



## BILATERAL TRADE BETWEEN INDIA AND PAKISTAN- A STUDY OF AGRICULTURE SECTOR

**Dr. Manisha Verma\***

Assistant Professor, Commerce Department, Hansraj College, University of Delhi, Mahatma Hansraj Marg, Delhi, Pin-1100007. \*Corresponding Author

**Dr. Rajanikant Verma**

Associate Professor, Commerce Department, Zakir Husain Delhi College Evening, University of Delhi, Jawahar Lal Nehru Marg, New Delhi, Pin-1100002

### ABSTRACT

Bilateral commerce between India and Pakistan is as ancient as both the countries themselves, although the amount of business is negligible in comparison to the total business and GDP for them. During the partition, India accounted for around seventy percent of Pakistan's formal commerce.

According to studies, stronger economic ties between our country and Pakistan will not be beneficial for both the countries it would help the entire Southern Asian region, by contributing to the increment for the development of economy. It will also enhance commerce privileges in the total area. This article investigates a possibility of agriculture related business between our country and Pakistan.

According to the survey of special privileges in agro-economic products, our neighboring country, Pakistan, has a significant prospect to sell to our country. Given the major attempts to investment should be deregulated in our country and Pakistan. There are huge opportunities for both side investments in agricultural and refined goods. Trade should be viewed as a path ahead for India and Pakistan to preserve cordial ties. The economic advantage is substantial enough to justify moving forward in this way.

**KEYWORDS :** Bilateral trade, India and Pakistan, Trade Competitiveness, Cross-Border Investments.

### INTRODUCTION

Trade between neighboring countries has maintained an essential economic activity, contributing significantly to the economic growth of trade partners. According to the trade literature, proximity is one of the most important factors of commerce. Geographic closeness is also a key rationale for regional commercial alliances. Economy of the region is sometimes tainted by ancient enmity within two nations, causing neighboring nations to trade less with one another than with more distant ones. In this sense, business within our country and Pakistan is a famous example. Despite efforts to encourage preferential trade, little development made in boosting commerce of Southern Asian area due to historical animosity between the two nations (Chand 2006). Jagdish Bhagwati, a well-known admirer of fair, trade agreements and a critic of regional blocs, offers the indication of bad trade between our nation and Pakistan to argue that physical contiguity is unimportant in trade (Bhagwati 1993). However, past demonstrates that neighborhood antagonism capable of stifle neighborhood trade for a prolonged period for sure. Even among adversaries, trade liberalisation eventually triumphs. Trade would be expected to occur depended upon intrinsic benefits in comparison and efficiency.

Bilateral commerce between our country and Pakistan is very much ancient as the nations themselves, although the amount of business is negligible in comparison to the total amount of business of these two countries.

During the division in British period, India used to have for almost seventy percent of Pakistan's formal commerce. Since, politics related tension within both India and Pakistan caused periodic trade delays. Following the formation of the WTO in 1996, India gave our neighbor the most favoured country status. But they are till now hesitant of awarding India as most favoured nation status. Despite interruptions, both the nations were continuously working to enhance the both side economic and business relations.

According to studies, stronger economic ties between our country and Pakistan must benefit both the neighboring nations and the gain will be observed by the Asian continent, contributing to an increase in developed economy and commercial efficiency in the region.

### Prolonged History Between India And Pakistan Commercial Relationship

Pakistan is under process of offering India most favoured country status, which is anticipated to usher in a new economic system between the two neighbors. Business between both nations declined since 1947. After 65's war, the relationship and business, both has decreased subsequently. An agreement was made in 1974, within our country and Pakistan to restore trade relations. In 1975, a trade deal was signed. Following this arrangement, but the business again started on a list of both side agreements on products. Both nations joined the WTO in 1995, and our country awarded Pakistan MFN status in 1996. However, our neighbor first permitted imports from India depending upon a "positive list," which outlined the items that were acceptable for export from our country to Pakistan. The number of goods on the list has grown over time. Until 2011, Pakistan permitted just 1,946 goods from our side to be imported. They agreed to provide MFN status to our country in November 2011, and in the month of March 2012, it switched to a 'negative list', which includes products that are forbidden from being imported into their country from our country. They now have 1,209 things on their negative list.

Pakistan enjoyed a trade surplus with India immediately after independence. Total commerce was about US\$50 million in 1960-61, but owing to armed strife, it dropped to almost nothing in 1966-67. Until 1974-75, trade was halted. Trade resumed for three years after the 1975 accord. This contract was not signed ever. By 1980s, our country's exports to Pakistan began to rise slowly, and the trade balance shifted in India's favour in certain years. With some hope, India's trade balance was positive during the 1990's.

Our country's exports to Pakistan increased dramatically between 1996-1997 and finally, in 2000-2001. After 2000, our country's exports began to increase steadily. As Pakistan steadily shifted items to the 'positive list,' India's exports followed suit. Moreover, our country's imports from the neighbour have kept relatively less over previous years. Total commerce between these two nations has surpassed US\$2 billion since 2011-12, reaching US\$2.4 billion in 2012-13. In 2012-13, their exports rose by twenty eight per cent while our exports increased by 19%.

## OBJECTIVES OF THE STUDY

The current article scrutinizes the possibilities of agricultural trade between our country and Pakistan.

### Literature Review

A review of previous theory literature is required while performing any research effort. The literature review gives information on previous work in the linked field as well as a conceptual architecture on which the suggested outcome to the issues might be built. The studies on the subject is dispersed and of course drawn from much relevance in order to conduct a thorough examination of the issue at hand, namely the India-Pakistan trade relationship. The following is a quick review of the literature.

Ghuman (1986) investigated the Indo-Pak commercial relationship in terms of various commercial exchanges, estimating both side profits and exploring possibilities of regional collaboration. It was suggested that enhancing mutual collaboration may assist to alleviate tensions between the two nations, and that both India and Pakistan can exercise an important role in developing inter region benefits in this continent.

Srinivasan & Cananero (1993) examined both side commercial activities as proportionate to the business alliances' GDP and contrarily linked to distance within both the countries. In addition, the research indicates that unilateral trade liberalisation must benefit the area more than preferential trade liberalisation.

Pigato (1997) Analyzing the CGE model in the relevance of the SAFTA offers evidence that our country's advantages are significantly greater in the unilaterally liberalisation scenario is more likely than the regional liberalisation situation.

In his work, Batra, (2004) estimates the enhanced gravity model. According to the report, our country's trade potential with Pakistan is the largest in the SAARC members.

Ahmad & Shabir (2005) look into the potential of trading with our country for a specific commercial chemical commodity, caustic soda. The scholar proposed that the govt. make steps to promote trade with India by expanding the range of chemicals on the positive list or accepting our country with MFN status in bilateral trade.

Abid, Qamer (2005) conducted a research for indicating the possibilities of commerce and the products. A comparison of Pakistani exports and Indian imports reveals a number of prospective industries that could be measured if commerce between the India and Pakistan is liberalised.

IMF, (2005) The research was carried out to examine trade liberalisation and its consequences. According to report, India's trade restrictiveness score is eight (on a scale of one to 10), whereas Pakistan's rating is six.

Taneja, Nisha, et al. (2008) In order to enhance commercial and economic relations between our country and Pakistan, efforts are being made to identify both side commercial opportunities and non-tariff impediments to India-Pakistan trade. According to the research, the two countries have 11.7 billion dollar untapped trade potential. Pakistan's export potential to India is 2.2 billion dollar, whereas our export potential to Pakistan is 9.5 billion dollar.

### Methodology Of Research

Secondary data is used in the study. The problem's data is dispersed and was gathered from a variety of sources.

## Trade And Tariff Agreements Between Two Nations

Trade between our country and Pakistan was hampered by political and geopolitical problems. The formation of SAARC in 1985 might be seen as the beginning of bettering ties in the South Asian bloc, notably between our country and Pakistan. SAPTA was the first significant political breakthrough for SAARC since it was India's first regional agreement on economic cooperation (Sawhney et. al., 2007). In January 2004, SAARC nations signed the SAFTA Agreement in an attempt to economic cooperation help to bring people together. Nepal, Bhutan, the Maldives, and Bangladesh were classified as least developed nations (LDCs), whereas Pakistan, Sri Lanka and our country were classified as non-LDCs (NLDCs).

Tariff reduction schedules for LDCs and NLDCs were defined in SAFTA's trade liberalization program. Furthermore, contracting countries may maintain sensitive lists for which tariff reduction schedules will not apply. Sensitive lists are lists of products of particular interest to individual member countries that are not subject to SAFTA's reduced tariffs. The use of sensitive lists allows governments to protect emerging domestic enterprises or vital sources of customs revenue. On the other side, over usage of sensitive lists may raise consumer costs and hamper cross-border business.

The LDCs and NLDCs have reiterated their existing rights and obligations toward one another under the Marakkesh Agreement, which established the WTO. They are expected to grant each other "most favoured nation" status as WTO members. The MFN principle is a non-discrimination notion included in the GATT that stipulates that governments may not discriminate among their business associates. The MFN regulation covers that every country abides its WTO counterparts equitably. However, there are certain exceptions, such as preferential treatment for poor countries, regional free trade zones, and customs unions (WTO). In 1996, our country gave Pakistan MFN status, and they have pledged to provide us MFN status soon. Still, they maintain a negative list of nations since it has not granted our nation MFN status. Pakistan's ban list includes items that are forbidden to bring to Pakistan from our country.

Upto 2011, they had a positive list of products that may be imported from our country. But they moved to a limited negative list after a joint statement was published in November 2011 outlining the entire phasing-in of MFN. As a result, our country and they keep a sensitive list for SAFTA members, while they also keep a negative list for our country.

### Agriculture Trade Between Two Nations

Agriculture's importance to the economic sector of both the nations can't be emphasized. The segment offers considerably to both the GDP and job of India and Pakistan. Agro-based segment offers twenty per cent of their GDP and offers job to forty five percent of the labor force. This sector contributes fourteen percent to GDP in India, while also employing fifty eight percent of the workforces (Economic Survey of India 2012-13). The fact that our country's agro-based sector's product is more than 5 times bigger than their agro-based segment, and does not obscure the reality that Pakistan's per capita productivity across key crops is significantly on the high side than our country's. Geographic and climate variation of India and Pakistan is a principle factor in the variances in the multiplicity and types of agro-based results, which generates substantial trading opportunities between them. The most significant distinction between the two countries are agriculture industries. After 1947, India established and maintained an interventionist agricultural system, largely to achieve food security. Our country keeps the pace to help agro-based segments, offers assistance for twenty intakes, and has a high average tariff

percentage on agricultural goods. In contrary, they have broadening their agro-based segment with limited governmental interference throughout the years. Subsidies and price supports have been gradually phased away, and agricultural tariff rates have been reduced as part of market liberalization measures. Wheat is the only crop purchased at per the predetermined pre-declared price by the government; the others are subsidized exchanged at retail cost. From the perspective of Pakistan's agro-based industry, these disparities within the regulatory framework produces an unequal subsidies to increase competition and lower cultivation costs, skew pricing, and alter the direction and amount of trade.

Trade agreements are yet another tough subject to discuss. Although our country granted Pakistan MFN in 1996, HFTs on agricultural commodities, as well as NTBs on the Bharat's side, like standards for wellness and grade, have been shown as principle reasons for Pakistan's comparatively low agro-based exports to our country. Most of the agro-business is channelized through Punjab, Pakistan refused to issue visa for the farmers of Punjab is again identified as the significant hurdles to agro business in this region, according to the report. Even Pakistan was not agreed to offer MFN and continues to maintain a ban list with our country, Pakistan's gross and agro-based trade balances remain huge lopsided in for the neighboring country. Cotton, refined sugar, and, more recently, fresh vegetables, have been major agricultural imports into our country in recent years. Dried dates, moreover, have emerged as their most important agro-based export to our nation in previous few years (47.2 million dollar in 2011), outpacing all other agricultural exports. Exports of onions, shallots, shrimp, and apricots have grown in volume and value in recent years, although they remain low in comparison to other agricultural commodities. Strangely, there is no commercial exchange of major commodities between the two countries, probably as a result of the high tariffs in place on these commodities.

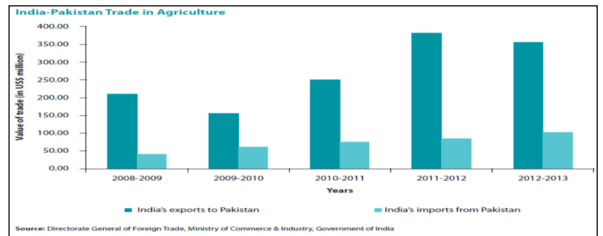
**CONCLUSION**

According to the results of an assessment of primary determinant in farm products, Pakistan has a significant option to spread to India in the agricultural goods sector. The results RCA investigation have shown that Pakistan is competitive in a variety of commodities, including citrus fruits, mangoes, apricots, peaches, olives, fishery products, and olive oil. Several of these products have the potential to be highly sought for in Indian marketplaces. India's huge population (which includes a middle class of over three hundred million people) offers tremendous opportunity for the export of high-value agricultural goods such as fresh and packaged foods, dairy related products, fruit juices, nutritional supplements, and food additives. There are additional opportunities for vegetarian, halal, kosher, and ayurvedic products to be exported to specialized markets.

Given the significant efforts being made in both countries to liberalize their investment systems, there is enormous opportunity for bridge investments in agricultural and processed commodities in the medium to long term.

**Table 1: India-Pakistan Trade in Agriculture Values in million United State Dollar**

	Export : India to Pakistan	Import : India from Pakistan
2008-2009	209.26	45.15
2009-2010	156.34	65.16
2010-2011	248.67	77.31
2011-2012	377.30	89.78
2012-2013	352.36	105.11



**Figure 1: India Pakistan Trade in Agriculture**

**Recommendations**

Trade should be viewed as a path ahead for India and Pakistan to preserve cordial ties. The economic advantage is substantial enough to justify moving forward in this way.

**The following are some major recommendations for increasing agricultural trade:**

- It was thought that following the NAFTA model may be considered to improve agricultural commerce. This entails India and Pakistan signing a separate agriculture pact.
- Agriculture business between our country and Pakistan must be encouraged for reasons of food security, price stability, and peace-building activities.
- It is critical to determine which products India and Pakistan have a comparative edge in. The emphasis should be on the possibilities of establishing value chains by integrating the two nations' resources.
- There is some unease in Pakistan about the levels of domestic support for agriculture in India. To address the difficulties that have arisen as a result of this, the panelists advised Pakistani manufacturers and the government to consider the following:
- Implement specific agricultural protections that go into effect automatically if certain price or volume thresholds are reached.
- Implement a transitional tariff rate quota that may be phased out after a specific number of years.
- Implement a tariff rate quota, which can be gradually liberalized but remains in place indefinitely.
- Have both specific agricultural protections and tariff rate quotas in place to protect Pakistani farmers interests.

All of these initiatives might contribute to fulfilling both the country's latent commercial potential. Because commerce and terrorism are irreconcilable, the task ahead is to establish an atmosphere in which the focus is on the trade and economic agenda.

**REFERENCES**

1. Aamir, M. and Zaman, K. (2011). Review of Pakistan Pharmaceutical Industry: SWOT Analysis. International Journal of Business and Information Technology, p. 114.
2. Ahmad, M. (2013). Trade of Industrial Goods with India: Opportunities and Challenges for Pakistan. Trade Related Technical Assistance Programme.
3. Ahmad, Shabir and Shabir Ahmad, Analyzing Potential Economic Costs and Benefits of Pakistan-India Trade: A Case Study of the Chemical Industry, International Institute of Islamic Economics, International Islamic University, Islamabad, Pakistan, Zareen Fatima Naqvi and Philip Schuler, Editors, The World Bank, June 2007, PP 158-168
4. Batra, A "India's Global Trade Potential-Gravity model Approach" 2004, p151, New Delhi.
5. Bhagwati, Jagdish (1993). "Regionalism and Multilateralism: An Overview." In New Dimensions in Regional Integration, edited by Jaime de Melo and Arvind Panagariya. Cambridge: Cambridge Univ. Press, 1993.
6. Chand, Ramesh (2006), Free Trade Area in Asia, Academic Foundation, New Delhi.
7. Ghuman, Ranjit Singh, Indo-Pak trade relation, (Deep and Deep Publications, 1986) New Delhi.)
8. IMF Study on the implication of the 2005 trade liberalization in the textile and clothing sector, consolidate report, part I, parts, IMF
9. Pigato et. L, South Asian integration into world economy, World Bank, Washington, DC, 1997, p.34 [6]
10. Qamer, Abid, Trade between India and Pakistan: Potential items and MFN status, SBP Research bulletin, (2005), Vol. 1, pp 47-48
11. Raihan Selim and Prabir De (2013), India - Pakistan Economic Cooperation: Implications for Regional Integration in South Asia, Commonwealth Secretariat.
12. Sawhney, A. and Kumar, R. (2007). Why SAFTA? Paper submitted to Commonwealth Secretariat, London.
13. Srinivasan, TN and G. Cananero, Preferential Trading Arrangements In South Asia, Yale University.
14. Taneja, Nisha and Pohit Sanjib (eds) 2015, India-Pakistan Trade: Strengthening Economic Relations, Springer New Delhi 2015.
15. Taneja, Nisha, Indo-Pak Trade Relations, ICRIER, Working Paper, (2008), 182