

Executive Summary

Report on the 1st India-Pakistan: Trade Perception Survey

Trade Perception Survey Findings:

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This Trade Perception Survey was undertaken to gather the perception of stakeholders engaged in India-Pakistan trade on the extent of impediments faced by them in realizing the trade potential. The analysis is based on information collected on six indicators:

- awareness of trade policy
- ease of meeting standards
- market access
- business facilitation
- customs and documentation
- infrastructure at ports

The survey reports results based on interviews conducted with 400 Indian and Pakistani firms, 200 from each country, spread across several cities, and including manufacturers, traders, freight forwarders and clearing agents.

- A major finding of the survey was that awareness of trade policies was significantly lower in Pakistan than in India. In Pakistan only 22% of the respondents were aware about the fact that all items were permissible for import into India. This could have a huge impact on the potential for Pakistan's exports to India.
- Meeting standards is not a major problem for manufactured goods either by Pakistani businessmen or by Indians. However Pakistani traders find it difficult to meet standards laid down by Indian authorities on agricultural products.
- On the question of market access, 28 per cent of Pakistani exporters felt they were allowed "low" market access in India; while only 16 per cent felt that they enjoyed "high" market access in India. Among Indian exporters 47 per cent believed that they had "high" or "very high" market access in Pakistan. The perception on market access was significantly higher among importers in India and Pakistan for goods imported from the other country.

- Interestingly, neither country perceived country labels to have any negative impact on trade flows. Importers and exporters in both countries were almost unanimous that a 'Made in India' or a 'Made in Pakistan' label was no deterrent. Several exhibitions in India that featured Pakistani textiles had made inroads into the Indian market. And, so big is the demand in Pakistan for Indian jewellery that jewellers in that country are now selling domestic jewellery under a 'Made in India' label.
- Most firms polled believed that unfavorable events, like firing on the Line of Control (LoC) do not have a highly negative impact on trade. All 200 Pakistani companies surveyed believed that political events had a "very low" to "average" impact on trade. Only 65 per cent of the Indian companies surveyed held the same view, with 35 per cent perceiving a "high" or "very high" correlation between politics and trade. The Indian side did however feel that the impact was only temporary.
- Business persons from both countries reported serious difficulties in getting visas for travel. Only 8 per cent of Indian and 3 per cent of Pakistani traders found getting a visa easy. Small and medium firms in Pakistan find it more difficult to obtain visas compared to large firms. Another critical issue is mobile communications, since neither country allows roaming facilities to visitors from the other.
- Customs efficiency in terms of processing time of documents, time taken for lab testing and checks for security was seen to be the worst at the rail Land Customs Station (LCS) compared to road, sea and air ports in India.
- Overall infrastructure at the sea ports was perceived to be the worst compared to that at other ports in both India and Pakistan.
- Warehousing at the road LCS was found to be a problem for Indian traders trading by the road route compared to other modes. Pakistani respondents found warehousing a problem largely at the rail and road LCS.
- Availability of rail wagons was perceived to be a problem on the Indian side but not as much on the Pakistan side.
- Overall, business persons from both sides remain optimistic that bilateral trade will increase. Most believe that it will grow by up to 25 per cent next year, significantly higher than the average annual growth of nine per cent for Indian exports and 23 per

cent for Pakistani exports in the last three years. A high percentage of respondents also believe that trade will grow by up to 50 per cent in the coming year.

- The growth of exports from India to Pakistan is expected to be greater than 10 percent for agricultural commodities; chemicals; pharmaceuticals; processed food items including biscuits; cotton; engineering and mechanical goods; glass; jewelry; metal alloys; machinery; paper; pharmaceutical items; tea; textile items including yarn and fabric; and tyres. On the other hand, imports from Pakistan are expected to increase by more than 20 percent for dates; dry fruits; gemstones; and sugar.
- The largest trade expansion is expected at the road route in India; while in Pakistan, traders are optimistic about the largest increase through sea and road ports. With an expected increase in trade on the road route, businessmen in both countries felt that with larger volumes and new commodities in the future there would be a requirement for better logistics services than existing ones.

Policy Recommendations

- The Chambers of Commerce and the Governments should disseminate policies governing India-Pakistan trade particularly those related to road and rail transport.
- The government bodies should also ensure that the revisions or changes in any policy reach traders in an easily accessible and timely manner. A dedicated web portal should be designed exclusively for India-Pakistan trade, which would track latest developments in trade policy.
- As traders in both countries find it difficult to identify new trading partners, encouraging interaction of traders via a web portal could prove to be mutually beneficial for both the countries.
- Information on regulatory regimes related to meeting product standards should be made easily available to traders. For key commodities, flow charts exhibiting the import and export process covering procedures and documents, regulatory requirements and relevant authorities should be displayed on the web portal.
- As India and Pakistan are members of the International Laboratory Accreditation Cooperation (ILAC), effort should be made to set up mechanisms whereby there is

acceptance of each country's test certificates. This has been done successfully in the case of textiles and should be extended to other commodities as well.

- Increase in the number of exhibitions as well as the participation in them could encourage new entrants and entrepreneurs to enter the trade market as well.
- Visa regime needs to be improved. Measures that would ensure no city-specific visas, exemption from police reporting, and provision of multiple-entry visit visas need to be undertaken. Since small and medium firms in Pakistan find it more difficult to obtain visas compared to large firms, their concerns also need to be addressed.
- Improvement of communication channels is a necessity. In particular, use of mobile phones in each other's territory needs to be facilitated.
- Since expanding trade requires more specialized logistics services, large logistics service providers with the requisite expertise, particularly from the private sector should be encouraged to provide these services.
- Electronic submission of bill of entry/shipping bill at land customs stations (LCS) will reduce the time taken for processing documents on both sides of the border.
- Random security checks should be carried out on import consignments coming into India. A system of authorized trader status could be introduced to reduce security checks at sea and land ports.
- Increasing the number of gates on the road LCS will reduce port congestion. Increasing operating hours of customs from 12 hours to 24 hours throughout the week would also help in relieving congestion.
- Availability of rail wagons needs to be improved.
- Allowing movement of containerized cargo by road and rail will improve efficiency of surface transportation.
- Increase in infrastructure capacity is required at sea, road and rail customs stations.

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