

**ICRIER 2ND ANNUAL CONFERENCE :
NORMALISING INDIA-PAKISTAN TRADE
VALEDICTORY ADDRESS
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Gentlemen, Ladies**

1. Thank you for the invitation to address this valedictory session of the ICRIER Conference on '*Normalising India-Pakistan Trade*', and above all for permitting me to have the last word!

2. I see from the Conference papers that this is part of ICRIER's three year project on "*Strengthening Research and Promoting Multilateral Dialogue for trade normalization between India and Pakistan*", in keeping with the overall objective of improving trade and investment relations between our two countries.

3. Over the course of the last two days, you would have discussed in some detail, specific issues relating to enhancing trade in goods, trade in the automobile industry, trade in agriculture, trade in pharmaceutical sector, trade in energy and barriers in trade as well as the way forward. All these issues are important in catalysing and evolving a more participatory policy debate through targeted and practical research and fostering a multi-level dialogue platform, as indeed this three year project is intended to achieve.

4. I thought I would use this opportunity today to share with you the perspective of South Block on the subject of normalising India-Pakistan trade. Perhaps a good starting point would be the sentiments that were expressed at the 5th SAARC Business Leaders Conclave held last week at FICCI where I had the privilege of chairing a Panel of Ambassadors and High Commissioners from fellow SAARC countries on the subject of '*The Emerging South Asia in the 21st Century*'.

5. All of us on the panel agreed that if South Asia was to emerge, it had to develop – develop at the bilateral level, at the sub-regional level and the regional level; and that it was in our own respective national self-interests to inter-link with each other. I especially liked the quote of the panellist who said that any competition between our countries should only be in cricket; everything else should be cooperative. However, the most important point made and one which is worth repeating today, is that if South Asia as a region is to enhance its weight in the world order and realize its combined potential for high economic growth, it needs to muster the strategic will to act, especially at this critical juncture when the entire region is in transition.

6. I am aware that this Conference is about normalising trade between India and Pakistan. I do believe, however that this is an issue that needs to be seen in the larger context – in the context of the vision that has driven us and that our Prime Minister has often spoken about, of an economically vibrant and progressive South Asia, built on a strong foundation of normal, peaceful and friendly ties between each of its member nations. One cannot be realised without realising the other. Unfortunately, however, we seem to have some way to go before getting to the point of the one or of the other, or to the point where we can actually have a situation on the ground of normalised trade relations between Pakistan and India.

7. I do not need to elaborate for this distinguished audience the significant progress that has been made in enhancing trade and investment relations between India and our other neighbours. The exception, unfortunately, has been Pakistan, for a variety of reasons, much of it hostage to political issues between our two countries which are a legacy of our history and the tragic events surrounding partition.

8. Gentlemen, Ladies, we may all go into as much detail as we wish to, on the pros and cons of trade in various sectors.

However, until such time as there is political will to implement the required measures, it is difficult to see how we can move forward on any front. The desire is certainly there on both sides, especially at the business level. Our High Commissioner in Islamabad informs me that a decade ago, it would be only major Chambers of Commerce in Pakistan who would be expressing the desire to trade with India. Today he encounters that willingness and readiness in much of Pakistan, including in small towns. This is an encouraging sign.

9. Pakistan is presently in the middle of its economic reforms and I am sure that economists in Pakistan fully understand the opportunities that are ready to be grasped and the additional policy space that will be created if Pakistan's economy opens up for trade with the largest economy in the region.

10. Perhaps it would be useful to get into specifics at this point, to tell you what has been achieved so far on the bilateral trade agenda, and what we in Government of India see as the next steps.

11. 2012 saw significant progress in the path towards establishing a normal trade regime between India and Pakistan. India announced the removal of restrictions on investment from Pakistan. In March 2012, Pakistan announced its decision to move from a "positive list" to a "negative list" trading regime for all trading points except trade through the Attari-Wagah border post that remains limited to 137 items. In April 2012, the Integrated Check Post at Attari was inaugurated with great fanfare, with the understanding that Pakistan would similarly develop corresponding trade facilitating infrastructure on its side of the border. In their meeting in Islamabad in September 2012, the Commerce Secretaries defined with great precision what the fully normalised India-Pakistan trading regime would look like. They also worked out a mutually agreed 'road map' to achieve this goal by the end of the year.

12. So in 2012 we were able to identify not just the final destination, but also the route to that destination!

13. According to the Commerce Secretaries a fully normal trading regime between the two countries would look something as follows:

- (i) There would be normal trade along all trading points including the Attari-Wagah land border post.
- (ii) Pakistan would confer '*non-discriminatory market access*' status to Indian goods entering Pakistan, as India had done for Pakistan in 1996.
- (iii) Both sides would undertake a significant reduction in their SAFTA '*sensitive lists*' that governs bilateral trade, to only 100 items each.
- (iv) Finally, both sides would reduce tariff limits to 5%, for all tradable goods.

14. The sequential road map to achieve this was also worked out. It involved:

- (i) Pakistan announcing the normalisation of trade on Attari-Wagah followed by India introducing a '*first tranche*' of reductions in the present SAFTA sensitive list of 614 items by 30%.
- (ii) Pakistan conferring '*non-discriminatory market access*' to Indian goods, accompanied by India introducing a second tranche of reductions of its SAFTA sensitive list to bring it down to 100 items.

15. We did not insist on reciprocity in this Road map. Pakistan could achieve its 100 items of SAFTA sensitive list over a period

of 5 years, compared to the immediate relief India was willing to provide Pakistan by reducing its list to 100 in two short steps.

16. The 'road map' for trade normalisation worked out by the Commerce Secretaries in 2012 remains valid. But it requires Pakistan to take the first step as specified, in order to trigger the subsequent actions that have been agreed to by both sides.

17. I might add that we did see the election of Prime Minister Nawaz Sharif in May 2013, with a strong mandate to reform the Pakistani economy, as an opportunity to move ahead on this positive agenda, already drawn up and ready to be implemented. We also made it a point to respond rapidly, and positively, to any suggestion from Pakistan in this direction. In August last year when we received a suggestion to move ahead with bilateral trade in gas and electricity, we responded rapidly by sending a technical team to Lahore, and readied ourselves for a return visit from Pakistan which did not take place.

18. This month (*January 2014*) we responded positively when Pakistan expressed readiness to lift all restrictions on trade at the Attari-Wagah border. Meetings were thus scheduled of both the Commerce Secretaries and Commerce Ministers on the margins of the recent SAARC Business Leaders Conference to prepare for its modalities. Once again we were disappointed.

19. Recently, we also discussed the possibility of accelerating the pace of normalisation of bilateral trade- of compressing all the steps of the September 2012 Road Map into one grand announcement, and exploring the possibility of compressing the time taken to reduce tariffs on tradable goods faster than the 3 years allowed under SAFTA to a shorter period of 6 months or 1 year. India's SAFTA sensitive list contains items of export interest to Pakistan. The trade creating potential of such an accelerated dismantling of our SAFTA sensitive list and tariffs on tradable goods should not be difficult to imagine.

20. The recent announcements made by the two Commerce Ministers to accelerate trade normalisation and achieve implementation of the agreed measures before the end of February 2014 are welcome developments. We should also not discount the positive impact that the recent decision to keep Wagah-Attari Land Customs Station open on all seven days of the week, and to permit containerisation of trade across Attari-Wagah to Lahore and Amritsar will have. We do hope that all these measures will be realised rapidly without further delays.

21. I am aware of the arguments often made in Pakistan, that there are strong non-tariff barriers operating in the Indian economy that prevent Pakistan from moving ahead. These are arguments that do not stand up to close scrutiny. While it is true that India must take more steps to liberalize its external sector, it can be no one's serious argument that the lack of flight connections between Delhi and Lahore, the visa regime operating between the two countries, or India's quality and safety certification procedures that are accepted around the world, are in some way aimed at creating a regime of non-tariff barriers against Pakistan made goods!

22. India remains ready to move ahead on the bilateral trade agenda. However it also needs to be understood that a necessary pre-requisite for dynamic economic activity between our two countries, is an environment free from terror and violence. Trade and terrorism are incompatible. The challenge is to create an environment where we can focus on the trade and the economic agenda, and work towards growing connectivity and linkages between our two economies.

23. It is our hope that we can at some point reach this objective. The question is when?

24. Time will tell.

Thank You.