# INDIA PAKISTAN

Trade Perception Survey

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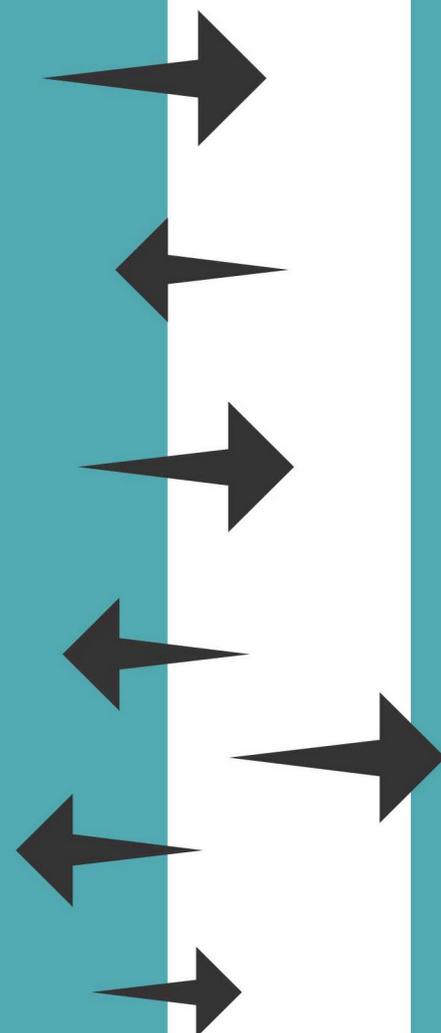
India-Pakistan: Trade Perception Survey

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List of Abbreviations

BIS	Bureau of Indian Standards	NTB	Non-Tariff Barrier
HS	Harmonized System of Product Classification	PSQCA	Pakistan Standards and Quality Control Authority
ICP	Integrated Check Post	SAARC	South Asian Association for Regional Cooperation
ICRIER	Indian Council for Research on International Economic Relations	SAFTA	South Asian Free Trade Agreement
ILAC	International Laboratory Accreditation Cooperation	SPS	Sanitary and Phytosanitary Measures
LCS	Land Customs Station	TBT	Technical Barriers to Trade
LDC	Least Developed Country	TDAP	Trade Development Authority of Pakistan
MFN	Most Favored Nation	WITS	World Integrated Trade Solution
NLDC	Non-Least Developed Country	WTO	World Trade Organisation

Introduction

Trade between India and Pakistan has always been inextricably linked to the political relations the two countries share, than being merely governed by economic factors. Following the independence and partition of India in 1947, India-Pakistan trade fell drastically; and came to a standstill for almost nine years in the aftermath of the war in 1965. A protocol on resumption of trading relations was signed in 1974 on a list of mutually agreed items. In 1996, India accorded Most Favored Nation (MFN) status to Pakistan. Pakistan, on the other hand, continued to allow imports of only a limited number of items from India, collectively known as the positive list; although the number of items on the list has increased gradually. The granting of MFN was linked to the resolution on the Kashmir issue. Moreover, India stopped trade via the air and land routes between 2001 and 2004 following the attack on the Indian Parliament in December 2001. In 2013, for the first time since 2004, cross border trade was altogether stopped following the incidence of cross border firing; with trade resuming

within a few days time. Restriction on trade has been on several other counts as well, with the major ones being: a) a restrictive maritime protocol until 2005 which allowed only Indian and Pakistani flagged vessels to carry cargo between the two countries, and did not permit the same vessels to carry consignments to a third country from the ports of either country; b) presence of only one rail route for cargo movement between the two countries; and c) absence of a road-based trade route until 2005.

The process of trade normalization was set in motion in 2004 during the Commerce Secretary level talks on Commercial and Economic Co-operation between India and Pakistan. In this comprehensive dialogue, trade negotiations were to be discussed along with a dialogue on several other issues. This was the first step towards delinking trade negotiations from political issues. Since 2004, any major political event between India and Pakistan has neither met with any major impact on trading relations nor an imposition of a ban on trade. Instead, bilateral trade has only been rising over the years (Figure 1).

Figure 1

India-Pakistan Bilateral Trade (US$ Million)

Source: Updated from Taneja et al. (2011b).
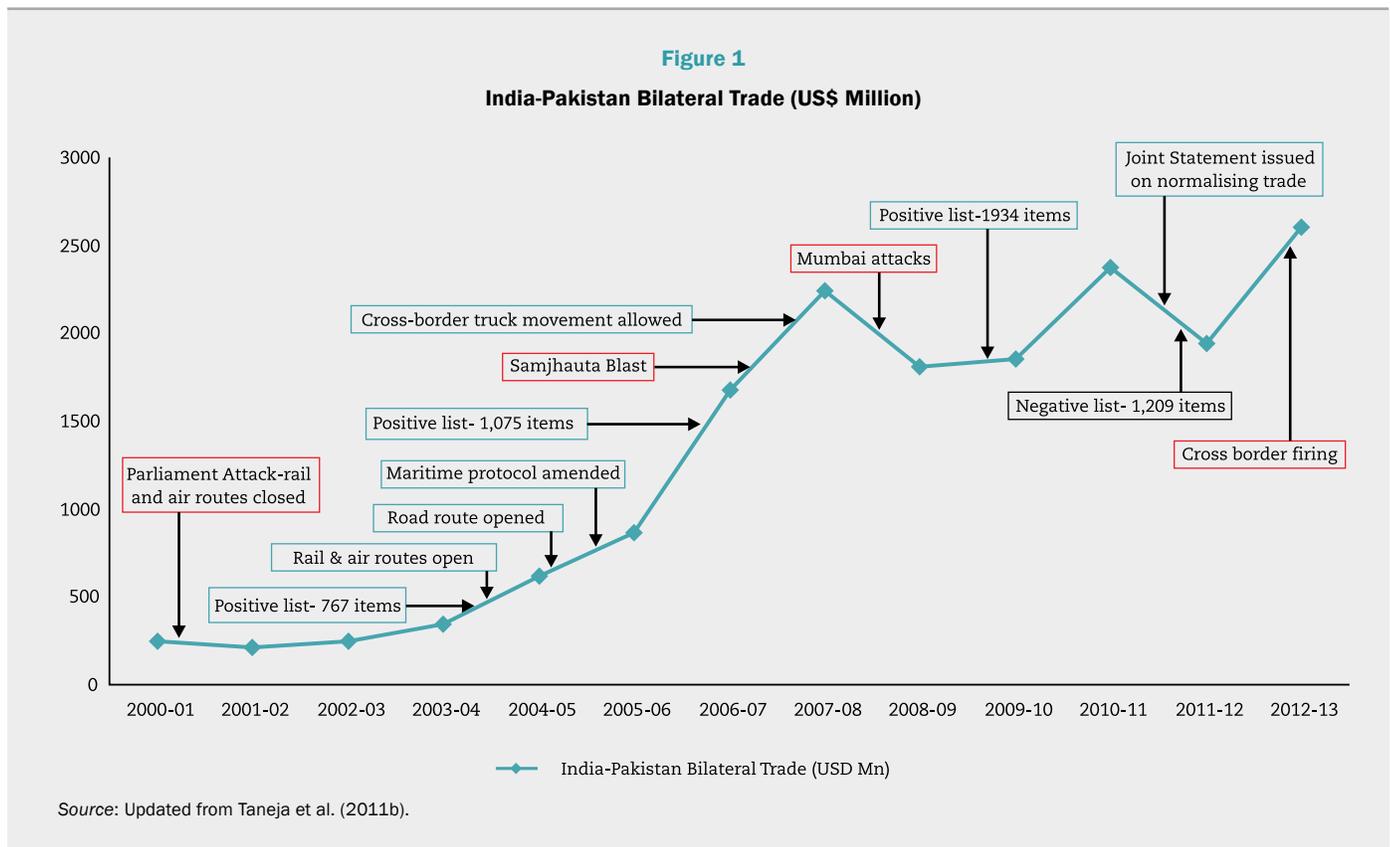
Note: Findings of the Trade Perception Survey shall also be included in a forthcoming book edited by Nisha Taneja and Sanjib Pohit titled "India-Pakistan Trade: Strengthening Economic Relations"; to be published by Springer (India) Pvt. Ltd.

In 2004, as members of the South Asian Association for Regional Cooperation (SAARC), India and Pakistan signed the South Asian Free Trade Agreement (SAFTA). The members of SAFTA include four least developed countries (LDCs)–Nepal, Bhutan, the Maldives, and Bangladesh; and three non-least developed countries (NLDCs)– India, Pakistan and Sri Lanka. SAFTA, as with all other regional agreements under the WTO, requires members to offer MFN treatment to each other. However, even after SAFTA was ratified in 2006, Pakistan did not accord MFN status to India and continued to trade on the positive list, allowing import of only 137 items from India via road, thereby making the route more restrictive. Thus, with two of the largest SAARC countries not trading under MFN rules, SAFTA has failed to help normalize trade relations between India and Pakistan.

The bilateral trade dialogue that had started in 2004 continued for four more rounds of talks until 2007 and resulted in three major outcomes—expansion of the positive list, opening of the road route in 2005, and amendment of the restrictive maritime protocol. As part of the Confidence Building Measures, in October 2008, the two governments permitted trade and travel across the Line of Control along Jammu and Kashmir.

Following the Mumbai attacks in November 2008, the composite dialogue was stalled. It resumed after a hiatus of three years. During these three years, however, no pro-active measures were taken to block trade such as those initiated in response to the Parliament attack in 2001.

The fifth round of talks in April 2011 laid down the blueprint for normalizing trade between India and Pakistan. Perhaps what set the tone for the talks was the recognition of the necessity to promote bilateral trade to "build confidence, dispel misunderstandings and allay misapprehensions". While the agenda was very detailed (covering inter alia the MFN issue, addressing non-tariff barriers, improving border infrastructure, customs liaison, harmonization of customs procedures, trade in electricity and petroleum products, co-operation in information technology, visas, bilateral investments, and opening of bank branches) the two negotiating points revolved around

Pakistan granting MFN status to India and the latter addressing non-tariff barriers faced by Pakistan in accessing India's market.

The Joint Statement issued in November 2011 laid down the sequencing and timelines for full phasing in of MFN status for India. In the first phase, Pakistan would graduate from the positive list to a small negative list specifying banned rather than permitted items. In the second stage, the negative list would be phased out; overall as well as for the road route on which trade takes place for only a fraction of the items on the positive list. These changes would usher in the full phasing in of MFN that forms an essential part of the trade normalization process.

Adhering to the Joint Statement, in March 2012 Pakistan made a transition from the positive list approach to a small negative list of 1,209 items. However, it continued to restrict road-based trade by allowing only 137 items to be imported from India via road; while India took a number of steps to address non-tariff barriers (NTB's). Since then, trade negotiations on MFN changed stance one more time. During the 7th Round of talks held in September 2012, India and Pakistan agreed to further deepen the preferential arrangements under SAFTA with India offering concessions to Pakistan in exchange for Pakistan granting MFN status to India. In a major step, India pruned its sensitive list to 614 items.

The inauguration of the Integrated Check Post (ICP) at the Wagah-Attari border in April 2012 and the signing of crucial agreements like the Bilateral Visa Agreement, Redressal of Trade Grievances Agreement, Mutual Recognition Agreement and Customs Cooperation Agreement are additional steps which the two countries have taken to boost trade. Against this backdrop, the series of trade facilitation measures undertaken by the Governments of India and Pakistan since 2011 are expected to lead to enhanced business opportunities. However, the expectation would be realized only if policy measures are implemented in spirit at the grassroots level. To understand the ground realities faced by the stake-holders, we have undertaken a Trade Perception Survey to solicit the views of traders on awareness of these policies and on the extent of

impediments faced by businesses. To be specific, the focus of our Trade Perception Survey is:

- To determine the extent of current impediments in India-Pakistan trade with respect to product standards, market access, business facilitation, infrastructure and customs and documentation

- To determine the expectation on the extent of improvements

- To determine the expectation on demand for commodities to be traded

- To suggest policy measures to enhance trade

Several researchers in the past have flagged impediments to India-Pakistan trade[1]. However, none have attempted to quantify the extent of impediments, and prioritize the impediments that need immediate attention for trade potential to be realized.

For this, initiating the Trade Perception Survey in 2013 was considered appropriate for creating a benchmark. In a dynamically changing policy environment such as the case of India-Pakistan trade, tracking the perception of traders over a period of time is extremely important. This would help in assessing whether there has been an improvement in key indicators that are particularly important for India-Pakistan trade, over successive surveys.

The Trade Perception Survey is expected to be carried out annually for a period of three years, starting from 2013. The extent to which business opportunities would translate into trade realization would depend on the degree to which traders expect any change on the ground. Tracking the perception of traders over successive surveys would help in assessing whether the traders perceive any improvement in key indicators that are important for India-Pakistan trade.

The plan of the rest of the report is as follows. In Chapter 1, we discuss the key questions that our Trade Perception Survey seeks to address. The survey design, sampling frame as well the methodology is elaborated in this chapter. The subsequent chapters discuss the various aspects of our survey findings. Chapter 2 reports our findings related to extent of awareness of trade policy, while we discuss issues relating to ease of meeting product standards in Chapter 3. The market access scenario is analyzed in Chapter 4. Chapters 5 and 6 present the results for business facilitation and customs documentation respectively. Trade cannot flourish unless infrastructure at ports improves. Chapter 7 attempts to understand the state of the same from the perception of the stake-holders. Chapter 8 summarizes the results of the survey related to expected trends on trade expansion and commodities to be traded. Lastly, summary and policy recommendations are presented in Chapter 9.

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1. See Taneja (2006). Taneja (2007). Taneja *et al*. (2011b). Mehta (2012). and Husain (2011)

1

Key Questions, Survey
Design and Sampling

To assess the degree of impediments faced by businesses engaged in India-Pakistan trade, a Trade Perception Survey was undertaken using a structured questionnaire. The question naturally arises as to what are the major impediments that one should focus on in this kind of a survey. While it is possible to consider a plethora of indicators for impediments, it would make the size of the questionnaire too large and would lead to a poor response rate. Thus, one has to make a judicious choice keeping in mind the size of the questionnaire. In this study, the choice of the indicator for assessing impediments is based on existing studies mentioned earlier and on consultations and focus group discussions held by the authors at different points in time during 2005-2008 and in 2012 in India, Pakistan, and Dubai.

The trade policy governing India-Pakistan trade has been undergoing rapid changes and continues to be very complex. Thus, awareness of these policies would help in realizing the trade potential. Based on earlier surveys and consultations by the authors there was reason to believe that overall awareness of trade policies is higher in India than in Pakistan. Also, it was thought that while traders may be aware about Pakistan granting MFN status to India, they would be less aware about the specific trade policies related to the positive and negative lists, and about SAFTA concessions.

Pakistan has for several years been extremely concerned about non-tariff barriers that it faces in accessing the Indian market (Taneja, 2006; Taneja, 2007; Husain, 2011; TDAP, 2012). Even though standards applied by India to manufactured goods under the agreement on Technical Barriers to Trade (TBT) and to agricultural products under the Sanitary and Phytosanitary Measures Agreement (SPS) are non-discriminatory, they have been perceived as being trade restrictive by Pakistani businesses and policymakers. In our survey questionnaire, we have attempted to assess whether the perceived barriers related to TBT and SPS standards were higher for Pakistani traders than for Indian traders.

The survey also elicited responses on market access in terms of trade expansion to assess whether there is any significant difference in the perception of traders on market access on both sides of the border

for the same flow of goods. It has often been opined by businessmen in both countries that they are reluctant to use their country labels when accessing each other's markets as they think that these labels impede market access. The question posed in the survey was to evaluate whether a large proportion of respondents perceive that the impact of country labels on reducing trade was high in both countries.

The two countries have a history of unfavorable political events. In recent years neither country has taken measures to stop trade following the occurrence of such incidents (Taneja *et al.* 2011b). The question was posed to assess if political incidents had a negative impact on market access.

Several studies have pointed out that business between the two countries is affected by the restrictive visa regime, lack of communication networks, inefficient banking facilities and poor services offered by logistics operators (Khan, 2009; TDAP, 2012; Taneja, 2007). The question posed was whether the difficulty in obtaining visas and difficulty in communicating was higher for Pakistani businessmen than for Indian businessmen. In a similar vein, we have attempted to find out whether banking efficiency in Indian banks was perceived to be better than in Pakistani banks. Logistics service providers are intrinsic to vibrant trade growth. Our survey also solicits information from large and small logistics service providers to assess whether the services provided by the former were higher than those of the latter.

Customs authorities play an important role in facilitating trade. Land Customs Stations (LCSs) are located at road, rail, sea and air ports. Information was obtained through the survey, to understand which mode has the least or the most impediments. Earlier studies seem to suggest that the most inefficient was the rail custom station.

Inadequate and inefficient infrastructure at ports can be a major impediment to trade between the two countries. However, this could vary across road, rail, sea and air ports. The question posed here was whether there was any difference in the efficiency and availability of infrastructure at LCS's located at ports for different transport modes.

1.1 Questionnaire Design

For the design of the questionnaire, the framework used in constructing global indices like *Enabling Trade Index* (World Economic Forum, 2012) and *Logistics Performance Index* (World Bank, 2012) was adapted to make it relevant to the specificities of India-Pakistan trade and business environment. For instance, in a rapidly changing policy environment for India-Pakistan trade, it is important to assess traders' awareness of these policies. Several of these policies are applicable exclusively to India-Pakistan trade. If traders are not aware of recent policy shifts, they would not be able to take advantage of the changed scenario and thus trade potential would remain untapped. Therefore, it is important to determine the extent to which traders are actually aware of these policies. Moreover, given the influence of sensitive political relations between the two countries, specific questions on the impact of political events, impact of made in India/Pakistan labels, ease of obtaining visas and ease of communication were included. Keeping in mind all these factors, six broad indicators were included in the survey:

1) *Awareness of Trade Policy*: This indicator includes key developments in trade and transport policies such as:

    a. Pakistan allows the import of all items from India except a negative list of 1209 items;

    b. Pakistan is in the process of granting MFN status to India;

    c. India permits the import of all items from Pakistan;

    d. Concessional duty rates can be availed for imports under the SAFTA agreement by both countries;

    e. India has removed specific duties on all items except those on the sensitive list;

    f. Pakistan allows the import of only 137 items from India by the road route;

    g. India allows the import of all items from Pakistan via the road route;

    h. Neither country has restrictions for trade via the rail route; and finally,

    i. New facilities are offered at the Integrated Check post at Attari.

2) *Meeting Standards*: This indicator captures the ease/difficulty in meeting Sanitary and Phytosanitary (SPS) standards for agricultural products and Technical Barriers to Trade (TBT) standards for manufactured commodities.

3) *Market Access*: This indicator captures the perception of traders on overall increase in market access; whether made in India/Pakistan labels reduce market access; and whether India-Pakistan political events hamper trade.

4) *Business Facilitation*: This indicator captures the availability of 'soft infrastructure' required to facilitate trade—including ease of obtaining visas; ease of communication with traders across the border; competence of logistics industry; and efficiency of banks.

5) *Customs and Documentation:* This indicator identifies barriers in customs trade procedures. The sub-indicators include time taken by customs to process documents; time taken for lab testing of imports; and excessive checks due to security measures.

6) *Infrastructure at Ports:* This indicator identifies infrastructural bottlenecks at the road, rail, sea and air ports. The sub-indicators include congestion at LCS/Port gate; availability of warehousing; and availability of wagons (for rail).

For each sub-indicator, respondents were asked to rank their perceptions in the current scenario, which referred to the time of the survey, and on the expected change in the next year, on a scale of 1 to 5.

The survey also captured the perception of respondents about:

- The extent of increase in India-Pakistan bilateral trade.

- Which products are likely to witness the highest per cent increase; and

- The per cent by which capacity at border points needs to be increased in order to make mode-wise policy recommendations.

1.2 Sampling Frame

The total sample of 400 firms included only those firms which are engaged in trading with India/Pakistan; with 200 firms surveyed in each of the two countries.[1] Several cities in India and Pakistan were covered in order to incorporate the geographical diversity of commodities traded. In India, firms covered in the sample were spread across Delhi, Amritsar, Mumbai, Chennai, Kolkata, Hyderabad and Ahmedabad. In Pakistan, firms were surveyed in Karachi, Lahore, Islamabad, Rawalpindi, Sialkot, Faisalabad, Multan and Peshawar (Table 1.1).[2]

To determine sectors from which sample firms had to be drawn, sectors that met the twin criteria of high current trade and high trade potential were selected. The trade potential was calculated for 21 sectors[3] classified on the basis of Harmonised System (HS) classification using trade data for 2011 from WITS (World Integrated Trade Solution) database. Export potential for any commodity is given by the minimum of the supplier's global exports and receiver's global imports minus the existing trade between the supplier and receiver (Taneja and Kalita, 2011). The exercise was conducted by first using India as a supplier, followed by Pakistan. Using the twin criteria, seven sectors were selected for drawing the export sample in India and import sample in Pakistan—machinery, chemicals, textiles, plastics and rubber, vegetable products, prepared foodstuffs and base metal articles. Using the same methodology for India's imports from Pakistan and Pakistan's exports to India, the sectors identified included machinery, chemicals, textiles, plastics and rubber, vegetable products,

prepared foodstuffs, optical, photographic and surgical instruments, and base metal articles. However, the actual sample that was surveyed did not completely match the sample selected as firms involved in India-Pakistan trade are scattered, making it difficult to identify traders of all commodities that were originally targeted (Table 1.2).

Table 1.1

City-wise Distribution of Firms

	India			Pakistan	
City	No. of firms	Per cent	City	No. of firms	Per cent
Ahmedabad	21	10.5	Faisalabad	7	3.5
Amritsar	33	16.5	Islamabad	3	1.5
Chennai	20	10.0	Karachi	107	53.5
Coimbatore	2	1.0	Lahore	60	30.0
Delhi	34	17.0	Multan	3	1.5
Hyderabad	17	8.5	Peshawar	1	.5
Kolkata	12	6.0	Rawalpindi	3	1.5
Mumbai	61	30.5	Sialkot	16	8.0
Total	200	100.0	Total	200	100.0

Source: *ICRIER Survey (January–March 2013).*

Table 1.2

Sector-wise Distribution of Respondents

Sector	India				Pakistan			
	Exporters		Importers		Exporters		Importers	
	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent
Agriculture	34	21	22	39	30	23	15	19
Chemicals	29	18	1	2	11	9	38	48
Textiles	36	22	2	4	36	28	6	8
Pharmaceuticals	18	11	8	14			6	8
Engineering/ machinery	14	9						
Surgical items			7	12	13	10		
Cement			10	18	9	7		
Gypsum					13	10		
Others	31	19	7	12	17	13	15	19
Total	162		57		129		80	

Note: A respondent may be trading in more than one commodity belonging to different sectors.
Source: *ICRIER Survey (January–March 2013).*

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1. The sample size is not representative of population; due to time and resource constraints. The results obtained in our survey are only indicative.

2. ICRIER conducted the survey in collaboration with Dun and Bradstreet.

3. Sectors of the Harmonised System (HS) of Classification, aggregated to the 2-digit level

Table 1.3

Distribution of Firms by Type of Activity

Activity	India		Pakistan	
	No.	Per cent	No.	Per cent
Exporter/manufacturer	149	69.3	146	61.9
Importer	50	23.3	88	37.3
Freight forwarder/ clearing agent	16	7.4	2	0.8

Note: A respondent may be involved in more than one trade related activity.

Source: *ICRIER Survey (January–March 2013).*

Table 1.4

Mode-wise Distribution of Firms

Trading route	India				Pakistan			
	Exporter		Importer		Exporter		Importer	
	No.	Per cent	No.	Per cent	No.	Per cent	No.	Per cent
Sea	104	69.8	9	18.0	60	45	48	58
Air	36	24.2	11	22.0	25	19	10	12
Rail	31	20.8	20	40.0	25	19	6	7
Road	39	26.2	39	78.0	74	55	39	47
Total	150		50		134		83	

Note: A respondent (an exporter/importer) may be trading via more than one trading route.

Source: *ICRIER Survey (January–March 2013).*

A major shortcoming of the actual sample covered was that in India, importers did not have an adequate representation in the sample. This is because in India there is no directory for importers. Another shortcoming of the sampling frame was that it included very few freight forwarders and clearing house agents (Table 1.3).

Considering that trade between India and Pakistan can be carried out via sea, air, rail, and road routes; we have attempted to capture all modes of trading routes in our sample (Table 1.4). As this table shows, there is larger representation of sea as a trading route reflecting the fact that sea is the dominant route of trading between India and Pakistan.

The sample has also been categorized according to the size of the firms surveyed and the number of years they have been involved in trading with the neighbouring country, as seen in Tables 1.5 and 1.6.

The categorization of the sample by the above two criteria is done to understand whether old/new and large/small firms have different responses to trade impediments.

Table 1.5

Distribution of Firms by Size

India			Pakistan		
Size of firm (Turnover in INR Lakh)	Frequency	Per cent	Size of firm (Turnover in PKR million)	Frequency	Per cent
Small (0-200 L)	23	11.5	Small (Upto 50Mn)	96	48.0
Medium (200-1000 L)	42	21.0	Medium (50-250Mn)	82	41.0
Large (More than 1000 L)	135	67.5	Large (More than 250Mn)	22	11.0
Total	200	100.0	Total	200	100.0

Note: Definition of size of firms has been adopted by the authors for the purpose of this study.

Source: *ICRIER Survey (January–March 2013).*

Table 1.6

Number of Years of Trading with Neighbouring Country (India/Pakistan)

India			Pakistan		
Years	Frequency	Per cent	Years	Frequency	Per cent
Up to 5 years	88	44.0	Up to 5 years	121	60.5
6-10 years	55	27.5	Between 6-10 years	55	27.5
11 years and above	57	28.5	11 years or above	24	12.0
Total	200	100.0	Total	200	100.0

Source: ICRIER Survey (January–March 2013).

1.3   Methodology for Analysis

The respondents were asked to evaluate their responses on a likert scale of 1 to 5. The categories used were as follows:

Current scenario:

- Very High

- High

- Average

- Low

- Very Low

Expected changes:

- Significantly Increase

- Increase

- No Change

- Reduce

- Drastically Reduce

The survey responses were then analyzed by examining the distribution of responses by exporters/importers from both India and Pakistan. The response distributions are represented by bar diagrams or in tabular form to understand the differences in sample characteristics of any indicator under study. Further, we have used the standard Chi-square test to determine whether there exists a statistically significant difference in responses between two categories in a country or between the two countries for a particular indicator under study.

2

Awareness of Trade Policy

Awareness of the recent developments in trade policy is of paramount importance in increasing bilateral trade. For instance, during the survey it was noted that many traders who had always traded in a single commodity, diversified their business after they realized that the new trade regime allows trade in many commodities that were previously restricted. However, several traders continue to be unaware of the policy changes. Therefore, to bolster bilateral trade and tap trade potential, it is important to disseminate trade related information to traders in a manner that is comprehensive and easily accessible.

In this survey, binary responses were obtained on whether or not respondents were aware of various policy measures taken by the Indian and Pakistani governments. The nine sub-indicators included:

- Pakistan allows the import of all items from India except a negative list of 1209 items;

- Pakistan is in the process of granting MFN status to India;

- India permits the import of all items from Pakistan;

- Concessional duty rates can be availed for imports under the SAFTA agreement;

- India has removed specific duties on all items except for items on the sensitive list;

- Pakistan allows the import of only 137 items from India via the road route;

- India allows the import of all items from Pakistan via the road route;

- Neither country has restrictions for trade via the rail route; and

- New facilities are offered at the Integrated Check Post at Attari.

In this chapter, we compare the awareness level of respondents using various criteria. To be specific, the following questions are posed:

(i) Does awareness level in each of the nine sub-indicators vary between India and Pakistan?

(ii) Is overall awareness significantly higher in India than in Pakistan?

(iii) Are traders using different modes of transport equally aware about trade policies?

(iv) Are large firms more aware than small and medium firms?

(v) Are old firms more aware than new firms?

2.1 Awareness of Sub-indicators

Of the nine sub-indicators, the level of awareness amongst traders in India and Pakistan is highest in two sub-indicators namely Pakistan's move to grant MFN status to India and its shift from a positive list to a negative list of 1209 items. However, the awareness of traders about other sub-indicators is low in both countries.

The low degree of awareness about policy measures has crucial implications for bilateral trade between India and Pakistan. The fact that only 22 per cent of the Pakistani respondents are aware that India allows the import of all items from Pakistan indicates that traders in Pakistan are not exploiting the full export potential to India. There is also a relatively low awareness of concessional duty rates being offered for imports under SAFTA and on the removal of specific duties by India for all items other than those on the sensitive list. This implies that traders perceive tariffs to be higher than what they actually are and bilateral trade would be much larger if traders are more aware of these concessions (Figure 2.1). When traders were asked whether they availed SAFTA concessions for imports, only 42 per cent of importers in Pakistan and 70 per cent of importers in India claimed that they did. This reflects the fact that a larger proportion of traders in India are aware of these concessions compared to traders in Pakistan.

There is also a low level of awareness about policies related to trade via the road and rail route. A large proportion of traders in India and Pakistan are not aware that only 137 items are allowed to be imported by Pakistan via the road route. However, the level of awareness is also low on policies that impose no such restrictions, for instance the fact that India allows the

Figure 2.1

Awareness Sub-indicators (Per cent of Traders Aware of Trade Policy)
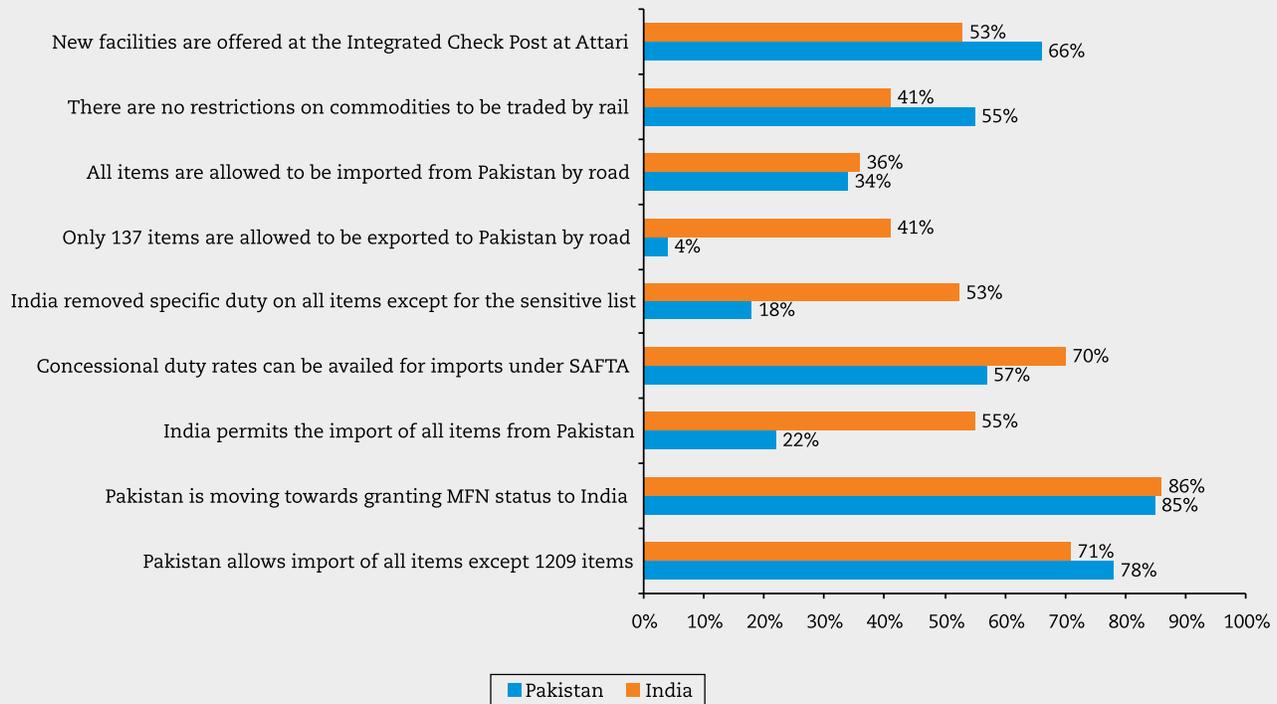
Source: ICRIER Survey (January–March 2013).

import of all items from Pakistan via the road route and that neither country imposes any restriction on commodities that can be traded via the rail route. Awareness about these policies needs to be increased amongst traders in order to ensure that the trade potential can be realized.

2.2   Overall Awareness

Overall awareness has been calculated by summing up the responses of all traders across all awareness sub-indicators. As Figure 2.1 indicates, in 3 out of 9 sub-indicators, awareness level of Indian respondents is lower than that of Pakistani respondents. This is in agreement with earlier studies and our focused group interviews with key stake-holders. A statistical test on our research question namely awareness level of Pakistani traders is lower than the Indian ones using the

indicator *overall awareness level* confirms our research question (see Hypothesis 1 Table A1 in the Appendix). In India, 57 per cent of the respondents were aware of the trade policy measures while in Pakistan, only 44 per cent of the respondents were aware of these policies.

2.3   Awareness of Policies Related to Land Route among Different Transport Mode Users

There are several policies that are applicable to products traded by the land route. But, are traders using different modes of transport aware of policies related to the rail and road routes? During the course of our interaction with respondents in India, it was observed that traders are mainly aware of only the policies related to the routes they use (Table 2.1).

Table 2.1

Mode-wise Awareness of Policies Related to Road and Rail Routes (Per cent of Respondents Trading via Different Modes)

Mode	Only 137 items are allowed to be exported to Pakistan by road		All items are allowed to be imported from Pakistan by road		There are no restrictions on commodities to be traded by rail		New facilities are offered at the Integrated Check Post at Attari	
	India	Pakistan	India	Pakistan	India	Pakistan	India	Pakistan
Sea	39	3	28	36	33	55	46	60
Air	30	6	30	34	34	71	28	63
Rail	69	3	59	29	87	55	85	87
Road	68	5	66	28	61	47	93	75

Source: ICRIER Survey (January–March 2013).

In India, the overall awareness of traders using rail and road as a mode of transport is significantly higher than traders using the sea and air modes. However in Pakistan, awareness of traders using the air route is significantly higher than those using the road mode. Additionally, traders trading via sea were found to have a lower level of awareness than those trading via road. (Hypothesis 2 Table A1).

2.4 Awareness among Small/Medium and Large Firms

Small and medium firms are expected to be less aware than larger firms since the latter have greater resources to gather information. However, for both India and Pakistan, no significant differences are found between awareness of trade policy among small/medium and large businesses (Hypothesis 3 Table A1). One reason for this could be that larger firms in India/Pakistan have a relatively smaller share of bilateral trade with the other country and any advantage they have in terms of number of resources is mitigated by their lack of interest in gathering information beyond

what is required. These larger firms are probably exporting to many other countries as well; and it is possible that business from Pakistan/India does not form a significant proportion in their overall business.

2.5 Awareness among Old and New Firms

Firms trading for a longer period of time would also be expected to be more aware of trade policies. The survey results in India confirm this. In India, traders who have been in business with Pakistan for a longer period of time, are significantly more aware of trade policies compared to traders who have been trading for a shorter period of time with Pakistan. On the other hand, in Pakistan, the reverse is true as traders who have been in business with India for longer are least aware about trade policy (Hypothesis 4 Table A1). Interactions in Pakistan with survey respondents revealed that firms that had been trading with India for a shorter period of time had entered the market after assimilating the relevant knowledge and hence they were more aware of trade policies governing the trade between India and Pakistan.

3

Meeting Product Standards

All WTO members maintain standards to ensure safety and to protect plant, human and animal life. The Agreement on Technical Barriers to Trade (TBT) and the Agreement on Sanitary and Phytosanitary (SPS) measures lays down the guidelines that should be followed in this regard. India and Pakistan have taken the initiative to implement all the WTO-compatible procedures related to standards, testing, and labeling and certification requirements. The TBT Agreement applies to manufactured items and the agreement requires these measures to be applied in a manner that does not restrict international trade. The SPS Agreement applies to agricultural items. Members apply these measures only to the extent necessary; based on scientific principles and with sufficient scientific evidence. In India, the Bureau of Indian Standards (BIS) under the purview of the Ministry of Food and Consumer Affairs is the main standard setting body; while in Pakistan the only standard setting body is the Pakistan Standards and Quality Control Authority (PSQCA).

The national accreditation bodies for testing and inspection in India and Pakistan are members of the International Laboratory Accreditation Cooperation (ILAC). The ILAC Arrangement is a global network of accredited testing and calibration laboratories and inspection bodies that are assessed and recognized as being competent. Pakistan became a full member of ILAC in 2009. Thus, awareness of recognition of the accreditation bodies in both countries by ILAC can help in meeting requirements of standards set for each other.

In this chapter, the survey responses on the difficulty in meeting SPS and TBT standards laid down by the two partner countries are analyzed. Based on earlier studies it is expected that Pakistani exporters find it more difficult to meet standards than Indian exporters do. Since both these countries are focusing on improving the enabling environment so that the two countries are able to meet each other's standards, we have also sought responses on the expected change in the ease of meeting standards in the coming year.

3.1 Meeting SPS Standards: Current Scenario

It is evident from Figure 3.1 that only 40 per cent of exporters in Pakistan find it easy/very easy to comply with these requirements, compared with 80 per cent of the Indian exporters who find it easy to comply with SPS standards set by the authorities in Pakistan. Expectedly, the statistical test of this indicator suggests that exporters from Pakistan trading in agricultural commodities find it significantly harder to comply with SPS standard requirements compared to Indian exporters trading in agricultural commodities (Hypothesis 5 Table A1).

Figure 3.1

Ease in Meeting SPS Standards for Exporters (Per cent of Respondents)

Current Scenario

Legend: ■ Very Easy ■ Easy ■ Average ■ Difficult ■ Very Difficult

Source: ICRIER Survey (January–March 2013).

Figure 3.2

Ease in Meeting TBT Standards for Exporters (Per cent of Respondents)
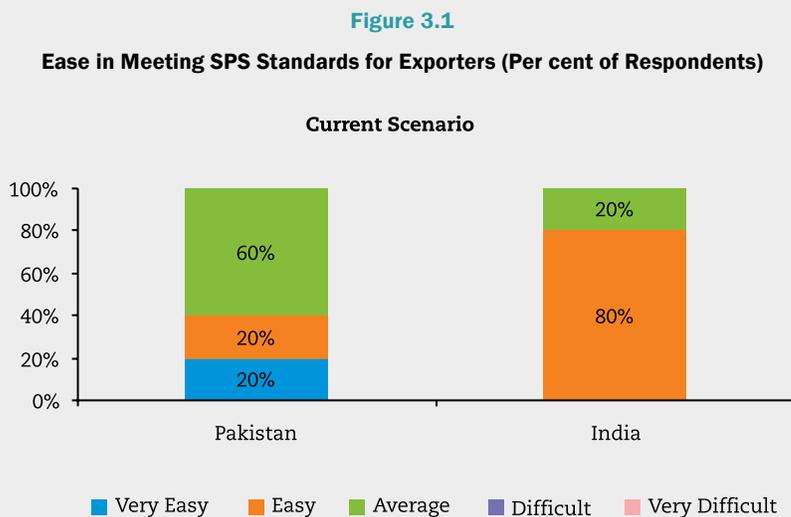
Current Scenario

Source: ICRIER Survey (January–March 2013).
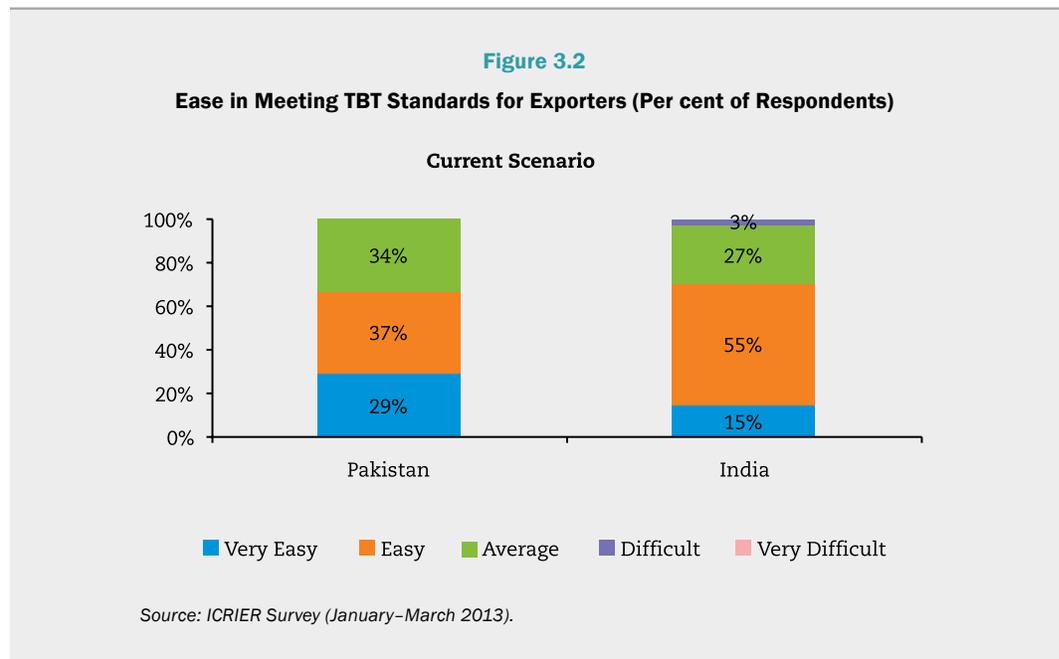
3.2 Meeting TBT Standards: Current Scenario

For firms engaged in the export of manufactured commodities, no significant difference has been found in the ease of meeting TBT standards between Indian and Pakistani exporters (Hypothesis 5 Table A1). It can be observed from Figure 3.2 that 66 per cent of exporters from Pakistan find it easy/very easy to comply with TBT requirements, with a similar proportion of exporters on the Indian side (70 per cent) finding no difficulty in meeting these requirements.

It can be inferred that exporters from Pakistan find it harder to comply with just the SPS standards compared to Indian exporters; with there being no significant difference in the ease of fulfilling TBT standards for manufactured commodity exports between the exporters from India and Pakistan.

3.3 Expected Change in Meeting SPS and TBT Standards

The largest proportion of traders from India (83 per cent) and Pakistan (75 per cent) perceive that there would be no change in the ease of meeting SPS standards next year (Figure 3.3); with 17 per cent of Pakistani exporters optimistically expecting the SPS standards to reduce. For complying with TBT requirements, while 58–59 per cent of exporters from both India and Pakistan perceive that there won't be any change next year, 39 per cent of exporters from India feel that the requirements for complying with standards for manufacturing commodities would increase next year and 40 per cent of exporters from Pakistan expect the TBT standards for exporting to India to reduce (Figure 3.4).

Figure 3.3

Ease in Meeting SPS Standards for Exporters (Per cent of Respondents)

Expected Changes

Drastically Reduced ▪ Reduced ▪ No Change ▪ Increased ▪ Significantly Increased
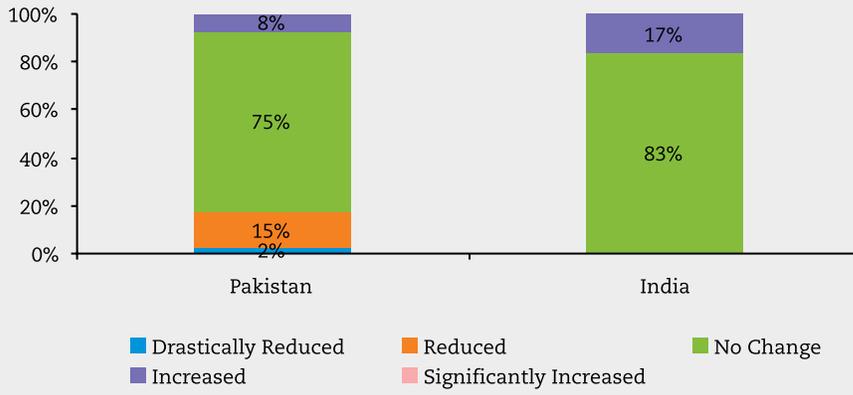
Source: ICRIER Survey (January–March 2013).

Figure 3.4

Ease in Meeting TBT Standards for Exporters (Per cent of Respondents)

Expected Changes

Drastically Reduced ▪ Reduced ▪ No Change ▪ Increased ▪ Significantly Increased
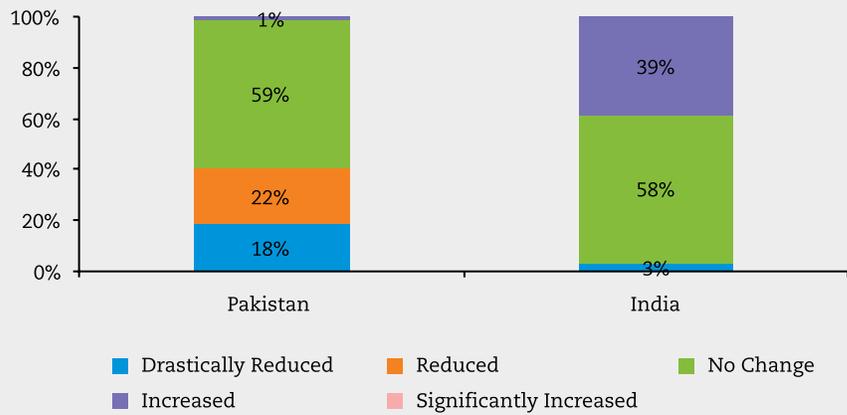
Source: ICRIER Survey (January–March 2013).

4

Market Access

For trade expansion between India and Pakistan, it is important for traders in both countries to perceive a high market access in the other country - both in terms of being able to export their products easily to the other country, and being able to import them as well.

In the survey, the perception about market access is sought in terms of whether trade expansion has been good. Here, a comparison of perceptions of Indian exporters and Pakistani importers has been made to assess whether there is any significant difference in the perception of traders about market access on both sides of the border for the same flow of goods. Similarly, a comparison has been made of the perceptions of market access for Indian importers and Pakistani exporters. Thus the key questions being asked were: (i) Do Indian importers have a perception of higher market access than Pakistani exporters and (ii) Do Indian exporters have a perception of higher market access than Pakistani importers.

A concern that has often been raised by businesses in both countries is that the made in India/Pakistan label affects market access negatively. Businesses are not sure about the acceptability of their products in each other's markets due to the hostility between the two countries. Respondents were asked how they perceived the extent to which the country labels affect their trade and how they expect market access to be affected by these labels in the next year.

Political events between the two countries are a key factor governing the trading environment. Events at the Line of Control and the subsequent public statements by the two governments could create uncertainty for trading businessmen. The survey was designed to capture the perceptions of such incidents on trade. Respondents were also asked about their perceptions on whether they expect the impact of such incidents on trade to increase or decrease in the next year. Incidentally, such political events also took place during the time this Trade Perception Survey was conducted.

4.1   Market Access

Are the perceptions of Indian importers and Pakistani exporters regarding market access significantly different? In the current scenario, only 16 per cent of Pakistani exporters feel that market access into the Indian market is high while 58 per cent of Indian importers feel that the market access of goods from Pakistan is high (Figure 4.1). Survey results indicate that Indian importers have a significantly higher perception of better market access than Pakistani exporters (Hypothesis 6 Table A1). Moreover, Pakistani exporters are less optimistic about the future increase in market access as only 17 per cent feel that it would increase in the next year compared to 32 per cent of Indian importers who expect an increase in market access in the next year (Figure 4.1).

Figure 4.1

Market Access for Indian Importers and Pakistani Exporters (Per cent of Respondents)
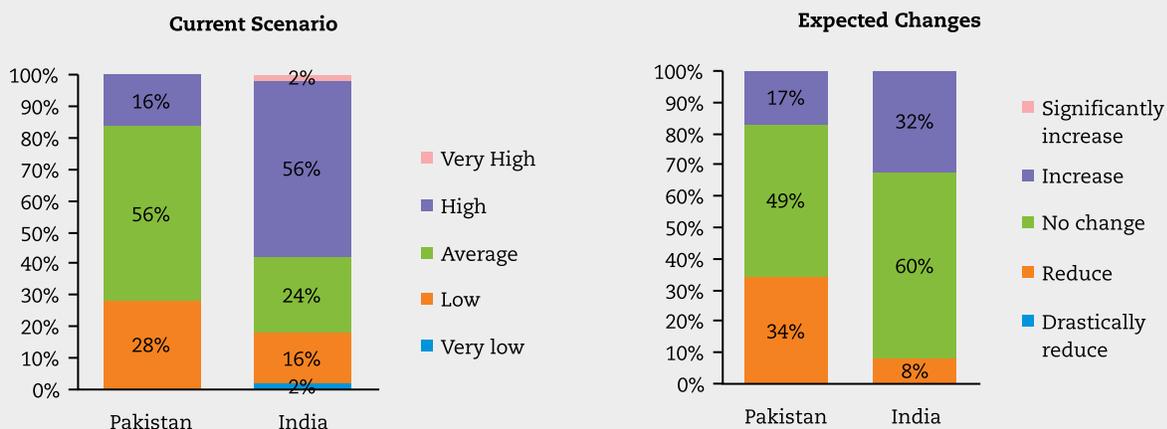
Source: ICRIER Survey (January–March 2013).

Figure 4.2

Market Access for Indian Exporters and Pakistani Importers (Per cent of Respondents)
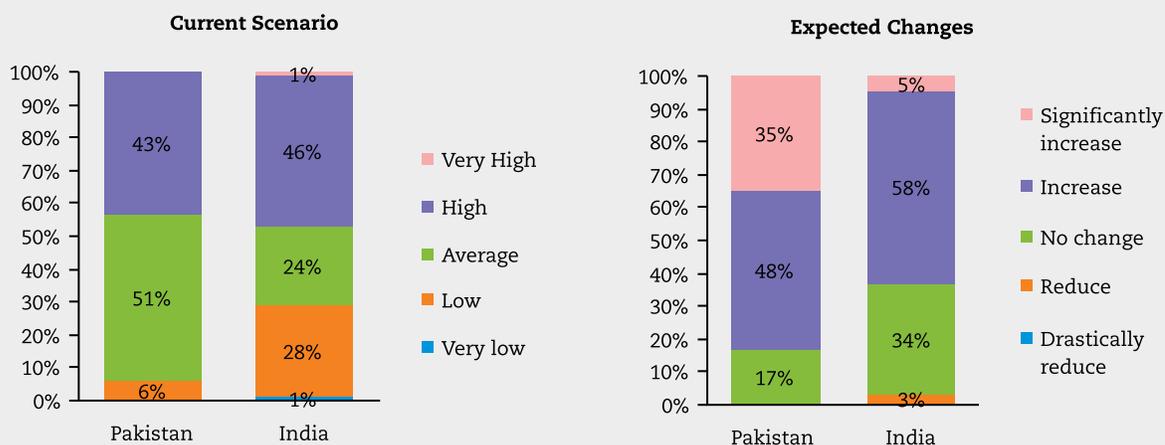
Source: ICRIER Survey (January–March 2013).

If Pakistani exporters perceive a lower market access than Indian importers, it could be inferred that Pakistani exporters are not exploiting the full market potential. One of the reasons pointed out by Pakistani exporters is that they are unable to expand the number of buyers from India due to lack of information on potential partners. Market access is also restricted due to lack of information on the commodities demanded and supplied by each country. Moreover, visa restrictions, especially city-based visas, inhibit Pakistani exporters from visiting India to conduct market assessments for their products. To address this concern, many traders suggested that a web portal should be developed so that traders on both sides can contact potential buyers /sellers across the border.

Are the perceptions of Indian exporters and Pakistani importers regarding market access significantly different? The proportion of Pakistani importers who feel that market access is high stands at 43 per cent which is similar to the proportion of Indian exporters who perceive market access to be high (47 per cent) (Figure 4.2). However, Pakistani importers are found to perceive a significantly higher market access than Indian exporters (Hypothesis 7 table A1). Regarding perception of the future, both Pakistani importers and Indian exporters are optimistic about increased market access.

Overall, a majority of Pakistani exporters surveyed have a poor perception of market access in India, which can partially be attributed to their lower awareness on trade policies (in particular the policy that allows India to import all items from Pakistan). Even though trade data shows that over the last three years (2009-2012), the average annual rate of growth of imports from Pakistan has been 23 per cent[1] (UNCOMTRADE WITS Database); there is scope for further expansion. This requires addressing the problems perceived by Pakistani exporters so that they are able to export with greater ease.

4.2 Made in Pakistan/India Labels

One may expect that products with a 'Made in Pakistan' label and products with a 'Made in India' label would reduce market access in India and Pakistan, respectively. However, a majority of respondents in India and Pakistan perceived a low/very low impact of country labels on demand for their products, with 95 per cent of Pakistani exporters and 96 per cent of Indian importers perceiving little impact of 'Made in Pakistan' label in India; and 100 per cent Pakistani importers and 97 per cent

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1. This is more than double the average annual rate of growth of India's exports to Pakistan (which is only 9 per cent in the same period).

Figure 4.3

Impact of Pakistani Label on Market Access in India: Indian Importers and Pakistani Exporters
(Per cent of Respondents)
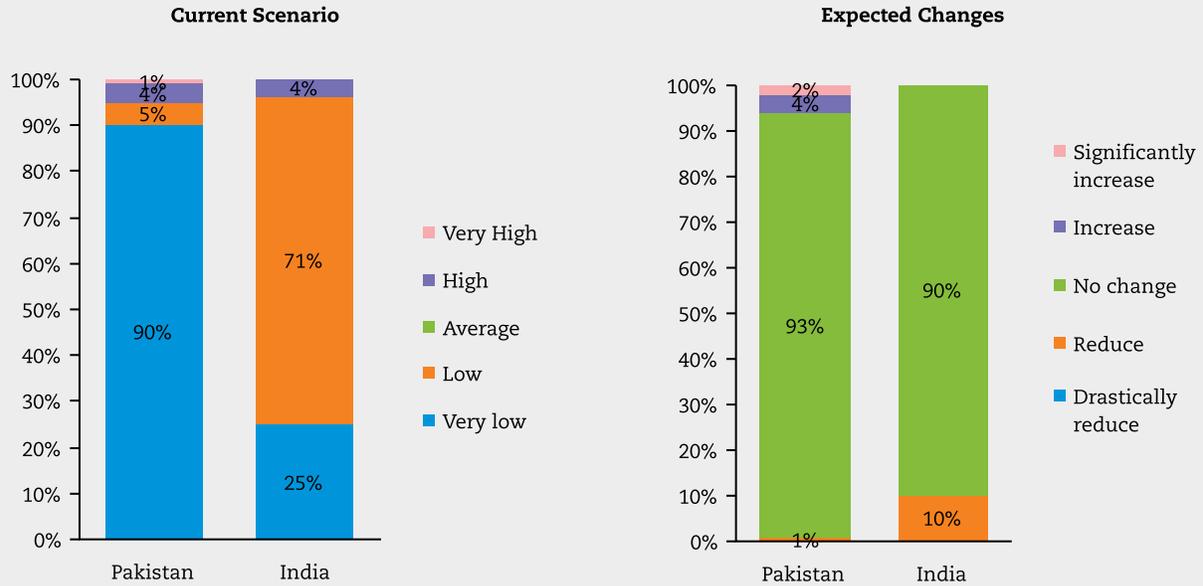
Source: ICRIER Survey (January–March 2013).

Figure 4.4

Impact of Indian Label on Market Access in Pakistan: Indian Exporters and Pakistani Importers
(Per cent of Respondents)
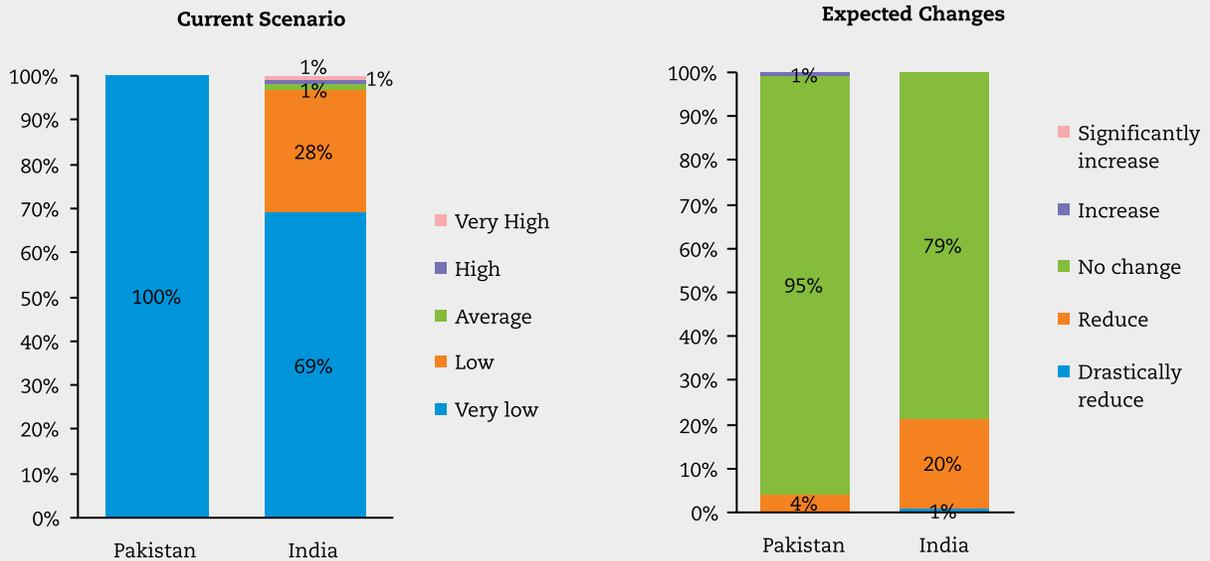
Source: ICRIER Survey (January–March 2013).

of Indian exporters perceiving negligible impact of 'Made in India' label in Pakistan. Further, traders in both countries did not expect the low impact of Indian/Pakistani labels to change in the next year (Figures 4.3 and 4.4). In fact, during the survey, several traders felt that some Pakistani products like dates and textiles have a high demand in the Indian market. Respondents also stated that the acceptance of Pakistani textiles in the Indian market is relatively recent and is largely a result of exhibitions of Pakistani textiles in several cities in India. Similarly, the respondents in Pakistan revealed that there was a huge demand for Indian jewelry in the Pakistani market. In fact, traders in Pakistan stated that some, Pakistan-made jewelry was sold under 'Made in India' labels due to a high demand for Indian jewelry in Pakistan.

4.3   Political Events

Unfavorable political events are likely to create uncertainties for traders trading between India and Pakistan. However in recent years, the two governments have

made an effort to delink adoption of trade restrictive measures with the occurrence of political events. It was expected that the survey would indicate that a large proportion of respondents perceive that political incidents do not have a high negative impact on trade even though the survey for this study was conducted during the time that there were untoward incidents at the Line of Control.

The survey results indicate that 70 per cent of traders in Pakistan felt political events have a low/very low impact on trade. Pakistani traders were very optimistic about trade continuing even if there are political tensions between India and Pakistan. On the other hand, Indian traders had a mixed response as about 35 per cent of traders felt that political events have a high impact while 45 per cent felt that political events do not hamper trade at all (Figure 4.5). Discussions with respondents revealed that they considered any negative impact to be transitory and not permanent. Additionally, none of the respondents interviewed stated that they had altogether stopped trading

Figure 4.5

Impact of Political Events on Trade-Indian and Pakistani Traders (Per cent of Respondents)
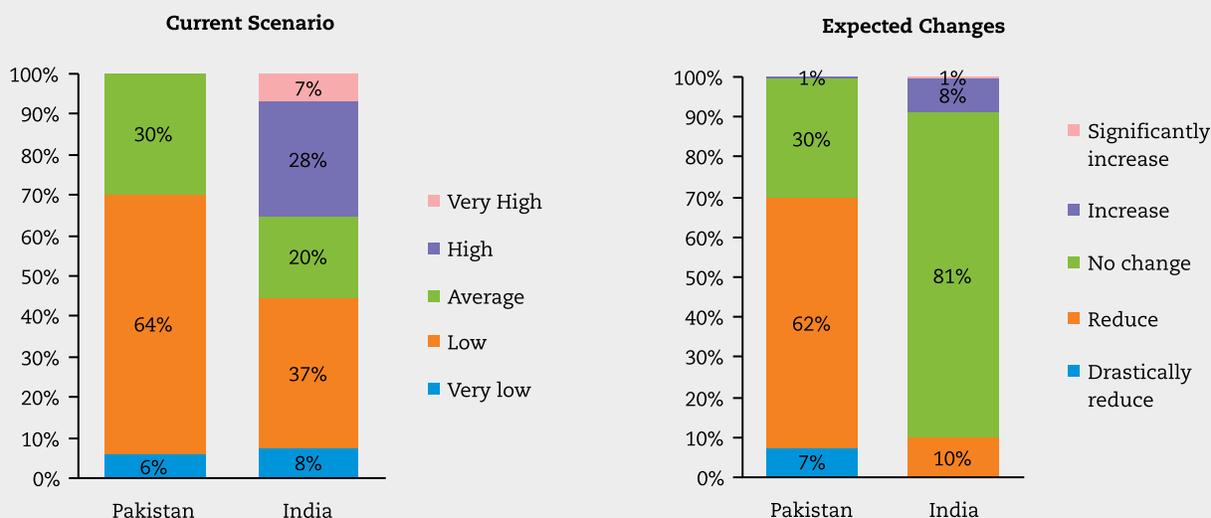
Source: ICRIER Survey (January–March 2013).

with Pakistan because of such political events. The survey results on the future expectations revealed that 81 per cent of the Indian traders did not expect any change from the current scenario, while 69 per cent of the Pakistani traders expected the impact of political events on hampering trade to reduce (Figure 4.5).

5

Business Facilitation

Business facilitation has a broad definition and could cover various aspects. For the purpose of this survey, business facilitation included: ease of obtaining visas, ease of communication, efficiency of logistics operators, and efficiency of banking channels. The aspect of ease of obtaining visas is also compared between firms of different sizes and for traders trading for different periods of time.

5.1 Ease in Obtaining Visas

Travel to potential markets would crucially depend on the ease of obtaining visas. However, for several decades now, India and Pakistan have had a very restrictive bilateral visa regime. Based on earlier studies it was expected that Indian businessmen find it easier to obtain visas than their Pakistani counterparts. The survey indicated that only 8 per cent of the traders from India and 3 per cent of traders from Pakistan found it easy to obtain visas; with Indian traders finding it significantly easier to obtain visas compared to their Pakistani counterparts (Hypothesis 8 Table A1).

There is more optimism amongst Indian businessmen than amongst Pakistani businessmen on the expected improvements in the visa regime. As Figure 5.1 indicates, 60 per cent of the respondents from India and 45 per cent of

the respondents from Pakistan expect the visa regime to become more liberal in the coming year (Figure 5.1).

Is it easier for large firms to get visas compared to small and medium firms? Our survey results indicate that while in India there is no significant difference in the ease of obtaining visas between 'small/medium' firms and 'large' firms; in Pakistan, 'large' firms find it significantly easier to obtain visas compared to 'small/medium' firms (Hypothesis 9 Table A1). Moreover, the small and medium firms in Pakistan find the process of filing for a visa so daunting that they do not want to apply for a visa at all. Considering that the industrial sector in India and Pakistan is dominated by small and medium sized firms, the visa policies and procedures must be liberal enough to facilitate movement of people from these firms.

Do firms trading for a longer period of time find it easier to obtain a visa? In India, there was no significant difference in the ease of obtaining visas for traders who have been trading for under 5 years and those that have been trading for 5 years or more. On the other hand, in Pakistan, traders who have been trading for more than 5 years find it statistically significantly easier to obtain visas as compared to traders who have been trading for less than five years (Hypothesis 10 Table A1).

Figure 5.1

Ease in Obtaining Visas (Per cent of Respondents)
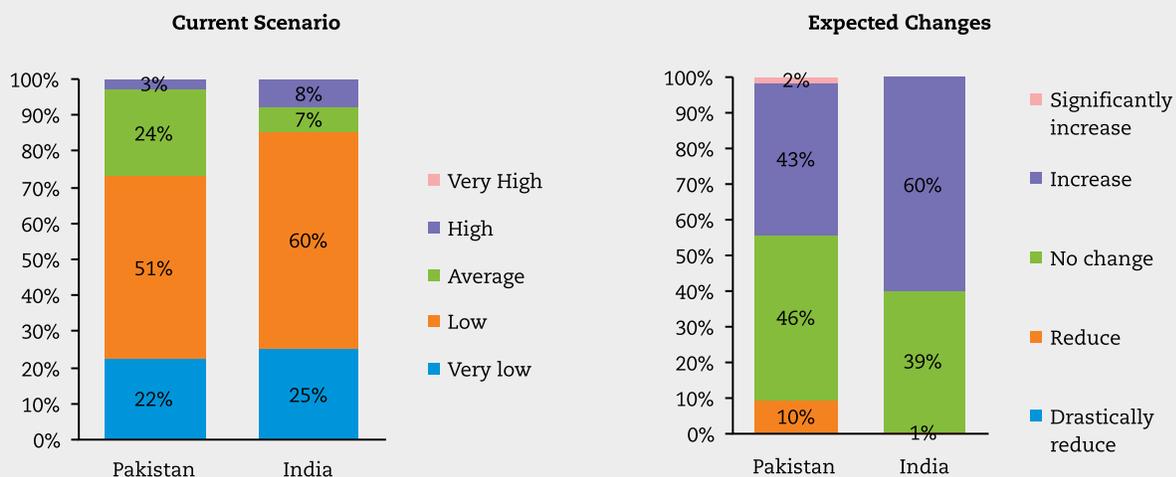
Source: ICRIER Survey (January–March 2013).

5.2 Ease of Communication

The advent of internet, emails, and mobile phones has greatly eased communication across the border, although roaming facilities for mobile phones from Pakistan and India and messaging facilities for Indians in Pakistan are still not available. The survey indicated that 66 per cent of Indian traders felt that communication with their Pakistani traders is currently good while only 12 per cent in Pakistan shared the same perception for communicating with traders in India (Figure 5.2). Statistically speaking, Indian traders find it significantly easier to communicate with their counterparts in Pakistan, as compared to the ease of communication of Pakistani traders with Indian traders (Hypothesis 11 Table A1).

With regard to the future scenario, both Indian and Pakistani traders are optimistic that communication will improve in the future (Figure 5.2).

For India and Pakistan, most of the traders have a handful of distributors in the partner country with whom they are in touch with on a regular basis. During the survey, traders on both sides stated that they find it difficult to establish new contacts and to be in direct contact with consumers to assess demand patterns. Hence, further expansion of trade between India and Pakistan would require greater ease of access to communication facilities.

5.3 Competence of the Logistics Industry

The logistics industry is an integral part of facilitating trade and business among trading partners. The industry provides a range of services including customs clearance, transportation and freight forwarding. Large logistics firms provide end-to-end logistics chain management. A competent logistics industry can help in the expansion of trade through better supply chain management, both while delivering goods to the end consumer and in the procurement of intermediate products for industries. In India and Pakistan respondents stated that the large logistics operators operate only on the sea and air routes. The rail and road routes specifically used for India-Pakistan trade are largely dominated by small/medium logistics operators or sub-contracted agents of large operators.

In India, 56 per cent of the traders using small/medium operators found the competence of the operators to be high while 73 per cent of traders from Pakistan found the competence of small/medium operators to be average (Figure 5.3). For large operators, in India, 77 per cent of the respondents perceived the competence of
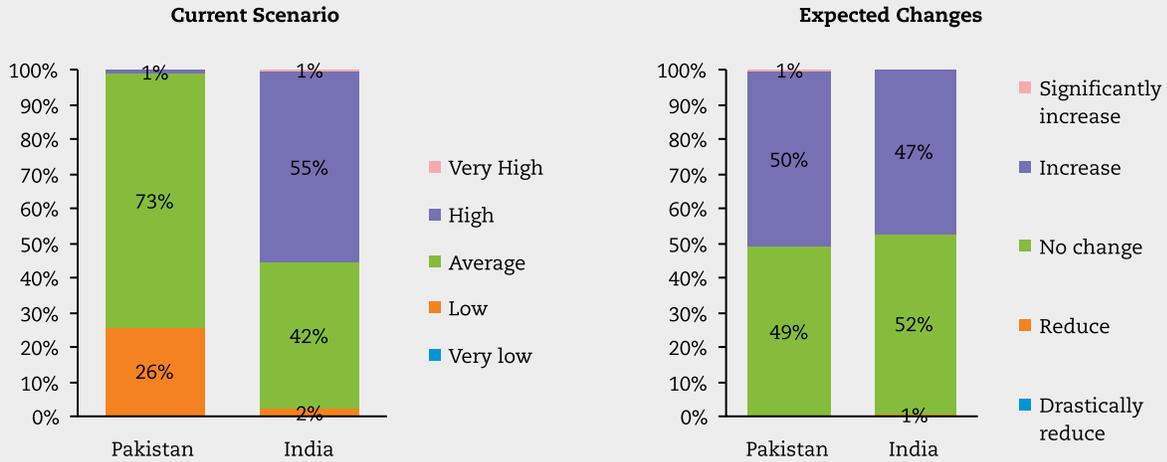
Figure 5.2

Ease of Communication (Per cent of Respondents)

Source: ICRIER Survey (January–March 2013).

Current Scenario

Expected Changes

Very High
High
Average
Low
Very low

Significantly increase
Increase
No change
Reduce
Drastically reduce

Source: ICRIER Survey (January–March 2013).

Current Scenario

Expected Changes

Very High
High
Average
Low
Very low

Significantly increase
Increase
No change
Reduce
Drastically reduce
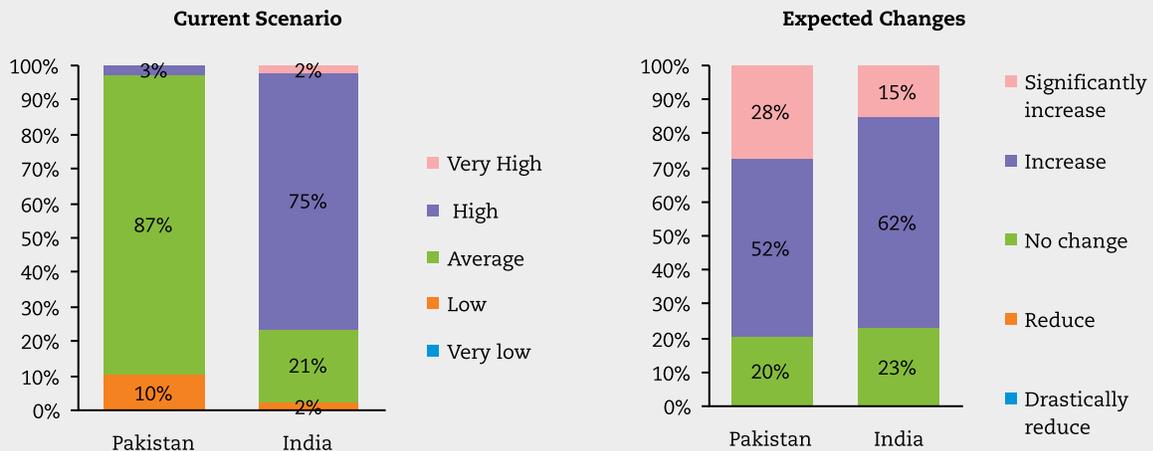
Source: ICRIER Survey (January–March 2013).

large logistics operators to be high, while 87 per cent of traders in Pakistan found the competence to be average (Figure 5.4). The survey data showed that in Pakistan, large logistics operators were perceived to be better than small/medium logistics operators; while there was no statistical difference found between small/medium and large logistics operators in India (Hypothesis 12 Table A1).

Regarding future expectations, 47 per cent of the traders from India and 51 per cent of traders from Pakistan felt that the

efficiency of the small/medium operators would increase in the future. While for large logistics operators, 80 per cent of Pakistani traders and 77 per cent of Indian traders expected that the competence would increase in the coming year (Figure 5.3 and 5.4). Respondents in India stated that trade is expected to expand considerably in the future with new commodities entering the market. Considering that the logistics requirements would then be different, they could be efficiently met by large logistics services providers. Pakistani traders expressed that currently only the National Logistics Cell was operating in Pakistan and presence of private operators would increase competition and improve logistics services.

5.4   Efficiency of Banks

Higher efficiency of banks in processing documents, letters of credit, and realization of payments can significantly reduce transaction costs of trade in terms of money and time. Efficiency of banks in India was perceived to be significantly higher than the efficiency of banks in Pakistan (Hypothesis 13 Table A1); with 58 per cent of the respondents in India perceiving banks to be highly efficient while only 28 per cent of respondents from Pakistan shared the same perception. However, for the future scenario, 70 per cent of respondents in Pakistan felt that efficiency of banks would increase, in comparison to only 52 per cent of the traders in India (Figure 5.5).

Figure 5.5

Efficiency of Banks (Per cent of Respondents)
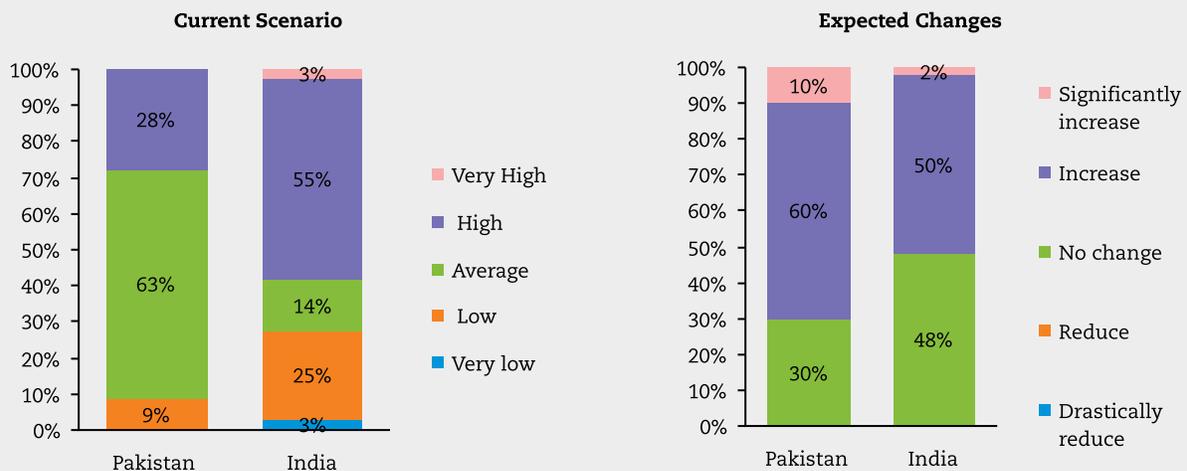
Source: ICRIER Survey (January–March 2013).

6

Customs and
Documentation

To ensure effective facilitation of trade, there has been an increasing recognition of the importance of improving regulatory processes at the border. To assess the customs efficiency at the different trading ports, we analyze responses on sub-indicators such as processing time of documents by customs, time taken for lab testing, and excessive checks due to security measures. Along with a mode-wise assessment for each sub-indicator, the overall efficiency of customs is also calculated by collating all the responses for the individual sub-indicators.

6.1   Overall Efficiency of Customs

The overall efficiency of customs is calculated by summing up responses across all the aforementioned sub-indicators. We find that for both Indian exporters and importers, the overall efficiency of customs is perceived to be significantly worse on the rail route as compared to road, sea and air routes respectively (Hypothesis 14 Table A1). This is because manual procedures continue to be in operation at the rail port and the infrastructure available for custom officials to execute their duties at the rail port is far worse than the infrastructure available at other ports. For Pakistani exporters and importers, data was insufficient to test customs efficiency across ports located for trade through different modes of transport.

6.2   Time Taken by Customs to Process Documents

The time taken for processing documents by customs includes the average time lapsed from the arrival of documents (either manually or electronically) till the goods are processed for release. The major documents required to be processed by customs include an invoice, packing list, waybill, quality control certificate, bill of export/import etc; and these documents remain the same for trade with all countries.

For Indian exporters, processing time of documents by customs is significantly higher at sea ports compared to road and airports. However, there is no significant difference between sea ports and rail ports (Hypothesis 15 Table A1). However, this is not a problem faced exclusively by traders trading with Pakistan (Figure 6.1). On the other hand, there is no significant difference in the perception of processing time of documents by Indian importers across all modes (Hypothesis 15 Table A1). However, half of the Indian importers (50 per cent) trading via the sea route perceived the processing time to be relatively high (Figure 6.2).

For Pakistani exporters, the processing time at the road port is significantly higher than that at rail, sea and air custom stations (Hypothesis 15 Table A1). The major problem faced by Pakistani traders trading via the

Figure 6.1

Time Taken by Customs to Process Documents for Exporters (Per cent of Respondents)

Current Scenario

Source: ICRIER Survey (January–March 2013).

Figure 6.2

Time Taken by Customs to Process Documents for Importers (Per cent of Respondents)

Current Scenario

Source: ICRIER Survey (January–March 2013).

Figure 6.3

Time Taken by Customs to Process Documents for Exporters (Per cent of Respondents)

Expected Changes
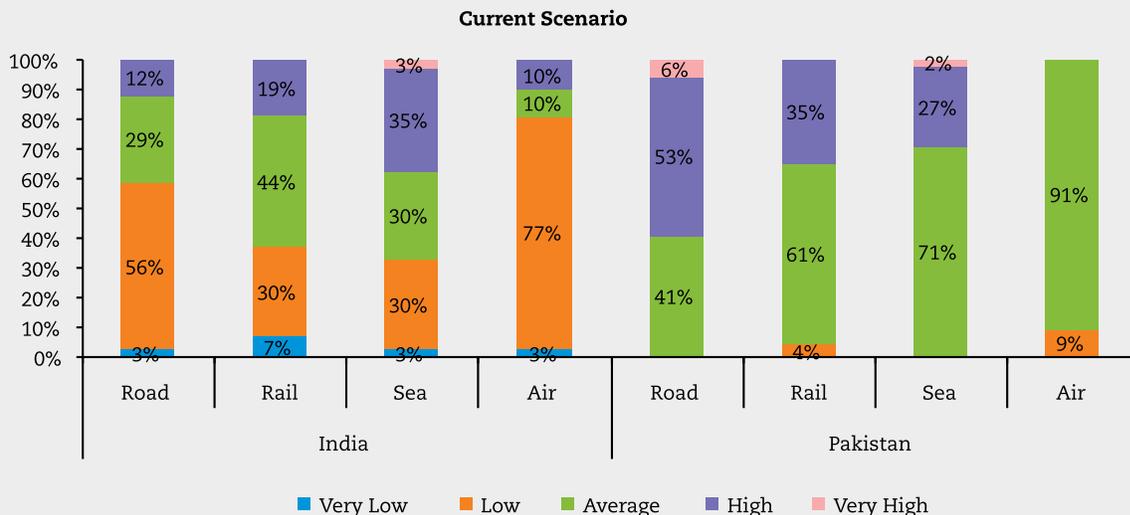
Source: ICRIER Survey (January–March 2013).
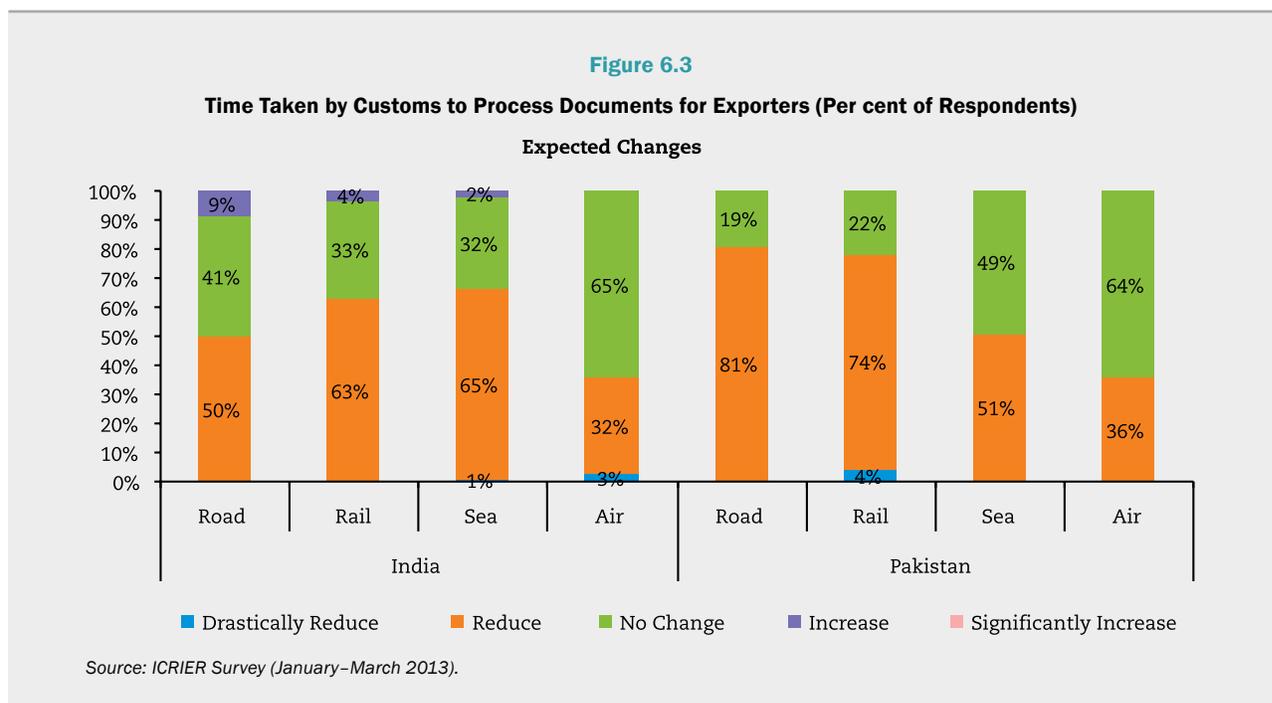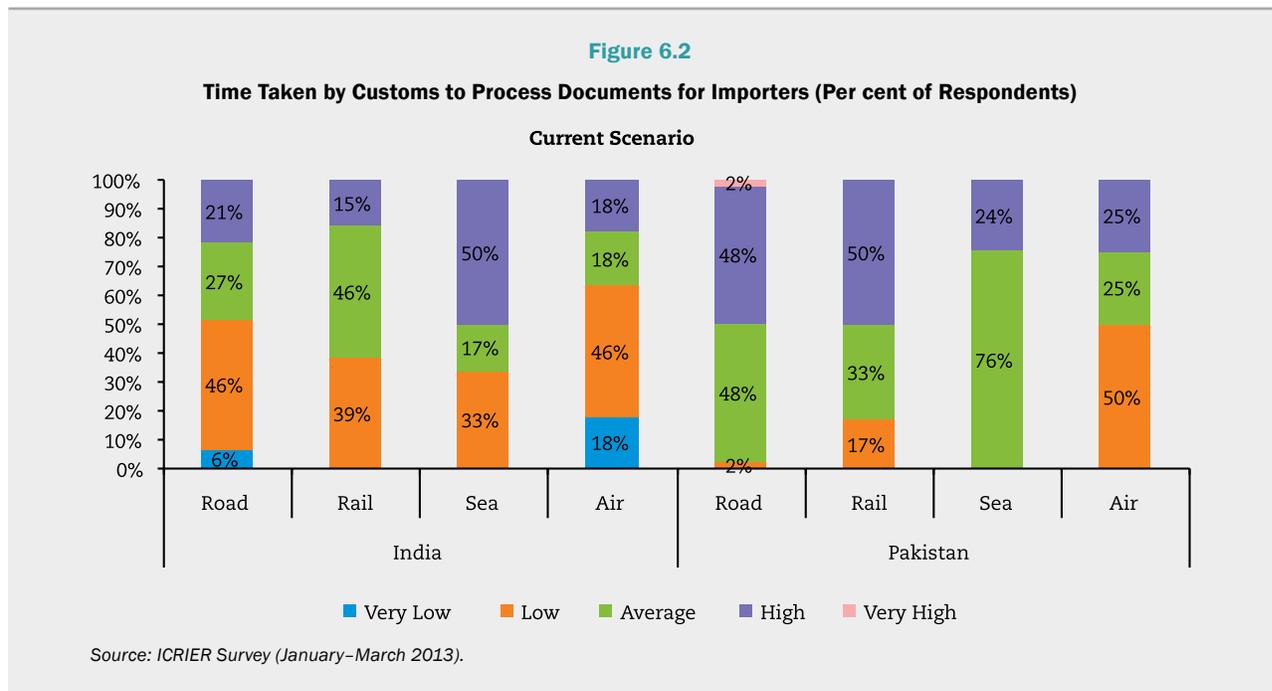
road route is that there is a single window for processing exports and imports at the road customs station. This leads to significant delays in the processing time of exports as well as imports. Even for Pakistani importers, the processing time is significantly higher at the road route compared to the sea route (Hypothesis 15 Table A1).

Regarding future perceptions, a major proportion of traders in India and Pakistan expect processing time to reduce for all modes in the next year; except Indian and Pakistani exporters trading via the air route and Indian importers using the rail mode (Figures 6.3 and 6.4). Facilities in both countries are well developed for air mode

Figure 6.4

Time Taken by Customs to Process Documents for Importers (Per cent of Respondents)

Expected Changes
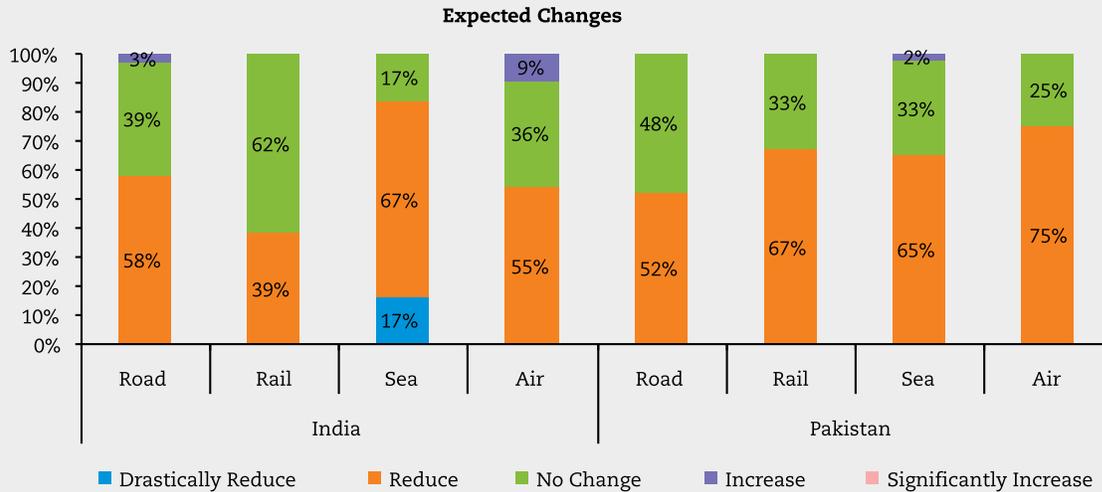
Source: ICRIER Survey (January–March 2013).

since it caters to high value cargo to the rest of the world. Hence the traders do not expect any improvement in the coming year. By contrast, facilities in India for import by rail are so inadequate that the respondents are pessimistic for the same in the coming year.

6.3   Time Taken for Lab Testing

Lab testing is a customs clearance procedure applicable usually to imported goods. This is important for two reasons: first, to determine the compliance of standards of imported goods; and second, to assess the specifications of the product in order to determine the applicable duty. In India, the time taken for lab testing is highest for imports coming in through the rail route; with 60 per cent of importers perceiving the testing time to be high (Figure 6.5).

In Pakistan, the time taken for lab testing was perceived to be average for all modes by a majority of the importers. Some of the importers stated that standards are not strictly enforced for imports in Pakistan thereby causing no delay in lab testing. In fact, some traders were of the opinion that standards should be enforced, and even though there are no testing facilities at the customs stations, imported samples should

be sent for testing to large laboratories in Pakistan.

Regarding future perceptions, majority of traders in India and Pakistan do not expect a change in the time taken for lab testing for imports (Figure 6.6).

6.4   Excessive Checks Due to Security Measures

Given the political tensions and the ensuing security issues between India and Pakistan, the expectation is that excessively high checking of consignments by customs may act as a barrier to trade between the two countries. Excessive security checks are more relevant for imports as there are fewer security checks for export consignments. On the rail and road route, majority of the Indian importers do not perceive checks to be high, even though 100 per cent checking of consignments is undertaken at the land borders (Figure 6.7). However, traders complained that security checks at the border are not executed efficiently. Manual security checking is more time consuming which should be replaced by a more efficient electronic process using better technology, such as scanners. The security arrangements in case of rail are not only more inefficient but the facilities are inadequate as well.

Figure 6.5

Time Taken for Lab Testing for Importers (Per cent of Respondents)

Current Scenario

Source: ICRIER Survey (January–March 2013).

Figure 6.6

Time Taken for Lab Testing for Importers (Per cent of Respondents)

Expected Changes

Source: ICRIER Survey (January–March 2013).
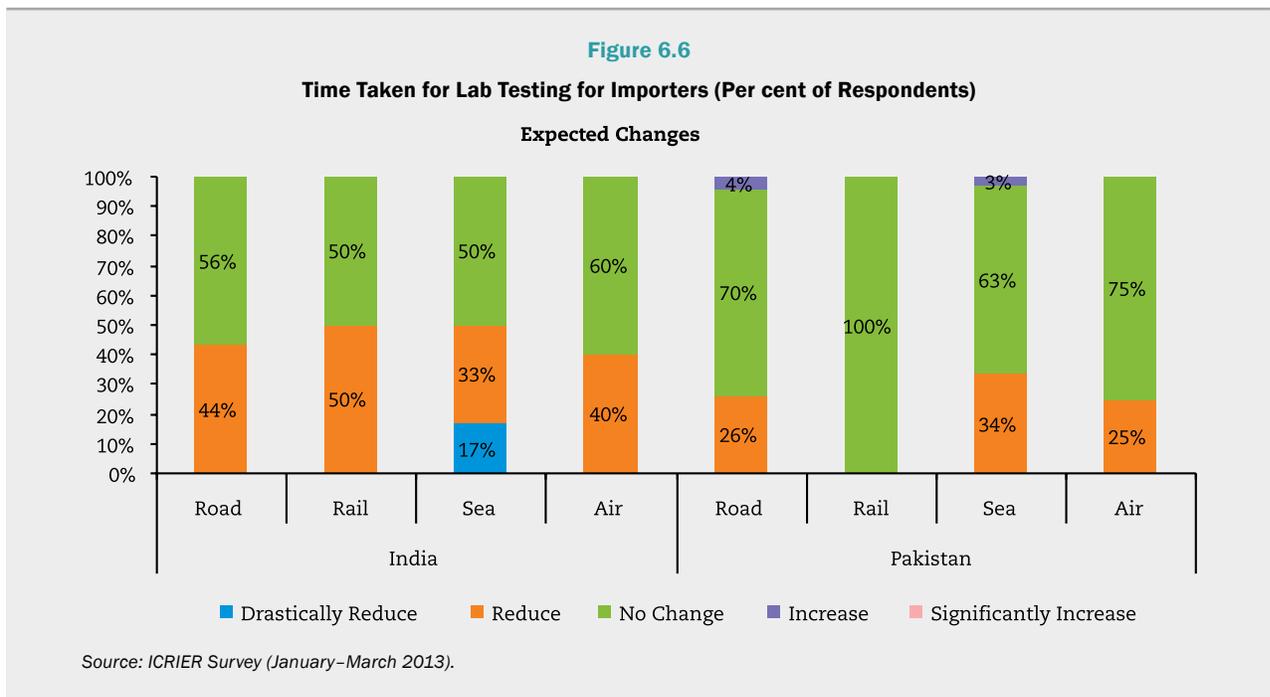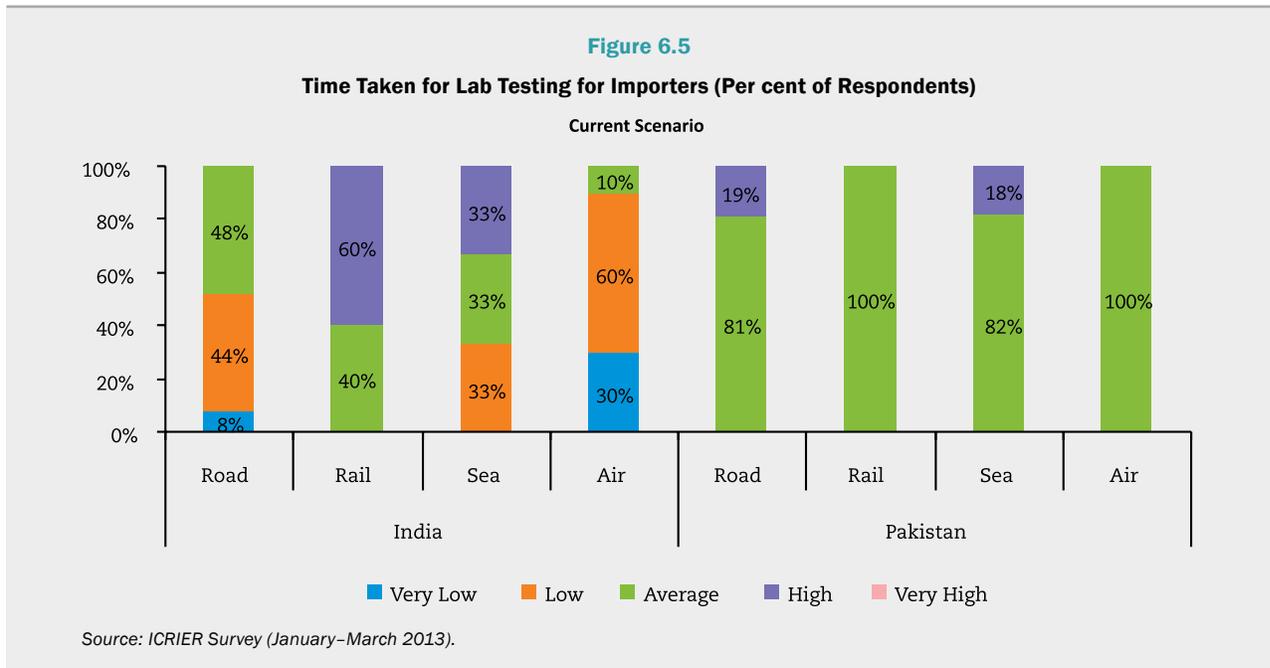
For Indian importers, 84 per cent of the respondents using the sea mode perceived security checks to be high/very high (Figure 6.7). Even though there is a 100 per cent checking of consignments at all ports for goods imported from Pakistan and Bangladesh, the perception of excessive security checks being performed by customs is higher at the sea ports because such checks are not carried out on import consignments from other countries. According to traders, even though the process is efficient at the sea port as all consignments are checked through scanners, such a rigorous check on 100 per cent of the consignment is not carried out for goods from any other country.

Figure 6.7

Excessive Checks due to Security Measures for Importers (Per cent of Respondents)

Current Scenario
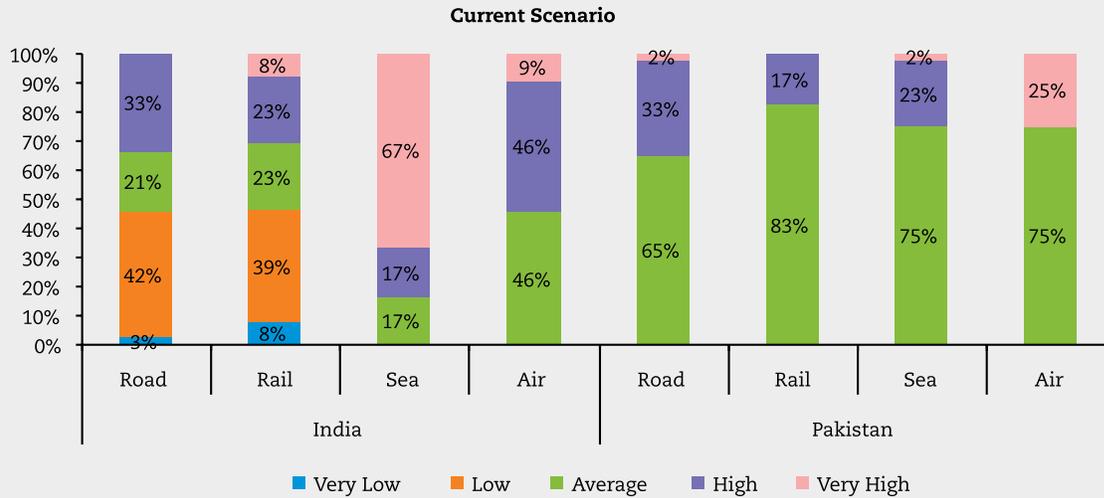
Source: ICRIER Survey (January–March 2013).

Figure 6.8

Excessive Checks due to Security Measures for Importers (Per cent of Respondents)

Expected Changes
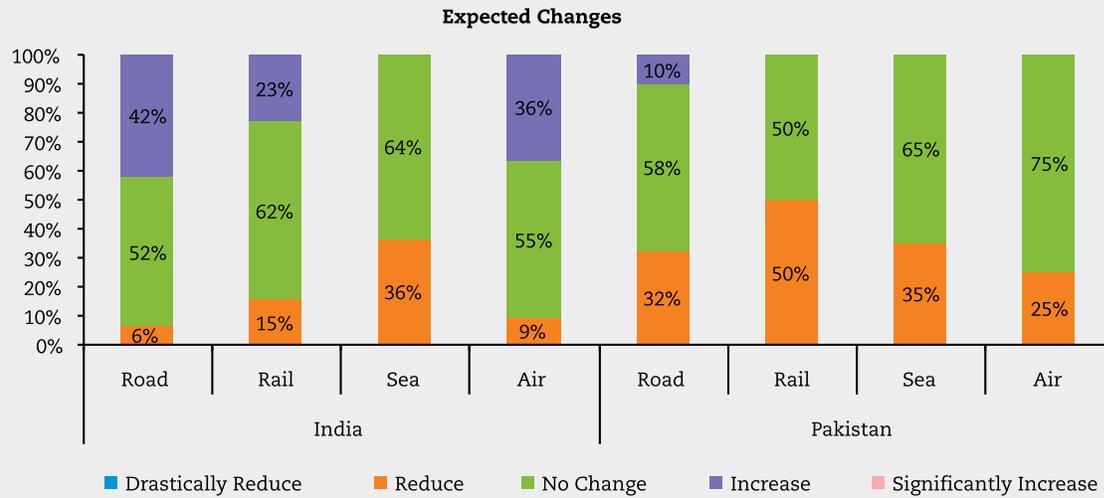
Source: ICRIER Survey (January–March 2013).

In Pakistan, on the other hand, most of respondents across all modes of trade feel that the degree of excessive checks due to security measures is average. While checking at the sea and air routes is standardized for imports from all countries, even at the road and rail ports which are exclusively used for trading with India, scanners are installed for checking all consignments; but there are no special rules imposed for extra security checks on commodities imported from India. Given the India-Pakistan political setup, a majority of traders in India and Pakistan do not expect a change in excessive security checks across all modes (Figure 6.8).

7

Infrastructure at Ports

Port infrastructure is instrumental in facilitating and enhancing trade between India and Pakistan. Lack of proper and efficient infrastructure could raise transaction costs of trading. While the infrastructure at sea and air ports caters to traders trading with all countries, the infrastructure at land ports affects only those trading between the two contiguous countries.

For this analysis, three infrastructure parameters namely congestion at LCS/port gate, availability of warehousing at LCS/port and availability of wagons (for rail) are considered.

Since a trade transaction across the border would imply using infrastructure on both sides, the perception of traders on various infrastructure sub-parameters are considered for exporters and importers for a particular mode. The survey data shows that sea port is perceived to be statistically significantly worse off by both Indian and Pakistani traders; while air port is perceived to be the best (Hypothesis 16 and 17 Table A1).

During the survey in India and Pakistan, we observed that the problem is not the unavailability of infrastructure at ports,

but the shortfall in operational capacity to handle the current volume of trade. The port authorities allow consignments to enter the port only according to the port's operating capacity, which leads to congestion outside the port gate. In our survey, the sub-indicator 'Congestion at LCS/Port gate' captures the congestion which traders face before entering the LCS/Port.

7.1   Congestion at LCS/Port Gate

The largest proportion of Indian exporters and importers perceive that congestion at LCS/Port gate is high at road, rail and sea ports, and low at airports (Figure 7.1). Respondents using the road route felt that even though improved facilities were available at the Integrated Check Post (ICP), shortfalls in capacity inside the ICP are evident. They pointed out that at times there are more than 600 trucks waiting to enter the ICP. For Indian exporters, congestion was perceived to be significantly higher at the road and sea ports (Hypothesis 18 Table A1).

On the other hand, apart from 54 per cent of Pakistani exporters using the road route who felt that congestion on the road route was high, the highest proportion of all other Pakistani respondents felt that

Figure 7.1

Congestion at LCS/Port Gate for Indian Exporters and Importers (Per cent of Respondents)

Current Scenario
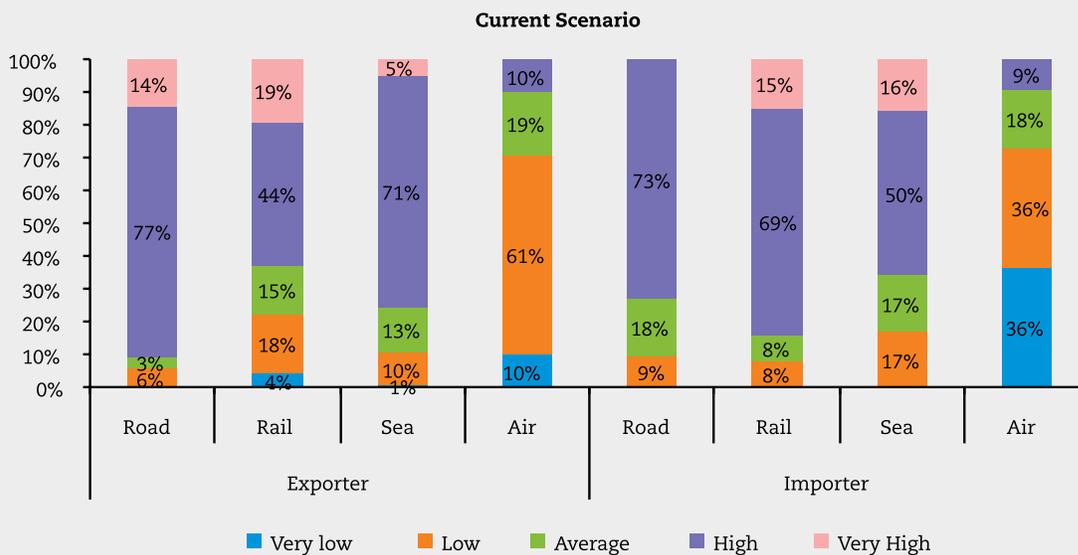
Source: ICRIER Survey (January–March 2013).

Figure 7.2

Congestion at LCS/Port Gate for Pakistani Exporters and Importers (Per cent of Respondents)

Current Scenario
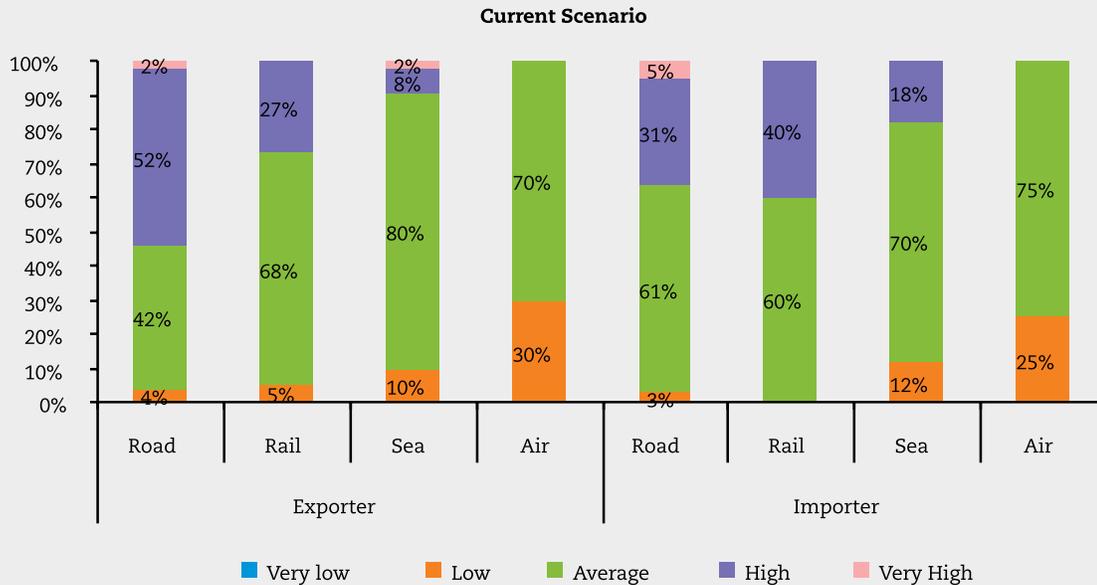
Source: ICRIER Survey (January–March 2013).

congestion was average across all modes (Figure 7.2). Congestion was perceived to be significantly higher at the road LCS for Pakistani exporters. However, our data did not identify any significant differences for Pakistani exporters and importers for other modes of transport (Hypothesis 19 Table A1).

One common constraint that traders from both India and Pakistan face is that the hours of operation are limited. Even though the border at the road land port is open from 7am to 7pm, trade normally stops at 4pm as the trucks that have crossed the border have to return to their respective countries given that the permit issued to drivers is only for a day. This further causes congestion at the border.

The highest proportion of both Pakistani and Indian exporters expect the congestion at LCS/port gate to reduce in the next year (Figure 7.3 and Figure 7.4). Majority of Pakistani importers expect congestion to reduce at road, rail and sea ports while they expect it to remain the same for the airport[1]. Majority of Indian importers on

the other hand expect congestion to reduce only for the sea ports; while for the road, rail and air routes, they expect it to remain the same in the next year (Figure 7.3 and Figure 7.4).

7.2 Availability of Warehouses/Holding Areas

Warehousing and holding areas are important for facilitating both imports and exports. The availability of safe and secure warehouses and holding areas are important to protect the goods against pilferage and damage. The availability of warehousing was perceived to be lower at the road route for both Indian exporters and importers (Hypothesis 20 Table A1); with 64 per cent exporters and 70 per cent importers perceiving the warehousing availability at the road port to be low (Figure 7.5). Discussions during the survey revealed that warehouses were operating at full capacity and were not equipped to handle existing trade volumes.

In Pakistan, majority of both exporters and importers trading via the sea and air mode felt that the availability of warehousing facilities was average. However, a high proportion of both Pakistani exporters and importers using the rail and road route felt that the availability of warehousing services

---

1. No change in expectation in case of air mode is not unlikely given the fact the efficiency level of this mode is already high.

Figure 7.3

Congestion at LCS/Port Gate for Indian Exporters and Importers (Per cent of Respondents)

Expected Changes

■ Drastically reduced   ■ Reduced   ■ No change   ■ Increased   ■ Significantly increased
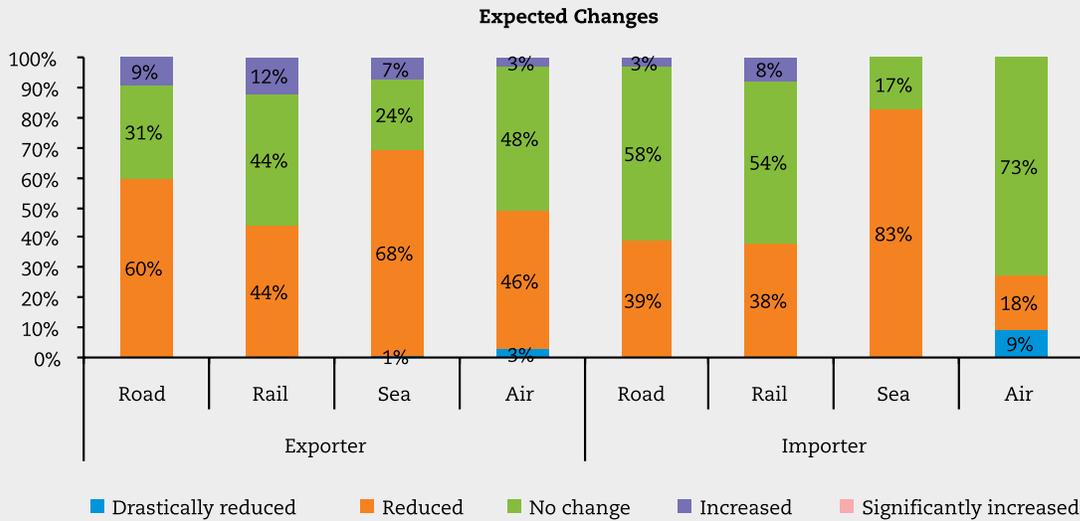
Source: ICRIER Survey (January–March 2013).

Figure 7.4

Congestion at LCS/Port Gate for Pakistani Exporters and Importers (Per cent of Respondents)

Expected Changes

■ Drastically reduced   ■ Reduced   ■ No change   ■ Increased   ■ Significantly increased
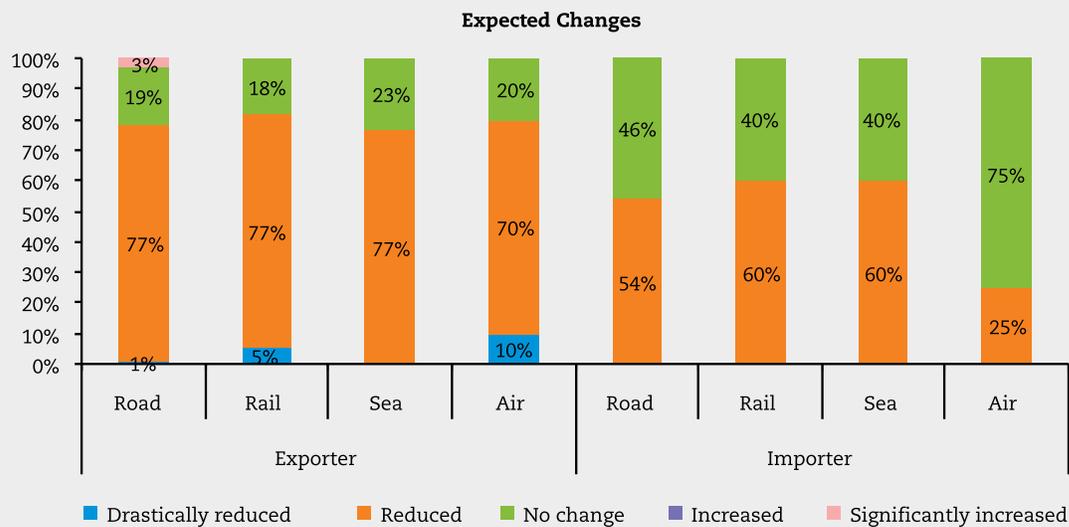
Source: ICRIER Survey (January–March 2013).

was low (Figure 7.6). During our survey, we noticed that although the warehousing facilities at the railways in Lahore were sufficient, it was the unavailability of regular rail services which led to a biased view on services at the rail port. At the road port, the respondents pointed out that there were hardly any warehousing facilities available, and the goods were stored inside trucks. This in turn led to a higher cost of transportation due to the long waiting time to enter the port.

Figure 7.5

Availability of Warehouses/Holding Areas at Indian Ports (Per cent of Respondents)
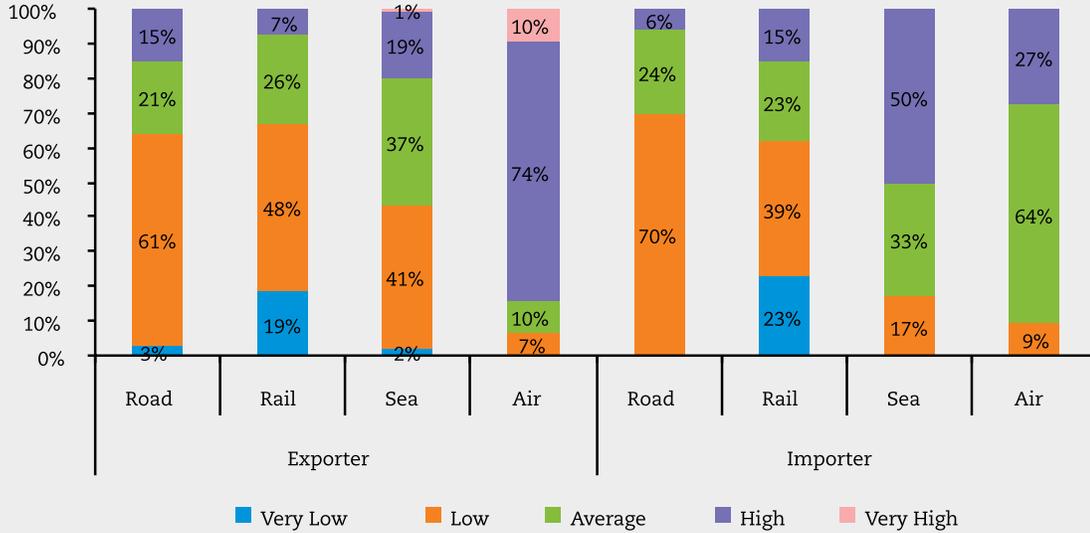
Current Scenario

Source: ICRIER Survey (January–March 2013).

Figure 7.6

Availability of Warehouses/Holding Areas at Pakistani Ports (Per cent of Respondents)

Current Scenario
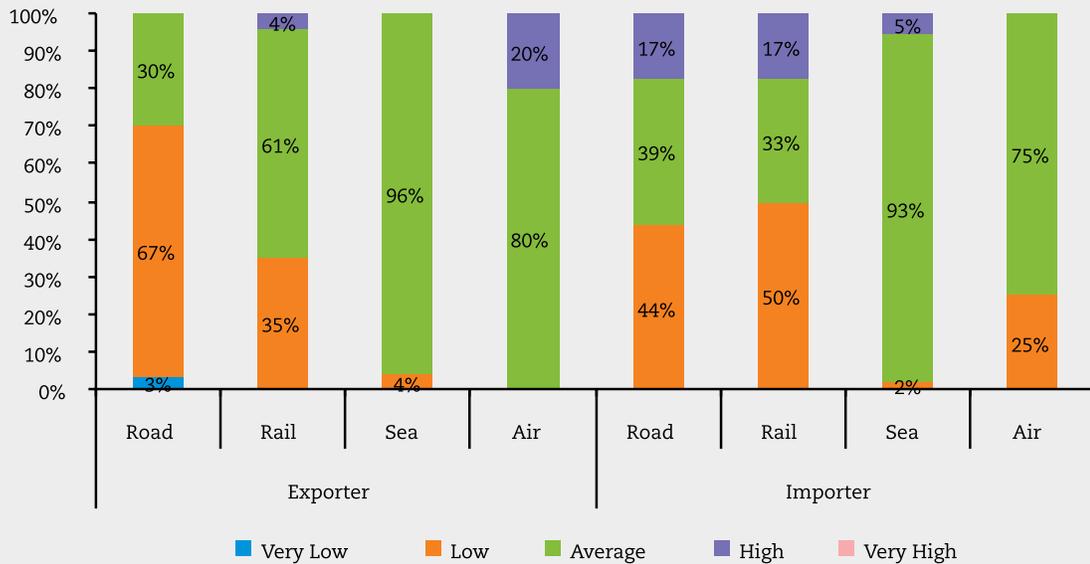
Source: ICRIER Survey (January–March 2013).

The highest proportion of both Pakistani and Indian exporters and importers felt that the availability of warehousing facilities for all modes of transport will improve or significantly improve next year (Figure 7.7 and Figure 7.8).

Figure 7.7

Availability of Warehouses/Holding Areas at Indian Ports (Per cent of Respondents)

Expected Changes

■ Drastically Reduce ■ Reduce ■ No Change ■ Increased ■ Significantly Increased
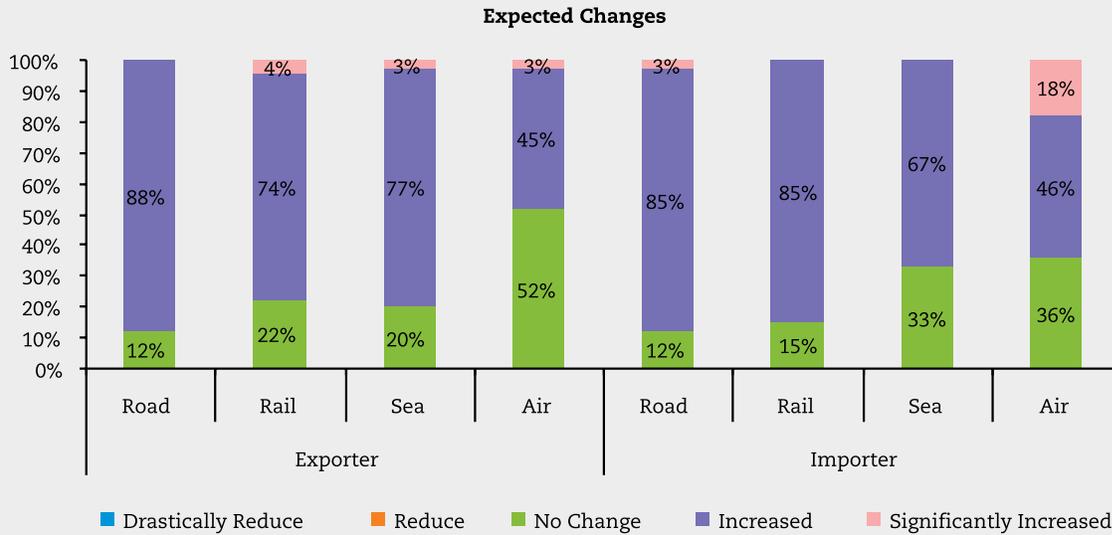
Source: ICRIER Survey (January–March 2013).

Figure 7.8

Availability of Warehouses/Holding Areas at Pakistani Ports (Per cent of Respondents)

Expected Changes

■ Drastically Reduce ■ Reduce ■ No Change ■ Increased ■ Significantly Increased
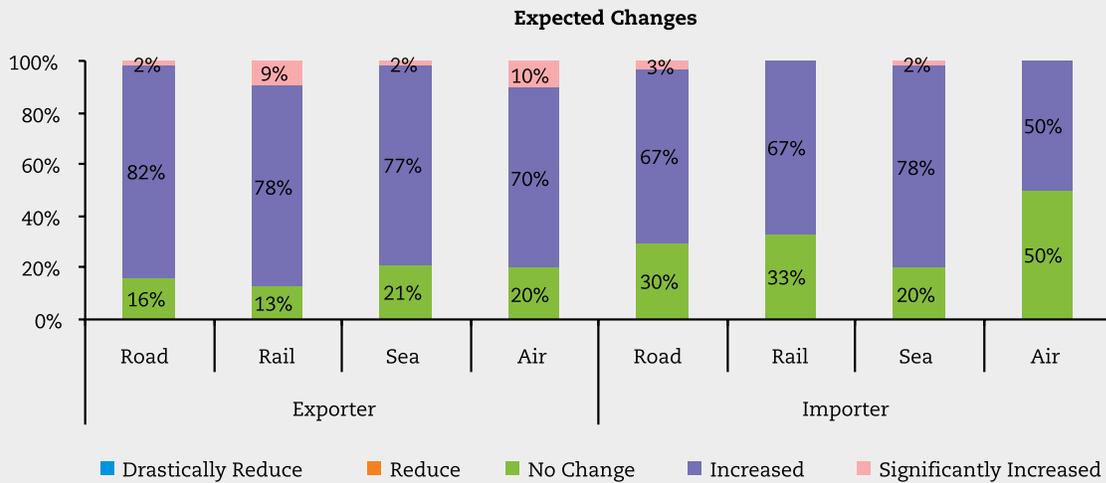
Source: ICRIER Survey (January–March 2013).

7.3   Availability of Wagons

All Indian exporters surveyed (100 per cent) felt that availability of rail wagons is low/very low (Figure 7.9). At the time of the survey, only Pakistani wagons were plying on the Amritsar-Lahore rail route. These wagons are sent to India only after they have been loaded with Pakistan's export goods. The number of wagons plying is thus determined by Pakistani exporters' demand for wagons. On the Indian side, exporters are dependent on the arrival of Pakistani wagons, and often the demand for wagons by Indian exporters is much larger than what is sent by Pakistan. The problem is perceived to be less severe on the Pakistani

Figure 7.9

Availability of Wagons for Exporters (Per cent of Respondents)

Current Scenario

- Very high
- High
- Average
- Low
- Very Low

Expected Changes

- Significantly Increased
- Increased
- No Change
- Reduce
- Drastically Reduce

Source: ICRIER Survey (January–March 2013).

Figure 7.10

Capacity Expansion-Indian Ports

Per cent of Respondents

- Upto 25%
- 26-50%
- 51% & above

Source: ICRIER Survey (January–March 2013).

Figure 7.11

Capacity Expansion-Pakistani Ports

Per cent of Respondents

- Upto 25%
- 26-50%
- 51% & above

Source: ICRIER Survey (January–March 2013).

side as only 23 per cent of Pakistani exporters felt that availability of wagons is low (Figure 7.9). The perception of Pakistani exporters is positive because the wagons plying are determined by the demand for exports to India. Discussions during the survey also revealed that after the seizure of heroin in a cement consignment carried by rail at Amritsar railway station in July 2012, the demand for rail wagons has come down.

In fact exports of two major Pakistani items - dates and cement - have shifted to the road route. Therefore the demand for rail wagons by Pakistani exporters has reduced resulting in a shortage in availability of wagons for Indian exporters.

The problem of non-availability of wagons needs to be addressed as not all goods are allowed to be traded via the road

route- Pakistan allows only 137 items to be imported from India via the road route. Therefore traders closer to the land ports are compelled to use the rail route for exporting certain commodities. Moreover, this unavailability of wagons could potentially hurt trade between the two countries. Indian exporters are affected more than Indian importers because Pakistani exporters can shift to the road route, considering that India allows all items to be imported by the road route, but Indian exporters cannot do so. However, a major proportion of traders on both sides expect the availability of wagons to increase in the future (Figure 7.9).

7.4   Expected Capacity Expansion at Ports/LCS

Based on traders' perception of the existing infrastructure capacity shortfalls and their expectations of increase in the volume of trade in the coming year, respondents were asked to give their perception on the per cent by which capacity at border points needs to be expanded. Majority of the Indian respondents felt that capacity at the sea, rail and road ports should be increased by 26-50 per cent, with a higher proportion of traders opining that the capacity at the air port should increase up to 25 per cent (Figure 7.10).

On the other hand, in Pakistan, the highest need for capacity expansion was felt at road and air ports with a major proportion of traders trading via these routes perceiving that the capacity at these ports should be increased by more than 50 per cent. On the rail route, majority of traders felt that capacity needs to be increased by 26-50 per cent; while Pakistani traders trading via the sea route had mixed responses - 47 per cent felt that capacity at the port needs to be expanded up to 25 per cent, while the others believed that it should be expanded by more than 25 per cent (Figure 7.11).

8

Expected Trends

One of the major results of the Trade Perception Survey is that there is a general optimism regarding the improvement of key indicators that will enhance trade in the next year. Based on expectations of improvements in key indicators like market access, business facilitation, and customs and infrastructural reforms, respondents were asked to give their views on:

- Extent of increase in trade

- Commodities in which trade is expected to increase, and by how much

- Extent of increase in capacity at ports to handle additional trade volumes

8.1   Expected Increase in Trade

The highest proportion of respondents in both India and Pakistan felt that exports and imports will increase by up to 25 per cent, which is greater than the average annual growth of bilateral trade between India and Pakistan in the last few years (Figure 8.1). The average annual growth of Indian exports to Pakistan in the last three years has been 9 per cent and the average annual growth of Indian imports from Pakistan during the same period has been 23 per cent (UNCOMTRADE WITS database).

8.2   Expected Demand for Commodities to be Traded

Majority of Indian exporters expect the growth of exports to be greater than 10 per cent for agricultural commodities including vegetables, pulses, spices and sugar; agricultural chemicals; processed food items including biscuits; cotton; engineering and mechanical goods; glass; metal alloys; paper; pharmaceutical items; textile items including yarn and fabric; and tyres. Pakistan's imports from India, which is a mirror of Indian exports to Pakistan, are expected to increase by more than 10 per cent for chemicals; pharmaceuticals; jewelry; machinery; fabric and yarn; cotton (raw), and tea, among other items by a majority of Pakistani importers. For the rest of the items, export growth was expected to be less than 10 per cent in the next year (Table 8.1).

On the other hand, the highest proportion of Indian importers expected imports from Pakistan to increase by more than 20 per cent for dry fruits and sugar. For Pakistani exports to India, which again reflects the mirror of Indian imports from Pakistan, a majority of Pakistani exporters expected a more than 20 per cent increase in exports for dates, sacks and gemstones. Import of other items was expected to be less than 20 per cent by the largest proportion of traders in both countries (Table 8.2).

Figure 8.1

Expected Increase in Exports and Imports (Per cent of Respondents)

	Pakistan Exports	Pakistan Imports	India Exports	India Imports
51% & above	11%	6%	6%	5%
26-50%	19%	36%	38%	25%
Upto 25%	70%	58%	56%	70%

■ Upto 25%   ■ 26-50%   ■ 51% & above
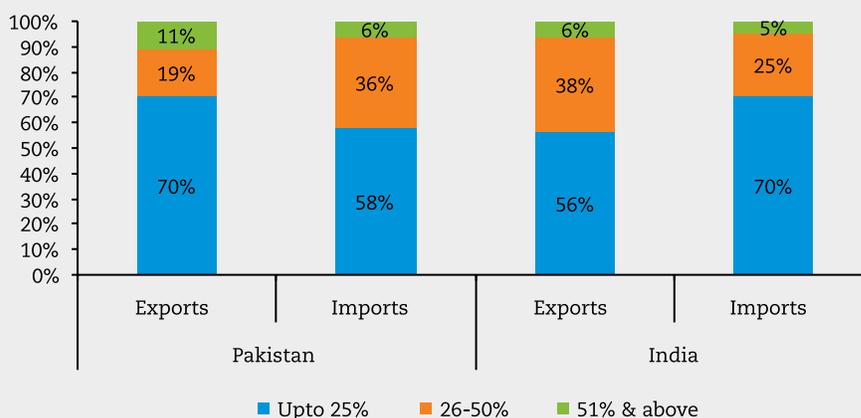
Source: ICRIER Survey (January–March 2013).

Table 8.1

Expected Growth Rate of Commodities for Export from India to Pakistan (Per cent of Respondents)

Commodities	Indian Exporters		Pakistani Importers	
	Up to 10%	More than 10%	Upto 10%	More than 10%
Agricultural Products	8%	92%	67%	33%
Agro Chemicals	0%	100%		
Auto Parts	0%	100%		
Biscuit	0%	100%		
Chemicals	52%	48%	15%	85%
Cutch Blocks			0%	100%
Cotton	25%	75%		
Cotton (raw)			0%	100%
Engineering Goods	33%	67%		
Fabrics			0%	100%
Glass	0%	100%		
Industry Supplies	0%	100%		
Jewellery			25%	75%
Leather	75%	25%		
Machinery			0%	100%
Mechanical Goods	20%	80%		
Metals	50%	50%		
Metals Alloys	33%	67%		
Oil			0%	100%
Paper	0%	100%		
Pharmaceuticals	37.50%	62.50%	20%	80%
Plastics Products	50%	50%		
Processed foods	0.00%	100%		
Pulses	0%	100%		
Rubber Products	50%	50%		
Shoe	100%	0%		
Spices	0%	100%		
Steel Scrap			0%	100%
Stone	100%	0%		
Sugar	0%	100%		
Tea	100%	0%	0%	100%
Textiles	36%	64%		
Tyres	0%	100%		
Yarn & Polypropylene			0%	100%
Vegetables	0%	100%		
Others	0%	100%		

Source: ICRIER Survey (January–March 2013).

Table 8.2

Expected Growth Rate of Commodities for Imports into India from Pakistan (Per cent of Respondents)

Commodities	Indian Importers		Pakistani Exporters	
	Up to 20%	More than 20%	Up to 20%	More than 20%
Agricultural Products	100%	0%	75%	25%
Bed linen			100%	0%
Cement	60%	40%	78%	22%
Chemicals			67%	33%
Cotton/Cotton yarn	100%	0%	100%	0%
Cotton (raw)			100%	0%
Dates			11%	89%
Dry Fruits	20%	80%		
Fabrics			82%	18%
Gem Stones			0%	100%
Glass			100%	0%
Gypsum			86%	14%
Leather	100%	0%	75%	25%
Marble Blocks			100%	0%
Metal Products	100%	0%		
Pharmaceuticals	100%	0%		
Processed Foods			100%	0%
Rock Salt			75%	25%
Sacks			0%	100%
Salt Products Lamp & Craft			100%	0%
Shoes	100%	0%		
Soda Ash			50%	50%
Spices	56%	44%		
Stainless Steel Scrap			100%	0%
Sugar	0%	100%		
Surgical Instruments	67%	33%	55%	45%
Terry Towel			100%	0%
Textile	67%	33%		
Wood Products/wool	100%	0%	80%	20%

Source: ICRIER Survey (January–March 2013).

Figure 8.2

Expected Increase in Trade through Different Modes of Transport (Per cent of Indian Respondents)
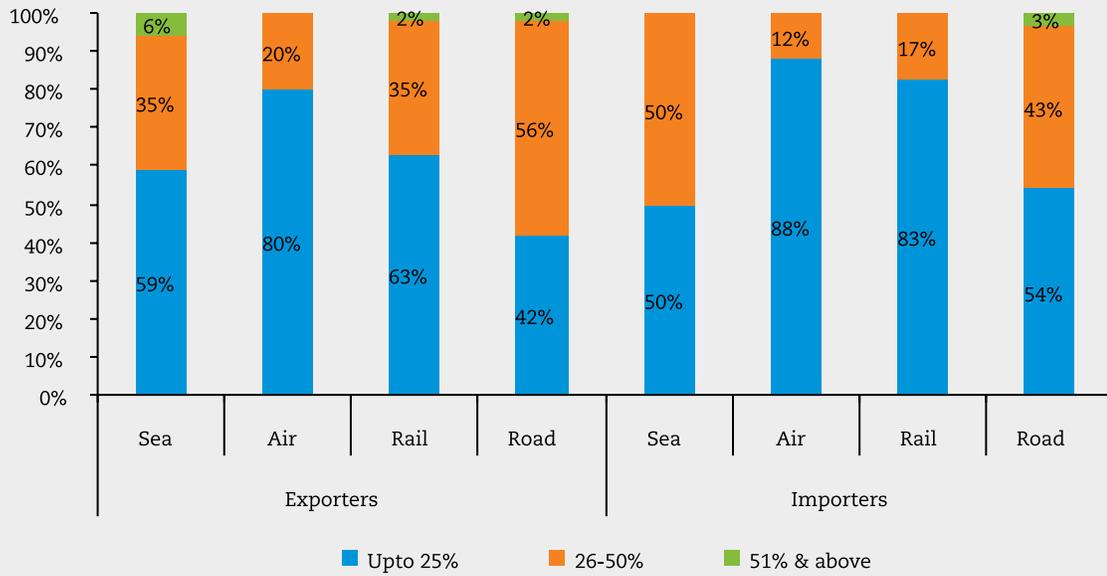
Source: ICRIER Survey (January–March 2013).

Figure 8.3

Expected Increase in Trade through Different Modes of Transport (Per cent of Pakistani Respondents)
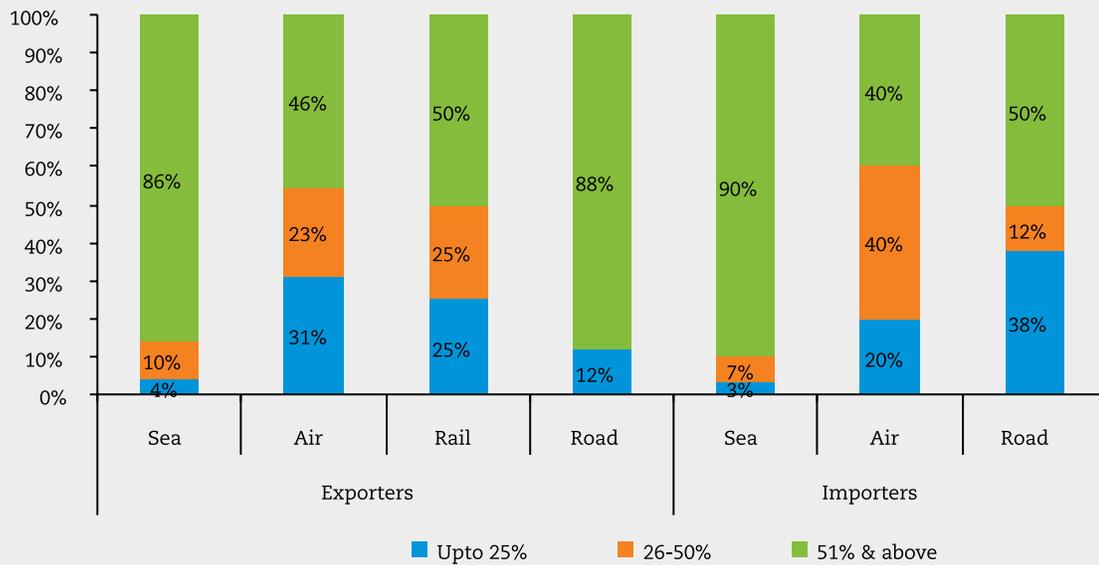
Source: ICRIER Survey (January–March 2013).

8.3 Expected Increase in Trade through Different Transport Modes

In order to identify which modes of transport would need the largest increase in investments to increase trade capacity at these ports, respondents were asked about their expectations of the modes of transport that would witness the largest expansion of bilateral trade. Majority of the Indian exporters and importers expected the trade increase to be upto 25 per cent for all modes except the road port for Indian exports, which is expected to witness a 26-50 per cent growth in trade (Figure 8.2) On the other hand, a majority of Pakistani exporters and importers expected an increase of more than 51 per cent growth in trade at the sea and road ports (Figure 8.3).

9

Summary and Policy Recommendations

India and Pakistan are in the midst of a process of trade normalization. This Trade Perception Survey was undertaken to gather the perception of stakeholders engaged in India-Pakistan trade about the extent of impediments faced by them in realizing the trade potential. 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, and infrastructure at ports. Statistical tests conducted on the data collected through the survey bring out some interesting findings on the basis of which the policy recommendations can be made.

A major finding of the survey was that awareness of trade policies was much lower in Pakistan than in India. Moreover, an even more important finding was that awareness in Pakistan was much lower about the fact that all items were permissible for import into India. This could have a huge impact on the potential for Pakistan's exports to India.

Meeting standards is not a major problem for manufactured goods either for Pakistani businessmen or for Indians. However Pakistani traders find it difficult to meet the standards laid down by Indian authorities on agricultural products. Respondents in both countries do not expect any change in the next year.

Pakistani traders perceive that they have low market access into the Indian market indicating that there is a large untapped potential. Pakistani respondents are also not optimistic about better market access in the future. Interestingly, neither country perceived country labels to have any negative impact on trade flows. However, the perception about the negative impact of political events on trade was to some extent perceived by Indian respondents but not by Pakistani traders.

Obtaining visas and communicating with counterparts is far more difficult for Pakistani businessmen than for Indian respondents. There is less optimism amongst Pakistani respondents than among Indian respondents on improvements in the visa regime in the coming year. Efficiency of custom in terms of processing time of documents, time taken for lab testing and checks for security was seen to be the worst at the rail LCS compared to road, sea and air ports in India. In India even though a 100 per cent security check is conducted on all consignments from Pakistan, the checks were perceived as being excessive at sea ports as they were conducted only on Pakistani consignments and not on consignments from other countries.

Overall infrastructure at the sea ports was perceived to be the worst compared to that at other ports in both India and Pakistan. Congestion at the port gate was significantly higher at the road and sea ports for Indian traders but there was no significant difference between different modes for Pakistani respondents. Warehousing at the road LCS was found to be problem for Indian traders trading by the road route compared to other modes. Pakistani respondents found warehousing a problem largely at the rail and road LCS. Availability of rail wagons was perceived to be a problem on the Indian side but not as much on the Pakistan side.

Overall, the highest proportion of respondents in both India and Pakistan felt that bilateral trade will increase by up to 25 per cent, with the growth of exports from India to Pakistan to be greater than 10 per cent for agricultural commodities; chemicals; pharmaceuticals; processed food items including biscuits; cotton; engineering and mechanical goods; glass; jewelry; metal alloys; machinery; paper; pharmaceutical items; tea; textile items including yarn and fabric; and tyres. On the other hand, imports from Pakistan are expected to increase by more than 20 per cent for dates; dry fruits; gemstones; and sugar.

The largest trade expansion is expected at the road route in India while in Pakistan traders are optimistic about the largest increase through sea and road ports. With an expected increase in trade on the road route, businessmen in both countries felt that with larger volumes and new commodities in the future there would be a requirement for better logistics services than existing ones.

Policy Recommendations

- Negative list of 1209 items should be abandoned; and Pakistan should allow all items to be imported from India via road route, instead of the current list of 137 items.

- The Chambers of Commerce and the Governments should disseminate policies governing India-Pakistan trade particularly those related to road and rail transport.

- The government bodies should also ensure that the revisions or changes in any policy reach traders in an easily accessible and timely manner. A dedicated web portal should be designed exclusively for India-Pakistan trade, which would track latest developments in trade policy.

- As traders in both countries find it difficult to identify new trading partners, encouraging interaction of traders via a web portal could prove to be mutually beneficial for both the countries.

- Information on regulatory regimes related to meeting product standards should be made easily available to traders. For key commodities, flow charts exhibiting the import and export process covering procedures and documents, regulatory requirements and relevant authorities should be displayed on the web portal.

- As India and Pakistan are members of the International Laboratory Accreditation Cooperation, effort should be made to set up mechanisms whereby there is acceptance of each country's test certificates. This has been done successfully in the case of textiles and should be extended to other commodities as well.

- Increase in the number of exhibitions as well as the participation in them could encourage new entrants and entrepreneurs to enter the trade market as well.

- Visa regime needs to be improved. Measures that would ensure no city-specific visas, exemption from police reporting, and multiple entry visit visas need to be undertaken. Since small and medium firms in Pakistan find it more difficult to obtain visas, as compared to large firms, their concerns also need to be addressed.

- Improvement of communication channels is a necessity. In particular, use of mobile phones in each other's territory needs to be facilitated.

- Since expanding trade requires more specialized logistics services, large logistics service providers with the requisite expertise, particularly from the private sector should be encouraged to provide these services.

- Electronic submission of bill of entry/shipping bill at LCS will reduce time taken for processing documents on both sides of the border.

- Random security checks should be carried out on import consignments coming into India. A system of authorized trader status could be introduced to reduce security checks at sea and land ports.

- Increasing the number of gates on the road LCS will reduce port congestion. Increasing operating hours of customs from 12 hours to 24 hours throughout the week would also help in relieving congestion.

- Availability of rail wagons needs to be improved.

- Containerized cargo by road and rail will improve efficiency of surface transportation.

- Increase in infrastructure capacity is required at sea, road and rail customs stations.

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Appendix

TABLE A1

Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
1	Is awareness of trade policy among traders from Pakistan lower than awareness of traders in India?	Awareness of trade policy among traders is independent of the country to which the traders belong	Awareness of trade policy among traders is not independent of the country to which the traders belong	48.5	0.00	Reject Null	Pakistani traders are less aware than Indian traders
2	Are traders across different modes equally aware about trade policy changes?	Indian traders using sea and air modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	4.11	0.77	Do not Reject Null	No significant difference is observed
		Indian traders using sea and rail modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	22.74	0.00	Reject Null	Indian traders using rail mode are more aware than the traders using sea mode
		Indian traders using sea and road modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	22.32	0.00	Reject Null	Indian traders using road mode are more aware than the traders using sea mode
		Indian traders using air and rail modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	16.93	0.02	Reject Null	Indian traders using rail mode are more aware than the traders using air mode
		Indian traders using air and road modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	19.66	0.01	Reject Null	Indian traders using road mode are more aware than the traders using air mode
		Indian traders using rail and road modes are equally aware about trade policy changes	Trade policy awareness of Indian traders is not independent of the mode they use	5.52	0.60	Do not Reject Null	No significant difference is observed

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Pakistani traders using sea and air modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	3.37	0.85	Do not Reject Null	No significant difference is observed
		Pakistani traders using sea and rail modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	6.33	0.50	Do not Reject Null	No significant difference is observed
		Pakistani traders using sea and road modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	17.19	0.02	Reject Null	Pakistani traders using road mode are more aware than the traders using sea mode
		Pakistani traders using air and rail modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	10.05	0.19	Do not Reject Null	No significant difference is observed
		Pakistani traders using air and road modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	25.93	0.00	Reject Null	Pakistani traders using air mode are more aware than the traders using road mode
		Pakistani traders using rail and road modes are equally aware about trade policy changes	Trade policy awareness of Pakistani traders is not independent of the mode they use	9.95	0.19	Do not Reject Null	No significant difference is observed
3	Are large and medium firms more aware of trade policy than small firms?	Awareness of trade policy among Indian firms does not depend on the size of the firm	Trade policy awareness amongst Indian firms depends on firm size	8	0.50	Do not Reject Null	Awareness level of Indian or Pakistani traders on trade policy is independent of the size of their firms

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Awareness of trade policy among Pakistani firms does not depend on the size of the firm	Trade policy awareness amongst Pakistani firms depends on firm size	11.5	0.20	Do not Reject Null	
4	Are old firms, engaged in trade for a longer period of time (> 5 years), more aware about trade policy changes than new firms?	Awareness of trade policy among Indian traders is independent of the number of years of trading with Pakistan	Trade policy awareness among Indian traders depends on the number of years of trading with Pakistan	58.5	0.00	Reject Null	Indian traders trading with Pakistan for a longer period of time are more aware of trade policy changes
		Awareness of trade policy among Pakistani traders is independent of the number of years of trading with India	Trade policy awareness among Pakistani traders depends on the number of years of trading with India	43.5	0.00	Reject Null	Pakistani traders trading with India for a shorter period of time are more aware of trade policy changes
5	Are SPS and TBT standards harder to meet for Pakistani exporters than Indian exporters?	Ease of meeting SPS standards is independent of the country from which the goods are exported	There is a statistical difference in ease of meeting SPS standards between Indian and Pakistani exporters	31.34	0.00	Reject Null	It is easier for Indian exporters to meet SPS standards than Pakistani exporters
		Ease of meeting TBT standards is independent of the country from which the goods are exported	There is a statistical difference in ease of meeting TBT standards between Indian and Pakistani exporters	6.69	0.24	Do not Reject Null	No significant difference has been found in the ease of meeting TBT standards among Indian and Pakistani exporters

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
6	Do Indian importers have a perception of higher market access than Pakistani exporters?	There is no statistical difference in perception of market access between Pakistani exporters and Indian importers	There is a statistical difference in perception of market access between Pakistani exporters and Indian importers	-4.16	0.00	Reject Null	Indian importers perceive a significantly higher market access than Pakistani exporters
7	Do Indian exporters have a perception of higher market access than Pakistani importers?	There is no statistical difference in perception of market access between Indian exporters and Pakistan importers	There is a statistical difference in perception of market access between Indian exporters and Pakistan importers	-3.04	0.00	Reject Null	Pakistani importers perceive a significantly higher market access than Indian exporters
8	Do Pakistani traders find it harder to obtain visas compared to Indian traders?	Ease of obtaining visas is independent of country to which the traders belong	Ease of obtaining visas is not independent of the country to which the traders belong	-2.47	0.01	Reject Null	Pakistani traders find it harder to obtain visas than Indian traders
9	Do small and medium firms find it harder to obtain visas than larger ones?	Ease of obtaining Pakistani visas is independent of size of Indian firms	Ease of obtaining Pakistani visas depends on size of Indian firms	0.68	0.5	Do not Reject Null	Ease of obtaining Pakistani visas is independent of the size of Indian firms
		Ease of obtaining Indian visas is independent of size of Pakistani firms	Ease of obtaining Indian visas depends on size of Pakistani firms	3.55	0.00	Reject Null	Large Pakistani firms find it easier to obtain Indian visas than small/ medium firms
10	Do newer firms, engaged in trade for a shorter period of time (up to 5 years), find it harder to obtain visas than older firms?	Ease of obtaining Pakistani visa is independent of the number of years Indian firms have been trading with Pakistan	Ease of obtaining Pakistani visa is dependent on the number of years Indian firms have been trading with Pakistan	1.07	0.28	Do not Reject Null	No significant difference has been found in the ease of obtaining Pakistani visas among newer and older Indian firms

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Ease of obtaining Indian visa is independent of number of years Pakistani firms have been trading with India	Ease of obtaining Indian visa is dependent on the number of years Pakistani firms have been trading with India	7.54	0.00	Reject Null	Older Pakistani firms find it easier to obtain Indian visas than newer ones
11	Do Indian traders find it easier to communicate with their counterparts in Pakistan than Pakistani traders do with India?	Perception about ease of communication with counterparts is independent of the country to which the traders belong	There is a statistical difference in the ease of communication between traders from Pakistan and India	-10.66		Reject Null	Indian traders find it easier to communicate with their counterparts in Pakistan
12	Are large logistics operators perceived to be better than small / medium operators?	Efficiency of logistics operator is independent of the size of the firm in India	There is a statistical difference between small/medium and large logistics operators in India	-0.12		Do not Reject Null	No significant difference has been found between the efficiencies of small/medium and large logistics operators in India
		Efficiency of logistics operator is independent of the size of the firm in Pakistan	There is a statistical difference between small/medium and large logistics operators in Pakistan	-4.02		Reject Null	Large logistics operators are found to be more efficient than small/medium operators in Pakistan
13	Are Indian banks more efficient than Pakistani banks?	Efficiency of banks is independent of the country in which the banks are located	There is a statistical difference between efficiency of banks in India and Pakistan	-5.45		Reject Null	Efficiency of banks is perceived to be higher in India than in Pakistan.

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
14	Is efficiency of customs worst at rail compared to road and sea modes for both India and Pakistan?	For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using road and rail modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	17.61	0.01	Reject Null	For Indian importers, significant difference has been found between all pairs of modes, with efficiency of customs being highest at the air mode followed by road, sea and rail modes; implying that customs efficiency is the worst at the rail mode.
		For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using road and sea modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	78.37	0.00	Reject Null	
		For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using road and air modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	46.21	0.00	Reject Null	
		For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using rail and sea modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	65.57	0.00	Reject Null	

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using rail and air modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	67.73	0.00	Reject Null	
		For Indian importers, there is no statistical difference between the efficiency of customs perceived by traders using sea and air modes	For Indian importers, there is a statistical difference between the efficiency of customs perceived by traders using different modes	51.87	0.00	Reject Null	
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using road and rail modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	5.13	0.40	Do not Reject Null	For Indian exporters, significant difference has been found with efficiency of customs being the highest at the air mode followed by road, sea and rail modes. Perception of efficiency is worst at the rail mode, however no significant differences have been found in the efficiency of customs between the road and rail modes.
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using road and sea modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	35.75	0.00	Reject Null	

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using road and air modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	79.23	0.00	Reject Null	
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using rail and sea modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	28.53	0.00	Reject Null	
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using rail and air modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	81.88	0.00	Reject Null	
		For Indian exporters, there is no statistical difference between the efficiency of customs perceived by traders using sea and air modes	For Indian exporters, there is a statistical difference between the efficiency of customs perceived by traders using different modes	26.30	0.00	Reject Null	
15	Which mode has the highest processing time for customs documentation in India and Pakistan?	Processing time at customs is independent of whether Indian exporters use road or rail mode	Processing time across these two modes differs	-0.74	0.46	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Indian exporters use road or sea mode	Processing time across these two modes differs	-2.82	0.00	Reject Null	Processing time at sea port is higher than at road port for Indian exporters

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Processing time at customs is independent of whether Indian exporters use road or air mode	Processing time across these two modes differ	0.27	0.79	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Indian exporters use rail or sea mode	Processing time across these two modes differs	-1.87	0.06	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Indian exporters use rail or air mode	Processing time across these two modes differs	0.97	0.33	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Indian exporters use sea or air mode	Processing time across these two modes differs	2.94	0.00	Reject Null	Processing time at sea port is higher than at air port for Indian exporters
		Processing time at customs is independent of whether Indian importers use road or rail mode	Processing time across these two modes differs	0.45	0.65	Do not Reject Null	Processing time for customs documentation for Indian importers is independent of modes used by Indian importers
		Processing time at customs is independent of whether Indian importers use road or sea mode	Processing time across these two modes differs	-1.49	0.14	Do not Reject Null	
		Processing time at customs is independent of whether Indian importers use road or air mode	Processing time across these two modes differs	0.22	0.82	Do not Reject Null	

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Processing time at customs is independent of whether Indian importers use rail or sea mode	Processing time across these two modes differs	-1.59	0.11	Do not Reject Null	
		Processing time at customs is independent of whether Indian importers use rail or air mode	Processing time across these two modes differs	-0.18	0.86	Do not Reject Null	
		Processing time at customs is independent of whether Indian importers use sea or air mode	Processing time across these two modes differs	1.38	0.17	Do not Reject Null	
		Processing time at customs is independent of whether Pakistani exporters use road or rail mode	Processing time across these two modes differs	1.98	0.04	Reject Null	Processing time at road port is higher than at rail port for Pakistani exporters
		Processing time at customs is independent of whether Pakistani exporters use road or sea mode	Processing time across these two modes differs	3.28	0.00	Reject Null	Processing time at road port is higher than at sea port for Pakistani exporters
		Processing time at customs is independent of whether Pakistani exporters use road or air mode	Processing time across these two modes differs	3.61	0.00	Reject Null	Processing time at road port is higher than at air port for Pakistani exporters
		Processing time at customs is independent of whether Pakistani exporters use rail or sea mode	Processing time across these two modes differs	0.5	0.62	Do not Reject Null	No significant difference is observed

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Processing time at customs is independent of whether Pakistani exporters use rail or air mode	Processing time across these two modes differs	2.24	0.02	Reject Null	Processing time is higher at rail port than at air port for Pakistani exporters
		Processing time at customs is independent of whether Pakistani exporters use sea or air mode	Processing time across these two modes differs	2.06	0.03	Reject null	Processing time is higher at sea port than air port for Pakistani exporters
		Processing time at customs is independent of whether Pakistani importers use road or rail mode	Processing time across these two modes differs	0.00	1.00	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Pakistani importers use road or sea mode	Processing time across these two modes differs	2.52	0.01	Reject Null	Processing time at road port is found to be higher than at sea port for Pakistani importers
		Processing time at customs is independent of whether Pakistani importers use road or air mode	Processing time across these two modes differs	0.96	0.34	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Pakistani importers use rail or sea mode	Processing time across these two modes differs	-1.59	0.11	Do not Reject Null	No significant difference is observed
		Processing time at customs is independent of whether Pakistani importers use rail or air mode	Processing time across these two modes differs	-0.18	0.86	Do not Reject Null	No significant difference is observed

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Processing time at customs is independent of whether Pakistani importers use sea or air mode	Processing time across these two modes differs	0.34	0.73	Do not Reject Null	No significant difference is observed
16	Across all infrastructure indicators, which mode is worst for i) Indian importers ii) Indian exporters?	Across all infrastructure indicators, there is no statistical difference between different modes for Indian importers	Across all infrastructure indicators, there is a statistical difference between different modes for Indian importers	217.8	0.00	Reject Null	Significant difference has been found with infrastructure at sea port being the worst. Infrastructure at the air port is found to be the best, followed by road and rail ports
		Across all infrastructure indicators, there is no statistical difference between different modes for Indian exporters	Across all infrastructure indicators, there is a statistical difference between different modes for Indian exporters	87.6	0.00	Reject Null	Significant difference has been found with infrastructure at sea port being the worst. Infrastructure at the air port is found to be the best, followed by road and rail ports
17	Across all infrastructure indicators, which mode is worst for i) Pakistani importers ii) Pakistani exporters?	Across all infrastructure indicators, there is no statistical difference between different modes for Pakistani importers	Across all infrastructure indicators, there is a statistical difference between different modes for Pakistani importers	120.3	0.00	Reject Null	Significant difference has been found with infrastructure at sea port being the worst. Infrastructure at the air port is found to be the best, followed by road and rail ports

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Across all infrastructure indicators, there is no statistical difference between different modes for Pakistani exporters	Across all infrastructure indicators, there is a statistical difference between different modes for Pakistani exporters	8.4	0.08	Reject Null	Difference has been found with infrastructure at sea port being the worst. Infrastructure at the air port is found to be the best, followed by rail port
18	Does congestion at port gate depend on the modes used by Indian traders?	Congestion at ports is independent of whether Indian exporters use road or rail mode	Congestion across these two modes differs for Indian exporters	-4.54	0.00	Reject Null	Congestion is higher at road port than at rail port for Indian exporters
		Congestion at ports is independent of whether Indian exporters use road or sea mode	Congestion across these two modes differs for Indian exporters	-6.97	0.00	Reject Null	Congestion is higher at road port than at sea port for Indian exporters
		Congestion at ports is independent of whether Indian exporters use road or air mode	Congestion across these two modes differs for Indian exporters	-0.16	0.87	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Indian exporters use rail or sea mode	Congestion across these two modes differs for Indian exporters	-1.36	0.17	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Indian exporters use rail or air mode	Congestion across these two modes differs for Indian exporters	4.26	0.00	Reject Null	Congestion is higher at rail port than at air port for Indian exporters
		Congestion at ports is independent of whether Indian exporters use sea or air mode	Congestion across these two modes differs for Indian exporters	6.59	0.00	Reject Null	Congestion is higher at sea port than at air port for Indian exporters
		Congestion at ports is independent of whether Indian importers use road or rail mode	Congestion across these two modes differs for Indian importers	-0.85	0.39	Do not Reject Null	No significant difference is observed

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Congestion at ports is independent of whether Indian importers use road or sea mode	Congestion across these two modes differs for Indian importers	0.3	0.76	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Indian importers use road or air mode	Congestion across these two modes differs for Indian importers	3.69	0.00	Reject Null	Congestion is higher at road port than at air port for Indian importers
		Congestion at ports is independent of whether Indian importers use rail or sea mode	Congestion across these two modes differs for Indian importers	0.89	0.37	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Indian importers use rail or air mode	Congestion across these two modes differs for Indian importers	3.69	0.00	Reject Null	Congestion is higher at rail port than at air port for Indian importers
		Congestion at ports is independent of whether Indian importers use sea or air mode	Congestion across these two modes differs for Indian importers	2.49	0.01	Reject Null	Congestion is higher at sea port than at air port for Indian importers
19	Does congestion at port gate depend on the mode used by Pakistani traders?	Congestion at ports is independent of whether Pakistani exporters use road or rail mode	Congestion across these two modes differs for Pakistani exporters	2.16	0.03	Reject Null	Congestion is higher at road port than at rail port for Pakistani exporters
		Congestion at ports is independent of whether Pakistani exporters use road or sea mode	Congestion across these two modes differs for Pakistani exporters	5.02	0.00	Reject Null	Congestion is higher at road port than at sea port for Pakistani exporters
		Congestion at ports is independent of whether Pakistani exporters use road or air mode	Congestion across these two modes differs for Pakistani exporters	3.18	0.00	Reject Null	Congestion is higher at road port than at air port for Pakistani exporters

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Congestion at ports is independent of whether Pakistani exporters use rail or sea mode	Congestion across these two modes differs for Pakistani exporters	1.95	0.05	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Pakistani exporters use rail or air mode	Congestion across these two modes differs for Pakistani exporters	1.83	0.07	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Pakistani exporters use sea or air mode	Congestion across these two modes differs for Pakistani exporters	1.02	0.30	Do not Reject Null	No significant difference is observed
		Congestion at ports is independent of whether Pakistani importers use road or rail mode	Congestion across these two modes differs for Pakistani importers	-0.18	0.85	Do not Reject Null	Congestion at port gate is independent of the mode used by Pakistani importers
		Congestion at ports is independent of whether Pakistani importers use road or sea mode	Congestion across these two modes differs for Pakistani importers	1.77	0.08	Do not Reject Null	
		Congestion at ports is independent of whether Pakistani importers use road or air mode	Congestion across these two modes differs for Pakistani importers	1.27	0.20	Do not Reject Null	
		Congestion at ports is independent of whether Pakistani importers use rail or sea mode	Congestion across these two modes differs for Pakistani importers	1.11	0.27	Do not Reject Null	
		Congestion at ports is independent of whether Pakistani importers use rail or air mode	Congestion across these two modes differs for Pakistani importers	1.26	0.20	Do not Reject Null	

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Hypothesis No	Research Question	Ho: Null Hypothesis	H1: Alternative Hypothesis	Chi-square test/Z test score (as applicable)	p-value	Decision	Remarks
		Congestion at ports is independent of whether Pakistani importers use sea or air mode	Congestion across these two modes differs for Pakistani importers	0.82	0.41	Do not Reject Null	
20	Which mode has worst warehousing facilities in India?	There is no difference in state of warehousing facilities between road and rail ports	Warehousing facilities vary across the two modes	0.10		Do not Reject Null	No significant difference in warehousing facilities is observed between road and rail ports in India
		There is no difference in state of warehousing facilities between road and sea ports	Warehousing facilities vary across the two modes	-1.89		Reject Null	Differences have been found with warehousing facilities at road port being worse than at and sea port in India
		There is no difference in state of warehousing facilities between rail and sea ports	Warehousing facilities vary across the two modes	-1.65		Do not Reject Null	No significant difference in warehousing facilities is observed between rail and sea ports in India

This Trade Perception Survey was undertaken to understand how stakeholders engaged in India-Pakistan trade perceived impediments faced by them in realizing the trade potential between the two countries. Based on an analysis of information collected in the survey on six indicators—awareness of trade policy, ease of meeting standards, market access, business facilitation, customs and documentation, and infrastructure at ports – the study recommends policy options that the Indian and Pakistani governments could consider to reduce impediments. As India and Pakistan are in the midst of a trade normalization process, the recommendations made would help the two governments address the impediments highlighted in the study. This study would be useful for policymakers, industry representatives, think tanks, and students of economics and international relations.