

# INFORMAL TRADE BETWEEN INDIA AND PAKISTAN

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# Methodology

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- The study is based on a survey approach covering respondents in India and Dubai.
- The magnitude of India's informal trade with Pakistan has been estimated using the **Delphi technique**.

# Sample Design

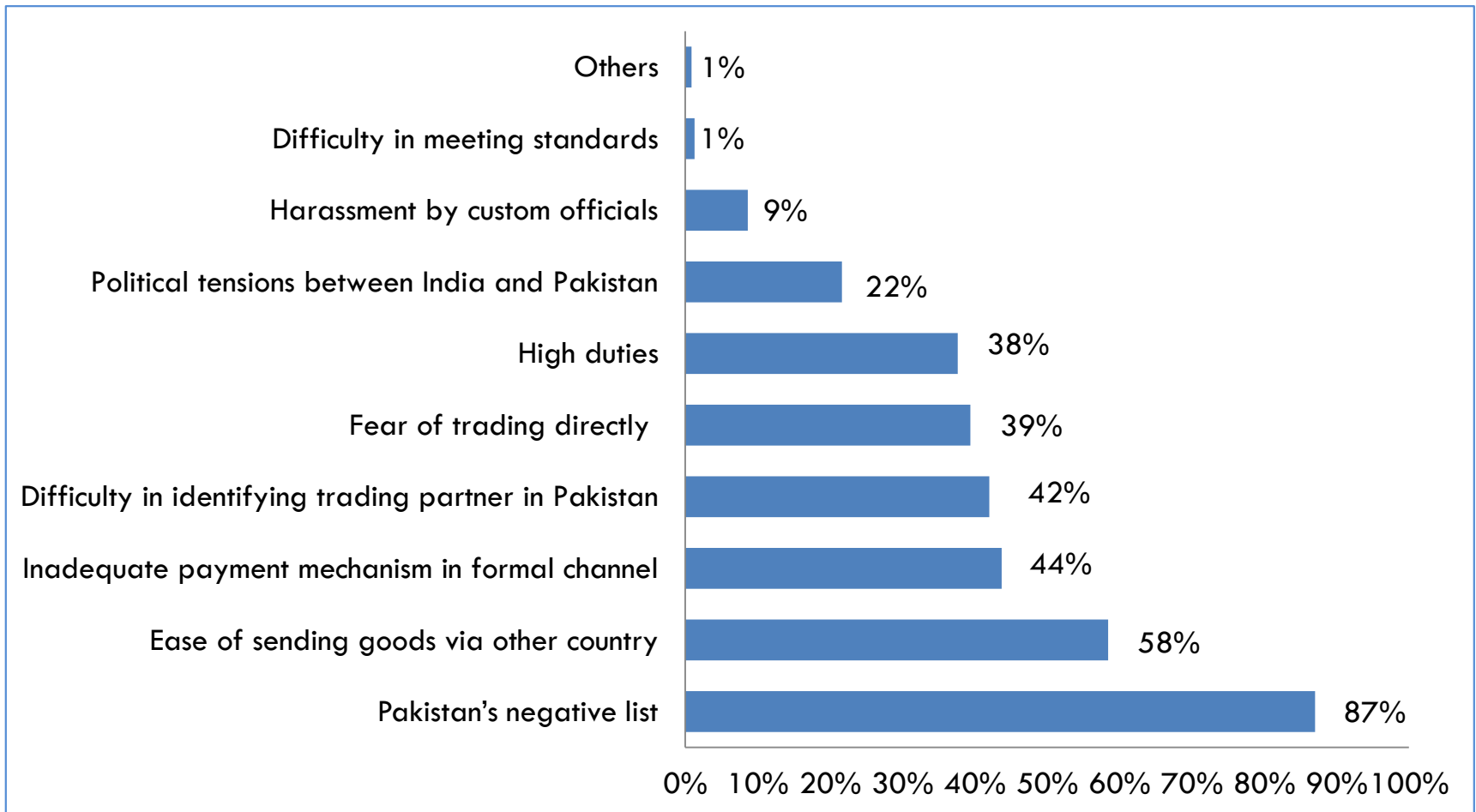
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## City-wise Break up of Respondents

City	Formal Trader	Informal Trader	Knowledgeable Persons	Total Respondents
Ahmadabad	5		4	9
Amritsar	11	22	12	45
Chennai	4	3	5	12
Delhi NCR	5	21	1	27
<b>Dubai</b>	<b>28</b>	<b>25</b>		<b>53</b>
Hyderabad	4		4	8
Kolkata	4	1	3	8
Mumbai	41	27	2	70
Surat	8	7		15
<b>Total</b>	<b>110</b>	<b>106</b>	<b>31</b>	<b>247</b>

# Reasons for Informal Trade

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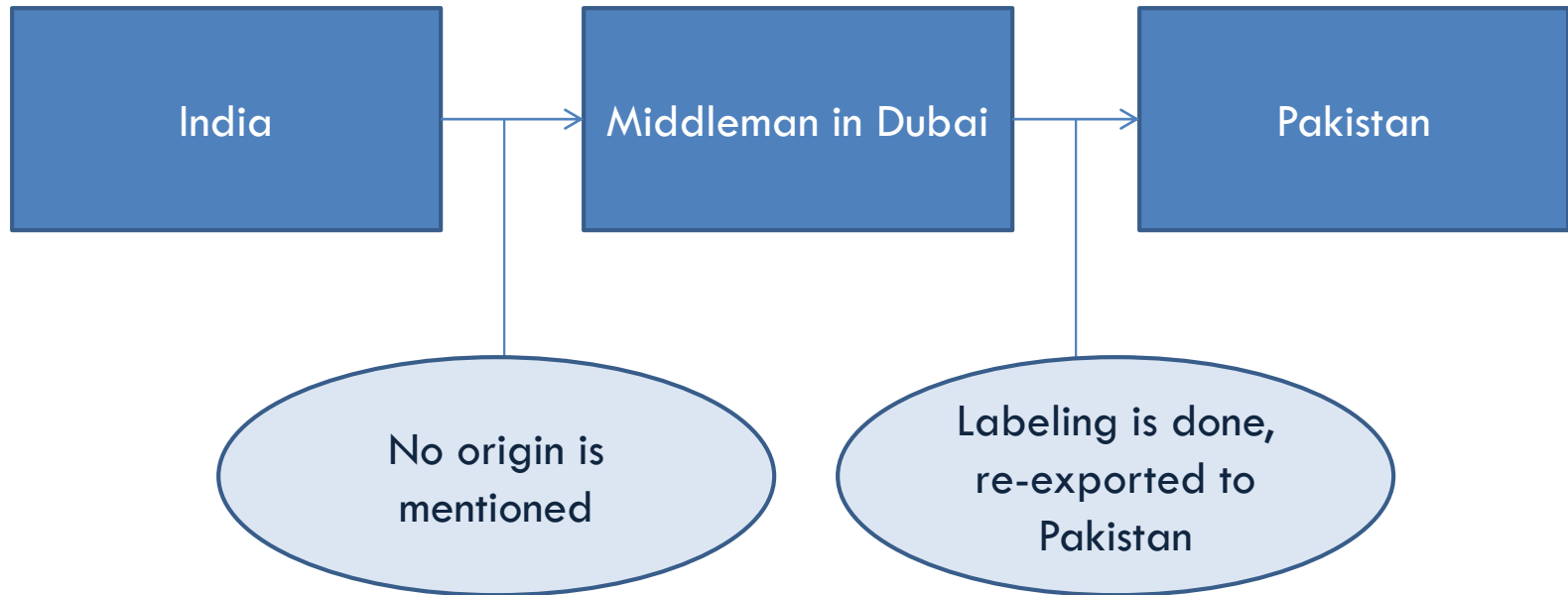
# Routes & Modalities of Informal Trade

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1. India-Dubai-Pakistan
2. India-Afghanistan-Pakistan
3. Wagah- by road or rail
4. Srinagar-Muzaffarabad

# 1. Dubai Route

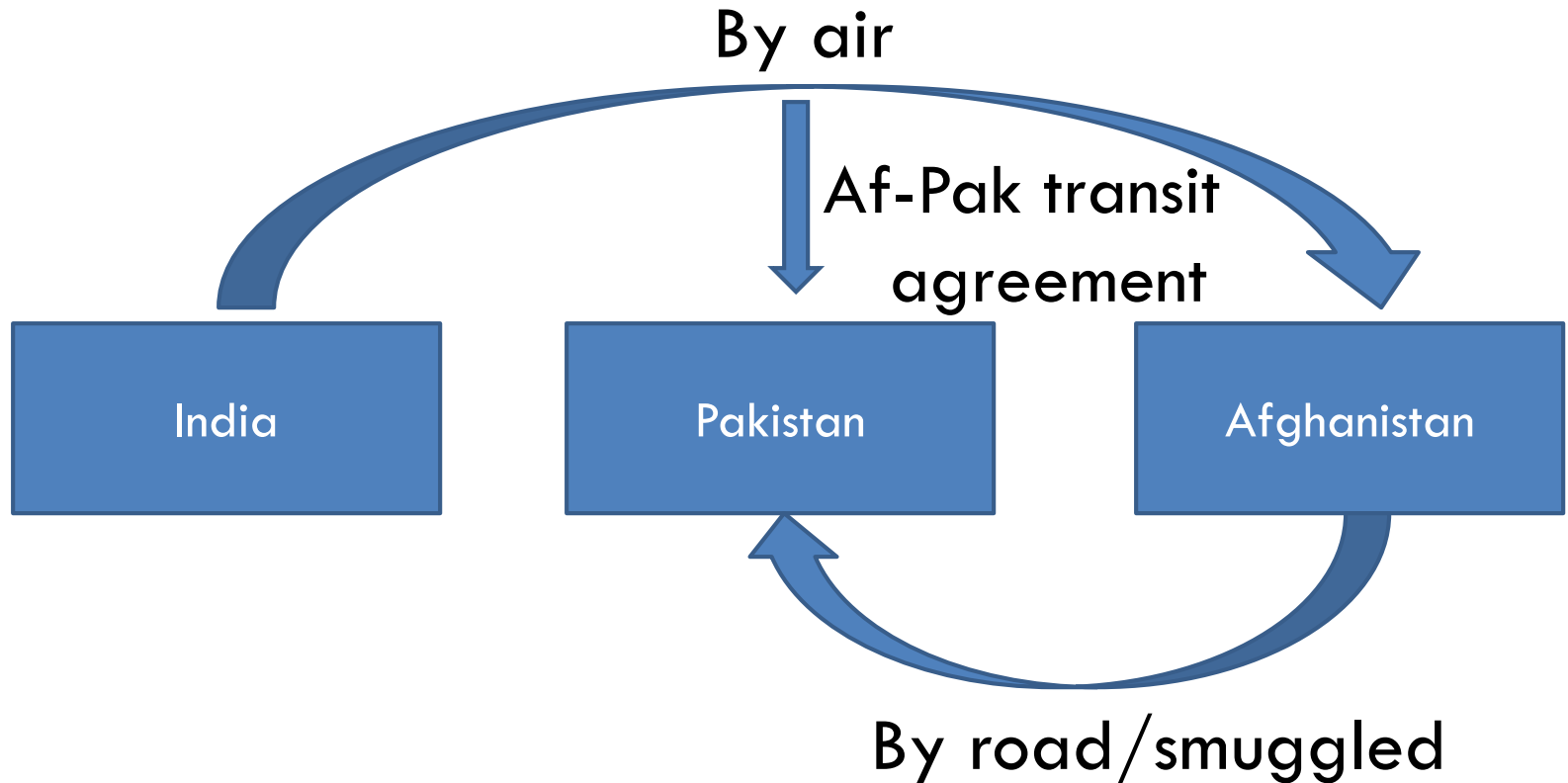
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Diverse products...Machinery, Chemicals, Tyres, Jewelry, Scrap, Consumer Durable items

## 2. Afghanistan Route

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Pharmaceutical products , Tyres

# 3. Wagah Route

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- **Carriers**
- **Samjhauta express**

Suits/Fabrics, Diamond, Fruits, Pan Masala, Spices, Aampapad, Coconut Oil, Bangles



# 4. Srinagar- Muzaffarabad Route

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- Barter allowed in 21 items of J&K produce.
- Informal aspect
  - ▣ Unrecorded Products
  - ▣ Other States
  - ▣ Payments

Carpets Suits, Sarees, Carpets, Lehengas, Shawls Fruits and Vegetables

# Tentative Estimates of Informal Trade

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Trade Flow	Survey Estimate (in billion)
Exports	4.24
Imports	0.75
Total	4.99

**Double of formal trade USD 2.5 billion (2012-13)**

For the year 2005, the estimated value of informal trade between India and Pakistan was USD 545 million.

# Product-wise Estimates-Exports

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Products	Value in \$ Million	Share (%)	Products	Value in \$ Million	Share (%)
Jewelry	1150	27.12	Pan Leaves/Betel Leaves	26	0.61
Textiles	780	18.40	Alcohol	22	0.52
Machinery	313	7.38	Coconut Oil	20	0.47
Electronic Appliances	220	5.19	Shaving Blades	17	0.40
Scraps	193	4.55	Tea	16	0.38
Paper	190	4.48	Fruits and Vegetables	12	0.28
Chemicals	187	4.25	Pan Masala	8	0.19
Tyres	187	4.41	Tobacco Products	6	0.14
Spices	180	4.41	Leather	5	0.12
Packaged Food Items	175	4.13	Auto Components	4	0.09
Pulses	151	3.56	Stone	3	0.07
Consumer Durable Items	150	3.54	Furniture	2	0.05
Industrial Additives	133	3.14	Aampapad	1	0.02
Pharmaceutical Products	83	1.96	Soda bottles	1	0.02
<b>Informal Exports- US \$ 4.24 Billion</b>					

# Product-wise Estimates-Imports

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Products	Value in \$ Million	Share (%)
Textiles	350	46.92
Dry Fruits	230	30.83
Spices	100	13.40
Carpets	28	3.75
Cement	15	2.01
Fruits and Vegetables	12	1.61
Leather	9	1.21
Electronic Goods (Chinese Cameras, ICs, etc.)	1	0.13
Leather chemicals	1	0.13

**Informal Imports- US \$ 0.75 Billion**

# Transaction Cost

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Route	Transaction Cost Per Ton (INR)	Distance (kms)	Transaction Cost Per Ton per Km (INR)
1) Delhi-Lahore	3050	507	6.01
2) Delhi-Mumbai-Dubai-Karachi-Lahore	12600	5756	2.18

# Key Inference...

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**Indirect route is 11 times longer than the direct route; 4 times more expensive than the direct route; but is 3 times more efficient...**

# Policy Suggestions

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- Trade normalization process should be completed
- Improvement in the trading environment
  - ▣ increasing awareness, reducing information asymmetries
  - ▣ improving connectivity
- Adopt measures that would encourage businesses to use formal banking channels
- Putting in place an innovative dispute resolution mechanism

**Thank You**