

INDO-PAK COMPOSITE DIALOGUE 2004-05 A PROFILE

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The India-Pakistan Composite Dialogue, borne out of the 6 January 2004 joint statement given by Atal Behari Vajpayee and Gen. Musharraf laid the ground for the formulation of the eight-point agenda that were detailed by the respective foreign secretaries in February 2004. The following issues constitute the eight-point Composite Dialogue: Peace and Security including CBMs, Jammu and Kashmir, Siachen, Sir Creek, Wullar Barrage/Tulbul Navigation Project, Terrorism and Drug Trafficking, Economic and Commercial Cooperation and Promotion of Friendly Exchanges in Various Fields. Detailed exposition in the progress made in the aforementioned issues follows.

I

Peace & Security CBMs

Nuclear CBMs

The nuclear and conventional CBMs between India and Pakistan are based on the framework of the Lahore MoU (1999) and the Joint Statement made on 20 June 2004. The Expert Level talks were held in Islamabad on 14-15 December 2004. This meeting's agenda was to prevent misunderstanding and reduce risks relevant to nuclear issues, an early operationalisation and of the upgradation of the hotline between the DGMOs and the establishment of a secure hotline between the two Foreign Secretaries was sought. During further meetings between the

respective foreign secretaries on 27-28 December 2004, they decided to, "Build upon the existing contacts between DGMOs ... promote regular contacts at local level at designated places and explore further CBMs along the international boundary and the LoC ... discussed and narrowed further their differences on the draft agreement on pre-notification of flight testing of ballistic missiles, and agreed to work towards its early finalization."

At the next expert-level meeting on 5-6 August 2005, an understanding on the proposed Agreement on Pre-Notification of Flight Testing of Ballistic Missiles, "committing both sides to pre-notify in a structured format flight-testing of ballistic missiles, with the objective of enhancing mutual confidence and engendering predictability and transparency of intent." Also, "in pursuance of the MoU of 21 February 1999 which *inter alia* provided for undertaking national measures to reduce the risks of accidental or unauthorized use of nuclear weapons under their respective control, the Indian side handed over a draft of such a proposed Agreement." At the third round of talks between the respective foreign secretaries on 17-18 January 2006, the experts meetings on nuclear and conventional CBMs were mandated to "continue consultations on security concepts and nuclear doctrines." Also, an agreement to prevent incidents at sea and air by

improving, and ensuring navigation facilities, is on the cards. On 1 January 2006, the two countries exchanged their lists of each other's respective nuclear facilities in terms of a 1988 accord (in force since 1992) that prohibits attacking nuclear installations and facilities. On 17 January 2006, Pakistan proposed "that military strike formations on either side should not be permanently relocated to forward locations," the aim being to avoid the possibility of an "eyeball-to-eyeball" confrontation every time a strike corps formation is moved. The proposal is under review by India as it may undermine its post-Parakram emphasis on quick deployment of its armed forces.

Conventional CBMs

New Delhi hosted the second round of Expert Level Talks between India and Pakistan on Conventional CBMs on 8 August 2005. It was decided "to implement the 1991 Agreement between Pakistan and India on Air Space Violations in letter and spirit; upgrade the existing hotline between the two DGMOs by end September 2005; not to develop any new posts and defence works along the LOC; hold monthly Flag Meetings, between local commanders, at Kargil/Olding, Uri/Chakothi, Naushera/Sadabad and Jammu/Sialkot sectors; speedy return of inadvertent Line crossers, and to work out a comprehensive framework to that end, and periodically review the existing CBMs."

II

Jammu & Kashmir and Siachen

Of all the marked issues in the Composite Dialogue, Siachen and J&K are the most politically sensitive issues for India and Pakistan. The Composite

Dialogue promised/promises to be different from previous negotiations by virtue of not making J&K the only issue on the table, however, the centrality of J&K, and Siachen as an adjunct is undisputable. Hence, parleys conducted over these issues have been forever guided by the history of the respective disputes, thus formulating value judgements of the respective interlocutors and the resultant viewpoints they hold over the issues. The complex history of the region, coupled with the current status of the region and the flexibility of options available as solutions to the sides is based on their respective national (and local) political mandates. Another unique aspect of these issues is that their resolution has been sought at different levels - official diplomatic parleys, "back channel" diplomacy conducted by specially appointed representatives or National Security Advisors and Track-II diplomacy. Therefore, to assess progress made in these issues, it is necessary to glean information from formal pronouncements (at the level of official ministerial and diplomatic parleys), media utterances and reports, and internal debates in the respective countries.

Any durable solution to the J&K issue requires a multi-pronged approach, none more important than a political settlement at the highest level between the two representative governments, with close consultations with local representatives of Jammu & Kashmir. At the outset, it must be noted that Indian and Pakistani positions on the causal link between J&K-centric CBMs and the final "solution" to the issue is different. Manmohan Singh has made it clear that India sees CBMs not as an end in themselves but as a step towards the resolution of disputes. But Pakistan's fears remain over India's

machinations to only pursue CBMs and stave off any substantial movement towards settlement of the dispute. Conceptual dissonance still exists over this aspect and was on display during the beginning of the third round of the composite dialogue in New Delhi on 16-18 January 2006. Indian foreign secretary opined that CBMs were part of the “final solution” on Kashmir, the logic being that CBMs are integral to resolving his Pakistani counterpart, Riaz Muhammad Khan curtly expressed Pakistan’s opinion that Saran’s comment was “just a point of view.”

Various possible solutions or ‘trial balloons’ have been floated since the inception of the dialogue. In October 2004, during an *Iftar* party, Musharraf identified seven regions in J&K based on “religious, ethnic and geographical terms [Ladakh (the Islamic part between the Himalayas and the Indus), Kargil/Dras (Muslim), Poonch (Muslim, contiguous with Azad Kashmir), Jammu (Muslim-majority districts) and the Valley (Muslim)]” and change their status. Change of status of an area(s) would entail “demilitarisation & autonomy, joint control of the two countries, division between the two countries, and making the Kashmir Valley autonomous or placing it under UN supervision.” India and the people of J&K itself shot down this balloon as the idea of partitioning the state is antithetical to its people and is against the one of the foundations of the Indian Republic, secularism. Further, Musharraf drew flak from within Pakistan for “doing a U-turn on Kashmir.” While visiting Delhi in April 2005, Musharraf mentioned “self-governance” and on 20 May 2005 “demilitarisation” and “maximum

self-government” was proposed. Interestingly, in contrast with the aforementioned *Iftar* proposals, “*independence* and *religious basis* are ruled out” this time around. Manmohan Singh had made India’s basic stand very clear as back as May 2004 saying, “short of redrawing of boundaries the Indian establishment can live with anything.”

In an interview to BBC on 21 October 2005, Musharraf wanted the LoC to be made “irrelevant” to handle the groundswell of human misery resulting from the aftermath of the Kashmir earthquake on 8 October 2005. He put forth the idea to “identify ‘what is Kashmir,’ then *demilitarise* the identified region, take all the soldiers out and then give *self-government* to the people in the region.” Demilitarisation and self-governance are “joint ideas”, i.e. they are mutually exclusive according to Pakistan and hence just demilitarisation will not suffice, it must be followed up with self-governance. “Demilitarisation” and “self-governance” have been oft-repeated refrains emanating from the Pakistani establishment, especially in the latter half of 2005. In a January 2006 interview, Musharraf clarified his *definition of self-governance* by stating that, “We are working for something between autonomy and independence. And I think self-governance fits in well.” Another idea mooted by Musharraf is *joint management*, which entails identification of a region, demilitarise in that region, followed by self-governance and then joint management. Under his own admission, these “are the four things” he had proposed long time ago. The October 2004 *Iftar* proposals and the May 2005 “demilitarisation” proposals had similar connotations; the only

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difference being that overt references to religious and ethnic grounds for identifying regions are absent in the elucidation of this idea. It must be kept in mind that Gilgit, Baltistan and Northern Areas that are under Pakistani control now must be part of this *joint management* proposal for it to have any purchase in India.

Detailed expositions of the very same proposals have been doing the rounds since October in the Pakistan establishment. In October 2005, Pakistan's minister for Kashmir & Northern Areas Affairs, Faisal Saleh Ahmed espoused "joint control formula, limited sovereignty formula or a devolution system formula." Again, during the 13th SAARC Summit at Dhaka in November 2005, the prime ministers of India and Pakistan met at the sidelines of the summit where the demilitarisation and self-rule were brought up. India's official response to these ideas is that relative self-autonomy of J&K is higher as compared to "Azad" Kashmir and the Northern Areas; also, the state elections in J&K held in 2002 have been recognised as "free and fair" by both local and international observers. India has also stressed upon the special status accorded to J&K under Article 370 of the Indian Constitution. Closer scrutiny of Pakistan's bouquets of ideas reveal that the LoC as a *de facto* border will be a hard sell during the negotiations with Pakistan, and this will have its ramifications on the Siachen issue as well.

India's stand on demilitarisation has been constant; describing it as India's sole prerogative to take that step and the security set-up is in place to tackle the menace of cross-border terrorism, whose threat has been sharply brought into focus after credible inputs of the influx of terrorists into Kashmir in the

wake of the October earthquake, the spate of attacks in Kashmir, the New Delhi bombings and the IISc shootout at Bangalore. Pakistan's capability to combat terrorism has been one of the cornerstones of this composite dialogue as enshrined in the joint statement of 6 January 2004.

Musharraf has also floated a 'test case' of demilitarisation "in three important towns of the Valley - Srinagar, Kupwara and Baramulla." If India pulls back its security forces from these towns, Pakistan will "ensure that there is no militancy inside." He proposes to move forward based on the "the comfort that will come to the people." India has not publicly responded to this set of measures, yet. The ostensible reason for India not responding has been that the Pakistanis have made no formal presentation of such plans. This has caused much chagrin and disappointment to Pakistan and Musharraf in particular. The discretion exercised by India can be attributed to a close study of the ramifications of any plans that involves considering that Kupwara and Baramulla's strategic importance as they serve as gateways to the Valley. "54 terrorist 'commanders' have been killed in the three districts between 2003 and 2005 and "183 terrorists were killed in Kupwara and 169 in Baramulla in 2005, the two highest numbers in J&K."

The demilitarisation and self-governance 'plans' being debated in official and media circles were clarified in December when Indian National Security Advisor, MK Narayanan said in an interview aired on 24 December that experienced diplomats were engaged in back channel diplomacy and India would look into any specific plan about self-

governance that Pakistan has proposed. This concession came after a barrage of criticism from both Pakistan and Kashmiri leaders like moderate-APHC chief Mirwaiz Omar Farooz and NC President Omar Abdullah about India's lukewarm response and inflexibility. However, setting aside impassioned exhortations, India's next step will depend upon studied responses based on not just specific to Kashmir (like reduction in violence, details of the self-governance plans), but also progress being made in other areas of the composite dialogue like Siachen, Sir Creek, trade and CBMs.

III Siachen

A two-day defence secretary-level talks was held between India and Pakistan on 5-6 August 2004 in New Delhi. The ceasefire (in effect since 25 November 2003) at Siachen was assessed and the military experts discussed disengagement and redeployment of troops. In April 2005, 16 months after the initiation of the composite dialogue, the "existing institutional mechanisms" (defence secretaries) were mandated to find a mutually acceptable solution. At the next meeting joint statement issued by the respective foreign ministers on 4 October 2005, it was agreed to exchange ideas on the Siachen and continue discussions so as to arrive at a common understanding before commencement of the next round of the Composite Dialogue in January 2006. However, the joint statement issued at the end of the scheduled beginning third round of talks on 18 January 2006 did not make any reference to Siachen. Clearly, talks on

the Siachen Glacier are moving at a glacial pace.

On his visit to the Siachen Glacier on 10-12 June 2005, Indian Prime Minister Manmohan Singh mooted the idea of converting it into a "mountain of peace." The official Indian position remains that the boundaries will not be redrawn "coupled with Pakistan accepting and authenticating drawing of a straight line north of the Soltoro Ridge." Troop withdrawal has been ruled out until the complex modalities of the Actual Ground Position Line (AGPL) are worked out. Reports suggest that the Indian government is not "worried about losing control of the Bilafond La, Gyong La or Siya La, the three passes along the Saltoro range and falling back." Delineation of the AGPL remains India's prime concern to avoid violations in future. The much-touted agreement on Siachen formulated during back channel diplomatic parleys did not materialise in September 2005, even as Manmohan Singh and Musharraf met at the sidelines of the UN General Assembly in New York.

IV Sir Creek

Indian and Pakistani delegations met in New Delhi on 6-7 August 2004 to discuss the "demarcation of the international boundary between the two countries in the Sir Creek area." Later, on the basis of the understanding [to undertake discussions over joint survey of the boundary pillars in the horizontal segment (blue dotted line) of the international boundary in the Sir Creek area] reached during the Foreign Minister level meeting in New Delhi on 5-6 September 2004, a

meeting was held at Rawalpindi on 14-15 December 2004. The two sides agreed that the Joint Survey would commence from 3 January 2005. Subsequently, a joint statement issued (dated 18 April 2005) after Gen. Musharraf's visit to India in April 2005 "instructed that the existing institutional mechanisms should convene discussions immediately with a view to finding mutually acceptable and expeditious solutions" on the issues of Sir Creek and Siachen.

During the foreign ministers meet in October 2005, the "two sides exchanged ideas, taking into account the joint survey of the horizontal section of the boundary in the area," and "without prejudice to each other's position, they agreed to undertake a similar joint survey of the Sir Creek itself, and to consider options for the delimitation of their maritime boundary ... agreed that the joint survey should commence before the end of the year (i.e. 2005) and its report will be considered in the next round of the Composite Dialogue." The Pak-India Technical Experts met on 20-22 December 2005. The talks proved inconclusive due to Pakistan's stance about the demarcation of the international maritime boundary. Pakistan is at variance with the Indian stand to resolve the Sir Creek issue before addressing the issue of the international maritime boundary. Reports suggest that the issue is now "beyond the scope and jurisdiction of the Surveyor-Generals of the two countries."

V

Tulbul/Wullar, Baglihar and Kishenganga

The Indus Water Treaty (IWT) brokered by the World Bank and signed by India and Pakistan in 1960,

provides for the division of the rivers between the two countries; eastern rivers, Sutlej, Beas and Ravi to India and the western rivers, Jhelum, Chenab and Indus to Pakistan (barring their use by India under specified conditions in Jammu and Kashmir). Though Kishenganga and the Baglihar cannot directly be classified under any of the eight categories identified for talks under the Composite Dialogue, this section would focus on both of these as discussions have been held between the two sides on these important issues which have proved thorny to our bilateral relations and development of the Kashmir region.

Tulbul Navigation / Wullar

The Wullar barrage/Tulbul Navigation Project was discussed as part of the composite dialogue between India and Pakistan and the delegations met in New Delhi on 28-29 June 2005.

The work on the project began in 1984, but was stopped in 1987 after Pakistan lodged its protest. Since then, there have been ten rounds of secretary-level talks between India and Pakistan to settle the Tulbul/Wullar Barrage dispute bilaterally.

Pakistan referred to the project as a barrage meant for water storage and accused India of violating the Indus Water Treaty 1960. According to India, the construction is meant for enhancing 'navigation' and is therefore permissible under the treaty. Article III (1) of the IWT provides that both countries have access to each other's rivers for four distinct purposes: domestic use, agricultural use, restricted use for generation of hydroelectric power through a "run-of-the-river" plant, and non-consumptive use. Non-consumptive use included use of the waters for

navigation and other purposes provided the water is returned to the river undiminished in quantity. India constructed the barrage to enhance navigation in terms of Article III (1).

Pointing to the storage utility of the barrage, Pakistan has argued that India has violated Article I (11) of the Treaty, which prohibits both parties from undertaking any “man-made obstruction” that may cause “change in the volume ...of the daily flow of waters” unless it is of an insignificant amount. Further, Article III (4) specifically barred India, from “store[ing] any water of, or construct any storage works on, the Western Rivers”. Though the treaty permitted limited storage (not exceeding 10,000-acre ft.) for purposes of flood control, it prohibited storage of water “for the purpose of impounding the waters of a stream”.

The basic draft agreement on the dispute had been arrived at in October 1991, whereby India would keep 6.2 meters of the barrage ungated with a crest level at EL 1574.90m (5167 ft), and would give up storage capacity of 300,000 acre feet out of the permissible level on the Jhelum (excluding Jhelum main). Pakistan would reciprocate by allowing the water level in the barrage to attain the full operational level of 5177.90 ft.

As per the Joint Statement, on India-Pakistan talks on Wullar barrage/Tulbul Navigation Project issued in New Delhi on 29 June 2005, both India and Pakistan agreed to continue the discussion at the next round of the Dialogue Process with a view to resolving the issue in accordance with the provisions of the Treaty. The previous rounds of talks

held in August 2004 were also inconclusive.

India offered to change structural designs of the project and Pakistan rejected this suggestion. Pakistan wants to scrap the project altogether on two counts. One, it entails more water storage than permitted by the Treaty. Pakistan's contention is that the Treaty allowed 0.1 million acre-feet of water storage on Jhelum, whereas the project has water storage 32 times greater. Two, India started the construction without notifying Pakistan, which is in violation of the treaty. India maintains that the project involves no man made water storage, as it intends to make Jhelum a navigable river so that small boats can ply between Srinagar and Baramulla. It facilitates navigation during the lean season from October to February, when the flow of water in the river is 2,000 cubic feet per second and its depth is about 2.5 feet. Controlling water for navigation is a permissible activity under the Indus Water Treaty.

The volume of water flowing to Pakistan would remain intact. India's position is that the project would, in fact, help regulate the water flow in the Jhelum and would benefit downstream power projects in both the Indian side as well as Pakistani side of Jammu & Kashmir. The talks thus far have proved inconclusive.

Baglihar Project

India and Pakistan held the first secretary level talks on Baglihar hydropower project on the river Chenab in Jammu and Kashmir in New Delhi on 21 June 2004. The delegations were led by the respective Water Secretaries from Pakistan and India, Ashfaq Mehmood, and V.K.

Duggal. The two Indus Commissioners, Jamait Ali Shah and D.K. Mehta were also part of the deliberations. Earlier, the issue had been discussed in the permanent Indus Commission under the respective Water Resources Ministries.

Baglihar dam is under construction in Doda district; the project is expected to generate 450 MW power for the northern grid including J&K. Pakistan objects to the design as it considers that it would affect water flows downstream. India maintains that the technical design of the project, not involving storage, is well within the provisions of the Indus Waters Treaty, 1962, and national and international practices. Besides, Pakistan argues that the gated structure of the project could restrict about 8,000 cusecs of water to it. India denies this assertion, saying that the limited pondage facility was only to get the required depth for power generation. The first phase of the Baglihar Dam was due for completion in 2004 but has been delayed by the dispute.

In October 2003, India facilitated a special visit by the Pakistan Indus Commissioner and others to visit the dam site in J&K. Pakistan was not convinced and had threatened to bring in neutral experts — ostensibly the World Bank, which had negotiated the treaty. India maintained that the matter could be resolved bilaterally. India asked Pakistan to substantiate its objections to the design. In January 2004, another round of talks was held in Islamabad between the Commissioners under directions of their respective governments. The issue was also raised in the annual meeting between the two sides in May 2004. Since then, there was a stalemate at the Commissioner level and the matter was taken up by the two

secretaries in the spirit of the prevailing peace process.

The secretary-level talks also ended in a stalemate on India's refusal to stop the work on Baglihar dam. Pakistan has taken the matter to the World Bank for arbitration. India and Pakistan had discussions with the World Bank-appointed neutral expert Prof. Raymond Lafitte from the Swiss Federal Institute of Technology in Paris, in June 2005, and agreed upon modalities to be followed before the neutral expert could arbitrate the differences. In July 2005, Pakistani engineers visited Baglihar to prepare a report. Lafitte visited the project site in Jammu in the first week of October 2005. Based on his findings, the decision will be taken and made public in February 2006.

Kishenganga

Pakistan has also objected to the Kishenganga project on Neelum River in the Gurez valley, where India is seeking to divert the course of the river through a tunnel to the Wullar Lake. According to India, diverting water from one tributary of the Jhelum River to another is permissible under the treaty, which is not agreed by Pakistan. The latter also has reservations about the design of the dam and has plans for constructing a power station on the Jhelum, which would be affected if India built the Kishenganga.

There were three rounds of talks on the 330 MW Kishenganga; the last round was held in Lahore between 9-11 May 2005 and the officials from the permanent Indus Water Commissions of India and Pakistan led their teams respectively. India offered a three-month period to Pakistan for accepting certain design changes that Pakistan refused. Pakistan has indicated that

following Baglihar, Kishenganga might also be referred to the World Bank for international arbitration.

VI

Terrorism & Drug Trafficking

Terrorism

Official statements to tackle terrorism were issued along with efforts to curb drug trafficking on 29-30 August 2005 in New Delhi. Apart from reiterating "their commitment to combat terrorism and re-emphasised the need for effective steps for the complete elimination." Closer operational linkages and need for cooperation between the Central Bureau of Investigation and the Federal Investigation Agency was stressed upon and "experts from both sides would meet at mutually convenient dates in the near future, to work out modalities for the implementation of the arrangement for cooperation between the two agencies agreed earlier." Terrorism in J&K is detailed in the following sections.

Drug Trafficking & Counter-Narcotics Operations

The sixth Director General level talks between the Narcotics Control Bureau of India and Anti Narcotics Force of Pakistan were held on 13-14 December 2004 at New Delhi. "Issues relating to the trafficking of drugs, psychotropic and precursor chemicals and means of enhancing bilateral cooperation in exchange of information and operational intelligence." At the seventh round of meetings on 2 December 2005, a MoU on counter-narcotics was signed and it focused on cooperation between the respective counter-narcotics agencies in fighting drug trafficking and "emphasis on

closer cooperation between drug law enforcement agencies."

VII

Economic & Commercial Cooperation

The second round of talks on Economic and Commercial Cooperation was held on 9-10 August 2005. The two sides agreed on the following: aeronautical talks would be held in Pakistan in September 2005 to review the existing Air Services Agreement; bilateral meeting to review the Shipping Protocol of 1975 would be held in Pakistan in September 2005, the Second Meeting of the Joint Study Group (JSG) would be convened at an early date in Islamabad. The JSG meeting would be preceded by the meeting of the Sub-Groups on Non-Tariff Barriers (NTBs) and Customs Cooperation and Trade Facilitation to formulate recommendations for consideration by the JSG.

While licences are under process for Pakistani banks to open branches in India, the contentious issue of MFN status for India is being linked to the resolution of the Kashmir dispute. Kasuri aired this view on 22 December 2005. However, the financial community is debating the issue on a stand-alone basis, as India will be a *de facto* MFN for Pakistan after SAFTA comes into force on 1 January 2006. It has been reported that, "Those strongly in favour of MFN status for India in Pakistan's ruling circles held the view that the country must move to trade with New Delhi based on MNF status before the SAFTA comes into force." However, trade and services between two countries would remain insignificant as Pakistan has

linked granting its MFN status to India with the resolution of the Kashmir issue. Coupled with this rider, as on 16 January 2006, Pakistan's Federal Cabinet decided not to ratify SAFTA, which came into force on 1 January 2006 in all the other SAARC countries. The Pakistan government paid no heed to the wishes of its business community and its own Industries, Production & Initiatives Ministry to grant the MFN status to India at the earliest. Later, on 15 February 2006, Pakistan ratified the South Asia Free Trade Agreement (SAFTA), but is yet to grant MFN status to India and continues to link this with the "progress" on political issues like Kashmir. However, those seeking a MFN to India within Pakistan reckon that liberalising trade will "lower prices for domestic consumers and generate greater revenue for the government through taxes."

Shipping Protocol

During the thirteenth Summit of SAARC on 12 November 2005, Aziz informed that Pakistan and India were close to signing a protocol on shipping and port services. He also stated that Pakistan has already proposed 9-10 December 2005 for further negotiations. Trade ties between India and Pakistan received another fillip on 10 December 2005 with the revision of the Shipping Protocol of 1975 due to the deletion of paras 3 and 5 of the Protocol, the restriction on "lifting of cargo between the two countries by third country vessels as well as lifting of third country cargo by Indian and Pakistani flag vessels from each others' ports" has been lifted. "The agreement will increase the tonnage carried by ships from both countries and also result in competitive shipping rates. " Discussions over a bilateral Maritime Shipping

Agreement have been initiated, with the Indian side providing a draft Agreement for Pakistan's consideration.

Iran-Pakistan-India (IPI) Pipeline

The Iran-India Pipeline scheme is a 2775 kilometre natural gas pipeline starting from Assaluyah, South Pars in Iran to India through Pakistan. It will pass through provinces of Balochistan and Sindh in Pakistan.

In 2001, Pakistan and Iran agreed to construct a multi-million dollar gas pipeline, which would later extend to India. Initially, India was apprehensive about the whole project, mainly due to security concerns. Economic and energy imperatives have forced India to pursue the pipeline project. However, since January 2004, India and Pakistan have been engaged in a peace process and India feels it can pull off the construction of the pipeline from Iran through Pakistan. The pipeline is seen as a major CBM between India and Pakistan as it will increase their economic interdependence.

Pakistan and India established a Joint Working Group (JWG) in June 2005 headed by the secretaries of their respective petroleum ministries to look into various issues involving gas pipelines to intensify technical, financial and legal interaction between experts on the Iran-Pakistan-India gas pipeline and agreed to hold six JWG meetings and two ministerial meetings on the subject. The JWG was to exchange views and develop a commonly acceptable approach towards the project. It will not only discuss the Iran-Pakistan-India gas pipeline, but will also look into possibilities of Turkmenistan-Afghanistan-Pakistan (TAP) pipeline as well as the Qatar-Pakistan pipeline.

The JWG would also deliberate on lead promoter for the gas transport company and the extent of equity participation by Indian and Pakistani firms in this company, the debt/equity options, role of BHP Billiton in the project and devising a strategy for participation by Indian and Pakistani companies in upstream projects under a buy-back contract.

The first meeting of the Joint Working Group (JWG) on 12 July 2005 at New Delhi, deliberated on issues including taxes and duties payable during the pipeline construction and its subsequent operation, risk analysis and prevention, dispute resolution and arbitration. S.C Tripathi, Secretary, Ministry of Petroleum and Natural Gas(India) and Ahmad Waqar, Secretary, Ministry of Petroleum and Natural Resources(Pakistan) led the delegations that discussed on technical, financial, commercial and legal issues and also agreed to join the Energy Charter Agreement initially with 'observer status'.

The second India-Pakistan Joint Working Group (JWG) meeting on 8-9 September 2005 at Islamabad discussed issues relating to a framework agreement, land acquisition, reserve certification, gas demand in India and Pakistan, transit fee, project structure, gas pricing mechanism, pipeline size and other related subjects. The two sides briefed each other's delegation regarding the status of their developments. India had appointed an international company, M/s Ernst & Young, as financial consultant and had initiated action to appoint technical and legal consultants who would support the financial consultant. Pakistan briefed

the Indian delegation on the status in regard to the appointment of their financial advisory consortium for the project. It was agreed to join the Energy Charter Treaty (ECT) and finalizing a Trilateral Framework Agreement which would be prepared jointly by the three parties and would lead to a series of other bilateral and trilateral agreements. A 10-member Indian delegation led by Indian Petroleum Secretary Sushil Chand Tripathy attended the second meeting of the JWG.

The third JWG meeting on 16-17 December 2005 at New Delhi discussed matters like pipeline routing, delivery points, transportation tariff, transit fee, capital and operation costs. The issue of pipeline security also featured in the talks. A decision was taken to set up a joint Technical Sub-Group which would meet at least once in a month, alternately in each country to discuss various technical aspects relating to the pipeline project such as technical specification, the quantum of gas, build-up, pipeline route, transportation tariff and system configuration. The most significant development was that the countries agreed to move from a bilateral to tripartite framework of discussions to evolve a common agreement. Pakistan also acknowledged the receipt of the draft Framework Agreement proposal by the Indian side. It was agreed that since the agreement required consensual view relating to project structure, it would be taken up for consideration after discussion relating to the project structure had been completed satisfactorily among the three sides. The next meeting of JWG would be held in early March 2006 at Islamabad. The Project Structure and

the Framework Agreement would be finalized by April 2006.

The proposed pipeline project is significant in many ways. They range from Social, Political, Multilateral and Economic. As a capital intensive project, the pipeline would generate substantial employment along its route. To safeguard the investment interests and other economic spin-offs, the stakeholders are bound to maintain improved political cooperation. Also, India and Pakistan are increasingly import-dependent for their energy needs. At a time of possible energy crises, an alliance through pipeline for energy security makes good economic sense.

The US has publicly opposed the project on concerns about Iran's nuclear programme and has also maintained that the pipeline is against the US Iran and Libya Sanctions Act (ILSA) of 1996 which forbids more than \$20 million of investment in Iranian oil and gas projects. US Secretary of State, Condoleezza Rice, on her visit to India in 2005 maintained that the US was opposed to India's cooperation with Iran on any joint ventures. Also, India's vote at the IAEA for the Resolution against Iran's nuclear aspirations has aroused fears about endangering Indo-Iran relations and India's energy security.

VIII

Promotion of Friendly Exchanges in Various Fields

Road & Rail Linkages

Setting up of road links were part of the bouquet of Indian proposals of October 2003. The Srinagar-Muzaffarabad bus service was inaugurated by Indian Prime Minister Manmohan Singh on 7 April 2005 and carried on until the 8 October 2005

quake. The Srinagar-Muzaffarabad bus service resumed on 2 December 2005 after restoration of the quake-affected bus route, ending the misery of stranded passengers. The first round of talks over setting up the Amritsar-Lahore road link went underway in Islamabad on 10-11 May 2005. The second round of the India-Pakistan technical level talks on operationalisation of Amritsar-Lahore and Amritsar-Nankana Sahib bus services was held on 27-28 September 2005. In lieu of the 8 October earthquake, a decision was taken on 14 October 2005 to postpone the trial run of the Amritsar-Lahore bus. Along the Punjab border, the Lahore-Amritsar bus started on 20 January 2006 and the Amritsar-Nankana Sahib bus will roll by 27 February 2006. The official talks on 21-22 December 2005 succeeded in agreeing to these popular Punjab-centric services. Early operationalisation of Poonch-Rawalakot Bus Service and a truck service for trade on the Srinagar-Muzaffarabad route is also on the cards. Both sides have decided to start a Poonch-Rawalakot bus service and a Muzaffarabad-Srinagar truck service for "trade in permitted goods." This was decided during the third round of talks at New Delhi on 17-18 January.

India proposed the setting up of the Munabao-Khokrapar rail link and the Mumbai-Karachi ferry service in October 2003. Officials met in December 2004 to discuss the Munabao-Khokrapar rail link. India wanted the service to be operational by September-October 2005. Pakistan sought an additional two years to build the necessary infrastructure on its side. As a follow-up, the Manmohan Singh-Shaukat Aziz meet at New Delhi on 17 Feb 2005 expressed hope for progress at the Joint Study Group meeting at the level of commerce

secretaries that would be held in New Delhi on 22-23 February. In March 2005, Pakistan allotted Rs 3.1 billion for the rehabilitation and upgradation of the Mirpurkhas-Khokhrapar rail link in Sindh so that it can be extended until Munabao in Rajasthan. Manmohan Singh and Musharraf reiterated hopes to operationalise rail link by the end of December 2005 when they met in April 2005. Finally, on 21 October 2005, JP Batra, chairman of the Indian Railway Board, announced the operationalisation of the Munabao-Khokhrapar rail link by January 2006 while speaking at a two-day meet of the International Union of Railways (UIC).

The Munabao-Khokhrapar train service will be revived from January 2006, after the two sides signed an agreement during a ministerial level meeting in New Delhi on 22 December. The scheduled launch of the service in January 2006 was postponed as the Pakistanis had to work out "modalities over immigration, customs and the frequency of trains." A Pakistan delegation visited India from 4-7 January 2006 to work out these modalities. Subsequently, the *Thar Express* was slated to start on 1 February 2006, but was postponed of the proposed 23-24 January 2005 meeting between the respective authorities. The agreement was signed when Indian authorities visited Pakistan on 31 January 2006. The service will now start from 18 February 2006. "The rake for this service will be provided alternately by Indian and Pakistan Railways on a six monthly basis. For the first six months, the Pakistan train will cross into India to Munabao. Thereafter, the Indian train will cross into Pakistan to Zero

Point Railway Station near Khokhrapar. This six monthly process will be repeated alternately."

However, the real test of these initiatives would be the arrangements for passengers to facilitate quick operation of visa regimes. Simplifying visa procedures and setting up additional counters for issuing visas from points-of-origin on the proposed road and rail links is of equal importance.

Ferry Service

The uniqueness of the proposal to start a Karachi-Mumbai ferry service lies in its potential to shore up trade and commerce between the commercial hubs of the respective countries as well as the sub-continent. While visiting Karachi in January 2004, Shiveshankar Menon, India's High Commissioner to Pakistan stated that the Karachi-Mumbai ferry service would be taken up after having dealt with rail link issue first. In September 2005, Pakistan government granted a licence to a private firm named "Land Ocean Ferry Service" to operate a Karachi-Mumbai ferry service. The service is yet to be operationalised.

Formal Sea & Air Linkages

A MoU on issues between the Pakistan Maritime Security Agency (PMSA) and Indian Coast Guard (ICG) was arrived at on 11 May 2005 in Rawalpindi. The MoU will enhance communication links and provide "a formal mechanism for exchange of information regarding EEZ violations, search and rescue operations, control of pollution, natural disasters and calamities, smuggling and drug trafficking etc." Representatives of the respective civil aviation ministries met in Rawalpindi on 27-28 September 2005 to review the existing bilateral

arrangements. They have not met since.

Indian Proposals after October Earthquake

India put up a slew of ideas for Pakistan's consideration after the 8 October 2005 earthquake. On 10 October 2005, India proposed to provide aid to those areas in PoK that were cut-off. Its proposals in the form of relief supplies across the LoC, foot patrols of medical personnel were not accepted by Pakistan. However, Pakistani helicopters were allowed to fly upto the LoC, a practice avoided by both sides in normal times. The Pakistani rider to India's sending its helicopters without their pilots was not accepted by the Indians.

Telephone links were restored across LoC for bereaved family members on 19 October 2005. On 22 October 2005, the Indian government decided to set up composite relief and rehabilitation points at three places: Kaman (near Aman Setu in Uri), Tithwal (Tangdhar) and Chakan da Bagh (Poonch), to provide facilities for medical assistance and relief to people from across the Line of Control. Relief material, medical aid, food, drinking water and temporary accommodation are available at these points. The Centre expected it to be operational from 25 October 2005. People from across the LoC will be permitted to come to these points after necessary screening during daylight hours and return after receiving medical treatment and relief. In addition, Indian nationals will be able to go to these points for meeting their relatives who may be coming from across the LoC. India's proposal to set these three points countered by the Pakistani proposal to set up 5 points along LoC where relief material will be exchanged. They are Nauseri-Tithwal,

Chakoti-Uri, Hajipur-Uri, Rawalkot-Poonch and Tattapani-Mendhar. They were functional by 7 November 2005. The entire process was demonstrably slow and did not respond to the urgency of the situation on the ground.