

## **CREATING MOMENTUM: TODAY IS TOMORROW**

### **SDPI'S SIXTEENTH SUSTAINABLE DEVELOPMENT CONFERENCE**

**10-12 DECEMBER 2013**

**ISLAMABAD, PAKISTAN**

CUTS Anniversary Session: Future of India-Pakistan Trade and Economic Relations

11 December 2013

12 noon—2:00pm

Chair: H.E T.C.A. Raghavan, Indian High Commissioner to Pakistan

Guest of Honour: Mr. Khurum Dastgir Khan, Minister of State for Privatization

Speakers:

1. Mr. Pradeep Mehta, Secretary General at CUTS International
2. Mr. Aqdas Ali Kazmi, former Joint Chief Economist (Macro) Planning and Development
3. Mr. Shaban Khalid, President of Islamabad Chambers of Commerce and Industry
4. Mr. Amin Hashwani, Director Hashwani Group of Companies

Rapporteur: Saad Shabbir

H.E T.C.A. Raghavan, the Indian High Commissioner to Pakistan, the chair for the session congratulated Sustainable Development Policy Institute (SDPI) and CUTS International for hosting an event to get high officials from both the countries on one platform. He emphasized on the importance of such collaborations as events like these can be fruitful to fight the similar challenges and problems faced by the two countries. According to Mr. Raghavan the two main themes to focus in the session were “Policy” and “Implementations and Infrastructure.” The speakers were advised to shed light on how the two countries can move towards a stable trade relationship and compromise on the existing barriers to trade.

Mr. Pradeep Mehta, Secretary General at Consumer Unity and Trust Society (CUTS) International, mentioned the work of CUTS in enhancing the trade between India and Pakistan. CUTS has been actively trying to engage the major stakeholders from both the countries. According to the studies conducted by CUTS, the bilateral trade is far below than its potential. The trade can expand up to three times its current volume and the benefits could be manifold. It is wrong to calculate the balance of trade in absolute terms because a negative trade balance discourages the traders on either side of the border, said Mr. Mehta. He further added that boosting the trade is important for peace in this region and will help alleviate poverty through regional connectivity. He suggested that many stakeholders have been gaining attention and we have to get even more businessmen together by expanding these dialogues. There was a question on the Kashmir issue to which Mr. Mehta suggested that we keep the

matter aside because border tensions exist between any two countries but that does not stop them from trading.

Mr. Aqdas Ali Kazmi, former Joint Chief Economist (Macro) Planning and Development, gave a very technical insight to the issues related to trade between India and Pakistan. Addressing the queries put forward by Mr. Mehta and H.E Raghavan on the Balance of Trade between Pakistan and India, Mr. Kazmi quoted the data for the last six years (2007-2013) from the Ministry of Commerce which shows that on average the imports were five times the exports to India. This is because our exports include only fruit and fruit preparations whereas the commodities that Pakistan imports have a range of 15 different products. Keeping in view the fragile foreign exchange regime it is very straightforward to expect an adverse balance of trade. He suggested that we must keep monitoring the balance of trade. Commenting on the two non-tariff barriers undertaken by India on the imports from Pakistan includes Pakistan specific tariff barrier and commodity specific tariff barrier. In the end Mr. Kazmi mentioned a contradictory paragraph of Article XXIV of the WTO Charter specific to Pakistan and India being misused since the creation of the two countries.

Mr. Shaban Khalid, president of Islamabad Chambers of Commerce and Industry, in his candid speech said that it is not possible to discuss the future, without settling the past. He suggested that we term the long list of negativities of the past as naïve mistakes and get over them and focus mainly on the positives. India has the largest steel industry and Pakistan imports metallurgical equipments from India. Mr. Khalid mentioned that the equipments are first shipped to Dubai and from there they come to Pakistan. He questioned the infrastructure which both the countries lack but still we raise the issue of quality standards. He suggested that we accept these realities and normalize the quality standards and move towards trade harmonization. According to Mr. Khalid, people-to-people interaction is vital for trade normalization and the delay in issuance of visa is making it a nuisance. He further said that there is so much that Pakistan can learn from India which generates energy through coal and iron ore. Mr. Khalid concluded with a remark that you can buy a house and sell it if you do not like your neighbors, but you cannot sell your country. You can only compromise and live in harmony. Responding to a question Mr. Khalid said there has been successful implementation of a few policies and now is the time to highlight these positives.

Mr. Amin Hashwani, Director Hashwani Group of Companies, spoke about the problems at the periphery that directly affect trade rather than repeating the talk by the distinguished speakers. According to Mr. Hashwani, the business community of Pakistan wants a vibrant trade with India but hitherto we did not have a level playing field. He said that the challenges the world faces today cannot be dealt with in isolation and we must aspire towards globalism through the creation of a regional block. He said that it is much easier for the SAARC region to cooperate than the EU because of their common history. He suggested that the Governments should privatize the peace process and let the business community, a problem solver by nature, take the charge. According to him, the business community influences Government decisions so it is only wise to let them be a part of the peace process. He urged that the people of this region need to be connected emotionally rather than against each other.

The guest of honour, Mr. Khurum Dastgir Khan, Minister of State for Privatization, spoke extensively encompassing all the points put forward by the preceding panelists. The economic integration and growth is highly dependent on trade. South Asia Free Trade Agreement (SAFTA) has failed to boost the trade and we must make ourselves independent by making the markets more accessible to one another, said Mr. Khan. It is important to build a consistent and sustainable relation to alleviate poverty. He added that the bilateral trade between Pakistan and India is complex and the relations should be uninterrupted to avoid the derailing of the process of dialogue. Alluding to the studies done by CUTS and SDPI, he said that Pakistan-India trade is a win-win situation. He pointed out that after India granted most favored nation (MFN) status to Pakistan in 1996 the ratio of imports to exports fell from 1:2 in 1996 to 1:6 in 2013. The reason was that India did not relax its Non-Tariff

Barriers (NTBs). Mr. Khan suggested that both countries grant non-discriminatory access to each other's economies. Now looking at the other side of the picture he said there are restrictions from Pakistan as well that cannot be ignored. Pakistan has signed trade agreements but did not raise their capacity for the agreements to be operational. He also said that both countries face energy crisis, moreover their source of production is exhaustible hence cooperation in the energy sector is also required. Providing a broad picture of the Indo-Pak region he highlighted the point that India and Pakistan are interdependent. He mentioned that Prime Minister Nawaz Sharif has taken the step and shown interest in developing healthy relations with India and that Pakistan expects the same from India.