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Economics of Kashmir Conflict

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In a political conflict like Kashmir, human loss is the first tragedy coupled with the economic damage to the oppressed class. Repeated shutdowns that include curfews and protests have dented the economy of Kashmir, a fact that is irrefutable. However, this is supplemented by the 'normalcy period' that paves way for the economic captivity of the region. The Narendra Modi government’s decision to abrogate Article 370, which guaranteed a special status to Jammu and Kashmir (J&K) under the Indian constitution, and divide the J&K state into two separate Union Territories on 05 August 2019 has already immensely dented the local economy to the tune of 17878 crore of Indian rupees. The decision is expected to further tarnish the economy of J&K, an economy which could have been enhanced to serve the needs of local people and the developmental project of the state. In the past, there were instances when the state’s economic potential was compromised (e.g., the agreement between Reserve Bank of India and Government of J&K), which furthered the state’s dependence on New Delhi. In an official report, the state government admitted that the conflict has condensed per capita Gross Domestic Product growth, Foreign Domestic Investment inflow, exports, and trade flow in the state. The report also mentioned that J&K lost 16000 crore during the unrest of 2016. During the years 2016 and 2017, 168 curfews were imposed in nine districts of J&K, resulting in huge financial loss to locals. In 2019, the region witnessed the longest ever communication blockade of 214 days, resulting in huge losses to local businesses, and in some cases even closures. The cost of the Kashmir conflict is difficult to ascertain due to limited studies on the subject and non-availability of data. In this paper, I document the economic cost of the Kashmir conflict and the effects of Indian imperialism on the region’s society and economy using a conflict economics framework.

Keywords: conflict; economy; Kashmir; politics; military
Introduction

The difficulty of having a traditional economic perspective in contexts of conflict has been a challenge for researchers. The fact that economics as a discipline focuses on gains and exchange of trade, which takes place in a win-win scenario, ignores the environment specified with imperfect enforced property rights. This is the ground where conflict arises.

The valley of Kashmir is one of the biggest and bloodiest conflicts in Asia and the most incomprehensible military occupation in the world (Ali et al. 2011: 10). The region has been a disputed territory since 1947 (Bhan 2016: 4). The United Nations, in its resolution on 21 April 1948, asked both India and Pakistan to resolve the question of accession of Jammu and Kashmir (J&K) through democratic means of free and impartial plebiscite (United Nations 1948: 4). The Organisation of Islamic Cooperation—the second largest intergovernmental organization with a membership of fifty-seven states—in its 44th Session of the Council of Foreign Ministers passed a unanimous resolution reaffirming the right of the people of J&K to self-determination and the final disposition of the conflict to be made in accordance with the will of the people (Organisation of Islamic Cooperation 2017: 21).

The independence movement of Kashmir has roots in the 1930s against the Dogra regime and India’s control after 1947. The massive rigging of the 1987 state legislative assembly elections by the Indian authorities resulted in the loss of the Muslim United Front—Kashmiri parties supporting the right to self-determination who were expected to form a majority government. Kashmiris tried and failed in 1987 to achieve their just objective of the right to self-determination through democratic means that resulted in an armed struggle for the independence of Kashmir. On 31 July 1989, two bomb blasts in Srinagar, the summer capital of J&K, started the armed struggle in Kashmir (Sikand 2001: 219).

In 2008, Kashmir witnessed a shift from armed struggle to peaceful protest to achieve the rights of the people when the All Parties Hurriyat Conference called for agitation to protest on the transfer of land to Shri Amarnath Shrine Board (SASB). The Amarnath land row erupted when 800 *kanals* (Urdu, Ud); a unit of land equal to 5445 square feet) of land at Baltal in South Kashmir was deliberated to be transferred to the SASB. However, Kashmiris were not allowed to protest or have demonstrations peacefully; instead, thousands were killed, injured, and arrested (Wani, Suwirta, and Fayeye 2013: 56). This resulted in the revival of recent armed struggle in the valley. “A youth leader (India calls him militant) Burhan Wani... was killed in an encounter with the Indian security forces on 8 July 2016” (Butt 2016: 43). Also, scholars have highlighted how the state manages Kashmir by keeping Kashmiris under permanent captivity that limits their choices (Duschinski 2009).

In recent years, the number of stone pelting incidents is on the rise. The perpetual subjugation by the state forces provoked civilians, whose political ways of manifestation and demands over the decades have been denied, leading them to engage in stone pelting. Stone pelting is not meant to kill and has not caused any death (Chatterji 2010: 137). The mass protests of 2010 and 2016 observed increased participation of youth. In both demonstrations, juveniles took part in stone pelting (Shah 2019: 8). India’s Ministry of Home Affairs, in a statement on the militancy to the Rajya Sabha on 07 February 2018, revealed that incidents of stone pelting have nearly doubled from 730 in 2015 to 1999 in 2019.

The Ministry also reported on the annual details of what the state terms ‘security force’ personnel and civilians who lost their lives and ‘terrorists’ killed in violent incidents, during the past three years in J&K (Minister of Home Affairs 2018: 3). From 2015 to 2017, the number of violent attacks increased to 342, while the number of civilian deaths doubled to 40.

The conflict has resulted in not only human loss, but also an economic loss of the oppressed class. To ascertain the financial cost of the conflict, it is imperative to go through the previous scholarship in this area. Haavelmo’s (1954) study one of the pioneering works in the field of conflict economics. The study modeled the fundamental choice between appropriation and production in a general-equilibrium setting. However, over the past few decades, there has been progress in placing appropriation and conflict discourse in economic discipline into a larger perspective.

Weapons are still considered to be a vital part of any conflict, and an economic perspective considers weapon as inputs. Unlike the case of traditional economics where inputs are used to produce useful outputs, conflict situations use weapons to inflict adversaries on the other party, which results in a win and loss of the parties involved. Hirshleifer (1989: 110) termed such a function as “technologies of conflict” and provided mathematical models for analysis and computation of the probability of win and loss of the parties.

In the case of the Kashmir conflict, the “technologies of conflict” model would predict the win of India and losses for Kashmir, given the quantity and variety of the weapons India is in possession of. However, in empirical studies wherein the relationship between military expenditure...
and economic growth using panel data of 36 developing countries were examined, there were significant and adverse effects of defense expenditure on economic growth in India (Hou 2009: 4).

The basic rent-seeking model by Nitzan (1994) highlights the rationality of the relationship between the parties while contesting for a given resource. In this case, the two contesting parties are India and Pakistan, while Kashmir is the resource. However, in a revolutionary situation, the optimal behavior of parties lacks, which is not the case for the traditional neoclassical economic framework. The nonexistence of a higher authority to which each party is answerable makes enforcement of contract and the terms of the economic relations challenging. Also, there are an ample number of agreements that define the economic relationship between Kashmir and India which cannot be analyzed in the traditional economic framework, given the anarchic state and financial standing of Kashmir.

The quantum of the finances that India is spending to hold Kashmir has time and again been questioned by intellectuals like Arundhati Roy. The amount of public finances needed to maintain the military occupation of Kashmir could be spent on improving public services and infrastructures like hospitals, schools, and food for malnourished populations in India. “India needs azadi [Ud; independence] from Kashmir just as much if not more than Kashmir needs azadi from India” (Ali et al. 2011: 43).

In addition to having financial implications, the occupation has fractured the human relationships between Delhi and Kashmir. A study examined how the mass participation in protests and mass presentation of collective grief in the Kashmir valley shows a long history of desire for the sovereignty of the J&K (Malik I 2018). India’s occupation of Kashmir has also broken the historical trade routes. J&K used to act as an essential trade-transit, linking the undivided India with the whole of central Asia through the silk route (Pandow 2017: 4).

The government of India has not allowed true democracy to be established in J&K state. Elections, which have provided a façade of democracy, have functioned to install individuals representing the interests of the Indian state whose focus was to please their masters in New Delhi and not the economic development of the state (Butt and Pandow 2012). Scholars have also addressed the ways in which India has offered Kashmiris the choice between political demands and economic development to shadow the state violence and militarization. This exposes India’s status as an emerging postcolonial power that seeks to doggedly possess Kashmir (Kaul 2018: 13). There are instances where rights have been refigured, as in the case of Hill Councils in Kargil (Bhan 2009: 71-93). Scholars have also explained how locals fear for the loss of territorial sovereignty that would pave way for settler-colonialism, and rampant exploitation of economic resources that would result in neocolonial mal-development (Zia 2020: 60).

Although a recent survey conducted by Conciliation Resources notes that the desire across the divided Kashmir region can be different, some uniting factors on which both sides agree are economic development, participation, and local control (Conciliation Resources 2016: 18). It has also been argued that Sadhbhanava, the military operation meant to promote “people-oriented programs” involving a significant sum of funds, has been used as a tool to manage the anger of local people against the loss of land, death, and injury. The military, through this program, has made inroads into local communities and made them financially dependent on the Indian state (Zia 2014: 307). These operations further legitimized the army’s role in governance and civil-society in post-colonial democratic-states like India (Aggarwal and Bhan 2009: 519).

The basic premise of the literature on conflict economics is that concerned parties, most of the time, face a trade-off between producing goods and seizing goods from others. This paper focuses on this tradeoff between appropriation and production by studying the interaction between parties under anarchy. There have been many models given by economists at various times and have contributed to the literature on conflict economics (Anderton and Carter 2009; Brauer and William 2017; Esteban and Ray 1999; Garfinkel 1990; Grossman 1991; Grossman and Kim 1996; Skaperdas 1992; Garfinkel and Skaperdas 2006; Hartley 2006; Hartley and Sandler 2012; Mehlum, Moene, and Torvik 2003; Wittman 2000). Although these works provide a detailed review of the literature at a global level, there have been negligible contributions from emerging economies like India and Pakistan.

In this paper, I apply conflict economics to the situation in Kashmir by examining various economic sectors that the government of India, through various apparatuses, has employed to take control of varied resources during normal times (or lull periods) followed by vicious cycles of violence. The analysis considers efforts to control water resources, land, financial institutions, and many other resources.

**Abrogation of Article 370**

On August 5, 2019, the Narendra Modi government initiated the abrogation of Article 370 of the Indian
constitution and the division of the J&K state into two separate Union Territories: Ladakh and Jammu & Kashmir. Legal experts viewed it as an attack on the constitution (Peerzada 2019). Some have even termed it a ‘dictatorship’ on the part of the government of India (Pandey and Tripathi 2020: 9). Not allowing any sort of dissent, the government of India arrested thousands of locals and even placed three former chief ministers (pro-Indian politician) of J&K under arrest. Their arrest happened immediately following their condemnation of the decision which they termed as India’s betrayal towards Kashmiris (BBC 2019).

Immediately after the revocation of the Article, the government of India opened up the gates for businessmen from mainland Indian to invest in J&K, and many of them were enthralled by the move (Behl 2019). To date, the government failed to convince and attract foreign investors to invest in J&K, and many of them were enthralled by the move (Behl 2019). To date, the government failed to convince and attract foreign investments to Kashmir. In a recent visit to Kashmir, foreign envoys from various countries have mentioned that Kashmir is beautiful, but not conducive for investments (Ganai 2020). Meanwhile, scholar have always opposed the state’s opening of economic sectors like tourism to the outside investor, as it could cause environmental degradation (Navlakha 2007: 4034-4038).

This unilateral decision is seen as a loss of territorial sovereignty, and researchers believe that the move will pave the way for settler-colonialism to lead to rampant exploitation of resources, which would result in neocolonial mal-development (Zia 2020: 2). Researchers have called for solidarity with Kashmir in the context of growing capitalism that indicates a colonial formation (Goldie 2019: 2). Within few months of revocation of the Article 370, businessmen from outside the region started encroaching on the local resources that otherwise were exclusively meant for the locals. In the region, there are around 554 mineral blocks, each measuring a maximum of ten hectares, that were auctioned (Javaid 2020: 1). In 2020, the majority of mining rights in Kashmir were secured by outside firms, as many local contractors could not file their applications for e-auctions due to the government’s order on restrictive communication in Kashmir (Parvaiz 2020:1). Similarly, on 12 August 2019, Mukesh Ambani, the owner of Reliance Industries and India’s richest man, announced his company would setup a taskforce meant for investment in J&K (Thakurta 2019).

The Economist Intelligence Unit, in its report on the stripping of Article 370, forecasts, “The costs of the move are more likely to be felt within India. We remain doubtful that the change in status will deliver either economic dividends or the closer relationship between J&K and India that the BJP is aiming for. More certain, however, is that the move will do considerable damage to security and political stability within the Kashmir Valley” (2019).

### Hydro-economics and conflict

Jammu & Kashmir’s rights over one of the most precious natural resources, water capital, were taken away by New Delhi through the infamous Indus Water Treaty of 1960, which was mediated by the World Bank. The International Water Management Institute has stated that the Indus Water Treaty deprived J&K state of approximately 6500 crore1 annually, and that the treaty has negatively affected the power-generation and agriculture-potential of the state (Iqbal 2018: 8). Also, scholars have argued how citizen activism has furthered and strengthened the state’s ability use and manage Kashmir’s water resources (Bhan and Trisal 2016).

The treaty governs the usage of the waters of the Indus river basin. The Indus Water Treaty of 1960 (IWT) was signed on 19 September 1960, by India’s Prime Minister Jawaharlal Nehru and Pakistan’s President Mohammad Ayub Khan, and mediated by World Bank Vice President W. A. B. Iliff. The Indus river systems’ annual flow is double that of the Nile and three times that of the Tigris and Euphrates combined. The IWT allocated the waters of the three eastern rivers Ravi, Beas, and Sutlej to India. While the waters of the three western rivers Indus, Jhelum, and Chenab for Pakistan, the treaty provided provisions that India could use some of the waters for purposes of hydro-power, irrigation, and other uses (World Bank 1960).

The waters of the Indus basin have a direct bearing on the economic development of J&K. Kashmir, which is the primary issue of contention between India and Pakistan, has been affected by the IWT. The western rivers of the Indus basin, which the treaty establishes are meant for the exclusive use of Pakistan, flow through J&K, resulting in the restricted use of these waters for the purpose of power generation and irrigation (Sahni 2006). In 2002, J&K’s legislative assembly unanimously passed a resolution calling for a dissolution of the IWT, which restricts the usage of the waters from western-rivers and unlawfully restrains the development of the state (Zawahri and Michel 2018).

Researchers have also studied how dams in Kashmir have deprived locals of their own resources while curbing their freedom and capability to move freely in a space now under military control (Bhan 2018). Dams displace about 362 families and takes 533 acres of land for fueling India’s growing economy (Bhan 2014: 191). New Delhi’s apparatus through which the state controls resources like water includes India’s hydropower generation company, National

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Hydro Power Corporation (NHPC). The J&K government considers the NHPC to be exploitative, draining the state’s power potential as the “East-India-Company of New Delhi” (Ali 2011; Dar 2012). New Delhi owes 20000 crore to J&K State for using their water as a reparation for the power-generated from their resources (Bashir 2015).

As illustrated in Table 1, the total installed capacity of the NHPC operational project throughout India as of June, 2018 stands at 5451 megawatts (MW), while the total installed capacity from J&K is 42.9%. Also, the company is operating eight projects in J&K with a cumulative capacity of 2339 MW, which is over one third of the total hydro-power generated by the company in other states (Ali 2018). This means that Kashmir’s water is a gold mine which the government of India is exploiting to the fullest.

In addition, the NHPC has another project under construction in J&K: Pakal Dul, a hydroelectric project under construction in the village of Drangdhuran in J&K with an installed capacity of 1000MW. The project is currently under development by Chenab Valley Power Projects as a joint venture between NHPC (49% stake), Jammu & Kashmir State Power Development Corporation (49% stake), and Power Trading Corporation India (2% stake) (see Table 2).

According to the NHPC (2018), the power-house package has been awarded, and the work on the dam has started. The bidding process for the other works is under progress. The NHPC has other joint venture projects currently awaiting clearance, such as Kiru, with an installed capacity of 624 MW, and Kwar, with an installed capacity of 540 MW.

According to the NHPC (ibid), forest clearance has been approved by the state forest department of state government, and environment clearance granted by Ministry of Environment, Forest and Climate Change Government of India (MoEF). Regarding Kwar, the environment clearance has been granted by MoEF, and the state forest department has granted the forest clearance. And one of the NHPC projects, Bursar, is in the pipeline having an 800MW capacity for which Detailed Project Reports have been submitted to the Central Electricity Authority (CEA) and are currently under examination by the CEA and Central Water Commission (ibid).

With the stripping of the Article 370, New Delhi, through NHPC, is speeding up the hydropower projects as the
government directly control the region. The projects include 800MW Bursar and 850MW Ratle, the latter coming up at an investment of around 6,215.61 crore (Bhaskar 2019).

As stated above, these NHPC projects are exploitative in nature, resulting in economic losses to J&K. The geographic locations of the projects are also troublesome because the region is categorized in vulnerable seismic zones IV and V, which are prone to earthquakes. This makes these dams susceptible to earthquakes, thereby risking the lives of locals. The NHPC and the central government are least bothered about the risks, but rather interested in expansion and controlling water resources of J&K.

Despite such a grim situation, there is a silver lining of cooperation, giving peace a chance for the greater good of South Asia. Some studies (e.g., Hassana, Afridi, and Khan 2017) suggest the need for environmental diplomacy to initiate negotiation, trust-building, and regional cooperation to have peace and sustainable development. Another study (Hussain 2016) suggests the need for hydro-diplomacy by bringing the stakeholders of South Asian countries together for cooperation on the Indus basin river system. This would mean just and equitable distribution of natural resources.

Land grab and occupation

India’s control over J&K is not restricted to water resources, as the government of India through its army and other forces have occupied vast swaths of land as well. Although it is difficult and challenging to ascertain the actual quantity of the property in possession by the Indian army and other allied forces in J&K, it is possible to gauge the phenomenon of the substantial land grab in J&K.

The Jammu Kashmir Coalition of Civil Society (JKCCS) indicates that the current deployment of regular Indian army and other forces in J&K is estimated to be over 700,000 personnel (Jammu Kashmir Coalition of Civil Society 2015: 35), turning the region into the largest militarized deployment in the world, with one armed personnel for seventeen civilians. Also, there are studies that suggest presence of Indian troops, with a ratio of one soldier for every eight Kashmiris (Zia 2019: 1037). Moreover, there has been an emergence of a new form of military, multilateral, and humanitarian occupations that reinforces institutionalized vehemence against occupied people (Duschinski and Bhan 2017).

The stationing of this colossal army has resulted in the land grab of diverse topographies, including forests, hills, glaciers, mountains, stream beds, paddy fields, and peripheries of lakes, in both urban and rural settings, thereby establishing permanent military structures. The exact figure of land under Indian armed forces in J&K is highly disputed, as huge chunks of the area remain illegally occupied, which was never officially demarcated, requisitioned, leased, mutated, or attained under the J&K Land Acquisition Act (Jammu Kashmir Coalition of Civil Society 2015: 37).

During Omar Abdullah’s tenure (2009-2015) as Chief Minister of J&K, the J&K government admitted in the state assembly that in the three regions of Ladakh, Kashmir, and Jammu, the army has occupied 1,054,721 kanals of land. At that time, the Indian military illegally occupied 855,407 kanals of land and had legal rights over 199,314 kanals that had been transferred by the state government to the army (Milli Gazette 2013; Nabi and Ye 2015). More recently, Chief Minister Mehbooba Mufti (2015-2018) claimed that more than 4.3 lakh kanals of land in J&K is under the illegal occupation of Indian army and other military forces stationed in the state. The Chief Minister, on record, informed the legislative assembly that 51,116 kanals of state land in Jammu province and 379,817 kanals of land in Kashmir and Ladakh are under unauthorized occupation of the Indian army (Wani 2018).

The JKCCS (2015: 38) documents that the occupation is not limited to land only, but also includes 1,856 buildings, including 1,526 private buildings, 280 government buildings, 14 industrial units, give cinemas, and 28 hotels. The irony is that most of the owners of these establishments have not been paid rent and that whenever the military has paid rent, it is negligible compared to the real worth of the property under the occupation. The Public Commission on Human Rights in 2005 identified 46 schools and educational establishments occupied by armed forces (Public Commission on Human Rights 2005: 39).

Indian authorities have furthered the occupation by acquiring land through agencies such as the National Highway Authority of India, Indian Railways, and others in the name of improved connectivity and development. There have also been forcible land acquisitions for projects including highway and railways (Bhat 2018). In addition, the Defense Ministry of India billed the J&K government 500 crore last year for its assistance in carrying out rescue and relief operations during the devastating floods in the valley in September 2014 (Press Trust of India 2018).

In a report by the Oakland Institute Research Team, in context of scrapping of the Article 370, the researchers call the investment could be a “Trojan horse for forcing the demographic composition of Kashmir” and adds that this move resembles to that of the “illegal Israeli settlements in Palestine’s West Bank” (Mittal 2019).
The government of India is using occupation as a tool to disempower residents of Kashmir. As stated above, military rule has systematically furthered the land grab, making inhabitation hard for the locals and rendering the population dispossessed. It does not end here, as Delhi uses other apparatuses like controlling financial institutions to strengthen their hold on Kashmir.

Control over financial institutions

The Indian state, over decades, has gradually and systematically used numerous measures to ensure economic imperialism of the J&K, which has included control over of the local financial institution, the Jammu and Kashmir Bank Limited (JKB). The JKB was incorporated on 01 October 1938 and started its operation on 04 July 1939. The JKB was the first state-owned bank established as a government company under the Companies Act 1956 operating as “bankers to the state government” (Hussain 2014).

In April 2011, the Reserve Bank of India (RBI) entered into a supplementary agreement under section 21A of the RBI Act of 1934 with the government of J&K to carry out their banking business. Through this agreement, RBI became the lone agent for the investment of the state government funds, which JKB had previously performed for the state as banker to the state government, while the JKB became an agent of the RBI for the conduct of general banking business of the J&K state government. The agreement between the state government of J&K and the Reserve Bank of India has two critical aspects: one financial and one political.

Regarding the financial aspect, in the past, JKB acted as a critical contributor to the financial stability of J&K through overdrafts. The state government used to borrow as much as 1500 crore from the JKB to meet its various obligations by the Ways & Means Account, a necessary practice due to delayed financial assistance from New Delhi. It enabled the government of J&K to manage the temporary mismatches between expenditures and receipts. In the years following the agreement, the state’s treasuries bills over 450 crore were pending for payment in Kashmir (Akmali 2014). Also, the bank used to have highest Credit Deposit ratio at forty-three percent, while the national banks used to have same at twenty-three percent, thereby indicating that banks used to invest money outside the state owing to discouraging government policies for private investments in the state (Navlakha 2005: 349-351).

Regarding the political aspect, the agreement pushed the J&K government further towards total dependence on New Delhi, resulting in economic subjugation. Hussain (2010) argues that the state government would have to often visit New Delhi with a “begging-bowl for petty-finances.” Also, the then opposition party, Peoples Democratic Party, termed the move as the most lethal nail in the coffin of J&K’s autonomy by the then ruling party, National Conference.

More recently, the state administrative council headed by J&K governor S.P. Malik has turned JKB into a Public Sector Bank, which has meant taking away its independence and making it answerable to the J&K state legislature (Jaleel and Iqba 2018). This act also and brought JKB under the realm of the J&K Right to Information Act and the Central Vigilance Commission.

Time and again, political interventions by the government of India have not only affected the premier financial institution of the state, JKB, but have also had adverse impact on the overall economy of Kashmir. This is worsened by the frequent curfews and shutdowns which further distress J&K’s economy.

The bank has lost all its autonomy that it used to derive under the Article 370. Also, the bank has undergone much restructuring, and all the shareholding that the state used to own are now owned by New Delhi since the revocation of the Article (Sidhartha 2019).

Economics of shutdowns

The recurrent curfews and protests are ruining the state’s economy, a fact that cannot be denied. However, the ‘normalcy’ in the state acts as a device for New Delhi to push J&K further into economic captivity. The state has long been using the economic losses due to the frequent protest and unrest in Kashmir as a ploy to placate the azadi sentiment among the locals.

An examination of the modalities of the economics of shutdowns leads to findings that contradict the state’s narrative on substantial economic losses. Hussain (2016) provides insights on the frequency of major unrests that took place in Kashmir since June 2008, including the Amarnath land row in 2008, Shopian rape and murder case in 2009, the summer turmoil in 2010, and the uprising in 2016. Regarding the uprising in the year 2016, the government of J&K projected the losses due to the unrest at over 16000 crore for a period of five months from July 8 to November 30 (PTI 2017). In 2010, the government claimed losses of 21,000 crore for 85 days (Jehangir 2010).

During 2013, the state claimed losses of 4,500 crore over 26 days of curfew following the hanging of Afzal Guru (Bhattacharya 2016). Contrary to the government’s claims,
Table 3: Financial losses due to internet shutdowns in Kashmir
(Malik S 2018b; Software Freedom Law Centre, India 2020)

<table>
<thead>
<tr>
<th>Year</th>
<th>Losses (INR Crore)</th>
<th>No. of Shutdowns</th>
</tr>
</thead>
<tbody>
<tr>
<td>2012</td>
<td>23</td>
<td>3</td>
</tr>
<tr>
<td>2013</td>
<td>1088</td>
<td>5</td>
</tr>
<tr>
<td>2014</td>
<td>N/A</td>
<td>5</td>
</tr>
<tr>
<td>2015</td>
<td>423</td>
<td>5</td>
</tr>
<tr>
<td>2016</td>
<td>655</td>
<td>10</td>
</tr>
<tr>
<td>2017</td>
<td>1776</td>
<td>32</td>
</tr>
<tr>
<td>2018</td>
<td>N/A</td>
<td>65</td>
</tr>
<tr>
<td>2019</td>
<td>N/A</td>
<td>55</td>
</tr>
</tbody>
</table>

A careful analysis of these figures reveals the flawed and fabricated nature of the state’s narrative on the economic losses—a ploy used by inflating these figures to divert the public attention from the real losses and the loot suffered by J&K through its various apparatuses.

Hussain (2010) provides a detailed analysis showing that the gross state domestic product (GSDP) of around 38000 crore suggests that the state produces goods and services worth 104 crore daily. The main impact of the unrest is in Kashmir valley, and it comprises almost 50 percent of the GSDP, or 50 crore daily. The tertiary sectors of the economy are the main hit in the conflict situation like Kashmir. The primary and secondary sectors of the economy, which are the backbone of J&K’s economy, had a negligible impact due to the unrest. According to Hussain (ibid), the ongoing political turmoil has resulted in losses of twenty to 25 daily crore; for 80 days, the loss would go 1600 crore and not 21000 crore, defying the state’s narrative.

Since J&K is a consumer economy, political unrest in the valley causes considerable losses to the states that export various products to J&K. The poultry farmers in north India, mostly in Punjab, were severely affected. Some estimates suggest that these poultry traders export over half a million eggs and around fifty thousand chickens a day to meet the vast demand of J&K. These imports cost about fifty million rupees a day. As 90 percent of the poultry farmers from Punjab are dependent on the exports to Kashmir, any political unrest in the valley cost these states heavily compared to the Kashmir (ibid).

As demonstrated in Table 3, frequent internet shutdowns also impact daily activities (BRIEF 2017: 11). Due to the frequent internet blackout by the government, J&K suffered losses amounting to 4000 crore between 2012 and 2017 (Malik S 2018a).

The undeclared internet shutdowns also hamper business growth, particularly in information technology and related fields in the valley. JKCCS documents 42 instances of unreasonable curtailments and total suspensions of telecommunication and internet rights from 08 July 2016, to 31 December 2017, based on reliable news reports and first-hand knowledge (Jammu Kashmir Coalition of Civil Society 2017: 32).

The state government, on 03 April 2019, issued an order (353-Home (ISA)) that barred civilian traffic on the highway of Srinagar-Jammu on Sundays and Wednesdays each week to allow smooth movement of the army convoy. The economic experts expect huge loss owing to this blockade order.

According to a report issued by the Kashmir Chamber of Commerce and Industry, the abrogation of Article 370 has affected business immensely and dented the local economy to the tune of 17878 crore (Kashmir Chamber of Commerce and Industry 2019: 6). This decision forced 340,000 tourists to leave within 24 hours and resulted in a loss to the tourism sector, which contributes eight percent to the state’s GDP. Local players also suffered immensely (Sharma 2019). It also caused closure or hefty loss of business to the twelve information telecommunication companies who employ around 1500 people in the Kashmir valley (Wani 2019).

Cross Line-of-Control trade

In 2008, the governments of India and Pakistan opened the Line of Control (LoC) for limited trade as a measure aimed
at building confidence between the different sides in J&K. On 21 October 2008, the first truck drivers and traders met on the Chakothi-Uri Bridge in Kashmir. After six decades of violent conflict and the absence of any connection between the two sides, this marked a fundamental step for trust building and peacemaking in the region. Due to its broad appeal, cross-LoC trade has sustained, even during periods of heightened political tension and unrest in the region. Ten years later, cross-LoC trade remains a barter trade limited to specific goods. The registration process is lengthy, and the numerous checks for the truck drivers make it a cumbersome process.

Cross-border trade offers livelihood and business opportunities while also increasing cultural exchanges and connections of divided families. The villages where cross-LoC trade takes place have seen reduced violence, renewed economic activity, and lives transformed (Pentori 2018). When trade along the Poonch-Rawalakot crossing was stopped in July 2017, local lobbying efforts were able to push and advocate for its reopening four months later. Without the intangible benefits behind it and the symbolism it holds for local communities, it is unlikely to have prevailed.

Trade volumes across the LoC have shown an upsurge from 2008 to 2015, with the trade of goods worth 699 million US dollars. The cross-LoC trade has also fetched perceptible financial paybacks to the traders and other associated stakeholders (Hussain and Sinha 2016). The cross-LoC trade has crossed 5000 crore mark in 2018 since its inception on 21 October 2008, and is emerging as the significant confidence-building-measure (Ehsan 2018). India’s order on 18 April 2019 to suspend the cross-LoC trade (particularly after the scrapping of the Article 370) left 1700 traders in distress. The local business community sees no hope that the trade would be restored (Khajuria 2020).

Conclusion

Although it is difficult to ascertain the cost of conflict in Kashmir due to the limited literature and non-availability of data, it can be concluded that the ‘normalcy’ is furthering the clutch of India’s economic imperialism in Kashmir. The government of India, through many of its apparatuses in J&K, facilitated the state to take control over numerous resources during the normal times—lull periods before another violent period.

The occupation includes control on water resources, land grabs, and control of the state’s financial institution. The precious cost that Kashmiris suffer is in terms of human loss (i.e., figures of an exact number of casualties due to the conflict) are not precise and are contested by both sides. Take the case of the Indus Water Treaty: the state suffers on an average of 6500 crore annually. On account of frequent internet shutdowns, Kashmir suffered losses amounting to 4000 crore between 2012 and 2017. Of late, the scrapping of Article 370 provides New Delhi direct control over the stated economic resources thereby making it easy for the state to tighten its grip over the region and control the descent.

The state imposes frequent curfews that not only affect the normal life of locals but also severely impact the economy of the state. The state, in the form of confidence-building measures, started LoC trade to showcase it globally. However, on the ground, the state has put in numerous curbs on the free flow of goods, and in this era of technology, traders are forced to go for barter trade.

Though there are many studies which have contributed to the existing literature in the field of conflict economics, Kashmir has not been a focal point for researchers. The data presented in this study allow us to better understand the state’s narrative and its implications on the ground, as well as how the occupying state uses various apparatuses to control economic resources and disempower inhabitants.
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Endnotes

1. One crore is equal to ten million.

2. Maximum output of electricity that a project can produce.

3. Developed on Marusudar River, near village Pakal in Kishtwar District.


5. One lakh is equal to one hundred thousand.

6. Legislation intended to provide citizens of the state with a legal mechanism for obtaining government records.

7. The apex institution set to monitor all vigilance activity under the Central Government.

References


