**Expanding trade**

BY IS S A M H A M I D 2022-03-15

SPECIAL Adviser to the Prime Minister on Commerce, Textile, Industry and Investment Abdul Razak Dawood was recently reported as stating that trade with India was the need of the hour and beneficial to both countries. Legitimate political and human rights concerns aside, there is no doubt thatthe benents of an open economy in general and free trade with our neighbours in particular are potentially significant. Every opportunity must be taken to explore these in a thoughtful manner and within the parameters of our obligations under the WTO, Safta, etc. However, as we develop expanded and mutually beneficial trading ties with India, it would be important to keep a few particular issues in mind.

To state the obvious, today`s India is not that of even 10 years ago. Today`s India, at least from an economic perspective, may be described as a corporatised state with policies benefiting a handful of large companies who seem to have an unusually strong affiliation with the ruling party. Domestic policies, such as in privatisation, tax rules, environmental legislation, farm laws, etc.

appear to have been systematically aligned with their interests, as have decisions such as entry into regional trade arrangements like the Regional Comprehensive Economic Partnership. This has resulted in an unusual concentration of market share and ownership of key economic assets in particular and wealth in general over the last few years.

The playbook for these corporations is clear. They have successfully established dominant positions in key domestic sectors, are leveraging this to attract international expertise and capital keen to access the large Indian market via these `gatekeepers` and will deploy these resources to fuel further expansion. They are used to successfully engaging leading multinationals, sovereign wealth funds, international lenders etc. in complex commercial discussions, often with overt and active state support.

This formidable combine of state and corporate will be the counter-party as Pakistan engages with India in trade. It is likely that our venerable commerce ministry may struggle to deal with them on even terms.

It`s interesting to note that China has somewhat similar dynamics in certain cases between the state and corporate sector.

However, in that instance, the politics favours the economics of trade from Pakistan`s perspective. This is unlikely to be the case as we construct enhanced trading ties with today`s India.

Even assuming that a level playing field is negodated, Pakistani branded products and services selling to India are likely to face significant non-tariff barriers. Theunfortunate animosity in India at this time will be a formidable obstacle to any exports, although product standards, complex administrative requirements etc. may also be additional impediments. If the popularity of Indian movies is any indicator, Indian products are unlikely to face those obstacles in Pakistan, leading to a potentially signincant adverse trade balance against us.

That does not mean we should not engage in trade talks. On the contrary, any measure that helps build mutual prosperity for the people of India and Pakistan is to be encouraged. However, we should do so in a professional manner with a clear understanding of our counter-party`s strategy and capabilities. We should conduct negotiations keeping the political realities of our region in mind and focus on areas that can deliver rapid, tangible results rather than interminable rounds of discussions.

A positive example is agriculture, where Pakistan can build on the Kartarpur model by providing trade corridors to selectedlocal markets for Indian farmers.

The relatively small distances between product and market, similar trade practices, dense and integrated road networks, common local language etc. will facilitate cross-border trade. We wouldalso be acting from a position of relative parity. While India is overall a much larger economy than Pakistan, Pakistan is a large, attractive market for f armers in neighbouring Indian Punjab and Haryana. It may actually be a Lahore-Amritsar affair, with the provincial governments taking the lead in organising this.

Such trade could reduce our food inflation quickly, provide additional markets to Indian farmers, facilitate people-to-people contacts, be relatively simple to administer, require little/no investment and build confidence for further engagement in other sectors. Pakistan, in turn, can reciprocate through export of surplus cement, molasses etc. There are other examples of what can be done. We should all wish Mr Dawood and his team the best of luck in developing these and constructing mutually beneficial trade agreements with our neighbours.  The writer is managing partner at a UK regulated firm investing in global pn¯vate markets including Pakistan. He has served in executive positions with leading multinationals.