



International Game '99:

Crisis in South Asia

28–30 January 1999

Bradd C. Hayes

Sponsored by the

United States Naval War College



was prepared for the Decision Support and Strategic Research of the Center for Naval Warfare Studies. The contents of the report vs of the author and are not necessarily endorsed by the Naval War y other department or agency of the United States Government.



Acknowledgments

The author wishes to thank James Harrington, Lawrence Modisett, William Piersig, Andres Vaart, and Paul Taylor for providing thoughtful comments on early drafts of this report. The scenario material was drawn from Professor Vaart's background briefings, and Professor Piersig's game book provided much of the material contained in the Appendices.

Table of Contents

[EXECUTIVE SUMMARY](#) *

[BACKGROUND](#) *

[The South Asia Proliferation Project](#) *

[The International Game Series](#) *

[Game Vision and Objectives](#) *

[Background](#) *

[The Setting: July 2003](#) *

[GAME PLAY](#) *

[MOVE ONE SCENARIO](#) *

[Move One ? Initial Positions](#) *

Move One ? Negotiations [*](#)

MOVE TWO SCENARIO [*](#)

Move Two ? Initial Reactions [*](#)

Move Two ? Negotiations [*](#)

Move Two ? Outcomes [*](#)

OUT OF ROLE DISCUSSIONS [*](#)

GENERAL OBSERVATIONS [*](#)

International organizations are likely to be ineffective in addressing a nuclear crisis in South Asia. [*](#)

For the foreseeable future, "managed tension" will be the norm. [*](#)

Historic ties shape perspectives. [*](#)

Conventional force confidence-building measures need to be complemented by nuclear CBMs. [*](#)

Nuclear weapons provide states with enhanced negotiating leverage. [*](#)

Conflicting views concerning nuclear weapons will continue. [*](#)

Post-nuclear exchange options are extremely limited. [*](#)

POLICY IMPLICATIONS [*](#)

Pursue sources of leverage and be willing to use it. [*](#)

Pre-crisis sanctions weaken, rather than strengthen, international leverage [*](#)

Leverage weakens as a crisis escalates. [*](#)

Terrorism can precipitate interstate conflict. [*](#)

The International community should be more proactive. [*](#)

Non-proliferation and comprehensive test ban treaties are more likely to delay than halt the of spread nuclear weapons. [*](#)

Unilateral options are unlikely to work. [*](#)

CONCLUDING THOUGHTS [*](#)

APPENDIX A: INDIA/PAKISTAN: MILITARY ASSUMPTIONS IN 2003 [*](#)

APPENDIX B: INDIA – PAKISTAN CHRONOLOGY [*](#)

APPENDIX C: INDIA COUNTRY PROFILE [*](#)

APPENDIX D: PAKISTAN COUNTRY PROFILE [*](#)

APPENDIX E: INDIA AND PAKISTAN SANCTIONS [*](#)

EXECUTIVE SUMMARY

The primary purpose of this game was to explore international approaches for dealing with crises involving the threat and use of nuclear weapons. To do so, the game engaged mid- to high-level participants from fifteen countries in a United Nations Security Council setting. The scenario examined tensions between India and Pakistan. The following observations emerged from game play:

- International organizations are likely to be ineffective in addressing a nuclear crisis in South Asia, primarily because their deliberations take too long. However, a forum like the United Nations will still be required for the conduct of critical multilateral negotiations, whether or not the organization itself gets involved in intervention.
- For the foreseeable future, "managed tension" will remain the norm between India and Pakistan.
- Historic ties shape the perceptions and actions of belligerents as well as those responding to a crisis. Although this may sound like a blinding flash of the obvious, the extent to which historic ties impacted the game was revealing.
- Conventional force confidence-building measures between India and Pakistan need to be complemented by nuclear CBMs.
- Nuclear weapons provide states with enhanced negotiating leverage. Nuclear weapons provide countries with a wild card that they would not otherwise possess.
- Conflicting views concerning the importance of nuclear weapons will continue. India, in particular, sees possession of nuclear weapons as the key to great power status.
- Post-nuclear exchange options are extremely limited.

Game play also revealed a number of policy implications that should be considered by U.S. decision-makers. They include:

- The U.S. must pursue more sources of leverage that could be used to prevent a

- crisis from escalating and understand how to employ them aggressively.
- Pre-crisis sanctions and embargoes generally weaken, rather than strengthen, the international community's bargaining position.
 - Policymakers must recognize that leverage weakens as a crisis escalates.
 - Terrorism can precipitate interstate conflict.
 - The international community needs to be more proactive in dealing with festering tensions among nuclear powers. The challenge in South Asia remains Kashmir.
 - Unilateral options are unlikely to work. U.S. actions were accepted only as long as they were developed in partnership with others.
 - Non-proliferation and comprehensive test ban treaties are more likely to delay than to halt the spread of nuclear weapons. Countries currently pursuing nuclear programs are not likely to renounce them.

Participants agreed that accident and miscalculation are the most likely triggers that could result in a nuclear exchange on the sub-continent. Resort to tactical nuclear weapons is especially likely if a country perceives that its sovereignty is seriously threatened. Participants also asserted that if the international community fails to resolve serious cross-border tensions, and only attempts, on the brink of conflict, to search for solutions, it must bear some responsibility for the suffering that results.

Some players expressed a preference for handling such matters bilaterally, others indicated a preference for a regional resolution; but, for the most part, participants understood that a crisis involving the potential use of nuclear weapons is an international problem. Moralistic, pragmatist, and fatalist positions were all represented in the game. Few players believed, however, that the world would be denuclearized in the near term, if ever. Nuclear weapons are like smoke in a bottle; once released, it is impossible to put it back in.

BACKGROUND

The South Asia Proliferation Project

Following the nuclear tests by India and Pakistan in May 1998, Dr. Lawrence Modisett, Director of the Decision Support Department in the United States Naval War College's Center for Naval Warfare Studies (CNWS), initiated a series of simulations to examine international consequences of nuclear developments in South Asia. Events, either scheduled or concluded, consider the implications, economic aspects, and operational factors for U.S. policy. The subject of the current report is international responses to conflict in South Asia. Ambassador Paul D. Taylor, head of the South Asia Proliferation Project, was game director. Preparation of scenarios was the responsibility of Professor Andres Vaart, Advisor to the Dean of the Center for Naval Warfare Studies.

The International Game Series

Now in its sixth year, the International Game Series is sponsored by the United States Naval War College's Center for Naval Warfare Studies. The Decision Support Department conducted this game with the assistance of the Strategic Research Department, which has conducted all previous games. The games are politico-military simulations designed to explore regional, national and international perspectives on current or future issues of interest to the United States, using primarily non-U.S. players. While generally focused on peace and security, the events are not war games; rather, they focus on prevention, and resolution techniques. Results from the game are available to personnel within various agencies of the international community to help them design and implement policies. The games are conducted in a completely unclassified manner.

CENTER

The key to the success of the game lies in the players, who are mid- to high-ranking officials and academics from relevant nations. Their career experiences, national/regional perspectives, give International Games an edge that cannot be duplicated in any other setting. Players participating in the game come from a number of distinguished academic institutions, agencies, and government departments in the United States and abroad. Nationals from fifteen nations participated in the game.

The game addressed a plausible, though not predicted, crisis between India and Pakistan. The game touched on sensitive issues for many players, the results of which were reported in any post-game report. Accordingly, country, agency, and individual names have been used throughout this report.

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This game brought together a uniquely qualified cross section of diplomats, academics, analysts, and military personnel to play a politico-military simulation, in a United Nations Security Council setting, over a day and half. Participants came from the South Pacific and Asia (Australia, China, India, Iran, Japan, Pakistan, Philippines, Singapore), Europe (Finland, France, Russia, U.K.), Latin America (Peru), and North America (Canada, US). The game examined issues relevant to a security crisis in South Asia that involved the potential use of nuclear weapons. The primary goal was to explore the roles of the international community as well as individual states in preventing or, failing that, mitigating the effects of such use. Specific objectives were to:

- Explore South Asian security issues and policies.
- Exercise conflict prevention, management, and resolution techniques.
- Examine the political effects of a nuclear exchange.
- Enhance understanding of the opportunities and constraints on national security policies.

Background

Participants were introduced to the scenario during an introductory event the evening before the game. It was stressed that the scenario was not intended to predict the future; rather, the scenario was selected because it raised important issues and because it was plausible, worrisome, and consequential. The preconditions posited for the scenario were deemed necessary to instigate crisis. Specific military data, including warhead and missile numbers, represented informed assumptions based on publicly available material. Game orders of battle can be found in Appendix A. In the report, scenario play will be indicated by *italic type* whereas free game play will be indicated by regular type.

The Setting: July 2003

Economic conditions – Both India and Pakistan were affected by the Asian economic crisis that began in the late 1990s (Y2K) computer-generated economic problems. India was in a weaker position than Pakistan before the Asian economic crisis and was coming out of it. The economic crisis fomented a rise in nationalist fervor and rhetoric. Pakistan was in a weaker position before the crisis when it found itself suffering from unwise investments and maladroit economic management. This led to widespread demonstrations and violence as both prices

Confidence Building Measures (CBMs) instituted in the 1990s and between India and Pakistan. They included:

Military operations (December 1990)

- *Agreement to reduce nuclear facilities (January 1991)*
- *Advance notification of maneuvers (April 1991)*
- *Agreement to avoid airspace violations (April 1991)*
- *Prime Ministers' hotline (1997)*

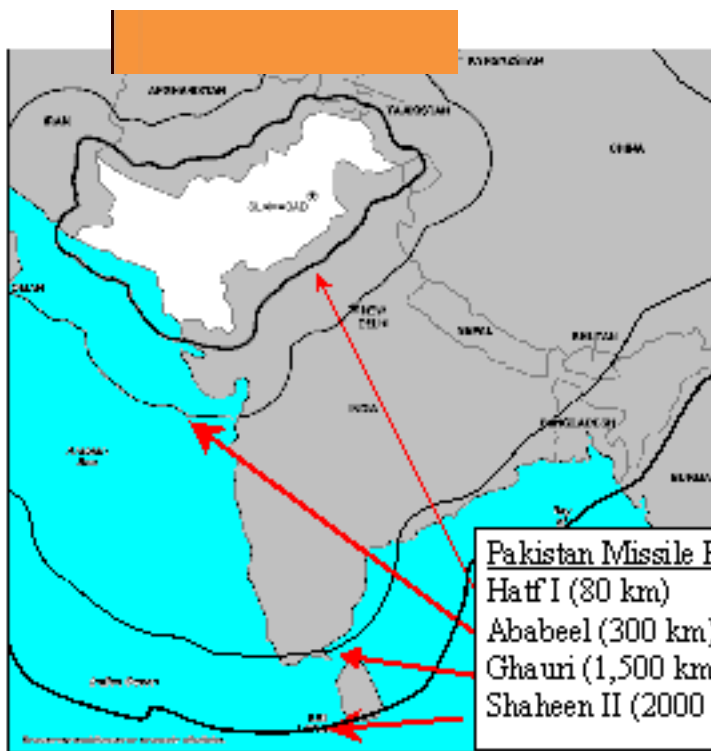


Figure 1. Notional Ranges for Pakistani Missiles

In addition, both India and Pakistan signed the Confidence Building Treaty (CBTB) in 1999 and the Indian side had unilaterally declared a moratorium on nuclear tests. Pakistan's conventional forces were in a state of decline. A long-range missile had been tested and its range was extended. On the Indian side, its military

capabilities had improved in aircraft, armor, and missiles; much of this was accomplished indigenously or under a long-term agreement signed with Russia in 1998. Both countries had nuclear warheads capable of delivery by either aircraft or missile. Figures 1 and 2 present notional ranges for Pakistani and Indian missiles.

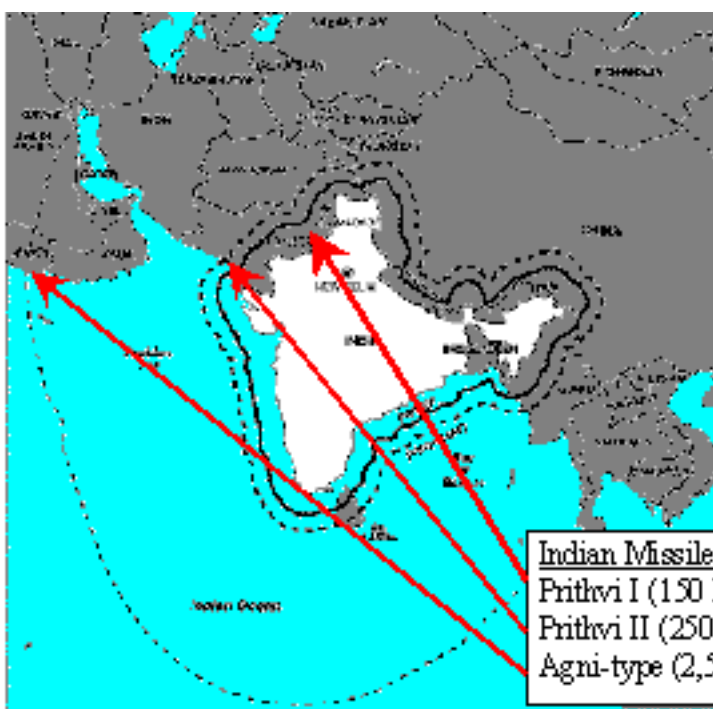
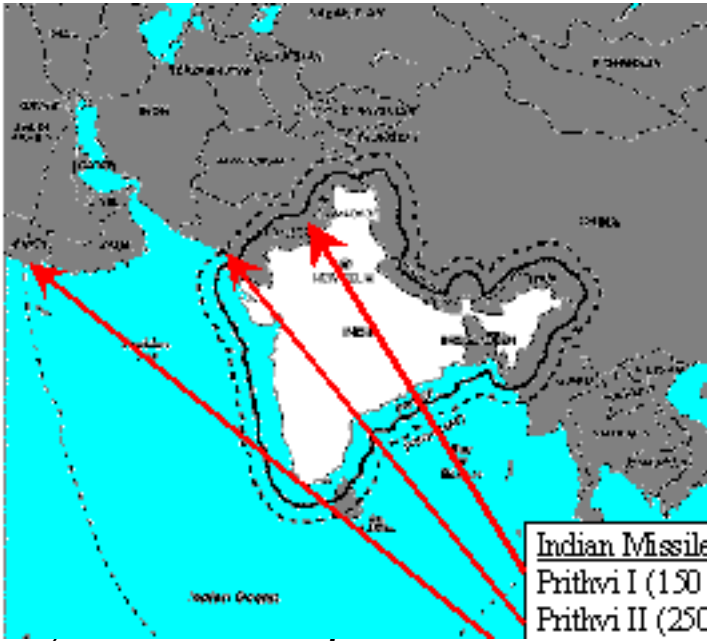


Figure 2. Notional Indian Missile Ranges

Rebel activity in Kashmir mirrored the situation in the past. Rebels had been receiving new and sophisticated weapons. Reports suggested that Pakistani

apons without the knowledge and cal Kashmiri officials had been loyal to New Delhi. The increased increased troop alerts along the led to adhere to notification regimes es involved reinforcement of units f combat-ready troops on both sides



Indian Missile

Prithvi I (150 km)

Prithvi II (250 km)

ministers of interior and defense as airport near Srinagar, Kashmir.

These leaders, along with 20 staff members, were on their way to an inspection visit in Kashmir's capital. Eyewitnesses reported that a missile struck the aircraft as it approached the airport. Two days later, on the third of August, India launched Operation Resolute Sword against Kashmiri militants and their support facilities in Kashmir and Pakistan. Indian leaders insisted they were compelled to act, and noted that the assassination of Indian ministers had occurred on the heels of increased cross-border artillery exchanges and a series of terrorist attacks inside India. The Indian government publicly declared that Operation Resolute Sword was limited in both scope and objective and issued an ultimatum demanding the immediate delivery of terrorist leaders being sheltered in Pakistan, the dismantling of known terrorist headquarters and training facilities, and the removal of all Pakistani military forces from Kashmir.

Move One ? Initial Positions

In response to the events presented during the scenario briefing, players assembled in a simulated United Nations Security Council to consider the matter. The game design stipulated that both India and Pakistan held seats on the Council. Because the scenario prescribed actions for their countries, the players for India and Pakistan were informed in advance of the general scenario. Aside from the events in the scenario, described above and noted later, all actions, including by the Indian and Pakistani players, were undertaken as free game play at the initiative of the players. The session began with players presenting their country positions.



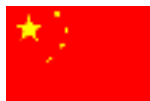
Pakistan accused India of trying to deflect attention from its inability to control an internal security problem by launching an unwarranted attack against it. Pakistan asserted that it desired a peaceful settlement to the crisis and requested the help of the international community. Later, in response to other countries' initial statements, Pakistan lamented that, beyond calls for peace, no outrage was expressed concerning Indian aggression.



India dismissed Pakistani charges of aggression and insisted that the crisis was the result of Pakistani-sponsored terrorism. India reiterated that its actions were purely defensive and had to be undertaken because it was clear that further terrorist acts were planned. India reiterated that the operation was strictly limited in scope and objective and that India had no intention of threatening Pakistan's sovereignty. India stood by all previous demands concerning the dismantling of terrorist facilities.



Canada proposed an immediate cease-fire and recommended approval of a peacekeeping force for the area. It recommended that the Secretary-General take charge of negotiations. Canada also recommended establishing a special commission that could help institute mechanisms for confidence building. To add teeth to its proposal, Canada offered to supply troops. Canada also recommended that the International Atomic Energy Agency (IAEA) get involved in some kind of inspection regime. Canada reiterated that it was looking for a new comprehensive approach that encouraged cooperation and development between India and Pakistan.



China expressed concern that India's operation reflected another step in its long history of expansionist border activity. Although China's sympathy was clearly with Pakistan, it supported negotiations as long as they were based on national sovereignty. China expressed its historical discomfort with intervention operations and stressed that conflict should be resolved without the further use of force.



Russia supported proposals for a peaceful settlement of the crisis. As a longstanding supporter of India, Russia felt compelled to note that its relationship with India had in no way violated the non-proliferation regime. Russia also noted that countries had the right to protect themselves from terrorist activity. Russia agreed with Canada concerning the advisability of introducing peacekeepers or observers in the area. It also indicated that it was ready to contribute both troops and airlift.



The United Kingdom offered assistance on behalf of the permanent members of the Security Council to enhance military transparency and technical verification between India and Pakistan. The U.K. also recommended the establishment of a fact-finding mission to investigate circumstances surrounding the fatal aircraft incident.



The United States insisted that conflict between two nuclear powers could not be considered a domestic problem. Because of the risk of nuclear exchange, the U.S. urged that a cease-fire be worked out immediately. The U.S. also indicated that it was preparing plans to evacuate American citizens.



Iran pushed for using the immediate crisis as a springboard for launching negotiations that would deal with the underlying causes of tension between India and Pakistan. Iran preferred the two belligerents to work out their differences on their own, but, conceding that that alternative did not look possible, stated that international mediation was the next best option.

Most other members of the Security Council expressed support for the proposal, believing the underlying causes were so intractable that the two could be unable to disengage without help. France, while backing efforts to foster peacekeeping force. The President of the Security Council stated that enforcement measures under Chapter VII of the UN Charter could be adopted but expressed the hope that it would not automatically be adopted as the best option. The President urged the Security Council to concentrate on how to bring an end to hostilities. He also urged the belligerents to meet face-to-face to draft a resolution for a cease-fire.

After the presentation of initial positions, the meeting was adjourned so that informal discussions could take place. Since Canada had proposed the most comprehensive resolution for solving the crisis, it was asked to draft a resolution for further consideration. The Permanent Five met in separate session to work out a unified approach.

Negotiations

India refused to sign a disengagement agreement with Pakistan and insisted that it had to resolve disagreements by force. Pakistan welcomed India's offer to cease hostilities but expressed displeasure that India did not offer an apology for invading Kashmir in the first place. As noted above, Canada, in consultation with the belligerents, drafted a resolution (shown in the text box) for consideration by the Security Council. After having it read, the President of the Security Council asked if the resolution could be adopted by consensus. Since it committed troops without putting new confidence-building measures in place, several of the Permanent Five states expressed reservations and the resolution was not adopted.

Discussions at the end of the game indicated that had sufficient time been available a version of the resolution acceptable to the Security Council probably could have been drafted. Nevertheless, many of the non-permanent members expressed dismay that an agreement between the belligerents could be held hostage to the whims of the permanent members.

The Canadian proposal for IAEA involvement in the situation was quickly dismissed as an option. The reason for this lack of interest in IAEA involvement was never discussed in open session, although the unhappy experience of the UN inspection team in Iraq was fresh on their minds. Subsequent events prompted Canada to charge that the quick dismissal of this option had far-reaching negative repercussions.

Discussions among the Permanent Five (P5) members of the Security Council ? China, France, Russia, the United Kingdom, and the United States ? focused more on providing the belligerents with security guarantees than with establishing an intervention force. Because of the presence of nuclear weapons, some of the P5 suggested that a traditional peacekeeping operation was inappropriate. The Permanent Five, therefore, considered formulations for helping India and Pakistan beef up their air defense and tactical ballistic missile defenses as well as supplying them with improved indications and warning. They also explored, as noted above, confidence-building measures that could be used to increase transparency.

MOVE TWO SCENARIO



Despite the promising negotiations conducted, India decided to examine a new series of issues in move two. That the second move was not a continuation of move one based on the assumption that diplomatic negotiations were beginning of move two, the announcement was perceived as an attack against India. Several offensives and counter-offensives followed. Outraged by India's unrepentant celebrations and the news of the Indian offensive, the Pakistani high command seized the opportunity by launching Operation Resolute. During a two-day battle, Pakistani forces moved into Indian territory. An Indian counteroffensive was launched. Indian forces were joined by a large number of Pakistani forces who launched an attack toward the Pakistani border.

The attacks were enormously successful. Pakistani forces in the north were defeated and Indian forces moved quickly across the Thar Desert toward the Indus River. Fearing that India was about to sever the country in two, cutting off Islamabad's economic lifeline to the south, the Pakistani high command ordered a barrage of missile strikes, including four nuclear-tipped weapons. Three 20-kiloton tactical nuclear weapons were aimed at halting



...the fourth used against the supporting rail hub in the Indian advance and destroying the rail hub. ...but they were estimated to be in the hundreds of

Move Two ? Initial Reactions



In a tersely worded statement, India noted that defensive precautions had been taken following Pakistan's unwarranted nuclear attack and government leaders were being relocated to alternative command sites.

Since communications between New York and New Delhi were impossible, India withdrew its representative from the Security Council and noted that the time for diplomatic efforts had passed. India gave no indication of what course it might steer in reaction to these events.



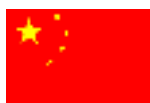
Pakistan expressed its sincere regret that this catastrophe had to occur, but explained that its actions were purely defensive and the only course left to it considering Indian aggression. Pakistan pointed out that it had used only tactical nuclear weapons against strictly military targets ? avoiding

deliberately targeting population centers. It hoped Indian leadership would see the futility of its aggression and seek peace. Pakistan reiterated that it would not accept any country's hegemony in the region and threatened to use nuclear weapons against Indian cities if India did not cease its military actions.



Russia decried Pakistan's actions and indicated that it was sending humanitarian assistance and decontamination equipment to India. Russia called for the immediate denuclearization of Pakistan and India as well as a renewed effort by the international community to enforce the

non-proliferation regime. It called on India to refrain from a nuclear counterattack but offered decontamination assistance to Pakistan should one occur. Russia put the U.S. on notice that it had dispersed its strategic forces and was suspending the START inspection regime until the crisis was over.



China insisted that the international community had to bear some responsibility for the Pakistani attack since it had neglected to ensure a military balance in the region. It urged the international community to begin at once to restore this balance. Although China did not justify Pakistan's use

of nuclear weapons, it did note that Pakistan had only used tactical, counterforce weapons [a point some countries said was inconsequential]. China called upon India to desist from pursuing retaliation in kind and noted that the two most important requirements were to restore order and begin decontamination.



The United States insisted that the UN Security Council had an inescapable obligation to get involved in this crisis. It strongly condemned Pakistan's



actions and indicated that it would help search for an appropriate way to punish the Pakistani government for its outrageous conduct.



Iran indicated that Pakistan's actions had caused many regrets in the region including in Iran. Iran indicated that India should have done more to prevent the unfortunate turn of events and cautioned India that if it retaliated it would endanger both global peace and the environment.

members of the Security Council condemned Pakistan for using nuclear weapons to stop the situation from escalating. Canada once again called upon the General to take the lead. The President of the Security Council pressed for action, believing that any hesitation in responding would only make matters worse and agreed with China that the international community, particularly the great powers, must be assigned a share of the blame in this situation. It asked about indications that the great powers might have had, and wondered why they did not act if they had any. Finland also offered to get the European Union (EU) involved in support. Canada decried the fact that its earlier proposal for IAEA involvement had not been implemented since it might have prevented the use of nuclear weapons. The President indicated that the Association of Southeast Asian Nations (ASEAN) would also be involved in the matter.

After the Security Council once again adjourned and members were free to join in bilateral negotiations. The Permanent Five, along with the President of the Security Council and the Secretary-General, went into a closed session. They negotiated with India and Pakistan separately. Several other countries, led by Canada, Australia, and Japan, met to discuss proposals as they could present to the Permanent Five.

Move Two ? Negotiations

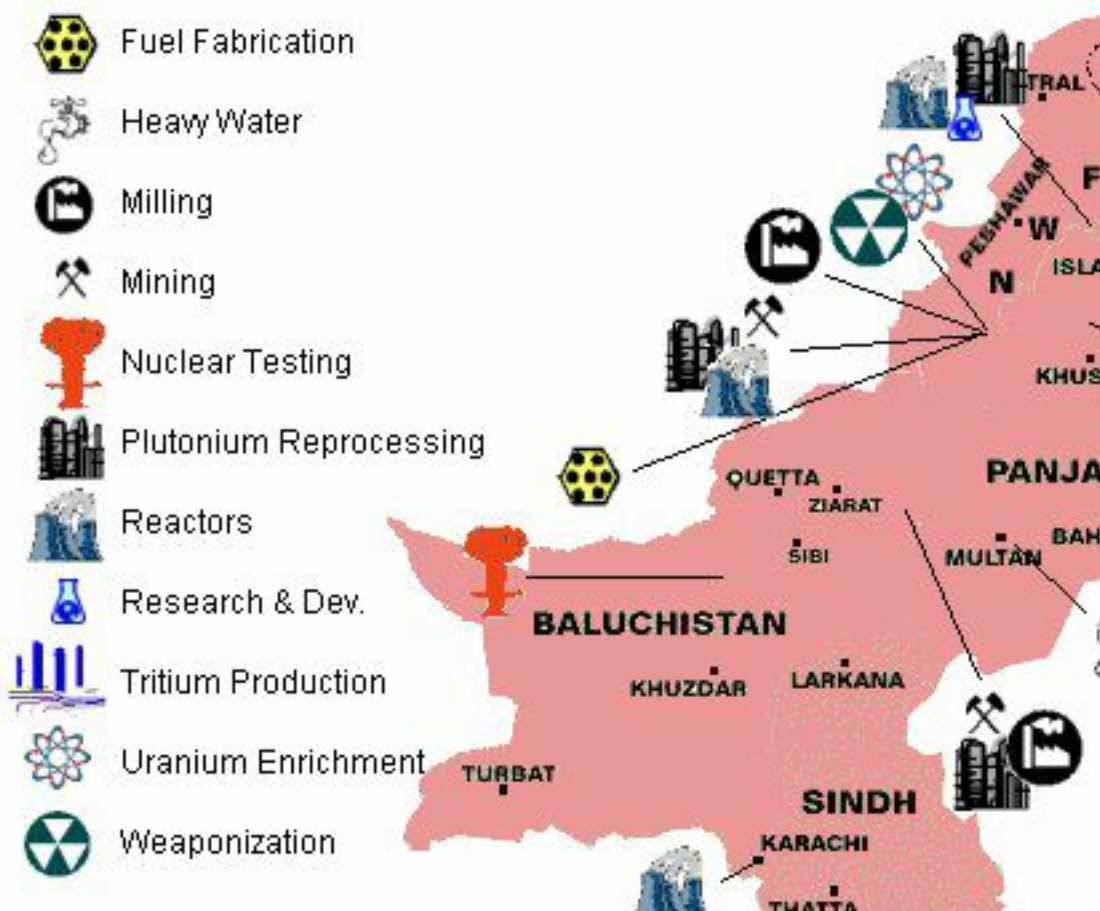
During their deliberations, the Permanent Five decided that they would not intervene militarily to stop the crisis ? fearing that such intervention would only raise the stakes, maybe even leading to World War III. They did consider putting sanctions and embargoes in place against Pakistan. China insisted that any international actions be evenhandedly implemented. The President of the Security Council urged the Permanent Five to station a token number of people on the ground to serve as a firebreak against further nuclear exchanges.

Pakistan's reaction to the Permanent Five's decision not to intervene was a mixture of disbelief and dismay. Pakistan indicated that the Permanent Five were both deluded and

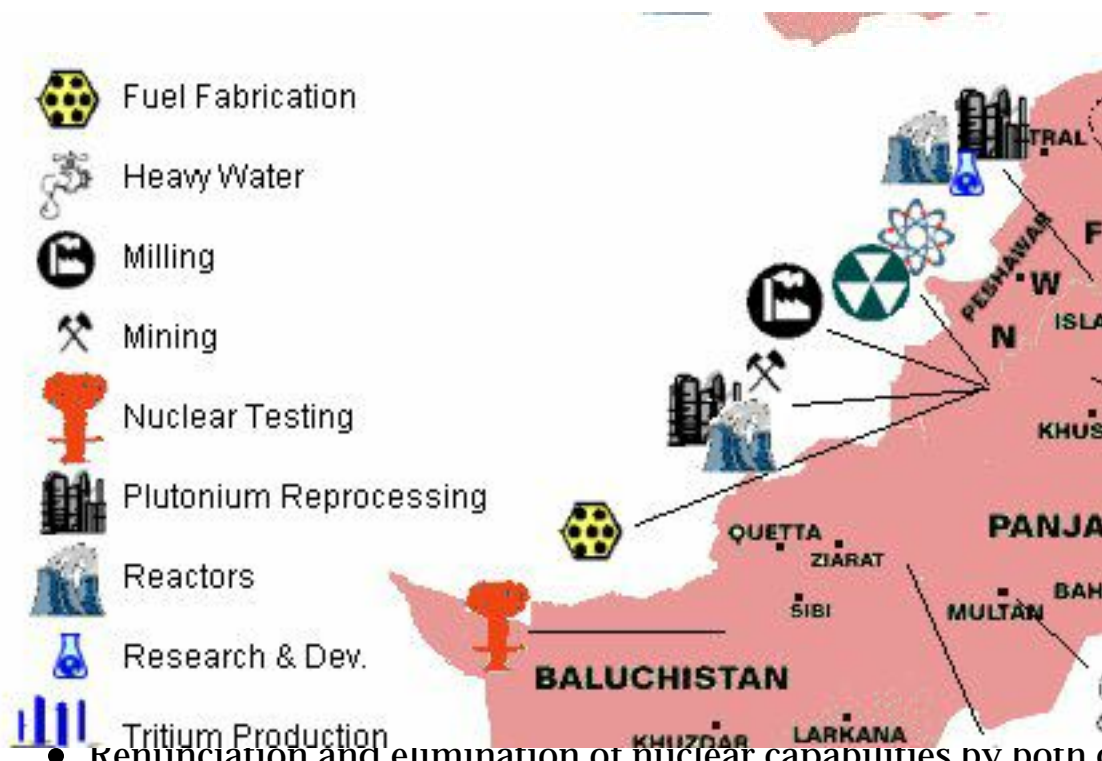
self-centered if they thought their non-intervention could prevent World War III. He noted that this **was** World War III and that more people were involved in this conflict than had been in all of World War II whether or not the major powers got involved.

The President of the Security Council noted that it would not be in the best interests of the international community to take sides in this conflict. He also indicated that events appeared to be moving too fast for the Security Council to act. The United States agreed that letting history decide who to blame was the best course to follow. The U.S. averred, however, that only the belligerents could stop the fighting. If they were ready to do that, then the Security Council did have a role to play. When asked what it would take to deter India from responding, India listed four conditions: 1) complete demilitarization of Pakistan and destruction of its nuclear, and other mass destruction, weapons; 2) imposition of wide-ranging, comprehensive sanctions against Pakistan until this was accomplished; 3) a legally binding and unequivocal commitment by all nuclear powers to engage in a process leading to the complete elimination of nuclear weapons and adoption of a universal renunciation of the use of nuclear weapons; and 4) compensation and rebuilding of areas in India that were devastated by the nuclear attack.

At this point, discussions were interrupted and participants were informed that India had opted to launch twelve nuclear weapons against Pakistan's nuclear and command infrastructure, including facilities around Islamabad. As the accompanying figure illustrates, many of Pakistan's nuclear-related facilities are close to populated areas (also see Figure 4). As a result, Indian nuclear attacks were estimated to have caused casualties reaching into the millions.



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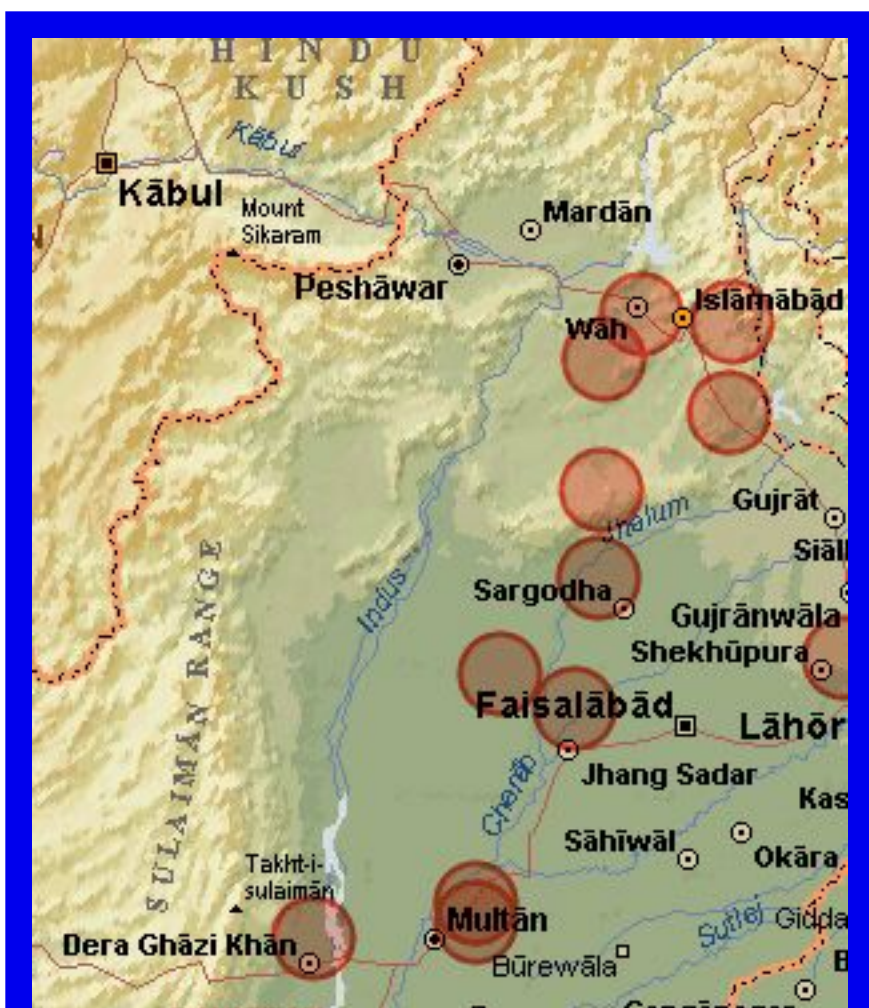


... were strategic in nature, innocent people. The Indian and Pakistani carnage. The ... to taking charge, noted is not Rwanda." At that

... had negotiated separately ... that included the following

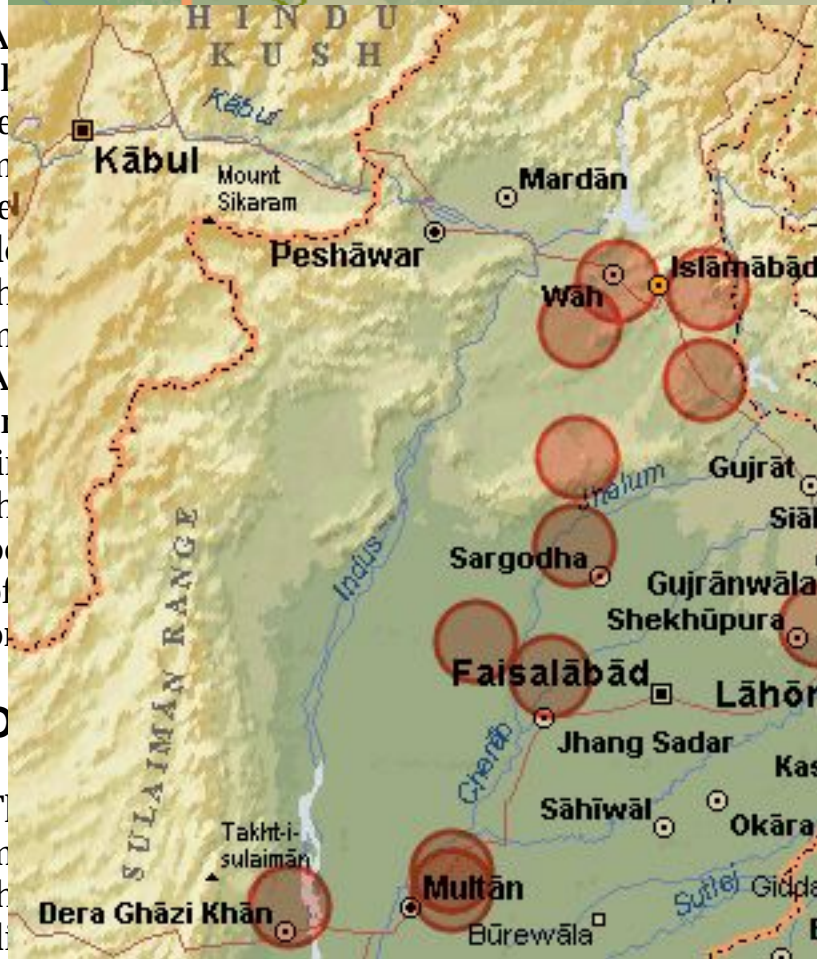
- Renunciation and elimination of nuclear capabilities by both countries.
- A return to the status quo ante in Kashmir.
- International security guarantees for both India and Pakistan.

Figure 4. Pakistani and Indian nuclear attacks





India noted that its nuclear program was (for example, China). Pakistan, on the other hand, is directly related to India's. As to other countries, it had so disrupted its infrastructure that it was concerned that a rogue or terrorist might. India pledged not to respond beyond the controversial aspect of this proposal was the one between India and Pakistan if they would not. It was believed that such guarantees would be difficult to implement. The United States shared that it was in the interest of time. Although the situation, time did not permit debate about its



the United States also consulted and prepared an agenda for the Permanent Five. Many of their proposals were rejected by the Permanent Five (such as an immediate cessation of nuclear tests). They presented several options, but none were adopted in the resolution. The most controversial was the proposal for a multinational interposition force. They believed that unilateralism to allow both sides to disengage was not an option. The Permanent Five dismissed that option. The establishment of a fact-finding mission was also rejected as it fell short of total denuclearization (removal of all nuclear systems). Singapore welcomed calls for a moratorium on nuclear tests that it would be a good time for all nuclear powers to reflect that while some reflection on the utility of nuclear weapons during an event like this, such reflection would

Participants were given the opportunity to explain the scenario. In assessing the implications of the scenario, India noted that their positions would have free play. India explained their views of the simulation as follows:



Pakistan attempted to assume the moral high ground because it was in a militarily weaker position than India and because such a stance would have played well domestically. Considering the security imbalance, Pakistan has "pushed its luck" in its relationship with India and would have quickly sued for a cease-fire during the move. Pakistan also attempted, as it traditionally has, to draw outside powers (especially, China, Iran, and, the United States) to its cause. Pakistan took an

alarmist position during move one in order to generate a sense of urgency in the international community. It believed that the lack of international action could have pushed Pakistani hawks toward nuclear confrontation.



India acknowledged that possessing nuclear weapons places a special responsibility on it as well as Pakistan. For that reason, India and Pakistan would have worked very hard to reach a peaceful settlement. India pointed out, in fact, that since the public tests of nuclear weapons, India and Pakistan have raised their negotiations to a new level. During move two, as unthinkable as nuclear conflict was, there would have been only one type of response to the Pakistani nuclear attack and that is what took place.



Canada wanted to get as many people involved on the ground in the troubled areas as possible, believing that they would deter further violence. Canada found it disturbing that members of the Permanent Five undermined adoption of the move one resolution, even though its language had been accepted by the two belligerents. [The United States indicated that without having some CBMs included in the resolution's language it could not commit troops. The U.S. acknowledged that disagreement was probably more of a game artifact than a real obstacle, because it most likely would have been resolved had more time been allotted for negotiations.]



Japan indicated that three principles guided its position: negotiate before intervening, pursue implementation of an immediate cease-fire, and push for de-escalation and renunciation of nuclear weapons. Japan pointed out that once nuclear weapons were used, the international community realized how limited its options were; therefore, preventing the use of nuclear weapons was the only reasonable course to follow. Even though it has significant economic ties to the area, Japan pointed out that it was constitutionally limited as to how involved it could become.



The Philippines noted that it had a significant Muslim population and was therefore sensitive to any situation involving members of that faith. On the other hand, there was also an influential Indian minority in the Philippines. Since the Philippines had little influence in the UN, it looked to ASEAN to generate leverage in this situation (although it assumed that ASEAN could generate limited influence). As a result, the Philippines attempted to collaborate with its more powerful friends to see how it could support their positions. The Philippines believed that the UN would have minimal leverage during a crisis like this, although had more Non-Aligned Movement and Group of 77 countries been represented, the interests of smaller nations might have played more prominently. It also recommended exploring leverage that could be brought to bear by global and regional financial institutions.



Russia played its role assuming that a moderate, nationalist, authoritarian government was in place. Since India would be seen as a natural and continuing ally, Russia was willing to offer it wide-ranging security guarantees (especially if India was forced to denuclearize). By steering a

prudent course, Russia believed it could strengthen ties with India and forge new ones with Pakistan (ties that could be used as leverage in its continuing tension with Afghanistan). Because Russia was not strong enough to create opportunities of its own, it looked for exploitable opportunities created by others. It was willing to follow the U.S. lead in the game because U.S. objectives were acceptable and being pursued through the UN. Had circumstances required it, Russia was willing to break down the nuclear proliferation regime by renouncing the Non-proliferation Treaty because it was unhappy with the current international system. Russia stated that it is on the verge of breaking down and is not unwilling to see the international system go down with it.



Peru indicated that the Latin American perspective was important for the game because the Latin American nuclear free zone had demonstrated that a regional approach to denuclearization could work. Peru wanted quick action (believing that doing something is better than doing nothing). "You shoot quickly and often, hoping that one of the bullets hits the target." Hence, acting as President of the Security Council, Peru pressed for an early resolution, and was disappointed when that didn't happen. Peru said that the Permanent Five were too cautious. "You should make several quick decisions rather than trying to write the perfect resolution." Peru also noted that if diplomatic actors don't act, non-diplomats will. "You have to make decisions. You need a commitment to the international system to make it successful."



Singapore said it felt powerless to influence the situation and, therefore, remained silent during most of the discussion. As a matter of principle, it disliked intervention, preferring to see belligerents work out their own problems. However, intervention in this case appeared prudent. It did note that the Permanent Five appeared to ignore the principle of management that argues for getting others to buy into or take ownership of an idea (in this case, a UN resolution). Singapore said the P5 did not solicit the ideas of others, but expected them to bend to the P5's will.



Finland remained neutral during the game. This meant supporting humanitarian assistance efforts and taking the position that negotiations represented the best path to conflict resolution.



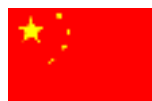
Iran tried to play an evenhanded diplomatic role without abandoning its historical and religious links with Pakistan. In a real crisis, Iran said it would have worked with the Organization of Islamic Countries (OIC) to put pressure on the Permanent Five countries to act to prevent the killing of Muslims. Iran recognized that this would probably have resulted in generating little leverage. Iran indicated that it would have preferred regional organizations working under the supervision of the United Nations deal with the problem, but understood that in this scenario such organizations would have had insufficient power to act. Despite its disappointment with Pakistan's use of nuclear weapons, Iran did not abandon its support for Pakistan because it is a Muslim state.



The United States played its role consistent with current foreign policy



positions, except when it was willing to send in troops and to extend security guarantees at the end of move two. The key U.S. player acknowledged during the out of role discussion that neither of those ideas would easily pass Congress. The U.S. indicated that the principal lesson to be learned is that it is easier to prevent a nuclear war than to deal with one once it has begun. The U.S. aim was to prevent a nuclear exchange and, if it could not accomplish that, to deter escalation (both between belligerents and among the great powers). Maintaining a Permanent Five consensus was critical to this effort, which meant that most of its time was spent negotiating with other P5 members.



China took the long view in playing its role. China's two primary long-term concerns were Taiwan and Tibet (with Taiwan being the higher priority). All other interests were secondary. China acknowledged in retrospect that it could have created a diversion on the China-India border in support of Pakistan during move one that might have lessened Pakistan's sense of isolation. The India problem was inextricably tied to the Tibet problem, since Tibetan independence activists would have likely taken advantage of any crisis to side with India. Therefore, China's strategy was to maintain India's focus on Pakistan and prevent an Indian offensive against China.



The United Kingdom indicated that because it had such large Pakistani and Indian populations it could not realistically take sides in this scenario. It averred that in such circumstances there was little leverage to be brought to bear on either side, and that the crisis demonstrated the consequences of letting contested issues fester without efforts to resolve them. Nevertheless, its aim was to prevent conflict and the UK believed an observer force in move one (such as recommended by Canada) could have helped. The U.K. agreed with the U.S. that the resolution offered during the morning session would have been successfully worked out had time permitted discussion to continue. It went along with the U.S. because it believed the situation required a coherent Permanent Five approach. The U.K. did not agree with its Commonwealth friends that intervention during move two would have been either successful or wise.



France said it tried to play the role of honest broker during the crisis. It supported strengthening air and ballistic missile defenses in South Asia, establishing a fact-finding mission, and implementing new confidence-building measures. Its goal during move one was to prevent further escalation. During move two, France's goal was to prevent the conflict from spilling over to other states in the region. It believed that the Permanent Five could have exploited the initial shock created by the nuclear exchange to begin a crisis management process. It supported economic sanctions but believed that more immediate measures were necessary for dealing with the crisis at hand. Hence, in contrast to its position in move one, France supported a UN interposition force armed with air and ballistic missile defenses, and the immediate provision of humanitarian assistance. France questioned the viability of security guarantees made by the Permanent Five.



Australia attempted to collaborate with non-permanent members of the Security Council and decried the fact that it had not undertaken to engage more countries earlier in the game in order to achieve more leverage in the debate. It recommended that the Permanent Five seek a wider number of views during their consultations. Australia believed that it, as well as some other countries, could have diplomatically punched above its weight, especially in this area of the globe. Australia noted that new perspectives are often quite valuable.

GENERAL OBSERVATIONS

International organizations are likely to be ineffective in addressing a nuclear crisis in South Asia.

Although some states thought it wise to make the United Nations (particularly the Secretary-General) the primary instrument of mediation during both moves, it was generally felt that the United Nations had neither the leverage nor the time to deal with this kind of crisis. By default, resolution of the crisis fell into the laps of the Permanent Five, who would probably consult within, but act outside, the UN framework. The risk of veto in a United Nations setting was very real since each belligerent had its advocate. A coalition of the willing, with or without UN sanction, appeared to have a much greater chance of acting in a timely fashion. Pakistan wanted and needed a timely response from the international community. Without that, its sense of isolation, vulnerability, and desperation led to dire miscalculation. India specifically commented that only the rapid deployment of an interposition force involving forces from the Permanent Five could have deterred it from retaliating against Pakistan.

For the foreseeable future, "managed tension" will be the norm.

In South Asia, there remains significant intransigence on both sides. The perception is that the situation, especially in Kashmir, is a zero sum game in which a gain for one side is a loss for the other. This all or nothing mindset provides either side with little maneuvering space. One participant went so far as to suggest the solution was an independent Kashmir. During the game, there was insufficient time available to address longer-term solutions to the underlying causes of the crisis. Although it was recommended that the international community should marshal its forces and tackle this challenge, participants noted that many factors worked against international efforts. They included the asymmetries between Pakistan and India, the distances involved, the intractability of the two sides, and India's opposition to outside involvement. Pakistan noted that Kashmir was only one of a number of issues affecting the India-Pakistan relationship. Most participants, however, believed that the introduction of nuclear weapons has added a new dimension to the situation and that

resolving the tension over Kashmir is the key to lasting peace.

Historic ties shape perspectives.

Past conflicts between India and Pakistan were not the only events that colored game play. Past relations between India and China and other historical relationships (such as Russia's long-time support for India) also played a role. It was noted that had the makeup of the game's Security Council more closely mirrored its actual membership, India would have been able to generate greater support from members of the Group of 77 while Pakistan would have looked to the Organization of Islamic Countries for assistance.

Conventional force confidence-building measures need to be complemented by nuclear CBMs.

The greatest concern expressed during discussions, and the one examined during move two, was the exchange of nuclear weapons resulting from either accident or miscalculation. India and Pakistan claimed the risk is much higher in the short term because they anticipate, in the long-term, putting in place mechanisms for dealing with accidents and misperceptions. Participants pointed out that, because of the distances involved, the mechanisms used by the U.S. and Soviet Union during the Cold War had the luxury of time that is not present on the sub-continent. Finding mechanisms that can react fast enough to prevent escalation could prove problematic.

Nuclear weapons provide states with enhanced negotiating leverage.

The world's attention was more rapidly captured by the crisis because of the chance that nuclear weapons could be threatened and used. Pakistan held a wild card as far as the international community was concerned because its weaker position vis-à-vis India increased its temptation to both threaten and use nuclear weapons when attacked. Pakistan benefited most from this phenomenon because it desired broader international involvement. Once Pakistan used nuclear weapons, its leverage was quickly lost and it found itself in a morally weakened position. Prior to the exchange of nuclear weapons, states realized that they had to deal evenhandedly with India and Pakistan. India, however, was not looking for evenhandedness, but equality, in its dealings with other nuclear powers.

Conflicting views concerning nuclear weapons will continue.

Although several states have abandoned their nuclear programs, notably South Africa,

Argentina, and Brazil, India made it clear that it believes the possession of nuclear weapons is one of the entrance requirements to great power status. India believes it deserves the same international status as China, and has pursued a nuclear option ever since China exploded its first bomb. India also understands why Pakistan feels it must match India's nuclear program. The Permanent Five's diplomatic dominance in addressing this crisis served to underscore India's commitment to nuclear weapons.

Post-nuclear exchange options are extremely limited.

Attendees found that both military and other options were limited once nuclear weapons had been used. Options identified included: provision of technical assistance to enhance transparency; non-combatant evacuation operations; humanitarian assistance; consequence management (such as decontamination operations); emplacement of interposition forces; deployment of passive and active defensive measures (e.g., air and missile defenses); and various financial incentives (or denial thereof).

POLICY IMPLICATIONS

Pursue sources of leverage and be willing to use it.

Participants struggled to find ways to influence the belligerents, discovering that, if leverage did not exist prior to the crisis, it could not be generated after it began. Leverage is normally generated through positive incentives (e.g., trade agreements, international loans, foreign aid, etc.). During both moves, sanctions and embargoes were raised as options, but they were only effective options when used by those having good relations with the belligerents. (The sanctions put in place as a result of 1998 nuclear tests [see Appendix E] had been lifted as part of the scenario.) Those countries possessing the greatest leverage going into the crisis ? China, Russia, and Iran ? were also the most reluctant to use it. Many players questioned the effectiveness of sanctions, indicating that the international community had yet to learn how to target offending governments or leaders without causing undue suffering among the population.

Pre-crisis sanctions weaken, rather than strengthen, international leverage

Players pointed out that countries supporting long-term sanctions decreased, rather than strengthened, sources of leverage. This was true for three reasons. First, sanctioning countries were placed in an adversarial position vis-à-vis sanctioned states, and all but coercive forms of influence were lost. Second, the longer sanctions were in place the greater

the number of coping mechanisms that could be put in place by the target country. Finally, as mentioned above, coping mechanisms normally benefit the governing elite while the general population suffers the brunt of the sanctions. Although some players doubted the efficacy of any sanctions, others suggested that the timing of sanctions was critical and indicated that it was a tool that could be overplayed.

Leverage weakens as a crisis escalates.

As the crisis deepened, even those countries possessing the greatest leverage (China, Russia, and Iran) discovered that their influence waned. Once events were set in motion, they followed a logic and sequence that became increasingly immune to outside pressure. The suggestion of applying sanctions only tended to reinforce the growing isolation felt by India and Pakistan and strengthened their determination that they must be capable of acting alone.

Terrorism can precipitate interstate conflict.

Several participants opined that cross-border terrorism in South Asia could plausibly precipitate war. It was imperative, therefore, that terrorism be addressed before it got out of hand. The trigger event in move one ? the aircraft incident in which high-ranking Indian ministers were killed ? demanded a response. That said, India's unilateral counteroffensive escalated the game crisis. This prompted some participants to recommend a broad-based approach to counter terrorism.

The International community should be more proactive.

Participants asserted that the awful events presented during this exercise underscored the importance of dealing preemptively with situations that could lead to nuclear war. Some participants suggested that deterrence mechanisms needed to be identified. Others recommended that the international community identify both "carrots and sticks" that could be used to influence nations in crisis. Most participants understood, but lamented, the fact that the international community deals with most problems reactively, if at all. In fact, Peru recommended that the UN adopt a new flag: "An azure field, containing a golden ostrich, with its head stuck in silver sand."

Non-proliferation and comprehensive test ban treaties are more likely to delay than halt the of spread nuclear weapons.

As noted above, countries pursue nuclear weapons for a variety of reasons they deem

essential to their national security. International pressure is unlikely to dissuade them from their course. This means that the international community, particularly the Permanent Five, needs to reexamine how it deals with these states. Excluding responsible nuclear powers from the "nuclear club" may no longer be the most effective course to follow. Such an approach, however, would still beg the question of how to deal with rogue states pursuing a nuclear option. Nuclear powers can expect continuing, if not increasing, pressure from the rest of world to engage seriously in denuclearization talks.

Unilateral options are unlikely to work.

Even though participants recognized that the United Nations is impotent to deal with a major regional conflict, they were only willing to follow the U.S. lead because it was acting within the UN structure. Several states asserted that they would have objected to any unilateral approach. This was particularly clear in the case of Russia and, possibly, China. Considering the fact that these two states are better placed to influence India and Pakistan respectively, having their support for any U.S. plan of action was critical. The point was also made that the U.S. would find it impossible to contribute to an interposition force unless India and Pakistan requested it.

CONCLUDING THOUGHTS

The primary purpose of this game was to explore international approaches for dealing with crises involving the threat and use of nuclear weapons. Participants from India and Pakistan were much more sanguine that their countries could avoid nuclear conflict than were most other participants. All agreed that miscalculation and accident were the most likely paths leading to nuclear war. Miscalculation was at the heart of the game's second move and most players were sobered by the results.

Both wishful thinking and concrete proposals emerged during the game. Players fell into three groups: moralists, pragmatists, and fatalists. The moralists assumed the high ground and recommended global elimination of nuclear weapons. The pragmatists urged nuclear stockpile reductions, confidence-building measures, and continuing efforts to slow the proliferation of nuclear technologies. They recognized that getting the nuclear genie back in the bottle was nigh impossible. The fatalists recommended letting the belligerents fight it out and suffer the full consequences of their folly.

To a person, participants brought an impressive level of professionalism and seriousness to their roles. Time restrictions precluded participants from exploring a number of promising areas of influence, particularly the economic arena, which will be addressed in future events. This game highlighted the understanding that bilateral or regional sources of tension quickly become international concerns when nuclear weapons are introduced. It also underscored the fact that searching for solutions "on the day" is an ineffective, and possibly catastrophic,

approach.

APPENDIX A: INDIA/PAKISTAN: MILITARY ASSUMPTIONS IN 2003

Total Military Personnel	587,000 active 526,000 reserve	1,145,000 active 1,005,000 reserve
Army		
Army Troops	520,000	980,000
Tanks	2,350	4,500
Artillery	1,566 towed 240 self-propelled	4,075 towed 180 self-propelled
Light Aircraft	200	NA
Air Force		
Combat Aircraft	503	900
Transport Aircraft	28	230
Helicopters	NA	60
Air Force Personnel	45,000	110,000
Navy		
Surface Ships	11	24
Destoyers	3	6
Frigates	8	18
Aircraft Carriers	-	1
Submarines	9	17
Nuclear Weapons	50 to 75 warheads (all 10– 20 kiloton yield)	75 to 100 warheads (all 10– 20 kiloton yield)

Ballistic Missiles				
	Type	Number	Type	Number
	Ababeel SRBM	60 [20 TELs]	Prithvi I SRBM	60 [8 TELs]
	Ghauri MRBM	15 [3 TELs]	Prithvi II	20 [2 TELs]
	Shaheen I	5 [2 TELs]	Agni	10– 15
	Shaheen II	2		





APPENDIX B: INDIA – PAKISTAN CHRONOLOGY

INDIA – PAKISTAN CHRONOLOGY

~800 Muslim invasions of current day Pakistan begin.

~1000 Muslim invasions of current day India begin.

1498 Vasco da Gama voyages to India opening up subcontinent to Western Europe ? mainly Holland, Portugal, England, and France.

~1700 Muslim Mughal empire encompasses large part of India.
Hindu Marathas rise up and control another large section of India.

1709 British East India Company established.

1757 British defeat combined Mughal – French force.

1773 Regulating Act of 1773 regulates activities of British East India Company in India.

1784 India Act of 1784 (sponsored by Pitt) provides for a joint government for India comprised of the British East India Company (represented by the Directors of the company), and the British Crown (represented by the Board of Control).

1786 Lord Cornwallis becomes Governor General of British East India Company, thereby becoming *de facto* ruler of India.

1818 British defeat Marathas (Hindu) force.

1849 British defeat Sikhs and thereby control virtually all of India.

1857 - 58 Indian Mutiny against British East India Company.
Following British victory, British government takes direct control of India.

1885 Indian National Congress, dominated by Hindus, is formed as Indian nationalist sentiments begin to crystallize.

1906 All India Muslim League formed ? primarily out of fear that Hindu dominated Indian National Congress will subordinate Muslim interests.

1914 - 18 Congress and Muslim League support British in WWI

1918 Following WWI, Muslim League begins to oppose British due to partition of Ottoman Empire.

1919 British pass "Government of India Act of 1919" granting limited self rule to India.

1920's Indian National Congress sanctions acts of civil disobedience against British Rule. Mohandas Gandhi emerges as leader of nationalistic movement.

1930 Gandhi leads March to the Sea to protest British tax on salt.

1934 Mohammed Ali Jinnah becomes leader of Muslim League.

1935 British pass "Government of India Act of 1935" expanding power of elected national and provincial legislatures.

1940 Muslim League endorses partition of India into separate Hindu and Muslim states. The name "Pakistan" (meaning Land of the Pure) is widely adopted as the name for the proposed Muslim state.

1939 - 45 India supports Britain during World War II.

1947 (March) British Lord Mountbatten becomes last Viceroy of India.

(July) British pass "India Independence Act."

(July/August) Ten million Indians move to "safe" areas in India and Pakistan. Nearly 1,000,000 are killed, including large numbers of Sikhs.

(August 14) Indian Subcontinent formally partitioned into India and Pakistan. Pakistan, primarily Muslim, becomes an independent dominion of the British Commonwealth of Nations. It consists of East and West Pakistan, which have no contiguous borders and are separated by a thousand miles at their closest points. Jinnah becomes first Governor General of Pakistan.

(August 15). India becomes an independent nation. Jawaharlal Nehru (Congress Party) becomes first Prime Minister of India. India is primarily Hindu.

(October) First undeclared war between India and Pakistan flares

up over Kashmir. British aid India with air power. Results in partition of Kashmir into Pakistani controlled Azad Kashmir and Indian controlled Jammu and Kashmir.

1948 (January) Mohandas Gandhi assassinated.

(September 11) Mohammed Ali Jinnah dies. Liaquat Ali Khan becomes Governor General of Pakistan.

India Department of Atomic Energy created.

1950 (January 26) India's constitution goes into effect.

1951 Liaquat Ali Khan assassinated, Khwaja Nazimuddin becomes leader of Pakistan.

1953 Mohammed Ali Bogra becomes leader of Pakistan.

1954 India signs friendship treaty with China.

1955 Pakistan Atomic Energy Commission set up to promote peaceful uses of Atomic Energy.

1956 Pakistan becomes a republic. Major General Iskander Mirza becomes first president.

First Indian Nuclear Research Center set up at Aspara.

1961 India forcibly occupies Portuguese enclaves of Goa, Daman, and Diu.

1962 India – China border dispute over Assam in Northeast India. India badly beaten. Chinese occupy part of Kashmir and claim more land in Northeast India. Dispute remains unresolved.

India's first heavy water plant established.

1963 India's 40 MW Cirus nuclear research reactor goes on stream.

1964 (May 27) Nehru dies. Lal Bahadur Shastri (Congress Party) becomes Prime Minister.

1965 Second India – Pakistan War over Kashmir.

1966 Lal Bahadur Shastri dies. Indira Gandhi (Congress Party and daughter of Nehru) becomes Prime Minister.

1967 Uranium Corporation of India, Ltd. formed for mining and milling uranium ore.

1969 Tarapur Atomic Power Plant begins commercial operation near Bombay.

1970 Cyclone and *tsunami* strike East Pakistan killing 266,000. East Pakistanis claim relief is slow to come from seat of federal government in West Pakistan.

1971 (March 26) East Pakistan secedes from Pakistan and forms new nation of Bangladesh. Civil War erupts between East and West Pakistan.

Third India – Pakistan war erupts as India supports East Pakistani rebels.

Zulfikar Ali Bhutto becomes Prime Minister of Pakistan.

Indira Gandhi Center for Atomic Research set up in Kalpakkam.

1972 Pakistan starts up first nuclear power station ? Karachi Nuclear power Plant (KANUPP) in Karachi with Canadian help.

India commissions Purnima Research Reactor.

1973 Pakistan adopts new constitution with a president as head of state and a Prime Minister as chief executive. Bhutto becomes Prime Minister and Chaudhri Gazal Elahi becomes President.

Unit 1 of India's Rajasthan Atomic Power Station begins commercial operation.

1974 Prime Minister Ali Bhutto vows Pakistan would "eat grass" if necessary to go nuclear after India explodes its first nuclear device.

(May 18) India conducts first underground nuclear test at Pokhran in desert state of Rajasthan.

1975 Indian High Court finds Indira Gandhi guilty of violating election laws and bans her from politics for six years. In response, she declares a state of emergency and assumes dictatorial powers, restricting many freedoms.

1976 France agrees to sell nuclear reprocessing plant to Pakistan

that would allow Pakistan to extract weapons grade plutonium.

Canada ends nuclear ties with Pakistan, cutting supplies for the KANUPP plant which it helped build.

Pakistan sets up Kahuta Research Lab to establish uranium enrichment capability..

1977 Indira Gandhi ends period of emergency. Long overdue free elections are allowed and Gandhi loses and Morarji Desai (Janata Party) becomes Prime Minister.

India's heavy water plant at Baroda set up.

Pakistani Prime Minister Ali Bhutto overthrown by Gen. Mohammed Zia-ul-Haq. Zia declares martial law.

1978 Indian Congress party splits into Congress and Congress (I) ["I" for "Indira"] parties.

India sets up heavy water plant at Tuticorin.

Zia declares himself president of Pakistan. He also retains title of Prime Minister.

Under pressure from U.S., France cancels 1976 reprocessing deal with Pakistan.

1979 Charan Singh (Janata party) becomes Prime Minister of India.

(April) U.S. cuts off all military and fresh economic aid to Pakistan refusing to accept assurances from Islamabad that its nuclear program is peaceful.

(August) Pakistan intensifies security around its nuclear establishments, moving ground to air missiles near the Kahuta plant.

Ali Bhutto executed.

1980 Indira Gandhi (Congress [I] party) reelected Prime Minister of India.

(August) Pakistan says it can fabricate nuclear fuel indigenously.

1981 Unit-2 of India's Rajasthan Atomic Power Station begins

operation.

1980's Sikhs seek to establish independent state in Punjab.

1983 Indian Atomic Energy Regulatory Board set up to regulate domestic nuclear power plants.

1984 (June) Indira Gandhi orders attack on Golden Temple of Amritsar, Sikhs' holiest shrine, killing 450.

Unit 1 of India's Madras Atomic Power Station begins operation.

India's Purnima-2 Research Reactor commissioned.

(November) Indira Gandhi assassinated by Sikh bodyguards. Her son, Rajiv Gandhi (Congress [I]), becomes Prime Minister.

(December) 2,500 die and thousands injured in the world's worst industrial accident when a Union Carbide plant in Bhopal emits poisonous gas.

1985 (February 24) Pakistani President Zia says Pakistan has produced enriched uranium, but says it is for purely peaceful purposes.

Zia ends martial law and allows election of new parliament.

1987 Indian troops sent to Sri Lanka as a peacekeeping force following an armed separatist struggle by Tamil Tigers. India loses 1,140 men when the Tigers turn against the peacekeepers. Indian troops withdraw in 1990.

1988 (August) Pakistani General Zia dies in a plane crash.

(November) Benazir Bhutto (daughter of Ali Bhutto) is elected Prime Minister - the first woman to head an elected government in a Muslim nation.

(December 31) India and Pakistan sign agreement prohibiting attack on each other's nuclear installations.

1989 Moselm guerrillas launch an armed separatist struggle in Kashmir.

(December 1) V. P. Singh (Janata Dal) becomes Prime Minister of India upon resignation of Rajiv Gandhi. Gandhi remains head of

Congress (I) party.

1990 (August) Pakistani President Ishaq Khan accuses Prime Minister Bhutto's government of corruption and removes her from office.

(November) Nawaz Sharif becomes Prime Minister of Pakistan.

(November 10). Chandra Sekhar (Janata Dal) becomes Prime Minister of India.

1991 (January 27) Pakistan and India ratify 1988 agreement banning attacks on each other's nuclear installations.

Rajiv Gandhi assassinated by suspected Tamil separatist while campaigning for seat in parliament. P. V. Narasimha Rao (Congress [I]) becomes Prime Minister of India.

Another heavy water plant commissioned at Hazira in the western Indian state of Gujarat.

1992 (February 6) Pakistan says it has acquired the technology to build a nuclear weapon.

Hindu mob destroys an historic 16th century mosque in the northern Indian town of Ayodhya, sparking Hindu-Moslem riots throughout India, resulting in 2,000 deaths.

Unit-2 of India's Narora Atomic Power Station begins operation.

(December 26) Pakistan begins construction of 300 Mwe nuclear power plant in Punjab.

1993 Unit-1 of India's Kakrapar atomic Power Plant begins operation.

(October) Benazir Bhutto becomes Prime Minister of Pakistan again.

1994 Unit-2 of India's Madras Atomic Power Station goes on line.

Unit-2 of India's Kalpakkam Atomic Power Station goes on line.

(December 26). Pakistan orders closure of India's consulate-general in Karachi, accusing India of involvement in terrorist activity. India denies it.

1995 (January 4) India closes Karachi consulate-general.

(January 15) India asks Pakistan to reduce number of diplomats in New Delhi embassy.

1996 (January) India tests Prithvi II missile capable of carrying nuclear weapons. Pakistan says the missile is designed to attack Pakistani cities.

(March) U. S. Officials say Pakistan will conduct its first nuclear test if India conducts one.

(May 16) Atal Behari Vajpayee becomes Prime Minister of India.

(June 1) H. D. Deve Gowda becomes Prime Minister of India.

(September) UN approves Comprehensive Test Ban Treaty.

1997 Inder Kumar Gujral becomes Indian Prime Minister, heading a coalition government. This marks the first time an "untouchable" becomes Prime Minister.

(August 14). India and Pakistan mark fifty years of independence.

(August 24) India and Pakistan accuse each other of provoking border incidents in Kashmir in which six people are killed.

(August 26). Pakistan asks UN observers to investigate border incidents. India rejects U.S. offer to mediate border disputes.

(September 5). India and Pakistan accuse each other of starting new borders incidents.

(September 14). India expels two Pakistanis for spying - Pakistan expels two Indians for spying.

1998 (March 19) Atal Behari Vajpayee becomes Prime Minister of India n for a second time.

(April 6) Pakistan test fires its Gharui missile with a range of 937 miles.

(May 11) India conducts three underground nuclear tests in Rajasthan, close to the Pakistani border. Pakistan expresses alarm over India's nuclear explosions.

(May 13) India conducts two more underground explosions and then announces that its nuclear test program is complete.

(March 19) Atal Behari Vajpayee becomes Prime Minister of India.

(May 28) Pakistan reports conducting five nuclear tests - its first.

(September 23) Pakistani Prime Minister Nawar Sharif says that Pakistan is willing to sign the UN's Comprehensive Nuclear Test Ban Treaty.

(September 24) Indian Prime Minister Vajpayee says India is prepared to sign the Nuclear Test Ban Treaty.

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APPENDIX C: INDIA COUNTRY PROFILE



India

U.S. Department of State Background Notes: September 1998

(Released by the Bureau of South Asian Affairs.)

Official Name: Republic of India

PROFILE

Geography

Area: 3.3 million sq. km. (1.3 million sq. mi.); about 1/3 the size of the U.S.

Cities: Capital – New Delhi (pop. 9 million). Other major cities – Mumbai, formerly Bombay (13 million); Calcutta (12 million); Chennai, formerly Madras (6 million); Bangalore (5 million); Hyderabad (3.5 million); Ahmedabad (3.6 million).

Terrain: Varies from Himalayas to flat river valleys.

Climate: Temperate to subtropical monsoon.

People

Nationality: Noun and adjective--Indian(s).

Population (1997 est.): 952 million; urban 27%.

Annual growth rate: 1.8%.

Density: 271/sq. km.

Ethnic groups: Indo-Aryan 72%, Dravidian 25%, Mongoloid 2%, others.

Religions: Hindu 82%, Muslim 12%, Christian 2.5%, Sikh 2%, other groups including Buddhist, Jain, Parsi, etc. 1.5%.

Languages: Hindi, English, and 14 other official languages.

Education: Years compulsory – 9 (to age 14). Literacy – 48%.

Health: Infant mortality rate – 81/1,000. Life expectancy – 61 years.

Work Force (est.): 306 million. Agriculture--67%. Industry and commerce – 19%. Services and government – 8%. Transport and communications – 3%.

Government

Type: Federal republic.

Independence: August 15, 1947.

Constitution: January 26, 1950.

Branches: Executive – president (chief of state), prime minister (head of government), Council of Ministers (cabinet). Legislative--bicameral parliament (Rajya Sabha or Council of States and Lok Sabha or House of the People). Judicial--Supreme Court.

Political parties: Bharatiya Janata Party, Congress (I, for Indira), Janata Dal, Communist Party of India, Communist Party of India-Marxist, and numerous regional and small national parties.

Political subdivisions: 25 states*, 7 union territories.

Suffrage: Universal over 21.

Economy

GDP: \$295 billion.

Real growth rate (1996-97): 6.8%.

Per capita GDP: \$350.

Natural resources: Coal, iron ore, manganese, mica, bauxite, chromite, thorium, limestone, barite, titanium ore, diamonds, crude oil.

Agriculture (29% of GDP): Products – wheat, rice, coarse grains, oilseeds, sugar, cotton, jute, tea

Industry (29% of GDP): Products – textiles, jute, processed food, steel, machinery, transport equipment, cement, aluminum, fertilizers, mining, petroleum, chemicals, computer software.

Trade: Exports – \$33 billion: agricultural products, engineering goods, precious stones, cotton apparel and fabrics, handicrafts, tea. Imports – \$ 38.5 billion: petroleum, machinery and transport equipment, edible oils, fertilizer, jewelry, iron and steel. Major trade partners

– U.S., EU, Russia, Japan, Iraq, Iran, Central and Eastern Europe.

PEOPLE

Although India occupies only 2.4% of the world's land area, it supports over 15% of the world's population. Only China has a larger population. Almost 40% of Indians are younger than 15 years of age. About 70% of the people live in more than 550,000 villages, and the remainder in more than 200 towns and cities. Over thousands of years of its history, India has been invaded from the Iranian plateau, Central Asia, Arabia, Afghanistan, and the West; Indian people and culture have absorbed and changed these influences to produce a remarkable racial and cultural synthesis. Religion, caste, and language are major determinants of social and political organization in India today. The government has recognized 16 languages as official; Hindi is the most widely spoken. Although 83% of the people are Hindu, India also is the home of more than 120 million Muslims--one of the world's largest Muslim populations. The population also includes Christians, Sikhs, Jains, Buddhists, and Parsis. The caste system reflects Indian historical occupation and religiously defined hierarchies. Traditionally, there are four castes identified, plus a category of outcastes, earlier called "untouchables" but now commonly referred to as "dalits," the oppressed. In reality, however, there are thousands of subcastes and it is with these subcastes that the majority of Hindus identify. Despite economic modernization and laws countering discrimination against the lower end of the class structure, the caste system remains an important factor in Indian society.

HISTORY

The people of India have had a continuous civilization since 2500 B.C., when the inhabitants of the Indus River Valley developed an urban culture based on commerce and sustained by agricultural trade. This civilization declined around 1500 B.C., probably due to ecological changes. During the second millennium B.C., pastoral, Aryan-speaking tribes migrated from the northwest into the subcontinent. As they settled in the middle Ganges River Valley, they adapted to antecedent cultures. The political map of ancient and medieval India was made up of myriad kingdoms with fluctuating boundaries. In the 4th and 5th centuries A.D., northern India was unified under the Gupta Dynasty. During this period, known as India's Golden Age, Hindu culture and political administration reached new heights. Islam spread across the subcontinent over a period of 500 years. In the 10th and 11th centuries, Turks and Afghans invaded India and established sultanates in Delhi. In the early 16th century, descendants of Genghis Khan swept across the Khyber Pass and established the Mughal (Mogul) Dynasty, which lasted for 200 years. From the 11th to the 15th centuries, southern India was dominated by Hindu Chola and Vijayanagar Dynasties. During this time, the two systems ? the prevailing Hindu and Muslim ? mingled, leaving lasting cultural influences on each other. The first British outpost in South Asia was established in 1619 at Surat on the northwestern coast. Later in the century, the East India Company opened permanent trading stations at Madras, Bombay, and Calcutta, each under the protection of native rulers. The British expanded their influence from these footholds until, by the 1850s, they controlled most of present-day India, Pakistan, and Bangladesh. In 1857, a rebellion in north India led by mutinous Indian soldiers caused the British parliament to transfer all political power from

the East India Company to the Crown. Great Britain began administering most of India directly while controlling the rest through treaties with local rulers. In the late 1800s, the first steps were taken toward self-government in British India with the appointment of Indian councilors to advise the British viceroy and the establishment of provincial councils with Indian members; the British subsequently widened participation in legislative councils. Beginning in 1920, Indian leader Mahatma Gandhi transformed the Indian National Congress political party into a mass movement to campaign against British colonial rule. The party used both parliamentary and non-violent resistance and non-cooperation to achieve independence. On August 15, 1947, India became a dominion within the Commonwealth, with Jawaharlal Nehru as Prime Minister. Enmity between Hindus and Muslims led the British to partition British India, creating East and West Pakistan, where there were Muslim majorities. India became a republic within the Commonwealth after promulgating its constitution on January 26, 1950. After independence, the Congress Party, the party of Mahatma Gandhi and Jawaharlal Nehru, ruled India under the influence first of Nehru and then his daughter and grandson, with the exception of two brief periods in the 1970s and 1980s. Prime Minister Nehru governed the nation until his death in 1964. He was succeeded by Lal Bahadur Shastri, who also died in office. In 1966, power passed to Nehru's daughter, Indira Gandhi, Prime Minister from 1966 to 1977. In 1975, beset with deepening political and economic problems, Mrs. Gandhi declared a state of emergency and suspended many civil liberties. Seeking a mandate at the polls for her policies, she called for elections in 1977, only to be defeated by Moraji Desai, who headed the Janata Party, an amalgam of five opposition parties. In 1979, Desai's Government crumbled. Charan Singh formed an interim government, which was followed by Mrs. Gandhi's return to power in January 1980. On October 31, 1984, Mrs. Gandhi was assassinated, and her son, Rajiv, was chosen by the Congress (I) Party to take her place. His government was brought down in 1989 by allegations of corruption and was followed by V.P. Singh and then Chandra Shekhar. In 1989, the Janata Dal, a union of opposition parties, dislodged Rajiv Gandhi's Congress (I) Party with the help of the Hindu-nationalist Bharatiya Janata Party (BJP) on the right and the communists on the left. This loose coalition collapsed in November 1990, and the government was controlled for a short period by a breakaway Janata Dal group supported by Congress (I), with Chandra Shekhar as Prime Minister. That alliance also collapsed, resulting in national elections in June 1991. On May 27, 1991, while campaigning in Tamil Nadu on behalf of Congress (I), Rajiv Gandhi was assassinated, apparently by Tamil extremists from Sri Lanka. In the elections, Congress (I) won 213 parliamentary seats and put together a coalition, returning to power under the leadership of P.V. Narasimha Rao. He was the first Congress Party Prime Minister in 30 years who did not come from the Gandhi/Nehru family. Rao's Congress Government served a full 5-year term. This period marked the beginning of a gradual process of economic liberalization and reform, which has opened the Indian economy to the globe. India's domestic politics also took a new shape, as divisions of caste, creed, and ethnicity gave rise to a plethora of small, regionally based political parties. The final months of the Rao-led Government in the Spring of 1996 were noted for several major political corruption scandals, which contributed to the worst electoral performance by the Congress Party in its history. The Hindu-nationalist Bharatiya Janata Party (BJP) emerged from the May 1996 national elections as the single largest party in the Lok Sabha, but without enough strength to prove a majority on the floor of parliament. Under Prime Minister Atal Behari Vajpayee, the BJP lasted 13 days in power.

With all political parties wishing to avoid another round of elections, a 14-party coalition led by the Janata Dal emerged to form a government known as the United Front, under the former Chief Minister of Karnataka, H.D. Deve Gowda. His government lasted less than a year, as the leader of the Congress Party withdrew his support for the Deve Gowda Government in March 1997. Mr. Inder Kumar Gujral replaced Deve Gowda as the consensus choice for prime minister of a 16-party coalition in the United Front. In November 1994, the Congress Party again withdrew support for the United Front and the President called for elections. In the February 1998 elections, the BJP again received the largest number of seats in Parliament, 182, but fell far short of a majority. On March 20, 1998, the President inaugurated a BJP-led coalition government with Vajpayee again serving as Prime Minister. On May 11 and 13, the government of Prime Minister Vajpayee conducted a series of underground nuclear tests. U.S. President Clinton imposed economic sanctions on India pursuant to the 1994 Nuclear Proliferation Prevention Act.

GOVERNMENT

According to its constitution, India is a "sovereign, socialist, secular, democratic republic." Like the United States, India has a federal form of government. However, the central government in India has greater power in relation to its states, and its central government is patterned after the British parliamentary system. The government exercises its broad administrative powers in the name of the president, whose duties are largely ceremonial. The president and vice president are elected indirectly for 5-year terms by a special electoral college. Their terms are staggered, and the vice president does not automatically become president following the death or removal from office of the president. Real national executive power is centered in the Council of Ministers (cabinet), led by the prime minister. The president appoints the prime minister, who is designated by legislators of the political party or coalition commanding a parliamentary majority. The president then appoints subordinate ministers on the advice of the prime minister. India's bicameral parliament consists of the Rajya Sabha (Council of States) and the Lok Sabha (House of the People). The Council of Ministers is responsible to the Lok Sabha. The legislatures of the states and union territories elect 233 members to the Rajya Sabha, and the president appoints another 12. The elected members of the Rajya Sabha serve 6-year terms, with one-third up for election every 2 years. The Lok Sabha consists of 545 members; 543 are directly elected to 5-year terms. The other two are appointed. India's independent judicial system began under the British, and its concepts and procedures resemble those of Anglo-Saxon countries. The Supreme Court consists of a chief justice and 25 other justices, all appointed by the president on the advice of the prime minister. India has 25 states* and 7 union territories. At the state level, some of the legislatures are bicameral, patterned after the two houses of the national parliament. The states' chief ministers are responsible to the legislatures in the same way the prime minister is responsible to parliament. Each state also has a presidentially appointed governor who may assume certain broad powers during state government crises. The central government exerts greater control over the union territories than over the states, although some territories have gained more power to administer their own affairs. Local governments in India have less autonomy than their counterparts in the United States. Some states are trying to revitalize the traditional village councils, or panchayats, and introduce "grass-roots democracy" at the village level, where much of the population still lives.

POLITICAL CONDITIONS

Prime Minister Atal Bihari Vajpayee took office in March 1998 after a general election in which no single party emerged with an absolute majority. He leads a diverse and unwieldy 13-party coalition government. The coalition reflects the ongoing transition in Indian politics away from the historically dominant and national-based Congress Party toward smaller, narrower-based regional parties. This process has been underway throughout much of this decade and appears to be the continuing trend of the future.

Political Parties

The Bharatiya Janata Party emerged as the single largest party in the Lok Sabha (lower house of parliament) elections in February 1998. The BJP currently leads a coalition government under Prime Minister A.B. Vajpayee. Party President Khabhabhai Thakre was elected by the Party National Executive in April 1998. The Hindu-nationalist BJP draws its political strength from the Hindi belt in the northern and western regions of India. The party holds power in the states of Rajasthan, Gujarat, Maharashtra (in coalition with the Shiv Sena), Uttar Pradesh (in coalition with several small parties), Himachal Pradesh (in coalition with Himachal Vikas Congress) and in Delhi. Long associated as the party of the upper caste and trading community, the BJP has made strong inroads into the lower caste vote bank in recent state assembly elections.

The Congress (I) Party, led by Sonia Gandhi (wife of the late Prime Minister Rajiv Gandhi), holds the second largest number of seats in the Lok Sabha. Priding itself as a secular, centrist party, the Congress has been the historically dominant political party in India. Its performance in national elections has steadily declined during the last decade. The Congress still rules in the states of Madhya Pradesh, Orissa, Goa, and three of the smaller states in the northeast. The political fortunes of the Congress have suffered badly as major groups in its traditional vote bank have been lost to emerging regional and caste-based parties, such as the Bahujan Samaj Party and the Samajwadi Party.

The Janata Dal Party claims to be a national party. Former Prime Minister Gujral is a member of the JD from Bihar. During the 1998 elections, the party strength in the Lok Sabha shrank from 40 seats to 6. In fact, the party currently holds significant strength only in Karnataka. It advocates a secular and socialist ideology and draws much of its popular support from Muslims, lower castes, and tribals. The party split in the state of Bihar in July 1997, with former Chief Minister Laloo Prasad Yadav resigning under corruption charges and forming his own Rastriya Janata Dal which now rules the state under the leadership of his wife, Rabri Devi.

ECONOMY

India's population continues to grow at about 1.8% per year and is estimated at 952 million in 1997. While its GDP is low in dollar terms, India has the world's fifth-largest economy in terms of purchasing power parity. About 62% of the population depends directly on

agriculture. Industry and services sectors are growing in importance and account for 29% and 42% of GDP, respectively, while agriculture contributes about 29% of GDP. More than 35% of the population live below the poverty line, but a large and growing middle class of 150-200 million has disposable income for consumer goods. India embarked on a series of economic reforms in 1991 in reaction to a severe foreign exchange crisis. Those reforms have included a liberalized foreign investment regime, significant reductions in tariffs and other trade barriers, reform and modernization of the financial sector, a liberalized foreign exchange regime, and significant adjustments in government monetary and fiscal policies. The reform process has had some very beneficial effects on the Indian economy, including higher growth rates, lower inflation, and significant increases in foreign investment. Real GDP growth averaged about 7% for three consecutive fiscal years, but fell to just over 5% in the 1997-98 fiscal year. Growth in the 1998-99 fiscal year will be adversely affected by sanctions imposed by the U.S. and other countries in the wake of India's nuclear tests in May 1998. Other factors of concern include the after-effects of the Asian currency crisis, a decline in the value of the rupee, rising domestic inflation, and a general slowdown in domestic industrial production. Foreign portfolio and direct investment flows have risen significantly since reforms began in 1991 and have contributed to healthy foreign currency reserves (\$24.4 billion in June 1998) and a moderate current account deficit of about 1.5% (1997-98). India's economic growth is constrained, however, by inadequate infrastructure, cumbersome bureaucratic procedures, and high real interest rates. India will have to address these constraints and the impact of economic sanctions in formulating its economic policies and by pursuing further reforms to maintain recent trends in economic growth. India's trade has increased significantly since reforms began in 1991, largely as a result of staged tariff reductions and elimination of nontariff barriers. The outlook for further trade liberalization is mixed. India will have to eliminate quantitative restrictions on imports of about 2,700 consumer goods over the next several years to meet its WTO commitments. On the other hand, the government has imposed "additional" import duties of 9% on most products over the past 2 years. The U.S. is India's largest trading partner; bilateral trade in 1997-98 was about \$10.5 billion. Principal U.S. exports to India are aircraft and parts, advanced machinery, fertilizers, ferrous waste and scrap metal, and computer hardware. Major U.S. imports from India include textiles and ready-made garments, agricultural and related products, gems and jewelry, leather products, and chemicals. Significant liberalization of its investment regime since 1991 has made India an attractive place for foreign direct and portfolio investment. The U.S. is India's largest investment partner, with total U.S. direct investment estimated at \$6-7 billion (market value) in 1996. U.S. investors have also provided an estimated 60% of the \$9 billion of foreign portfolio investment that has entered India since 1992. Proposals for direct foreign investment are considered by the Foreign Investment Promotion Board and generally receive government approval. Automatic approvals are available in many sectors for investments involving up to 51% foreign equity, and investments of up to 100% may be approved on a case-by-case basis. Foreign investment is particularly sought after in power generation, telecommunications, ports, roads, petroleum exploration and processing, and mining. India's external debt was about \$93 billion in September 1997, down from a peak of \$99 billion in March 1995. The country's debt service ratio has fallen to about 21.4 %. Bilateral assistance totaled about \$950 million in 1996-97, with the U.S. providing \$30.7 million. Several donors, including the U.S., Japan, and a number of European countries, have stopped or reduced future aid flows in reaction to

India's nuclear tests, however. Loans from international financial institutions, including the World Bank and the Asian Development Bank, are also likely to be put on hold as a result of sanctions. The World Bank had planned to approve loans worth about \$3 billion for India in 1998.

FOREIGN RELATIONS

India's size, population, and strategic location give it a prominent voice in international affairs, and its growing industrial base, military strength, and scientific and technical capacity give it added weight. It collaborates closely with other developing countries on issues from trade to environmental protection. The end of the Cold War dramatically affected Indian foreign policy. India remains a leader of the developing world and the Non-Aligned Movement (NAM), and hosted the NAM Heads of State Summit in 1997. India is now also seeking to strengthen its political and commercial ties with the United States, Japan, the European Union, Iran, China, and the Association of Southeast Asian Nations. India is an active member of the South Asia Association for Regional Cooperation (SAARC) and the Indian Ocean Rim Association for Regional Cooperation (IORARC). India has always been an active member of the United Nations. India is now seeking a permanent seat on the UN Security Council in addition to other UN reforms. India has a long tradition of participating in UN peacekeeping operations and most recently contributed personnel to UN operations in Somalia, Cambodia, Mozambique, Kuwait, Bosnia, Angola, and El Salvador.

Bilateral And Regional Relations

Pakistan. India's relations with Pakistan are influenced by the centuries-old rivalry between Hindus and Muslims which led to partition of British India in 1947. The principal source of contention has been Kashmir, since the Hindu Maharaja chose in 1947 to join India although a majority of his subjects were Muslim. India maintains that his decision and the subsequent elections in Kashmir have made it an integral part of India. Pakistan asserts Kashmir's rights to self-determination through a plebiscite in accordance with an earlier Indian pledge and a UN resolution. This dispute triggered wars between the two countries in 1947 and 1965. In December 1971, following a political crisis in what was then East Pakistan and the flight of millions of Bengali refugees to India, Pakistan and India again went to war. The brief conflict left the situation largely unchanged in the west, where the two armies reached an impasse, but a decisive Indian victory in the east resulted in the creation of Bangladesh. Since the 1971 war, Pakistan and India have made only slow progress toward normalization of relations. In July 1972, Indian Prime Minister Indira Gandhi and Pakistani President Zulfikar Ali Bhutto met in the Indian hill station of Simla. They signed an agreement which called for resolving peacefully, through bilateral negotiations, the problems resulting from the war. Diplomatic and trade relations were re-established in 1976. After the 1979 Soviet invasion of Afghanistan, new strains appeared in India-Pakistan relations; Pakistan supported the Afghan resistance, while India implicitly supported Soviet occupation. In the following 8 years, India voiced increasing concern over Pakistani arms purchases, U.S. military aid to Pakistan, and Pakistan's nuclear weapons program. In an effort to curtail tensions, the two countries formed a joint commission. In December 1988, Prime Minister Benazir Bhutto concluded a pact not to attack each other's nuclear facilities. Agreements on cultural

exchanges and civil aviation also were initiated. In 1997, high-level Indo-Pakistani talks resumed after a 3-year pause. The prime ministers of India and Pakistan met twice and the foreign secretaries conducted three rounds of talks. In June of 1997, the foreign secretaries identified eight "outstanding issues" around which continuing talks would be focused. The dispute over the status of Jammu and Kashmir, an issue since partition, remains the major stumbling block in their dialogue. India maintains that the entire former princely state is an integral part of the Indian union, while Pakistan insists that UN resolutions calling for self-determination of the people of the state must be taken into account. In September 1997, the talks broke down over the structure of how to deal with the issues of Kashmir and peace and security. Pakistan advocated that the issues be treated by separate working groups. India responded that the two issues be taken up along with six others on a simultaneous basis. Following the nuclear tests in both countries in May 1998, attempts have been made to restart the talks. SAARC. Certain aspects of India's relations within the subcontinent are conducted through the South Asia Association for Regional Cooperation (SAARC). Its members are Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, and Sri Lanka. Established in 1985, SAARC encourages cooperation in agriculture, rural development, science and technology, culture, health, population control, narcotics, and terrorism. SAARC has intentionally stressed these "core issues" and has not served as a forum for more divisive political issues, although political dialogue is often conducted on the margins of SAARC meetings. In 1993, India and its SAARC partners signed an agreement to lower tariffs within the region over time. With the implementation of the South Asian Preferential Trade Agreement (SAPTA), SAARC now has set as a goal to finalize the South Asian Free Trade Agreement (SAFTA) by 2005.

China. Despite the historical suspicions that remain following the 1962 border war between India and China and the continuing territorial/boundary disputes, their relations have improved in a gradual manner since 1988. Both countries have sought to reduce tensions along the frontier, expand trade and cultural ties, and normalize relations. A series of high-level visits between the two nations has played a useful role in improving relations. In December 1996, Chinese President Jiang Zemin visited India on a tour of South Asia. While in New Delhi, he signed, with the Indian Prime Minister, a series of confidence-building measures along the disputed Sino-Indian border. These measures include troop reductions and weapons limitations along the border. Sino-Indian relations received a set back in May 1998 when India blamed its nuclear tests on potential threats from China. These accusations followed criticism of Chinese "aggressive actions" in Pakistan and Burma by Indian Defense Minister George Fernandes.

New Independent States of the Former Soviet Union. The collapse of the Soviet Union and the emergence of the Commonwealth of Independent States (CIS) had major repercussions for Indian foreign policy. Substantial trade with the former Soviet Union plummeted after the Soviet collapse and has yet to recover. Long-standing military supply relationships were similarly disrupted due to questions over financing, although Russia continues to be India's largest supplier of military systems and spare parts. Russia and India have decided not to renew the 1971 Indo-Soviet Peace and Friendship Treaty and have sought to follow what both describe as a more pragmatic, less ideological relationship. Russian President Yeltsin's visit to India in January 1993 helped cement this new relationship.

DEFENSE

Supreme command of India's armed forces--the third-largest in the world-- rests with the president, but actual responsibility for national defense lies with the cabinet committee for political affairs under the chairmanship of the prime minister. The minister of defense is responsible to parliament for all defense matters. India's military command structure has no joint defense staff or unified command apparatus. The ministry of defense provides administrative and operational control over the three services through their respective chiefs of staff. The armed forces have always been loyal to constitutional authority and maintain a tradition of non-involvement in political affairs. The army numbers about 1.1 million personnel and fields 34 divisions. Designed primarily to defend the country's frontiers, the army has become heavily committed to internal security duties in Kashmir and the Northeast. The navy is much smaller, but it is relatively well-armed among the Indian Ocean navies, operating one aircraft carrier, 41 surface combatants, and 18 submarines. The fleet is aging, and replacement of ships and aircraft has not been adequately funded. India's coast guard is small and is organized along the lines of the U.S. Coast Guard. With India's long coast line and extensive Exclusive Economic Zone, the navy and coast guard work hard to patrol the waters dictated by India's economic and strategic interests. The air force, the world's fourth largest, has over 600 combat aircraft and more than 500 transports and helicopters. The air force takes pride in its ability to fly low and fast, as well as to operate in the extremes of temperature and altitude ranging from the Thar Desert to the Siachen Glacier. The air force has enhanced the capability of its fighter force with the addition of the multi-role Sukhoi 30, and it hopes to replace much of its Mig-21 fleet with the indigenous Light Combat Aircraft currently under development.

U.S.-INDIA RELATIONS

India's nuclear tests in May 1998 seriously damaged Indo-American relations. President Clinton imposed wide-ranging sanctions pursuant to the 1994 Nuclear Proliferation Prevention Act. The United States has encouraged India to sign the Comprehensive Nuclear Test Ban Treaty immediately and without condition. The U.S. has also called for restraint in missile and nuclear testing and deployment in both India and Pakistan.

APPENDIX D: PAKISTAN COUNTRY PROFILE



U.S. Department of State

Background Notes: Pakistan, November 1997

Released by the Bureau of South Asian Affairs

Official Name: Islamic Republic of Pakistan

PROFILE

Geography

Area: 803,943 sq. km. (310,527 sq. mi.); about twice the size of California.

Cities: Capital – Islamabad and adjacent Rawalpindi comprise a national capital area with a combined population of 3.7 million. Other cities – Karachi (10 million), Lahore (5.7 million), Faisalabad (6.5 million).

People

Nationality: Noun and adjective – Pakistan(i).

Population (1997 est.): 135 million.

Annual growth rate (1997): 2.8%.

Ethnic groups: Punjabi, Sindhi, Pathan, Baloch, Muhajir (i.e., Urdu-speaking immigrants from India and their descendants).

Religions: Muslim 97%; small minorities of Christians, Hindus, and others.

Languages: Urdu (national and official), English (official), Punjabi, Sindhi, Pushtu, Baloch.

Education: Literacy – 39%.

Health: Infant mortality rate (1996) – 100/1,000. Life expectancy (1996) – men 63 yrs, women 62 yrs.

Work force: Agriculture – 48%. Services – 39%. Industry – 13%.

Government

Type: Parliamentary in a federal setting.

Independence: August 14, 1947.

Branches: Executive – President with constitutional authority, prime minister, cabinet.

Legislative – National Assembly and Senate and provincial assemblies. **Judicial** – Supreme Court, provincial high courts, Federal Islamic Court.

Political parties: the Pakistan Muslim League (PML) and the Pakistan People's Party (PPP) are the most important on the national level. Other parties include the Jamaat-i-Islami (JI), the Muttahida Qaumi Movement (MQM), the Awami National Party (ANP), and the Pakistan Muslim League/Junejo group (PML/J).

Suffrage: Universal at 21. Religious minorities vote for reserved seats.

Political subdivisions: Each of the four provinces– Punjab, Sindh, Northwest Frontier, and Balochistan– has a parliamentary system; northern areas and federally administered tribal areas (FATA) are administered by the federal government, but enjoy considerable autonomy.

Economy

GDP (1996-97): \$57 billion.

Real annual growth rate 1996-97: 3%.

Per capita GDP (1996-97): \$470.

Natural resources: Arable land, natural gas, limited petroleum, substantial hydropower potential, coal, iron ore.

Agriculture: Products – wheat, cotton, rice, sugarcane, tobacco.

Industry: Types – textiles, fertilizer, steel products, chemicals, food processing, oil and gas products, cement.

Trade (FY 1996-97): Exports – \$8.3 billion: raw cotton, rice, cotton yarn, textiles, fruits, vegetables. Major partners – U.S., Japan, U.K., Saudi Arabia, Germany. Imports – \$11.9 billion: wheat, crude oil, cooking oil, fertilizers, machinery. Major partners – U.S., Japan, Saudi Arabia, Malaysia, U.K., Sri Lanka.

People

The majority of Pakistan's population lives along the Indus River valley and along an arc formed by the cities of Faisalabad, Lahore, Rawalpindi/Islamabad, and Peshawar. Although the official language of Pakistan is Urdu, it is spoken as a first language by only 9% of the population; 65% speak Punjabi, 11% Sindhi, and 24% speak other languages (Pushtu, Saraiki, Baloch, Brahui). Urdu, Punjabi, Pushtu, and Baloch are Indo-European languages; Brahui is believed to have Dravidian (pre-Indo-European) origins. English is widely used within the government, the officer ranks of the military, and in many institutions of higher learning.

History

Archeological explorations have revealed impressive ruins of a 4,500-year old urban civilization in Pakistan's Indus River valley. The reason for the total collapse of this highly developed culture is unknown. A major theory is that it was crushed by successive invasions (circa 2000 B.C. and 1400 B.C.) of Aryans, Indo-European warrior tribes from the Caucasus region in what is now Russia. The Aryans were followed in 500 B.C. by Persians and, in 326 B.C., by Alexander the Great. The "Gandhara culture" flourished in much of present-day Pakistan. The Indo-Greek descendants of Alexander the Great saw the most creative period of the Gandhara (Buddhist) culture. For 200 years after the Kushan Dynasty was established in A.D. 50, Taxila (near Islamabad) became a renowned center of learning, philosophy, and art. Pakistan's Islamic history began with the arrival of Muslim traders in the 8th century.

During the 16th and 17th centuries, the Moguls dominated most of South Asia with an empire marked both by administrative effectiveness and cultural refinement. British traders arrived in South Asia in 1601, but the British Empire did not consolidate control of the region until the latter half of the 18th century. After 1850, the British or those influenced by them governed virtually the entire subcontinent. In the early 20th century, South Asian leaders began to agitate for a greater degree of autonomy. Growing concern about Hindu domination of the Indian National Congress Party, the movement's foremost organization, led Muslim leaders to form the all-India Muslim League in 1906. In 1913, the League formally adopted the same objective as the Congress--self-government for India within the British Empire--but Congress and the League were unable to agree on a formula that would ensure the protection of Muslim religious, economic, and political rights.

Pakistan and Partition

The idea of a separate Muslim state emerged in the 1930s. On March 23, 1940, Muhammad Ali Jinnah, leader of the Muslim League, formally endorsed the "Lahore Resolution," calling for the creation of an independent state in regions where Muslims constituted a majority. At the end of World War II, the United Kingdom moved with increasing urgency to grant India independence. However, the Congress Party and the Muslim League could not agree on the terms for a constitution or establishing an interim government. In June 1947, the British Government declared that it would bestow full dominion status upon two successor states--India and Pakistan. Under this arrangement, the various princely states could freely join either India or Pakistan. Consequently, a bifurcated Muslim nation separated by more than 1,600 kilometers (1,000 mi.) of Indian territory emerged when Pakistan became a self-governing dominion within the Commonwealth on August 14, 1947. West Pakistan comprised the contiguous Muslim-majority districts of present-day Pakistan; East Pakistan consisted of a single province, which is now Bangladesh. The Maharaja of Kashmir was reluctant to make a decision on accession to either Pakistan or India. However, armed incursions into the state by tribesmen from the NWFP led him to seek military assistance from India. The Maharaja signed accession papers in October 1947 and allowed Indian troops into much of the state. The Government of Pakistan, however, refused to recognize the accession and campaigned to reverse the decision. The status of Kashmir has remained in dispute.

After Independence

With the death in 1948 of its first head of state, Muhammad Ali Jinnah, and the assassination in 1951 of its first Prime Minister, Liaqat Ali Khan, political instability and economic difficulty became prominent features of post-independence Pakistan. On October 7, 1958, President Iskander Mirza, with the support of the army, suspended the 1956 constitution, imposed martial law, and canceled the elections scheduled for January 1959. Twenty days later the military sent Mirza into exile in Britain and Gen. Mohammad Ayub Khan assumed control of a military dictatorship. After Pakistan's loss in the 1965 war against India, Ayub Khan's power declined. Subsequent political and economic grievances inspired agitation movements which compelled his resignation in March 1969. General elections held in December 1970 polarized relations between the eastern and western sections of Pakistan. The Awami

League, which advocated autonomy for the more populous East Pakistan, swept the East Pakistan seats to gain a majority in Pakistan as a whole. The Pakistan Peoples Party (PPP), founded and led by Ayub Khan's former Foreign Minister, Zulfikar Ali Bhutto, won a majority of the seats in West Pakistan, but the country was completely split with neither major party having any support in the other area. Negotiations to form a coalition government broke down and a civil war ensued. India attacked East Pakistan and captured Dhaka in December 1971, when the eastern section declared itself the independent nation of Bangladesh. Yahya Khan then resigned the presidency and handed over leadership of the western part of Pakistan to Bhutto, who became President and the first civilian Chief Martial Law Administrator. Bhutto moved decisively to restore national confidence and pursued an active foreign policy, taking a leading role in Islamic and Third World forums. Although Pakistan did not formally join the non-aligned movement until 1979, the position of the Bhutto government coincided largely with that of the non-aligned nations. Domestically, Bhutto pursued a populist agenda and nationalized major industries and the banking system. In 1973, he promulgated a new constitution accepted by most political elements and relinquished the presidency to become Prime Minister. Although Bhutto continued his populist and socialist rhetoric, he increasingly relied on Pakistan's urban industrialists and rural landlords. Over time the economy stagnated, largely as a result of the dislocation and uncertainty produced by Bhutto's frequently changing economic policies. When Bhutto proclaimed his own victory in the March 1977 national elections, the opposition Pakistan National Alliance (PNA) denounced the results as fraudulent and demanded new elections. Bhutto resisted and, after endemic political violence in Pakistan, arrested the PNA leadership.

1977-1985 Martial Law

With increasing anti-government unrest, the army grew restive. On July 5, 1977, the military removed Bhutto from power and arrested him, declared martial law, and suspended portions of the 1973 constitution. Chief of Army Staff Gen. Muhammad Zia ul-Haq became Chief Martial Law Administrator and promised to hold new elections within 3 months. Zia released Bhutto and asserted that he could contest new elections scheduled for October 1977. However, after it became clear that Bhutto's popularity had survived his government, Zia postponed the elections and began criminal investigations of the senior PPP leadership. Subsequently, Bhutto was convicted and sentenced to death for alleged conspiracy to murder a political opponent. Despite international appeals on his behalf, Bhutto was hanged on April 6, 1979. Zia assumed the Presidency and called for elections in November. However, fearful of a PPP victory, Zia banned political activity in October 1979 and postponed national elections. In 1980, most center and left parties, led by the PPP, formed the Movement for the Restoration of Democracy [MRD]. The MRD demanded Zia's resignation, an end to martial law, new elections, and restoration of the constitution as it existed before Zia's takeover. In early December 1984, President Zia proclaimed a national referendum for December 19 on his "Islamization" program. He implicitly linked approval of "Islamization" with a mandate for his continued presidency. Zia's opponents, led by the MRD, boycotted the elections. When the government claimed a 63% turnout, with more than 90% approving the referendum, many observers questioned these figures. On March 3, 1985, President Zia proclaimed constitutional changes designed to increase the power of the President vis-a-vis the Prime

Minister (under the 1973 constitution the President had been mainly a figurehead). Subsequently, Zia nominated Muhammad Khan Junejo, a Muslim League member, as Prime Minister. The new National Assembly unanimously endorsed Junejo as Prime Minister and, in October 1985, passed Zia's proposed eighth amendment to the constitution, legitimizing the actions of the martial law government, exempting them from judicial review (including decisions of the military courts), and enhancing the powers of the President.

The Return of Democracy

On December 30, 1985, President Zia removed martial law and restored the fundamental rights safeguarded under the constitution. He also lifted the Bhutto government's declaration of emergency powers. The first months of 1986 witnessed a rebirth of political activity throughout Pakistan. All parties --including those continuing to deny the legitimacy of the Zia/Junejo government--were permitted to organize and hold rallies. In April 1986, PPP leader Benazir Bhutto, daughter of Zulfikar Ali Bhutto, returned to Pakistan from exile in Europe. Following the lifting of martial law, the increasing political independence of Prime Minister Junejo and his differences with Zia over Afghan policy resulted in tensions between them. On May 29, 1988, President Zia dismissed the Junejo government and called for November elections. In June, Zia proclaimed the supremacy in Pakistan of Shari'a (Islamic law), by which all civil law had to conform to traditional Muslim edicts. On August 17, a plane carrying President Zia, American Ambassador Arnold Raphel, U.S. Brig. General Herbert Wassom, and 28 Pakistani military officers crashed on a return flight from a military equipment trial near Bahawalpur, killing all of its occupants. In accordance with the constitution, Chairman of the Senate Ghulam Ishaq Khan became Acting President and announced that elections scheduled for November 1988 would take place. After winning 93 of the 205 National Assembly seats contested, the PPP, under the leadership of Benazir Bhutto, formed a coalition government with several smaller parties, including the Muhajir Qaumi Movement (MQM). The Islamic Democratic Alliance (IJI), a multi-party coalition led by the PML and including religious right parties such as the Jamaat-i-Islami (JI), won 55 National Assembly seats. Differing interpretations of constitutional authority, debates over the powers of the central government relative to those of the provinces, and the antagonistic relationship between the Bhutto Administration and opposition governments in Punjab and Balochistan seriously impeded social and economic reform programs. Ethnic conflict, primarily in Sindh province, exacerbated these problems. A fragmentation in the governing coalition and the military's reluctance to support an apparently ineffectual and corrupt government were accompanied by a significant deterioration in law and order. In August 1990, President Khan, citing his powers under the eighth amendment to the constitution, dismissed the Bhutto government and dissolved the national and provincial assemblies. New elections, held in October of 1990, confirmed the political ascendancy of the IJI. In addition to a two-thirds majority in the National Assembly, the alliance acquired control of all four provincial parliaments and enjoyed the support of the military and of President Khan. Muhammad Nawaz Sharif, as leader of the PML, the most prominent Party in the IJI, was elected Prime Minister by the National Assembly. Sharif emerged as the most secure and powerful Pakistani Prime Minister since the mid-1970s. Under his rule, the IJI achieved several important political victories. The implementation of Sharif's economic reform program, involving privatization, de-regulation, and encouragement of private sector

economic growth, greatly improved Pakistan's economic performance and business climate. The passage into law in May 1991 of a Shariat bill, providing for widespread Islamization, legitimized the IJI government among much of Pakistani society. After PML President Junejo's death in March 1993, Sharif loyalists unilaterally nominated him as the next party leader. Consequently, the PML divided into the PML Nawaz (PML/N) group, loyal to the Prime Minister, and the PML Junejo group (PML/J), supportive of Hamid Nasir Chatta, the President of the PML/J group. However, Nawaz Sharif was not able to reconcile the different objectives of the IJI's constituent parties. The largest fundamentalist party, Jamaat-i-Islami (JI), abandoned the alliance because of its perception of PML hegemony. The regime was weakened further by the military's suppression of the MQM, which had entered into a coalition with the IJI to contain PPP influence, and allegations of corruption directed at Nawaz Sharif. In April 1993, President Khan, citing "maladministration, corruption, and nepotism" and espousal of political violence, dismissed the Sharif government, but the following month the Pakistan Supreme Court reinstated the National Assembly and the Nawaz Sharif government. Continued tensions between Sharif and Khan resulted in governmental gridlock and the Chief of Army Staff brokered an arrangement under which both the President and the Prime Minister resigned their offices in July 1993. An interim government, headed by Moeen Qureshi, a former World Bank Vice President, took office with a mandate to hold national and provincial parliamentary elections in October. Despite its brief term, the Qureshi government adopted political, economic, and social reforms that generated considerable domestic support and foreign admiration. In the October 1993 elections, the PPP won a plurality of seats in the National Assembly and Benazir Bhutto was asked to form a government. However, because it did not acquire a majority in the National Assembly, the PPP's control of the government depended upon the continued support of numerous independent parties, particularly the PML/J. The unfavorable circumstances surrounding PPP rule--the imperative of preserving a coalition government, the formidable opposition of Nawaz Sharif's PML/N movement, and the insecure provincial administrations--presented significant difficulties for the government of Prime Minister Bhutto. However, the election of Prime Minister Bhutto's close associate, Farooq Leghari, as President in November 1993 gave her a stronger power base. In November 1996, President Leghari dismissed the Bhutto government, charging it with corruption, mismanagement of the economy, and implication in extra-judicial killings in Karachi. Elections in February 1997 resulted in an overwhelming victory for the PML/Nawaz, and President Leghari called upon Nawaz Sharif to form a government. In March 1997, Sharif proposed and Parliament passed a constitutional amendment removing the President's power to dissolve Parliament and making his power to appoint military service chiefs and provincial governors contingent on the "advice" of the Prime Minister. Sharif has cited tackling the economic crisis, corruption and institutional reform as his three primary objectives. In October 1997, Sharif's government secured a \$1.6-billion IMF assistance program. Approval of the program is expected to trigger support from other international financial institutions as well as give a boost to business confidence and the markets. An increase in sectarian violence and a lengthy confrontation over appointments of Supreme Court judges have distracted the government from its stated objectives.

Government

The Pakistan constitution of August 1973, amended substantially in 1985 under Zia, provides for a President (Chief of State) elected for a 5-year term by an Electoral College that consists of the Senate, National Assembly, and the members of the four provincial assemblies; and a Prime Minister (head of government) elected by the National Assembly in a special session. After the election, the President invites the Prime Minister to create a government. The constitution permits a vote of "no confidence" against the Prime Minister by a majority of the entire National Assembly, provided that it is not in the annual budget session. The National Assembly ? 217 members (10 of whom represent minorities) elected directly by universal adult suffrage ? has a 5-year term. In 1990, a constitutional provision which established 20 reserved seats for women expired and has not been renewed. The Senate consists of 87 members elected indirectly for 6 years (19 from each of the provincial assemblies, 8 from the federally administered tribal areas, and 3 from the federal capital area). One-third of the senate members stand for reelection every 2 years. Two lists? federal and concurrent? designate jurisdiction on legislative subjects; all residual powers belong to the provinces. According to the 1973 constitution, the President, after consulting with the Prime Minister, appoints provincial governors, who act on the advice of the Cabinet or Chief Minister of the province. The Supreme Court is Pakistan's highest court. The President appoints the chief justice, and they together determine the other judicial appointments. Each province has a high court, the justices of which are appointed by the President after conferring with the Chief Justice of the Supreme Court, the provincial governor, and the provincial chief justice. During the martial law period, the powers and autonomy of the civilian judiciary were curtailed. Several martial law decrees extended the jurisdiction of military tribunals and prohibited the civilian judiciary from reviewing the procedures and decisions of military courts.

National Security

Pakistan's 585,000-member armed forces, the world's eighth largest, are well trained and disciplined. Pakistan operates military equipment from several foreign sources, among which the United States, China, France, and the United Kingdom are the most significant. Much of this equipment is becoming dated. The government's extensive efforts to modernize Pakistan's defense capability are frustrated by the country's limited industrial base and fiscal resources. Until 1990, the United States provided military aid to Pakistan to modernize Pakistan's conventional defensive capability. The United States allocated about 40% of its assistance package to Pakistan to nonreimbursable credits for military purchases; the remainder of the program was devoted to economic assistance. U.S. government military and new economic assistance to Pakistan, excepting counter-narcotics assistance and disaster relief, was suspended in October 1990 due to the Administration's inability to certify under the Pressler Amendment that Pakistan did not possess a nuclear explosive device.

Principal Government Officials

President--Farooq Ahmad Khan Leghari
Prime Minister--Mian Muhammad Nawaz Sharif
Minister of Foreign Affairs--Gohar Ayub Khan
Ambassador to the U.S.--Riaz Hussain Khokar
Ambassador to the UN--Ahmad Kamal

Pakistan maintains an embassy in the United States at 2315 Massachusetts Avenue, N.W., Washington, DC 20008 (Tel. 202-939-6200).

Economy

Extreme poverty and underdevelopment in Pakistan obscure the reality of a country which has the resources and entrepreneurial skill to support rapid economic growth. In fact, the economy averaged an impressive growth rate of 6.2% per year during the 1980s and early 1990s. However, the economy is extremely vulnerable to Pakistan's external and internal shocks, such as in 1992-93, when devastating floods and political uncertainty combined to depress economic growth sharply. Average real GDP growth from 1992 to 1997 dipped to 3.9% annually. Since the early 1980s, the government has pursued market-based economic reform policies. Market-based reforms began to take hold in 1988, when the government launched an ambitious IMF-assisted structural adjustment program in response to chronic and unsustainable fiscal and external account deficits. Since that time, the government has removed barriers to foreign trade and investment, begun to reform the financial system, eased foreign exchange controls, and privatized dozens of state-owned enterprises. Progress on reducing the budget and current-account deficits has been mixed, however. The budget deficit in FY 1996-97 was an estimated 6.2% of GDP, down only 0.1% over the previous fiscal year. Over the same 2-year period, the Pakistani rupee has been devalued twice, losing about 30% of its value against the U.S. dollar. However, macroeconomic stability and sound fiscal policies were restored during the second half of 1993 under the interim government of Prime Minister Moeen Qureshi. Largely as a result, Pakistan was able to secure a \$1.3 billion financing package from the IMF in February 1994. The government's FY 1994-95 budget was designed to broaden structural reforms and reduce the budget deficit through tax reform and other revenue mobilization measures. It also sought to contain defense spending which, together with debt servicing, exceeds government revenue. With a per capita GDP of about \$470, Pakistan is considered a low-income country by the World Bank. No more than 39% of adults are literate, and life expectancy at birth is about 62 years. The population, currently about 135 million, is growing at about 2.8% per year, roughly the same rate as GDP growth. Relatively few resources have been devoted to socio-economic development or infrastructure projects. Inadequate provision of social services and high population growth have contributed to a persistence of poverty and unequal income distribution.

Agriculture and Natural Resources

The country's principal natural resource is arable land (25% of the total land area is under cultivation). It boasts one of the largest irrigation systems in the world. Agriculture accounts for about 24% of GDP and employs about 50% of the labor force. The most important crops are wheat, cotton, and rice, which together account for almost 70% of the value of total crop output. Intensive farming practices have enabled Pakistan to become a net food exporter. Pakistan exports rice, fish, fruits, and vegetables, and imports wheat, vegetable oil, and sugar. The economic importance of agriculture has declined since independence (when its share of GDP was around 53%). Following the poor harvest of 1993, the government introduced agriculture assistance policies, such as increasing support prices for many agricultural commodities, expanding the availability of agricultural credit, and providing incentives for the import of agricultural machinery. From 1993 to 1997, real growth in the agricultural sector averaged 5.7%, compared to about 4% for the economy as a whole. Pakistan has extensive energy resources, including fairly sizable natural gas reserves, some proven oil reserves, coal, and large hydropower potential. However, the exploitation of energy resources has been slow due to a shortage of capital and domestic political constraints. For instance, domestic petroleum production totals only about half the country's oil needs. Moreover, despite plans to build several large power plants in the coming years, Pakistan's energy grid is unable to meet the country's growing needs, creating an energy gap which represents a major constraint on economic growth. The need to import oil also contributes to Pakistan's persistent trade deficits and the shortage of foreign exchange. Consequently, the government has made development of the energy sector its first economic priority. In FY 1996-97, real growth in the electricity and gas distribution industry was nearly 12%. The latest policy aims to develop thermal and hydropower generation capacity through private sector investment while also encouraging development of offshore oil reserves.

Industry

Pakistan's manufacturing sector accounts for about 20% of GDP. Cotton textile production and apparel manufacturing are Pakistan's largest industries, accounting for about 50% of total exports. Other major industries include cement, fertilizer, edible oil, sugar, steel, tobacco, chemicals, machinery, and food processing. Despite ongoing government efforts to privatize large-scale parastatal units, the public sector continues to account for a significant proportion of industry. In FY 1996-97, gross fixed capital formation in the public sector accounted for about 38% of the total, a level that has remained stable throughout the decade. In the face of an increasing trade deficit, the government hopes to diversify the country's industrial base and bolster export industries.

APPENDIX E: INDIA AND PAKISTAN SANCTIONS

Fact Sheet: India and Pakistan Sanctions

Released by the Department of State's Bureau of Economic and Agricultural Affairs – June



18, 1998

The United States imposed sanctions on India and Pakistan as a result of their nuclear tests in May. In imposing these sanctions, we seek:

- to send a strong message to would-be nuclear testers;
- to have maximum influence on Indian and Pakistani behavior;
- to target the governments, rather than the people; and,
- to minimize the damage to other U.S. interests.

Our goals are that India and Pakistan:

- halt further nuclear testing;
- sign the Comprehensive Test Ban Treaty (CTBT) immediately and without conditions;
- not deploy or test missiles or nuclear weapons;
- cut off fissile material production for nuclear weapons;
- cooperate in Fissile Material Cut-off Treaty (FMCT) negotiations in Geneva;
- maintain and formalize restraints on sharing sensitive goods and technologies with other countries; and,
- reduce bilateral tensions, including Kashmir.

Accordingly, the United States:

- Terminated or suspended foreign assistance under the Foreign Assistance Act, with exceptions provided by law (e.g., humanitarian assistance, food, or other agricultural commodities).

- \$21 million in economic development assistance and housing guarantee authority for India terminated.

- \$6 million Greenhouse Gas program in India suspended.

- Trade Development Agency will not consider new projects.
- Most assistance to Pakistan had already been prohibited.
- Terminated foreign military sales under the Arms Export Control Act, and revoked licenses for the commercial sale of any item on the U.S. munitions list.
 - Suspended delivery of previously approved defense articles and services to India.
- Halted any new commitments of USG credits and credit guarantees by USG entities (EXIM, OPIC, CCC).
 - The Administration will support legislation to permit CCC credits for food and agricultural commodities.
 - OPIC had only recently reopened in Pakistan; however, India was one of OPIC's top five countries receiving an average of \$300 million annually in OPIC support.
 - EXIM had only recently reopened in Pakistan with one expression of interest pending for \$1.1 million; \$500 million in pending financing in India will not go forward.
- Gained G-8 support to postpone consideration of non-basic human needs (BHN) loans for India and Pakistan by the International Financial Institutions (IFI) to bolster the effect of the Glenn amendment requirement that the U.S. oppose non-BHN IFI loans.
 - \$1.17 billion in IFI lending postponed for India.
 - although no IFI loans for Pakistan have been presented for board consideration, \$25 million in IMF assistance has been postponed for failure to meet economic benchmarks.
- Will issue Executive Orders to prohibit U.S. banks from extending loans or credits to the Governments of India and Pakistan.
- Will deny export of all dual use items controlled for nuclear or missile reasons. Will presume denial for all other dual-use exports to entities involved in nuclear or missile programs.
 - will toughen existing controls for government military entities;
 - will continue denial of nuclear exports licensed by NRC or authorized by DOE; and
 - will continue to favorably consider on a case-by-case basis other transactions which do not support nuclear, missile, or inappropriate military activities.

