CINEFORUM
ISSN: 0009-7039
CINEFORUM 2024: (International Conference)

Strategic Trade and Peacebuilding: Lessons from India-Pakistan Economic Engagement

Ambreen Zehra Wani
Research Scholar, Department of Political Science,
Bhagwat University Rajhastan.
Email: ambreenzehra24@gmail.com

Introduction

Cross-border trade between India and Pakistan, particularly across the Line of Control (LoC) in Jammu and Kashmir, has been a subject of great significance and complexity, shaped by the broader political and economic dynamics of South Asia. The region has witnessed a tumultuous history characterized by persistent conflict, deep-rooted mistrust, and sporadic attempts at diplomatic engagement. Against this backdrop, the theoretical framework of economic interdependence provides a compelling lens through which the potential for trade as a mechanism for peace can be understood. This framework posits that increased trade between adversarial states can foster cooperation, reduce the likelihood of conflict, and promote stability, thereby transforming contentious borders into zones of opportunity and mutual benefit (Copeland, 2000).

The relationship between India and Pakistan has been marked by a series of conflicts, wars, and military stand-offs since their independence in 1947, primarily revolving around the disputed territory of Jammu and Kashmir. Despite this hostile environment, there have been moments when trade was viewed as a viable avenue for peacebuilding and economic cooperation (Naz, S.2008). The initiation of cross-LoC trade in 2008, for instance, was a significant Confidence Building Measure (CBM) aimed at fostering economic ties and enhancing people-to-people contact across the divided region of Kashmir (Ashraf. 2017). This initiative underscored the liberalist belief that economic interdependence could create incentives for peace, reducing the likelihood of armed conflict by making the costs of war prohibitively high (Gartzke et al., 2001).

However, the promise of cross-border trade as a tool for peace has been challenged by recurring political tensions and security concerns. The suspension of cross-LoC trade in 2019 following the Pulwama attack and subsequent political actions illustrates the fragility of economic engagements in conflict-prone regions. Despite these setbacks, the theory of economic interdependence suggests that economic ties could still play a crucial role in mitigating tensions and promoting a stable relationship between India and Pakistan. By fostering mutual economic benefits, trade can help build trust, reduce uncertainty, and create constituencies within both nations that favor peace over conflict (Keohane & Nye, 1987; Pollins, 1989).

Empirical evidence supports the notion that economic interdependence can lead to more peaceful interactions between states. Studies have shown that countries with significant economic ties are less likely to engage in military conflicts, as the economic losses from disrupted trade are often substantial (Morrow et al., 1998).The potential for trade to act as a

deterrent to conflict is particularly relevant in the context of India and Pakistan, where economic exchanges across the LoC could reduce hostilities by fostering a shared interest in economic prosperity. Moreover, cross-border trade could help to address economic grievances in the region, providing much-needed economic opportunities and reducing the appeal of militant activities among local populations (Gelpi & Grieco, 2008)
As such, the concept of economic interdependence offers a strategic pathway for both India and Pakistan to move beyond their historical animosities (Nasim, (2022). By leveraging trade as a means to promote peace, both nations can work towards transforming their contentious borders into areas of economic cooperation and mutual benefit. This approach aligns with the broader goals of regional stability and economic development, providing a foundation for long-term peace in South Asia. Thus, while challenges remain, the theoretical framework of economic interdependence highlights the transformative potential of cross-border trade in reducing conflict and fostering a more stable and prosperous relationship between India and Pakistan (Copeland, 2000).

Theoretical Framework: Trade and Peace

The concept of economic interdependence argues that increased trade between nations fosters cooperation and reduces the likelihood of conflict. This idea is rooted in liberal theories of international relations, which assert that economic interactions create mutual benefits, enhancing peace and stability. According to the economic interdependence theory, when states are economically interconnected, the potential costs of conflict outweigh the benefits of maintaining peaceful trade relations. This framework suggests that trade not only promotes economic growth but also acts as a deterrent to war, encouraging states to resolve disputes through non-violent means (Gelpi & Grieco, 2008) .

Foundations of Economic Interdependence Theory

Economic interdependence theory has its roots in the liberalist tradition, which emphasizes the role of international trade and cooperation as tools for peace. Scholars like Immanuel Kant and Norman Angell laid the groundwork for this theory. Kant's philosophical proposition in "Perpetual Peace" suggests that the "spirit of commerce" is inherently peaceful, as states engaged in trade are less inclined to go to war due to the economic losses they would incur (Copeland, 2015). Similarly, Angell argued in "The Great Illusion" that the economic costs of modern warfare outweigh any potential gains, making war less rational for economically interdependent states (Copeland, 2015). Building on these ideas, contemporary scholars like Dale Copeland have expanded the theory by exploring the conditions under which economic interdependence is most likely to promote peace. Copeland posits that trade creates economic ties that make the costs of conflict prohibitively high, thus encouraging states to seek peaceful resolutions to disputes (Copeland, 2000). His work also highlights that economic interdependence can act as a signaling mechanism, where the commitment to trade can serve as a credible signal of peaceful intentions between states (Gartzke et al., 2001).

Mechanisms Linking Trade to Peace

The link between trade and peace can be understood through several mechanisms. First, economic interdependence increases the opportunity cost of conflict. When two countries are engaged in substantial trade, any disruption caused by conflict can lead to significant economic losses, discouraging aggressive behavior (Pollins, 1989; Morrow, 1999). Second, trade fosters communication and interaction between states, which can build trust and reduce the likelihood of misunderstandings that could escalate into conflict (Gartzke et al., 2001). Moreover, economic interdependence can create domestic constituencies that benefit from trade and have a vested interest in maintaining peaceful international relations. These groups can exert political pressure on governments to avoid conflict and prioritize diplomatic solutions (Keohane & Nye, 1987). Additionally, trade can lead to greater economic stability and development, which further reduces the incentives for conflict, as economically prosperous states are more likely to seek stable and peaceful environments to continue their growth (Barbieri & Schneider, 1999).

Case Studies and Empirical Evidence

Empirical studies have generally supported the notion that economic interdependence reduces the likelihood of conflict. For example, studies on the post-World War II period show that countries with higher levels of bilateral trade are less likely to engage in military disputes (Morrow et al., 1998). Similarly, research on the U.S.-China and U.S.-Japan trade relationships has demonstrated that economic interdependence can serve as a powerful deterrent to conflict, even in the face of significant political tensions (Dent, 2001) . However, the relationship between trade and peace is not always straightforward. Some scholars argue that the effects of economic interdependence on peace depend on the nature of the trade relationship and the broader political context. For instance, asymmetric interdependence, where one country is significantly more dependent on trade than the other, may create vulnerabilities that could be exploited in times of political tension (Hirschman, 1945; Gilpin, 1977). Furthermore, the expectation of future trade benefits plays a crucial role; if states believe that trade will continue to be beneficial in the future, they are more likely to avoid conflict. Conversely, if future trade prospects seem bleak, the deterrent effect of economic interdependence may diminish (Copeland, 2000) .

Challenges and Critiques

Despite the robust theoretical and empirical support, the economic interdependence theory faces several critiques. One major criticism is that it assumes rational actors who prioritize economic gains over other considerations, such as national security or political ideology. In reality, states may not always act rationally or may prioritize other factors over economic benefits. Additionally, the theory does not fully account for cases where trade itself becomes a source of tension, such as disputes over trade imbalances or unfair trade practices (Gartzke, Li, & Boehmer, 2001). Another critique is that economic interdependence may not be sufficient to prevent conflict in the absence of other factors, such as strong political institutions or mutual trust. For instance, the economic ties between the United States and China have not prevented escalating tensions and trade wars, suggesting that economic interdependence alone may not be a panacea for peace (Keohane & Nye, 1987; Gartzke et al., 2001) .

Implications for India-Pakistan Relations

The application of economic interdependence theory to India-Pakistan relations suggests that enhancing trade between the two countries could reduce bilateral tensions and foster a more stable relationship. Given the history of conflict between India and Pakistan, economic interdependence could provide a platform for building trust and cooperation, potentially leading to a more durable peace (Gartzke et al., 2001). The revival of cross-LoC trade, in particular, represents an opportunity to create economic linkages that can reduce the incentives for conflict and promote dialogue (Barbieri & Schneider, 1999) . However, the success of this approach depends on several factors, including the political will of both countries to prioritize economic engagement over security concerns and the establishment of mechanisms to manage trade disputes and ensure that economic interactions remain mutually beneficial. By addressing these challenges, India and Pakistan could leverage economic interdependence to create a more peaceful and prosperous bilateral relationship (Copeland, 2015) .

Conclusion

Cross-border trade between India and Pakistan, particularly in the context of the Line of Control (LoC) in Jammu and Kashmir, offers a compelling example of the potential for economic interdependence to foster peace and stability. The historical tensions and conflicts that have characterized India-Pakistan relations have often overshadowed the economic opportunities that could arise from deeper bilateral trade. However, as demonstrated by the theoretical framework of economic interdependence, increased trade can reduce the likelihood of conflict by making the costs of war prohibitively high and enhancing the benefits of cooperation. The empirical evidence supporting this theory suggests that countries with significant economic ties are less likely to engage in military disputes. In the case of India and Pakistan, the revival and expansion of cross-LoC trade could create a network of mutual economic interests that not only provides economic benefits but also serves as a deterrent against escalation into armed conflict. The success of cross-LoC trade from 2008 to 2019, despite ongoing political and security challenges, underscores the transformative potential of economic interdependence in fostering peace. However, the road to achieving sustainable peace through economic interdependence is not without challenges. The suspension of cross-LoC trade in 2019, following political tensions and security concerns, highlights the fragility of such initiatives in conflict-prone regions. For economic interdependence to effectively contribute to peace, both India and Pakistan must demonstrate a sustained commitment to fostering trade relations and addressing underlying political and security concerns. This includes establishing robust mechanisms to manage trade disputes, ensuring fair trade practices, and preventing the use of trade routes for illicit activities. The theoretical framework of economic interdependence also points to the importance of creating domestic constituencies that benefit from trade and have a vested interest in maintaining peaceful international relations. In the context of India and Pakistan, this could involve engaging local communities and business sectors that stand to gain from cross-LoC trade, thereby building a grassroots movement in favour of peace and cooperation. By aligning economic incentives with peacebuilding efforts, both countries can work towards transforming their contentious borders into zones of economic opportunity and mutual benefit.

Ultimately, the potential for cross-border trade to act as a mechanism for peace between India and Pakistan hinges on the political will of both governments to prioritize economic engagement over historical grievances and security concerns. While challenges remain, the benefits of fostering economic interdependence are significant, not only for enhancing bilateral relations but also for contributing to regional stability and development. By embracing the principles of economic interdependence, India and Pakistan have an opportunity to build a more peaceful and prosperous future, transforming their historical animosities into a foundation for cooperation and growth.

References

Barbieri, K., & Schneider, G. (1999). Globalization and Peace. Journal of Peace Research, 36(4), 387–404.

NAZ, S. (2008). *KASHMIR DISPUTE IN THE WAKE OF 9/11* (Doctoral dissertation, Quaid-i-Azam University, Islamabad).

Copeland, D. C. (2000). Economic Interdependence and War: A Theory of Trade Expectations. Princeton University Press(Cambridge University Press & Assessment).

Copeland, D. C. (2000). Economic Interdependence and War: A Theory of Trade Expectations. Princeton University Press.

Gartzke, E., Li, Q., & Boehmer, C. (2001). Investing in the Peace: Economic Interdependence and International Conflict. International Organization, 55(2), 391–438(Cambridge University Press & Assessment).

Gartzke, E., Li, Q., & Boehmer, C. (2001). Investing in the Peace: Economic Interdependence and International Conflict. International Organization, 55(2), 391–438.

Gelpi, C. F., & Grieco, J. M. (2008). Democracy, Interdependence, and the Sources of the Liberal Peace. Journal of Peace Research, 45(1), 17–36(SpringerLink).

Gelpi, C. F., & Grieco, J. M. (2008). Democracy, Interdependence, and the Sources of the Liberal Peace. Journal of Peace Research, 45(1), 17–36.

Hirschman, A. O. (1945). National Power and the Structure of Foreign Trade. University of California Press.

Ashraf, H. M. T. (2017). *Economic Cooperation as an Instrument of Confidence-Building: The Case of Pakistan and India* (Doctoral dissertation, University of Malaya (Malaysia)).

Keohane, R. O., & Nye, J. S. (1987). Power and Interdependence revisited. International Organization, 41(4), 725–753(Cambridge University Press & Assessment).

Keohane, R. O., & Nye, J. S. (1987). Power and Interdependence revisited. International Organization, 41(4), 725–753.

Morrow, J. D., Siverson, R. M., & Tabares, T. E. (1998). The Political Determinants of International Trade: The Major Powers, 1907–90. American Political Science Review, 92(3), 649–661(Cambridge University Press & Assessment).

Morrow, J. D., Siverson, R. M., & Tabares, T. E. (1998). The Political Determinants of International Trade: The Major Powers, 1907–90. American Political Science Review, 92(3), 649–661.

Pollins, B. M. (1989). Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows. American Journal of Political Science, 33(3), 737–761(Cambridge University Press & Assessment).

Pollins, B. M. (1989). Conflict, Cooperation, and Commerce: The Effect of International Political Interactions on Bilateral Trade Flows. American Journal of Political Science, 33(3), 737–761.

Nasim, A. (2022). Pak-China Geostrategic Interdependence: Impact on Rising Economies of Asia. *South Asian Studies*, *37*(01), 95-110.