

JOINT STATEMENT OF THE 7TH ROUND OF TALKS ON COMMERCIAL AND ECONOMIC CO OPERATION BETWEEN COMMERCE SECRETARIES OF INDIA AND PAKISTAN

Date : 21 Sep 2012

Location : New Delhi

The 7th round of India-Pakistan talks on Commercial and Economic Co-operation was held during 20-21 September 2012 at Islamabad between the Commerce Secretaries of India and Pakistan.

2. The Indian delegation was led by Mr. S R Rao, Commerce Secretary and Pakistan's was led by Mr. Munir Qureshi, Secretary, Commerce.

3. Both sides expressed satisfaction with the progress made in the bilateral trade relationship, since last round of talks in New Delhi (14-16 November 2011). The bilateral meetings and discussions of the Trade and Commerce Ministers of both countries (September-2011, February-2012 and April-2012) provided a strong political impetus to enhanced economic engagement. The transition towards full normalization of trade relations with India was initiated by moving from a 'positive list' regime to a 'negative list' regime. Following the visit of Commerce Minister Shri Anand Sharma to Pakistan in February 2012, Pakistan side notified its negative list on 20th March 2012. The understanding at the previous Ministerial level talks has been that after approval by the Cabinet this negative list would be dismantled before the end of 2012.

4. The Commerce Secretaries reviewed with satisfaction that Commerce Ministers of India and Pakistan as well as the Chief Ministers of Punjab on either side of the border had jointly participated (April, 2012) in the Inauguration Ceremony of the new Integrated Check Post (ICP) at Attari. Commerce Secretaries appreciated that better trading opportunities provided through land route would enhance mutual prosperity of the business communities and consumers of both sides of the border. They however, noted that there is need to further strengthen infrastructure on both sides. They directed the customs and the port authorities to resolve all the issues through mutual cooperation, harmonization of customs procedures, provision of laboratory facilities, scanners, weigh bridges, cold houses, containerized services and automation of the business processes. For this purpose, meetings of the Customs Liaison Border Committee would be held on monthly basis. CLBC would also explore the possibilities of organizing meetings between the relevant importers and exporters at Wagah-Attari border. It was decided that this Land Customs Station would operate seven days a week.

5. The need for more trade traffic to be carried through the Railways was emphasized. For this purpose, it was agreed that the Railway Ministries would hold joint coordination meetings on a monthly basis, at the appropriate levels. Issues on availability of sufficient number of rakes for interchange was also highlighted by the Pakistan Railways. It was noted that the earlier agreed provision of 3-4 interchanges a day has not been adhered to due to current trade patterns. A viable solution is to allow High Capacity Wagons (HCW) from Pakistan which carry three times more load than the regular wagons. The Indian Railways agreed that specifications already provided by the Pakistan Railways for HCW would be examined and conveyed accordingly within two months.
6. On exploring the possibilities of opening new land routes for trade, Pakistan side informed that a working group on Munabhao-Khokhrapar has been constituted. Indian side has already conveyed constitution of working group. It was agreed that meeting of the JWG on Munabhao-Khokhrapar would be held in 4th week of October, 2012 at New Delhi.
7. Both sides appreciated the recent signing (September, 2012) of the new liberalized bilateral visa regime. This fulfils a long pending demand of the business communities of both sides to ensure a better enabling environment for bilateral trade.
8. Pakistan side also appreciated the recent measures which have been taken by India to remove its earlier restrictions on inbound and outbound investments to Pakistan. Pakistan side sought clarifications from Indian authorities on investment through “Government Route” and its implications for investment by Pakistani investors in India. Both sides agreed to encourage two way investment and to enhance investor confidence on both sides, the procedures need to be simplified. It was also decided that outreach programmes may be held with the business communities on both sides, regarding the new investment opportunities, application procedures and regulatory issues.
9. On the issues relating to removal of Non-Tariff Barriers, Secretary Commerce Pakistan highlighted that certifications/ licensing/ lab testing/ are not the only NTBs but issues like delays in customs clearance, non availability of railway wagons for cargo transport, absence of direct flights or any problem which delays the clearance of goods with no end results or change, faced by importer/exporter is an NTB. He reiterated that concrete solutions of all such issues are crucial for ensuring market access in the Indian markets for Pakistani exporters. Commerce Secretary India while noting the views expressed by Commerce Secretary Pakistan, emphasized the need for elimination of such NTBs on both sides. Both sides expressed satisfaction on signing of the three agreements i.e. Redressal of trade grievances agreement, Mutual Recognition Agreement and Customs Cooperation Agreement and directed the relevant authorities to frame rules and procedures to fully implement

these agreements. These agreements are expected to substantially facilitate bilateral trade mechanisms. It was agreed that on the same pattern as Mutual Recognition Agreement between BIS and PSQCA, another agreement between Export Inspection Council of India (EIC) and PSQCA will be signed. Both sides have already exchanged the draft texts and it was agreed to complete the internal approvals before the next meeting of the Commerce Secretaries.

10. The JWG on Customs Matters has held one meeting in August 2011. In order to frame rules and procedures to implement the two agreements signed between the Customs Authorities, it was agreed that JWG on Customs would meet in the following month either at Karachi or Mumbai.

11. It was reiterated that the road map drawn in the earlier Ministerial meetings, for liberalized and preferential trade regimes would be scrupulously adhered to. Pakistan side informed that summary for removal of restrictions on trade through land route has been moved to the Cabinet and assured that decision to this effect is expected to be notified before end of October, 2012.

12. The Pakistan side expressed appreciation of the steps taken by India to reduce its SAFTA sensitive list by 30% from 878 tariff lines to 614 tariff lines as agreed earlier during the 6th Round of Talks. The Indian side explained that out of 264 tariff lines which have been removed from India's SAFTA sensitive list, 155 tariff lines pertain to agricultural commodities and 106 tariff lines relate to textile items. To further deepen the preferential arrangements under SAFTA and to provide level playing field to Pakistani exporters in comparison to concessions allowed by India under SAFTA to rest of the countries in the SAARC region, both sides developed a long term plan. It was noted that Pakistan now has a total of 936 tariff lines at 6 digit under its SAFTA Sensitive List, as against 614 tariff lines at 6 digit of India. It was agreed that after Pakistan has notified its removal of all restrictions on trade by Wagah-Attari land route, the Indian side would bring down its SAFTA sensitive list by 30% before December, 2012 keeping in view Pakistan's export interests. Pakistan would transition fully to MFN (non discriminatory) status for India by December 2012 as agreed earlier. India would thereafter bring down its SAFTA Sensitive List to 100 tariff lines at 6 digit level by April, 2013. As India notifies the reduced Sensitive List, Pakistan, after seeking approval of the Cabinet, will also simultaneously notify its dates of transition to bring down its SAFTA sensitive list to a maximum of 100 tariff lines at 6 digit level within next 5 years. The reductions shall be notified by Pakistan in equal measure for each year so as to complete reduction to 100 lines before end of 2017. Thus, before the end of 2017, both India and Pakistan would have no more than 100 (6 digit) tariff lines in their respective SAFTA sensitive lists. Before the end of year 2020, except for this small

number of tariff lines under respective SAFTA sensitive lists, the peak tariff rate for all other tariff lines would not be more than 5%.

13. The Commerce Secretaries also reviewed the progress on other issues such as enhanced trade for petroleum products, trade in power and reciprocal opening of Bank branches. Based on this review, the Commerce Secretaries exhorted the relevant stakeholders on both sides to speed up the mutual consultations so that concrete progress is achieved within the next six months. During this review, Indian side informed its willingness to consider export of gas up to 5 million cubic metres per day, for an initial period of five years. Pakistan side informed that India's offer has been received and is under active consideration. BHEL (an Indian PSU) made an offer to cooperate with the Pakistan side in setting up 500 – 2000 MW capacity in coal/hydro or Gas power plants, as per their requirements. Indian side indicated its willingness to cooperate with Pakistan in areas of wind and solar energy. Indian side also made an offer for meeting the requirements of Pakistan Railways for up to 100 locomotives.

14. Pakistan side emphasized the importance of taking SMEs along in this trade normalization process. It highlighted that sectors like surgical instruments, cutlery, fans, leather and marble products have a huge potential for trade. It was agreed that an institutional mechanism would be constituted to work out exhibitions of these products in India. Sharing of technology, skill development, training and collaboration in development of designs would also be encouraged. Cooperation in the manufacturing activities of the Gems and Jewellery sector would be actively encouraged.

15. As a part of this round of talks, representatives of the Civil Aviation Authorities of both the countries undertook discussions to ensure better air connectivity between New Delhi and Islamabad. It was noted that against an average of about 23 flights per week between New Delhi and other important national capitals of the SAARC countries, there is as yet no direct air connectivity between New Delhi and Islamabad. It was agreed that a Joint Working Group (JWG) would be formed before 15th November 2012, which would work out a more liberalized regime of reciprocal bilateral rights for commercial flights, to ensure economic viability of this air route. This JWG would also explore mechanisms for more efficient courier services.

16. The two sides noted with satisfaction the business-to-business contact which is steadily growing between both countries. Chambers of Commerce on either side have been supporting business delegations and trade issues in each other's countries. This process would be supported and facilitated by the Commerce Ministries of both the countries, with the active support of the TDAP and

ITPO. The Secretaries directed the two organizations to provide better guidance to chambers and business people on customs procedures, import regulations and how to organize exhibitions.

17. The Commerce Secretaries also noted the decision that was taken by the Commerce Ministers to form a Joint Business Council (JBC) as an additional institutional framework for regular and sustained dialogue between the business communities. Both sides agreed to exchange names of 10 prominent business persons from each country for this JBC within a month. The endeavour would be to have a first meeting of this JBC before December 2012 and its recommendations would be duly considered for taking forward the ongoing trade and investment dialogue. The JBC would, inter-alia, also explore measures for increasing other related activities between the people of both countries.

18. Preliminary discussions were also held on possibilities of better telecommunication linkages keeping in view the requirements of business communities on both sides for international roaming facilities. It was agreed that separate sub-groups on either side would take forward this dialogue. Commerce Secretaries would review thereafter.

19. Both sides also reviewed the earlier discussed possibilities of greater trade cooperation in sectors of agriculture and information technology. Relevant stake-holders would be encouraged to take forward economic cooperation in these areas. Cooperation for increasing cotton yield in Pakistan through trials of suitable Bt cotton seeds, would be given more focused attention

20. The Commerce Secretaries of both countries placed on record appreciation of their predecessors Dr. Rahul Khullar and Mr. Zafar Mahmood, who had very ably steered the trade dialogue from April 2011 onwards. It was resolved to further build upon the foundations laid by them to consolidate and enhance economic engagement.

21. The 8th round of talks would be scheduled to take place in India in April 2013. In the meantime co chairs of the JWG on economic and commercial cooperation, Joint Secretaries of Commerce, India and Pakistan would meet in December, 2012 at Islamabad.

22. The bilateral trade talks were conducted in a very cordial and positive atmosphere.

DS/GK