

Cross-LoC Trade: Challenges, Opportunities, and Future Prospects

Ab. Majid Dar

PhD Scholar, Department of Kashmiryat, University of the Punjab Lahore
Email: asazad@hotmail.com

Prof. Dr. Sardar Asghar Iqbal

Professor, Department of Kashmiryat, University of the Punjab Lahore
Email: asgharkashmirstudies@yahoo.com

Dr. Anees ur Rashid Hashmi

Assistant Professor, Institute of Kashmir Studies,
University of Azad Jammu and Kashmir, Muzaffarabad
Email: anees.rasheed@ajku.edu.pk

Abstract

Cross-LoC trade was initiated in 2008 after confidence building measures (CBMs) between India and Pakistan across the divided parts of the state of Jammu and Kashmir. This initiative always demanded by Kashmiris from both sides of the Line of Control since 1947. From 640 km long line of control between rivals, only two points were selected for trade: Chakothi and Tetrinote. So, by nature, this trade was on a barter system, taken from only two points and dealing with twenty-one items only was a unique phenomenon. This trade, despite being barter-based and limited in scope, offered significant economic opportunities and facilitated people-to-people contact. However, operational challenges, bureaucratic constraints, and political tensions hindered its full potential. The suspension of trade in 2019 following the abrogation of Articles 370 and 35A by India further complicated its future prospects. This paper examines the historical context, challenges, economic impact, and future potential of cross-LoC trade, emphasizing its role in peacebuilding and regional economic integration.

Keywords: Cross-LoC Trade, Confidence-Building Measures (CBMs), Economic Cooperation, Kashmir Conflict, Trade Facilitation

Introduction

The partition of the Indian subcontinent in 1947 created India and Pakistan and divided the princely state of Jammu and Kashmir. This division disrupted historical trade routes and severed economic ties. The Line of Control (LoC) became a heavily militarized boundary between Indian-administered Jammu and Kashmir (IAJK) and Azad Jammu and Kashmir (AJK). The Kashmir conflict has since led to wars, diplomatic deadlocks, and prolonged hostilities. Despite tensions, efforts have been made to foster cooperation, notably through the introduction of cross-LoC trade in 2008 as

a Confidence Building Measure (CBM). This initiative aimed to revive trade routes, promote economic interdependence, and encourage people-to-people contact. Unlike conventional trade, cross-LoC trade was barter-based, with goods exchanged at trade facilitation centers at Chakothi-Salamabad and Chakan Da Bagh-Tetrinote (Aziz, 2022).

While this initiative marked a step toward normalization, it faced significant challenges. Trade was limited to 21 items, restricting expansion. Infrastructure deficiencies, bureaucratic hurdles, security concerns, and the absence of a dispute resolution mechanism hampered efficiency. Traders struggled with verifying product quality, coordinating shipments, and ensuring timely delivery due to limited communication. Additionally, allegations of illicit trade activities raised concerns about transparency. The suspension of cross-LoC trade in April 2019, following India's revocation of Articles 370 and 35A, dealt a severe blow to regional economic cooperation (Mir, & Gattoo, 2018). Framed as a national security measure, the decision was criticized by stakeholders advocating for economic engagement. Thousands of traders and laborers lost their livelihoods, deepening economic hardships in an already fragile region. The suspension also weakened diplomatic ties, reducing opportunities for peaceful engagement.

This study explores the historical, economic, and political dimensions of cross-LoC trade, assessing its benefits, challenges, and prospects. By analyzing past trade patterns and economic impacts, it seeks to highlight trade's potential role in regional stability and development. Beyond its economic significance, cross-LoC trade carries symbolic value as a tool for peace and reconciliation. Economic interdependence reduces conflict risks by fostering shared interests, as seen in models like the European Union. In Kashmir, trade could serve as a bridge to political engagement (Yousuf, & Khan, 2013). Cross-LoC trade also addresses humanitarian concerns, particularly for families separated by the LoC. Restoring trade routes allowed for the exchange of essential goods and facilitated indirect contact. It also created employment opportunities in a region facing economic stagnation and high unemployment. Border communities, in particular, benefited from increased commercial activity, enhancing economic resilience despite political uncertainties.

Sustaining and expanding cross-LoC trade requires strategic policy interventions. Improved infrastructure, including better road networks and warehousing facilities, is essential. Establishing formal banking channels would enhance transaction security and efficiency. Expanding the list of tradable goods and addressing security concerns would support trade diversification (Hegre, 2009). Diplomatic engagement between India and Pakistan is crucial to reinstating and strengthening trade. A structured framework with clear agreements, dispute resolution mechanisms, and transparency measures could ensure trade sustainability. This study is

designed to get the answers to the following questions (Hashmi & Swati, 2023).

How can cross-LoC trade be expanded in terms of routes, trade items, and infrastructure and what impact did the 2019 revocation of Article 370 have on cross-LoC trade? What are the political and economic dimensions of cross-LoC trade and how can trade modalities be improved to enhance efficiency and transparency? What role does cross-LoC trade play in confidence-building between India and Pakistan and how do traders and stakeholders perceive the future of cross-LoC trade? To make a comprehensive, this study purely depends on what are the socio-economic implications of trade suspension on the Kashmiri population. This study is conducted through primary and secondary sources and data gathered by survey, interviews, project documents, newspapers, questionnaires and government documents with mix approach in descriptive analytical manner.

Background of the Study

The 1947 partition drastically altered Kashmir's economic and political landscape, severing its historical trade ties with Punjab via routes like the Jhelum Valley Road and Banihal Cart Road. Before partition, Kashmir thrived as a trade hub, exporting fruits, saffron, timber, and handicrafts while importing essential goods from Rawalpindi and Sialkot. However, territorial disputes led to multiple wars, isolating the region economically by restricting movement across the Line of Control (LoC). Diplomatic efforts in the early 2000s introduced Confidence Building Measures (CBMs) to ease tensions. The launch of cross-LoC bus services in 2005 paved the way for trade, which began in 2008 through two designated routes: Chakothi-Salamabad and Chakan Da Bagh-Tetrinote. This initiative aimed to restore commercial ties and promote economic interaction between divided communities (Kaw, 2009).

Due to the absence of formal banking channels, cross-LoC trade operated on a barter system, limited to 21 pre-approved items such as handicrafts, dry fruits, and textiles. While it created economic opportunities, restrictions on goods and operational inefficiencies constrained its growth. Poor infrastructure, inadequate storage facilities, and limited communication channels made logistics challenging (Mahmud, 2010). Traders, allowed only brief interactions at facilitation centers, struggled with negotiations and quality assurance. Additionally, political tensions frequently disrupt trade, making long-term investment difficult. Despite these hurdles, cross-LoC trade showed resilience, reaching PKR 28.267 billion in total volume between 2008 and 2013, with an export surplus of 25%. The trade benefited businesses in both Azad Jammu and Kashmir (AJK) and Indian-administered Jammu and Kashmir (IAJK), fostering economic interdependence. However, concerns over smuggling and alleged misuse of trade routes for non-economic activities led to periodic suspensions by both governments (Milton, 2010).

The most severe disruption came in April 2019 when India suspended trade following the revocation of Articles 370 and 35A. Citing security concerns, the Indian government claimed that trade routes were being exploited for militancy funding. This decision severely impacted thousands of traders, laborers, and transporters who relied on trade for their livelihoods. The suspension also eliminated a vital channel for people-to-people contact, further straining bilateral relations. Calls for trade resumption persist, with stakeholders advocating for policy reforms such as expanding the list of tradable items, establishing banking channels, enhancing infrastructure, and strengthening regulatory mechanisms to prevent misuse (Razdan, 2010). Diplomatic engagement between India and Pakistan is crucial for ensuring a sustainable trade framework. If properly managed, cross-LoC trade can promote economic stability, regional integration, and serve as a vital confidence-building measure.

Literature Review

Research on cross-LoC trade primarily explores its historical significance, economic impact, and role as a confidence-building measure (CBM) between India and Pakistan. This literature review synthesizes existing research, identifying key contributions and gaps. Historical context of trade in Kashmir before 1947, these routes which are opted in this trade were major trade corridors linking the Indian subcontinent with Central Asia and China. (Bamzai, 1962) details its flourishing trade with Punjab, Tibet, and Xinjiang via key routes like the Jhelum Valley Road. Bakhshi highlights Kashmir's dependency on Punjab for essential commodities (Bakhshi, 1987). Post-partition, the first Indo-Pakistani war (1947-1948) and the establishment of the Line of Control (LoC) severed these ties, leading to economic stagnation (Kapur, & Kapur, 2013). Cross-LoC Trade as a Confidence-Building Measure cross-LoC trade emerged from early 2000s peace efforts. Fayyaz & Hussain trace its origins to the Composite Dialogue Process initiated by Vajpayee and Musharraf (Fayyaz, & Hussain, 2018). Akhtar analyzes its 2008 launch through the Chakothi-Salamabad and Chakan Da Bagh-Tetrinote routes, with trade restricted to 21 items under a barter system (Akhtar, 2011). He also argues that economic engagement fosters trust but notes challenges like banking absence, limited trader interaction, and bureaucratic inefficiencies (Akhtar, 2012).

Economic Impact and Trade Dynamics Rehman & Rehman report a total trade volume of PKR 28.267 billion (2008-2013), with an export surplus of 25%, benefiting local industries. Mahmud (2018) compares cross-LoC trade with India-Bangladesh trade, advocating for policy reforms to transition from barter to financial transactions. Rasool highlights logistical constraints such as slow clearance, goods movement restrictions, and political disruptions (Rasool, 2015). Political and Security Constraints. Hussain & Ahmed examine trade's use as a diplomatic tool, noting its suspension in 2019 post-Article 370 revocation (Hussain, & Ahmed, 2019).

Mahmud discusses security concerns, particularly smuggling and financing of non-state actors, arguing that improved monitoring could mitigate these risks (Mahmud, 2020).

Future Prospects and Policy Recommendations, Yousaf suggests expanding tradable goods and introducing banking channels (Yousaf, 2007). Rasool calls for diplomatic engagement and a Joint Trade Council for oversight. Fayyaz & Hussain stress infrastructure investments like better connectivity and digital platforms to enhance trade operations. So, the summary of literature is that the cross-LoC trade has fostered economic growth and people-to-people contact but remains hindered by regulatory, logistical, and political barriers. Future research should assess post-2019 trade suspension impacts, emphasizing financial mechanisms, infrastructure development, and diplomatic efforts to sustain trade as a regional cooperation model.

Methodology

This study employs a mixed-method research design, integrating both qualitative and quantitative approaches to comprehensively analyze cross-LoC trade. Given the complexity of the subject, a combination of secondary data analysis, primary data collection through surveys and interviews, and comparative policy evaluation is utilized. The research adopts a case study approach, focusing on the historical, economic, and political dimensions of cross-LoC trade. The methodology comprises secondary data analysis by the review of existing literature, including government reports, trade data, and academic studies, is conducted to understand trade volumes, patterns, and economic impacts. Structured interviews and surveys are conducted with traders, policymakers, and economic experts to gather firsthand insights on trade challenges and opportunities. The study compares cross-LoC trade with similar regional trade models, such as India-Bangladesh border trade, to identify best practices and policy recommendations.

A structured questionnaire is administered to traders in Azad Jammu and Kashmir (AJK) and Indian-administered Jammu and Kashmir (IAJK) to assess their experiences, challenges, and perceptions regarding cross-LoC trade. In-depth interviews are conducted with policymakers, trade officials, and members of the Joint Chamber of Commerce and Industry to gather expert opinions on trade policies and future prospects. Statistical data from trade facilitation centers is analyzed to measure trade flows, major trade commodities, and fluctuations over time.

Due to political sensitivities, obtaining official trade records and interviews with government officials presents challenges. Since cross-LoC trade has been suspended since 2019, traders' responses may reflect past experiences rather than current realities. Ongoing political tensions may influence respondents' willingness to share detailed insights. Despite these limitations, the study provides a robust analysis of cross-LoC trade, offering

policy recommendations based on empirical evidence. The findings contribute to the broader discourse on economic cooperation and regional stability between India and Pakistan.

Awkward Modalities of Cross-LoC Trade (2008-2019)

Cross-LoC trade, launched in 2008 as a Confidence Building Measure (CBM), faced several structural challenges that hindered its efficiency and long-term viability. Despite its potential to foster economic interdependence and people-to-people contact, the trade operated under restrictive conditions that created inefficiencies and discouraged large-scale participation.

Barter System Without Banking Channels

A major limitation was the absence of formal banking channels, forcing trade to operate on a barter system. This led to frequent disputes over valuation, pricing discrepancies, and trade imbalances. The lack of financial infrastructure restricted business expansion and created a high-risk environment for traders (Rehman, & Rehman, 2017).

Limited List of Tradable Items

Trade was confined to a narrow list of 21 items, including dry fruits, carpets, honey, and handicrafts, which did not reflect actual market demand. Traders often circumvented restrictions by mislabeling products, leading to frequent regulatory interventions and trade suspensions (Fayyaz, & Hussain, 2020).

Lack of Direct Trader Interaction

Traders were not allowed direct communication with their counterparts across the LoC, relying instead on intermediaries or limited interactions at trade facilitation centers. This hindered trust-building, business negotiations, and quality assurance, while the absence of formal contracts or dispute resolution mechanisms further complicated transactions (Tremblay, 2009).

Restrictive Trade Days and Infrastructure Deficiencies

Trade was initially permitted only twice a week, later increased to four days. However, poor infrastructure at facilitation centers—such as inadequate storage, lack of cold chain facilities, and inefficient inspection mechanisms—caused delays and increased transaction costs, discouraging traders (Chandran, 2009).

Security Concerns and Arbitrary Suspensions

Trade was frequently disrupted due to political tensions, security concerns, and allegations of illicit activities. Authorities on both sides accused traders of smuggling and misusing trade routes, leading to abrupt suspensions that caused financial losses and uncertainty, ultimately undermining trade sustainability (Lalwani, & Gillian, 2020). Despite its promise as an economic and peacebuilding tool, cross-LoC trade was severely constrained by the barter system, trade restrictions, lack of direct communication, and security concerns. Addressing these challenges through policy reforms and diplomatic engagement is essential for ensuring a more effective and sustainable trade mechanism in the future.

Cross-LoC Trade (2008-2018)

- **Trade modalities**

The period between 2008 and 2018 marked a significant phase in crossline of Control (LoC) trade between Azad Jammu and Kashmir and Indian-administered Kashmir. This trade initiative began with high hopes and a sense of optimism, reflecting a desire for improved economic ties and reconciliation (Rehman, & Rehman, 2017).

- **Trade Routes:**

The Cross-LoC travel facilitated trade through five designated crossing points. However, the trade was primarily concentrated on two key points: Chakothi-Uri and Titrinote- Abbaspur.

- **Schedule:**

Initially, trade was conducted two days a week. Over time, this frequency increased to four days a week, reflecting growing engagement and logistical improvements.

- **Trade Items:**

A total of 21 items from both regions were approved for trade. This list remained consistent throughout the trade's duration and included various goods and commodities, indicating a structured yet limited scope of trade.

Table.1 AGREED 21 TRADEABLE ITEMS FROM AJK

1. Rice	12. Mungi (Pulses)
2. Ja-e-Namaz & Tusbies	13. Imli
3. Precious Stones	14. Black Mushroom
4. Gabbas	15. Furniture including Walnut
5. Namdas	16. Wooden Handicrafts
6. Peshawari Leather Chappals	17. Carpets and Rugs
7. Medicinal Herbs	18. Wall Hangings
8. Maize & Maize Products	19. Embroidered Items
9. Fresh Fruit & Vegetables	20. Foam Mattresses, cushion & Pillows
10. Dry Fruits including walnuts	21. Shawls and Stoles
11. Honey	

Source: Azad Jammu and Kashmir Trade and Travel Authority

a. Volume of Trade

Table 1 summarizes the trade volume for the trade during 2005-2019 through the Line of Control

Table 2. VOLUME OF TRADE UNDERTAKEN (Truck Loads)

Year	Chakothi		Tetrinote	
	To IHK	To AJK	To IHK	To AJK
2008	64	78	3	3
2009	2013	969	1468	1236
2010	3851	2727	1697	1757
2011	4595	3182	1215	1214
2012	3344	7263	1254	2155
2013	4644	6642	1204	2113
2014	2211	4783	1314	3069
2015	2299	4098	1015	3312
2016	1314	3070	1257	1864
2017	2478	5743	1086	2890
2018	1896	2428	899	2094
Total	28709	40983	12412	21707

Source: Azad Jammu and Kashmir Trade and Travel Authority

Chakothi-Uri:

The Chakothi-Uri crossing point witnessed more substantial trade activity compared to Titrinote-Abbaspur. In the inaugural year of 2008, the trade volume here was notably higher, with 78 trucks from Azad Jammu and Kashmir (AJK) and 64 from Indian-administered Jammu and Kashmir (IOJK).

Titrinote-Abbaspur:

At the Titrinote-Abbaspur crossing point, trade began modestly with only three trucks crossing from each side in 2008. This early stage of trade illustrated the cautious approach of stakeholders as they navigated the new trade environment (Bakhshi, 1987). Despite this modest start, the trade volumes at this point showed a gradual increase over time.

Central Role of Muzaffarabad Division:

The Muzaffarabad division's central location positioned it as a crucial hub for cross-border trade activities. Its strategic placement facilitated greater trade engagement and underscored its importance in the regional economic landscape.

Symbolic Value:

Beyond the economic impact, cross-LoC trade symbolizes a broader aspiration for reconciliation and cooperation. The trade was not merely an economic transaction but also a step towards fostering goodwill and understanding between the regions.

Political and Regional Influences:

Elections and political shifts played a role in shaping trade patterns, influencing both trade volumes and the operational dynamics of the trade process. The evolving political context highlighted the interconnectedness of regional politics and economic activities.

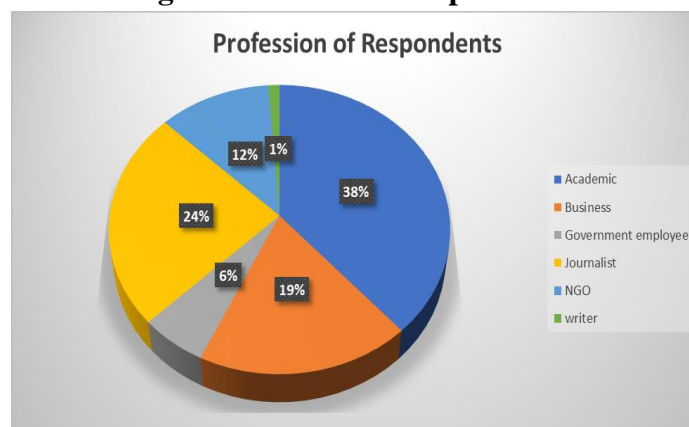
Survey results

The survey assessed the economic conditions of individuals on both sides of the LoC, the feasibility of reviving trade, potential hurdles, and legal implications. It also examined the impact of trade closure on traders and identified conditions necessary for revival. A pilot survey was conducted to refine the questionnaire, ensuring clarity and relevance (Aziz, 2022). The findings provide a detailed understanding of cross-LoC trade's current state, socio-economic impacts, and future development pathways.

i. Respondents

The sample survey included a diverse group of respondents from academia (38%), journalism (24%), business, government, NGOs, and other fields. Academics provided analytical insights into the socio-economic and political aspects of cross-LoC trade, while journalists offered critical perspectives based on ground realities and media portrayal. Business professionals, particularly those with direct experience in cross-LoC trade, shared practical knowledge about economic impacts and logistical challenges (Hashmi & Swati, 2023). Government officials contributed insights on policy and regulation, NGOs highlighted humanitarian and developmental impacts, and writers provided cultural and historical context. This varied stakeholder input ensures a comprehensive analysis of cross-LoC trade, capturing its multifaceted impacts and diverse perspectives on its potential revival.

Fig 1. Profession of Respondents



Furthermore, the sample includes representatives from government agencies, NGOs, and writers, all of whom contribute diverse viewpoints that enrich our understanding of the broader implications of cross-LoC trade (Razdan, 2010). Government officials provide insights into policy frameworks and regulatory considerations, while NGO representatives offer

perspectives on the humanitarian and developmental impacts. Writers contribute reflective and analytical views that help in understanding the cultural and historical context of cross-LOC trade.

ii. Origin of the goods traded from AJK to IAK

The survey explored the origins of goods traded from AJK to IAK (Aziz, 2022).

- Rice: 55% of respondents believed rice traded from PAK to IAK was imported from outside Azad Kashmir, while only 6% thought it was locally produced. 30% did not respond, indicating uncertainty or reluctance to comment.
- Prayer Rugs: 55% indicated these were produced outside AJK, while 14% believed they were locally made. 31% did not respond, reflecting similar uncertainty.
- Locally Produced Goods: Items like precious stones, Gabbas (traditional rugs), Namdas (felted rugs), herbs, maize-based products, dry fruits, honey, walnut furniture, wooden handicrafts, embroidery, and shawls were identified as locally produced and traded. These goods hold cultural and economic significance in the region.

Table 3. Origin of the goods traded from AJK to J&K State

	Rice	Prayer Rug and Tasbih	Precious Stone	Gabbas	Namdas	Peshawari leather Chappal	Herbs	Maize & Maize Products	Fruits & Vegetables	Dry Fruits incl. Walnut	Honey
Imported	55%	55%	9%	14%	16%	65%	11%	15%	43%	31%	21%
Local	6%	14%	60%	50%	46%	7%	63%	54%	22%	37%	45%
Other	38%	31%	32%	36%	38%	28%	27%	31%	35%	32%	34%
	Green Gram Daal	Tamarind	Black Mushroom	Furniture incl. Walnuts	Wooden Handicrafts	Carpets & Rugs	Wall Hangings	Embroidery	Foam Cushions	Shawls & Stollers	
Imported	53%	53%	33%	18%	13%	32%	37%	17%	37%	23%	
Local	13%	7%	24%	45%	50%	35%	22%	49%	23%	36%	
Other	34%	39%	43%	37%	37%	33%	40%	34%	39%	40%	

Source: Azad Jammu and Kashmir Trade and Travel Authority

The local production of goods in AJK highlights the region's unique artisanal skills and natural resources, creating products of both economic and cultural value. These locally produced items, such as Gabbas (handwoven rugs), Namdas (felted rugs), and embroidery, support local economies, preserve traditional crafts, and foster economic interdependence between AJK and IAK.

iii. Origin of Goods traded from IAK to AJK

The survey also examined the origins of goods traded from IAK to AJK. Key production centers within IAK include Amritsar, Budgam, Baramulla, Gurez Valley, Jammu, Kupwara, Ladakh, Pampore, and Srinagar. These regions are renowned for their unique artisanal crafts, agricultural products, and locally manufactured goods, which play a significant role in cross-LoC trade (Mahmud E. , 2010). Additionally, the survey revealed that several goods traded from IAK to PAK originate not only from Kashmir itself but also from various Indian cities. Amritsar, Chennai, Delhi, Punjab, Kerala, Kolkata, and Ludhiana (Chandran, 2009). These cities contribute a diverse array of products to the trade, ranging from textiles and manufactured goods to agricultural products and specialty items, reflecting the broad economic linkages between the two regions (Akhtar, 2012).

iv. Possible addition to the list of tradable items

Respondents were asked to suggest potential additions to the list of goods that could be traded across the Line of Control (LoC), aiming to expand and diversify the existing trade portfolio. In response, several new items were proposed, reflecting the region's cultural, agricultural, and artisanal strengths (Qureshi, 2020). Respondents emphasized the importance of agricultural produce, such as rice, corn, fruits, and honey, in expanding cross-LoC trade. These locally grown food items could enhance food security and provide farmers with broader markets, reflecting the region's agricultural richness and the potential to strengthen local economies (Hafeez, 2014). Additionally, artisanal and wooden products, along with leather goods, were highlighted as sustainable, locally made items that cater to both functional and decorative needs, promoting environmentally friendly and culturally significant trade (Minhas, 2020).

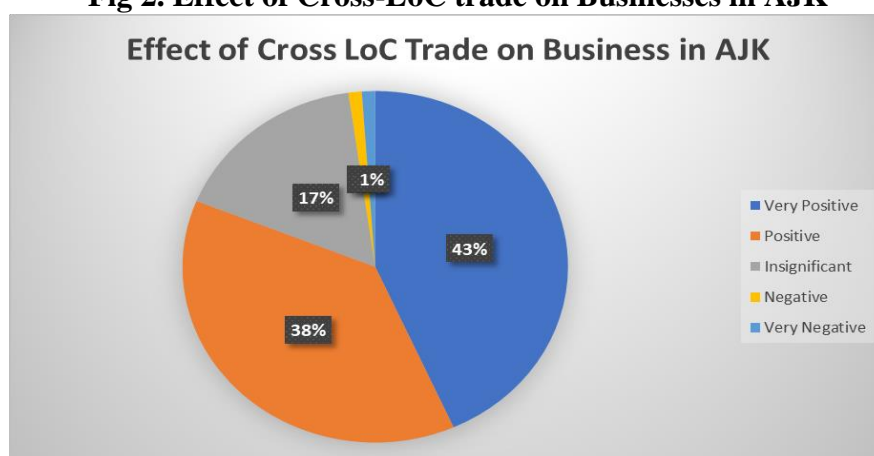
The suggestions highlighted the prominence of herbs and spices, particularly saffron, underscoring the importance of local agricultural and aromatic products in the regional economy. Additionally, handicrafts and textiles, such as embroidery, shawls, and carpets, were frequently recommended. These products showcase the region's deep-rooted artisanal traditions and the skilled craftsmanship of its people (Akhtar, 2012). The inclusion of such items suggests a desire to preserve cultural heritage while creating economic opportunities for local artisans. The suggestions also included jewels and decorative items, indicating a potential market for

ornamental goods that could appeal to both local and international buyers. This reflects an interest in diversifying the range of traded products to include items with both aesthetic and economic value.

The Economic Impact of Cross-LoC Trade on Businesses in AJK

The respondents were asked to describe the effect of LoC Trade on businesses in AJK, and their responses are summarized in Fig. The survey results reveal that LoC trade has significantly impacted businesses in AJK (Taneja, 2015). A majority of respondents reported a very positive or positive effect on their business activities, highlighting the trade's role in enhancing economic opportunities. However, a smaller but notable group cited a neutral or insignificant impact, while a minority reported negative effects (Snedden, 2015). These mixed responses underscore the trade's overall benefits while acknowledging challenges faced by some businesses.

Fig 2. Effect of Cross-LoC trade on Businesses in AJK



A majority of respondents reported positive impacts, including enhanced business activity, increased wealth circulation, and greater market dynamism. Businesses benefited from new opportunities, cross-border connections, and access to broader consumer bases.

- **Increased Business Opportunities:** LoC trade opened new avenues for businesses in AJK, enabling expanded trade volumes, market diversification, and strategic partnerships (Akhtar, 2012). Firms gained access to new markets, diversified product offerings, and cheaper or more varied raw materials, enhancing their competitiveness.
- **Job Creation and Livelihood Enhancement:** The growth in business activity led to expanded employment opportunities, improving livelihoods and contributing to poverty alleviation. This positive socio-economic impact helped raise living standards in the region (Akhtar, 2012).

- **Challenges and Concerns:** Despite the overall optimism, some challenges were noted. Smaller or less established businesses faced heightened competition (Bakhshi, 1987). While regulatory hurdles, tariff barriers, and infrastructure deficiencies hindered others. Addressing these issues is crucial to ensure the trade's benefits are inclusive and sustainable.

Perspectives on the Revival of Cross-LoC Trade

The respondents were asked to describe their perspective on revival of LoC Trade.. Respondents' views were categorized into five groups:

- a) Not during Modi's regime
- b) Never possible
- c) Possible if the people of Kashmir struggle for it
- d) Possible if the governments of India and Pakistan want it
- e) Possible if world powers focus on it

The majority of respondents expressed optimism, believing that Cross-LoC trade could be revived under specific conditions. The most widely held view is that trade could resume if the governments of India and Pakistan demonstrate political will and cooperation. A significant number also emphasized the role of grassroots efforts, suggesting that local populations could push for trade revival through collective action and advocacy (Fayyaz, & Hussain, 2018). A small but notable group believed that international involvement, through diplomatic or economic pressure, could facilitate trade resumption. However, a minority expressed pessimism, citing skepticism about the Modi regime or the belief that revival is impossible.

- a) Political Will and Government Cooperation:** The emphasis on government action highlights the importance of political will in reviving Cross-LoC trade.
- b) Role of Grassroots Movements:** Many respondents believe that grassroots efforts, particularly from the people of Kashmir, could drive trade revival. By organizing collective action and lobbying governments, Kashmiris could influence policy decisions, showcasing the power of civil society in peacebuilding (Hashmi & Swati, 2023).
- c) International Involvement and Diplomatic Pressure:** Some respondents see a role for world powers in facilitating trade revival. International organizations or influential countries could act as mediators, using diplomatic pressure or economic incentives to encourage India-Pakistan cooperation. This reflects the potential for geopolitical dynamics to influence trade resumption (Aziz, 2022).

- d) Challenges to Revival:** Pessimistic responses, particularly those citing the Modi regime or long-standing political issues, highlight the challenges to reviving trade. Skepticism about the current political climate, national security concerns, and a lack of trust between India and Pakistan remain significant obstacles (Hashmi, et al, 2023).

Key Observations

- i Perception of Continuity in Indian Policy on Kashmir:** The dominant view that a change in government would have no impact reflects the belief that India's Kashmir policy transcends party politics. National security concerns and territorial integrity are seen as central to India's stance, guiding policies across different administrations. Whether led by the BJP or another party, respondents expect little deviation from the current approach to Cross-LoC trade.
- ii Entrenched Geopolitical Dynamics:** Respondents seem aware of the complex geopolitical dynamics underlying Cross-LoC trade, including India-Pakistan relations, regional security concerns, and international diplomacy (Rasool, 2015). The belief that a change in government would not alter the status of trade suggests an understanding that these issues are tied to broader strategic considerations beyond the control of any single administration.
- iii Need for Structural Policy Shifts:** For meaningful revival or reform of Cross-LoC trade, respondents suggest that fundamental policy shifts at the institutional level are necessary (Yousaf, 2007). This could involve recalibrating India's foreign and trade policies towards Pakistan and Kashmir, addressing political tensions, and resolving security concerns.

Understanding the Legal Position of Cross-LoC Trade

Respondents were asked to describe the legal position of X-LoC trade in the context of United Nations resolutions and the political status of Jammu and Kashmir. Their responses revealed diverse perspectives:

- **National Trade Perspective:** Many respondents view Cross-LoC trade as a national trade, treating AJK and Indian-Occupied Jammu and Kashmir (IOJK) as parts of a single unit divided by the LoC. This perspective suggests that trade should be treated as an internal matter, akin to trade between two cities within one nation, despite the disputed status of the region (Bamzai, 1962).
- **Confidence-Building Measure:** Others see Cross-LoC trade as a confidence-building measure between India and Pakistan, established

with bilateral consent and legal cover. This view highlights its role in peace-building efforts and underscores the importance of diplomatic engagement in legitimizing the trade (Aziz, 2022).

- **International Recognition and Violations:** Some respondents acknowledge international recognition of internal trade but point to territorial violations by non-state actors as complicating the legal status. This reflects a nuanced view that, while trade is accepted as part of internal arrangements, issues of sovereignty and territorial integrity remain unresolved (Kaw, 2009).
- **Need for Clear SOPs:** Respondents emphasized the need for clear Standard Operating Procedures (SOPs) involving Pakistan, India, and Kashmiris on both sides (Bakhshi, 1987). Formalized processes and inclusive dialogue are seen as essential to ensure smooth trade operations aligned with stakeholders' interests.
- **Customs and Restrictions:** Some advocated for a customs-free and restriction-free trade environment to enhance economic integration and efficiency. Removing tariffs and barriers could boost trade flows, though this requires addressing security and regulatory concerns (Hashmi, et al, 2023).

Potential Routes for Reopening Cross-LoC Trade

Respondents were asked to suggest potential routes for reopening X-LoC trade. The word cloud summarizing their responses highlights key themes and preferences:

Existing Routes:

Traditional routes like Poonch, Titwal, Chalehana were frequently mentioned. These routes are valued for their historical use, familiarity, and existing infrastructure, making them practical choices for restarting trade (Aziz, 2022).

New Routes: Some respondents suggested exploring alternative or new routes like Keran, Leepa to diversify trade options and address limitations of traditional paths. New routes could offer improved efficiency, security, and flexibility.

Key Locations: Strategic hubs such as Jammu, Ladakh, Kargil, Skardu, Baltistan, and Bhimber were highlighted as important transit points. These locations are seen as crucial for enhancing connectivity and facilitating smoother trade operations.

Perceptions of Cross-LoC Trade and Its Implications for the Kashmir Issue

Respondents were asked whether they believed cross-LoC trade was intended to make the Kashmir issue irrelevant. While an overwhelming majority agreed with this view, a significant number still supported the trade

despite skepticism about its underlying motives (Hafeez, 2014). This complex perspective highlights nuanced attitudes toward cross-LoC trade and its role in the Kashmir conflict.

Key Insights

- **Perception of Intent:** Many respondents believe cross-LoC trade aims to downplay or sideline the Kashmir issue, viewing it as a strategic move to shift focus away from core political concerns.
- **Support for Trade Despite Skepticism:** Despite doubts about its motives, respondents support cross-LoC trade for its practical benefits, particularly in fostering people-to-people connections and enhancing interactions across the LoC (Chandran, 2009).
- **Desire for Reunification:** The strong support for trade reflects a deep-seated desire among Kashmiris to reconnect and rebuild relationships across the LoC, valuing the trade as a bridge between divided communities (Minhas, 2020).
- **Strength of Human Connection:** The dual nature of responses—supporting trade while questioning its motives—underscores the importance of human connection and reconciliation. The willingness to embrace trade despite political concerns highlights the community's desire for unity and cooperation (Qureshi, 2020).

Summary, Conclusion and Recommendations

The paper examines the post-2005 cross-LoC (Line of Control) trade, focusing on its challenges, opportunities, and future prospects. Initiated in 2008 as a Confidence Building Measure (CBM) between India and Pakistan, the trade was intended to foster economic interdependence and revive historical trade routes. However, operational constraints such as limited trade items, lack of banking channels, and security concerns hindered its expansion (Kapur, & Kapur, 2013). The barter system created inefficiencies, while the absence of direct trade interaction and restrictive trade days further limited its effectiveness. Despite these issues, trade grew significantly between 2008 and 2018, providing economic benefits, employment opportunities, and a platform for regional cooperation. The abrupt suspension of cross-LoC trade in 2019, following the revocation of Articles 370 and 35A by India, caused economic hardships and reduced people-to-people interactions. Survey findings indicate that stakeholders perceive trade as beneficial for economic growth and regional stability, but political and security concerns remain key barriers.

Recommendations

To reinstate and enhance cross-LoC trade, a structured approach is needed, focusing on policy reforms, infrastructure development, and diplomatic negotiations. First, the trade should move beyond the barter

system by introducing formal banking channels, ensuring transparency and financial security for traders. Second, expanding the list of tradable items to include high-value products such as manufactured goods, textiles, and agricultural produce will enhance trade volume and economic impact. Third, infrastructure improvements, including better roads, warehousing facilities, and digital trade platforms, will facilitate smoother transactions and reduce operational inefficiencies. Furthermore, diplomatic engagement between India and Pakistan is crucial for ensuring trade sustainability. Establishing a Joint Trade Council with representatives from both sides can help resolve disputes and create a regulatory framework that minimizes trade suspensions. Recommendations from traders and policymakers include expanding the list of tradeable items, establishing formal banking channels, improving infrastructure, and strengthening diplomatic engagement to ensure sustainable cross-LoC trade in the future. Confidence-building measures such as third-party trade monitoring, enhanced communication channels, and secure customs procedures will help address security concerns. Finally, incorporating local stakeholders into decision-making processes and fostering people-to-people interactions will strengthen the trade's role in economic and social integration. If managed effectively, cross-LoC trade can serve as a model for regional economic cooperation and peacebuilding.

References

- Akhtar. (2012). *Cross-LoC CBMs between India and Pakistan: A Critical Appraisal*. Islamabad: Islamabad Policy Research Institute.
- Akhtar. (2012). Expanding Cross-LoC Interactions: A Conflict Transformation Approach to Kashmir, (31)1-2. *Institute of Regional Studies*, 15.
- Akhtar, S. (2011). *Cross-LoC Trade: A Confidence-Building Measure between India and Pakistan?* New Delhi: Institute of Peace and Conflict Studies.
- Aziz, e. a. (2022). From Line of Control to Line of Connectivity: Analysing Socio-Economic Development in AJ&K. *International Journal of Kashmir Studies*, (4)2, 89-100.
- Bakhshi, S. R. (1987). *Economy of Jammu and Kashmir: A Study in Economic History 1846-1947*. New Delhi: Anmol Publications.
- Bamzai, P. N. (1962). *A History of Kashmir, Political, Social and Cultural from the Earliest Times to the Present Day*. New Delhi: Metropolitan Book Company.
- Chandran, D. (2009). Expanding Cross-LoC Interactions: Perspectives from India. *Institute of Peace and Conflict Studies*, 87.
- Fayyaz, & Hussain. (2018). Cross-LoC Trade in Jammu and Kashmir: Economic Potential and Challenges. *Journal of South Asian Studies*, 34(2), 112-130.

- Fayyaz, & Hussain. (2020). The Future of Cross-LoC Trade: Policy Recommendations for Regional Stability. *South Asian Journal of Economic Policy*, 12(1), 45-67.
- Hafeez, M. (2014). The Line of Control (LoC) Trade: A Ray of Hope. *Strategic Studies*, (34)1, 74-93.
- Hashmi & Swati. (2023). Diplomatic Crossroads: Understanding Pakistan-U.S. Relations and the Kashmir Conflict. *International Journal of Kashmir Studies*, (5)2, 123-150.
- Hashmi, et al. (2023). Historical Analysis of Pak-Us Diplomatic Relationship and Kashmir Case (1947-2000). *Pakistan Research Journal of Social Sciences*, (2)3, 213-226.
- Hegre, e. a. (2009). Trade does promote peace: New simultaneous estimates of the reciprocal effects of trade and conflict. *Journal of Peace Research*, (47)6, 763-774.
- Hussain, & Ahmed. (2019). Cross-LoC Trade: A Tool for Peace or a Source of Conflict? *Strategic Studies Journal*, 43(1), 78-92.
- Kapur, & Kapur. (2013). *India and Pakistan: The History of Unfinished Business*. New Delhi: Oxford University Press.
- Kaw, M. A. (2009). Restoring India's silk route links with south and central Asia across Kashmir: Challenges and Opportunities. *China And Eurasia Forum Quarterly*, (7)2, 59-74 .
- Lalwani, & Gillian. (2020). India's Kashmir Conundrum: Before and After the Abrogation of Article 370. *US Institute of Peace*, 46.
- Mahmud. (2020). Security Concerns and Trade between India and Pakistan: A Case Study of Cross-LoC Trade. *Journal of International Affairs*, 44(2), 56-78.
- Mahmud, E. (2010). Bringing peace and development: A case study of intra-Kashmir trade. *Conciliation Resources, Jammu and Kashmir Trade Across the Line of Control*, 34-37.
- Milton, N. (2010). Opening of the Kargil-Skardu route: A reflection. *Conciliation Resources, Jammu and Kashmir Trade Across the Line of Control*, 51-53.
- Minhas, M. (2020, February 13). Kashmiri Pheran Day. (D. A. Rashid, Interviewer)
- Mir, & Gattoo. (2018). Cross LOC Trade between India and Pakistan-Contours and Dynamics. *Pakistan Business Review*, 19(4), 843-860.
- Qureshi, I. A. (2020, September 02). LoC Trade and its impacts on Azad Jammu and Kashmir. (D. A. Rashid, Interviewer)
- Rasool, R. (2015). Trade Challenges in Conflict Zones: The Case of Cross-LoC Trade. *Economic and Political Weekly*, 50(12), 32-41.
- Razdan, S. (2010). Cross line of Control Trade in Jammu and Kashmir State Through Poonch-Rawlakot route. *Conciliation Resources, Jammu and Kashmir Trade Across the Line of Control*, 38-41.

- Rehman, & Rehman,. (2017). Economic Impact of Cross-LoC Trade on Border Communities. *International Journal of Trade and Development*, 29(4), 221-240.
- Snedden, C. (2015). *Understanding the Kashmir and Kashmiris*. London: Hurst & Company.
- Taneja, & S. (2015). Revisiting India Pakistan Cross-LoC Trade. *Economic and Political*, 21–23.
- Tremblay, R. (2009). Chowdhari, Kashmir's Secessionist Movement Resurfaces: Ethnic Identity, Community Competition and the State. *Asian Survey*, (49)6, 924–50.
- Yousaf, M. (2007). Trade as a Confidence Building Measure in South Asia: Lessons from Other Regional Trade Models. *SAARC Economic Bulletin*, 14(2), 67-82.
- Yousuf, & Khan. (2013). Cross LOC Trade-Mitigating Conflict. *SSRN*. doi:<http://dx.doi.org/10.2139/ssrn.2369215>