

Executive Summary

Report on the 2nd India-Pakistan: Trade Perception Survey

Trade Perception Survey Findings:

The report is authored by Nisha Taneja, Mohammad Usman Khan, Isha Dayal and Samridhi Bimal.

The 2nd India-Pakistan: Trade Perception Survey was undertaken to gauge if there have been any changes in the perception of the stakeholders from the first round and whether the two countries differ in their perception of the extent of impediments faced by business in trading. The analysis is based on information collected on six indicators:

- awareness of trade policy
- ease of meeting standards
- market access
- business facilitation
- customs and documentation
- infrastructure at ports

The survey reports results based on interviews conducted with 450 Indian and Pakistani firms, 225 from each country, spread across several cities, and including manufacturers, traders, freight forwarders and clearing agents.

- A major finding in the survey was that, in 4 out of 8 sub-indicators, Indian respondents were less aware than the Pakistani respondents. The awareness level in both countries thus was found to be more or less at par, with 74 per cent respondents in India being aware of trade policy measures vis-a-vis 78 per cent in Pakistan.
- Between India and Pakistan, ease of meeting standards among Indian exporters is higher than those of Pakistani exporters, with the latter eliciting particular difficulty in meeting SPS standards for exporting goods to India.
- For market access of Pakistani goods imported by India, while 80 per cent of India importers perceived market access for Pakistani goods to be “high”, the perception was shared by 73 per cent of Pakistani exporters. For Indian goods exported to Pakistan, 73 per cent of Pakistani Importers perceived market access to be “high”, in comparison to 64 per cent of Indian exporters. Overall, it was found that the importers on both the sides of the border perceived a higher market access for goods than the exporters.
- The survey found that the majority of respondents in India and Pakistan perceived little impact of country labels on demand for their product. The perception of market access for a Pakistani export good labelled ‘Made in Pakistan’ was “high” or “very

high” among 83 percent of Pakistani exporters and 81 per cent of Indian importers. The perception on market access of Indian export good to Pakistan with a ‘Made in India’ label was found to be equally positive. 85 per cent of Pakistani importers and 89 per cent of Indian exporters reported “high” or “very high” market access.

- The survey revealed that while a major portion (42 per cent) of Pakistani traders perceived a depressing impact of negative political events on bilateral trade; 54 per cent of the Indian traders perceived a “low” or “very low” impact of negative political events on trade.
- It was found that 85 per cent of Pakistani traders and 90 per cent of Indian traders reported difficulties in obtaining visas. A comparison between firms of different sizes showed that the ease in obtaining visas in both India and Pakistan partially increased with increasing firm size. However, a significant portion of small/medium and large firms in both countries reported difficulties in obtaining visas, highlighting that resources available with large firms do not necessarily help in circumventing stringent visa policy.
- The survey revealed that the ease of communication via the internet, email and mobile phones have greatly increased. In the survey, 92 per cent of Pakistani traders and 70 per cent of Indian traders reported the ease of doing cross-border communication to be “high” or “very high”.
- The respondents of the survey reported that large logistics operators operate only on the sea and air routes. The rail and road routes used for trade are dominated by small/medium operators. In both India and Pakistan, a large portion of traders- 60 per cent in India and 71 per cent in Pakistan- perceived the competence of small logistics operators as being low.
- India and Pakistan witnesses a conspicuous absence of national banks across the border. Between India and Pakistan, 51 per cent of Pakistani traders perceived efficiency of banks as being “high” and 72 per cent of Indian traders shared the same perception.
- In the survey, a mode-wise comparison of the time taken by customs to process documents revealed that 96 per cent of Indian exporters perceived the time taken was least at the air port followed by rail, sea and road ports. For Pakistan, 89 per cent of exporters perceived the sea port to be the most efficient.
- A comparison between India and Pakistan revealed that the time taken for laboratory testing was high among a large portion of Indian importers whereas none of the Pakistani respondents reported the time take for testing to be “high”. It was also found that the practice of excessive checks was more prevalent in the Indian ports than at Pakistani ports. On the Indian side, the competence of customs officials was reported to be high, with the highest being at the air port followed by road, sea and rail ports. In Pakistan, the competence of customs officials was also perceived to be high, especially at sea and road ports.

- Of all Indian ports, availability of services was reported to be good at the air ports and extremely poor at sea, rail and road ports. In Pakistan, a majority perceived the availability of services as being about average at the road port and relatively high at the sea ports. The quality of services in India was perceived to be low whereas in Pakistan the services were perceived to be average.
- The results of the survey indicated that a large majority of exporters from India and Pakistan perceived the availability of rail wagons for exporting goods to the other country as being rather low. In terms of capacity expansion at ports, Indian respondents reported that sea, rail, road and air ports should be expanded by 26-50 per cent. On the Pakistani side, a capacity expansion of 25 per cent at sea and air, 26-50 per cent at road ports and 51 per cent at rail ports is required.
- According to majority of Pakistani importers imports of agricultural commodities, auto parts, chemicals, machinery, minerals, pharmaceuticals, processed food stuffs, and textiles are likely to increase by more than 20 per cent. For Pakistan's export to India, agricultural products, cement, electronics, granite/marble, machinery, metal products, minerals, pharmaceuticals, processed food items, sports goods, and textiles are expected to rise by more than 20 per cent.
- The majority of Indian traders expect an increase of up to 25 per cent in trade across all four modes. According to the Pakistani traders, an increase of 25 per cent in trade is expected for all four modes.

Policy Recommendations:

- Informal trade continues to restrict formal trade and trade potential. Presence of a negative list is a major reason for the export of a large number of goods from India to Pakistan via informal channels. Thus, the list of 1209 items must be abandoned.
- Trade-related rules and procedures must be made publically available. Interaction of traders via a web portal should be encouraged. The government should establish a point of enquiry to address questions on trade-related matters by traders, businessmen and other interested parties.
- The visa regime must be liberalised to facilitate movement of traders. The government must consider widening the scope of SAARC business visa regime, on the lines of the APEC business travel card, to allow unrestricted access to the prospective markets of South Asia, and, more importantly, to Pakistan.
- To avoid losses when the domestic currencies depreciate against US dollar, methods must be devised to conduct India-Pakistan trade in domestic currencies.
- The adequacy and quality of facilities at ports must be assessed and addressed. Testing centres must be available at the ports, to help in cutting down the time taken for the release and clearance of goods. Pre-arrival processing of documents should be permitted for import cargo.

- Telecommunication facilities at the land ICP must be provided to facilitate the opening of bank branches, and communication between Customs officials.
- Opening new land routes for trade between India and Pakistan must be considered as the road and rail routes at Wagah-Attari are in high demand and their capacity falls short with rising trade volumes.
- The SAARC trade agreement must be liberalised.
- Adoption of the TIR convention of the UNECE can facilitate seamless road transport and transit of goods. Along with facilitating trade between India and Pakistan, the convention could also connect the two countries with those in Central Asia.
- The WTO Trade Facilitation Agreement must be adopted and both India and Pakistan should undertake WTO+ measures to ease movement of goods across the border.

For any queries please contact the project leader Prof. Nisha Taneja at NTaneja@icrier.res.in