

JOINT STATEMENT OF THE 6TH ROUND OF TALKS ON COMMERCIAL AND ECONOMIC CO-OPERATION BETWEEN COMMERCE SECRETARIES OF INDIA AND PAKISTAN

The 6th round of India-Pakistan talks on Commercial and Economic Co-operation was held during 14th-16th November 2011 at New Delhi, between Commerce Secretaries of India and Pakistan under the dialogue process which started in 2004.

2. The Pakistan delegation was led by Zafar Mahmood, Secretary, Commerce and the Indian delegation was led by Commerce Secretary, Rahul Khullar.

3. Both sides expressed satisfaction with the overall progress being made to fully normalise the bilateral trading relationship. To take forward the decisions taken during the 5th round of talks in April 2011, many bilateral Groups/Sub-groups were set up. Almost all of these Groups/Sub-groups have met and worked on their specific designated tasks. The Working Group to address sector-specific barriers to trade met in August, 2011. The Joint Technical Group to oversee progress in development of physical infrastructure at Attari-Wagah Land Customs Station has met frequently. The Customs Liaison Border Committee was formalised and has met at bi-monthly intervals and done commendable work in facilitation of all trade consignments. The JWG on Economic and Commercial Cooperation, and the Sub-Group on Customs Cooperation met in August 2011. The first meeting of the Group of Experts on trade in electricity was held in October 2011 and the Sub-Group to facilitate trade in petroleum products is slated to meet in December 2011. Both sides agreed that the momentum of work and the determination to move forward had transmitted positive signals about advancing the bilateral trade agenda. In this context, India welcomed the decision taken by Pakistan to accord Most Favoured Nation (MFN) status to India and to the mandate given for full normalisation of the bilateral trade relations, as also meeting of all legal obligations.

4. The Commerce Ministers of both countries met in September 2011 and gave a clear political mandate to the respective Commerce Secretaries to lay down specific timelines for full normalisation of the trade relationship, dismantling of

remaining non-tariff barriers, and full implementation of the legal obligations under the SAARC Agreement on South Asian Free Trade Area (SAFTA). Both sides agreed that Pakistan's Commerce Minister's visit to India after 35 years and the political ownership of leaders of both the countries has not only given the trade normalization process further strength and direction but a great hope and confidence to the business community also. They expressed hope that positive developments in the trade track would encourage similar progress in other components of the dialogue process.

5. During the 17th SAARC Summit held at Maldives (9 – 11 November 2011), the political leadership on both sides directed that the two sides also work on enhancing preferential trading arrangements as part of the shared vision to significantly expand bilateral trade.

6. Pakistan side informed that its Cabinet has given a mandate to the Commerce Ministry for complete normalization of trade with India. It appreciated India's support in WTO for the EU concession package for Pakistan which would give the Pakistani business community confidence and create an environment of trust and cooperation. The Indian side welcomed the Cabinet decision and reiterated its support for the normalization process and building trust.

7. In context of outcomes agreed in the 5th round of talks, progress was reviewed and further decisions taken as follows:

A. Trade Normalisation:

- (i) The move to full normalisation of trade relations shall be sequenced. In the first stage, Pakistan will transition from the current Positive List approach to a Negative List. The consultation process on devising this Negative List is almost complete. A small Negative List shall be finalised and ratified by February, 2012. Thereafter, all items other than those on the Negative List shall be freely exportable from India to Pakistan. In the second stage, the Negative List shall be phased out. The timing for this

phasing out will be announced in February 2012 at the time the List is notified and it is expected that the phasing out will be completed before the end of 2012.

- (ii) In terms of the clear mandate given by the political leadership, both sides agreed to move towards enhancing the preferential trading arrangements under the SAFTA process. As agreed earlier, bilateral trade can be significantly expanded by extending tariff concessions on products of commercial interest. Both sides designated the Joint Secretaries in their respective Ministries of Commerce as Chief Negotiators for working on how to improve preferential trading arrangements under SAFTA.

B. Trade Infrastructure:

Both sides reviewed the progress made in developing physical infrastructure for trade through the Attari-Wagah land route. It was agreed that the Joint Technical Group overseeing the work would meet at the end of November 2011 and there would be follow-up monthly meetings in December 2011 and January 2012. It was also agreed that all infrastructure construction would be completed and fully operational no later than the end of February 2012. This timeline would coincide with the announcement of the Negative List (See para 7 A (i) above). The new trading regime will thus be applicable to all trade through the land route after the infrastructure at Attari-Wagah is commissioned.

C. New Trade Initiatives:

- (i) The first meeting of the Joint Group of Experts to examine feasibility of trade of electricity was held on 20th October 2011 at New Delhi. Central Electricity Authority and Power Grid Corporation of India limited/Power System Operation Corporation Ltd have been designated as the nodal technical agencies from the Indian side. They are interacting with National Transmission and Dispatch Company Ltd of Pakistan to work out the optimal technical solutions for grid connectivity between both countries. A broad understanding has been reached on possible grid connectivity

between Amritsar-Lahore to enable trade of up to 500 MW of power. The second meeting of the Experts is scheduled to be held in Islamabad in the first week of December, 2011. It is expected that the Group of Experts will reach a final understanding on grid connectivity at this meeting.

- (ii) Regarding trade in petroleum products, it was agreed that the Joint Group would hold its first meeting before January 2012.

D. Non-Tariff Barriers:

- (i) A JWG meeting was held in August, 2011; co-chaired by the Joint Secretaries of the respective Commerce Ministries. The Pakistan side furnished a specific list of non-tariff barriers, as perceived by their business community, for sectors such as textiles, leather, cement, agricultural produce and surgical instruments. It was agreed that these would be comprehensively examined on the Indian side and interactions would be arranged between the concerned Regulators and Pakistan's business community to discuss and find solutions for all issues raised.
- (ii) A comprehensive discussion, "Nuts and Bolts of Trade Facilitation", was organised in Delhi by FICCI, on 29.09.2011. Participants included Pakistan and Indian business delegates, technical experts, representatives of Indian regulatory bodies, and senior government officials. The feedback received was that this seminar had been most useful to address issues raised by businesspersons as well as to dispel misapprehensions. It was clarified that all standards and specifications were non-discriminatory, viz., they applied to all countries exporting goods to India. The discussions also explained how insistence on specific standards by importers was due to commercial considerations and not because of any Government requirement.
- (iii) A comprehensive special session was held during this round of talks on matters of concern to Pakistan side. Detailed responses were provided by concerned officers on the Indian side. A summary of issues raised and addressed is at **Annexure**.

- (iv) It was agreed that the JWG would continue interaction to address any clearly identified sector-specific barriers to trade. The Joint Secretaries of the respective Commerce Ministries would convene focused meetings on these issues, as necessary. A delegation comprising officers from various regulatory bodies would visit Lahore/Karachi in the first quarter of 2012 to provide necessary outreach so that businesspersons in Pakistan can be better informed about India's trade regulations, standards and labeling/ marking requirements.
- (v) Both sides agreed to initiate the process of a limited MRA as a formal mechanism to address the issues of standards and conformity assessment.
- (vi) It was agreed that there was a need to institute a mechanism for redressing grievances arising from clearance of trade consignments at land, sea and airports. Pakistan side proposed that an agreement be concluded between both countries to address the concerns of the business community. Indian side agreed to consider this proposal and undertake further consultations in this matter.

E. Trade facilitation.

- (i) Both sides appreciated the work done by the Customs Liaison Border Committee (CLBC) in resolving the operational issues at Wagah-Attari. The CLBC was mandated to undertake a comprehensive overview of the requirements to ensure expeditious clearance of goods including harmonization of customs procedures and to make recommendations to the Joint Working Group on Economic and Commercial cooperation.
- (ii) The Sub Group on Customs Cooperation met in New Delhi on 24th August 2011. It discussed issues relating to harmonization in customs

procedures, facilitation of trade consignments, and exchange of trade data and information. Nodal customs officers on both sides have been notified. They would maintain direct contact on all matters pertaining to delays in trade consignments, trade document requirements, and other matters of customs cooperation.

- (iii) The Pakistan side handed over a draft of the Customs Cooperation Agreement. Both sides agreed that best efforts would be made to finalise the Agreement by 31st January, 2012.

F. Economic Cooperation.

- (i) Regarding Bt cotton seed imports from India, it was noted that Government of Pakistan has constituted a committee to examine this issue. The first step may be permitting limited import solely for the purpose of field trials in Pakistan.
- (ii) Both sides realized that there is a potential for cooperation in Information Technology, however, lack of information regarding capacity of Pakistani IT companies, difficulty in availability of visa for technical staff and absence of banking facilities has hindered cooperation in IT between the two countries. It was agreed that NASSCOM in coordination with Pakistan Software Export Development Board would facilitate a road show for Pakistani IT companies at Bangalore, Hyderabad and other Indian IT Hubs in February, 2012.

G. Business to Business interactions:

- (i) To boost bilateral business confidence for enhanced bilateral trade, both sides agreed to encourage greater interaction amongst the business entities. It was noted with satisfaction that Apex Chambers of Commerce and Industry on both sides have formed a Joint India-Pakistan Chamber at the apex level (FICCI and FPCCI). Similarly, arrangements have been

worked out for regional-level Chambers between Bombay and Karachi. It is expected that a similar joint arrangements between the Lahore and PHD Chambers would be worked out.

- (ii) It was agreed to give a greater thrust to this B-to-B interaction of trade delegations. It was necessary to expand outreach and information dissemination activities to bridge information gaps relating to bilateral trading environment and economic opportunities. The Indian side noted the Pakistan side's request for mounting a Trade Delegation comprising representatives of private sector who are responsible for procurement of goods for departmental stores, large retail shopping chains and whole-sale distributors.
- (iii) It was noted with satisfaction that India Trade Promotion Organisation (ITPO) and Trade Development Authority of Pakistan (TDAP) had entered into a MOU for collaborative efforts to promote bilateral trade. The possibility of FIEO mounting a trade exhibition at Lahore Expo was also explored; this could be done in February, 2012. TDAP intimated that they would like to organise a lifestyle exhibition in New Delhi in March, 2012 and invited Indian participation at the Agro-Processing Value Addition Exhibition scheduled to be held in Karachi.

H. Other trade related issues:

- (i) Both sides agreed that the present visa regime for businesspersons was a significant barrier to the rapid expansion of trade. It was noted that the Interior Ministry of Pakistan and India's Ministry of Home Affairs had reached a broad understanding to put in place reciprocal arrangements which shall substantially liberalise the visa provisions for business persons. Discussions were held on how there would be further improvements on the understanding already reached. It was agreed that best efforts would be made by the respective Commerce Secretaries to push for further liberalisation of the business visa arrangements. However, with or without enhanced provisions, both sides would work with

their respective authorities to ensure that the liberalised visa provisions already agreed to are put in place before the end of December, 2011.

- (ii) The issue of promotion of bilateral investment was discussed. It was agreed that both sides would continue efforts to remove impediments to such investments.
- (iii) On the opening of bank branches in each other's countries, it was agreed that the Central Banks of both countries need to further discuss this issue. Actual dialogue needs to take place through a bilateral visit.

8. In conclusion, the Commerce Secretaries of both countries expressed faith in the ongoing process for increase in bilateral trade. Institutional arrangements put in place for promoting bilateral trade and commerce would continue and the concerned working groups shall meet as required, to take forward the charted roadmaps in this 6th round of talks.

9. The 7th round of talks would take place in Pakistan in April/May of 2012.

10. The talks were held in a very cordial and constructive atmosphere.

ANNEXURE

In the bilateral talks held today, a specific slot was allotted for discussing the 'non-tariff barriers' perceived by Pakistan side in respect of their exports to India.

Representatives from BIS, Department of Revenue, Ministry of Textiles, Ministry of Health and Family welfare, Department of Agriculture and Cooperation, and Ministry of External Affairs attended the meeting.

Sl.no.	Issue	Status
1.	Compulsory certification/long time in renewal of BIS certificate for cement.	<p>Indian side stated that there are 120 labs recognized by it which are allowed to draw and test samples of cement as per the simplified procedure adopted for the domestic manufacturers. On the basis of these test reports, BIS issues product certificate. A visit by a BIS team is mandatory before a regular license can be issued, as per domestic regulations.</p> <p>Pakistan side was informed that 13 licenses are already operational. One application for grant of license was received in the month of October, 2011. BIS has already nominated an officer for conducting the inspection visit. Both sides agreed that Pakistan side will suggest the date for the visit.</p> <p>Pakistan side was informed that BIS is mandated to give license within six months and the inspection visit has to be completed within 1-2 months after an application is registered. However, in case of</p>

		<p>Pakistan site visits, delay mostly occurs because the team is not allowed certain site visits due to security reasons.</p> <p>Pakistan government assured to make required security arrangements so that the inspection visits by BIS team can be conducted in time.</p> <p>Pakistan side was also informed that BIS has been granting renewal licenses for two years to those Pakistani cement manufacturers who have applied for the same.</p>
2.	Opacity of SPS measures/import permit/non-availability of labs	<p>(i) Indian side stated that the tolerance limit specified is 10% and the country of origin needs to certify the total quantity being exported. The only exception is zero tolerance in respect of a phyto-sanitary certificate. It is unacceptable if there is a difference in the quantity specified in the phyto-sanitary certificate vis-à-vis the quantity exported. Pakistan also follows the same procedure in case of phyto-sanitary certificate.</p> <p>(ii) Indian side also stated that product source is important for SPS concerns. Fresh fruits and vegetables are tested at the laboratory at Attari</p>

		and consignments are cleared within 6 hours. Further, all perishable consignments are cleared within the same day and no delays are being reported.
3.	Food Products – testing and packaging requirements	Indian side agreed to send a team for educating the exporters reg. packaging and labelling requirements as and when requested for by the Pakistani authorities.
4.	Textile Consumer Protection Regulations - Testing for Azodyes	<p>Indian side informed that since Azodyes are banned in India, testing for these is a mandatory requirement. Pakistan side informed that Azodyes are banned in Pakistan and therefore, no manufacturer uses them. Testing laboratories are available in Mumbai and Delhi. No complaints of delays have been received. The testing procedure includes drawing of a 25% sample (by weight) only if the consignments are not certified by the country of origin. A certificate by accredited Certification Bodies/ Labs of Pakistan National Accreditation Council (www.pnac.org.pk) is acceptable.</p> <p>Pakistan side was also informed that certificates issued by international accredited labs under the WTO International Accreditation Procedures are accepted. India follows the international</p>

	<p>- Marking and labeling requirements for cloth and Ready Made Garments (RMGs).</p>	<p>protocol for testing. If Pakistan has accredited WTO labs, certificates issued by the same can be accepted.</p> <p>BIS informed that it has not prescribed any mandatory requirements as regards standards on Textiles. However, if any country requires a certificate/license it has to apply for it and the certificate/license will be given after an inspection visit.</p> <p>Indian side informed that marking and labeling on cloth is a must which is a national treatment. As regards RMGs, it is mandatory that the brand name and composition of the garment is specified on the label.</p> <p>Both sides agreed that a delegation comprising various wings of the textile ministry will visit Pakistan and educate the potential exporters of the standards being followed by India.</p>
5.	Surgical Instruments – Indian Conformity Assessment Certificate (ICAC) mark	<p>Indian side stated that Government of India does not regulate import of surgical instruments and therefore does not insist on any ICAC mark. BIS certification is sufficient; even this is voluntary and not mandatory. It is the buyers who decide on the specific certificates required or these certificates may be made compulsory by inclusion into the tender conditions.</p>

6.	<p>Customs Procedure - Delay in Customs clearance</p> <p>-Valuation procedures</p>	<p>Indian side stated that no delays have been recorded but if there are any specific cases, the same will be addressed as and when the Pakistani side provides details. Further, the Pakistani side was also informed that all the consignments except which require other mandatory procedures to be followed are cleared within 24 hours. Even those consignments which fault on some customs procedure are cleared immediately with the understanding that the problems will be sorted out in time.</p> <p>Indian side stated that their valuation system is based on the WTO Agreement on Customs value which provides for the transaction value concept and the circumstances for rejection and re-determination of the assessable value. In case of a dispute, an assessment order is issued which can be appealed against through a clearly laid down channel of appeals.</p> <p>Both sides agreed that specific commodities of export interest to Pakistan and their Ports of entry can be identified to facilitate faster clearance of consignments.</p>
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