International Affairs and Global Strategy
ISSN 2224-574X (Paper) ISSN 2224-8951 (Online)
Vol.65, 2018
www.iiste.org

Impediments of Bilateral Trade Relation Between India and Pakistan

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Abstract
India and Pakistan are two gigantic economies in the entire of South Asia however; their trade relations are quite meagre owing to plentiful and cosmic impediments across the border of India and Pakistan. Therefore, in addition to in this paper scholar accentuated the trade impediments between India and Pakistan. In this paper, researcher used the qualitative technique to analyze the data in order that findings could come more appropriate in the context of India-Pakistan trade relations. The present study findings demonstrate that normalisation of bilateral trade relations could be rectified the territorial and border disputes with idyllic manner across the border of India and Pakistan.
Keywords: India, Pakistan, Trade Relations, Impediments.

Introduction

India and Pakistan are two most integral countries in the entire of South Asia region. Regrettably, their trade relations are quite meagre owing to several impediments across the border of India and Pakistan. As neighbours, both countries have cosmic opportunities to share with each other however, scant of cooperation in the respect of trade therefore, trade relations are not going develop with rapid pace. On the other hand, several studies probed that expansion of trade relations decrease the territorial and border disputes (Chowdhry, 2012; De, Raihan, and Ghani, 2013; Gopalan, Malik, and Reinert, 2013; Khan, 2010; Mamoon and Murshed, 2010; Taneja, 2013). Moreover, India-Pakistan trade relations are facing the crucial circumstances owing to impediments therefore, both countries trade relations are not develop in the amiable manner. Furthermore, if their trade relations will be strong then mutual cooperation would be more improved in context of trade relations as well as other opportunities would be open with idyllically manner. India and Pakistan both nations want to peace therefore, trade is soft instrument to enhance the peace across the border of India and Pakistan. In addition, several times both commerce ministers met in different time and place for normalization the trade relations across the border of India and Pakistan. On the other hand, trade is main instrument of developed and developing countries therefore, both countries need to enhance the trade relations with amicable manner in order that disputes between both sides could be rectify and peace could be promote across the border of India and Pakistan.

Geo-Financial Condition of the Entire Region:

Change is the main consistent. Distinctive species must embrace and adjust to the consistent procedure of progress to survive. The individuals, who can't just vanish, get to be wiped out." States, similar to whatever other species, must receive and adjust to their changing surroundings or be prepared for annihilation. The geo-political environment of South and West Asia is experiencing a crucial change both inside (local and state level) and in addition universally. These progressions give opportunities and difficulties to every single provincial state. This exposition concentrates on Pakistan (Bano & Sohail, 2014). An economic overview of both the nations has been presented in table 1 below:

Table 1: Growth rates of India & Pakistan

	India				Pakistan			
Decade	GDP Growth Rate	Growth Rate of Agriculture	Growth Rate of Industry	Growth Rates of Services	GDP Growth Rate	Growth Rate of Agriculture	Growth Rate of Industry	Growth Rates of Services
60s	6.5	4.1	8.8	7.0	7.2	5.1	11.0	6.8
70s	3.1	1.8	4.0	4.4	4.7	2.4	6.1	4.8
80s	5.6	3.5	6.2	6.6	6.3	4.1	7.8	6.5
90s	5.5	2.8	5.6	7.3	4.6	4.4	4.8	4.6
2000s	7.7	3.1	7.9	9.3	4.6	2.7	6.2	5.1

(Source; World Development Indicators)

The significant components that characterize territorial geo-political changes are (Flint, 2012):
1) The US/NATO drawdown from Afghanistan (locale),
2) the turmoil in the Center East,
3) the US's arrangement of tolerating China out contribute it and assume a noteworthy part in the area additionally constrain it,

4) the Iran atomic arrangement and authorizes free Iran,
5) a Chinese decisive strategy towards a provincial financial zone with expanded part in Afghanistan and overwhelming interests in local transport framework (with a noteworthy piece in Pakistan),
6) the proceeded with religious, fanatic brutality in the bigger Center East (from Saudi Arabia to Focal Asia),
7) the ascent of Islamic State (IS) and its steady substitution of al Qaeda and the Taliban,
8) oft-conflicting arrangements like China Pakistan in the meantime with China, Russia and India and in addition China India and Iran,
9) the evolving US-Pakistan and the US-India relations,
10) quiet races and move of force in Afghanistan, and
11) President Ashraf Ghani's suggestions and Pakistan's reaction prompting desires/affirmations of a standard transformation in Pakistan's Afghan counter terrorism approach and Pak-Afghan relations.

Pakistan is integral to the developing provincial geo-political guide. This centrality gives it both difficulties and opportunities. The individuals who discover enthusiasm for the new geo-governmental issues (China being one such state, being its principle draftsman and with overwhelming speculations) may not take a lighter perspective of the obstacles in its way. Pakistan can be the obstacle or a facilitator. To be a gainful piece of the change, Pakistan needs to demonstrate valid and obvious activity by denying Pakistani space to a wide range of terrorists, getting up and go on relations with Afghanistan, attempting to reduction and continuously repair its relations with India and growing more significant relations with Iran. It should likewise comprehend that development on one is impractical without the others (Taneja, Prakash & Kalita, 2011).

Regardless of geographic vicinity and the resultant potential for lessened transportation costs, and additionally exchange correspondingly for a scope of merchandise, Pakistan's exchange with India is just 1 for each penny of its aggregate worldwide exchange. It takes three structures: immediate, backhanded and unlawful. Direct two-sided exchange has expanded generously as of late, to $2.6 billion in 2010-2011, however stays far beneath an expected capability of $40 billion. Fares to India expanded from $275.9 million in 2009-2010 to $332.5 million in 2010-2011, yet despite the fact that it profits by MFN status, this is just 0.09 for every penny of aggregate Indian imports. India's fares to Pakistan ascended from $1.5 billion in 2009-2010 to $2.3 billion in 2010-2011, a simple 0.93 for each penny of the nation's aggregate exports.28 Evaluations of circuitous exchange through third nations, for example, the United Bedouin Emirates, Singapore, Iran and Afghanistan run anyplace between $0.5 billion to $10 billion a year.29 Unlawful exchange or carrying, which is brought out through the connivance of "slanted brokers and degenerate traditions officials",30 is energized by confinements on imports of particular things, high tax charges, unbending nontariff obstructions, pilferage in travel exchange and "bends in local strategies which make an impetus to transport things illicitly to neighbouring nations (Naqvi & Tahira, 2014).

Granting MFN Status

MFN is one of the key standards of the multilateral exchanging framework and is at the heart of a large portion of its assertions. Since the SAFTAs beginning, it was trusted that the preeminent prerequisite from its part nations would be the execution of this standard and this would be the real sponsor to the entire procedure of facilitated commerce. All things considered no exhaustive proof can be found concerning what number of nations have totally followed this article, yet there are nations, for example, USA, China, India, and Pakistan, which have not totally executed this condition (Taneja & Kalita, 2011).

The recent a large portion of the year 2011, has seen heightened endeavours on expanding reciprocal exchange in the middle of India and Pakistan. In late October, the Pakistani Government Bureau consistently chose to recompense India the status of Most Supported Country (MFN). Yet there are a few more gestures needed before the MFN status to India can be settled. Along these lines at present the hypothesis is 'when will the choice – to allow MFN status to India – be executed and whether it will really happen". The way things are, if and once Pakistan gifts MFN status to India, it will need to treat India at standard with its other favoured exchange accomplices, for example, United States, Brazil, Uganda, Thailand, China, and so on (Gopalan, Malik & Reinert, 2013), . "As a subsequent stride, in February Pakistan's bureau chose to supplant the positive with a negative rundown, significantly expanding the things to be exchanged. In April another, coordinated fringe check post was opened to encourage the stream of merchandise. The arrangement now is to eliminate this and evacuate limitations on tradable things by December 2012, once transactions are effectively finished up with India on a level playing field for Pakistan." When taking a gander at the daily paper articles and features; "giving the MFN status to India "has been the concentrate as often as possible and this has gone back to past government residencies also. Pakistan and India had kept up MFN status for one another from 1947 till 1965; until the first real war between the two nations. The respective ties decayed and stayed shaky for quite a long time. India however restored Pakistan's MFN status in 1995, yet Pakistan never reciprocated. As of now Pakistan keeps up an exceptional positive rundown of 1,100 things, which can be transported in from India. Notwithstanding these

1,100 things, Pakistanis can't import whatever other products from its neighbour (De, Raihan & Ghani, 2013). With advancement on conceding MFN status, this rundown would be supplanted by a negative rundown of things; which implies a rundown of things that can't be foreign made will be closed and notwithstanding these all other Indian things will be accessible to import. Since Pakistan's economy intensely relies on upon the nation's material division as far as outside trade profit, vocation, and so on. I decided to look into and investigate the dangers and chances to the material part in Pakistan which are to develop by conceding the MFN status to India, and the subsequent methods the Pakistani industrialist may need to select. It is essential to investigate both; the positives and the negatives, since one dimensional approach in global arrangements and exchange can miss a few other imperative ramifications (Naqvi & Tahira, 2014).

The leap forward came in type of Pakistan's choice to give most favoured nation (MFN) status to India and moving far from an exceptionally prohibitive positive rundown of things that could be foreign made from India to a negative rundown. The negative rundown will likewise be eliminated by December 2012 and there will be no confinement on tradable things. Out of 8000 things just 15 percent or 1209 things are put in the negative rundown. The staying 6800 can now be transported in from India, while the past positive rundown had just 2000 things. This is a huge change whereby 85 percent of tradable products can be secured from India contrasted with 25 percent already. SAPTA which is known as South Asia Particular Trade Association which both India and Pakistan has marked will steadily eliminate all duties on exchanged products with zero levies by 2016. In light of government's choice to supplant positive rundown with negative rundown, there are two situations to the circumstance after the granting of the MFN status:

- The Pakistani government puts the material items into the negative rundown of imports
- The Pakistani government puts the material items into the positive rundown of importers' list.

General Barriers to Trade

India and Pakistan have low volumes of trade due to restrictive trade regulations. While looking at the tariff structure of both countries, we come to know that Pakistani tariff is more structured and liberalized then of Indian tariff. According to IMF (International Monetary Fund) trade restrictiveness index, Pakistan has got six marks out of 10; score of India is 8 out of 10 while China has got only 5 due to strict trade regulations. It is also mentioned in the trade restrictiveness index report that Asian countries have strict trade regulations such as average rate of trade restrictiveness index in Asian countries have 4.4%, South Asian Countries at 5.9%, Pakistan at 14.4%, Bangladesh and India has 18.9%. Likewise Sri Lankan and Nepali tariff rate, Pakistani average tariff rate is also very low.

Pakistan, Sri Lanka and Nepal are the low tariff leaders in South Asia. In 1991-92, India started its trade liberalization and as a result their average tariff rate was dropped from 128 to 34 percent in 1997 – 98. Indian government had already reduced their tariff duty from 35% to 25% in 2002 – 03 annual budgets in order to provide relief to potential importers in India but in 2004, Indian government decided to increase the tariff duty on agricultural products which is up to 30%. On the side, they have also eliminated the 4% special additional duty on imported products. However, several expectations and speculations were made in various categories of commodities such as carpets, textile products, fruits & nuts, agricultural products, and dairy products etc. Many efforts were made in Indian trade liberalization to minimize the agricultural tariff duty (40.1%) in order to import agricultural products but unfortunately their tariff rate is still higher than non agricultural tariffs (19.7%). in 2004, India has highest tariff rate on agricultural products in all 124 developing and developed countries except Morocco, South Korea and Turkey. Pakistan has started its trade liberalization in 1980 and continued till 1990s with cautious pace. In 1996 - 97, this policy was re-implemented with a new simplification and comprehensive tariff reduction program. The Government of Pakistan has reduced this tariff rate to 25% and now Pakistan has four different slab rates of tariff such as 5 percent, 10 percent, 20 percent and 25 percent. Un-weighted average custom duty of Pakistan is 14.9%. Now, Pakistani Government has also integrated the agricultural sector in which the un-weighted average tariff is 20.5 percent and non-agricultural average tariff is 13.8 percent. Both Pakistan and India have maintained their tariff policies, with standard basic custom taxes which is more than the general maximum rate. In South Asian region, India has the largest number of tariff rates and it is due to the frequent use of certain duties. In India, 6.9% tariff rates exceed the general maximum custom taxes of thirty percent which lies between 35% and 182% (Gill & Madaan, 2015). Furthermore, 5.3% of Indian tariff lines are related with certain custom taxes, in some cases it is equivalent to fifty to hundred percent. Indian's Tariff rates are focused on garments, textiles, automobile and agricultural sectors. On the other side, Pakistani Government has also maintained its tariff peaks i.e. 1.1% of tariff lines, these tariff peaks generally secures the automobile and edible oil industries. Their custom department has also imposed high custom duties in order to reduce the import of alcoholic drinks. Apart from efforts which were made by both India and Pakistan to decrease the trade barriers, tariff rates of both countries are still high. Pakistan's average tariff stands at 14.9% in 2003 while India's is at 22.2%. There are different slab rates for different imports. The highest basic custom duty on certain commodities in India is seventy percent. On some products, Indian government has imposed high duties ranging between 80% and 150%. Twenty additional custom duties are also levied on,

1. Entire products which are imported into India. These taxes are equal to the manufacturing cost of goods which are manufactured in India.
2. Five percent custom duty on certain products which are mentioned in the specific articles.
3. Custom duty is also imposed on such goods which have varying rates.
4. Additional surcharge on commodities is imposed from time to time which have varying rates and equivalent to one percent.
5. An education cess of two percent tax is levied on all imports.

When commodities are landed in India, taxes are automatically imposed on imported products by Indian custom authorities such as toll tax, local governmental sales tax, and local sales tax. Pakistan and India has also announced other types of slab rates like measures. Small industry is exempted from certain domestic excise taxes. Further, some Indian taxes also apply on some products other than actual C.I.F prices as the base price for ad volerm import taxes, which are imposed to discourage under invoicing but sometimes under invoicing causes higher taxes. In case of certain duties, it should be kept in mind that the currency of both countries are different i.e. Pakistani RS 135.7 is equal to Indian RS 100. The affect of duties will be more cleared for Pakistan. Pakistan has also imposed regulatory duties in order to protect the local businesses. However, these types of policies are effectively working with no new taxes being imposed (De, 2015). Table 1 represents the major tariff and non tariff barriers to trade between India & Pakistan.

Table 2: Barriers to Trade

Barriers to trade	India	Pakistan
	Tariff barriers	
Most favored nation (MFN) status	Has granted MFN to Pakistan.	Not granted MFN to India; imports from India restricted to positive list (786 items); most of the permissible items are chemicals, minerals, and metal products; finished products are not part of the list; no special restrictions on exports to India.
Unweighted average customs duty	22.2 percent	14.9 percent
Nonagriculture	19.7 percent	13.8 percent
Agriculture	40.1 percent	20.5 percent
General maximum customs duty	30 percent (20 percent, excluding agriculture).	25 percent
Special higher duties	For 18.5 percent of tariff lines: rates of 35 to 182 percent (agriculture, automobiles, textiles, and garments).	For 1.1 percent of tariff lines: rates of 40 to 250 percent (edible oil, automobiles, and alcohol).
	India has extended tariff concessions to Pakistan on 393 items.	Pakistan has extended tariff concessions to India on 248 items; until recently 78 of these items could not be imported because they were on the banned list, but these items have since been added to the positive list.
	Nontariff barriers	
Import licensing	Dismantled; no registration, licensing fees, and quotas.	Dismantled; no registration, licensing fees, and quotas.
Subsidies	India provides significant subsidies to producers and consumers (mainly in agriculture).	Few subsidies except urea fertilizer and electricity to households, but subsidies through support prices (wheat and cotton).
Visa regimes	Very restrictive; visas take a long time to process and for a particular city. Pakistani nationals are required to register themselves upon entry into India and also have to report their arrival to and intended departure from each place of stay as permitted on the visa within 24 hours at the nearest police station.	Very restrictive for Indians; police reporting required, but recently, some relaxation has occurred, with multiple-entry visas being granted to Indian businessmen when arranged through the Chambers of Commerce.
Land transportation	Few border crossings; very limited rail traffic across borders; and requirement that rail wagons carrying goods across the border should return empty.	Few border crossings; very limited rail traffic across borders; and requirement that rail wagons carrying goods across the border should return empty.
Air travel	Still limited, but some improvement in recent years.	Still limited, but some improvement in recent years.
Sea transportation	Ships must first touch a third-country port to import from Pakistan (i.e., Dubai or Singapore); limited ports and inland customs posts at which the import of "sensitive" products can be cleared.	Ships must first touch a third-country port to import from India (i.e., Dubai or Singapore); Pakistan has only one major port in operation (Karachi).
Payment systems	No branches of Indian banks in Pakistan; payments for exports/imports have to be made through third-country banks.	No branches of Pakistani banks in India; payments for exports/imports have to be made through third-country banks.
Energy trade	No energy trade with Pakistan.	No energy trade with India.
Services/information technology (IT)	Trade with Pakistan in services and IT is heavily restricted.	Trade with India in services and IT is heavily restricted.

Source :(Mohsin S, Khan, 2009)

Non Tariff Barriers of Trade between Pakistan & India

According to the definition of World Trade Organization, NTBs (Non tariff barriers) includes all the measures (other than tariffs) that are implemented to flourish the domestic industry. GATT principles reveal that tariffs are the ideal practices for the countries to protect the domestic business but non tariff practices are not good for the economy (Gill & Madaan, 2015). The World Trade Organization assumes the following to be major non tariff barriers,

1. Technical regulations and standards
2. Import licensing
3. Rule of origin issues or local content requirement
4. Import by state trading enterprises
5. Countervailing measures and anti dumping
6. Port, shipping and customs regulations / procedures
7. Technical barriers to trade
8. Governmental procurement regulations

Apart from these provisions, SAFTA rules and regulations regarding protection of domestic industry (e.g. subsidy to industry and agriculture, safe guard measures, countervailing, and anti dumping laws etc.) are also misused and it also constitutes effectively in non tariff barriers. In the area of non tariff obstacles, Pakistani laws restrict the traders and manufacturers to import the commodities from India. In 1980s, Pakistan had already eliminated the non tariff policies from its import and export laws. Some products are still banned from India. In 1986, Pakistani government allowed the traders and manufacturers to import 42 products from India. In the export import laws, Pakistan has mentioned 687 Indian items that are totally banned from India. In 2004, Pakistani authorities have increased the products from 687 to 768 and then 773 Indian items were prohibited to import from India. However, Pakistani legislators had passed SRO (Statutory Regulatory Order) in 2002, in which traders and manufacturers are allowed to import raw material from India which are not produced or available domestically and this raw material is important for the production of material and also for export i.e. 1000 items are permitted to import from India. Regardless the increase of permitted import items from India, the list of positive items which are not allowed, are also increasing from time to time and this is the non tariff policy which is increasing the free trade barriers between India and Pakistan. Apart from prohibited import items from India, the remaining terms and conditions for import are limited to domestic content programs in the automobile industry. Under these content programs, which have to be eliminated under the agreement of SAFTA's TRIMs (Trade Related Investment Measures, relief will be given to individual firms in terms of reduction in import duty but in return they have to spend their capital on such goods which are produced or manufactured locally (Gill & Madaan, 2015). Apart from this, Pakistani government has also created some restriction in order to maintain the health and safety standards which are developed for employees, these restrictions includes,

1. Restriction on second hand household machinery
2. Used motor vehicles
3. Used industrial machinery

Recently, Pakistan has introduced new anti dumping law which has superseded the previous anti dumping law. There are number of non tariff policies still exist in India. Panday (2004) measures the total percentage of imports which are related with non tariff barriers in which he concluded that the average coverage ratio for 1996-97 is 55% for manufacturing industry and 47% for entire economy. The protection in the case of consumer commodities 65% is very high relative to the average rate for entire economy, the protection for intermediate good is 43% and the capital goods 34% are also enough. In 2001, import licensing was completely banned. While the remaining types of non tariff barriers includes.

1. Requirement of political clearance
2. Requirement of security clearance
3. Sampling inspection
4. Customs inspection
5. Requirement of standard certification
6. Requirement of technical certification
7. Labelling rules
8. Marketing rules
9. Packaging rules specification
10. Local rule or content of origin schemes

Apart from non tariff barriers, Indian government has provided some relief on the import of petroleum and agricultural items. LC (letter of Credit) is another major problem and it is due to the non availability of local bank representatives from other countries. Since Indian government had already permitted of issuance of LCs to those banks which are recognized by the Indian government under the banking company laws. Other barriers include,

1. Visa and travel restrictions
2. Barriers in inter provincial movement of commodities due to delays in consignment clearing and security checks

3. Few numbers of ports for imports

In addition, Indian government has also maintained its tariff rate quotas in the area of agriculture and they allow the import of limited number of quotas at intermediate tariffs while they have imposed high tariffs on the import of the high quota amounts. Apart from this, Indian government often uses technical barriers in order to trade in the form of technical standards and regulations. These technical barriers are monitored by the BIS (Bureau of Indian Standards), which deals in import and export matters and they also provide clarification certificates to foreign exporters in this way they can import 100 approved items from abroad. In order to bring these items into Indian market, these items need to be completely certified by the regulatory authorities that these items fulfils the requirement of Indian quality Standard marks. In addition, India has also employed phyto certified and sanitary rules in the heath and agricultural sector and other safety regulations such as pharmaceuticals, and these things discourage the trade. For example, under the regulations of health and safety, India bans the second hand consumer clothes, goods, cars and machinery. Since, Indian government always tries to discourage the imports. According to the latest statistics, 133 anti dumping and safeguard laws are operational in India and almost 30% -35% import investigations are under scrutiny / review. High performance of custom management can create huge obstacles in the way of trade. Due to clearance process of imported goods, cost is increased with the passage of time and long delays can diminish the competitiveness of imports. India and Pakistan both have custom clearance delays. According to the Investment Climate Surveys of World Bank, Pakistani clearing process take seventeen days (2003) to get clearance certificate from custom department while Indian clearance process take ten days (2000) to get clearance certificate from custom department. If these statistics compare with other countries then we come to know that develop countries take only four days to clear the custom process while East Asian countries take on six days. Furthermore, there are some other restrictions that hinder both the countries to trade freely. Both countries have strict visa policies and it is very difficult for the importers and exporters to visit the other country in order to make deals. In 2003, both countries have banned on air travel but it was restored in the end of 2003. Likewise other air transport, land and sea transportation is also very difficult between India and Pakistan. Ships of both countries often face difficulties when they transport the goods so they mostly try to land on third country port. In addition, Indian government had already limited the ports and inland customs at which import process can be cleared (Pohit & Saini, 2015).

General Non Trade Barriers for Trade

- Transaction values are not rejected in the custom valuations. Consignments are delayed by the arbitrariness. In addition, non transparency is also major issue in custom valuation.
- ISO standards are assumed enough worldwide for international trade. BIS (Bureau of Indian Standards) is an Indian regulatory body that ensures the Indian standards. Imposes and uses the non discretionary standards on goods which are imported from Pakistan. The enforcement of these standards is very complex and only 84% Indian stands are equivalent to International standards (Pohit & Saini, 2015).
- In India, Licenses are easily available to exporters especially for the exports of leather. Further, the licenses of VAT (value added tax) items are not easily available but the import licensing is strict and tightly regulated by Indian authorities.
- Pakistani government has not showed its interest in Indian financial market. So, Indian Banks are not allowed to honour the letter of credit issued by the Pakistani banks beyond ten thousand dollars. In this way, the transport and overheads costs increase.
- There is not courier service operating between the both countries.

NTB for Textile Products

Indian government has imposed strict rules and regulations on the Pakistani products (Pohit & Saini, 2015).

- When Pakistani colours and dyes are imported in India they need to be examined by the Indian regulated laboratories in order to check the hazardous items. Traders bear huge loss because collection and examination of samples often take three months and as result the shipments are delayed badly.
- Indian government and banks not accept the directly generated invoices. No matter, imported items are certified by the national, international certifying bodies or company's own laboratory they need to be verified by the Indian regulatory bodies.
- Pakistani textile products are required to register for PSI (pre shipment inspection). As such no facility is available in Pakistan. So, all the samples need to be examined and tested by Indian laboratories and this process often takes six months.
- Indian importers need to bear heavy fees for tests and certification.

NTB on Agricultural Products

Non tariff barriers also applied by the Pakistani authorities which are given below (Pohit & Saini, 2015):

- Main trade policy of Pakistan instrument is the tariff regime. Large numbers of SROs have great impact on the industrial policy, which specify exemptions / concessions in tariffs by product and end use.
- Licensing and import prohibitions are applied for safety, environment, religious, and security and health issues.
- When Indian products are subscribed for import in Pakistan they need to require prior approval by the relevant agencies or ministries like EDB is an agency that regulates the import of parts and components for the automotive sector while the pharmaceutical items need to be certified by the Ministry of Health and wheat flour required approval from agricultural department.
- The NTC conducts safeguard, antidumping and countervailing investigations.
- Almost 27000 national standards are operational in Pakistan, covering textiles, mechanical engineering, civil engineering, chemicals, food stuffs, and agriculture.
- There are twenty five circulars covering mainly testing and sampling methods as well as package, labelling, transport and storage of a large number of pharmaceutical and food products etc.
- In Pakistan, SPS laws are outdated.

In Pakistan, non tariff barriers tend to be more focused on goods which are manufactured, especially which are related with import licensing, pre shipment inspection, customs valuation by a number of agencies / ministries, quality certification, anti dumping, indigenization, and quantitative restrictions. Transport facility between India and Pakistan is not good. Transporters face many difficulties when move on rail route and roads. In Pakistan, rail route is generally used for limited number of goods from India. Indian government has restricted the Indian banks to open their branches in Pakistan. Both countries have restrictive visa regime.

Major Risks to Bilateral Trade

There are eight steps that need to be mentioned and also taken to mitigate them.

There is a huge trust deficit between the India and Pakistan. This deficit encourages the anti sentimental thinking in both countries. Mitigating this deficit is not easy but it doesn't mean that this trust deficit will remain forever. It can be reduced or eliminated by the positive measures taken by the governments of both countries in consistent manner but it will take some time. Indian government has declared sanctions and collective punishment on trading with Pakistan. Any terrorism, unplanned or unforeseen contingency can create harsh feelings on both sides. Both countries had fought almost four battles and now they are stable but there is no guarantee that this stable environment will remain forever. So, trade process always in danger. Mani Shankar Aiyar has argued that this dialogue peace process should continue in order to increase the bilateral relations between India and Pakistan. At the time of crises, both countries should make such policies which are able to reduce the tensions between India and Pakistan (Naqvi & Tahira, 2014).

No one can deny that both the relations of countries are always in contingency and it cannot be ruled out the suspending the trade in the future. This go and stop policy also creates the barriers in the establishment of long term relationship between India and Pakistan. Businessmen can take advantage from the liberal trade regime. Secondly, the political parties of both countries also have anti sentiments and they often express their anti Pakistan or Indian sentiments when they are in governments. Discrediting and scoring points of ruling parties are their main hobby horses. They easily take the extreme positions so it is very difficult for both the countries to normalize the relations. Indian government often take the advantage from the unbalance situation because their economy is diversified and all the time Pakistani government has to sacrifice for trade with India because their economy is not diversified so they need to trade with India in order to survive and also to run their economy smoothly. It might be possible that ruling party may take advantage from this situation but for long term relation both countries have to face difficulties and unbalanced situations (Sahai & Laxmi, 2014)

The third aspect also exists in the relations of India and Pakistan. It might be possible that one party may be winner and second party may be loser for short time from opening up of the trade. While Importers and traders in India and Pakistan would be happy to see their business expanding the inefficient manufacturing companies will be losers from this liberalization. Both countries have created their lobbies in each other countries in order to influence the imports by making ordering cheaper products from other country because it can destroy the domestic jobs and industry (Sahai & Laxmi, 2014). These lobbies operate in India and Pakistan to increase the trade and trust deficit.

Forth, the civil society and media in both countries have quite powerful. With the advancement of electronic media, civil society is also more advanced and patriotic. All in all, small and medium enterprises have to suffer from this situation. If one's country economy affects then surely the economy of other country will also be affected. As a result, trade process will suffer. In both countries, media often puts pressure on governments to take some Precautionary measures. If the governments trapped in the pressure of media then surely governments often create NTBs and trade process affected. It is the major responsibility of the media to tell positive stories in order to overcome the trade and trust deficit between two countries. They need to arrange meetings, roundtables and seminars in order to bring awareness in the civil society and also to clear the negative speculations. It is highly recommended to both the countries business that they should advertise their business in both countries in order to expand their business.

Fifth, India - Pakistan trade should continue as soon as possible because it is beneficial for the consumers / customers of both the countries. Consumers / customers should feel that imported products are not harmful and in fact these products are highly beneficial and have low costs. Human interest stories should be advertised in the electronic media as well as also on the social media. In this way, trust deficit can also be reduced (Taneja et al., 2015).

Sixth, political parties should resolve their issues regarding anti Pakistan / Indian sentiments and they should continue the composite dialogue because dialogue is the only way through which both countries can come together at one place and they can resolve their issues. Through composite dialogues they can overcome the trust deficit between two countries and surely it will be good sign for both the nations. In this way, they can concentrate on other domestic issues.

Seventh, economic collaboration between India and Pakistan will be highly beneficial for both the nations. They should work together on subcontracting with Pakistan / Indian IT firms, R & D, health, agriculture, collaboration in higher education and offering tourist packages can minimize the tension in bilateral relations. Indian IT firms are well known IT firms in all over the world especially in field of outsourcing but they are facing labour cost issues. If they make joint venture with Pakistani IT firms then their labor cost will be reduced and both IT firms can expand their business in all over the world (Sahai & Laxmi, 2014).

Eight, it might be possible that in business trade disputes will arise in the future. So, both countries need to establish some departments or grievance dispute resolution mechanism in order to resolve the disputes. The proposed mechanism should be accepted by the trade firms of both countries and this mechanism should be equitable, inexpensive, and expeditious. In this process, PBC (Pakistan Business Council), FPCCI (Federation of Pakistan chambers of commerce and Industry, CII (Confederation of Indian Industries), FICCI (Federation of Indian chambers of commerce and Industry) should be involved in order to operate and setting up this mechanism (Taneja et al., 2015).

In order to minimize these anxieties and concerns of Indian businesses Pakistan, leadership of both countries need to take some appropriate initiatives to eliminate NTBs and also to create a bigger market which will be beneficial for the economies of both countries (Taneja et al., 2015). If the trade deficit between two countries reduced to zero then consumers will enjoy the low prices. Businesses will expand and import export process will not take much time. Both countries can emerge in the world with strong economies. Both countries need to join hand together to support their economy because it is also beneficial for all South Asian countries especially for the economies of Nepal, Sri Lanka and Bangladesh. Neighbours cannot be changed. If they settle down this issue then they should improve the life standard of poor people living in both countries (Nag, 2014).

Basis of Unofficially Trade between India and Pakistan

Governments imposed restriction on the imports for various reasons such as religious beliefs, health issues or trade integration between India and Pakistan thirteen economic reasons. So, Informal trade often takes place due to the following reasons,

- High custom duties, tariff barriers or transportation costs
- Quantities restrictions due to the imposition of NTBs
- Weaknesses in the rules of origin
- Leakages in transit trade
- Distortions in the domestic policies and also the absence of low indirect taxes often encourage the smugglers to smuggle the goods illegally.

The traders / smugglers mainly carry out the informal trade between India and Pakistan through the exchange of commodities at the Pak-India borders as well as through the misuse of green channel facilities such as railway stations or international airports. Smugglers often smuggle their goods from Afghanistan to India because Afghanistan and Indian relations are good and import export process are officially take place between two countries. In the same way, when Indian products are smuggled to Afghanistan then it is smuggled to Pakistan through Peshawar which is situated near the Durand line (Nag, 2014). Indian products which are smuggles into Pakistan are live animals, coffee, tea, cashew nuts, confectioneries, cassettes, videotapes, ayurvedic medicines (thirty percent cheaper in India), stainless steel utensils, alcoholic beverages, cosmetics. It is hard to mention the volume of informal trade between India and Pakistan but rough statistics show that informal trade ranges between $250 million to $2 billion annually. In 2005, SPDI (Sustainable Policy and Development Institute) had estimated the volume of informal trade at %545 million. Informal exports from Pakistan to India are no more than $10.5 million including agricultural and textile products. The huge volume of informal trade between two countries reveals that the leadership of both countries are not sincere and involved in point scoring. Informal traders in both countries have developed efficient risk mitigation, risk sharing, and information flow mechanisms. The 3 significant factors viz. no procedural delays, zero documentation and quick realization of payments are contributing to lower transaction costs in the informal channel. If both the countries allow their businessmen to take part in trade process through legal and formal channel then both countries can earn huge revenues through it (Pohit & Saini, 2015).

Pakistan Apprehensions Regarding Liberalization of Trade with India

Pakistan understands that the liberalization of respective exchange in the middle of Pakistan and India would not just give impulse to both economies in an advantageous manner additionally evacuate the hindrances to local incorporation inside of South Asia. The potential point of preference for Pakistan from more extensive provincial monetary combination gives off an impression of being vast. Going great past the prompt formation of exchange streams, capital speculation and joint financial endeavours , participation in the fields of IT, Science and Innovation , Innovative work would, without a doubt, help profitability of household commercial ventures and stimulate economic development (Taneja & Pohit, 2015).

Major political gatherings and other compelling partners have understood that Pakistani economy is lingering behind different nations and Pakistan has not exploited its key area between two most crowded and elite economies i.e. China and India. With the marking of the Facilitated commerce concurrence with China, Pakistani markets and makers have effectively changed in accordance with moderately less expensive imports from China. They do no more consider that the danger of Indian items flooding Pakistani markets and dislodging household commercial enterprises conveys much substance. In a few zones, for example, design wear, bed wear, home materials, concrete and so on. Pakistan would have the capacity to improve and infiltrate a much bigger business sector. The staggering backing from Pakistani Businesspeople for MFN status to India is incompletely an impression of this feeling of certainty. Brokers and merchants in Pakistan are envisioning much bigger business volumes and consequently benefits for themselves from this opening up. Exchange liberalization will unambiguously advantage Pakistani shoppers since item costs ought to fall and buyer decision grow when exchange hindrances are decreased or evacuated. Expanded exchange stream that originates from the lifting of import preclusion for things originating from India would prompt extra traditions income for Pakistan (Teo et al., 2014).

The mind-boggling proof of the benefits of respective exchange liberalization has tilted the offset for the advocates of expanded exchange with India. Be that as it may, there are still huge spoilers who might be washouts in the deal. Some of them are vocal, understandable and effective. They can't just be overlooked as their irritation esteem in hindering or switching this new bonhomie is not paltry.

Trade Facilitation

Conceding MFN status to India, supporting levies on Pakistani items by India, and shared endeavours to uproot particular obstacles to exchange could significantly upgrade the volume of exchange between the two nations. Research studies have embraced distinctive ways to deal with show that the potential volume of exchange could be several of its present level. Taking after the allowing of MFN status, there is significant degree for the redirection of imports by Pakistan to India, particularly in item gatherings, for example, chemicals, pharmaceuticals, iron and steel, electrical apparatuses, plant and hardware, engine vehicles, and transport gear. The increases to Pakistan would be as lower costs (particularly because of India's closeness and the subsequent lower transport costs). The State Bank of Pakistan (2006) appraisals that the preoccupation of exchange to India could present reserve funds in the import bill of over USD 1 billion. There is additionally the probability of some "exchange creation" taking after the execution of SAFTA, particularly in things that are as of now not foreign but rather could witness the section of Indian items as the consequence of a sizeable fall in the rate of traditions obligation from 20–30 percent to 5 percent. What's more, casual imports through different channels from India could move to authority imports. In general, in the medium term, it is assessed that imports 310 Hafiz A. Pasha and Muhammad Imran from India could ascend to just about USD 7 billion to 8 billion, particularly if there is critical exchange creation.

This would more-than-fourfold the present level of imports. In the event that this happens, India could turn into one of Pakistan's biggest exchanging accomplices in Asia, alongside China and the Center East nations. On the fare side for Pakistan, the prospects show up to some degree more constrained. The result relies on upon the degree to which India facilitates both general and Pakistan-particular hindrances to exchange, and legitimizes taxes, particularly on materials. The decrease of obligations under SAFTA may not be of awesome advantage in light of the fact that its delicate rundown ensures farming and materials. Indian obligations on produced products, aside from materials and apparel, are moderately low and, thus, the degree of tax diminishment under SAFTA won't be so claimed.

Generally, Pakistan would do well on the off chance that it had the capacity expand its fares to India to USD 1 billion from the present level of about USD 350 million in the following couple of years. This would about treble its fares to India. It should be accentuated that there are dangers to understanding this quantum hop in reciprocal exchange. To start with, commercial ventures in Pakistan that have generally delighted in abnormal amounts of powerful insurance will campaign for the negative rundown, including their items, to be held past 31st December 2012 in light of the fact that they fear "genuine harm" because of the opening of exchange taking after full exchange standardization with India. While Pakistan holds fast to its dedication to give MFN status, it might be important to upgrade the institutional limit of the Service of Trade and National Tax Commission to explore objections of genuine damage and take fitting protection measures, if fundamental, allowable under the SAFTA and SAFTA. Second, there are prone to be components in India why should contradicted giving any concessions to Pakistan in arrangements on the future two-sided exchanging administration.

This may incorporate conservative political strengths, as well as, possibly, certain commercial enterprises, for example, materials and apparel. Third, the possibilities of an increment in Pakistan's exchange shortage concerning India will fuel contentions with respect to conservative components and modern anterooms in the nation that the procedure of liberalization has been further bolstering India's good fortune and that Pakistan has lost the significant influence it had as to determination of the longstanding Kashmir issue.

It will be important to pass on the message that, while the exchange deficiency regarding India may exacerbate, the worldwide offset of exchange will at the same time enhance The Prospects for Indo-Pakistan Exchange 311 because of less expensive imports from India. An intense method for building up this point may be to exhibit the huge buyer welfare picks up that could collect in a scope of items, including certain fundamental sustenance things, pharmaceuticals, individual consideration things, electrical merchandise, and transport hardware (particularly for open transport). At long last, the late change in the exchanging environment between the two nations must be supported if both seek after an approach of correspondence and shared participation, and if political relations are not strained and security concerns not elevated.

Trade Normalization Process

In addition, Indian government has also maintained its tariff rate quotas in the area of agriculture and they allow the import of limited number of quotas at intermediate tariffs while they have imposed high tariffs on the import of the high quota amounts. Apart from this, Indian government often uses technical barriers in order to trade in the form of technical standards and regulations. These technical barriers are monitored by the BIS (Bureau of Indian Standards), which deals in import and export matters and they also provide clarification certificates to foreign exporters in this way they can import 100 approved items from abroad. In order to bring these items into Indian market, these items need to be completely certified by the regulatory authorities that these items fulfils the requirement of Indian quality Standard marks. In addition, India has also employed phyto certified and sanitary rules in the heath and agricultural sector and other safety regulations such as pharmaceuticals, and these things discourage the trade. For example, under the regulations of health and safety, India bans the second hand consumer clothes, goods, cars and machinery. Since, Indian government always tries to discourage the imports. According to the latest statistics, 133 anti dumping and safeguard laws are operational in India and almost 30% - 35% import investigations are under scrutiny / review. High performance of custom management can create huge obstacles in the way of trade. Due to clearance process of imported goods, cost is increased with the passage of time and long delays can diminish the competitiveness of imports. India and Pakistan both have custom clearance delays.

According to the Investment Climate Surveys of World Bank, Pakistani clearing process take seventeen days (2003) to get clearance certificate from custom department while Indian clearance process take ten days (2000) to get clearance certificate from custom department. If these statistics compare with other countries then we come to know that develop countries take only four days to clear the custom process while East Asian countries take on six days. Furthermore, there are some other restrictions that hinder both the countries to trade freely. Both countries have strict visa policies and it is very difficult for the importers and exporters to visit the other country in order to make deals. In 2003, both countries have banned on air travel but it was restored in the end of 2003. Likewise other air transport, land and sea transportation is also very difficult between India and Pakistan. Ships of both countries often face difficulties when they transport the goods so they mostly try to land on third country port. In addition, Indian government had already limited the ports and inland customs at which import process can be cleared (Taneja & Pohit, 2014).

Furthermore, India and Pakistan government need to continue the dialogue process in the respect to retain the trade relations also both government need to eradicate the all trade impediments in order that bilateral trade could be develop in amiable manner across the border of India and Pakistan. India and Pakistan both are giant countries of South Asian countries; therefore, both countries have outstanding opportunities with share each other. Trade normalisation process will bring the more opportunities not for between India and Pakistan but it is also entire South Asia region will take benefit of remarkable mutual relations. According to the neo-liberalist perspective trade is a soft instrument which sustain the peace across the border also more trade open the several gates which are closed owing to rigid causes. Enhance the trade relations not maintain the bilateral relations but it is also provide the equity and facilitate the podium for discuss the issues related to trade and reciprocal disputes. Therefore, India and Pakistan need to focus to normalisation the trade relation in order that both countries could be develop with serene and tranquil manner.

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