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South Asia: Region in Conflict

The nations of South Asia stand at a crossroads in their long and contentious history. These nations can either continue their long generations of conflict or they can begin to reconcile their many conflicts and begin an unprecedented new era of prosperity. The nations of India and Pakistan, in particular, stand poised at the brink of either a long, protracted conflict or peace and prosperity to last generations. Their history, though, is tainted by war and conflict over the Kashmir region. This paper will attempt to examine the history of the conflicts within these nations and then propose peaceful diplomatic and economic strategies to ensure a bright future for the people of these long suffering nations. In particular, it will focus on the issues surrounding the most promising proposal for peace between the two nations: the Iran-Pakistan-India pipeline.

The Kashmir Conflict

The enmity between India and Pakistan has a long and arduous history. It was not long ago that the nations of India and Pakistan were once a part of the enormous British Colonial Empire. The British Raj, which was the name of the ruling period of Britain over the regions of most of South Asia, was characterized by oppressive rule of the people. The current conflict over the regions of Jammu and Kashmir began in 1935, when British rulers compelled the Dogra King of Jammu and Kashmir to lease parts of his kingdom, which were to make up the new Province of the Northwestern Frontier. This move was calculated by the British rulers at the time to strengthen the northern boundaries against the Russian empire. It was not until August of 1947 that the nations of Pakistan and India were formed. On August 15, 1947 each of the 562 Indian princely states joined one of two nations: the Union of India or the Dominion of Pakistan. Jammu and Kashmir had a predominantly Muslim population but a Hindu ruler, and was the largest of these autonomous states and bordered both modern countries. Its ruler was the Dogra King (or Maharaja) Hari Singh. Hari Singh preferred to remain independent and sought to avoid

the pressure placed upon him by either India or Pakistan by playing each against the other.



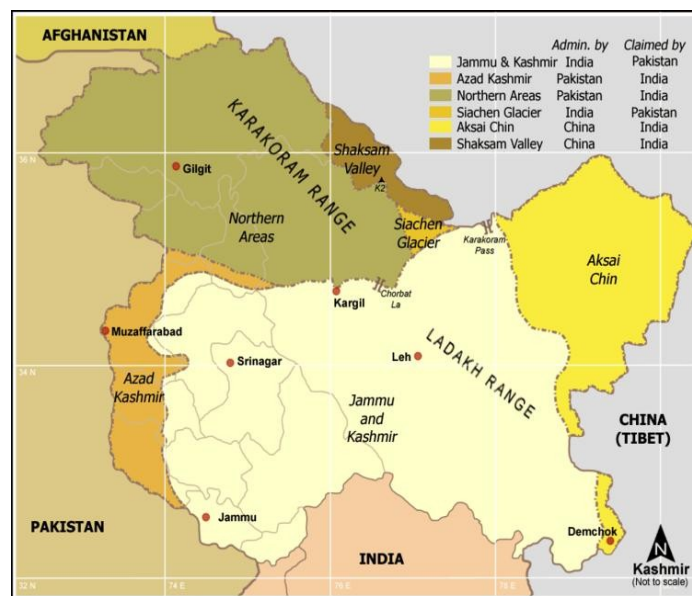
The British Raj Empire

In September of 1947, the Maharaja began a campaign to drive out Muslim Kashmiris from Kashmir. At the same time, irregular Pakistani tribal troops began to make rapid advances into Kashmir after hearing rumors that the Maharaja was going to decide for a union with India. Maharaja Hari Singh of Kashmir then requested the government of India to intervene in the advances of the Pakistani irregulars. This request was rejected when the government of India pointed out that India and Pakistan had signed an agreement of non-intervention in the affairs of Jammu and Kashmir. They desired to maintain the status quo, because although irregulars from Pakistan had entered into Jammu and Kashmir, there was no iron-clad legal evidence at the time to unequivocally prove that the government of Pakistan was officially involved. Thus, it would have been illegal for the government of India to unilaterally intervene in an open and official capacity unless Jammu and Kashmir officially joined the union of India. If Jammu and Kashmir had openly proclaimed their allegiance to the Union of India, then it would have been possible for India to send its forces and occupy the states of Jammu and Kashmir.

The Maharaja desperately needed assistance from the Indian military when the Pathan tribal invaders reached the outskirts of Srinagar. Before their arrival into Srinagar, India has argued that Maharaja Hari Singh completed negotiations for acceding control of Jammu and Kashmir to India in exchange for receiving military aid. The agreement which ceded control of Jammu and Kashmir to India was signed by the Maharaja and Lord Mountbatten, the former British viceroy of the Indian and Pakistan regions.

This decision resulted in a war that lasted until 1948 when India moved the issue to the

UN Security Council. In the past, the UN had passed resolutions that setup the monitoring of the conflict over Kashmir. The committee setup by the UN was referred to as the United Nations Committee for India and Pakistan, or the UNCIP. Following the setup of the UNCIP, the United Nations passed Resolution 47 on April 21, 1948. The resolution imposed an immediate cease fire between India and Pakistan, and that Pakistan should withdraw all presence from Jammu and Kashmir. Henceforth, Pakistan should have no say in the politics of Jammu and Kashmir. The resolution stated that India should maintain a minimum military presence and stated that "the final disposition of the State of Jammu and Kashmir will be made in accordance with the will of the people expressed through the democratic method of a free and impartial plebiscite conducted under the auspices of the United Nations". This cease fire took place on December 31, 1948. At that time, the Indian and Pakistani governments agreed to hold the plebiscite but neither side actually withdrew any troops. In 1950, India abandoned its pledge to hold a plebiscite in Kashmir. The plebiscite never took place, leaving the UN security council to pass several more resolutions which reaffirmed its earlier resolution.



Map of Current Day Kashmir

The contention over the Kashmir territory has not only passed between India and Pakistan, but also between India and China. In 1962, troops from the People's Republic of China and India clashed in territory claimed by both. China won a swift victory in the war, resulting in the Chinese administration of the region known as Aksai Chin. Chinese administration of the

Aksai Chin territory continues to this date. In addition to Aksai Chin, another territory called the Trans-Karakoram, was delineated as the line of control between China and Pakistan. Parts of this territory are still considered as Indian territory according to the Indian government. The line that separates India from China in this region is known as the Line of Actual Control.

In 1965 and 1971, heavy fighting again broke out between India and Pakistan. The Indo-Pakistani War of 1971 resulted in the defeat of Pakistan and the subsequent Pakistan military surrender in East Pakistan, which would eventually secede and become the nation of Bangladesh. The result of the war the signing of the Simla Agreement in 1972. This treaty bound each country to agree to settle all issues by peaceful means and mutual discussion in the framework of the UN Charter.

Alas, this peace was fated not to last. In 1989, a widespread insurgency started in Kashmir which continues to this day. India contends that this insurgency was largely started by the number of Afghan mujahideen who entered Kashmir following the end of the war between the Soviet Union and Afghanistan. Pakistani and Kashmiri nationalists contend that Afghan mujahideen did not leave Afghanistan in large numbers until 1992, which was three years after the insurgency began. Yasin Malik, a leader of one faction of the Jammu Kashmir Liberation front, along with Asfaq Majid Wan and Bitta Karate, was one of the Kashmiris to organize militancy in Kashmir. However since 1995, Malik has renounced the use of violence and calls for strictly peaceful methods to resolve the dispute. Malik developed differences with one of the senior leaders of the insurgency, Farooq Papa, by shunning the demand for an independent Kashmir and trying to cut a deal with the Indian Prime Minister. This caused a split between the rival factions of Malik and his counterpart, Farooq Papa.

The latest open conflict occurred in mid-1999 when insurgents and Pakistani soldiers from Pakistani Kashmir infiltrated into Jammu and Kashmir. It has been observed that during the winter season, Indian forces regularly move down to lower altitudes as severe climate conditions make it impossible for them to guard the high peaks near the Line of Control. The insurgents took advantage of this and occupied vacant mountain peaks of the Kargil mountain range overlooking the highway in Indian Kashmir which connects Srinagar and Leh. By blocking the highway, the Pakistani forces wished to cut off the only link between the Kashmir Valley and Ladakh. The resulting movements of the Pakistani forces resulted in a large scale conflict between the Indian and Pakistani armies.

At the time of the Kargil War, both India and Pakistan were known to possess nuclear weapons. This made the Kargil War an especially delicate situation for the world peace. This reality was not lost on then U.S. President Bill Clinton, who effectively pressured Pakistan to retreat from the Kargil area. Faced with mounting losses of personnel and posts, the Pakistani Army withdrew the remaining forces from the area effectively ending the conflict. India remained in control of the mountain peaks which are now monitored and controlled all year long.

The 9/11 attacks on the US resulted in the US government wanting to restrain militancy in the world, including Pakistan. Due to Indian persuasion on US Congress members, the US urged Islamabad to cease infiltrations into Indian controlled Kashmir. These infiltrations still continue to this day, though, by Islamist militants into Indian-administered Pakistan. In December 2001, a terrorist attack on the Indian parliament linked to Pakistan resulted in war threats, massive deployment and international fears of nuclear war in the subcontinent.

After intensive diplomatic efforts by several countries, India and Pakistan began to withdraw troops from the international border on June 10, 2002 and negotiations resumed. Effective November 26, 2003, India and Pakistan have agreed to maintain a ceasefire along the undisputed International Border, the disputed Line of Control, and the Siachen glacier. This is the first such "total ceasefire" declared by both nuclear powers in nearly 15 years. In February, 2004, Pakistan further increased pressure on Pakistanis fighting in Indian-administered Kashmir to adhere to the ceasefire. The nuclear-armed neighbors also began several other mutual confidence building measures. Restarting the bus service between the Indian and Pakistani administered Kashmir has also helped defuse the tensions between the two countries.

In the past decade and a half, the Musharraf Administration has ruled Pakistan with its military might. In 2007, the courageous Benazir Bhutto and the People's Party of Pakistan were beginning to change the political climate in Pakistan. Although they received stiff resistance from Musharraf's Party, Bhutto and the People's Party made significant inroads into the Pakistani political sphere during the November elections in 2007. Alas, Benazir Bhutto was assassinated by elements that were suspiciously politically motivated. Although this was a disaster of epic proportions for the people of Pakistan, it ultimately has served to be the downfall of the Musharraf Administration. This is because the People's Party has won the most recent round of elections with favorable results that Musharraf can't deny. This new party is less receptive to

overhanded political overtures by the current U.S. Administration. This means that U.S. Diplomatic efforts to destroy the pipeline effort in Pakistan should hopefully fall on deaf ears. This will enable India and Pakistan to decide their diplomatic future on their own terms. Both India and Pakistan have also decided to cooperate on economic fronts. The most promising economic solution is the Iran-Pakistan-India pipeline.

The Peace Pipeline

The Iran-Pakistan-India Pipeline (IPI) would run a total of 1,660 miles, about 690 miles in Iran, 440 miles in Pakistan and 530 miles in India, and the total investment is estimated at \$7 billion and may take four to five years to complete. Apart from the fact that the IPI pipeline makes good economic sense, particularly in promoting regional cooperation, it is immensely important to the on-going peace process between India and Pakistan. A number of observers of the India-Pakistan conflict have termed this project as the mother of all confidence-building measures between India and Pakistan and names it the Peace Pipeline.



The Iran-Pakistan-India Pipeline

The project was a major jolt by the news in mid-2007 that New Delhi and Islamabad have rejected the draft final agreement circulated by Iran, which calls for a three-year review cycle on the gas price. Causing yet another delay in the trilateral Deal, the pricing dispute was resolved by a new round of negotiations beginning in May of 2008. Prior to his resignation in early August 2007, Iran's petroleum minister, Kazem Vaziri Hamaneh, had announced that the seventh round of negotiations for the IPI contract would be held in Tehran on July 29, 2007. It did not happen and, what is more, a former Iranian Deputy oil minister, Hadi Nejad Hosseinian, has

questioned the deal on the ground that it gives a huge discount to India and is some 30 percent below the value of gas sold to Turkey. Another Iranian politician, Akbar Mohtashemipour, from Iran's reformist side, has publicly questioned the wisdom of exporting Iran's gas at a time when the cold regions of Iran face gas shortages [Mazhar]. The IPI issue was eventually resolved by negotiations with the Iranian Foreign Ministry.

One promising aspect of the project is the powerful regional potential investors lined up to assist in the creation of the project. Two of the biggest investors are Russia and China. China currently already has deals in place with Iran. China's state-owned Sinopec signed a \$60 billion agreement in 2004 to buy 250 million tons of LNG over 30 years from Iran and develop its giant Yadavaran gas field. In December of 2007, Sinopec agreed to invest a further \$2 billion in the Yadavaran field. Also in December 2007, Iran's Pars Oil and Gas Company signed a \$6 billion deal with Malaysia's SKS group to develop the Golshan and Ferdows gas fields. Russia's Gazprom has also been courting Pakistan with a June 2006 offer to join the IPI project. Negotiations are currently underway between Gazprom and Pakistan.

Pricing the Project

Pricing is currently the most difficult issue negotiators are facing. With the expectation that the pipeline will enable a supply of gas from Iran to Pakistan and India for the next 40 years, all three countries are leery of signing a deal they may regret later. Unlike the petroleum market, the international gas market has no regulations on pricing. The gas price will likely be whatever the end user is willing to pay.

There are several end users in the IPI case whose priorities are all different. Preliminary negotiations with India indicate the pipeline gas would be separated so that 50% goes to power generation, 30% to fertilizers, 15% to industry, and 5% sold for domestic use. All of these end users are willing to pay different amounts for the gas. The alternatives for industrial users are oil and coal, meaning they'll pay large amounts for the gas. The high priced naphtha is the only alternative for the fertilizer sector, so they'll pay whatever rate they can get [Abbas] With the power sector being a protected industry, commercial rates for gas are not affordable to it.

There have been difficulties with proposals of selling the IPI gas to those industries who can afford to pay Iran's asking prices. The gas coming through the pipeline would be lean gas under the current agreement. Although good for power generation, the quality of gas would need to be renegotiated for other industry end users. This has led to a set back of at least 6 months in

in early 2007 for further discussion.

India has not accepted previous offers of pricing mechanisms from Iran. The Iranians wanted the gas to be priced according to the American spot price index known as Henry Hub [Perkovich]. Since spot prices are higher than long-term deal prices, both India and Pakistan rejected that option. India wants the price of gas to be “cost-plus”, which adds transportation costs to the cost of gas production. India also has requested a longer design review cycle to favor their intentions in saving money in the long run. India has criticized Iran in the past for requiring a shorter, more periodic design cycle of three years [Temple].

From the vantage point of Iran, there is little substance to New Delhi's criticism that it has unilaterally altered the terms of the 25-year gas agreement by its insistence on a periodic, i.e., three-year, review. According to various Iranian officials, including Mr. Nosratollah Seifi, an executive of the National Iranian Gas Export Company, from the outset of negotiation – in which India has favored a seven-year review cycle – Iran's position has always been consistent, insisting on a shorter duration, one argument being the perpetual fluctuations of the energy market. Per their confidential agreement in January of 2007, the trilateral parties have agreed to adopt crude oil prices as the benchmark for determining the adjustments to the gas prices.

Part of the problem here is structural and is rooted in the volatility of a global gas market hampered by the absence of an OPEC-type pricing mechanism. With the occasional talks of a similar “gas OPEC” yet to yield any results, the life-cycle of the IPI agreement will likely be shaped by the pull and push of negotiations among the three states.

The U.S. Position

The U.S. position, however, is not linked to the economic side of the deal. It is driven by Washington's strategic Iran Policy. The United States, which has had adversarial relations with Iran since the 1979 revolution, has been accusing Iran for some years of harboring nuclear-weapon ambitions. The U.S. has been trying to heighten the UN Security Council sanctions under Chapter VII of the UN Charter, and has voiced its opposition to the IPI pipeline as part of that strategy. Washington fears that the deal will be a blow to its efforts to isolate Iran. Since the deal involves Pakistan and India, two countries that are friendly with Washington, the Bush administration has been trying to pressure both to back off the deal.

India has come under greater pressure because new Delhi and Washington are steadily getting closer. The two sides have signed a deal which bestows on India's nuclear capability a

legitimacy that has not come the way of any other state outside the Non-Proliferation Treaty. But part of the quid pro quo may be that India should get out of the Iran pipeline deal. The United States recently tried to scuttle the pipeline by offering India advanced nuclear technology to make up for the loss of Iranian gas [Abbas]. China - Iran's largest trade partner followed by India – has previously said it would negotiate in India's place if New Delhi withdraws from the project.

American strategic thinkers view India as an ally vis-a-vis China's rising power and China's and Iran's counter perspective. The IPI is perceived as running against this broad strategic America perspective. In March 2005, U.S. secretary of state Condoleezza Rice told Indian NDTV: "Our views concerning Iran are very well known by this time, and we have communicated to the Indian government our concerns about gas pipeline cooperation between Iran and India." [Mazhar] The U.S. has also made it clear to the leadership of India and Pakistan that the proposed project will result in U.S. sanctions under the Iran-Libya Sanctions Act.

In the beginning, both India and Pakistan declared their resolve to go ahead with the project. "This is between us, India is not a client state," Manmohan Singh, the Indian premier has reacted. However, New Delhi seems to have accommodated American pressures. A change in the Indian stance regarding the IPI pipeline has been visible lately. During his visit to United States, Manmohan Singh in 2005 made several statements to illustrate this fact. "Only preliminary discussions have taken place (on the pipeline). We are terribly short of energy supply and we desperately need new sources of energy."

For the first time in its history, India has become a strategic partner with the U.S., something clearly indicated by the nuclear deal between the two countries, which trumps the existing nuclear non-proliferation norms. Yet, the Indian government has expressed annoyance at the U.S. officials' call for India to forgo expanded economic relations with Iran. Alas, security concerns with the pipeline will have to be alleviated before a new U.S. Administration will consider backing the project.

Maintaining Security

Concerns about security have evolved into the unease over Pakistan's ability to protect India's gas supply from the unease over Pakistan's ability to undermine the gas supply. The pipeline must travel through Balochistan, an area of hostility that appears to be out of Islamabad's control. In the past, Baloch tribesmen have attacked the Sui gas fields in Pakistan,

which has cut off power to several cities for days. Whether or not the Balochis would restrain toward a pipeline into India has not been indicated.

BHP Billiton, an Australian firm and a supporter of the pipeline, has plans to bury the project one meter under the ground to ensure its safety[Temple]. BHP believes the installation of compressor stations with concrete armor would protect the line from attacks. The line would also be guarded by motion detectors and armed guards. This will, indeed, increase the final price.

India has collaborated with Iran and agreed that if Pakistan were to endanger the gas supply, Iran would provide an equivalent amount of LNG at the same price. If Islamabad cuts off supplies to India, Tehran has stated it will shut down deliveries of gas to Pakistan. Furthermore, by purchasing the gas indirectly from energy companies and bankers, India has hope it can protect the deal from political interference which can slow down a contract.

Regarding Iran and its domestic situation, historically with the exception of the IGAT-I project, under which Iran exported natural gas (via pipeline) to the former Soviet Union in the 1970's, all other projects seeking to export gas from Iran have somehow fallen victim to political conflicts. At the time of the 1979 Revolution, Iran was exporting some 10 billion cubic meters of gas (all associated gases that otherwise would have been flared) to the southern region of the former Soviet Union. Export of natural gas to Pakistan and India was discussed before the 1979 Revolution. However, given the length of the required pipeline, the political uncertainty in Pakistan and the precarious nature of that country's relations with India, and the stage of economic development in which these two countries were at the time, the project did not seem economically or politically feasible. With today's high oil and gas prices and economic prosperity in India, it is much easier to finance such a project.

In addition, in light of the IPI's potential contribution to regional development, complementing the North-South corridor under consideration by the member states of the Economic Cooperation Organization (ECO), it may be a good idea to revamp the IPI into a consortium, which opens the possibility of a future role by other regional parties, both in terms of investment as well as linkage with the regional gas network. For instance, Turkmenistan's gas could also be exported to Pakistan and India through the IPI pipeline. In fact, by forming a consortium and allowing a potential role by other ECO countries – Iran and Pakistan are, together with Turkey, the founding members of this regional organization that now has ten member states

and could induct India as an observer for the starter – the regional dimension of IPI becomes immediately more pronounced.

These recommended steps, if adopted, will not only ensure that IPI does not turn into a tissue of endless wrangling and materializes as envisioned, they also add to its significance and simultaneously, reduce the potential impact of future shocks that may be political or geostrategic in nature. By increasing the pool of regional participants through a consortium, the IPI project glues the three countries into a greater web of cooperation and cements this cooperation by the positive input of other participants. As the experience of the BTC (Baku-Tblisi-Ceyhan) pipeline clearly demonstrates, regional pipelines contribute to the sustainable growth and stability of adjacent regions, and by all indications, the IPI should be no different.

Conclusion

In conclusion, safety mechanisms do exist which could decrease the marginal costs even though the geopolitical risks of the IPI pipeline may be high. For diplomatic issues, the risk is significant for both grassroots and state-sponsored terrorism in Pakistan. Iran may be unreliable with its supplies, and the project may alienate the most powerful ally to India and Pakistan, the U.S.

Measures have been taken to alleviate a lot of these risks. If Pakistan interferes with India's supply of fuel, Iran is determined to supply other fuel and cease exports to Pakistan. To ensure Iran will act in good faith, an international group of bankers and oil experts have agreed to back the project. It also appears that the nuclear deal has neither political nor international support to

The IPI project would greatly benefit India and Pakistan's economic future. The most cost-effective solution to India's energy crisis would be to supply piped natural gas. This reliable source of energy could make further foreign investment more encouraging. People at every socio-economic level in India and Pakistan will eventually see the benefits of this stable power source. The pipeline is guaranteed profits since the need for gas will only increase over time.

The father of the IPI pipeline, Dr. RK Pachauri, has mentioned that by steering the course of "quiet diplomacy" India can manage the diplomatic obstacles between the pipeline and itself [Abbas]. If India were to seek backdoor diplomatic channels, this could alleviate the risk that the U.S. may feel threatened by the project, and it could provide India with enough room to negotiate security issues openly with constantly changing Indo-Pakistani relations.

India and Pakistan should keep in mind the lessons learned by Europe in the 1970's. Europe realized it needed gas imports at the height of the Cold War. The solution that made the most sense to them was getting the piped gas from the Soviet Union. The Soviet Union needed a market for its gas, just like Iran does today, and Europe needed imports. The pipeline was structured regardless of protests from America, and it was agreed to keep politics and economics separate. The collapse of the Soviet Union in the 1990's, and the transition for Europe and Russia, was cushioned by the economic ties linked to the pipeline. The consistent supply of natural gas has survived two decades of growth in Europe. The longterm economic benefits could be very large if India, Pakistan, and Iran could put economic concerns above politics. Going through with the pipeline would create a state of economic interdependence for all three countries, and the pipeline could eventually benefit the current unstable political arena in South Asia - ultimately earning the project the right to be called "the pipeline of peace."

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