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India Pakistan Trade Possibilities and Non-tariff Barriers

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Foreword

As part of its mandate to undertake studies on the South Asian region, ICRIER has made a concerted effort to examine issues relating to India-Pakistan trade. It is widely recognized that SAFTA's success depends to a great extent on realizing the trade potential that exists between these two largest economies. This study focuses on identifying the trade potential between the two countries and on identifying the non-tariff barriers that prevent the full exploitation of the potential. This will hopefully yield a better understanding of the issues related to Indo-Pak trade relations.

The positive lists of commodities that form the basis of this somewhat unusual trade relationship is clearly a very restrictive and abnormal trade regime. The first recommendation therefore is to dismantle this regime and move to a MFN-based trade relation. However, within the context of this restricted trade, India's NTMs seem to be more biting though applied on a non-discriminatory basis across all trading partners.

Being the first detailed examination of bilateral NTBs in the SAFTA context, this study represents a significant contribution to our knowledge of the subject. I am sure it will serve as a useful and important input for pushing forward regional cooperation in South Asia.

Rajiv Kumar
Director and Chief Executive

October 19, 2007

Abstract

This paper aims to identify the bilateral trade possibilities and non-tariff barriers between India and Pakistan.

The study shows that there is a large untapped trade potential between the two countries. Using the potential trade approach, the study finds that the export potential from India to Pakistan is to the tune of US$ 9.5 billion while that from Pakistan to India is US$ 2.2 billion. Items having export potential from Pakistan are largely in the textile sector while items having export potential from India are predominantly in non-textile sectors. Very few items having export potential from India are on the positive list adopted by Pakistan. At the same time there are several items that India is importing from other countries but not from Pakistan. This indicates that there is a huge information gap on both sides on items that can be imported by India from Pakistan.

A working definition of non-tariff barriers adopted in the study included six major categories, namely, quantitative restrictions, trade facilitation and customs procedures, technical barriers to trade and sanitary and phytosanitary measures, financial measures, para-tariff measures and visas. The study was based on an extensive survey conducted in several cities in India and Pakistan.

Further, despite the two countries having liberalized their import regimes, Pakistan continues to follow a positive list approach towards Indian imports. The study identifies the ways in which this policy impedes India's exports and recommends the dismantling of the positive list. It also identifies problems related to transportation, custom procedures, rules of origin certification and valuation and suggests measures to address them.

The imposition and application of standards in India was perceived as a major non-tariff barrier by Pakistani exporters. The study found that even though the TBT and SPS measures are not discriminatory across trading partners, Pakistani exports to India are surely affected by these. Pakistan has an export interest in textiles and agricultural products which also happen to be sectors where import restrictions/standards are most rigorously applied by India. It also found that due to a restrictive visa regime only selected traders have access to trade-related information. Thus lack of transparency, market imperfections and information asymmetries on both sides raise transaction costs and restrict market access for several other aspiring traders.

Key words: Trade, Trade policy, non-tariff barriers, South Asia, India Pakistan and International Relations
JEL Classification: F1, F13, F5

1. Introduction[1]

In an effort to promote trade and economic relations between India and Pakistan this paper focuses on two key aspects: (i) identifying items that have bilateral trade potential and (ii) identifying Non-tariff Barriers (NTBs) being faced by traders in both countries. The interest in the trade dynamics between the two countries is a recent phenomenon, driven largely by the signing of the South Asian Free Trade Agreement (SAFTA) in January 2004. There has also been a very visible initiative on the part of the private sector to work avidly towards furthering bilateral trade and creating awareness in each other's countries, about the potential for mutual economic engagement.

Trade developments between the two countries need to be examined against the backdrop of SAFTA which envisages removal of tariffs in the region in a phased manner. Each Member country is allowed to retain a sensitive list which consists of products that Member countries do not wish to offer for tariff concessions. However, Pakistan allows only a limited number of items to be imported from India, a clear violation of SAFTA. Pakistan's treatment towards India under SAFTA has its origin in the historical trade and economic relations between the two countries, which is examined below.

Trade relations between India and Pakistan have been influenced to a large extent by their political relations. After the Indo-Pak war in 1965, trade was almost negligible for a period of nine years. Bilateral trade did resume in 1975-76, following the 1974 protocol for the restoration of commercial relations on a government to government basis, signed by the two countries after the 1971 war but it remained at an insignificant level. Both countries traded in a limited number of items -- referred to as the positive list approach. In 1996, India accorded the Most Favoured Nation (MFN) status to Pakistan whereas Pakistan continued to follow a positive list approach. The Government of Pakistan has exercised a slow process of a continuous expansion of the list of items importable from India. In 1986, the Government of Pakistan permitted the import of 42 items from India. The list was expanded to 249 items in 1987.[2] In a Public Notice No. 13(88)/imp.I, dated April 24, 1988, the list was further increased to 562 items. By 2000 there were 600 items on the positive list as per SRO 489(I)/2000 dated July 17, 2000, Import Trade and Procedures Order, 2000. The number of items increased steadily to 767 as per SRO 927(I)/2004 dated November 21, 2004. The Import Policy Order, Government of Pakistan, 2005, lists 770 items permissible for import from India and in the subsequent year The Import Policy Order, 2006 lists 773 items. In a recent notification (SRO 1100(I) 2006, dated

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[2] Government of Pakistan (1996) Ministry of Commerce, Pakistan-India Trade: Transition to the GATT regime, September, pp 5.

November 2) the number was increased to 1,075 items. The positive list items are notified at the 4, 6 and 8-digit level of the Harmonized System (HS) of classification.

It was expected that with the commencement of SAFTA, Pakistan would treat all Members alike in offering trade concessions and that India would automatically be granted MFN status. However, in a communication to the South Asian Association for Regional Cooperation (SAARC) Secretariat, Pakistan refused to accord MFN status to India and declared that it would continue to follow a restrictive trade policy as far as market access for Indian goods to the Pakistani market were concerned. Thus, there is a perception amongst policy makers and industry that the actual export potential from India to Pakistan continues to remain hugely untapped due to the continuation of the positive list approach being followed by Pakistan towards imports from India.

In recent years, Pakistani industry and policy makers have been voicing concerns about India's protected market. It is being felt that India imposes non-tariff barriers that restrict market access of Pakistani goods into the Indian market. As a result, the trade balance continues to be in India's favour even though Pakistan follows a positive list approach.

Against this background, this paper explores trade possibilities between India and Pakistan that are untapped and makes an attempt at identifying non-tariff barriers that Indian and Pakistani traders face in each other's markets.

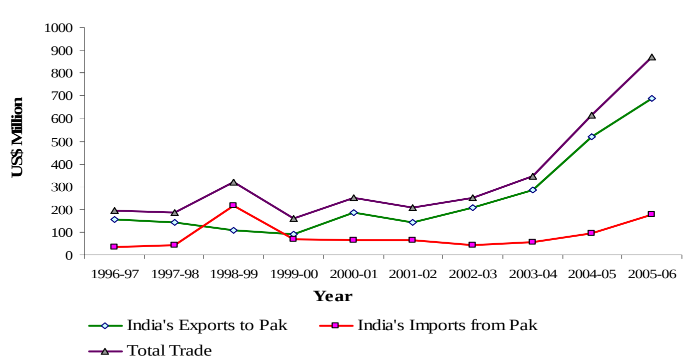
2. Recent Trends and Bilateral Trade Possibilities

In this section recent bilateral trade trends between India and Pakistan are first examined. Subsequently, a statistical exercise has been conducted to arrive at trade possibilities between the two countries.

Recent Bilateral Trade Trends

Trade between India and Pakistan, though at low levels, has grown significantly in recent years. During 2000-01 to 2005-06 trade has increased by three and a half times from US$ 251 million to US$ 869 million. (see Chart:1). In fact the share of Indo-Pakistan trade in India's total trade with SAARC countries increased from 10 per cent to 13 per cent during the same period (see Table A1 and Table A 2).

Chart I: Indo-Pak Trade (1996-97 to 2005-06)



Trade balance has been in India's favour even though Pakistan allows only a limited number of items to be imported from India. An analysis of the commodity composition of goods traded between the two countries indicates that in 2000-01 the top four items comprising of vegetable products, prepared foodstuffs, chemical products and plastics accounted for 91 per cent of Indian exports to Pakistan. By 2005-06, the commodity basket was more diversified with top four items (excluding vegetable products and including textile products) accounting for 72 per cent of the total exports to Pakistan. On the other hand the import basket is more concentrated with the top four items accounting for 94 per cent in 2000-01 increasing to 96 per cent by 2005-06. In 2000-01 the major items imported included vegetable products, prepared foodstuffs, chemical products and base metals. In 2005-06 the top four products excluded base metals from the top four items being imported in 2000-01 and included textiles. The two most important products being imported from Pakistan are vegetable and textile products. A notable change in the trade basket for Indian exports and imports from Pakistan is the increasing trade in textile products (see Table A 3 and Table A 4)

Bilateral Trade Possibilities

To arrive at trade possibilities between the two countries the Potential Trade Approach is used. Products having trade potential are identified as those that have (a) adequate demand in the receiving country (b) adequate supply capabilities in the source country. Potential trade for any commodity is given by Min (SE, MI)-ET where SE, MI and ET are supplier's global exports, receiver's global imports and existing trade between the supplier and the receiver. The present exercise is conducted by posing Pakistan as a supplier to assess its possibilities to India and then posing India as a supplier country.

This approach is expected to yield more realistic results compared to other approaches such as the trade complementarity index (TCI) which is based on existing bilateral trade. Since existing bilateral trade is limited due to the positive list approach, the TCI will not yield desirable results.

One of the limitations of this approach is that all computations are based on only one year's data, i.e. 2005. While the advantage of using data for one year is that it allows us to focus on the most recent data, this approach excludes the items that were traded in previous years but not in the most recent year. A second limitation of this approach is that it is conducted at a HS 6-digit level and not at the 8-digit level. Since the available international databases do not carry trade statistics at the 8-digit level the present exercise is limited to the 6-digit level. Yet another limitation of the potential trade approach is that it does not take into account difference in prices of commodities being supplied by the partner country and by suppliers from the rest of the world. However, if we assume that transport and other transactions cost can be very low (which is likely to be so in the future if appropriate measures are taken -- as will be argued later) given that the two countries share a common land border then the potential trade approach would be more indicative of trade possibilities between the two countries. Given the limitations of the potential trade approach, the results should be treated as merely indicative of trade possibilities to be able to draw broad inferences.

In order to arrive at bilateral trade possibilities, items with import and export potential were identified in separate statistical exercises. Trade flow data was used from PCTAS UN/COMNTRADE Database ***(trade statistics for 2005)***. The simple rule of thumb followed was that as long as a country 'A' demands a product (import greater than zero) from the rest of the world (RoW) and is being supplied (export greater than zero) by a country 'B' to the rest of the world there is potential for country 'A' to import the product from country 'B'. In the case of India and Pakistan **1,650** items were identified as being those for which exports from Pakistan to the rest of the world and imports into India from the rest of the world were positive. Similarly **3,286** items were identified for potential export from India.

Application of the potential trade approach shows that the total trade potential between the two countries is US$ 11.6 billion. Pakistan has an untapped export potential of US$ 2.1 billion to India while India has an untapped export potential of US$ 9.5 billion. Further, almost 55 per cent of Pakistan's export potential lies in textile items while 90 per cent of India's export potential to Pakistan comprises of non-textile items (see Table 1)

Table 1: Export Potential (US$ Billion)

	Pakistan's Export Potential to India	**India's Export Potential to Pakistan**
Textiles	1.2 (55%)	0.9 (10%)
Non-Textiles	1.0 (45%)	8.6 (90%)
Total	**2.2 (100%)**	**9.5 (100%)**

Source: PCTAS UN/COMNTRADE Database, (trade statistics for 2005)
Note: Figures are based on trade data for 2005

The top 10 items having export potential from Pakistan to India comprise largely of textile items. Interestingly, of the top 10 items, India imports only one of these items (i.e. chickpeas) from Pakistan while it is importing nine items from the rest of the world, clearly indicating the vast untapped potential (see Table 2). Table A.5 in the Appendix gives top 50 items having export potential from Pakistan to India of which 27 are textile items and 23 are non-textile items. In the textile product category, India is importing all the items from the rest of the world but not from Pakistan. From the non-textile items India is importing only five items from Pakistan. In other words, out of the top 50 items having export potential from Pakistan, India is importing 45 from the rest of the world but not from Pakistan.

Table 2: India's Import Possibilities from Pakistan (US$ 000)

S. No.	HS Code	Description	India's imports from RoW	Pakistan's exports to RoW	India's imports from Pakistan	Trade potential
1	520859	Woven fabrics of cotton	310862	91495		91495
2	630790	Made-up articles, of textile materials	96978	61508		61508
3	640510	Footwear with uppers of leather or composition leather	58642	67644		58642
4	611420	Garments nes, of cotton, knitted	42524	119520		42524
5	611020	Pullovers, cardigans and similar articles of cotton, knitted	390111	42410		42410
6	071320	Chickpeas, dried, shelled, whether or not skinned or split	39227	33416	231	33185
7	610610	Women/girls blouses and shirts, of cotton, knitted	31190	53347		31190
8	261000	Chromium ores and concentrates	145880	30427		30427
9	420321	Gloves,mittens & mitts,for sports of leather or of composition leather	1120543	30358		30358
10	640391	Footwear, outer soles of rubber/plast uppers of leather covg ankle nes	57572	28016		28016

Source: PCTAS UN/COMNTRADE Database, (trade statistics for 2005)
Note: RoW (Rest of the World)

Table 3 shows the top 10 items of export potential from India to Pakistan comprise largely of automobile products. Even though five of the items are not on the positive list, trade is recorded for three of these items indicating that even though products are not on the positive list they are appearing in recorded bilateral trade statistics. Of the top 50 items having export potential from India only three are textile items. Twenty-eight of the 50 items are not on the positive list while 22 are on the positive list. In the recent expansion of the positive list only two items from the top 50 having export potential have been included (see Table A.6 in Appendix for top 50 items). Thus the positive list excludes several items of export interest to India and of import interest to Pakistan.

Table 3: India's Export Possibilities to Pakistan (US$ '000)

S. No.	HS code	Description	India's exports to RoW	Pakistan's imports from RoW	Pakistan's imports from India	Trade Potential	Positive list
1.	520100	Cotton, not carded or combed	639447	482423	22,103	460320	Yes
2.	870321	Automobiles with reciprocating piston engine displacing not more than 1000 cc	265744	255373		255373	No
3.	870322	Automobiles with reciprocating piston engine displacing > 1000 cc to 1500 cc	485405	238179		238179	No
4.	090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg	292373	227800	9,365	218435	Yes
5.	290531	Ethylene glycol (ethanediol)	122636	192560		192560	Yes*
6.	870899	Motor vehicle parts nes	780573	177755	543	177212	Yes
7.	390210	Polypropylene	222244	214551	47,452	167099	Yes
8.	870323	Automobiles w reciprocating piston engine displacing > 1500 cc to 3000 cc	141674	140163	56	140107	No
9.	390120	Polyethylene having a specific gravity of 0.94 or more	228586	140032	505	139527	No
10.	721049	Flat rolled prod,i/nas,plated or coated with zinc,>/=600mm wide, nes	1059096	136588	23	136565	No

Source: PCTAS UN/COMNTRADE Database, (trade statistics for 2005)

*Notes: * indicates a presence of the item on the extended positive list. (i.e. it is among the 302 items that were added to the positive list for India in Pakistan's Import Policy Order 2006)*

3. Identification of Non-Tariff Barriers

All Members of the World Trade Organization (WTO) have the international right to adopt non-tariff measures to protect plant, animal and human life. However, in many cases the measures are applied in a trade restrictive manner often obstructing trade. Such instances constitute violations of NTM rules and need to be addressed. The United Nations Conference on Trade and Development (UNCTAD) and WTO have a list of NTMs that members are likely to apply. For the purpose of the present study discussions were held with trade and industry representatives and policy makers to shortlist the type of non-tariff measures that are likely to obstruct trade between the two countries. These include:

(a) Positive List Approach (Embargo)

(b) Trade Facilitation and Customs Procedures.

(c) Technical Barriers to Trade and Sanitary and Phytosanitary Measures.

(d) Financial Measures.

(e) Para-tariff Measures.

(f) Visas.

The approach followed to identify non-tariff barriers is outlined below. The identification of non-tariff barriers in the identified categories follows.

3.1 Approach to Identifying NTBs

In order to identify non-tariff barriers a firm-level survey was conducted in Amritsar, Delhi, Mumbai, Kolkata and Indore in India. In Pakistan the survey was conducted in Karachi, Lahore and Islamabad. The survey included interviews with exporters, importers and freight forwarders/clearing agents/CHAs in both countries. In addition interviews were held with government departments and academicians. Some of the government departments in India included Ministry of Surface Transport, Department of Shipping, Railway Board, Customs authorities, Directorate General of Foreign Trade, Ministry of External Affairs and Ministry of Commerce. Similarly for Pakistan the government bodies in the survey included Customs, Railways, Ministry of Food and Agriculture and Livestock, Ministry of Commerce, Pakistan National Accreditation Council and Pakistan Standards and Quality Control Authority. In Pakistan 25 firms which are currently not trading with India were also interviewed. The firms were interested in giving interviews as they were keen to trade with India. Interviews with such firms were conducted to understand the kind of barriers they were facing in starting trade with India.

Table 4: City-wise Distribution of Respondents in India

	Exporters	**Importers**	**Exporters cum Importers**	**Freight Forwarders/ CHAs/Clearing Agent**	**Others**	**Total**
Amritsar	9	8	4	7	8	36
Delhi/NCR	16	3	1	4	9	33
Kolkata	9	-	-	4	4	17
Mumbai	24	7	-	10	5	46
Indore	2	-	-	-	3	5
Total	**60**	**18**	**5**	**25**	**29**	**137**

Table 5: City-wise Distribution of Respondents in Pakistan

	Exporters	Importers	Freight Forwarders/ Clearing Agents/CHAs	Others	Firms interested in exporting/importing	Total
Islamabad	7	4	5	16	12	44
Karachi	12	6	6	3	7	34
Lahore	9	5	6	5	6	31
Total	**28**	**15**	**17**	**24**	**25**	**109**

A total of 137 respondents in India and 109 in Pakistan were interviewed during August 2006 to January 2007. Exporting firms in India and importing firms in Pakistan were found to be trading in agriculture, herbs and processed food items; chemical products; pharmaceuticals, metals and engineering products; textile and related products. Importing firms in India and exporting firms in Pakistan were found to be trading in agriculture items, herbs, engineering items and textiles and related products. The sample was representative of the major items being traded between the two countries.

For the Indian survey the initial step was to generate a database of exporters and importers. Firms trading with India were identified through relevant industry associations such as Confederation of Indian Industry (CII), Federation of Indian Chambers of Commerce and Industry (FICCI) and PHD Chamber of Commerce and Industry (PHDCCI). In addition, the relevant export promotion bodies such as Federation of Indian Exporters' Organisation (FIEO), Indian Tea Association, Chemicals and Allied Products Export Promotion Council, Engineering Export Promotion Council, Agricultural and Processed Food Products Export Development Authority (APEDA), Soybean Processors Association (SOPA), Rice Exporters Association, Bombay Chamber of Commerce were also contacted in Delhi, Mumbai, Kolkata, Indore and Amritsar. Several firms, when contacted denied trading with Pakistan as they were reluctant to talk openly about trading with Pakistan. It was pointed out by several traders that due to heavy surveillance by government authorities on any dealings with Pakistan they preferred not to draw the attention of any government or non-government organization. Finally through an extensive search a response group of 60 trading firms was selected for interviews. The rest of the firms were identified through references given by the target group of 60 respondents. Freight forwarders and clearing agents were identified through the exporters and importers interviewed.

In Pakistan trading firms were identified through the Federation of Pakistan Chambers of Commerce and Industry (FPCCI), Islamabad Chamber of Commerce and Industry, Rawalpindi Chamber of Commerce and Industry, Lahore Chamber of Commerce and Industry, Karachi Chamber of Commerce and Industry and the Indo-Pakistan CEO Forum. The identification of trading firms was relatively simpler in the survey conducted in Pakistan than in India. Unlike the Indian survey, none of the traders denied trading with India and discussions were held in a free and open manner. In addition several members of the FPCCI and the Chambers of Commerce interested in trading with India volunteered to give interviews.

An open-ended questionnaire was used to elicit responses from traders. Emphasis was given on on-the-spot probing to draw out as much information as possible on non-tariff barriers within the identified six categories.

3.2 The Positive List Approach

The most apparent barrier of having a positive list approach is that it limits potential trade. Over the years, the positive list approach has expanded gradually but there are several problems that traders face in the application of this policy measure. The most well documented problem being that several goods not on the positive list are exported to Pakistan through Dubai. This has been a traditional practice and is admitted by traders in both countries. Using the indirect route leads to high transport costs for traders. Transport costs on the Mumbai-Dubai-Karachi route are 1.4 to 1.7 times more than on the direct Mumbai-Karachi route.[3]

There is a clear indication that in recent years expansion of the positive list has been done in consultation with industry representatives. However, some stakeholders' interests may have been excluded from the consultation process. The new items included during 2000-01 and 2005-06 accounted for 23.7 per cent of the exports in 2005-06.[4]

The most recent list includes 302 additional items on the positive list (SRO 1100(I) 2006)). A product-wise analysis of this list indicates that of the total increase, one category i.e machinery (HS codes 84-85) accounted for 57 per cent (see Table A 8). Within this category the focus has largely been on textile machinery and related products. However, none of the items under HS codes 84-85 in the positive list of 302 items appeared on the list of top 50 items identified as having export potential from India to Pakistan even though they were being imported from the rest of the world (Table A 6). It was therefore not surprising that several trading companies in Pakistan complained that items of their trade interest had not been included in the positive list. A list of such items for potential inclusion in the positive list was indicated by traders in the course of the survey (see Table A 9).

A close examination of the positive list reveals the following problems:

Discriminatory Treatment under SAFTA

The positive list approach is a violation of the SAFTA Agreement as it implies discriminatory treatment vis-à-vis other Member countries.

Limited use of Concessions under SAFTA

Since the current positive list has only 1,075 items, only some items being imported from India into Pakistan can avail of the concessions made available under SAFTA.

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[3] Taneja (2006) "India-Pakistan Trade", Working Paper 128, Indian Council for Research on International Economic Relations, New Delhi.

[4] This exercise was done by first identifying additional items on the positive list during 2000-01 and 2005-06. The codes of these items were then matched manually with DGFT on the basis of the description of the items. The value of exports of these items as a proportion of exports in 2005-06 was computed.

Problems related to Code-matching of Items on the Positive List

- The positive list is provided at the 8-digit level (even though it includes items at the 4 and 6-digit level also). Even though both countries follow a standardized international coding system at the 6-digit level, the codes do not match at the 8-digit level. Hence traders face problems in identifying items that are on the permissible list.
- Since there is a mismatch of codes between the Indian 8-digit HS classification and the positive list items, very often customs officials have the discretion to classify items under the positive list. This creates unnecessary harassment to traders.
- In some cases the description of items does not match between the Indian classification and the positive list. This creates confusion while trading. In particular this was pointed out in the case of polymers (Chapters 3901-3905) and for waxes (Chapter 3404). The descriptions for chemical adhesives also do not match on the Indian and Pakistani list (Indian Survey).

Problems related to codes and their Description on the Positive List

- For some items in the positive list there is no corresponding description which creates confusion for traders.
- In addition to some items at the 4-digit level in the positive list, there are codes at the 6 and 8-digit level within the same 4-digit code which is already on the positive list. For instance code 4404 at the 4-digit is on the positive list. In addition codes 4404.10 and 4404.20 are also included. This creates confusion about whether the other 6-digit codes within 4404 are included or not.

Export from India of Items not on the Positive List

Several items not on the positive list appear as items being traded in the Indian trade data published by the Directorate General of Foreign Trade (DGFT), India. A code matching exercise at the 2-digit HS code level between the positive list (as per Trade Policy 2006-07, Government of Pakistan) and DGFT data for 2005-06 level shows that HS Chapters 3, 20, 24, 56, 57, 61, 62, 63, 64, 65, 67, 94 appear as traded items in the DGFT data but are absent in the positive list (see Table A 10). Clearly these are items that are not being traded through Dubai but are appearing as traded items directly between India and Pakistan.

Frequent Changes in Items on the Positive List

In recent years there have been frequent but marginal changes in the positive list e.g. sometimes only one or two items are added to the positive list, For example, the Government of Pakistan notification dated June 23, 2005, adds only two items to the positive list. This creates uncertainty for traders.

Items Permissible for Limited Periods

Certain items are allowed to be imported for limited periods from India, for example, corrugated galvanized iron sheets, blankets.[5] This creates uncertainties in the trading environment.

To summarize, the positive list approach lacks transparency, creates uncertainties for traders and leads to high transaction costs. Dismantling the positive list approach would be a positive step towards enhancing Indo-Pak trade. On a positive note, the expansion of the positive list in recent years reflects the trade interest of the two countries. However, there continue to be products that are of trade interest but have not been included in the positive list so far. An indicative list, identified during the survey is given in Table A 9.

3.3 Trade Facilitation and Customs Procedures

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

Inadequate Land Transport Routes

The most feasible and cost-effective way of moving goods between the two countries is through the land route. However, the only operational rail route is through the Wagah border. India permits export and import through Amritsar railway station, Attari road, Attari railway station, Khalra,, Assara Naka, Khavda Naka, Lakhpat, Santalpur Naka, Suigam Naka, Dekhi railway station, Hussainwala, Barmer railway station and Munabao railway station. These routes in Amritsar and Ferozepur districts, and Jodhpur division are notified routes under Section 7 of the Customs Act, vide Notification No. 63/94-Cus (NT), dated November 21,1994, as amended. Pakistan on the other hand permits trade from India only through Attari by rail, and through Wagah by road. Goods from Kolkata are being shipped to Karachi via Singapore.

Only a limited number of items are allowed to be traded through the road route. Pakistan has allowed the import of a few products from India through the road route since July 2005. The items permitted are: garlic, tomato, potato, onion and livestock. Pakistan allows the export of only one item, viz., cement to India by the road route. On the rail route also there are restrictions. Pakistan does not allow the import of cotton by the rail route through the Attari as per Plant Quarantine Rules, 1967, Pakistan (which allows cotton to be imported only through Karachi port). A large number of textile mills are located around Lahore but cotton has to be imported through a circuitous route where goods are first transported to Mumbai, from where they are moved to Karachi by sea and further on to Lahore by road. Similarly India no longer allows to be traded by the rail route. In the entire survey, neither the traders nor the officials (customs/rail) knew why trade of molasses through the rail route had been discontinued. In yet another instance, it was found in the course of the survey that cotton yarn from India could not be transported by rail to Pakistan. It was not clear as to whether the restriction had been imposed by Pakistan or by India.

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[5] As per SRO169(I)/2006, SRO44(I)/2006, SRO1241(I)/2005, SRO1054(I)/2005.

Another issue that hampers trade is that the two countries do not allow transit facilities to each other. Pakistan allows goods from Afghanistan to be transported to India through the land border but does not allow Indian goods transit facilities to Afghanistan. Indian goods are therefore denied market access to Afghanistan market through the shortest route.

Similarly India does not allow Pakistan transit facilities through its territory to Bangladesh and Nepal.

Infrastructure Constraints and Related Bilateral Protocols

This section outlines infrastructure constraints related to rail, road and sea routes. The related bilateral protocols are also analyzed.

There are several bottlenecks for transportation by the rail route. Currently goods move by rail by the goods wagon or by parcel wagons that are attached to the Samjhauta Express, the passenger train.[6] In addition, rakes[7] are allowed to ply from some cities in Madhya Pradesh. Goods that are transported by Samjhauta Express by parcel wagons move at fixed timings on a biweekly basis. The same number of parcel wagons (10) move on every trip, whether loaded or unloaded. There is no fixed timing for a goods train but the trains do not move across the border after 5:00 p.m. due to security reasons.[8] The number of rakes/wagons that can ply from Attari to Amritsar are determined usually on a monthly basis. Under a reciprocal arrangement between the two countries, the wagon balance has to be cleared every 10 days between the two countries. The Indian Railways crew and engine is allowed to carry the wagons till the Attari/Wagah border only (and vice-versa) from which point the wagons are transported by Pakistani rail engine head.[9] The following problems were highlighted in the course of the survey.

- There is a scarcity of wagons as demand exceeds supply. For the months of December 2006 to March 2007, 20 rakes per month have been permitted whereas the demand is 1,000 rakes per month. The scarcity leads to high transaction cost and bribes to the tune of US$ 2.5 per tonne in India. Pakistani traders pay a corresponding bribe of US$ 1.5 per tonne. Goods are stranded for as long as 20 days. Sometimes allotment of wagons can take up to two months. Indian exporters insist that the L/Cs opened by the importer should include the clause ‘subject to availability of rakes’ which in turn creates uncertainty for importers in Pakistan.

- Since the wagon balancing takes place only thrice a month, there is a scarcity of wagons till such time that that there is a zero balance. From the sixth day onwards, railway authorities try to restrict the number of wagons to be moved across the border.

[6] The capacity of a goods wagon is 24 tonnes whereas that of a parcel wagon is 55.5 tonnes.

[7] One rake carries 1750 tonnes

[8] This is similar to movement of goods train through the Indo-Bangladesh border.

[9] The Indian crew and engine does not move into the Pakistani territory and vice-versa. Only the wagons are allowed to move from one country to another with the respective country’s engine and crew.

- Several exporters in Kolkata are interested in exporting through the land route to be able to access the steel manufacturing units near Lahore but are not able to book rail wagons. Exporters are forced to send their shipments from Kolkata to Karachi through transshipment at Singapore. From Karachi the goods are transported by the land route to Lahore. This circuitous route raises transport and other costs considerably.

- There is limited handling capacity at Lahore. Currently the Lahore railway station is not able to handle more than 20 rakes. Hence any increase in the number of rail wagons/rakes from the Indian side would have to be accompanied by a simultaneous increase in handling capacity on the Pakistani side.

- Traders have pointed out that wagons that are used currently are antiquated. There is no provision for movement of containerized rail cargo from Amritsar. All containerized cargo has to be moved by the sea route.

- Other problems include lack of space for customs house agents, poor condition of sheds, obsolete weighing and X-ray (only one) machines, and lack of regular communication between rail and customs officials. A gamma ray scanner is also required.

The above listed problems need to be addressed at the earliest. While bilateral trade is expanding rapidly the corresponding rail infrastructure is not keeping pace. The problems need to be addressed jointly with the Pakistani authorities as removing the bottlenecks on the Indian side alone will not yield the desired results. The road route has the following bottlenecks.

- There is only one gate for exports to Pakistan and imports from Afghanistan, movement of passengers by bus and on foot. The border ceremony conducted by the Border Security Force (BSF) also takes place at the same gate.

- Trade takes place only from 8:00 a.m. to 4:00 p.m. The gate is closed at 4:00 p.m. for the border ceremony hence no trading can take place after the gate is closed.

- Until recently, Indian and Pakistani trucks were not allowed to cross the border of their respective countries. The Indian trucks had to be parked at a distance of 600 metres from the zero line while Pakistani trucks were parked 200 metres away from the zero line. Goods were unloaded from the trucks and transported on head-loads by coolies up to the zero line where the goods were handed over to Pakistani coolies. Only in the case of frozen meat reefer trucks were allowed to come up to the zero line. Trucks on an average had to wait for three to four days. In a day only 10-12 trucks could cross the border. The road protocol thus made transport of goods a cumbersome and time consuming operation. In a recent amendment of the road protocol, Indian and Pakistani trucks are now allowed to cross over to the border and unload. This protocol is now similar to the road protocol between India and Bangladesh.

- There is no warehousing facility on either side of the border. On the Indian side there are two sheds whereas the requirement is for at least four sheds.

- There is no cold storage facility available at the border even though only perishables are being exported. Reefer trucks carrying frozen meat have to use generators for three to four days while they are parked at the border.

- There are only 2 X-ray machines on the Indian side which are obsolete.

The above problems need to be addressed to ensure safety of goods and speedy movement of goods across the border.

Till recently the movement of goods between India and Pakistan by sea was governed by the Protocol on Resumption of Shipping Services between India and Pakistan, January 15, 1975. The Shipping Protocol stipulates that neither country can lift third country liner cargo originating from the ports of either country and destined for ports in third countries and vice versa. That is, Indian ships are not allowed to carry cargo from Pakistan to any country other than India, nor can Pakistani ships carry cargo from Indian ports to any third country. This Protocol has worked to the detriment of shipping concerns on both sides of the border. The recent amendment in the Maritime Protocol which excludes Para 3 and 5 of the 1975 Maritime Protocol will lead to a significant reduction in freight costs.

Customs Procedures and Administration

The simplification and harmonization of procedures and documents are at the heart of the trade facilitation agenda with customs clearance being the main focus. In India reforms were initiated as early as 1995 while in Pakistan they were introduced later in 2002. The two main features of the reform process include automation and the adoption of risk assessment methods.

Some of the major problems faced by traders are related to cumbersome procedures, customs clearance, rules of origin certification, valuation and clearance of goods.

While a major change introduced as part of customs reforms to deal with cumbersome procedures has been the introduction of the Electronic Data Interchange (EDI) that allows the goods declaration to be filed electronically, a major hindrance facing traders trading between India and Pakistan is that this facility is not available at the land-border trading points in both countries. For India, this is in contrast to such facilities being available at the Indo-Bangladesh and Indo-Nepal borders.[10]

Under the SAFTA agreement commodities not on the negative list (in the case of Indian exports to Pakistan the concessions are available only for items under the positive list) can avail of SAFTA concessions provided they furnish a rules of origin certificate. While the Chambers of Commerce in the South Asian countries is the authorized body to issue the rules of origin certificates traders have to collect the

[10] There are only two border points, Raxaul at the Indo-Nepal border and Petrapole at the Indo-Bangladesh border at which EDI facilities are available.

certificate from the Chambers of Commerce and hand it in to the customs authorities. Traders in India and Pakistan have pointed out that the rules of origin certificate should be directly/ electronically integrated with customs. This would reduce transaction costs of trading.

The survey of Indian importers in Amritsar revealed that customs authorities create problems in the valuation of import of new items. This acts as a deterrent to import new items from Pakistan. On the other hand, there was evidence of massive under-invoicing in the case of import of traditional products such as dates. Some importers pointed out that dates were being valued at prices that prevailed almost 30 years ago. Importers using the sea route through Mumbai did not face any problems related to valuation of goods.

In the course of the Indian survey it was pointed out in a couple of instances that on grounds of security, excessive checks were carried out for consignments imported from Pakistan. As a result, goods were held up for several days at customs before they are cleared. This was reported for imports at the Mumbai JNPT port but not for imports through the land border.

To summarise, transportation links between the two countries are inadequate and weak. Until very recently the restrictive bilateral maritime agreement led to high costs along the sea route. There are several bottlenecks on the road and rail route too. The road route is open for exports of a limited number of commodities from India. In addition there are problems such as absence of warehousing facilities and cold storage facilities for perishables, a single gate for exports and imports, trading for a limited number of hours only, etc. Similarly some of the problems on the rail route include availability of wagons, requirement of wagon balancing, non-containerized rail wagons, inadequate handling capacity at Lahore and insufficient infrastructure facilities at the rail cargo station. As a result, transaction cost of trading across the borders is very high. Addressing barriers to the flow of goods across borders will smoothen movement of goods, lower transaction costs and enhance trade flows.

While both countries are making an effort to modernize customs procedures and streamline customs procedures, the facilities at the border continue to be poor. Lack of EDI facilities at both sides of the land border slows down the movement of consignments. Integrating the rules of origin certification between the customs and the issuing authority would also help in reducing processing time. Indian importers face problems of valuation when they import new products from Pakistan which dissuades them from importing new products from Pakistan. This was noted at the land border. At Mumbai, Indian importers have faced excessive checks of the consignments originating from Pakistan.

3.4 Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT)

The Agreement on Technical barriers to trade and the Agreement on Sanitary and Phytosanitary measures allows all WTO Members to maintain standards to ensure safety and to protect plant human and animal life. India and Pakistan have taken the initiative to implement all the WTO-compatible procedures related to standards, testing, and labeling and certification requirements. The basic obligation of the TBT agreement is that measures should be applied in a non-discriminatory manner with respect to like products of national origin and to like products originating in any other country. The Agreements also require Members to apply these measures in a manner that they do not have the effect of creating unnecessary obstacles to international trade. The basic obligation under the SPS Agreement is that Members will apply measures only to the extent necessary to protect human, animal or plant life or health; based on scientific principles and with sufficient scientific evidence. The Agreement also requires Members to apply measures in a non-discriminatory manner between Members where identical or similar conditions prevail.

The study focused on answering three key questions with a view to identifying TBT/SPS related barriers: (i) Are the measures applied in a non-discriminatory manner? (ii) Are measures applied in a trade restrictive manner?

Prevailing Regime for TBT and SPS Measures

India and Pakistan have a domestic institutional framework within which they implement SPS and TBT related measures. In India the Bureau of Indian Standards, under the purview of the Ministry of Food and Consumer Affairs, is the premier standard setting body while in Pakistan the only standard setting body is the Pakistan Standards and Quality Control Authority.

The implementation of standards in India has become more rigorous since 2001, when quantitative restrictions were removed. This is often perceived as a non-tariff barrier. What is not well known to other countries is the fact that the domestic consumer in India has become more aware of his rights and demands certified products. The Consumer Protection Act, 1986 provides for the establishment of Consumer Redressal Agencies at the district, state and national levels (more popularly known as consumer courts) for the protection and promotion of consumer interests. The consumer courts have been working very effectively and are able to dispose of 90 per cent of the cases. Pakistan on the other hand still has an environment where extensive consumer protection has yet to be established. This is demonstrated by the lack of comprehensive Consumer Protection Laws while those laws that do exist are not fully implemented.

An effective consumer protection act lays the foundation for domestic standards (and hence for imports) and this basic difference between the two countries often goes unnoticed.

The standard setting bodies in India and Pakistan set voluntary and mandatory standards. Currently BIS imposes mandatory standards for 68 items while PSQCS imposes compulsory standards for 46 products. A key difference noted is that while in India there are 24 standard setting bodies both at the centre and state level, in Pakistan there is a single authority. Given that there is a multiplicity of standards, and exporters in other countries are often confused about what the national standard is, the problem becomes more acute in the case of Indo-Pakistan trade where trade related information flows are not smooth.

In addition to several standard setting bodies, there is also a multiplicity of rules and regulations, multiple certifying bodies, and several agencies involved in enforcement of standards in India. This creates confusion among exporters from Pakistan as to which the actual national standards are, who the certifying agencies are and what is the relevant law/regulation applicable when there are multiple laws for the same purpose. In Pakistan there are fewer regulations the main ones being Plant Quarantine Act, 1967; Pakistan Animal Quarantine Ordinance, 1979; Pakistan Standards and Quality Control Authority Act, 1996; The Agricultural Produce (Grading & Marking) Act, 1937. More important is the fact that enforcement of regulations is weak and hence imports into Pakistan generally do not face any problems.

Exports from India to Pakistan

In the survey conducted in India and Pakistan there was no evidence on non-tariff barriers related to the application of SPS and TBT measures in Pakistan on imports from India. In fact traders in India and Pakistan felt that the implementation of standards to imports was not a rigorous process in Pakistan.

Some exporters of live ***animals*** in India and importers in Pakistan pointed out that the Pakistani Government had relaxed the quarantine and other import requirements for imports of live animals through the Wagah border. Some of these measures included reduction in quarantine requirement from 21 days to 5 days, waiver of quarantine and testing fees, and allowing additional quarantine stations in the private sector to operate at the Wagah border. However, Indian exporters have to obtain an animal quarantine certificate before they can export live animals. The closest animal quarantine centre to Amritsar is in Delhi. Blood samples collected at Delhi are sent for testing to Bareilly. On the whole the process takes about seven to eight days for which not only does the exporter incur additional cost but animals lose weight by about 5 kgs. It was pointed out by Indian exporters that if the importing country has lower standards, India should allow exporters to follow those standards.

Exports from Pakistan to India

Pakistani exporters have complained about the stringent conditions imposed by India on imports of various products. There is a strong perception in Pakistan that the two most important products of export interest for Pakistan – textile products and agricultural and related products – are the ones that have the highest non-tariff barriers. Some of the product specific barriers that have been observed in the survey conducted in Pakistan are mentioned below. It may be noted however that these barriers are not discriminatory in nature and apply to all countries alike. Some restrictions that pertain to land border movements of consignments do become country-specific to the extent the two countries in question (India and Pakistan) are the only ones affected by the common border.

In the case of export of ***leather items and melamine products*** from Pakistan to India it has been pointed out that samples of export consignments are sent to testing laboratories that are located far away from the port of entry in India. In the case of ***textile*** products it has been mentioned by traders in Pakistan that to export fabric to India they are required to obtain a pre-shipment certificate from a textile testing laboratory in Pakistan accredited to the National Agency in the country of origin certifying about the non-use of hazardous dyes. In some cases even the EU accredited labs have been rejected by Indian customs. Pakistani traders perceive that with these stringent conditions it would be impossible for them to export textiles to the Indian market. In the case of ***pharmaceutical products*** it has been pointed out by Pakistani exporters that the requirement of registration of the drug with the Central Drug Standard Control Organisation in India is an arduous and time consuming process.

In the case of imports of ***agricultural items*** from Pakistan it has been pointed out by Indian importers that to get the required phytosanitary certificate and testing requirements in India could take several days. Plant quarantine facilities are available at Amritsar airport but not at Amritsar rail cargo station or at the Wagah border. As a result consignments could be held up for several days. Also consignments are held up during holidays and weekends. Traders have pointed out that they have to pay demurrage charges even though the onus is on the officials who are responsible for such delays.

Again in the context of import of ***fresh mangoes*** from Pakistan, a test consignment from Pakistan was destroyed at the Indian port on the ground that SPS norms for fresh mangoes had not been laid down by the Ministry of Agriculture, India. However, trade data published by DGFT, India indicates that in 2005-06 India imported fresh mangoes worth Rs. 0.36 lakhs. The point to be noted is that if the SPS norms have not been laid down then no imports of fresh mangoes should have been recorded.

In the case of ***processed foods***, the Prevention of Food Adulteration Act, 1954 requires products to have a shelf life of at least 60 per cent of original shelf life at the time of import. Pakistani exporters have complained that shelf life is often determined arbitrarily and without transparency. In the case of ***pre-packaged products*** traders are required to provide information on name and address of importer, and on the maximum sale price at which the commodity will be sold to the ultimate consumer. This price shall include all taxes local and otherwise, freight, transport, charges, commission payment to dealers, and all charges towards advertising, delivery, packing, forwarding, and the like as the case may be. These requirements add to the time and cost of transactions. Pakistani ***textile*** exporters find that labeling requirements for markings by India are excessive as they need to indicate manufacture, description and sorted number of cloth and other details. Some of these labeling requirements pertain to composition of cloth and damaged pieces are required to be printed on every alternate metre and cloth.

To summarize, the imposition and application of standards in India is often perceived as non-tariff barriers by Pakistan. An effective consumer protection Act in India ensures the application of rigorous domestic standards (and to imports). However, the study does indicate that in the application of these standards, Pakistani traders do face problems. Notable amongst these are the multiplicity in Indian standards, multiplicity of rules, regulations and enforcement agencies. Since information flows on trade related matters between the two countries is particularly weak, the problems gets compounded. Lack of testing facilities at the land border causes unnecessary delays in trade transactions.

The two most important items in which Pakistan has an export interest are textiles and agricultural products. Pakistani exporters feel that it is precisely these two items where import restrictions are most rigorously applied by India. Thus even though the TBT and SPS measures are not discriminatory, Pakistani exports to India are affected by these measures.

Even though the issue of tariff concessions under SAFTA does not come under the domain of non-tariff barriers, it is relevant in the context of India-Pakistan trade. Even though India has 884 items under the negative list and Pakistan has 1,183 items,[11] India has a larger proportion of items in the sensitive list than Pakistan in key sectors such as textiles and agricultural products. India has 20 per cent of the items in the sensitive list in the agriculture sector and 34 per cent in textile products. The corresponding figures for Pakistan in the two sectors are 4 per cent and 24 per cent. Thus, even though India has offered MFN status to Pakistan, tariff concessions are the least on products of export interest to Pakistan.

3.5 Financial Measures

The survey made an attempt to elicit responses on whether traders in the two countries faced any problems related to payments. In the course of the survey the following barriers were identified:

Problems related to L/Cs

The Indian and Pakistani survey revealed that consignments moving by sea were usually through a confirmed L/C. However, in Amritsar and Lahore several firms traded without confirmed L/Cs. According to some firms some Indian banks do not recognize L/Cs from all Pakistani banks and confirmation of L/Cs can take up to a month. Sometimes payments are delayed as the banks point out discrepancies in the L/Cs. Because of the problems related to acceptance and confirmation of L/Cs, sometimes trade transactions are carried out through a contract offered by the bank, which states the details of the trader and of the transaction but does not ensure payment guarantees.

Default in Payments

The survey in India and in Pakistan revealed that sometimes there was a default in payment. Traders complained that there was no formal mechanism for trade dispute settlement. They were also uncertain as to how the governments could intervene given the unstable political relations between the two countries.

Payment Settlement through Asian Clearing Union

Payments related to bilateral trade are made through the Asian Clearing Union (ACU) which was set up in 1974 with eight Members – India, Iran, Nepal, Pakistan, Sri Lanka Bangladesh, Myanmar and Bhutan. The ACU was formed at a time when the countries in the region were facing acute shortage of foreign exchange and, therefore, had stringent exchange controls. ACH provided the Member countries with the twin advantages of economizing on the use of foreign exchange and also availing

[11] The negative list under SAFTA offered by Pakistan is not applicable to India as the positive list approach is the basis for exports from India to Pakistan.

of short-term credits during the period of the settlement cycle. The ACU mechanism ensures payments, allows invoices to be made in US dollars and also allows making and receiving payments in dollars. However, traders in both countries have complained about the inefficiency of the ACU system, particularly in terms of the time taken to settle transactions. Since all eligible transactions between member countries are required to be settled through ACU, traders do not have the choice of settling payments through any other mechanism.[12] It is now necessary for Member countries to review the functioning of ACU particularly with respect to the changing needs of the members and vis-à-vis other clearing mechanisms.

Overseas Banking Operations

Currently Indian banks are not allowed to have branches in Pakistan. Similarly, Pakistani banks are not allowed to operate in India. This is a major non-tariff barrier for bilateral trade between the two countries. Indian banks operate in all SAARC Member countries except in Pakistan.

3.6 Para-Tariff Measures

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

India and Pakistan impose para-tariff measures in addition to basic customs duties. For instance, India imposes a countervailing duty of 16.3 per cent on most items, a special countervailing duty of 4 per cent and an education cess of 2 per cent. Similarly Pakistan imposes a sales tax of up to 15 per cent and a withholding tax of up to 6 per cent. For selected products in addition to a sales tax a federal excise duty is charged. While para-tariff measures are in most cases applied in a non-discriminatory manner, there is need to apply them in rational manner. For instance, exporters in Pakistan have to mention the minimum retail price (MRP) on packaged foods but they are unable to so because they do not always have information on distribution costs that would be incurred in India. Traders in Pakistan find the costs of their exports prohibitive on account of inter-state taxes imposed on movement of goods in India.

3.7 Visas

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

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[12] The following payments are not eligible to be settled through ACU (i) payments between Nepal & India and Bhutan & India, with some exceptions, (ii) payments which are not on account of current international transactions as defined by the International Monetary Fund, except to the extent mutually agreed upon between Reserve Bank and the other participants, (iii) such other payments as may be declared ineligible by the Asian Clearing Union.

the bilateral visa regime and with the SAARC visa scheme. These barriers are listed below.

The survey revealed that visas are the single most important non-tariff barrier to trade between the two countries. Lack of transparency and various restrictions restrict movements of people across borders. Some of the characteristics of the visa regime and the barriers faced by traders are listed below:

City Specific Visa

Both the Indian and Pakistani authorities require that the visa applicant should have invitations from sponsors in each city intended to be visited. This is a major impediment for traders as they are unable to visit cities where they cannot locate sponsors. It also inhibits traders from entering into new partnerships. For instance, several soybean meal importers in Pakistan have their trading partners located in Delhi simply because they get visas to Delhi. Most of the soyabean meal is produced in the Madhya Pradesh belt but the Pakistani traders cannot visit these areas unless they can identify sponsors. Similarly, Indian importers would like to visit the Sialkot belt in Pakistan where most of the manufacturers of surgical instruments are located. Currently, imports of surgical instruments from Pakistan into India are miniscule but have a potential to increase if traders and manufacturers are allowed to travel freely.

Visa for Limited Number of Cities:

Visas are granted only for a limited number of cities. In most cases India and Pakistan grant visas for three cities per visit only. As a result the trader is forced to locate a trading partner in these cities only. This restricts the trader from exploring trade possibilities in other areas. In some cases, the Consulates in both countries exercise discretionary powers to grant visas for more than three cities.

Limited Period of Stay

In most cases visas are offered only for a period of 15 days. Several traders mentioned that they would like to visit their partner country for a longer duration of time. This was reported in the survey conducted in both India and Pakistan.

Requirement of Police Reporting

Indians visiting Pakistan and vice versa are required to report to the police on arrival and before departing from the country. This causes undue harassment to business delegates.

Port of Entry and Exit

Indians and Pakistanis visiting either country have to make an entry and exit from the same port. This is a reciprocal arrangement between the two countries. Often traders are not able to undertake a cost effective trip as they have to travel back and forth to be able to make an exit from the port of entry.

Criterion for Rejecting Visa for Members of Business Delegations

Pakistani business delegations to India complained that they do not get visas for all delegates. Only a limited number of visas are granted. Delegates are not clear about the criteria on the basis of which visas are granted or rejected.

Visa for Technical Services

Pakistani business often requires technical services from India in the engineering and chemical sectors. However, Indians find it difficult to get visas. The recent expansion of the positive list is expected to lead to increased trade in textile machinery in the coming months.[13] Traders have pointed out that almost every transaction will have to be accompanied with a flow of technical experts who would need to install the machinery in Pakistan. Pakistani business fears that visa to technical experts may not be granted easily.

Mode Specific Visa

Some traders in Pakistan mentioned that the Indian High Commission granted a visa that allowed them to travel by rail only. Visa officers often use their discretion to grant a mode-specific visa for travel. No such instance was recorded in the Indian survey.

Disregarding Requested Date of Entry

Pakistan traders requesting for a visa from a specific date are sometimes granted a visa for a different period which may not suit the trader at all. The visa officers often disregard the period for which a visa request has been made. For instance, if a trade fair is to be held from October 3-5, 2005, visas could be granted from October 6, 2005 – effectively defeating the purpose of the visit. This was also reported by Indian traders.

Number of Entries

Multiple entry visas are not granted. Some traders do get visas that allow them a double or triple entry within a period of six months. However the criterion as to who could be eligible for such visas is not clear. This was observed in India and Pakistan.

Delay in Granting Visa

Indian and Pakistani traders reported that they faced a delay in getting their visas. In Pakistan, traders mentioned that obtaining a visa for India could take as long as six weeks particularly when they courier their applications. For every visit the passport has to be submitted to the visa office where it is held for almost 15 days. Traders mentioned that they have to schedule a month for a visit to India.

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[13] It may be noted that even though demand for textile items is expected to increase these items do not appear in the top 50 items that have export potential from India.

Visa for Amritsar

Pakistani traders find it difficult to get visas for Amritsar. Traders in Amritsar have pointed out that the visa restrictions imposed in 1983 continue to be as stringent even today. Traders have pointed out that these conditions need to be reviewed in the current political context.

SAARC Visa

In order to further promote closer and more frequent contacts among the peoples of the region, the SAARC Visa Exemption Scheme was initiated in 1988 but became operational from March 1, 1992. Currently, persons entitled to the Scheme are the Supreme Court Judges, Members of the National Parliaments, Heads of National Academic Institutions, Foreign/Permanent Secretaries dealing with foreign affairs, SAARC Secretary-General and Directors of the SAARC Secretariat, Presidents of National Chambers of Commerce and Industry and their accompanying spouses and dependent children below 18 years of age.

Several Indian and Pakistani nationals have been granted SAARC visas which allow them to travel freely. The advantage of the SAARC visa is that there is no requirement of an invitation from a sponsor and no visa formalities are required. There is also no limit on the number of cities per visit. However, Pakistani SAARC visa holders have complained that if they make an entry through Wagah/Amritsar they are granted visas for only eight cities. Traders have also complained that whenever there is political tension between the two countries the status of the SAARC visa changes. Since July 2006, Pakistani SAARC visa holders are required to fill up visa forms (in triplicate) on arrival. Indian delegates holding SAARC visas have not faced any problem in visiting Pakistan.

To summarize, India and Pakistan follow a restrictive visa regime. However, the Consulates in both countries exercise tremendous discretionary powers in granting visas and waiving visa requirements that include exemption from scrutiny by the Ministry of Home Affairs in India/Ministry of Interiors in Pakistan, extending the length of stay, exemption from police reporting and number of cities to be visited. Selected traders who are beneficiaries of such largesse make repeated visits and have access to trade related information. On the other hand, lack of transparency, market imperfections and information asymmetries of this kind raise transaction costs and restrict market access for several other aspiring traders.

Indian officials argue that on security grounds rigorous screening of visas is essential. While it is true that no compromise can be made on national security issues, it needs to be recognized that genuine traders often become victims of a strict visa regime. As trade flows increase, more people are likely to travel. As pointed out earlier, visa restrictions are the most important non-tariff barrier. New solutions need to be worked out so that a more liberal visa regime can be put in place.

4. Concluding Remarks

In an effort to promote trade and economic relations between India and Pakistan this paper focuses on identifying bilateral trade possibilities and identifying non-tariff barriers to Indo-Pak trade.

The study shows that there is large untapped trade potential between the two countries of US$11.7 billion. The export potential from Pakistan to India is US$ 2.2 billion while that from India to Pakistan is to the tune of US$ 9.5 billion. An examination of the top 50 potential export items from Pakistan indicates that India is importing 45 of these items from the rest of the world but not from Pakistan. An examination of the top 50 items having export potential from India indicates that only 22 items are on the positive list.

It has been expressed by trade representatives and government in Pakistan that India imposes non-tariff barriers on Pakistani imports, hence imports into India from Pakistan are low. On the other hand, Indian academia, policy makers and trade representatives have argued that the positive list approach restricts market access into Pakistan. To examine the validity of these arguments a survey was conducted in Delhi, Mumbai, Kolkata, Amritsar and Bhopal in India and in Karachi, Lahore and Islamabad in Pakistan.

The broad categories within which barriers have been identified include positive list approach, technical barriers to trade and sanitary and phytosanitary measures, trade facilitation and customs procedures, financial measures, para-tariff measures and visas.

The study finds that even though the two countries have liberalized their import regimes, Pakistan continues to follow a positive list approach towards Indian imports. The policy is a gross violation of the SAFTA Agreement. The application of the positive list approach lacks transparency, creates uncertainties for traders and leads to high transaction costs. The expansion of the positive list is done in consultation with industry bodies but no clear criterion is applied to determine these items. In fact there continue to be products that are of trade interest but have not been included in the positive list so far. This was indicated by the fact that in the recent expansion of the positive list by 302 items only two appeared in the top 50 items that were of export interest to India and of import interest to Pakistan. Dismantling the positive list approach would undoubtedly be a positive step towards enhancing Indo-Pak trade. However, as an immediate step, the positive list should include items only at the HS 6-digit level and not at the 8-digit level as the international code matching is not possible beyond the 6-digit level.

The imposition and application of standards in India is often perceived as non-tariff barriers by Pakistan. An effective consumer protection law in India ensures the application of rigorous domestic standards (and to imports as well). However, in the application of these standards, Pakistani traders (as well as other countries) do face problems. Notable amongst these are the multiplicity in Indian standards, multiplicity of rules, regulations and enforcement agencies. Since information flows on trade related matters between the two countries is particularly weak, the problems gets compounded.

The two most important items in which Pakistan has an export interest are textiles and agricultural products. Pakistani exporters feel that it is precisely these two items where import restrictions are most rigorously applied by India. Hence, even though India has the lowest number of items in the sensitive list under SAFTA, it has the largest proportion of items under textile and agricultural products.

Thus even though TBT and SPS measures are not discriminatory, Pakistani exports to India are affected by these measures If India rationalizes its non-tariff measures, it would encourage imports from all countries including Pakistan. Perhaps what has not come to the notice of industry representatives and policy makers is the fact that the existing import regime is applicable to all countries alike, yet there are several items that India is importing from other countries but not from Pakistan. This indicates that there is a huge information gap on items that can be imported by India from Pakistan. Government and industry bodies need to make a concerted effort to bridge this information gap. This can be done effectively through web-portals specifically designed to provide information on Indo-Pak trade, holding trade fairs and exhibitions in each other's countries etc.

While the study indicates that TBT and SPS measures applied by India are not discriminatory, it needs to be noted that any measure applied at the land border becomes specific to India and Pakistan. Hence trade facilitation measures undertaken by both countries at the land border become important. While both countries lack adequate rail and road infrastructure some problems are of concern to individual countries. Even though the bilateral protocols between the two countries pertain to Mumbai-Karachi route by sea, Attari rail border and Wagah road border, India has notified 10 additional rail and road routes for trading between India and Pakistan. India and Pakistan impose restrictions on movements of certain items by the rail route. While Pakistan does not allow cotton to be imported by the rail route, it is not too clear as to why India does not import molasses by rail any longer. Road transport is the most efficient mode of transport, yet, Pakistan allows only five items to be imported by the road route and one item to be exported by the road route. Pakistan could increase its exports to India significantly if it allows more items to be exported by the road route. India does not impose any restriction on items to be traded by the road route. India lacks testing facilities at the border which needs to be addressed immediately.

The Indian Government has recently sanctioned setting up of 13 Integrated Check Posts (ICP) at the various land borders including one at the Wagah border. The ICP at Wagah is slated to be a state-of-the-art land customs station which would address all existing problems related to trade and transport facilitation. However, for this upgradation to have a full impact on trade, Pakistan would have to upgrade its own facilities simultaneously. If Pakistan does not do so it would not only nullify attempts being made by India but would also imply a huge financial loss to the exchequer.

The study suggests that the rationale for setting up the Asian Clearing Union needs to be re-examined as the initial conditions that justified such a mechanism may not prevail any longer. Also the efficiency of this mechanism needs to be compared with alternative payment mechanisms that are available today. Traders feel vulnerable due to a lack of a formal dispute settlement mechanism. The two countries need to have an institutional arrangement so that the state, private and foreign banks can participate freely in banking transactions.

India and Pakistan follow an extremely restrictive visa regime. Granting city specific visa, visa for a limited number of cities, limited number of entries and for a limited period of stay, requirement of police reporting on arrival and before departure, requirement of exit from the port of entry, lack of criterion for rejection of visa, granting mode-specific visa, disregarding requested date of entry, and delay in granting visa are some of the restrictions that were reported in the survey. Yet, the visa Consulates in both countries exercises tremendous discretionary powers in granting visas and waiving visa requirements. Selected traders who are beneficiaries of such largesse make repeated visits and have access to trade related information. On the other hand lack of transparency, market imperfections and information asymmetries of this kind raise transaction costs and restrict market access for several other aspiring traders. As trade flows increase, there would be greater demand for visas. New solutions need to be worked out to ease visa barriers between the two countries. A step forward in this direction could mark the beginning of greater trade and economic cooperation between the two countries.

5. Policy Recommendations

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

(i) Pakistan should abandon the positive list approach and trade with India on MFN basis. As an interim trade facilitation measure the positive list should include items at the 6-digit HS code level and not at the 8-digit level

(ii) Both countries need to improve infrastructure and streamline and harmonize customs procedures at the land borders. Emphasis should be laid on coordinating efforts in both countries.

(iii) More rail and rode routes should be opened up while the existing capacities on operational routes need to be expanded.

(iv) The Bilateral Rail Protocol needs to be amended to address problems of wagon availability and wagon balancing.

(v) India and Pakistan should introduce EDI facilities to facilitate trade. Integrating the rules of origin certification between the customs and the issuing authority would also help in reducing processing time.

(vi) Restrictions on items to be traded on the Attari rail route should be removed by India and Pakistan.

(vii) Pakistan should remove the restriction on items to be traded on the existing road route.

(viii) India and Pakistan should create adequate testing facilities at the land borders so that no trade restrictions are imposed on the ground that testing facilities are not available.

(ix) Entering into Mutual Recognition Agreements would help in recognizing each other's technical standards.

(x) India should simplify and introduce greater transparency in procedures related to implementation of standards.

(xi) India should address problems related to security considerations so that bona fide traders do not incur transaction costs.

(xii) Trade related information particularly pertaining to the policy environment and on commodities and quantities to be traded should be disseminated widely through establishment of web portals by government and private initiatives, and holding exhibitions and trade fairs.

(xiii) Banking facilities need to be improved and facilitated in both countries through appropriate institutional mechanisms.

(xiv) Setting up a formal dispute resolution body would help in addressing problems of traders in both countries.

(xv) Lastly, but perhaps the most important recommendation pertains to easing visa restrictions so that trade can be carried out in a freer environment. A liberal visa regime would serve as an effective channel for information exchange on trade related matters between the two countries.

APPENDIX

Table A 1: India’s Trade with Pakistan

Year	India's Exports to Pakistan (Us $ mn)	India's Imports from Pakistan (US $mn)	Total Trade	Number of Items Exported to Pakistan	Number of Items Imported from Pakistan
1996-97	157	36	193	641	112
1997-98	143	44	187	837	132
1998-99	106	214	320	936	187
1999-00	93	68	161	899	189
2000-01	187	64	251	989	243
2001-02	144	65	209	1021	287
2002-03	206	45	251	1111	233
2003-04	287	58	345	1233	306
2004-05	521	95	616	1515	487
2005-06	689	180	869	1895	518

Source: Directorate General of Foreign Trade, Government of India

Table A 2: Percentage share of South Asian Countries in India's trade with SAARC Nations

	2000-01	2001-02	2002-03	2003-04	2004-05	2005-06
Afghanistan	2.1	1.6	2.4	3.7	3.8	2.9
Bangladesh	41.5	40.2	37.3	36.3	30.2	25.7
Bhutan	0.9	1.2	2.1	2.8	2.8	2.7
Maldives	1.0	1.0	1.0	0.9	0.9	1.0
Nepal	16.2	21.6	19.1	19.1	19.4	17.8
Pakistan	10.3	7.9	7.6	6.9	11.0	12.5
Sri Lanka	28.0	26.4	30.5	30.3	32.0	37.4
Total trade	2447.0	2639.0	3315.0	5003.0	5603.0	6961.0

Table A 3: Section-wise breakup of India's exports to Pakistan (2000-01 & 2005-06)

US$ Million

Section	Section Description	2000-01	2005-06
I	Live animals; animal products	0	14
II	Vegetable products	22	63
III	Animal or vegetable fats and oils and their cleavage products; pre-edible fats;	0	1
IV	Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	75	88
V	Mineral products	5	45
VI	Products of the chemical or allied industries	51	241
VII	Plastics and articles thereof, rubber and articles thereof	22	88
VIII	Raw hides and skins, leather, furskins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	0	0
IX	Wood and articles of wood; wood charcoal; cork and articles of cork; manufacturers of straw, of esparto or of other plating materials; basketware and wickerwork	0	0
X	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof	1	5
XI	Textiles and textile articles	1	78
XII	Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, eatsticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers, articles of human hair	0	0
XIII	Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0	2
XIV	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	0	0
XV	Base metals and articles of base metal	4	45
XVI	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	2	7
XVII	Vehicles, aircraft, vessels and associated transport equipment	0	0
XVIII	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	0	2
IXX	Miscellaneous manufactured articles	0	4
XX	Works of art, collectors' pieces and antiques		3
XXI	Miscellaneous goods.	1	2
	Total Value	**187**	**689**

Source: Directorate General of Foreign Trade, Government of India

Table A 4: Section-wise breakup of India's imports from Pakistan (2000-01 & 2005-06)

US $ Million

Section	Section Description	2000-01	2005-06
I	Live animals; animal products	0	1
II	Vegetable products	31	98
III	Prepared foodstuffs; beverages, spirits and vinegar; tobacco and manufactured tobacco substitutes	5	7
IV	Mineral products	1	1
V	Products of the chemical or allied industries	21	24
VI	Plastics and articles thereof, rubber and articles thereof	0	2
VII	Raw hides and skins, leather, fur skins and articles thereof; saddlery and harness; travel goods, handbags and similar containers; articles of animal gut (other than silk-worm gut)	0	2
VIII	Wood and articles of wood; wood charcoal; cork and articles of cork; manufacturers of straw, of esparto or of other plating materials; basketware and wickerwork	0	
IX	Pulp of wood or of other fibrous cellulosic material; recovered (waste and scrap) paper or paperboard; paper and paperboard and articles thereof	0	0
X	Textiles and textile articles	2	36
XI	Footwear, headgear, umbrellas, sun umbrellas, walking-sticks, eatsticks, whips, riding-crops and parts thereof; prepared feathers and articles made therewith; artificial flowers, articles of human hair	0	0
XII	Articles of stone, plaster, cement, asbestos, mica or similar materials; ceramic products; glass and glassware	0	0
XIII	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad with precious metal, and articles thereof; imitation jewellery; coin	0	0
XIV	Base metals and articles of base metal	1	7
XV	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	0	1
XVI	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	0	1
XVII	Miscellaneous manufactured articles		0
XVIII	Works of art, collectors' pieces and antiques		
XIX	Miscellaneous goods.	1	0
	Total Value	**63**	**180**

Source: Directorate General of Foreign Trade, Government of India

Table A 5: Import possibilities for India from Pakistan

Textile items:

S.No.	HS Code	Description	India's imports from RoW in 2005 ($'000)	Pakistan's exports to RoW in 2005($'000)	India's imports from Pakistan in 2005($'000)	Trade potential
1	520859	Woven fabrics of cotton greater and equal to 85%	310862	91495		91495
2	630790	Made-up articles, of textile materials, nes, including dress patterns	96978	61508		61508
3	611420	Garments nes, of cotton, knitted	42524	119520		42524
4	611020	Pullovers, cardigans and similar articles of cotton, knitted	390111	42410		42410
5	610610	Women's/girls blouses and shirts, of cotton, knitted	31190	53347		31190
6	600299	Knitted or crocheted fabrics, of other materials, nes	26334	37594		26334
7	630260	Toilet & kitchen linen, of terry towelling or similar terry fab, of cotton	25659	569286		25659
8	610462	Women's/girls trousers and shorts, of cotton, knitted	80175	22051		22051
9	521011	Plain weave cotton fab, greater than 85%	20819	42104		20819
10	520851	Plain weave cotton fabrics, greater and equal to 85%, printed	61953	19775		19775
11	620452	Women's/girls skirts, of cotton, not knitted	28612	16770		16770
12	610711	Men's/boys underpants and briefs, of cotton, knitted	18056	16564		16564
13	540233	Textured yarn nes, of polyester filaments, not put up for retail sale	22767	15970		15970
14	630231	Bed linen, of cotton, nes	14291	1057708		14291
15	630520	Sacks and bags, for packing of goods, of cotton	17529	14182		14182
16	630391	Curtains/drapes/interior blinds & curtain/bd valances, of cotton, not knit	14165	60768		14165
17	520829	Woven fabrics of cotton, Greater and equal to 85%, bleached	14102	46328		14102
18	630232	Bed linen, of man-made fibres, nes	13419	273872		13419
19	620332	Men's/boys jackets and blazers, of cotton, not knitted	13299	58934		13299
20	630392	Curtains/drapes/interior blinds curtain/bd valances ,of syn fib ,nt knit	47428	12526		12526
21	521111	Plain weave cotton fab,<85% mixed w m-m fib,more than 200 g/m2,unbleached	11869	33867		11869
22	521142	Denim fabrics of cotton, Greater than 85%	11794	33318		11794
23	611520	Women's full-l/knee-l hosiery, of textile yarn<67 dtex/single yarn knitted	11061	151882		11061
24	570110	Carpets of wool or fine animal hair, knotted	9869	275837		9869
25	630291	Toilet and kitchen linen, of cotton, nes	9205	20424		9205

S.No.	HS Code	Description	India's imports from RoW in 2005 ($'000)	Pakistan's exports to RoW in 2005($'000)	India's imports from Pakistan in 2005($'000)	Trade potential
26	620590	Men's/boys shirts, of other textile materials, not knitted	9133	15451		9133
27	620469	Women's/girls' trousers & shorts, of other textile materials, not knitted	8948	33606		8948

Non-textile items:

S.No.	HS Code	Description	India's imports from RoW in 2005 ($'000)	Pakistan's exports to RoW in 2005($'000)	India's imports from Pakistan in 2005($'000)	Trade potential
1	640510	Footwear with uppers of leather or composition leather, nes	58642	67644		58642
2	071320	Chickpeas, dried, shelled, whether or not skinned or split	39227	33416	231	33185
3	261000	Chromium ores and concentrates	145880	30427		30427
4	420321	Gloves, mittens & mitts,for sports ,of leather or of composition leather	1120543	30358		30358
5	640391	Footwear, outer soles of rubber/plast uppers of leather covg ankle nes	57572	28016		28016
6	080410	Dates, fresh or dried	138750	30387	2896	27491
7	410439	Bovine and equine leather, nes	26468	126536		26468
8	220720	Ethyl alcohol and other spirits, denatured, of any strength	25295	41748		25295
9	940490	Articles of bedding/furnishing, nes, stuffed or internally fitted	22024	25266		22024
10	100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	19828	1099267	0	19828
11	130190	Natural gums, resins, gum-resins and balsam, except arabic gum	19299	25309	580	18719
12	640590	Footwear, nes	18587	20885		18587
13	080520	Mandarins (tang & sats) clementines & wilkgs & sim citrus hybrids,fresh/drid	18108	21395	292	17816
14	071390	Leguminous vegetables dried,shelled,whether or not skinnd or split,nes	15531	38040	112	15419
15	220710	Undenaturd ethyl alcohol of an alcohol strgth by vol of 80% vol/higher	859069	15165		15165
16	681599	Articles of stone or of other mineral substances nes	15036	15284		15036
17	071339	Beans dried, shelled, whether or not skinned or split, nes	18775	15025	0	15025
18	711319	Articles of jewelry & part thereof of/o prec met w/n platd/clad w prec met	19832	13860		13860

S.No.	HS Code	Description	India's imports from RoW in 2005 ($'000)	Pakistan's exports to RoW in 2005($'000)	India's imports from Pakistan in 2005($'000)	Trade potential
19	420500	Articles of leather or of composition leather, nes	12247	42118		12247
20	844090	Parts of book-binding machinery including book-sewing machines	10696	9610		9610
21	730610	Pipe,line,i or s,weldd,rivetd or sim closd ,nes, for oil or gas pipeline	9132	15905		9132
22	390319	Polystyrene nes	42263	8805		8805
23	120740	Sesamum seeds, whether or not broken	11329	8561	0	8561

Source: PCTAS UN/COMNTRADE Database, (trade statistics for 2005)
Notes:
1. All figures are in US$'000
2. India's imports above $100,000 have been included (66 items-26 no- textile items and 40 textile items)

Table A 6: Export Possibilities from India to Pakistan

Textile Items:

S.No.	HS code	Description	India's exports to RoW in 2005	Pakistan's imports from RoW in 2005	Pakistan's imports from India in 2005	Trade Potential	Positive list
1	520100	Cotton, not carded or combed	639447	482423	22103	460320	**Yes**
2	540233	Textured yarn nes, of polyester filaments, not put up for retail sale	60652	56706	74	56632	**No**
3	550320	Staple fibres of polyesters, not carded or combed	48379	47139		47139	**No**

Non-textile items:

S.No.	HS code	Description	India's exports to RoW in 2005	Pakistan's imports from RoW in 2005	Pakistan's imports from India in 2005	Trade Potential	Positive list
1	870321	Automobiles w reciprocating piston engine displacing not more than 1000 cc	265744	255373		255373	**No**
2	870322	Automobiles w reciprocating piston engine displacing > 1000 cc to 1500 cc	485405	238179		238179	**No**
3	090240	Black tea (fermented) & partly fermented tea in packages exceeding 3 kg	292373	227,800	9,365	218435	**Yes**
4	290531	Ethylene glycol (ethanediol)	122636	192560		192560	**Yes***
5	870899	Motor vehicle parts nes	780573	177755	543	177212	**Yes**
6	390210	Polypropylene	222244	214551	47452	167099	**Yes**
7	870323	Automobiles w reciprocating piston engine displacing > 1500 cc to 3000 cc	141674	140163	56	140107	**No**
8	390120	Polyethylene having a specific gravity of 0.94 or more	228586	140032	505	139527	**No**
9	721049	Flat rolled prod,i/nas, plated or coated with zinc,>/=600mm wide, nes	1059096	136588	23	136565	**No**
10	300490	Medicaments nes, in dosage	1424499	114407	969	113438	**Yes**

S.No.	HS code	Description	India's exports to RoW in 2005	Pakistan's imports from RoW in 2005	Pakistan's imports from India in 2005	Trade Potential	Positive list
11	870421	Diesel powered trucks with a GVW not exceeding five tonnes	127406	88661		88661	**No**
12	380810	Insecticides, packaged for retail sale or formulated	496891	86282		86282	**Yes***
13	870190	Wheeled tractors nes	140693	85099		85099	**No**
14	890520	Floating or submersible drilling or production platforms	121733	82870		82870	**No**
15	401120	Pneumatic tires new of rubber for buses or lorries	337886	104901	25,299	79602	**No**
16	290243	P-xylene	440296	184289	107,352	76937	**Yes**
17	847989	Machines & mechanical appliances nes having individual functions	75567	89288	1	75566	**No**
18	170199	Refined sugar, in solid form, nes	76166	292302	694	75472	**Yes**
19	740311	Copper cathodes and sections of cathodes unwrought	677377	66284	0	66284	**Yes**
20	270119	Coal nes, whether or not pulverized but not agglomerated	60356	245467	2,102	58254	Yes
21	901890	Instruments and appliances used in medical or veterinary sciences, nes	66057	57985		57985	Yes
22	871120	Motorcycles with reciprocating piston engine displacing > 50 cc to 250 cc	226406	53564		53564	No
23	840999	Parts for diesel and semi-diesel engines	255394	52834		52834	Yes
24	880330	Aircraft parts nes	51561	61951		51561	No
25	852812	Colour television receivers	74932	50772		50772	No
26	999999	Commodities not specified according to kind	1028,051	51374	947	50427	No
27	760110	Aluminium unwrought, not alloyed	141150	50721	1,000	49721	Yes
28	847330	Parts & accessories of automatic data processing machines & units thereof	224006	47887	136	47751	No
29	720918	Cold rolled iron/steel, coils >600mm x <0.5mm	104913	46943		46943	No
30	841480	Air or gas compressors, hoods	44970	65846	366	44604	Yes
31	852990	Parts suitable f use solely/princ w the app of headings 85.25 to 85.28	42133	49953		42133	No
32	382490	Chemical/allied industry preparations/prods nes	43226	102866	3,361	39865	Yes
33	170111	Raw sugar, cane	39556	158043		39556	No
34	871419	Motorcycle parts nes	39438	50120	72	39366	No
35	870210	Diesel powered buses with a seating capacity of > nine persons	100037	36710		36710	No
36	294190	Antibiotics nes, in bulk	127087	43407	7,257	36150	Yes
37	848180	Taps, cocks, valves and similar appliances, nes	240755	36070		36070	No
38	390110	Polyethylene having a specific gravity of less than 0.94	38786	134192	3,713	35073	No
39	870422	Diesel powered trucks w a GVW exc five tonnes but not exc twenty tonnes	35114	51125	101	35013	No
40	852520	Transmission apparatus ,for radioteleph incorporating reception apparatus	34448	649386		34448	No
41	071320	Chickpeas, dried, shelled, whether or not skinned or split	34168	43088	160	34008	Yes

S.No.	HS code	Description	India's exports to RoW in 2005	Pakistan's imports from RoW in 2005	Pakistan's imports from India in 2005	Trade Potential	Positive list
42	841989	Machinery, plant/laboratory equip f treat of mat by change of temp nes	91656	34129	379	33750	Yes
43	320416	Reactive dyes and preparations based thereon	145585	40007	7,024	32983	Yes
44	260111	Iron ores & concentrates, other than roasted iron pyrites,non-agglomerated	3519748	96700	64,859	31841	Yes
45	730820	Towers and lattice masts, iron or steel	70826	30483		30483	No
46	270900	Petroleum oils and oils obtained from bituminous minerals, crude	30118	2784937		30118	No
47	392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	118783	30497	425	30072	Yes

Source: PCTAS UN/COMNTRADE Databas, (trade statistics for 2005)
Notes:
1. All figures are in $'000
2. Pakistan's imports above $20 million have been retained (66 items- 63 non-textile items and 3 textile items)
3. 30 of these are on the positive list for India.
*4. *denotes the 5 items which are among the 302 items added to the positive list through Pakistan's Import Policy Order 2006.*

Table A 7: Comparison of UNCTAD's Trains and WTO/GATT Inventory of NTMs

UNCTAD TRAINS		**WTO/GATT Inventory**
Price Control Measures		**Govt. Participation in Trade and**
		Restrictive Practices Tolerated by Govts.
A Administrative pricing	A	Government aids
B Voluntary Export Price restraint	B	Countervailing duties
C Variable charges	C	Govt. Procurement
D Anti-dumping Measures	D	Restrictive Practices tolerated by Govts
E Countervailing Measures	E	State Trading, Government monopoly
Finance Control Measures		practices, etc.
A Advance Payment Requirements		**Customs and Administrative Entry**
B Multiple exchange rates		**Procedures**
C Restrictive official foreign exchange	A	Anti-dumping duties
allocation	B	Valuation
D Regulations covering term of payment for	C	Customs classification
import	D	Consular formalities and documentation
E Transfer delays	E	Samples
Automatic Licensing Measures	F	Rules of origin
A Automatic licence	G	Customs Formalities
B Import Monitoring		**Technical Barriers to Trade**
C Surrender requirement	A	General
Quantity Control Measures	B	Technical Regulation and subsidies
A Non-automatic Licensing	C	Testing and certification arrangements
B Quotas		**Specific Limitation**
C Import prohibitions	A	Quantitative Restriction and import
D Export Restraint arrangement		licensing
E Enterprise specific Restrictions	B	Embargoes and other restrictions of similar
Monopolistic measures		effect
A Single channel for imports	C	Screen time Quotas and other mixing
B Compulsory National Services		regulations.
Technical Measures	D	Exchange control
A Technical Regulations	E	Discrimination resulting from bilateral
B Pre-shipment formalities		agreements
C Special customs formalities	F	Discriminatory sourcing
D Obligation to retain used products	G	Export Restraints
Miscellaneous measures for sensitive	H	Measures to regulate domestic prices
product	I	Tariff Quotas
Categories	J	Export Taxes
A Marketable permits	K	Requirement concerning making, labeling,
B Public procurement		and packaging
C Voluntary instruments	L	Others
D Product liability		**Charges on Imports**
E Subsidies	A	Prior Import deposits
	B	Surcharges, port taxes, statistical taxes, etc
	C	Discriminating film taxes, use taxes, etc.
	D	Discriminatory credit restrictions
	E	Border tax adjustments
	F	Emergency Action

Source: Bijit Bora (2003)

Table A 8: Proportion of major Commodity Groups under Positive List

	Section Description	Codes	Number of items as per SRO 489 (1)/2000 as a per cent of the total items*	Additions made as per Import Policy Order,2006 as a per cent of the total**	Additions made as per SRO 1100 (I)/2006 as a per cent of the total ***
II	Vegetable products	06-14	8	5	0
V	Mineral products	25-27	4	3	2
VI	Products of the chemical or allied industries	28-38	30	47	16
VII	Plastics and articles thereof, rubber and articles thereof	39-40	3	5	1
IX	Wood and articles of wood; wood charcoal; cork and articles of cork; manufacturers of straw, of esparto or of other plating materials; basketware and wickerwork	44-46	7		
XV	Base metals and articles of base metal	72-83	19	3	13
XVI	Machinery and mechanical appliances; electrical equipment; parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles	84-85	9	22	57
XVIII	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; clocks and watches; musical instruments; parts and accessories thereof	90-92	4	6	4
	Other goods		15	9	8
	Total		100	100	100

Source: Pakistan Import Policy Orders
**   600 items*
*** 173 items*
**** 302 items*

Table A 9: List of Potential Items on the Positive List (Pakistan Survey)

Sr.	H.S.Code No.	Description
1.	3926.9090	Heat Shrinkable sleeves
2.	4805.9110	Having Di-electric strength not less than 0.5 kv per millimetre
3.	4805.9210	Having Di-electric strength not less than 0.5 kv per millimetre
4.	4805.9310	Having Di-electric strength not less than 0.5 kv per millimetre
5.	7019.3100	Glass Fibre Sheets
6.	7208.0000	Hot Rolled Steel Sheets
7.	7209.0000	Cold Rolled Steel Sheets
8.	7722.1900	Shaft Steel
9.	7225.1900	Electrical Steel Sheets
10.	8408. 9000	Diesel Engines
11.	8503.0000	Housing for Motors./Parts for Motors
12.	8504.9010	On load Tap Changers for Power Transformers
13.	8504.9020	Bushing for Transformers
14.	8531.8000	Indicators
15.	8532.0000	Capacitors
16.	8535.1000	HT Fuses
17.	8535.3010	HT Load Break Switches up to 17.5 kv
18.	8535.3090	Others
19.	8536.1000	HRC Fuses
20.	8536.4900	Relays
21.	8536.5090	Switches for Industrial use
22.	8536.5090	Earthing Switches
23.	8536.9030	Magnetic Contactors
24.	8536.9090	Connectors
25.	8536.9090	Terminals
26.	8538.9090	Push Buttons
27.	8539.2990	Indicating Lamps
28.	8541.4000	Photosensitive semiconductor devices, including photovoltaic cells whether or not assembled in modules or made-up into panels; light emitting diodes
29.	8546.9000	Epoxy Insulators
30.	8547.9090	Insulating material
31.	9030.3910	Voltmeter
32.	9030.3920	Ammeter
33.	9030.3990	Power Factor Meter
34.	9030.3990	Frequency Meter
35.	9030.3990	Synchronoscope
36.	9030.3990	Shunt
37.	9030.3990	Energy Analysers

Table A 10: Items exported from India but NOT on Pakistan's Positive List (2-Digit HS Classification)

In Rs. lakhs

HS Code	Description	India's exports to Pakistan (2005-06)
3	Fish and crustaceans, molluscs and other aquatic invertebrates	25
20	Preparations of vegetables, fruits, nuts or other parts of plants	20
24	Tobacco and manufactured tobacco substitutes	186
56	Wadding, felt and non-woven; special yarns; twine, cordage, ropes and cables and articles thereof	33
57	Carpets and other textile floor coverings	5
61	Articles of apparel and clothing accessories, knitted or crocheted	450
62	Articles of apparel and clothing accessories, not knitted or crocheted	27
63	Other made-up textile articles; sets; worn textile articles; rags	5338
64	Footwear, gaiters and the like; parts of such articles	24
65	Headgear and parts thereof	3
67	Prepared feathers & down with articles, artificial flowers; articles of human hair	8
94	Furniture, bedding and allied articles; lighting, fittings, illuminated articles; prefabricated buildings	1340

Source: Directorate-General of Foreign Trade, Government of India & Import Policy Order, 2006, Government of Pakistan

Table A 11: Commodity-wise Proportion of Tariff Lines in Sensitive List

	Share of Tariff Lines (%)	
Commodity Group	***India***	***Pakistan***
Live Animals, Animal Products	3.0	1.7
Vegetable Products	20.2	4.2
Animal/Vegetable Fats, Oils, Waxes	3.6	2.4
Prepared Foodstuffs, Beverages, Spirits, Tobacco	7.6	3.0
Chemical and Allied Industries	3.8	6.3
Plastics, Rubbers	10.7	9.8
Wood Pulp, Paper, Paperboard, Scrap/Waste Paper	1.5	4.0
Textiles and Textile Articles	34.2	24.1
Footwear, Headgear, Umbrellas, Walking Sticks, Riding Crops	1.9	1.3
Stone, Plaster, Cement, Asbestos, Mica, Ceramic, Glass, Glassware	1.0	5.0
Base Metals	6.8	11.0
Machinery, Mechanical Appliances, Electrical Appliances	3.0	17.2
Vehicles, Aircraft, Vessels, Transportation Equipment	0.5	6.0
Miscellaneous Manufactured Articles	0.3	0.9
Others	1.8	2.9
Total (%)	100.0	100.0
Total Number of items in Sensitive List	884	1183

Note: Sensitive List includes items applicable to non-LDCs.

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