

Institute for Policy Reforms

Press Release

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The Pros and Cons of Trade Relations with India

‘Pakistan must weigh the risks and benefits of opening trade with India’ said Mr. Humayun Akhtar Khan at a discussion held here today on the pros and cons of trade with India. The Institute for Policy Reforms and the Lahore Chamber of Commerce and Industry jointly organized the event. Dr. Manzoor Ahmad, Adviser IPR, and former Pakistan Ambassador to the WTO and Mr. Aftab Ahmad Vohra, head of LCCI’s Pak India Trade Committee, were the speakers. Mr. Humayun Akhtar Khan, Chairman IPR chaired the discussion. Important members of the Lahore Chamber participated. Mr. Ijaz Mumtaz, President LCCI gave opening remarks to welcome the participants.

Mr. Khan said that normal trade with India has been under discussion for many years. Rigorous assessment of cost and benefits is the only way to take a decision and to move this matter to closure, one way, or another. This approach would also bring all stakeholders on common ground. The fits and starts nature of the relationship finds reflection in conflicting trends. On the one hand, Pakistan does not have normal trade relations with India. On the other hand, Pakistan and India are members of the South Asian Free Trade Area (SAFTA). This apparent incongruity reflects the reality of our bilateral relations. Decision on trade with India, therefore, must harmonize among security, economic, and trade interests. Recently, IPR examined overall developments in South and Central Asia and recognized that there are risks to our security. He advised policy makers to consider an incremental approach and distinguish among normal trade, and opening of land and transit routes. He said that this IPR-LCCI event would examine economic and trade benefits and risks. IPR expected that such discussion would help policymakers take a decision.

Dr. Manzoor spoke largely in support of open trade. He listed the specific risks and benefits of trade with India. He said that developing economies that are globally integrated experience sustained growth. Over 60% of global trade takes place via the supply chains of MNCs who make their buying decisions in all parts of the world. He said that Pakistan’s trade policy results in loss in prosperity. Pakistan risked further growth loss if it was left out from recent moves towards South Asian integration. In his view, Pakistan must find ways to build on South Asia’s dynamism. Past studies on Pakistan India trade overwhelmingly showed significant economic benefits for our economy, he said. He wondered why

Pakistan delayed normal trade relations as GOP's negative list of tariff lines, since 2012, meant that substantial trade is open to begin with. Among those items still restricted and likely to face stiff competition from India, such as pharmaceuticals and auto parts, sufficient legal remedies are available to protect them. He said that some agriculture products face unfair competition from India, but those tariff lines are already open for import. Again, Pakistan has and must exercise measures to protect its farmers. He said that possible synergies from linkages with Indian industry far exceed the risks to some of our industry. Suzuki would not have closed its manufacturing of Alto vehicles in Pakistan, if it could access low cost Indian parts supply. Our pharmaceutical companies could become major exporters if they were to find linkages with Indian companies. He said there are many more such examples. Fears of increase in trade deficit too were misplaced. Mostly those Indian exports that are presently routed through UAE would divert to Pakistan. Some other countries that export to Pakistan may see diversion of their products to India. This will happen because of low prices, and low transport and transaction costs. This is for our benefit. There are enough ways to prevent diversion from Pakistani businesses.

Mr. Arshad Vohra Head of LCCI's Pakistan India Trade Committee relied on extensive personal experience of trading on Pakistan's land border with India. He said that Pakistan businesses and consumers would benefit greatly by opening trade route. It would help both exports from Pakistan and imports from India. He dwelled on the need for improved trade facilitation and logistics to facilitate traders. Specifically, he called on a single point customs check by customs authorities of both countries. New security restrictions on accessing the Wagah post are a great inconvenience for passengers and traders. He said that political differences must not impede trade interests and cited many examples of regional economic growth through trade across borders.

The presentations were followed by a stimulating exchange among the participants.