Contents

Agro Trade: India's policies have boosted Pakistan's earnings at the cost of Indian exports

Economic Times

July 12: India has unwittingly pursued policies and actions that have helped and promoted Pakistan's foreign trade in agro commodities. Since 2006, trading trends in non-basmati rice, wheat, sugar, soymeal and onions lend confirmation to this fact.

The government virtually granted special status to Pakistan when it first restricted and then prohibited export of Indian non-basmati rice in 2007.Pakistan was then free to exploit and substitute 3-4 million tonnes -of the seven million tonnes of its milled rice output -of west Asian and African markets fostered by India for four years. Today, it is well established as a competing country. Non-basmati rice is not the staple food of Pakistan; only 45% is consumed locally, and the rest is exported. Basmati rice is their preferred cuisine. Likewise, our neighbour also developed new capacities for parboiled rice to cater to special requirements of Bangladesh and South Africa. After India's aggressive re-entry in September 2011, Pakistan's export of parboiled rice is down to a trickle; parboiled rice capacities are shut, but capabilities to reinvent them at a short notice do exist.Now an established competitor, Pakistan is desperately seeking to match Indian prices of white rice, suggesting that their trading operations may either become more efficient or less profitable. Indeed, a unique parallel where the absence of competition provides market access and business rivalry contributes to greater adaptability.

In 2008, India crossbred a new hybrid basmati variety of Pusa 1121 with 8.2-mm grain length (against 6.2 mm of parmal range) that became an elite acquisition of Iranian market consuming 0.8-1 million tonnes per annum at almost $1,000 per tonne fob -which is double the value of non-basmati rice. No patent exists for 1121. Pakistan has cloned its strain. Surely, Pakistan will improve upon this hybridisation and effectively compete in coming years.

Likewise, five years of prohibition on Indian Wheat export enabled Pakistan to ship around two million tonnes wheat in two years (2010-11 and 2011-12). After lifting of India's embargo in September 2011, their business has declined significantly. USDA estimates Pakistan wheat export reduced to merely 0.3 million tonnes in 2012-13. A continued prevarication on subsidised export of Indian wheat may be advantageous to the competing origins in general.

On a request from Bangladesh in 2010, the government notified export of 0.5 million tonnes of FCI's wheat and rice to Bangladesh on a government to government basis. India and Bangladesh failed to arrive at mutually acceptable commercial conditions. Indian exportswere abandoned. Pakistan substantially filled the gap by private exports and made good Indian failure.India's wheat gift of 0.25 million tonnes to Afghanistan in 2011-12, most of which was recently loaded from Kandla to Karachi port and then dispatched to Kabul via road, enabled Pakistan handling and transportation earnings. Due to grossly insufficient milling facilities in Afghanistan, Pakistani flour millers would have also been remunerated for tolling wheat flour by government of Afghanistan.

In 2012, the government negotiated the rupee payment arrangement for trade with Iran, in which, apart from other commodities, wheat figures as the prime commodity to be bartered against Iranian crude. Pakistan is also negotiating supplies of its wheat to Iran in return for Iranian urea. Wheat deals are currently held in abeyance due to quarantine concerns between Iran and India. India is proactively seeking its resolution with Iran. Pakistan may benefit automatically as phytosanitary apprehensions are common in the subcontinent.

On May 23, 2012, the government cleared quota free sugar for export on open general licence without quantitative restrictions in pursuance to pleadings of the Indian Sugar Mills Association for better realisations abroad. It may not be a coincidence that Pakistan Sugar Mills Association met President

Asif Zardari the very next day (May 4, 2012) and sugar export quota from Pakistani mills was enhanced from one lakh tonnes to two lakh tonnes. A clear case of policy imitation, erroneous estimation of Indian annual sugar output in 2010 led to upward revision of production estimates from 14 million tonnes to 19 million tonnes. Local prices tanked. The government permitted re-export of 1.3 lakh tones of imported sugar lying at ports due to high priced open general licence imports.In the same year, Trading Corporation of Pakistan (TCP) was also importing sugar to mitigate shortages in Pakistan. Singapore traders arranged to ship one lakh tonnes of Indian sugar out of re-export allocation from Kandla to Karachi in a matter of days while TCP was facing default with Dubai traders.Demand of high protein feed rations is increasing in Pakistan. India is meeting full demand of 0.4 million tonnes of soymeal to mixers of cotton and rapeseed meals to augment the nutrition content of livestock in that country. Imports of soymeal from Argentina and US would be prohibitively costly.At the end of December 2010, India faced supply constraints of onion. The only country that could immediately fill the supply demand gap was Pakistan. Indian PSUs imported onion via sea route at prices around $700 per tonne cif. It was an opportunity and advantage for Pakistan for non conventional items, even though for a small value. Had Pakistan permitted import of onion via land route, values would have been much larger.Despite apparent political confrontations between the two countries, this invisible trade competition and cooperation goes on unseen and unnoticed.

[Back to top]

India, Pakistan explore ways to boost petroleum trade

Sujay Mehdudia, The Hindu

July 16, New Delhi :In a bid to give a big push to trade in petroleum products, India and Pakistan have decided to have focussed approach to identify possible supply routes, source and point of supply, regulatory framework and enhancement of direct banking and postal services.It was decided to chalk out a road map to take the talks further in a focussed manner. Pakistan has been invited to send a team to New Delhi this month-end to work out all parameters for giving petroleum trade a new direction. In the previous round of talks held in Islamabad held last month, the Indian side offered a range of products, including pet coke, sulphur, bitumen, lubricants as per quality requirements of Pakistan. It was decided that before operationalising a formal trade in petroleum products, harmonisation and recognition of standards/procedures and regulatory framework in vogue need to be examined indetail. Both sides felt that banking services should be enhanced to facilitate business through letters of credit. Direct routing of postal/courier services was also discussed. It was felt that the SAARC Preferential Trading Arrangement (SAPTA) certificate recognition system be made online; multi-city and multiple entry non-reporting visas for businessmen on both sides be introduced and warehousing and tankage facilities with infrastructure facilities such as cranes, fork lifts and other machinery be setup at the Wagah border. The meeting also discussed the possibility of import of petroleum, oil and lubricant (POL) products from India and specifications for furnace oil, diesel, Jet-I and petro. The Pakistan side sought to know the capacity and supply position of India for exports.

[Back to top]

Hina hopeful of getting EU package

Anita Joshua, The Hindu

2 August 2011, Islamabad: Buoyed by her India visit, Pakistan Foreign Minister Hina Rabbani Khar on Monday was hopeful of getting the time-bound Pakistan-specific European Union (EU) package that New Delhi has been blocking for nearly a year now. Briefing journalists here along with Polish Foreign Minister Radoslaw Sikorski, she said that after the bilateral visit to India, Pakistan was hopeful of getting that package. Following last year's devastating floods, the EU had offered trade concessions for a year to help Pakistan's textile industry tide over the difficulties caused by the deluge.India's contention has been that there is no guarantee the waiver will benefit the flood-affectees. Also, it would set a precedent as EU has never in the past made such a concession for a natural disaster.

Though India, Bangladesh and Peru are blocking this in the WTO Committee, Pakistan believes that if New Delhi with draws its opposition, the other two countries will come around.

Making an oblique reference to India, Mr. Sikorski said the EU had offered the trade concession to Pakistan as the best possible deal for the situation facing the country, but it needed consensus within the World Trade Organisation (WTO). “One of your neighbours has objections,” he said; adding that Poland would continue with its efforts to “unblock that which is blocked at [the] WTO.”

Poland has just taken on the rotational presidency of the EU, and Mr. Sikorski is here both as a representative of his country and on behalf of the Union's High Representative for Foreign Affairs and Security Catherine Ashton. Mr. Sikorski –who had visited India last month –was appreciative of Pakistan's efforts to normalise relations with its neighbours. Stating that it is particularly difficult to do so when there is a history, he cited Poland's own difficulties with its neighbours.

The first ever Polish Foreign Minister to visit Pakistan, Mr. Sikorski was particularly appreciative of Pakistan's role in the collapse of the Soviet Union that helped free Poland. “Poland is thankful to Pakistan for what it did then by siding with the free world. You have paid a heavy price for it and we feel your pain.” Mr. Sikorski –who met President Asif Ali Zardari and Prime Minister Syed Yusuf Raza Gilani –said the Pakistani leadership had made it clear that they do not want charity but market access.

[Back to top]

Indo-Pak trade: high on hope, low on execution

Nayanima Basu, Business Standard

An unfinished Integrated Check Post (ICP), a shabby passenger terminal, the lack of a connecting road on the Pakistani side and pending permissions, all threaten to undermine a historical trade agreement.

Attari (Punjab) September 22: Pakistan's commerce minister Makhdoom Amin Fahim is scheduled to arrive in India around the 26th of September. His visit is an extremely important one for a number of reasons. Trade is a smart way to improve the trust deficit between India and Pakistan. Business ties work to strengthen bonds across borders and realising this, both countries are also pushing for a much liberalised visa regime for businessfolk.In April this year, commerce secretaries of both countries came out with a zealous joint statement post their meeting in Islamabad. Hopes of a renewed and more vibrant trading relationship seemed to get a fresh lease of life. Both ministers planned to increase trading hours, facilitate faster clearance of cargo and expedite the movement of large vehicles and containers. All of that risks being reduced to just hot air.The main crux of the joint-statement was increasing trade through the Wagah-Attari land route especially via a newly built second gate dedicated to passenger and freight traffic. As per the communiqué, the new integrated check post (ICP), which had been under construction since February 2010 under the aegis of the Ministry of Home Affairs (MHA), would become fully operational from October 1. Yet, nothing seems to have progressed on the ground and all evidence points to a stagnation of these plans which could derail prospects of rapprochement between the two countries.Firstly, while the construction—overseen by RITES—is in full swing, delay in the disbursement of funds by the MHA has taken the sheen off the project, officials told Business Standard, and forced a delay of at least two to three months. So far, only the ground floor of the passenger terminal had been constructed along with three warehouses and special centres for pilgrims. The ground reality is that the new ICP, which is spread over 125 acres, is far from becoming operational anytime soon.Trade between India Pakistan, while not huge, has healthy prospects as traders, businesses and even people from both countries are eager to access each other's goods as well as markets, which range from cosmetics to cement. For Pakistani businesses, like say FMCG companies, the route could prove to be a significant money saver as it no longer means bringing in far more expensive raw ingredients for face creams and cosmetics from the United Kingdom, for example, or even Indian goods via Dubai (which is the alternative route used to beat the ban on certain Indian goods).It's not that Indo-Pak trade through the border posts are non-existent. Last fiscal, total exports worth Rs 452.86 crores took place throughthe Attari road land custom station compared to Rs 395.92 crores and Rs 421.18 crores in 2009-10 and 2008-09 respectively. On the other hand, imports reached Rs 1,170.46 crores in 2010-2011 against Rs 798.05 crores in 2009-10 and Rs 410.30 crores in 2008-09, according to official statistics. But those numbers could get much higher with the a new and smoothly functioning ICP.Reason is, the ICP is expected to do away with the existing entry and exit points that face huge traffic delays and chaotic jams. Presently, trucks are allowed to ply only till 2-3 PM everyday and the average stoppage time of each of the trucks is around two hours. This is because of the regular parade exercise involving a high-stepping face-off between Indian and Pakistani soldiers cheered on by jingoistic crowds that takes place near the existing gate which leads to closure of traffic for the day after 3 pm.The new ICP is expected to have specific platforms where goods would be unloaded in an organised way, but none exist so far. Presently, goods carried by the Pakistani trucks are being unloaded right next to the pigeon-holed customs counters in a haphazard manner by porters wearing blue uniforms resulting in pandemonium. There are no separate resting places for the drivers either.One of the biggest stumbling blocks that has emerged is the absence of a parallel road on the Pakistan side in order to the make the new gate viable. As a result, when the new ICP becomes operational, instead of going straight from the new Gate Number 2 into Pakistan, passengers would have to travel around 1.5 kms more to arrive. Similarly, trucks would also need to travel an extra 1.8 kms. The Indian side is building a straight road on the international border from the ICP to Pakistan, but since the latter is yet to build a connecting road the ICP will essentially serve as a big parking lot for passengers and traffic.“Until and unless the straight road from India to Pakistan’s border is opened, this ICP is useless for us. Yes, we might get a more spacious area to rest while we unload the trucks but nothing more than that. Delays would continue to take place,” said Rayeez Khan while smoking a Gold Flake cigarette. Khan is a Pakistani truck driver who brings stones from the Jhelum river five to six times a month.That’s not all. The government has also moved at a glacial pace in granting essential permissions needed to make Gate Number 2 operational. The Border Security Force (BSF) that has a watch-tower near the gate, the forest department which needs to remove trees and Punjab State Electricity Board (PSEB) which needs to bring connectivity up to the ICP—which inturn needs permission from the National Highway Authority of India (NHAI) since the wiring takes place along the main highway—all need to sign off on the project. But the applications with them are still pending, suggesting a business-as-usual attitude.In order to ferry the passengers on the extra stretch of road, it was decided that battery buses would be operated on this extra stretch of road since passengers have to walk with their luggage. But in a recent meeting the MHA has decided to ask Punjab Tourism Corporation to provide vehicles. This is the same MHA that had decided to establish a body under the ministry called the Land and Port Authority of India (LPAI) to monitor the functioning, development and maintenance of the ICP. However, this too has become mired in red tape, and the government is in the process of electing a chairman and members, which might take another two months. Perhaps the one thing most emblematic of the project and relations between the countries is the state of the passenger terminal. This was initially planned to represent state-of-the-art architecture with central air-conditioning and all kinds of modern facilities. However, what has been built is a huge structure with an over-arching dome with white-ceiling fans and cramped immigration counters, suggesting that while the rest of India booms, this is one endeavour that is most resistant to change.

[Back to top]

Least favoured

Business Standard

Pakistan continues to drag feet on MFN obligation

New Delhi September 30, 2011, 0:06 IST: Governments like setting bilateral trade targets. It is markets and traders that must deliver. While China-India bilateral trade targets have always been exceeded because the market conditions have turned out to be more favourable than official expectations, India-Pakistan trade languishes, or goes underground, because official policy in Pakistan continues to be myopic. The recently concluded talks between the trade ministers of India and Pakistan, Anand Sharma and Makhdoom Amin Fahim, set a grandiose official trade target of $6 billion for 2015, against last year's $2.3 billion (while unofficial trade is already estimated to be double that), but failed to resolve the long-pending matterof Pakistan adhering to its World Trade Organisation obligation of extending the most favoured nation (MFN) status to India. Both from the standpoint of reciprocity (India granted Pakistan MFN status in 1995) and legalese, Pakistan needs to move towards fulfilling its obligations. The objection based on the fear that domestic industry in Pakistan would be swamped by imports from India is specious.India's generous announcement that it would not oppose the European Union's three-year tariff waiver on select commodities from Pakistan (mainly textiles), especially from areas devastated by flash floods in 2010, was a welcome gesture and is consistent with the generosity that characterises India's recent regional economic diplomacy, keeping in mind the economic asymmetry in South Asia. Equally important was Pakistan's announcement of lifting restrictions on the import of petroleum products from India. It makes eminent sense for Pakistan to leverage India's considerable refining capacity, which currently stands at 186 million tonnes and is expected to increase to 240 million tonnes by 2014. Other developments such as a more liberal visa regime for businessmen, lifting of the ban on bilateral investment, and increasing the number of customs posts were long overdue.The Pakistani political establishment would do well to respond to the groundswell building in the Pakistani business community for greater economic engagement with India. The recent decision by the Karachi and Mumbai chambers of commerce to establish a tie-up that would co-promote both cities is just one example of the widely-held desire in both countries to grow together.Despite recent progress by way of enhanced trade engagement between India and Bangladesh, South Asia remains one of the least economically integrated areas in the world. The proportion of intra-regional trade to total trade is embarrassingly low as compared to other trading blocs such as the Association of South East Asian Nations, North American Free Trade Agreement and MERCOSUR. This proportion will remain low as long as bilateral trade between India and Pakistan remains at current levels. The history of political mistrust between the two countries is understandable but not a compelling excuse to restrict greater economic engagement anylonger. India has travelled the distance to make this happen. Pakistan must do likewise.

[Back to top]

India-Pakistan trade ties will help South Asia

Pranjal Sharma, Livemint

Oct 7, 2011: Makhdoom Muhammad Amin Fahim, trade minister of Pakistan, said he and his Indian counterpart have agreed to resolve the bottlenecks in trade that have been creating difficulties between the two nations. The two sides have agreed to have a secretary level meeting in November to discuss issues, including granting of most-favoured nation status to India, Fahim said in an interview. Edited excerpts:For 35 years, no trade minister came from Pakistan to India. Why did you decide to come now?Actually, the initiative was taken at Mohali, when both the prime ministers met during the cricket match and there the prime minister of India expressed that we should move forward to create an atmosphere which is conducive and very good. So, that was the beginning and after that the commerce minister of India wrote a letter, inviting me to visit Hindustan and meet our people, business people. So this is the reason why I am here. I brought a high-level delegation of traders and industrialists from Pakistan and we visited Bombay first and in Bombay there were meetings between the two sides. The counterparts, they met, they discussed and they were quite satisfied. Then here I had a meeting with commerce minister Mr (Anand) Sharma. It was a very positive meeting and I must appreciate the way he conducted his side and the way he openly supported the point of view of Pakistan and I really appreciate his gesture. I think we have achieved a lot. After 35 years, we have come here and we came here with a programme, we came here to resolve a few issues, which were creating difficulties in the relationship of both the countries.

We discussed everything and we came to the conclusion that from now onwards will help each other and try to iron out any bottlenecks in the relationship in other fields also. I think, with this note, we are moving forward and after this there will be a secretary-level meeting in November I believe and both the secretaries will sit and discuss and draw the final sketch.Pakistani business classes are very entrepreneurial, they have a lot of strengths. Do you think Pakistan is now ready to open its market and become far more engaged with different multinational corporations; Pakistani companies can go abroad, international companies can come to Pakistan. Do you think that is one of the key priorities of your government now?Definitely, I must say that this visit of mine is the first step towards opening the door for investment and for trade and for business and, I think, in the past whatever little problems were there, we need to resolve those problems and we must move forward.I think this is the only subject which will create goodwill and good relations and, of course, the economy of both the sides will help the people of both the countries.Is there also a sense across all political parties that on economic issues, there is still a difference or do you think that on economic growth issues, everybody feels that Pakistan has to move forward?All the political players in our country, they are in favour of good economy in our country and to have good relationship with the neighbouring countries. On the issue of partnership with India, we have a huge unofficial trade; official trade figures, you have set a target with the Indian commerce minister of taking it to $6 billion. Now, what are the challenges and the issues that have to be resolved for both the countries to reach this target?Actually, the first issue, the first problem, which was facing us was that there was no dialogue, there was no opening. Now once you start dialogue, once you start moving forward, then there is a big chance that we will go to the maximum, where both the countries, not only both the countries, but the countries of South Asia, they should also benefit from the relation of these two countries and the economy of South Asia. One issue which has been a problem area is the granting of most-favoured nation status to India and also converting the positive list into a negative list, basically restricting only a few products and services which will not be traded. When can that happen?We discussed these two issues also and I was put questions by different journalists that how we are moving on this front. I said, we are discussing everything. Whatever is important that should take place, whatever is necessary, we must come to the conclusion that it happens but we should move properly, we should move according to the experts of ourforeign and commerce ministry. Now, I don't see any difficulty that we reach to the issue of positive list or negative list. We will resolve those in the meeting of the secretaries, which is taking place next month. What was the kind of conversation with the prime minister because he is also an economist and he is very keen on trade links? I told him that when you took over as the Prime Minister, the economy of India had improved a lot and this is your leadership that has created an atmosphere where now we, the two commerce ministers, sat together, discussed the major issues and now we are on it to resolve those issues, so the credit goes to you and he was very open. He said that there should be very good relations between the two countries and we want that Pakistan should be a prosperous country, they should be in a good economic situation and all the issues, if there are any problems, those will be resolved according to the laws and the rule.South Asia is one of the poorest regions of the world, but there is a growth dynamic which is coming through. Do you think our partnership and the South Asian Free Trade Area (Safta) agreement can improve it because, so far, Safta has had mixed success? It has not been completely effective in resolving issues. What needs to be done now?

[Back to top]

Pak 'in principle' decides to grant MFN status to India

Business Standard New Delhi

October 16, 2011: The long-pending issue of Pakistan granting the most-favoured nation (MFN) status to India has resurfaced, with Pakistan Foreign Minister Hina Rabbani Khar announcing in the National Assembly that her country has decided in principle to grant the MFN status to India.Khar was, in fact, echoing a long-cherished wish of India that got delayed after no announcement in this regard came during the visit of Pakistan Commerce Minister Makhdoom Mohammad Amin Fahim to New Delhi last month.The visit by the Pakistani minister, the first such visit of a Pakistani commerce minister to India in 35 years, did not even talk of trimming its negative list of items. It just decided to double the bilateral trade to $6 billion by 2014. “Pakistan has, in principle, decided to grant MFN status to India,” Pakistan-based newspaper, The Nation, quoted Khar as saying on Thursday. Granting of the MFN status means lowering of tariffs and Customs duties on products traded between the two nations. Trade between India and Pakistan reached $2.66 billion in 2010-11, compared to $4 billion with Sri Lanka. It is expected to increase to $10 billion in the next three years with the grant of MFN status and removal of non-tariff barriers, according to the Federation of Indian Export Organisations. According to the World Trade Organization (WTO) rules, it is the fundamental right of a country to get MFN status from another member country. Grant of the MFN status by Pakistan would expand the number of products to be traded in a positive list of commodities exported by India. At present, there are 1,938 items that are there on the positive list. Out of these, 190 tariff lines are allowed through the Wagah border, while the rest are being sent through the Mumbai port. Minister Anand Sharma said after meeting his Pakistani counterpart Makhdoom Mohammad Amin Fahim. Fahim, was leading the largest ever business delegation of 50 businessmen. Indian Commerce Minister Anand Sharma said India would be “supportive and constructive” in giving its consent on the trade-aid package by the European Union (EU) to Pakistan at the General Council of the WTO that is expected to take up the matter for the fourth time in its next meeting in Geneva. According to the deal by EU, 75 tariff lines or products from Pakistan would get concessional access to the European markets for three years, out of which 67 are for zero tariff while on remaining eight tariff lines; tariff rate quotas (TRQ) will be applicable.

[Back to top]

Pakistan offers peace dividend, grants India MFN status

TNN

November 3, New Delhi/Islamabad: Pakistan's cabinet on Wednesday unanimously agreed to grant India most favoured nation (MFN) status, a long pending move which is expected to strengthen trade and bilateral relations between the two fractious neighbours and provide a boost to the peace process.Following the announcement, Pakistan will now allow trade in more goods by shifting to a system of negative list, which will only restrict shipments of products mentioned on this list. At present, it uses a system of positive list, which means trade is permitted only in a handful of products, resulting in consignments getting routed through third countries such as the UAE.Strained relations between the two nuclear-armed neighbours had cast a shadow on bilateral trade and hurt economic engagement. But over the past few months, New Delhi and Islamabad have taken tentative steps to mend relations and deepen trade and economic ties. More than boosting trade, Pakistan's decision is being seen as a major confidence-building measure to help improve frosty relations."This was a decision taken in the national interest and all stakeholders, including our military and defence institutions, were on board," Pakistani information minister Firdous Ashiq Awan told reporters in Islamabad."It will be beneficial for both countries. It opens up new pathways of elevating our economic engagement to a much higher level. We are clear that economic engagements, removing barriers to trade and also facilitating land transportation will help the region. Eventually, economic activity and industrial activity will bring in prosperity and stability. It will generate jobs," commerce, industry and textiles minister Anand Sharma said.According to the World Trade Organisation, MFN status means that every time a country lowers a trade barrier or opens up a market, it has to do so for the same goods or services from all its trading partners -whether rich or poor, weak or strong.India granted MFN status to Pakistan in 1996 and has been demanding that Islamabad reciprocate but political developments hurt progress on the issue.India policymakers and industry groups welcomed the move but said roadblocks like stringent visa rules, non-tariff barriers, difficulty incommunication and opening of more trade routes like Wagah remained to be addressed. Experts said the move is also expected to benefit trade in South Asia. "It's a major step not only in bilateral terms but also in taking the Safta (South Asian Free Trade Agreement) process forward. India can't live in a poor neighbourhood and we are now seeing trade becoming an engine of growth," said Biswajit Dhar, director general of RIS, an trade think tank.In May 2010, as part of 'Aman ki Asha', business delegationsfrom India and Pakistan had said that grant of MFN status by Pakistan would provide a big boost to bilateral relations. In September, during a meeting between the two commerce ministers, India and Pakistan agreed to work to more than double bilateral trade within three years, from the current level of $2.7 billion per annum to about $6 billion. New Delhi had pointed out that trade in petroleum, energy and commodities would be significant steps for building long-term stake in each other's economy and had identified strengthening the border infrastructure as top priority.Industry groups say MFN status would help cut down on illegal and third country trade. Indian pharmaceutical, engineering goods, plastic industry, silk and cotton textiles are expected to benefit from Wednesday's announcement. Trade in commodities between India and Pakistan is also expected to get a huge boost."It is a historic development. This will also have an impact on efforts to solve the political problems," said Ramu Deora, president of the Federation of Indian Trade Organisation.Analysts said the decision to accord India MFN status may have been taken by the Pakistan cabinet but it would have gone nowhere without the express permission of the army. According to sources, Pakistan's parlous economic state has now acquired serious security implications.While the army may have been slow to pick up these signs, it is clear now that Pakistan needs to improve its economic numbers, particularly as its relationship with the US is on a downward slope. Besides, as Pakistan stands exposed to the vagaries of international aid, one of the complaints of many countries is that Islamabad should get over its cussedness about trade with India.Cautiously optimistic, Indian officials said it remained to be seen whether Pakistan would open the Wagah border for trade. Shipping links between the two countries are fairly incipient."Let us see how long this lasts. In 1976 they granted us MFN and revoked it in three years. Pakistan is merely fulfilling its bilateral, regional and international commitments which it has not fulfilled in the past," former Indian envoy to Pakistan G Parthasarathy said.Asked whether the Kashmiri leadership was consulted, Pakistani information minister Awan said the two parts of Kashmir were already conducting trade across the Line of Control. "We cannot live in regional isolation," she said. Times View: Pakistan granting India MFN status has been long overdue but is welcome nevertheless. It should help boost trade between the two countries, but much more needs to be done on that front. Easing visa requirements on both sides of the border is one obvious measure, but not the only one. Indeed, building stronger economic ties between must be part of a larger strategy of improving people-to-people contacts. At the moment, the relationship between India and Pakistan is dominated by the negatives. Those are unlikely to go away in a hurry, but building on the positives would help in dealing even with the contentious issues. We must give peace a chance.

[Back to top]

16 years on... Pakistan finally reciprocates granting MFN status to India

Zia Khan, The Express Tribune

Cabinet unanimously supports decision, despite initial opposition.

November 3, Islamabad: More than 16 years after it became a founding member of the World Trade Organisation, Pakistan has finally decided to live up to one of its most important obligations under that treaty: granting Most Favoured Nation status to India.In a decision that came after several hours of reportedly heated debate, the cabinet –ultimately unanimously –chose to approve the commerce ministry's proposal to grant MFN status to India. New Delhi had already granted that status to Pakistan in 1996 and had been demanding that Islamabad reciprocate, particularly during the most recently concluded round of trade talks, held last month in Mumbai."The federal cabinet has unanimously approved India as the most favoured nation," said Federal Information Minister Firdous Ashiq Awan while briefing the media after the meeting, though she did admit that there had been some resistance to the move within the cabinet.The decision to grant MFN status to India essentially just means that Pakistan will no longer discriminate against India and treat it the same as it treats over 100 other countries. It does not mean an automatic removal of the barriers that currently exist to trade with India, though it makes removing them easier.Yet even as late as earlier this week, it seemed that there was too much resistance for the proposal to pass.Several members of Parliament, most notably National Assembly Opposition Leader Chaudhry Nisar Ali Khan had opposed the move, citing Pakistan's historical animosity to India due to the dispute over Kashmir. Yet the commerce ministry, specifically Commerce Secretary Zafar Mahmood, were careful to frame the discussion in terms of Pakistan simply meeting its treaty obligations and tried to keep the discussion in the economic realm.

Yet at least two cabinet members, notably the defence minister, had tried to bring up the security-related concerns about the proposal. One participant of the meeting told The Express Tribune that the defence minister had called for first evolving a mechanism for monitoring Indian goods that would be transported to Pakistan as a result of the new liberalisation of trade. Those concerns and proposals, however, did not ultimately carry the day.Sources said that the other minister who did not support the move was the ministerfor industries and production."The prime minister reviewed all the objections and took the cabinet into confidence that it will not hurt our national security and then they unanimously approved this summary sent by the ministry of commerce," Awan said."We can't live in isolation in the region... it was our obligation but it doesn't mean that we have changed our position on issues. We are still firm on our strategic interest," the minister said in an apparent bid to pre-empt a possible hostile reaction by opposition political parties.The challenges already seemed to be brewing. Senator Haroon Akhtar Khan, a member of the Senate Commerce Committee, said that he would be pushing his panel to summon the government to Parliament to explain its decision."The WTO regime does not make it binding to grant a bilateral MFN status to every country," claimed the senator. "It was purely an executive decision without any consultation with the parliament or its relevant panels." Pakistan and India had about $1.7 billion worth of bilateral trade in 2010, the last year for which complete data is available. The trade is tilted heavily in India's favour, with Indian exports to Pakistan totalling $1.45 billion whereas Pakistan exported about $275 million worth of goods to India.The commerce secretary, however, downplayed the idea that opening up to more trade with India would harm domestic producers. "Trade was already taking place illegally. We have just regularised it.

[Back to top]

Pakistan okays MFN status for India

ET Bureau

3 Nov, NEW DELHI: Pakistan has lifted barriers to imports from India, reciprocating a similar move from New Delhi 15 years ago, giving a breath of fresh air to the relationship that has been marred by acrimony and distrust for decades. To facilitate trade, Pakistan's cabinet has agreed to grant India the Most Favoured Nation (MFN) status, which means that imports from India would enjoy the same terms as those from other trade partners. It will allow import of most goods from the country instead of just a handful of items. Granting of MFN status has the potential to raise bilateral trade from $2.6 billion to $6-8 billion in a few years and reduce costs as many goods are routed via third countries such as Dubai to disguise the origin. Without restrictions, several goods can be delivered by road. Commerce and Industry Minister Anand Sharma said the move to grant MFN status to India will herald a "paradigm shift" in bilateral relations. Pak garment exporters support move.Top industry chambers are already talking of the next step: Allowing bilateral investments and eventually creating an integrated South Asian market that will also include Colombo and Dhaka. Garment exporters in Pakistan have strongly supported the move saying it would help them get a foothold in the fast-growing Indian market. An agency report said that Pakistan may also import electricity from India to help ease severe shortages that disrupt power supply for 10 hours a day, causing widespread resentment. Pakistan's government faced resistance from opposition and militant groups, which wanted the two countries to resolve the Kashmir issue before boosting trade. But business groups and top officials pressed for the move that is expected to improve relationswhich had hit a low after the Mumbai attacks. Agency reports said some ministers had voiced concerns but the decision was taken unanimously after discussing several issues. The Indian government welcomed the decision. "Just now Pakistani Commerce Minister Makhdoom Faheem has spoken to me and confirmed that the Pakistan cabinet has decided to grant MFN status to India. We deeply appreciate this positive gesture which underscores with clarity the wish of both countries to bring about a paradigm shift in mutual relations," Anand Sharma said in a statement. India is now expected to reciprocate by liberalising visa norms for business visitors. The home ministries from both countries are discussing allowing grant of multiple entry visas to businessmen to morethan one destination. With the new arrangement, Pakistan will allow imports of all items except a small negative list, replacing the current trade regime where Islamabad allows imports of just 1,933 items contained in its "positive list" with India. Pakistan allows import of more than 6,000 products from other countries. The issue of grant of MFN status by Pakistan to India as mandated by the World Trade Organisation has been hanging fire since 1996 when India had accorded the status to its neighbour. Pakistan, however, refused to oblige linking the issue to the Kashmir problem. Under the South Asia free trade agreement or Safta, implemented by both India and Pakistan recently as part of the Saarc group of countries, Pakistan is under additional obligation of not only allowing import of all items from India but at favourable terms agreed to under the pact except for those products contained in the negative list. After resisting all attempts for one and a half decades, economic compulsions and pressure from the domestic business community that would benefit from increased trade with India finally convinced Pakistan to delink MFN from the Kashmir issue this year during the commerce secretaries meeting. "Today's development is thrilling but not completely surprising as Pakistan had agreed in principle to give India the MFN status when commerce secretaries met in Islamabad this year. But nobody was sure how long it would take," said Nisha Taneja from Icrier, an expert on India-Pakistan trade relations. The devil, however, lies in the details. "We have to see whether Pakistan means MFN under Safta or just a switch over from a positive list to a negative list. Once the nitty-gritty are sorted out, we will know how much we will actually gain," Taneja said.Despite everything, the decision is a very positive one which needs to be celebrated, Taneja added. The Indian industry, as expected, has welcomed the decision taken by the Pakistani cabinet. Trade body Ficci said the development will mark a beginning of a new era in South Asian economic and commercial relations. Pakistani media has quoted Pakistan's Readymade Garments Manufacturers & Exporters Association (PRGMEA), Shehzad Salim as supporting the move. "Granting MFN to India is an economic issue by virtue of which we can gain a foothold into one of the fastest growing markets in the world. This step can bring millions of rupees to the

exchequer in terms of additional export revenues and bring about job opportunities to thousands of unemployed youth of Pakistan," Salim was quoted as saying.

[Back to top]

MFN status to India: Pakistan may gain from shorter negative list

Sidhartha, TNN

Nov 3, 2011, New Delhi: Pakistan may have just opened the doors for further improvement in trade relations with India with commerce minister Anand Sharma on Wednesday indicating that the government was looking to allow freer imports by pruning the negative list of products under the South Asia Free Trade Agreement.This will mean that there will be fewer products in which trading will be restricted."We will consider a smaller negative list for developing countries," Sharma said. Trade experts said the move will essentially benefit export from across the western border since Pakistan, Sri Lanka and Maldives are developing country members under Safta. Sri Lanka has a free trade agreement with India, which entitles it to a more liberal regime, and Maldives also enjoys special benefits. "So, whatever benefit will be offered will essentially accrue to Pakistan," said a trade analyst.Apart from Pakistan, Sri Lanka and Maldives, three other signatories of Safta ---Bangladesh, Nepal and Bhutan --are treated as least developed countries and enjoy special treatment, while Afghanistan is a new entrant. On October 21, TOI had reported that New Delhi planned to offer preferential access to textiles and other goods from across the border if Pakistan granted MFN status to India. While pruning the negative list may have to wait for a few months, India and Pakistan are expected to finalise easier business visa rules later this month which will enable businessmen to enjoy longer duration stays, multiple entry and access to more cities. Commerce secretaries from the two sides are scheduled to meet this month, and Sharma, who was expected to go to Pakistan in February to attend the next meeting of Safta, may lead a business delegation soon, officials said.

[Back to top]

‘MFN is our right under WTO'

G. Srinivasan, Frontline

Interview with Union Commerce Secretary Rahul Khullar.

Commerce Secretary Rahul Khullar is the chief negotiator with trading partners, at the official level. “We should be able to move forward,” he told Frontline in this interview following the confusion over Pakistan granting MFN status to India. Excerpts:Can you explain the MFN issue and why India could not get this from Pakistan when it had granted the same to Pakistan in 1995? MFN is a right available to us from the WTO principle of non-discrimination in trade. Currently Pakistan uses a positive list approach, which means only so many goods can be exported, and this is clearly in breach of the principle of MFN enshrined in the WTO. We have been arguing with them that what is India's natural right under WTO laws should be given to us. The loss to India and to Pakistan is twofold. From our perspective, the very fact that we are not allowed to export certain goods goes against the principle of non-discrimination in trade and almost singles India out for discriminatory action. Equally, it is not that trade does not take place –it takes place through a third country, which means it goes to the Gulf [countries] or wherever [and] from there to Pakistan. In the end, Pakistan ends up paying higher prices for the goods because there is no direct transaction. How can that possibly do any good to Pakistan? The moment you do this sort of trade through an intermediary you add on transport cost, which is otherwise unnecessary. For instance, it is cheaper to ship the same goods from here to Karachi instead of going via Dubai, or it is easier to send goods through the Wagah border rather than to ship or airfreight them to Dubai and from there to Karachi. This means the consumer in Pakistan ends up paying higher transport cost and the intermediary profit margin. What is the official and informal bilateral trade flow? How does the MFN status make any difference? The formal bilateral trade is $2.5 to 3 billion, while informal trade is at least twice that amount. The latter is legitimate trade going from here to an entrepot centre and from there being routed to Pakistan. So, combining official trade and the trade routed through Dubai, the bilateral trade now stands at $8 billion. When you are an MFN, the $5 billion is not going to go through Dubai but directly to Pakistan. In a sense, official trade to Dubai will go less by $5 billion. So there is no difference. But the real gain will come from the fact that many people who are not able to export because of the positive list approach will be able to do now, and that will benefit them. Is Pakistan's carping on non-tariff barriers (NTB) by India genuine? How will MFN status help solve this irritant on both sides? I think it is more a perceptional issue. I suspect that their main concern is not NTBs but tariff barriers. For instance, Pakistan would like to export textiles to India. There are no NTBs but there are tariff barriers preventing textile exports. These tariffs are fixed in terms of specific rates and they tend to be high. So what they are seeking is concession on these tariffs. The real point is that Pakistan needs to move in two different stages. First, it must accept the principle that MFN is the right of all WTO members and if it gives the benefits to all WTO members, why not to India? In the MFN system there is no such positive/negative list and all items are tradable. The tariffs at which they are traded are MFN tariffs. The second stage is the derogations from MFN, which are legitimate under the WTO's regional trading arrangements (RTAs). Here you can make trade even freer and more open than the MFN trade by entering into a bilateral agreement where you offer tariff concessions. Should Pakistan be willing to do that at a later stage, it will be possible for us to consider bilaterally. If Pakistan wants to join SAFTA [SAARC preferential trading arrangement] and honour its commitments under SAFTA, then it can consider availing [itself] of the concessions we give to other members of the grouping. So Pakistan should grant MFN status to India and then seek concessions on tariffs. Just as we extended to Bangladesh zero-tariff concessions on textile items recently, at some point of time these matters can get sorted out through negotiations. I don't think these are NTBs. There was some concern about licensing and standards for export of cement from Pakistan, but many of those issues have been sorted out. I told my counterpart in Pakistan that if they gave lists of sector-specific NTBs they wanted us to address, we would gladly address them.

[Back to top]

'Both India, Pak normalising trade arrangement'

Nayanima Basu, Business Standard

Q&A: Zafar Mahmood, Commerce Secretary, Pakistan

New Delhi November 15, 2011: The government of Pakistan is moving steadily to normalise trade relations with India, including doing away with any 'negative list' for products, its commerce secretary, Zafar Mahmood, assures Nayanima Basu. Edited excerpts: This was your second meeting with commerce secretary Rahul Khullar after the breakthrough meeting in April in Islamabad. How was today's meet? We discussed all issues on normalisation of the trade process. We briefed the Indian side about the steps being taken in Pakistan to do so. The Indian side was fully supportive, they showed understanding and demonstrated confidence in the process we have undertaken. We are working on certain timelines, with mutual content. On what matters have you fixed timelines? Various issues we'd discussed earlier, such as trade in electricity, in petroleum goods, opening of bank branches. For everything we want a timeline, because we will review the progress and then we will move forward to the next thing in the agenda. What about MFN? Could you clear the air on this? We briefed the (Pak) Cabinet about the trade normalisation process, which is ongoing. MFN (most-favoured-nation trade status) is not a certificate or a degree awarded to one country by the other. By simply being co-signatory to the World Trade Organisation (WTO) and GATT before that, we are automatically obligated in adopting MFN. India and Pakistan were not observing MFN for each other from 1965 till 1995. Both were not compliant with GATT and then WTO. India did away with the positive list from 1995, but we are still continuing because the businessmen of Pakistan were concerned that India was adopting restrictive practices by having a non-tariff barrier. The atmosphere was not right. Now, through this trade liberalisation process, we are moving in a direction in which there will be no list and there will be trade on MFN basis. We will do this gradually, after we eventually phase out the negative list by next year. When are you doing away with the negative list? We will phase out the negative list completely. We are following two tracks. In the first, we are having a positive list of 1,946 items for trade with India. In this, we added 12 items this year. We are now replacing the positive list with a negative list, which will be much smaller, containing fewer items. I hope we will be able to take this to our Cabinet by end-January or the beginning of February.How many items in the negative list before you phase it out completely?We don't know at this time. We are talking to stakeholders, with their own wish list. There are about 8,000 tariff lines being traded. Of these, less than 200 items are importable from India at the moment. When we replace this list, a massive range of items will be importable, almost everything under the sun, except those included in the negative list. We intend to phase out this negative list over a period of time, as it is under WTO obligation.What about the sensitive list under Safta (South Asian Free Trade Area)?This comes under a preferential trading arrangement under Safta, applicable to products other than those in the sensitive list. This is a no-go area for the preferential tariff regime. The effort on the part of all countries under Safta is to reduce the sensitive list. We reduced it by 20 per cent this month, through the Cabinet. We wanted to demonstrate our commitment to the SAFTA members. We are hoping to reduce it further.How is the progress on a liberal business visa regime?The home ministry of India and the interior ministry of Pakistan have done a good job. Their new agreement on this issue is a substantial improvement over the previous deal. However, there is some scope for improvement. I have requested the secretary of (our) interior ministry to further improve the conditions of visas. They will take it up with the Indian home ministry. After signing the agreement, which is in the process, both sides will be taking up the matter with their Cabinets. It is now not a matter of months, but weeks. When do you see trade over the Wagah-Attari route getting normalised, as we have already crossed the deadline of October on opening the second gate? We will open the second gate soon and we will allow trade for longer hours. We hope the infrastructure on both sides would be ready by February. This will bring a sea change in our trading arrangement and would benefit the up-country industry. When do we see movement in a Preferential Trade Agreement, which both Prime Ministers discussed during the recent Saarc summit? PTA is a step above the normal trading arrangement. At this moment, we are concentrating on normalising this (latter) arrangement. Under Safta, we have a track for a PTA and that would come into operation once our trade gets normalised with India.

[Back to top]

Pakistan army on board trade liberalisation with India

Jyoti Malhotra, Business Standard

New Delhi November 21, 2011: Commerce minister Anand Sharma will travel to Pakistan in mid-February next year to take forward the already underway normalisation process, with Islamabad promising the most favoured nation (MFN) status to India and both sides promising last week to end their decades-old animosity by moving from a positive to a negative trading list like the rest of the world. Sharma's visit, with a large delegation of Indian businessmen, will coincide with the decimation of the so-called "positive list" of 1,946 items at present —only these items can be traded between the two countries —and the creation of a "negative" list, which throws open all the bilateral trade except for the items on that list. The fact is that Prime Minister Manmohan Singh has not only managed to leverage the distractedness of the political class over 2G and other scandals at home by employing political will to break down barriers with India's most intractable neighbour, but has also managed to insulate trade and economics from hugely contentious and emotional issues like terrorism and action against the Mumbai attacks accused. In the second decade of the 21st century, economics is politics. That is why, when the home secretaries of India and Pakistan meet next month, they will agree to significantly liberalise the anachronistic visa regime between the two countries. In pursuit of the long-honoured dictum that time is money —and India-Pakistan are proof of the exception, considering both have frittered away 64 years on war, proxy war and mutual recrimination —the liberalised visa regime is being targeted at businessmen from both sides, who will now be able to avail multi-city and multi-entry visas, also exempt from police reporting. It can now be confirmed that Pakistani businessmen have had huge influence in persuading their government, as well as the all-powerful army, to end the linkage between improving trade with India and talks on Kashmir. Significantly, the Pakistan army, which dominates the decision-making process and has taken charge of foreign policy towards India and the US, is on board the trade liberalisation process with India.

In fact, a huge concession was also made last week when trade across the Line of Control in Kashmir was increased from two to four days, even as for the time being, the same 21 items can be traded as those enumerated in 2005.A card-carrying member of Pakistan's elite with close Army links said on the condition of anonymity, "The Pakistani army has watched, with some concern, as Pakistan's macro-economic indicators have dropped and India has managed to sustain its economic performance despite a worldwide recession.""The Generals in the Army can see that if this goes on for much longer, the disparity between India and Pakistan will be unbridgeable," the observer added.No wonder that at the commerce secretary-level talks between Rahul Khullar and Zafar Mahmood last week, an unnamed representative of the National Logistics Cell (NLC) in Lahore was present. Now, although Wikipedia describes the NLC as the "crisis management arm of the Pakistan government in relation to logistics emergencies," and is headed by Major-General Junaid Rehmat since June 2010, it is widely rumoured to be a sister organisation of the Pakistan Army and the ISI. In fact, the NLC has already cornered 100 acres on the Pakistan side of the Wagah-Attari border where the integrated check-post is in the final stages of being built. When it is ready in a couple of months, it will be a state-of-the-art facility, where Pakistani and Indian trucks bearing fresh produce and goods like cement and textiles —items that Pakistan is desperate to trade with India —will be able to drive in, offload their goods and then drive back into their own countries. Certainly, the Pakistan army's willingness to allow the Yousaf Raza Gilani-Asif Ali Zardari government in power to normalize trade and economic relations with India is, for the moment, limited to this sector.

But, a recapitulation of the unfolding story, behind the scenes, from speaking to officials and policy observers on both sides, reveals a fascinating mix of power play and national interest.

Over the last few months, commerce ministers Anand Sharma and Makhdoom Amin Fahim and commerce secretaries, Rahul Khullar and Zafar Mahmood drove the process, naturally coordinating with those in the highest echelons of power —in Pakistan, with Gilani and Zardari as well as Army chief Ashfaq Kayani, and in India, with prime minister Manmohan Singh, national security advisor Shivshanker Menon and the PM's AfPak envoy, Satinder Lambah. In the wake of the deteriorating relationship with the US, the Pakistani leadership's realisation that, in effect, it had no option but to open channels with India, was ironically underlined by the fact that Pakistani businessmen were telling US officials they were "very, very eager" to rebuild the economic relationship with India. To Delhi's credit, it never publicly revealed Pakistan's economic desperation. However, Delhi also realized the process would not go anywhere if it did not drop its own non-tariff barriers that were cause of legitimate complaint within Pakistan and help save the latter's face. These NTBs include the compulsory certification of Pakistani cement, opacity of sanitary and phyto-sanitary concerns, testing and packaging of food products, customs and valuation procedures and most important, testing for the use of azodyes —a dye banned in India and Pakistan —in Pakistani textiles, as well as marking and labeling requirements in Pakistani ready-made garments. There was also the matter of Pakistan acceding to the Safta preferential trading regime vis-à-vis India, which it had refused to do so far because of its hostile relationship with Delhi. But, under the sunny sun in the Maldives 10 days ago, Gilani promised Pakistani would abide by its commitments. Last week in Delhi, Pakistan's commerce secretary reiterated Islamabad's decision, saying the mandate for "full normalisation of bilateral trade relations" would be accompanied by its "meeting of all legal obligations."In other words, by February 2012, the "positive list" would give way to the "negative list". By November-December 2012, the "negative list", which allows trade at MFN tariffs, would give way to "preferential trade" where all goods could be traded —some at MFN tariff, and some even below MFN tariffs. Aware that the breakthrough represented not only a huge increase in trade–from $7.5 billion at present ($2.5 billion official trade and $5 billion via Dubai) to $11 billion by 2012-end —officials from both sides said they were savouring the historical moment. "After all, it isn't every day that India and Pakistan agree that they should at last become normal nations," they said.

[Back to top]

India, Pak to start power, petro trade

The Times of India

2 January 2012, NEW DELHI: India and Pakistan are strengthening business links in 2012, with the stage set to start trading in electricity and petroleum products. Officials from the two countries have decided to trade in electricity through a specially-built high voltage direct current link between Amritsar and Lahore. The plan is to transfer 500MW through the Punjab border with the tariff linked to the market rate.The proposal is awaiting a clearance from the defence ministry before an agreement is signed. In addition, talks will start in the second week of January on a 200-km pipeline originating from the Bathinda refinery to move surplus diesel from India to Pakistan. Sources said discussions at the commerce secretary level have taken place, and now specialists from the two countries would thrash out the details, when a delegation from across the border visits the country.The Guru Gobind Singh Refinery Project —being jointly built by Hindustan Petroleum and LN Mittal's Mittal Energy Investment Pvt Ltd Singapore—is expected to go on stream shortly and add to the country's surplus refining capacity. In contrast, Pakistan faces scarcity and will have quicker access to fuel. Officials said that HPCL-Mittal Energy will gain as the cost of transporting fuel through a pipeline will work out be much less than shipping it. The contours of the deal are expected to be finalized over the next few weeks, and may be announced when commerce and industry minister Anand Sharma visits Pakistan in mid-February with a business delegation. Apart from minister-level and business-to-business talks, the government has also lined up an India Show to strengthen the recent bonhomie on the trade front. In February, the Pakistani side is expected to end the present system of allowing trade in only around 2,000 products and replace the positive list with a negative list. India is pushing for a small negative list of around 200 items where trade will be restricted. By October even this list is going to be phased out, and Pakistan will move to a World Trade Organization-compliant mechanism and grant Most Favoured Nation (MFN) to India, almost 16 years after New Delhi granted the benefit to Islamabad.

[Back to top]

Sharma invited to Pakistan to sign 3 trade liberalising pacts

Rezaul H Laskar, PTI

Islamabad, January 11, 2012: Indian Commerce Minister Anand Sharma has been invited to Pakistan next month to sign three agreements removing non-tariff barriers in bilateral trade, according to a media report today. "We have extended a formal invitation to the Indian Commerce Minister through the Pakistani High Commission in India," an unnamed official was quoted as saying by the Dawn newspaper. The official was speaking after the Special Parliamentary Committee on Kashmir was briefed yesterday on trade liberalisation with India. Signing of the proposed agreements on customs cooperation, mutual recognition and redressing grievances is expected to remove all tariff and non-tariff barriers that hinder Pakistani exports to India, the report said.

The Indian government has been asked to get approval from relevant departments for signing these agreements during the minister's visit, Commerce Secretary Zafar Mahmood said during an in-camera briefing for the parliamentary panel, the report said. The chairman of the Special Parliamentary Committee on Kashmir, Jamiat Ulema-e-Islam leader Fazlur Rehman, had sought a briefing by the Commerce Ministry on the issue of granting India Most Favoured Nation-status. The meeting discussed Pakistan's move to change its trade regime from a positive list to a negative list as part of the liberalisation process. Trade of items in the negative list will no
t be allowed. Pakistani industry has proposed 1,000 items for the negative list, the Commerce Secretary said. The list is expected to be finalised early next month.

[Back to top]

India considering proposal to export fuel products to Pak

Reuters

25 Jan, 2012, New Delhi: India is examining a proposal to export petroleum products and gasoline to neighbouring Pakistan, its oil minister, S. Jaipal Reddy, said on Wednesday. Reddy said details of the proposal would be finalised in a few weeks. Pakistan currently bans imports of Indian petrol. It allowed diesel imports from India in 2009, but no Indian supplies were sent in the face of preferential prices offered by Pakistan's allies such as Kuwait. If imports are allowed by Pakistan then it could bring a new market for Indian refiners such as Reliance Industries and Essar Oil.

[Back to top]

Doing Business with Pakistan

P. Vaidyanathan Iyer, Indian Express

Feb 12: Not many may know, but one of the two Ms in the $14.4-billion M&M or Mahindra Group once stood for 'Mohammed'. In 1945, the Mahindra brothers (JC and KC) and Lahore-born Malik Ghulam Mohammed jointly set up a steel company in Mumbai called Mahindra & Mohammed. After Pakistan was born, Mohammed migrated to become the country's first finance minister. Later, he wielded enormous clout as Pakistan's third Governor-General in 1951.

"Though the Mahindra Group has no business ties with Pakistan now, the fact that one of its partners was from Pakistan will forever remain a part of Mahindra's history," says Arun Nanda, who spent 36 years with the group and retired as Executive Director in April 2010.Nanda, who is still associated with the Mahindra group in non-executive positions, has personal moorings that take him up north to Rawalpindi. "My parents were born near Rawalpindi. I have friends across the border," h
e says. On Monday morning, he will accompany Commerce and Industry Minister Anand Sharma to Lahore in Pakistan through the Wagah border by road. "I have several personal agendas," he says, making a convincing case for India to be more than generous in dealing with neighbours, especially Pakistan, and keeping business devoid of politics.

India-Pakistan Trade

Lahore is hardly a 40-minute drive from Amritsar. Logically, India, given its phenomenal market size, should be Pakistan's largest export destination.Far from it. Despite its proximity, Pakistan does not figure even among India's top 50 suppliers. It stands way behind at 67, accounting for less than 0.1per cent of India's total imports. India's imports stood at $350 billion in 2010-11, of which Pakistan accounted for goods worth less than $350 million. On the other hand, India sold merchandise worth $2.33 billion in 2010-11, and ranked amongst the top 10 suppliers to Pakistan. With a 4.2 per cent share in Pakistan's total imports of roughly $55 billion in 2010-11, India was the eighth largest supplier to its neighbour. Pakistan, not surprisingly, sees a bias not just in the balance of trade, but also in India's trading practices."The business community in Karachi wants a level playing field. There are many tariff and non-tariff barriers that limit exports from Pakistan. Practices that are followed on the ground are not documented many times," says Amin Hashwani, vice-chairman of the well-diversified Hashwani Group, with interests in textiles, rice and mineral exports and real estate, besides owning two Marriott hotels in Karachi and Islamabad.

Barriers to trade have held back even big business groups such as Hashwani from increasing their business engagement with India. To illustrate a point, Hashwani claims, samples are withdrawn from consignments for testing with no results for over a month. Companies end up paying significant demurrage charges. "Recently, my consignment was detained at Nhava Sheva (Maharashtra) by Indian Customs intelligence. Finally,I had to abandon it and get the stuff auctioned," he says. Smaller companies cannot bear such charges and never explore opportunities.

Officials in the Pakistan High Commission in New Delhi cite specific instances that businesses in Karachi and Islamabad have complained about. India's tariff, for instance, on certain textile items is taken as the higher of the two—a specific duty or the ad valorem rate. When prices increase, the actual duty paid based on the ad valorem rate turns out to be significantly higher than the specific duty. "So, they end up paying much more in taxes," says an official. Other countries in the region, Bangladesh and Sri Lanka, do not face this compounded tariff structure. In the case of chemicals, the quality control standards arequite rigorous. Certain dyes are not allowed because India does not accept certification that the dye makers obtain from laboratories in Pakistan. Commerce Secretary Rahul Khullar says the Pakistan trade's biggest grouse is that New Delhi imposes very high tariffs on textiles and this prevents market access. "Almost 80 per cent of their export basket is textiles. So it hurts," he says. Officials in the department of commerce say the biggest boost to trade ties will come after

Pakistan grants India the Most Favoured Nation status it has committed to. Under MFN, Pakistan will accord India the same treatment as it extends to its other partner countries. “This will open up trade fully, except for a small negative list,” says an official in thedepartment. In the same breath, Indian government officials say New Delhi does not impose any geography-specific restrictions to trade. Biswajit Dhar, Director General, Research and Information System for Developing Countries, a leading trade think-tank in New Delhi, says, “Pakistani businessmen have been saying this in several forums.

There are non-tariff barriers, but we are surely not putting these deliberately. They are the same for all. If the MFN issue is taken care of, there will be interest on the part of Indian businesses to look beyond.”

An Attack and A Freeze

After the December 2001 attack on Parliament, India’s relations with Pakistan again went into deep freeze. In April 2003, then prime minister Atal Bihari Vajpayee took a baby step by stating he would try to normalise relations with the neighbour on the basis of “trust and sincerity”. It was around this time that business leaders from both sides engaged in Track II diplomacy. It was the beginning of another fresh attempt to bring about a thaw in relations.

New Delhi was host to an unusual event on Sunday, September 14, 2003. A group of top CEOs from Pakistan and the big guns from corporate India were huddled at Taj Mansingh for a candid discussion on their impressions about, and expectations from, each other. To make it more focused, Boston Consulting Group’s India CEO Arun Maira, who is now Planning Commission Member, was entrusted with the job of moderating the discussion.A top Indian CEO began saying, “For us, you are like our younger brothers. You are always a part of us.” Words said in good faith, but by saying this, he unwittingly called for trouble. A Pakistani businessman immediately stood up and said: “This is what is not acceptable. We are a separate country and you must understand that you have to treat us as equals.” Names are being withheld deliberately.Maira remembers how he steered the discussion that Sunday. “I said, let a group specifically discuss this perception since the Pakistani businessmen are saying it is a fundamental issue that affects business,” he recalls.Sunil Munjal, whose family migrated from Kamalia (Faislabad) and settled in Ludhiana to start a cycle factory, was also present during the discussion at Taj Mansingh. Do Pakistani businessmen still feel the same way? “I am not sure if I can give a definite response,” he says, before adding that India must go out of its way to improve trade ties. “But we should not sound condescending while we do this,” he says. Indeed, India needs to realise that when it comes to identities, the size of the country or its economy does not matter. Slowly and steadily, the talks gained momentum and in January 2005, Sunil Munjal, then president of the Confederation of Indian Industry, led a delegation that included Arun Maira, Hari Bhartia, Arun Bharat Ram and Sunil Mittal, among others, to Pakistan where they met President Pervez Musharraf and the prime minister too.Then came general elections in May 2004 and India had a new Congress-led coalition at the Centre. Over the next couple of years, the two countries hardly travelled any meaningful distance. Then came the Mumbai attack in November 2008 and ties deteriorated further. But what is surprising is civil society and people-to-people contacts have withstood the test of times.

“People-to-people contacts, I have to say, are splendid,” says Rajan Mittal, who will be in Lahore on Monday as part of the Indian delegation. This is a unanimous sentiment on both sides. “The average person on the street goes out of way to help you, especially if he knows you are from India,” adds Munjal. February 13, 2012 & Ahead As Anand Sharma walks into Lahore on Monday, he may be guided by what trade experts and Corporate India strongly recommends. “There is a strong case for unilateral liberalisation on India’s part. The kind of goodwill this will generate is enormous,” says India’s leading trade economist Biswajit Dhar. After all, how much can exports from Pakistan or Bangladesh threaten India? Today, if the bilateral trade is about $2.5 billion, goods routed to Pakistan through Dubai or UAE is estimated to be as high as $6 billion. By opening up to Pakistan, New Delhi will also silence a lot of critics who claim India plays the Big Brother. Amin Hashwani says civil society interaction, people-to-people contacts through a easier visa regime and increased business ties, are low-hanging fruits that need to be plucked now. This will bring traction to more serious dialogue on all pending issues, including Kashmir."Some contentious issues don't look so contentious then," Hashwani points out. While he admits that it is possible that words used with the best of intentions can be misconstrued during stressful times, he also says India must not stoke the feeling of insecurity of a country smaller in size. Business cannot be devoid of politics perhaps, but successful trade interests are the best wedges we have to serve the larger political interests.

[Back to top]

Pakistan promises negative list in a few days, to keep word on MFN too

Amiti Sen, ET Bureau

Feb 16, 2012, ISLAMABAD: In a big breakthrough in bilateral trade talks, Pakistan has said it will adhere to the timeline for announcing a short negative list by February and give India the most favoured nation status by the end of the year, even as the country's Cabinet could not pass a resolution on the issue on Tuesday. This will mean that Pakistan will soon allow imports of all goods from India except those mentioned on the negative list that expected to contain around 700 items. In a joint statement issued by the two commerce ministers following the bilateral talks, Pakistan said that it will switch over from the restrictive positive list regime to a negative list this month, but a timeline for phasing out the negative list will be announced later."It is expected that the phasing out will be completed before the end of 2012," the joint statement said.It is likely that the key items of interest to India, such as automobiles, pharmaceuticals, textiles and machinery, will be on the negative list and continue to face ban till the time Pakistan gives a MFN status to India."The two commerce secretaries are discussing negative list. We expect to reach some conclusion by February end. I don't think there will be any problem," Pakistan Trade Minister Makhdoom Amin Fahim said at a press conference.Fahim had admitted on Wednesday morning that some ministries in Pakistan had raised issues on the size of the negative list, but had said the matter would be resolved soon.Pakistan allows import of just 1963 items from India included in a positive list, but had promised to move to a negative list regime by February this year. Earlier in the day Anand Sharma said Indian banks will open branches in Pakistan once the two countries put all modalities in place to liberalise the sector."The Reserve Bank of India has invited a team from the Central Bank of Pakistan to visit New Delhi in first week of March for next round of talks on allowing banks to open branches in the other country," commerce and industry minister Anand Sharma told reporters after his meeting with Pak counterpart."Indian banks will definitely open branches when an agreement is reached," he added.

The two sides on Wednesday signed three initial trade related agreements --customs cooperation agreement, a grievance rederessal mechanism and an agreement for mutual recognition of quality certifications --in Islamabad on Wednesday which will be implemented once ratified by India's Union Cabinet. Both sides have also decided to expedite revision of visa rules that would ease the highly restricted movement of business people between the two countries and increase business opportunities.

[Back to top]

India and Pakistan to go in for a liberal new visa regime

Sujay Mehdudia, Hindu

16 February: In what could prove to be a historic step in removing the atmosphere of animosity between India and Pakistan and promoting peace and people-to-people exchange, both countries have agreed to completely revise the 1974 Bilateral Visa Agreement and put in place a liberal visa regime shortly for all categories of people, especially businessmen, as part of the Confidence Building Measures (CBMs) aimed to promote peace in the region.

Briefing visiting Indian journalists after his bilateral meeting with his Pakistan counterpart, Makhdoom Amin Fahim, Commerce and Industry Minister Anand Sharma on Wednesday said both countries had exchanged drafts on the new visa regime which were now pending necessary approvals from the respective governments. These drafts have been prepared after the report of the Joint Working Group set up in March 2011, consisting of officials from the Home and Commerce Ministries.“Both the countries are now moving forward. The 1974 visa regime will be phased out. Not only a liberal visa regime for the businessmen will be put in place but also the common man will be the beneficiary of the new liberal regime. There will be new systems in place for different categories of people but I cannot announce the details till they are approved from both sides. But I must state that the Inter-Ministerial consultations have been done and suggestions have been made. We are now in the final stages of giving shape to the new regime which should be in place shortly,” Mr. Sharma said.Asked if the visa liberalisation would also be in place for the common man, Mr. Sharma said it would take into account all categories, which included the common man. “Under the new regime for businessmen, which will allow them multiple visas and entries into each other's country, the government would appoint two apex business chambers which would endorse the visa documents of the businessmen who require multiple visas. Based on that, visa would be issued to the concerned businessmen. In India, FICCI [Federation of Indian Chambers of Commerce and Industry] and CII [Confederation of Indian Industry] had been designated as the nodal business chambers for this purpose and Pakistan will also appoint apex chambers.”Mr. Sharma said he had also been assured by his counterpart that a negative trade regime list would be put in place shortly. Similarly, Pakistan has assured that the Most Favoured Nation (MFN) status for India would be in place by the year-end. “We are also working on putting in place a regime that would work towards allowing foreign direct investment (FDI) in both countries.”

Mr. Sharma said India was committed to the adhering to the “Delhi roadmap” for taking definitive steps to normalise relations and trade with Pakistan. He also indicated that the issue of “negative list” trade by Pakistan would be resolved within the government soon and hopefully an announcement would be made within this month on the issue. “The people and the business leaders on both sides are eagerly awaiting these historic steps and we have a responsibility towards fulfilling their aspirations towards bringing the peopleof the two countries together in the interest of peace and prosperity in the region,” he said.

[Back to top]

Pak may be allowed to invest in India

Richa Mishra, Business Line (Hindu)

Islamabad, Feb 16: As a goodwill measure, India may allow investments from Pakistan into the country. Government sources said the Commerce Ministry has proposed to the Finance Ministry to exempt Pakistan from FEMA regulations. This is being seen as a move to strengthen bilateral economic relations between the two countries. The issue was also discussed during the three-day trade talks that ended on February 15. However, the buck on the subject stops with the Finance Ministry. The source said that this does not require an amendment to the Foreign Exchange Management Act (FEMA), but can be done by way of notification. Currently, Pakistan is the only country under this regulation.

Once the go-ahead comes, foreign direct investment (FDI) from Pakistan will be possible through the Foreign Investment Promotion Board (FIPB) route on case-to-case basis, the source added.

Asked whether the security issues would also be considered, the source said, the Home Ministry views are being taken into account. The Home Ministry's main concern was about security. On whether investments will be allowed through the automatic route, the source said, it will be based on the current mechanism, sector-specific and case-to-case basis by the FIPB. At present, the trade between India and Pakistan is tilted in favour of India.

[Back to top]

Anand Sharma welcomes Pakistan's transition from positive list to negative list regime for trade with India

Department of Commerce Press Release

29 Feb 2012, New Delhi: India has welcomed the decision of the Government of Pakistan to transition from a Positive List Regime to a small Negative List for trade with India. This development reaffirms the commitment of both Governments for trade normalization as per the roadmap drawn during the visit of Pakistan Commerce Minister from 26th September to 2nd October, 2011. There is reiteration of commitment that the negative list will be phased out by the end of this year. This will mark a dramatic shift in the lines that can be traded as now almost 90% items can be traded with Pakistan as opposed to 17% earlier. Welcoming the development, the Union Minister of Commerce, Industry and Textiles Shri Anand Sharma said "during my visit to Pakistan earlier this month, Prime Minister Gilani and Trade Minister Makhdoom Amin Fahim, had assured me that a final decision in the matter would be taken by end-February and I am happy that this has been achieved. We believe that strengthening economic engagement between India and Pakistan lies at the heart of building enduring peace and stability in this region. Flourishing trade is the biggest confidence building measure among any two nations. During my visit to Pakistan, I saw considerable enthusiasm in industry leaders and the trading community of both countries for deepening this engagement. We now need to continue the momentum of regular exchanges which we have started since mid-2011."Shri Sharma's visit to Pakistan from 13th to 16th February 2012 was first ever visit by the Commerce Minister of India for substantive bilateral meetings. Accompanied by more than hundred high power business delegates, this visit marked a historic moment for both the countries, when political leadership and the business communities extended unequivocal support for full normalization and preferential trading arrangements between the two countries. The Joint Statement by the two Ministers at the end of the visit noted "It has been agreed that Pakistan will move from a Positive List to a small Negative List by February 2012. The negative list is to be phased out; the timing for this will be announced in February 2012 at the time the list is notified. It is expected that the phasing out will be completed before the end of 2012."

[Back to top]

Punjab wishes transit route for Indian goods through Pakistan, Afghanistan after MFN

TNN

Mar 1, 2012, CHANDIGARH: Despite Pakistan deciding to grant Most Favoured Nation (MFN) status to India by the end of the year, Punjab is waiting for India to have a transit route through Pakistan and Afghanistan to get access to oil-rich Central Asia. Though transit route is one of the components of the WTO-mandated MFN status to all countries, yet giving transit routes by both India and Pakistan to each other is still seen with fingers crossed."Though transit is generally allowed with MFN, yet it may not be mandatory for both countries and Afghanistan is not even a member of WTO to abide by the WTO clause of a transit route," professor Sajal Mathur from Delhi-based Centre for WTO studies told a conference recently. His observation was supported by a Union government official close to international trade affairs, but in his private capacity. As of now there is no clarity as to if India will offer transit route for Pakistani goods to other countries and vice versa, knowledgeable sources said. If transit is allowed, Punjab will get back its pre-partition glory as access through the state will lead to higher tax collection, promotion of trade and even manufacturing to feed Pakistan, Afghanistan and entire central Asia that is witnessing double digit growth. Associate director of Delhi-based Rajiv Gandhi Institute for Contemporary Studies Dr PD Kaushik said if legal, illegal and third country trade is calculated, the figure of trade between India and Pakistan might touch 15 billion dollars. He said a big cost constraint is that only 14 items out of more than 6000 items can be traded through land route despite the fact that the cost to take a 20 feet container through land route is around 300 dollars as against more than 1000 dollars through the sea route. There is a market of around 100 billion dollars in Gulf Coordination Council (GCC) and Iran. It will go up to 500 billion dollar in future. Talks started a month back for a land route to Russia through Pakistan, Afghanistan, Iran, Central Asian countries and Caucasian sea with three countries having already signed agreements and more than a score already agreeing to be partner in the project. Countries except Pakistan and Afghanistan have already set in motion a process to tie several loose ends related to connectivity and customs. Pakistan and Afghanistan will be the last in this series. Dr Kaushik said with these routes becoming operational, Punjab will emerge a manufacturing hub for heavy machine tools, pharmaceuticals, agriculture implements and textiles. Gain through transit may compensate for the loss Punjab hosiery industry suffered post free trade agreements with Sri Lanka in early 1980s and Bangladesh recently. Both these countries have become big garment exporters at the cost of products from Ludhiana.

[Back to top]

Pak notifies negative list for trade with India

BS Reporter & PTI

New Delhi/ Islamabad Mar 22, 2012: The Pakistan government on Wednesday issued a notification for switching over to a negative list regime for trade with India, where the number of products facing a bar on import from the eastern neighbour will come down to 1,209.The Commerce Ministry in Islamabad issued a Statutory Regulatory Order for trade with New Delhi under the negative list regime, officials said. According to the notification, 1,209 items have been included in the negative list and will not be importable from India. Of the importable items from India, 137 products can be brought in from India through the Wagah land border crossing. Last month, Pakistan had announced that it would be shifting from a positive list regime to a smaller negative list for trade with India in order to normalise bilateral trading relations. This technically means that the moment Pakistan notifies the decision, India would be allowed to export the remaining around 6,000 items to Pakistan. Major items included in the list of items importable through Wagah are livestock, vegetables and newsprint in rolls or sheets. Manufacturers can import raw materials, except basic materials that are locally manufactured, and packing material needed for pharmaceutical products once they are approved by the Director General of Health, according to officials. The import of vaccines will be allowed only from Indian plants that have been approved by the World Health Organisation. For long, Pakistan had been complaining about several non-tariff barriers that India maintains on imports from that country. These included stringent tests, complex classification of codes, strict import licensing procedures and requirement of special labelling --all leading to delay and complex paperwork.Till now, Pakistan had been trading with India under a positive list regime that allowed the import of less than 2,000 items. The imported Indian products coming through other countries increased the cost of items in the local market, officials said.Finalising the negative list will help to formally start trade between both countries, which will be beneficial for the people of India and Pakistan, an official said. Pakistan has been also facing severe criticism from several jihadi groups such as Lashkar-e-Taiba and Hizb-ul-Mujahideen to grant India the MFN trade status. Another such outfit Jamaat-ud-Dawah has threatened large-scale protest on the Wagah border if trade with India is normalised. They insist on solving the dispute over Kashmir first and then discuss other issues with India. On its part, India had granted Pakistan an MFN status way back in 1996, but imports from the western neighbour have remained significantly low compared to vice-versa. According to the data by Ministry of Commerce and Industry, the last five years have seen imports from Pakistan having remained within the range of $250-$300 million. On the contrary, exports to Pakistan from India have more than doubled. In 2010-11, the India-Pakistan trade stood at $2.6 billion. Both sides have set a target of $6 billion worth of bilateral trade by 2014.

[Back to top]

Trade on the list

T S Vishwanath, Business Standard

Industry on both sides of the border must make the most of Islamabad's move to switch over to a negative list approach Mar 29, 2012: Trade between India and Pakistan is expected to get a big boost with Islamabad deciding to move towards a negative list for India. Estimates by trade associations show that the current $3-billion bilateral trade could see a four-fold increase in the next couple of years if the political climate remains conducive. Pakistan has till now been following a positive list approach for India, which means only items on that list could be exported to Pakistan from India. However, it has now decided to keep a negative list of about 1,200 items. This implies that all products, apart from those mentioned on the list, can now be exported from India to its western neighbour. This move is certainly a significant step towards removing barriers to bilateral trade. Moreover, what is really pertinent is that the current negative list put out by Islamabad may be completely phased out by the end of the year. The opening up of trade between the two countries has to now lead to greater bilateral investment from both sides. There is now a need for the two industries to look at how value chains can be built across the subcontinent. This would help strengthen the economies, build a large class of customers and also enhance people-to-people contact, which is crucial to keeping the momentum of trade high. Industry, on both sides of the border, strongly advocated this opening-up by Pakistan for many years. With the government now heeding to their request, it will be important to use this opportunity to build greater synergies between the two countries. To begin, industry may want to focus on a few products to boost bilateral engagement. Textiles and clothing as also processed food products offer a large scope for employment in the subcontinent and an equally large scope for greater cooperation. India has been laying special emphasis on the food processing industry to overcome wastage. Nearly 30 per cent of India’s fruit and vegetables are wasted for want of processing facilities. Cooperation in this sector across South Asia can help build a strong industry with the availability of a large intra-domestic market for products. On textiles and clothing, the two sides may need to work together to ensure that synergies are developed and a strong value is built that helps both countries increase their presence in global markets. The opening of the Pakistani market for Indian products comes at a time when India is growing its presence in global markets. The Economic Survey shows that international trade now accounts for nearly 53 per cent of the gross domestic product (GDP) compared to 37 per cent in 2004-05, pointing to increased integration with the global economy, which is not limited to the stock market and the banking system alone. In the past few years, the top 15 countries of interest to India for exports have changed substantially and the number of advanced nations on the list has been shrinking. Interestingly, the US has lost its top position and is now ranked third after the UAE and China. The economic slowdown in the US and the European Union has also driven this change in India’s export destinations.To capitalise on the opening-up, industry from the two nations will need to draw up an agenda for cooperation. The cooperation could be based on three main pillars. The first would be to capitalise on the bilateral free trade agreements in the two countries by looking to develop markets jointly for third country markets. Given the fact that India now has a free trade agreement with several trade partners, Pakistani industry could look at how their intermediate products could be sold in India for exports to third countries after meeting value-addition criteria. Second, there is a need for greater investment by industry on both sides. Though this would take time, there is a need for greater interaction between large industries on both the sides to help achieve this objective at the earliest. Third, the governments may have to look at other initiatives including the creation of free trade zones for industry in both countries to invest and export to third country markets. The ball is in the court of Pakistani and Indian industry to capitalise on this emerging opportunity that deeper political engagement between New Delhi and Islamabad has produced.

[Back to top]

Zardari for emulating India-China model for better ties

Sandeep Dikshit, Hindu

Combining high-level visits with trade has benefited New Delhi, Beijing

New Delhi, April 9: Ever since Pakistan agreed to take trade with India off the taboo list, senior officials here have been talking of following the India-China model of combining high-level visits with trade to improve New Delhi-Islamabad ties .But it was Pakistan President Asif Ali Zardari who brought this approach to the fore during the lunch hosted by Prime Minister Manmohan Singh on Sunday. Mr. Zardari said though India had several issues of discord with China, their trade ties were booming. He suggested that the India-China model could help improve the relations between India and Pakistan. High-level officials have been pointing out that more than action against Hafiz Saeed, this visit could begin the trend of top leaders meeting each other more frequently so that issues that appear to be getting nowhere in talks with bureaucrats —such as the stapled visa issue with China — could be resolved to reduce ill will.

Frequent interaction

As the officials noted, Prime Minister Manmohan Singh has met the present Chinese President and the Prime Minister over 20 times in the past five years and this pattern of frequent interaction has spilled over to senior Ministers and bureaucrats.This has led to the two countries putting in place several confidence-building and trust deficitreducing measures such as a joint mechanism to remove irritants in patrolling the contested sections of the border, coordinating the safe passage of their ships through piracy-prone waters and resolving to open dialogue on maritime issues.

Balance of trade

But officials agreed with Mr. Zardari that it was trade that provided the initial ballast to India-China ties and with a second round of economic strategic dialogue in the horizon, they are also on course to address the problem areas which, from the Indian point of view, are the skewed balance of trade in Beijing's favour and limited access of New Delhi's export mainstays —pharmaceuticals and Information and Technology.While he skipped mentioning the importance of high-level visits that help both sides appreciate the other's domestic compulsions, Mr. Zardari mentioned the third, equally important but underplayed aspect that has improved India-China ties —an incremental or 'step-by-step' approach for tackling contentious issues. This has been at work in normalising India-Pakistan trade but has not met Islamabad's expectations of resolving what it calls the core political issues — Kashmir, Siachen and Sir Creek. Before the two principals moved in for lunch, they spoke of need to step up the volume of trade by easing restrictions, some of which are over four decades-old. Although Pakistan insists that Kashmir is the core issue and the genesis of bad blood between the two countries, the Prime Minister appreciated the fact that Islamabad has moved forward on trade-related issues, according to Foreign Secretary Ranjan Mathai.

[Back to top]

Pakistan imports: Duty cut on 260 items in four months

Amiti Sen, Economic Times

April 13, 2012, NEW DELHI: India will honour its promise to Pakistan to reduce import duties on about 260 items within the next four months, a senior government official has said.Both countries are also ready with a new visa agreement that will allow business visitors a one year multiple entry visa for multiple cities. "Since Pakistan started its trade normalisation process with India in March, we will abide by our commitment of reducing our sensitive list by July-end," the official told ET. Pakistan commerce minister Makhdoom Amin Fahim will discuss the items where it wants duty cuts in his meeting with his Indian counterpart Anand Sharma on Friday.India had promised Pakistan that it would reduce its sensitive list of 865 items not given preferential market access under the South Asia free trade agreement by 30% within four months of Pakistan starting its trade normalisation process. Last month Pakistan switched over to a negative list allowing import of all items from India other than about 1,209 in the list which will be dismantled by the year-end.

[Back to top]

Easier visa regime may come before year-end: Makhdoom Amin Fahim, commerce minister of Pakistan

Amiti Sen, Economic Times

Pakistani commerce minister Makhdoom Amin Fahim says the impediments to trade are nothing more than speed-breakers on a highway and that Indo-Pak ties will get only stronger now. In an interview with ET, Fahim talks about the need to learn from the past and the role of army in the on-going trade negotiations.

Excerpts: April 16, 2012: What has led to the deepening of trade ties between Pakistan and India of late? We should realise that there is no use fighting with each other. Why should we not engage in a dialogue and move ahead? Trade is a binding force. We will move ahead in a lot of areas through trade. The remaining issues can also then get sorted out.Have the growing budget deficit and borrowings also changed the way Pakistan views its neighbours? Both countries have realised that trade can help move ahead in a way that it benefits both nations and people. Our priority is to improve the financial situation of both countries. It is like moving on a highway. You keep crossing speed breakers, but you ultimately reach your final point. How do you view India's decision to allow Pak investments? I must say the way Pakistan and India have started the process of dialogue is a very positive thing. We can come closer, resolve our issues and sort out future plans through dialogue. I think allowing FDI from Pakistan is a good initiative. We will definitely respond positively. How do you want India to reciprocate to the grant of MFN status by Pakistan? We have in principle decided to give the status of MFN to India. It is just a terminology of the WTO. The decision has to be implemented after negotiations with India. The two commerce secretaries will meet next month to discuss the issue. Once negotiations are completed, it will be formally announced. What are the areas that Pakistan would focus on in these discussions? I don't want to focus on one point. It is not advisable to keep one particular thing on top. Our talks are happening at the ministerial and official levels. Our experts are also meeting. They will take care of all issues. There is a conflict on duty-free access to textiles. What concessions do you want? In textiles, we want to be treated the same way as other neighbouring countries. It is true that textiles industry in both countries is strong. But so are the Pakistani and Indian cricket teams. But still they play the game. Sometimes one wins and sometimes the other. How liberal will the new business visa regime be and when will it be implemented? In principle, we have decided to give multiple-entry visa to businessmen but the final call will be that of the Indian home ministry and Pakistani interior ministry. Our target is to complete everything by end of year. We may reach a decision before time.Do the talks have the blessings of the Pakistani army? The Pakistani army is also Pakistani. So are the businessmen and people of the country. We are not separate. We are one. And our decisions are also one.

[Back to top]

Textile industry keen on FTA with Pakistan

Nayanima Basu & Sharleen D`Souza, Business Standard

Says both countries stand to benefit substantially however, issue yet to come up for formal talks

Mumbai, April 19, 2012: The country's textile industry is pushing the government to sign a free tradeagreement (FTA), or something close to that, with Pakistan. Facing a challenging time in its traditional European market, it is hoping to make up for the loss of business with fresh trade options in that country.An FTA with Pakistan is already a Prime Ministerial initiative. However, it faces issues and is yet to formally come up on the negotiation table. Both countries had agreed to establish a preferential trade agreement (PTA) during the first meeting between Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad last year. Under a PTA, the negotiating countries reduce their tariffs on a particular number of products from the level they maintain with other countries. However, unlike an FTA, a PTA does not slash or eliminate duties from a large number of tariff lines. The textile sector is looking forward to an FTA with Pakistan since it would help Indian industry to import superior quality cotton from Pakistan. A little over 90 per cent of India's cotton is genetically modified, popularly termed Bt cotton; this is medium staple. Finer quality is long staple and an FTA would enable India's yarn makers to import these from Pakistan. Also, export of articles, such as silk and embroidery garment, is expected to go up. "The apparel sector will benefit for sure if the agreement is signed with Pakistan," said Rahul Mehta, president of the Clothing Manufacturers Association of India. "FTA will be beneficial for both countries as there is good demand in Pakistan for Indian textiles," said A B Joshi, textile commissioner. It is expected that Pakistan would phase out the 'negative list' of imports with India by this December, which would automatically trigger a Most Favoured Nation status for trade. However, officials in the ministry of commerce and industry have said Pakistan might not phase out the list totally but do so gradually. In the negative list, Pakistan has put some of the main items of India's interest, such as textiles, pharmaceuticals and automobile components. However, the commitment from there is to have textiles as part of a liberalised trade regime. "It is a win-win situation for both countries, as the Pakistanis can sell their products easily to us and vice versa," said A Sakthivel, chairman of the Apparel Export Promotion Council. Establishing trust would help real business to grow between the countries, said an industry player. In October last year, the government had opened duty-free imports from Bangladesh for 48 textile items, which had a negative impact on the Indian textile sector; Bangladesh is not dependent on India for any kind of textile import. it would be different in the case of India and Pakistan, with both standing to benefit from the textile trade.

[Back to top]

A year on, India-Pakistan trade relations leapfrog

Nayanima Basu, Business Standard

New Delhi Apr 27, 2012: Saturday would mark the completion of a year of history being made in India-Pakistan trade relations. On April 28, 2011, both sides had issued an ambitious joint statement that vowed to improve trade ties between the neighbours, a move that had raised several eyebrows.The statement was issued after the fifth round of commercial and economic cooperation talks between India's Commerce Secretary Rahul Khullar and his Pakistani counterpart, Zafar Mahmood, in Islamabad. The talks were spearheaded by Commerce & Industry and Textiles Minister Anand Sharma and Pakistan Commerce Minister Makhdoom Amin Fahim, though the foundation was laid by Prime Minister Manmohan Singh and his counterpart, Yousuf Raza Gilani. The discussions had heralded a new future in bilateral economic relations.The statement had proposed some far-reaching and ambitious targets, which at that time seemed impossible to achieve, given the history of the two nuclear-armed neighbours. The proposals were strengthened by the successive visits of Fahim and Mahmood to India and Sharma's visit to Pakistan earlier this year. One of the primary proposals in the joint statement was Pakistan granting a trade status of most-favoured nation (MFN) to India to increase trade between the two. In November 2011, Pakistan's Cabinet gave an in-principle approval for 'trade normalisation' with India, and said the MFN status would be granted gradually. It was understood that when the MFN status would be granted, all items, excluding those in the South Asian Free Trade Agreement sensitive list, would get preferential access at the peak tariff level of five per cent by the end of 2012.

In March, Pakistan did away with the positive list with India completely, and introduced a negative list. So far, Pakistan had maintained a so-called 'positive list' for trading with India. This list accounted for 1,963 items it could import from India. However, now, it opened its markets to a much wider range of Indian goods, though it introduced a negative list of 1,209 items it couldn't import from India. As a result, India can now export more than 7,500 tariff lines to Pakistan. The move was hailed by business communities from both sides. Though it was initially planned that Pakistan would introduce the negative list by October 2011, the process was delayed, as India was not able to remove some non-tariff barriers it had promised, to increase the flow of Pakistani goods into Indian markets. Also, the Pakistan business community was apprehensive of domestic industry being hit by the flooding of Indian goods in that country. Another significant proposal in the joint statement was the relaxation of the visa rules for businessmen.

The joint working group set up for this purpose had finalised a proposal that would reduce the paperwork required to secure visas and do away with the mandatory police reporting for those visiting India for business purposes.The Ministry of Home Affairs has now approved a policy with two broad categories of criteria, based on which a Pakistani businessman can secure a single entry or multiple entries in a year. The home secretaries of both countries would meet by the end of next month, after which the new visa rules would be notified.The long-drawn proposal of opening bank branches in each other's territory has also made considerable progress. Officials from both central banks, the Reserve Bank of India and the State Bank of Pakistan, had recently met and finalised a deal to open banking outlets in each other's country, a move that would reduce transaction costs for exporters. Approvals of India's Department of Economic Affairs and the Department of Industrial Policy and Promotion and Pakistan's finance ministry are awaited.An integrated checkpost at the Wagah-Attari border was scheduled to be made operational by October 2011 to boost trade through the land route. However, it was opened earlier this month. As a result, trading hours would now be increased and infrastructure for large container vehicles would be set up.The checkpost at the border was opened days after Pakistan President Asif Ali Zardari visited India and held extensive discussions with Prime Minister Manmohan Singh. External Affairs Minister S M Krishna said both leaders discussed significant changes in economic relations. He added Prime Minister Singh had told Zardari to take strong action against terrorism to ensure a smooth bilateral relationship.In another significant step, India would soon allow foreign direct investment from Pakistan by amending the Foreign Exchange Management Act. Though the government has already given its in-principle nod to the proposal, the formalities are still being worked. The ministries of home, defence and finance, which had earlier expressed reservations on the move, are now on board and it is expected the Reserve Bank of India would notify the rules soon.Both countries have also agreed to try and increase bilateral trade from the current $2.7 billion a year to $6 billion by 2013-14.

[Back to top]

India ready to open more land border crossings: Sharat Sabharwal

Asha RaiAsha Rai, Economic Times

8 May, 2012, LAHORE: India is willing to look at opening more land border crossings with Pakistan, for instance, at places like Munnabao in Rajasthan, India's high commissioner to Pakistan Sharat Sabharwal said on Monday. He was addressing the inaugural session of the 2nd Aman Ki Asha Indo-Pak Economic Conference. At present, the Attari-Wagah post is the only land border transit point between the two nations. Later this month, home secretaries of the two countries are expected to sign on an agreement to liberalise the business visa regime. In the works are multiple entry visas, abolishing police check-posts and multi-city visas. These measures are expected to give a fillip to Indo-Pak trade, which today is languishing at below $3 billion. The Indian commerce ministry believes that trade between the two countries can touch $12 billion in the next five years, Sabharwal said. He reiterated commerce minister Anand Sharma's promise that "for every one step Pakistan takes, India will take two", to further trade between the neighbours. Delivering the keynote address, Pakistan Prime Minister Syed Yousaf Raza Gilani said core issues should be settled through dialogue and called for enhanced people-to-people contact. He said his government was committed to normalisation of relations. "Non-state actors from both sides of the border are determined to harm relations. We need to be vigilant. He said that in sectors like information technology, education, health engineering, there is huge scope for cooperation. He commended The Times of India and Pakistan's Jang Group for launching the Aman Ki Asha initiative when tensions were running high between the two nations. Speakers at the conference highlighted the fact that improved economic relations between India and Pakistan would lead to peace and prosperity. But a few delegates said they were worried that offering most favoured nation (MFN) status to India might result in highly skewed trade relations with the balance tilting in favour of India. These worries were addressed by Pakistan business leaders like Mian Muhammed Mansha, chairman, MCB Bank, and Bashir Ali Muhammed, chairman, Gul Ahmed Group. They were unequivocal in saying that more trade would only benefit the Pakistani people. Industry would benefit from greater competition in the long run. Mansha said he was keen on starting a bank in India. Adi Godrej, CII president and head of the Godrej Group, said the two largest economies of South Asia should work together to ensure that bilateral trade touches $10 billion in the near term. Textiles, agriculture, engineering, IT, education and health care are sectors which can see immediate traction, he said. "Removal of tariff barriers should set in motion processes for the removal of asymmetries in trade."Group managing director of Jang Group Shahrukh Hasan said the Aman Ki Asha initiative had helped change perceptions in both countries. "Peace, which has been tantalizingly elusive, is inevitable," he said.He and almost all speakers said that a liberalised visa regime was a must for any forward momentum in relations. "MFN and FDI are of no use without people being able to travel across the border," he said.

Rahul Kansal, executive president, Times of India Group, said that history has shown that when foes develop deep economic stakes in each other, war becomes a non-option. "We are at a historic moment; it will be a pity if we can't seize the opportunity."Aman Ki Asha is an initiative of The Times of India and the Jang Group of Pakistan and is co-sponsored by CII and Pakistan Business Council.

[Back to top]

A different war at Wagah, on the trade clamps of the past and present

Vijay C Roy, Business Standard

Wagah May 22, 2012: Business on both sides ready to move into a completely new era, as India and Pakistan begin freeing the genie, maybe, hopefully, irreversibly Amritsar used to be an important trade centre along the old Grand Trunk Road, but that was before the creation of Pakistan in 1947. The Partition made it a border town—the Wagah-Attari border is less than 30km away—and did away with much of its economic underpinning. That's set to change, in a rather huge way. And, the implications would, if things go as intended, speed well beyond this city to the entire South Asian region. Last month, the home ministers of both countries inaugurated the new Integrated Check Post right at the border crossing, a 48-hectare affair. It has some activity right now, but nothing compared to what's going to happen. Last month, the Pakistan government opened bilateral trade to 5,000-odd items, a quantum leap. Later this week, the two countries are expected to ease the tight visa regime they have in place for each other, allowing multiple-entry visas; clamps on trade are supposed to be on a fast-track to ending in subsequent months. As of now, only 137 items can go through the Wagah-Attari route (it used to be only 14 till very recently). Businessmen on both sides are salivating at the prospect of all the 5,000-odd items being allowed by road this way, as intended, followed by the rest of the opening. Two-way trade is currently the equivalent of $2.5 billion; an explosion to $10 bn once the first of these set of changes takes place is confidently predicted. After which, the sky's the limit, and pure economics is the driver. On an average, road transport is, as The Economist notes, just a third of the cost of shipping goods to Pakistan by sea, the usual procedure now for almost everything allowed to be traded.Even under the restrictive regime, trade was swelling, given the economics. Export to Pakistan through Wagah was Rs 798 crore in 2009-10, Rs 1,171 crore in 2010-11 and Rs 1,376 crore in 2011-12; imports were Rs 396 crore, Rs 453 crore and Rs 965 crore, respectively. This, with a handful of items which could be traded. Remove the barriers, as both governments have promised to do on an early schedule, and what happens can only be guessed at.The implications, of course, go well beyond just trucks and cargo. Nadeem Ahmed Cheema, vice-chairman of the local chamber of commerce on the Pak-Punjab side notes some of the first changes inevitable—"buyer-seller meets, exhibitions, collaborative seminars, workshops, group discussions, tours, all at frequent intervals". Cell phones, SMSes, buzzing to and fro, personal visits, the inevitable tourism and travel in tow, going on to other sectors.The only hindrance, actually, is the imagination or lack of these in the political and government bureaucracies, but it begins with trade. Both countries have huge and burgeoning populations, massive development requirements, surging industrial and consumer demand. And, they're right next to each other. Notes Gunbir Singh of the Confederation of Indian Industry's council on public policy, " Why buy at twice the cost from a distant friend rather than a cost-effective neighbour?" He speaks for India, as much of Pakistan's benefit in this regard.Many on both sides have already taken the first steps. Suneet Kochhar, director of Khana Paper Mills, told Business Standard about his despatch ("the first consignment") of 10 tonnes of newsprint via Attari-Wagah for one of Pakistan's leading newspaper chains. He's confidently expecting more, noting that Pakistan produces no newsprint; his own is 300 tonnes a day. How, he asks, can orders not come and in bulk? Multiply that by a million times, to begin with, and you get some idea of what can lie ahead. It would dwarf the present scale of change—2,800 trucks crossed in April 2011, 3,800 last month; eight hours daily then, 12 hours now and so on. This isn't incremental change with a small 'i' we're talking of, but something for which there's been no precedent till now. Suddenly looming as reality, this year. Keep your fingers crossed.

[Back to top]

Delay in proposed liberal visa regime worries industry

Elizabeth Roche, Mint

May 28, 2012, New Delhi: Representatives of Indian industry on Monday expressed disappointment over the failure of India and Pakistan to clinch a landmark visa procedure liberalization pact last week. The pact would have resulted in the South Asian rivals issuing single-year, multiple entry business visas besides exempting holders from mandatory reporting at police stations and allowing travel to as many as 10 cities on either side. Both countries, which share an often hostile relationship, would have also for the first time in their histories paved the way for the issue of tourist visas to each other's citizens besides extending visas on arrival for senior citizens and young children entering India or Pakistan through the Wagah-Attari land border—one of the few routes open between the neighbours.

"We had gone there prepared to sign this agreement," Indian foreign secretary Ranjan Mathai told reporters in New Delhi on Friday. "We have also received this report that the Pakistani side referred to some delays in their procedures as also the desire of their interior minister (Rehman Malik) to have a political-level participation at the signing. That is where the situation is. But we had gone there fully prepared to sign this agreement," Mathai said.On Monday, Vikramjit S. Sahney, president, Saarc Chambers of Commerce and Industry, said: "We are a little disappointed." Saarc is the South Asian Association for Regional Cooperation. "We express the hope that this agreement will be signed at the political level very soon," Sahney said at a meeting organized by the Federation of Indian Chambers of Commerce and Industry (Ficci) in New Delhi. "Along with this (the visa pact) we need air connectivity, local banks (setting up branches in the other country), we have to open many border trading points, we need the seamless movement of railway wagons, the early conclusion of the joint bilateral investment protection agreement and, of course, the Mumbai-Karachi sea route. I think these are the 10-12 steps which will pave the way for greater economic engagement with Pakistan," Sahney said. Sushanta Sen of the Confederation of Indian Industry also expressed disappointment over the delay. "It would have been good if it happened. (But) the intentions of both countries are good. It's a question of time, I think the agreement will happen."Trade is being seen as the key driver of the peace process between India and Pakistan begun last year after a previous dialogue was put on hold after the 2008 Mumbai terrorist attack. This year, India and Pakistan have opened a new border trading point at the Wagah-Attari land crossing to boost commerce. They have also exchanged business delegations and hosted exhibitions highlighting the business potential of trading directly between the two countries. India has in principle agreed to allow Pakistan to invest in India and Pakistan has moved from a positive list-based trade regime to a negative list-based trade regime with India. The Pakistani government has promised to abolish the negative list and accord India most favoured nation status by the end of 2012 besides looking to import petroleum and power from India. A liberalized visa pact would have given added impetus to these moves.Rajya Sabha MP and former Indian consul general in Karachi,Mani Shankar Aiyar, held the Pakistan.

[Back to top]

As Pakistan lowers imposts, Indian tea exports set to get a fillip

Indrani Dutta, Hindu

Kolkata, June 5, 2012: Indian tea exports to Pakistan is set to get a fillip, following the lowering of sales taxes by a steep 11 per cent. Sales tax along with a high level of customs duty and some local imposts have rendered Indian teas uncompetitive in Pakistan. This is now expected to get corrected to a large extent.“This will providea huge boost to Indian exports of black tea to Pakistan,” Azim Monem, Chairman, Exports and Domestic Sales Sub-Committee of the Indian Tea Association said. ITA Chairman C. S. Bedi, too, welcomed the development saying that Pakistan was now keen to buy all types of Indian tea.Ullas Menon, Secretary of the United Planters' Association of Southern India, said, “Genuine buyers would now get value for their money”. Bulk of the 24 million kg of tea that Pakistan imports goes from South India. Mohammad Hanif Janoo, Chairman of the Pakistan Tea Association, told The Hindu that sales tax had been reduced to 5 per cent from 16 per cent and this would boost tea imports from India. “Import of good teas from India will increase,” he said, adding that Pakistan's legal tea imports would now “increase from 125 million kg to around 170 million kg.”It may be mentioned that amid the positive spirit now ruling between the two countries, in April 2012, a pact was sealed between the industry representatives of India and Pakistan to double tea exports to 50 million kg by 2015.Pakistan is one of the top three tea importing nations with a consumption of 220 million kg and an official import of 120 million kg. Its main supplier is Kenya. “ We are hopeful that India's share will grow... tea consumption is growing in Pakistan where it is a food item,” Mr. Janoo, leader of a 13-member delegation, had said at a press meet here in April. Mr. Monem said Pakistan was now showing a preference for value-added teas and samples had been sent. He said these were mostly made of fannings of which there was surplus in India.

government responsible for the delay in initialling the pact. “A lot of interaction between India and Pakistan businessmen has to take place. We must facilitate it through a visa regime. Unfortunately, although some progress was made there... (it) was held up on political grounds,” he said. “I am hoping we will overcome this,” said Aiyar, speaking to reporters on the sidelines of the Ficci meet.

[Back to top]

India-Pakistan talks on trade hit speed-breaker

Hindu

June 18, New Delhi: After showing a promising beginning, talks between India and Pakistan on confidence-building measures (CBMs) to give a momentum to the trade have hit a roadblock as larger “political issues” have impacted the movement of negotiations and initiatives.The slowdown in the momentum comes after the negotiators on both sides showed promise of taking ‘big steps’ to give a major fillip to trade on both sides, notwithstanding the differences on various other political and boundary issues. “Things have suddenly slowed down from the Pakistan side on the trade issues. Pakistan negotiators are on the same page as their Indian counterparts but it seems trade is being linked to progress on bigger issues such as Siachen and Sir Creek talks. It is unfortunate but true,” a senior official in the Commerce and Industry Ministry said here. The case in point is the last-minute decision of the Pakistani side not to sign the liberal visa regime agreement in Islamabad last month after everything had been tied up for such an event. “Pakistan is yet to revert back to us for Commerce Secretary-level talks despite repeated reminders. There has been little progress from their side on expanding the list of items to be traded through the land route despite promises to do it in May itself. The experts’ groups on electricity and petroleum are yet to meet, leading to re-scheduling of meetings twice in the last two months. Some tariff barriers need to be tuned in line with the SAFTA (South Asian Free Trade Area) agreement. It is a disappointing situation,” the official said. Officials said India had removed all restrictions on imports from Pakistan but the same was not being done on the other side of the border. “We need to finish negotiations and finalise the expanded list of items to be traded through the land route immediately. Then, we have to prune the negative list according to the SAFTA agreement requirement to give a new turn to bilateral trade. We are still waiting for a response from the Pakistan side,” the Commerce Ministry official said. Experts’ groups of India and Pakistan on electricity and petroleum were expected to meeting early this month to work out the modalities for exporting power, petrol, diesel and petrochemicals to Pakistan. However, the meetings are still to happen. The progress on opening up of new land routes for trade in Rajasthan and Punjab has also been disappointing. Both sides have also agreed that software body National Association of Software and Service Companies (Nasscom) would co-ordinate with Pakistan Software Export Development Board to facilitate a road show for Pakistani IT companies in Bangalore, Hyderabad and other Indian IT hubs for extending co-operation in this sector. However, progress on this front has also been also slow and painful.

[Back to top]

Soon, direct jewellery export to Pakistan

Business Standard

June 19, 2012, Mumbai: Commencement of direct export of jewellery made of precious metals and stones to Pakistan is likely soon. Despite similarities in culture, ethnicity and choices in this regard, the annual jewellery trade between the two countries stood at Rs 88.5 crore in 2011-12. While India exported cut and polished diamonds and jewellery worth Rs 87 crore, such imports to India constituted just about Rs 1.5 crore. Since there is no direct access to each other's markets, trades are put through via Dubai, Sri Lanka and other Asian countries. A 12-member Indian delegation led by Sanjay Kothari, vice-chairman of the apex trade body, the Gems & Jewellery Export Promotion Council (GJEPC), visited Pakistan on June 7-12 and met a number of traders and retailers. They also met Prime Minister Yousuf Raza Gilani and discussed growth in jewellery trade. Kothari says Gilani agreed to look into tax and visa problems faced by the two countries' businesspeople in being able to freely access each other's markets."We can tentatively say that direct jewellery export to Pakistan might commence in a couple of months," said Kothari. While Pakistan would be a new destination for India's jewellery exports (where a lot of Indian cuts and designs are widely accepted), for India the import of some classic colour gemstones would become easier. Pakistan's jewellery market is estimated at $12 billion, while India's annual jewellery exports are $32-33 billion."We suggested the Pakistani government look into the taxation part, through which they generate just a few lakhs of rupees. Also, value added tax (VAT) is substantially higher, which if they reduce would boost India's direct export exponentially," said Kothari. In Pakistan, the government has levied five per cent on income tax in addition to 19 per cent of VAT on the trade. In India, VAT is only one per cent. Direct access to Pakistan's jewellery markets would partly compensate the export deficit to European countries, significantly down due to the ongoing economic crisis there. Also, Pakistan has a good amount of reserves of colour gemstones, which Indians may import for processing here. About nine-tenths of all the diamonds mined in the world are processed in India. Cutting and polishing of Pak colour gemstones would help growth in India's manufacturing sector to some extent, said Rajiv Jain, chairman of GJEPC. However, the export trade to Pakistan would be restricted to the business-to-business sector. Kothari said it would be impossible for Indian jewellery exporters to go directly to consumers as they do in other markets. Growth possibilities, Kothari said, would depend on how soon the Pak government reduced tax barriers.

[Back to top]

Government okay with Punjab exporting wheat to Pakistan

Rituraj Tiwari, Economic Times

New Delhi, July 2, 2012: The Union government, in principle, has agreed to export wheat to Pakistan. The empowered group of ministers on food has asked the Punjab government to work out a proposal for exporting wheat to Pakistan through the Integrated Check Post (ICP) on the Attari border. The decision came after the Punjab government sought the commerce ministry's permission to export wheat from its choked warehouses to Pakistan."We are facing a wheat glut here with no more space to store grains. We have asked the Union government to allow us to export wheat directly. We are waiting for the Union government's decision," said Punjab food and civil supplies secretary DS Grewal. Wheat procurement in Punjab has touched an all-time high of 128 lakh tonne forcing the state government to press for exports from Punjab-based central warehouses. "We have a stock of around 165 lakh tonne of wheat. We need to move the grain fast to create storage space," he said. Punjab deputy chief minister Sukhbir Singh Badal has been demanding that shipments be allowed to Pakistan and other CIS countries through Attari. "If we can allow exports of sugar and cotton, why the Union government can't take a bold step of allowing wheat exports through the land route," he had said in a public meeting. But Pakistan has more wheat than it needs this year. It has produced 23.5 million tonne wheat this year as against the domestic demand of around 21 million tonne. It has exported 1.8 million tonne to Saudi Arabia, Egypt and the Gulf countries. Pakistan's wheat imports were valued at $10.725 million last year but this year there were no imports. "There is no demand from Pakistan. We are surprised why the state government is pressing for wheat exports across the border?" said Sanjay, a grain exporter based in Amritsar. Meanwhile, the food ministry is likely to present its proposal to the Cabinet on Tuesday seeking approval for incentivised export of 2 million tonne from the central stock. The food ministry envisages an export subsidy of Rs 750 per quintal for moving wheat from its choked warehouses as international prices are significantly lower than the government's cost of buying and storing the grain."Global prices are around $228-230 a tonne while the government's cost is $328 a tonne. If export happens, the government will have to shell out the differential," said a food ministry official.

[Back to top]