Hopes for Reviving Indo-Pak Bilateral Trade

What is the issue?

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- The geopolitical situation in the subcontinent is conducive for newer trade ties to open up between Indian and Pakistan.
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- There are immense benefits involved in this for both the countries.
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What are the trends in Indo-Pak bilateral trade?

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- Bilateral trade has been volatile lately and it dropped to $2.4 billion in 2017-18, from the high of $2.7 billion in 2013-14.
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- This was largely the fallout of drop in Indian exports, although India continues to enjoy a big trade surplus of $1.4 billion with Pakistan.
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- But these figures reflect only the direct trade between the two countries and indirect trade routed through a third country like UAE is massive.
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- Some estimates hold that indirect trade could account to as much as 10 times the overall value traded directly – indicative of the potential of bilateral trade.
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- To capitalise on this potential, tariff and non-tariff barriers are to be eased, and awareness and confidence building exercises need to be taken up.
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Why is there been a renewed hope in this regard?

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- Pakistan’s PM-elect Imran Khan recently spoke of the need for harmonious relations with all neighbouring countries, including India.
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- He also laid emphasis on better bilateral trade relations, given the immense potential and the peace dividend that comes with it.
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- This was largely welcomed on both sides of the border and even China (which is usually an irritant to Indo-Pak ties) has received this positively.
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- As politics and economics are not completely disconnected from each other, engagements at the political level is hoped to reinforce better economic ties.
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What are the ways to enhance trade relations?

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- **Value chain -** In a highly integrated and interdependent global economy, regional value chains provide big opportunities for India and Pakistan.
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- They could diversify their exports and imports and intensify their integration into the global economy for the greater benefit of all.
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- Developing bilateral, product-specific, regional value chains in sectors such as “textile, clothing, sports goods and surgical equipment” hold the key.
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- **Textiles -** while there is an existing bilateral engagement here, there is more potential for raw materials, grey fabric, blended fabric and stitched clothes.
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- Indian hubs such as Surat (Gujarat) and Tiruppur (Tamil Nadu) can feed Pakistan’s major production centre at Faisalabad and markets in Lahore.
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- Similarly, there is a huge demand in India, for “salwar-kameez-dupatta” made of lawn fabric and wedding attire (shararas) produced in Pakistan.
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- Given Pakistan’s expertise in these areas, and the cost benefits attached with this trade, there is a significant market potential valued at $2.3 billion here.

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- **Sports Goods -** Pakistan’s sports goods manufacturing sector is emerging as an original equipment manufacturer for major global brands.
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- Sialkot is a global manufacturing hub for professional-level goods such as footballs, hockey sticks, leather goods, sports gloves etc…
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- Notably, footballs manufactured here were used in the FIFA World Cup and India is already importing some of these equipments.
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- However, manufacturers in Sialkot require quality raw materials or semi-finished products to produce these goods, which is a potential area for India.
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- India can play a key role here in exporting raw material and semi-finished goods such as latex, rubber, and football bladders.
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- This would work out to be more economical for Sialkot than its current major sourcing zones like Thailand and other Southeast Asian countries.
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- In terms of finished goods, India made “lycra fibre sportswear” is in demand in Pakistan and this presents a market opportunity of about $1.1 billion.
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- **Health Care -** Pakistan’s surgical instruments manufacturing industry is noted for its expertise, and it is a major supplier for U.S. and Europe.
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- India, on the other hand, is a large medical market which imports these instruments from these developed countries at high rates.
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- Direct import from Pakistan to India in this area has a market potential of $804 million and would make these instruments cheaper domestically.
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- Notably, in India, many dispensaries and clinics in Tier 2 and 3 cities, currently struggle to afford even re-useable surgical instruments.
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- Further, India can also potentially increase the supply of stainless steel to Pakistan, a major raw material used in instrument manufacturing.
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Source: The Hindu

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