

Trade expansion with India

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SHOULD major political disputes between India and Pakistan be resolved or be well on their way to a solution before initiating full scale trade exchanges and larger economic cooperation between them?

Pakistan, frustrated by earlier deadlocks, insists on at least sustained and promising dialogue between them on the political issues, particularly the 57-year-old Kashmir dispute, before serious efforts for comprehensive cooperation begin. India, on the other hand, argues that economic cooperation, cultural exchanges and people-to-people contacts will pave the way for an eventual settlement of the political disputes.

The Indian commerce secretary Deepak Chatterjee came to Islamabad last week to seek economic cooperation in 24 new areas, which go far beyond trade. They can be considered seriously by Pakistan if the political dialogue makes a headway.

However, the presidents of Pakistan and India, in their independence day exchanges of greetings, have expressed satisfaction over the progress made in the comprehensive talks so far.

But the fact is that if the two countries do not alter their approach to the basic disputes and come up with workable compromises, the deadlock will persist and the economic

India and president of Pakistan on the sidelines of the UN General Assembly session in New York. Thereafter a formal summit may take place in New Delhi.

Pakistan is concerned over the balance of trade which is five-to-one in favour of India. It wants the trade to be balanced. What matters is not the balance in favour of one country or the other within one year or a short period but during a three-year period. Secondly, what matters is the kind of goods imported by Pakistan from India and their productive utility for it.

Today the talk goes far beyond trade exchanges and participation in the trade fairs of each other. There is a serious talk of joint enterprises and investment by one country in the other. India wants to invest in the oil exploration sector, on-shore and off-

stepped for some time so that the negotiators on other areas would not be in grave doubt all the time. The fact is that the officials of India and Pakistan who agreed to the SAPTA, and then the larger Safta can also overcome the barriers to trade and economic cooperation. In this regard the need for greater exchange of views between the businessmen of Pakistan and India was also felt and the two countries agreed to promote such essential contacts.

Then there is also the larger proposals like the 3.5 billion-dollar gas pipeline from Iran to India via Pakistan in which the three countries are interested. That is truly gainful to all of them. What is remarkable is that unlike in the past the Pakistani businessmen are anxious to promote trade between the two countries and are not apprehensive

of such trading. To that extent they have become more mature and confident in their own ability to compete with Indian goods.

The fact also remains that if Pakistan can welcome or accept the cheap Chinese goods, it need not be afraid of Indian goods which are more costly. In the world of the WTO it has to be ready to compete with the goods from all sources, more so when import tariffs are going down all over the world and the same is happening in Pakistan markedly. The option for Pakistan is either to trade with India realising that they trade openly or let

India wants Pakistan to discuss and agree to a large number of new proposals aimed at enlarging trade between the two countries and stepping up economic cooperation. It wants Islamabad to agree to transit trade so that Indian goods could pass through Wagah en route to Afghanistan, Central Asia and Iran. It wants daily flights between India and Pakistan so that businessmen and the people in general can travel freely.

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and come up with workable compromises, the deadlock will persist and the economic cooperation between them will not be very significant.

Both sides now appear to be anxious to be flexible in their approach to the disputes. The promise to do better in the next round. And there is consistency in that positive approach despite pessimistic noises here and there.

There are too many examples in the modern world of economic cooperation and cultural exchanges between political rivals or antagonistic states leading eventually to a political settlement. A classical example of economic cooperation and cultural exchanges overriding ideological differences and political disputes was seen in the relationship between the Soviet Union and the US and the West as a whole. They traded with each other amply despite their cold war rhetoric.

Later, the same pattern was witnessed in the relations between China and the US and other western countries.

Currently, we have in Asia the example of China and India putting aside their major territorial dispute and promoting increasing economic and political cooperation and even having joint military exercises. India wants the same pattern of relations with Pakistan irrespective of the intractable Kashmir dispute. It wants Pakistan to concede the Most Favoured Nation Treatment to it after India has given the same status to Pakistan. But Pakistan is reluctant to concede the MFN status to India until it sees real progress in the negotiations for a settlement of the Kashmir dispute.

Meanwhile, the areas where the two nuclear armed neighbours have to cooperate have been increasing, and they now include the fight against terrorism, combating the spread of drugs and more confidence-building measures in respect of nuclear arms. The Indian defence minister Pranab Mukherjee says the security concerns of the two countries have increased far more than they were in 1947 and hence the urgency for comprehensive cooperation between them.

The first round of the dialogue between the officials of the two countries under eight groups has come to an end. The foreign secretaries of the two countries are to meet on September 4 to review the progress of the talks or areas of agreement. And the foreign ministers will meet on September 5 and 6. That may be followed by a meeting later in the month between the prime minister of

shore in Pakistan and make use of its experience in compressed gas industry in Pakistan.

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India seeks nationalized banks of both countries to have branches in each other country to facilitate larger trade.

India wants to participate in the setting up of telecommunication projects of Pakistan and to have a fibre optic cable from Attari in India to Lahore to link up with the national grids of the two countries.

India seeks cooperation in agricultural research and sharing of post-harvest technologies. It wants even a commemorative stamp to be issued to mark the coming closeness of the two countries and their participation in the philatelic exhibitions.

India wants harmonization of customs procedures and valuation, and cooperation in the capital market. That means eventually the people of Pakistan can own Indian shares and Indian's buy Pakistani shares. During the commerce secretary-level talks there was the realization that the officials and businessmen of Pakistan did not have enough knowledge of the new rules and regulations governing trade in India, and such knowledge was essential for further talks in this regard. So the Pakistan commerce secretary Tasneem Noorani agreed to send a trade delegation to India to update Pakistani businessmen's knowledge of Indian trade regulations, rules and new practices.

The officials also agreed that the proposals of India needed detailed discussion not only between the officials of the two countries but also the businessmen, who have to do the actual trading. Hence agreement on each of the 24 new proposals of India would take time.

Meanwhile, the political hurdle of Kashmir has to be overcome or be side-

to trade with India realising that they trade openly or let the same goods be smuggled into Pakistan and vice versa. The volume of smuggling between the countries by now is estimated at between one billion and 1.5 billion dollars. It is better to regulate this trade officially and collect import duties and sales tax rather than let the smugglers profit by that and sell substandard goods half the time.

India wants the shipping service between Mumbai and Karachi to be restored for trade between the two countries and ships of third countries allowed to carry goods of each other to both countries, and for ships of either country to carry goods from each other to third countries. That would need amendment of the 1974 Protocol.

If along with that the Khokhrapur route for travel between the two countries is opened it would be easier for the businessmen of Mumbai, Karachi and Sindh as a whole to meet each other and boost their trade, more so with an India visa office in Karachi.

What India seeks is deep economic cooperation between the two countries which includes joint enterprises and mutual trade in the capital market.

Pakistan is agreeable to such proposals in principle but wants the two countries to make simultaneous headway in the solution of the political disputes, particularly in respect of Kashmir. But India does not want to be bound down by a time-frame or stipulation of simultaneous progress in all the areas.

What is obvious is that war is no option for the nuclear armed neighbours. But real peace with a stable base is far away, although both sides want it but on their own terms. But the alternative to formal trade between them is large scale smuggling at a time when the need for cooperation between the neighbours has been increasing, particularly in the deadly area of combating terror. Hence the leaders on both sides keep an optimistic face and do not want to disappoint their people even if there is no real headway in the negotiations. The people expect of their leaders to triumph over their difficulties or overcome their obstacles with tact, tenacity and farsight.

P.S. Tasneem Noorani, Pakistan's commerce secretary, is now quoted to have said at Faisalabad that granting MFN status to India would not hurt Pakistan's trade, and in fact it is obligatory for Pakistan to grant that status to all the 148 members of the WTO.