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MFN Status and Trade between Pakistan and India

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PREFACE

The Background Paper **MFN Status and Trade between Pakistan and India** has been authored by **Mr. Tasneem Noorani**, Former Federal Secretary Commerce, Government of Pakistan, for the benefit of Pakistani Parliamentarians joining the *Pakistan-India Parliamentarians Dialogue-III* themed on *Trade and Economic Relations between Pakistan and India* and being facilitated by PILDAT.

The paper, commissioned by PILDAT, explores different aspects of trade relationship between the two countries with specific context of the MFN status. The paper also looks at how SAFTA has influenced trade relations in the region and how better economic and trade relations between Pakistan and India will influence SAFTA.

As an independent Pakistani think-tank, PILDAT believes that while diplomatic channels for Dialogue must continue, Parliamentarians from both countries should be facilitated on both sides for a greater interaction and developing a better understanding for resolving issues that should lead diplomatic initiatives. It is for this objective that PILDAT has been facilitating Parliamentarians Dialogues.

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The views, opinions, findings and conclusions or recommendations expressed in this paper are those of the author and do not necessarily reflect the views of PILDAT.

Islamabad
January 2012

PROFILE OF THE AUTHOR

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Tasneem Noorani holds an MBA from ICMS Tehran, in affiliation with Harvard Business School, USA. Prior to this, he obtained a Masters Degree in Geology from the University of the Punjab. During his 37 year career in the Pakistan Civil Services, Noorani received professional training in management and administration. From 2001-2004, Noorani served as Secretary to the Government of Pakistan, Ministry of Interior. He also served as Secretary to the Government of Pakistan, Ministry of Commerce from 2004-2005. Currently, he is the chief executive of the consultancy company, TN Associates (Pvt) Ltd. His op-eds and columns are regularly published and he often appears as an analyst on news channels.

Abbreviations and Acronyms

BIS	Bureau of India Standards
GTTA	General Agreement on Tariffs and Trade
LDCs	Least Developed Countries
MFN	Most Favoured Nation
NTBs	Non-Tariff Barriers
NTMs	Non-Tariff Measures
SAARC	South Asian Association for Regional Cooperation
SAFTA	South Asian Free Trade Area
TRQs	Tariff Rate Quotas
WTO	World Trade Organisation

EXECUTIVE SUMMARY

Trade is the main ingredient of bilateral relationship between Pakistan and India. At the time of partition of India in 1947, more than 70% trade of what became Pakistan was with India and 63% of exports of India were to Pakistan. This intense trading relationship, unfortunately, did not last long and subsequent to the first armed conflict in 1948-1949 it plummeted. By 1951, trade was totally in favour of Pakistan which exported US $113 million worth of goods and imported only US $ 0.08 million from India. The balance of trade remained in favour of Pakistan, barring a couple of years, until the 1965 war. Trade remained suspended for ten (10) years after 1965 war until the bilateral trade Agreement between the two countries was signed in 1975 for a period of three years. The 1975 Agreement was never renewed, so the only time the two countries traded on the basis of a formal agreement came to an end in 1978. During these three years, although the volume of trade was not large, it remained in favour of India. For the next twelve (12) years until 1990, volume of trade remained between US $ 30 to US $ 80 million in favour of Pakistan in this entire period. From 1991-1993, volume of trade doubled to US $ 160 million and still remained in favour of Pakistan. The terms of trade shifted in favour of India from 1993-1994 and have remained so to-date. The trade gap of US $ 27 million in 1993-1994 in favour of India has increased to US $ 1.47 billion in 2010-2011.

In 1995-1996, when the MFN status was given by India, Pakistan exported US $ 41 million and imported US $ 94 million worth of goods from India with a trade gap of US $ 53 million. The gap in favour of India grew to US $ 168 million in 1996-1997 and has continued to rise gradually. In 2003-2004, this gap became US $ 289 million and onwards to US $ 1.47 billion.

India has one of the most restrictive import regimes in the world in terms of extensive usage of safeguard measures for its benefit. In a review of trade and economic policies, the WTO recently observed that "*India was one of the highest users of anti-dumping and frequent user of safeguard measures against imports from other countries. India uses trade policy to attain short term goals such as containing inflation*." The report highlights how the Indian government changes its policies frequently to meet its domestic needs, "*restricting, canalizing, prohibiting and allowing free export of products within a short period*."

In the case of Pakistan, our exporters report Pakistan-specific bias in interpretation and application of the rules by the customs staff and staff of other Indian government departments. The tariff of India is 12.5% generally. However in the case of the products of export interest to Pakistan, the picture is more complicated. Textile and garments are subject to 'composite tariff' meaning that these are subject to *specific tariff* in addition to ad-volarem tariff.

Post-MFN, Pakistan's import from India will certainly increase, though it is difficult to forecast by how much. However the figures of exports from Pakistan will only grow if India practices what it claims, i.e., actually reduce the NTBs. The argument that these NTBs are not Pakistan-specific may make good copy, but would not help Pakistan's exports or its industry. The cost of certain machinery or products will go down for Pakistan, benefiting certain industries, but at the same time there is a danger of some local industries being knocked out by Indian imports, and enhancing unemployment and resentment against the initiative.

Introduction

Trade is the main ingredient of bilateral relationship between nations. At the time of partition of India in 1947, more than 70% trade of what became Pakistan was with India and 63% of exports of India were to Pakistan. This intense trading relationship, unfortunately, did not last long and subsequent to the first armed conflict in 1948-1949 it plummeted.

By 1951, trade was totally in favour of Pakistan which exported US $113 million worth of goods and imported only US $ 0.08 million from India. The balance of trade remained in favour of Pakistan, barring a couple of years, until the 1965 war. Trade remained suspended for ten (10) years after 1965 war until the bilateral trade Agreement between the two countries was signed in 1975 for a period of three years. The 1975 Agreement was never renewed, so the only time the two countries traded on the basis of a formal agreement came to an end in 1978. During these three years, although the volume of trade was not large, it remained in favour of India.

For the next twelve (12) years until 1990, volume of trade remained between US $ 30 to US $ 80 million in favour of Pakistan in this entire period. From 1991-1993, volume of trade doubled to US $ 160 million and still remained in favour of Pakistan. The terms of trade shifted in favour of India from 1993-1994 and has remained so to-date. The trade gap of US $ 27 million in 1993-1994 in favour of India has increased to US $ 1.47 billion in 2010-2011.

Table 1: Pakistan-India Trade: Financial Year 1951-1952 to Financial Year 2005-2006 (US $ Million)

Year	Export	Import	Change	Total Trade
1951-52	113.71	0.08	113.63	113.79
1952-53	43.81	0.01	43.79	43.82
1953-54	26.13	11.80	14.33	37.93
1954-55	41.36	11.16	30.20	52.52
1955-56	44.09	8.69	35.40	52.78
1956-57	29.77	14.12	15.64	43.89
1957-58	18.38	18.47	-0.09	36.86
1958-59	8.75	16.27	-7.51	25.02
1959-60	20.16	17.35	2.81	37.50
1960-61	22.15	27.57	-5.42	49.72
1961-62	31.83	22.54	9.29	54.37
1962-63	40.86	16.70	24.16	57.56
1963-64	23.41	19.86	3.55	43.28
1964-65	46.18	26.82	19.35	73.00
1965-66	3.77	5.50	-1.73	9.27
1966-67	0.16	0.47	-0.31	0.62
1967-68	0.00	0.00	0.00	0.00
1968-69	0.00	0.00	0.00	0.00
1969-70	0.00	0.00	0.00	0.00
1970-71	0.00	0.00	0.00	0.00
1971-72	0.00	0.00	0.00	0.00
1972-73	0.00	0.00	0.00	0.00
1973-74	0.00	0.00	0.00	0.00
1974-75	9.30	0.00	0.00	0.00
1975-76	15.09	1.28	13.81	16.37

1976-77	0.12	23.78	-23.66	23.90
1977-78	35.05	47.57	-12.53	82.62
1978-79	16.82	21.07	-4.26	37.89
1979-80	48.30	13.08	35.22	61.39
1980-81	97.11	2.20	94.90	99.31
1981-82	56.40	7.50	48.90	63.9
1982-83	26.75	4.75	22.01	31.50
1983-84	25.47	10.95	14.52	36.42
1984-85	32.87	17.25	15.62	50.13
1985-86	28.81	12.20	16.61	41.01
1986-87	18.88	9.68	9.20	28.57
1987-88	27.47	19.37	8.09	46.84
1988-89	48.91	31.95	16.96	80.86
1989-90	35.31	38.02	-2.71	73.34
1990-91	41.63	45.77	-4.15	87.40
1991-92	113.29	48.81	64.48	162.11
1992-93	83.78	67.35	16.43	151.14
1993-94	42.69	70.49	-27.80	113.18
1994-95	41.62	63.99	-22.37	105.61
1995-96	40.70	94.49	-53.79	135.19
1996-97	36.22	204.67	-168.45	240.90
1997-98	90.46	154.80	-64.34	245.26
1998-99	173.65	145.85	27.81	319.50
1999-00	53.64	127.38	-73.74	181.02
2000-01	55.40	235.09	-179.69	290.48
2001-02	49.30	186.90	-137.60	236.20
2002-03	70.70	166.50	-95.80	237.20
2003-04	93.70	382.40	-288.70	476.10
2004-05	288.13	547.46	-259.32	835.59
2005-06	293.31	802.00	-508.69	1,095.31
2006-07	342.9	1,235.9	-893.0	1,578.8
2007-08	254.9	1,701.5	-1,446.6	1,956.4
2008-09	319.6	1,194.6	-875.0	1,514.2
2009-10	268.3	1,225.5	-957.2	1,493.8
2010-11	264.3	1,743.1	-1,478.8	2,007.4

Source: SBP; Federal Bureau of Statistics and Economic Survey of Pakistan 2005-06.

MFN Status by India

In 1995-1996, India gave MFN status to Pakistan, while Pakistan continued to allow imports based on its Import Trade Order/Import Policy/ Positive List. The impact on trade figures was, however, contrary to the apparent facilitation by India. In 1995-1996, when the MFN status was given by India, Pakistan exported US $ 41 million and imported US $ 94 million worth of goods from India with a trade gap of US $ 53 million. The gap in favour of India grew to US $ 168 million in 1996-1997 and has continued to rise gradually. In 2003-2004, this gap became US $ 289 million and onwards to US $ 1.47 billion.

At the time of India granting MFN status to Pakistan (1995-1996), the trade ratio between the two countries in favour of India was 1:2 approximately, while in 2010-2011 it is to the order of 1:6, even though Pakistan has not granted MFN status to India so far. The trade volume of India's exports has grown exponentially while Pakistan's exports went up a little but have continued to decline. The reason for this could be two folds: India practiced a very strict and bureaucratic import regime, with numerous specification problems and cumbersome testing procedures, making it very difficult to export to them. These non-tariff-barriers are still the main cause of concern for Pakistan. The other factor could be a greater growth in economy experienced by India during this period.

India's Import-averse Regime

India has one of the most restrictive import regimes in the world in terms of extensive usage of safeguard measures for its benefit. A table in the WTO Annual Report 2006 expresses the extent of use of these safeguard measures by India. In the year 2004-2005, India initiated 191 safeguard actions compared to 71 by China in the same period even though it is a much bigger economy. During this period, comparatively, Pakistan only initiated 7 safeguard measures. India's trade defence measures were even more than EU, which, with an economy many times larger than India, filed only 167 safeguard measures. India's use of WTO platform to protect its local industry was the highest in the world, after USA.

In a review of trade and economic policies, the WTO recently observed that "*India was one of the highest users of anti-dumping and frequent user of safeguard measures against imports from other countries. India uses trade policy to attain short term goals such as containing inflation*."[1] The report highlights how the Indian government changes its policies frequently to meet its domestic needs, restricting, canalizing, prohibiting and allowing free export of products within a short period."

According to the WTO report, "*non-tariff /measures (NTM) are relaxed when imports are necessary to alleviate inflation or shortages. Between January 2006 and December 2010, India initiated 209 anti-dumping investigations against 34 trading partners compared to 176 reported in its last review*."

India's Non-Tariff Barriers

A resume of the NTBs by India indicates the extent of the problem. While most countries have some form of import regulation, India has more than its share. The oft repeated argument by India that rules are the same for all countries, in term of the 'national treatment', does not take away impact of the excessive use of NTBs unfairly, as assessed by WTO also. In the case of Pakistan, our exporters report Pakistan-specific bias in interpretation and application of the rules by the customs staff and staff of other Indian government departments.

Tariffs

The tariff of India is 12.5% generally. However in the case of textiles, garments and agriculture products, the products of export interest to Pakistan, the picture is more complicated. Textile and garments are subject to 'composite tariff' meaning that these are subject to *specific tariff* in addition to ad-volarem tariff. Consider the following:

1. Bed Linen cotton has a tariff of 12.5% or Rs 108 per kg (whichever is higher)
2. For milk, the tariff is 60%; for butter 40% and Onions, it is 30%
3. Garments are taxed @ Rs. 83-90/piece or 12.5%, whichever is higher
4. India's tariff peaks concentrate on agriculture, automobile, textile and garment sector

Non-Tariff-Barriers

Following are some of the major issues relating to Indian NTBs faced by Pakistan:

a. **Custom documentation**: Custom's extensive documentation inhibits free flow of goods. These delays are due to complex tariff structure and multiple exemptions. Instructions in a consolidated form are not available in one volume.

b. **Import Licenses**: While Pakistan has done away with the need for import licenses, India continues to use these especially for the import of vehicles and motorcycles.

c. **Food items**: The precaution of Adulteration of Food Rules 1955 relating to packing and labelling has 30

1. http://www.wto.org/english/res_e/booksp_e/anrep_e/anrep06_e.pdf

provisos and provisos within provisos. After these, the Post Health Officer draws samples to be sent to the Central Food Laboratory.

d. **Textiles**

- **Ago dyes:** This requires pre-shipment inspection certificate from textile laboratory accredited to accreditation agency of the country of origin. If this is not possible, then individual testing has to be done for every colour of each consignment. There have been instances where certificates issued by EU accredited labs are rejected.
- **Marking Requirement:** Name and address of manufacturer, the person who causes such manufacture, month/year of packing, exact composition, and description of the cloth are required to be clearly visible on the face plate of each price. The marking has to be done in Hindi and English.

e. **Mandatory Standards**: These are prescribed by the Bureau of India Standards (BIS). The active information is not available in one single document and details are spread over eight different Acts. The BIS license requires application fees, expenses of inspection visits from India to foreign countries, processing charges, annual marking feeds, etc. The foreign manufacturer has to set up representative office in India (for which permission of the Reserve Bank of India is required). The licenses have validity of one year. For renewal, the whole process is repeated again.

f. **Specific Post of Importation**: Certain custom procedures impede import of automotive products, e.g., motor vehicle can only be imported through three specific parts and only from the country of manufacturing.

g. **Tariff Rate Quotas (TRQs):** TRQs are used to protect producers of powdered milk, maize, crude sunflower and sunflower oil and refined rape, colza and mustard oil.

In terms of trade, the Indian NTBs are proving as the major stumbling block in exports to India from Pakistan. As for Pakistan, its capacity to regulate imports in terms of standards, quality, and specifications, etc., are suspect and not effectively applied on imports, making the dealing between the two countries uneven. This puts the local businessman at a disadvantage. Pakistan's own capacity to regulate imports needs to be strengthened to have an even playing field.

Rationale behind MFN Status

In international economic relations and international politics, most favoured nation (MFN) is a status or level of treatment accorded by one state to another in international trade. The term means the country which is the recipient of this treatment must receive equal trade advantages as the 'most favoured nation' by the country granting such treatment. In effect, a country that has been accorded MFN status may not be treated less advantageously than any other country with MFN status by the promising country. All members of the WTO (Pakistan & India being members) agree to accord MFN status to each other. The advantages normally are that smaller countries would also get the same custom tariffs as big countries would give to other big countries without having to separately negotiate. MFN principal allows the importing country to source from the most efficient source.

Pakistan and India are founder signatories to the GATT signed in 1948. In that agreement, a special clause was inserted allowing special mutual bilateral agreements between the two countries. The MFN position was 'assumed' by both countries, and trade was normal between the two until the 1965 war. There is no specific need to 'grant' MFN to each other, as all signatories to the GATT and subsequently the WTO are assumed to have granted MFN unless stated otherwise, like in the case of Pakistan, which adopted a positive list-approach.

Interestingly, India which is so prolific in filing complaints and safeguard measures with the WTO, at no stage took Pakistan to court with the WTO for not granting MFN status. The main reason appears to be the fact that India itself is practicing one of the most restrictive import regimes, and perhaps did not want its role being highlighted. Another reason could be that since their exports to Pakistan are rising in any case, without getting MFN, there was no great demand from its business circles. Whatever the reason, India never took up the matter legally against Pakistan.

Impact of MFN on Pakistan

Grant of MFN status by Pakistan to India has come to centre-stage because of the effort of both countries to improve relations especially after the boiling point reached post-Mumbai terrorist incident. Civil government feels that better trade relations with India, apart from putting pressure on India to take the process of other components

Table 2: India's Conduct with Pakistan and Others (Summary of Anti-Dumping Actions 2004-2005)[2]

	Initiations	Provisional measures	Definitive Duties	Price Undertakings	Measures in force
Argentina	6	2	1	2	56
Australia	9	2	1	0	52
Brazil	5	0	3	2	50
Canada	7	9	7	0	59
China, P.R.	27	17	20	3	71
Colombia	1	0	1	0	3
Egypt	7	0	0	0	15
EU	32	14	6	4	167
India	30	9	29	1	191
Indonesia	2	0	6	0	7
Israel	5	2	0	1	6
Jamaica	0	0	1	0	NR
Japan	0	0	0	0	2
Korea	1	3	11	2	32
Malaysia	4	7	3	0	12
Mexico	7	7	7	0	63
New Zealand	5	5	4	0	14
Pakistan	5	3	3	0	7
Paraguay	0	0	1	0	NR
Peru	7	4	5	0	33
South Africa	19	8	2	0	73
Taiwan	0	0	0	0	3
Thailand	1	2	0	0	22
Trinidad and Tobago	0	0	1	0	5
Turkey	20	2	16	0	68
United States	9	25	21	0	280
Total	**209**	**121**	**149**	**15**	**1,291**

Source: WTO Annual Report 2006

2. http://www.wto.org/english/res_e/booksp_e/anrep_e/anrep06_e.pdf

of the Composite Dialogue forward more meaningfully, will in some ways reduce the pivotal role of the Army in the country.

India, on the other hand, has always encouraged trade and people to people contact while dragging its feet on other easily resolvable components of the Composite Dialogue. There is obvious pressure of the US also on both countries, to improve relations to spare Pakistan the energy to address its western border more effectively.

Most part of Pakistan's business community, led by traders, has been supporting granting MFN status to India. Their support is subject to the hope that they will be able to gain access to the much-larger Indian market next door. They, therefore, are looking to the Government to extract some kind of concessions from India to lower their bar of non-tariff-barriers.

The informal trade with India, as reported in various studies, ranges from US $ 0.5 billion to US $ 10 billion, but a more realistic figure appears to be US $ 2-3 billion. From Pakistan mainly textiles and made ups are exported, while from Indian side textile machinery, cosmetics, tires, pharmaceuticals are smuggled. Now it is possible that after granting MFN status to India, most of this will come in through official channels, avoiding the fake documentation and freight required to be paid to route it through Dubai, thus reducing the cost to Pakistan. However, where the trader is enjoying financial advantages through mis-declaration, compared to straight business, it will be business as usual and MFN status may not lure him into the formal channel.

A study undertaken by the SDPI and authored by Shaheen Rafi Khan and others argues that *80% of the informal trade is likely to continue even if Pakistan were to give MFN status to India*." It argues that "*trade liberalization by giving India MFN status is necessary but not a sufficient condition for affecting a substantial change. Existing tariffs should be reduced substantially, and procedural impediments should be eased considerable to achieve this change*."

However, industrialists see an advantage of being able to import textiles and other machinery, along with expertise to install it, at a cheaper cost, in the case of MFN regime.

Post-MFN, Pakistan's import from India will certainly increase, though it is difficult to forecast by how much. However the figures of exports from Pakistan will only grow if India practices what it claims, i.e., actually reduce the NTBs. The argument that these NTBs are not Pakistan-specific may make good copy, but would not help Pakistan's exports or its industry. A case in point of the potential of Pakistani industry that may never be fully utilized in India is the tractor industry of Pakistan. From all counts, Pakistani tractor is cheaper due to a favourable exchange rate and of a competitive quality, but it is unlikely to make an entry into the Indian market because of the mood of their auto specification testing authority and requirement of import license.

SAFTA

The SAFTA is a pact signed by SAARC countries on January 6, 2004 that would gradually eliminate most tariffs and trade barriers on product and services passing between eight regional countries of SAARC, i.e., Bangladesh, Bhutan, India, Maldives, Nepal, Pakistan, Afghanistan and Sri Lanka. The SAFTA Agreement came into force on January 1, 2006 and became operational following ratification of the agreement by all countries.

SAFTA required the developing countries (India, Pakistan, Sri Lanka) to bring duties down to 20% in the first phase of two years ending in 2007.In the final phase, the 20% will be reduced to zero. The least developed countries (LDCs) amongst the contracting countries have three years extra to reduce tariff to zero.

In order to safeguard key sectors, contracting countries have been allowed to have sensitive lists, with a maximum limit to be mutually agreed between parties. Such sensitive lists are to be reviewed every four years, if not earlier. The Sensitive List (on which non-reduction of tariff will be carried out) of non-LDCs, i.e., India, Pakistan and Sri Lanka, are around 20% of tariff lines (at 6 digit HS). Pakistan has placed 1163 tariff lines (HS code 6 digit) covering agriculture, textiles machinery, auto parts and pharmaceuticals whereas India has placed 884 tariff lines on the Sensitive List.

While MFN status does not envisage any sensitive list, such a safeguard exists under SAFTA. So to that extent even with MFN to India, Pakistan should be in position to safeguard its vital products by having high tariffs on products of vital importance to the country's industry. However complete ban of import of certain products from India exists under the current policy of import only according to the positive list. Pakistan Government appears to be moving from positive list approach to Negative List approach before going on to the total MFN mode.

As far as the impact of SAFTA on regional trade is concerned, at the stage of signing of the Agreement, Pakistan's export to SAARC countries stood at US $ 0.055 million which has gone up to US $ 56 million in 2010. An impressive growth, but still a very small percentage of the total trade. As for India's export to SAARC countries, at the time of signing of SAFTA, it was US $ 3.8 million, which has grown considerably 2010 million. Bangladesh's exports increased from US $ 15 million to US $ 236 million in 2010. While member countries have gained by joining SAFTA, the levels achieved are far below the potential.

Afghanistan joined SAFTA in March 2008. Trade between Pakistan and Afghanistan is of the order US $ 2 billion, mostly in favour of Pakistan. Pakistan can lose this market by Afghanistan joining SAFTA. The only access to Afghanistan is through Pakistan and other SAARC countries would expect facilitation through Pakistan, India being the main potential beneficiary. The safeguard for Pakistan, however, is that while Article 8 of SAFTA calls for a number of 'Additional Measures' to facilitate trade amongst member states, it does not bind the member. It says "*contracting states agree to consider in addition to measures set out in Article 7, the adoption of trade facilities and other measures to support and complement SAFTA for mutual benefit. These may include, amongst other …….. (g) Transit facilities for efficient intra – SAARC trade especially for the land locked country states*."

While the pointation of the Agreement is for general facilitation, including transit facility, the contracting states have the option to delay or deny such facilities, depending on principal of reciprocity and national interest. At this time it does not seem feasible for Pakistan, in the context of geopolitical reality, to allow India and access to Afghanistan, when on the political front it is blaming it for making uncalled for inroads into Afghanistan to counter Pakistan's influence there. Thus transit trade facility is not an automatic sequel of joining SAARC, as the member states have to bilaterally negotiate them.

Being a member of SAARC/SAFTA and denying MFN to India has had adverse impact on the growth of SAARC/SAFTA. However, even after the award of MFN, if the political diplomatic and military tensions continue between India and Pakistan, the forum of SAARC is unlikely to grow and achieve its potential. However, it is a good platform available to use effectively when the relationship between India and Pakistan actually warms up.

Recommendations

While granting MFN is an automatic step by a member of WTO to another member, Pakistan has been withholding it as a measure of resentment against the non-resolution of the Kashmir issue. The dictum that you trade with friends and not enemies is undergoing transformation due to the extended peace since the Second World War. The urgency with economy has influenced nations to trade with 'enemies.' Examples often quoted are China's trade with Taiwan; China's trade with India; China's trade with US. These are all measures by bigger countries, who have mutually gained e.g. US imports cheap goods to reduce its cost of living and China sells to strengthen its economy. Similarly India exports its new material to China and imports cheap machinery for its industry.

The key to trading with the 'enemy' therefore, is of mutual benefit. As mentioned earlier in this piece, Pakistan's export to India was US $ 288 million in 2004-2005, while it was US $ 264 million in 2010-2011, a decline of 8% while India's export in 2004-2005 to Pakistan was US $547 million and US $ 1743 million in 2010-2011, an increase of 218%. Now this is a discomforting scenario, considering that Pakistan is not even working on MFN basis, and the trend is already adverse. What could happen to the balance of trade when India is given the MFN and imports of many items will be allowed?

Yes the cost of certain machinery or products will go down for Pakistan, benefiting certain industries, but at the same time there is a danger of some local industries being knocked out by Indian imports, and enhancing unemployment and resentment against the initiative.

India, on the other hand, presents a market of a billion people for the Pakistani manufacturer, which can be an alluring thought for some Pakistani manufacturers. But since nothing is likely to change on the Indian side, what new measures will make the Pakistani businessman capture that market? As things stand, there is no indication of a change in attitude of India to accept Pakistan products.

As reported, Ministry of Commerce is negotiating three agreements with India to allay the concerns of the Pakistani business community. These are:

i. Custom Cooperation Agreement to address Pakistani exporter's complaint of India charging high tariffs/ taxes
ii. Mutual Recognition Agreement for standardization of quality standards
iii. Grievance Agreement to address consumer protection issue

Since details of these documents being negotiated are not available, it is difficult to comment on them. However Parliamentarians may want to get a briefing from the MOC to see what kind of facilitation is India willing to allow providing an even playing field for Pakistani businessmen.

MFN evokes resistance from certain segments of our society - most of whom are avowed “rightists” - but some centre of the stage segments also have reservations, since enough material is not released by the Government, as to what Pakistan will get in return, not necessarily on the political front, but on the front of trade development.

So while Government of Pakistan has approved in principal the award of MFN on India, the actual notification is subject to a number of negotiations which are going on. Parliamentarians must get details of the negotiations in process and ask for the success of these negotiations to enable Pakistan to keep its announced commitment.

Any hasty step, without obtaining a fair market access for Pakistan goods will, resulting in disproportionate low growth of Pakistan industry, will not go down well with the public.

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