India-Pakistan Trade Ties

Why in news?

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The new Pakistan administration wants the proper trade relations between India.

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What is the status of India-Pak trade ties?

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- Pakistan’s annual trade deficit, which was $20.435 billion in 2013, has been rising steadily.
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- The deficit has been driven by the rising import bill of capital goods, petroleum products, and food products, and a steep fall in exports.
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- The external balance of payments position is expected to be one of the top concerns for the Pak government.
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- Trade between Indo-Pak jumped nearly three-and-a-half times between 2000-01 and 2005-06 (from $251 million to $869 million per annum).
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- But progress was slower in the decade that followed, with volumes rising a little over three times.
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- In 2016-17, “new exports” accounted for only 12% of India’s total exports to Pakistan.
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What are the existing Policy bottlenecks in Indo-Pak trade?

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- **Most Favoured Nation -** Article 1 of the General Agreement on Tariffs

and Trade (GATT), 1994, requires every WTO member country to accord Most Favoured Nation (MFN) status to all other member countries.
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- India accorded Pakistan MFN status in 1996; a Pakistani cabinet decision of November 2, 2011 to reciprocate this, however, remains unimplemented.
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- **Classifying Imports -** In 2012, Pakistan substituted a "Positive List" of a more than 1,950 tariff lines permitted for import from India, by a "Negative List" of 1,209 lines that could not be imported.
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- India announced a 30% reduction in its SAFTA Sensitive list for Non-Least Developed Countries (NLDCs), including Pakistan, allowing for peak tariff on 264 items to be cut to 5% within three years.
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- **Land route trade -** Through the Wagah - Attari land route near Punjab only 137 items are allowed currently, and the roadmap to address this has remained unimplemented.
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- In 2014, both nations reaffirmed their commitment to expedite normal trading relations, and to provide Non-Discriminatory Market Access (NDMA) on a reciprocal basis.
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- While both governments have facilitated a degree of industry outreach in recent years, progress on the ground has been subdued.
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What are areas which needs to be explored?

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- **For Pakistan -** An influential grouping of businesses in Pakistan has recently sought a moratorium on new trade agreements, and renegotiation of the trade agreement with China.
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- The 100-Day Economic Agenda of the Pakistan Business Council (PBC) has urged the new administration to increase trade with immediate neighbours such as India, Iran and Afghanistan.
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- Obstacles in the way of normalising India-Pakistan trade relations, including weak logistics and customs processing, visa and travel

restrictions needs to be addressed.
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- **For India -** While India’s electricity diplomacy with Bangladesh has broken new ground, a similar initiative with Pakistan continues to hang fire.
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- Under a proposal that was actively discussed until early 2015, Pakistan wanted to hook up a portion of Lahore with the Indian side, enabling the capital of its Punjab province to draw electricity from the Indian grid.
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- The idea then was to transfer 250-300 MW from India as a short-term fix for Pakistan’s power crisis, and there is potential to revive it yet.
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Source: Indian Express

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