An Analysis of Agricultural Trade Between India and Pakistan Under the World Trade Organization

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Abstract

Two of South Asia's most populous countries, India and Pakistan, have struggled to adjust to the WTO's rigorously competitive free market (WTO). Recent political and economic stability in both nations suggests they may soon be ready to join the World Trade Organization and the international trade system it facilitates (WTO). The purpose of this research is to determine whether and how frequently India and Pakistan conduct agricultural commerce with one another. According to our findings, Pakistan has the potential to provide India with a sizable share of the Indian market for agricultural products. Pakistan is the world's second-largest cotton producer, which lends credence to these findings. Pakistan likely has a negative trade balance with India because India buys less agricultural products from Pakistan than Pakistan sends to India. Additionally, when two nations exchange commodities, one may benefit from the other's comparative disadvantages. Commercial trade in agricultural goods between the two countries continues to be hampered by tariff and non-tariff barriers despite attempts to remove them. This is the present situation regardless of the result of SAFTA and should be used as such.

Keywords:*Agriculture, SAFTA MFN, exports, imports, the World Trade Organization, and ties between India and Pakistan.*

Introduction

Historically, trade between neighbouring nations has been essential to the development and prosperity of both sides. Trade between countries, both developed and developing, is crucial to economic development. International trade research has shown that physical proximity to markets significantly affects the volume and frequency of product transfers. Geographical proximity is often used to justify the existence of regional trade blocs.[1]Since neighbouring nations often trade less with one another than with more distant countries, regional economic relations are frequently marred by historical animosity between neighbours. As a case study, commerce between India and Pakistan is almost a textbook example. South Asian preferential trade initiatives have stalled owing to decades of hostility between the region's two major economies. The relationship between India and Pakistan is receiving a lot of attention from across the globe since it has reached a critical moment when the two countries' massive economic advantages might be exploited as an effective manner of conflict resolution.[2]The 2006 edition of "Chand," page two. Since the 1990s and particularly the 2000s, most countries have liberalised their trade as part of economic changes implemented by themselves and supported by the policies of the World Trade Organization (WTO). One of the most consequential developments in the global trading system is the increasing prominence of regional groupings, and in particular bilateral trade exchanges.[3]

Objective Of Study

My research will centre on how India and Pakistan were finally able to normalise their business connections inside the global trade system after a protracted political fight. This study looks at the prospects for increasing commerce between India and Pakistan under the aegis of the Agricultural Trade Provisions of the World Trade Organization.

Methodology And Data Analyze

Secondary sources may reveal India-Pakistan commercial relations. Our data is conflicting because we got it from so many sources. The study utilised bibliographic data, academic journal articles, and database entries. Indian government agencies gather and analyse business data. DGCIS, CMIE, and the Indian Institute of Foreign Trade are examples (IIFT). The Export-Import Databank of the Ministry of Commerce of India shows India's and Pakistan's agricultural exports in a time-series chart. The World Trade Center has great information on Pakistan's exports. MacMap, the WTO, and government websites provided tariff and non-tariff barrier data. The SAARC website was visited for SAFTA information. The paper cites faostat, indiastat, agricoop, etc. We analyse corporate performance from 1996–97 to 2012–13 using time series. Many developing countries expected a golden age of agricultural trade liberalisation in 1996–1997 when the WTO was established. The 2006 South Asia Free Trade Agreement was a turning point for South Asian economy (SAFTA). Before and after SAFTA's implementation, the two countries' economies are examined. Thus, we examined 2006–2007 commerce between the two countries. International trade development between fiscal years 2006-07 and 2012-13? The study illuminated how the regional trade agreement would effect agricultural commerce between the two countries.

The Origins Of The Bilateral Economic Relationship Between India And Pakistan

The events of last year may be better understood if they are placed in the context of the two nations' fight for independence. Mr. M.A. Jinnah, contemporary Pakistan's founder, wanted to keep the peace with India. In 1948–49, India bought up to 56% of Pakistan's exports, while 32% of Pakistan's imports originated in India. Despite these developments, business as usual was carried on between the two nations. Before 1955–56, India was Pakistan's primary commercial partner. [4]Many land routes were used for commerce between India and Pakistan between 1948 and 1965. Nine were located in Punjab, while three were located in Sindh, for a grand total of twelve. Following GATT Article 24/3, Pakistan and India signed a bilateral agreement on December 22, 1957, to promote trade along their common border (a). Pakistan and India strengthened their economic connections by signing 14 bilateral agreements between 1947 and 1965.[5] Banking offices are likely to be present in both Pakistan and India. Since 1965, nine different Indian banks have opened offices in Pakistan. The continued violence in Kashmir, however, began to play a part. Battle lines were drawn between the two nations not until 1965. The battle had a devastating effect on global trade. An agreement signed at Simla the previous year formally stopped hostilities between Pakistan and India. As a consequence of this arrangement, previously dormant commercial activity was picked back up in 1974. Both nations are committed to rising in the global rankings and have made significant strides in that direction. After both India and Pakistan joined the World Trade Organization in 1995, trade between the two nations exploded in 1996–97 and again in 2000–01. Since the year 2000, India's exports have expanded every year, both in terms of the volume of items sent and the breadth of products that Pakistan is prepared to purchase.[6]After a decade of trading, Pakistan is currently only responsible for a marginal share of India's imports. In an effort to encourage more trade between the two nations, Pakistan raised India to Most Favoured Nation (MFN)3 status in November 2011.Trade between these two nations has averaged over $2 billion year since 2011-12, when it was worth a record-breaking $2.4 billion.[7] Between 2012 and 2013, the export market in Pakistan grew by 28%, while that in India grew by 19%.

The present PPP administration has put off adopting India's MFN status until after the 2013 elections. Originally, the MFN decision was to have been made by the PML-N government of Pakistan in March 2014, however this has been delayed. Pakistan rebranded its version of MFN as "Non-Discriminatory Market Access" after receiving negative feedback on the original term "Most Favored Nation" (NDMA).[8]

The year ended on a positive note, with better ties between the two countries and cautious hope that trade discussions may be restarted in the new year. Indian allegations of Pakistani cooperation in the terrorist assaults on the Indian Air Force facility at Pathankot on January 2, 2014, and the Indian Army camp at Uri in the Baramullah region of north Kashmir on September 18, 2014, have exacerbated an already tense situation. 5 There is yet hope, since the government of Pakistan has pledged to investigate whether or not any organisations with Pakistani headquarters were involved in organising the attacks.[9]

Both India And Pakistan Have Signed A Free Trade Agreement

Political and geographical tensions have developed on both sides of the border, impacting commerce between India and Pakistan. In 1985, the member nations of the South Asian bloc led by India and Pakistan formed the South Asian Association for Regional Cooperation (SAARC), ushering in a period of tighter cooperation. With SAARC's help, SAPTA was inked in 1995, marking a significant political victory for India and the region. In January of 2004, the member nations of the South Asian Association for Regional Cooperation (SAARC) signed the SAFTA (South Asian Free Trade Area) Agreement in an effort to increase economic cooperation and attract international investment.There were four countries that were officially recognised as LDCs; Nepal, Bhutan, the Maldives, and Bangladesh. Neither Pakistan not India nor Sri Lanka were (NLDCs). Schedules for tariff cuts for LDCs and NLDCs are a part of SAFTA's goal of trade liberalisation. The "sensitive lists" of products for which the tariff reduction schedules do not apply may be kept secret between contracting parties if both parties agree to do so. Products included on national Sensitive Lists are exempt from SAFTA's reduced tariffs. Separate "sensitive lists" of goods for which the tariff reduction schedules do not apply may also be agreed upon between contracting parties. Tariff reductions under SAFTA do not apply to items on the Sensitive Lists of individual member countries.Governments may benefit from creating watch lists in order to safeguard their developing industries and/or essential customs revenue. Yet, if used too often, these "sensitive lists" might drive up prices for consumers and slow international trade.[10] The LDCs and NLDCs reaffirmed their commitment to one another by signing the Marrakesh Agreement, which established the World Trade Organization (WTO). All WTO members are required to deal with each other as though they were the "most favoured nation" (MFN). The Most Favored Nation (MFN) concept, which states that countries may not treat their trading partners differently, is a nondiscriminatory idea included in the General Agreement on Trade and Tariffs (GATT). In accordance with the MFN principle, all 159 members of the World

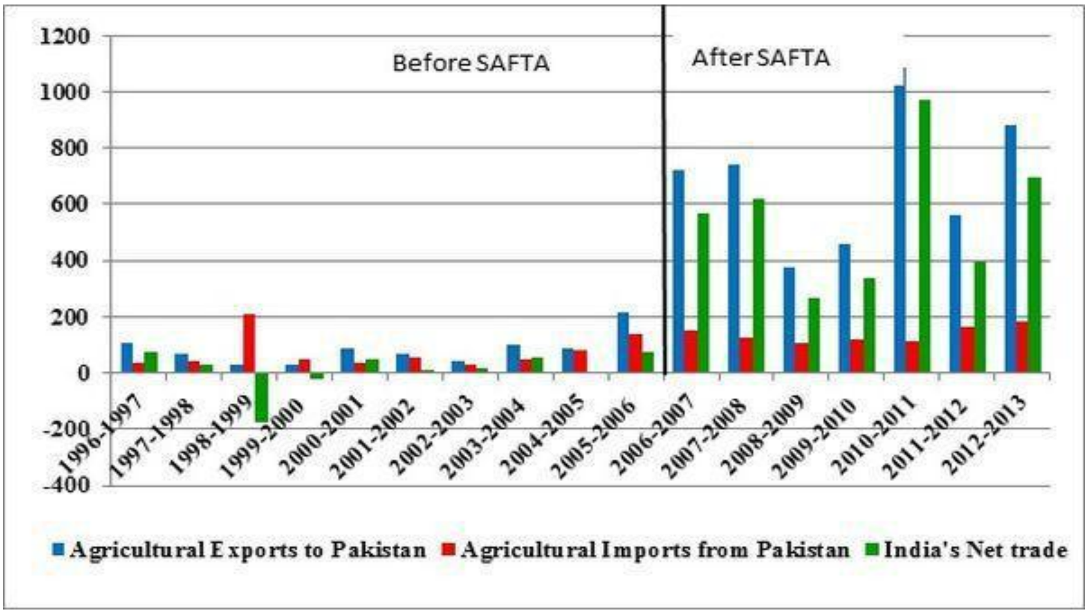
Trade Organization should be treated equally. The exceptions to the norm include places like customs unions, free trade zones, and zones where developing countries are given preferential treatment (World Trade Organization). The Indian government is certain that Pakistan would soon award it MFN status, as it did with India in 1996. Inasmuch as Pakistan has not granted India MFN status, India cannot be considered a "safe" country. In this case, Pakistan has a "negative list" of products that cannot be imported from India. There is a chance that India may buy a wide range of products from Pakistan till 2011. After the joint declaration in November 2011 detailed the whole phasing-in of MFN, Pakistan established a restricted negative list. As a result, India and Pakistan continue to keep each other on a black list while also keeping an eye on their SAFTA allies.[11]

India and Pakistan's Agricultural Commerce

Agricultural trade is often considered as one of the most controversial and strongly discussed subjects when discussing trade between the developing world and the industrialised west. Agriculture is seldom mentioned as a hindrance to increased bilateral trade between emerging countries. To the average person, it may seem like politics is more important than economics when it comes to India and Pakistan's trading relationship, and that any attempt to normalise trade and commercial links between the two nations is at risk due to the unpredictability and instability of the political relationship between the two countries. For instance, cross-economic linkages had been strengthened in the years leading up to the Mumbai attacks, but that work was undone by the bloodshed. Recent cross-border tensions have delayed Pakistan's original deadline of December 2012 to extend MFN to India. This time around, the agricultural lobby in Pakistan had a significant influence in the decision to delay MFN for India, in addition to political concerns. Protests were held in Islamabad by organisations that claim to speak for farmers throughout the country who are worried that cheap agricultural items from India could harm their livelihoods. They were heard by Pakistan's senate, which postponed the introduction of MFN status.[12]

The agriculture sector is particularly affected by SAFTA when it comes to commerce between India and Pakistan (Figure 1). The export of agricultural products from India showed a U-shaped pattern with a trough in 2004–2005. Exports dropped from $108 million to $26 million between 1996 and 1997, then increased to $100 million between 2003 and 2004. Pakistan's exports to India totaled an average of $40 million per year. On the other hand, they peaked at $207 million in 1998–1999 and stayed there until the next fiscal year, 2012–2013. Furthermore, only in 1998 and 1999 did Pakistan's exports to India outweigh its purchases from India. When India started sending large volumes of agricultural commodities to Pakistan in 2005, trade between the two countries took off. The amount of goods sent overseas in 2006–07 was 3.5% more than in the previous year. Even after a three-year drop, India's agricultural exports to Pakistan reached a total of $1 billion. Given this context, it is not surprising that India's exports to Pakistan have grown over time, although irregularly due to the country's political instability.[13] Since SAFTA went into force, the export market has grown rapidly. Agricultural exports from Pakistan to India have increased in value from a low point in 2005–06 to between $100 million and $200 million per year today. In 2006–07, India had a trade surplus of more than $500 million with Pakistan as exports increased at double the rate of imports. During 2010–2011, the deficit reached a record high of $969 million, before plummeting by more than half the following year. The net trade pattern has been strongly influenced by Indian agricultural exports to Pakistan and just little by Pakistani exports to India.[14]

An increase in agricultural trade between the two countries was evident in the 2006–07 fiscal year, when the SAFTA agreement went into force. India's agricultural exports to Pakistan have surpassed Pakistan's to India every year since 2006-07, but at a smaller rate each year. Agricultural exports to Pakistan were more stable than agricultural imports into Pakistan. It seems that the majority of India's exports to Pakistan went toward helping that country maintain a constant supply. This kind of commerce is typically the consequence of fluctuations in the production of the receiving nation as a direct effect of weather.[15]



Source: *India's Ministry of Commerce and Industry's EXIM Database*

Even yet, the significance of agriculture to the economies of India and Pakistan cannot be discounted. The sector is good for the economies and the workforces of both countries. Twenty-one percent of global GDP and almost half of the global labour force are involved in agriculture in some way. Pakistan (2012-13 Pakistan Economic Survey). It employs around half of India's working population and generates 14% of the country's GDP. The Economic Survey of India for 2012–13. While India's agricultural output is five times that of Pakistan's, Pakistan's agricultural output per capita is much higher. Climate and geography differences mean that the two countries produce quite different agricultural commodities, opening up enormous business opportunities. Most notably different are the policy regimes that govern the agriculture sectors of the two countries. After achieving independence, India put a premium on establishing and maintaining an interventionist agricultural system to ensure its inhabitants' continued access to adequate nutrition.[16] On average, 24 different crops are subject to high tariffs while the Indian government continues to subsidise agricultural inputs. In contrast, Pakistan's agriculture sector has been gradually liberalised with little governmental intervention. Tariffs on agricultural goods have decreased, and price supports and subsidies have been eliminated, as a consequence of market liberalisation. Except for wheat, which the government purchases at a publicly announced price, all other commodities are sold and bought at their respective market prices. Subsidies are harmful to Pakistan's agricultural economy because they lower production costs, distort pricing, and affect the volume and value of trade. There are a number of arguments on both sides of the question of market access. While Pakistan and India signed an MFN agreement in 1996, many think that Indian non-tariff barriers (NTBs), such as health and quality controls, are to blame for the lacklustre performance of Pakistan's agricultural exports to India. Standards for the Prevention of Disease and Quarantine. Limitations on visas for Indian Punjab are noted in the research as a major obstacle to the export of agricultural goods. Pakistan has not lifted MFN and still maintains a negative list with India, despite India's dominance in both the total and agricultural trade balances. India exports a wide variety of food and fibre products, including cotton, refined sugar, and even fresh vegetables. For the last two years running, Pakistan's most profitable agricultural export to India has been dried dates (US$ 47.2 million in 2011). In recent years, agricultural exports have increased in both volume and value. The high tariffs have impeded wheat and rice trade between the two countries.[17]

Find Out

Even though India and Pakistan are so close to one other geographically and economically, they did not begin to trade seriously until the late 1990s. Bilateral trade expanded in the new millennium when SAFTA was signed in 2006. In 2005-2006, we saw the beginnings of an upturn in the agriculture sector. Since then, the agricultural sector has seen the greatest increase in exports from India to Pakistan. Pakistan's agricultural exports to India increased at initially, but have subsequently seemed to slow due to a lack of readily available goods. Although there was an initial uptick in business activity after the implementation of SAFTA, it has since faded and the overall trend has reverted to its pre-SAFTA level. If we look at agricultural exports, where India and Pakistan stand, India clearly wins. Pakistan buys a lot of sugar, onions, and even cotton from India in order to level out supply swings brought on by things like unanticipated output. Imports from both sides of the country would need to be carefully planned and coordinated, which may take some time. There must be protections in place to protect consumers and the economy from the potentially catastrophic effects of rapid and unexpected fluctuations in commodity prices before there can be free movement of commodities across international borders. Bilateral commerce that is both efficient and cost-effective has the potential to reduce the impact of price and market fluctuations on both economies.

Many products that pass back and forth between the two nations may take advantage of the lower costs of labour or materials in one or the other. Indian exports to Pakistan include a wide variety of food commodities, including fresh produce, sugar cane, cotton (carded and combed), crushed nuts and coarse grains used in animal feed, and even dairy products. Pakistan has the potential to provide India low prices on a number of commodities, including dates, leather, hides and skins, and woven textiles. Since commerce is growing and remaining steady, there is great opportunity to develop exports of specialised items.

There are still significant tariff and non-tariff obstacles that make agricultural trading between the two nations difficult, notwithstanding the enactment of SAFTA. Lowering tariffs and doing away with other trade obstacles are two such measures. It has come to my attention that the disparity in agricultural aid programmes between India and Pakistan is making New Delhi wary about liberalising agricultural exports to Islamabad. Comparisons of subsidies make more sense when expressed as a ratio or share due to the huge size differential between the industry in the two nations. Trade strategies may take into account the fact that Indian farmers get 4 percent more in subsidies than their Pakistani counterparts. Therefore, the fact that

Indian agriculture receives more subsidies than its Pakistani counterpart shouldn't be too much of a deterrent to expanding commerce between the two nations.[18]

Conclusion

The only way to have productive bilateral negotiations without fear of terrorist attacks is for trade between India and Pakistan to resume. Both nations need to take the lead in order for their interactions to go well. Lack of adequate financial infrastructure may make it difficult for a country's economy to grow. In 2005, the central banks of India and Pakistan agreed to allow each other to set up two bank branches in the other country. Without reliable banking services, letter of credit issuing, and cross-border money transfers, trade between India and Pakistan would be hampered even if they were granted MFN status. Decades of restricted communication have prevented the free flow of knowledge that may aid in the expansion of economic activity. Businesses in both nations may increase their chances of making a long-lasting impact on their economy by working together via established channels. Finally, you should release a statement to the press. Media coverage has a disproportionate effect on public opinion in both India and Pakistan. A negative image of India and Pakistan's relationship has been presented in the media. Journalists might be more useful if they helped facilitate negotiations between the nations so that they could resume regular commerce. The media should stress the prospect of improved bilateral relations and regional integration as a result of revitalised corporate connections. The second key step in simplifying commerce between the two nations is bolstering their respective transportation infrastructures. There is a detrimental effect on commerce between India and Pakistan because of the poor condition of the roads connecting the two nations and because there is no dependable rail connection between ports and marketplaces. Public-private cooperation to remove these roadblocks would be beneficial for both nations. The expansion of trade in services requires a number of measures, including the encouragement of more environmentally friendly farming practises and the simplification of access for Pakistani firms to the Indian market. If the governments of Pakistan and India can work out their differences, Pakistani agricultural exports to India would have easier access to the Indian market. If India chooses to give price assistance and subsidisation to its farmers, it must do it in accordance with WTO norms. Politics and economics in India make it very unlikely that subsidies would be eliminated anytime soon. Thus, Pakistan should immediately begin negotiations with India to cut the relevant MFN taxes on agricultural items and the particular agriculture-related NTBs that hinder Pakistan's prospective exports. It's possible that allowing Pakistani commodities into the Indian market will placate the farm lobby in India. Thanks to the progress achieved by both countries in liberalising respective investment climates, cross-border investments in agricultural and processed commodities provide tremendous potential for the medium to long term. Both seed products and farm equipment have a considerable market. It is crucial that the two nations work together to find answers to their water challenges and recognise water as a shared resource as water grows scarcer and weather gets more unpredictable. Now is the time to formally establish India and Pakistan's scientific collaboration. India and Pakistan's relationship undoubtedly peaked a few of times in their long history. The two nations should make the most of every opportunity to cooperate. If the meeting between foreign secretaries goes well, India and Pakistan may find new ways to work together.

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