

From a diplomatic perspective, then, three potential initiatives offer an acceptable mixture of cost, risk and probability of success: establishing extensive, broadly-based bilateral contacts and mechanisms with both New Delhi and Islamabad; leveraging these to explore the establishment of diplomatic confidence-building measures; and further exploiting bilateral contacts to develop, examine and implement dispute-resolution options designed to mitigate the impact of the Kashmir conflict on the New Delhi - Islamabad dialogue.

### **Aid and Assistance**

The international community has great and long experience with assistance to developing countries and no doubt used them in the Latin American situation. This assistance ranges from the provision of monies (with or without strings attached) to assistance with providing clean water, power, industrialization, medical services, jobs training and a vast array of other programmes. All of these options are available to help mitigate the India-Pakistan nuclear problem; some, however, offer greater prospects for success than do others.

As with Argentina and to some extent Brazil earlier, cash flows and trade balances are a problem afflicting both India and Pakistan, although the latter is clearly experiencing considerably more difficulty in making ends meet than India. As previously mentioned, both states are having difficulty in balancing "guns and butter", but the problem is particularly severe in Islamabad, due both to the greater influence of the Pakistani military in governmental decision-making (particularly since the 1999 coup), and to the fact that Pakistani society and industry are well behind India's in terms of development.

Direct financial aid, therefore, would doubtless help to alleviate some of the crippling social problems facing the region, and would be more useful if targeted to Pakistan, where the severity of the debt crisis and the smaller population would allow a greater per capita impact. One could examine the possibility of linked financial incentives, such as tying limited loans or debt forgiveness to demonstrable progress in reducing tensions, accepting CSBMs, and accepting or acceding to arms control measures and regimes. These measures, albeit of limited effectiveness, could be applied to both India and Pakistan on an equitable basis, and are relatively low-risk from the perspective of international actors. The political risks of tying aid to progress on denuclearization would, however, be for Islamabad and New Delhi considerably higher, if not prohibitive. Even if such a quid-pro-quo could be achieved, it is probable that large amounts of assistance would be necessary to elicit even minimal compliance on roll-back from either state.

A more expensive but more promising option is the offer of direct technical assistance targeted to solve the fundamental problems with industrialization faced by both states. Argentina and Brazil's closer links with the West since settlement of the nuclear issue show elements of this. Two areas are available for exploitation: assistance with nuclear power technology, and general industrial assistance, most likely in the area of high technology, with examples such as recycling and pollution control, automotive industries, and water purification. These options offer a number of advantages,