INDIA-PAKISTAN TRADE RELATIONS IN THE EIGHTIES: PROBLEMS AND PROSPECTS

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CERTIFICATE

Certified that the dissertation entitled "INDIA-PAKISTAN TRADE RELATIONS IN THE EIGHTIES: PROBLEMS AND PROSPECTS" submitted by RAKESH BISHT in partial fulfilment of the requirement for the award of MASTER OF PHILOSOPHY, has not been previously submitted for any other degree of this or any other University. To the best of my knowledge, this is a bonafide work of the candidate.

I recommend this dissertation be placed before the examiners for evaluation.

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C O N T E N T S

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Introduction

The roots of Indo-Pakistan trade relations may be traced since the partition of the Indian subcontinent in 1947. The closeness of two regions and consequent locational advantages in transporting the commodities to each other, developed natural economic links in the past between the two countries. But no systematic study of India's trade relations with Pakistan has been made so far. The growing importance of trade between these two countries warrants a detailed analysis of past and present economic relations between the two in order to predict a possible course of trade in the forseeable future. The present work is an attempt to cover this gap. It seeks to analyse the entire course of trade between the two countries and intends to examine the changes in the value, composition, structure of Indo-Pakistan trade which has taken place particularly during the eighties.

The rationale behind choosing Indo-Pakistan trade as the field of present study is the closeness of the two countries which leads to certain locational advantages in transporting the commodities from one country to the other. This is one factor which can further strengthen economic links between the two countries. In fact there can also be many advantages of cooperation between industries in the two countries. These include appropriateness of Indian technology particularly in the context of similarity in the natural endowments of the two countries, advantage offered by India for training and back up support, and above all, the versatility of Indian experience in industrialisation. Thirdly, there can also be a possibility of stepping up trade relations between India and Pakistan through bilateral trade agreements, supply of credit and establishment of joint industrial ventures. The Government of Pakistan and India has recently embarked on a policy of encouragement to private investment in several fields and a policy of trade liberalisation. Fiscal and other incentives are being provided and infrastructure facilities are being developed. The Indian Government has a positive attitude towards import of technology, equipment and foreign participation. In this context also Pakistan throws up the possibility of increase in trade and promising market for India in the coming years.

With this perspective, the focus of the present study is:

(i) to examine the past trade and existing pattern of India's trade with Pakistan;

(ii) to examine the nature, content and characteristics of India's trade agreements with Pakistan;

(iii) to make an assessment of mutual trade prospects between India and Pakistan and to suggest measures for achieving the assessed prospects.

It was thought analytically convenient to break up the study into five chapters.

Chapter I mainly deals with the rationale of bilateral trade between India and Pakistan. The emphasis is on gains from trade to both the countries and on prospects which it suggests for the future.

Chapter II mainly deals with the historical background of India's trade relations with Pakistan since 1947 and carries it till the present day, highlighting the major policy changes affecting bilateral trade possibilities between India and Pakistan.

Chapter III analyses the magnitude, composition and structure of Indo-Pakistan trade and accounts for the main features of trade and the need for diversification of both the nations.

Chapter IV discusses some problems and issues which have caused impediments in the smooth flow of trade between the two countries and suggests some remedial measures to these problems. It also discusses the possibilities for expansion of trade and economic cooperation between India and Pakistan.

Finally, in Chapter V, a summary of the main findings of the study have been presented and concluding observations made.

As far as methodology adopted is concerned, analytical as well as empirical method of research have been followed to draw a clear conclusion. Despite several limitations regarding the availability of statistical data; an effort has been made to analyse the problem in a systematic manner. The study is mainly based on data available from Indian sources, although Pakistani sources have also been looked into wherever they were relevant and available.

In the said perspective it is hoped that the present work will throw some light on India's trade relations with its neighbouring country, Pakistan.

Chapter 1

RATIONALE OF BILATERAL TRADE RELATIONS

When organisations like G-7 and G-15 are burgeoning on the political map of the world, benefits of trade, both multilateral and bilateral, are not to be negated. Current discussions of the trade policies for the underdeveloped countries centre on the clash between pro-trade and anti-trade attitude towards economic development.[1] The classical and neo-classical economists held that trade is not simply a device for achieving efficiency, it also could make an impressive contribution to a country's development by creating structural changes in a country's economic characteristics, factor proportions and relationships. According to them trade is an "engine of growth", an "actirater of change" and a "barometer of economic progress". It promotes capital formation and bestows a number of economies of scale and enables a country to produce those goods which are economical, competitive and are based on rational cost proportions. International Trade in addition to the static gains

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1 See, H.M. Yint, "International Trade and Developing Countries", reproduced in P. Samvalson (ed.), pp. 15-16, and "The Classical Theory of International Trade and the Underdeveloped Countries", Economic Journal, June 1958. Bhagwati, J., "Economic Development and International Trade", Pakistan Economic Journal, December 1959 and "International Trade and Economic Development", Economica, August 1961.

resulting from the division of labour with given production function, provides material means, viz. capital goods, machinery, raw and semi-finished material which are indispensible for economic development. Even more important, international trade is an important source for the dissemination of technical knowledge, transmission of ideas and for the importation of know-how, skills, managerial talents and enterpreneurship. It is also supposed to be a transmitter of capital which bring an atmosphere of healthy competition by checking monopolies and restrictive trade practices.[2]

It strengthens the relations, both economic and political, with other trading countries and provides an opportunity to enter into custom unions which bring forth trade creating and trade diverting benefits. With the help of negotiating bilateral and multilateral arrangements, it multiplies the bargaining capacity of a country resulting in new investment in new industries.[3]

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2 See an article by G. Haberler, "International Trade and Economic Development", reprinted in Economics of Trade and Development, John Viley and Sons, New York, 1968, pp. 113-28.

3 J.R. Hicks, <u>Essays in World Economics</u> (Oxford University Press, 1959), pp. 132 and 183-85.

The optimism of the classical economists has been true in case of number of countries which are now among the richest in the world. It was trade that brought growth to the United Kingdom, Japan, Switzerland, Canada, Australia, France, Belgium and many other countries.[4]

Today we find that some countries which were poor a century ago have developed through foreign trade, while some others have still remained poor irrespective of their becoming a part of international economy. Therefore, there have always been dissenters from the classical optimistic views. Economists like Fedric List, H.Kitamura, Singer, Myint, Myrdal, Balough, Prebrisch, G. Frank and Samir Amin etc. have questioned whether classical trade theory with its assumptions of "ideal conditions" is able to provide an adequate explanation of the distribution of gains from trade between rich and poor countries.

In the historical context they have argued that international trade had actually operated as a mechanism of colonialism, exploitation and international inequality - in widening the gap in

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4. G.M. Meier, The International Economics of Development (New York, Harper and Row, 1968), p. 222.

the levels of living between rich and poor countries. Their contention is that the terms of trade have a long run tendency to deteriorate for primary exporting countries and this tendency has adverse welfare affects on the developing countries.[5] It is also claimed that international trade retards development of poor economies by creating a highly unbalanced structure of production. It is maintained that foreign capital has developed only the country's natural resources for exports to the neglect of production in the domestic sector. The result has simply been the creation of a "dual economy" in which production is export-biased, and the export sector remains as an island of development surrounded by a backward low-productivity sector. The international operation of the "demonstration effect" through the promotion of trade has been only a handicap for the country which has excessively raised the propensity to consume in the poorer countries and has thereby limited capital accumulation. Thus, it is claimed, in terms of the international economy that the gains from trade are of only secondary significance compared to the

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5 R. Nurkre, Pattern of Trade and Development and Corin Cross, Trade and Development, reprinted in J.D. The Berge's (ed.), op. cit., pp. 85-102 and 113-28.

achievements of the gains of growth.[6] So instead of waiting for the transmission of development through trade, the poor countries would be better off if they direct their own development towards an expansion of output for their domestic market.

It will be futile to debate over the issues like trade and development while analysing the trade policies of the developing countries today, when we know that just as modern nations are politically and technologically interdependent, so do they rely upon each other for resources and commodities that enable them to develop and sustain viable economies. As economic needs and capabilities are not, of course, distributed equally in the present international system. But it does not mean that degrees of dependence upon trade as a component of overall economic activity will be same the states. In fact, it will vary among the states depending upon the resource endowments in each state. For example, England and Japan rely very heavily on trade (where trade is measured as a proportion of the G.N.P) while U.S.A., U.S.S.R. (now CIS, Commonwealth of Independent States), France, and China are much less vulnerable

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6 Benjamin Higgins, Economic Development, W.W. Norton, 1959, pp. 384-96.

to fluctuations in trading patterns. In small states like Cyprus, Malta and Iceland also a high proportion of their total economic activity is accounted for by exports and imports.[7] So the question today before less developed countries is not to abolish international trade but to choose a trade policy based on 'fair deal'[8] to help them accelerate the rate of income growth of their countries.

As a policy option, in this regard, orthodox economic theory stresses that multilateral trade is always superior to bilateral arrangements. The rationale is straight forward. Multilateralism enables countries to buy their imports from the cheapest possible source and sell their exports at the highest possible price and thus bilateralism is generally subsumed in the set of non-optional trade policies that diverge from free trade. However, under certain conditions, even orthodox economic theory allows for bilateral trade arrangements. The first exception relates to a situation where import restrictions are widely

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7 K.J. Holsi, International Politics: A Framework for Analysis (Prentice Hall, New Delhi, 1978), pp. 244-45.

8 The ramification of fair deal includes elimination of fluctuations of export earnings, compensation on declining terms of trade, just and equitable price of products exported, elimination of excessive tariff and non-tariff barriers and a system of preferences.

practised. The hypothesis is that a country which applies import restrictions on a non-discriminatory basis could improve its welfare through bilateral trade adjustments.[9] The second exception relates to a situation where a country has monopoly power in one of its exports; then, if the price elasticities of demand differ as between markets, it can benefit by charging discriminatory prices - as indeed any monopolist would do to maximise profits, provided, of course, that the favoured market cannot re-export the goods to the discriminated markets.[10]

Apart from these two special cases, orthodox economic theory would suggest that multilateral trade is always superior to bilateral arrangements. This ignores the possibility that unrestricted multilateral trade more often then not, reinforces the direction of international trade flows in their present form, and makes it difficult to attain the objective of improved trade relations among developing countries.

Today most of the developing countries are facing the problem of significant shortage of

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9 J.M. Fleming, "On Making the Best of Balance of Payments Restrictions on Imports", in Essays in International Economics, London, 1971.

10 See, R.E. Cares, "The Economics of Reciprocity: Theory and Evidence on Bilateral Trading Arrangements", in W. Sellekaerts (ed.), International Trade and Finance, London, 1974.

convertible foreign exchange for their developmental programmes due to the decline in volume of aid from developed countries in real terms, the growing burden of debt, the increasing balance of payment difficulties and the failure of import substitution measures. Under these circumstances, if these countries adhere to the principle of multilateralism beyond a point, they would simply not be able to avail of the opportunities in international trade. In this context, bilateral trade arrangements appears a promising alternative as they would certainly enhance the possibilities of trade. In doing so we shall emphasise the possible advantages of bilateralism which might make it an attractive option in terms of policy.

(a) First, bilateral trade on a joint basis with some countries might improve the terms of trade with the rest of the world.

(b) Second, bilateral trade arrangements might create greater export stability not only because they offer the possibility of long term contractual agreements but also because they provide additional markets for developing countries.

(c) Third, bilateral economic relations with other developing countries might provide alternative markets for manufactured exports from developing countries without the uncertainty, the sales effort and the advertising expenses which would be unavoidable in other markets. This potential benefit is particularly crucial in the case of non-traditional manufactured exports wherein product differentiation, brand names and selling cost are an all important part of any successful export effort.

(d) Fourth, given the extreme shortage of foreign exchange in most of the developing countries, the introduction of bilateralism might add to import capacity and, at the same time, underwrite an expansion in exports. This is particularly significant in view of the problem faced by developing countries attempting to promote export growth.

In the context of industrialisation, there is another point worth noting. Even if bilateral trade is inefficient at the time, or in the short run, it might well be efficient in the long run if we allow for intertemporal conditions such as those implicit in the familiar infant industry arguments.

From Indian view point, the benefits of bilateral trade are even more obvious because the Indian planning effort has been constantly handicapped by one important factor, namely, the availability of foreign exchange. Stage by stage as each five year plan was completed, the magnitude of investment for the subsequent plan has risen and correspondingly the need for foreign exchange has gone up. Though in the initial stages of planning, the emphasis to get foreign exchange required for financing development has been on foreign aid, loans and private investments but the availability of foreign exchange from these sources, however, has remained inadequate and uncertain. At the same time reliance on foreign capital for long time has been criticised by the economists. In view of this the importance of stepping India's exports hardly needs any explanation. But it is also to be noted here that developed countries offer only a limited opportunity for expanding India's exports to them. So it becomes necessary to identify the individual products and markets in developing countries which hold a promise for Indian exports.

Bilateral trade arrangements in this regard can have double benefits. On the one hand, they will make it easier to secure specific commodities from specific countries according to the needs of economic development and on the other hand bilateral agreements will have multiple objective like increasing the volume of trade, removing the balance of payment problems, improving the terms of trade, changing the composition of trade and thus maximising mutual advantages. It must be stressed here that an expansion of trade through bilateral channels does not ensure that the gains from bilateral trade are a forgone conclusion. It is possible that a part of the increase in exports to bilateral agreement markets is illusory. There are two reasons why this might happen. First, if supply conditions are such that domestic production cannot be stepped up to meet all increases in demand, it is possible that a country meets parts of its commitment under bilateral agreements by diverting exports from other traditional markets to the new trading partners. Second, if partner countries are very short of foreign exchange, they might re-export these goods to the rest of the world simply to earn convertible currencies.

Similarly, the prices received for exports may not be favourable. Even if they are, the real benefit of bilateral trade would also depend upon the choice the imports (e.g. perishable goods), offered by partner countries and the import prices charged.

In principle, therefore, an evaluation of the gains from trade must be based on some assessment of (i) the net increase of exports, (ii) the composition of imports; and (iii) the terms of trade obtained. Such an evaluation is, obviously essential but it is important to go beyond conventional economic analysis. In doing so we have already emphasised (mentioned above) the possible advantages of bilateralism.

India's experience in the past has also shown that bilateral trade and payment agreements can help in promoting trade between the developing countries. India's initiation in international cooperative efforts for finding solutions for national trade problems begins with the Commonwealth negotiations leading to the conclusion of U.K.-India Trade Agreement of 1932. However, before 1959 bilateralism was not employed by India as a deliberate technique to increase her exports, or to bring about a reduction in her deficits, except with Pakistan, Afghanistan, Egypt and Burma.[11] All the trade agreement which India negotiated with foreign countries from time to time[12] were no more than an expression of a mutual desire on the part of the participating countries to expand the flow of their trade, subject to the existing trade and payments regulation in the countries concerned. The commodities that were available for export were included in the trade agreements but there was no stipulation that the

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11 Man Mohan Singh, "India's Export Trends", Clarendon Press, Oxford, 1964, pp. 249-72.

12 See, Sunanda Sen, India's Bilateral Payments and Trade Agreements, Bookland, Calcutta, 1965, Appendix B, pp. 316-20.

trade in those commodities will necessarily take place, or it would be on a self balancing basis. The trade agreements served merely to bring to the notice of the other party that certain goods were available for exports. The actual level of trade in them would be still determined by normal commercial considerations.

Since 1959, however, the promotion of exports through bilateral channels amongst the developing countries of Asia, Africa and Latin America has been an integral part of India's foreign economic policy. There is little doubt that India continued to derive substantial benefits from her bilateral trade with socialist world because a very large proportion of this trade constituted a net addition to India's exports. The socialists countries accounted for 54.2 per cent of the total increment in rupee value of India exports during 1960s while this proportion was 18.1 per cent between 1970-71 to 1974-75.[13] It is only through bilateral trade agreements that the share of developing countries in India's trade has gone up from 17 per cent in 1957-58 to 28 per cent in 1970-71.[14] Thus, if India can expand its

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13 See Deepak Nayyar, India's Trade with the Socialist Countries, World Development, May 1975.

14 Sumitra Chisthi, "India's Trade with Developing Countries Under Bilateral Trade and Payments Agreement", Foreign Trade Review (New Delhi), vol. 8, no. 1, April-June 1973, p. 51.

economic relations with other countries by signing bilateral trade agreements, there is every possibility of stepping up trade relations between India and Pakistan, also through bilateral trade agreements, supply of credit and establishment of joint industrial ventures.

Chapter II

EVOLUTION OF INDIA-PAKISTAN TRADE

Prior to the partition of the Indian sub-continent in 1947 the economies of erstwhile India and Pakistan were complementary in nature, just as the different parts of the same country usually are, because the Indo-Pakistan sub-continent was developed as one economic and political unit. India depended on Pakistan for her raw jute, raw cotton, food-grains and a few other raw materials. Pakistan on the other hand, being deficient in industrial products, had to import from India coal, textiles, sugar, matches, jute manufactures, iron and steel and some other manufactured goods.

But on August 15, 1947, Indian subcontinent was partitioned and two separate states of India and Pakistan came into being. Envisaging that the Inter Dominion boundary line would create some economic problems, it was considered a standing necessity to keep the status quo in the matter of trade relations. The stand-still Agreement of August 1947 was an interim measure for the continuation of the pre-partition economic and commercial relations till February 29, 1948.[1] It aimed at removal of all sorts of impediments

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1 Government of India, White Paper on Indo-Pakistan Relations, 15 August, 1947 - 31 December, 1949, pp. 1-4.

upon the movement of goods, people and funds along the frontier of the two countries during the specified interim period.

A Committee No. VII on Economic Relations (Trade) came into being "to examine matters regarding all trade and movement between the territories of the successor governments".[2] The two governments were not permitted under the term of the agreement to - (1) Impose custom duties between the two Dominions, (2) Change existing import and export policy, (3) Change existing customs, tariffs, excise duties and cesses, (4) Impose any restriction on the free movement of goods and remittances including capital equipment and capital, (5) Levy transit duties or taxes on goods passing across the territory of the other, (6) Interfere with the existing trade channels by monopolistic governmental purchases, (7) Modify existing controls or introduce new controls, (8) Interfere with the contracts between the nationals of the two states.[3]

But restrictions imposed by the Sind (Pakistan) provincial government on the movement of a number of commodities in October 1947 disrupted the normal flow of commodities and disturbed the enterpot services of

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2 Ibid., p. 2.

3 Report of the Committee on Economic Relations, 1947, pp. 3-4.

the Karachi port.[4] Agreement on status quo was violated when Pakistan demanded a share of the export duty on raw jute levied and collected by the Indian government at the port of Calcutta and a share of all the central excise duties levied and collected by the Government of India on Indian manufactures. But Indian government was unwilling to make an exception in regard to an individual commodity like jute, so long as any long-term settlement is reached. On 14th of November, 1947, the spirit of the standstill arrangement was completely flouted by Pakistan with her decision to treat India as a foreign territory for the purpose of levying excises on jute exported from Pakistan. On Ist of April 1948 there was no outstanding arrangement between India and Pakistan and India came to be treated as a foreign territory by her neighbour, Pakistan. The imposition of trade and customs barrier naturally caused a certain amount of hardship and great deal of inconvenience on both sides. So, a new set of governmental negotiations between India and Pakistan started which led to Inter Dominion Conference held at Calcutta from 15th April 1948 to 18th April 1948. Recommendations of the Economic Committee of the Conference were accepted which guarantee for the free flow of some perishable articles of daily consumption (covering fresh fruits and vegetables, fish, fresh milk and milk products).

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4 Ibid., pp. 1, 5-9.

Implementation of transit facility by one country to the other and the principle governing the permission to send imported goods lying in one country for the other.[5]

In pursuance of the decision taken in Calcutta, an Inter Dominion Conference was held in Karachi in May 1948 and an agreement valid for a period of one year from July 1948 to June 1949 for the mutual supply of certain essential commodities was reached.[6] This was the genesis of the first Indo-Pakistan Trade Agreement signed on the 26th of May 1948.

Under this agreement apart from the goods exchanged India was to restrict the export of "Indian grown jute" which competed with Pakistan's export to other countries (Provision 5, 1948 Agreement). She also undertook an obligation to supply steel to Pakistan in spite of the fact that India herself had to import steel from hard currency countries at prices much above the Indian prices to meet her internal needs.

In spite of the agreements, however, difficulties continued to beset trade and movement. The conclusion of the Agreement did not provide a lasting remedy to

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5 White Paper on Indo-Pakistan Trade Relations, p. 11 and also pp. 19-26.

6 Ibid., pp. 27-32.

the more fundamental causes of disputes between the two countries. In July 1948 Indo-Pakistan Payment Agreement was signed between the two countries with a view to regulate the methods of payments for Inter-Dominion transactions.[7] Under the terms of the arrangements, each Dominion agreed to hold the other's currency upto a limit of Rs. 15 crores in order to accomodate a deficit in payments in either direction.

In the meanwhile a conference of representatives of India and Pakistan was held at Karachi on October 18 to 20, 1948 in which the difficulties in the way of implementation of the agreement of May 1948 were reviewed. The conference led to a new agreement (Indo-Pakistan Trade Agreement, October 1948) which clarified certain points and provided for arrangements for the fulfilment of the earlier agreement.[8] Both the Governments recognized that the Agreement must be regarded as a whole and implemented in full and arrangements should be made for timely supply of goods in accordance with the terms of agreement. After the signing of this agreement, Pakistan gave up her idea of fixing monthly quotas of jute export. On the counterpart India assured Pakistan to supply full quantity of coal and other articles in future.

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7 R.B.I., <u>Report on Currency and Finance</u>, 1949-50, p. 105.

8 S.M. Akhtar, Economics of Pakistan, vol. II, The Publishers United Limited, Lahore, 1955, pp. 85-86.

In spite of the exchange of promises at the October conference and the resulting agreement the trade between India and Pakistan remained still obstructed. Commodities did not move according to schedule. The real hurdle was the lack of goodwill between the parties. In the background were the various political and economic issues outstanding between the two countries - Kashmir, Junagarh, evacuee property, canal water and a host of minor issues.[9] India complained that her jute industry was having anxious time because receipt of jute from East Bengal was uncertain, irregular and inadequate. The cotton textile industry of India was facing a similar difficulty with respect to raw cotton. On the other hand, Pakistan complained that as regards textiles, matches and sugar Indian prices were too high and it was cheaper for Pakistan to purchase them from other countries. Each party was blaming the other for this state of affairs but India did not give up making consistent efforts to secure a long-term understanding covering trade and tariffs in general, and raw jute and raw cotton and their products in particular. In April 1949, the Commerce Minister of Pakistan with a view to exploring possibilities of increasing inter-Dominion trade by the reduction or removal of fiscal and other barriers.

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9 Ibid., p. 96.

The outcome of this meeting was that besides specific remissions an agreement was reached that an early conference should be convened for considering proposals for abolition or reduction of import and export duties levied by the two Dominions, simplification of the import export control regulations, and for a more comprehensive agreement being reached with reference to the production, manufacture and sale of jute and cotton. But most unfortunate part of these agreements was this that they could not be implemented because Pakistan Government found herself unable to agree to retain a clause relating to the long-term and comprehensive arrangements in regard to production, manufacture and sale of jute and cotton.[10]

In view of the unwillingness of Pakistan to arrive at any long-term understanding, an Inter-Dominion Conference was held in the last week of June 1949 to reach a fresh agreement for the supply of commodities and a new agreement (Indo-Pakistan Trade Agreement of June 1949) was signed on 24th June 1949 for a period of one year from 14th July 1949 to 30th June, 1950. This agreement had a close bearing on the Trade Agreement of May 1948 and Payments Agreement of June 1948.[11] It provided that each country should

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10 White Paper, op. cit., p. iii.

11 Both of the Agreements had to expire by the end of 30th June 1949.

give facilities related to grant of necessary licences, use of routes and methods of transportation and other reasonable assistance. Neither party was to re-export to any other country in the same form commodities imported under this agreement. The purchase of each were to be uniformally spread over the year subject to seasonal considerations. The right of traders entering into business transactions in respect of goods and commodities not forming part of the agreement was also protected.[12]

Soon after the agreement, the two governments concluded important decisions with regard to the transportation bottlenecks and movement of coal and handloom cloth on 13th of July 1949,[13] and 18th of August 1949[14] respectively.

After the agreement had been signed there was universal satisfaction in political, economic and business circles in the two countries. A wave of optimism prevailed and it appeared that the blocked channels of Inter Dominion trade had been cleared. But this optimism did not last long. The revival of hostilities in August 1949 and Pakistan's decision

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12 White Paper, op. cit., Annexure 8, pp. 49-53.

13 White Paper, op. cit., p. 54.

14 Ibid. Annexure II, pp. 57-61, Annexure 12, p. 62.

not to devalue her rupee,[15] changed this outlook. The initial difficulty related to the problem of converting the value of goods from one country to the other and the sequence of events e.g. India's restriction on some of the imports from Pakistan, the counter inflationary measures adopted by the government of India after the devaluation, Pakistan's detention of jute purchased by India, India's suspension of coal dispatches to Pakistan, India's refusal to accept the new rate of exchange of the Pakistani rupee in terms of the Indian rupee etc.[16] which led to a complete stoppage of trade itself between India and Pakistan during January to March 1950. During this period Pakistan entered into trade agreement with Japan, West Germany, Czechoslovakia, Poland, Egypt and France, in order to make up for the deficiencies caused in her import and export trade due to the stoppage of trade between India and Pakistan.

The stoppage of trade between the two countries was creating intolerable hardships for both the countries. So a short term Indo-Pakistan Trade Agreement was signed on 21st April, 1950 which was to remain in force until July 31, 1950. The goods and

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15 When on 18th September 1949, Great Britain and other countries of the Sterling block devalued the Pound Sterling in terms of the dollar, India followed suit but Pakistan refused to do so.

16 See, Sunanda Sen, <u>India's Bilateral Payments and Trade Agreements</u>, 1947-48 to 1963-64, Bookland, Calcutta 1965, p. 21.

commodities exchanged under this agreement were permitted to take place without import, export and exchange restrictions on either side.[17] The agreement also specified the unit price for raw jute for the agreement period.

To avoid currency difficulties the two Governments agreed as a temporary expedient, that transactions in commodities should be accounted for Indian rupee through a special account maintained with the Reserve Bank of India for this purpose. The intention was to maintain a balance of trade in the transactions covered by this agreement. The two governments further agreed that their representatives should meet every month to review the progress in the implementation of this Agreement.

On 25th February 1951, India accepted the official par value of the Pakistan rupee as it had been communicated to I.M.F. and from February 27, an official exchange control organisation between the two countries came into operation.[18] This opened the possibilities of resumption of trade between the two countries and hence a trade agreement was signed on 26th of February, 1955.[19] Three schedules were

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17 S.M. Akhtar, op. cit., pp. 105-106.

18 R.B.I. Report on Currency and Finance, 1950-51, p. 104.

19 Indian Trade Journal, March 8, 1951.

attached to the agreement. The first contained a list of all essential commodities to be exchanged between India and Pakistan from 27th February 1951 to 30th June 1952. Among the commodities listed in the second schedule were fifty non-essential items for which no quantitative and no time limit was fixed. The third schedule contained details of export of food-grains (wheat, rice and gram) from Pakistan to India. While the quantities of food-grains were specified prices were not mentioned in the agreement.

The two governments agreed that export and import facilities granted by each country to the other would not be less favourable than those applicable to any other country. As regards the working of this Trade Agreement, Indo-Pakistan trade from 27th February, 1951 to 31st May 1952 was as under.[19]

(in rupees crores)

	Imports of Indian Merchandise	Exports of Pakistan Merchandise
Under the Trade Agreement Schedule I and II	29.91	64.59
Not covered by Agreement	5.89	0.29
Total	35.80	64.88

19 S.M. Akhtar, op. cit., pp. 121-23.

Thus Pakistan exported more goods to India than the latter did to the former and Indian imports were mostly from East Pakistan.

In March 1953, a new Trade Quota Agreement was concluded between India and Pakistan and it abolished, for the first time, in this history of Indo-Pakistan Trade relations, the surcharges on the movement of coal and raw jute between the two countries.[20] In the mean-while the Pakistan Government could not maintain the over valued rate of her currency in the face of depressing markets and on 31st of July 1955, she declared her currency to be at par with the Indian rupee.[21] So a new Trade Quota Agreement was concluded between India and Pakistan in September 1955 and it related mainly to the liberalisation of border trade between East Pakistan on the one hand and West Bengal and Tripura state on the other.

By the end of the year 1956 trade relations between India and Pakistan became relatively free of tensions. In the meanwhile a new Trade and Payments Agreement in February 1957 was signed.[22] This agreement introduced 'most favoured nation' (M.F.N) clause and the two governments had agreed to accord to each other

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20 Sunanda Sen, op. cit., p. 153.

21 Ibid.

22 Asian Recorder, 1957, pp. 1273-74.

the 'most favoured nation treatment'. They had also undertaken the task to explore all possibilities of mutual advantage in expansion of trade between them. It also provided for the continuance of border trade between East Pakistan and adjoining Indian territories. The commodities which were allowed to be sold in border trade free of custom duties and exchange control regulations were articles of daily consumption. The two governments also agreed to enter into special arrangements for the export and import of certain commodities like hard and soft wood, store boulders and forest produce.[23]

This agreement was to remain in force for three years i.e. upto January 31, 1960 but the working of the agreement was to be reviewed every six months. So in December 1957, a meeting of the Indian and Pakistani trade delegation took place at Karachi. Soon after the Karachi meeting, there was a serious deterioration in the working of the agreement. Towards the end of 1957, Pakistani Government launched an operation 'Close-Door'[24] which included restrictive and repressive measures to prevent smuggling across the border. This newly imposed restriction gave a setback to the border trade.

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23 See, Karunakar Gupta, India in World Politics, Calcutta, 1969, pp. 242-43.

24 Ibid., p. 244.

The sealing of Tripura border for some time and the promulgation of the Martial Law further gave a severe blow bringing the border trade to a complete standstill. This declining trend in Indo-Pakistan trade was also noted when the second review of the Trade Agreement was held in July 1959 in New Delhi. In the 'joint communique' published after the negotiations, it was said, " ... the volume of trade between the two countries had fallen, despite the presence of natural advantages for the sustenance of a larger volume of trade.[25]

Both the countries wanted to reverse this trend. So a Trade and Payment Agreement, additional to normal trade arrangements was signed in Karachi on December 3, 1959. The new agreement which was valid for one year provided for the exchange of certain commodities upto a value of 20 million rupees on either side. It was stated that trade under the new agreement would be carried out through private channels on the basis of self balancing exchanges, and that payments would be made in non-convertible Indian rupee.

After the expiry of Indo-Pakistan Trade Agreement of 1957 a new two year Indo-Pakistan Trade Agreement was signed in New Delhi on March 21, 1960.[26] Under

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25 <u>Asian Recorder</u>, 1959, pp. 2816-17. The trend in India-Pakistan trade has been shown in Chapter III, Table 3.1.

26 <u>Asian Recorder</u>, 1960, p. 3252.

this agreement the scope and range of commodities listed for exchange under the Limited Payments Agreements (in non-convertible Indian rupees) signed on December 3, 1959 was enlarged from Rs. 2 crore to 4.10 crores per annum each way. The principal items of trade under this agreement were jute cuttings and raw cotton (supplied by Pakistan) and iron and steel, cement and bidis (supplied by India). Under a separate protocol signed, India was also to export 1,30,000 tonnes of coal per month to Pakistan.

After the expiry of this agreement Pakistan's role in Sino-Indian conflict of 1962 led to strained political relations between India and Pakistan. Indo-Pak war of 1965 led to a further decline in the total volume of trade between India and Pakistan and ultimately all trade relations between the two countries were completely banned. However, in 1966-67 and 1967-68 some trade did take place because of unilateral opening of trade channels by India, but it was negligible. There was hardly any trade worth the name in 1968-69 and 1969-70. In the meanwhile Bangladesh crisis came up which led to the Indo-Pakistan war of 1971 and to a serious set back to the Indo-Pakistan trade relations.

During 1965-73, India was reported to have made some enquiries for the re-starting of trade with Pakistan. Steps were taken in the ministerial meeting in Rawalpindi in February 1966. In May, 1966 India lifted unilateral ban on trade.[27] Because of the absence of a positive response from Pakistan, however, trade remained suspended except for occasional exchange of goods through third countries. Another attempt was made at the second UN Conference on Trade and Development in New Delhi but Pakistan insisted that the Kashmir dispute be settled first.[28]

However, the Simla Agreement of 2 July, 1972 paved the way for normalisation of relations between India and Pakistan. Under Article 3 of the Simla Agreement, a protocol was signed in New Delhi on 30 November 1974, lifting the embargo on trade between the two countries with effect from 7 December, 1974. The protocol listed seven items as the immediate possibility of commencing trade. These were cotton, engineering goods, jute manufactures, iron ore, railways equipment, rice and tea.[29]

Protocol on resumption of shipping services between India and Pakistan was signed on 15 January 1975, which had remained suspended for about a decade.

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27 <u>Asian Recorder</u> (New Delhi), vol. 12, no. 24, 18-24 January, 1966, p. 713.

28 <u>Asian Recorder</u> (New Delhi), vol. 12, no. 5, January and February 1966, pp. 68-96.

29 Indo-Pak Relations - Politics of Trade Resumption, <u>Economic and Political Weekly</u>, vol. 9, no. 50, 14 December, 1974, p. 2038.

It was decided to rescind the existing restrictions on the entry of merchant vessels of their countries to each others ports.

Under this agreement, the two countries agreed to extend the Most Favoured Nation (MFN) treatment to each other in accordance with the provisions of General Agreement on Trade and Tariffs (GATT). It was also decided to conduct trade in hard currency in accordance with the foreign exchange regulations of each country. Trade was to be conducted on government to government basis or through public sector agencies. The private sector was to be allowed at a later stage. This trade agreement envisaged free trade without quota restrictions. Article VI of the Agreement laid down that each country would encourage and facilitate the holding of trade fairs and exhibitions within its territory. A Memorandum of understanding was signed incorporating banking arrangements.[30]

Another agreement was signed in Karachi on 14 January 1976 under which Pakistan was to buy from India 5,000 tonnes of pig-iron and 250 tonnes of bidi leaves.[31]

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30 Under this MOU, representatives of the State Bank of India and the National Bank of Pakistan agreed upon and signed the working arrangements for remittance facilities between the two countries in regard to trade.

31 Dawn (Karachi), 15 January, 1976.

During talks, both sides agreed that the exchange of trade information between the two countries, was essential. Towards the end, they agreed upon the following principles:

(i) tenders, trade enquiries, etc. floated by government and public sector agencies would be communicated expeditiously to the agencies concerned in the other country; and

(ii) public sector agencies in one country might deal directly with their counterparts in the other.[32]

The delegations of India and Pakistan met in Islamabad from 12 to 14 May 1976 and agreed to resume goods and passenger traffic by rail through the Wagah/ Attori Border. They also agreed to the restoration of overflights and airlinks between the two countries.

Further diversification of trade between the two countries was considered at the high level trade links held during April 1977, in New Delhi. List of goods traded was enlarged further. A standing committee at the level of secretaries was set up to provide an institutional mechanism for promoting trade between the two countries.

The 1975 trade agreement expired in June 1978 and since then both the countries have been handling

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32 Ibid.

the trade on the basis of usual government protocol. To review and improve the trade ties, two rounds of talks were held at the official level during 1978 in Islamabad.

Efforts have been made to resume trade between both the nations

(a) Pakistan participated in the India International Trade Fair, 1981, in New Delhi. Pakistan pavillion was one of the largest to be put up by a foreign country. Trade fair provided an opportunity to the people in general and to the businessmen and industrialists of both the countries, in particular to be aware of each other's industrial development.

(b) A 22-member delegation of the Federation of Pakistan Chamber of Commerce and Industry (FDCCI), under the leadership of its President Mr. Mohd. Yousuf Zia, visited India in November, 1981 and had detailed discussions with the representatives of the Federation of Indian Chambers of Commerce and Industry (FICCI) led by Mr. Arvind N. Lalbhai, the then Federation President. The FICCI delegation, led by its then President, Mr. Ashok Jain paid a visit to Pakistan in February 1983. This delegation visited important trade and industrial centres besides holding a meeting with the FDCCI and its affiliate bodies.

As a result of all these efforts the Government of Pakistan has approved the import of 40 specified items from India by the Pakistani private sector through the Trading Corporation of Pakistan (T.C.P) pending the conclusion of a new bilateral trade agreement.[33]

The Indo-Pakistan Joint Commission on 10 March, 1983 is certainly a step forward in the promotion of mutual relations. For functional purpose, the work of the Joint Commission was divided over four sub-commissions in its first meeting held in June 1983 in Islamabad. One of them relates to trade. A three-day meeting of this sub-commission was held in Islamabad in January 1984. The representatives of both the countries identified 19 items for bulk trading between the two countries in order to further increase the level of trade.[34] The sub-commission on economic matters also held a meeting almost simultaneously with the sub-commission on trade and agreed to exchange visits of businessmen and industrialists. Both India and Pakistan have set up export processing zones for promoting export-oriented units. The sub-commission decided that the investors of the two countries would be encouraged to set up units in each other's export processing zones in accordance with the respective regulations.

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33 <u>The Tribune</u> (Chandigarh), 22 October, 1982.

34 <u>The Tribune</u> (Chandigarh), 18 January, 1984.

The Pakistan President, late Zia-ul-Haq, for the first time, publicly spoke about the desirability of trade between India and Pakistan. He expressed his views that Pakistan should not seek elsewhere what it could buy rather cheaply from India.[35]

In the decade of eighties, the two countries have decided to allow their private sector to enter into their mutual trade.[36]

A follow up action of the above said decision, the Finance Minister of India, Vishwanath Pratap Singh and his Pakistan counterpart Dr. Mahbub-ul-Haq held discussions on 8th and 9th February 1986 at Islamabad. They signed the "agreed record of discussions" on 10 January 1986. Consequently, Pakistan permitted its private sector to import a selected range of raw materials, intermediate and industrial goods from India. The approved list of items consists of 42 items. Even more significant is Pakistan's promise to appoint a committee to expand the list of imports from India. The list of items for direct private trade could go well beyond two hundred.

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35 Inder Malhotra, Parleys with Pakistan, The Times of India (New Delhi), 31 May, 1984.

36 The agreement to this effect was reached between the Pakistan Minister for Finance, Economic Affairs and Planning, Mr. Mahbub-ul-Haq, and India's Commerce Minister, Mr. Arjun Singh, at a meeting held in New Delhi on 15 November, 1985. Indian Express (Chandigarh), 16 November, 1985, p. 1.

As an immediate step, Pakistan has also undertaken to double its public sector imports from India in 1986. A joint committee of the Chamber of Commerce would be set up to explore the possibility of joint ventures. It has also been decided that the existing shipping agreement would be amended to facilitate shipping between the two countries.

The new trade policy was formulated by the Pakistan government for 1987-88 ushering in many fundamental structural changes and expert orientation of the nation's economy.

At the invitation of All Pakistan Textile Mills Association, the Indian Cotton Mills Federation had sponsored a high powered goodwill delegation to Pakistan in May 1988. Indian delegation had useful discussions with representatives of APTMA, Cotton, Export Cooperation, Export Promotion Bureau, and Karachi Cotton Export Cooperation Association. Important recommendations of the Indian delegation were -

(a) A coordinating machinery between the India and Pakistan textile industries should be set up to avoid undercutting of prices and maximise export earnings from quota countries.

(b) There is considerable scope for export of higher units of cotton yarn, polyester staple fibre, polyster filament yarn and textile machinery to Pakistan from India. The Bilateral Trade

Agreement between the two countries should be expanded to include export of these items to Pakistan.

(c) The land route between India and Pakistan should be opened up for import-export trade to save transportation charges and to quicken the transport.

(d) Exchange of information and visits of delegations from both the countries should be generally encouraged to instill the confidence and trust in the industry and trade of both the countries for mutual advantage.[37]

Dr. Mahbub-ul-Haq, the Pakistan Minister for Commerce and Finance announced on 30th June 1988, a liberal import policy to boost the interests of the consumers, industrialists and the businessmen. Main provisions were -

(a) Additional 162 items, initially in the negative list will be freely imported from India. Other 52 items which were previously in the restricted list will be imported freely.

(b) Major reduction in the import duties on raw materials.

(c) Special incentives are provided to overseas Pakistanis, under the non-repatriable investment

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37 Extracts from the Report of the Indian Textile Delegation to Pakistan, May 1988, Issued by the Indian Cotton Mills Federation, Bombay.

scheme (NRIS). They could also import second hand-machinery which was otherwise banned under the import policy.

(d) National Tariff Commission would be constituted to provide protection to deserving industries.

(e) The raw material replenishment scheme (RMRS) had now become redundant as restrictions had been removed from import of all raw materials.

(f) New import policy would encourage the export of higher value added goods, rather than raw materials or semi-processed goods.

(g) Private sector is allowed to import all kinds kinds of raw material and intermediate goods included in the country's import policy from India also.[38]

During the visit of Shri Dinesh Singh, the then Commerce Minister of India, to Pakistan during 1-5 October 1988, in connection with the GATT Ministerial meeting, he also had fruitful interaction on Indo-Pak bilateral trade with Pakistani government and the Pakistani business community. Important areas for possibilities of cooperation between the two countries discussed at this meeting are as -

1. Automobile parts can be exchanged. Both countries are manufacturing Suzukies.

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38 Pakistan News, vol. IX, no. 2, July 16, 1988.

2. Unutilised textile quotas should be exchanged between India and Pakistan exporters.
3. Tanning industry in two countries can cooperate.
4. A joint trade/business council should be set up.
5. A bilateral barter trade agreement could be worked out.
6. Joint ventures should be set up in the public sector.
7. Indo-Pak consortium should be formed to bid for international tenders.
8. Pakistan precious/semi precious stores should be purchased in large quantities by India. MMTC has made effort in Pakistan.
9. Offices of business houses/public sector organisations should be opened in each other's country.
10. Visit of delegations and businessmen should be facilitated.
11. Pakistan can buy hoisery machines and needles from India.
12. Communication between the two countries through exchange of newspaper, etc. should be facilitated.[39]

India and Pakistan signed an agreement on avoidance of double taxation on income derived from

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39 Op. cit., vol. II, no. 4, December 1988, pp. 5-6.

international air transport on 31 December, 1988 at Islamabad. This agreement shall apply to taxes on income imposed on behalf of a contracting state or if its political sub-divisions or local authorities irrespective of the manner in which they are levied. This agreement shall also apply to any identical or substantially similar taxes which are imposed after the date of signature of this agreement in addition to, or in place of, the taxes referred to in paragraph second of this Article I of the agreement.[40]

The East India Cotton Association and the Karachi Cotton Association of Pakistan have decided to set up a joint committee to expand cotton business and related economic activities between the two countries for mutual benefit and to exchange information relating to cotton production, crop forecast, demand supply position, research and development and processing of raw cotton. The objective of the committee were signed recently when a delegation of East India Cotton Association went to Pakistan to explore possibilities to promote cotton business between the two countries. The committee will explore the possibilities of exchanging such types of raw cotton which have demand in the two countries but are not being produced locally in sufficient quantity. For example, India

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40 Op. cit., vol. III, no. 1, March 1989, pp. 17-19.

may need Pakistani short and medium staple cotton while Pakistan may require Indian long and extra long staple varieties. It will, further, explore the possibilities of joint approach to regain the traditional market of desi cotton in various countries. It will lay down suitable standards for quality control and formulate equitable procedure for resolving disputes regarding importing countries as well as organise exchange of trade delegation.[41]

Moreover, according to latest notification of the Government of Pakistan, tea has now been placed on the freely importable list so that countries including India can export to Pakistan. The previous system of importing tea in Pakistan under STA (Special Trade Agreement) was a system devised to balance tea imports with Pakistani exports. Immense opportunities therefore await Indian tea exporters to sell to Pakistan. It is understood that quite a number of Indian tea traders are presently visiting Pakistan to explore the tea market.[42]

The scope for Indo-Pak trade has further increased with the expansion of the list of private sector exports from India to Pakistan from 249 to 571 with

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41 Op. cit., vol. III, no. 1, March 1989, pp. 20-21.

42 Ibid., p. 22.

the inclusion of an additional 322 items.[43]

The third meeting of the Indo-Pak Joint Commission was held in Islamabad during 18-19 July, 1989. This joint commission meeting was preceded by the meetings of its four constituent sub commissions -

Sub commission II on trade between India and Pakistan was held in Islamabad on 17th July, 1989. Agenda adopted for discussion was -

- Review of bilateral trade
- Normalisation of market access for export from India
- Identification of items of export-import interest and trade promotion measures.

Both sides recognised the need for greater trade exchange amongst themselves in the longer interest of south-south cooperation. Pakistan side reiterated on the pragmatic approach in conformity with the principle of GATT while fully safeguarding local industries. In keeping with this the Pakistan side offered a still enlarged list of 322 items developed on Harmonized System Code for private sector for private imports from India. The Indian side indicates that M.F.N. treatment should be accorded to Indian exports by Pakistan. It was agreed that there was considerable potential for joint efforts in export marketing of

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43 Op. cit., vol. III, no. 2, June 1989, p. 5.

selected products such as Guar Gum and Basmati rice in the mutual interest of both countries; similarly it was felt that joint efforts in import of non-ferrous metals and fertilizers would be in the interest of both sides. Cooperation in the field of automobile components was agreed upon as a potential area.

Both sides agreed to set up an Indo-Pak Joint Business Council. The Federation of Pakistan Chambers of Commerce and Industry (FDCCI) would be the nodal agency from the Pakistani side and FICCI along with the PHD Chamber of Commerce and Industry would be the coordinator from the Indian side. It was agreed that a delegation from India would visit Pakistan shortly for the establishment of the Council.[44]

Finally, India and Pakistan are exploring the possibilities of imparting a new edge to their existing trade and economic relations. Exercises have started under the two new governments in both India and Pakistan to identify the areas where both can benefit by mutual trade expansion.

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44 Ibid., pp. 21-22.

Chapter III

PATTERN OF INDIA-PAKISTAN TRADE (1980 - 1990)

After analysing various efforts made by India and Pakistan to promote mutual trade, it becomes relevant to discuss the volume and composition of trade between them. Such an analysis is confined to the period of eighties because it is during this decade that Pakistan has been gradually extending the scope of its private sector imports from India. Moreover, both the countries have embarked upon a policy of liberalisation during this period.

Table 3.1

Indo-Pak Trade Between 1948-49 and 1979-80

Value: Indian Rs. in crores

Year*	Export to	Import from	Balance of Trade	Total
1	2	3	4	5
1948-49	76.68	107.38	-30.70	184.6
1949-50	43.30	44.05	-0.75	87.35
1950-51	30.60	43.87	-13.27	74.47
1951-52	45.25	87.50	-42.25	132.75
1952-53	30.90	21.88	+9.02	52.78
1953-54	8.01	19.28	-11.27	27.29
1954-55	9.75	19.38	-9.63	27.13
1955-56	8.30	27.11	-18.81	35.41

1	2	3	4	5
1956-57	7.92	15.76	-7.84	23.68
1957*	6.68	13.42	-6.74	20.10
1958*	7.32	6.31	+1.01	13.63
1959-60	7.21	8.59	-1.38	15.80
1960-61	9.51	14.01	-4.50	23.52
1961-62	9.45	13.86	-4.41	23.31
1962-63	9.40	16.67	-7.27	26.07
1963-64	7.17	9.36	-2.19	16.53
1964-65	9.78	15.75	-5.98	25.53
1965-66	4.88	5.65	-0.77	10.53
1975-76	0.76	22.12	-21.34	22.90
1976-77	9.00	1.72	+7.28	10.72
1977-78	13.32	23.91	-10.59	37.23
1978-79	19.45	12.80	+6.65	32.25
1979-80	8.50	24.68	-16.18	33.18

* Calender year

Source: Indo-Pakistan Trade Relations, by R.S. Ghuman, 1986.

We first examine the trend in Indo-Pakistan trade since 1947 till the end of the seventies. A study of the data given in Table 3.1 reveals that Indo-Pak trade is marked by a considerable amount of uncertainty and stagnation over the years. Some of the significant features of this trade are as follows -

(i) The trade turnover of Rs. 184.6 crore in 1948-49 is the highest in the history of Indo-Pak trade.

(ii) The volume of trade which came down in the two subsequent years, again picked up in 1951-52. Subsequently, there has generally been downward trend with considerable fluctuations.

(iii) The increase in India's imports from Pakistan in 1955-56 was due to devaluation of Pakistani rupee and 1955 trade agreement between the two countries.

(iv) Trade between the two countries reflected a serious downward trend between 1955-56 and 1959-60.

(v) Due to Indo-Pak war and subsequent trade embargo between the two countries, the volume of trade was extremely low in 1965-66 and quite negligible over the following decade. Consequently no data has been presented for this period.

(vi) After the resumption of trade in 1975, India-Pakistan trade picked up gradually.

After resumption of trade in 1975, trade was through government agencies up to July 1976. With the induction of private trade in July 1976, the volume once again started swelling. During 1978-79, it was quite substantial as compared to 1976-77 Rs. 10.72 crore. It is 1978-79 that records the highest favourable balance of trade between India and Pakistan trade, Rs. 6.65 crore.[1]

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1 D.S. Arora, Indo-Pakistan Trade Relations, Foreign Trade Review, New Delhi, July-September 1990, p. 327.

An analysis of the trade figures before 1987-88 reveals that the bilateral trade turnover was rather small in size, the highest figure being Rs. 76 crores in 1980-81 and the lowest being Rs. 29 crore in 1984-85. In 1988-89, however, there was a marked turn around in the trade turnover which increased to Rs. 108.19 crores registering more than 100% increase compared to the previous year. India's exports also increased from Rs. 20 crores in 1987-88 to Rs.36 crores in 1988-89. This increase in 1988-89 may be attributed to the enlargement of the list of private sector export items from 42 to 249 in April 1988. With the further enlargement of this list to 571 in July 1989, the value of Indian exports to Pakistan has gone up considerably to Rs. 51.39 crores and further to Rs. 73.34 crores during 1989-90 and 1990-91 respectively. Soya bean alone has accounted for Rs. 12 crore of exports during 1990-91.

Table 3.2

Indo-Pak Trade (1980-81 to 1990-91)

(Indian Rs. in crores)

Year	India's Exports	Pakistan's Exports	Total Trade	India's Deficit (-) surplus (+)
1	2	3	4	5
1980-81	1.02	75.39	76.41	-74.37

1	2	3	4	5
1981-82	4.95	54.70	59.65	-49.75
1982-83	6.50	32.28	38.78	-25.78
1983-84	11.77	27.79	39.56	-16.02
1984-85	12.91	15.75	28.66	-2.84
1985-86	14.64	26.59	41.23	-11.95
1986-87	14.95	27.50	42.45	-12.55
1987-88	20.12	30.59	50.71	-10.77
1988-89	35.02	72.17	108.19	-36.15
1989-90	51.39	53.79	105.18	-2.40
1990-91	73.34	84.23	157.57	-10.89

Source: DGCIS, Calcutta

This increase in the total volume of Indo-Pak bilateral trade during 1989-90 and 1990-91, consequent to the further expansion of the list of private sector imports from Pakistan to India in July 1989 is an encouraging trend.

Balance of Trade

As is seen from column (4), Table 3.1, India had a favourable balance of trade with Pakistan when the surplus was Rs. 19.02 crore in 1952-53. This surplus shows a deficit of Rs. -11.27 crores in the very next year, that is 1953-54. 1958 is another year which show a meagre surplus of Rs. +1.01 crores for India.

In the years of late seventies, 1976-76 shows a surplus of Rs. +7.28 crore and 1978-79 shows a surplus of Rs. +6.65 crores. This surplus for India can be attributed to the liberalised policy of Pakistan when private enterpreneurs were allowed to trade with India. In the subsequent years Pakistan policy prevented private enterpreneurs from trading directly with India. This caused negative trade balance with Pakistan.

During eighties, there is no year when balance of trade is favourable for India. As is obvious from column (5), Table 3.2, the year 1980-81 shows a record deficit of Rs. -74.37 crore, thereafter the deficit fall until 1984-85 when it was only Rs. -2.84 crores. Thereafter India's deficit trade balance with Pakistan started to increase. During this decade, total volume of trade had gone up but balance of trade was in favour Pakistan. This increase in trade in the early and mid-eighties was due to greater interest generated as a result of exchange visit of delegations between the two countries. The quantum jump in trade in 1988 is due to increase in the growth of imports, especially of cotton, rather than any spectacular increase of India's exports to Pakistan.

Table 3.2, column (5) depicts a record deficit of Rs. 74.37 crore during the years 1980-81. This is because of Pakistan's hue and cry about her trade deficit with India during the preceding years. India made deliberate efforts to increase her imports from Pakistan. But, Pakistan's imports from India were only through her government agencies whereas India allows her private sector to trade with Pakistan. Moreover Pakistan permits only a selected list of products to be imported from India. This led to higher Indian imports from Pakistan than Pakistani imports from India.

<u>Composition and Structure of Trade</u>

Tables 3.3 and 3.4 indicate the composition of India's imports from and exports to Pakistan respectively during the years 1978-79 to 1988-89.

On the export side, the number of items which claimed a major share was more than that on the import side. Vegetable and vegetable preparations, fruit and fruit preparations, spices, cigars and cheroots, crude vegetable materials were the main items. As against imports, Indian exports to Pakistan included a substantial amount of manufactured items also. Glass and glassware, iron and steel and manufactures, machinery and parts (including electrical machinery apparatus and appliances), printed matters, road motor vehicles, structures and parts of structures, polishes and creams for footware and furniture contributed a substantial share in the total amount of export to Pakistan.

Table 3.3

Composition of India's Export to Pakistan

Value: '000 rupees

Commodities	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Vegetable and Vegetable preparations	-	-	-	31776	1874	35988	21351	869	103
Fruit and Fruit preparations	-	-	-	2163	8697	3257	3401	1993	200
Spices (except pepper)	-	387	-	6348	7112	9775	13846	12354	4737
Cigars and cherrots	-	7879	199	-	102	-	8	16	22
Iron ore and concentrates	-	18369	47587	42179	91688	66754	14592	146095	33890
Tea	-	-	-	12238	80128	22548	20709	22200	2737
Stone, granite and slate	-	-	-	951	1352	240	-	-	-
Synthetic organic dye stuff indigo, colour lakes, dying and tanning extracts and synthetic tanning materials	-	-	-	1955	9414	4613	6488	7988	3051
Crude vegetable materials	-	-	-	24829	38851	40071	69751	97368	26412

Chemical elements and compounds	-	-	-	3809	3026	669	8057	4240	1717
Chemical materials and products	-	-	-	6236	5242	1333	2773	1969	3101
Paper, paper boards, articles made of paper pulp of paper or paper board and floor covering of paper and paper boards	-	-	-	35	151	15	170	-	-
Glass and glass-ware	-	1389	567	768	7685	976	-	-	-
Iron and steel and manufactures thereof	-	-	-	1267	3359	2140	459	2637	-
Machinery and parts (including electrical machinery, apparatus and appliances)	-	-	-	777	1947	3378	2903	2254	19951
Measuring controlling and scientific instruments	-	222	-	322	437	587	977	525	114
Printed Matter	-	-	-	145	637	1318	3241	13621	2550
Toys, Games and sporting goods	-	-	-	-	-	133	35	22	260
Manufactured articles	-	-	-	1	79	5	7	327	-

Special transactions not classified according to kind	-	-	-	20	14	406	1209	1946	1123
Road Motor Vehicles	-	-	-	65	565	32	606	2656	-
Medical Instruments and appliances	-	-	-	133	52	-	48	187	-
Other non-electric parts and accessories of machines	17	5	-	-	-	21	-	-	-
Structures and parts of structures	-	5900	322	-	-	-	-	-	-
Revolution counters and product counters, taxi metres	226	5	9298	-	-	-	-	-	-
Sporting goods	7	1592	469	1932	521	-	-	298	-
Polished and creams for footwear and furniture	2025	6831	3021	-	-	-	-	-	-

Source: News from Indo-Pak Desk, PHD Chamber of Commerce, vol. 5, no. 1 and II, March-June, 1991, pp. 15-19.

Table 3.4

Composition of India's Imports from Pakistan

Value: '000 rupees

Commodities	1980-81	1981-82	1982-83	1983-84	1984-85	1985-86	1986-87	1987-88	1988-89
Edible Nuts	422	75	1920	-	-	-	-	-	-
Fruits, Fresh or dried, Fruit preparations	27051	5949	12085	55214	50322	65977	83974	184675	38721
Spices (except pepper)	256	2101	698	263	-	223	159	659	260
Hides and skins	-	336	-	-	-	-	-	-	-
Cotton (Raw)	-	118190	-	-	-	177958	-	82128	261103
Vegetable and synthetic textile, Fibres and their waste	-	366	3016	4578	11864	13964	16489	1000	-
Common Salt (sea and rock)	6732	6570	7188	12702	9650	15812	16692	19042	2610
Minerals Crude	55	57	84	-	82	-	-	-	-
Ore and concentrates of non-ferrous materials	22	-	-	-	-	-	-	1481	1315
Vegetable and vegetable preparations	6	95	113	-	300	-	-	-	-
Crude vegetable material	8992	133666	20418	3124	3489	3916	6511	8574	1741

News Print	23	1981	-	-	-	-	-	-	-
Pearls, precious and semi-precious stones	-	-	-	-	720	321	1045	-	-
Pig Iron, Cast Iron	-	97659	2322139	-	-	-	-	-	-
Iron and steel and manufactures thereof	-	1937	-	162802	-	24116	22003	656	-
Parts of Air craft	35	-	-	-	-	-	-	3	-
Dairy Products	-	-	-	29	-	11	5	9	-
Fish and Fish Preparations	-	-	-	-	-	59	-	-	-
Rice	-	-	-	10710	-	-	-	-	-
Coffee, coco, chocolate and other food	-	-	-	-	-	-	-	146	-
Sugar confectionary not containing coco	-	-	-	-	-	-	56	-	-
Food preparation	-	-	-	43	-	-	-	-	-
Oil seeds	-	-	-	2856	870	2390	4383	11953	5030
Non-alcoholic beverages	-	-	-	-	637	694	-	-	-
Tobacco Manufactured	-	-	-	-	-	1742	-	-	-
Stone, granote and slate worked, sand and grave	-	-	-	81	304	-	-	-	-

Wool	-	-	-	-	-	-	10931	1591	-
Marble, marble chips and marble worked	-	1402	1981	1197	-	7	-	-	-
Iron ore and concentrates	421	-	-	-	-	912	350	3550	1315
Natural gums, resins, blason and Cues	-	-	-	1100	407	546	198	715	360
Fertilizer manufactured	-	-	-	7138	10161	5916	-	-	-
Petroleum (for neptha)	-	270	-	417	-	-	-	-	-
Petroleum products	-	-	-	-	-	-	70159	60944	-
Yarn and thread of artificial fibre	-	-	-	3549	-	13553	-	-	-
Chemical elements and compounds	-	-	-	-	3	-	11554	10835	3566
Pigments, paints, varnishes	-	-	-	-	35	94	60	-	-
Plastic materials and artificial	-	-	-	-	-	-	758	616	-
Medicinal and Pharmaceutical products	213	107	-	830	563	438	157	725	-
Polishes	-	-	-	-	-	280	-	-	-

Chemical materials and artificial resins	-	-	-	-	-	870	-	-	-
Cotton Fabrics	-	-	-	55957	315869	123309	11019	10321	3925
Cotton Yarn	-	-	-	-	402	1079	1811	9036	-
Printed Matters	68	41	758	129	721	167	312	876	70
Leather	-	-	-	-	-	9299	61234	52033	4102
Special Transactions	226	336	114	21457	7588	421	2160	170	19
Machinery parts (elec/non-electrical)	51	-	-	994	22	24	903	-	-
Toys, Games and sporting goods	-	-	-	67	-	45	62	-	258
Manufactured articles	-	-	-	100	-	53	582	-	-

Source: News from Indo-Pak Desk, PHD Chamber of Commerce, vol. V, no. 1 and II, March-June 1991, pp. 13-15.

Table 3.3 shows that tea, bidi, leaves, iron and steel, chemicals, rubber belts and tyres, pharmaceuticals, wood and timber, aluminium, machinery and equipment, iron ore etc., were the important items on the export list. Bidi leaves and iron and steel were the only two items during the first year of trade resumption. Tea occupied a prominent place during 1976-77 and 1983-1989. It alone accounted for more than 64 per cent of the total exports. This along with bidi leaves and iron and steel constituted more than four-fifths of the total exports.

Stone, crude vegetable materials (inedible), chemicals, textiles, mineral manufactures, iron and steel, machinery and equipment accounted for about 96% of the total exports in 1980-81. Spices amounted to 16 per cent of the total exports during 1981-82. This along with bidi leaves, crude vegetable materials (inedible), glass and glassware and manufactures constituted about 52 per cent of total exports during 1981-82.[2]

India entered into an agreement with Pakistan for supplying 1.93 million tonnes of iron ore spread over a period of about seven years from September 1980 to March 1987. The payment of iron ore would be received

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2 Ranjit Singh Ghuman, "Indo-Pakistan Trade Relations", Deep and Deep Publications, New Delhi, p. 79.

in US dollars and the price for each year of supply would be fixed by negotiations.[3]

As for the imports from Pakistan, fruits, fresh and dried and fruit preparations, vegetable and synthetic textile, common-salt, crude vegetable material, oil seeds, cotton fabrics, cotton yarn accounted for a major share.

The composition of imports after the resumption of trade demonstrate that raw cotton, fruits, iron and steel, paper and paper board and rock salt were the major items. Raw cotton was eliminated during 1978-80. Paper and paper board was an important item in 1979-80. Fruits, nuts and iron and steel constituted about 5% of the total imports during 1980-81.

In 1982, cotton again emerged as an important import item as its share in the total imports was about 22 per cent. India's imports from Pakistan included sizeable quantities of finished and semi-finished goods. During 1981-82, India purchased about 2.25 lakhs tonnes of pig iron valued at Rs. 2900 lakhs. This made up more than 72 per cent of the total imports.

Recently, urea, pig-iron and fuel oil were added to the import list from Pakistan. The state

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3 1.93 million tonnes of Indian Iron Ore for Pakistan, The Times of India (New Delhi), 29 November, 1980.

owned Indian Oil Corporation signed an agreement with the National Refinery Limited of Karachi for the import of one lakh tonnes of fuel oil. The import was estimated to cost about Rs. 1760 lakhs.[4] The Government of India also placed orders for the purchase of urea from Pakistan worth Rs. 500 lakhs. The sale of 60,000 tonnes of Pak pig-iron to India was a new dimension added to the bilateral trade.

The imports from Pakistan saw wide fluctuations despite a good number of efforts to boost the bilateral trade. The major factor was the failure of Pakistan's cotton crop, which incidentally was its main export item to India, for two successive years after the resumption of trade.

As is clear from Table 3.3, cotton was eliminated altogether from the import list during 1978-81. One reason for this was the increased domestic production of cotton in India and less exportable surplus in Pakistan during those years. However, even during 1981-82, the quantity of cotton improved from Pakistan was quite low as compared to 1975-76 level. The one-and-a-half per cent commission of the Cotton Corporation of India became an additional burden on the importers. In addition, import duty on Pak cotton was about 40 per cent.[5] Since the price of cotton imported from

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4 Indian Express (Chandigarh), 22 January 1981.

5 Economic Times (New Delhi), 23 August, 1981.

Pakistan was only marginally lower than the current ruling price in India the cost of imported cotton would become probably high when the duty was paid. Hence the reluctance of the mills to clear the consignment.

Structure of Indo-Pakistan Trade

Tables 3.5 and 3.6 gives the structure of India's export to Pakistan and import from Pakistan respectively in terms of ten standard Industrial Trade Classification Sections 0 - 9.

On the export side, it is interesting to note that during 1980-81, crude materials, chemicals and manufactures together constituted 79.96 per cent of total export to Pakistan while the share of beverages, tobacco, miscellaneous manufactured goods and goods not classified by kind is insignificant.

Compared to 1980-81, in the year 1990-91 export to Pakistan has become more diversified where food and live animals constitute 8.58 per cent, beverages and tobacco constitute 15.58 per cent, crude materials 14.64 per cent, minerals, fuels and lubricants etc. 7.68 per cent, vegetable and animal oils and fats 26.64 per cent, miscellaneous manufactured goods 9.45 per cent, goods not classified by kind 14.63 per cent, share of chemicals, manufactures, machinery and transport equipment has been 2.21 per cent, 0.45 per cent and

Table 3.5

Structure of India's Export to Pakistan

SITC Sections	Description	Value Rs.'000 (Section 0-9) and percentage distribution (1980-81)	Value Rs. '000 (Section 0-9) and percentage distribution (1990-91)
1	2	3	4
0 - 9		10100.25	724372.18
0	Food and live animals	-	8.58
1	Beverages and Tobacco	0.019	15.58
2	Crude Materials	28.66	14.64
3	Mineral fuels and Lubricants etc.	-	7.68
4	Vegetable and animal oils and fats	-	26.64
5	Chemicals	20.23	2.21
6	Manufactures	31.07	0.45
7	Machinery and Transport equipment	13.07	2.99

Table 3.5 Cont'd ...

1	2	3	4
8	Miscellaneous manufactured goods	2.61	9.45
9	Goods not classified by kind	0.37	14.63

Source: Statistics of Foreign Trade of India, D.G.C.I. and S, Calcutta.

Table 3.6

Structure of India's Imports from Pakistan

SITC Section	Description	Value Rs. '000 (Section 0-9) and percentage distribution (1980-81)	Value Rs. '000 (Section 0-9) and percentage distribution (1990-91)
0 - 9		734643.189	844872.494
0	Food and live animals	51.46	-
1	Beverages and Tobacco	-	-
2	Crude materials	18.49	27.79
3	Mineral fuels and lubricants etc.	-	19.35
4	Vegetable and animal oils and fats	-	16.12
5	Chemicals	17.48	19.15
6	Manufactures	14.94	0.16
7	Machinery and Transport equipment	0.19	16.86

Table 3.6 Cont'd ...

1	2	3	4
8	Miscellaneous manufactured goods	0.13	0.12
9	Goods not classified by kind	0.49	2.03

Source: Statistics of Foreign Trade of India, D.G.C.I. and S, Calcutta

2.99 per cent respectively.

Table 3.6 presented here is the basis for the study of India's main imports from Pakistan. Some individual commodity groups had considerable importance with regard to India's trade with Pakistan. For example, during 1980-81, food and live animals constituted 51.45 per cent of total import from Pakistan. In case of chemicals and manufactured goods, this share was 17.48 per cent and 14.94 per cent respectively. The import of other items from Pakistan like machinery and transport equipment, miscellaneous manufactured goods, goods not classified by kind had a marginal share in India's total import of these commodities.

Compared to 1980-81, in 1990-91 crude materials share has been about 27.79 per cent, chemicals too has not shown any appreciable decline which is 19.15 per cent. But machinery and transport equipment has moved to 16.86 per cent of total import while the share of manufactures, miscellaneous manufactured goods remained insignificant.

It is also seen that in 1980-81 on export side primary commodities (0 - 9) contributed 28.67 per cent of total export while manufacturing goods (5 - 9) accounted for 67.35 per cent of the total export. But in 1990-91, primary goods share increased to 73.12 per cent of total export and manufacturing decreased to

29.73 per cent of total export. Likewise on the import side, in 1980-81, primary goods (0 - 4) contributed 69.95 per cent of total import and manufacturing (5- 9) accounted for 33.23% of total import, while in 1990-91 the figures for primary goods was almost equal of 68.26 per cent and manufacturing showed 38.32% of the total import.

Commodity Concentration of Bilateral Trade

Table 3.7

Concentration of India's Bilateral Exports to Pakistan

Year	Value of Exports of Top		Share of Top	
	10 Items (in Rs. '000)	20 Items (in Rs. '000)	10 Items (in per cent)	20 Items (in per cent)
1977-78	73617.34	77681.99	79.67	84.07
1978-79	15679.09	22497.66	27.90	40.03
1979-80	2109.60	2119.26	90.01	90.42
1980-81	2040.64	4071.10	25.57	51.01
1981-82	23995.54	26078.88	84.63	91.98
1982-83	56760.92	58479.95	91.93	94.72
1983-84	81013.84	90975.77	66.79	75.01
1984-85	92042.41	103316.50	79.61	89.36
1985-86	120919.00	1366769.80	86.85	98.23
1986-87	265093.50	309974.80	81.27	95.03

Source: Economic Cooperation in the SAARC Region by V.R. Panchamukhi, et. al., Interest Publications, New Delhi, p. 122.

Table 3.7 presents the concentration of India's export to Pakistan. India's export of the top ten items to Pakistan was of Rs. 73.6 million in 1977-78 which accounted for 79.67 per cent of the top then products exported to Pakistan. The value of top ten products went up to Rs. 265.1 million in 1986-87 which accounted for 81.27 per cent of the top ten products export with Pakistan.

Likewise, the value of top twenty products exported to Pakistan was significantly higher. It increased from Rs. 77.6 million to Rs. 309.9 million in 1977-78 to 1986-87 respectively. The percentage share of top twenty products had gone up to 95.03 per cent in 1986-87 from 84.07 per cent in 1977-78. This shows that the commodity concentration of India's export to Pakistan in respect of top ten and top twenty products is highly concentrated leading to the possibility of a greater unstability in trade between both the countries.

Table 3.8 presents the concentration of India's imports from Pakistan. India's volume of import from Pakistan in top ten products was Rs. 1.08 million in 1977-78 which increased to Rs. 300.00 million in 1986-87. The percentage share of top ten products imported from Pakistan to India registered an increase from 73 per cent in 1977-78 to 94 per cent in 1986-1987.

Table 3.8

Concentration of India's Bilateral Imports from Pakistan

Year	Volume of Imports of Top 10 Items (in Rs. '000)	Volume of Imports of Top 20 Items (in Rs. '000)	Share of Top 10 Items (in per cent)	Share of Top 20 Items (in per cent)
1977-78	1082.49	1439.09	73.02	97.07
1978-79	894.28	894.67	80.16	80.20
1979-80	1003.27	1084.30	87.05	94.09
1980-81	27520.58	28127.57	96.88	99.02
1981-82	16106.35	22791.72	64.38	91.01
1982-83	27598.92	30503.33	87.92	97.17
1983-84	26832.74	46879.37	55.68	97.28
1984-85	71104.04	75798.64	93.01	99.25
1985-86	841186.36	86672.08	96.53	99.38
1986-87	300000.00	320000.00	93.94	99.71

Source: Economic Cooperation in the SAARC Region by V.R. Panchmukhi et. al., Interest Publications, New Delhi, p. 126.

Likewise, the volume of top twenty products imported from Pakistan registered significant increase of Rs. 318.56 million since 1977-78 to 1986-87. The total value of top twenty product in terms of percentage also increased from 97.07 per cent in 1977-78 to 99.71 per cent in 1986-87. These figures point out that on the import side also India's import from Pakistan regarding the top ten and twenty products is highly concentrated leading to the possibility of a greater degree of unstability in trade between both the countries.

Chapter IV

CONSTRAINTS AND POTENTIALITIES

The close cultural affinity and geographical proximity of India and Pakistan, notwithstanding, close economic ties between them has been precluded by mutual political distrust and suspicion. It is now being recognised that both the nations are paying heavy price for denying themselves benefits which would have occurred to them, had they got closer to each other in areas such as trade and industrial collaboration.

To begin with, it is useful to recall the role of the apprehension factor, perceived by the commercial-industrial sectors as a constraint to the development of Pakistan-India economic relations. This apprehension is often expressed in terms of the possible economic dominance by Indian industrial interests on industrial and commercial interests of Pakistan in a regime of bilateral trade and investment.[1] This is reflected in , among other things, bilateral restrictions on trade and cultural and economic contacts, despite age-old historical ethnic and economic bonds.

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1 Resume of Discussions of the Meeting between the Ambassador of Pakistan in India and the PHDCCI, PHDCCI, New Delhi, January, 1989, (unpublished).

Secondly, major areas of bilateral neglect has been the development of coordinated if not integrated physical and institutional infrastructural linkages. Most pre-independence land and rail routes have long been discontinued: relaxation of bilateral shipping restrictions began only a decade ago; and access by air continues to be limited. These two factors have together contributed to high information and transport costs of doing business with one another.[2] The speedy formalisation of SAARC institutions - the Secretariat, the Technical Committees, and the Summits, among others - has no doubt accelerated the development of mutual awareness regarding economic potentials and constraints. Industrial and commercial awareness has increased rapidly due to more frequent exchange of business and official delegations and seminars and workshops involving the trading and investing interests from the two countries.[3] The Indo-Pakistan Joint

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2 It was noted in Indian Industry and Prospects for Regional Economic Cooperation in South Asia, Friedrich Ebert Foundation - Administrative Staff College of India joint monograph, New Delhi/Hyderabad, May 1988, that high transport costs due to lack of sufficient land and water routes between the two countries are one of the major constraints perceived by Indian industry in bilateral trade. This has been reinforced by Talwar, W.N., Emerging Opportunities for Indo-Pak Business Cooperation, PHDCCI, New Delhi, 1988.

3 Talwar, W.N., op. cit.

Commission in its latest (July 1989) meeting made several recommendations regarding easing bilateral travel restrictions, expansion of the list of mutually tradeable items, and facilitation of business visits and exchange of procedural information.[4] The Bombay and Karachi stock exchanges have recently mooted a plan to form an association of stock exchanges of the SAARC countries.[5]

Despite these encouraging developments, however, several major institutional barriers are yet to be dealt with at both bilateral and multilateral levels. For instance, the idea of an umbrella federation of South Asian Chambers of Commerce and Industry was mooted some three years ago, which still has to come into being.[6] However, even a bilateral federation of national apex chambers in India and Pakistan has not yet been formalised, though some linkages with PHD Chambers of Commerce and Industry exists. To facilitate resource mobilisation for investment flows and joint resource allocation adjustments, the idea of a regional investment bank or fund has been proposed[7], but again regional investors will

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4 <u>Financial Express</u>, 19th and 20th July, 1989.

5 <u>Business Standard</u>, 20th August, 1989.

6 <u>Financial Express</u>, 22nd August, 1989.

7 Waqif, Arif A., An Approach to Regional Economic Cooperation in South Asia, presented at the Regional seminar on New Directions for Regional Economic Cooperation in South Asia, organised by JNU, New Delhi, September, 1987.

have to wait for some time for this.

Thirdly, the two countries' trade orientations and policies have, until perhaps the very recent period, acted as a brake on bilateral trade and investment.

Pakistan has, in comparison to India, placed greater emphasis on -

- management of inflation, budget deficits, and balance of payments deficits;
- human resource development and employment generation through promotion of private sector;
- structural and social transformation through promotions of labour and resource mobility;

On the other hand, India has emphasised on:

- the growth of industry;
- technological modernisation and upgradation;
- development of upcoming high-tech areas; and
- supplementary rather than structurally integrated employment generation.[8]

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8 Waqif A. Arif, Potentials and Constraints in Pakistan-India Economic Relations, Administrative Staff College of India, Hyderabad, September 1989.

With respect to export-import policies of the two countries, there is a general tendency toward liberalisation, but with some significant differences:

- having started with a more open economy, Pakistan's import liberalisation has reached higher levels than in India, where it has come about in a more halting manner due to the more protected structure of its economy;
- Pakistan has permitted freer imports of capital and intermediate goods primarily to supplement domestic capacities, while India has encouraged freer imports of these goods to help promote price and quality competitiveness;
- Pakistan has sought to promote the development of value-added exportable surpluses, while India has more recently promoted import-based exports and industrial growth;
- Pakistan's export promotion efforts are aimed at some of the more traditional items compared to India's;

A cumulative effect of these constraints are clearly reflected in the list of commodities not permitted for exports from Pakistan to India, released from the Chamber of Commerce in

Table 4.1

Tariff and Non-Tariff Barriers on India's Major Identified Exports to Pakistan

S.No.	Product Description	Pakistan Rs/kg, or Ad valorem (%)	Pakistan Sales Tax (%)	Pakistan NTBs*
1.	Other Fresh or Chilled Vegetables	100	10	B
2.	Refined Sugars and Other Products	Rs. 5/kg	Free	P
3.	Tea			
	Raw Leaves			
	Tibetan Tea			
	Other Tea not in Retail Packing			
	in Retail Packing	100	Free	
	Other Tea	35	Free	
4.	Pepper of the Genus Pimenta	Rs. 12/kg	20	
	Others			
5.	Spices			P**
	Vanilla	40	20	
	Cinnamon	Rs.15/kg	20	

Table 4.1 Cont'd ...

	Cloves	Rs. 60/kg	20	
	Nutmeg	Rs. 10/kg	20	
	Mace	Rs. 20/kg	20	
	Cardamoms, Small	Rs. 100/kg	20	
	Cardamoms, Large	Rs. 20/kg	20	
	Seeds of Coriander, Cumin, Caraway	70	20	B
	Ginger Raw	Rs. 5/kg	Free	P
	Ginger Dry	Rs. 10/kg	Free	P
	Other	70	20	
6.	Oilcake	40	10	
7.	Iron Ore and Concentrates	30	Free	
8.	Varnishes	120	10	B'
9.	Medicaments	Free	Free	a
10.	Perfumery and Cosmetic and Toilet Preparations	85-160	10-20	B'
	Rose water and Kewade water			
	Dentrifices			
	Incence sticks			

Table 4.1 Cont'd ...

	Hair cream, hair oil and other			
	Perfumes			
	Other			
11.	Cotton yarn	85	10	
12.	Cotton fabrics woven unbleached	120	10	B
13.	Cotton fabrics, woven, bleached mercerised	120	10	B
14.	Structures and parts of iron and steel	100	10	
15.	Parts of internal combustion piston	40-120	10	
16.	Electrical insulating equipment	40-80	20	
17.	Batteries and electric accumulators	70-100	10	
18.	Public service type passenger motor vehicle Minibus (12-35 seats)	60	20	
	Other			
19.	Parts and accesories of motor vehicles	70	10	
20.	Invalid carriages, whether motorised or not	40-100	10	

Table 4.1 Cont'd ...

Notes: Information with respect to Products under SITC 7499, 0350 and 6974 not available

B – Banned

B' – Most items banned

P – Private sector permitted to import from India

a – Import of penicillin from specified sources only; unani only, ayurvedic and other oriental type and medicated wines are banned

b – Some items have to be imported from specified source only

* – Import by only public sector agencies permitted excluding a list of 42 items

** – Excluding chillies, turmeric and cumin seeds.

Source: Trade Expansion in South Asia Liberalisation and Mechanisms, Regional Study by I.N. Mukherji, editors, V. Kanesalingam and A.R. Kemal, Macmillan India Ltd., 1990, pp. 44–47.

Table 4.2

Tariff and Non-Tariff Barriers on Pakistan's Major Exports to India

S.No.	SITC	Product Description	India				
			NTBs	Basic (%)	Auxl (%)	Addl (%)	Total* (%)
1	0360	Fish Crustacean Mollusc Chilled or Frozen	B	60	40	Nil	100
2	0422	Rice Semi Milled or Wholly Milled		Nil	Nil	Nil	Nil
3	2631	Cotton not Linters Carded/Combed		40	40	Nil	80
4	6113	Calf Leather	B	60	40	12	124
5	6114	Leather of Other Bovine Cattle	B	60	40	12	124
6	6115	Sheep and Lamb Skin Leather	B	60	40	12	124
7	6116	Leather of Other Hides/Skins	B	60	40	12	124
8	6513	Cotton Yarn		60	40	b	
9	6521	Cotton Fabrics, Woven, Unbleached		100	40	c	
10	6522	Cotton Fabrics, Woved, Bleached	B	100	40	c	
11	6582	Tarpaulin, Sails, Tents	B	100	40		140
12	6584	Bed/Tablelinen etc.		100	40	12	168.8

Table 4.2 Cont'd ...

13	6592	Carpets, Carpeting and Rugs-knotted	B	100	40	30	212
14	6712	Pig/Cast Iron in Blocks, Pigs		40	40	Rs. 80/MT	
15	8493	Outer Garments Women/Girls; Textile Fabrics	B	100	40	Nil	140
16	8441	Shirts Men/Boys Textile Fabrics	B	100	40	Nil	140
17	8462	Under Garments/knitted/cotton	B	100	40	Nil	140
18	8720	Medical Instruments/Appliances NS		60	40	15	130
19	8947	Other Sporting Goods		100	40	Nil	140
20	9310	Special Transactions not Classified					

Notes: * Total duties on imports are calculated after accounting for basic, auxiliary and additional duties. It may be noted that the total duties will not be the sum of the three components. Additional duty is charged on both value of goods as well as the sum of the basic and auxiliary duties.

B Banned

Table 4.2 Cont'd ...

b. Additional duty on yarn not containing synthetic staple fibre varies from 2.53 paise per count in the class of 25 counts or below to Rs. 1.31 per count onwards in the class of 35 counts and above. On yarn containing synthetic staple fibre, it is Rs. 11.38 per kg. However, where yarn contains more than 40% polyester staple fibre, the duty is Rs. 11.50 per kg.

c. Additional duty on grey fabrics: Nil, on processed fabric it varies from 1% to 13.20% depending upon the count and value, on processed blended fabrics it varies from 2% - 19-20% plus Rs. 5 per sq. m. depending on value and constitution.

Source: Trade Expansion in South Asia, Liberalization and Mechanisms, Regional Study by I.N. Mukherji, editors V. Kanesalingam and A.R. Kemal, Macmillan India Limited, 1990, pp. 159-60.

Pakistan.[9]

Besides these constraints, Tables 4.1 and 4.2 gives the Tariff and Non-Tariff Barriers on India's major Identified Exports to Pakistan and Tariff and Non-Tariff Barriers on Pakistan's Major Exports to India, respectively.

Until February 1980, the private sector in Pakistan could not directly import from India. Now direct import from India is permitted in respect of a list of 42 items, some of which figure in the Table 4.1. Moreover, as many as 7 items in India's export list are banned to Pakistan. These high rates of tariff and non-tariff barriers acts as a heavy burden on the expansion of trade between India and Pakistan.

Several kinds of non-tariff barriers apply on imports in Pakistan. Some of the commodities are banned and cannot be imported at all. Certain consumer goods are subject to quantitative restrictions. In the case of some products, only the Trading Corporation of Pakistan (TCP) can import, and some of the commodities can be imported only from specified source (country). These commodities are either exchanged under barter system or come under loan/aid.

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9 See Annexure 'A'.

Until recently, goods from India could be imported only through TCP. Since February 1986, the private sector in Pakistan has been permitted to import some 42 items directly. In case of other products, a Pakistani importer interested in importing any permitted item from India directly negotiated with the exporter of that item in India, and if the deal is finalised, then import of the item is effected through TCP.

The TCP is also authorised to import certain products on commercial basis. It invited global tenders for these products, generally both C and F and FOB prices. Similarly, other public sector agencies invite tenders from registered suppliers all over the world to bid for the items to be imported. Table 4.2 gives an account of the trade restrictions that Pakistan has to face in case of export to India of the identified products. Except for raw cotton, the import of which is duty free, most of Pakistan's major exports are subject to tariffs exceeding 100%. These tariff and non-tariff barriers imposed by both India and Pakistan restrict the expansion of trade to some extent.

Despite these constraints that ails the trade relations between India and Pakistan, potential exists between both the nations which depend upon -

(i) India's capacity to meet Pakistan's requirements, and

(ii) Pakistan's capacity to meet India's requirements.

In other words, the potentialities of trade depend upon the degree of complementarity between the two countries on the one hand and their will to make use of that complementarity on the other.

Appendix 'B' gives the description of potential areas of bilateral economic cooperation.[10]

Besides these items which are in the list of potential trading goods, another list of goods is finalised -

(i) Items that India has shown interest in exporting to Pakistan.[11]

(ii) Items that Pakistan has shown interest in importing from India.[12]

(iii) Items that India has shown interest in importing from Pakistan.[13]

(iv) Items that Pakistan has shown interest in exporting to India.[14]

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10 See Annexure - B.

11 See Annexure - C

12 See Annexure - D

13 See Annexure - E

14 See Annexure - F

A list of common tradeable items is formulated that shows the potential between India and Pakistan.[15]

Besides these goods where interest is shown, some potential exist in specific goods. Prominent among them are -

(a) <u>Iron and Steel</u>

Indian imports of steel products have been more than 40 per cent of the total imports from Pakistan since the beginning of the eighties, whereas Pakistan's imports of iron and steel have always been over 30 per cent of its total imports from India since 1980. Pakistan being deficient in iron ore, would have to depend on imported iron ore for its steel mills at Karachi. India can supply iron ore from Goa port where large deposits of iron ore exists. Pakistan's imported iron-ore comes from Australia, Canada, Brazil, Liberia. India can take advantage of low freight costs and short delivery time. Nokundi mines can fulfil only 45 to 50 per cent of the requirement of Karachi steel mill alone. Thus Pakistan has to import iron ore. On the other hand, India has a low capacity in pig iron. Since India has decided not to set up large blast furnace mills, it will have to import

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15 See Annexures G and H.

pig iron from abroad. Pakistan can be a good source due to low transportation cost. In fact, from 1980-81 to 1983-84 India imported large quantities of pig iron from Pakistan constituting over 30% of India's total imports from that country. With regards to finished products of mild steel, India has exportable quality of bars, billets, large and small sections which India can export to Pakistan. Other products like ingots, blooms, slabs, coils, wire rods, hoops, strips, plates, sheets, pipes and rails are imported by both India and Pakistan in large quantities.

(b) Tea and Coffee

Tea and coffee have been identified as two areas where India and Pakistan are in a position to cooperate to the mutual benefit of both. In fact, the meeting of the SAARC countries at Male has brought home the point to all member-nations that they should speed up their process of trade cooperation in their own national interest and some concrete results should be achieved before the next meeting.

As regards Indo-Pakistan cooperation in tea, within the SAARC region, Pakistan is a potential importer of tea every year but India's maximum share per year has been only 5000 tonnes. Pakistan's major sources of imports have been Kenya, China, Bangladesh, Indonesia and Sri Lanka. This is despite the fact that unit price realisation of Indian tea exported to Pakistan works out to be $ 2.42 per kg as compared to Kenya $ 3.25, Indonesia $ 2.98, Sri Lanka $ 2.90 and Bangladesh $ 2.46.[18]

Indian tea is much superior in quality compared to that of Kenya, Argentina and China and the procurement cost like transport would be much lower in case of Indo-Pak tea trade are put on an even level.

Pakistan's trade policy, 1987-90 had linked tea imports with counter trade of engineering goods. This made Indian exports of tea to Pakistan difficult as India already has a good domestic production base of engineering goods. But through a notification, the government of Pakistan has now placed tea on the freely importable list and prospects of tea imports from India have thus brightened.

(c) Cotton and Textile

Cotton and textile is another area of Indo-Pak cooperation. Under the new trade policy, raw cotton can be directly exported by private traders in Pakistan. It should be now possible for the Indian importers to negotiate competitive prices. Another result of the changes in Pakistan's trade policy had been the permission for duty-free import of cotton yarn. Yarn is one of the 42 items which Pakistan's private sector can directly import since January 1986. India therefore, has a scope to export this item in very large volumes. In 1984-85 and 1985-86 India imported 75,000 bales of short staple cotton for production of cotton fabric at Kandla Free Trade Zone for exports to the socialist bloc. With the reduction of demand from the socialist bloc, India in turn reduced its imports of cotton from Pakistan. But a systematic market planning should facilitate Indo-Pakistan joint venture for the use of cost-effective Pakistani cotton and grey to manufacture made ups for export to the socialistic bloc as well as to the European and North American markets.

If free trade were allowed, it should take place in both directions. And should the governments be interested in retaining control over these industries, the state trading corporations in each could organise fruitful swap deals. At the regional level, the initiative for joint coal washeries and scrapping centres should best be left to the profit motivated business enterprises in both the public and private sectors.

But the most vital pre-requisite for the establishment of economic cooperation in iron-ore and coal is the need for the governments to ensure that this sector is free of red tape, that engangles most enterprises in the Third World. Without that assurance, economic cooperation in SAARC will remain what it is today: a noble but largely academic exercise. What is needed now is steel will.

Chapter V

CONCLUSION

One of the main planks of India's foreign economic policy in the post-independence years has been fostering close economic relations with the co-developing countries of Asia, Africa and Latin America in the technical and economic field. The main objective of this policy have been to establish economic relationship with other developing countries, to reduce unhealthy dependence for trade on a few developed countries and to encourage cooperation in pursuit of solutions for common problems facing them.

To achieve these objectives, India has seriously attempted to strengthen its trade relations with the developing countries. With some countries, India already has close economic bonds while with certain others it would like to forge closer relations. It is in this context that bilateralism deserves careful considerations as a policy option.

In Chapter I of the present study, an analysis of the rationale of bilateral trade relations has been dealt with at the theoretical level. The study establishes that bilateral trade agreements among the developing countries have double benefits. On the one hand, they make it easier to secure specific commodities from specific countries according to the needs of economic development and on the other hand, they have multiple objectives like increasing the volume of trade, removing balance of payment problems, improving the terms of trade, changing the composition of trade and thus maximising mutual advantages. This chapter has also examined the recent experiences and benefits of bilateralism to India with special reference to India's trade relations with socialist countries. In the light of these experiences an attempt has been made to explore the possibility of promoting trade between India and Pakistan on a bilateral basis.

Chapter II of the present study gives a historical background of India-Pakistan trade relations since the time of independence till 1990. This chapter analyses the various trade agreements that were signed between both the governments and goods traded. It highlights the years of 1966 to 1974 when there was absolutely no trade between India and Pakistan. Trade was only resumed between India and Pakistan after signing a trade agreement in January 1975. This chapter also takes into account the trade liberalisation and the gradual relaxation of discrimination by Pakistan. The new trade policy of Pakistan has also been discussed with the speculation that this can have a beneficial impact on Indo-Pakistan trade relations.

Chapter III of the present study examines the pattern of Indo-Pakistan trade with reference to its magnitude, composition and structure. Balance of trade also has been taken into account. Commodity composition of top ten and twenty products has also been discussed. It has been found that Pakistan has only a marginal share in India's global imports and exports, vice versa, but the significance of Indo-Pakistan trade cannot be overlooked from both India and Pakistan's view point. A variety of factors causing major irritants between the two countries are responsible for the small volume of trade that exists between the two countries. These irritants include problem of smuggling across the borders, transport bottlenecks, absence of a sense of responsibility to discharge obligations with regard to the fulfilment of trade agreements from both the sides and some political issues like the dispute over Kashmir, financial and other assistance to militants in Punjab etc.

Chapter IV of the present study examines the constraints that restricts the Indo-Pakistan trade relations. The study establishes that the apprehensive factor, perceived by the commercial-industrial sector is a major constraint to the development of Pakistan-India economic relations. High tariff and non-tariff barriers, neglect of the development of coordinated if not integrated physical and institutional infrastructural linkages, differences in trade orientations and policies of both the nations and direct and indirect resistance from interests groups are the constraints that are emphasised. Potential areas and commodities that have a scope between India and Pakistan trade are examined in the fields of agriculture and industry. List of common goods, in which both India and Pakistan has shown interest in trading has been drawn showing that potential exists between the two countries pertaining to these goods.

It is also seen that Pakistan has been gradually relaxing its discriminatory trade practices with India. List of goods to be traded freely has been expanded. For instance, in Pakistan the number of banned products has been reduced from 400 to 80. Similarly India's five year export import policy (1992-97) has produced a negative list of imports consisting mainly of consumer goods. The number of canalised items has been reduced to eight only. These liberalised policy changes can perhaps contribute to the expansion of bilateral trade between India and Pakistan as well.

Rationalising the tariff structure by reducing the number of tariff bonds has been undertaken both by India and Pakistan by 110% and 100% respectively, may lead to some more expansion of bilateral trade between India and Pakistan.

Furthermore, at the sixth summit of SAARC held in December 1991, the heads of state or government further examined the Sri Lankan proposal to form a South Asian Preferential Trading Arrangement (SAPTA) by 1997.

This proposal of SAPTA seek to establish a formal and full-fledged preferential trading arrangement (PTA) within the institutional framework of SAARC in a phased out manner by progressive across the board reduction in all tariffs and non-tariffs barriers among the member countries. This too could lead to a further expansion of bilateral trade between India and Pakistan.

To give another fillip to India and Pakistan's bilateral trade it would be desirable if Pakistan moves in favour of MFN principle in dealing with India. This would lead to an increase in bilateral trade between India and Pakistan. Lastly specific potential area are discussed relating to iron and steel, tea and coffee, cotton and textile.

Finally, it should be remembered here that mere signing of trade and payments agreements or exchanging additional concessions to each other will not be adequate. What is needed is the consistent effort on the part of both the countries to help each other in promoting trade and economic development. There should not be a static type of complementarity between the two countries which generally may result in a kind of economic exploitation of the weak by the leading partner, but the future transactions should be based on planned creation of trade generating complementaries. It is in this context that joint industrial ventures between the two countries need to be given a fresh look. However, much will depend upon the political will and determination of the two countries in this regard. If obstacles to cooperation are largely removed, it can be hoped that Indo-Pakistan trade will have a brighter future.

Annexure - A

List of Commodities not permitted for Exports from Pakistan to India

Description		Exceptions
Live animals	(i)	Breeding buffaloes, cows, goats and camels, as may be specified subject to the provisions of para 1.5
	(ii)	Such horses as are registered with Jockey Club of Pakistan
	(iii)	Fillies/mores, subject to the provisions of para 1.6 and 1.7
	(iv)	Poultry, live or dressed, including day old chicks
	(v)	Fish, shrinks, lobsters, crab and frogs
Beef and Mutton	(i)	Cooked and canned beef and meat
	(ii)	50% of the total production of commercial freed lot units, livestock, farms and bilateral joint ventures
Animal fat, Milk and Milk products		Import formula foods, weaning foods and foods for invalids
Vegetables all sorts including dehydrated vegetables and potato seeds	(a)	Dried methi leaves packed in small airtight containers or packets, onions, potatoes, garlic, zira, large chillies, asparogus, beans, artichockes, cabry, broccoli and brussels sprouts
	(b)	Turmeric, tomatoes, lady fingers, carrots, radish, cauliflowers, pumokins, Karela, green chillies, tinda, tori, korripatta, chichindo, petha, carrionder leaves and spinach subject to the provisions of para 1.6

Grains, all sorts	Maize and barley (subject to quota)
Pepper Pulses and Beans, All sorts. Blood meals, meat meals, cokn gluton meals, cokn gluton feed, and sesme oil cakes	
Bran and Fodder all sorts	Oil, cakes, rice bron, wheat bron (subject to quota and special procedure)
Sann hemp and Arte-Misia seeds.	
Edible oils, all sorts. including butter oil vegetable ghee and oil seeds	Cactor seeds, poppy seeds, Kapod seeds, seesama seeds
Gur Khandsari and Jaggery powder.	
Intoxicants and intoxicating liquors as defined in the prohibition (Enforcement of Hadd) Order, 1979.	
Hides and skins, all sorts	Lamb skins (Grade I to V)
Wet blue leather made from cow hides and cow calf-hides.	
Wild animal skins and garments made of such skins. Products of derivatives of such skin;	
Finished or tanned leather made of wild animal skins and stuffed mounted or preserved specimens of wild animals.	

Charcol and Fire-wood.	
Timber.	
Empty wooden crates. Assembled or unassembled.	
Ferrous and non-Ferrious	(i) Pig Iron (ii) scrap obtained from ship breaking
Arms and ammunitions and explosives and ingredients thereof	(i) Knives (ii) sporting rifles, hand guns, and shot guns and acessories and ammunition thereof (iii) Saltpetre (iv) Arms and ammunitions explosives and ingredient thereof recommended by defence production Division and Ministry of Foreign Affairs.
Fissionable material.	
Maps and charts	(i) Maps of scales smaller than 1/4 or 1/250000 (ii) Educational and scientific charts (iii) Guide maps and relief maps
Unfinished and semi-finished hockey sticks and blades.	
Paper waste.	
Human skeletons.	
All imported goods in their original or unprocessed form	(i) Parts obtained from ships breaking (ii) scrapped battery cells (iii) waste dental amalgam

(iv)	waste exposed X-ray films
(v)	over 20 years old automative vehicles and aircrafts

Source: PHD Chamber of Commerce and Industry, News from the Indo-Pak Desk, June 1991, New Delhi.

Annexure – B

Potential Areas of Bilateral Economic Cooperation

A-Trade	Potential Pakistani Export to India	Potential Indian Exports to Pak.	Common Tradables	Additional Modes of Cooperation
1. Agriculture	Staple foodgrains, tobacco, raw cotton, fruits and nuts	Jute, tea, spices, beatle leaves and beatle nuts	Varieties of rice, cotton and selected plantation crops, fisheries	R and D, technology, transfer, extension and training, exchange and visits of experts and producers, agricultural processing and marketing, reduction and elimination of specific tariff and non-tariff barriers.
2. Industry	Finer varieties of textiles and apporel, leather products and footwear, processed foods, pig iron, hard coke, fruit preparations	consumer electronics, office machines, textile and other machineries, rail and road transport equipment and components, coal, industrial chemicals, selected iron and steel products, plant components, commercial vehicles.	components and spare tools, foundry equipment, selected processed goods, hand-woven and handicrafts, Jewellery, other SSI products	Technological and skill development, market development and sharing, distribution, planning and implementation, reduction and elimination of specific tariff and non-tariff barriers

Source: Arif A. Waqif, op. cit.

List of Items Removed from the Restricted List

(a) Items Removed from the list of items importable by Public Sector Agencies only

S.No.	Heading No.	Description of items
1.	1005.0000	Maize
2.	8524-2000	Recorded magnetic tapes and video tapes for educational purposes only

(b) Items Removed from the list of Items Importable by Industrial Consumers

S.No.	Heading No.	Description of Items	Presently imported by
3.	3923.2100 3923-2910	Sacks and bags (unwoven), of polyethylene and polypropylene	Fertilizer industry
4.	4819.3010 4819.4010	Paper bags for packing of cement and carbon black	Cement and carbon black industry
5.	6305-3100	Sacks and bags (woven), of polyethylene and polypropylene	Fertilizer industry

(c) Items Proposed to be removed from the list of Items Importable subject to Specific conditions

S.No.	Heading No.	Description of items
6.	3403.0000	Lubricating preparations (including cutting-oil preparations bolt or nut release preparations, anti-corrosion preparations and mould release preparations based on lubricants) and preparations of a kind used for the oil or grease treatment of textiles materials, furskins or other materials but excluding preparations containing as basic constituents, 70% or more by weight of petroleum oils obtained from bituminous minerals

7.	6309.0000	Second-hand knitted wear

(d) Items Proposed to be removed from the list of Items Importable from Specified Sources

8.	0910-2000	Saffron
9.	3003.1000 3004.1000	Penicillin, finished and combinations thereof
10.	7307.1110 7307.9110 7307.9210 7307.9310 7307.9910	Chromium plated tube or pipe fittings, of iron or steel
11.	8202.0000	Hand saws; blades for saws of all kind (including slitting-slotting or toothless blades).
12.	8203.1000 8203.2000 8203.2000 8203.4090	Files, rasps, pliers (including) cutting pliers), pincers, tweezers, metal cutting shears, pipe cutters, bolt croppers and similar hand tools
13.	8204.1000	Hand operated spanners and wernches
14.	8205.0000	Hand tools (including glaziers' diamonds), not elsewhere specified or included; blow lamps; vices, clamps and the like, other than accessories for and parts of, machine tools, anvils; portable forges; hand or pedal operated grinding wheels with framework except the following : (i) Sledge hammers below 2.72 kg (6 lbs) (ii) Other hammers above 2.268 kg (5 lbs) (iii) Shoe lasts (iv) Grease guns

15.	8307.0000	Flexible tubing of base metal with or without fittings
16.	8464-2000	Grinding or polishing machines
17.	8465.0000	Machine-tools (including machines for nailing, stapling, glueing or otherwise assembling) for working wood, cork, bone, hard rubber, hard plastics or similar hard materials
18.	8466.9110	Components and parts of machines (falling within sub-heading 8464-2000).
19.	8466.9110	Components and parts of machines falling within sub-heading 8464.200
19.	8504.1000	Ballasts for discharge lamps/tubes
20.	8536.1090 8536.2090 8536.3090 8536.4190 8536.4990 8536.5090 8536.6190 8536.6990 8536.9090	Electrical accessories (non industrial)

Source: PHD Chamber of Commerce and Industry, News from Indo-Pak Desk, July 16, 1988, vol. 9, no. 2.

Annexure - C

Items That India Has Shown Interest in Exporting to Pakistan

1. Agricultural Products/HPS Ground Nuts, Kernels
2. Agricultural Machinery/Sprayers and Dueters used for Crop Protection/Seed Dryers/Post Harvest Agricultural Equipment
3. Aluminium Architectural Building Product
4. Articles of Base Metals
5. Artificial Limbs, Hearing aids and Parts Thereof
6. Air and Gas Compressors/Compressor Units for Refrigerators/Hermetic Compressors
7. Air Dryers/Compressed Air Dryers
8. Angles, Billets and Springs of Alloy Steel
9. Automotive Parts/Tyres and Tubes/Starter Motor, Alternator Wiper Motor
10. Alson NF
11. Aluminium Semis/Aluminium Alloy Milk Cans in Various Sizes I.E. 50, 40, 30 and 20 Litres Capacity
12. Adidas Grade/Quality Footballs in Indian Brands
13. Ancilliaries, Components Required for Harbour Crafts, Fishing Trawlers etc.
14. Ayurvedic and Patent Medicines
15. Asbestos Laminates and Compositer
16. Bag Closing Machines
17. Betal Leaves/Betal Nut and Bidi Leaves
18. Ball Point Pens, Refills and Fountain Pen Nibs
19. Ball Bearings (Permissible size only)/Bearing Accessories/Bearing Housings

20. Building Hardware Materials like One Piece and Two Piece Tower Belts and Hinges of all Sizes

21. Bicycles/Bicycle and Rickshaw Tyres and Tubes/ Bicycle and Rickshaw Parts

22. Books - Professional, Technical, Religious, etc.

23. Bearing Adaptor Sleeves, Grease Cups, Leather Punches/Steel Belt Lacings and Transmission Belt Fastners

24. Bleaching Powder/Stable Bleaching Powder.

25. Batching oil/Cutting Oil

26. Bucket Loaders

27. Catalysts

28. Cashew/Chewing Tobacco

29. Cosmetic Bases

30. Construction Machinery

31. Consultancy for Construction, Projects, Hotel Projects, Housing, Commercial Complexes, Industrial Structures

32. Cements/Cements Products

33. Cables and Conductors for Power Transmission/ Cable Pressurizers

34. Card Clothing for Cotton, Woollen, Worsted and Cotton Waste Cards, Raising Fillets and Sundries.

35. Cash Registers/Compressors for Cash Registers and Refrigerators

36. Cigrettee Making and Packing Machines/Cigarette Manufacturing Machinery

37. Cap Storage Covers for Agro Warehousing

38. China Clay, Talc, Caustic Soda and STPP

39. Chain Pulley Blocks and Electrical Hoists

40. Chromium Chemicals and Basic Sulphate, Sodium Bichromate, Potassium Bichromate, Basic Sulphate, Sodium Chromate, Chromic Acid, Chrome Oxide Green

41, Cycle Parts

42. Castor Oil/Oil Cakes

43. Crawler Excavators (Hydraulic Type)

44. Cooling Tower and Fined Tube Air Cooled Heat Exchanger

45. Card Clothing

46. Carbon Ribbon for Electric Typewriter/Duplicating Stencils

47. Duplicating Machines (Hand Operated and Electrically Operated)

48. Deodar Logs

49. Domestic Refrigerators

50. Dry Chillies and Agmark Pure Ghee

51. Densified Wood Laminates and Machined Components

52. Diesel Engines/ISI Diesel Engines of 6 HP, 8 HP,

12/2 HP, (Double Cylinders and also 6" Stroke Deepwell Tubes)/Lister and Petter Diesel Engine of 5 - 10 HP/Diesel Hydraulic and Diesel Electric Cranes from 5 Tons to 140 Tons capacity.

53. Domestic and Industrial Sewing Machines

54. Drugs Destropropoxyphene HCL and Dextropropoxyphene Napstyle of BP 80/USP XXI Quality

55. Dyestuffs/Dye Intermediates

56. Dyes

57. Dodecyl Benzene Sulphonic Acid

58. Dehumidifiers

59. Dryers/Conveying Systems for Plastic Resins

60. Dumpers

61. Equipment for Russian Aided Steel Plants

62. Electric Motors/Electric Power Machine Parts/ Electrical Switchgear and Equipment Including Metal Clad Switch Fuses/Combination Switch Fuses, HRC Fuselinks and Miniature Circuit Breakers/ Auto Electricals/Electric Rail Locomotive

63. Electronic Components/Electronic Items

64. Escalators

65. Essential Oils, Essence, Flavours, Spice Oils, Oleoresins, Natural Gums, Plant Extracts

66. Empty Glass Bottles and Vitals for Pharmaceutical and Food Industries

67. Engineering Items

68. Environmental Control Systems

69. Ethyl Accetate/Ethylene Oxide Condensates of Alcohols and Phenols

70. Ethanolamines

71. Fast Colour Salts

72. Ferro Silica Alloys/Low Carbon Ferro Malybdenum/ Ferro Titanium, Ferro Boron, Ferro Vandium/ Non-Ferrous and Alloy Steel Castings/Soft Ferrites

73. Footwear/Footwear Components i.e. Insole Board and Moulded counter etc.

74. Faster Colour Bases

75. Felts for Paper Mills/Textile Machines

76. Forgings for Automobile Industry

77. Fishing Trawlers/Harbour Crafts Alongwith Components, Accessories

78. Fire Engines

80. Figured and Wired Glass in Fint, Green, Amber and Blue

81. Fractional Horse Power Motors/Compressors

82. GLS Lamps/Electric Bulbs, High Pressure Mercury Vapour

83. Glycol Ether

84. Generators and Generating Sets

85. Galvanised Corrugated Sheets/Galvanised Sheets Plain/COI

86. Ginger

87. Glass Fibre (Reinforcement and Yarn)

88. Grey Cloth and Terry Towels Made of 100% Cotton

89. Graphite Electrodes/Welding Electrodes

90. Gum Resin, Synthetic Resins/Turpentine Oil

91. Glass Containers/Glass Forming Machines

92. Glass Fibre Reinforcements such as Chopped Strands, Chopped Strand Mat, Rowings, Woven Rowings Yarn and Their Products/Glass Fibre Laminates, Mouldings, Rings, Tubes, Tanks and Pipe Lines/Glass Vials/Bottles.

93. High Tension Power Cables and Steel Wires

94. Hydraulic Jacks and Hardwares

95. Hydrofluric Acid

96. Horse Shoe Nails and Bullock Shoe Nails

97. Hand Tools

98. Hand Embroidered Shawls

99. Health Tonic

100. Hajmola

101. HDPE Woven Bags on Circular Looms, 100% Water Proof Bag where the outside Fabric is Woven Plastic and Inside is Paper for Packing Cement

102. Hot Air/Water Generators

103. Heat Recovery Systems

104. Iron Ore

105. Insecticide Emulsifiers

106. Industrial Chemicals

107. Industrial Beltings - Rubber/Hair/Cotton Mixed

108. Industrial Water Treatment Plants

109. Industrial Pumps and Valves

110. Interior Decoration

111. Jems and Jewellery

112. KWH Electricity Metres

113. Katha and Kutch

114. Knitting Machines

115. Liquid and Vapour Phase Thermic Fluid Heaters

116. Leather and Textiles Auxiliaries

117. Light Engineering Goods

118. Locks

119. Latex Rubber Sports Ball Bladders

120. Laboratory Glassware/Equipment/Micro Slides and Cover Slips/Specialised Laboratoryware

121. Mobile Cranes

122. Masala Powder

123. Musical Instruments

124. Malted Milkfood 'Maltova' and 'Viva'.

125. Minerals

126. Milk Quality Copra

127. Machine Tools/Machinery and Mechanical Appliances

128. Menthol Crystal

129. Machinery Plant for Manufacture of Drums

130. Motor Scooters/Starters (Motor Control Gears)/ Motor Vehicle Parts

131. Machinery and Spare Parts for Glass Factory

132. Medicinal Herbs and Crude Drugs

133. Napthole

134. Nuts, Bolts in MM Sizes of 12 MM to 50 MM Thickness

135. Organic Surface Active Agents

136. Oxalic Acid and Diethyl Oxalate/Oxalic Acid (98.5%) for Chemical, Pharmaceutical, Drugs, Leather, Dyes Industry.

137. Oilfield Chemicals

138. Petro Chemicals

139. Pharmaceutical Intermediaries

140. Plasticware

141. Paper and Allied Items/MG and MGV Variety Writing, Printing and Kraft Paper, Paper Board and Isulex Board

142. Polythene Films for Agriculture and Irrigation

143. Portland Cement

144. Pumps/Valves

145. Public Address Systems, Amplifiers, Microphones, Loud Speakers, and Cassettees Recorders/Pre-Recorder Audio Cassettes

146. Processed Soya Foods, Nutri Nuggets etc.

147. Pan and Vegetable Seeds/Pan Masala

148. Packaging Material like corrugated Boxes and Poly Packs/Packaging Products

149. Plastic and Fabricated Products viz. CAP, Covers

150. Plant Growth Regulants

151. Plants for Manufacturing Soap and Detergent, Inks and Paints and Sheet Metal Drums

152. PEG 400 to 6000

153. Polyester Staple Fibre/Polyester Film

154. Polypropylene Sacks

155. Pharmaceutical and Pharmaceuticals Preparations

156. Power Cables, Conductors and Steel Wires

157. Refractories

158. Refractory Products

159. Reclaim Rubber

160. Rockwood Insulation and Coaltar Enamel Primer/ Anticorrosive Materials

161. Refiner Tackler for Paper Industry and Paper Making Machinery

162. Rigid Polyurethane Foam

163. Research Oriented Scientific Material Testing and Analytical Instruments

164. Rail Track Items/Stores Specially Fish Plates/ Railways

165. Refrigeration and Air Cooling, Heat Exchangers

166. Record Players and Recorder

167. Razor Blade Machines

168. Sequestering and Chelating Agent

169. Safety Helmets of Fibre Glass/Plastic

170. Sodium Sulphate

171. Soda Ash, Sodium Nitrate Arsenic Trioxide, Solenium Metal Powder

172. Silver Jewellery

173. Steel Angles and Billets

174. Surgical Instruments/X-Ray Films and Plates

175. Small Scale Plants for Laundry and Soap, Detergent Cakes and Bars, Printing Inks, Paints

176. Surface Active Agent

177. Sheet Metal Drums and Containers

178. Scientific and Laboratory Articles/Microscopes

179. Starch and Modified Starches

180. Steam Boilers

181. Spark Plugs

182. Silicons

183. Steel Castings in Rough Shape/Cold Rolled Steel Strips/Steel Wool and Steel Scrubber/Special Steel Structurals Tubes and Pipe Fittings of Steel/Heavy Sheet of Iron and Steel/Belt Lacings/ Steel Plants

184. Spices/Pickles/Processed Foods

185. Synthetic Emery Grains and Powder

186. Sugarcane/Sugarcane Crushers

187. Semi Precious Stones and Synthetic Stones

188. Tea

189. Timber

190. Transmission Rubber Belts

191. Tractors/Tractor Tyres/Parts

192. Tyres/Tubes/Beltings/Flaps

193. Truck Mounted Drilling Rigs

194. Thermal Insulation Products

195. TLOZ

196. Table Top Offset Printing Machines

197. Textile Looms

198. Toilet Requisites/Shampoo Bases and Additives

199. Viterous China Sanitaryware of (Brace) Bathroom Fittings

200. Watch Cases and Parts Thereof/Watches and Clocks/Watch Parts/Button Cells

201. Water Cooling Towers/Water Pumps

202. Web Offset Press with Holders, Three Colour Satellite Units, Reel Changers and Reel Stands

203. Wood Seasoning Plants stands.

204. Wave Guide Dryers/Dehydrators

205. Welded Iron Pipes and Tubes

206. Xerographic Equipment and Spares

207. INC Sulphate/Zinc Oxide

Annexure - D

Items That Pakistan Has Shown Interest in Importing from India

1. Abrasive Products
2. Acetylsalicylic Acid

2A. Acitic Acid

3. Amiline Oil

3A. Ammonium Chloride

3B. Ascorbic Acid

4. Agricultural Machinery and Equipment, Sprayers
5. Aluminium Waste and Scrap

5A. Ampicillin Trihydrate

6. Air and Gas Compressors/Cooling and Heating Systems
7. Air Conditioning Plants
8. Aluminium Powder and Paste
9. Artificial Jewellery
10. Artificial Leather
11. Asphalt Paving Grade
12. Automobile Spare Parts/Auto Parts
13. Aviation, Transmission and Telecom Equipment and Transmission Gear Parts
14. Ball and Tapper Roller Bearing, Rotary Cutter
15. Betal Nuts
16. Brass Hand Bags
17. Baling Press for Bagasse Presses against Cash Resources
18. Black Pepper
19. Bricks (Refractory)
20. Bamboo

21. Bemzidine DI HCL/H-Acid

22. Barytes Ore in Lumps

23. Batteries/Raw Materials and Machinery for Dry Battery Cell Industry

24. Boric Acid

25. Belting and Belts

26. Bidi Leaves

27. Betal Leaves/Betal Nuts

28. Bicycle Parts

29. Black and Creem Tea

30. Books and Periodicals - Professional, Social, Educational, Commercial, Industrial, Religious and Medical

31. Bleaching Powder

32. Brick and Tile Making Machinery

33. Building and Sanitary Brass Fittings

34. Cane Planters, Cutter Planter, Potato/Onion/ Rice, Sprout Transplanters/Diggers,

35. Cables and Switchgear Carion Electrodes

36. Cement/Cement Plants/Mini Cement Plants

37. Chemicals/Pestisides/Textile Dyes

38. Citric Acid/Citric Acid Food Gride

39. Children's Garments

40. Chopped Strand Mat (CSM)

41. Cloth for Screen Printing

42. Coir Products

43. Components for Airconditioners, Refrigerators and Dee-Freezers

44. Compost Machinery

45. Computers/Micro Computerised Eye Testing Machine and Equipment

46. Construction Machinery

47. Cooperation in Marketing Textiles, Textile Made ups, Garments and Knitwears in Different Countries

48. Cosmetics, Hair dye Colours and Haircare Products, Body Care Items, Massage Appliances

49. Crude Drugs and Medicines, Pharmaceuticals

50. Diesel Engines, Generators and Generating Sets

51. Dioscorea Deltoiden Roots, Calcium Liuteum Seeds in 2.00 Tonne Quantity

52. Dogsrikes

53. Docks and Ports Machinery

54. Drilling Rigs

55. Dyes

56. Earth Moving Machinery

57. Ebony Wood (Black Wood)

58. Electric Motors, Electrical Goods

59. Empty Gas Cylinders

60. Essential Oils

61. Engineering Goods/Fastners

62. Escalators

63. Ferro Alloys

64. Fibre and Yarn/Viscose/Synthetic Yarns/ Viscose Rayon/Filament Yarn/Polyster/Blended Yarn/Bare Rubber Thread, Permissible Lace and Braid Machines/Cotton Yarn

65. Fire Engines

66. Fish Plates

67. Fishing Boats

68. Flour Mill Machinery

69. Food and other items, Pulses, Coconut Oil, Coffee, Sugar, Tinsel, Spices, Cardamom, Cloves, Mace, Nutmeg, Desicated Coconut, Coconut Ekels, Flower Broomsticks, Cinnomon/ Barley and Seasom.

70. Generator Engines

71. Ginger

72. Glassware

73. Graphite Electrodes

74. Hand Tools/Cutting Tools/Hardware/Heating and Cooling Systems

75. Hardness Testing Machines

76. Home Appliances

77. Hospital Equipment/Disposable Syringes/X-Ray Films

78. Hot Rolled Steel Sheets (Coils)

79. Hydraulic Jacks

80. Iron Scrap

81. Immersion Type Thermo Couple

82. Industrial Chemicals/Machinery and Electric and Electronic components, Industrial Engines and Components Used in various fields; Brake Lining in Rolls and Gen sets used in various fields, clutch lining Gen Sets used in various fields.

83. Indigo Dyes 20% in Paste

84. Know-how Drawings or Machinery for Manufacturing Cloth Dying Dyes

85. Know-how and Machinery to Manufacture Japanese Style Motor Cycle Shock Absorbers.

86. KWH Electricity Meters

87. Kite Flying Thread of Good Quality

88. Laboratory Chemicals/Glassware/Equipment

89. Leather Goods

90. Light Engineering Goods

91. Medicinal Herbs and Roots

92. Medicine and Pharmaceuticals (Pharmaceutical Chemicals and Raw Materials)

93. Machinery for Making Paper Cups and Plates

94. Motor Cycle/Motor Car/Scooter

95. Magnesite Bricks, Tapper, Magnesite Bricks, Straight Chrome Magnesite Bricks, High Duty Silica Bricks, Ferro Silican Manganese

96. Methi Kasuri, Tomatoes Round, Peas

97. Minerals

98. Machinery/Plant for Manufacture of Drums

99. Machine Tools

100. Mulathi

101. Multi Purpose Universal Type Reactor for the Manufacture of Synthetic Resins Both AIKYL and PVA and Textile Binder with Five Tons Capacity

102. Machines of Various kind of Watches and Spare Parts of Various Kinds used in Wrist Watches, Time Piece Watches, Wall Clocks

103. NRC Bearings

104. Oils

105. Optical Testing Equipment, Optical Lens Power Adding Machine, Lens Grinding Machine

106. Potato Diggers

107. Pathalic (Raw Material for Synthetic Resins)

108. Paper and Allied Items/Paper Board

109. Plumbigo Crucibles with Strands and Rings

110. Plywood

111. Plastic Granules

112. Porcelain Mortar and Pestyles

113. Postal Franking Machines

114. PVC Resin

115. PP Films and Injection Grades

116. Paints and Pigments

117. Packaging Material

118. Rubber/Rubber Scrap

119. Rails/Railway Equipment

120. Railway and other Machinery Parts/Components and Accessories for Automobiles, Agriculture, Tractor, Marine Engine

121. Railway Spares, Fish Belt and Kut Fish Plates, Anchorage, Plater Shed Tyre, Wheel solid forged, Grovved Rubber Sale Pads Segmental Glass

122. Refractory Material for Furnace and Other Workshop Needs

123. Sanitary wares, All kinds

124. Stationery of all sorts

125. Scientific Instruments

126. Starters (Motor Control Gears)

127. Seamless Steel, Pipes and Tubes/Steel Strips/ Spare Parts for Steel Mills

128. Standby Generators

129. Spices

130. Split Airconditioning Units

131. Spark Plugs

132. Sodium Sulphate Anhydrous

133. Spinner Broadcaster

134. Synthetic Essential Oil

135. Tamarind

136. Tea

137. Testing Equipment for Textile Industry

138. Textile Spares, Accessories and Machinery

139. Technology for High Density Polythene Climax Pipe Expansion

140. Timber and Wood

141. Tapes and Webbings

142. Train Lighting System

143. Tyres and Tubes

144. Tractors/Tractor Parts

145. Typewriters

146. Turbines

147. Vegetable and Flower Seeds

148. Wollen Yarn, Worsted Yarn and Hosiery Yarn

149. Welding Rods and Electrodes

150. Wheel Tyres, Axles and Axle Boxes

151. Water Treatment and Filteration Plants

152. Water Pumps

Annexure - E

Items That India Has Shown Interest in Importing from Pakistan

1. Acetate Filament Rayon
2. Almond in Shell
3. Apricots
4. Cotton
5. Cotton Textiles for Export
6. Crude and Botanical Herbs
7. Cumin Black
8. Cloves Extracted
9. Common Salt, Rock Salt
10. Coriander Powder
11. Crude Vegetable Materials
12. Dry Fruits
13. Dates, Wet
14. Dates, Dry Hard
15. Dense Soda Ash
16. Furnace Oil
17. Goat Skins
18. Gypsum
19. Heavy Melting Scrap
20. Leather
21. Medicinal Herbs
22. Mineral Substances
23. Mild Steel
24. Naphtha

25. Newsprint

26. ONYX and Other Edible Nuts

27. Pig Iron

28. Precious and Semi-precious Stones

29. Pistachio Nuts

30. Plums and Prunes

31. Petroleum Products

32. Rock Salt

33. Spices

34. Stainless Steel Scrap

Appendix - F

Items That Pakistan Has Shown Interest in Exporting to India

1. Agriculture Implements and Farm Machinery
2. Acrylic Tufted Blankets
3. All kinds of Textiles and Hosiery Items
4. All kinds of 100% cotton Cloth Grey/Bleached/ Printed and Dyed
5. Battery
6. Bicycles/Tyres and Tubes
7. Blended Fabrics in any Constructions and Width
8. Boilers and Pressure Vessels
9. Bone Meal/Bones
10. Ball Point Writing Pens
11. Battery Charges 6 Volts - 12 Volts - for Motor Cycle and Passenger Cars/Tractors
12. Biscuits and Confectionary
13. Barytex Powder
14. Bed Linon and Terry Towels etc.
15. Cotton (Short Stable)/Cotton Textiles/Cotton Duster/Cotton Readymade Garments
16. Cotton Yarn/Thread/Cotton Blankets/Cotton Sewing Thread/Cotton Cloth/Cotton Bags/Bed Sheets and Pillow Covers/Grey and Printed Cloth
17. Citrus Fruits (Kinoo)
18. Contrifugal Pumps
19. Conveyer
20. Cement
21. Construction Machinery
22. CU/NI Tubes
23. Cutlery

24. Canvas Clothes/Cotton Canvas Grey
25. Chemicals/Agro Chemicals
26. Carbon Black
27. Chloride Exide Batteries
28. Cotton Candlewick Tufted, Bedspreads, Pillow Covers
29. Crown Cork Cap; R.O.P.P. Caps and Other Types
30. Carpets/Hand Knitted Wollen Carpets
31. Ceramics - Table and Sanitaryware
32. Caraway and Turmeric Powder
33. Crude Glycerine
34. Dry Fruits, Dry Dates/Fresh Dates/Date Palm/ Tree Saplings/Almond, Walnut, Pistachio, Figs, Appricot/Raisings/Sajji Khar
35. Dry Fish Prawn
36. Domestic Stoves, Ovens, Utensils and Other Household Equipment
37. Diesel Engines
38. Electric Arc Furnace
39. Electric Motors from 1/2 HP to 50 HP/Equipment
40. Electric Bulbs and Lamps/Fittings and Accessories
41. Elevators
42. Endless Canvas Rubber Belting
43. Electroplating Polishes
44. Empty Glass Bottles for Pharmaceuticals
45. Edible Oil and Liquor/Edible Oil Refineries/ Vegetable Ghee Plant
46. Fresh Fruits
47. Fish and Fish Preparations/Fish Meal
48. Fibre Glass Materials

49. Food Stuffs and Vegetables/Vegetable oil

50. Fabrics

51. Finished Products of Pumps and Cables of All Sorts/Range

52. Fertilizers

53. Fashion Garments

54. Fans - Ceiling, Exhaust and Pedestal

55. Flanned Dusters

56. Filter Cloth

57. Furnace Oil

58. Guar & Guar Products

59. Garments

60. Grey Cloth, Made of 100% Cotton Bleached Cloth

61. Galvanished and M.S. Pipes and Fittings

62. Gypsum/Gypsum Plaster

63. G.I. Pipes of All Sizes

64. General Merchandise

65. Granite

66. Gas in Cylinders

67. Green Manure

68. Handicrafts/Hand Bags/Hand Made Cotton Bed Spread

69. Hacksawing Machines Concrete Mixers

70. Hosiery (Pure Wool, Acylic and Cotton Outwear)

71. Hardware Items

72. Hand Knitted Woollen Carpets

73. Insecticides, Pesticides and Fungacides

74. Inspection, Testing and Consultation Services on All Products that normally enter export-import channels

75. Iron and Steel/IBS Products/Hot and Cold Rolled Sheets/Pig Iron

76. Industrial Workmens Garments and Gloves

77. ITS Products and Raw Materials for the Medicine

78. Jute Bags/WPP Bags

79. Knives

80. Kit Bags

81. Leather Products/Leather Shoes/Garments/Gloves

82. Lace Braid and Fabrics

83. Licorice Roots/Mulathi Gum Assafoetida/Hing White Poppy Seeds

84. Linen Madeups

85. Lime

86. Medicinal Herbes

87. Material Handling Equipment

88. Mangoes

89. Mica

90. Minerals/Processed and Micronized Minerals used in Manufacture of Paints

91. Non-Ferrous Scrap Shafting

92. Naptha

93. Nife Battery Plates.

94. Onions and Potatoes

95. ONYX and ONYX Products/ONYX Marbles

96. Pumps All sort and Range/Pipes/PVC Materials/ PVC (Plastic) Shoes

97. Paints and Varnish

98. Polyproplylene Bags/Woven Bags

99. Printed 100% Cotton Fabrics

100. Googal

101. Pressure Cookers

102. Poultry and Eggs

103. Power Looms

104. Plastic and Rubber Toys

105. Polished Marble Stone

106. Rubber Canvas/Rubber Sheets and Products

107. Rock Salt/Sodium Chloride and Other Derivatives of Rock Salt

108. Raw Wool and Woollen Products

109. Raw Cotton

110. Readymade Garments

111. Rope and All other Cotton Products

112. Rice (Basmati and other varieties)

113. Re-Rolling Mills

114. Reinforcing Steel Bars, M.S. Plain Bars, TOR Bars, Deformed Bars, Angles, Channels, Flat T Shapes etc.

115. Sports Goods/Sports Wear

116. Surgical Instruments and Scissors

117. Switch Boards/Switch Gear/ L T and H T Power Factor Improvement Units

118. Sulphuric Acid

119. Sugar

120. Spices/Chillies - Whole Red Chillies (Dundicut) Red Chillies/Powdered Spices/Powder

121. Seeds - Corriander, Cumin, Fennel, Dill Fenugreck

122. Stainless Steel

123. Steel Reinforced for General Use

124. Suitcases and Brief Cases/Suitcase Locks and Padlocks

125. Salt

126. Solvents

127. Stationery Items

128. Scoured and Unscoured Wools and Goathair

129. Sewing Thread

130. Saw Dust

131. Scrap - Gun Metal, Aeroplane, Ship Breaking Industry and Cowdung Manner

132. Sand/Energy/Glass/Paper and Cloth

133. Silica Sand

134. Silk Products

135. Shopping Bags

136. Suzuki Spares

137. Textile Machinery of All Sorts/Textile Processing Machinery including Bleaching, Dyeing, Drying

138. Textile Made Ups/Fabrics/Bedsheets/Pillow Cases.

139. T. Shirts/Sweat Shirts

140. Transformers/Transformer Oil

141. Tarpaulings/Tents/Dyed Water Proofed and Tarpaulins, Thick Cover

142. Terry Weave Products/Terry Towels

143. Toilet Soap for Hotels Complimentary, Bath Soaps/Other Toilet Items, Washing Soap/Soap Stone

144. Terpentine

145. Timber

146. Viscose

147. Woollen Yarn for Carpet and Bcfnylon Tufted Carpet

148. Workshop Machinery and Equipment all sorts

149. Working Gloves

150. Water Coolers

151. Woollen Silken Shawls and Scraps

152. Wheat/Flour

153. Yarns.

Annexure - G

Items that India has shown Interest in importing from Pakistan and Pakistan has shown interest in Exporting to India

1. Cotton
2. Cotton textile for export
3. Medicinal herbs
4. Mineral substances
5. Naphtha
6. Onxy and other edible nuts
7. Rock salt
8. Stainless steel scrap

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