Revival of India-Pakistan Trade Relations

What is the issue?

- The recent trade restriction and the level of trade despite this are indicative of a possibility of resumption of India-Pakistan trade relations.
- This gives a reason to push for the revival of trade dialogue between the two countries.

What was the recent restriction on trade?

- In 2019, India and Pakistan undertook trade-restrictive measures against each other, perhaps the most severe in several decades.
- The Pulwama terror attack in Kashmir in February 2019 and cross-border air strikes played a role in this.
- After these, India withdrew the Most Favoured Nation (MFN) status of Pakistan.
- India also imposed a customs duty hike of 200% on imports.
- Later, when India revoked the autonomy of Jammu and Kashmir, Pakistan suspended bilateral trade.

Is this the first time?

- Trade curbs have been applied several times in the past too.
- But, such measures have been reversed to create a trade enhancing environment.
- Most notable is the protocol on resumption of trade in 1974 after a hiatus of 9 years following the India-Pakistan war in 1965.
- Both countries worked on a positive list of commodities for some years, which expanded over the years.
- This helped stabilise domestic prices and take care of seasonal shortages and food security.
- So, despite the current trade ban setback, the Indo-Pak history offers some optimism towards reviving the trade dialogue.

What is the present condition?

- Trade has been recorded in the first 11 months of the financial year 2020-21.

- During 2020-21 (April-February), the recorded bilateral trade was $280 million.
- Of this, India's exports to Pakistan were $278 million and imports were $2 million.
- Nearly 77% of India's exports comprised vaccines, pharmaceutical products and products of chemical and allied industries.
- Interestingly, despite the trade ban, sugar was already being exported to Pakistan.
- It was the second most important item, accounting for 15% of India's total exports.
- Dates were the most important item being imported from Pakistan, accounting for 31% of total imports, followed by ethyl alcohol, which accounted for 17% of total imports.

What does this indicate?

- The overall value of trade with Pakistan may not be significant.
- But the number of items traded is certainly significant.
- Within a month of suspending bilateral trade with India, Pakistan lifted the ban on the import of medicines and raw material from India.
- This was to avert any crises and ensure that there is no shortage of essential drugs.
- In essence, there is more concrete evidence of trade between the two countries even after the imposition of restrictions.
- Thus, even under restrictive trade conditions, there are interdependencies between India and Pakistan.

What is the way forward?

- Governments of both countries need to recognise that there are significant costs of non-cooperation.
- Restrictions also shift trade to informal channels, which have functioned for decades and are a ready option for traders from both countries.
- Initiating a positive list for trade is the right move towards normalisation.
- Business organisations and chambers of commerce can play an important role.
- They should create a strong lobby that could build momentum in opening channels and influence the shaping of the India-Pakistan trade policy.

Source: The Hindu



SHANKAR
IAS PARLIAMENT
Information is Empowering