



## Socio-Economic Factors Fueling Unrest in PoK

**For Prelims:** [Pakistan-occupied Kashmir](#), [Most Favored Nation \(MFN\) status](#), [Pulwama attack](#), [Line of Control \(LoC\)](#), [Article 370](#), [Indo-Pacific](#)

**For Mains:** Impact of trade disruptions between India and Pakistan, Pakistan Occupied Kashmir (PoK), Instability in Pakistan, Opportunities and threats for India

**Source:** IE

### Why in News?

Protests have intensified in [Pakistan-occupied Kashmir \(PoK\)](#) due to soaring prices and economic woes. The region's unrest has led to violent clashes, causing deaths. Pakistan's economic crisis, marked by [high inflation](#), has worsened living conditions.

- Trade in PoK suffered after **India hiked customs duties on Pakistani goods post the 2019 Pulwama attack**, exacerbating the financial strain.

### Why is Pakistan's Economy Struggling?

- High Inflation:** [Consumer inflation](#) has been above 20% since May 2022, reaching 38% in May 2023.
- Energy Costs:** The cost of energy in Pakistan has risen significantly, contributing to the overall inflation. This has a cascading effect on the prices of goods and services across the economy.
- Trade Disruptions:** After the [Pulwama attack in 2019](#), India accused Pakistan and revoked its [Most Favored Nation \(MFN\) status](#), imposing a **200% import duty on Pakistani products** such as dry dates, rock salt, cement, and gypsum.
  - Following Pulwama, India also accused Pakistan of [cross-border terrorism](#), [smuggling](#), and [money laundering](#), leading to the suspension of trade across the [Line of Control \(LoC\)](#).
  - This led to a sharp decline in Pakistan's exports to India, from an average of USD 45 million per month in 2018 to only USD 2.5 million per month between March and July 2019.
  - The significant reduction in exports to India has severely impacted traders, particularly in regions like PoK, contributing to economic instability.
  - The revocation of [Article 370 by India](#) further complicated the situation, as Pakistan sees it as an attack on the disputed territory.
    - High tariffs imposed by India act as a significant barrier to resuming normal trade activities.
  - In 2021, Pakistan attempted to normalise trade relations with India, but domestic pressures and the Kashmir issue halted progress.
  - The **current status of trade ties between India and Pakistan remains suspended from 2019**.

### Why doesn't India Want to Resume Trade Relations with Pakistan?

- India's trade with Pakistan has always been a **minor part of its overall [foreign trade](#)**, accounting for less than **1% of its exports and imports**.
  - Political instability, fewer foreign reserves, strict visa policies, and Pakistan's small market size compared to India's make trade with Pakistan a risky proposition for India.
- Some in India believe that the **minimal threat from Pakistan's military**, which is preoccupied with its western borders, reduces the need for confidence-building measures through trade.

## India-Pakistan Trade Before Ban

- Since 1996, Pakistan has had MFN status but maintained a **Negative List of 1,209 products not allowed to be imported from India**.
  - Only 138 products were allowed through the **Wagah-Attari border**.
- Despite this, **India had a significant trade surplus over Pakistan**, exporting more goods and services to Pakistan than it imported from Pakistan.
  - Political tensions between India and Pakistan significantly affected trade volume, often resulting in trade restrictions and reduced activity.
- **Indian Export to Pakistan:** In 2018-19, half of Indian exports to Pakistan were cotton and organic chemicals. Other significant items included plastic, tanning/dyeing extracts, nuclear reactors, boilers, machinery, and mechanical appliances.
- **Indian Import From Pakistan:** In 2018-19, India imported mineral fuels and oils, edible fruits and nuts, salt, sulphur, stone, slag, and ash, and leather from Pakistan.
  - After the ban, many imports decreased significantly. The only increase has been in **pharmaceutical products**, as Pakistan imported drug products and organic chemicals to ensure an adequate supply of medicines during the **[Covid-19 pandemic](#)**.

## What are the Prospects for Future India-Pakistan Trade Negotiations?

- Historically, successful India-Pakistan negotiations have occurred in private settings, and the post 2024 Indian general election environment in both countries may provide an opportunity for quiet diplomacy.
  - The sustained **ceasefire along the LoC** and the absence of spectacular acts of terrorism since Pulwama provide a favourable premise for restarting **[India-Pakistan relations](#)**.
- Business-to-business links and the potential for Pakistan to facilitate **Indian trade to Afghanistan and Central Asia** through its territory could be leveraged to advocate for bilateral trade.
- Improved India-Pakistan trade relations could also boost India's regional influence, which has been declining due to **China's growing influence and India's focus on the [Indo-Pacific](#)**.

## What is Pakistan Occupied Kashmir (PoK)?

- **Historical Context:** PoK was historically part of the **princely state of Jammu and Kashmir**, which acceded to India in 1947 after the Partition.
  - However, the region was illegally occupied by Pakistan in 1947 following an invasion by **Pashtun tribesmen and the Pakistani Army**.
- **Geographical Extent:** PoK covers an area of 13,297 sq km and has a population of over 40 lakh people. It is divided into 10 districts, with the capital being Muzaffarabad.
  - In **1963, Pakistan ceded over 5,000 sq km of this land to China in the [Shaksgam area](#)**.
- **Gilgit Baltistan:**
  - **[Gilgit Baltistan \(GB\)](#)** is a separate region to the north of PoK and east of the Pakistani province of Khyber Pakhtunkhwa.
    - **GB was leased to the Dogra ruler of Jammu by the British** and later handed over to Pakistan in 1947.
- **Administrative Status:** Neither PoK nor GB are officially listed as part of Pakistan's four provinces.

- Both are considered "**autonomous territories**" ruled directly from Islamabad, a fiction maintained by Pakistan to **avoid damaging its international position on the Kashmir dispute.**
- **India's Position:** For India, **PoK and GB are part of the state of Jammu and Kashmir**, which is an integral part of the country as per the **1994 Parliamentary resolution.**

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### **Drishti Mains Question:**

Q. What are the effects of trade suspension on border communities between India and Pakistan. Discuss the potential benefits of normalising trade ties and the challenges involved.

## **UPSC Civil Services Examination, Previous Year Question (PYQ)**

### **Prelims**

**Q. Siachen Glacier is situated to the (2020)**

- (a) East of Aksai Chin
- (b) East of Leh
- (c) North of Gilgit
- (d) North of Nubra Valley

**Ans: (d)**

- The Siachen Glacier is located in the Eastern Karakoram range in the Himalayas, just northeast of Point NJ9842 where the Line of Control between India and Pakistan ends.
- It has the distinction of being the largest glacier outside the polar and subpolar regions.
- It lies to the west of Aksai Chin, north of Nubra valley and almost east of Gilgit

### **Mains**

**Q.** "Increasing cross border terrorist attacks in India and growing interference in the internal affairs of several member states by Pakistan are not conducive for the future of SAARC (South Asian Association for Regional Cooperation)." Explain with suitable examples. **(2016)**

**Q.** Terrorist activities and mutual distrust have clouded India - Pakistan relations. To what extent the use of soft power like sports and cultural exchanges could help generate goodwill between the two countries? Discuss with suitable examples. **(2015)**

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