



ORIGINAL RESEARCH PAPER

Commerce

CROSS LOC TRADE: INDIA AND PAKISTAN

KEY WORDS: Confidence building measures (CBM), Trade facilitation centres (TFC), India administered Jammu and Kashmir (Iajk), Trade out , Trade in , Standard Operating Procedure (SOP).

Gurcharn Singh

Lecturer in Commerce at Govt. SPMR College of Commerce

ABSTRACT

Kashmir issue is one of the big problem for the last 69 years and this issue between India and Pakistan is a long pending unsolved dispute in the history of world. Both the countries tried to solve it with time being by way of couple of talks but no result came. In 2004, India and Pakistan become people centric approach from the state centric approach with the movement of barter trade at loc. Loc was officially opened for the first time in 2005 for the movement of people and loc trade route opened in 2008. Loc cross trade began in 2008 during the first tenure of chief minister Mufti Mohammad sayeed and all performed through CBM to bring peace in the region. This study endeavours the loc trade between India and Pakistan and its introduction to various aspects.

Introduction

The Kashmir conflict is the outcome of the partition. The roots of the crisis extend to the catastrophic partition of the two countries in 1947, when the British government left the region after 250 year period of rule characterised by exploitation and divide and conquer tactics. The loc was officially opened for the first time in 2005 for the movement of people. Since its closure after the Indo-Pak war in 1947-48. The first bus service between Srinagar and muzaffarbad became operational in April, 2005. J & K comprises of different religions – Muslims, Hindu, Sikh, Buddhist, Christians, etc who would wish to travel across for various cultural and religious reasons. The then prime minister was held three round table conferences so far besides forming five working groups on issues relating to cross loc interaction, governance, union state relations and so on.

The opening of cross loc trade along Uri- muzaffarbad and poonch- rawalkote routes on 21st October, 2008 as part of confidence building measures (CBM) between India and Pakistan marked a paradigm shift since the sub- continent was partitioned in 1947. It is after 69 years that trade along these traditional routes has restarted. The trade began with two days- Tuesday and Wednesday every week since it started in 2008, which now has been extended to four days from July, 2011. Trade volumes have substantially shown an increase dispute the trade being on barter terms (trade without the use of money) with lack of proper communication channels, absence of banking systems, dearth of legal enforcement, limited number of trade days, lack of x- ray machineries for scanning truck.

It becomes all more pervasive owing to proximity and socio-cultural and ethnic relation between the two divided parts, the economic linkages and dependability develop automatically for the mutual benefit of the people of borders (J & K Economic Survey 2009- 2010). Trade between J & K and the rest of world along with the silk route had a long history with first state interventions in trade recorded over three hundred years. The current loc trade between the two divided parts of Kashmir has many unique features that one can say are exclusive to this initiative. The two government declared cross loc trade as Zero tariffs so that it is not treated as international trade. Exports are called 'trade out' goods and imports are called 'trade in' goods. This is mainly because of reason that both india and Pakistan donot accept loc as an international border and refer cross loc trade as domestic one i.e., between two region of one state.

Features of cross loc trade

Cross Loc trade can serve as a peace process in J& K which has following features:

1. The trade is done on barter system i.e., only exchange goods for goods and no use of money which give no scope for banking transactions.

2. The trade is allowed through the Uri- Muzaffarbad & Poonch- Rawalkot routes on a mutually agreed limited list of 21 items and not more than that. It was decided that the traders will be meet after 3 months to increase the items.
3. The trade is governed by standardised operating procedure (SOP) signed between India & Pakistan on 21st July, 2008
4. The words 'trade out' and 'trade in' are used instead of exports and imports respectively because loc not being accepted as an international border between India and Pakistan.
5. The trade takes place 4 days a week (Tuesday, Wednesday, Thursday and Friday).
6. 100 trucks a day are allowed to cross the loc. The trucks are mandated to have J & K OR Iajk registration numbers and cannot weigh more than 9 tonnes.
7. It is a part of confidence Building Measures (CBM).
8. There are 300 registered traders.

Cross Loc trade rationale

Trade is not a new term for Kashmir as Indian subcontinent was connected to the grand silk route through a sub routes through greater Kashmir. The role of trade though silk route played till 1947 cannot be available to Kashmir to the outside was reduced to the national highway through Jawahar tunnel. According to J & K Budget 2011, agriculture is main source of livelihood for people of state contributing 19 % to the GDP so cross loc trade is a duty free barter system restricted to primary products from Kashmir. Trade across the line of control (Loc) in J & K began in 2008 during Mufti Mohammad Sayeed's first tenure as chief minister. Hailed as the biggest CBM to bring peace in the region, it began three years after the commencement of cross –Loc travel meant to unite the divided families across the Loc. The Indian side wanted to heal the wounds of the divided families encourage cross- loc tourism and promote "Peace through trade" but the adversary saw it as another means to promote terrorism in the trouble state of J & K. It was mentioned in the SOP to review the list after every 3 months. Import items of J & k traders as mentioned in SOP were rice, jai namaz & tasbi, precious stones, gabaaz, namdaaz, chapals, medicinal herbs, maize products, fresh and dry fruits, saffron, honey dal mongi, imli, black mushroom, furniture items, carpets and rugs while exports items were carpets, rugs, wall hangings, shawls, namdaazs and gabaazs. Among these agreed items, moong dal exclusively registered 60 % of the total trade.

Trading list of 'trade out' and 'trade in'

Only 21 items of goods have been permitted for trade across the loc as per the agreement between India and Pakistan. Most of the trading items falls under the agricultural commodities which makes it more of a commodity trade rather than a free trade between the two regions. The list does not contain any manufactured products. Full normalisation of trade at the loc would mean addressing these distortions while this shift would mean an imposition of duties applicable under SAFTA (south Asian free trade area), trade facilitation measures will provide benefits

through lower transaction costs which is likely to outweigh the costs incurred by traders through custom duties which at present do not exceed 5 %. The two governments need to lay down a clear road map for formalising loc trade and bringing it within the ambit

of SAFTA. A clear direction would perhaps reduce the pain of adjustment and in the long term lead to peaceful and previous economic relations between the two kashmirs (Nisha taneja and samridhi (Researcher at ICRIER).

S. No.	List of goods exported (Traded out) from salamabad to chakoti and chakan da bagh to Rawalakot as per SOP	List of goods Imported (Traded in) from Chakoti to Salambad and Rawalkote to Chakan da bagh as per SOP
1.	Carpets	Rice
2.	Rugs	Jahnamaz and tusbies
3.	Wall hangings	Precious stones
4.	Shawls and stoles	Gabbas
5.	Namdas	Namdas
6.	Gabbas	Peshwari leather chappals
7.	Embroidery items including crewel	Medicinal herbs
8.	Furniture including walnut furniture	Maize and maize products
9.	Wooden handicrafts	Fresh fruits and vegetables
10.	Fresh fruit and vegetables	Dry fruits including walnuts
11.	Dry fruit including walnuts	Honey
12.	Saffron	Moongi
13.	Aromatic plants	Imli
14.	Fruit bearing plants	Black mushroom
15.	Dhania, moong, imli and black mushrooms	Furniture including walnut furniture
16.	Kashmiri spices	Wooden handicrafts
17.	Rajmah	Carpets and rugs
18.	Honey	Wall hangings
19.	Paper mache products	Embroidered items
20.	Spring rubberized coir/foam mattresses, cushions ,pillows & quilts	Foam mattresses, cushions and pillows
21.	Medicinal herbs	Shawls and stoles

Benefits of this cross loc trade

1. This trade is very helpful practice for generating employment for the locals. As par sources the trade has generated employment of 50,000 manpower in the eight years and earned an income of 800 crores approx.
2. It is also successful in developing a sizable peace constituency is the Kashmir row.
3. It is beneficial for trading community on both sides due to the landlocked nature of the region area.
4. It is helpful for local transporters whose trucks ply from TFC to other parts of the state with approximately benefit of Rs 45 crores.
5. Only two countries products are allowed to be traded between two sides of Loc and no third country should be intervened within process.

Limitations of this loc cross trade

1. It is restricted to 21 selected tradable items including eatables, fruits, vegetables, dry fruits, medicinal herbs, saffron , garments and handicrafts.
2. There is no excise duty or taxes are levied as in the case of regular international trade. that is why, the facility has been misused by other traders in the country to send across their goods in order to avoid excise duty would levied if trade would performed through wagah border.
3. No proper system of full body truck scanning and CCTV cameras are available .
4. Ministry of commerce and trade is not involved only responsibility for trade continue to remain with Ministry of home affairs (MHA).
5. It is a blond trade as traders from two sides cannot meet each other and has no way of assessing the market.

Suggestions for future study

1. Trade items should be revised by survey by the governments of two nations.
2. Implacment required in infrastructure, bridges, facilitation centres, transport system, communication.
3. The number of registered buyer and sellers should be increased by giving them a chance of in marketing of Loc trade as it is only 300 registered traders.

4. More additional trade routes should be opened via cross trade i.e., Jammu – Sialkote Road, Kargil- Skardu Route, Chumb – Pallianwalla on the bhimber – Jammu side and Khoiratta-Nushera on the kotli –Rajouri side as these routes are shorter for Loc cross route.
5. Proper marketing of imported goods should be done for increase in demand.
6. Banking facilitates should be approved by state government and conveyed to the centre.
7. Trading across Loc should be done all days of a week.
8. Traders should be allowed to move across the Loc on a ‘trade pass’ to facilitate smooth trade and recovery of sale from both sides.
9. The government need to setting up Loc markets in big cities to bring together consumer and selling and establishing production and proceeds manufacturing units in J& k.
10. Full body trucks scanners and CCTV cameras should be installed along trade routes.

Conclusion

The trade is conducted at two points across the loc- the de facto boundary in Kashmir between India and Pakistan i.e., chakan –da-bagh – Rawalkote route in Jammu and Salambad – Chokoti in Kashmir. Cross loc trade can serve as a conduct for peace process in J& K. This cross loc trade is very helpful practice for generating employment, selling of important items, developing close relations between two nations, etc., through barter system. In all this process of trade, CBM plays an important role in conflict resolution and cross loc trade has acted as a starting point. Free flow of trade and transit across loc will help the communication on both sides of J & K to become key stakeholders in the peace process. This study endeavours the knowledge about the loc trade between two nations: india and Pakistan in a peaceful way .

References & Websites

1. Candran D. Suba , "Cross loc trade challenges & opportunities in J & K", Issue 66, IPCS, New Delhi.
2. Gupta Anil Brig., "Cross- loc trade : a boon or bane", south asia monitor.
3. Kira Altaf Hussain,(2011) "Cross loc trade in Kashmir: from line of control to line of commerce", Indira Gandhi Institute of development research , Mumbai, http: www.igidr.ac.in/pdf/publication/wp-2011-020-pdf.
4. Padder Sajad A., "Cross line of control, trade:Problems and prospectus", Journal of

south asian studies, ISSN: 2307-4000 (online), 2308-7846 (print), [http:// www.escijournals.net/JSAS](http://www.escijournals.net/JSAS).

5. Yousuf Afshan & Kah Kashan Khan, "Cross loc trade – Mitigating conflict", directorate of distance education, university of Kashmir, J & K, <http://www.publishingindia.com>
6. www.google.com
7. www.thehindu.com
8. www.indiadefencereview.com
9. www.economictimes.com