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[**The last mile journey**](http://www.dawn.com/news/1088427/the-last-mile-journey)

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Pakistan-India trade negotiations have once again gone off the track despite the productive meeting between the two commerce ministers in New Delhi followed by the successful visit of Mian Shahbaz Sharif. But the cancellation of Mr Anand Sharma’s visit to Pakistan, has dashed the hopes.

In Pakistan, several lobbies have become all of a sudden quite active and vocal. The consensus achieved after a prolonged period of studies, analyses, seminars, exchanges of delegations and trade shows appears to be breaking down. A few policy makers believe that because India is lukewarm in resuming the Composite Dialogue we should not allow the trade negotiations to pick up speed.

Why should Pakistan, despite these views, complete the ‘last mile’ journey by phasing out the negative list of 1203 items out of 8000 items traded between India and Pakistan?

First, there is no doubt that trade is an engine of growth. World trade has regularly grown at twice the rate of World GDP over last five decades. China, despite its large domestic market, relied upon trade to accelerate growth and reduce poverty so dramatically. Geographic proximity is a powerful factor in stimulating trade between neighbouring countries as transport and logistics costs are considerably reduced. Pakistan can create hundreds of thousands of additional jobs by selling its goods to India (a market ten times bigger than ours) and sourcing its raw materials and inputs from there. There is a popular myth that Pakistan cannot compete with India. Chinese goods which are more competitive have already entered the Pakistani markets. Heavens haven’t fallen upon us. Efficient producers have faced the Chinese competition boldly and squarely. Indian goods, are after all not better in quality or cheaper in price than the Chinese goods. Research at IBA shows that a lot of our items have comparative advantage vis a vis India. Why should we keep 180 million consumers of Pakistan who will be the biggest beneficiary of trade with India hostage for the sake of a handful of losers. These producers will be forced to reduce their cost and improve the quality of their goods in face of the competing imports from India. Either way the consumers who do not have any lobby and remain voiceless in any such discussion will be the gainers.

Second, all studies unambiguously have established that the present volume of $2.6 billion trade between Indian and Pakistan can be multiplied to $10bn by normalising trade relations, improving infrastructure on both sides of the borders, opening new routes, easing bureaucratic hurdles and setting up swift dispute resolution mechanism. Most of the trade taking place through Dubai will also be diverted through official channels earning tax revenue. Granting the Non-Discriminatory Market Access (NDMA), using railways and road transport for carrying goods, expanding the trade facilitation at the border, and implementing the agreements on standards, custom clearance, dispute resolution and visa liberalisation would reduce the transaction costs for the businessmen on both sides and spur more activity.

Third, WTO rules do allow a country to defend its industry or agriculture from the invasion of subsidised imports and safeguard its interests. Pakistan can use anti-dumping duties, countervailing duties and tariff quotas if it is established that the imports are hurting our domestic producers in a material way. Unfortunately, the losers from the international trade don’t use this route because it is convenient to seek protection and shut off the imports with whom they are unable to compete in price or quality. It is true that the capacity of the National Tariff Commission (NTC) has to be strengthened but it is a chicken and egg situation. If there are only a few complaints filed before the NTC there is hesitation to expand its capacity. But then those seeking protection turn around and plead that our defence capacity is weak. This becomes an unending game. The government should reorient the existing institutions such as National Tariff Commission and Pakistan Quality Standards Authority (PQSA) to safeguard Pakistani goods and services.

Fourth, Pakistan has de-facto liberalised trade with India by abolishing positive list and allowing 85 per cent of the tariff lines relating to trade of goods and commodities. Only 15 per cent of the items are on the negative list. Pakistan has an instrument available i.e. the Sensitive list under Safta to transfer all these items to that list which will remain in force until 2017. By prolonging the agony on the pretext that some sectors and items have to be protected, uncertainty will continue to prevail and inhibit transactions. As there is a huge trust deficit between the two countries that has persisted for such a long time it will be difficult for anyone to enter each other’s markets unless some semblance of continuity and predictability is demonstrated. Businessmen are hardnosed people and they will not invest if “on again and off again” situation prevails. By phasing out the negative list Pakistan will also win the confidence of international community which it badly needs for its economic resurgence.

Finally, the future of South Asia economic cooperation is heavily dependent upon the resumption of normal relations between India and Pakistan. South Asia, carrying the burden of the majority of the poor people in the world, is paradoxically least integrated. Although the British had left a sub-continent wide infrastructure of railways, road, ports and any other country would have taken advantage of this facility to promote trade we have created artificial barriers to stop this natural flow. India is going ahead with bilateral Free Trade Agreement (FTAs) with the other two important countries in the region – Bangladesh and Sri Lanka – and opening its vast market to them. We will be left behind in the region while having reached almost the ‘last mile’ in this marathon.

Prime Minister has publicly expressed his support for improving relations with India. It is now the right time to phase out the negative list.

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