



## Conference

### *Why India -Pakistan Trade Continues Despite Tensions and the Road Ahead*

November 17, 2017, Kathmandu, Nepal

The Indian Council for Research on International Economic Relations (ICRIER), New Delhi, in collaboration with the Sustainable Development Policy Institute (SDPI), Islamabad, organized the conference *Why India -Pakistan Trade Continues Despite Tensions and the Road Ahead* on November 17, 2017, in Kathmandu, Nepal.

The conference participants included well known experts and scholars as well as business representatives from both countries. The discussions were structured around two main themes - current status of India-Pakistan bilateral trade and connectivity and future prospects.

The conference was part of ICRIER's project on "India-Pakistan Trade" that endeavors to analyze the reasons why the difference between potential and actual trade between India and Pakistan remains substantial despite substantial trade normalization set in motion in 2012. The project has been undertaken in collaboration with SDPI. The findings of the studies conducted under the aegis of the project were presented at the conference.



*(L-R) Dr. Abid Suleri (SDPI), Dr. Nisha Taneja (ICRIER)*

The presentation by the study team at ICRIER focused on the recent trends in bilateral trade between India and Pakistan, top commodities traded between the two countries, and analysis of three commodities which have witnessed maximum decline in India's exports to Pakistan. The presentation noted that there has been minimal increase in India's exports to Pakistan post the change in the latter's import policy in 2012. It was shown that in 2016-17, "new exports" accounted for only 12% of India's total exports to Pakistan. Majority of India's exports (88%) is still accounted for by commodities that were being traded even before any trade liberalization. The presentation also included findings on transaction cost of trading across different modes.

SDPI's presentation gave a perspective from Pakistan as to what the major impediments are while trading with India. The presentation identified current obstacles and hurdles in the way of normalizing India-Pakistan trade relations. These include weak logistics, customs processing, as well as technical barriers to trade and sanitary or phytosanitary (SPS) restrictions, heightened visa and travel restrictions, lack of financial intermediation and telecommunication connectivity.



*Participants at the conference*

The roundtable discussion revolved around the enhanced visa restrictions due to the recent political and military tensions between the two countries, persisting infrastructure and connectivity deficit along with poor awareness amongst traders with regard to non-tariff barriers. It was pointed out that the current visa restrictions had severely affected India-Pakistan trade. An interesting issue raised during the roundtable was about the impact of Goods and Services tax (GST) introduced by India from July 2017 on India-Pakistan trade. It was pointed out that particularly with respect to sports goods, surgical instruments etc. the goods from Pakistan were likely to benefit as they are subjected to relatively lower duty post GST.



*Participants engaged in round table discussion*

The conference ended on a positive note with participants emphasizing that in the context of minimal interaction between the political establishments in both countries currently the role of B2B engagement in confidence building and keeping dialogue channels open was extremely important. It was pointed out that studies and dialogues on bilateral trade would help to address impediments encountered by businesspersons in their own countries even in the current scenario. Moreover these would be useful ground work for addressing cross-border trade and connectivity issues as and when the bilateral dialogue resumes.