

## International trade: Overview on bilateral trade of India and Pakistan and non-tariff barriers

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### Abstract

**Background/objectives:** To examine the role of international trade in Indian as well as economy of Pakistan and to find out the non-tariff barriers between India and Pakistan.

**Methods:** Through observation method and collected secondary data. Find out the reason between less trades among both the countries.

**Findings:** there are so many issues between India and Pakistan. To resolve all these issues first of all both countries need healthy talk. From geographical perspective, distance between both the countries is such and so nearby. More rail routes should be open for the trade only. All the restrictions should remove of bilateral trade. The study identifies areas which hold lots of potential for investment. Study finds some important linkages between India and Pakistan. Paper examines the importance of international trade and reason behind it.

**Application/improvements:** This study is completely related to bilateral trade and non-tariff barriers between India and Pakistan.

**Keywords:** India-Pakistan, bilateral trade, trade potential, import export and suggestions

### 1. Introduction

International trade is growing day by day. India needs development of bilateral trade between two countries. This is not only about the development of countries; it is about individual businessman and industries. International trade is a very important field to develop economic position. As we know due to some issues trade between India and Pakistan is not very good but after liberalization trade increased rapidly. There are some non-tariff barriers between India and Pakistan. As and when the terms between India and Pakistan remain good, economic transactions and conditions of both the countries have improved. To maintain this development and improvement in business and economic activities it very important that both the countries should be clear and confident and should have faith in each other.

According to geographical position, distance between India and Pakistan is such and so nearby, so that business and trade could be easily carried on, resulting in the improvement in both financial and economic conditions of both the countries.

### 2. Reasons for international trade

A variety of models are described which offer a reason for trade and the expected effects of trade on prices, profits, incomes and individual welfare.

#### 2.1 Difference in technology

If two countries have advanced technology in different areas it is only natural that they trade. One country has advanced electronic technology and other country has advanced agriculture technology it is only that they trade.

#### 2.2 Differences in require

There is a differences in require of two nations

#### 2.3 Existence of government policies

Government tax, tax, subsidies and regulations can sometimes create revenue and promote international trade. In these

circumstances advantageous trade may arise solely due to differences in government policies across countries.

### 3. Advantages of international trade

- Greater variety of goods available for consumption. International trade brings in different varieties of a particular product from different destinations. This gives consumers a wider array of choices which will not only improve their quality of life but as a whole it will help the country grow.
- Efficient allocation and better utilization of resources since countries tend to produce goods they have a comparative advantage. When countries produce through comparative advantage. Wasteful duplication of resources is prevented. It helps save the environment from harmful gases being leaked into the atmosphere and also provides countries with a better marketing power.
- Promotes efficiency in production as countries will try to adopt better methods of productions to keep costs down in order to remain competitive. Countries that can produce a product at the lowest possible cost will be able to gain a larger share in the market. Therefore an incentive to produce efficiently arises. This will help standards of the product to increase and consumers will have a good quality product to consume.
- More employment could be generated as the market for the countries goods widens through trade. International trade helps generate more through the establishment of newer industries to cater to the demands of various countries. This will help countries bring down their unemployment rates.
- International trade helps the backward nations to industrialize their economy. For they can import machines and industrial raw materials from the developed nations.
- The interchange of goods one country to another will result in the interchange of ideas. This will promote better

understanding and goodwill among the people of the world.

India’s trade relations are improving day by day. Due to some political reasons we could not build good trade relation with Pakistan. Here I have analyzed the reasons of poor trade relation between two countries.

**4. India Pakistan trade relations**

From the beginning of partition there is a long term conflict between India and Pakistan. As we know there are many issues among both the countries like war, terrorism and political issues. Frequent violation of borders and allegation of spying are the some of the strong evidences of antipathy between two nations. Both the countries have same problem due to political and armed conflicts. As a result of partition

between India and Pakistan, the unified economy of sub-continent was divided. When British government devalued its currency in 1949, India also followed the same but Pakistan refused to do this practice resultantly India got annoyed and started. Pakistan and India share a longest and one of the most complex borders with length of 2,900 km with each other. The relationship between both countries has seen various ups and downs throughout the history. Pakistan and India have tremendous potential of trade. No serious attempt has ever been made to develop and strengthen a framework of terms and conditions of formal bilateral trade between both the countries.

Here we can see status of import and export between India and Pakistan of five years

**Import export at a glance**

S. No.	Year	2009-2010	2010-2011	2011-2012	2012-2013	2013-2014
1.	Export	746,102.50	925,477.16	744,826.91	1,123,262.97	1,383,234.04
2.	%Growth		24.04	-19.52	50.81	23.14
3.	India's Total Export	84,553,364.38	114,292,192.18	146,595,939.96	163,431,883.77	190,501,108.86
4.	%Growth		35.17	28.26	11.48	16.56
5.	%Share	0.88	0.81	0.51	0.69	0.73
6.	Import	130,461.77	151,395.49	190,030.19	294,370.34	260,656.88
7.	%Growth		16.05	25.52	54.91	-11.45
8.	India's Total Import	136,373,554.76	168,346,695.57	234,546,324.45	266,916,195.69	271,543,390.74
9.	%Growth		23.45	39.32	13.80	1.73
10.	%Share	0.10	0.09	0.08	0.11	0.10
11.	Total Trade	876,564.27	1,076,872.65	934,857.10	1,417,633.32	1,643,890.92
12.	%Growth		22.85	-13.19	51.64	15.96
13.	India's Total Trade	220,926,919.14	282,638,887.75	381,142,264.41	430,348,079.46	462,044,499.60
14.	%Growth		27.93	34.85	12.91	7.37
15.	%Share	0.40	0.38	0.25	0.33	0.36
16.	Trade Balance	615,640.73	774,081.67	554,796.72	828,892.63	1,122,577.17
17.	India's Trade Balance	-51,820,190.38	-54,054,503.39	-87,950,384.49	-103,484,311.91	-81,042,281.88

**5. Barriers in trade relation India and Pakistan**

A working definition of non-tariff barriers adopted in the study included six major categories, namely, quantitative restrictions, trade facilitation and customs procedures, technical barriers to trade and financial measures, Para-tariff measures and visas.

**5.1 The Positive List Approach**

The most apparent barrier of having a positive list approach is that it limits potential trade. Over the years, the positive list approach has expanded gradually but there are several problems that traders face in the application of this policy measure. The most well documented problem being that several goods not on the positive list are exported to Pakistan through Dubai. This has been a traditional practice and is admitted by traders in both countries. Using the indirect route leads to high transport costs for traders. Transport costs on the Mumbai-Dubai-Karachi route are 1.4 to 1.7 times more than on the direct Mumbai-Karachi route.

**5.2 Trade Facilitation and Customs Procedures**

Trade between India and Pakistan takes place by sea, rail, air and road. Several factors such as inadequate land routes, weak transport infrastructure and bilateral transport protocols raise the transaction cost of trading between the two countries. Barriers related to customs procedures, customs clearance, and

rules of origin certification have also been discussed.

**5.3 Customs Procedures and Administration**

The simplification and harmonization of procedures and documents are at the heart of the trade facilitation agenda with customs clearance being the main focus. In India reforms were initiated as early as 1995 while in Pakistan they were introduced later in 2002. The two main features of the reform process include automation and the adoption of risk assessment methods. Some of the major problems faced by traders are related to cumbersome procedures, customs clearance, rules of origin certification, valuation and clearance of goods.

**5.4 Para-Tariff Measures**

Para-tariff measures increase the cost of imports in a manner similar to tariff measures by a fixed percentage or by a fixed amount, calculated respectively on the basis of the value and the quantity.

**5.5 Visas**

India and Pakistan grant business visas to traders. Bona fide businessmen are granted visas on the basis of an invitation from a recognized Chamber of Commerce/Federation/ Association. However, traders face several problems in obtaining visas

## 6. Policy Recommendations

The study provides useful insights for policy makers. The key policy suggestions are outlined below:

1. Both countries need to improve infrastructure and streamline and harmonize customs procedures at the land borders. Emphasis should be laid on coordinating efforts in both countries.
2. More rail and road routes should be opened up while the existing capacities on operational routes need to be expanded.
3. The Bilateral Rail Protocol needs to be amended to address problems of wagon availability and wagon balancing.
4. India and Pakistan should introduce EDI facilities to facilitate trade. Integrating the rules of origin certification between the customs and the issuing authority would also help in reducing processing time.
5. Restrictions on items to be traded on the Atari rail route should be removed by India and Pakistan.
6. Pakistan should remove the restriction on items to be traded on the existing road route.
7. India and Pakistan should create adequate testing facilities at the land borders so that no trade restrictions are imposed on the ground that testing facilities are not available.
8. Entering into Mutual Recognition Agreements would help in recognizing each other's technical standards.
9. India should simplify and introduce greater transparency in procedures related to implementation of standards.

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