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Pakistan assures IMF it is moving forward with MFN status to India

PTI

Islamabad, 7 September 2013: Pakistan has assured the International Monetary Fund that it was moving forward with eliminating the negative list on trade with New Delhi and granting the most favoured nation status to India as part of its overall trade policy, a media report said today.

"We are moving forward with eliminating the negative list on trade with India and extending India most favoured nation status, and shifting to 'sensitive list' under SAFTA (South Asia Free Trade Arrangement) regime to facilitate increased regional trade," Finance Minister Ishaq Dar said.

The Minister said this in a written assurance to the IMF during negotiations for recently approved \$6.64 billion economic bailout package, The Dawn daily said in a report.

The PPP government had decided in March last year to switch over from positive list of about 1,900 tradable items to a negative list of about 1,206 items, thereby allowing about 5,000 items to be traded between the two countries.

The PPP government's assurance on December 31 last year that it would grant MFN status to India by doing away with the negative list has not materialised.

Earlier in an interview to state-run PTV, Dar had said that granting of MFN status to India is not on the table "for the time being".

He had, however, said Pakistan is committed to promoting relations with neighbouring countries with particular focus on economic and trade cooperation.

The bilateral trade between the nations stood at \$2.35 billion in 2012-13, as against \$1.93 billion in the previous fiscal.

The Memorandum of Economic and Financial Policies (MEFP), the Finance Minister submitted to the IMF on August 19, has spelt out the major contours of the trade policy with primary focus on normalisation of trade relations, the media report said.

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PM-Sharif meet to focus on trade

Mihir S Sharma, Business Standard

New Delhi, 26 September 2013: While the situation on the Line of Control in Jammu and Kashmir will definitely be discussed when Prime Minister Manmohan Singh meets his Pakistani counterpart, Nawaz Sharif, in New York on the sidelines of the United Nations General Assembly, it was emphasised by high-level sources on Wednesday that progress on trade would be made, as there is a concrete agenda to be followed for that.

The sources, who spoke on the condition of confidentiality, said that a significant step forward in exporting electricity to Pakistan could happen as early as next week. It had been held up, they claimed, not for political reasons but because the Pakistani side was evaluating its technical and commercial viability. However, it is believed that process is close to conclusion, and Pakistan may express formal interest in cross-border electricity trade, sending a delegation on the subject, within a week. Sharif and Singh are likely to meet on Sunday.

In another significant development, the Nuclear Power Corporation of India Limited, or NPCIL, will likely move forward within a few days on evaluating the terms of a possible contract with nuclear supplier Westinghouse. A limited exploratory agreement might be in place between the two companies, according to the highly-placed sources, before Singh meets US President Barack Obama on Friday. This is in spite of concerns expressed domestically that US companies, including Westinghouse, wish to dilute the nuclear liability legislation passed by the Parliament beyond recognition.

A lack of progress in transforming the US-India civil nuclear agreement of 2008 into real projects on the ground is often cited as a major cause for a chill in bilateral relations. However, officials close to the prime minister strongly denied that the United States had any ground for disappointment, and suggested that such claims may just be an American negotiating tactic.

Singh will also make a pitch for more US investment in India. Although the recent diplomatic coolness between India and the US has been driven in large part by the souring of US business on the India story, officials insisted that the outreach was not unusual. Reporters were told that a ramped-up pitch for investment will be the one consistent theme of all major upcoming foreign visits, including to China. The PM is scheduled to meet a group of US CEOs in New York City later this week.

Fears that this was a lame-duck visit by a PM ending his term in office were rubbished by officials, who said that regardless of elections or political transitions, there has always been continuity to what New Delhi has done on national security.

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India-Pakistan trade potential needs to be tapped: Envoy

PTI

Islamabad, 7 October 2013: Amid uncertainty over Pakistan granting the most favoured nation (MFN)-status to India, Indian High Commissioner to the neighbouring country T C A Raghavan said bilateral trade was "sizeable", though there was a great potential that needs to be tapped.

Raghavan made the remarks when he called on Pakistan's Finance Minister Ishaq Dar, who underlined the need for early resumption of the composite dialogue process.

Indian diplomatic sources said the meeting yesterday was a courtesy call.

Raghavan was quoted by state-run APP news agency as saying that though the volume of trade between the two sides was sizeable, there was a great potential that needs to be tapped.

The trend of shopping by Indians visiting Pakistan reflects the demand for Pakistani goods in India, he was quoted as saying.

Raghavan hoped the relaxation in visa restrictions for businesspersons of the two countries will help increase trade.

He further said there is appreciation in India for Prime Minister Nawaz Sharif's views on bilateral relations and a large number of people in both countries want better ties.

Dar said Pakistan wants good relations with India and early resumption of the composite dialogue to address outstanding issues.

"The government wants an early beginning of the composite dialogue process so that progress on all issues can be made between the two countries," Dar said.

Dar described the recent meeting between the Prime Ministers of two countries on the margins of the UN General Assembly as good.

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Pakistan-India trade will be a positive sum game

Sujay Mehdudia, The Hindu

6 October 2013: Informally known as the leader of the Pakistani business community, and fondly referred to as 'Bhai Jaan', *S. M. Muneer*, President of India-Pakistan Chambers of Commerce and Industry, is a strong proponent of enhanced trade and economic engagement between the two countries. He also heads the successful Din Group of companies, which has large interests in textiles, chemicals, leather, construction, banking and real estate in Pakistan and across many countries. In an interview with The Hindu in Karachi, Mr. Muneer outlines the future of Pakistan-India trade, and details the benefits of stronger trade relations.

Edited excerpts:

What is your opinion on India receiving MFN (most favoured nation) status? How long could it take for the newly-elected Pakistani government to announce this?

Grant of MFN status is very crucial issue, and such a step would give immense benefits to Pakistan. The newly-elected government will now take a call on this matter very soon. The MFN status is delayed currently due to some reservations and objections from some sections. In reality, MFN status only means that competitive opportunities for Pakistani and Indian manufacturers in each other's market would be equal to that enjoyed by all other trading partners. In the era of globalisation, regional trade and integration is the only way for Pakistan and India to increase prosperity. This trade will be positive sum game, which has been proven by different research studies. Pakistan will get a market of 1.2 billion people and good exposure, which will improve our global competitiveness. The experience of Pakistani businessmen, who have visited India to explore the market, has been generally very positive. If there are any industries that may be impacted adversely for genuine reasons such as pharmaceuticals, automobiles, agriculture, then the government may place them in a negative list instead of keeping the entire matter on hold. The Pakistan government is expected to take a decision on this issue soon as a majority of the hurdles have been removed and concerns of the stakeholders have been addressed.

How do you see the recent political setbacks between the two countries?

Despite the recent political setbacks, we should not forget that the only way forward for India and Pakistan is peace, friendship and economic prosperity. We need to learn from history and especially from European nations such as France, Germany and England, who fought till around six decades ago and now stand united in an alliance. Trade is one of the important dividends from the prevailing peace. The recent unfortunate incidents along the line of control (LoC) have certainly given a setback. But trade has progressed without any hindrance and businessmen are now getting multi-city and one-year long visas on both sides, which is a big positive. We need to cash in on this, and further boost the trade relationship to give peace a chance. Both the countries have the option of either fighting like fools or prospering together like wise people.

How do you view India's decision to reduce tariff lines on 264 items for the SAFTA (South Asian Free Trade Agreement) sensitive list?

India has reduced tariff lines on 264 items for non-least developed countries, which includes Pakistan as well. It is meant for strengthening trade relations between the two. India has performed a positive role in harmonising the SAFTA framework, and ensuring that we move towards a vibrant economic community. This is also a move towards normalisation of trade relations with Pakistan.

What are the measures that India should take to give a boost to trade and economic engagement with Pakistan?

We have suggested to the Indian government that it develop a trade facilitation mechanism as well as infrastructure for liberalisation. We have suggested opening of other land routes such as the Khokharapur-Munabhao route and the Karachi-Hyderabad route.

It will not only increase bilateral trade but will also create opportunities for people of both countries to interact more intensely. India has built an ICP post at Wagah-Attari border, and Pakistan needs to build the same infrastructure and ensure quick customs clearance.

The agreement on opening of brand branches of Indian banks in Pakistan and Pakistani banks in India has not been implemented. State Bank of Pakistan has given its go ahead to Indian banks to open its branches in our country but the Reserve Bank of India (RBI) is still to take a decision on allowing Pakistan banks to open branches in India.

This needs to be speeded up. Also, telecommunication links between the two countries, particularly mobile connections, needs to be upgraded and both countries should allow mobile connectivity across the border. Similarly, as part of the liberal visa regime for businessmen, visas should be valid for whole country and not for 10 cities, as this will be a great help for the businessman to increase business and also help boost tourism.

How do you see trade between India and Pakistan progressing in the future?

I have a desire to drive my own car from Lahore and go to Delhi or Mumbai, and I wish that Indians could do the same for Lahore and other cities. India is already the 'Asian Tiger'. Pakistan also has immense potential to emerge as a strong economic force. Pakistan is a country with huge potential, and it can also become an Asian Tiger provided all of us think of Pakistan as our own. The balance of trade in favour of India should not be source of worry but a reflection of the relative economic size.

The liberalization of trade will increase the GDP of Pakistan. India and Pakistan both need to provide a level-playing field instead of showing reluctance and hesitation. Let us progress like China, South Korea and Malaysia and reap the dividends of enhanced trade and economic engagement.

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Indo-Pak officials prepare ground for resuming trade talks

Amiti Sen, Business Line (The Hindu)

New Delhi, 14 October 2013: Trade talks between India and Pakistan are likely to get back on track as soon as the political situation normalises.

Commerce Ministry officials from both sides met last month informally, to discuss the next steps that could be taken to improve bilateral trade relations when they get the nod from their respective political bosses.

Negotiations to normalise trade ties between the two countries launched in January 2011 were suspended early this year following the killing of soldiers at the Line of Control.

Sensing a gradual dissipation in political tension, a small team of officials from the Commerce Ministry met their Pakistani counterparts in Islamabad last month to take stock of the state of affairs.

“We were pleasantly surprised to find that the Pakistani side has done the ground work for allowing most imports from India through the land route which was to be the next step in the trade normalisation process,” a Commerce Ministry official told *Business Line*.

The Pakistani side informed the Indian officials that they were just waiting for the political signal and would come up with the necessary notifications as soon as they got the required nod, the official added. Currently, Pakistan allows only 137 items to be imported through the Attari land route. The rest has to go via the sea route to Karachi through Mumbai and Dubai, increasing costs several fold.

The recent meeting between Prime Minister Manmohan Singh and his counterpart Nawaz Sharif in New York has infused hopes that a formal round of talks between the Commerce Secretaries may be scheduled soon.

“We are hopeful that we will be able to meet soon formally and take further steps in the trade liberalisation process,” the official said. Both sides have already made considerable concessions for each other as part of the liberalisation process to push up bilateral trade currently at about just \$2 billion.

Pakistan now allows over 6,800 items from India, up from about 2,000 items earlier. India, on its part, has agreed to eliminate or reduce tariffs on 234 items from Pakistan under the South Asia Free Trade Agreement of which both countries are signatories.

The country, however, is yet to extend the Most Favoured Nation (MFN) status to India which basically means treating it on par with its other trading partners by allowing import of all items. Pakistan continues to ban over a 1,000 items from across the border although India had extended it the MFN status way back in 1995.

“Pakistani officials said that MFN status, too, would be bestowed on India in due time but Commerce Secretaries have to meet formally for the matter to progress,” the official said.

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More trade with Pak after most-favoured nation status: Officials

Sidhartha, Times of India

New Delhi, 5 November 2013: India's trade liberalization with Pakistan will only move after Islamabad honours its commitment to open up border trade and grant most-favoured nation (MFN) status, officials said on Monday, indicating New Delhi's tougher stance in the wake of escalated tension at the border.

Sources told TOI that the Trade & Economic Relations Committee (TERC) headed by Prime Minister Manmohan Singh, which met on Monday, reviewed India's trade relations across the globe and Pakistan was one of the issues on the agenda. While trade ties in Saarc were seen to have improved, Pakistan appeared to be the only weak spot as even the democratically-elected government had failed to implement what was agreed at the level of commerce secretaries in September 2012.

In fact, the Pakistan government has now linked improved trade relations with political talks, including demilitarization of Siachen and a solution to Sir Creek dispute. "We sincerely want to move forward on trade but at the moment it seems that it is not really defensible in Parliament and in front of the people unless there is some political movement... One step forward on political issues will yield five steps forward on trade and economic issues," Pakistan's junior trade minister Khurram Dastgir Khan had told Indian reporters in Karachi in September.

India, which has gone beyond its commitment and reduced the sensitive list by 30% to 614 items, is now insisting that Pakistan reciprocate. If Pakistan grants MFN and removes all restrictions on trade through the land route at the Wagah-Attari border, the sensitive list will be pruned by another 30% and then reduce it to just 100 items. "We are ready with our list and it will be of interest to Pakistan but for that Pakistan has to show some urgency and meet its commitment," said a senior government official.

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India lures Pak with duty carrot for MFN status

Financial Express

New Delhi, 16 November 2013: With Islamabad delaying the most favoured nation (MFN) status to India, New Delhi has offered reciprocal market access to Pakistan at 0-5% duty rate - similar to what is being given to Bangladesh — if it is granted this status.

“If Pakistan grants non-discriminatory access to India, we will provide a reciprocal market access to Pakistan at a 0-5 % duty rate, similar to what is being given to Bangladesh. Pakistan should recognize that by delaying non-discriminatory access to India, it was losing out to Bangladesh,” said Arvind Mehta, joint secretary in the commerce and industry ministry at a Ficci event on Friday.

India had granted the MFN status or non-discriminatory access to Pakistan in 1996. Under the WTO norms, member-countries are mandated to give this status to each other on a reciprocal basis. The two countries had decided to normalise bilateral trading relations in 2011. In fact, both the partners are eyeing bilateral trade exceeding \$7-8 billion per annum from the current \$2.7 billion. Also, the Pakistani business community have urged for a liberalised visa regime to boost bilateral trade.

“MFN status must be given to India. This is what I am urging our government. We want to see the trade flourish between the two countries and it can flourish if there will be a free movement of people and for that visa regime should be eased by both the governments,” added Federation of Pakistan Chambers of Commerce and Industry president, Zubair Ahmed Malik.

Since January 2013, Pakistan and India, being NLDC (non-least developed country) members of SAFTA, have reduced their tariffs in the 0-5% range. However, India imposes 8% duty on 264 items. The sensitive list consists of items on which no tariff concessions are offered. There are currently 614 items on India’s sensitive list applicable to Pakistan. Pakistan’s sensitive list applicable to India includes 936 items.

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MFN status to India needed for mutual benefit: Pakistani businessmen

PTI

New Delhi, 1 December 2013: Pakistan should grant India the Most Favoured Nation (MFN) status for mutual interest as this will help treble bilateral trade to \$10 billion in three years, a Pakistani business delegation said.

"Pakistan should give India the MFN status. It is very much needed in the interest of both the nations. It will help the trade volume between the two to grow to \$10 billion in three years," SM Muneer, President, India-Pakistan Chambers of Commerce and Industry, here.

India had given the MFN status to Pakistan in 2006 but the move is yet to be reciprocated by its neighbour. Pakistan has been postponing implementation of its decision to grant MFN status to India with several deadlines missed, which is believed to be due to its domestic political compulsions.

Muneer said the granting of the MFN status to India would help in a big way to alleviate poverty prevalent in both nations.

He further said India might have to wait till the general election next year gets over as Pakistani authority would like to see the outcome of the poll, but added that whichever party comes into power, it would not come in the way for granting the status to India.

The bi-lateral trade between India and Pakistan currently stands at around \$3.5 billion and the balance is highly tilted in favour of India.

Muneer, however, said Pakistan granting India MFN status would also help the businessmen from his country as they would be able to get access to a market which has a 1.2 billion plus population.

"We will get a bigger market and opportunity to export our product in India," he said, adding Pakistan's auto and agri sectors have some reservations on granting India the MFN status.

However, Indian authorities should also look at opening the banking channel, easing visa norms and starting flights to Pakistan for improving business relations, Muneer said.

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India, Pakistan may agree to resume talks on easing trade

Business Line (The Hindu)

New Delhi, 13 December 2013: India-Pakistan trade talks are likely to resume soon as Commerce and Industry Minister Anand Sharma and Pakistan's Minister of State for Commerce Khurram Dastgir Khan met here today to discuss further normalisation of the bilateral process.

This is the first significant meeting between the trade ministers since the talks collapsed earlier this year following the killing of Indian soldiers at the Line of Control.

Roadmap

Allowing more items through the Wagah border, opening bank branches in each other's countries and electricity trade — all part of the trade liberalisation agenda being pursued by the two since January 2011— were also discussed by the two Ministers. “With both Ministers agreeing to meet next month again during a meeting of Saarc countries, it seems that the trade liberalisation process is ready to take off again,” a Commerce Department official told *Business Line*.

Sharma told the Pakistani Minister — who was accompanied by the Chief Minister of Pakistan's Punjab Province Shahbaz Sharif — that India stands committed to the roadmap for bilateral trade normalisation as worked out in September 2012 between the Commerce Secretaries of both nations.

The roadmap requires Pakistan to remove restrictions on trade via the land route (Attari, Wagah ICP) and extend Most Favoured Nation (MFN) status to India by removing the ban on the remaining 1,209 products.

Sharma said India, on its part, is ready to give enhanced preferential access to Pakistani products by bringing down its sensitive list under the South Asia Free Trade Agreement.

This will result in lower import tariffs on all items from Pakistan except on 100 items.

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MFN Status for India soon, but not Immediately: Pakistan

Economic Times

New Delhi, 17 January 2014: Pakistan is unlikely to announce the 'most favoured nation' (MFN) for India during commerce minister Khurram Dastgir Khan's ongoing visit to India.

Khan is in New Delhi to attend the SAARC Business Leaders Conclave and will later hold a bilateral meeting with commerce and industry minister Anand Sharma. "We are discussing non-discriminatory access instead of MFN. The idea is, instead of getting caught in nomenclature, we should provide substantial market access to India," said Khan at a Confederation of Indian Industry event.

He added that it will happen soon though not immediately, suggesting that no major announcement may come during his India visit. "There are sensitivities on both sides," Khan said.

India and Pakistan officially restarted trade normalisation talks on Wednesday as the two secretaries met in New Delhi after a 16-month gap. Pakistan had agreed to give India MFN status by December 2012 but has missed that deadline because of political considerations involved in given 'most favoured nation' status to India. Pakistan's auto, pharma and agri lobbies are also opposed to greater access to India in these sectors.

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India, Pakistan agree on 24x7 trade across Wagah

Financial Express

New Delhi, 19 January 2014: In a move that will boost bilateral trade between India and Pakistan, the two sides on Saturday agreed to keep the Wagah-Attari border open 24 hours, seven days a week for trade, and allowed containers to move up to terminals at Amritsar and Lahore.

Currently, containers are unloaded at the check-post and re-loaded on the other side.

The decisions came after a 16-month hiatus — that's how long it has been since the commerce ministers of both countries last met.

Besides, the two sides reaffirmed to quickly establish normal trade relations and provide Non-Discriminatory Market Access (NDMA) on a reciprocal basis.

They decided to intensify and accelerate the process of trade normalisation, liberalisation and facilitation, and to implement the agreed measures before the end of February, 2014.

India had granted the most-favoured nation (MFN) status or non-discriminatory access to Pakistan in 1996.

Under WTO norms, member countries are mandated to give this status to each other on a reciprocal basis. The two countries had decided to normalise bilateral trading relations in 2011. In fact, both are eyeing bilateral trade in excess of \$ 7-8 billion per annum, up from the current \$3 billion.

India and Pakistan had agreed on a roadmap in September 2012, according to which India would bring down its sensitive list under the South Asian Free Trade Agreement (SAFTA) to 100 tariff line from 614 by April 2013, on the condition that Pakistan would give India the MFN status by December 2012.

“Pakistan has informed India that it wants NDMA on a reciprocal basis and, as part of that, we have agreed in-principle to give banking licences to banks as nominated by the respective governments. Also, we will take measures for multiple-entry visas to their business leaders both bilaterally and under SAFTA,” said commerce and industry minister Anand Sharma.

Sharma's Pakistani counterpart Khurram Dastgir Khan added that the issue of visa liberalisation is “looming very large and the two sides have to encourage large- scale investment besides trade”. Khan added that State Bank of Pakistan has written to the Reserve Bank of India and nominated three banks for opening branches here.

When asked why Pakistan wanted to replace the term MFN with NDMA, Khan said it meant the same and “there are minorities on both sides who do not desire peace between the two countries.”

On the ministry of external affairs' stand that the meeting between the two sides “cannot be construed as a resumption of the India-Pakistan dialogue process”, Sharma stated that these were partisan political considerations.

India and Pakistan had started negotiations to normalise trade ties in January 2011 and had made several concessions for each other before the talks came to an abrupt halt due to violence across the Line of Control.

Pakistan now allows import of 6,800 items from the country, up from about 2,000 when the process started.

India, too, has to extend lower tariffs to Pakistan that it offers to other South Asian countries on key products like textiles.

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Until items that matter are taken off the sensitive list, it really doesn't translate into increased trade

Amiti Sen, Business Line (The Hindu)

New Delhi, 17 January 2014: Pakistan's Commerce Minister Khurram Dastgir Khan does not want to utter the controversial words 'Most Favoured Nation' in respect of India. But, he is positive that India would ultimately get what the status entails when Pakistan dismantles its list of banned Indian products. In an interaction with *Business Line*, Khan, who got elevated to the post of a Cabinet Minister during his ongoing India visit, talks about Pakistan's expectations from the trade talks and its commitments, the ripe political atmosphere in the country and the need to deliver results at the ground level. Excerpts:

How soon can India get the status of non-discrimination in trade?

Before we reach the stage, there is an intermediate step which we are actively discussing at the moment. We want to enhance and facilitate land trade through Wagah. When that happens, it would trigger a 30 per cent reduction in India's sensitive list under the South Asia Free Trade Agreement (resulting in lower import duties for a number of Pakistani products). And once that is done, the next step, of course, is the phasing out of the negative list, following which India would reduce its sensitive list (of protected items) to just 100. Right now, we are focussed on Wagah. But the next decisive step, we hope, would be the phasing out of negative list. And then, the two countries can start actively trading with each other.

Do you think lowering of tariff barriers will result in growth in trade volumes?

We have been emphasizing that the issue of trade is not just about haggling over tariff lines. It requires other measures too, such as improving the visa regime. The visa regime, especially on the Indian side, is exceedingly restrictive. Pakistan has been issuing many more visas to Indian business people than India. While we are all expressing goodwill, the visa regime, especially under the SAARC business visa regime, in actuality has been tightened.

Are you taking it up with the Indian Government?

Yes. I will be certainly taking it up. Of course, it is a larger issue of political will. But it is very important that visas be facilitated. And there is also the issue of non-tariff barriers that needs to be discussed. It has to be ensured that the goodwill and commitment of the Government should trickle down to the lone official at the border. I have also urged Indian business representatives to lobby with the Indian Government. No matter how much we say on paper that we have given visa facilitation, unless business people on both sides are actually able to visit the other country and analyse the business opportunities that exist, it will not translate into more trade and more jobs on both sides of the border.

Is Pakistan's industry upset about India not removing important items from the sensitive list of products?

That's right. Until the items that matter are taken off the sensitive list, it really doesn't translate into increased trade. Items of export interest to Pakistan should be taken off the list of protected items. Only then, trade can start

How do you see the future of the Indo-Pak trade talks?

I come with a commitment of the Nawaz Sharif-led Government in Pakistan, to walk straight with India and open up Pakistan to trade and investment. But, of course, the commitment has to be translated into material, substantial, corporeal achievement. Only then will the true gains start manifesting.

Is Pakistan politically ready to establish strong ties with India?

There is tremendous goodwill in Pakistan towards India. The 2013 General Elections was the first one in the country's history where anti-India slogans or sentiments were not a vote bank. This unique atmosphere of support for peace with India is an opportunity that should not be allowed to go away without taking full advantage of it. We have a responsibility to future generations of Indians and Pakistanis. For their prosperity, enhanced trade and permanent peace will be necessary.

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NDMA - One step forward...

T S Vishwanath, Business Standard

30 January 2014: The India-Pakistan trade and investment initiatives follow a set pattern. At regular intervals, political leaders meet and commit to improving the economic partnership but within a few months the process is sometimes completely derailed, and at other times slowed down due to an incident that breaks the trust the two sides would have agreed to build.

The relationship has also been hit by the fact that there are several sceptics who are not keen on building a partnership since it could hurt their short-term political interests. However, there has been no dearth of both sides trying to put the relationship back on track.

The recent visit of the Pakistan Commerce Minister, Khurram Dastagir Khan, to Delhi for the South Asian Association for Regional Cooperation meeting and the bilateral he held with the Indian Commerce Minister Anand Sharma has yielded some good results that can help build a strong partnership across our western border.

The efforts this time are expected to yield better results since there has also been strong industry support on both sides over the last six to eight months when senior industry members have built platforms like the Joint Business Forum supported by industry associations such as the Confederation of Indian Industry and the Pakistan Business Council, to find a solution to the long-standing problem of building a sustainable bilateral trade and investment regime.

A strong industry push would help in political leaders understanding the need to keep the stakeholders involved in the process and heeding to their demands for building a viable partnership.

The approach of the two sides is looking more positive. Instead of sticking to the usual issue of waiting on the granting of Most Favoured Nation (MFN) status by Pakistan to India, the two sides have agreed to move ahead on a Non Discriminatory Market Access (NDMA), which in a way only falls very short of the usual trade nomenclature of MFN.

Rather than going by the literal meaning of MFN, the two sides have decided that going beyond this issue would further help the two countries engage bilaterally. NDMA, as the name suggests, will help achieve substantial market access, ensuring free flow of goods and people both the ways. According to the Pakistani Minister, "MFN status is a red herring now and it distracts the countries from the real issue which is non-discriminating access and a level playing field for both the countries". This proactive step can go a long way in building a strong economic partnership, if the two sides are able to sustain the dialogue without a break.

Further, the two sides have yet again agreed to intensify and accelerate the process of trade normalisation, liberalisation and facilitation and to implement the agreed measures before the end of February 2014.

There are several outstanding issues that the two sides decided to focus on. These include the need to expedite the process of issuing bank licences to allow banks to function in each others country, opening the Wagah-Attari border for trade at all times of the year and allowing more goods to be traded through that border, identifying steps to be taken to allow containers, which were until now unloaded at the checkpost and re-loaded on the other side to be moved right up to Amritsar and Lahore. And most importantly relaxing the visa regime. India, reportedly, agreed to look into the matter of Pakistan's

request for easier and higher quota for visas for its businesspeople.

The two sides have even decided to look at moving forward some technical issues by convening meetings of technical working groups of customs, railways, banking, standards organisations and energy. New Delhi and Islamabad are also keen on operationalisation and effective implementation of the three agreements signed in 2012, specifically aimed at reducing the non-tariff barriers: visa facilitation, customs facilitation and mutual recognition of standards.

The intent is good, but these decisions and discussions should not just remain on paper. There is now an urgent need for the two sides to move this forward to give the economy a boost. The two largest and most populous economies of south Asia should aim at moving forward and creating an economically powerful bilateral relationship. There is an urgent need for the two countries to look into creating political environment of peace, mutual trust and confidence.

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Sharma to travel to Pak only after movement on MFN

ENS Economic Bureau

New Delhi, 8 February 2014: Commerce and Industry Minister Anand Sharma is unlikely to visit Pakistan next week as the neighbouring nation is yet to implement the measures assured by its Commerce Minister Khurram Dastgir Khan during his visit last month.

A senior official told The Indian Express that Pakistan had assured India on implementing measures including granting it non-discriminatory market access (NDMA), that is, Most Favoured Nation (MFN) status opening the Wagah-Attari border for trade at all times of the year and dismantling the negative list of items. A letter on this was written by the commerce secretary to his Pakistani counterpart last month. “Pakistan is yet to reply to the letter. The letter essentially suggested a sequence of implementing the measures. The Indian side is waiting for the response and the minister’s visit to Pakistan is thus conditional. The minister has not called off his visit yet but it will fructify only when there is some positive indication (from Pakistan),” the official said.

Sharma was supposed to visit Pakistan next week to inaugurate India Show in Lahore that begins from February 14-16. Over 100 Indian companies are expected to mark their presence there. “Also, the Parliament session is on. The minister will factor in this aspect while taking a decision,” the official said. During his visit last month, Khan and Sharma had said that the two sides agreed on opening the Wagah-Attari border for trade 24×7 while allowing more items through this route. Currently only 137 items can be traded through the Attari-Wagah land border.

The two sides had also agreed to allow containers, which were until now unloaded at the check-post and re-loaded on the other side, to be moved right up to Amritsar and Lahore. It was also decided to expedite the process of giving bank licences.

Pakistan had agreed to dismantle the negative list of 1,209 items, thereby opening gates for all of Indian goods into the neighbouring state. It has already missed the deadline of December 31, 2012. Doing away with the list will automatically lead to grant of NDMA status to India. Pakistan has also assured bringing down the sensitive list of items to 100 under the South Asia Free Trade Agreement (SAFTA) over a period of five years. India has agreed to do the same within one year.

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Pakistan asks India for sweetener before it grants NDMA

Shruti Srivastava, Indian Express

New Delhi, 20 February 2014: With India insisting on non-discriminatory market access (NDMA) from Pakistan, the neighbouring nation has asked for a “sweetener”.

In a reply to a letter written by the commerce secretary of India, Pakistan had responded saying that it “wants immediate pruning of the SAFTA (South Asia Free Trade Agreement) sensitive list, bringing down the tariff rate to not more than 5 per cent”, something which India had agreed to do by 2017, an official source told The Indian Express.

The response essentially meant that Pakistan still has certain “contradictory impulses” due to which the process of economic cooperation, set in motion in 2012, may get delayed. Earlier the commerce ministry had demanded that Pakistan should clarify by when it planned to offer NDMA before talks could proceed further. The ministry also sought a timeline for allowing trade of all goods through the Wagah border.

“During the visit to India Show in Lahore, our officials took up the issue and explained that the roadmap has already been finalised and agreed upon by the two sides. India has already completed its internal processes and its Pakistan’s turn to complete its internal procedures to honour the agreements. So now Pakistan is doing final consultation with its stakeholders and it will inform us in within a week,” the official said.

Only after Pakistan’s response, commerce minister Anand Sharma will take a call regarding his visit to the neighbouring country, the official added. The official also said that “full assurance has been given that there would be no offensive interest of swamping the market with Indian exports to injure domestic industry”, in a bid to assuage fears of the industry in Pakistan.

Earlier, India was scheduled to cut its sensitive list under the SAFTA pact to 100 for Pakistan by April 2013, while the neighbouring country was to reciprocate the same by 2017. However, India’s position was based on the conditionality of Pakistan granting it the NDMA status by December 2012. Since NDMA was not granted within the specified time, India has not pruned the sensitive list.

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India-Pakistan banking diplomacy plans stuck

Elizabeth Roche, Mint

Lahore, 16 February 2014: Almost two years after India and Pakistan agreed to allow some of their banks to open branches in the other country to boost trade that has been the driving force behind the recent peace talks between the South Asian rivals, financial institutions from neither side have formally submitted any applications, officials from both nations say.

Though three banks from Pakistan expressed interest in setting up branches in India and one or two financial institutions from India had shown keenness after both countries agreed in August 2012 to issue full banking licences to two banks from each country, there has been no forward movement, an Indian commerce ministry official told reporters on the sidelines of the second India Show being held in the eastern Pakistani city of Lahore.

The 14-16 February event organized by lobby group Federation of Indian Chambers of Commerce and Industry (Ficci) and the commerce ministry attracted hundreds of Pakistani visitors and entrepreneurs to the 120 stalls that showcased Indian products ranging from textiles and jewellery to IT and medicare services.

“Central banks of both the sides have in-principally agreed to permit banks to set up branches. Three Pakistan banks including Muslim Commercial Bank have expressed keenness, but India has not received any application till now,” the Indian official said, requesting anonymity.

From the Indian side, Punjab National Bank (PNB) had shown interest in setting up offices in Pakistan, the official cited above said, adding that financial institutions from both sides were expected to choose metropolitan centres to set up operations.

Pakistani commerce secretary Qasim M. Niaz confirmed three Pakistani banks, including the Muslim Commercial Bank, were interested in opening branches in India.

Several Indian banks were operating out of Pakistan before the partition of the subcontinent at the end of British colonial rule in 1947.

PNB, founded in 1895 in Lahore, had its registered office in the city. Just months before partition, the bank shifted its headquarters to New Delhi, according to a post on the bank’s website, citing its history.

“The central banks of the two countries need to process the issue; that is where it is stuck,” said Nisha Taneja, a professor of economics with the New Delhi-based ICRIER think tank.

“Banks opening branches in the other country will definitely facilitate trade, but it is not that trade cannot happen without it,” she said. “If you have a bank with a presence in both countries, trade can work.”

Referring to the peace dialogue between India and Pakistan that has been stalled due to tensions between the two sides, Taneja said, “When the talks re-open, the first thing that is expected to happen is Pakistan giving India non-discriminatory market access. Then only other things (including banking licences) can move forward.”

India and Pakistan resumed peace talks in February 2011 after a break caused by the 2008 Mumbai terrorist attacks that India blames on the Pakistan-based militant group, Lashkar-e-Taiba.

Trade has been the main driver of the resumed round of talks, with India in April 2012 taking the in-principle decision to allow Pakistani companies to invest in India and Pakistan increasing the number of items that can be traded with India.

Both sides also opened a second check-post through which trade can take place at the Wagah-Attari border in Punjab.

Bilateral trade, which was \$250 million in 2003, rose to \$2.6 billion in 2013. Indian commerce ministry official Arvind Mehta on Friday confirmed that Pakistan's exports to India had doubled in the past three years from \$250 million to \$530 million.

India-Pakistan ties hit a further roadblock last year when two Indian soldiers were beheaded in January along the line of control (LoC) in Kashmir. The killing of five more Indian soldiers in an ambush in August and firing along LoC in violation of a November 2003 pact also clouded relations, stalling bilateral peace talks.

In his comments at the inauguration of the India Show in Lahore, Pakistani commerce minister Khurram Dastagir Khan said trade talks between India and Pakistan should go forward "in the atmosphere in which our larger dialogue is resumed and we are able to discuss these issues".

He also declined to set a time frame by when Pakistan would grant India non-discriminatory market access, or most-favoured nation (MFN) status, under the provisions of the World Trade Organization which provides for unfettered trade between countries.

Analyst Taneja agreed that India should resume its overall peace dialogue with Pakistan. "It was under the aegis of this dialogue that the trade talks actually gathered momentum," she said.

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Pakistan in a rush to seal deal for more market access before polls

Dilasha Seth, Economic Times

New Delhi, 10 March 2014: Pakistan is keen to seal a deal within the tenure of the Manmohan Singh government in India to grant the country greater access to its market in return for lower duties on its exports. The move is aimed at ensuring that the talks on trade normalisation between the two sides over the past few years do not go back to the drawing board with the change of government in India, people familiar with the matter said.

A formal proposal on non-discriminatory market access (NDMA) - a nomenclature chosen by the Pakistan government to avoid political ramifications at home of giving India the most-favoured nation (MFN) status - is expected within the next few weeks, a senior commerce department official said.

The NDMA will allow India to export 1,209 items that are currently on Pakistan's negative list. In return, Pakistan wants India to prune its sensitive list under South Asia Free Trade Area (Safta) goods agreement to 100 items from 614.

Once the formal proposal comes from Pakistan, the commerce department will seek a no-objection certificate from the Election Commission in view of the model code of conduct that is in place ahead of the upcoming general elections, the official said.

"Pakistan has communicated to us that they would like to grant us the non-discriminatory access in the present government's tenure itself," the official said. "Now they want to think of doing a comprehensive package, which will include both NDMA and preferential trade arrangement."

Pakistan's commerce minister Khurram Dastgir Khan reportedly told local media in Islamabad last week that the government was considering granting the NDMA to India if India made prominent reduction in duties imposed on Pakistani imports, especially textiles.

India and Pakistan had, in September 2012, agreed to a road map, according to which India will bring down its sensitive list under Safta to 100 tariff lines by April 2013, after Pakistan granted India MFN status by December 2012. "Now they want to do it all together," the official said.

Pakistan will also reduce its sensitive list to 100 tariff lines from 840 in a phased manner over five years, according to the road map.

"Whatever we have been talking to them for the past three years is as per the current Cabinet's authorisation, which expires with the present government. If they want to do it with the next government, it will be like starting the process all over again," the official said.

Nisha Taneja of Icrier said, "There is a very strong likelihood of Pakistan sending a proposal on NDMA in the next few weeks. They are holding a round of consultations before announcing it. It is a whole process of building credibility once again."

According to a study by Taneja, India and Pakistan can boost their bilateral trade from the current \$2.60 billion a year to an estimated \$19.8 billion.

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India frowns at Pak delay on non-discriminatory status

Amiti Sen, Business Line (The Hindu)

New Delhi, 21 March 2014: The Government is disappointed with Pakistan's move to defer a decision on extending non-discriminatory market access status to India. This would have ended the on-going stalemate in the trade liberalisation dialogue.

The Nawaz Sharif Government postponed a meeting of its Cabinet scheduled on Friday that was to take up the issue of granting India NDMA status — a move that will result in removing import ban on 1,209 Indian products and open up access through the land route.

“We are disappointed with the postponement. We hope another meeting is convened soon and the issue doesn't get put off till after India's elections,” a senior Government official told *Business Line*. Pakistan has to ‘unconditionally’ deliver on its promise to grant India NDMA status if the trade liberalisation dialogue is to proceed further, the official said.

With India set to get a new Government in the next two months the Nawaz Sharif Government would now want to strike a trade deal with the new regime, Pakistan's Information and Broadcasting Minister Pervaiz Rashid was quoted as saying in Pakistani daily *Dawn*.

The Indo-Pak trade dialogue, which has the potential of increasing bilateral trade from the current \$3 billion to an estimated \$20 billion, was stalled in January 2013 following violence at the Line of Control in Kashmir.

The Commerce Ministry, which has been steering the trade dialogue process, argues that India has done whatever it was required to do as per the road-map and it is Pakistan's turn to deliver.

“They have to do their part. The ball is in their court,” Commerce Secretary Rajeev Kher said when asked on the issue.

Kher said that India had committed to take on a reciprocal basis further steps for giving greater market access to Pakistan after NDMA was bestowed. “India will simultaneously or with a time lag do its part, but Pakistan has to deliver now (on NDMA),” the Secretary said.

NDMA is a more politically acceptable term for the Most Favoured Nation status that India had accorded Pakistan way back in 1996 during the World Trade Organisation's Uruguay Round. It basically means treating a country same as other countries without discrimination.

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Trade not the only issue in composite dialogue: Pakistan

Sachin Parashar, Times of India

New Delhi, 27 March 2014: Prime Minister Manmohan Singh's hopes of leaving a proud legacy with Pakistan have unravelled fast in the past few weeks. While India holds Pakistan responsible for the failure to use trade relations as a vehicle to peaceful ties, Pakistan here said on Wednesday that India may have overestimated the importance of trade between the two countries and that it was never meant to eclipse others issues which are part of the composite dialogue process.

At the heart of this fresh round of strife is Pakistan's refusal to give non-discriminatory market access (NDMA) to India as it wants to wait until the outcome of the upcoming elections. Pakistan high commission sources here said it was India which had acted "belatedly" and that Islamabad did not respond as it was told by India that the model code of conduct for the upcoming elections was already in place.

India believes though that the Nawaz Sharif government is acting under the influence of its security establishment. The Indian establishment feels it has been badly let down by Islamabad as it was PM Manmohan Singh's personal commitment which allowed the entire process of trade normalization to reach where it did before a "U-turn" by Islamabad. Singh, in fact, had suggested as late as January this year that he was still open to the idea of going to Pakistan.

According to Pakistani sources based here, there are many stakeholders in Pakistan like the farmers' association which had threatened to launch country-wide demonstrations if India was given NDMA before New Delhi removed Pakistan-specific non-tariff barriers. India, however, contradicts this by saying that when it pushed Islamabad over the issue, the complaints varied from lack of flights between Delhi and Lahore to the stringent visa regime between the two countries.

Pakistani officials said India was yet to provide clearance for an exhibition to be organised by a Pakistan garments manufacturers' association next week. This exhibition is to be organised by high commissioner Abdul Basit. "Pakistan is committed to granting NDMA on a reciprocal basis. We hope things will move forward quickly between Pakistan and India once the next government takes over. We want peace and normalisation of relations with India," said a high commission official, as he insisted that in any case, India's MFN status to Pakistan in the 1990s did not help Pakistan as obvious from the trade imbalance.

As TOI reported on Wednesday, Indian interlocutors have lost interest in the idea that trade can provide the basis for constructing a lasting framework for "peaceful, friendly and cooperative" ties with the Pakistan government. They believe that it will take another 1-2 years before the new government in New Delhi settles down and contemplates a long term visionary policy towards Pakistan.

According to India, despite the urgent need for Pakistan to implement a series of strict economic stabilisation measures, and undertake large scale structural reforms in its economy to access World Bank and IMF assistance, Pakistan has continued to approach the issue of trade normalization with India in a "short sighted" manner.

"Pakistani economic managers understand that trade normalization with India will give Pakistan's main export industries preferential access to the large and growing Indian market under the SAFTA regime.

This would greatly ease Pakistan government's severe foreign exchange constraint, as well as provide much needed stimulus to its export industries and by implications its whole economy," said an Indian official.

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Pakistan ready to lift import ban on items from India, says envoy

Amiti Sen/Aditi Nigam, Business Line (The Hindu)

New Delhi, 23 April 2014: Pakistan has said it will allow imports of all items from India once the on-going election process in the country is over and New Delhi is in a position to implement the "arrangement" of reducing subsidies on some items of export interest to Pakistan.

"Early this year, both the countries had agreed on an arrangement under which India would reduce subsidies on items that can be exported by Pakistan. But it could not be implemented as the model code of conduct came into play," Pakistan High Commissioner to India Abdul Basit said in an interaction with women journalists on Wednesday.

Basit said that once the new Government is in place in India, the whole issue could be reconsidered. Extending India non-discriminatory market access, which basically means allowing all Indian items to be sold in Pakistan, is a key condition that New Delhi has laid down before Islamabad for re-starting the bilateral trade dialogue that has been stalled for the past year.

Although Pakistan has opened its doors to over 85 per cent of items to be exported from India, it still disallows 1,209 items such as automobiles, many pharmaceutical products, agricultural produce and textile items such as polyester. India, on the other hand, allows import of all items from its neighbour, but Pakistan alleges that there were a number of non tariff barriers that impeded imports.

"There are four sectors in Pakistan, which includes pharmaceuticals, agriculture, automobile and textiles which are apprehensive about competing with India," the High Commissioner said.

More opportunity

India needs to reassure Pakistan's industry that there would be more opportunity for them for doing business in the country by removing some domestic subsidies and giving it a more level playing field, he added.

Islamabad had promised to do away with all import bans by December 31, 2013. It had also promised that it would allow trade of all products through the land route, instead of the expensive sea-route.

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India seeks NDMA first to resume trade talks with Pakistan

Dilasha Seth, Economic Times

5 May 2014: India will resume trade talks with Pakistan only after Islamabad officially brings it on par with other trading partners. The backtracking by Pakistan at the last minute in March over cabinet clearance for non-discriminatory market access (NDMA) hasn't gone down well with the Indian side. While any talks will take place only after a new government is formed, Indian officials made it clear that the process can only move further once Pakistan agrees to free up access. Voting in India's general election ends on May 12 and counting will take place on May 16.

The Pakistani government uses the NDMA nomenclature as an equivalent of the term 'most-favoured nation (MFN)' to avoid political resistance at home. Under World Trade Organization (WTO) rules, every member has to grant MFN status to other members. This MFN status is part of a road map drawn up by the two countries to normalise trade relations. Pakistan had agreed to give India non-discriminatory access in December 2012. India accorded Pakistan MFN status in 1996.

"It is up to Pakistan to take the road map forward. This time round when they come, they have to come with their cabinet approval first. We understand that they are working with an honest intent, but things always get stuck at the last minute," said a government official. There is no point progressing without cabinet approval, said another top bureaucrat.

The official trade between the two countries is about \$2 billion annually, but significantly more comes through unofficial channels, highlighting the opportunities the two countries have missed because of political reasons.

Pakistan called off the cabinet meeting in March to discuss NDMA status in return for concessional tariffs on a range of its goods exported to India, saying that it would like to engage with the next government. In its latest offer, India promised a reduction in the 30-45% tariff on textiles to 5%. Pakistan had been pushing for dutyfree access for textiles, similar to what India gave Bangladesh in 2011.

Last week, Pakistan's senate recommended that the government exclude agriculture while granting MFN status to India and negotiate that sector under a special arrangement. The Indian side seems to be amenable to this. "Pakistan can put agriculture in their sensitive list. We do not have a problem with that," the Indian official said.

After a 16-month hiatus, the trade ministers of the two countries met along with the commerce secretaries in New Delhi in January to give a fresh impetus to the trade talks. Indian experts said the initiative now lies with Islamabad. "The recurring flip-flops by Pakistan nullify efforts of the two sides to improve bilateral trade, which currently happens through unofficial channels and is about five-six times the official trade. India's stance must be to wait for an NDMA by Pakistan, before participating in more talks," said an expert who didn't want to be named.

In March, India had shared with Pakistan an unofficial document known as a 'non-paper' expanding the items on which concessional tariffs would be available. The number of items on which it would 't be given access was drastically pruned to 100 sensitive items from 614 items now. In return, Pakistan was to allow 1,209 items that are currently banned from India, besides further opening up the land route for

trade. Currently, Pakistan allows only 137 items to be imported through the Wagah-Attari land route. It was considering opening up the land route to all items.

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