

Are Indo-Pakistan Trade Relations Really Improving?

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Abstract:

India and Pakistan are the two most vital countries in the South Asian region. The growth and development of South Asian continent would depend on the growth and development in these economies. The most contributory factor has been creation and facilitation of trade between two south Asian giants. These days, the growth and development of trade between the two countries is not according to the potential and opportunities these economies are having. ***Trade between India and Pakistan increased from a modest level of US \$ 144 million in 2001 to US \$ 2.7 billion in 2011. Similarly, the informal trade between both the nations is estimated to be nearly US \$ 10 billion.*** This is an undisputed fact that real fruits of growth and development in South Asian region could not be reaped out unless and until India and Pakistan put down their heads and must work for the creation and facilitation of trade between two economies. In the current year, some positive measures are being taken by India and Pakistan to enhance the degree of trade relations which could prove to be beneficial for both the nations. This paper reviews the emerging trends in trade relations and identifies the challenges which both the countries could face in creation and facilitations of trade among themselves. The paper further suggests an action plan for the promotion of trade relations between India and Pakistan.

Key words: Bilateral trade; Trade Barriers; MFN; SAFTA; encompassing; trade facilitation, infrastructure, government policy.

Introduction:

Regional trade had been found to be most effective and efficient ways and means of bringing progress and prosperity to all countries in the region. This is the reason for the emergence of regional trading blocks namely-EU, NAFTA, and ASEAN. It is right time or high time that India and Pakistan are contemplating and strengthening our regional trading block south Asia.

South Asian region is of vital as well as strategic significance in Asian continent in particular and for the world in general. This notion has also been recognized by the United States of America. Accordingly, the Obama's administration has attached greater importance to this region. This is why, the US has been keeping pressure on both India and Pakistan to come out from their hostile attitude towards each other and make collective and concerted efforts for the development of South Asian region. There is no option for both India and Pakistan, to help each other, and develop a required degree of mutual cooperation and accelerate the pace of growth and development of South Asia. In the present decade the relations between India and Pakistan in terms of trade has not been

moving in the right direction as well as they should be. The reason is lack of will and half-hearted approach adopted by both India and Pakistan which is lacking sincerity.

With the radical change in global trade scenario, both India and Pakistan have realized that hostility between them would cost them enormously and the survival of both the nations would become more difficult. It is true that India and Pakistan are the two major powers in the South Asia, and therefore, rapid growth and development of the region would largely depend on closer ties between them. But the trade relations between India and Pakistan have been at low ebb and does not moving in the right direction keeping in mind the potential and opportunities both the countries are having..

India is the key south Asia's emergence as one of the world's most powerful regional blocs. It accounts for 75 per cent of South Asia's total population and 82 per cent of its combined GDP (US \$ 4.10 trillion of US \$ 4.96 trillion, at purchase Power Parity). How can India provide leadership to region beyond the dated, bureaucratic confines of SAARC? **Pakistan's grant of Most Favoured Nation (MFN) status to India is starting point.** At an average annual GDP growth rate of 7.5 per cent, India's economy would more than double in 10 years to over US \$ 8.50 trillion. Pakistan's own economy-even assuming annual GDP growth at 4 per cent (twice its current rate) will be just US \$ 0.70 trillion one-twelfth of India's GDP. **In this statistics lies the future of India, Pakistan and the rest of South Asia.**

The globe geopolitics would be dominating during 2022 by three economic zones namely- the American Economic Zone, bridging the Atlantic from North and South America to Europe; the Chinese Economic Zone, tracing an arc across the Pacific Ocean; and the Indian Economic Zone, sweeping through South Asia to West Asia and Africa. Hence, positive and constructive trade relations between India and Pakistan have become the necessity. ¹

Trends in Trade:

The sentiments and emotions are strong on both sides. The mindset seems to changing and for the better. Unmindful of the political tensions, between the two nations, the common man on the streets in Pakistan and **the traders from India and Pakistan have strongly pitched for keeping trade and politics separate from each other.**

All the business organizations across border are of the firm belief that trade between India and Pakistan **should get priority over politics and that political tensions should not be allowed to create obstacles in the economic development. Accordingly, the fruits of growth, development and prosperity should be shared between the two neighbors rather than letting any third economy take advantage of it.** ²

India and China have border issues and tensions, but the trade between the two countries is booming. Then why this can not happen in case of India and Pakistan. Hence,

Governments of both India and Pakistan should de-link economic and commercial relations from politics and this could lead a situation wherein both the economies could share the untapped economic potential with their people.

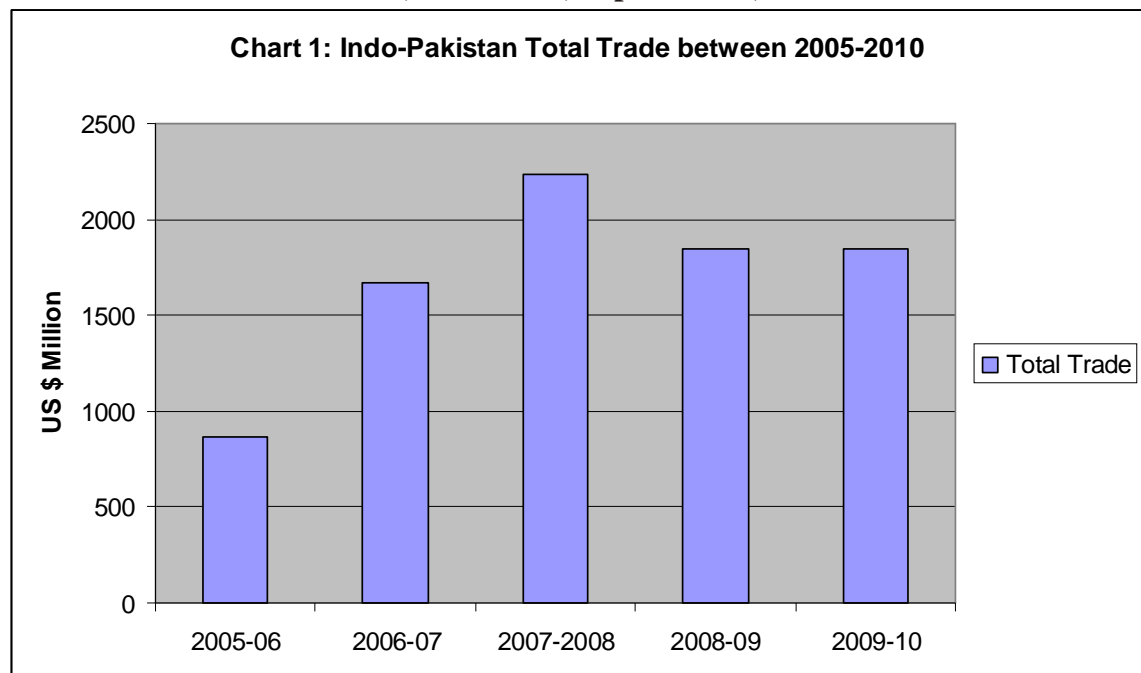
The trade relations between India and Pakistan have been at the low level and have not been matching with existing potential and opportunities of trade between the two nations. Pakistan has a restricted approved list of commodities in respect of which it has bilateral trade. The real momentum was started in 2004. Between 2004 and 2008, Indo-Pakistan trade went up substantially by a huge margin of 550 per cent and touched

an all time high figure of US 2,239 million. However in 2008-09 bilateral trade declined considerably by more than 19 per cent and amounted to US \$ 1,810. The total value of Indo-Pakistan trade amounted to US \$ 1,810 million during 2008-09 which is considered below the level of expected trade. But in 2009-10 there *is a marginal improvement in the trade between India and Pakistan* and the figure stood at US \$ 1849[Table I] **But during 2010-11 there is an appreciable increase in total trade.** Since 2004 Indo-Pakistan trade lacking in terms of steadiness as there are ups and downs in regard to total trade [Chart 1]

Table 1
Emerging Trends in Indo-Pakistan Trade from 2005-2010

Year	Total Trade (US \$ Million)
2005-06	869
2006-07	1674
2007-08	2239
2008-009	1810
2009-10	1849
2010-11	2666

Source: The Economic Times; New Delhi; September 5, 2011



Source: Prepared by the Author from Table 1.

The bulk of bilateral trade between India and Pakistan is held through Atari and Wagha border (Table 2)

Table 2

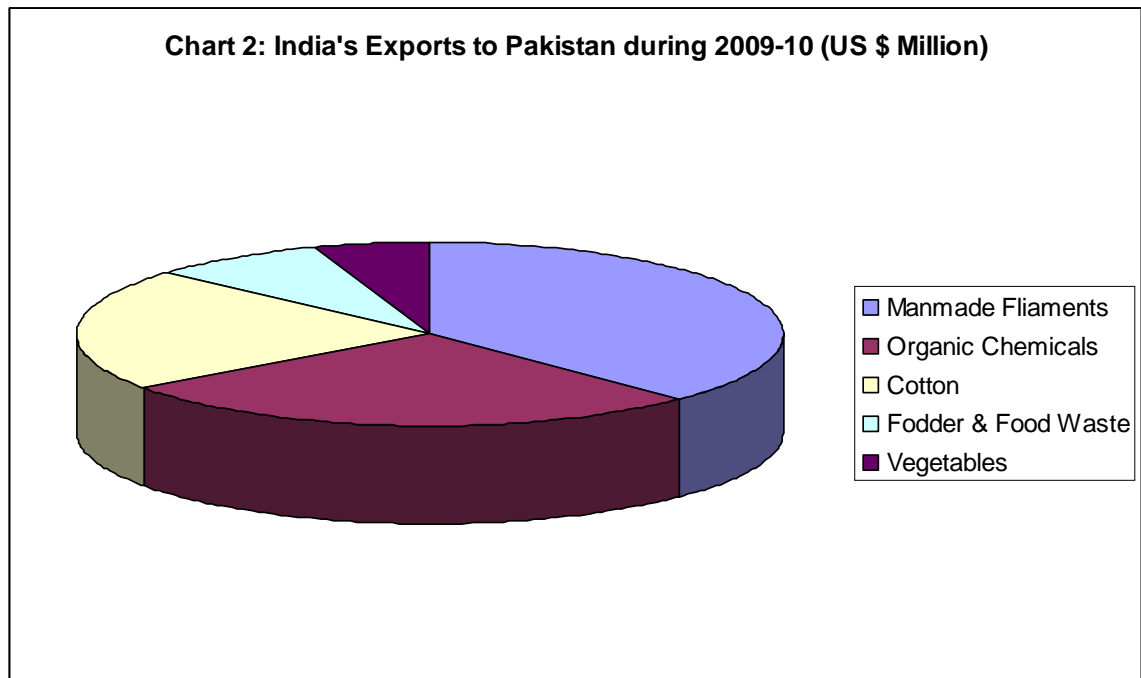
Indo-Pakistan Trade through Attari-Wagha border

Year	Attari Road Land Custom Station (Value in Rupees Crore)		Attari Rail Cargo Land Custom Station (Value in Rupees Crore)	
	Exports	Imports	Exports	Imports
2008-09	421.18	410.30	588.55	491.22
2009-10	395.92	798.05	417.89	640.36
2010-11	452.86	1170.46	306.31	892.23

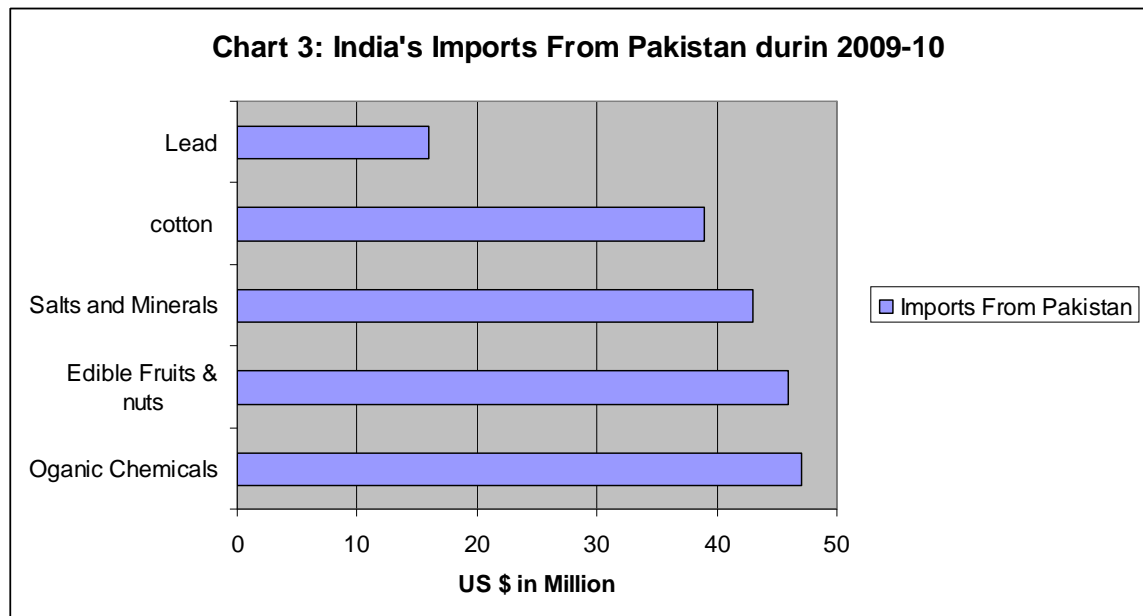
Source: Rajya Shabha Secretariat; Government of India, New Delhi

India’s exports to Pakistan went up by 9.2 per cent over the figures of 2009-10 and touched a level of US \$ 1,573 million, while India’s imports from Pakistan declined by 25.4 per cent and amounted to US \$ 270 million.³ This is because; India and Pakistan have failed in capitalizing the existing enormous potential and opportunities to offer each other. The existing levels of business relations have not been commensurating with the potential and opportunities of trade between two countries.

India’s major exports to Pakistan are manmade filaments, organic chemicals, cotton fodder and food waste and vegetables. India’s major imports from Pakistan are organic chemicals, edible fruits and nuts, salts and minerals and lead (*Chart 2 and 3*).



Source: As table I.



Source: Prepared from the data given in Table 1.

A status paper on Indo-Pakistan business Relations opines that, with a proper trade environment both micro and macro, Indian trade with Pakistan can be enhanced between a total value of \$3 billion and \$4 billion. This also incorporates the legalization of \$2 billion of unofficial trade. This is now a myth but could be converted into a reality, if hostility between two countries is removed and the desired level of conducive and congenial environment is created by both the nations. The major sectors wherein there is high degree of potential and opportunities for increasing the bilateral trade include engineering industry, transport equipment, tea, pharmacy, textile machinery, tyre, chemicals, plastics, textiles, coffee and agriculture, the paper etc.⁴

Higher bilateral trade that is being estimated at over US \$ three billion is also carried out either through trans-border smuggling or through third countries namely-Singapore and the United Arab Emirates. Goods and commodities smuggled across the border are cheap textiles, audio and video cassettes, pan leaves etc. Third country exports to Pakistan are mainly in regard to machinery and spare parts, particularly for their textile industry and even for Government-owned port installations. Before September 9/11, the governments of both the countries themselves turned a blind eye on it but encouraged third-country imports of Indian machinery and spare parts. This has been because of Pakistan's precarious foreign exchange reserves. Industrialists of Pakistan could not afford to import them from the West or Japan or South Korea. But after September 9/11, Pakistan's foreign exchange reserves have increased nearly seven-fold and as a result, Pakistan's dependence on third-country imports from India has reduced. Hence, post-9/11 improvement in Pakistan's economy and the seven-fold risen its forex reserves, it is no longer as dependent on the transit fee as it was in the past for preventing an economic break-down. Despite this, it is as keen as it was in the past for an early implementation of the project (pipelines for gas) without linking it to the Kashmir issue because its expanding economy badly requires an additional energy supplies. The pipelines for bringing gas and oil from Turkmenistan, which has been under discussion since 1994 are unlikely to materialize in the near future (now it could be possible) till the security situation improves in Afghanistan. Even in respect of oil and gas from

Turkmenistan, foreign investors are not prepared to invest heavily unless there is a possibility of the pipelines being extended to India.

New Initiatives:

India and Pakistan have taken serious practical measures and shown greater political determination to develop and shared economic relations to foster the process of economic prosperity between the two nations. The time has come for both the nations to transform South Asia with full cooperation to alleviate hunger, poverty and bring the desired level of economic and social emancipation in the region.

MFN Status Granted to India:

Pakistan has moved closer to granting most favoured nation status to India by switching to a system of **'negative lists'** that would restrict the import of nearly 1,200 items from India, compared to only 1,900 goods that were permitted to be shipped across border earlier. In the next stage, **Pakistan would further phase out the negative by the end of 2012 and move to regime that complies with norms set by the World Trade Organization (WTO)**. This would mark a dramatic shift in the lines that can be traded as now almost 90 per cent items could be traded with Pakistan as compared to 17 per cent earlier. Following the Government of Pakistan decision, which approved a negative list of 1,209 items, Pakistan would now permit import of nearly 6,800 goods from India. This move would not only enhance exports of textiles and pharmaceutical from India, it would also result into direct trade between two neighbors. In the absence of **normal trade or relations** several goods were routed to Pakistan through a third country for instance UAE. In 2011, trade between India and Pakistan was amounted to US \$ 2.6 billion⁵

A win-win situation:

India and Pakistan are going for a discussion on a Preferential Trading Agreement (PTA) to lower import duties on an array of products. The discussion may be held under the ambit of SAFTA, the free trade agreement signed eight years ago between member states of South Asian Association for Regional Cooperation. India exports US \$ 2.33 billion to Pakistan and imports US \$ 330 million from Pakistan during 2011-12. Under SAFTA, both the countries are required to bring down tariffs by up to 5 per cent.⁶

Today, India has not been providing any preferential access to 865 items from Pakistan including in a sensitive list. Now **India is considering lowering tariffs from Pakistan on nearly 30 per cent of items in the sensitive list within four months of implementation of the negative list. On the other side of it, since Pakistan allowed just 1,967 items from India, it automatically did not have to extend tariff preferences to the country under SAFTA.** Now Pakistan allowed import of all goods from India except those included in negative list. In the Month of March 2012, Pakistan has taken a decision to end **its discriminatory trade regime with India by giving up its positive list of imports for country in favour of a negative list. This initiative would create a win-win situation and will also lead to an almost three-fold rise in India's exports immediately and by the end of year, when the negative list is phased out, 7,000 items would be allowed.** This should logically mean that more goods from India would not only get access to the Pakistan's markets but would get it at preferential terms under the SAFTA. Trade analysts are of the view that both sides could benefit from SAFTA with the dismantling of barriers. There is a scope for India to bring down its sensitive list to nearly 57 items under SAFTA. It could be brought down further, depending upon the response from the other country, if India is ready to exclude all textile items from the list.⁷

The most vital and strategic issues to be resolved between India and Pakistan are lack of road trade routes, irregular railway traffic and an expensive shipping route. These issues are required immediate attention of both the countries. If these issues are not solved there are chances that global competitiveness would be in danger as the cost of trade would go enormously. Further under South Asia Preferential Trading arrangement (SAPTA), India has extended to Pakistan tariff concessions on 393 items up to third round of SAPTA, but Pakistan has provided to India tariff concessions only on 248 items. But 73 of these 248 items cannot be imported from India as they are on the banned list... Further, not much headway has been made in any of the initiatives like SAPTA, SAFTA, Investment Promotion and Protection Treaty, Arbitration, and Regional Motor Vehicular Treaty, etc are essential for speedy growth in Indo-Pakistan Economic Relations. There should not be a “myth” but a “reality” in this regard.

Corporate leaders are more capable of rewriting history than the political leadership of both India and Pakistan. People or a media-led civil society movement is also critical as people are the most important stakeholders and their will needs to be galvanized.⁸

India and Pakistan are living in unpredictable times with the international system in a constant state of flux on several horizons that is further endangering the international security system. It is imperative to create interdependence and partnership based on solid bedrock of commerce so that business ties act as a check to Government’s initiating hostile action.

Burden of peace is heavier on South Asia as it houses half the world’s poor. Peace is no longer a luxury but a prerequisite that every member of the country or society needs to strive for. While responsibility rests heavier on the privileged, changing the public mindset requires initiatives from the full spectrum of society.⁹

Industry has an important role and contribution in bringing an improvement in relationships and bilateral linkages. There is an immediate need to permit transit trade to Afghanistan and Central Asia, replace the positive list with a negative list of goods beyond which it would permit imports from India and improve its infrastructure for trade and transport.¹⁰

South Asia is the least integrated region compared to East Asia, Latin America, Europe and Central Asia, Middle East and North Africa or sub-Saharan Africa. Other successful regional cooperation and integration initiatives have demonstrated that regional cooperation is a win-win and positive-sum situation that is beneficial to the entire region. There is no reason why SAARC nations in general and India and Pakistan in particular can not replicate such a model which has become sine-quo-non.¹¹

It is true in all senses that geographical proximity offers tremendous scope to reap the benefits of cheaper transportation costs and trade complementarily in goods in which either country has a comparative advantage. Despite the shadow of two world wars and the cold war, unparalleled development has taken place in the last 50 years. The sky is the limit for expansion of bilateral economic activity. Let us together step out of the old and into new.¹²

New Silk Road:

The new Silk Road would not be a single thoroughfare like its namesake, but an international web and network of economic and transit connections. That means building more rail lines, highways, energy infrastructure, like the proposed pipeline to run from

Turkmenistan, through Afghanistan, through Pakistan into India. It means upgrading the facilities at border crossings, such as India and Pakistan are now doing at Wagah.

The New Silk Road would also focus on removing bureaucratic barriers and other impediments to the free flow of goods and people. Today, an Indian businessman has to import cement from Southeast Asia instead of from the flourishing cement industry next door in Pakistan, while a traveler going between India and Pakistan not only has a difficult time getting a visa he also often has to be routed through airports a thousand miles away just to get across the border. But a new silk road aims to eliminate hassles for people and goods to cross borders.

Such a trading structure will help an entrepreneur in Chennai to put her products on a truck that travels uninterrupted through Pakistan, through Afghanistan, to her customer in Kazakhstan. It would mean that a Pakistani businessman should be able to open a branch in Bangalore.

Officials said the Silk Road strategy would also essentially help Afghanistan become economically self sufficient. It would give impetus to big regional projects like the Turkmenistan-Afghanistan-Pakistan-India pipeline. They said while it will take time to realize such cooperation, it will be in the interest of India, Pakistan, Afghanistan as well as other nations.

Liberal Visa Regime:

India and Pakistan are entering a new phase of full normalization of bilateral trade relations that augured well for enhancing mutual trust and understanding which is sine-quo-non. The approval of new **liberal visa regime with Pakistan, paving the way for easing travel restrictions and increasing people-to-people contact and exchange.** This approval would pave way for signing of a new visa agreement between the two nations and putting into history the 1974 agreement. Under the liberal visa regime, the businessmen are likely to be issued multi-entry non-police reporting visas and giving access to at least five cities instead of three at present. However, the credentials of the businessmen for qualifying for such visa would be endorsed by the nodal chambers of commerce on both sides. From India, it would be Federation of Indian Chambers of Commerce and Industry (FICCI) and from the Pakistan side, it would be Federation of Pakistan Chambers of Commerce and Industry (FPCCI).

The new liberal visa regime is to allow common people to visit at least 3 earmarked cities and the businessmen may have access to five cities. The senior citizens would be exempted from police reporting on both nations. This step may go a long way in expanding vistas of bilateral commerce. A more secure regional environment will result into progressively helping India and Pakistan to keep liberalizing the visa arrangements for business communities. India and Pakistan is also inked a memorandum of understanding (MOU) between Indian Trade Promotion Organization (ITPO) and the Trade Development Authority of Pakistan (TDAP) to promote trade and investment. This MOU would foster better, effective and efficient trade promotional operations for the benefit of business communities of India and Pakistan.

Cross Border Investments:

India and Pakistan have no cross boarder investments which are of paramount significance for the promotion of business relations. Hence, both the nations have realized this deficiency and pitching for increased investments. Therefore, both the nations have agreed upon to re-cast their respective commercial engagements for cross

border investments. The most surprising fact has been that when neither India nor Pakistan have investment restrictions, why there has not been any cross border investments. Hence, every effort must be made by both the nations in respect of cross border investment which are the need of the day.

Indian Government is examining a proposal to amend the Foreign Exchange Management ACT (FEMA) rules to pave the way for investment from Pakistan and a proposal has been moved to the Ministry of Finance to look into it and suggest modalities. India does not allow FDI from Pakistan at present and it is the only country for which restrictions are in place. There has been demand from Pakistan to allow investments to India but the proposal did not find takers within the Government due to security concerns.

The most interesting fact is that Pakistan does not have any restrictions on Indian investments. It is high time that the Government officials will have to consult all stakeholders and a final decision is announced.

It is suggested that there is no need to amend the FEMA. Only rules need to be changed and then it could be done through an executive order after the consultations are ended. Once the rules are changed, investments from Pakistan can start coming into India through the FIPB route in sectors where foreign investment is allowed.

The Second Phase of the process would involve consultations between India and Pakistan Chief Executive Officers' Forum wherein Government also wants its representatives. The Forum would discuss the issue and then decide on the sectors where they want investment to flow.

Presently, there is no joint venture between India and Pakistan. As several Indian firms are showing keen interest in having joint ventures in Pakistan, it is imperative to understand the nature of such investment and provide timely facilitations. In order to make this more productive and purposeful, The Government of India and Pakistan should set up an "institutional mechanism" that would guarantee protection of each other's investment.

Will economics win over politics?

In the context of Indo-Pak political as well as business relations, this is a very complex and most valuable question to look at and make it a reality. **More volume of business between India and Pakistan would open doors for realizing long awaited dream of 'South Asian Integration'** which is need of the day as these two economies are the largest economies in South Asia and are also the pillars of South Asian region.

Today, not only the business community, but also common people are of the view that the time has come to put all issues behind and take economic relations to a new level. There is already a strong demand in Pakistan and India for establishing air and sea links between Mumbai and Karachi the two sister's port cities and further put in place the Mumbai and Karachi Joint Chamber of Commerce and Industry.

The issue of mobile connectivity is something that the two nations seriously need to work on as majority of the Pakistan's population resent in regard to mobile phones (Mobile Commerce) of both the countries not working in each other's territories.

Electricity Trade:

This is another area where the potential and opportunities of trade are enormous. Joint Working Group on electricity is working on the modalities for opening up electricity trade between India and Pakistan. This cooperation may go a long way in enhancing the degree of economic cooperation which is the need of the hour.

What does Pakistan's move mean for both economies?

As of now, Pakistan is importing a small set of goods from India, **but by this step Pakistan would expend the existing list of commodities to be imparted from India would result into enormous rise in volume and value of trade between two economies of South Asia.** Another most vitals and strategic benefit of this measure is that un-official trade which has been taking place through third country route (US \$

10 billion) would be shut down and would further lead into reducing the cost for Pakistani consumers and industry.

According to a Survey carried out by FICCI, **steel costs in Pakistan would go down considerably by a margin of 55 per cent; engineering products by 26 per cent, bicycles by 20 per cent, pharmaceutical by 35 per cent; fruits and vegetables by 40 per cent and sugar by 30 per cent if these goods are imported directly from India.** The Survey further opined that **liberalized trade in agriculture would result into the generation of 2.7 lakh jobs in India and 1.7 lakh in Pakistan which is really an enormous benefit to both the economies** wherein the unemployment is on the rise.¹³

The most significant things are that both consumers and manufacturers would be benefited at large meaning thereby consumers will gain in regard to lower prices and greater choices in goods and manufacturers would have greater access to the markets which is the need of the hour. Added to this, the Governments of both the countries would generate considerable volume of revenue through direct trade or formal trade. Both the economies would have win-win situation.

Pharmaceutical, engineering products, plastic goods, silk and cotton textiles would be more benefited and commodities trade between India and Pakistan is also expected to get boost. The fact is that entire South Asian region (most backwards region) would gain if trade relations between both the economies are improved and moved in the right direction. The entire region will be benefited immensely from the move of granting MFN to India. South Asian integration is not taking place due to the stalemate between India and Pakistan¹⁴

Trade access to Pakistan would also help Indian manufacturers to get access to Afghanistan and CIS economies whose markets are still waiting to be explored and exploited.¹⁵

Social face of India and Pakistan Relations:

This is an undisputed fact that during the last 6 decades or 60 years of ups and downs, Indian people and people of Pakistan have finally come forward to have a historic agreement. **Indian people first want to get on with trade which is considered as a Sine-quo-non of development of Indo-Pakistan trade relations. There are many social products (social face) that India is importing from Pakistan and also exporting to Pakistan.**

Freedom fighters:

Freedom fighters are useful for India as they de-legitimize indigenous movements against the state and help the country unite against a single enemy.

Musicians:

Musicians are raw material used in the finished goods popularly called Indian Bollywood movies. These raw goods which has transformed Indian Bollywood movies are Nusrat Fateh Ali; Adnan Sami Khan; and Rahat Fateh Ali

Key social goods that India exported to Pakistan are:

Bollywood movies;

For a considerable period of time, Bollywood movies could not be seen in Pakistan. Thereafter Indian movies become part and parcel of people of Pakistan. Indian

movies have **given a lesson to Pakistanis that ‘if twins get separated when young, they always end up on opposing sides of a fight’.**

The above mentioned social products imported and exported between India and Pakistan would open new vistas in enhancing bilateral business relations and may go a long way in strengthening bilateral business relations and the **time is not far off that economic will win on politics.**

WHAT IS REQUIRED IMMEDIATELY?

India wants to increase business with Pakistan through the border route significantly but concerted efforts would be required to tone up the infrastructure at the Attari-Wagah border. The customs check point too needs a face lift. Rows of trucks line up on both sides of the road as one approach the border gates. A fresh spell of rain brings trouble. Mud and slush make loading and unloading of good more difficult.

On the other side of it, border of Pakistan is different. Manicured lawns and neat roads welcome visitors. The customs and immigration check point is modern and swanky. The state of infrastructure on the Pakistan side stands out.

Keeping in mind the possible constraints in regard to infrastructure, both the Governments have agreed upon to open a second gate. But work is delayed. The integrated check post is expected to be ready by April 2012. The most positive and fruit bearing thing is that Indian Government has spent nearly Rs. 150 crore to create hard and soft infrastructure but analysts believe that serious and concerted efforts are required to keep a strict vigil on the progress and state of infrastructure on the key land route which is sine-quo-non for creation and facilitation of business relations between India and Pakistan. It is estimated that the new gate would help raise the number of trucks to 500-600 daily from the current 100-150 trucks that transport goods through the Attari-Wagah border.

India and Pakistan also need to focus on increasing trading hours for faster movement of goods. The approach road to Attari needs to be widened significantly to facilitate movement of large sized trucks and containers. Added to this, communication links also require revamp for better, effective and efficient data sharing.

Both the Governments have also discussed opening another trade route at Munabao-Khokrapar route. These Governments have set up a joint working Group to examine the feasibility of this new business route. The Group is expected to submit its report to the Commerce Secretaries of both the nations.

Any rise in business relations through the land route would have “spin-off effect” on the infrastructure and incomes of people living near the border areas. Development of cold chains, warehouses and logistics is expected to transform the region.

Very recently, Pakistan has allowed bigger trucks and containers to carriages of goods into its territory. Earlier only 10 wheeler capacity trucks were allowed. Now that has been enhanced to 22 wheeler capacity trucks. Added to this, containers with opening of the new Integrated Check Post (ICP) are allowed on the Attari-Wagah border.

Strategy for Future:

There is an urgent need for evolving an action plan on the following guide posts.

- a) To infuse confidence among the businessmen and common people.
- b) Identify those areas of cooperation which could be projected to Pakistan as stand-alone areas. In one of his statements in India, Prime Minister of Pakistan has been quoted as referring to cooperation in the field of agriculture between Indian and Pakistani Punjab’s, as another possible stand-alone area which Pakistan would be prepared to take up without linking it to the Kashmir issue? Pakistan's agriculture has not been doing as well as that of India as India is self-sufficient, forcing Pakistan to import wheat periodically. This is an area which needs to be explored intensively and extensively. A breakthrough in this direction is the need of the day.

c) Planner and Policy makers both in India and Pakistan, as well as influential sectors of political and economic elite are also aware of the considerable potential of

Indo-Pakistan economic and technological cooperation in areas of “mutually beneficial commonalities” that have come up in the wake of business liberalization (NEP).

d) To exploit and capitalize the potential and opportunities arising out of changed political and economic environment. Governments in both nations must demonstrate their resolve to incrementally revise of fiscal policies that have prevented the flow of human capital and knowledge exchange wherein peoples and ideas across their national borders be exchanged, as they are major constraints in the way of the needed economic and technological collaboration.

e) Intensify the interactions with those sections of the Pakistani business community which are in favour of an early normalization of bilateral economic relations.

f) Identify areas of cooperation. Pakistan's agriculture has not been doing as well as that of India. Pakistan has to import wheat periodically while India is self-sufficient in food grains. This is an area which needs to be explored intensively and extensively, for a possible co-operation as hinted by the Pakistan's Prime Minister.

g) Governments in both the countries must demonstrate their resolve to revise official policies that have prevented the flow of human capital and knowledge exchange.

h) Identified areas namely- agro-products, automobile spare parts and pharmaceutical must be concentrated and their real potential must be tapped.

Conclusion:

From the foregoing discussion, it is clear that there has been a minimal degree of trade relations between India and Pakistan. Trade between two nations could be doubled i.e. from US \$ 2 billion to US \$ 6 billion in years to come. There is also a possibility of materializing talks on preferential trading arrangement proposed by the Government of Pakistan. This act may go a long way in bring down tariffs further. There has been hardly any significant flow of investment especially FDI and ODA. Hence, the need of the hour is to create a greater economic cooperation, which could provide for mutual economic benefits to both the nations to develop a strong and viable South Asian Region. India has agreed to Pakistan's proposals on building a pipeline to transport gas from Iran is sliver lining in the promotion of Indo-Pakistan economic relations and would go a long way in creating the desired conducive environment that is a sine-qua-non and the need of the day.

Businessmen and trade analysts from India and Pakistan are hopeful that with a little push from their respective governments, the bilateral trade can jump five-fold to USD 10 billion in the next two years. If Pakistan can make a negative list, instead of the present positive list and some of the trade barriers are lifted by both the countries, bilateral trade can easily touch USD 10 billion in the next two years, In 2000, the bilateral trade was only USD 200 million, which, in 10 years rose to USD1.86 billion in 2010. Normalization of business relations with Pakistan would be a vitals and strategic step in the right direction and would certainly result into enormous growth and development in South Asian region which is the need of the day.

The exchange of visits between Commerce Secretaries of India and Pakistan, which resulted in the adoption of the April 2011 communiqué, provides a viable future agenda for facilitating economic cooperation, which need to be implemented with positive and changed perception by both sides. The proposed forthcoming visit of Pakistan's Commerce Minister shall further enhance the pace of bilateral dialogue. This visit is being perceived as a sincere commitment from Pakistan, which is hoped to be equally

reciprocated by Indian side and further strengthen the Confidence Building Measures at other levels. Using trade as a tool to mitigate political tension between two neighboring countries is a welcome move; however, a greater political will with a changed mindset shall remain the key to success of all such endeavors.

It is an imperative that both; India and Pakistan work towards achieving an economically interdependent relationship, which is a proven and sure shot recipe for Peace. The much talked of 'Asian Century' rhetoric can only be truly realized if it is preceded by peace, harmony and stability, specifically in the Asian sub-continent region.

Changes in the rules in FEMA and creation of both hard and soft infrastructure may go a long way in transforming the myth into reality.

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