

## Impact of SAARC on Indo-Pak Trade (Development, Issues, and Future prospectus)

1. Tariq Rashid wani 2. Zahoor Ahmad Malik

1. Research Scholar School of studies in Political science Vikram University Ujjain, M.P-India

2. Research Scholar School of studies in Economics Vikram University Ujjain, M.P-India

Email: zahoorlic@gmail.com Email: tariqwani995@gmail.com

### Abstract:

This is an attempt to highlight the indo-pak trade relation in the light of SAARC. SAARC becomes the bridge to develop the number of relations between these two countries, and number of big international issues were discussed in different meetings of SAARC having positive impact on their trade relations yet number of issues are to be discussed but it needs a bit of political understanding between the two countries which may open the past road links to tighten the trade relation. These land routes were closed during the partition. If these routes are open for trade, it will strengthen and promote pacific relation between the two countries and also employment opportunities would be generated.

**Key words:** SAARC, Indo-Pak, Trade, Employment

### Introduction

India and Pakistan are considered the most significant members of SAARC. Their mutual interaction not only influences SAARC, but also the political and economic spheres of the whole region. There are some events which occurred in recent past may show the growing positive relation between India and Pakistan. Several major incidents occurred in recent past. Like the killing of Osama-bin-laden in Pakistan, blast on Samjota express in Feb. 2007, Mumbai terror attack in 19/11 and Assassination of former leader Benazir Bhutto, no proactive measure was taken to block trade. Thus this marked change from past to present, when India stopped all air and road routes for trade, after the attack on Indian Parliament, December 1, 2001. So that, both countries take measure to enhance trade relationship. In 2004, Pakistan also increased positive list and also reactivated maritime protocol is great example of their corporation in this field. Through various thinkers, eminent economists and even the government officials of member countries have prepared variety of remedies to eradicate poverty, illiteracy and other hurdles of development but alas! All these boastful activities and towering proposals remained within the headlines of paper. Nothing was done practically in the regional integration of the South Asia, so the economy of south Asian remains nonstarter. The main reasons are i.e. political difference and security concerns. So these countries pay more attention on state security rather than the human security that is why, these countries did not allow people and their ideas to move across the border. The failure of economic integration of the south Asian countries is that they do not co-operate each other. SAARC member countries should have created funds for helping each other, likewise European countries created funds for lesser developed countries like Spain, Portugal, Ireland etc., south Asian countries should take some measures which enhance their relation and help them to boost their economic development, although the economic development and economic integration will remain stagnant unless India and Pakistan should change their character of the state. They have needed to focus on human security rather than the state security. The economic integration cannot be achieved until and unless these countries will not co-operate each other in every economic domain.

### Objective of study:

- 1 To highlight the Indo-Pak trade relation in context with SAARC.
- 2 To examine the Indo-Pak conflicts and their impact on trade relation.
- 3 To analyse the impact of different SAARC summits in their relation.

### Methodology:

For the purpose of the study, both published and unpublished secondary data has been utilized. The data of indo-Pak trade relation with the contexts of SAARC were also analyzed. The data is collected from various journals contemporary south Asia, journal of political studies and peace and democracy in south Asia etc.

### Discussion:

In the bilateral trade relation between the two countries it has some limitations like the violation of MNF principle i.e. Pakistan permits to import only those items which are in positive list approach. Items which are not in the positive list are banned to enter into Pakistan. There are some other limitations while trading under positive approach. i.e. It had led a massive informal trade flow mostly those items which are excluded from positive list, so that goods enter into Pakistan through third world countries like Dubai, Afghanistan, Iran etc.

thus the positive list approach shows lack of transparency, uncertainty for traders and leads to high transaction cost.

Indo- Pak trade relation even after partition of India subtenant on Aug 1947, at that time India and Pakistan were highly dependent on each other for trade but with the passage of time they tried to minimize their trade dependence on each other so the trade relation between the two countries remains suspended for 9 years. This period 1965-1971 witnessed two wars. These two wars created problem for both the countries. They were import many items from international market at much higher cost. The same could have been imported from each other at lower price. Pakistan imports its items at higher price from other countries despite that the price of the same product is lower in India e.g. the Pakistan was the fifth tea importer in the world after USA, UK and Japan and India is fourth largest tea exporter in the world but Pakistan never import more than 45% of its total requirement from India. Pakistan imports it from third countries.

Thereafter the resumption of trade relation between the two countries took place with the signing of bilateral trade agreement on January 23; 1975 but the flow of trade is restricted at government level. The agreement expired on Jun. 22 1978. Thereafter trade remained continue without any agreement. In 1982 Pakistan declared a list of 40 items in which private sector of the two countries could trade so that Pakistan had increased positive list gradually. In 2000 it permitted only 600 items and by 2009 it was increased further to 934 items

There is up and downs in their trade relation. While trading with each other the balance continue to be in Indian favor. If they trade by land route which would save lot in terms of transport and transaction cost. At the present the major portion of trade between India and Pakistan through ports of Karachi and Mumbai, it is illogical to confine trade to ports when these countries share a common border. The land route is cheaper, faster and safe. In fact there is need to open up more trade traffic by Wagha/Attari and other land routes in Kashmir, Rajasthan; Gujarat, Lahore-patti(Burki road), Kasur-ferozpur road(ganda) Singh etc. These land routes were closed during the partition. If these routes are open for trade, it will strengthen and promote pacific relation between the two countries and also employment opportunities would be generated. It is said that the unofficial trade which India and Pakistan stands at US\$ 2 bn. Annual because of ban on much items like medicine, fiber, cosmetic etc. it has been routed through third countries like Dubai, Hong Kong and Gulf countries. If the informal trade is converted into the official record, it will be beneficial for both the countries. So, that there are great potential of trade between India and Pakistan if both countries removed some patents in the way of trade. In 2004, it has recorded that official trade was US\$8802Million. SAARC played an important role to improve trade relation between India and Pakistan. India export to Pakistan increased by 8% in 1982 but decrease 8% in 1987 however the following year, There was a significant increase in their export which was three times higher from the prior position, so that there tremendous growth in the trade relation between two countries in the recent years. In 2000 the Indian president G N V Sam path at proposed the creation of trade bloc. It reviled that India and Pakistan had to concentrate on hard as well as soft issues.

The Indo-Pak paradigm in SAARC, efforts were made to reduce their mutual distrust which is essential for peace and security in south Asia. The full scale economic cooperation in the region cannot be brought about in an environment of tension and conflict. The long lasting dispute between India and Pakistan over Kashmir hinders the trade relation between the two great economies in the south Asia so that the bilateral issues with India solve first which may be maintained an environment of peace and security and is necessary for enhancing the trade relation durable between SAARC countries however, the trade relations are constrained by political and military disputes. Pakistan's official trade with India is less than 1.5% of its trade. The businessmen of both try to increased trade between two neighbors which would narrow political difference. Pakistan argues that it will expand trade with India only once Kashmir dispute has been resolved. The India grant MNF status in 1996 but Pakistan refusing grants MNF because of several economic reasons, Both the countries have enormous potential to trading with each other but Pakistan sugar mill association argues that the Indian sugar is inferior quality. They have banned it to enter into the Pakistan. The Pakistan administration prefer to pay higher price from the importation new material and other products rather than they rely on imports from India and India also stop import cotton from Pakistan after the high jacking the Indian airlines aero plane in December 1999. So that it is the unofficial trade which India and Pakistan stands at US\$ 2 bn. Annual because of ban on much items like medicine, fiber, cosmetic etc. it has been routed through third countries like Dubai, Hong Kong and Gulf countries. If the informal trade is converted into the official record, it will be beneficial for both the countries. Both the countries have great potential of trade but they have removed certain patents in the way of trade.

#### **Different Summits of SAARC and Indo-Pak trade**

In 1990, India relation with Pakistan was tense due to the allegation in surgency in Kashmir sponsored by Pakistan. Several steps were taken by India side to reduce the tension to bring down the hostilities. In 1991 at the Colombo summit of SAARC, inter-governmental group was established to seek agreement on an institutional framework under which specific measures from trade liberalization among SAARC member states could be advanced. The IGG met thrice to evolve draft agreement on SAARC preferential trading arrangement (SAPTA).

Likewise CEC at its third meeting in 1991 at New Delhi recommended the draft agreement on SAPTA. During the final round of negotiations, a total of 226 products were offered. In this meeting give us detail of these products along with concessions given by each country. It may be observed that the total value of regional trade liberalization during the first round was not more than 72.5 million dollars. India offered concessions in respect of this amount as much as 4 million dollars.

In 1993 at the Dhaka summit of SAARC, when the member of countries decided to liberalize trade regulation under the successive preferential concessions with the ultimate objective of achieving SAFTA, It was signed in January 2004 which gives a ray of hope to the region but Pessimism settled in quickly because of following limitations.

1. Limited product coverage
2. Existence of negative list
3. Rule of restriction

In the eighth summit conducted in New Delhi in 2-4 may 1995 it was held under the clouds of tension and mistrust between Pakistan and India. In this meeting Pakistan former president Farooq Ahmad Khanleghari participated in the summit and all the head expressed their satisfaction to the achievement of the first decade and look for further areas. Gujral became the foreign minister during 1996 and later on PM of India. He tried to improve relationship between neighboring countries and reduce the hostility and mistrust. His aim was to improve the image of India among neighbor and bring change in international through bilateralism. He also expressed five principles through which we could generate a climate of close and mutual cooperation in the region. In 1997 I K Gujral and Nawaz Sharif met on the side line of 9<sup>th</sup> summit held in Male and decided to resume the talks at secretary level. These talks were proved fruitless soon the two countries declared nuclear tests on 11<sup>th</sup> and 20<sup>th</sup> may 1998 respectively. These nuclear weapons increased tension between the two countries.

The 10<sup>th</sup> summit was held at Colombo Sri-Lanka. In July 1980 in the aftermath of nuclear tests of India and Pakistan, these tests drew the global attention and the major western powers imposed sanctions on India and Pakistan. In 1999, India PM A.B. Vajpayee paid an efficient visit to Lahore on Feb. 2001 called Lahore declaration. Its emphasis was to discuss and resolve their conflicts in future under auspicious of SAARC. The Lahore summit was first ever meeting after Shimla agreement on July 1972. The aim was steps to resolve Kashmir dispute through peaceful measures. Soon after kargil conflict broke out and US had to involve in this area to manage the crisis. After that Pakistan president Musharraf visit on July 14-16 2001 but the visit did not produce the desired results and Agra summit was taken as failure. After Agra summit and the Mumbai terror attack of 11 Sept. 2001 and attack on Indian parliament in Dec. 2001 increased tension between the two countries.

The eleventh summit was scheduled to be held in Nepal but was postponed in the aftermath of kargil war. However again the summit was again held in Kathmandu in which main focus was given political and security concern and also regional integration. In 12<sup>th</sup> summit held in Islamabad in 4-6 Jan 2004 provides an opportunity to improve relationships. Musharraf underlines fourfold strategy as a basic for dialogue with in dia. These includes

1. Kashmir
2. Peace and security.
3. Economic cooperation and
4. Denuclearization of south Asia.

In this meeting India also moved with diplomatic and economic proposal. The summit produces SAFTA and additional protocols on blocking the finance of terrorism. All the head of state ensured their commitment to the economic prosperity and stability in the region. It was emphasis that SAFTA would be essential for all the small and least developed countries (LDCS). In this summit both countries tried to improve their relationship and both renewed link between the people across the border and also both countries agreed to cease fire on line of control near siachin glacier on Nov. 2003.

#### **Barriers of SAARC with respect to indo- pak Trade**

Identifiable barriers to greater interregional trade in south Asia like negative list exclusion from tariff barrier, sect oral composition of negative list specific duties, Para tariff, poor connectivity and infrastructure, bottlenecks, lack of production networks in core export sectors, inadequate testing facilities for technical barriers to trade and sanifary and phyto sanifary etc. are identifiable barriers ,some other barriers which come in the way of SAARC trade are terrorism, Maoist and LTTE etc. both India and Pakistan focus on the economic aspects of their ties. During the government of Musharraf (Taneja 2004) India awarded title of most favored nation (MFN) to Pakistan as a trading partner. India and Pakistan are two prominent countries existing in the region known as traditional rivals, since 1947. The most important conflict is the Kashmir issue. Pakistan as a Muslim country supports Kashmiri's freedom slogan and this is main reason why India opposes Pakistan strongly.

India and Pakistan had fought three wars in 1948, 1965 and 1971 because of Hindu-Muslim fundamentals. There lie several disputes between India and Pakistan like Beghlihar Dam, Siachan Glacier, Illegal immigration, Wular etc. but several measures are taken to solve these issues but one issue is to be solved another would rear its ugly head because of the fundamental Hindu-Muslim division however SAARC is the best hope to improve the situation. India and Pakistan have been locked in long standing conflicts since 1947 however many initiatives have been taken from time to time to reduce the hostility by managing the defense by the peaceful effort. The SAARC played vital role in improving the bilateral between India and Pakistan so that in 1986 the Pakistan former Prime Minister Mohammad Khan Juneau inaugurates a SAARC. Ministerial meeting on international economic issue and tried to improve the relationship between India and Pakistan and tried to resolve major fundamental problems of the world economy.



*Beghlihar Dam*

The other main barrier to trade was hinge and security issues like smuggling of weapons, Indo-Pak Corporation, Kashmir issue, Kargil war, Terrorism, issues of inferiority of mankind, farraka barrage issues etc. there should be strong trade relations among countries which contributes a lot towards their development. Trade centers are established in the countries where trade level is allowed. Policies are made and implemented from strengthening trade in various countries. Positive steps are taken including reducing taxes, duties and charges.

#### **Conclusion:**

India and Pakistan has enormous potential while trading with each other but both the countries tries to minimize their trade dependency on each other and imports their requirement from third countries which leads informal trade cost US \$ 2bn annually. India and Pakistan have need to solve hard and soft issues such as Kashmir dispute, Beghlihar dam ,Siachan Glacier etc. there is need to open up more trade traffic by Waugh/Atari and other land routes in Kashmir, Rajasthan; Gujarat , Lahore-Patti(Burk road), Kasur-ferozpur road(ganda) Singh etc. These land routes were closed during the partition, if these routes are open for trade, it will strengthen and promote pacific relation between the two countries and also employment opportunities would be generated.

#### **References**

- 1 Taneja, N. and Kalita, P. (2011), Most Favored Nation- New Trade Opportunities for India and Pakistan, Economic and political weekly
- 2 Dubey, M. (2007), SAARC and South Asian Economic Integration, Economic and political weekly 07:1238-1240
- 3 Taneja, et al., (2011), Issues in India-Pakistan Trade Negotiation, Economic and political weekly. 30:24-28
- 4 Taneja, N. and Sawhney, A, (2011), Revitalizing SAARC Trade-India's Role at 2007 Summit, Economic and political weekly. 31:1081-1084
- 5 Ghuman, R. S. and Madaan, K. D, (2006), Indo-Pak Trade Cooperation and SAARC. Peace and Democracy in South Asia 02:70-87
- 6 Jabeen, et al.,SAARC and Indo-Pak Relation, Journal of Political Science. 01: 127-145
- 7 Mukherji, I. N. (1999). South Asian Preferential Trading Agreement: India's Role. South Asian Survey
- 8 Alam, et al,(2011),Trade Barriers and Facilitation among SAARC Economies" International Journal of Business and Social Science 02:119-127
- 9 Pandian, S. G,(2002),Moving South Asia's Economies beyond the Indo-Pakistan Paradigm in the South Asian Regional Association for Cooperation, Cotemporary South Asia.11:329-343

The IISTE is a pioneer in the Open-Access hosting service and academic event management. The aim of the firm is Accelerating Global Knowledge Sharing.

More information about the firm can be found on the homepage:  
<http://www.iiste.org>

## CALL FOR JOURNAL PAPERS

There are more than 30 peer-reviewed academic journals hosted under the hosting platform.

**Prospective authors of journals can find the submission instruction on the following page:** <http://www.iiste.org/journals/> All the journals articles are available online to the readers all over the world without financial, legal, or technical barriers other than those inseparable from gaining access to the internet itself. Paper version of the journals is also available upon request of readers and authors.

## MORE RESOURCES

Book publication information: <http://www.iiste.org/book/>

Recent conferences: <http://www.iiste.org/conference/>

## IISTE Knowledge Sharing Partners

EBSCO, Index Copernicus, Ulrich's Periodicals Directory, JournalTOCS, PKP Open Archives Harvester, Bielefeld Academic Search Engine, Elektronische Zeitschriftenbibliothek EZB, Open J-Gate, OCLC WorldCat, Universe Digital Library, NewJour, Google Scholar

