

## Chapter 4: Irrationality

The rivalry between India and Pakistan is proving increasingly expensive for both the countries. The cost is not only to be measured in terms of military expenditure, but also on the basis of varied parameters such as discounting of GDP growth, terror-economy growth, negative transformation of institutions, politicicide, diplomatic losses, education costs, value deficit, and, most importantly, human lives.

Some costs are directly associated with hostility between the two countries. Some costs may appear to be indirect. Some costs constitute a small but critical component of a larger picture. For instance, India has the potential to raise its GDP growth rate from 7 per cent to over 10 per cent. A friendly India-Pakistan relationship is just one of the many factors required for such an increase. But because of its inter-dependence with other factors, it contributes to over 3 per cent deficit in India's potential growth rate. Similarly, Pakistan is in the grip of extremist religious forces and terrorist groups and India is only one of the many factors in determining the future of terrorism in Pakistan. But because of its interdependence with other factors, it adds to Pakistan's social costs.

### **Economic, Diplomatic and Socio-political Costs**

India granted the Most Favoured Nation status to Pakistan in 1995-96. Pakistan has refused to reciprocate. Except for nine years between 1965-74, India-Pakistan trade has been uninterrupted and the volumes of official trade have been negligible. India-Pakistan bilateral trade amounts to only about one per cent of their respective global trade. However, the volume of third country and illegal trade indicates the tremendous potential for bilateral trade between the two countries. Prospects for bilateral India-Pakistan trade could be to the tune of \$3-4 billion in a favourable environment and nearly \$5 billion under SAFTA.

Conflictual relations have hampered the possibility of creating trade transit rights and pipeline projects. Lack of trade transit rights prevents both the countries from exploiting other geographically closer markets in the region. This also negates possible India-Pakistan joint pipeline projects to tap the major gas deposits of the Persian Gulf and Central Asia. India is thus forced to import natural gas through other expensive options, whereas Pakistan loses an opportunity to earn more than \$500 million per year in transit fees.

India and Pakistan account for approximately 80 per cent of the GDP of SAARC countries. A conflictual relation between its two largest member states has hindered the progress of SAARC. An agreement on South Asian Free Trade Agreement (SAFTA) was reached at the Islamabad SAARC Summit in January 2004; however, implementation of SAFTA can be severely hampered if the two nations go back to their warring ways.

Since independence, India and Pakistan have looked at the world through the prism of the other. This has affected not just their mutual relationship but also their relations with other countries. Both countries have rigid, counter productive policies vis-à-vis each other, and mutually exclusive policies when dealing with third countries. Bilateral diplomatic ties between the two countries reflect the border situation between them. The necessity to sign a special bilateral code of conduct, stipulating the norms for treatment of the diplomats, itself indicates that even diplomats are not spared from the web of antagonism. Diplomats of both the countries have often complained about harassment and ill treatment. Diplomatic ousters become a pattern during heightened tensions. Hostility between the two neighbours has in the past impeded their entry into various regional groups and blocs, such as Shanghai Cooperation Organization.

Cumbersome visa procedures and restrictions on movement has ensured minimal people to people contact. Severance of transport links on many occasions has also caused drop in the number of people travelling across the border. For instance, the stopping of Samjhauta Express in the aftermath of the attack on the Indian Parliament led to a loss in traffic of about 150,273 passengers between January 2002 and December 2003. The media flow across the border is also minimal, though Internet access makes up for it to some extent.

The most significant cost for Pakistan is the transformation of Pakistan's political and social institutions. Growing military and jihadi influence has reduced the significance of democratic institutions. The military has over the years pervaded every segment of Pakistani society - industry and commerce, diplomatic services, and civil institutions,

not to forget education and health care services. The core of the military business empire is a group of four foundations - Fauji Foundation, Army Welfare Trust, Shaheen Foundation, and Bahria Foundation - initially set up to help retired service personnel. With assets worth \$5 billion, these foundations represent the biggest business and industrial conglomerate in the country and run some of the largest listed companies on the Karachi Stock Exchange. The stake of military in the economy is very high, and it needs to control politics to safeguard its own interests. Accordingly, the Musharraf government created a constitutional role for the army in the form of the National Security Council. Also, the military has become the largest contributor to the bureaucracy in Pakistan, with approximately 1,000 serving or retired military men filling important positions in government institutions and state corporations.

The influence of jihadi forces is growing on the Pakistani society, as well as lower grades of army. Various jihadi outfits like Jama'at-ud-Dawa are involved in social activities like schooling, free medical treatment and welfare of the poor to expand their reach to wider sections of the society. As discussed elsewhere, so far the jihadi forces have been instruments of the military, but in the next 5-10 years, they have the potential to turn dominant and use the military as their tool.

For India, the socio-political costs of conflict with Pakistan lie in the spread of terror to various parts of the country, the changing nature of internal ethnic resistance movements, risk of communal flare up, curbing of civil liberties and growth of hard-line political culture in parts of the country.

Over the last decade, India has faced more than a dozen major incidents of terror. Since the attack on World Trade Centre, the targets of attacks in India have also been symbolic in nature, from the State Assembly of Jammu & Kashmir, the Gateway of India to the Indian Parliament. Mumbai, the commercial capital of India, has been a preferred target over the years. Since January 18, 1993, 31 blasts have rocked the city killing more than 300 people. The responsibility for Mumbai blasts was claimed by individuals with no or minimum criminal records or by previously unknown organisations. In early 2003, Lashkar-e-Taiba (LeT) launched Jihad-e-Hind operation, in addition to its Jihad-e-Kashmir operation, signifying the shift of LeT focus from Kashmir to the rest of India.

A lesser form of security and liberty has come to be accepted in both the countries. This is perhaps the greatest cost that the countries for their hostility.

## **Arms Race**

India and Pakistan have fought four wars resulting in total casualties of 8,733 military personnel for India and 13,896 military personnel for Pakistan. Apart from the combined death toll of 22,600 for India and Pakistan, there were approximately 50,000 wounded or maimed on both sides. Though reliable data on disappearances and civilian casualties is not available, it would be safe to assume that at least 100,000 families suffered direct human costs on account of the four wars between India and Pakistan. It is not possible to calculate the actual economic costs incurred in these four wars. However, the 2002 mobilisation and the Siachen conflict can both serve as an example of economic costs to the two countries. The 2002 mobilisation cost \$1.8 billion to India and \$1.2 billion to Pakistan. In percentage terms, this came to 0.38 per cent of GDP for India and 1.79 per cent of GDP for Pakistan. Assuming an average growth of 7 per cent for India and 4.5 per cent for Pakistan, such a confrontation will account for approximately 0.43 per cent of GDP for India and 2.25 per cent for Pakistan in 2007. Such a confrontation would cause internal displacement of about 100,000 people on the Indian side and 50,000 people on the Pakistani side. Similarly, the localised conflict of Siachen will cost \$1.6 billion and about 900 lives to India and \$0.3 billion and about 450 lives to Pakistan if it continues to rage over the next five years.

India's defence expenditure has taken quantum leap in the past decade. In 1995, India's defence expenditure was \$8.34 billion, and that of Pakistan was \$2.96 billion. In the 2004-05 defence budgets, the figures stand at \$16.7 billion for India, an increase of \$2.23 billion from the fiscal year 2003-04 and \$3.32 billion for Pakistan, \$0.6 billion more than that for 2003-04. As percentage of GDP, the Indian defence expenditure comes to 2.89, whereas for Pakistan it comes to 5.19. Thus, though the defence expenditure of Pakistan is much lesser than that of India's in absolute, it is much higher in terms of percentage of GDP.

The statistics of defence expenditure tell only half the story. The real picture is revealed in the form of shopping spree and manufacturing of conventional weapons, nuclear arms and ballistic missiles.

According to the SIPRI Yearbook 2004, arms imports by India increased by more than 100 per cent in 2003 over 2002, maintaining a constant increase since 2000. According to the same report, India stands second in the list of the recipients of major conventional weapons in a period 1999-2003, with a total arms import bill of \$11,800 million; Pakistan claims the ninth spot in that list, with an arms import bill of \$2525 million. Every successful arms acquisition deal by one country triggers off yearning for better weapons in the other.

The arms race in the subcontinent started with the US reopening its pipeline to Pakistan within months of 9/11 for operations against Al-Qaeda and Taliban. The arms supply has moved away from the war on terror and has, arguably, an anti-India orientation. Weaponry earmarked for exports to Pakistan include eight P-3C Orion surveillance aircraft, 2000 TOW-2A and 14 TOW-2A anti-armour guided missiles for the army, six Phalanx rapid-fire 20mm guns for surface ships and an upgrade of six additional gun systems. The US is also mulling over the possibility of refurbishing Pakistan's fleet of 28 old F-16 planes and permitting the sale of 12 used F-16s from Belgium. The \$750 million Pakistan-China deal for the supply of four frigates to Pakistan is all but completed, pending financial discussions. In July 2004, Pakistan purchased a fleet of grounded Libyan Mirages including 50 jets and 150 engines. Pakistan Air Force will induct JF-17 'Thunder' aircraft, being produced jointly with China in 2006. Pakistani defence planners have also started looking at other potential suppliers such as Sweden and France.

The Indian budget for 2004-05 witnessed nearly 60 per cent hike in allocation of capital expenditure; parlance for funds provided for arms purchases, from \$4.57 billion in 2003-04 to \$7.31 billion in 2004-05. The year 2004 saw renewed defence ties with Russia India's dominant defence supplier. In January 2004, India signed a \$1.5 billion dollar deal with Russia to overhaul and procure a Soviet-era aircraft carrier, Admiral Gorshkov, and to supply 28 MiG-29 maritime jets to India. In December 2004, India and Russia signed a \$1.5 billion contract for exporting 40 warplanes to India. In March 2004, India signed its biggest ever deal with UK worth £795 million to purchase 66 Hawk Advanced Jet Trainers. Around the same time, Israel also agreed to sell three Phalcon airborne early warning systems worth \$1 billion to India. Nearly completed deals include a \$2.5 billion proposal to import six Scorpene submarines and 36 SM-39 missiles from France, and a \$230 million deal with Israel to acquire 50 Eagle/Heron unmanned aerial vehicles.

Though deterrence by definition should be minimum, India and Pakistan are increasing the threshold of nuclear deterrence with each passing year. The missile race between the two nuclear-armed neighbours continues on a quid pro quo basis since 1998, and the current peace process has not brought about any change in that. Since the November 2003 ceasefire between the two countries, together they have test fired almost 20 missiles. The pre-1995 period saw the tests of Prithvi I and Agni I missiles in the case of India and Hatf 1, 1A, 2 and M 11 in the case of Pakistan. In fact, India suspended the development of the Agni missile project in 1995-96, but later revived it in 1997 amidst reports of nuclear and missile technology transfers from China to Pakistan. Post 1995, India developed and test fired a plethora of ballistic and cruise missiles including Prithvi II, Agni II, Trishul, Dhanush, Akash and Brahmos. The Pakistan missile inventory now boasts of Hatf 1, Hatf 1A, Hatf 2, Hatf 3, M 11, Shaheen I, Ghauri I and Ghauri II.

Currently, India is developing Agni III and IV, surface-to-surface ballistic missiles, with respective ranges of 3,000-3,700 km and 4,000-5,000 km; Surya, an intercontinental ballistic missile with a range exceeding 5,000 km; and Sagarika, a submarine-launched ballistic missile with a range of 300-350 km. Pakistan is developing Ghauri III, a surface-to-surface ballistic missile with an estimated range of 2,500-3,000 km and Shaheen II with an estimated range of 2,500 km. Thus, the extensive missile development program in India and Pakistan continues amidst peace plans.

There are various speculations about the stockpile of nuclear warheads in both the countries. India is estimated to have enough fissile material to produce 60 to 90 nuclear warheads, but may have assembled only 30-50; whereas Pakistan is believed to have fissile material sufficient for 30-52 warheads, but is estimated to have assembled between 24 to 48 warheads. At the time of testing in 1998, India was suspected to have about 30-40 warheads and Pakistan about 15-20. Both sides have increased their stockpiles considerably during 1998-2005, despite the peace process of 2004-05.

Thus, both the countries continue to talk peace amidst their missile tests and defence-shopping spree. At least in the days of hostility, missile tests by one country were met with lot of opposition by the other. Similarly, a lot of concern was shown over arms deals and weapons acquisitions in the subcontinent.

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days of hostility, missile tests by one country were met with lot of opposition by the other. Similarly, a lot of concern was shown over arms deals and weapons acquisitions in the subcontinent. Currently, the missile program and weapons deals are in overkill mode in both the countries, but there is hardly any opposition to this. It is almost as if the arms build-up is continuing in the neighbouring country with the implicit consent of the other. The peace process has also made the international community turn a blind eye to the increasing threshold of arms and missiles race in the region. Given the swing pattern of relationship between India and Pakistan, if they go back to their warring ways, the current accumulation of arms will have grave consequences for the region.