

ISAS Working Paper

No. 57 – Date: 18 May 2009

469A Bukit Timah Road
#07-01, Tower Block, Singapore 259770
Tel: 6516 6179 / 6516 4239
Fax: 6776 7505 / 6314 5447
Email: isassecc@nus.edu.sg
Website: www.isas.nus.edu.sg



India and Pakistan – The Economic Stand-Off

Sajjad Ashraf*

Introduction

Beginning as a single economic entity, Pakistan and India have drifted apart since their independence in 1947. The resumption of normal economic relations is now dependent upon the easing of the political stand-off between the two countries. Even though the leadership of both countries speaks of normalisation, the conditions attached by each are seemingly impossible to meet. And yet, there is a slow movement towards restoring direct trade links between the two countries. In Pakistan especially, politically-motivated opposition to the resumption of economic relations with India is particularly strong. In addition, Pakistani business houses used to making money based on an inefficient industry thwart the flow of cheaper goods from India. Consumers suffer. Following the laws of business and necessity, smuggling and third-party trade between Pakistan and India still makes up a substantial part of the two-way trade. The state loses revenue.

Pakistan, lying at the crossroads of historic trade routes, straddles between South and Central Asia. More recently, the discovery of huge oil and gas reserves in Central Asia has added to Pakistan's geo-economic importance. Instead of cashing in on the unique advantage, Pakistan has found itself, both due to choices and compulsions, in regional conflicts. Consequently, it pays a heavy price.

While the world has moved towards regional economic blocs, economic cooperation between Pakistan and India, the two largest economies of South Asia, is not reflective of any remarkable progress. Economics remains subjected to politics and rhetoric.

The countries of the South Asian region do not seem to realise that the pursuit of their narrow policies is at the cost of their own long-term security interests. The obstacles for Pakistan to integrating economically with the region are many. The removal of some of these obstacles is within its own control while some are externally influenced. If Pakistan can make the right moves internally, it will send inviting signals to foreign investors and set the trend for others to respond to its economic gestures. Such moves will contribute to the welfare of the poor in this country, bring additional revenues to the state, promote regional economic integration by

* Mr Sajjad Ashraf was a Visiting Senior Research Fellow at the Institute of South Asian Studies, an autonomous research institute at the National University of Singapore, from mid-December 2008 to mid-February 2009. He served as the High Commissioner of Pakistan to Singapore from July 2004 to early December 2008. He can be contacted at ashraf1947@yahoo.com.

building upon the strengths of the two major economies of the region and, more importantly, build a solid foundation for peace in the subcontinent.

The Sparring Begins

Bilateral trade between India and Pakistan is extraordinarily low – just about one percent of their global trade according to the World Bank Report (2007) on India-Pakistan trade. Their volatile political relationship has overwhelmed attempts to encourage trade between the two countries and it has also impacted economic integration in the South Asian region as a whole. There are both political and economic obstacles to expanding trade between the two countries. Greater economic cooperation could, however, provide mutual economic benefits such as lower prices for consumers, much-needed revenue for the governments, and cost-effective gas import from Iran to India via Pakistan, which is not a part of this study. Perhaps, most importantly, it will generate new linkages between the two business communities, thereby nurturing constituencies for peace in the region.

Trading within the subcontinent, with neighbouring countries in South Asia and countries beyond predates the British presence in South Asia. “The diversity of this vast region created a natural web of interdependence between various regions of the subcontinent.”¹ Pakistan and India were one country during the British Raj and much of the centuries before. All of Pakistan’s major rivers flow in from India, making the area one geographical landmass in the economic sense.

“The partition of India was mainly a political decision taken by the British and agreed to by the All India Congress to meet the demands of the Muslims for a separate homeland.”² Compelled by the circumstances, at independence, the two countries signed a standstill agreement under which goods moving from one country to the other were exempted from customs duties. This arrangement lasted only three months. Currency devaluation in India, followed by trade restrictions by Pakistan, drastically reduced the level of trade and, thus, disrupted the age-old interdependence. Each side “developed totally divergent perceptions of national security. Because of tension generated by the failure of the two countries to solve bilateral disputes, Indo-Pakistan trade suffered.”³ While trade and industry adjusted to the new realities, “both governments, as a matter of policy, worked to reduce interdependence.”⁴

As a consequence of innate hostility, the natural trends of economic relations between the two countries remained more or less severed at the official levels for many years. Political issues between the two countries have generated so much heat that relations remain cool at best of times. Interest groups on both sides have exploited the situation maintaining the level of tension where normal economic activity cannot be easily revived. Despite restrictive government policies, historic, ethnic and economic forces have created fresh channels of trade. Smuggling goes on “in spite of the deployment of the armies on the respective sides of the border.”⁵

¹ Major-General (Retd) Mahmud Ali Durrani: *India and Pakistan – The Cost of Conflict and the Benefits of Peace*, Oxford University Press, 2001, p. 40.

² Rashid Ahmad Khan: *50 Years of Indo-Pakistan Relations*, Ed. Verindra Grover, Ranjana Arora, Deep and Deep Publications, New Delhi, 1998, p. 193.

³ *Ibid*, p. 193.

⁴ Mahmud Ali Durrani, *op. cit.*, p. 40-41.

⁵ *Ibid*, p. 41.

Trade came to a virtual standstill after the 1965 war. Thereafter, it has been governed by periodic bilateral arrangements beginning with the trade protocol of 1974, extending to a fixed number of Indian items allowed into Pakistan and the grant of the Most-Favored Nation (MFN)⁶ treatment given to Pakistan by India in 1996.

More recently, Dubai and, to a lesser extent Singapore, have emerged as two most significant transit points for business transactions between India and Pakistan because there are “strong economic imperatives for increasing the volume of trade between the two countries.”⁷ Perhaps there is no other case in the world of two neighbouring states which have a tremendous potential to trade but the “bulk of their trade agenda and business between the two countries is routed through United Arab Emirates and Singapore.”⁸ What was true in 2001 is equally so today.

The complementarities in the structure of the two economies, price advantages, low freight costs on the account of contiguous land borders, and cultural and linguistic similarities provide the rationale for enhanced trade and commerce between the two sides.

Given the common background, observers have felt that the attempted suspension of trade between the two countries is an “affront to all laws of economics and both countries have been the losers.”⁹

The uneasy atmosphere prevailing in the interaction of the two countries has always been helpful for detractors of good neighbourly relations between the two countries to fulfil their lust for power and strengthen their unstable political positions. Under these conditions, India-Pakistan trade “may have to follow the same pace as that of building mutual trust in their bilateral dealings.”¹⁰

Noticeably, three of the five major Pakistan-India agreements have been concluded under civilian regimes in Pakistan, while the conclusion of the fourth was only a spillover of the negotiations conducted through the civilian era.¹¹

The Structure of Pakistan-India Trade

Trade between the two dominant economies of South Asia takes place in three forms. The direct formal trade that remained marginal for many years has now picked up in the last few years. The second arrangement is indirect trade through third countries which are mainly

⁶ Under the World Trade Organization membership, MFN means that a member country will treat the other member states equally without discrimination. There are however, certain exceptions that apply.

⁷ Rashid Ahmed Khan: 50 Years of India-Pakistan Relations. p. 193.

⁸ The All India Association of Industries Letter of 4 July 2001 from Rupa Naik-Executive Secretary, addressed to Pakistan’s High Commissioner in New Delhi.

⁹ Surendra Chopra: 50 Years of India-Pakistan Relations, p. 368.

¹⁰ Sreedhar: India-Pakistan Trade: Problems and Prospects: 50 Years of Indo-Pak Relations, Deep and Deep Publications, New Delhi, p. 213.

¹¹ The Indus Water Treaty negotiations started several years earlier than its signature in 1961. Tashkent was signed under the nominally civilian government of Ayub Khan. The Simla Agreement and the Lahore Declaration were signed during the civilian governments of Prime Ministers Zulfikar Ali Bhutto and Nawaz Sharif. And the 5 January 2004 agreement was announced when a nominally civilian government was in power in Pakistan.

Dubai and Singapore. The third form is plain smuggling through the porous borders or through the misuse of personal baggage facilities by the travellers between the two countries.

“Bilateral trade between India and Pakistan reached US\$1.6 billion in 2006-07 from US\$835 million in 2004-05. For the first time, imports from India to Pakistan crossed the US\$1 billion mark and reached US\$1.25 billion. Pakistan’s exports to India, on the other hand, grew slowly from US\$280 million in 2004-05 to only US\$370 million in 2006-07, despite the fact that India had granted MFN status to Pakistan.”¹² Trade volume between India and Pakistan currently (2007-08) stands at US\$2.12 billion,¹³ with the balance heavily tilted in favour of New Delhi. As neither country falls in the category of the top 10 partners for the other, trade between the two still remains negligible. Such trade has largely remained dependent upon the political climate prevailing in the region.

Since Pakistan allows imports from India on the basis of a Positive List of items that can be directly imported from India, the second category of trade takes a circuitous route with Indian goods coming in through mainly Dubai and Singapore. The volume of trade through third countries is estimated to be over US\$2 billion which is larger than the official imports from India. Shahid Bashir, a Senior Joint Secretary at the Pakistan’s Commerce Ministry, dismissed this figure as exaggerated.¹⁴ Items coming in this form of imports include capital goods, textile machinery, dyes and chemicals, iron and ore, spices, tannery equipment, machine tools, tires, chemical products, medicines, alcoholic beverages, viscose fibre and tea. Exports from Pakistan under this arrangement are plastic goods, melamine dinner sets, edible oil and vegetable ghee, synthetic fibres and some chemical products.

The third category, smuggling, takes place due to restrictions on imports of specific items for various reasons – high tariff barriers or transportation costs that makes it cost effective to smuggle the goods; imposition of non-tariff barriers; weakness in rules of origin resulting in trade routed through a third country; leakages in transit trade; and distortions in domestic policies which create an incentive to transport items illegally to neighbouring countries.

Smuggling is carried out mainly at the Indo-Pakistan border or through the misuse of personal baggage facilities. Smuggling also takes place when goods are officially imported into Afghanistan and then smuggled into Pakistan. Such goods include cosmetics, alcoholic beverages, stainless steel utensils, ayurvedic medicines, cashew nuts, tea and coffee, live animals and spices.¹⁵

The principal implication of this third-party trade and smuggling is that, unless the environment for direct bilateral trade improves, these two will continue to co-exist and will also have an adverse bearing on the need for direct trade as traders and middle men get used to this circuitous arrangement. Moreover, the bureaucracies of the two countries still need to get out of the old mindsets and facilitate trade. Additionally, the infrastructure is still perhaps not capable of handling fully-restored trade links between the two neighbours.

¹² The News, 10 August 2008, Arif Zaman, Trade Potential between Pakistan and India Untapped.

¹³ The Daily Times, 19 November 2008.

¹⁴ Interview with Mr Shahid Bashir, Senior Joint Secretary, Ministry of Commerce, Pakistan, on 2 January 2009.

¹⁵ State Bank of Pakistan-Implications of Liberalising Trade and Investment with India, August 2004, pp. 9-10.

Stubborn Barriers

Over a decade into the launch of economic reforms in the subcontinent, the share of total trade between Pakistan and India measured by the bilateral exports amounted in 2004 to only 0.9 percent of total exports of the two countries.¹⁶ Given the current volumes, the figures are hardly any better now.

Since Pakistan and India “account for 90 percent of South Asia’s gross domestic product (GDP), low bilateral trade is an important constraint for growth of South Asia’s exports to the rest of the world as well as for the expansion of intra-regional trade.”¹⁷ As a result of politics and suspicion overriding economics, South Asia remains the least integrated region in the world. South Asia’s intra-regional trade amounts to just over one percent of the region’s GDP as against 2.7 percent for the Middle East and Africa, and seven percent for Latin America and East Asia. The rate for Europe and Central Asia is a staggering 16 percent.¹⁸

India insists that Pakistan’s trade policies towards India are discriminatory and against the World Trade Organization (WTO) undertakings. India provided MFN status to Pakistan in 1996 while Pakistan allows imports from India on the basis of a Positive List, which began in the 1970s with 44 items, has only now been expanded to 1,938 items.¹⁹ “The Positive List approach itself poses a barrier to trade in myriad ways,” says Nisha Taneja of the Indian Council for Research on International Economic Relations (ICRIER).²⁰

“From the Indian perspective, a meaningful thrust to bilateral trade could only be given if it could graduate from the restrictive arrangement in terms of possible lists to total trading.”²¹ This means that India wants free trade in the items allowed generally in the import-export policies of the two countries. Such an arrangement is unacceptable to Pakistan for it fears that Indian products, to the detriment of Pakistan, will swamp Pakistani market. “Pakistan is in the habit of linking up politics with trade, thereby creating doubts about the inability of any permanent arrangement between the two countries.”²² Pakistan feels threatened by India and “finds it difficult to compete with the Indian industries in a free trade environment.”²³ S. Sen, the Principal Advisor to the Confederation of Indian Industry (CII), says that CII is not too hung up on the granting of a MFN status by Pakistan. “The Positive List thwarts trade. It should be left to the businessmen from either side on what they want to trade. Pakistan’s domestic political uncertainties also prevent Indian businessmen to seriously linking up with Pakistani business houses.”²⁴

Strangely, there is a feeling in some powerful official circles in Pakistan that limiting trade with India can be used as a leverage to seek concessions from India on other issues. In their naïveté, they mistakenly believe that concessions can be extracted from India as a quid pro quo for allowing freer economic relations. Such interests fail to understand that such leverage comes only when the other party stands to lose by the disruption of such arrangements. When

¹⁶ The Challenges and Potential of Pakistan-India Trade, Document of the World Bank-2007, p. 1.

¹⁷ Ibid.

¹⁸ Ibid.

¹⁹ Interview with Mr Fazal Mekan, Pakistan’s Trade Minister at the Pakistan High Commission, New Delhi, 12 January 2009.

²⁰ ICRIER Study on India-Pakistan Relations 2007 and interview, 13 January 2009.

²¹ Rashid Ahmed Khan, op cit., p. 196.

²² Sreedhar, op. cit., p. 212.

²³ Rasheed Ahmed Khan, op. cit., p. 197.

²⁴ Interview with Mr S. Sen, Principal Advisor CII, New Delhi, 12 January 2009.

there are no stakes and no loss, the restrictions on trade and economic relations work to Pakistan's detriment.

Limited trade routes pose a barrier to free trade. The Mumbai-Karachi sea route and the Wagah-Attari land route, where trading was limited by Pakistan till recently, mean that businessmen in India and Pakistan closer to the border were compelled to first send their goods by land to Mumbai and then by sea to Karachi and vice versa. Even through the sea route, Pakistan maintaining a Positive List has a cost. Taneja found out that in many cases, "goods are transported by ship from Mumbai to Dubai and then to Karachi. Technically this is an official route. Interestingly, in the course of the survey, it was found that sometimes, goods actually move from Mumbai to Karachi but the bill of lading shows the origin of the goods as being from Dubai, Hong Kong or Singapore. Such a bill is illegal and in shippers jargon is called switch bill of lading."²⁵ While on one side, the businessmen find their way to cut through the red tape at a cost, the magnitude of the logistics becomes an impediment in developing commercial relations. Again the costs rise and the consumers suffer.

Pakistani businessmen and the government functionaries still claim that despite the grant of the MFN, India still imposes many non-tariff barriers on Pakistani imports that it makes it virtually impossible to compete freely in the Indian market. They vehemently point out that "meagre imports from Pakistan suggest that India has found ways of imposing a de facto ban on most imports from Pakistan."²⁶ Beginning with restrictive visa regime, Pakistani businessmen feel that when it comes to exports from Pakistan into India, the non-tariff barriers go beyond what is understood in the normal sense of the word. It is evident in the delays in the completion of procedures that frustrates well meaning businessmen. Attempts to move sector-wise with two sectors each and Pakistan asking for movement of agriculture and textiles have not made headway.²⁷ To address Pakistani concerns, the CII claims that it has asked its interlocutors in Pakistan to provide it with a comprehensive list of non-tariff barriers, which it could address and is still waiting (for the list).²⁸

The Indians, on their part, have sought to allay fears in Pakistan that liberalised trade will be to the detriment of Pakistan. The Indians have the advantage of the economies of scale, which threatens Pakistan's industry. Yet, "it is not necessary that liberalised trade would invariably go in favour of the more developed partner. This is why there are provisions under the WTO to protect".²⁹ Many people suggest that to overcome the fear of Indian dominance of the market, Pakistan could selectively protect its industries. Given the fears "a case-by-case study of items which can be imported and those that can be exported should prove useful."³⁰ The President of the Lahore Chamber of Commerce and Industry (LCCI) believes that unless the political climate improves, there can be little trade between Pakistan and India. "You only trade with people with whom you maintain civilised norms in relationship,"³¹ he argues. Reacting to his earlier diatribe against India, "the Indian High

²⁵ Working Paper 182 of Indian Council for Research on International Economic Relations (ICRIER)-June 2006. Nisha Taneja: India-Pakistan Trade

²⁶ South Asia Monitor. No. 56, 3 March 2003. India-Pakistan Trade-Creating Constituencies for Peace, South Asia Program, Center for Strategic and International Studies, 2006.

²⁷ Meeting at Lahore Chamber of Commerce and Industry (LCCI), Pakistan, 30 December 2008.

²⁸ Meeting with Mr Sen, op. cit.

²⁹ Dawn Editorial, 16 September 2001.

³⁰ Ibid.

³¹ Meeting at the LCCI, op. cit.

Commission would no longer be able to entertain requests from the LCCI for the issue of visas and such other assistance for its members.”³²

On the other side of the divide are people who, with equal conviction, believe that open Pakistan-India trade will not necessarily be to Pakistan’s disadvantage. Indian goods, they argue, are not always of better quality or even cheaper. In fact, a document of the World Bank (2007) contains a convincing study proving Pakistan’s cost advantage in ceiling fans when they compared ceiling fans and bicycles manufactured in the two countries.³³ “Trading with India will actually reduce our deficit,”³⁴ says Mir Jamilur Rehman, by importing several items from India at much cheaper cost than what we pay for a comparable product from Japan, the European Union or the United States. In fact, during periods of selective trade with India, at least in the earlier years, the balance has mostly remained in Pakistan’s favour (see [Annex A](#)).

Rehman further argues that, in case the Iran-Pakistan-India gas project matures, the estimated revenue to Pakistan will itself be sufficient to offset any deficit that we fear may accrue to us by trading with India.³⁵ A study by the LCCI dispels the view that trade liberalisation will result in the flooding of Pakistan’s market of Indian goods. The LCCI argues that items, which could be detrimental to Pakistan’s local industry, can be put on the banned list. “It is imperative that the government and industrialists must work together and come up with a comprehensive policy regarding trade with India, and to accomplish this, more freedom must be given to our businessmen,” argues the LCCI.³⁶

For trade in services, some in Pakistan state that there are Pakistan-specific barriers. For example, no Indian company can sell its shares in Pakistan or raise capital. An Indian-owned business, they claim, cannot be opened in Pakistan. Such claimants point specifically to the Reserve Bank of India’s (see [Annex B](#)) notification FEMA/120/RB-2004 dated 17 July 2004.³⁷ Pakistan does not officially forbid such participation but in practice, under the circumstances, it is unlikely to happen. For example, the reported agreement between India’s largest information technology (IT) services company with a Pakistani partner to set up an IT training school in Lahore, graduates of which could also be absorbed in their worldwide business has failed to take off the ground because the political fallout has been considered too much to handle.³⁸ The software industry in Pakistan, which is growing at 39 percent³⁹ and needs world class training, was unable to capitalise on the opportunity to join the 68 nationalities serving in that company and to also allow its IT services engineers a global platform. Short-term politics overruled longer-term economic sense again.

Politically-motivated opposition to open and free trade with India is quite strong in Pakistan.⁴⁰ Even the little opening in the Line of Control (LoC) was called an “act of betrayal” by *The Nation*, a Lahore-based paper known for its strong views. The liberal press, on the contrary, believes that policymakers in Pakistan have failed to understand that it is in

³² The News, Lahore, 2 January 2009.

³³ Document of the World Bank-2007; Prospects of trade in the Light Engineering Sector: A Case Study of Fan and Bicycle Industries. pp 149-152.

³⁴ Mir Jameel ur Rehman. The News, 8 September 2001.

³⁵ Ibid.

³⁶ Rauf A. Azhar: A Preliminary assessment of Pak-India Trade Prospects; An undated LCCI study.

³⁷ Lahore/Islamabad meetings with businessmen and government officials, 2008/9.

³⁸ Information obtained through personal sources in Singapore.

³⁹ Website of Pakistan Software Houses Association.

⁴⁰ The Nation, Lahore, 22 October 2008.

Pakistan's interest to tap low cost raw materials and technology available within South Asia. Such a move saves Pakistan's transport costs too. They argue that, "when the embargo was placed on imports from India under General Zia-ul Haq, the reason was political; ...that helping India profit from trade with Pakistan was a "betrayal of the Kashmir cause."⁴¹ Pakistan ended up out-pricing itself out of the market. Despite this opposition, the number of permissible items for trade with India has progressively increased since the early 1980s. *The Daily Times* further observes rightly that, "the intermeshing of economic interests is always more reliable compared to political compacts made when there is little mutual trust."⁴²

As it happens in many cases, there is a dearth of information on both sides on tradable items, compliance regulations, facilities, and all that go with trade between India and Pakistan. Taneja, who has done one of the most comprehensive studies on the subject, concludes that the "lack of information on tradable items itself poses a barrier to India-Pakistan trade."⁴³ As I have found out, it is virtually impossible to get basic figures of bilateral trade especially from Pakistani sources.

People who make Pakistan-India economic relations conditional upon the settlement of the Kashmir issue should understand that, globally, "trade is increasingly being used as a prelude to political reconciliation."⁴⁴ The Sino-American or Sino-Indian trade relations offer a convincing example of how trade can be skillfully used to enhance mutual confidence between two politically hostile nations. One just needs to look at the past relations between France and Germany. "Throughout the world...trade integration has contributed to alleviation of tensions..."⁴⁵ "Small steps taken by India and Pakistan to boost commercial ties could presage bigger changes ahead,"⁴⁶ said United Nations (UN) Secretary General Ban Ki-moon during a Rajiv Gandhi lecture in New Delhi. Pakistan's moderate newspaper, *The News*, said that the "opening of another trade route across the LoC in Kashmir has firmed up the hope of the people of the region to see the resolution of the longstanding dispute in the near future."⁴⁷ Trading relations have their own dynamics and should positively affect growth in relations to other sectors too. That is the lesson of history.

When the domestic market, especially in Pakistan, is flooded with all kinds of foreign goods, it is illogical that only trade with India is regulated on the basis of a Positive List. The sizeable third party and illegal trade indicate that people still continue to do business. Buying from the cheapest source makes sense. It is incomprehensible that Pakistan is prepared to get its market swamped by Japanese, Korean, Taiwanese, Malaysian and now Chinese goods and merchandise. However, when it comes to India, political considerations, historic suspicions and vested interests override economic logic. For Pakistan buying wheat from the United States or Canada entails, I was told by a source wishing to remain anonymous, an additional expenditure of US\$25 per ton only in freight compared to buying it from India, from where it can be freighted by rail.

⁴¹ The Daily Times, Lahore, 22 July 2008.

⁴² Ibid.

⁴³ Working Paper 182, ICRIER, New Delhi, June 2006, Nisha Taneja: India-Pakistan Trade.

⁴⁴ South Asia Development Cooperation Report 2001/02.

⁴⁵ Shahid Javed Burki: Implications of Regional Trading Arrangements for South Asia and Pakistan: Pakistan and Regional Economic Cooperation in SAARC-ECO; Institute of Regional Studies, Islamabad (IRS)-1995.

⁴⁶ Dawn, Karachi, 31 October 2008.

⁴⁷ The News, 23 October 2008.

Obviously, such dual standards smack of politics. Notwithstanding rhetoric, there is a strong case that Pakistan should import products from India if it buys the same at a more expensive price from other countries. Shahid Javed Burki, arguing for openness, contends that, “openness always pits particular interests against the common good and, therefore, requires political resolve.”⁴⁸ Pakistan needs to transcend the fear of India’s potential as a major supplier and rely on its inherent strength allowing fair competition with India. Pakistan should be the one asking for access to the huge market of India rather than refusing to exchange goods and services. Leadership, especially in Pakistan, forgets that the “expansion of trade is usually the foremost objective of any scheme of regional economic cooperation.”⁴⁹ Pakistan foregoes its advantages in letting its products improve in competition at the expense of short- term protectionist policies. Much of Pakistan’s energy at all levels is consumed in attempting to demonstrate equality with India where there is none rather than concentrating on self- improvement. And regrettably, there is no recognition of this malady.

A study done in 2001 at Dr Mahbuul Haq’s Human Development Center disputes the apprehension of Pakistan market being swamped by Indian manufactures. “Even if Pakistan awards the MFN status to India, its trade with India would still remain less than 2.5 percent of its total trade.”⁵⁰ Pakistan should offset India’s price advantage with its quality. The figure, as the first decade of this century is slowly drawing to a close, is still far below the maximum envisioned in this report.

Benefits

Despite numerous odds that stand in the way of trade between Pakistan and India, it is generally acknowledged that liberalised trade would be beneficial for both countries that are presently forced to buy the same items from other countries at much higher rates. The liberalisation of trade would also put an end to smuggling and informal trade. Trade between countries and especially adversaries builds trust. “Commerce can build confidence. Small-scale steps are often the harbinger of bigger changes to come,”⁵¹ said the UN Secretary General in New Delhi. In the age of globalisation, there seems no other way.

Enhanced trade cooperation can also mean lower prices for millions of consumers. With high inflation during the last two years or so, the poor in Pakistan are likely to benefit more. A study done by the Southern African Development Community (SADC) in early 2000s indicated that every agricultural product that is sold for Rs100 in Pakistan can be made available at less than Rs40 if procured from India.⁵² The difference could be even more now. Perhaps the only serious study conducted by the Pakistan Ministry of Commerce on Pakistan-India trade admits that, “Pakistani consumer would benefit from increased sourcing and from lower transportation costs of importing from India.”⁵³ More recently, based on several studies conducted in Pakistan by respected universities, the World Bank Report concluded that “Pakistan stands to gain from liberalisation of trade with India.”⁵⁴

⁴⁸ Shahid Javed Burki, op. cit.

⁴⁹ Ashfaque H. Khan: *Intra Regional Trade in South Asia; Problems and Prospects*, IRS 1995.p. 65.

⁵⁰ SADC Report 2001/02.

⁵¹ Dawn, Karachi, 31 October 2008.

⁵² SADC Report quoting Human Development Center Report 1999, based on speeches and statements of Dr Mahbub-ul-Haq.

⁵³ *Pakistan-India Trade: Transition to the GATT Regime*, Government of Pakistan, Ministry of Commerce, September 1996, p. 11.

⁵⁴ *The Challenges and Potential of Pakistan-India Trade*. Document of the World Bank, 2007, p 17.

Durrani supports this view calculating "...that for three years – 1992, 1993 and 1994 – if Pakistan had imported all its tea from the producing countries within South Asia, it could have easily saved in excess of US\$110 million."⁵⁵ Some observers put the figure of lost legal trade and duties at US\$1 billion. In some cases, nearly all the demand of some spices in the country is met through smuggling from India.⁵⁶ Pakistan, some studies claim, loses US\$500 million in custom duties to smugglers.⁵⁷

India and Pakistan could continue to trade while maintaining a negative import list of key items that they wish to protect from each other for a definite period. Pakistan should not be overly concerned about competition from India because its products that are likely to face intense competition from India are the same that would also face maximum competition from China in the global markets. In open trade, Pakistan's major sections of manufacturers and producers "would benefit because of increased competitiveness and market access to much larger Indian economy."⁵⁸

Scene from the Recent Past

Between July 2007 and June 2008, Pakistan imported goods worth around US\$1.409 billion from India against \$1.281 billion in the previous fiscal year, registering a notable increase. "Pakistan's exports to India were at around US\$400 million during July 2007-June 2008 against some US\$300 million in the previous fiscal year."⁵⁹ Though the estimates vary, the unofficial Pakistan-India trade through third countries, largely in the Gulf, is estimated at over US\$2 billion, making consumers especially in Pakistan suffer due to expensive imports. The governments would, thus, benefit from realising more revenues even with now reduced custom duties.

In a major breakthrough, the Commerce Secretaries of the two countries, meeting as a part of the Composite Dialogue, announced in joint statement their intention to raise bilateral trade to US\$10 billion by 2010 from the current level of less than US\$2 billion.⁶⁰ Even at this high point, the Pakistan's Commerce Secretary did remind his Indian counterpart that the "progress means forward movement on all fronts and the resolution of deep-rooted issues, including political ones, which our two peoples and our two countries have faced over the past half a century,"⁶¹ It is, therefore, increasingly evident that while Pakistan continues to remind India of political sensibilities and the need to have a resolution of political issues, it also continues to adjust to the realities of a globalised world and allow economics move on a separate track.

After a hiatus of 42 years in October 2007, the two countries crossed another barrier by letting the first truck from one to enter the other carrying goods. India sent in tomatoes in 15 trucks and three trucks from Pakistan carried dried and fresh fruits to India.

⁵⁵ Interview with Major-General (Retd) Mahmud Ali Durrani.

⁵⁶ Syed M. Aslam: Pakistan and Gulf Economist, 14 January 2002

⁵⁷ Muddissir Rizvi: Peace Activists Pin Hopes on India-Pakistan Trade, 16 October 2000, Pacific News Service, San Francisco.

⁵⁸ Ijaz Nabi and Anjum Nasim. Trading with the Enemy: A Case for Liberalizing Pakistan-India Trade. A Chapter from Regionalism and Globalization: Theory and Practice, Edited by Sajal Lahiri: Routledge, London 2001. Also personal interview with Mr Ijaz Nabi, currently Dean of Social Sciences, Lahore University of Management Sciences, 29 December 2008.

⁵⁹ The Post, Islamabad, 9 July 2008.

⁶⁰ Dawn, Karachi, 2 August 2007.

⁶¹ Ibid.

Pakistan has been sending out mixed signals on the issue of grant of a MFN status to India, which, from the Indian point of view, impedes the prospects of business relations. While the liberal media and business community in Pakistan are seeking the removal of this irritant, some sections of the industry and the hardline media like *The Nation* warns “that a pattern was being developed which would lead to Pakistan giving up its political agenda in exchange for trade.”⁶² Janata Party President, Subramaim Swamy, after a meeting with President Pervez Musharaff, said, “When I asked the President to reciprocate certain measures taken by India, like the granting of the MFN status to Pakistan, the President told me that the commerce ministry is already preparing a draft to grant the MFN status to India.”⁶³ Nothing happened. Yet, in September 2003, the Pakistan government “rejected a proposal to sell surplus electricity to India’s energy deficient northern areas.”⁶⁴

During all these years, Pakistan’s Commerce Minister, Humayun Akhtar, in both the Mir Zafarullah Khan Jamali and Shaukat Aziz cabinets (2003-2007), was leading the Pakistan government’s side in linking the question of the MFN with movement of political issues. Unfortunately, the real issue of improving trade has been taken over by the ritual of India asking for the MFN and Pakistan seeking the removal of non-tariff barriers at all their official talks, with little movement on either side.

Despite this rhetoric, trade has improved significantly during these years. Pakistan has selectively but steadily increased the Positive List, with the complete list of 1,938 items that can be imported through the land route at Wagah. The Pakistan government was reportedly still considering enlarging the Positive List further.⁶⁵

Investments

Some Indian investments have been coming into Pakistan through companies established in third countries. For example, I became aware in late 1990s that a London-based Indian origin businessman distributing rice under a well-known brand in the United Kingdom owned rice husking mills in Pakistan. Similarly, TATA, the owner of Tetley-UK, has entered the Pakistani market some years back in partnership with a major Pakistani company.⁶⁶ More recently, Dabur, the manufacturer of Ayurvedic medicine, partnered with a Pakistani company through their Dubai subsidiary. Daewoo Commercial, the Korean company, which is now TATA-owned, is working with a Pakistani manufacturer to make these vehicles in Pakistan.⁶⁷

Pakistan’s new government installed in 2008 has gone a notch higher in attempting to demonstrate the opening of economic relations with India. Defending the decision to enlarge the list “at the request of its stakeholders”⁶⁸ Pakistan’s Commerce Minister, Ahmed Mukhtar, said, “India is our neighbour and we are gradually liberalising our bilateral trade.”⁶⁹ The Minister himself a member of a major business family well understood that, “cheaper raw material sourced from India would make our exports more

⁶² The Nation, Trade with India, 29 November 2002.

⁶³ The Daily Times, 29 January 2003.

⁶⁴ P. M. Kamath, *India-Pakistan Relations-Courting Peace from the Corridors of Power*, 2005, p.141; *India-Pakistan Trade-Problems and Prospects*, R. G. Gidadhubli.

⁶⁵ The Daily Times, Lahore. 19 November 2008.

⁶⁶ Dawn, Karachi. 14 May 2003.

⁶⁷ Information obtained from senior government sources, December 2008-Januray 2009.

⁶⁸ Government of Pakistan. Ministry of Commerce website – Trade Policy 2008-09 Speech.

⁶⁹ Ibid.

competitive in the international market..., because it will be cheaper due to the difference in transportation cost. This will also help us to address our global trade deficit.”⁷⁰ Someone understood the implications of Pakistan’s policies.

The most visible announcement from the consumer point of view relates to the permission to import compressed natural gas (CNG) buses from India. The new budget had earlier brought the duty on these buses down to zero percent. The Minister announced that, “in case any Indian manufacturer of CNG buses makes a firm commitment to initiate the manufacturing of such buses in Pakistan, the Ministry of Commerce may provide special dispensation for import of 10 buses by road via Wagah from each possible investor as test consignments.”⁷¹ With zero duty already announced, this means the import of these Indian buses is free of duty into Pakistan. Pakistan could not perhaps be more inviting to Indian entrepreneur to set up shop in Pakistan. It was gathered both in Pakistan and India that the two major manufacturers of CNG buses in India, TATA and Ashok Leyland, have made their first moves to enter the Pakistani market. The Pakistanis, I was told, wanted to know if, because of the Reserve Bank of India’s specific rules, these companies had permission from the Indian government to undertake such business ventures in Pakistan.⁷²

The imperatives of business between the two are such that within a few months of the announcement on the CNG buses, Karachi businessmen were talking to executives of a top business house in Mumbai about a joint venture project for assembling of CNG buses in Pakistan. “Investments build stakes; gets us integrated”⁷³ says Sen. “The only hitch on moving ahead with the plan is the law and order situation”, said a businessman.⁷⁴ Regrettably, many detractors in the rightist media called it “India-specific policy.”⁷⁵

Recent Good News

Despite all the noise about the restrictive nature of trade, the good news is the direct export of cement by rail from Pakistan to India. The Pakistan Railways reportedly sent “8,906 wagons loaded with cement this year (2008) to India through the Wagah border as compared to 1,620 wagons of cement last year,”⁷⁶ Observers point out that this rapid increase is due to the streamlining of clearance procedures by both sides at Wagah. Cynics, nonetheless, claim that this phenomenal increase became possible only because India was desperately short of cement and wanted early deliveries. Senior businessmen point out that the smooth flow of such large quantities of cement at least proves that it is possible to increase trade at short notice through the rail route. This is good news for the future.

More recently, the New York meeting (September 2008) between President Asif Ali Zardari and Prime Minister Manmohan Singh appeared set to be a major step forward. Amongst several other confidence-building measures, “they agreed on the opening of the Wagah-Attari road link and Khokrapar-Munabao rail route for all permissible items of trade. They also decided to commence cross-LoC trade on the Srinagar-Muzaffarabad and Poonch-Rawlakot

⁷⁰ Government of Pakistan. Ministry of Commerce website. Trade Policy 2008-09 Speech.

⁷¹ Ibid.

⁷² Meetings at the Ministry of Commerce, Islamabad. 2 January 2009 and Pakistan High Commission, New Delhi, 12 January 2009.

⁷³ Interview with Mr Sen, op. cit.

⁷⁴ Dawn, Karachi, 6 October 2008.

⁷⁵ The News, 22 July 2008. Khalid Mustafa, Drawbacks of India-Specific Trade Policy.

⁷⁶ The News, Lahore, 31 December 2008.

roads on 21 October 2008 and to discuss the modalities for the opening of the Skardu-Kargil route soon.”⁷⁷ As a consequence of this meeting, the list of goods allowed through Wagah land route was to be expanded from 13 items to 1,938 items. The Pakistan side, however, claims that Pakistan has long been ready at Wagah to receive a larger quantity of Indian goods than the case on the other end. “Pakistan has capacity to receive 85 to 88 trucks at one time while India has capacity for three to five only. How can Pakistan’s exports increase under these non-tariff barriers?” asks Shahid Bashir, Senior Joint Secretary at the Commerce Ministry in Islamabad.⁷⁸ Taneja agrees with Shahid on inadequate facilities on the Indian side.⁷⁹ The irony is that every forward movement by either side is met with skepticism and cynics do not give away any opportunity to belittle the achievement.

While good intentions and declarations at the leadership levels set the tone, some good movement also takes place on the ground. India, for example, is integrating 14 border posts for trade purposes, and Wagah will be one of them. By implication, this means fully automated and computerised systems following which India hopes Pakistani exporters will have little cause for complaint.

In fact, India “made a presentation on the state of development of an integrated check post planned to be developed at Wagah-Attari border at the Indian side,”⁸⁰ during the Fourth Round of Commerce Secretaries talks in Delhi in 2007. The Indians complained with some justification that they allow 14 land-points through which Pakistani imports can come in against only Wagah allowed by Pakistan, effectively ruling out any other option. All these claims and counterclaims look so contradictory when the truck size itself for trading by the land route (8 to 10 tons only) is restricted by India. There is admittedly a lot of pressure on India to develop and make land routes fully operational.⁸¹

Based on the mutual agreement announced in the joint statement after the Commerce Secretary’s talks, it was agreed that they would exchange a list of 20 products of export interest to both sides...and prepare a compendium of procedures for their trade facilitation.”⁸² The Indian Institute of Foreign Trade has completed a document listing out details of import procedures, documents, certifications, etc., required for 20 items reportedly presented by Pakistan. The document which is yet to be handed over to Pakistan also lists the contacts, places, phone numbers and other details of the people who will need to be contacted for imports from Pakistan for these 20 items. In fact, I was told that such details on India’s comprehensive import list will also be available beginning April this year (2009).⁸³ If implemented correctly, this online information system can help Pakistani business houses tremendously.

⁷⁷ The News. Indo-Pak Accord on Four Trade Routes, 26 September 2008.

⁷⁸ Personal Interview with Shahid Bashir, Islamabad, op. cit.

⁷⁹ Personal Interview with Nisha Taneja, op. cit.

⁸⁰ Joint Statement on the Fourth Round of India-Pakistan talks on Economic and Commercial Cooperation. New Delhi, 1 August 2007.

⁸¹ Personal Interview with Nisha Taneja, op. cit.

⁸² Joint Statement at the end of Third Meeting of India-Pakistan Joint Study Group, Delhi, 3 August 2007.

⁸³ Personal Interview with Dr Vijay Katti and her team at the Indian Institute of Foreign Trade, New Delhi, 13 January 2009.

The Mumbai Setback

Much has been written about the Mumbai terrorist attacks in November 2008. As it so often happens, the incident has derailed rapprochement process between the two neighbours, hopefully, temporarily.

The January 2009 meeting of the Commerce Secretaries of the two countries is postponed indefinitely along with other dialogues. "All this is on hold, if not off. Four years of sincere and bold initiatives from both sides have been put on pause mode. The momentum is badly affected," said Jairam Ramesh, India's Minister of State for Commerce.⁸⁴ India's Foreign Minister Pranab Mukherjee went a step further and said that the MFN for Pakistan will stay but there will be no business as usual with Islamabad.⁸⁵ Trade, some rightly say, has its own dynamics. "The business between Pakistan and India is a necessity in which politics and diplomacy has a very small room," says an unnamed Pakistani businessman.⁸⁶ Pakistan, however, appeared to downplay the damage to the relations the Mumbai attacks have caused, calling repeatedly for business as usual. Pakistan's Foreign Minister, Shah Mahmood Qureshi, expressing his country's eagerness to cooperate with its neighbours in the fight against terror and warned against assigning blame stated that, "we have offered cooperation and we mean well."⁸⁷

While the two countries tackle the fallout from the Mumbai killings, most watchers of India-Pakistan relations agree that little positive movement is now expected till after the Indian Lok Sabha elections in May this year. Valuable time and good will built over these years is indeed lost, at least for now.

Conclusion

Normal neighbourly relations between India-Pakistan remain dependent upon the politics of violence and suspicion. Despite all the pitfalls, businessmen and common citizen believe that partnership is the key to fulfillment of the collective dream of making a prosperous South Asia. Being the two largest economies of the region, it is incumbent upon the leadership of the two countries to seize the moment.

The masses of the subcontinent, especially those of Pakistan, are unable to benefit from lower consumer prices owing to tightly controlled trade between India and Pakistan. The desire to resume trade is demonstrated in smuggling and third party trade, raising prices for the consumers and costing the state of Pakistan millions in untapped revenue.

Decision makers in Pakistan ignore, at the peril of national security, that economic relations are a vital component of the process of normalisation of estranged relations between India and Pakistan. The Cold War thaw occurred with the beginnings on the economic front. China-Taiwan relations, though politically divergent, are built on economics. I do not think that Pakistan would make a bigger compromise than China in trading with India.

⁸⁴ New York Times, 7 December 2008, Somini Sengupta: Plan to Deepen Economic Ties between India and Pakistan is on Hold.

⁸⁵ The Nation, Lahore, 31 December 2008.

⁸⁶ Dawn, Karachi, 30 November 2008.

⁸⁷ Dawn, Karachi, 16 December 2008.

At the leadership and official level, there is acceptance of the advisability of the normalisation of relations but regrettably there are doubts on both sides on the sincerity of the other. The basic ingredient of empathy is still missing in the dialogue of the interlocutors.

In the backdrop of this hostility, economic relations can hardly develop in isolation from the general, political, social and cultural environments. The development of economic relations will more likely be an element in the overall development of relations between the two countries. India needs to understand that, in Pakistan, promoters of peace with India find it difficult to argue with hardliners, the absence of any visible progress even on issues like Sir Creek or Siachein, despite nearly four years of the Composite Dialogue.

Pakistan finds itself in a strange bind. Oscillating relations with India, war and unsettled Afghanistan and, more importantly, choices made by Pakistan deny it the advantage of enlarging its regional trading arrangements. In fact, Pakistan completely negates one of the main points of its foreign policy pitch that it is located at the crossroads of the trade routes by becoming a barrier to regional trade growth. Pakistan needs to do some serious introspection on whether, in the changing global power equilibrium, its current India-centric policy that has failed will be useful for the future.

Following the positive developments between Pakistan and India, Singapore, during the last four years or so, made significant investments in Pakistan. India has secured substantial investments from Singapore over time. An improvement in economic and political relations between the two estranged neighbours in the subcontinent can allow greater capital and goods mobility to Singapore companies, not only within the region but also through Pakistan into the vast Central Asian region. Better relations between the two countries send a powerful message especially to the strong and influential Singapore Indian community, many of whom hail from the land that is now Pakistan, of opportunities available in Pakistan and beyond. The general 'feel good' factor raises possibilities for companies to expand in a secure and politically less volatile market as a whole.

Recommendations

In the backdrop of this situation, the following course of actions is recommended:

- Pakistan should understand that economic relations are a precursor to friendlier political relations.
- Pakistan could base its trade with India on a Negative List of items. It could leave the rest to market forces. Competition will eventually improve the quality of Pakistani products, reduce per unit cost and will open a huge Indian market for Pakistan products. Inefficient industry will need to adjust or face closure. The consumer will benefit.
- Pakistan should develop areas of excellence where it can have advantage. With economies of scale, it can beat competitors from India and elsewhere.
- Respond to India's grant of the MFN status. Remove an irritant.
- Pakistan should open a road trade corridor between India and Afghanistan and let Indian companies come in to invest in the improvement of infrastructure to support economic integration of the region.

- Return, as a gesture of goodwill to Indian investors, some of the enterprises seized after 1965 such as the Oberoi Hotel. This will help build confidence in Indian investors to again look at Pakistan as a partner. Guarantee future investments.
- Being a larger economy and bigger state, India should walk an extra mile to assuage Pakistan's concerns on non-tariff barriers.
- India should speed up improving infrastructure in handling land and rail trade.
- India could allow preferential rates of duty on some of products from Pakistan. This can reduce trade imbalance and promote regional integration.
- Now that Pakistan has allowed the setting up of CNG buses plant, the Indian government should facilitate this process of investments in Pakistan by private investors.
- Ease visa regime to facilitate travel between the two countries by their citizens.
- Encourage student exchange at institutions of higher learning.
- Refrain from covert interference by state and non-state actors in the internal affairs of neighbouring states.
- Friends of India and Pakistan should continue to nudge the two countries towards a political settlement.
- Investors from these friends of Indian and Pakistan can encourage projects that can be jointly sponsored between them and the two countries with consequent benefits of cooperation.

Annex A

Year	Exports to Pakistan	Imports from Pakistan	Balance of Trade	Total Trade
1948-49	76.68	107.38	- 30.70	184.60
1949-50	43.3	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
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
1966-75*	Negligible	Negligible	Negligible	Negligible
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	37.25
1978-79	19.45	12.80	+6.65	32.25
1979-80	8.50	24.68	-16.18	33.18
1980-81	1.02	75.39	-74.37	76.41
1981-82	4.95	54.70	-49.75	59.65
1982-83	6.50	32.28	-25.78	38.78
1983-84	11.77	27.79	-16.02	39.56
1984-85	12.91	15.75	-2.84	28.66
1985-86	14.64	26.59	-11.95	41.23
1986-87	14.95	27.50	-12.55	42.45
1987-88	20.12	30.59	-10.77	50.71
1988-89	35.02	72.17	-36.15	108.18
1989-90	51.39	53.79	-2.40	105.18
1990-91	73.60	84.49	-10.88	168.09
1991-92	98.82	141.28	-42.46	240.10
1992-93	147.08	375.51	-228.43	522.59
1993-94	200.96	136.68	-64.28	337.64
1994-95	179.70	165.61	+14.09	345.31
1995-96	256.19	150.80	+106.11	406.99
1996-97	324.98	53.63	+271.35	378.61

(April – September)

Note: * Relates to Calendar year (Figures in US\$)

Source: Government of India, Director General of Commercial Intelligence and Statistics, Calcutta

**Excerpts from Reserve Bank of India Notification
FEMA/120/RB-2004 dated 17 July 2004**

Permission for Direct Investment in certain cases

- (1) Subject to the conditions specified in sub-regulation (2), (and Regulation 7 in case investment in financial services sector) an Indian party may make direct investment in a Joint Venture or Wholly Owned Subsidiary outside India.
- (2) (i) The total financial commitment of the Indian party in Joint Ventures/Wholly Owned Subsidiaries shall not exceed 100 percent of the net worth of the Indian Party as on the date of the last audited balance sheet;

Explanation: For the purpose of the limit of 100 percent of the net worth the following shall be reckoned, namely:

- (a) Cash remittance by market purchase and/or equivalent rupee investments in case of Nepal and Bhutan;
- (b) Capitalisation of export proceeds and other dues and entitlements as mentioned in Regulation 11;
- (c) Fifty percent of the value of guarantees issued by the Indian party to or on behalf of the joint venture company or wholly owned subsidiary;
- (d) Investment in agricultural operations through overseas offices or directly; and
- (e) External commercial borrowing (ECB) in conformity with other parameters of the ECB guidelines.

Notwithstanding anything contained in these Regulations investment in Pakistan shall not be permitted.

List of Personal Meetings

Lahore

Mr Syed Babar Ali Chairman, Packages Ltd; and Pro-Chancellor, Lahore University of Management Sciences	29 December 2008
Mr Syed Yawar Ali Chairman, Nestle (Pakistan) Ltd; and Vice Chairman, India-Pakistan Chamber of Commerce and Industry	29 December 2008
Professor Ijaz Nabi Dean of Social Sciences Lahore University of Management Sciences	29 December 2008
Mr Mian Muzaffa President Lahore Chamber of Commerce and Industry	30 December 2008

Islamabad

Dr Safdar Sohail Director Pakistan Institute of Foreign Trade	1 January 2009
Mr Haroon Shaukat Additional Secretary Ministry of Foreign Affairs	1 January 2009
Mr Mosood Khalid Additional Secretary Ministry of Foreign Affairs	1 January 2009
Lt. Col (R) Saleem Director ATT Cell Ministry of Foreign Affairs	1 January 2009
Mr Shahid Bashir Senior Joint Secretary Ministry of Commerce	2 January 2009
Mr Fawad Sher Director (India) Ministry of Foreign Affairs	3 January 2009
Mr Mazhar Javaid Director (KA) Ministry of Foreign affairs Ambassador (R) Arif Kamal	3 January 2009

Director (Research) National Defense University	5 January 2009
Maj. Gen (R) Jamshaid Ayaz President Institute of Regional Studies	5 January 2009
New Delhi Mr S. Sen Principal Advisor Confederation of Indian Industry	12 January 2009
Mr Fazal Mekan Trade Commissioner High Commission for Pakistan	12 January 2009
Mr Ravi Velloor South Asia Bureau Chief The Straits Times	12 January 2009
Dr Vijaya Katti Professor and Chairperson (Research) Indian Institute of Foreign Trade	13 January 2004
Mr S. Nihal Singh Senior Journalist Former Editor Far Eastern Economic Review	13 January 2009
Dr Rajeev Kumar Director Indian Council of International Economic Research	January 13 2009
Professor Nisha Taneja Senior Fellow Indian Council of International Economic Research	13 January 2009
Dr Peter Gey Resident Representative Friedrich-Ebert-Stiftung	14 January 2009
Maj. Gen (R) Ashok Mehta Political and Security Analyst	14 January 2009