

A REPORT OF THE CSIS
PROGRAM ON CRISIS, CONFLICT,
AND COOPERATION

Prospects for Indian-Pakistani Cooperation in Afghanistan

Author

Sadika Hameed

August 2012



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Cover: Trade takes place in a war zone as a truck delivers a shipment of potatoes through the Salang Valley, Afghanistan. Photo by Robert D. Lamb.

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PREFACE

In February 2011, India and Pakistan announced plans to resume peace talks for the first time since 2008. Relations between the two countries have historically been tense, with three wars since independence in 1947 and a decades-long dispute over the territory of Kashmir. The earlier peace talks, begun in 2004, were derailed in 2008, when a Pakistan-based militant group conducted a terrorist attack in Mumbai, India, killing 163 people. Recent developments, however, suggest that a bilateral dialogue and progress on issues such as Afghanistan are possible. Since the February announcement, officials from both sides have met several times to discuss cooperative efforts in trade, economic collaboration, and security.

Official security talks began in March 2011 in New Delhi, which happened to coincide with the advancement of both countries' cricket teams to the semifinal round of the World Cup. Prime Minister Zail Singh of India invited Prime Minister Yousaf Raza Gilani and President Asif Ali Zardari of Pakistan to attend the match, a sign of improved diplomacy and an indicator of the role of cultural affinity in fostering bilateral cooperation.

Later that spring, the Indian and Pakistani defense secretaries met for the twelfth time since 2010, primarily to discuss the disputed Siachen glacier—overlooking China—as well as issues such as trade, water, terrorism, and Kashmir. Another round of talks on Siachen was announced for mid-2012. In July 2011, Pakistan's foreign minister, Hina Rabbani Khar, also visited New Delhi, where she and her Indian counterpart, S. M. Krishna, announced minor agreements on the Kashmir issue that would include cross-border trade. In September 2011, the two countries' commerce ministers put out a joint statement announcing plans to normalize bilateral trade relations, including the “dismantling of all nontariff barriers” and implementing the South Asian Free Trade Agreement (SAFTA). Trade relations were further normalized when Pakistan announced that it would grant India most-favored-nation (MFN) status, to be finalized in 2012. Finally, in April 2012, President Zardari visited India in the highest-level political visit by a Pakistani to India in seven years. These diplomatic visits and meetings have raised hope that the countries' tense relations might continue to thaw.

The year 2011 was not without difficulties, however. When it was discovered that al Qaeda leader Osama bin Laden had been hiding in Pakistan, some Indian officials considered this further evidence that India's suspicions that Pakistan was harboring terrorist organizations were correct. In October 2011, the Pakistani military forced an Indian helicopter to land after invading Pakistani airspace. Pakistan was further disgruntled when the United States announced a \$10 million reward for Pakistani Hafiz Saeed, the man believed to be behind the 2008 Mumbai attack, although Pakistan claims there is no evidence of his involvement and has refused to arrest him.

The events of 2011 reflect not only the historical difficulties that India and Pakistan still face, but also the positive developments that could lead to increased cooperation. Afghanistan, a country in which both India and Pakistan have clear interests, is central to that cooperation. How will

recent developments in Indian-Pakistani bilateral relations affect cooperation with Afghanistan? This report discusses the prospects for their cooperation with Afghanistan on trade, development, a citizen dialogue, security (including drugs and counterterrorism), energy, and water sharing.

Both India and Pakistan are interested in maintaining their own political, economic, and security presence in Afghanistan. Many Indian citizens currently live and work in Afghanistan, and India would like to use Afghanistan as a transit point between Central and South Asia. Meanwhile, India views Afghanistan as a potential source of terrorist activity, and it sees a more permanent presence in Afghanistan as a way to increase its own security. Although Afghanistan is fairly new to India's security agenda, it has long been vital to Pakistan's. The two countries have strong cultural ties, including religion, language, and the Pashtun culture. Pakistan wants to maintain its security interests, fearing that India will become the dominant political and economic influence in Afghanistan and that violence in Afghanistan could erupt in a civil war, possibly leading to a large number of Afghan refugees in Pakistan.

Although the prospects for trilateral cooperation should be considered with some degree of skepticism, the potential benefits of participating in trilateral cooperation are significant for both countries. The security risks associated with the illicit trade in Afghan narcotics, organized crime, and terrorism would likely decrease. Trade cooperation not only would allow India and Pakistan to have access to cheaper goods, but also would increase employment in both countries, open up markets in Central Asia, and benefit the Pakistani public and private sectors. Increased cooperation would allow both countries to have access to the energy sources and gas reserves in Central Asia. Even more, both India, which is currently undergoing a massive population explosion, and Pakistan, which lacks access to natural resources, would benefit from increased water sharing.

To assess the potential difficulties and positive outcomes of cooperation between India and Pakistan in Afghanistan, the Program on Crisis, Conflict, and Cooperation (C3) at the Center for Strategic and International Studies (CSIS) reviewed the published literature and interviewed more than 50 experts and officials in Afghanistan, Pakistan, India, and the United States about their views on bilateral and trilateral relations among the three Asian countries. This report presents the findings of that research, shows how decisionmakers see the prospects for collaboration, and makes some modest recommendations on how to improve cooperative efforts.

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EXECUTIVE SUMMARY

This report looks at possible areas of cooperation between Pakistan and India, particularly in Afghanistan. Three observations motivate this research. First, regional security will likely be achieved only if at least some degree of cooperation is attained among the region's primary state actors. Second, Afghanistan cannot advance economically or improve its security and governance without some cooperation from India and Pakistan. Third, although many observers view the idea of Pakistani and Indian cooperation with skepticism, there are likely significant security, governance, and economic advantages for both countries should they find more common ground.

India and Pakistan, both interested in maintaining their respective political, economic, and security presence in Afghanistan, would benefit from increased collaboration in development, people-to-people contact, trade, security, and natural resources. Pakistan and Afghanistan share a long history of religious, cultural, and linguistic affinity that has at times contributed to tense relations between the two countries. India's interests, while relatively new, are grounded in its desire to expand its economy and protect its national security. Many Indian citizens currently live and work in Afghanistan.

Both countries also have the potential to gain from trilateral cooperation in Afghanistan. Trade cooperation could help reduce informal trade and smuggling, while providing access to Central Asian markets—including gas—through Afghanistan. Pakistan is concerned that violence in Afghanistan could evolve into a civil war, leading to a possible influx of refugees into Pakistan. India sees Afghanistan as a potential source of terrorist activity and is thus interested in securing Afghanistan in order to protect its own national security. Despite these potential benefits, both countries are wary when considering increased cooperation.

Policymakers and experts in Afghanistan, Pakistan, and India increasingly believe that more collaboration is necessary, though they differ on the extent of such cooperation efforts, some arguing for cooperation at the implementation level as opposed to the diplomatic level and others supporting concrete solutions to the disputes over Sir Creek and Kashmir and to the disagreements over water sourcing. This report presents the findings of a study of the views of policymakers and experts on the prospects for increased collaboration in development, people-to-people contact, trade, security, and natural resources.

Findings

The first area of potential cooperation is through joint development efforts such as capacity building, private sector and infrastructure initiatives, and civil society programs. For example, Pakistan's Aga Khan Development Network (AKD) works in Afghanistan in the areas of health, education, rural development, microfinance, and telecommunication. Similar programs, in addition to the present cooperative efforts in education, could be coordinated through the South Asian Associa-

tion for Regional Cooperation (SAARC) Social Charter. Although these programs would be led by the private sector and civil society organizations, the three governments could work to create an environment in which such activities could succeed—by actively engaging in trilateral dialogue on development issues, by allowing more flexible visa regimes, and by creating greater incentives such as tax benefits. Collaborative efforts in development could serve as a starting point for improving relations in other areas.

People-to-people contact—through sports and tourism, ethnic and heritage commemorations, cultural exchanges, music, drama, films, more flexible visa regimes, parliamentary meetings, and medical tourism—could also help improve relations among India, Pakistan, and Afghanistan. Such programs could help citizens and policymakers within each country understand each other's value systems, thus providing a foundation for cooperation in other areas. To be successful, however, these people-to-people programs will need to be channeled through the right networks. Indeed, some of the successful people-to-people projects already in place between India and Pakistan—such as Aman ki Asha—could be replicated in Afghanistan. These projects could allow for more constructive engagements between nongovernmental organizations (NGOs) and other civil society organizations, ameliorate trust deficits between India and Pakistan, and create a basis for further collaboration.

Trade offers further opportunities for increased cooperation in Afghanistan. India and Pakistan already have active trade relations with Afghanistan and with each other, and so the foundation for trilateral cooperation is already laid. India and Pakistan can build on transit agreements already in place, such as the Afghanistan-Pakistan Transit Trade Agreement (APTTA). In fact, steps have been taken toward such measures; in 2011, Pakistan granted most-favored-nation (MFN) status to India, to be finalized in 2012. Both countries benefit from Pakistan granting MFN status through lower prices, access to cheaper raw materials, and increased employment and investment. In addition, MFN status would lead to phasing out certain trade restrictions currently in place.

Regional trade cooperation could become more realistic with the implementation of the South Asian Free Trade Agreement (SAFTA). Afghanistan is currently developing the Silk Road Initiative (SRI), which would make it a transport hub between Central and South Asia. This initiative lines up with the interests of both India and Pakistan. India developed the port of Chabahar to access Afghanistan while bypassing Pakistan, and control of the port was handed over to Afghanistan in 2009. In 2011, the United States announced the New Silk Road Initiative (NSRI), focusing on building infrastructure and reducing barriers to trade. As regional cooperation strengthens, there may be opportunities within these countries for the United States to become more involved, such as helping with customs regimes and technology development. Past U.S. initiatives in Afghanistan, mainly through the Reconstruction Opportunity Zones (ROZs), failed in part because of the technical difficulties and tense relations between the United States and Pakistan. However, similar projects could allow the United States to improve trade cooperation between Afghanistan, Pakistan, and India.

There is also room for India and Pakistan to increase security cooperation efforts, particularly on confidence-building measures (CBMs), the illicit drug trade, and counterterrorism. Under the October 2011 India-Afghanistan Strategic Partnership Agreement, India will train and provide equipment to Afghan security forces. Thus joint training of Afghan security forces is one possible area of cooperation between India and Pakistan. Although such an effort is unlikely to occur in the near future, UN peacekeeping missions in which Indian and Pakistani troops have worked togeth-

er could serve as a guide for future bilateral cooperation in Afghanistan. CBMs, particularly military capacity building of the Afghan National Army (ANA), have been considered, but a degree of mistrust remains between the two countries. Joint training of security forces in Afghanistan could lead to competition instead of collaboration.

Afghan narcotics threaten the national security of both India and Pakistan through public health crises, organized crime networks that benefit from millions of dollars in revenue, and internal militant movements. It is thus in both countries' interests to cooperate on counternarcotic efforts; common regional interests also make future cooperation more likely. The countries have already engaged Afghanistan on this issue through bilateral, regional, and international means, including through the United Nations Office on Drugs and Crime (UNODC). Such efforts include the 2003 Paris Pact; the 2005 memorandum of understanding on poppy elimination, border control, and crackdowns on trafficking groups and processing infrastructure; the 1990 South Asian Association for Regional Cooperation Convention on Narcotic Drugs and Psychotropic Substances; and Operation "Osminog." The capability to enforce these measures remains weak, however, because Pakistan is unable to police the entire Afghan border.

Many experts agree that India and Pakistan should work together to counter Islamic militant threats in Afghanistan, including through intelligence cooperation between Pakistan's Inter-Services Intelligence (ISI) and India's Research and Analysis Wing (RAW). India and Pakistan could decide to share intelligence only on groups that are determined to threaten both countries. Cooperation on counterterrorism has been discussed at Track I and II forums such as the Delhi Policy Group. Continued dialogue to address terrorism could lead to greater cooperation on joint mechanisms such as the 2006 Joint Anti-Terrorism Mechanism (JATM). The United States tried to encourage more information sharing after the 2008 Mumbai attack, but historical political sensitivities and rivalries make such collaboration difficult. In 2010, SAARC member countries also explored ways to increase police cooperation and intelligence sharing. A regional—or bilateral between India and Pakistan—counterterrorism strategy would, however, be limited because of the varying national and regional policies on terrorism and the general mistrust between the countries involved.

Finally, India and Pakistan would both benefit from greater cooperation on natural resources, including energy and water. Trilateral cooperation is already being pursued under the 2002 Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline agreement. The United States supports this project as an alternative to the proposed Iran-Pakistan-India (IPI) pipeline. Although TAPI would address the energy crisis in Pakistan, would fulfill India's need for new markets, and would provide gas to areas of Afghanistan that currently do not have such access, progress on this energy project is slowed by security constraints, political impediments, and technical and monetary issues. For example, the pipeline would pass through two war zones. In addition, lack of security and credible guarantees on the part of Pakistan have only lessened India's willingness to depend on Pakistan for its gas supply. If TAPI were extended to China via Nepal, Pakistan would be more likely to provide guarantees. However, collaboration on these issues, though not out of the question, will take time, and its implementation is likely to be more difficult than that of IPI.

India and Pakistan both lack adequate access to water supplies and would thus benefit from water sharing agreements. Such agreements would also benefit Afghanistan. The Amu Darya and Indus Rivers are the most important water sources in Central-South Asia, including Afghanistan. Outdated and poorly constructed irrigation systems have led to water wastage. Increased cooperation could provide alternative water sources such as the Kabul River, but such cooperation is un-

likely because of national interests, including India's rising population and Pakistan's agricultural needs and lack of resources. The Indus Waters Treaty (IWT), which gives Pakistan control of the Indus, Chenab, and Jhelum Rivers, and India control of the Beas, Ravi, and Sutlej Rivers, has faced a number of challenges over the past 50 years, including dealing with costs and rival technology. One possible solution would be the development of a second phase of the IWT (IWT2), which would look at the development of the Indus river basin in its entirety. International actors can help by providing technical assistance and creating dialogue between the countries. U.S. investment in infrastructure related to the NSRI could also help ameliorate the trust deficit between India and Pakistan. However, India and Pakistan must take the leading roles in order to properly address these water issues.

The success of trilateral cooperation efforts in Afghanistan will depend on India and Pakistan first engaging in bilateral discussions and agreements. These could then serve as models for use in Afghanistan. The international community, including the United States, can assist by providing a forum for dialogue, but successful collaboration in Afghanistan will depend on the active leadership of the Indian and Pakistani governments. There must also be a balance among private sector, NGO, and government initiatives and programs. The Indian, Pakistani, and Afghan governments should play a secondary role by creating safe bureaucratic and business environments conducive to the engagement of private sector companies, NGOs, and communities in development, people-to-people contact, and trade.



INTRODUCTION

India and Pakistan have national interests in Afghanistan's stability, economy, politics, and leadership (although they disagree about which country has more "vital" interests). In many aspects of these areas, particularly in access to influential people within Afghanistan, India and Pakistan are competitors. But it is also critical to determine how India and Pakistan are cooperating in Afghanistan and the prospects for future cooperation. This report considers the perspectives of Indian and Pakistani decisionmakers on competition and cooperation between the two countries with respect to Afghanistan, and it offers thoughts on the ways in which cooperation might be improved.

Three observations motivate this research. First, regional security and peace will likely be achieved in the region only if some degree of cooperation is reached among the region's primary state actors. Pakistan and India are the biggest rivals in the region, and Afghanistan has suffered from this rivalry. Second, Afghanistan cannot advance economically or improve its security and governance without some cooperation from India and Pakistan. The road to trilateral cooperation in Kabul lies through Islamabad-Delhi cooperation, greater trust, and active engagement in conflict resolution. Third, although many observers view the idea of Indian-Pakistani cooperation with skepticism, there are likely significant security, governance, and economic advantages for both countries should they find more common ground.

Indian-Pakistani cooperation in Afghanistan may not increase significantly over the short term and will face challenges because of the two countries' mutual distrust and varying economic and security interests. This report does not provide a framework for regional peace, which would require the participation, among others, of China, Iran, and the Central Asian countries, along with India, Pakistan, and Afghanistan.¹ However, it does offer insights, derived from dozens of interviews with experts and officials in the region and the United States, into the feasibility of proposed initiatives and the existence of other opportunities for cooperation. Although broader regional peace may remain out of reach at this time, more targeted forms of collaboration may provide the groundwork for stronger partnerships in the future.

In the meantime, Pakistan and India will need to move beyond their largely destructive past relationship. With some exceptions, in the past, cooperation and competition have been treated as a zero-sum game in which one country felt it could gain only if there was an equivalent loss for the other. Moving beyond the past will require initiatives in which the benefits from cooperation are greater than the benefits of noncooperation or competition in certain spheres.

Although many of the people who were interviewed in Afghanistan, Pakistan, and India for this study differed on the extent and scope of cooperation that was possible, almost all agreed that more cooperation was necessary. Many offered cogent reasons to increase Indian-Pakistani col-

1. Institute for Peace and Conflict Studies (IPCS) and Center for Strategic and International Studies (CSIS), expert roundtable, Delhi, February 23, 2012.

laboration in Afghanistan. Some of those interviewed believed that real cooperation occurs only at the implementation level, not at the diplomatic level.² Still, others mentioned the need for settlement of the disputes between India and Pakistan over Sir Creek, Kashmir, and water.³

All three countries have suffered from militant violence, which is a continuing threat, especially in Afghanistan and Pakistan. India worries that Afghanistan might fall into a civil war that would cultivate radical Islamic groups and provide a sanctuary for them to plan attacks against India. Similarly, Pakistan fears the eruption of civil war in Afghanistan and the resultant influx of Afghan refugees, similar to those in the 1980s and 1990s. Pakistan also faces some issues that require it to increase cooperation with India. These include the untenable payback on its policy of supporting militants, increasing economic pressures, the compounding crisis of governance, the gradual ascendancy of civilians within policymaking, and the paradigm shift from Pakistan's virtually linear national security policy toward a more comprehensive one addressing nonmilitaristic threats. Similarly, India may be more likely to engage proactively with Pakistan because of the decline in its gross domestic product, its rising poverty figures, its strategic revisit of the terms of engagement with the United States, and its growing internal governance challenges, ranging from rising poverty figures to the blowback from corruption.

Greater cooperation in trade among the three countries could help stem the high levels of informal trade and smuggling and bring these activities into the formal economy. This cooperation, which should include allowing India easier trade access to Afghanistan through Pakistan, would benefit Afghans and the Pakistani public and private sectors, especially Pakistani trucking and logistics companies.⁴ A cohesive strategy for more integrated trade could provide both Pakistan and India with access to Central Asian markets through Afghanistan. In the long term, such cooperation could also lay the groundwork for India and Pakistan for access to gas in Central Asian countries.⁵

Currently, U.S.-Pakistani relations are at a low point. Some feel that there will only be real cooperation and peace once the United States leaves Afghanistan.⁶ In this context, the ability of the United States to maneuver (even diplomatically) is contested. Although many observers feel that the United States has a transactional relationship with Pakistan, it does not have to be a source of friction.⁷ But the rise in U.S.-Pakistani tensions has also been seen as a reason for improving

2. Ahsan Iqbal, member, National Assembly, and politician, Pakistan Muslim League N (PML-N), interview by author, October/November 2011.

3. Interviews by author: Tanvir Ahmed Khan, retired foreign secretary and former ambassador to Russia, Iran, France, and Bangladesh, October/November 2011; Anthony H. Cordesman, Arleigh A. Burke Chair in Strategy, Center for Strategic and International Studies, Washington, DC, December 2011; Riffat Hussain, defense analyst and professor, Quaid-e-Azam University, Islamabad, October/November 2011; Khurshid Ahmed, deputy director, Jamaat-e-Islami, and chair, Institute of Policy Studies, Islamabad, October/November 2011.

4. Karl F. Inderfurth and S. Amer Latif, "India and Pakistan: Practical Steps, Transformational Benefits," in *2012 Global Forecast: Risk, Opportunity, and the Next Administration*, ed. Craig Cohen and Josiane Gabel (Washington, DC: Center for Strategic and International Studies, 2012).

5. Suba Chandran, "What Does India Want in Afghanistan?" *Friday Times*, February 24, 2012, <http://www.thefridaytimes.com/beta2/tft/article.php?issue=20120224&page=9.2>.

6. Ahmed, interview, October/November 2011.

7. Ibid.

Indian-Pakistani relations.⁸ Tensions between the two countries appear to have increased Pakistan's security, political, and economic dependence on the United States.⁹

Recent developments between Pakistan and India, including a peace dialogue and trade relations, suggest that the two countries are indeed moving toward increased cooperation. Pakistan's willingness to provide India with most-favored-nation (MFN) status,¹⁰ despite street-based opposition, signals a paradigm shift in Pakistan's India policy, which had been centered squarely on Kashmir. It has now moved from Kashmir alone to Kashmir-plus and now to all plus Kashmir. Significantly, there are indications in Pakistan of a growing political consensus among most mainstream political parties that engagement and active cooperation with India is in Pakistan's interest. These parties are now well positioned to override the opposition even from sections of Pakistan's establishment. Key individuals and institutions related to national security are no longer opposed to active cooperation with India alongside conflict resolution efforts. Even in India, the political and policy positions toward Pakistan seem to have moved beyond Mumbai.

Many policymakers from both countries have met frequently in the last year to move the peace process and engage more constructively on issues such as trade. President Asif Ali Zardari's visit to India and other summit meetings, as well as Prime Minister Manmohan Singh's proposed trip to Pakistan, are indicators of positive developments.

It is challenging for the United States to address deeper issues, including Pakistan's threat perceptions of the role that India plays in Afghanistan. For example, the U.S.-based Pakistan Policy Working Group has identified as a priority the need for improving U.S. ties with New Delhi while managing Pakistan's fears.¹¹ However, as a former U.S. ambassador to India explained, there is "no trilateral strategy" because the United States would not agree to anything that would jeopardize its relationship to or interests in India.¹²

Other U.S. actions also illustrate this point, including the fact that India conducts more military exercises with the United States than with any other country¹³ and the U.S. endorsement of India's bid for a permanent seat on the UN Security Council.¹⁴ Also, there have been serious attempts to "de-hyphenate" India from Pakistan and to deal with the two countries at different levels, especially when Richard Holbrooke was appointed special representative on Pakistan and Afghanistan. Although this de-hyphenation was welcomed in India, it was viewed by many Pakistanis as a

8. Interviews by author: Ayaz Wazir, former ambassador to Afghanistan, October/November 2011; Ejaz Haider, former director, Jinnah Institute, October/November 2011; Marvin Weinbaum, senior scholar, Middle East Institute, December 2011.

9. Interviews by author: Haider, October/November 2011; Rustam Shah Mohmand, former high commissioner to Afghanistan, October/November 2011; Wazir, October/November 2011.

10. The terms of the MFN agreement will be finalized between the two countries by the end of 2012.

11. The Pakistan Policy Working Group is an independent, bipartisan group of American experts on U.S.-Pakistan relations. For more information, see Pakistan Policy Working Group, *The Next Chapter: The United States and Pakistan*, September 2008, http://www.brookings.edu/~media/research/files/reports/2008/9/pakistan%20cohen/09_pakistan_cohen.pdf.

12. Karan Thapar and Timothy Roemer, "Obama Sees India as a Global Power: Roemer," IBN Live, October 27, 2010, <http://ibnlive.in.com/news/obama-sees-india-as-a-global-power-roemer/133707-3.html>.

13. Anja Manuel, "Weak Ties," *Foreign Policy*, November 5, 2010, http://www.foreignpolicy.com/articles/2010/11/05/weak_ties.

14. Ashley J. Tellis, "Triumph in New Delhi," *Foreign Policy*, November 26, 2010, http://www.foreignpolicy.com/articles/2010/11/16/triumph_in_new_delhi?page=full.

U.S. policy move toward greater cooperation with India over Pakistan.¹⁵ However, this de-hyphenation may have been the only way for the United States to actually engage India constructively.¹⁶ Some also believe that the unwillingness of the United States to deal with the Indian-Pakistani problem was a missed opportunity—especially following the civilian nuclear deal between the United States and India, after which many Pakistanis felt that the U.S. influence in India was supposedly greater.¹⁷ In reality, the U.S.-Indian civilian nuclear deal provided only a greater opportunity for good will, confidence building, and some degree of positive political capital in the United States' own relationship with India.¹⁸

This report is based on interviews with 56 experts and officials in Afghanistan, Pakistan, India, and the United States. After providing some background on bilateral relations between Afghanistan and both India and Pakistan, the report turns to the prospects for greater trilateral cooperation on development, trade, security, energy, and water issues. It concludes with recommendations for improving cooperation in the most promising areas.

15. Interviews by author: Maleeha Lodhi, former high commissioner to the United Kingdom and former ambassador to the United States, October/November 2011; Wajahat Ali, journalist, October/November 2011.

16. Karl F. Inderfurth, senior adviser and Wadhwani Chair in U.S.-India Policy Studies, Center for Strategic and International Studies, Washington, DC, personal communication, April 2012.

17. Lodhi, interview, October/November 2011.

18. Inderfurth, personal communication.



BILATERAL RELATIONS WITH AFGHANISTAN

Both India and Pakistan have had long-standing (if often strained) relations with Kabul since their 1947 independence and partition. Bilateral discussions have been far more common than trilateral discussions. This section provides a brief history of bilateral relations between Pakistan and Afghanistan, and between India and Afghanistan. Bilateral discussions with Pakistan have focused on “bridging the trust deficit,”¹⁹ because both Afghanistan and India view Pakistan’s role suspiciously. Bilateral relations between the countries are a source of both cooperation and contention. These bilateral relations, and other actors’ perceptions of them, will likely continue to affect prospects for economic, security, social, and political cooperation in the region.

Pakistan and Afghanistan

Pakistan and Afghanistan share a long history of commonalities related to religion, the Pashtun culture, and language. Pashtuns make up 40 percent of Afghanistan’s population and 15–20 percent of Pakistan’s. However, these commonalities—particularly ethnic overlap—also contribute to sometimes troubled relations between the two countries. The porous Durand Line²⁰ separating Afghanistan from Pakistan reflects the cultural affinity across the 1,500-mile border and the fluidity with which people have been able to move between the two countries. According to a former Pakistani ambassador to the United States, “people on both sides of the Durand Line consider it a soft border.”²¹ But it is also a source of contention. In 1949, the Afghan parliament repudiated all nineteenth-century treaties with British India, including the Durand Line Agreement. Since then, no government, including the Pakistan-backed Taliban government, has recognized this border.²² At the same time, India has never actively questioned or involved itself in the disputes surrounding the Durand Line. A number of Indian interviewees said that India would probably be willing to side publicly with Pakistan in any dispute over the Durand Line.²³ However, because of India’s strategic partnership with Afghanistan and growing cooperation with Pakistan, it may be more

19. Yousaf Raza Gilani and Manmohan Singh, Sixteenth SAARC Summit, April 2010, cited in Delhi Policy Group, *Afghanistan-India-Pakistan Trialogue 2010: Bridging the Trust Deficit(s)* (Delhi: Delhi Policy Group, 2011).

20. The Durand Line Agreement was established in 1893 between Britain and Amir Abdur Rahman Khan of Afghanistan. Large stretches of the Durand Line overlap with today’s internationally recognized (but porous) border between Afghanistan and the semiautonomous tribal regions of Pakistan.

21. Husain Haqqani, cited in Jayshree Bajoria, “The Troubled Afghan-Pakistani Border,” Council on Foreign Relations, New York, 2007, <http://www.cfr.org/pakistan/troubled-afghan-pakistani-border/p14905#p3>.

22. Shibil Siddiqui, “Afghanistan-Pakistan Relations: History and Geopolitics in a Regional and International Context, Implications for Canadian Foreign Policy,” Walter and Duncan Gordon Foundation, Toronto, http://www.gordonfn.org/resfiles/siddiqui_afghan-pak%20final2.pdf.

23. Prem Shankar Jha, senior political analyst and writer, Delhi, interview by author, February 2012.

likely to take a neutral approach to the Durand Line. Ideally, India would indicate its full support to resolve the long-standing dispute but would not condone aggressive attacks from either side.

After Pakistan's independence in 1947, Pashtuns on both sides of the Durand Line called for a Pashtun homeland. This "Pashtunistan" movement was particularly strong in Pakistan prior to 1979, but it had support in Afghanistan as well. In fact, because of its support for the Pashtunistan movement, Afghanistan was the only country to oppose Pakistan's entry into the United Nations in 1949.²⁴ Afghanistan's support for this movement affected bilateral relations in other spheres as well. For example, although trade was never halted between the two countries, Pakistan took advantage of landlocked Afghanistan's dependence on seaport access by slowing down transit trade, a violation of international law.²⁵ In response, Afghanistan sought other opportunities for sea access, including in Iran. Today, Afghan-Irani trade cooperation is exacerbating Pakistan's fears of growing Indian influence in the region, because Iran and India have collaborated on trade access in Afghanistan and have plans to expand in Central Asia.

A geographically contiguous Afghanistan has been central to Pakistan's security paradigm for many decades, but it has only been important to Indian policy since the fall of the Taliban in 2001. Afghan leaders are well aware of this dynamic. For example, the governor of Khost Province in eastern Afghanistan expressed concerns about an arrangement in which the U.S. Agency for International Development (USAID) was subcontracting work to an Indian construction company in the building of the Gardez-Khost highway. Wary of a Pakistani backlash, the governor reportedly asked Afghan president Hamid Karzai to prevent the project from being awarded to an Indian company.²⁶ President Karzai has also recognized the close cultural affinity between Pakistan and Afghanistan. During his visit to India in October 2011, he said, "Pakistan is a twin brother, India is a great friend."²⁷

However, Pakistan has reasons to be cautious in its relationship with Afghanistan. For one thing, Afghanistan has provided shelter to Baloch nationalists since the 1970s.²⁸ An intensifying, ongoing Baloch insurgency with the objective of a separate homeland is currently a big source of worry for Pakistanis. Although Pakistan and Afghanistan have not clashed militarily, there have been signs of increasing security tensions, even prior to 2001. As early as 1955, a military clash between the two countries was averted in some part because of U.S. intervention and negotiation.²⁹

Afghanistan also has valid reasons for skepticism about cooperation with Pakistan. Pakistan's interest in leveraging Afghanistan has historically strained relations. During the Soviet era in Afghanistan, Pakistan supported the mujahideen movement. This compounded Afghanistan's unease when earlier U.S.-Pakistan pacts resulted in military aid packages, which were opposed by

24. Siddiqui, "Afghanistan-Pakistan Relations."

25. *Ibid.*, 12.

26. Sami Yousafzai, journalist and correspondent, *Newsweek*, interview by author, December 2011.

27. Hamid Karzai, quoted in "Pak Twin Brother, India a Great Friend: Karzai," *Indian Express*, October 5, 2011, <http://www.indianexpress.com/news/pak-twin-brother-india-a-great-friend-karzai/856118/>.

28. Safdar Sial, "Pak-Afghan Relations: Emerging Trends and Future Prospects," Pak Institute for Peace Studies, Islamabad, 2011; Bajoria, "Troubled Afghan-Pakistani Border."

29. In 1955, Afghanistan opposed a move by the government of Pakistan to internally limit non-Punjabi ethnicities. Because the Pashtunistan movement was ongoing, the government feared that Pashtun areas would be drawn even more closely into Pakistan. The Pakistani embassy in Kabul and the consulate in Jalalabad were sacked. Expecting a military backlash, Afghanistan mobilized 70,000 reservists on the border.

both India and Afghanistan.³⁰ After the Soviet withdrawal from Afghanistan, Pakistan used the networks it had developed with Islamic extremists to gain influence and establish a client regime. In September 1996, the Taliban government came into power with Pakistani backing.

Pakistan has pursued policies to support Islamic militant entities in part to help neutralize the Baloch and Pashtun nationalist threats. Today, Pakistan continues to support the Afghan Taliban.³¹ Even though the Pakistanis are increasingly putting pressure on the United States to engage in talks with the Haqqani network, the Afghan government would prefer talks with the more moderate factions of the Afghan Taliban not linked to al Qaeda, especially in light of recent attacks ascribed to the Haqqani network.³² Furthermore, many in the Afghan administration agree with the assessment by Adm. Mike Allen, former chairman of the U.S. Joint Chiefs of Staff: “The Haqqani network acts as a veritable arm of Pakistan’s Inter-Services Intelligence agency.”³³

India and Afghanistan

Relations between India and Afghanistan have mostly reflected either India’s general foreign policies or its economic needs. In 1949, just as the United States was recognizing a growing communist threat, Indian prime minister Jawaharlal Nehru categorically promoted India’s “nonaligned” status and policy in Washington, consistent with Afghanistan’s own nonaligned position. As Soviet influence in Afghanistan grew in the 1960s and 1970s, both Afghanistan and India developed relations with the Soviet Union, while China moved closer to Pakistan.³⁴

In 1979, India was one of the first countries to recognize the Soviet-installed communist government in Afghanistan. As part of its nonaligned policy and closeness to the Soviet Union, India did not publicly oppose the invasion in 1979, and it continued to support the Afghan government until the 1996 takeover by the Taliban. During the Afghan civil war, India and Iran supported the

30. These pacts were the one that created the anticommunist South East Asia Treaty Organization (SEATO) in 1954, the Baghdad Pact in 1955, and the pact that created the Central Treaty Organization (CENTO) following the 1958 revolution in Iraq.

31. “Pakistan Helping Afghan Taliban—NATO,” BBC News, February 1, 2012, <http://www.bbc.co.uk/news/world-asia-16821218>. Jayshree Bajoria, “The Taliban in Afghanistan,” Council on Foreign Relations, New York, October 6, 2011; Barnett R. Rubin and Abubakar Siddique, *Resolving the Pakistan-Afghanistan Stalemate*, Special Report 176 (Washington, DC: United States Institute of Peace, October 2006).

32. Deb Riechmann and Rahim Faiez, “Afghan Officials Blame Attacks on Haqqani Network,” Associated Press, April 16, 2012, <http://gma.yahoo.com/afghan-officials-blame-attacks-haqqani-network-150440333.html>.

33. Elisabeth Bumiller and Jane Perlez, “Pakistan’s Spy Agency Is Tied to Attack on U.S. Embassy,” *New York Times*, September 22, 2011, http://www.nytimes.com/2011/09/23/world/asia/mullen-asserts-pakistani-role-in-attack-on-us-embassy.html?_r=2&pagewanted=all. The Haqqani network, led by father and son Jalaluddin and Sirajuddin Haqqani, is an insurgent terrorist organization with ties to al Qaeda, as well as to both the Afghan and Pakistani Taliban. This network is different from the Quetta Shura, an insurgent organization composed of Afghan Taliban leadership and based in Balochistan. See Seth G. Jones, “Why the Haqqani Network Is the Wrong Target,” *Foreign Affairs*, November 6, 2011, <http://www.foreignaffairs.com/articles/136646/seth-g-jones/why-the-haqqani-network-is-the-wrong-target>; Jeffrey Dressler, “The Haqqani Network and the Threat to Afghanistan,” *Foreign Affairs*, November 11, 2011, <http://www.foreignaffairs.com/articles/136661/jeffrey-dressler/the-haqqani-network-and-the-threat-to-afghanistan?page=show>.

34. In one sense, China and India also face a rivalry in Afghanistan—a competition for its natural resources. However, in the long run, it is safe to say that China, too, would prefer understanding and cooperation between the two archrivals. The reasons for this preference are mainly economic because the Chinese have invested heavily in Afghanistan.

Northern Alliance under Ahmad Shah Massoud (and former president Burhanuddin Rabbani), in an attempt to limit Pakistan's influence in Afghanistan. Following the Taliban takeover, they withdrew their diplomatic staff and closed their embassies in Kabul.

Since the fall of the Taliban regime in 2001, India has maintained excellent relations with Afghanistan, invested heavily in its economic needs, and become the largest donor for regional development and reconstruction.³⁵ Indians have also begun to look at the possibility of working with Provincial Reconstruction Teams (PRTs) and launched several ground-level initiatives to empower local communities.³⁶

Pakistan and India

Interviews conducted in Pakistan indicate that many Pakistanis do fear a growing Indian presence in Afghanistan, although some believe the fear is exaggerated.³⁷ Some of those interviewed argued that Pakistan has no right to protest India's economic and development role in Afghanistan, which can benefit Afghans.³⁸ In addition, Afghans have a favorable view of India.³⁹ The Pashtuns are also thought to not have an anti-Indian sentiment.⁴⁰

India's own interests in Afghanistan are economic and security-related. Access to Afghanistan provides economic outlets in resource-rich Central Asia. From a security perspective, a pro-Indian government, and a secure Afghanistan from which terrorist attacks cannot be launched, provides a counterbalance to Pakistan's interference in Afghanistan. Several thousand Indians are on the ground in Afghanistan engaged in development activities, including the construction of government buildings, dams, seaports, and roads. Indian subcontractors also often carry out projects for U.S. and European companies, such as the Kabul-Kandahar highway.⁴¹ In 2009, Indian officials reported that some 4,000 Indian workers were present in Afghanistan, but one interviewee pointed out that only 600 Indians are currently working on development projects in Afghanistan.⁴² In response to concerns about personnel security, India, with Afghanistan's permission, has sent its paramilitary force (consisting of about 200 Indian-Tibetan Border Police commandos)⁴³ to guard its workers. This has been a contentious issue for Pakistan. However, the concern about Indian

35. Since 2001, \$2 billion has been committed. See "Indian Commitment to Afghanistan Touches USD 2 Billion: PM," *Hindustan Times*, May 13, 2011, <http://www.hindustantimes.com/world-news/Afghanistan/Indian-commitment-to-Afghanistan-touches-USD-2-billion-PM/Article1-697007.aspx>.

36. Hussain, interview, October/November 2011.

37. Interviews by author: Gen. Asad Durrani, former director general, Inter-Services Intelligence, Pakistan, October/November 2011; Moeed Yusuf, South Asia adviser, United States Institute of Peace, October/November 2011; Mohmand, October/November 2011.

38. Interviews by author: Athar Abbas, director general, Inter-Services Public Relations, October/November 2011; Weinbaum, December 2011.

39. Seventy-four percent of Afghans viewed India favorably. See Anthony H. Cordesman, A. Mausner, and D. Kasten, *Winning in Afghanistan: Creating Effective Afghan Security Forces* (Washington, DC: Center for Strategic and International Studies, May 2009), 24.

40. Wazir, interview, October/November 2011.

41. Raja Karthikeya Gundu and Teresita C. Schaffer, "India and Pakistan in Afghanistan: Hostile Sports," *South Asia Monitor*, April 3, 2008.

42. Jayshree Bajoria, "India-Afghanistan Relations," Council on Foreign Relations, New York, July 22, 2009, <http://www.cfr.org/india/india-afghanistan-relations/p17474>; Interview, Jha, February 2012.

43. Jayshree Bajoria, "India's Northern Exposure," Council on Foreign Relations, New York, December 5, 2007.

workers in Afghanistan may not be completely warranted, because Pakistan has almost 60,000 workers in Afghanistan.⁴⁴

In the area of trade, India and Afghanistan have long-standing partnerships. Some aspects of the close trade partnerships, especially Indian development of infrastructure in Afghanistan to enhance trade, worry many Pakistanis.⁴⁵

As for security matters, Pakistan's fears of "encirclement" are at the heart of all negotiations—Pakistanis frequently point to Indian consulates in Jalalabad, Kandahar, Herat, and Mazar-i-Sharif as threatening to Pakistan. They argue that India uses consulates on the border to encourage the Baloch insurgency in Pakistan, although the evidence is thin.⁴⁶ Many Pakistanis also question the placement of many Indian development projects and facilitation centers along the Pakistan-Afghanistan border, which are also said to be aiding Baloch insurgency efforts.⁴⁷ One interviewee in India pointed out that India's external intelligence agency, the Research and Analysis Wing (RAW), does provide limited support to the Baloch National Front, but that India has only four consulates in Afghanistan rather than the 22–32 that many in Pakistan believe it to have (although a Pakistani Foreign Office spokesman recently acknowledged that these claims were "not factually correct").⁴⁸

Complicating Pakistan's already high security concerns is the October 2011 India-Afghanistan Strategic Partnership Agreement, which outlines security, economic, and cultural cooperation efforts, including in banking and finance, international terrorism, organized crime, narcotics trafficking, and money laundering. The agreement envisions Afghanistan as a "trade, transportation, and energy hub" between Central and South Asia.⁴⁹ It also explicitly allows training of Afghan security forces in India—although there is disagreement within the Indian military and between the military and parliament about whether to have Indian forces on the ground in Afghanistan.⁵⁰ Although increasing Indian-Afghan cooperation through the Strategic Partnership is worrying to Pakistan, it is also important to note that Pakistan has complicated ties with the Afghan government and that the Kabul-Islamabad relationship is a work in progress.⁵¹

Pakistan and Afghanistan have made a number of attempts to allay each other's fears. For example, in January 2010 at the Peace Jirga in London, President Hamid Karzai suggested that peacemaking between the two countries be put on a fast track. Overall, however, bilateral tensions between India and Pakistan, and Pakistan and Afghanistan, remain high.

44. Hussain, interview, October/November 2011.

45. This issue is covered in detail in the transit trade section of this report.

46. Durrani, interview, October/November 2011; Nicholas Howenstein and Sumit Ganguly, "Pakistan and Afghanistan: Domestic Pressures and Regional Threats: India-Pakistan Rivalry in Afghanistan," *Journal of International Affairs* 63 (Fall/Winter 2009): 127–40.

47. Moeed Yusuf, South Asia adviser, United States Institute of Peace, personal communication April 2012; Anita Joshua, "Indian 'Consulates' Theory Incorrect: Pakistan," *The Hindu*, March 22, 2012, <http://www.thehindu.com/news/international/article3155622.ece>.

48. Jha, interview, February 2012; Joshua, "Indian 'Consulates' Theory Incorrect."

49. Karl F. Inderfurth and Amer S. Latif, "India and Afghanistan: Positioning for Withdrawal," *U.S.-India Insight* 1, no. 8 (2011).

50. Chandran, "What Does India Want in Afghanistan?"

51. Nasim Zehra, director, current affairs, Dunya Television, Pakistan, personal communication, April 2012.

It is unlikely that Pakistan will give up its “strategic depth”⁵² doctrine or stop competing with India in Afghanistan in the near future, especially because Indian and U.S. interests in Afghanistan are dovetailing for the first time in history.⁵³ There may be hope for improved relations in the long term, however, because Pakistan has toned down its rhetoric about strategic depth in Afghanistan, and there appears to be a change in stance toward this doctrine among policymakers and the military.⁵⁴ Although Pakistanis do fear India’s increasing influence in Afghanistan, they also are increasingly recognizing the serious costs of a return to chaos in Afghanistan after U.S. withdrawal in 2014. In particular, they fear another refugee crisis akin to the one that occurred during the 1980s and 1990s and unstable borders on Pakistan’s eastern and western flanks.⁵⁵

However, competing arguments are being voiced in India that it cannot do more to address Pakistan’s concerns because the Pakistani military supports militant groups that attack India. For India, the 2008 Mumbai attack was equivalent to the September 11, 2001, attacks on the United States. Similarly, interests in Afghanistan are divergent—Pakistan has a strong relationship with the Taliban, just as India has a strong relationship with those who constituted the Northern Alliance.⁵⁶

52. This doctrine or “hedging strategy” stems from Pakistan’s desire to have a friendly, Pashtun-dominated government in Afghanistan, so that it is not flanked by a hostile India in the East and an unfriendly government on its western borders. This thinking emerged in the 1980s and continued unchecked until recently. See Shahzad H. Qazi, “Pakistan’s Afghanistan Plan: Strategic Depth 2.0,” *World Politics Review* (November 2011), <http://www.worldpoliticsreview.com/articles/10538/pakistans-afghanistan-plan-strategic-depth-2-0>.

53. Howenstein and Ganguly, “Pakistan and Afghanistan: Domestic Pressures and Regional Threats.”

54. Harinder Sekhon, senior fellow, Observer Research Foundation, New Delhi, interview by author, February 2012.

55. Amer Latif, visiting fellow and Wadhvani Chair in U.S.-India Policy Studies, Center for Strategic and International Studies, Washington, DC, personal communication, February 2012.

56. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.



TRILATERAL EFFORTS AND AVENUES FOR COOPERATION

Because of the role that India is playing in the economy and development of Afghanistan, it may be unrealistic to expect Afghanistan to apply the same policies to both India and Pakistan, but they can be balanced and transparent. However, as laid out earlier, a number of avenues are open for trilateral cooperation that would be beneficial to all three countries. Of all the avenues identified in this section, the most promising forms of cooperation between India and Pakistan, as identified by the people interviewed, are trade and people-to-people contact. These also represent the pre-partition patterns of cooperation between the two countries.⁵⁷ With North Atlantic Treaty Organization (NATO) troops leaving in 2014, strategic concerns are still primary in Afghanistan; other policies, including economic, trade, and energy, are influenced by these concerns.⁵⁸

Development

The Delhi Policy Group has argued that Indian-Pakistani cooperation for the purpose of Afghan capacity building is noncontroversial; it cites the example of cooperation in the provision of primary education by Pakistani institutions and higher education by Indian institutions.⁵⁹ This type of cooperation could be coordinated through the South Asian Association for Regional Cooperation (SAARC) Social Charter.⁶⁰ Similarly, private sector collaboration on infrastructure initiatives such as road construction and schools could reap dividends for greater cooperation by involving nonpolitical actors—Indian and Pakistani entrepreneurs—who would benefit from such collaboration.⁶¹

In view of India's role in education and health development in Afghanistan, civil society cooperation is another avenue for collaboration.⁶² For example, Pakistan's Aga Khan Development Network (AKD) has worked to improve health, education, rural development, microfinance, telecommunications, and institutions in Afghanistan, Pakistan, and India. The organization can help increase trust through greater interconnectedness in the region because it serves people regardless of religion, gender, and ethnicity.⁶³ Although nongovernmental organizations (NGOs) and human rights activists can generate limited frameworks for social sector cooperation through small NGO projects involving Pakistan and India, they cannot create an environment for substantive Indian-Pakistani cooperation in Afghanistan at the policy level.

57. Ibid.

58. Yusuf, personal communication, April 2012.

59. Delhi Policy Group, *Afghanistan-India-Pakistan Trialogue 2010*.

60. Ibid.

61. Latif, personal communication, February 2012.

62. Interviews by author: Nasim Zehra, director, current affairs, Dunya Television, Pakistan, October/November 2011; Wazir, October/November 2011.

63. Aga Khan Development Network, <http://www.akdn.org/afghanistan>.

As for a more integrated trilateral strategy, most interviewees said that Indian-Pakistani cooperation in Afghanistan cannot improve until Indian-Pakistani bilateral relations improve. The elaborate architecture of cooperation—including improved communication, infrastructure, and laws, and easy cross-border mobility—requires an active willingness on the part of government. However, one interviewee pointed out that it is possible that Indian and Pakistani laborers have in fact worked together on reconstruction projects in Afghanistan; after all, they do work together in UN facilities in Afghanistan.⁶⁴

People-to-People Contact

Both India and Pakistan should understand that the two countries have interests in Afghanistan.⁶⁵ Initiatives focusing on people-to-people contact, such as cooperation on sports and tourism, ethnic and heritage commemorations, cultural exchanges, music, drama, and films, can help change attitudes in both countries, thereby improving relations.⁶⁶ Other possibilities include more flexible visa regimes, parliamentary meetings for greater contact,⁶⁷ or increased medical tourism (many Afghans and Pakistanis already go to India for medical care).⁶⁸

A number of interviewees discussed the possibility of greater cooperation through cultural exchanges. Pakistani television shows, Pashto movies, and Bollywood hits are all commonly watched in Afghanistan and Pakistan.⁶⁹ According to those interviewed, joint programs, including ones similar to *Aman ki Asha* in Pakistan and India, may help civil society groups understand each other's norms and needs, laying the groundwork for greater civilian cooperation. However, such cooperation will likely only take place if programs are properly channeled.⁷⁰ Meanwhile, some successful people-to-people projects between India and Pakistan could be replicated in Afghanistan. For example, many literary festivals in India feature Pakistani writers. One promising model is the “shared history” projects undertaken by Turkey and Greece.⁷¹

However, people-to-people programs often demonstrate results only over the long term.⁷² These programs alone cannot create an environment for substantive Indian-Pakistani cooperation in Afghanistan,⁷³ but they may lay a foundation for constructive engagement with nonpolitical actors.

64. Sekhon, interview, February 2012.

65. Shoshoba Barve, executive director, Centre for Dialogue and Reconciliation, Delhi, interview by author, February 2012.

66. Gen. Umar Farooq, president, National Defence University, interview by author, October/November 2011; Arvind Subramanian, “India-Pakistan Trade: Opportunities and Potential Payoffs,” CSIS Roundtable Discussion, April 5, 2011.

67. Zehra, interview, October/November 2011.

68. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.

69. Ashraf Ali, director, FATA Research Center, Islamabad, interview by author, December 2011.

70. *Aman ki Asha* is a joint project of the Jang Group in Pakistan and the *Times* of India to facilitate dialogue and understanding between India and Pakistan.

71. Senior U.S. State Department official, interview by author.

72. Sunil Dasgupta, nonresident fellow, Brookings Institution, Washington, DC, personal communication, April 2012.

73. Zehra, personal communication, April 2012.

Trade

India and Pakistan have active trade relations with Afghanistan and with each other. Afghanistan's entry into SAARC was due, in some part, to the key role played by India; in return, Pakistan, Nepal, and Bangladesh pushed for China to receive observer status.⁷⁴ Pakistani exports to Afghanistan amount to almost \$1.2 billion annually and imports to almost \$700 million.⁷⁵ After the United States, Afghanistan is Pakistan's second biggest export market.⁷⁶ Afghan exports to Pakistan are growing at a faster rate than exports to the United States or India.⁷⁷

India is Pakistan's eleventh largest trading partner overall, and its seventh largest source of imports (especially significant since the largest exporters to Pakistan are oil-exporting countries). Before the 2008 Mumbai attack, India was Pakistan's fourth largest partner for non-oil exports.⁷⁸ Indian-Pakistani bilateral trade is currently estimated at \$2 billion annually, but could grow to 20–50 times that under more liberal policies, including the elimination of subsidies and tariffs.⁷⁹

Regional Trade Initiatives

Afghanistan's neighbors stand to make substantial gains in transit-related tariffs and tax collection from trade. Excessive border duties and red tape hinder economic activity among India, Pakistan, and Afghanistan. The Afghan government is developing the Silk Road Initiative (SRI) to transform Afghanistan into a transport hub between Central and South Asia. In October 2011, U.S. Secretary of State Hillary Clinton announced the New Silk Road Initiative (NSRI), which focuses on "hardware,"—building up infrastructure such as highways, railroads, and pipelines—and "software"—reducing barriers to trade, including customs duties.⁸⁰ Assistant Secretary of State for South and Central Asian Affairs Robert O. Blake Jr. also attended the Regional Economic Conference on Afghanistan in March 2012, where he noted that implementation of the NSRI will involve buy-in and cooperation by regional governments, the international community, and private sector

74. Harsh Vivek, "SAFTA India-Pakistan-Afghanistan Trade," India Development Foundation, Mumbai, India, February 2006; "China for 'Saarc Plus One' Summit," *Daily Star*, November 12, 2011, <http://www.thedailystar.net/newDesign/news-details.php?nid=209813>.

75. Marvin Weinbaum, "Afghanistan and Its Neighbors: An Ever Dangerous Neighborhood," Special Report, United States Institute of Peace, Washington, DC, 2006.

76. Followed by the United Arab Emirates, China, and the United Kingdom.

77. Steven A. Zyck, "Transit Trade in Transition: The APTTA and the Afghan Economy," Civil-Military Fusion Center, Norfolk, Virginia, November 2011, https://www.cimicweb.org/cmo/afg/Documents/Economic/Afghanistan_Pakistan_Transit_Trade.pdf.

78. S. Akbar Zaidi, "The Importance of Trade with India," *The News*, May 7, 2012, <http://www.thenews.com.pk/Todays-News-14-107024-The-importance-of-trade-with-India>.

79. Mark Landler, "Afghanistan and Pakistan Sign a Trade Deal, Representing a Thaw in Relations," *New York Times*, July 18, 2010.

80. Robert D. Hormats, "The United States' 'New Silk Road' Strategy: What Is It? Where Is It Headed?" Address to the SAIS Central Asia–Caucasus Institute and CSIS Forum, Washington, DC, September 29, 2011; Joshua Kucera, "The New Silk Road?" *The Diplomat*, November 2011, <http://the-diplomat.com/2011/11/11/the-new-silk-road/>.

investors.⁸¹ India is advocating similar programs, which Nirupama Rao, India's ambassador to the United States, calls the "Grand Trunk Road" initiative.⁸²

Naturally, none of these initiatives can be undertaken without the cooperation of India and Pakistan. Without government willingness and eagerness to cooperate, the elaborate architecture of cooperation, involving better communication, improved infrastructure, new laws, easy cross-border mobility, etc. will not be possible. Of course, initiatives such as Kabul's Silk Route Initiative and Washington's New Silk Route Initiative will not be successful until bilateral trade ties between India and Pakistan improve.

The preliminary basis for regional trade cooperation is already established through the South Asian Free Trade Agreement (SAFTA).⁸³ Afghanistan, which officially became a signatory in May 2011, has much to gain from the arrangement.⁸⁴ Because Afghanistan qualifies for a longer SAFTA implementation period, it is expected to accrue significant benefits from increased access to SAARC markets for both its import and export sectors.⁸⁵ Despite these significant long-term benefits, Kabul will also face a sizable short-term cost: a loss in customs revenue from lowering its tariffs.⁸⁶ Overall, the real opportunities accruing from SAFTA are limited, because it also suffers from bilateral tensions between India and Pakistan. However, there is hope that implementation of SAFTA may occur,⁸⁷ allowing India and Pakistan (as SAARC's largest economies) to collaborate in a number of ways.

India and Pakistan can compensate Afghanistan financially for its customs revenue loss from SAFTA.⁸⁸ Indeed, a tariff compensation scheme facilitated by India and Pakistan could have a very real impact on Afghanistan's growth potential, but it is far from implementation. In fact, there are very few incentives for either party to provide this type of scheme. With no precedents in place, it will require more innovative policymaking and resolution of technical issues, including the costs to India and Pakistan and who will pay for compensation schemes.

81. Robert O. Blake Jr., "State's Blake at Regional Economic Conference on Afghanistan," U.S. Department of State, remarks at Fifth Regional Economic Cooperation Conference on Afghanistan, Dushanbe, Tajikistan, March 26, 2012.

82. Inderfurth, personal communication, April 2012.

83. SAFTA was formed by the governments of the South Asian Association for Regional Cooperation (SAARC) in 2004 to improve regional economic cooperation through tariff reductions and trade facilitation measures.

84. Pakistan and India are unlikely to see significant changes because of two factors. First, the countries' economies rely heavily on nonregional trading partners, and the countries themselves conduct relatively little trade in the SAARC region. Second, tariffs are already lower for regional trading partners than for non-regional ones. Jose Daniel Rodriguez-Delgado, "SAFTA: Living in a World of Regional Trade Agreements," Working Paper 07/23, International Monetary Fund, Washington, DC, February 2007, 12–13; Shanthie Mariet D'Souza, "Afghanistan in South Asia: Regional Cooperation or Competition?" *South Asian Survey* 16, no. 23 (2009): 28; U.S. Agency for International Development (USAID), "South Asian Free Trade Area: Opportunities and Challenges," Washington, DC, October 2005, http://pdf.usaid.gov/pdf_docs/PNADE563.pdf.

85. USAID, "South Asian Free Trade Area."

86. *Ibid.*, 219–21.

87. In 2011, Pakistan announced that it would be granting India most-favored-nation (MFN) status. It is hoping to finalize this status by the end of 2012. Although this plan has been met with great opposition from different groups in Pakistan, it is a step toward normalization of trade relations.

88. Although SAFTA does provide some compensation for these losses in terms of technical assistance, it does not provide financial compensation. See USAID, "South Asian Free Trade Area."

Overall, expectations that increased trade will lead to greater cooperation may be overly optimistic. Critics have argued that security challenges and weak infrastructure may keep Afghanistan from serving as a gateway for trading with regional partners.⁸⁹ These issues would remain even if transport and border restraints were removed.⁹⁰ Furthermore, trade between the three countries and Central Asian countries is currently very limited,⁹¹ and to increase this trade each government would have to adopt internal trade changes, independent from any trilateral cooperation. And then there are the existing barriers to trade between India and Central Asia that are separate from the Afghanistan-Pakistan issue. For example, the freight charges between India and Central Asia are too high to make trade feasible, except in high-value goods and some services.⁹²

There are also contrasting views in India about Afghanistan being the “gateway to Central Asia.” Some interviewees argued that, despite Indian political rhetoric, trade relations with Afghanistan are not a priority for Indian policymakers.⁹³ But one made the case that “the Indian foreign ministry and its prime minister see Afghanistan as a gateway to Central Asia, for economic and political reasons.”⁹⁴

The United States has in the past tried innovative ways to integrate communities in the conflict areas of the Federally Administered Tribal Areas (FATA), Khyber Pakhtunkhwa (KPK), and adjoining areas into the global economy through initiatives such as Reconstruction Opportunity Zones (ROZs). The premise of the ROZs was to provide much-needed employment and access to U.S. markets for goods and services in FATA and KPK. From a more regional perspective, the ROZs were meant to provide a platform for greater economic cooperation with Central Asia and India. However, the ROZs faced a number of challenges. First, concessions under the ROZs would apply only to limited areas within Afghanistan and Pakistan. Second, the labor requirements would actually contribute to less competitiveness because of the higher labor costs and the resulting unwillingness of businesses to operate within these areas. Third, the ROZs covered only a limited number of products (with an average trade-weighted tariff rate of 8.1 percent), and did not cover those products with higher average trade-weighted tariff rates (14.9 percent).⁹⁵ Fourth, increasing tensions between Pakistan and the United States hindered progress on the ROZs that could have been aimed at improving their structure for greater economic benefit.⁹⁶

Whether the concept of ROZs is reprised in the future depends not only on security and political forces in Pakistan and Afghanistan, but also on the economic climate and the commitment of the U.S. government going forward. Although this particular initiative was not successful for the reasons just listed, similar innovative initiatives could be explored because they can provide economic benefits in the areas hardest hit by conflict, and they can provide opportunities for integration in global systems and chains. Such long-term initiatives could help convince Pakistan that

89. Andrew C. Kuchins, “A Truly Regional Economic Strategy for Afghanistan,” *Washington Quarterly* 34 (Spring 2011): 77–91; Weinbaum, “Afghanistan and Its Neighbors.”

90. Weinbaum, “Afghanistan and Its Neighbors.”

91. Ibid.

92. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.

93. Ibid.

94. Chandran, “What Does India Want in Afghanistan?”

95. Mary Jane Bolle, “Afghanistan and Pakistan Reconstruction Opportunity Zones (ROZs), H.R. 1318/H.R. 1886/H.R. 2410 and S. 496: Issues and Arguments,” Congressional Research Service, Washington, DC, October 15, 2009, <http://www.fas.org/sgp/crs/row/R40627.pdf>.

96. Interviews by author: Ashraf Ali, December 2011; Sami Yousafzai, December 2011.

the United States is not just a fairweather friend, and would likely give the United States greater leeway for improving trade cooperation among Afghanistan, Pakistan, and India.

Transit Trade and Indian-Pakistani Cooperation: Challenges and Opportunities

To access Afghanistan and Central Asia while bypassing Pakistan, India has developed the port of Chabahar in cooperation with Iran. In 2009, following construction of the “606 Highway” from Zaranj to Delaram, Indian authorities handed the highway over to Afghanistan in a symbolic ribbon-cutting ceremony representing increased collaboration.⁹⁷ Many in Pakistan view this port as competition for their own newly developed port of Gwadar in Balochistan.⁹⁸ Although India publicly insists that its interests in Chabahar are purely economic, Pakistan and China suspect that Chabahar will be used as a base for the Indian navy.⁹⁹ These fears are probably unfounded, however, because Chabahar will likely be used as no more than a listening post.¹⁰⁰ Although India developed the port of Chabahar in Iran to bypass Pakistan and access Afghanistan, development of the port was also influenced by India’s rising population and resultant energy needs and economic needs.¹⁰¹

India and Pakistan can work together on trade facilitation measures such as transit agreements (e.g., the provision of access to India’s roads, ports, and railways), which are particularly critical for Afghanistan. Pakistan currently allows the transit of goods from Afghanistan to India, but not the reverse. The signing of the Afghanistan-Pakistan Transit Trade Agreement (APTTA) is a positive step. Afghan goods bound for India will clear customs at the Torkham crossing and then go to India via the Wagah border.¹⁰² The agreement is especially hopeful given that, historically (even before 2001), Pakistan and Afghanistan have clashed on the issue of transit trade. For Afghanistan and Pakistan, formal trading may help reduce the vast smuggling and help contribute to formalizing trade away from the black economy.¹⁰³ This agreement repeats much of the 1965 Afghanistan-Pakistan Transit Trade Agreement, which was a source of tension between the two states—Afghanistan took the issue of Pakistan’s noncompliance to international courts in 1967.¹⁰⁴ The new agreement allows Afghan goods a market for export, permitting items such as dried

97. “India Hands Over Strategic Highway to Afghanistan,” *The Hindu*, January 23, 2009, <http://www.hindu.com/2009/01/23/stories/2009012355311200.htm>.

98. Tanvir Ahmed Khan, interview.

99. C. Christine Fair, “India and Iran: New Delhi’s Balancing Act,” *Washington Quarterly* 30 (Summer 2007): 149.

100. Moeed Yusuf, personal communication, March 2012.

101. “Iran, India Discuss Building Underwater Gas Pipeline,” *Tehran Times*, March 26, 2010, http://old.tehrantimes.com/index_View.asp?code=220189; “India in Talks to Bring Iran Gas via Arabian Sea,” *commodityonline.com*, May 25, 2010, <http://www.commodityonline.com/news/india-in-talks-to-bring-iran-gas-via-arabian-sea-28506-3-28507.html>; Sunil Dasgupta, nonresident fellow, Brookings Institution, personal communication, March 2012.

102. APTTA also provides passage to Afghan goods generally through the following routes: Peshawar-Torkham, Chaman-Spin Boldak, Ghulam Khan, Sost-Tashkurgan, Port Qasim, Karachi, and the port of Gwadar.

103. Wajahat Ali, interview, October/November 2011.

104. Abdul Khaliq Fazal (former minister of public works in Afghanistan), “Afghanistan’s Diplomatic Approach,” *Daily Outlook Afghanistan*, http://outlookafghanistan.net/topics?post_id=2447.

fruit, carpets, and marble into India for the first time.¹⁰⁵ It also allows Pakistani trucks to transport goods to Central Asian countries through Afghanistan. After a number of failed negotiations, this agreement was signed in July 2010 in the presence of U.S. secretary of state Hillary Clinton.

Many policymakers in Afghanistan, Pakistan, India, and the United States feel that this agreement should be extended to India. Because of the growing Indian-Pakistani trade cooperation (see the section that follows on most-favored-nation status), such a step is entirely feasible. Despite the political issues that abound in each country, all parties stand to benefit from an extension of the transit route. Pakistan fears that India has more to gain from increasing its exports,¹⁰⁶ but Pakistan could benefit from transit fees and trucking. Even if Pakistan does not want to allow Indian trucks into the country, the National Logistics Cell (NLC) could ferry the goods from the Wagah border to Afghanistan. But transit rights are likely to be given to India only when bilateral relations improve. The sections that follow highlight the challenges and the unprecedented progress that has been made by India and Pakistan in trade. In addition, forming a Joint Punjab Chamber of Commerce, or a free trade zone at the Wagah border, could enhance the economic relationship.¹⁰⁷

Most-Favored-Nation Status

Attempts are being made to improve or normalize bilateral trade relations between India and Pakistan—Pakistan's provision of most-favored-nation status to India is one of those efforts. Pakistan is increasingly realizing that allowing trade from India to Afghanistan could benefit Pakistan economically.¹⁰⁸ The provision of MFN status to India was a contentious issue in Pakistan.¹⁰⁹ Opinions on the benefits of MFN status are polarized.¹¹⁰ Although many interviewees in India and Pakistan agree that there is a trade imbalance between the two countries, perceptions of the extent of this imbalance vary significantly. Some in Pakistan view India's advantage from the deal to be five or six times as large as Pakistan's.¹¹¹ In fact, as one interviewee in India pointed out, there is actually a 9:1 trade imbalance between the two countries.¹¹² However, historical data often discount Indian imports that entered Pakistan via the United Arab Emirates when direct Indian-Pakistani trade was restricted.

105. Qaiser Butt, "Afghan Trade: New Transit Trade Pact Comes into Effect Today," *Express Tribune*, January 1, 2011, <http://tribune.com.pk/story/97635/afghan-trade-new-transit-trade-pact-comes-into-effect-today/>.

106. Zehra, interview, October/November 2011.

107. Tridivesh S. Maini, "Multi-Track Diplomacy in South Asia: A Case Study of the Punjabs," Institute for Multi-Track Diplomacy, Arlington, Virginia, December 2007, <http://www.imtd.org/publications/occasional-papers/multi-track-diplomacy-in-south-asia-a-case-study-of-the-punjabs>.

108. Barve, interview, February 2012.

109. Similarly, although India granted Pakistan MFN status in 1996, the economic issues of nontariff barriers (NTBs) in India remain a challenge for cross-border trade. However, even though politics may determine some NTBs, this is not an issue particular to the Indian-Pakistani trade relationship. Many countries, including the United States, have taken up the issue of NTBs in India.

110. Imran Rana, "Businesses Differ over Effects of MFN Status for India," *Express Tribune*, January 25, 2012, <http://tribune.com.pk/story/326647/businesses-differ-over-effects-of-mfn-status-for-india/>; Z. Ali, "Agriculturalists Support MFN Status for India," *Express Tribune*, March 3, 2012, <http://tribune.com.pk/story/344674/agriculturalists-support-mfn-status-for-india/>.

111. Ahmed, interview, October/November 2011.

112. Jha, interview, February 2012.

Although Pakistan has had a trade surplus with India in only one of the last 20 years, this record is not an anomaly.¹¹³ Pakistan faces similar imbalances with other countries.¹¹⁴ For example, although Singapore is Pakistan's second largest import partner, Pakistani exports to Singapore are far less than from other countries. In fact, Pakistan exports more to India than to Singapore.¹¹⁵

The benefits to Pakistan and India from MFN status are considerable—more choices and lower prices, access to cheaper raw materials for manufacturers, and greater benefits for the governments through trade and sales taxes. For both countries, a long-lasting, sustainable trade partnership (of the kind India has with China) could bring much-needed employment to both countries and have a multiplier effect in terms of investments and economic rejuvenation.¹¹⁶

Meanwhile, Pakistanis are asking for further concessions—businesspeople in the textile sector of Pakistan feel that India must reduce tariffs on textiles imported from Pakistan. In addition, Pakistan does not currently place restrictions on Indian investments in the country. Pakistanis feel the same flexibility should be extended to them in India. There is discussion in India about amending the Foreign Exchange Management Act (FEMA) to permit more flexible investments from Pakistan.¹¹⁷ Such actions will help ensure an enduring and mutually beneficial Indian-Pakistani trade relationship that can be extended to Afghanistan.

Despite political pressure from various groups, Pakistan still announced MFN status for India, to be finalized in 2012. Furthermore, Pakistan has made unprecedented moves to ensure that the provision of MFN status goes beyond just political posturing and phases out restrictions, so that today, instead of only 17 percent of possible items from India being permitted for trade to Pakistan, almost 90 percent are.¹¹⁸ The list of 1,209 items that India cannot trade in Pakistan is to be phased out by the end of 2012. Pakistan also recently announced that it will allow Indian wheat to pass through the port city of Karachi to Afghanistan.¹¹⁹ Because India and Pakistan have already made progress on economic cooperation, there is now a strong case for extending this cooperation to Afghanistan.¹²⁰

Overall, most people interviewed in Pakistan and India felt that trade was perhaps still one of the more realistic avenues for cooperation between the two countries.¹²¹

113. S. Akbar Zaidi, "The Importance of Trade with India," *The News*, May 7, 2012, <http://www.thenews.com.pk/Todays-News-14-107024-The-importance-of-trade-with-India>.

114. Ibid.

115. There are many more examples of Pakistan's trade imbalances, which are due more to Pakistan's export capabilities. For more information, see S. Akbar Zaidi, "The Importance of Trade with India," *The News*, May 7, 2012, <http://www.thenews.com.pk/Todays-News-14-107024-The-importance-of-trade-with-India>.

116. Ibid.

117. Ashok Tuteja, "Pak Nod to 'Negative List,' India's MFN Status Not Far," *Tribune*, February 29, 2012, <http://www.tribuneindia.com/2012/20120301/main3.htm>.

118. Ibid.

119. Whether this actually happens remains to be seen.

120. Sekhon, interview, February 2012.

121. Kalyan Raman, research fellow, Institute for Defense Studies and Analysis, Delhi, interview with author, February 2012.

Security

Training of Security Forces and Military-to-Military Confidence-Building Measures

The Afghan government had in the past indicated that it would avoid seeking military assistance from within the region.¹²² However, both India and Pakistan have offered assistance in training the Afghan army. Although India has provided some training for the Afghan National Army (ANA) within India, the United States has in the past turned down India's offers to send troops to Afghanistan because of Pakistani opposition.¹²³ Nevertheless, as a signatory to the October 2011 India-Afghanistan Strategic Partnership (the first of any strategic partnerships to be signed by Afghanistan), India will train Afghan security forces. The security cooperation between India and Afghanistan will help fill the gaps the ANA will face following NATO withdrawal in 2014. The idea of India training security forces in Afghanistan has stoked Pakistani fears of a growing Indian influence. Indeed, the Pakistani army is worried about the undefined scope of security cooperation between Afghanistan and India. Under the Strategic Partnership, India will not only train forces but also provide equipment. According to the Indian government, this training will be confined to the officer corps and will be undertaken in India. Some Pakistanis fear that this partnership will change the way going forward, opening Pakistan to a two-front war.¹²⁴ This fear stems not only from the possible presence of Indian forces in Afghanistan, but also from Pakistani suspicions that India is supporting Baloch separatists.¹²⁵ Even though a two-front war may be unlikely, Pakistan's fears of encirclement should not be treated lightly. In addition, the 2014 International Security Assistance Force (ISAF) withdrawal time frame has increased fears that the United States will increasingly partner with India to share the security burden.¹²⁶ Pakistani apprehension is further compounded by the fact that the United States has identified India as a vital partner in Afghanistan. Some view the signing of this deal as damaging to Indian-Pakistani relations. Indeed, many observers believe that parts of India's strategic partnership with Afghanistan undermine efforts to improve those relations.¹²⁷

Confidence-Building Measures (CBMs)

One potential area for cooperation is joint (Indian-Pakistani) training of security forces in Afghanistan. Trilateral military cooperation has also been explored at different forums in the

122. Aziz Khan, former Pakistani ambassador to India and Afghanistan, interview by author, October/November 2011.

123. Richard Fontaine, "We Need an Indian Civilian Surge," *Foreign Policy*, November 2010.

124. Hussain, interview, October/November 2011; Simon Tisdall, "India May Pay Heavily in Future for Supporting the Karzai Regime," *The Guardian*, October 5, 2011, <http://www.guardian.co.uk/world/2011/oct/05/india-regret-supporting-karzai-afghanistan>; Shanthie Mariet D'Souza, "Indian-Afghan Strategic Partnership: Perceptions from the Ground," *Foreign Policy*, October 26, 2011, http://afpak.foreignpolicy.com/posts/2011/10/26/indian_afghan_strategic_partnership_perceptions_from_the_ground; Jack Healy, "Afghanistan Favors India and Denigrates Pakistan," *New York Times*, October 4, 2011, http://www.nytimes.com/2011/10/05/world/asia/afghanistan-curries-favor-with-india-and-denigrates-pakistan.html?_r=4.

125. Zehra, personal communication, April 2012.

126. Tanvir Ahmed Khan, interview, October/November 2011.

127. Lodhi, interview, October/November 2011.

past.¹²⁸ Confidence-building measures (CBMs) through military-military engagement and cooperation have also been explored, especially for military capacity building of the ANA.¹²⁹ In February and March 2011, the Pugwash Project on South Asia Dialogue held in Dubai and Delhi raised the possibility of joint NATO-Indian-Pakistani cooperation following the 2014 withdrawal date.¹³⁰ Ideally, Pakistan and India would be able to set up a training academy like Kakul in Pakistan for Afghan forces.¹³¹ Pakistan's army is modern and disciplined, and one option raised was that it could play a role in training the ANA, placing perhaps 10 trainers at one of Afghanistan's military academies.¹³² Although this role would allay Pakistani fears and is under consideration by decisionmakers, it remains unrealistic and undesirable. It is unrealistic because, in view of the current state of Indian-Pakistani relations, joint training of security forces may prove to be an avenue for competition rather than collaboration and cooperation.¹³³ It is undesirable because Pakistani training of security forces is simply something the Afghans do not want or would be comfortable with.¹³⁴ Pakistani training of the Afghan National Security Forces (ANSF) is also impractical because 70 percent of the forces are Tajik, who have a better trust relationship with India than with Pakistan.¹³⁵ In fact, the current composition of the ANSF worries Pakistan. The ANSF is perceived to have an ethnic and geographic bias, with a majority of northern Pashtun and non-Pashtun in the leadership ranks and few ethnic Pashtun from the southern provinces, where the insurgency is more prominent.¹³⁶ Pakistani fears focus on the end game and the possibility that the ANSF will divide into ethnic factions—and that the northern commanders will become proxies for India or oppose Pakistani interests.¹³⁷

There are also psychological and intangible factors to be taken into account—Pakistan and the Taliban have been portrayed as the enemy of Afghanistan. Similarly, Pakistani and Indian soldiers have been trained to view each other as adversaries.¹³⁸ In this context, cooperation is unlikely. The only realistic form of joint military engagement in Afghanistan, still a remote one, is to build on the success of Indian and Pakistani soldiers who have worked under international bodies such as the UN Department of Peacekeeping Operations in parts of Africa.¹³⁹ Some also feel that India would prefer to partner on UN-led peacekeeping missions rather than put boots on the ground in Afghanistan.¹⁴⁰

128. Pugwash Conferences on Science and World Affairs, “Composite Report: Pugwash India-Pakistan Independent Commission, Dubai Meeting and Delhi Consultations,” Dubai, February 26–27, 2011, and Delhi, March 1–2, 2011, Pugwash Project on South Asia Dialogue, 2011, http://www.pugwash.org/reports/rc/sa/Pugwash_PIPIC_Report_Mar2011_FINALrev.pdf.

129. Delhi Policy Group, *Afghanistan-India-Pakistan Trialogue 2010*.

130. Pugwash Conferences on Science and World Affairs. “Composite Report.”

131. Aziz Khan, interview, October/November 2011.

132. Sekhon, interview, February 2012.

133. Cordesman, interview, December 2011.

134. Interviews by author: Cordesman, December 2011; Yusuf, December 2011; Ahmed Rashid, journalist, December 2011; Sekhon, February 2012.

135. Jha, interview, February 2012.

136. Ray Rivera, “New Way to Count Afghan Army Recruits Reveals Old Problem,” *New York Times*, September 7, 2011, <http://atwar.blogs.nytimes.com/2011/09/07/new-way-to-count-afghan-army-recruits-reveals-old-problem/>.

137. Scott Worden, “The Elephants in the Room at Bonn,” *Afpak Channel*, December 3, 2011, http://afpak.foreignpolicy.com/posts/2011/12/03/the_elephants_in_the_room_at_bonn.

138. Interviews by author: Rashid, December 2011; Yousafzai, December 2011.

139. Rashid, interview, December 2011.

140. Chandran, “What Does India Want in Afghanistan?”

Drugs

Afghanistan produces over 90 percent of the world's heroin and, according to the United Nations Office on Drugs and Crimes (UNODC), may have sufficient stockpiles to meet global demand for at least three years.¹⁴¹ In the past decade, opium production has risen sharply, prompting regional and international actors to reevaluate the threat posed by Afghan narcotics and to take regional steps to mitigate it. Afghan opium is trafficked worldwide, but it is particularly destabilizing for Afghanistan and its neighbors, including Iran, Pakistan, India, and other Central Asian countries.

Although it is in both India's and Pakistan's interests to cooperate on drugs and despite the fact that counternarcotics remains an area that can be flagged for future cooperation and support, realistically there is limited potential for trilateral efforts to deal with this issue.¹⁴² For both countries, the threat of Afghan narcotics is multifold, manifesting itself as a public health crisis, an organized crime threat, and a national security imperative. For Pakistan, non-state armed groups (many of which target the state) in FATA alone are estimated to have benefited from hundreds of millions of dollars in revenue from the Afghan heroin trade.¹⁴³ For India, "narco-trafficking" fuels both internal militant movements (notably the Naxalites) and anti-Indian terrorist groups based in Pakistan.¹⁴⁴ Despite relatively strong border controls on the Indian-Pakistani border, much of India's Afghan heroin comes directly from Pakistan.¹⁴⁵

India and Pakistan have sought to engage Afghanistan on the narcotics issue both bilaterally and through UNODC. In 2005, counternarcotics officials from Pakistan, Afghanistan, and Iran signed a memorandum of understanding on poppy elimination, border control, and crackdowns on trafficking groups and processing infrastructure.¹⁴⁶ Since then, officials have met a number of times to sign on to related initiatives, including bilateral projects specifically between Afghanistan and Pakistan.¹⁴⁷ Because India does not have direct access to the Afghan border, it has engaged Afghanistan on counternarcotics from a development-focused approach. For example, India has

141. United Nations Office on Drugs and Crime (UNODC), *The Global Afghan Opium Trade: A Threat Assessment* (Vienna: UNODC, July 2011), 7, http://www.unodc.org/documents/data-and-analysis/Studies/Global_Afghan_Opium_Trade_2011-web.pdf; International Monetary Fund (IMF), "World of Regional Trade Agreements," Working Paper 07/23, February 2007, 12–13; Shanthie Mariet D'Souza, "Afghanistan in South Asia: Regional Cooperation or Competition?" *South Asian Survey* 16, no. 23 (2009): 36–37.

142. Interviews by author: Cordesman, December 2011; Weinbaum, December 2011; Yusuf, December 2011.

143. IMF, "World of Regional Trade Agreements," 12–13; D'Souza, "Afghanistan in South Asia," 36–37; UNODC, *Global Afghan Opium Trade*, 7.

144. Raghav Sharma, *India and Afghanistan: Charting the Future*, Special Report (New Delhi: Institute for Peace and Conflict Studies, April 2009), 7; UNODC, *Global Afghan Opium Trade*, 64.

145. UNODC, *Global Afghan Opium Trade*, 66–67.

146. United Nations Office on Drugs and Crime (UNODC), Country Office for Afghanistan, "Afghanistan: Counter Narcotics Law Enforcement," Update #5, Kabul, January 2006, 6, http://www.unodc.org/pdf/afg/updates/cnle_update_05.pdf.

147. United Nations Office on Drugs and Crime (UNODC), "Afghanistan, Iran and Pakistan Strengthen Anti-drug Trafficking Initiative," Vienna, November 2010, <http://www.unodc.org/unodc/en/frontpage/2010/November/afghanistan-iran-and-pakistan-strengthen-unodc-brokered-anti-drug-trafficking-initiative.html>; United Nations Information Service (UNIS), "Afghanistan, Iran and Pakistan Deepen Cooperation to Combat Threats Posed by Illicit Drugs," Vienna, November 28, 2011, <http://www.unis.unvienna.org/unis/pressrels/2011/unisnar1126.html>; UNODC, "Afghanistan, Iran and Pakistan: Border Management and Drug Control, Outline Action Plan," Vienna, April 2008, http://www.unodc.org/documents/regional/central-asia/green_paper_no%20maps_v%20April%2008.pdf.

been providing agricultural technical assistance and supplies of vegetable seeds to discourage Afghan farmers from cultivating poppies.¹⁴⁸

Broader regional and global counternarcotics programs, such as the Paris Pact¹⁴⁹ of 2003, bring the three countries to the same negotiating table, together with other Central Asian and South Asian actors, as well as Western powers. Both India and Pakistan are signatories to the 1990 SAARC Convention on Narcotic Drugs and Psychotropic Substances, a regional drug control agreement.¹⁵⁰ Since 2005, several additional summits have bolstered the enforcement capacity of the convention and encouraged collaboration on criminal activities related to narcotics trafficking such as terrorism, human trafficking, and arms smuggling.¹⁵¹

Operation "Osminog," which targets heroin trafficking routes, builds off a counternarcotics initiative, "Kanal," that was developed by a number of countries, including Russia, China, Central Asian Republics, the United States, India, and Pakistan.¹⁵² SAARC also has a Drug Offences Monitoring Desk (SDOMD) in Colombo, Sri Lanka, which collects and disseminates information about drug trafficking to SAARC's member states. Pakistan has been particularly supportive of SDOMD and has provided counternarcotics training for SAARC member states and financial support to the Monitoring Desk. At SDOMD's fourth meeting in April 2011, SAARC members decided to push for real-time information sharing on regional drug activity and to incorporate broader information sharing on supply and demand reduction, as well as drug prevention strategies.¹⁵³

A key component of the Paris Pact has been Operation TARCET, which targets the production and trafficking of precursor chemicals. Acetic anhydride is the most important precursor chemical for synthesizing raw opium into heroin. Even though about two-thirds of Afghan opium is converted to heroin before being trafficked, laboratories in Afghanistan are not equipped to produce this chemical in-country.¹⁵⁴ India is one of the primary sources of acetic anhydride, which is trafficked to Afghanistan largely by air, but also via the port of Bandar Abbas, and by land through the Pakistan-Afghanistan border.¹⁵⁵ Eleven states are actively participating in Operation TARCET, including Afghanistan, India, and Pakistan.¹⁵⁶ This operation thus provides yet another forum for possible engagement among the three countries on counternarcotics.

148. Sharma, *India and Afghanistan*, 4–5.

149. UNODC facilitated the Paris Pact process beginning in 2003 to promote an international effort to combat Afghan opiate trafficking. Although it has more signatories and a more Central Asian focus than the SAARC convention, there are a number of parallels between the objectives of the SAARC convention and those of the Paris Pact Initiative. The objectives of the Paris Pact are to provide a forum for generating ideas about how to mitigate the threat of Afghan opiate trafficking, develop an Internet-based system to share counternarcotics information, and strengthen data collection and monitoring in the most critical states. See Paris Pact Initiative, "Paris Pact Initiative: What Is It?" https://www.paris-pact.net/index.php?action=cms_render§ion=85&menu_loc=main&mm=mm3.

150. South Asian Association for Regional Cooperation (SAARC), "Convention on Narcotic Drugs and Psychotropic Substances," Kathmandu, November 23, 1990, http://www.saarc-sec.org/areaofcooperation/detail.php?activity_id=22.

151. Ibid.

152. Matthew C. Dupee, "Cooperation but No Solutions on Afghan Narcotics," *World Politics Review*, October 7, 2011, <http://www.worldpoliticsreview.com/articles/10268/cooperation-but-no-solutions-on-afghanistan-narcotics>.

153. South Asian Association for Regional Cooperation (SAARC), "SAARC Drug Offences Monitoring Desk (SDOMD)," Kathmandu, http://www.saarc-sec.org/areaofcooperation/detail.php?activity_id=23.

154. UNODC, *Global Afghan Opium Trade*, 15.

155. Ibid., 72.

156. Paris Pact Initiative, "Paris Pact Initiative: What Is It?" 12.

Realistically, however, information sharing and cooperative measures through SAARC or the Paris Pact framework remain some of the only trilateral avenues within counternarcotics cooperation. Physical activities for interdiction are not likely because Pakistan cannot police the entire Afghan border.¹⁵⁷ However, Iran remains a key player and is willing to participate in cooperative efforts dealing with narcotics.¹⁵⁸ Implementation of antidrug cooperation remains a challenge, but there are enough common interests in the region to cooperate on drugs. The specifics on who runs such efforts, and how, could be discussed by India and Pakistan and their regional partners.

Counterterrorism

India and Pakistan face common threats from terrorism, and many experts agree that both countries should cooperate in Afghanistan and elsewhere to counter Islamic militant threats. Indian-Pakistani cooperation on terrorism has been discussed at a number of Track I and II forums. For example, participants in the Delhi Policy Group highlighted the need for greater regional cooperation on terrorism. Discussions mentioned cooperation on counterterrorism, but little action has been taken because India does not want to push forward any agenda until Pakistan does more to hold the Mumbai attackers accountable, and Pakistan is still grappling with internal policies to counter terrorism inside its borders.

One Indian-Pakistani dialogue that has yielded results on this issue is the Track II Ottawa dialogue in September 2011 in Dubai, where high-level Indians and Pakistanis discussed the way forward for cooperation in Afghanistan.¹⁵⁹ All participants agreed that a new position, Special Representative of the Secretary General of the United Nations, should be created to consult with all concerned states on a regional level to ensure noninterference in Afghanistan by external parties. At the same time, participants agreed to move forward on developing certain prospects for collaboration,¹⁶⁰ which include some of the avenues for cooperation outlined in this report.

There are two main reasons why support for a regional counterterrorism strategy—or a bilateral one between India and Pakistan—is limited. First, the countries differ on national and region-

157. Interviews by author: Weinbaum, December 2011; Cordesman, December 2011; Haider, October/November 2011.

158. Yusuf, personal communication, March 2012.

159. “India-Pakistan Dialogue on the Regional Situation in the Context of Afghanistan,” Dubai meeting report, September 23–24, 2011, sponsored by University of Ottawa, http://riport.org/update/downloads/Dubai%20Report_Final%20ENG.pdf.

160. As listed in *ibid.*, these prospects are the following:

- The initiation of official India-Pakistan talks on Afghanistan;
- A joint expression of support for a peaceful settlement of the conflict in Afghanistan on the basis of the principles of territorial integrity, non-interference, and non-intervention;
- Exploration of the possibilities for collaboration in reconstruction and development projects;
- Agreement on the elimination of the use of territory as a sanctuary for extremist/terrorist groups;
- Discussion of future cooperation in the training of Afghan security forces;
- Encouragement of the private sector in India and Pakistan to jointly invest in such fields as agriculture, infrastructure and mining; and
- Joint efforts to facilitate Afghanistan’s integration into SAARC by securing full transit rights for Afghanistan to all SAARC countries.

al policies toward terrorism. Second, mistrust between countries, especially India and Pakistan, underscores the inability to find common ground.¹⁶¹

However, there are grounds for cooperation through bilateral and regional mechanisms already established, and, if implemented, these mechanisms could be very helpful in Afghanistan as well. For example, the Joint Anti-Terrorism Mechanism (JATM) was set up in 2006 between India and Pakistan to enable the countries to “create a joint institutional mechanism to identify and implement counter-terrorism initiatives and investigations.”¹⁶² The JATM was intended to help the parties move beyond the issues of Sir Creek and Kashmir, which often overshadow all bilateral cooperation and negotiations. However, after only three meetings, the JATM reached a stalemate because of disagreements on how to proceed and the events following the Mumbai attack in 2008.

Nevertheless, because of the existential threats posed by terrorism to Pakistan and Afghanistan, and India’s fears that a post-2014 Afghanistan could become a safe haven for terrorists, initiatives such as the JATM could prove beneficial. One interviewee pointed out that the quality of India’s intelligence in Afghanistan is not very high.¹⁶³ The United States did try to encourage greater information sharing between India and Pakistan following the Mumbai attack in 2008.¹⁶⁴ The objective was to ease tensions between the two countries by showing India the steps Pakistan was taking to combat terrorist groups in return for reducing Indian deployments on the border. However, Pakistan continues to be a source of terrorist activity, contributing to India’s unwillingness to cooperate.¹⁶⁵ To date, there has been limited intelligence interaction—that is, occasional sharing rather than strategic cooperation.¹⁶⁶ Political sensitivities and old rivalries make it difficult to move forward.

Regional strategies that may provide the staging ground for cooperation on counterterrorism remain limited. Although terrorism has been identified as the most pressing challenge that SAA-RC faces in South Asia, there is still no common comprehensive strategy, in part because member countries disagree on their approaches to deal with terrorism. At the SAARC interior ministers meeting in 2010 in Islamabad, member countries did explore ways to increase police cooperation and intelligence sharing, but other initiatives such as the SAARC Police and SAARC Anti-Terrorism Task Force did not receive support from some member countries.¹⁶⁷

Another possible area of cooperation is intelligence coordination between the Inter-Services Intelligence (ISI) of Pakistan and the Research and Analysis Wing of India.¹⁶⁸ Although this may seem an unlikely area for cooperation, there are precedents for information sharing that have helped to avert disasters such as missile test warnings. The Zarb-e-Momin activities by the Pakistani army in 1989 did not result in higher Indian troop levels on the border because the relevant policymakers were informed of the maneuvers in advance. Indian security activities in Punjab in

161. Rashid Ahmed Khan, “SAARC and Terrorism,” *Daily Times*, July 7, 2010, http://www.dailytimes.com.pk/default.asp?page=2010%5C07%5C07%5Cstory_7-7-2010_pg3_4.

162. Shabana Fayyaz, “Indo-Pak Joint Anti-Terrorism Mechanism: Perspectives from Pakistan,” India-Pakistan Dialogue on Conflict Resolution and Peace Building, Institute of Peace and Conflict Studies, New Delhi, September 2009, http://www.ipcs.org/pdf_file/issue/IB126-Ploughshares-Shabana.pdf.

163. Barve, interview, February 2012.

164. Jay Soloman and Siobhan Gorman, “Pakistan, India, and U.S. Being Sharing Intelligence,” *Wall Street Journal*, May 21, 2009, <http://online.wsj.com/article/SB124287405244442187.html>.

165. Yusuf, personal communication, March 2012.

166. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.

167. Rashid Ahmed Khan, “SAARC and Terrorism.”

168. Latif, personal communication, February 2012; Durrani, October/November 2011.

1992 were similarly communicated to Pakistani policymakers to avoid any misunderstandings.¹⁶⁹ Realistic intelligence cooperation could begin with less contentious topics, such as the current political situation,¹⁷⁰ and address “areas of critical interest for both India and Pakistan.”¹⁷¹ There is a precedent for this kind of cooperation—after India and Pakistan acquired nuclear capabilities, they developed a system of forward warning of missile testing and exchanging information. Such cooperation can also be extended to safeguarding against panic reactions after, for example, unintended mobilization of forces.¹⁷² Another option would be to share intelligence on groups that threaten the peace process on both sides. Joint investigations and interrogations of suspects could avoid the “dossier chasing” that followed the 2008 Mumbai incident.

Natural Resources

Energy

Afghanistan offers possible routes for India and Pakistan to gain access to natural gas in Central Asia. Trilateral cooperation between the three countries is already being pursued via the Turkmenistan-Afghanistan-Pakistan-India (TAPI) pipeline. The proposed 1,680-kilometer pipeline will stretch from Turkmenistan through Herat and Kandahar in Afghanistan, Multan and Quetta in Pakistan, and Fazilka on the India-Pakistan border.

This pipeline was proposed in the mid-1990s during the Taliban regime, but an agreement was not signed until 2002, after the fall of the Taliban. Three years later, the Asian Development Bank considered the construction of the pipeline feasible but not financeable. Many challenges remain. In the mid-1990s, there were no viable options for financing and an ongoing civil war. Today, Afghanistan remains unstable, with a precarious security environment. Even though India was not initially invited to participate—the original acronym was TAP—New Delhi joined in 2008, and the project was renamed TAPI.¹⁷³ All three countries benefit from TAPI: Pakistan addresses its energy crisis, India fills its economic needs, and Afghanistan improves its economic well-being through transit fees and the provision of natural gas to areas in Afghanistan without access (which would account for up to 16 percent of gas output).¹⁷⁴

The United States supports this project, particularly as an alternative to the proposed Iran-Pakistan-India (IPI) pipeline,¹⁷⁵ whereas Russia has expressed interest in funding the IPI pipeline.¹⁷⁶ Recent Indian decisions on Iran have prevented progress on the IPI,¹⁷⁷ but, despite U.S. pressure and the loss of a major Chinese financial source, Pakistan is, at least in principle, continu-

169. Amarjeet Singh Dulat and Asad Durrani, “Indo-Pak Intelligence Cooperation,” July 14, 2011, Aman Ki Asha, http://www.amankiasha.com/detail_news.asp?id=491.

170. Latif, personal communication, February 2012.

171. Dulat and Durrani, “Indo-Pak Intelligence Cooperation.”

172. Ibid.

173. Robert Wirsing, “In India’s Lengthening Shadow: The U.S.-Pakistan Strategic Alliance and the War in Afghanistan,” *Asian Affairs: An American Review* 34, issue 3 (2007): 154.

174. Ministry of Mines, Islamic Republic of Afghanistan, “Turkmenistan-Afghanistan-Pakistan-India (TAPI) Pipeline,” Kabul, <http://mom.gov.af/en/page/4717>.

175. India has not pushed IPI since increased civilian nuclear cooperation between the United States and India.

176. Suhasini Haidar, senior editor and anchor, TV18 and CNN, Delhi, interview by author, February 2012.

177. Raman, interview, February 2012.

ing efforts toward construction of a pipeline with Iran.¹⁷⁸ In response to threats of U.S. sanctions, Pakistan's foreign minister said, "All our friends are encouraged to understand the real energy crisis in Pakistan. We cannot afford to be selective [about] where we receive our energy supplies from."¹⁷⁹ Under the current discussions, a gas pipeline agreement would connect Iran's South Fars gas field with Balochistan and Sind.¹⁸⁰

It should be noted, however, that such cooperation will take time and will likely be more technically difficult to implement than the IPI.¹⁸¹ Currently, security concerns, technical problems (e.g., Turkmenistan's inability to provide independent certification of gas reserves),¹⁸² pricing questions, and political issues are hindering progress on TAPI. An unstable Afghanistan and an increasingly unstable Balochistan are hindering investments. The pipeline would require passage through two war zones¹⁸³—not a particularly appealing option for investors.¹⁸⁴ Poor security and the absence of credible guarantees from the Pakistani government have increased India's concerns about being dependent on Pakistan for its gas supply via TAPI. Most Pakistani interviewees thought that the project would not move forward. However, there are possible solutions. For example, if TAPI were extended via Nepal to China (i.e., from TAPI to TAPINC), Pakistan would be more likely to provide guarantees because of its relations with China.¹⁸⁵

India has also explored other, safer options, including talks with Russia and Kazakhstan about a pipeline through China.¹⁸⁶ India's defense minister has also had meetings with Saudi Arabia, and greater cooperation between the two countries on energy is a "serious option."¹⁸⁷

Water

A more limited avenue for cooperation, but one that has been considered by international policymakers, is water. Two large river basins, the Amu Darya and the Indus, are the most important water sources for millions in Central-South Asia. India and Pakistan are in a unique position to benefit from water sharing agreements because treaties can assuage tensions by expanding current institutions that may allow the two countries to both cooperate with *and* benefit Afghanistan.¹⁸⁸ More than half of Afghanistan's total river flow comes from the Amu Darya river basin. The basin originates in the Central Asian River and crosses through Turkmenistan and Uzbekistan, which withdraw the largest quantities of water. Afghanistan is still dependent on this river for irrigation. In fact, many countries rely on the Amu Darya, and cooperation could provide alternative water

178. Rebecca Conway and Qasim Nauman, "ICBC Appears to Back Away from Pakistan-Iran Gas Pipeline," March 14, 2012, <http://www.reuters.com/article/2012/03/14/pakistan-iran-pipeline-idUSL4E8EE2VW20120314>.

179. BBC News, "Pakistan Defends Iran Gas Pipeline Deal," March 1, 2012, <http://www.bbc.co.uk/news/world-asia-17224906>.

180. BBC News, "Iran and Pakistan Sign 'Historic' Pipeline Deal," March 17, 2010, http://news.bbc.co.uk/2/hi/south_asia/8572267.stm.

181. Yusuf, personal communication, March 30, 2012.

182. Hussain, interview, October/November 2011.

183. Rashid, interview, December 2012.

184. Haidar, interview, February 2012.

185. Ibid.

186. Sekhon, interview, February 2012.

187. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.

188. James Kraska, senior fellow, Foreign Policy Research Institute, Washington, DC, interview by author, July 2011.

sources such as the Kabul River in the southeast, which borders Pakistan.¹⁸⁹ (Pakistan and Afghanistan share nine rivers.) However, there is also a great deal of wastage because of outdated or poorly constructed irrigation systems. A concerted initiative by Pakistan and India could provide Afghanistan with the infrastructure to “boost efficiency by 45 percent by 2015,” a goal of Afghanistan’s Ministry of Energy and Water.¹⁹⁰

Pakistan would be a major beneficiary of water sharing with Afghanistan because it is incredibly water-stressed and dependent on one river for its supply. In the past, Pakistan has occasionally tried to bring Afghanistan into negotiations.¹⁹¹ The World Bank has taken steps to facilitate negotiations, but it could not serve as a guarantor because of its role in the Indus Waters Treaty.¹⁹² Cooperation in this area, however, is hindered by Pakistan’s growing agricultural needs and India’s rising population.¹⁹³

It is not likely that cooperation on water will take place in the short term because of the massive issues associated with water in the three countries.¹⁹⁴ The Indus Waters Treaty (IWT), which gives Pakistan control of the Indus, Chenab, and Jhelum Rivers, and India control of the Beas, Ravi, and Sutlej Rivers, has faced a number of issues during its 50-year existence,¹⁹⁵ such as how much Pakistan would pay India for canal use and maintenance (which has largely suffered over the last several years). In addition, in recent years, the treaty has been challenged by both Pakistan and India because of water scarcity issues. Water is also a central component of the Kashmir issue.¹⁹⁶ Furthermore, Pakistan and India have built rival irrigation and hydropower systems in the Indus river basin. Some of India’s continuing and new water irrigation and dam projects, especially along the Indus River (Pakistan’s only source of fresh water), including the Baglihar hydroelectric dam, the Kishanganga hydroelectric dam, and the Tulbul navigation project/Wullar barrage, have angered Pakistan. It believes these projects violate the IWT. In 2010, Pakistan accused India’s Kishanganga hydropower project in Kashmir of violating the treaty and brought the case before the International Court of Arbitration.¹⁹⁷ Pakistani prime minister Yousaf Raza Gilani is currently considering going to the International Court of Arbitration to prevent India’s construction of the

189. Michael Renner, “Troubled Waters,” *World Watch* 23 (May/June 2010): 14–20.

190. Christopher Ward, David Mansfield, Peter Oldham, and William Byrd, *Afghanistan Economic Incentives and Development Initiatives to Reduce Opium Production*, World Bank/DFID Report, February 2008, <http://siteresources.worldbank.org/SOUTHASIAEXT/Resources/223546-1202156192201/4638255-1202156207051/fullreportAfghanistanOpiumIncentives.pdf>.

191. Pakistan and Afghanistan came close to designing water treaties in 2003 and 2006. See http://afpak.foreignpolicy.com/posts/2011/12/02/peace_through_water.

192. Nusrat Khurshedi, “Sharing Water Sources with Afghanistan,” *Dawn*, November 14, 2011, <http://www.dawn.com/2011/11/14/sharing-water-resources-with-afghanistan.html>.

193. International Crisis Group, *Pakistan’s Relations with India: Beyond Kashmir?* Asia Report 224, May 3, 2012, <http://www.crisisgroup.org/~media/Files/asia/south-asia/pakistan/224-pakistans-relations-with-india-beyond-kashmir.pdf>.

194. Water was not mentioned as an avenue of cooperation in any interviews conducted in Pakistan.

195. The Indus Waters Treaty between India and Pakistan divided jurisdiction on dam creation and the other infrastructure necessary to create basins, irrigation tools, and canals that aid in agricultural development.

196. Interviews by author: Haider, October/November 2011; Wajahat Ali, October/November 2011.

197. Nick Langton and Sagar Prasai, “Will Conflicts over Water Scarcity Shape South Asia’s Future?” *Issue Perspective* 2, issue 1, March 23, 2012, http://csis.org/files/publication/120323_WadhvaniChair_IssuePerspective.pdf. Nasim A. Khan, an academic and former secretary of Pakistan’s Alternative Energy Development Board, sees the territorial dispute between Pakistan and India over Kashmir as, in part, a fight for water resources and is concerned about India’s construction of dams in the part of the

Nimoo-Bazgo hydropower project on the Suru River because it could limit flow to Pakistan.¹⁹⁸ As one analyst pointed out, Pakistanis have a sense that an “aqua bomb” is about to go off.¹⁹⁹

The only tangible step forward at this time would be the development of a second phase of the Indus Waters Treaty (IWT2), covering the development of the Indus river basin as a whole. If this takes place, the model of cooperative management of a river basin could potentially be applied to Afghanistan as well.²⁰⁰

territory that it controls; see <http://www.trust.org/alertnet/news/water-shortages-threaten-renewed-conflict-between-pakistan-india>.

198. International Crisis Group, *Pakistan's Relations with India*.

199. Wajahat Ali, interview, October/November 2011.

200. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.



RECOMMENDATIONS

Although peace and stability in the region will require major changes—some resolution of the Durand Line, reduction of general tensions between India and Pakistan (especially on the Kashmir issue), and greater cooperation on terrorism—some preliminary steps toward greater trilateral engagement could help create a more conducive environment for future peace. Regional peace will likely require active cooperation from Iran, the Central Asian countries, and China. This report in no way underestimates the importance of a regional solution in Afghanistan. That solution, however, requires an in-depth study of its own, whereas this report focuses simply on Indian-Pakistani cooperation in Afghanistan and the steps forward from this particular aspect.

Many policy analysts have argued that the United States must seek regional solutions for Afghanistan. Although some interviewees in Pakistan believed there is not much the United States can do beyond indirectly encouraging cooperation, others thought it could play a greater role in providing solutions to the Kashmir issue. However, some in Pakistan and India felt that the Kashmir issue should still be separated from Afghanistan. In either case, the U.S. role remains limited until India and Pakistan themselves take steps toward greater cooperation. The basis for increased cooperation is now present. The peace process is continuing, there is no risk of a broader conflict, and a nuclear-deterrent relationship has now been established.²⁰¹ As experts noted, “the glass is half-full regarding Pakistan-India relations.”²⁰²

In this context, and with the need to manage relationships with both countries, the United States should encourage existing bilateral Indian-Pakistani and regional initiatives, such as the Istanbul Protocol, which are led and owned by countries in the region.²⁰³ However, the existing regional measures and trilateral initiatives are dependent on Indian-Pakistani political will and commitment. Following sustained Indian-Pakistani cooperation bilaterally and in regional mechanisms, there will be more opportunities for the United States to engage with the three countries in different forms.

Confidence Building and Greater Transparency

Dialogue and increased transparency can help build confidence between India and Pakistan, and between those countries and the United States. Many in Pakistan view the U.S.-Pakistan relation-

201. Ibid.

202. Ibid.

203. In November 2011, the foreign ministers of 12 countries (including Afghanistan, India, Pakistan, China, Russia, and Kazakhstan) gathered to adopt a strategy for cooperation on security issues such as drugs and terrorism. See Sebnem Arsu, “Afghanistan Consults Neighbors on Security,” *New York Times*, November 3, 2011, <http://www.nytimes.com/2011/11/03/world/asia/afghanistan-and-nearby-nations-adopt-istanbul-protocol.html>.

ship with distrust, and some interviewed felt that transparency in this relationship requires the most work.²⁰⁴ Pakistan must be transparent in its dealings with both Kabul and Washington in order to establish sustainable peace. With greater transparency from India about its role in Afghanistan, Indian-Pakistani relations could become an extension of India-Pakistan cooperation in trade and economics.²⁰⁵ Realistically, “transparency” can only be meaningful if India, Pakistan, and the United States are themselves clear on what they want in Afghanistan, and from each other.

India can do more to address Pakistan’s concerns. Since resumption of talks abandoned after the 2008 Mumbai attack, India has made some attempts to deal with Pakistani threat perceptions.²⁰⁶ A proposal was also made that these issues be introduced as an agenda item in Indian-Pakistani talks.²⁰⁷

Pakistan’s concerns about the growing Indian influence in Afghanistan are not completely unfounded, especially in view of the historic support that India has given Baloch separatists and the sanctuaries they have received in Afghanistan.²⁰⁸ India needs to explicitly acknowledge these concerns, because Pakistan, in one sense, has primary interests in Afghanistan with its contiguous border and ethnic ties. India’s own interests derive in part from its interest in managing Pakistan²⁰⁹ and its broader interests in terms of connectivity with Central Asia and a strong desire not to see an unstable Afghanistan that may provide sanctuaries to terrorists. On the Pakistan side, the army and the civilian government need to overcome their sense that India’s role in Afghanistan is a threat. Pakistan’s security fears stem from the presence of Indian security personnel, even though they are only there for protection purposes. Indian-Afghan strategic cooperation is a ground reality that Pakistan must accept.²¹⁰ The United States can help address Pakistan’s insecurity by investing in infrastructure linked to the New Silk Road Initiative announced by U.S. Secretary of State Hillary Clinton in October 2011. It also needs to remain engaged on the Afghan reconciliation process and in keeping the three countries on board.

Trade

The last few months have seen unprecedented moves toward improving Indian-Pakistani trade relations. Pakistan’s provision of most-favored-nation status to India in 2011, and recent steps to operationalize this status (to be finalized in 2012), are hopeful developments. But more needs to be done. For example, India could open a line of credit for Pakistan, similar to what it did for Bangladesh and Sri Lanka,²¹¹ to help Pakistan’s economy during the transition through any MFN

204. Interviews by author: Tanvir Ahmed Khan, October/November 2011; Iqbal, October/November 2011.

205. Zehra, personal communication, April 2012.

206. In 2009 and 2010, India made some attempts to appease Pakistani threat perceptions. They include a proposal that brought forward the issue as an agenda item for talks. Delhi Policy Group, *Afghanistan-India-Pakistan Trialogue 2010*.

207. Ibid.

208. Yusuf, personal communication, April 2012; Wajahat Ali, interview, October/November 2011; Zehra, April 2012; Dasgupta, personal communication, April 2012.

209. Sunil Dasgupta, nonresident fellow, Brookings Institution, interview by author, December 2011.

210. Ahmed, interview, October/November 2011.

211. Jha, interview, February 2012.

agreement.²¹² The MFN agreement has been largely private sector-led and should encourage an environment conducive to doing business.

Transit trade remains a viable option and has already seen progress. The signing of the Afghanistan-Pakistan Transit Trade Agreement in July 2010, with U.S. encouragement, is a positive move. This, along with increased Indian-Pakistani trade cooperation, may allow India greater access to Afghanistan. The United States can play a small but critical role in facilitating this dialogue.

Within this framework of increased trilateral cooperation, there may be future opportunities for the United States to engage constructively. Regional initiatives such as SAFTA and the New Silk Route Initiative are dependent on Indian-Pakistani bilateral ties. With increased cooperation, these ties open the door to future U.S. assistance in different forms such as technical assistance and expertise in the implementation of customs regimes.

In the past, the United States has tried to improve trade and livelihood prospects in the Federally Administered Tribal Areas, Khyber Pakhtunkhwa, and other adjoining areas in Afghanistan through innovative initiatives such as the proposed Reconstruction Opportunity Zones in the FATA area. Technical difficulties and a U.S.-Pakistani relationship that has been fraught with difficulties have, however, hindered movement on the ROZs.²¹³ The initial idea was to provide employment in the lawless border areas and access to U.S. markets for the goods produced there. Another objective was to increase trading activity and economic cooperation, access to other markets, including India and Central Asia, and integration of these areas into the global economy. The challenges faced by the ROZs included the fact that they would apply only to certain areas within Afghanistan and Pakistan and that their labor requirements would contribute to higher labor costs and a resulting unwillingness by businesses to operate within these areas. In addition, they would cover a limited number of products (with an average trade-weighted tariff rate of 8.1 percent) but not those products with higher average trade-weighted tariff rates (14.9 percent).²¹⁴ Whether ROZs are encouraged depends not only on security and political forces in Pakistan and Afghanistan, but also on the economic climate and commitment of the U.S. government going forward.

Although this particular initiative was not successful for the reasons just noted, similar innovative initiatives should be explored because they could provide economic benefits in the areas that are hardest hit by conflict, as well as opportunities for integration in global systems and chains. Such long-term initiatives could help convince Pakistan that the United States is not just a fairweather friend, and they would likely give the United States greater leeway for improving trade cooperation among Afghanistan, Pakistan, and India.

Security and Confidence Building

Even though there may be fewer opportunities for security cooperation, all three countries do face a common terrorism threat. Because of the Indian-Pakistani trust deficit, the possibility of continuing intelligence cooperation should be explored. If successful, such a dialogue could open the door to greater collaboration on joint mechanisms, such as the 2006 Joint Anti-Terrorism Mechanism, and increased collaborative efforts to address terrorism.

212. Ibid.

213. Interviews by author: Ashraf Ali, December 2011; Yousafzai, December 2011.

214. Bolle, *Afghanistan and Pakistan Reconstruction Opportunity Zones*.

Joint training of security forces is not a realistic or feasible option at the moment, but lessons learned can be gathered from those places where Indian and Pakistani troops have worked together in UN peacekeeping missions. These lessons may prove to be a useful confidence-building tool.

On counternarcotics efforts, although there is little scope for collaboration beyond information sharing and cooperative measures through SAARC or the 2003 Paris Pact framework, and although physical cooperation remains difficult because of the porous Afghanistan-Pakistan border,²¹⁵ future cooperation remains a possibility.

Development

Another avenue of possible collaboration is joint development efforts led by the private sector or civil society organizations. The three governments can help by engaging in dialogue on development issues and by providing a conducive environment for these nonpolitical actors, including more flexible visa regimes and greater incentives such as tax benefits.

Although no country can tell India not to invest in southeastern Afghanistan, dialogue that opens the doors to the possibility of joint projects remains a hopeful avenue. Also, U.S. investment on infrastructure related to the NSRI, in addition to offering an opportunity for the United States to engage in reconciliation efforts, would likely help alleviate the trust deficit. A fruitful discussion could only occur, however, if India and Pakistan decide to cooperate on development, especially because India—the largest regional donor to Afghanistan—is far beyond donor incentives.²¹⁶

The tangible benefits from joint development projects may occur only in the medium to long term, but this type of cooperation could help provide the basis for improved country relations in other areas.

People-to-People Contact

Many interviewees felt that greater people-to-people contact, although on a small scale, would yield positive results in addressing the trust deficits that each country faces, laying the groundwork for future collaboration.

Efforts to increase cultural and political understanding among citizens of the three countries should be undertaken and led by communities themselves. Initiatives such as the television program *Aman ki Asha*, which provides innovative and effective tools to better understand Indian-Pakistani relations, are good examples. As they do in development projects, governments can play a secondary role, helping to create a bureaucratic environment conducive to citizen engagement.

Natural Resources

Security constraints, political impediments, and technical and monetary issues are hindering progress on energy projects such as the TAPI and IPI pipelines. Pakistan, India, and Afghanistan would all benefit from access to natural gas reserves in Central Asia, but the likelihood of progress

215. Interviews by author: Weinbaum, December 2011; Cordesman, October/November 2011; Haider, October/November 2011.

216. Zehra, interview, April 2012.

on TAPI is very low. That said, even if all the pieces were to fall into place, a significant amount of time would be required to operationalize these pipelines.

IPI faces similar issues in terms of the provision of energy, but it raises the issue of U.S. relations with Iran, and how they affect Indian-Pakistani interactions with Iran. Pakistan is exploring options with Iran because of its own dire energy crisis. Reacting to U.S. threats of sanctions against Iran, many Pakistanis feel that the United States does not fully appreciate Pakistan's energy concerns, and that the approach the United States is taking toward Iran should not hinder Pakistan's efforts to obtain gas from Iran. However, the pipeline is not likely to move forward because of financing and technical issues.

Many Indians interviewed felt that the U.S. stance on Iran was counterproductive and had adverse effects for India, which historically has enjoyed good relations with Iran. Some interviewed felt that the United States could in fact use Indian diplomacy to engage with Iran for positive results similar to those from engagement with Myanmar.

Although Pakistan and India are both clashing on water sharing, and joint cooperation for water sharing faces significant challenges at the moment, the Indus Waters Treaty does provide a successful example of collaboration. The only tangible step forward at this time would be the development of a second phase of the IWT covering the development of the Indus river basin as a whole. In this phase, international actors such as the World Bank (who brokered the previous IWT) could help with arbitration and technical assistance, but Pakistan and India must be the ones to take formal steps to address the water issues, beginning with a transparent dialogue. If a successful second phase of the IWT were to occur, then the model of cooperative management of a river basin could potentially be applied to Afghanistan as well.²¹⁷

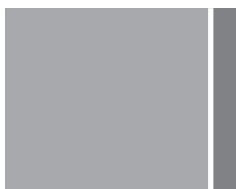
217. IPCS and CSIS, expert roundtable, Delhi, February 23, 2012.



CONCLUSION

Past years have seen positive developments toward increased cooperation between India and Pakistan. High-level diplomatic talks and agreements in various issue areas, including trade and security, are signs that both countries recognize that they have more to gain than to lose through increased collaboration. However, recent developments have also made it clear that tensions between India and Pakistan still exist and are unlikely to be completely eliminated in the near future. To develop bilateral relations and, by extension, trilateral cooperation in Afghanistan, India and Pakistan will need to move beyond their contentious past through increased dialogue and exchange.

Bilateral cooperation between India and Pakistan—as well as trilateral cooperation among India, Pakistan, and Afghanistan—has the potential to increase trade, access to natural resources such as water, and regional security. Afghanistan could serve as a transit point between Central and South Asia, increasing the flow of goods and services between the regions. Cooperation in combating extremist groups and the transit of illicit drugs would likely increase security in all three countries. The benefits of trilateral cooperation, however, are not likely to be fully realized until India and Pakistan improve bilateral relations; bilateral programs and initiatives could serve as a blueprint for collaboration on projects in Afghanistan. This will require measures that build trust through transparency and confidence building. The respective governments do have a vital role to play in creating such measures, but the active participation of communities and local NGOs will be necessary to establish long-term cooperation.



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