

India unlikely to resume normal trade with Pakistan anytime soon

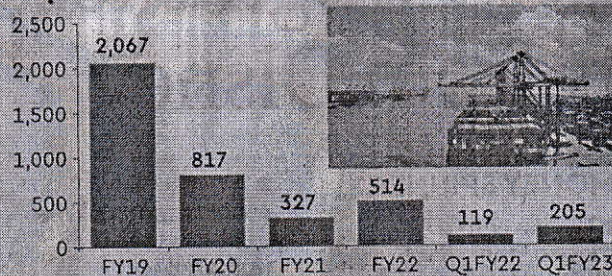
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New Delhi, August 30

WHILE FLOOD-HIT PAKISTAN flip-flops on its plan to source more essential products from India, New Delhi is unlikely to scrap a 200% duty on its imports from Islamabad anytime soon, as it continues to believe that normal trade relations and terrorism can't go hand in hand, an official source told *FE*.

Instead, New Delhi may choose to extend humanitarian assistance to Islamabad, the source said. However, no decision has yet been made on lifting or slashing the import tariff and resuming normal trade with Pakistan, he added.

On Monday, Pakistan's finance minister Miftah Ismail said that the government could "consider importing vegetables and other edible items from India" to help people after floods ravaged crops across that country. However, on Tuesday, its foreign minister Bilawal Bhutto Zardari said Islamabad hasn't decided on any such thing and that his country is now focussed on rescue and relief operations. Of course, Pakistan's imports of these edible products from

Exports to Pakistan (\$ million)



India imposed 200% duty on imports from Pakistan in Feb 2019 and Islamabad decided to curtail imports from New Delhi in Aug 2019. India's imports from Pakistan have almost stopped. Source: DGCIIS

India remained negligible in the June quarter. So even if they are scaled up in near future, these supplies are unlikely to boost India's export volume much.

India imposed the punitive import duty after stripping Pakistan of the so-called most-favoured nation (MFN) trade status in the wake of the February 2019 Pulwama terrorist attack, which was traced to Islamabad. Subsequently, in August 2019, Pakistan decided to suspend trade in response to India's move to revoke the special status of Jammu & Kashmir.

However, following the outbreak of the pandemic, Pakistan was forced to soften its stance

and source some pharmaceutical and chemical products from India. Although India's exports to Pakistan jumped 73% in the June quarter from a year before to \$205 million, it came on the back of a very low base. Moreover, about 85% of these despatches comprised just three product categories — sugar & confectionery, chemicals and pharmaceuticals. In fact, India's exports to the neighbour stood at just \$514 million in FY22, about a quarter of what it shipped out in FY19 (before the bilateral conflict flared up).

Meanwhile, India's imports from Pakistan have virtually stopped in recent years due to

the prohibitive duty. However, given the low level of India's goods purchase from Pakistan (just 0.6% of its imports), the neighbour's suspension of trade in 2019 didn't bother New Delhi. However, the impact on Pakistan was perceived to be greater, as the neighbour's purchases from India stood at over 3% in FY18.

Prime Minister Narendra Modi on Monday said he was "saddened" to see the devastation caused by floods in Pakistan and "hoped for an early restoration of normalcy".

India had granted the MFN status, a jargon for giving equal treatment to all trade partners under the WTO framework, to Pakistan unilaterally in 1996.

Despite limited bilateral trade, India's withdrawal of the MFN status in February 2019, symbolically, was seen as the strongest retaliation in trade yet given that the status was not revoked even after the Kargil war and the 26/11 Mumbai attacks.

For its part, Pakistan didn't grant the MFN status to India and continued to trade with New Delhi with a negative list of 1,209 products before February 2019.