



**Trust Deficit Vs. Trade Deficit:  
An Analysis of Misconceptions towards Indo-Pakistan Trade Relations**

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**Abstract:**

This study explores that history of trade relations between Pakistan and India which have been dominated by three perspectives. First and common (Indian) point of view is that there should be no trade between Pakistan and India. It is based on assumptions that Pakistan is an enemy state therefore, India should not benefit their economy. The second misperception is that trade with India would dump Pakistani market thus challenging local industries if trade is open (Pakistan's perspective). The third perspective, which advocates a careful budding up of trade activities between both the states. Since independence, discrepant trade agreements and policies of both the countries have induced constant reversal in the advancement and accomplishment of further developing trade relations. So, in this type of situation any positive step toward peace, stability and prosperity is seen with suspicion. The study has been constructed using the lens of constructivism. India-Pakistan relations are socially constructed. Most of the data presented is primary in nature, for the data analysis NVIVO software has been used. It is need of the hour, not to create trade balance in the region keeping the world scenarios - changing from geopolitics to geo-economics.

**Keywords:** South Asia, Indo-Pakistan trade, trust-deficit, geo-politics, geo-economics, peaceful coexistence, political will

**INTRODUCTION**

Pakistan and India are neighbors and most important nuclear powers of South Asia. They have big contradiction with each other but their bright future is totally dependent upon peaceful co-existence. The peace of the region is also dependent upon the relations of these two countries. After the development of the nuclear capabilities by both. war and conflicts are very harmful for them. In this scenario, trade is the only way that can promote peace between Pakistan and India. But unfortunately, the history of India and Pakistan relations shows that generally security related

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issues have dominated over commercial relations. There are some discernible signs that demonstrate the desire for the regional and worldwide financial integration and worries of economic prosperity are gradually overwhelming the political part of relations. It is the need of the hour to increase trade between the two. It can play a pacifying role between India and Pakistan. Basically, Indian and Pakistan's economic nature at the same time is aggressive and competitive as well as integrative and complementary ("India vs Pakistan," 2023).

It is believed that increased trade would nourish more competitive industries. Pakistan and India would import commodities, services and products, in which they are not competitive. Beside shortening monopolistic methodology existing in the two economies locally or domestically and concluding reasonable costs of items and services by normal or natural market force e.g. demand and supply. Both economies have great potential that can bring an unprecedented change in the lives of the common people.

### **LITERATURE REVIEW**

At the time of partition, the entire region was divided in the name of religion. Religion is very sensitive for Muslim as well as for other communities. For Hindus it was something by percussion of their "Holy Cow" that they used to consider (Muralidharan, 1994). There are many reasons of trust-deficit. Indian Prime Minister Atal Bihari Vajpayee on February 11, 1999, visited Pakistan. Vajpayee aboard maiden bus service between the two countries. Indian Prime Minister received by Pakistani Prime Minister Nawaz Sharif. Both countries started bus service but unfortunately, on 3 May 1999 Kargil incident happened, so that incident sabotaged bus service initiative (Tandon, 2018). In 1947 the issue of assets distribution came. During partition, it was decided by British government to distribute all the assets between newly born Pakistan and India but that did not happen properly. Most of the assets were held by India and it denied to give proper share in assets to Pakistan (Naazer, 2019).

There are some root causes of hostility between Pakistan and India. There are some major issues between India and Pakistan since 1947 still unresolved; Kashmir issue, water issue etc. Another factor impacting India vs. Pakistan relations is the lack of trust ("Conflict between India and Pakistan," 2023). Pakistan generally remained skeptical towards trade liberalization with India for multiple reasons, both political and economic. Any improvement in their bilateral relations was halted due to political developments in the region (Ahmad 2015).

Kashmir Issue is the unfinished agenda of partition; both have their own views on Kashmir. Mainly this issue is affecting Pak-India engagements and cooperation in all areas. The second factor is the traditional mind set; Mahatma Bharat or Hindu Supremacy, which is persistently making India-Pak relations deteriorated (Akhtar, 2011). Despite shared history, culture, language and being bordering countries, trade between Pakistan and India never skyrocketed. Even so, India conceded Pakistan the MFN Status in 1996, Pakistan granted the same to India in 2011, hinting at a detached trade relation (Beteille & Kochhar, 2011). However, the rise of extremist political ideology in India is major threat to the normalization of relations between India and Pakistan. The present Indian government's ideology is very dangerous for the regional stability. Now, the main hurdle in Pak-India relations is RSS ideology, they consider themselves as a superior race and thinking about large Hindustan thus creating a distance between India and Pakistan (Barrach, 2021).

## RESEARCH METHODOLOGY

This study employs qualitative and descriptive method. Primarily data from various sources was used and it included interviews of a selected experts on South Asian politics mainly Indo-Pakistan relations. Purposing sampling technique was used to select the experts in order to comprehend and analyze the misconceptions regarding Indo-Pakistan trade relations. Thematic analysis method has been used to scrutinize the data, find the patterns and make generalization and draw conclusions.

## MISCONCEPTIONS AND MISTRUST ABOUT INDO-PAKISTAN TRADE RELATIONS

Both India and Pakistan do not trust each other. Lack of trust of is the main hurdle in India-Pakistan relations. It is also believed that it is because of the history. The way both countries were created, the way they interacted initially, and the way the colonial power left some disputes for them. They could not work on the history problem, so the enmity keeps going on (M. Ahmer, Personal Communication, June 28, 2021).

Considering the religions factor is important to understand the conservatism behind lack of confidence between the two countries. Religious factions on both side use religion, for their political interests. They just indoctrinated innocent people for their political gains. Peace, and prosperity in this region is not possible without Pak-India bilateral peaceful relation because we can change our friend but we cannot change our neighbor (B. Shah, Personal Communication, June 23, 2021).

Hindu considered the separation of Pakistan as the division of Cow. Hindus consider it a wrong decision. One important reason is memories of independence are very shocking; many refugees were killed during immigration from both sides. It means that the horrors of partition are still in the minds of people. It has been observed that after 25-30 years the situation may be normalized but there are some extremist groups on both sides, who they do not want to solve these problems. For instance, when PM Narendra Modi came into power, the situation became more deteriorated between India and Pakistan. If secular minded people come to power on both sides so the situation can be normalized (H. Suharwardy, Personal Communication, June30, 2021).

If we observe Indo-Pak tense relations, we would see that the such perceptions are the main causes of hostility between India and Pakistan (Ahmar). What India perceive about Pakistan is something different and what Pakistan perceive about India is something different and these two perceptions collide with each other and have made a confusion. These different perceptions are the main reason of hostility (P. Singh, Personal Communication, July 13,2021).

## Trust-Deficit Between India and Pakistan

Another major reason is the collapse of Agra Summit. Vajpayee government did not trust Pervez Musharraf because Indian government thought that Pervez Musharraf was the man who sabotaged the endeavors of Pakistani PM Nawaz Sharif and Indian PM Atal Behari Vajpayee at the Lahore Summit in 1999. Indian government felt that Pervez Musharraf was the mastermind behind the Kargil war. The fourth reason, India was fully involved in 1971 war against Pakistan by supporting Mukti Bahini. Indian army himself carried atrocities against Bangladeshi Muslims and blaming Pakistani military. The fifth reason is Operation Brass-tacks; it was a military exercise of the Indian armed forces in Rajasthan India. It happened in 1986-87, when Indian Military Chief General Sunderji planned a large-scale military exercise near to Pakistan border. Approximately, 500000,

armed forces were involved in this operation. Brass-tack was code name of an Indian military exercise; it was the brainchild of Indian military chief, General Sunderji (M. Ahmer, Personal Communication, June 28, 2021).

Trust-Deficit between India and Pakistan could be eradicated by resuming diplomatic channels and people to people contacts. They should do physically interact with each other and sit on the talk table. How to interact and how to normalize the relations? According to Moonis Ahmar, cricket diplomacy, music diplomacy, mango diplomacy/sweet diplomacy are important tools of pacifying the antagonism. Track three diplomacy can also play a very positive role also; people-to-people interaction has always proved fruitful. Now this is the ultimate need of time to take practical steps and go for the table talks.

Dr. Muhammad Shoaib, in a personal communication, reiterated that again history is the main problem because the two countries were initiated as a project. This is because of the mutual distrust. The Muslims believed when British would leave India the Hindus will take advantage of their majority and Muslims will be treated as second-class citizens. For that purpose, Mr. Jinnah asked for constitutional safe guards, which off course not provided (Jinnah,1947). Then asked for the separate country and they struggled for that. Thus Trust-deficit was created between Muslim and Hindu leadership (M. Shoaib, Personal Communication, June 21, 2021). India and Pakistan have fought three full-scale wars. From day, first India did not accept Pakistan as a nation state and launched a proxy war against Pakistan. It has created trust-deficit between India and Pakistan (B. Shah, Personal Communication, June 23, 2021).

Dr. Hussain Suharwardy from University of Peshawar elaborated that the main reason is that India has not accepted Pakistan as a country because Pakistan was separated from the subcontinent and it harmed India. Owing to its history since partition of India Pakistan considers India as an existential threat. Since 1947, there are some out-standing issues between India and Pakistan standing unresolved and this a failure of both country's leader-ship. For instance, Kashmir is one of the contentious issues (H. Suharwardy, Personal Communication, June 30, 2021).

Dr. Khurshid also sheds light on this scenario that it tallies to historical notion or historical threat perception that India is not recognizing Pakistan and trade and other relations are tied with this notion. Kashmir is not resolved, which is the main hurdle. This trust-deficit deals with the national interest and official interactions which is so little and non-professional, especially on Pakistani side (Ansari & Effendi & Haque, 2019). This is quite irrational that why we tie everything with our security concern. There is three times greater issue between India and China but they have very good trade terms and there is a big trade between China and India. Pakistan claimed that if we open trade with India so it undermines our commodity market but this is not the case because such kind of miss match relations are also found between Pakistan and China. There is a huge trade-deficit but it is not translated into the trust-deficit between China and Pakistan. Pakistan India should start from the soft areas like water management, trade. India is a huge market for us but first we should increase our commodity standards because our products standard and quality is lower than India. To compete with India, first we should develop our products standard and quality. The problem is in Pakistan we should not blame India (K. Muhammad, Personal Communication, June 28, 2021).

Dr. Faheem says "if we see the India-Pakistan relations since 1947 onwards we can find that both states feel threat specially Pakistan has very serious concerns about India. Pakistan has been feeling this threat perception that India had recognized us and India is a big state so it can be a threat to us. Since 1947, this fear and this mind set present in the minds of people. India also feels threat from Pakistan because they feel that Pakistan is involved inside us especially in Kashmir. The recent attack of 2016 (Uri attack), India directly blamed Pakistan; in 2008, Mumbai attack again Pakistan was blamed so these perceptions widened trust-deficit between India and Pakistan. It is just a blame game, Pakistan also affirmed that India is involved in instability in Baluchistan. Pakistan was in the gray list of FATF due to strong Indian lobby (F. Muhammad, Personal Communication, June 30, 2021).

Dr. Priyanka Singh argued, that I must say; it is because of the trust-deficit that Pakistan is existing today. There are many reasons but off course the main cause was religion and now today India and Pakistan conflict has reached the where level one can say that it is a pried-minority conflict. For instance, Jews and Arabs (Palestinian), Shia and Sunni, Tamil and Sinhalese and India (Hindu dominated) and Pakistan (Muslim majority state) conflict is also one of them. This conflict is because of the trust-deficit and trust-deficit is because of the threat perception. This perception was the reason that Pakistan was created. So, the foundation stone of Pakistan is the trust-deficit. Why there is a trust-deficit so off course it cannot be answer in one or two lines because this whole history is based on trust-deficit (P. Singh, Personal Communication, July 13, 2021).

Dr. Imankalyan Lahiri (Professor from Jadavpur University, Kolkata, India) argued that Issues between India and Pakistan are broad – border conflicts and disputes, Kashmir quagmire, bilateral security concerns, infiltration and cross-border terrorism. These issues play substantial role to generate trust-deficit between the two neighbors. At diplomatic level, talks and other confidence building measures had been incorporated long back, however, for the above-mentioned issues, long-term and substantial trust building efforts could not consolidate (I. Lahiri, Personal Communication, August 15, 2021).

### **Reasons Behind Trade Deficit**

There exist various reasons behind lack of trust between India and Pakistan. Visa restrictions are one of the problems in this regard. We have similar many aspects but unfortunately, we have a lot of restriction in visa regime. Another reason is that India has huge companies if Indian companies came in Pakistan so it can hijack Pakistan because the cost of products in India is very cheap as compared to Pakistan. After all the main reason is trust-deficit which is due to many issues including Kashmir. Regarding this situation China and Taiwan have issues but they are trading with each other; approximately in this crisis China and Taiwan are doing \$12 billion of trade (H. Soharwardy, Personal Communication, June 30, 2021).

In Pakistan there is a traditional mindset that think there is only one permanent enemy that is India and one permanent friend that is China. Therefore, this type of concept is deteriorating India-Pakistan relations (K. Muhammad, Personal Communication, June 28, 2021). Dr. Faheem argued on this scenario that the history is same but this history is not a good but it is a trouble history. Relations are in trouble because of lack of trust on each other. So, it creates troublesome environment for trade. For good trade relations a good and cordial political relation is prerequisite.

A conducive environment is necessary for trade; if environment is not conducive and relations are hostile so then there is no chance of increase and booming of trade (F. Muhammad, Personal Communication, June 30, 2021).

Dr. Priyanka Singh argued that because the elites of these two countries don't want the relations should get better and off course it is their vested interest. The elites should make extra efforts for normalizing trade because trade (According to Liberal School of Thought) is one of the main causes that doesn't let nations go for conflict. India and Pakistan relations today is based on mutually hurting stalemate. These two countries cannot survive without hurting each other so, off course trade has to be little (P. Singh, Personal Communications, July 13, 2021).

Pakistan was one of the leading importers of sugar and cotton from India till Pakistan unilaterally halted bilateral trade ties with India in 2019. The underlying factor remains that political and security issues play a significant role towards consolidating any economic, trade or even cultural ties. If the former issues do not stay in order, the rest cannot fall in place (I. Lahiri, Personal Communication, August 15, 2021).

### **Effects of Trade Deficit**

SAARC was platform for India and Pakistan, to increase bilateral trade but unfortunately, that also failed. It was about to "re-trade" arrangements. The main reason is that political will also not here that is creating many problems in the peace process (M. Ahmer, Personal Communication, June 28, 2021). In this regard Dr. stated that trade is good thing and all prosperous states in the world are trading with each other. Most countries who have developed economies they actually trade with their neighbors. If Pakistan and India are not going to trade, they could not get rid out of the poverty that overwhelm in the South Asian region. If you want trade, you have to ease the restrictions. In the context of trade suspension, it affecting both sides. Primarily we have seen this trouble in Pakistan in pharmaceuticals. India can get salt, cements; etc. from Pakistan on cheaper rates and Pakistan can get Pharmaceuticals in return. Mumbai and Karachi and Punjab and Punjab were trading billion dollars of trade with each other but now all are suspended. (M. Shoab, Personal Communication, June 21, 2021).

Security is the first priority of the investors. When a private company or some business tycoon wants to invest their money in a foreign country firstl they would consider the security of their life and their money. Unfortunately, India and Pakistan do not have good terms and it create a security dilemma and trust-deficit (B. Shah, Personal Communication, June 23, 2021).

Due to trade suspension with India Pakistan's economy will be more affected because India is exporting their products all over the world very well (H. Soharwardy, Personal Communication, June 30, 2021).

If we open trade with India, Pakistan can earn much because we have food anthropology, which is common, we have medicine anthropology, which is common, and we have other anthropology, which is also common. It means that the commodity produced in Pakistan can be solved in Pakistan. China's anthropology is different from ours so we cannot sell the things to Chinese but the Chinese can. In initial start there will be harm Pakistan but if open market system is applied so we can be beneficial in long run. Unfortunately, Pakistani business tycoons have maintained their monopoly

and do not want to open trade with India because their interests are different from public interest (K. Muhammad, Personal Communication, June 28, 2021).

### **Economic Interdependence Can Boost Mutual Trust**

France and Germany had fought two wars, two bloody world wars; after fighting wars what reduced their enmity was bilateral trade because of that trade they became economic partners. Through interdependence, *Mutual trust* could be increased and translated into cooperation in other areas as well (Hayward, 2007). Same case can be applied here, if we start trade even in one thing and then other thing involving stakeholders thus cooperation in one aspect can be translated into other aspects as well. Initially Pakistani and Indian leadership did not understand the value of trade but now they are shifting from “Geo-Strategic to Geo-Economics (M. Shoaib, Personal Communication, June 21, 2021).

India is specialized in certain sector like IT etc. and Pakistan is producing jute etc. like the raw materials. Pakistan don't have some distinct industry that can be specialized but in times in competition with India we can earn from Indian specialized sector and India can also earn from our specialized sectors also. For instance, we can benefit from IT sector, we can benefit from their pharmaceuticals sector and like livestock etc. Pakistan is producing “Tobacco” jute, etc., which are very much required in India. we can also send Mango to India. It can be a Win-Win situation (K. Muhammad, Personal Communication, June 28, 2021).

For trade you need a conducive environment. First the political leadership and policy makers should build the consensus for cordial relations then slowly and gradually trade and other factors can increase (F. Muhammad, Personal Communication, June 30, 2021).

According to the liberal theory given by Thomas Friedman “Wood and Ox theory, of conflict prevention” two countries having mental chains will never go for war with each other. According to Immanuel Kant (He has given the theory of democratic peace), when two countries having a better trade with each other they will never go to the war. So, off course the exchange between Pakistan and India will be a mutually beneficial for both countries. So, if we will have a good bilateral trade between us that thing will save our spending on defense and can spend that resource on human development, which will be a win-situation for both of the countries (P. Singh, Personal Communication, July 13, 2021).

### **NORMALIZING INDIA-PAKISTAN RELATIONS**

Trade is the only factor that can that can normalize the relations and can prevent war. Pakistan and India should do trade despite the hostile relations because in this context we can see India-China relations though hostile but they are doing trade. India and China have \$100 billion trade, which is very big. Pakistan has a very clear point regarding India; if India wants any type of relations with Pakistan, so it should reverse the 5th August position. India is investing more on its war arms; they are not investing in developmental projects (M. Ahmer, Personal Communication, 28 June, 2021).

Dr. Suhrawardy argued that the solution of Kashmir issue lies in opening trade between Pakistan and India and to leave the problem of Kashmir for a little time. The much the business community engage in trade there will be very little chances of conflict (H. Soharwardy, Personal Communication, June 30, 2021).

CBM, is not all related to the negotiations, this is something related policies and actions as well. The actions must be like somehow compatible or somehow taken in the way that can create trust. However, such things are missing. Trade should be initiated as a confidence building measure. With the passage of time, it can create trust and it can work as a bridging of trust-deficit in between both of the states (F. Muhammad, Personal Communication, June 30, 2021).

If there is less probability of war, CBM can take place. So, off course this is going to happen if there will be a good trade between them (Haider & Azad, 2021). countries having good trade relation between them are less likely to go to war. So, trade off-course is a foundation stone for peace building (P. Singh, Personal Communication, July 13, 2021).

Once economics is taken good care of, often we find bilateral relations better, however, for India and Pakistan the situation has not been such simple. The historical hostility between the two countries and the past experiences of mistrust and lack of confidence play a huge road block. In this scenario, both India and Pakistan should at least try building new paths through trade relations. Especially, in these times of the pandemic when the economic conditions in Pakistan are not favourable while India is facing high rates of inflation, substantial trade transactions between them could better the situation (I. Lahiri, Personal Communication, August 15, 2021).

India and Pakistan have trade relations but unfortunately these connections have never been pretty clean and unproblematic. Due to political differences most of the two neighboring states induced a scenario that shackle alternate relations. The main reason behind all these circumstances are policy centered political issues that have prompted decrease in trade and have dampened the people of both countries. This type of situations is affecting people's lives directly.

### **Role of Negative Perception**

In these all things the "negative perception, the role of the hawkish elements and wars and conflicts are the main factors which has disbanded the positive practices of trade. In the earlier days of their independence both states were understanding that any mistreat towards each other will be damaging. This is unfortunate that when trade was shrinking so automatically more and more doubts and instabilities created.

The essence is and it proved that the genuine issue is not associated with gains or losses rather than assessment of each another. The main thing is they consider each other as adversary and it brings about poor and disintegrated relations; and it further increase uncertainties between them.  
Equation: Image+ Perception= Foe

### **Strategic Interests in Afghanistan Halting Relations**

The global economic integration is an obsession and fascinating. In this critical time Pakistan is trying to stabilize its economy. They are trying to make normal and cordial relations with its neighboring countries. The recent developments in Afghanistan have made the situation very difficult for Pakistan. India's role in Afghanistan is of a spoiler; they are making the situation worst. India supported Ashraf Ghani's government in Afghanistan which has not a clear mandate and majority in Afghanistan. India has a perception that Pakistan is supporting Taliban but now Pakistan has a very clear policy. According to PM Imran Khan, "we don't have any favorite in

Afghanistan, we will accept that government which is acceptable to the people of Afghanistan." The essence is strategic depth in Afghanistan is another hurdle in Pak-Indo trade relations.

The era of economic collaboration is very attractive but the antagonistic relationship between India and Pakistan are creating hurdles. Unfortunately, the idea that monetary elements have low worth in choosing a peaceful relation between India and Pakistan. Actually, at the global level trade has turned into a functioning vehicle of collaboration and development. The world has seen that trade has changed the relations among various nations from awful to great.

Pakistan and India both have strategic interest in Afghanistan. This time Afghanistan has become very important for regional and international players. When American left Afghanistan it creates a space or a power vacuum in Afghanistan. There are some players in the region which want to dominate and maintain its influence in the region, like China, Pakistan, Turkey and Russia. These are the main stakeholder. The take-over of Taliban in Afghanistan changed the regional politics. A peaceful and stable Afghanistan is in the favor of Pakistan. Ashraf Ghani's government was pro-India. It was very sticky and problematic to Pakistan because India was using soil of Afghanistan against Pakistan. They were very active in clandestine activities against Pakistan. India has invested a huge amount of money in Afghanistan but due to Taliban take-over all their investment sunk. It should be kept in our mind that "Taliban is reality", and we cannot ignore them. The world must recognize and accept them. Now this is in the interest of regional and international players to make diplomatic relations with them. Pakistan and India should understand the existence scenario in Afghanistan and should work for the peace and stability. They should understand their strategic interest in Afghanistan and should compromise and collaborate with each other.

### **Possible Policy Options**

Indian PM Narendra Modi has hard policies towards Pakistan. In the presence of Narendra Modi there is no chances of peace and stability in South Asia. BJP political party is associated with RSS (Rashtriya Swayamsevak Sangh). BJP is a proper-wing party (Right wing) and its coverage has historically pondered hindu nationalist positions. The BJP (Bhartiya Janata Party) has a close organizational and ideological links to the much older RSS-The BJP traces its roots to the Bhartiya Jana Sangh (BJS, Indian People's Association), which turned into established in 1951 as the political wing of the Pro-Hindu organization RSS (National Volunteers Corps) through Shyama Prasad Mukherjee. It is ideologically inspired from Hitler's Nazi ideology; which is focus on racial and cultural superiority. In the presence of this type of mentality in New Delhi a durable peace and stability is not possible in South Asia. The present leadership of Pakistan is eager to start a normal and bilateral trade relations with India but Indian RSS ideology is becoming a hurdle.

When the world becomes globalized and the sources of communication become fast, on one side it benefited humans but, on another side, it harmed human security. It harmed states sovereignty. False and fabricated information are using against each other to malign the opponent on international level. Fake Social Media accounts, fake Twitter accounts, fake email generations etc. are the big tools in propagating false and fabricated news. India and Pakistan are involved in a hybrid war-fare which is very danger and catastrophic for the peace and stability in South Asia. In recent times false and fabricated news are the main hurdle in Indo-Pak bilateral relations which have been regularly used by the Modi government against Pakistan. Such connections and

propagandas during the war on terror period has sabotaged the Pakistan's policy on Kashmir. The recent moves of India against Pakistan and the changing of Kashmir status are the biggest hurdle in the way of resuming the relations.

### **Responsible Behaviour of Leadership**

Pakistan and India are two important players of the region they cannot be ignored. They have a lot of internal problems, first they should address those problems instead of going to wars and conflicts. Poverty is on peak in both countries. They have also low literacy rate, malnourishment problems also exist. Instead of resolving these problems they are consecutively spending money on non-developmental projects, which is not in the interest of common people. Now this is collective responsibility of both countries leadership to work for its people and to change their living standard and give them a better life. They should avoid non-developmental projects and keep themselves away from wars and conflicts. It is time to boost their economies and compete each other on international level for the betterment of its people.

It's being from a long time that Pakistan and India have contentious and very critical issues. For the stability and peace in South Asia these issues should be resolved. Kashmir is more crucial issue between India and Pakistan than other. When India, on 5<sup>th</sup> August, 2019 took unilateral decision and abrogated the unique status of Jammu and Kashmir so, it made the situation bad to worst between Pakistan and India. In this scenario Pakistan has a very clear stance that if India wants stability and peace in South Asia so she must reverse its August 5 unilateral decision. It should be considered a turning point because in this matter Pakistan stance is very hard. So, at last India must reverse its unilateral decision. Pakistani authorities are of the opinion that they should not restore diplomatic ties with India until New Delhi revokes its decision of scrapping the special popularity of Jammu and Kashmir.

### **Economic and Political Situation of South Asia**

In the era of globalization, the dynamics and strategies of the world has changed. Sources of communication has become faster and states of the world are now more connected with each other. It changed everything in the world whether it is politics, sources of economics, living standards, thinking pattern, cultural identities etc. Now the world is changing from geo-politics to geo-economics. There is no commodiousness for war and conflicts. These things should be avoided now and to move forward. This region cannot afford another war because now Pakistan and India have nuclear capabilities and it is known by everybody that if unfortunately, a nuclear war happens between India and Pakistan so, its affects will affect the whole world.

At this time, prosperity of the South Asia is dependent upon the cordial relations between Pakistan and India. Countries like, Pak-India are the top economies of this region. So, every step and action of India and Pakistan will affect the whole region.

Consecutively this region is changing via its politics, economics and cultural. The take-over of Taliban in Afghanistan changed the road map of this region. China is becoming a huge economic giant in the world. As an economic giant China has economic interests in this region. She wants to monopolize the regional market and to carry its products to Europe through Pakistan and Afghanistan. China is fulfilling this interest through BRI (Built and Road Initiative). The only spoiler

in this region is India. She does not want peace and stability in this region. India since long is using the soil of Afghanistan against Pakistan. Now, after the take-over of Taliban in Afghanistan, it has been expected from them not to let anyone use the soil of Afghanistan against Pakistan.

Belligerency and animosity are not in the favor of both. India and Pakistan both are economically weak and fragile. Both countries have high rates of poverty, low literacy rates, malnourishment issues. Covid-19 pandemic has affected both of them but unfortunately India has been affected more. The main reason behind this is that both countries are involved in arms race and non-developmental projects. These developments are not in the interest of common people. In both countries there is a scarcity of basic resources to its citizens but still they are involved in non-developmental projects and don't care of its people.

In this critical time India and Pakistan should need to believe in and facilitate one another in various fields. First, Pakistan and India should remove visa restrictions and facilitate different business tycoons. For this purpose, they need to adopt such a policy where there national interest is matching; to develop their interest in mutual trading.

### **CONCLUSION**

Both India and Pakistan are the largest economies of the South Asia but still there is poverty, low literacy rate and malnourishment and a lot of other problems. Pakistan cancelled all the diplomatic ties with India due to the revocation of the special status of Jammu and Kashmir by BJP government. The decision was taken by Pakistan was unilateral. In August 2019, India exported goods worth \$52 million (around 370 crore) to Pakistan. Pakistan's monthly exports to India were valued at a little over \$2.5 million (about Rs 18 crore). In accounts of these calculation Pakistan's tendency to India is more than India towards to Pakistan. Resumption of trade relations between India and Pakistan is in favor of both countries. It is need of hour to utilize the nearest country resources and avoid expenses and extravagances. The world politics is swiftly changing from geopolitics to geo-economics. This is not time of war and conflicts. This is the time of peaceful co-existence. For this purpose, the powerful constituency of both countries needs to think optimistic and change the mentality of its subordinates; that we can live with each other peacefully. The negative social construct views should be negated from both sides. The theory of social constructivism gives us very a beautiful argument that if we change the negative social construct views against each other so, there will be no any type skirmishes between India and Pakistan. Social constructivism argue that international system is based upon ideas, views and beliefs. There is no objective reality exist. There is no anarchy exist in the world. These all are just thoughts which is the result of an individual thinking and thoughts. There is no international system in the world. This is just human thinking. If we put forward positive thoughts and thinking in international system so, the output will be positive and there will be no clashes. The essence is, that these all are dependent upon human thinking. So, its need of the time to change the human thinking and build an optimistic point of view regarding India and Pakistan diplomatic relations.

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