial areas and offices are manned.

Immediate effect:

Zone 1: The area that falls within the 2.5 km. radius of the hypocenter of a bomb dropped over Karachi Port Railway Station would be completely destroyed. This coastal belt marked by the Karachi harbour and a fish harbour to the west, mangrove swamps to the west and south and the Mauripur township to the north and east, is known to the locals as the Old City. The towns that fall into this area are Lyari and Saddar in the south-west Karachi Division. In 1998, Lyari had a total population of approximately 0.61 million while Saddar had a population of approximately 0.62 million. The total population of the radius area was 746,193 in 1998, and taking annual growth rate of 2 per cent, it is estimated to be 823,857 in 2003; with a floating population of 0.25 million. This area would be completely decimated in the attack and there would be no survivors.

The Railway stations that fall in this Zone are Karachi Port Trust (KPT) Railway Station, City Railway Station and Wazir Mansion Railway Station. These stations would be completely destroyed and therefore the transport infrastructure of the city would be severely crippled. Important roads in this Zone would be unusable.

At present, Karachi is the only port in Pakistan. It handles around 95 per cent of the foreign trade in Pakistan. The Port Trust employs over 20,000 port workers, 400 officers, 13,000 supervisory staff and 7,000 other personnel. In a nuclear attack on the Karachi Port Railway Station, the port itself would be wholly destroyed and the region would be submerged under water.

Many prominent business and community buildings fall in this zone. All the people working in these buildings would be killed, and the buildings themselves would fall down. It is likely that many of the objects in this Zone would vaporize. Karachi is home to over 90 per cent of the head offices of banks and financial institutions of Pakistan. The loss of the Stock Exchange, which is the largest in

Prominent Buildings in Zone 1

Adami House, Chamber of Commerce and Industries, Custom House, Daily Jung News building, Finlay House, Habib Bank Plaza, Hadi Alam Chamber, Insaf Chamber, Jamshed Bagh Memorial Building, Jubilee House, Karachi Port Trust godowns, Merriweather Tower, National Shipping Corporation building, National Insurance Company, Port Trust building, Qamar House, State Life Building, The Karachi Stock Exchange

Major Markets in Zone 1

Bohri Bazaar, Bolton Market, Bombay Bazaar, Bullion Market, Joria Bazaar, Eidgah Market, Juna Market, KMC Furniture Market, Lea Market, Motan Das Market, New Jubilee Cloth Market, Safina Market

Important Roads in Zone 1

Aga Khan Road, Atmaram Pritamdas Road, Chundrigar Road, Garden Road, M.A. Jinnah Road, Madina Road, Mauripur Road, Mir Sher Mohammed Road, Moulvi Tamizuddin Khan Road, Napier Mole Road, New Kumbher Wara Road, Nizami Road, Nishtar Road, Sharah-e-Liaquat, Tannery Road, West Wharf Road



Attack on Karachi

Major Hospitals in Zone 1

Agha Khan Maternity Home, Al Din Hospital, Central Hospital, Guddarabad Maternity Home, Hospital for Women and Children, Holy Family Hospital, Karachi Adventist Hospital, Karachi Port Trust Hospital, Sarfaraz Rafique Hospital, Sea Breeze Hospital, Skin Disease Hospital, Taj Medical Complex, Uncle Syna Hospital

Important Roads in Zone 2

Avan Saddar Road, Dr. Daud Haroon Road, Dr. Daud Pota Road, Dr. Dawood Pota Road, Dr. Ziauddin Road, Garden Road, Khayaban-e-Iqbal Road, Khayaban-e-Jabal Road, Khayaban-e-Firdausi Road, M.A. Jinnah Road, Mangophr Road, Mir Sher Mohammad Road, Mirza Adam Khan Road, Moulvi Tamizuddin Khan Road, Nawab Mabhat Khanji Road, Nawab Siddiq Road, Nazarul Islam Road, Nishtar Road, Qazi Khuda Baksh Road, RCD Highway, Shahid-e-Millat Road, Sharah-e-Faisal Road, Sharah-e-Ghalib Road, Tannery Road

Major Hospitals in Zone 2

Abbasi Shahid Hospital, Agha Khan Diagnostic Centre, Baqai Hospital, Diabetic Masumin Hospital, Dr. Ziauddin Memorial Hospital, Hamdard Dawa Khana, Karachi National Hospital, Karachi Psychological Hospital, Ladies Day Care Centre, Ladies Maternity Home, Midway Hospital, Salvation Army Hospital

the country and other commercially oriented infrastructure would result in a nation wide financial crisis. This Zone is also the location of many government offices. The loss of this governmental infrastructure, officials and police personnel, would completely cripple the city and any possible rescue efforts.

The landmark community buildings within Zone 1 include libraries, places of worship and museums, colleges, university and school buildings. All these buildings would be destroyed due to the high velocity effect of the fireball. Some of the major markets located in Karachi are also found in this Zone. The inflammable materials found in the markets would create a firestorm of their own, that would rage on for a long time. There would be no possibility of any kind of fire-fighting taking place in this Zone.

A large number of hospitals fall within the immediate Zone of impact. However, there would be no possibility of their playing any role in immediate first aid, or longer term aid to injured people due to the complete destruction of all medical infrastructure and the high levels of radioactivity that would persist in them. The Mauripur area is a stronghold of the Jamaat-e-Islami and MQM, as well as a few terrorist organisations. This region would be totally wiped out, thus affecting the national presence and programmes of these organisations.

Zone 2: Zone 2 or the area that falls within the 5 km range is an extension of the coastal areas on the one hand up to the Arabian Sea, and inwards further into the mainland. The towns that fall directly in this Zone are Saddar, Kemari, Liaquatabad, Jamshed and Sindh Industrial Trading Estate (SITE) Gulbai area (the opposite side of the Lyari River). The Marine Promenade, the Kemari Railway Station and Manora Cantonment are another significant physical features in this Zone. The total population of Saddar town is 616,151, Kemari - 383,378, Jamshed - 733,821 and SITE - 467,560. The total population of the radius area was 842,301 in 1998 and 929,968 in 2003 at 2 per cent growth rate.

In this Zone, the casualties would be close to 50 per cent, with more succumbing to their injuries, burns and the effects of radiation over time. In fact, in the longer term, it can be assumed that the mortality rate of people in this Zone will be closer to 80-90 per cent.

Important infrastructure for the city, as well as for the country is found in this Zone. While these buildings might withstand the immediate blast of the bomb, there would be numerous fires and explosions throughout the Zone. All paper, furniture, cars, gas cylinders and clothes would explode leading to irrecoverable damage to offices, and residential areas.

Many of the arterial roads in this Zone, would be un-navigable, due to large amounts of debris and raging fires on the roads. Cars and other vehicles, which contain petrol or diesel, would be converted into deadly bombs.

Zone 2 also contains most of the government houses and offices of the city. Even assuming a low percentage of mortality among the staffers of these buildings, it is clear that the whole government of Sindh will be thrown into chaos, at a time when fast decisions and action would be most crucial to the province. The loss of the higher echelon of the Sindh government would affect immediate rehabilitation and reconstruction most severely. Corp Command Karachi and Army Stores and Inspection Depot would also be destroyed.

While this Zone houses a number of hospitals, they would not be of much help to the city. Many of the doctors and much of the medical staff themselves would be affected by the blast. The infrastructure of the hospital, including beds, machinery and medical supplies would be destroyed, rendering the hospitals as mere empty shells.

The financial infrastructure of the country would be further destroyed as most banks and financial institutions have their headquarters in Saddar. More than half of the country's bank deposits lie in banks in Karachi and almost three-fourths of all issued capital is raised in the city. Thus the financial loss would be very great.

Government and Prominent Buildings in Zone 2

Army Stores-Inspectors Depot/ASID Karachi, Al Momin Plaza, Al Rehman Estate, Al Shirin Prestige Plaza, Asma Terrace, Avari Renaissance, Aziz Plaza, Bana Arcade, Beach Luxury Hotel, C.I.A. Centre, Chandini Building, Chief Court, Chief Minister's House, Chief Secretary's House, Columbus Police Station, Farid Chamber, Fatimed Foundation, Federal Lode, Garden East Police Station, Governor's House, Hyatt Regency, Imperial Courts, Income Tax Building, Iqbal Plaza, Jabbar Plaza, Jabees Building, Jamil Chamber, Karachi Centre, Karim Centre, KESE HQ, KW&SB Office, Marriott, Maulana Abdul Hamid Badauni Bank, Metropole and Tourist Office, Montesson Centre, National City, National Club, National Saving Centre, New Sindh Secretariat, O.D. Case Industries, Office of the Accounts Officer-Telephone, Office of the Commissioner of Karachi, Office of the Deputy Surveyor, Office of the DSP Central Police Station, P.I.D.C House, Pakistan Quarters, Panorama Centre, Passport Office, PIA Office, Printing Corporation of Pakistan, PWD Office of the Chief Engineer, Shafi Court, Shahin Complex, Sheraton Hotel, Silver Jubilee Centre, Sindh Assembly Building, Sindh High Court, Soldier Police Station, State Guest House, Taj Mahal Hotel, Tughlaque House, United Gulf Building, YMCA, Youth Hostel

INDIA

Cost of Conflict between



PAKISTAN

Attack on Karachi

Government and Community Buildings in Zone 3

Baradari Playland, Clifton Post Office, Federal Service Commission, Field Office Director Karachi Abadi, Flag Staff House, KDA Office, Khehkishan, Prince Police Station, Sindh Rest House, The Directorate of Training Excise and Customs

Other Infrastructure within Zone 3

Al Habib Arcade, Aquarium, Cantonment Railway Station, Cash and Carry Super Market, Clifton Art Gallery, Clifton Centre, Defence Housing Colony, Ibrahim Estate, Institute of Chartered Accountants, Mohatta Palace, Race Course, Trade Centre, Uzma Shopping Centre, Zahra Chamber

Major Roads in Zone 3

Clifton Road, Commercial Avenue, Iran Road, Khayaban-e-Hafiz, Khayaban-e-Jami, Khayaban-e-Rumi, M.A.Jinnah Road, Nahar-e-Khayaum, Nishtar Road, Quaideen Road, Sarah-e-Iran

Major Hospitals located in Zone 3

Hill Park General Hospital, Medical Centre, Mid-East Medical Centre

Also, SITE is the location of many industrial estates and contributes to 50 per cent of Karachi's revenue. It has more than 450,000 people working there. This region would be prone to persisting fires, as it is the centre for manufacturing chemicals, pharmaceuticals, textiles and other inflammable substances. Such fires would be very difficult to extinguish, given the fact that there would be no access for fire engines due to the state of the roads, and raging fires.

Zone 3: Zone 3 would form a radius of 7 km around the hypocentre. In Karachi, this would include Saddar and Jamshed towns, as well as the Clifton area. The total population of the radius area in 2003 is 288,020 (260,869 in 1998; assuming a 2 per cent growth rate). The immediate mortality level in this Zone would be about 10 per cent, though there would be many more killed due to wounds and broken bones caused by flying objects and localised fires.

While the government and community buildings and other infrastructure in this Zone would not be much affected, there would be a number of small fires and explosions within the buildings. If attended to immediately, they could be brought under control. There would also be a fear of objects flying like missiles and causing damage and injuries. However, most of the roads in this Zone would not be usable due to the large amount of debris on the road, and the explosions caused by fuel in vehicles catching fire.

Since this Zone is home to a large number of residents, a big problem would be the ensuing panic. Due to the complete breakdown of transportation and communications in the city and panic amongst people, rescue and relief work would be severely hampered. The three main hospitals in this Zone, Medical Centre, Hill Park General Hospital, Mid-East Medical Centre, would be flooded with patients, specially burns victims. Given the colossal nature of the attack, the large number of casualties and wounded, and unavailability of medical staff and medical supplies, providing immediate medical relief would be very difficult.

c. Long-term effects on Mumbai and Karachi

Infrastructure

Total destruction of infrastructure and transportation

Reconstruction of infrastructure and restoration of telecommunication and transportation will demand lot of investment

Loss of major ports

Political

Risk of loss of sovereignty

Isolation of both countries from international arena

Economy

Imposition of trade and aid sanctions (excluding humanitarian aid) on both the countries, withdrawal of foreign capital, disruption in trade, resultant increase in oil import prices

Destruction of records of top financial and industrial institutions

Health

Inadequate medical facilities to provide specialised treatment to the radiation victims will lead to more casualties

Acute nuclear war survival syndrome that includes disorientation, fear, helplessness, isolation, apathy, and antipathy towards authority amongst the survivors of nuclear explosion

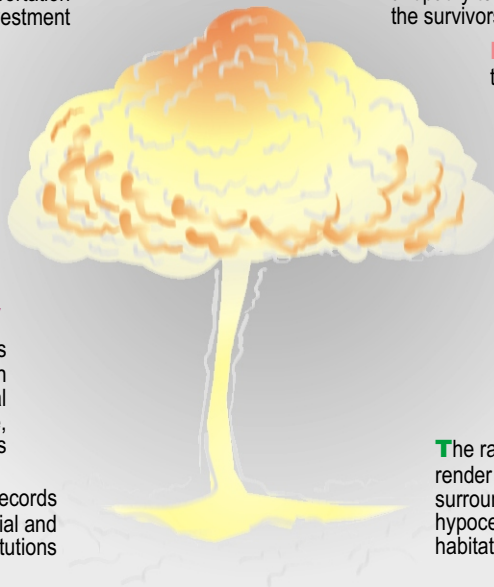
Psychological setback to the entire population

Long-term effects of nuclear explosion on health will include leukaemia, cancer of intestine, skin or reproductive organs, chromosomal damage, infertility, birth defects, hair loss, vision defects, etc

Environment

Tremendous costs for environment

The radiation effect will render the areas surrounding the hypocenter unfit for habitation



Chapter 8: ~~Peace Building Ladder~~

Introduction

In September 2000, International Centre for Peace Initiatives, Mumbai, and Institute of Regional Studies, Islamabad, had published a joint paper, *The Beginning of the Future*. It provided a positive trajectory for conflict resolution and peace building between the two countries. Since then major developments have taken place such as 9/11 attacks with their implications for India-Pakistan, Agra summit, and SAARC summit. Yet most of the milestones remain valid. The following is the updated version of the same paper modified by ICPI.

Phase 1: Preparing the Ground

Part I

- ✍ Declaration by the Governments of India and Pakistan of the renewal of their commitment to resolve all conflicts and issues, including that of Jammu and Kashmir, through peaceful negotiations. In their declaration, they will formally renounce the use and threat of the use of force. They will affirm their respect for the Line of Control (LOC).
- ✍ End to firing, if any, across LOC (indefinite extension of the ceasefire announced in December 2003).
- ✍ Commitment by the Governments of India and Pakistan to stop hostile propaganda in the government owned media and also consultations with private media by the governments in their respective countries to stop hostile propaganda.
- ✍ Commitment by the two governments not to undertake military exercises of specified level within mutually identified zones near the LOC and International Border (IB), and notification of military exercises of specified level anywhere else near the LOC and IB.
- ✍ Commitment not to violate airspace across the LOC or IB and consultations if an intrusion takes place.
- ✍ Commitment by both governments to prevent any acts detrimental to peace and tranquillity across LOC, unofficial channels to conceptualise and define such acts and measures to implement their prevention, eventually to pave the way for a group of diplomatic/military experts to negotiate formal agreements.

Part II

- ✍ Talks between Government of India and All Parties Hurriyat Conference (APHC), besides other Kashmiri groups, with a clearly spelt out agenda as suggested here:
 - ▶ to discuss approaches to resolving the Kashmir conflict;
 - ▶ to discuss possible co-operation by Government of India to facilitate talks between Kashmiri groups on both sides of LOC;
 - ▶ to establish a working channel of communication mainly for ensuring human rights and mitigating violence by all sides against innocent people until a solution is found. Pakistan to declare its moral support for these talks.
- ✍ United Jihad Council to announce a cease-fire, underwritten by Pakistan's army.
- ✍ Leaders of various Kashmiri groups representing different sections of population, faiths and political views from both sides of the LOC to initiate dialogue about their views on the future of Kashmir at a feasible time and location.
- ✍ The Government of India and the Government of Pakistan to use their influence to ensure the personal safety of the Kashmiri leaders participating in any of the talks as a part of this phase.
- ✍ The Government of India to direct security forces and advise the state government to respond with humane and fair conduct and suspend operations against any groups that may announce a cease-fire.
- ✍ Unofficial channel endorsed by the two governments to pave way for official level talks between India and Pakistan.

Phase 2: Initial Official Contact

✍ Once the ground is well prepared through two sets of unofficial dialogues, the two foreign secretaries or foreign ministers should meet on the fringes of a multilateral meeting to discuss modalities of official and periodical dialogue, which should happen at least once every few weeks irrespective of the state of bilateral relations.

Phase 3: Official Dialogue

✍ Composite dialogues on the lines of the talks conducted in Islamabad/New Delhi in Oct/Nov 1998 should be launched with each round having two components: Component 1 to discuss Kashmir and peace and security issues; Component 2 to discuss other issues.

✍ Commitment should be made for a regular dialogue to be held at least thrice, but ideally more times a year like the foreign secretary level talks of 1990.

✍ There should be a commitment for the renunciation of violence, support for terrorism and firing across the LOC until the talks reach their logical conclusion. Any infringement of this understanding should be a subject of Component 1 of the dialogue.

Phase 4: Groundwork for Political Breakthrough

✍ Once adequate progress is made on all fronts in the official dialogue, the Heads of Government should appoint special envoys to prepare for a summit meeting.

✍ The Heads of Government should open dialogue with the main opposition parties and groups in their respective countries. In particular, the governments should enter into dialogue with parties and groups of religious-political nature to seek their support and the support of various organisations having rapport with such religious parties and groups.

✍ Multi-party groups from the two countries should join advanced meetings of special envoys.

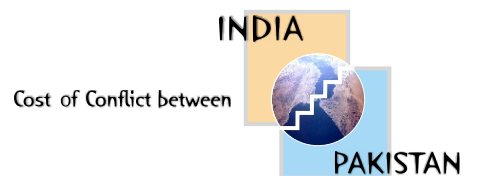
✍ There should be substantial increase in the exchange of media persons, civil society groups and business delegations.

✍ Military commanders of India and Pakistan should meet and explore the reduction of troops from Kashmir (India), Kashmir (Pakistan) and the Northern Territories. Parallel meetings between the heads of Inter Services Intelligence (ISI) and Research and Analysis Wing (RAW) should take place to ensure peace in areas of their jurisdiction.

Phase 5: Summit Meeting

✍ Once adequate preparation is made, on the five parameters to be addressed in Phase 4, the Heads of Government of India and Pakistan should meet. They should specifically explore a political solution to all outstanding conflicts, in particular Jammu and Kashmir, and work out a compromise solution in the interest of the security of India and Pakistan and honour and justice for the Kashmiri people.

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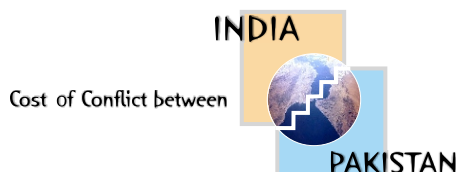
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The participants of the workshop included the following eminent persons:

From Pakistan

Amb Niaz A Naik, former Foreign Secretary
Dr S Akbar Zaidi, Author of Issues in Pakistan's Economy
Mr Nazir Ahmed Leghari, Editor of Daily Awam
Mr Zafarullah Khan, Political Analyst

From India

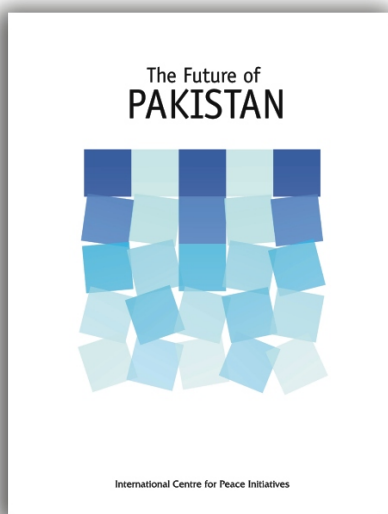
Lt Gen (Retd) Dr BS Malik, PVSM, AVSM, former Chief of Staff of the Western Command
Mr V Rangaraj, Senior Vice President of Essar Shipping Ltd.
Dr E Sridharan, Political Economist

From Germany

Dr Hubertus von Welck, Regional Director for South Asia of Friedrich Naumann Stiftung
Ms Katin Matschke, Member of Working Group on Development and Peace, Friedrich Naumann Stiftung
Dr Christian Wagner, German Institute for International and Security Affairs, Berlin

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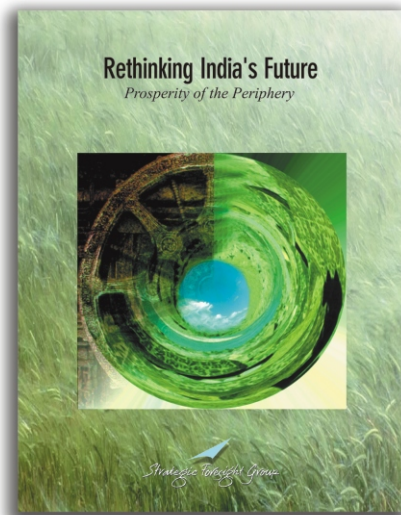
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- Gareth Evans, President, International Crisis Group

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International Centre for Peace Initiatives (ICPI) is a pioneering conflict resolution institution based in Mumbai, India. It was founded in 1990 at the end of the Cold War. It has spearheaded innovative approaches to peace building in regional and global space.

In the early 1990s, it collaborated with Rajiv Gandhi Foundation to launch an initiative for phased elimination of nuclear weapons. It involved the participation of 26 world statesmen, including seven former Heads of Government. Since the mid 1990s, it has launched initiatives to engage active politicians from South Asia in confidence building interaction, facilitate dialogue between Kashmiri leaders and India's national leaders, promote joint research between South Asian scholars on contentious issues, and to build a network of editors of indigenous language newspapers.

At the beginning of this decade, ICPI launched Strategic Foresight Group (SFG), a scenario planning think tank. It has developed conceptual tools for forecasting futures of countries and regions with insight. The SFG reports on the future of India, Pakistan and Southwest Asia have received wide acclaim, as some of the SFG projections have been proved correct. SFG interacts closely with the Indian Parliament's Standing Committee on External Affairs, Higher Command Courses of the Indian armed forces and other top institutions in the country. (www.strategicforesight.com)

COST OF CONFLICT

BETWEEN INDIA AND PAKISTAN

At the SAARC Summit in January 2004, India and Pakistan decided to turn over a new leaf. The success of the Composite Dialogue is predicated on reduction of violence and terrorism on the ground and the determination of negotiators to proceed at the table. At this stage, when obstacles are bound to challenge the peace process, it is necessary for the public opinion to be aware of the cost of conflict. The cost is not only to be measured in terms of military expenditure but also on the basis of varied parameters such as discounting of GDP growth rates, growth of terror economy, negative transformation of institutions, politicide, diplomatic losses, educational costs, value deficit, and, most important, human costs.



Niaz A Naik, Pakistan's former Foreign Secretary, says in his Foreword: "This document is of exceptional quality in its comprehensive

coverage and analytical strengths. It is the first time that we have such all encompassing information and analysis in one place on the implications of adversarial relationship between India and Pakistan. I wish to invite Indian and Pakistani leaders, government officials, scholars, media persons, business leaders and others to examine the findings and reflect them in policies of change."

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