



SPECIAL REPORT

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ABOUT THE REPORT

Recent efforts to develop warmer relations between South Asia's two nuclear powers, India and Pakistan, will not succeed unless political violence in Kashmir is substantially reduced. One of the key factors sustaining that violence is the dearth of economic opportunities, which ensures a steady supply of disaffected recruits to terrorist and militant groups. This report sketches the turbulent history of Kashmir from its de facto division in 1947 through the revolt of 1989–90 to the present, and then explores the economic dimensions of the conflict and the economic opportunities for peacebuilding. The governments of India and Pakistan, together with political leaders in Kashmir, must take the lead in promoting economic development, but they require the assistance of international financial institutions and of the United States, which is well placed to act not as a mediator but as a facilitator.

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The views expressed in this report do not necessarily reflect views of the United States Institute of Peace, which does not advocate specific policy positions, nor do they reflect the views of the government of India.

Wajahat Habibullah

The Political Economy of the Kashmir Conflict

Opportunities for Economic Peacebuilding and for U.S. Policy

Summary

- The governments of India and Pakistan have recently indicated a desire to develop warmer relations and to settle the issues that divide them by peaceful means. This endeavor will not succeed, however, unless political violence in Kashmir is substantially reduced.
- A process of dialogue with Kashmiri separatists launched by the previous Indian government seems very likely to continue under the new government installed after the elections of May 2004. Indeed, the leadership of the new government had opened communication with separatist elements before the recent dialogue began.
- The United States could play a crucial role as a facilitator—*not* as a mediator—paving the way toward resolution while leaving the principal stakeholders to determine the form of that resolution. Most Kashmiris regard the United States as an honest broker, an opinion rarely held in Muslim countries in the aftermath of 9/11. For its part, the United States is concerned that Kashmir might spark a nuclear confrontation and would like to see an end to the terrorist activity that Kashmir's disputed status inspires.
- Washington's priority in the region should switch from avoiding nuclear confrontation—an unlikely event—to helping to restore a highly functioning, robust democracy in Kashmir. This would be an effective means of countering terrorism in India; it would also help to undercut the rationale for unrest in Kashmir and thereby help to rid Pakistan—now a major non-NATO U.S. ally—of the incubus of religion-based terrorism that has retarded its evolution into a modern nation-state.
- The status of Kashmir has been hotly debated since the partition of British India and has prompted several wars between India and Pakistan, the most recent, the Kargil War, occurring in 1999. Kashmir's people have suffered immensely from the ongoing

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conflict between South Asia's two nuclear powers. Their plight finally garnered international attention in the closing decades of the past century, but only because, faced with a stagnant economy and a corrupt government, they had revolted.

- Kashmir has rich natural resources and a talented and entrepreneurial people, but its economic development has been hobbled by misguided economic policies, corruption, a lack of cooperation between India and Pakistan, and political turmoil.
- The political upheaval of recent years has exacted a heavy toll on the state's economy, and the richest source of income has become the threat and use of violence. Mired in poverty, young people are easily recruited into predatory terrorist and paramilitary organizations, some of which are financed and trained by Pakistan's security services, some of which enjoy the protection of Indian authorities.
- If Kashmiris are to feel less alienated, governments in the Indian and Pakistani parts of the state of Jammu and Kashmir must grant their people freedom, not merely by granting elections but also by rolling back restrictions on business, terminating governmental monopolies in trade and commerce, and encouraging international investment by bodies such as the World Bank and the Asian Development Bank. Key areas for investment are watershed development, the timber industry, fruit processing, and power generation.
- The United States can offer various forms of assistance to Kashmir; it could, for instance, supply U.S. expertise and resources to help Kashmiris suffering from post-traumatic stress disorder. U.S. incentives to encourage India and Pakistan to settle their differences peacefully can likewise take various forms, from helping Pakistan modernize its armed forces to securing foreign investment for the economic revitalization of Jammu and Kashmir.

Introduction

On December 9, 2003, Pakistan's high commissioner in India, Aziz Khan, addressed a peace group assembled in Kolkata. At that meeting he declared, "We firmly believe that Pakistan and India are not destined to live as adversaries forever. . . . We need cooperation and not confrontation." Since then, both of these nations, the nuclear powers of South Asia, have taken steps that seem to support this view. If High Commissioner Khan's vision indeed captures the spirit of the future relationship between these two countries, that future holds promise.

At the 2004 summit of the South Asian Association for Regional Cooperation (SAARC), held in Islamabad on January 4–6, member nations discussed the establishment of a South Asian Economic Union. One of the results of this discussion was the broadening of the South Asian Free Trade Agreement (SAFTA), which removes barriers to the cross-border flow of goods so as to promote higher levels of trade and economic cooperation in the region. Signed by all of the SAARC member countries, this agreement surpasses the existing preferential trading arrangement. Scheduled to go into effect in 2006, SAFTA will save South Asia billions of rupees in smuggled goods and the transit of goods through non-member countries. More important, this agreement has the potential to open markets, especially the vast Indian market, for each of the signatories' products, thereby stimulating industrial and agricultural growth across the region and paving the way for a South Asian Economic Union, slated for 2020. The Social Charter appended to SAFTA balances freer trade with equitable growth by proposing a plan for alleviating poverty.

The member nations of SAARC also signed an additional Protocol on Terrorism that condemns terrorist violence and acknowledges its debilitating threat to the region. At the conclusion of the SAARC summit, President Pervez Musharraf, promising that terrorism and extremism would not be allowed on the soil of Pakistan, stated that while he did not have a "whistle" to stop violence in Jammu and Kashmir, he could "facilitate"

it. Pakistan's participation in this protocol is especially notable, as it has usually avoided such pronouncements because of its ongoing support of "insurgents" (viewed by India as terrorists) in Kashmir. In the words of the protocol:

We are convinced that terrorism, *in all its forms and manifestations*, is a challenge to all states and to all of humanity, and cannot be justified on any ground, whatsoever. Terrorism violates the fundamental values of the United Nations and the SAARC Charter and constitutes one of the most serious threats to international peace and security. We agree to fully implement the relevant international conventions to which we are parties. We reaffirm our commitment to SAARC regional convention on suppression of terrorism, which, among others, recognizes the seriousness of the problem of terrorism as it affects the security, stability, and development of the region. (Emphasis added)

In January 2004, shortly after India and Pakistan had agreed to resume a "composite" dialogue (i.e., a dialogue including the subject of Kashmir), President Musharraf repeatedly emphasized that the decision to engage in dialogue represented a leap forward, but he tempered this by saying that it was "just a beginning." He also noted that the people of Kashmir continue to suffer and must be involved in finding solutions to the problems in the region in "some form or other" at some stage in the process. He saw "spontaneity" in the joint statement on resumption of dialogue, implying that he felt that both sides were displaying a degree of sincerity and initiative that went beyond prepared government positions. Musharraf highlighted three key points made in the joint statement: that Kashmir was an issue, that composite dialogue was necessary for resolving the differences between India and Pakistan, and that both nations needed to develop and sustain confidence-building measures.

The foreign secretaries of India and Pakistan met in Islamabad on February 18, 2004, to determine the agenda and schedule for further dialogue. Both sides agreed that they would "approach the composite dialogue with the sincere desire to discuss and arrive at a peaceful settlement of all bilateral issues, including Jammu and Kashmir, to the satisfaction of both sides." Pakistan and India also scheduled talks for opening a bus route between Muzaffarabad, the capital of the Pakistani-controlled portion of Kashmir, and Srinagar, capital of India's state of Jammu and Kashmir. Formerly a major trade route for the Himalayan region, the Muzaffarabad-Srinagar highway closed in 1948 following the first war between Pakistan and India over Kashmir.

Those in the highest levels of the U.S. government, including Secretary of State Colin Powell, have applauded these developments in the turbulent India-Pakistan relationship. On March 12, *The Hindu* reported Powell as saying that "the farsighted steps toward the peaceful resolution of disputes being taken by India and Pakistan under the leadership of Prime Minister Atal Bihari Vajpayee and President Pervez Musharraf have given fresh hope to the citizens of both countries." A few months earlier, in December 2003, after visiting Afghanistan, Pakistan, and India, the Independent Task Force cosponsored by the U.S. Council for Foreign Relations and the Asia Society had already recorded signs of the thaw in relations between these two nations. According to the task force's published report, *New Priorities in South Asia: U.S. Policy toward India, Pakistan, and Afghanistan*, Pakistan's establishment seemed ready for détente, even though they lacked a game plan for proceeding. In India the task force noted across-the-board support for détente with Pakistan.

Nonetheless, the recent thaw has surprised many veteran political observers in South Asia. On January 10, 2004, Radha Kumar, adjunct senior fellow at India's Council on Foreign Relations and a trustee of the Delhi Policy Group, acknowledged in the *Indian Express*,

Even an obsessive peace process watcher like myself has been surprised by the agreements reached in Islamabad. I expected a framework South Asian Free Trade Agreement but I did not expect it to come in tandem with a Social Charter. I expected a further thaw between India and Pakistan—because of the steps that

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had preceded it—but I did not expect dates to be set for formal talks, nor that they would take place as early as next month. South Asia’s leaders were remarkably frank to confess that they had lacked the political will to tackle their people’s needs jointly—and to pledge that they would now do so.

Implementing these agreements will require an unprecedented level of cooperation between the two principal regimes in the subcontinent. How long-lasting this cooperation will be is another matter. The history of peace initiatives between India and Pakistan is clouded by many false starts. Stephen Cohen of the Brookings Institution has been one of the most acutely perceptive U.S. commentators on this precarious relationship. In his estimate it would be wise to wait at least six months before arriving at any conclusions regarding the latest initiatives. “On past evidence,” he pointed out in an article in the *Financial Times* published on January 16, 2004, “the thaw will not last.”

Kashmir: The Obstacle in India-Pakistan Relations

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Among the key reasons that peace initiatives between these two nations have historically failed is the vexing problem of Kashmir. Whereas Pakistan has repeatedly termed this the “core issue” in its relationship with India, India has maintained that this matter was settled with Kashmir’s accession to India in October 1947. As far as India has been concerned, therefore, the only issue for discussion has been what India regards as Pakistan’s continuing illegal occupation of part of Jammu and Kashmir, an occupation that began in 1947–48, during the war between the two then-infant nations.

In February 1999, during a visit to Lahore, India’s prime minister, Atal Behari Vajpayee, agreed to put Kashmir on the agenda in a bid to reopen dialogue with Pakistan. However, this glimmer of promise was extinguished later that very year by Pakistan’s adventure in the district of Kargil in northern Jammu and Kashmir. When, as usual, Indian troops withdrew that winter from forward positions located at freezing heights of 12,000–17,000 feet on the clearly demarcated “Line of Control” (which divides the state along its northern frontier between Indian territory and the area held by Pakistan), Pakistani troops posing as insurgents occupied those positions. This move precipitated a clash that had developed into a full-scale war—what became known as the Kargil War—by May 1999.

Why has the conflict over Kashmir persisted for so long? Half a century ago, Joseph Korb, chairman of the United Nations Commission on India and Pakistan (UNCIP) until 1949, argued in his book *Danger in Kashmir* that “the real cause of all the bitterness and bloodshed, all the venomous speech, recalcitrance and the suspicion that have characterized the Kashmir dispute is the uncompromising and perhaps uncompromisable struggle of two ways of life, two concepts of political organization, two scales of values, two spiritual attitudes, that find themselves locked in deadly conflict, a conflict in which Kashmir has become both symbol and battleground.” On the eve of independence, India consisted of two major components: the dominion itself and what were called the princely states, purportedly independent units that had been woven into the British Empire under the empire’s policy of “paramountcy.” At independence, India was partitioned into two nations: India and Pakistan. While the British government of India demarcated the partition of the dominion territories under what has come to be known as the Radcliffe Award, the princely states were required to accede to either India or Pakistan. Independence was not an option.

The princely state of Jammu and Kashmir signed the Instrument of Accession with India on October 26, 1947. India’s argument for the legitimacy of its claim to Kashmir has been grounded in that accession. Pakistan, however, has always questioned the legality of that compact. The Instrument of Accession had been signed by a Hindu maharajah of a state with a Muslim majority. Pakistan has argued that districts with Muslim majorities should have been assigned to the new state of Pakistan, implying that Kashmir should have become part of Pakistan. For India, this argument militates against the concept on

which Indian nationhood is founded, namely, India as a multiethnic, secular nation-state. These opposing views have set the tone for the relationship between India and Pakistan ever since.

When, in October 1947, tribal marauders supported by Pakistan's army invaded the Kashmir region, India took the case to the United Nations. In August 1948, India supported Resolution S/1110, which called for a plebiscite on the future of Jammu and Kashmir to be organized by UNCIP. This was to be preceded by demilitarization of the state. Did India renege on its commitment to a plebiscite? This has been a much-disputed subject. The fact is that neither India nor Pakistan adhered to the UNCIP resolutions of August 13, 1948, and January 5, 1949, other than Part I of the 1948 resolution calling for a cease-fire. Immediately after the cease-fire delineated in Part II A(1) of the same resolution, Pakistan was supposed to withdraw its troops entirely from Kashmir and "use its best endeavour to secure the withdrawal from the state of Jammu and Kashmir of tribesmen and Pakistan nationals not normally resident therein." This never happened.

Kashmir's people have suffered immensely from the ongoing conflict between these two great nations. Their plight finally garnered international attention in the closing decades of the past century, although, unfortunately, only because they had revolted. Throughout the 1980s, as the Kashmiri people suffered from a stagnant economy and high unemployment, their government was scarred by corruption, riddled with nepotism, and prone to blunders. After a series of missteps by the state and central leadership culminated in 1987 in what appeared to the Kashmiris to be a rigged election, the Kashmiris' anger boiled over. Violence increasingly marked the expression of their political demands. Finally, in 1990, a revolt broke out.

Who, then, are the Kashmiris, and what are their demands? The state of Jammu and Kashmir can be seen as a microcosm of India, given its diversity of ethnicity, language, culture, and religion. The majority of the Kashmiri population living within India resides in the Kashmir Valley (5.4 million people). Those who live in the valley and the immediately surrounding areas speak Kashmiri, a Dardic tongue distinct from but influenced substantially by Sanskrit, Persian, and Arabic. Ninety-eight percent of the inhabitants adhere to a form of Islam that has the characteristics of the Qadiri, Hamadani, and Kubrawi Sufi schools. The latter two in their proselytizing borrowed abundantly from Kashmir's Buddhist and Saivite heritage. The other two major components of the state are Jammu Division and Ladakh. The first of these has a population of 4.4 million, of whom more than 60 percent are Hindu. The 30 percent of the population that are Muslim are in the majority in three of Jammu's six districts. The people of Jammu speak various forms of Punjabi, which is different from Kashmiri. Ladakh, the largest of the three components in terms of area, has a population of 233,000, a slim majority of which is Muslim. One of Ladakh's two districts, Kargil, is predominantly Muslim (73 percent), and the other district, Leh, has a primarily Buddhist population.

The revolt of 1989–90 was incited by the Jammu and Kashmir Liberation Front (JKLF), which had been established in Pakistan's Kashmir in 1976 and had gradually extended its influence into India's Jammu and Kashmir region. All of the insurgents were residents of the Kashmir Valley. They were financed, supplied, and trained by Pakistan's Inter Services Intelligence Directorate (ISI), which was still relishing its success in assisting the Afghans in their resistance against Soviet occupation. The insurgents' declared objective was, and continues to be, to win *azadi* (freedom) for Jammu and Kashmir, thus restoring to the Kashmiris the dignity that they feel has been compromised by India's rule over their land. The insurgency quickly dissipated into a struggle for domination among different insurgent groups, and what had begun as an ethnic conflict was given a religious color by the ISI, which promoted religiously oriented outfits. The Hizbul Mujahadeen, a militant wing of the radical Jamaat-i-Islami, whose agenda was accession to Pakistan, sought to marginalize the JKLF. The principal targets of Hizbul Mujahadeen violence were the Pundits (as all Hindus in Kashmir are called) of the Kashmir Valley, who began to emigrate wholesale from the area. The Sufi tradition of the valley came under severe threat.

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By 1993, most separatist leaders realized that violence had brought only suffering. Many separatist elements thus joined together under the All Party Hurriyat Conference (APHC), seeking to harness popular discontent and channel it into peaceful political action. While the overall objective of the APHC has remained *azadi*, the exact nature of that freedom has remained undefined, and because both India and Pakistan have recoiled at the very concept of independence for the region, which is not an option under the UN resolutions, the ramifications remain undiscussed.

Even after the creation of the APHC, some parties were still convinced that violence was their only recourse. Besides, they were interested in sustaining the insurgency in order to damage India's international standing and dash its pride. (India is proud to be a vibrant multiethnic democratic state and disdains any suggestion that it is incapable of maintaining national unity.) As the revolt flagged, these rebel groups proceeded, with the encouragement of Pakistan's ISI, to bring in terrorists who had been engaged in Afghanistan to bolster the cause. The result: the rise of murder and rapine within the state by terrorist groups such as the Harkatul-Ansar and the currently active Jaish-i-Mohammed and Lashkar-i-Toiba.

Neither the state government nor the national government engaged the separatists in dialogue. As a result, their grievances continued to fester. The attitudes of the local population toward the imported terrorists (nicknamed "guest militants") varied from resignation to tacit support to outright support. The human rights abuses committed by the Indian security forces sent to suppress the insurgency only increased local sympathy for the infiltrators. What had begun as a revolt increasingly lost that character, metamorphosing into a low-intensity war between India and Pakistan. And the Kashmiris found themselves essentially alienated from the Indian state.

The present conflict, therefore, takes its place in a sequence of wars between India and Pakistan over Kashmir, a sequence that began with the war of 1947–48 and continued with Operation Gibraltar in 1965. This latter war—which was preceded by a massive infiltration into Jammu and Kashmir of Pakistani security personnel posing as "freedom fighters"—ended in a stalemate and with the signing in 1966 of the Tashkent Agreement by India's prime minister, Lal Bahadur Shastri, and Pakistan's president, Field Marshal Ayub Khan. In these earlier wars, some non-Kashmiri Muslims of the border regions of Jammu and Kashmir had supported Pakistan; in the most recent conflict, however, the primary source of the insurgency has been the Kashmiri population, although it has spread in concentric circles to engulf the entire state of Jammu and Kashmir. Recent developments in discussions between India and Pakistan have made Kashmiris apprehensive that the two countries may strike a deal that ignores the aspirations of Kashmir's people.

Economic Dimensions of the Kashmir Conflict

Kashmiris have come to feel unwanted and betrayed by the rest of the world. Much of this sentiment can be traced to an aspect of the conflict generally overlooked: economic opportunities lost because of misguided development policies in the region since partition. The epicenter of the present insurgency and those regions within the state most affected by it are marked by low levels of development and governance.

In February 1948, Sheikh Abdullah, the first prime minister of Jammu and Kashmir after independence, was sent to the United Nations to support India's case. Speaking for Kashmir, he stridently declared, "We shall prefer death rather than join Pakistan. We shall have nothing to do with such a country." However, in August 1953 the government of Sheikh Abdullah was dismissed and Abdullah himself was arrested on charges of treason. The central government had grown increasingly mistrustful of Abdullah, who had been consorting with representatives of the U.S. embassy in New Delhi without the central government's assent. Simultaneously, Hindu nationalists led by the Praja Parishad, an aggressive Hindu nationalist organization, revolted in the Hindu-dominated Jammu Divi-

sion. The sheikh believed that this revolt had been orchestrated by the Indian National Congress, which was in government in New Delhi.

After Abdullah's government was sacked, the Indian government moved to quell discontent by stepping up economic development in the region. In December 1953, India's Planning Commission advanced a loan of \$14.9 million to the state government. Bakshi Ghulam Mohammed became prime minister with the support of the Indian government. He made no secret of his policy of literally buying the Kashmiris back.

Bakshi had been a leading member of Abdullah's National Conference, which had led the state into accession. He belonged to a business family and had been the sheikh's principal adviser on business matters. His own business dealings centered on forest leases and military contracts. Bakshi undermined the sheikh's support base by awarding contracts to exploit the resources of the state's forests and by granting licenses for transport- and tourist-associated activities and for the distribution of essential commodities—all for a price. Since Bakshi was quickly able to control the agitation resulting from Abdullah's unceremonious sacking, this policy was considered a success. The Bakshi tradition set an unhealthy economic precedent, earning for Kashmiris the contempt of both Indians and Pakistanis as a people who could be traded. For the Kashmiris, this practice only increased their sense of self-loathing and their resentment toward those in power.

The uprising in 1989–90 was essentially predatory, the militants preying on corrupt elements within the state's administrative infrastructure. While the leaders of the insurgent groups received funding from the ISI and the Kashmiri diaspora, they were also able to extort goods and money from two other sectors. These were local government officials, particularly those who had feathered themselves tidy nests by siphoning money from the liberal inflow of development funds from the Indian government, and local businessmen, enriched by the Bakshi tradition. As the upheaval exacted its heavy toll on the state's economy, the richest source of income became the threat and use of violence.

Many still continue to prosper from the war. One notable group is those militants who had surrendered to India's security forces and had been permitted to continue their terrorist activity provided that they did so in support of Indian military objectives. This strategy had proved successful in Punjab through the late 1980s and into the early 1990s, and the Indian government tried to replicate it in Kashmir. The Special Operations Group (SOG), a part of the police administration consisting of surrendered militants, was established in 1994 as Governor's Rule drew to a close. (The state had been under Governor's Rule—i.e., direct rule by the central government—since January 22, 1990, when the state government under the sheikh's son Farooq Abdullah had resigned in the face of mounting violence and in protest against the appointment of an unacceptable governor by the center.) The seeds of the SOG were sown in late 1993 and early 1994 by India's Border Security Force (BSF) and army, which were seeking to reduce their own casualties and the costs of deployment, and looked to "outsource" difficult coordinates in the security grid and escape the glare of media attention. The SOG was formed out of surrendered militants, who wanted to be allowed to carry weapons to defend themselves from the terrorists at large, as they had become the terrorists' primary targets. Although the BSF and the army "piloted" the SOG project, it was then taken over and expanded by the District Police. The state government has claimed that the SOG was shut down in 2002 due to public pressure, but it has been abolished in name only. It is still part of the Jammu and Kashmir police force and continues with its predations.

Men such as Mohammed Yusuf (Kuka) Parray profited tremendously from the central government's policy toward surrendered militants. Where once he had been funded by Pakistan's ISI, subsequently he was patronized by India's security agencies, who did not object to Parray's own terrorist group, Ikhwanul Muslimoon, continuing to terrorize the locals. Doyen of the "counterinsurgents," Parray proceeded to form a political party under his own leadership, the J&K Awami League, and he contested the 1996 assembly election in order to win himself a seat in the state legislature, all the while enjoying the protec-

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The principal reason organizations such as Ikhwanul Muslimoon, the Hizbul Mujahadeen, Lashkar-i-Toiba, and Jaish-i-Mohammed have been able to recruit large numbers despite popular disillusionment with violence is that they offer the best opportunity to make money.

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tion of the central government. (Seven years later, in October 2003, Parry was killed by separatist terrorists.)

The principal reason organizations such as Ikhwanul Muslimoon, the Hizbul Mujahadeen, Lashkar-i-Toiba, and Jaish-i-Mohammed have been able to recruit large numbers despite popular disillusionment with violence is that they offer the best opportunity to make money. (A similar situation obtains in neighboring Afghanistan.) For those taking this course, life may be short, but it is sweet. Recruits have access to luxuries unavailable to common folk, such as staying in houseboats and five-star hotels and consorting with young women, themselves often orphans with no prospects for marriage and fed up with commonplace, increasingly burdensome lives. Since 1996, there has been an increase in activity by foreign terrorists infiltrating across international borders and the Line of Control. However, Kashmiri youth also continue to participate substantially in terrorist activities, a fact that is rarely highlighted. At this point, their participation is motivated more by economic considerations than by ideology.

Kashmir's children live in a state of perpetual anger and frustration. Bashir Ahmed Dabla, chair of the Sociology Department of Kashmir University, has conducted the only study on the impact of the conflict on the women and children of Kashmir. He surveyed two districts, including one in which the capital, Srinagar, is located, and identified the following as the most pressing problems facing orphans aged fourteen and younger:

- loss of home after the father dies (especially when the father has been a militant);
- 27 percent dropout rate from school (73 percent of the children cited poverty as the main reason for this);
- having to work (often in hazardous conditions) to support their families;
- loss of social status and dehumanization (female orphans are considered highly undesirable as marriage partners);
- psychological problems that often result in criminal or violent behavior; and
- lack of health care, resulting in decreased immunity to disease and an increase in neurological and heart diseases.

In 2003, India's National Human Rights Commission engaged the Lal Bahadur Shastri National Academy of Administration, India's top training institution for civil servants, to evaluate how well the civil administration had been protecting human rights in Jammu and Kashmir. One of its primary findings was that the health care system statewide, down to the village level, was run-down, inadequate, and in need of substantial revamping. The public, the study noted, wants to see a medical center (attended by both male and female doctors) in every village, medicines made available free of charge to those in need, and health education offered regularly in rural areas through medical camps and mobile hospitals.

The study recommended a drastic improvement in the condition of psychiatric hospitals and the treatment of psychiatric patients. In 1990, a year after violence erupted in Kashmir, outpatient visits to the Psychiatric Hospital Srinagar soared from three thousand to eighteen thousand. In 1996, a fire gutted parts of the building. According to the study, the civil administration needs to do more to improve conditions at this central hospital. Médecins Sans Frontières, an international medical and humanitarian nongovernmental organization (NGO), has been working in Kashmir since 2001 to alleviate the psychosocial problems of the local population brought on by the traumatic stress induced by the pervasive violence. Many more initiatives of this kind are sorely needed. With its advanced approaches in the treatment of post-traumatic stress disorder (PTSD), the United States is well placed to help in this area. Agencies such as the U.S. Agency for International Development (USAID) could fund programs to enable American psychiatrists to work alongside Kashmir's own medical professionals and develop a therapy that marries the best of Western and Asian approaches.

Economic Opportunities for Peacebuilding in Kashmir

Although poverty rates in Kashmir remain lower than India's national average thanks to effective land reforms implemented by Sheikh Abdullah during his term as prime minister, the state's economy is growing more and more slowly. The region has an entrepreneurial history dating from ancient times, when it lay alongside the legendary Silk Route from China through Central Asia to the West. Although myopic government policies have allowed crop production to stagnate, the horticulture and handicrafts industries have recovered significantly since the uprisings in 1989–90. While there is sufficient cash in circulation, the state's infrastructure is crumbling and development has become inordinately dependent on central government finance because state monopolies in the forestry, power, and industrial sectors have become loss-making concerns.

Across the nation, the Indian government generally funds 20 percent of the cost of state development, requiring the states to raise the remaining 80 percent themselves. From the 1950s until 1990, however, the state of Jammu and Kashmir enjoyed the reverse, receiving 80 percent of its funds in the form of a loan from the central government. Since 1990, when the onset of the insurgency exacerbated the state's financial problems, 100 percent of the state's budget has been financed by the central government, of which only 20 percent is repayable.

The most important resource in the state is the forests that cover eight thousand square miles. The diversity of the region's flora is astonishing, ranging from silver birch in the subalpine mountain ranges to the majestic *chinar* (a richly verdant variety of the maple), walnut, conifers, and deciduous trees in the valleys and plains. In the Bakshi tradition, several favored lessees have had access to this land, making the local government monopoly very rich. Many people have become millionaires and have set up flourishing businesses within and outside the state, and several have launched lucrative political careers. However, the forestry industry has not grown, largely because of the government monopoly.

Kashmir has a long tradition of wooden furniture making. (It is no coincidence that Farooq Kathwari, CEO of Ethan Allen, the largest and most successful furniture business in the United States, is a Kashmiri.) Within today's Kashmir, a number of private entrepreneurs manufacture high-quality furniture, but the growth of their businesses is constricted by a lack of financial and marketing resources. The Jammu and Kashmir government's joinery mill was established in Pampore, south of Srinagar, in the 1950s. Aspiring to rival other world-class furniture manufacturers, the government employed foreign experts to ensure that the mill met international furniture specifications. The mill is now closed. Mismanagement led to declining quality and wasteful overuse of valuable raw materials. Kashmir's walnut furniture has been prized for generations for both the beauty of its texture and its exquisite craftsmanship. (The traditional export route of forest produce was along the River Jhelum, tributary of the Indus, which flows through the Kashmir Valley into Pakistan.) Sadly, the age-old craft of woodcarving is dying out, as young people are pursuing more lucrative professions.

The forests of the state have been among the principal casualties of the violence—a fact that has largely escaped notice. During the height of the unrest, no government forest official dared to venture into the forests, which had become a hideout for terrorists. Free to do as they pleased, the terrorist groups exploited the timber themselves to build their own war chests. The denudation of the forests, already under way because of exploitation by corrupt lessees, accelerated. The forest areas also became major infiltration routes, as they span the mountain ridges along which runs the Line of Control.

In a series of military operations in the early 1990s, security forces successfully restored Indian authority in these areas. But the indiscriminate felling did not stop. Security personnel, only sporadically challenged by forest officials, set about felling timber for private use, building homes for themselves in villages in Punjab and Haryana. As a result, the watershed, particularly in the valley, has been ravaged. Springs are drying

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up and landslides are clogging the waterways, thus reducing the size of the three great lakes in the valley—the Wular, once Asia’s largest natural freshwater lake; the Aanchar, to which all approaches are now overgrown; and the Dal, on which Srinagar is located and which is the city’s chief tourist attraction.

Dal Lake has played a central role in Kashmir’s civilization. Throughout the centuries, it has contributed to the economy of the state by providing food and water and by attracting tourists. An ecosystem unto itself with floating gardens, marshes, lagoons, and forests, Dal Lake hosts its own unique species of flora and fauna. The lake contains many fish, and its floating gardens produce fruit and vegetables. Lotus blossoms blanket parts of the lake during the summer, and the seeds of this plant when they mature make a delectable Kashmiri dish, thus inspiring the term “lotus eaters.” Every year local farmers use the macrophytes and plankton found in the lake as a very rich form of fertilizer.

However, the lake is now suffering from the effects of human interference: encroachments in its catchment areas; the unhindered flow of animal, agricultural, and industrial waste into what were once potable waters; the accumulation of decomposed vegetation and plankton debris; the dumping of garbage and sewage from houseboats and adjacent hotels and homes; the denudation of plant cover, resulting in surface erosion and leaching of soil nutrients; the construction of artificial barricades such as floating gardens, dykes, and roads; an unregulated flow of tourists; and the unrestrained development of infrastructure to cater to the tourists.

While the Indian government has flagged the Dal for restoration under its National Lake Conservation Plan, it has made little headway in cleaning and rejuvenating the lake. The River Jhelum, which winds through the valley, is also severely polluted, and its level has dropped significantly. At one time a principal export route, the river will require significant rehabilitation before that function can be restored. If the valley is not to degenerate into a giant cesspool, urgent action is required to dredge Kashmir’s lakes and rivers of excess silt, relocate encroachments, and devise alternative forms of sewage disposal and treatment. These tasks will require international expertise of a high order.

Kashmir could enhance its economy by further developing two existing industries. Apple juice processing is a growing industry, but given the wide variety of fruits that are native to the region, fruit processing could expand significantly. The hotel industry, which could rival the best in the world, has been crippled by government regulations designed to promote the government’s own participation in an area from which it would do well to withdraw.

Another promising sector is energy. The state’s waterways potentially could generate fifteen thousand megawatts of power. If this energy were efficiently harnessed, it could be used to supply power to northern India, to Pakistan, and even to the new republics of Central Asia. This endeavor might well attract significant investment.

One of the reasons that Pakistan declared to the United Nations in 1948 that Kashmir was “vital” to it was the fear that it might lose control of the use of the waters of the Indus, one of the watersheds of which is the territory of Jammu and Kashmir. This rich resource has not been fully exploited because of limits built into the Indus Waters Treaty of 1960, which divided between India and Pakistan the six great rivers of Punjab: the eastern rivers were allotted for the unrestricted use of India; the three western rivers (the Indus, Jhelum, and Chenab), all of which flow through Jammu and Kashmir, were allotted for the unrestricted use of Pakistan. The treaty was established under the aegis of the World Bank and was not intended to impede development; however, development can be hobbled if either signatory decides to interpret it narrowly. For instance, the storage of water (thereby impeding the rivers’ flow) is impermissible under the treaty, and either country could refuse to permit even the temporary holding of water associated with a bona fide development activity. This has in fact occurred in the case of a project on the Wular Lake designed to promote riverine transport between Srinagar and the towns of Sopore and Baramulla; although the project falls into the “nonconsumptive” category of use as defined by the treaty, it has been hamstrung in negotiation since 1987. Differing perceptions can be seen in the very name given to the project: Pakistan calls it the Wular Barrage, whereas India labels it the Tulbul Navigation Project.

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Hydroelectric power generation may require regulation, but it barely reduces the flow of water, which the treaty prohibits. Yet objections to such projects have been raised by Pakistan repeatedly, leading to the sporadic and wholly inadequate development of this resource. In a recent example, which took place in December 2003 after a Pakistani team visited a hydroelectric generation project site in Baglihar, Pakistan objected to the continuation of the ambitious 450-megawatt project. (In this case the state government is persisting with its plans nonetheless, hoping that the present thaw in relations between India and Pakistan will make agreement possible.) Such objections explain why, despite having the potential to generate large quantities of energy, Jammu and Kashmir has the largest power deficit of any of India's states. The national power grid from which it draws is subject to lengthy power cuts on a daily basis—several scheduled but many unplanned. India and Pakistan could benefit significantly from cooperating in this area, bringing relief to many of their people and helping to strengthen the economic infrastructure.

Regional Development and International Financial Institutions

To date, all attempts by either India or Pakistan to use economic means to assert its authority throughout the former princely state have only reinforced Kashmiris' sense of separateness, by nurturing the idea among Kashmiris that they are not in control of their own livelihoods and that their government seeks only to exploit them.

As noted above, the state receives generous development financing from India's Planning Commission. Other states in India resent what they perceive to be molycoddling, especially of a state they deem not deserving of special attention. Indeed, the per capita investment made by India's Planning Commission in Jammu and Kashmir is among the highest in the nation. Yet young persons living in that state, Indian or Pakistani, increasingly feel that their only means of making a respectable living is by working abroad. While some of the foremost businessmen from Asia living in the Middle East, the United Kingdom, and the United States have their origins in and an abiding love for Kashmir, those remaining in the state are condemned to languish, yearning to fulfill their potential.

Governments in the Indian and Pakistani parts of the state of Jammu and Kashmir must grant their people freedom, not merely by holding elections but also by rolling back restrictions on business and terminating governmental monopolies in trade and commerce, which are, in any case, a drain on government resources. The governments should also be encouraging investment that will generate economic activity.

Key areas for investment are watershed development, the timber industry (which will first require investment to restore the forest cover), fruit processing, and power generation. If these sectors were active, they could help jumpstart the entire economy. Working with the governments of India and Pakistan, the United States could engage the world's leading financial experts to help design multilateral investment programs.

Those programs could be structured in a variety of ways. In one scenario, the World Bank and the Asian Development Bank (ADB) could make low-interest loans, which could then be drawn down through the government of India for the benefit of the state of Jammu and Kashmir. This approach would neither tread on nationalist sensibilities nor require an overhaul of present practice. The World Bank's Foreign Investment Advisory Service conducts diagnostic studies in investment environments to determine impediments to private-sector investments. The government of India has had its own Ministry of Disinvestment since 1999, which could, in consultation with the World Bank, draw up a plan for channeling investment through private enterprise that would ensure that social and environmental mitigation is taken into account. These parties could identify sectors ripe for privatization and investment. The state government could create the necessary regulatory bodies, ensuring the representation of all stakeholders, including

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the World Bank and/or the ADB. These banks are very experienced in making loans for the development of infrastructure such as water supply systems and highways. In Central Asia, the World Bank has contributed funds to increase manufacturing capacity and to help the mainstream of the region's economic sector address environmental concerns. The government of the state of Jammu and Kashmir has already initiated promising discussions with the ADB, which sent a reconnaissance team to the state in January 2004 and which has since promised to earmark \$300 million in postconflict loans for a variety of projects. Such loans are provided at low interest rates to help afflicted regions recover from periods of disruptive conflict and are not counted as part of any quotas that may have been assigned to the region. The state's own principal bank, the Jammu and Kashmir Bank, headquartered in Srinagar, is among the fastest-growing banks in India.

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A key element of any investment program would be a long-term process of identifying potential investors and integrating the efforts of key stakeholders, including governments, multilateral and bilateral donors, and the private sector. Extensive participation by what may be heterogeneous local stakeholders would be vital to ensure the program's sustainability; so, too, would long-term commitment by investors and the flexibility to respond to changing opportunities and problems. Domestic banks would have a role to play, although the overall strategy would likely call for outside financing, not only because of the scale of the investment required but also because of the need for the expertise that international banks can provide. Access to capital markets and export credit agencies might well be needed over the long term.

In the shorter run, before reaching that stage, India's development banks, such as the Infrastructure Development Finance Company (IDFC), could begin to finance investment in the area. Foreign aid would also be necessary and might come from organizations such as USAID, which is already exploring possibilities in this region. The United States could play a direct role by encouraging the World Bank and ADB, which assign finance quotas for individual countries, to make an exception by not including development finance for Jammu and Kashmir in the amounts set aside for India or Pakistan.

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Essential to the successful implementation of such a plan would be the active support of the governments of both India and Pakistan. These governments would need to take the lead in promoting infrastructure investment and development, which would then attract and sustain investment in industry by private investors. To accomplish this, the Indian government might consider setting up an infrastructure project for Jammu and Kashmir in which all stakeholders could participate in the design and implementation of a development strategy. Robust Indian financial institutions such as the IDFC could help by drawing up a plan for financing development. If decisions made by SAARC in January 2004 have the desired effect and future relations between India and Pakistan mellow, businesses from those two SAARC member countries could also be invited to participate. Such a project could also draw down international financing and use it to revitalize Kashmir's economy. SAARC could enlist the IDFC and the governments of India, Jammu and Kashmir, and Pakistan in a joint initiative to propose a development plan.

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Currently, the Indian government discourages foreign involvement of any kind in Jammu and Kashmir. The first World Bank project in the state, one designed to capitalize on the region's rich horticultural resources, was launched as recently as 1977. After the outbreak of the revolt in 1989–90, government policy became even more insular. In 1999, the World Bank financed a modest project under the auspices of the Integrated Watershed Development Program to promote subsoil moisture conservation, but other foreign entities that have expressed interest in financing rehabilitation and relief programs (e.g., the Department for International Development, the United Kingdom's aid agency) have been talked of in India's Ministry of External Affairs as busybodies. The state of Jammu and Kashmir has responded positively to USAID's exploratory discussions on extending assistance to address problems such as PTSD, but the Indian government has rebuffed such initiatives. As most of India moves toward greater openness in the world arena, Jammu and Kashmir remains closed. There have been calls, including some from within

the United States, for India to accelerate the opening of its economy. However, no one thus far has asked specifically for Jammu and Kashmir's economy to be opened.

Even though the ADB has made some headway in examining funding for development activities in Jammu and Kashmir, the bank's present investment proposal is limited to urban infrastructure, roads, and bridges. The ADB has suggested that the state also use the funds that it is prepared to make available to improve its woefully inadequate water supply system, sewerage and drainage, and solid waste treatment system.

Few people outside Kashmir understand that these restrictions on investment reinforce the commerce-friendly Kashmiris' feeling of being prisoners, a sentiment that fed the insurgency in 1989–90. At that time, feelings of resentment against the state and central governments were widespread but amorphous. Many angry young men with whom I spoke said that being part of India had prevented Kashmir from becoming part of the global market. They had not considered specifically how they might find a way of participating in the opportunities that globalization affords, but they were confident that they could hold their own in the world market.

These Kashmiris need to understand that *azadi* is not identical with political independence and that political independence does not necessarily bring economic freedom. However, they also need to be persuaded that they could enjoy economic freedom while continuing to be part of a larger economic entity such as the Indian nation, which is increasingly being seen as a global economic force. If they are to be so persuaded, India must recognize that maintaining an insular policy regarding Kashmir will only frustrate and agitate the people of that state by denying them an opportunity to apply their native entrepreneurial skills. ADB or World Bank funds and aid from organizations such as USAID are vital to the development of Jammu and Kashmir, but they must be complemented by a concerted effort to improve governance—by improving, for instance, the quality of training of civilian administrators and by ensuring that they are equipped to handle high-tech solutions to the state's economic problems.

A Role for the United States

Kashmiris essentially feel that the world cares little for them, if at all. But now that both India and Pakistan have become nuclear powers, the world is concerned that peace be restored in the region. Any such peace can only be tenuous unless the people of Kashmir are given the means to establish lives as free citizens in a free society—something to which they are certainly entitled. Here is where the United States can help.

Most Kashmiris regard the United States as an honest broker, an opinion rarely held in Muslim countries in the aftermath of 9/11. This view has also been expressed repeatedly in private by several members of the separatist leadership. In fact, Kashmiris credit all positive developments in the region over the past five years to efforts made by the United States. Given the deep mistrust that Kashmiris have of India and their growing mistrust of Pakistan, the United States might find it advantageous to cultivate its positive image (especially now that that image is beginning to fray because of events in Iraq). But is that adequate grounds for U.S. involvement? Given that the United States' primary concern in the region is for the nuclear dimensions of any Indian-Pakistani conflict, and given, too, the number and scale of the United States' commitments across the world, the United States may feel that it can best serve its own and the region's interests by continuing to encourage dialogue between India and Pakistan.

In 1962–63, the United States made its last concerted effort to resolve the Kashmir issue. Secretary of State Dean Rusk made it clear that the outcome of talks between India and Pakistan would have a "genuine" impact on each country's relations with the United States. Friendship with the United States was therefore the bait. That initiative foundered because attempts to force the issue failed, with India garnering the support of the then-powerful Soviet Union, and Pakistan veering toward China. When President Kennedy was

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assassinated in November 1963, the United States abruptly dropped this approach, but the quest for resolution continued.

After he was released from prison in April 1964 and the conspiracy cases against him were dropped, Sheikh Abdullah visited both India's prime minister, Jawaharlal Nehru, and, with the latter's approval, Pakistan's president, Ayub Khan, to explore possibilities. These meetings were to be a prelude to a meeting between the two heads of government. Unfortunately, that meeting never took place because Nehru died in May 1964. At that point, the Indian government was still open to a negotiated settlement. Instead, Ayub tried to grab the territory and launched the ill-fated Operation Gibraltar in 1965. Although ending in a military stalemate, this move closed the discussion on the Kashmir issue.

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Many of the factors that undercut the Kennedy initiative no longer exist. Even so, any effort by the United States to impose a resolution will undoubtedly provoke popular resentment and public resistance within both India and Pakistan, even if the national governments are compliant, rendering any enforced settlement unsustainable. Pakistan's religious radicals would be sure to denounce it as an effort to undermine Pakistan's nationhood and as a betrayal of their coreligionists. Indians would see it as an assault on their hard-won sovereignty. In February 1994, India's parliament unanimously adopted a resolution declaring that the state of Jammu and Kashmir has been and will always be an "integral" part of India, and that India has the will and the capacity to counter any effort to compromise this. It demanded that Pakistan vacate all areas of the state "occupied through aggression" and warned that any interference in India's internal affairs will be "met resolutely." This resolution was championed by the Congress Party, which returned to the helm of India's government after the parliamentary elections of 2004.

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The subtleties and complexities of the relationships between the communities and the countries of South Asia are best understood and handled by the people directly involved. The United States can best serve, then, not as a mediator but as a facilitator, paving the way toward resolution while leaving the principal stakeholders to determine the form of that resolution. As the chairmen of the Independent Task Force of the U.S. Council on Foreign Relations and the Asia Society that visited India and Pakistan in December 2003 concluded in their report, *New Priorities in South Asia*: "In the final analysis, only New Delhi and Islamabad can resolve their rivalry and reach an accord over Kashmir. The United States can—and in the Task Force's view, should—try to help the process." If the situation is to be resolved effectively, the Kashmiris will also need to have a say in the matter. The good news is that the SAARC agreements have generated positive momentum, and it seems that the time for real change has come.

In an article published in *Foreign Policy* in spring 2000, Strobe Talbott, deputy secretary of state under President Clinton, noted how the concept of nationhood is metamorphosing in a world of globalization and how the subphenomenon of regionalization (of which SAARC is an excellent example) is on the rise. "National sovereignty and national identity are still very much part of the international landscape," Talbott commented. "But the environment in which they exist is increasingly subject to forces that for good or ill cross borders—forces that constitute what sovereign states have classically considered interference in their internal affairs." Talbott asked that disputing parties recognize this new context in which they are operating when attempting to resolve the issues between themselves.

A popular perception among Kashmiris is that the sporadic periods of near normalcy achieved in Jammu and Kashmir have been the result of U.S. efforts. Whether or not this is true, one can hardly deny that the United States could contribute greatly today, given its long-standing relations with Pakistan and growing friendship with India. Avoiding nuclear confrontation is certain to remain a serious U.S. concern, but it should not be Washington's only, or perhaps even its chief, concern. Recent near-war crises—from the Kargil War to Operation Parakrama (in which India mobilized its troops to respond to a terrorist assault on Parliament in December 2001, prompting Pakistan to do the same)—suggest that both sides are conscious of the need to avoid escalating their

conflict to the nuclear threshold. Washington's priority could instead become helping to restore a highly functioning, robust democracy in a part of India—Kashmir—where it has been under threat, which would in turn be an effective means of countering terrorism in India. Action to bolster democracy in Kashmir would also help to undercut the rationale for unrest in Kashmir and thereby help to rid Pakistan—now a major non-NATO U.S. ally—of the incubus of religion-based terrorism that has retarded its evolution into a modern nation-state. U.S. support for dismantling of the terrorist infrastructure within Pakistan would remove a major threat to the country's political stability and thus help it grow into the full democracy to which it aspires and for which it already possesses many of the key ingredients.

In a time of globalization, India's rapid rise as an economic power makes it attractive to the United States as a trading partner. India's economic resurgence, however, has been constricted by turbulence in the northwest of the country. Punjab, India's most prosperous agricultural state, has failed to attract foreign direct investment commensurate with the potential of its resources, despite its enterprising diaspora. This is partly because some of the Sikh community, which constitutes two-thirds of the population of Punjab, took recourse to violence between 1978 and 1993 in an attempt to establish an independent homeland of "Khalistan." Although the climate in Punjab is now peaceful, investors are still wary, given its location along a troubled frontier. And while India's software revolution has lured a number of U.S. investors, most of the computer industry is concentrated in the southern part of the country, in the great state capitals of Bangalore and Hyderabad, fostering an asymmetrical development of India's economy. And, tragically, the confrontation over the Muslim majority state of Jammu and Kashmir has vitiated the relationship between India's two largest communities: Hindu and Muslim.

The United States can, as a friend, be instrumental in alleviating the concerns of both countries in areas perceived by them to be vital to their growth. For instance, nuclear parity between neighbors is no guarantee of parity in conventional war. As we learned from the Kargil War and Operation Parakrama, conventional war remains a possibility, albeit an avoidable one, in the historically brittle relationship between the two countries. However, Pakistan lacks the resources and the economic strength to retain such parity, even if, as some experts claim, it exists today.

A small country like Malaysia has become an economic presence in Southeast Asia because it has judiciously plowed limited resources into education and health, restructuring the country's bureaucracy as part of the process. If Pakistan could be helped to lighten the heavy burden of its defense spending, it would be free to make similar investments in education and health.

President Musharraf has spoken of reforming the *madrasa* system, but there are no indications of change thus far. The report of the Independent Task Force noted that Pakistan urgently needs to improve teacher training and curriculum development, while also monitoring its schools more closely. Pakistan's rural population currently suffers from inadequate educational opportunities. As Aqil Shah, a Pakistani scholar with the National Endowment for Democracy pointed out in an op-ed in the *Washington Post* in May 2004, "the amount Pakistan spends on public education is among the lowest in the world as a percentage of its economic output." A reinvigorated and reformed *madrasa* system could help universalize education in Pakistan, especially if the United States was prepared to contribute technology, expertise, and funds to help modernize school facilities and improve the quality of teacher training. And while some may argue that the *madrasa* philosophy and approach run counter to that of modern education, there are success stories. One case is in the Indian islands of Lakshadweep, located north of the Maldives in the Arabian Sea. The entirely Muslim population boasts a 100 percent literacy rate, and this archipelago is completely crime-free.

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For more information on this topic, see our website (www.usip.org), which has an online edition of this report containing links to related websites, as well as additional information on the subject.

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legitimate quid pro quo for action by Pakistan not only to withdraw support for cross-border (or cross-Line of Control) terrorism but also to actively discourage it. This would require dismantling the terrorist infrastructure that continues to flourish in Pakistan—and that elicits merely fitful gestures of disapproval from Pakistan’s government. An end to sponsorship of terror in Kashmir would, of course, also be in line with SAARC’s Protocol on Terrorism. If—thanks in part to strong U.S. encouragement—the flow of terrorists from Pakistan into Kashmir were to be halted, the U.S. “war on terrorism” would be advanced and the Kashmiri people would no longer suffer in India’s and Pakistan’s proxy war. If Pakistan makes such positive moves, so too must India by reducing its military and paramilitary presence in Jammu and Kashmir. This in turn would ease threat perceptions in Pakistan, encouraging it to reduce its economically debilitating levels of defense expenditure.

The deployment of large security forces in civilian neighborhoods only feeds public resentment, fueling violence. While it will be necessary for India to maintain a military presence in the state until normalcy returns, that presence should be scaled down steadily, and the responsibility for the administration of law and order should be restored to the local police. Such a measure would help rebuild the Kashmiri public’s confidence in the Indian central and state governments.

By gradually reducing their military presence in Jammu and Kashmir, India and Pakistan can set a course for the peaceful resolution of their differences. I have suggested the role the United States could play in promoting investment in the state through its own aid agencies, helping those dispossessed and traumatized by the violence to return to a normal, economically productive life. By actively encouraging economic revitalization, the United States could help the young people of Jammu and Kashmir, the fulcrum of the conflict, to create constructive lives for themselves and to eschew violence.

Recently, the APHC, composed of the leadership of the separatist elements, initiated a dialogue with the Indian government at the level of deputy prime minister. Although this process has moved fitfully amid doubts about the parties’ good faith, this is to be expected in initial interactions of this nature. Furthermore, the process enjoys broad-ranging political support in India and will not therefore founder merely because of a change in government. The leadership of the government of India elected in 2004 had in fact opened communication with separatist elements before the recent dialogue was launched. Positive steps are being taken. The United States can help to boost the chances that these efforts will yield a lasting resolution of the conflict through a variety of actions, few if any of which require offending political sensibilities in India and Pakistan. For instance, the United States could help to create employment opportunities for the youth of Kashmir, to promote international investment in Jammu and Kashmir, and to set up centers to provide psychiatric care to a deeply traumatized people.

Although the United States and the rest of the international community can make significant contributions to the process of restoring peace in Jammu and Kashmir, ultimately it will be up to India and Pakistan to find a solution to their conflict over Kashmir. The good news is that all three major stakeholders—Pakistan, through the repeated statements made by its leadership; India, through its constitution guaranteeing liberty to its citizenry; and the Kashmiri leadership, through its concern for the people that it claims to represent—already share a concern for the peace and dignity of the Kashmiris. Now they must work to construct an environment in which peace and dignity can be achieved.



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