

Bi-Lateral Trade between India and Pakistan: Present Scenario and Future Opportunities

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Abstract— Partition of Indian sub-continent arranged a system in support of bi-lateral trade co-operation amid India-Pakistan. Initially both countries were extremely dependent on each other for trade. Afterwards India and Pakistan took alternative ways to minimize interdependence on each other for trade. Establishment of SAARC and SAFTA agreement has played a crucial role in increasing the trade between India and Pakistan. Economic gains from the bilateral trade could be an important way for resolving conflicts between the two countries. India encompasses an available export probability of dollar three and half billions for selected items. Pakistan has an additional trade potential of dollar three billions for selected items of which almost fifty per cent can be attributed to cotton alone. The process of trade normalize is anticipated to open huge trade opportunities for India and Pakistan.

Keywords— India, Pakistan, export, import, trade potential.

I. INTRODUCTION

Trade co-operation involving India and Pakistan started with the Partition of Indian sub-continent on August 14, 1947 furthermore dependency of both the countries was obvious (Sreedhar 1975). Trade involving two neighbouring countries India and Pakistan never reached a highly treasured level (Batra, 2007; Dash, 2013). India and Pakistan have taken alternative ways to minimize interdependence on each other for trade.

Result of these measurements was that India and Pakistan imported items from the global market at higher prices. Both the countries can gain from trade with each other. These gains can be in the form of lower prices as compared to the world market and less transport cost (Taneja, 2004; Dash, 2013). Establishment of South Asian Association for Regional Cooperation (SAARC) in December 1985 played a crucial role in increasing the trade between India and Pakistan. Pakistan increased the numeral of things in the positive catalog allowed to be imported from India to 767 in 2004, these items were 600 in 2000. Further the number in positive list was increased to 1075 in 2006 by Pakistan. The numeral of items in positive catalog was increased to 1934 in 2009 (Taneja, 2007a; Taneja et al. 2011). In 2005 trade through road route was starts. A limited number of commodities can be traded through Attari-Wagah road route.

South Asian Free Trade Area (SAFTA) agreement effective from 2006 has also played a positive role in boosting the trade involving the two countries and fascinatingly, as compared to other trade partners in the region interrelated advantages are higher for India and Pakistan (Batra, 2007).

Pakistan also granted Most Favored Nation (MFN) category to India in November 2011. Trade relation of India and Pakistan has developed considerably in recent years (Dash, 2013; Taneja 2007b; Iqbal & Nawaz 2017). Trade relation of India and Pakistan has drawn significant interest from the world. Economic gains from the bilateral trade could be an important way for resolving conflicts between the two countries. Increase in bilateral trade needs political will and small investment from the both sides (Iqbal & Nawaz 2017).

Presence of restrictive trade regime and large informal trade trends point out that there is an enormous unexploited trade potential between India and Pakistan (Nisa, 2017). There are many items that the two countries are importing from the global market as an alternative this both the countries can import these items from each other. This paper will try to look deep into the composition of trade of selected articles involving India and Pakistan and trade potentials involving India and Pakistan.

II. OBJECTIVES, MATERIALS AND METHODS

- To examine the composition of agricultural trade involving India and Pakistan.
- To observe potentials of agricultural trade involving India and Pakistan.

To achieve the objectives, present paper has used secondary data on export to Pakistan and imports from Pakistan for selected commodities. Data collected from various reports published in the website of international organisations like, United Nations COMTRADE (<https://comtrade.un.org/>), ITC TRADE MAP Trade statistics for international business development (<https://www.trademap.org/Index.aspx>). Suitable statistical techniques are used for the study.

III. RESULTS

India's commodity exports to and imports from Pakistan

South Asian Free Trade Area (SAFTA) had a positive effect on bi-lateral trade of various items. India's export of various items to Pakistan began rising during the year 2005-06 and started to improve significantly ever after. India's exports started rise to a much upper levels since the implementation of SAFTA (Chand and Saxena 2014).

India exports number of agricultural and non-agricultural items to Pakistan like products associated to dairy, consumable vegetables, consumable fruit etc., sugars and

sweets, cakes etc., caffeine, drink and condiment, cereals as well as cotton etc. Table 1 shows selected items exported by India to Pakistan. India exported dairy products of \$959046 to Pakistan. Cotton’s share in export among the selected items was highest as cotton of worth \$160184129 was exported to Pakistan by India. Value of exported sugars and sugar confectionery was observed \$32454570, which was second highest among the selected items. India exported caffeine, drink and condiment and oil seed of \$30759701 and \$16126516 respectively. Value of consumable fruit etc. was seen \$1582456 and Cereal’s export amounted \$26501104.

Table 1: India’s exports to Pakistan of selected items (in US \$)

| Item code | Product description | Export to Pakistan |
|-----------|---|--------------------|
| 2 | Animal protein and consumable flesh offal | 4260623 |
| 3 | Fish & other marine animal with no spine | 323496 |
| 4 | Products associated to dairy | 959046 |
| 5 | Goods of animal source | 897685 |
| 6 | Live vegetation, plants, tubers etc. | 0 |
| 7 | Consumable vegetables | 762738 |
| 8 | Consumable fruit etc. | 1582456 |
| 9 | Caffeine, drink and condiment | 30759701 |
| 10 | Cereal | 26501104 |
| 12 | Oil seed etc. | 16126516 |
| 17 | Sugars and sweets, cakes etc. | 32454570 |
| 50 | Silk | 364951 |
| 52 | Cotton | 160184129 |
| | Total | 275177015 |
| | Total export to Pakistan | 1186205288 |
| | % portion of total exports to Pakistan | 23.20% |

Source: Compiled by author based on data from UNCOMTRADE database and ITC TRADE MAP database

Export of Silk and Fish & other marine animal with no spine were only \$364951 and \$323496 respectively. Total export to Pakistan was \$1186205288 in the selected period and total of the above items was \$275177015. Share of the selected items in the total export to Pakistan was 23.20 per cent.

Table 2: India’s trade in of selected items from Pakistan (in US \$)

| Item code | Product description | Imports from Pakistan |
|-----------|---|-----------------------|
| 2 | Animal protein and consumable flesh offal | 0 |
| 3 | Fish & other marine animal with no spine | 0 |
| 4 | Products associated to dairy | 0 |
| 5 | Goods of animal source | 36436 |
| 6 | Live vegetation, plants, tubers etc. | 1184 |
| 7 | Consumable vegetables | 92949 |
| 8 | Consumable fruit etc. | 13809134 |
| 9 | Caffeine, drink and condiment | 2884388 |
| 10 | Cereals | 0 |
| 12 | Oil seed etc. | 2277387 |
| 17 | Sugars and sweets, cakes etc. | 10235 |
| 50 | Silk | 287 |
| 52 | Cotton | 10376045 |
| | Total | 29488045 |
| | Total imports from Pakistan | 67312849 |
| | % share in total imports from Pakistan | 43.81 |

Source: Compiled by author based on data from UNCOMTRADE database and ITC TRADE MAP database

Indian trade in from Pakistan was dominated by a few commodities. India imports items from Pakistan like cotton, goods of animal source, consumable vegetables, consumable fruit etc. and caffeine, drink and condiment and sugars and sweets, cakes etc. India imported consumable fruit etc. of worth \$13809134 from Pakistan whose share was highest among the selected items followed by cotton (\$10376045).

Imported value of caffeine, drink and condiment was observed \$2884388. India spent a significant amount on Oil seed etc. which amounted \$2277387 for the given period. Amount spent to import consumable vegetables and goods of animal source was noted \$92949 and \$36436 respectively. India spent lowest amount on import of silk. India imported silk of worth \$287 from Pakistan which was lowest among the selected items followed by Live vegetation, plants, tubers etc. \$1184. Total Imports from Pakistan amounted \$67312849 in the selected period and total of the above items was \$29488045. Share of the selected items in the total import from Pakistan was 43.81 per cent.

Agricultural trade potential of India and Pakistan

Presence of restrictive trade regime and large informal trade flows point out that there is an enormous unexploited trade potential between India and Pakistan. There are many items that the two countries are importing from the global market as an alternative to this both the countries can import these items from each other. To recognize these items and evaluate the amount of trade feasibility amid India and Pakistan, I have calculated an estimate of potential bilateral trade from the data available for the year 2019. The exercise has been accomplished by posturing India as a provider country in the direction of evaluates its potential to Pakistan furthermore then by posturing Pakistan as the provider country.

India exported live vegetation, plants, tubers etc. to the globe amounting \$79345975 in 2019 and exports to the Pakistan were equals to zero. On the other hand Pakistan imported \$2760384 worth of live vegetation, plants, tubers etc. from the globe, so there is a trade potential of \$2760384 for India among the selected item. Cotton and oil seed have shown to have additional trade potentials for export of \$671863939 and \$1204573290 respectively. India exported products associated to dairy worth \$959046 to Pakistan in 2019 but there is an additional trade potential of \$126385209 for India.

Consumable vegetables, caffeine, drink and condiment and cereals are other items which show huge trade potential after cotton and oil seed, there is an additional trade potential of \$611353309, \$632856585 and \$69124938 respectively for these three items. India encompasses an available export probability of \$3576003299 for selected items.

Pakistan has an additional trade potential of \$3090517520 for selected items of which \$1541640137 can be attributed to cotton alone, which is almost fifty per cent of total trade potential. Second highest additional export trade potential for Pakistan lay in consumable fruit etc. which is \$397596830 followed by sugars and sweets, cakes etc. (\$342676193).

Consumable vegetables have additional trade potential of \$249507831. Cereals and caffeine drink and condiment have trade potential of \$161782332 and \$114993258 respectively.

Fish & other marine animal with no spine have trade potential of \$111843234 among the selected items.

Table 3: India’s agricultural trade potential

(in US \$)

| Item Code | Product description | Export to the Globe | Pakistan’s Trade in from the Globe | Export to Pakistan | India’s Trade Potential |
|---|---|---------------------|------------------------------------|--------------------|-------------------------|
| 2 | Animal protein and consumable flesh offal | 3450632324 | 5333093 | 4260623 | 1072470 |
| 3 | Fish & other marine animal with no spine | 6300403714 | 10020762 | 323496 | 9697266 |
| 4 | Products associated to dairy | 445738079 | 127344255 | 959046 | 126385209 |
| 5 | Goods of animal source | 101440844 | 3038814 | 897685 | 2141129 |
| 6 | Live vegetation, plants, tubers etc. | 79345975 | 2760384 | 0 | 2760384 |
| 7 | Consumable vegetables | 1094256821 | 612116047 | 762738 | 611353309 |
| 8 | Consumable fruit etc. | 1486745668 | 227071853 | 1582456 | 225489397 |
| 9 | Caffeine, drink and condiment | 3303393161 | 663616286 | 30759701 | 632856585 |
| 10 | Cereals | 7066835285 | 95626042 | 26501104 | 69124938 |
| 12 | Oil seed | 1702446523 | 1220699806 | 16126516 | 1204573290 |
| 17 | Sugars and sweets, cakes etc. | 1973221144 | 35543994 | 32454570 | 3089424 |
| 50 | Silk | 84296538 | 15960910 | 364951 | 15595959 |
| 52 | Cotton | 6002695346 | 832048068 | 160184129 | 671863939 |
| Total of India’s Trade Potential | | | | | 3576003299 |

Source: Compiled by author based on data from UNCOMTRADE database and ITC TRADE MAP database

Table 4: Pakistan’s Trade Potential

(in US \$)

| Item Code | Product description | Export to the World | India’s imports from the world | Export to India | Pakistan’s Trade Potential |
|--|---|---------------------|--------------------------------|-----------------|----------------------------|
| 2 | Animal protein and consumable flesh offal | 294739953 | 5655207 | 0 | 5655207 |
| 3 | Fish & other marine animal with no spine | 474092757 | 111843234 | 0 | 111843234 |
| 4 | Products associated to dairy | 48946687 | 35602305 | 0 | 35602305 |
| 5 | Goods of animal source | 39826396 | 33825732 | 36436 | 33789296 |
| 6 | Live vegetation, plants, tubers etc. | 2900252 | 31544787 | 1184 | 2900252 |
| 7 | Consumable vegetables | 249507831 | 1605940791 | 92949 | 249507831 |
| 8 | Consumable fruit etc. | 397596830 | 3074986325 | 13809134 | 397596830 |
| 9 | Caffeine, drink and condiment | 114993258 | 709239031 | 2884388 | 114993258 |
| 10 | Cereals | 2368645352 | 162026875 | 244543 | 161782332 |
| 12 | Oil seed | 92134893 | 674759764 | 2277387 | 92134893 |
| 17 | sugars and sweets, cakes etc. | 342676193 | 409958388 | 10235 | 342676193 |
| 50 | Silk | 395752 | 210785639 | 287 | 395752 |
| 52 | Cotton | 3242493094 | 1552016182 | 10376045 | 1541640137 |
| Total of Pakistan’s Trade Potential | | | | | 3090517520 |

Source: Compiled by author based on data from UNCOMTRADE database and ITC TRADE MAP database

IV. CONCLUSION

Although India and Pakistan have advantage of closeness, but trade amid India and Pakistan was limited until late 1990s. Expansion of two-sided trade began in latest centurial furthermore trade took upward trend subsequent to implementation of SAFTA in 2006. Agricultural trade has grown more rapidly than the non-agriculture trade.

Cotton’s share in India’s export among the selected items was highest as cotton of worth \$160184129 was exported to Pakistan by India followed by sugars and sweets, cakes etc. and caffeine, drink and condiment. Share of Fish & other marine animal with no spine was observed lowest among the selected items, which was 0.12 per cent of selected items. Share of the selected items in the total export to Pakistan was 23.20 per cent.

India imported consumable fruit etc. of worth \$13809134 from Pakistan whose share was highest among the selected

items, followed by cotton (35.19 per cent). India spent lowest amount on import of silk and live vegetation, plants, tubers etc. Total value imports from Pakistan amounted \$67312849 in the selected period and share of the selected items in the total imports from Pakistan was 43.81 per cent.

India exported cotton worth \$160184129 to Pakistan in 2019 but there is an additional trade potential of \$671863939 for India, which is highest among the selected items. India has an additional export potential of \$3576003299 for selected items. Pakistan has an additional trade potential of \$3090517520 for selected agricultural items of which \$1541640137 can be attributed to cotton alone.

The process of trade normalize is anticipated to open huge trade opportunities for India and Pakistan. For this process a number of measures are required to be taken by the both countries. There is a need for up gradation of infrastructure facilities on both sides especially on Pakistan side. As for this paper data which is used for one year only it allows to

concentrate on the most recent data, this technique keep out the items those were traded in the previous years. Second, these estimates have not taken into account variations in the prices of the items being supplied by the partner country and by suppliers from the world.

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