# Pulwama Terror Attack - Withdrawal of MFN Status to Pakistan

## Why in news?

Following the Pulwama terror attack, India has withdrawn the Most Favoured Nation (MNF) status accorded to Pakistan.

## What is the MFN status?

- The MFN status offers preferential trade terms with respect to tariffs and trade barriers.
- It is a provision under the World Trade Organisation (WTO) which requires every member country to accord MFN status to all other member countries.
- Though the term suggests special treatment, in the WTO it actually means non-discrimination/treating virtually everyone equally.
- As, under WTO rules, a member country cannot discriminate between its trade partners.

## What is the case with India and Pakistan?

- India accorded MFN status to all WTO member countries including Pakistan in 1996, a year after the formation of WTO.
- However, Pakistan is yet to transition fully to MFN status for India.
- It maintains a Negative List of 1,209 products that are not allowed to be imported from India.
- In addition, Pakistan permits only 138 products to be imported from India through Wagah/Attari border land route.
- Instead of MFN, Pakistan came up with a dissimilar but globally popular Non-Discriminatory Market Access (NDMA) agreement.
- The reason Pakistan has chosen to adopt the NDMA with India is the political mistrust and a history of border conflicts.
- Despite domestic demands at various instances for withdrawal of MFN status to Pakistan, India has not done it before.

## How is India-Pak trade at present?

- India’s trade volumes with Pakistan are notably low.
- It jumped nearly three-and-a-half times between 2000-01 and 2005-06 (from

$251 million to $869 million per annum).

- But progress was slower in the decade that followed, with volumes rising a little over three times.
- In the 2012 Commerce Secretary level talks with Pakistan, a roadmap was agreed for facilitating trade.
- But the agreed roadmap could not be implemented since Pakistan did not notify the removal of trade restrictions through Wagah-Attari land route.
- Despite Pakistan's restrictions, India continues to maintain a substantial trade surplus with Pakistan.
- Pakistan’s exports to India have consistently been about only a fourth of what it imports from India.
- The bilateral trade potential is actually high if both countries take proactive measures to exploit untapped areas of economic cooperation.

## What is the likely impact of India's decision?

- The withdrawal decision is intended to isolate Pakistan diplomatically and restrict the country’s industry.
- It is negative in terms of the bilateral relations between the two neighbours.
- But the impact on trade is less likely to be substantial as the volumes of merchandise trade are low.
- Nevertheless, the stoppage of input materials such as chemicals and cotton from India will push up costs of production for the relevant Pakistani industries.
- On the downside, it would give a push to the illegal trade between the two countries through border gaps and via third countries.
- It could also drive the extremist elements in Pakistan to promote the rhetoric against India.

**Source: Indian Express**

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