



## Expanding Cross-LoC Interactions Perspectives from Pakistan

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Since 2005, Pakistan and India have pursued an out-of-the-box approach to Kashmir which involves incremental growth in cross-LoC interactions. The new people-centric approach has led to the opening of cross-LoC travel, economic exchanges and sporadic interaction between the Kashmiri leadership on either side, leading to a certain degree of symbolic softening of the LoC.

What are the major issues? What needs to be done?

### CROSS-LOC INTERACTIONS: A SHORT INTRODUCTION

#### Cross-LoC Travel

With the launch of the Srinagar-Muzaffarabad bus service amidst great fanfare in April 2005, the process of restoring communication links between AJK and Indian administered Kashmir (IAK) had been initiated. In January 2006, both countries agreed to start another bus service linking Poonch and Rawalakot which was launched in June 2006. Initially, the bus services operated only fortnightly and carried 20-25 people in case of the Srinagar-Muzaffarabad bus service and upto 50 in the case of the Rawalakot-Poonch service. In 2008, they were converted into weekly services.



Indo-Pak dialogue on Conflict Resolution and Peace Building is an ongoing project of the Institute of Peace and Conflict Studies, New Delhi.

As a part of this project, the Institute is publishing a series of background papers on various Indo-Pak bilateral issues. Besides, the Institute is also organizing track-II dialogue between the two countries in October 2009. For more information about this project, kindly visit IPCS website.

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The resumption of the cross-LoC bus services was welcomed by a majority of the Kashmiris living on both sides of the LoC, barring a section of All Parties Hurriyat Conference (APHC) and Kashmiri militant groups. The Srinagar-Muzaffarabad service was disrupted for some time after the road was damaged in the 2005 earthquake. Despite procedural delays, divided families have been crossing the LoC regularly over the last four years. According to AJK official sources, over twelve thousand people have traveled since the bus service was restarted in 2005. Besides, mainstream political leaders and those from the APHC, as also media persons, were allowed to cross the LoC.

#### Cross-LoC Points

Fourteen months later, Pakistan and India agreed to open foot-crossings at five points along the LoC. These points were opened up mainly to provide relief assistance to quake victims affected by a devastating earthquake in the region in October 2005 and facilitate meetings between the divided families. The earthquake in fact, expedited the dialogue process to open the crossing points along the LoC. The five foot-crossing points were: Nauseri-Tithwal, Chakothi-Uri, Hajipur-Uri, Rawalakot-Poonch, and Tattapani-Mendhar. The parameters and procedures agreed to for the Muzaffarabad-Srinagar bus service were to be used for these additional crossings. Both sides agreed to make efforts "to expedite the clearance process, preferably within ten days." It was further agreed that priority for crossings would be accorded to members of divided families on either side of the LoC. There was immense enthusiasm among Kashmiris on either side and hundreds of Kashmiris on the Pakistani side surged towards the LoC to meet their relatives. In all, three points — Chakothi-Uri, Rawalakot-Poonch, and Chilhana-Tithwal were operational. Later, the two countries agreed to open two meeting points along the LoC, including Chakan da Bagh and Chakothi, which still remain to be made operational.

#### Cross-LoC Trade

The cross-LoC travel initiative led to greater urge among Kashmiris on both sides for the resumption of cross-LoC trade. The mainstream Kashmiri political parties on either side and a majority of the APHC leaders supported the reopening of the Srinagar-Muzaffarabad road for trade as it would provide an

alternative trade route to ensure an uninterrupted flow of consumer items into the valley and for exporting fruit and other items from Kashmir. The business and trade community across the LoC welcomed the initiation of trans-LoC trade. They felt that trade will bring people across the LoC closer and reduce tensions between the two countries while strengthening the peace process. Shortly before the opening of cross-LoC trade, a 19-member delegation of the AJK Chamber of Commerce and Industry (AJKCCI) visited Srinagar from 9-16 October 2008. The delegation met their counterparts in the Srinagar and Jammu region and discussed in detail, the potential and volume of trade, modalities of the trade agreed to and problems faced by the businessmen and traders involved in LoC trade. Their interaction led to the creation of a Joint Chamber of Commerce — Intra Jammu & Kashmir Chamber of Commerce & Industry (IJ&KCCI). As a goodwill gesture, Zulfiqar Abbasi, the current president of AJKCCI was appointed president of the Joint Chamber for an initial one year-term, which will expire in October 2009.

When trade began, problems were anticipated and outlined by the business communities in both parts of Kashmir. In a meeting in Srinagar between an AJK delegation and state government representatives, Dr Haseeb A. Drabu, Economic Adviser, J&K government and Chief Executive, J&K Bank, pointed out five basic networks that were necessary for the cross-LoC trade to become “a viable self-sustaining economic process”. These were banking relations, including mutual acceptance of letters of credit; a communication network to enable traders know the rates prevailing on the other side; transport network; regulatory network to determine the composition of trade; and legal network for dispute resolution. Indeed, the success of cross-LoC trade will depend on how these five mechanisms are finally worked out. In addition, the Joint Chamber prepared a set of joint recommendations for the facilitation of trade and submitted it to the governments of India and Pakistan in October 2008. Some of the major recommendations included, the expansion of the list of items for trade, facilitation of travel and traders access to each other, infrastructure facilities, banking services, use of dual currency of both countries as mode of payment with the US dollar as the reference point, inclusion of the services sector, and opening of more trade routes. Unfortunately, the Joint Chamber exists only on paper and has not been launched formally, as a reciprocal visit by the Indian Jammu and Kashmir businessmen is still pending due to the spike in India-Pakistan tensions in the wake of the

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### Intra-Kashmiri Dialogue

Although intra-Kashmiri dialogue is central to the growth of cross-LoC interactions, it has been at the minimal for the last five years of the India-Pakistan peace process. Significantly, India allowed the APHC leadership to visit Pakistan and AJK and meet the Kashmiri and Pakistani leadership. This provided an opportunity to individual Kashmiri leaders to interact with their counterparts in AJK. Some of them, in fact, met the Kashmiri militant leadership including, Syed Salahuddin, Head, Hizbul Mujahideen and Chairman, United Jihad Council, an umbrella group of Kashmiri militant groups now based in AJK, and urged him to give up armed struggle. There were also a limited number of meetings between the Kashmiri leaders and stakeholders from different regions of Kashmir from both sides of the LoC. These were arranged by the different NGOs engaged in a Track-II dialogue, such as the Delhi-based Centre for Dialogue and Reconciliation (CDR); Washington-based Pugwash; and Islamabad-based Kashmir Institute for International Relations (KIIR). The participants in various meetings have been stressing the opening of all traditional routes of Jammu and Kashmir for the free movement of people and trade.

## II CROSS-LOC TRADE: MAJOR PROBLEMS

The benefit of the steps taken to promote cross-LoC travel, trade and intra-Kashmiri dialogue has, however, been limited, due to a number of difficulties in the way of their operationalization.

### Issue of Travel Permits

Travel across the LoC is constrained by the procedural delays in acquiring entry permits. Invariably, it takes several months to acquire travel permits from both governments to cross the LoC. The processing of the entry permit which has been made difficult due to the requirements of clearance from various intelligence agencies, has resulted in only a few people being able to make it and that too after long delays. Members of divided families complain that a very small number of people get clearance from both the governments. Thereby, the bus services have remained underutilized, while thousands of applicants remain on the waiting list.

There has been a concerted demand by the Kashmiris on both sides of the LoC to simplify the entry permit procedures. In the fourth round of the composite dialogue held in March 2007, both sides agreed to ensure the implementation of the already agreed Kashmir-related CBMs, including rationalization of five crossing points across the LoC. Later, the ‘Working Group on Cross-LoC CBMs’ which met on 19 July 2008, discussed effective implementation of existing cross-LoC measures which were then approved at the foreign secretary level talks, held in New Delhi on 21 July 2008. A number of CBMs were announced which included — 1) introduction of a triple entry permit for cross-LoC travel; 2) Simplification of procedures for getting the

permit, which at present takes at least two years; and, 3) an increase in the frequency of the Srinagar-Muzaffarabad and Poonch-Rawalakot bus services from fortnightly to weekly. However, hopes for the implementation of these measures were dashed by the escalation of tension between India and Pakistan following the Mumbai attacks in November 2008. For the time being, the situation on the ground remains unchanged. In fact, in the post-Mumbai period, there has been considerable decline in the number of travelers across the LoC.

### Trade-related Difficulties

The opening of trade was "more a symbolic affair". The modalities for smooth trade were not worked out. Thus, presently, cross-LoC trade is beset by several infrastructural and operational problems. These include, limited trade volume due to limited list and barter system; inadequate infrastructure and trade facilities; lack of communication links; absence of banking facilities; and restrictions on travel of the traders across the LoC. This has robbed the trade of the opportunity to make any impact on the economy of either side.

The limited items on the trade list and the barter system are posing a great challenge to the traders. The trade is restricted to only 21 items, all of which are primary products produced within Kashmir. There is also a ceiling on the number of goods, limiting transfers across the LoC to a bare minimum. Further, trade is conducted only twice a week. The goods on the positive list also do not correspond to market realities. "A number of items defy trade rationale as they are already available at lower cost within the importer's market or the exporter has a more lucrative market available domestically".

Trade is also being conducted through the means of a barter system as no guidelines have been framed by the governments of India and Pakistan on the use of currency. This has led to several problems. In fact, in less than a month after the cross-LoC trade was launched, it ran into trouble, as traders from the Valley found themselves confronted with the problem of how to obtain money for the goods they would send across the LoC. They even threatened to suspend supplies if these problems were not sorted out.

The absence of communication links is adversely affecting the conduct of cross-LoC trade. There are no telephonic links or facsimile services between the two parts of Kashmir. In fact, no phone call is allowed from IAK to AJK or Pakistan. Traders from the Indian side of Kashmir can receive calls from AJK, but cannot return the calls. While traders can communicate through e-mail, they find this inadequate. Moreover, no postal or courier service is available at the moment.

In a report published on 25 April 2009, Hamidullah Dar and R.S. Gull, correspondents of *Kashmir Life*, a weekly published from Srinagar, pointed out the dismal state of cross-LoC trade, especially on the Srinagar-Muzaffarabad route. The report revealed that trans-LoC trade has lost most of its gloss, leaving

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it to the divided families to sustain the trade. Barring a few who visited Muzaffarabad personally and settled terms with their counterparts, most of the traders either deal only with their relatives living across the LoC or seek a counter-guarantee from relatives of traders in Azad Kashmir living here. Thus, more than 80 per cent of the traders involved in this trade, have blood relations across the LoC. However, trade at the crossing points in Poonch, Chakan-da-Bagh, largely due to the same factor as maximum number of divided families are from Poonch. Here, too, the primitive barter system prevails, which imposes its own limitations. In a positive development on 5 November 2009, the district administration of Poonch and Rawalakot allowed a meeting of traders from both sides at Chakan Da Bagh-Tetrinote point so that they "could interact, establish their personal relations, know the rates of approved items on the other side and place the orders."

The issue of the transfer of money is the main obstacle which has, in fact, paralyzed the cross-LoC trade. There is no bank transfer facility. Neither the Jammu and Kashmir Bank on the Indian side nor the AJ&K Bank on the Pakistani side has branches across the LoC. They also do not have direct correspondence and thus, do not allow cross-referenced transactions. The chambers of commerce and industry on both sides had agreed that trade would be done through part-barter and part-remittances. But no arrangement exists to make these payments. Banks in IAK are in a position to accept remittances from AJK; neither can they send money to the other side, for security reasons. Absence of banking facilities has practically reduced the entire cross-LoC trade to a barter exercise.

Trade is also adversely affected by the poor physical infrastructure. No more than 1.5 metric tons (MT) per truck load can cross the LoC due to infrastructural constraints on both sides. The small consignment size renders the trade uneconomic due to high fuel, freight, handling, insurance and other costs involved. Moreover, traders cannot transport their goods to the final destination since trucks are unloaded at checkpoints near the LoC and then reloaded onto local trucks. This not only increases the cost, but also affects, especially the perishable goods.

### Intra-Kashmiri Dialogue on the Backburner

Kashmiris are central to the cross-LoC interactions, but intra-Kashmiri dialogue is yet to take concrete shape, especially at the official level between the two parts of Kashmir. For instance, parliamentarians

and government officials cannot go across the LoC. However, if this were to happen, it would remove a lot of operational difficulties in the implementation of the CBMs relating to trade and travel across the LoC. It appears that India and Pakistan suffer from a trust deficit not only vis-à-vis each other but also their respective parts of Kashmir. If this continues, it is likely to undermine cross-LoC interactions.

### III RECOMMENDATIONS

There is an urgent need to remove the bottlenecks in the way of the operationalization of the measures that both countries have agreed to regarding cross-LoC trade and travel and institute more CBMs to expand the movement of people, goods and ideas across the LoC.

#### Liberalizing the Travel Regime

Of foremost importance is the easing of the administrative and security procedures relating to the entry permit system for travel, simplifying its format and process and expanding its scope to include all citizens of Kashmir living in the two parts of Kashmir as well as the Kashmiri diaspora. The Kashmiri traders should not only be added to the eligibility list, but also be issued special multiple-entry trade passes, as suggested by the Joint Chamber. The trade pass can be issued on the recommendation of the respective Chambers of Commerce and Joint Chambers and should be made valid for at least two years. It would also be desirable for the Kashmiris if the power to issue the travel permits were delegated to the respective state governments and local officials.

#### Opening More Bus Services & Trade Routes

There is a great desire and need to open more roads cross-LoC to improve the mobility of people and promote economic interaction between the two parts of Kashmir. The opening of more road links is the key to enhance trade, especially barter trade, across the LoC. The Joint Chamber has recommended the reopening of all historical trade routes within the state of Kashmir. These include opening the Mirpur-Noshera, Chumb-Pallanwalla (Jammu), Kotli-Rajori and Sialkot- Suchetgarh routes, on a priority basis.

#### Expanding Tradable Items

Cross-LoC trade can flourish only if it moves beyond primary goods. The trade list should be expanded and items should be selected based on market realities. The Federation of Chamber of Commerce in Kashmir (FCIK) based in the Valley has already urged the state government to allow the export of manufactured products from the state. It has submitted a list of fifty two items that it wants to be included in the approved list. The Joint Chamber has suggested the inclusion of tourism and software industries in cross-LoC trade. Traders on both sides are also interested in adding industrial items to the list of imports/exports. To facilitate trade in

manufactured items across the LoC, a mutually-acceptable 'Rules of Origin' framework, specific to Jammu and Kashmir, needs to be put in place. Besides, the legal framework for dispute resolution also needs to be worked out.

#### Improving Trade Infrastructure

Cross-LoC trade cannot take off without improving trade infrastructure, including better roads, power supply, and telecommunication services. There is a need to improve necessary infrastructure like roads and bridges which can facilitate the conduct of trade. The lack of banking services is a significant impediment to cross-LoC trade. The governments of India and Pakistan should put in place proper guidelines for the use of currency and also open bank branches on either side. The Joint Chamber has asked the Indian and Pakistani governments to allow the J&K Bank to open three branches in Muzaffarabad, Mirpur and Rawlakot and the AJ&K Bank to open three of its branches in Srinagar, Jammu and Poonch. Islamabad and Delhi should expedite the process of providing banking services to the traders on both sides. In the meantime, corresponding banking arrangements must be kept in place to support the trade.

Restoration of telephonic and electronic communication links is a must to enhance connectivity between the two parts of Kashmir to facilitate the mobility of people and conduct of trade.

The possibility of joint venture projects for the promotion of tourism across the LoC should be examined to explore the maximum potential of this sector on both sides of the LoC. There is also keenness among the business community in IAK to move from the "to" to "through" arrangement with AJK which can be studied by the Joint Chamber. Given the similar nature of economies on both sides of the LoC, trade in goods is useful as a starting point. The prospects of real long-term gains lie in eight service sectors: tourism, forestry, waterways, power generation, information technology, education, anti-poverty programs, and disaster management.

#### Propping up Intra-Kashmiri Dialogue

Institutionalized communication is very essential between the leadership and stakeholders of the two parts of Kashmir, at both, official and non-official levels. So far there have been some meetings to remove the communication gap distrust.

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