

# **Enhancing India – Pakistan Trade**

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# Two Key Questions

- What is the trade potential between the two countries?
  - What is the total bilateral trade potential and which items have the largest potential?
  - What is the potential of items on negative and sensitive lists and which sectors have the largest trade potential in these categories?
  - What are the trade possibilities in the services sector?

## Continued...

- How can trade potential between the two countries be realized?
  - What are the transport and transit impediments and how can they be reduced to lower transaction costs of trading?
  - What are the non-tariff barriers and how can these be addressed?
  - What is the magnitude of informal trade and how can it be shifted to formal channels?
  - What is the role of institutions in enhancing trade?

# Methodology

- Potential trade for any commodity is given by

$\text{Min (SE, MI) - ET}$

SE = supplier's global exports

MI = receiver's global imports

ET = existing trade between the supplier and the receiver

- RCAs were used to include only those items in which the exporting country is competitive ( $\text{RCA} > 1$ )

$$\text{RCA}_{ij} = (X_{ij} / X_I) / (X_{wj} / X_W)$$

$X_{ij}$  = country  $i$ 's export of commodity  $j$

$X_{wj}$  = world exports of commodity  $j$

$X_I$  = total exports of country  $i$

$X_W$  = total world exports.

# India's Trade and Trade Potential with Pakistan

	US \$ Million (Excluding Mineral Fuels) (1)	US \$ Million (Mineral Fuels) (2)	US \$ Million (Including Mineral Fuels) (3)=(1)+(2)
<b>Trade</b>			
Export	1,659	19	1,678
Import	313	39	352
<b>Total Trade</b>	1,972	58	2,030
Total Export Potential	<b>15,966</b>	<b>9,392</b>	25,358
Total Import Potential	<b>3,846</b>	<b>1,290</b>	5,136
<b>Total Trade Potential</b>	19,812	10,682	<b>30,494</b>

# India's Trade and Trade Potential with Pakistan after including RCAs

	US \$ Million (Excluding Mineral Fuels) (1)	US \$ Million (Mineral Fuels) (2)	US \$ Million (Including Mineral Fuels) (3)=(1)+(2)
<b>Trade</b>			
Export	1,659	19	1,678
Import	313	39	352
<b>Total Trade</b>	1,972	58	2,030
Total Export Potential	<b>7,874</b>	<b>9,062</b>	16,936
Total Import Potential	<b>3,019</b>	<b>1,289</b>	4,308
<b>Total Trade Potential</b>	10,893	10,351	<b>21,244</b>

## India's Trade Potential with Pakistan

	Export Potential		Import Potential	
	US\$ Million	Share in Total Export Potential (%)	US\$ Million	Share in Total Import Potential (%)
Sensitive List items	2,556.4	32.5	676	22.4
Negative List items	3,362.5	42.7		
Sensitive/Negative List items	4,375.7	55.6		
Total	7,874.1		3,019	

# Major Export Commodities

(Agriculture, cotton/fabric, chemicals and tires)

<b>India's Top 10 Exports to Pakistan at HS-6 (2011)</b>			
<b>Code</b>	<b>Product</b>	<b>Exports (US \$ Mn)</b>	<b>Share Export (%)</b>
520100	Cotton	273	16.4
230400	Soyabean	168	10.1
290243	p-Xylene	120	7.2
70200	Tomatoes	65	3.9
540710	Woven fabrics	51	3.1
71320	Chickpeas	42	2.5
390210	Polypropylene	42	2.5
290242	m-Xylene	41	2.5
401120	Rubber tires	40	2.4
90240	Tea	35	2.1



# Major Import Commodities

(dates, petroleum, copper, lead and gypsum)

<b>India's Top 10 Imports to Pakistan at HS-6 (2011)</b>			
<b>Code</b>	<b>Product</b>	<b>Imports (US \$ Million)</b>	<b>Share in Imports (%)</b>
80410	Dates	69.6	19.8
252329	Portland cement	36.8	10.4
710812	Gold	32.5	9.2
271011	Light petroleum oils & preparations	29.6	8.4
780199	Unwrought lead	13.7	3.9
740400	Copper	10.0	2.8
271019	Petroleum oils	9.0	2.6
520531	Cotton yarn	7.1	2.0
283620	Disodium carbonate	6.9	2.0
252010	Gypsum	6.5	1.8

# Top commodities with export potential

Code	Product	Export Potential (US\$ Million)	India's exports to Pakistan (US\$ Million)
271019	Petroleum oils , crude	7718.4	1.7
271011	Light petroleum oils	1253.2	0.0
851712	Telephones for cellular networks	629.6	0.0
520100	Cotton	<b>532.8</b>	<b>291.9</b>
870322	Vehicles (piston engine with cylinder capacity 1000cc-1500cc)	361.9	0.0
390210	Polypropylene	356.7	41.2
290243	p-Xylene	<b>308.0</b>	<b>210.6</b>
90240	Tea, black (fermented)	304.2	37.3
540233	Polyester yarn	277.0	0.1
870321	Vehicles (piston engine with cylinder capacity <1000cc)	263.0	0.0

# Top commodities with import potential

Product	Description	Import Potential (US\$ Million)	India's imports from Pakistan (US\$ Million)
271019	Petroleum oils, crude	<b>1288.5</b>	<b>9.0</b>
711319	Articles of jewellery & parts thereof	440.9	0.0
901890	Medical/surgical instruments.	268.9	2.8
520100	Cotton, not carded/combed	180.8	0.2
730690	Tubes, pipes of iron and steel	105.3	0.0
390760	Poly(ethylene terephthalate)	81.4	0.0
740400	Copper waste & scrap	<b>75.5</b>	<b>10.0</b>
730890	Structures & parts of structures	60.0	0.0
291736	Terephthalic acid & its salts	57.6	6.0
950699	Articles & equip. for sports	44.8	0.4

# Pakistan's Negative List

- Pakistan's negative list indicates that the automobile and component industry is the largest sector that enjoys protection from Indian imports. This sector accounts for 30% of potential of negative list items and 13% of total export potential.
- However India is competitive in only 37 automobile items out of 167 automobile items on the negative list.
- On the other hand, agricultural items, account for less than 1% of India's potential exports .
- Only tobacco and edible oils are on the negative list all other agricultural items are on the positive list.

# Pakistan's Sensitive List

- Pakistan's sensitive list indicates that textiles account for 24 percent of the items on the list.
- But this sector accounts for only 4 percent of India's export potential of items on Pakistan's list.

# India's Sensitive List

- Textile account for 30% of items on India's Sensitive List.
- But the potential from textile items is 62% of the potential on India's sensitive list and 14% of India's total import potential.

## Inference

- Pakistan considers automobiles as the most vulnerable sector while India fears competition in the textile sector

# Pakistan's Negative List- Vulnerable Items

	Export potential with RCA>1 (US\$ Million)	Export potential of vulnerable items (US \$Million)	Share of vulnerable in export potential
Auto	1008.1	948.24	94.06
Elect. Machinery	667.9	661.11	98.98
Textile	625.7	603.39	96.44
Steel	368.1	349.44	94.93
Pharma	338.8	337.65	99.66
Plastics	93.4	76.54	0.02
Machinery	46.2	40.08	86.81
Chemical	29.0	18.13	62.58
<b>Total</b>	<b>3362.5</b>	<b>3105.54</b>	<b>92.36</b>

# Pakistan's Sensitive List- Vulnerable Items

Sector	Export Potential with RCA>1 (US \$ Million)	Export potential of vulnerable items (US\$ Million)	Share of vulnerable in total export potential	Number of items	Number of vulnerable items
Vehicles	942.8	882.9	93.6	70	19
Chemical and allied products	447.1	400.5	89.6	65	21
Machinery	294.6	286.8	97.3	179	38
Plastics and rubber	271.3	252.6	93.1	105	21
Textile and textile products	102.8	62.1	60.5	224	41
Basemetals and articles	58.1	53.7	92.5	116	25
<b>Total</b>	<b>2556.4</b>	<b>2332.6</b>	<b>91.2</b>	<b>936</b>	<b>191</b>



# India's Sensitive List- Vulnerable Items

<b>Sector</b>	<b>Import Potential with RCA&gt;1 (US\$ million)</b>	<b>Import potential of vulnerable items (US \$ Million)</b>	<b>Share of vulnerable in total import potential</b>	<b>Number of items</b>	<b>Number of vulnerable items</b>
Textile and textile products	416.1	41.3	9.9	182	45
Plastics and rubber	96.8	81.5	84.3	97	9
Machinery	45.8	45.8	100.0	28	2
Chemical and allied products	12.9	9.7	75.2	36	1
Base metals and articles	12.5	8.5	68.3	60	2
Vegetable products	6.7	1.0	14.6	38	4
Stone, plaster cement, glass, ceramic etc.	3.4	0.0	0.0	10	0
<b>Total</b>	<b>676.2</b>	<b>218.5</b>	<b>32.31</b>	<b>186</b>	<b>76</b>

# Transport and Transit

- Sea
  - Barriers removed
- Rail
  - Amritsar and Lahore
  - Indian wagons don't move
  - Erratic policies
  - Rail services have worsened
  - No containerized rail permitted
- Road
  - Transshipment
  - MFN on road route
  - Long term vision (ICP)

# Non-tariff Barriers

- Non-tariff measures SPS and TBT not discriminatory but testing facilities not available
- **Lack of information on regulatory regimes**
- **Some regulations are not transparent**
- Excessive checks on grounds of security
- Perceived barriers: Country labels cant be sold in each other's markets

# Informal Trade

- As large as formal trade
- A large part of the trade takes place through Dubai
- Why Dubai?
- Services trade (software)

# Institutions

- Government
  - Ministry of Home
  - Ministry of Commerce
  - Ministry of External Affairs
  - Customs
  - Indian Military
- Chambers of Commerce
- Academics
- Media

# Concluding remarks

- Trade is an important channel of communication
- Efforts should be to open as many channels as possible.
- Challenge is to bridge information gaps
- Remove impediments
- Access each other's markets fearlessly
- Generate a significant business environment

# Thank You

## Research Team

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