

Indo-Pakistan Trade Through Wagah Border:

Situation Analysis and Future Prospects

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Abstract

This research paper aims to study the trade dynamics of Pakistan and India, including an analysis of past and present trade patterns, the identification of obstacles and challenges, the exploration of prospective growth prospects, and the evaluation of potential returns and risks of expanded trade. Research methodology includes a review of current literature on the topic, comparison with international best practices, analysis of data and reports from government sources with relevant statistics, surveys and focus group interviews with traders on past commercial activity and reforms needed in the case of Wagah-Attari route revitalization. Historic tensions between Pakistan and India, particularly over the Kashmir issue, have hampered geo-economic cooperation between the two neighbors. India's unilateral abrogation of Article 370 on August 5th, 2019, led to a complete trade ban through the Wagah-Attari border. Since the start of trade, the trade balance has remained negative for Pakistan, and Pakistan has imported goods worth Rs. 313,181 million and exported items of only Rs. 115,493 million to India through Wagah, Pakistan. Moreover, the government has collected overall a substantial amount of revenue, Rs. 16,096.3 million, through the imposition of taxes and import duty. Furthermore, Pakistan imported mainly Cotton Yarn and Plastic Granules in 2018-19 from India. Key export items were minerals, salt, dry dates, and cement. The Wagah-Attari route was also used for the Afghan Transit trade. The Afghan trade transported goods with having

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total worth is Rs. 173,394 million.

The potential of India-Pakistan border trade through Wagah is huge. Both markets have comparative advantages that may bring mutual benefits. Given India's rise as a major economic and trading heavyweight, Pakistan stands to gain from economic relationships. The resumption of trade at Wagah will be beneficial in spurring the sluggish growth of economic activity and exchange in Pakistan. In previous years, the trade gap between the two neighbors was in India's favor. The SAFTA framework can serve as a guide in restarting trade on beneficial terms that may improve overall economic integration of the South Asia region. An analysis of international best practices also examines trade between countries that are not on the best of political terms. Specific recommendations, such as diplomatic negotiations, infrastructure upgradation, business reforms, visa and customs law changes, utilizing SAFTA, eroding trade barriers, bilateral banking agreements, and rationalizing tariffs, have been detailed in order to ensure smooth trade renewal and maximize dividends for both sides.

Keywords: *confidence-building measures, foreign direct investment, free trade agreement, line of control.*

1. Introduction

1.1. Background

According to Investopedia trade has been defined as "Trade typically refers to international trade, the system of exports and imports that binds the world economy, in macroeconomics. An export is a good that is sold to the international market, and an import is a good that is obtained from the international market. For well-connected economies, exports can be a significant source of income." (Investopedia, n.d.)

A difficult history of political tensions, territorial disputes, and sporadic violent confrontations characterizes the relationship between India and Pakistan. This environment negatively impacted cross-border trade, leading to poor economic interactions and limited business ties between the two nations. The potential for restoring border trade between India and Pakistan has, however, generated discussion considering recent events and shifting geopolitical circumstances. The purpose of this research paper is to investigate the advantages, difficulties, and chances of reviving economic participation through the opening of trade routes along the Wagah-Attari border.

The Indian subcontinent remained a global trade hub with a potentially thriving trade environment. Trade routes, infrastructure, and markets were divided when British India was split in 1947, culminating in the creation of the independent states of India and Pakistan. As a result, numerous hurdles



evolved to limit bilateral trade and business agreements between India and Pakistan, including political tensions, increasing security concerns, and violations of the cease-fire at LOC. One of the most disturbing steps from India was to revoke Article 370 on August 5, 2019, to remove the special status of Indian Occupied Kashmir (IOK), leading to the announcement of a complete trade ban with India. These elements have significantly constrained cross-border trade's expansion and potential, reducing prospects for economic collaboration and impeding the region's development as a geo-economic hub.

In 1995, trade potential between two neighbors (Pakistan & India) was at USD 6,693 million. From that, India's share in imports from Pakistan was USD 1,608 million, while Pakistan's imports from India stood at USD 5,085 million (Ghuman & Singh, *Economic Implications of Trade Curbs between India and Pakistan through Wagah Border*, 2020). Moreover, the available trade potential was assessed in 2013, and if both nations agreed to remove certain trade barriers and shift policy and tariffs, then the trade could jump to USD 30.4 billion, 13.5 times higher than the existing USD 2.25 billion trade volume at that time. However, the realized trade potential was 8% less than the total potential of bilateral trade in that period (Gill & Madaan, 2015). Furthermore, the World Bank published a report in 2018 that highlighted that between Pakistan and India, the bilateral potential of trade is up to USD 37 billion a year (Kathuria & Sanjay, 2018).

However, recent events have rekindled optimism for bettering ties between India and Pakistan. The Gurdwara Darbar Sahib in Pakistan and the Indian state of Punjab are connected via the Kartarpur Corridor, which was officially opened in 2018. This action, intended to ease Sikh pilgrims' journey, highlighted the possibility of positive interaction and cooperation between the two countries. A ceasefire along the Line of Control (LOC) has also held up after a couple of years. A rising understanding of the benefits that could be achieved from creating better economic relationships with India has emerged in Pakistani policymaking circles.

The potential for economic expansion, the creation of jobs, and the reduction of poverty in the region are enormous if border trade between India and Pakistan is reopened. The two nations have a combined population of more than 1.5 billion and a substantial consumer market with ample growth, enterprise, and entrepreneurship opportunities. Encouraging innovation, competitiveness, and economic diversification and revitalizing trade would encourage the exchange of commodities, services, and technology. Both nations might be able to take advantage of their unique assets and strengths, promoting inclusive growth and regional prosperity. Pakistan would greatly benefit, given its current precarious economic predicament.

Reopening border trade does not, however, come without difficulties. The likelihood of economic cooperation continues to be hampered by political

sensitivities, security worries, and unsolved territory issues like the one in Kashmir. To increase trust and create a climate that is favourable for trade, it is also necessary to resolve long-standing mistrust and conflicts. In order to establish smooth cross-border trade corridors, lower transaction costs, and ensure efficient movement of products and services, infrastructure development, customs harmonization, and trade facilitation measures would be essential.

This research has also looked at whether the resumption of trade along the Wagah-Attari route, suspended since 2019, can be reopened and how it will bring about the expected benefits to Pakistan. Relevant facts and figures obtained from both primary and secondary research have been analyzed in this regard. The experiences of other nations that have settled disputes and revived cross-border economic involvement have also been discussed in order to assess the viability of restoring border trade. The potential effects of resuming commerce between India and Pakistan on the economy, society, and politics have been examined, considering things like job creation, investment prospects, and regional stability. Possible approaches, frameworks, and policy suggestions to overcome the difficulties and take advantage of the chances offered by the reopening of border trade have also been discussed.

1.2. Significance and Scope of Study

The research has been conducted for assessing the trade dynamics between Pakistan and India through Wagah-Attari keeping in view the complex and historically tense relationship between the two countries. The fundamental aspects of research included an analysis of past and present trade patterns, the identification of obstacles and challenges, the exploration of prospective growth prospects, and the evaluation of potential returns and risks of expanded trade across the Wagah-Attari Border. Furthermore, the research highlighted the

- To provide a quick overview of trade between India and Pakistan via the Wagah-Attari land route.
- To study the impact of the trade ban on the income and employment of various key stakeholders.
- Economic significance as, being the two major economies in South Asia with enormous trade potential. Its economics entails examining the magnitude of bilateral trade, identifying the important industries and goods involved, and evaluating the effects on income, employment, and trade growth.
- Geopolitical effects on trade along with its positive and negative consequences on the two nations' relations because of their long-standing political differences and security concerns.



- Identified and analyzed trade glitches and barricades. This entails evaluating trade policies, regulatory frameworks, customs processes, transportation infrastructure, and logistical challenges, in addition to tariff and non-tariff barriers.
- Analyzed the sectoral opportunities and socio-economic impacts and highlighted the role of SAFTA in uncovering and boosting trade opportunities.
- To provide a holistic approach and policy recommendations to re-open trade through the Wagah land route.

Overall, the research offers insightful information about the possibilities, complications, and potential returns of increased economic cooperation between the two nations. It would support diplomatic communication, encourage regional collaboration in South Asia, and help to make policy decisions that are well-informed.

1.3. Statement of Problem

The emergence of several trade blocs and free trade zones across the globe signifies the trade synergies created by geographical proximity. Pakistan and India share a long border that offers immense potential for bilateral trade through rail and road networks. The Wagha –Attari border is acclaimed as the most convenient road-based trade route between the two countries. However, since 2019, trade through Wagha Border has been put on an indefinite hold, which is proving to be a consistent setback to commerce and industry on both sides of the border.

1.4. Research Question

It is imperative to undertake a situational analysis of the trade through Wagha, the prospects of its resumption and how best both countries can tap the potential of this border route?

2. Review of Literature

The purpose of this literature review is to critically examine and synthesize the existing research on Indo-Pak border trade, especially through the Wagah-Attari border. Understanding the current state of knowledge in this area is crucial for identifying gaps, evaluating methodologies, and contributing to the ongoing scholarly discourse. By analyzing a range of relevant sources, this review aims to provide valuable insights into the development of the border trade and the current situation, helping to set the background for this essay's research question. The flash floods and landslides in Pakistan in 2022, which caused significant devastation, have prompted calls to resume trade between India and Pakistan. Currently, political tensions and historical conflicts have hindered bilateral trade relations, despite the potential economic benefits. Prior

to the cessation of trade in 2019, India was Pakistan's 8th largest exporter, providing essential commodities like meat, cotton, and wheat. However, both countries have imposed restrictions on trade and failed to evolve a mutual trade framework. Improving trade relations could foster mutual prosperity, but it would require overcoming political constraints and building trust. A step-by-step approach is needed, starting with confidence-building measures, gradually restoring trade to its pre-2019 state, and eventually working towards a comprehensive trade pact in the future (Dua, 2022).

The devastating monsoon led to the destruction of onion and tomato crops in Sindh, Khyber Pakhtunkhwa, and Baluchistan, resulting in soaring prices of perishable products in Pakistan's domestic market. To mitigate the shortage and stabilize prices, the government considered allowing the import of vegetables from India through the Wagah border. The import of tomatoes and onions from Afghanistan and Iran has already been permitted, but direct trade with India was halted in 2019. Instead, Pakistani importers have been sourcing Indian goods through third countries like Dubai, which has increased costs. Allowing direct imports through Wagah would be more cost-effective and improve supply in the domestic market (Khan, 2022). Despite promises to end misfortunes and open opportunities for achievements, the South Asia region has become less connected over time due to unresolved political issues left by colonial powers, the biggest example of them being the Kashmir dispute, with the scrapping of the special status of Jammu and Kashmir further exacerbating the situation. The South Asian Association of Regional Cooperation (SAARC) has become ineffective due to disputes between India and Pakistan, leading to minimal intraregional trade. The suspension of cross-Line of Control (LoC) trade has also impacted economic engagement between the two countries. There is a need for leaders to learn from the past, find people-centric solutions, and redeem the promise made at Independence for a better future (AGENCY, 2022). Following terrorist attacks in Uri and Pathankot in Indian Occupied Kashmir in 2019 both countries imposed punitive measures on each other. India withdrew Most Favored Nation (MFN) status for Pakistan and imposed a 200% customs duty on imports, while Pakistan placed curbs on trade after India's abrogation of Article 370 in Kashmir. As a result, border trade reduced drastically, affecting the livelihoods of porters and other labourers who were dependent on the trade, leading to financial hardships for many families on both sides of the border. A study by the Bureau of Research on Industry and Economic Fundamentals (BRIEF) revealed that 9,354 families had been adversely affected by the trade restrictions at Attari-Wagah. The lack of a bilateral détente further exacerbated the situation, leaving the laborers as collateral damage (Talwar, 2022).

An Indian research study by The Wire highlighted on-ground experiences and interactions with stakeholders in Amritsar, Dubai, Uri, and Poonch highlighted the devastating effects of the trade suspension on thousands of families in the



border regions who depended on cross-border trade for their livelihoods. Many individuals lost their jobs and businesses, leading to economic hardships and emotional distress. The article emphasized the importance of considering the human aspect of trade policy and border economies in foreign trade decision-making rather than solely focusing on macro-level statistics. The Pulwama incident taught three significant lessons: understanding the human impact of trade, recognizing the role of border economies in foreign trade policy, and acknowledging the risks of livelihoods dependent on politics (Singla, 2021).

Pakistan reopened the Wagah border crossing with India on July 15th, 2020, to facilitate Afghan exports in accordance with the Pakistan-Afghanistan Transit Trade Agreement (APTTA). The move was praised as it would help strengthen the Afghan economy amid COVID-19 trade disruptions. The APTTA agreement, signed in 2010, allows Afghanistan to trade with India through Wagah but only permits Afghan trucks to offload goods onto Indian trucks, preventing Indian goods from being imported back into Afghanistan via Pakistani territory (NEWS, 2020).

The impact of unprecedented floods in Pakistan on the country's crops in 2022 led to extensive damage and disruption in the supply chain, resulting in a surge in fruit and vegetable prices. The Amritsar-based Fruit and Vegetable Merchants' Union 2022 called upon the Governments of India and Pakistan to negotiate the opening of exports of essential items through the Wagah-Attari border, which is considered the most viable and economical gateway for exporting perishable goods. However, political differences hindered this process. Consequently, Pakistan faced inflated prices for vegetables and fruits, with some items being sold at 10 times their normal rates. The situation caused considerable economic strain and highlighted the need for humanitarian grounds to facilitate essential goods trading through the Wagah-Attari border (Paul, 2022).

Wilson Center published a report in 2013 regarding the trade ties titled "*Pakistan-India Trade: What Needs to Be Done? What Does It Matter?*". The report highlighted that both countries, which are trading at a volume of USD 3 Billion, have huge potential to unlock trade to touch USD 40 Billion (Kugelman & Hathaway, 2013). Prominent World Bank economist Sanjay Kathuria edited a report in 2018, namely "*A Glass Half Full: The Promise of Regional Trade in South Asia*", in which he addressed the trade interaction between India and Pakistan. He projected the potential of bilateral trade is USD 37 Billion annually between Pakistan and India. Multiple other studies also suggested similar trends following major trade negotiations the opening of ICP at Wagah-Attari and the upgradation of facilities (Kathuria & Sanjay, 2018). Ranjit Singh Ghuman and Haqiqat Singh wrote a comprehensive report titled "*Economic Implications of Trade Curbs between India and Pakistan through Wagah*

Border” to analyze the aftershocks of trade closure between Pakistan and India through the Wagah-Attari route. The report highlighted that trade is most conveniently conducted via Wagah-Attari Road. Moreover, it showed increasing trend from 66% in 2015-16 to 78% in 2018-19. The trade shutting down led to an increase in unemployment and business reduction and affected local commerce on the Indian side (Ghuman & Singh, Economic Implications of Trade Curbs between India and Pakistan through Wagha Border, 2020).

2.1. Organization of Paper

This research paper comprises of five key sections concentrating on diverse aspects of research. Section I comprises of basic introduction, research problem, question, significance & scope of the research and literature review. Section II deals with the thorough research methodology adopted for the identification of primary & secondary data sources, collection and analysis procedures. Section III outlines the comprehensive situational analysis of the trade policies, patterns, Afghan transit trade and the role of SAFTA in harnessing trade. Section IV provides an overview of understating the gaps through surveys and focus group discussions by viewing the world's best practices and outlining SWOT, Fishbone, and PEST analysis. The last Section-V deals with the conclusion and possible policy recommendations to resume trade to boost economic growth, employment, and availability of cheaper goods along with mutually strong and trusted political relationships.

3. Section-II: Research Methodology

3.1. Research Design

A systematic and inclusive approach has been utilized to understand the Indo-Pak trade dynamics and complications through the Wagah border. The research started with framing a statement of the problem and specific questions, including probing trade patterns, identification of key goods, policies, facilities, and presence of trade hurdles and elaborating on the various factors impacting trade flows and relationships. Furthermore, mixed methods along with analysis of existing data frames, research papers, reports, interviews and focus group discussions with a defined set of questions to get valuable insights to resume trade and policy recommendations to resume trade ties between two neighbours through the Wagah land route.

3.2. Data Sources

For the aim of this research, both qualitative data sources and data collection techniques have been used, such as Articles published in International Journals, Newspaper articles, Books, Reports on trade published by international organizations and relevant Ministries and interviews with pertinent persons. Trade data from the Model Customs Collectorate (MCC), which monitors the Wagah border, is quantitative in character. The data



includes information regarding policies, trade infrastructure, key commodities, the volume of imports, exports and Afghan transit trade. To assess the seriousness of the problem and to provide practical results, numerous interviews with sectoral experts, importers, exporters, and officials from the public and commercial sectors were performed. This has helped to visualize and frame the existing challenges, opportunities, and policy recommendations. The interviews of the following persons were conducted to further enrich the research and valuable insights.

- i. Mr. Zulfiqar Chaudhry, Chief Collector Customs, Lahore
- ii. Mr. Ehsan Bhutta (PAS), Secretary ICI&SDD
- iii. Mr. Jalal Hassan, CEO PBIT
- iv. Ms. Sobia Kiran, Additional Collector Customs, Wagah Lahore
- v. Mr. Kashif Anwar, President of Lahore Chamber of Commerce

3.3. Data Analysis Techniques

A multifaceted method of analysis has been employed by inculcating both qualitative and quantitative approaches to understand the gravity of the situation. Tables, charts, and summary statistics have been used to meaningfully summarize the data gathered from primary and secondary sources. This has made comprehending the fundamental traits and trends in the trade data easier. Additionally, exploratory analysis was performed to understand and highlight the relationship patterns and trends in the data. Time series analysis has also been used to comprehend imports and exports statistics, revenue earned, and trade growth.

A survey was conducted of different stakeholders involved in cross-border trade across the Wagah Border. The selection of a varied group of importers, exporters, and transporters who routinely conducted cross-border trade at the Wagah border served as the survey sample for this study. Cluster sampling was hence used to target these three major groups. Additionally, in aiming for a balanced representation, attempts were made to include an Indian respondent as well, with one response successfully gained from a trader in Amritsar.

To collect the required data, a structured questionnaire was designed. The questionnaire comprised a series of closed and open-ended questions, covering a wide range of topics related to trade operations, categories of goods traded in, financial constraints because of trade closure, effect on employment levels, and overall perceptions about the trade environment and what steps the government should take in facilitating it when reopened. The survey was conducted in person, allowing for direct interactions with the traders, and online by circulating it via email and direct messaging to reach a larger number

of people. Candid answers and open feedback on the topic were encouraged.

Similarly, a focus group discussion was arranged at the Wagah border with various traders and customs representatives to analyze the viewpoints and suggestions to facilitate traders if trade gets reopened. A variety of tools like SWOT, Fishbone and PESTLE were used to understand the issues from multiple dimensions to address these in a comprehensive fashion.

4. Section III: Situational Analysis

4.1. Existing Framework

In October 2007, India and Pakistan agreed to resume cross-border movement of trucks after a 60-year hiatus. The agreement was intended to boost bilateral trade between the two countries. Trucks from India were allowed to travel from the Attari Check Post in Amritsar to the Wagah border in Pakistan, and vice versa.

4.1.1. Past Trade Agreement

The negotiations between Indian and Pakistani authorities regarding trade on the Wagah-Attari land border agreed to the following arrangements:

- a) Cross-border movement of trucks for the exchange of trade goods
- b) A hotline between Customs administrations on both sides of the border to facilitate communication
- c) Single entry permits for drivers of trucks for better documentation
- d) Trade timings were mutually agreed on, 6:30 AM to 6:30 PM during the March – September months, and 6:30 AM to 4:30 PM during the October – February period
- e) There would be a complete seven-day working week on the border trade
- f) A dedicated gate at Wagah-Attari started on 13th April, 2012
- g) Customs was recognized as the lead governmental agency overseeing the Wagah-Attari trade
- h) It was decided in a meeting held at Delhi between the trade ministries of both countries that, the trade will be operational round the clock 24/7 and approved new lenient visa policy for businessmen (Tribune, 2014).

4.1.2. Agencies Working at Wagah

The Wagah border has a lot of government agencies functioning around it due to the sensitivity of the location. The list of agencies is given below:



- i. Pakistan Customs
- ii. FIA (Immigration)
- iii. ISI- Inter Services Intelligence
- iv. MI- Military Intelligence
- v. IB- Intelligence Bureau
- vi. Police (Special Branch)
- vii. Pakistan Rangers

4.1.3. Single Entry Permit

The single-entry permit was a pass issued to the truck driver for a single journey, and was valid for the same date only. It was important as a mechanism for documenting and regulating the movement of drivers across the border. This was done as per the guidelines set by the Joint Statement by Pakistan and India on Trade Facilitation at Wagah, August 2007, which provided for a system of computerized single-entry permit in order to dispense with the need for passports, visas and international driving license.

4.1.4. Customs Liaison Border Committee (CLBC)

CLBC was established in furtherance of the Indo-Pak joint statement following trade negotiations in 2012. The committee was tasked with resolving operational issues at the field level and problems of passengers travelling from either side. Two CLBC's were alternatively in Lahore and Amritsar. As of now, 22 CLBC meetings have been conducted between Indian and Pakistani authorities, with a 23rd meeting scheduled to be held in Amritsar, India.

4.1.5. Key Facilitations at Wagah

There are certain key functions dedicated for Customs to play in managing trade and these are as follows:

4.1.5.1. Land Freight Station Wagah

This is owned and operated by the National Logistics Cell (NLC). Its area includes three sheds, hard standing for trucks and cargo, two scanners, three weigh bridges, and a dedicated cargo gate for goods movement. No cranes or other equipment is involved; hence it is a labor-based loading and unloading system. The total land for import/export cargo yard of the NLC is 766 Kanals. Customs agriculture land at Wagah is also included in NLC Terminal, measuring 48 Kanals and 10 Marlas.

4.1.5.2. Land Freight Unit

A part of the overall land freight station, the unit was established on 24th March, 2009. It handles the cross-border movement of trucks as part of the Indo-Pak road trade. It is based in the Old Customs Building, spanning an area

of 22 Kanals.

4.1.5.3. Passenger Facilitation Centre

It is maintained solely by the Customs department, which handles passengers using the bus and trade services. It is spread on an area of 19 Kanals in a special facility on the border.

4.1.5.4. Wagah Railway Station:

It is one of the most important places on the Wagah border as it is the main node for both passenger traffic and trade goods crossing the border.

4.1.6. Government Import Policy and Positive List of Items

Government of Pakistan has formally issued a specific policy on how the trade process will be started, the list of items, the trading method and several other security features etc. The import policy was framed in **SRO 345 (I) 2016**, dated 18th April, 2016. A positive list of 1,963 items importable from India was replaced with a negative list of 1209 items not importable. A positive list of 138 items importable from India through land route at Wagah listed in Table 1.

4.1.7. Major Items of Import and Export at Wagah

A summary of the major goods flowing in and out of Pakistan as part of the Wagah-Attari border trade are given in Table 1.

Table 1.

Positive List and Key Import & Export Items

Positive List of Items		Key Import & Export Items	
Sr No.	Items	Import	Export
1 – 23	Animals & Meat	Soybean Meal	Dry Dates
24 – 53	Edibles (vegetables/spices / raw sugar etc.)	Fresh Tomato	Rock Gypsum
54, 55, 56	Soybean extract, cement/clinker, PTA	Raw Cotton & Cotton Yarn	Soda Ash
57 – 59	Plastic granules	Fresh Onion	Hydrogen Peroxide
60	Newsprint	Mixed Vegetables	Caustic Soda
61 – 107	Cotton yarn of different kinds	Carbon Dioxide	Herbs
108	Raw jute	Polypropylene	Rock Salt
109 – 136	Steel coils of different	Raw Jute	Clinker



Positive List of Items		Key Import & Export Items	
Sr No.	Items	Import	Export
	kinds (CRC /HRC etc.)		
137	Paddy harvesters/dryers	Newsprint	Glass
138	Pet coke (non-calcined)	Potato	Cement

Source: Model Customs Collectorate (MMC), Lahore

4.2. Wagah Trade Statistics

The trade through Wagah land route was initiated in 2005, however, the truck movements were resumed from this route from 1st October 2007. Pakistan has imported and exported millions of rupees items to India and generated a considerable amount of revenue by imposition of taxes and duties. However, the trade remains in favor of India throughout the period in terms of trade balance. Since, Pakistan’s imports were much higher than its exports.

4.2.1. Overall Yearly Import and Export Statics

From the date of initiation of trade to the date of trade closure 23 Dec 2019, Pakistan has imported goods worth of Rs. 313,181 million and exported item only of Rs. 115,493 million to India through Wagah Pakistan. Furthermore, it has been evident from Table 2, that the trade balance remains negative throughout the trade regime except for the years 2017-18 and 2018-19. Moreover, Pakistan has imported goods 171% higher than exported to India through Wagah. Since the Indo-Pak border trade was suspended in 2019, a snapshot of the last ten years trading figures are given below:

Figure 1.

Trade Trends of Various Cohorts (overall % change in specific cohort)



Source: Model Customs Collectorate (Preventive), Lahore

Table 2.
Yearly Summary of Imports and Exports

Financial Year	Imports (Rs. Million)	Exports (Rs. Million)	Trade Balance	% Import Change	% Export Change
2008-09	11,385	-	- 11,385	-	-
2009-10	16,373	-	- 16,373	44%	-
2010-11	20,994	1,332	- 19,662	28%	-
2011-12	28,814	6,235	- 22,579	37%	368%
2012-13	62,684	12,895	- 49,789	118%	107%
2013-14	62,342	12,293	- 50,049	-1%	-5%
2014-15	34,235	12,772	- 21,463	-45%	4%
2015-16	24,664	13,819	- 10,845	-28%	8%
2016-17	20,786	18,560	- 2,226	-16%	34%
2017-18	14,390	20,132	5,742	-31%	8%
2018-19	14,619	17,392	2,773	2%	-14%
2019-Dec 20	1,895	63	- 1,832	-87%	-100%
Overall	313,181	115,493	- 197,688	-	-

Source: Model Customs Collectorate (Preventive), Lahore

Furthermore, a detailed analysis has been done to further identify the trade trends under different cohorts. The findings have been presented in Figure 1. It has been found that, between 2007-08 to 2011-13, all the three indicators Revenue, imports and Exports have shown positive change. While the era between 2013-14 to 2017-18 remains somewhere good. It has shown a decline in imports. But at the same time exports and revenue also has been decreased. However, in last cohort 2018-23 Dec 2019, the trade activities were merely for one and half year. In this area all the three indicators shown a negative trend.

4.2.2. Year Wise Revenue Collection from Imports

Pakistan has imported overall 5,003,140.26 M Ton and exported 14,083,699 M. Ton of goods to India through Wagah and collected a substantial amount of revenue **Rs. 16,096.3 Million** through imposition of taxes and import duty. A year wise summary of imported items weight and revenues realized from duties and taxes levied on imports from India at the border is given in Table 3.



It has been found that over the years, the revenue change/growth remains inconsistent and changes entirely upon imposition of taxes and duties. The yearly revenue shown decline behavior from 2016-17 compared with previous years.

Table 3.
Yearly Summary of Revenue Collection

Financial Year	Import Weight (M.Ton)	Export Weight (M.Ton)	Duty Taxes (Million)	and (Rs. % Revenue Growth)
2007-08	137,585.68	-	2	-
2008-09	339,009.01	-	203.29	-
2009-10	342,848.26	-	480.53	136%
2010-11	564,726.70	144,907	564.13	17%
2011-12	630,385.36	666,033	1,164.28	106%
2012-13	950,470.00	1,672,119	2,878	147%
2013-14	920,362.00	1,655,012	3,338.07	16%
2014-15	574,122.00	1,865,382	3,679.37	10%
2015-16	233,909.00	1,890,414	1,543	-58%
2016-17	211,810.00	2,109,897	1,250.92	-19%
2017-18	49,352.81	2,531,824	458.01	-63%
2018-19	43,392.39	1,538,343	470.76	3%
2019- Dec 20	5,167.05	9,768	63.94	-86%
Overall	5,003,140.26	14,083,699	16,096.30	-

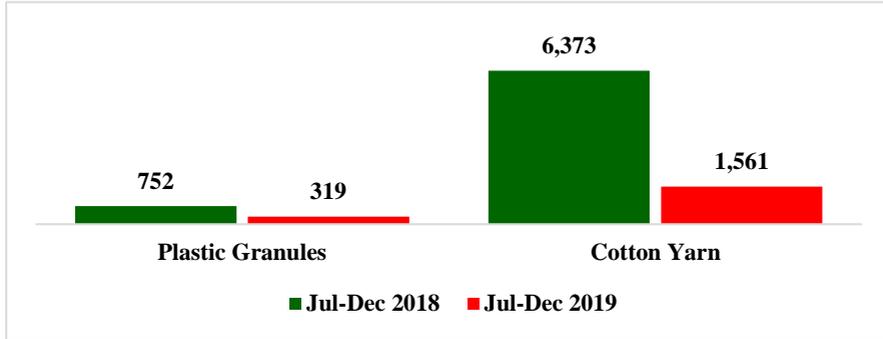
Source: Model Customs Collectorate (Preventive), Lahore

4.2.3. Key Commodities Import Statics

Pakistan has imported goods of Rs. 7,125 million items from India in a six-month July-18 to Dec-18 while Rs. 1,895 million items in July-19 to Dec-19. It has been observed a major decline in import in 2019 due to serious conflicts over implementation of Article 370 in Kashmir from Indian side. A comparison of import figures of major commodities imported from India to Pakistan in the year 2018 and 2019 before the suspension of the border trade is given in Figure 2, which shows two key import items plastic granules and cotton yarn. Key commodity is cotton yarn. However, Miscellaneous items also imported worth of Rs. 14.80 million in 2019.

Figure 2.

Comparison of Key Commodities Imported in 2018-19 (Rs. Million)



Source: Model Customs Collectorate (Preventive), Lahore

4.2.4. Trade Statistics of Major Commodities Exported to India

Table 4.

Key Export Commodities Comparison

Exports Items	Jul to Dec-18 (Rs. Million)	Jul to Dec-19 (Rs. Million)
Rock Gypsum	1,072	-
Dry Dates	7,217	.57
Soda Ash	706	-
Rock Salt	236	56
Caustic Soda	1	-
Cement	2,678	-
Misc. Items	1,507	6.43
Total	13,417	63

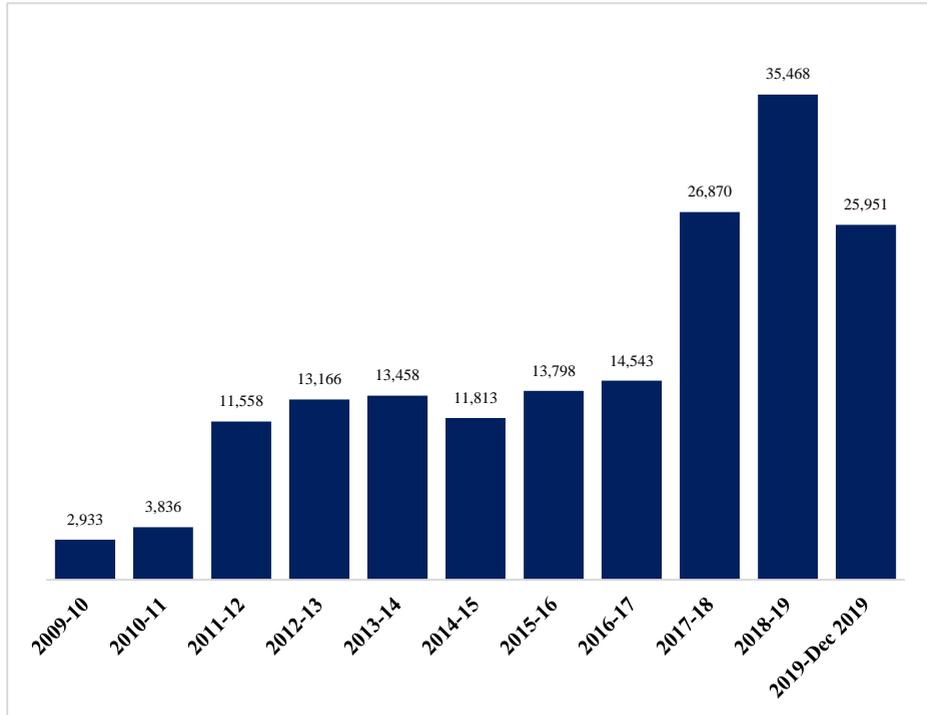
The export comparison between two consecutive years six-month span is outlined in *Table 4* against key export items. It has been evident that, in Jul to Dec 2018 the exports were at Rs. 13,417 million while in Jul to Dec 2019 merely at Rs. 63 million. A massive decrease due to damage in political affairs between Pakistan and India on the issue of imposition of Article 370 in Kashmir leading to trade ban in the same year. The comparison of export figures of major commodities exported from Pakistan to India in the 2018 and 2019 before the suspension of the border trade is given in *Table 4*.



4.2.5. Afghan Goods in Transit to India from Wagah

The Wagah border route also facilitates the movement of Afghan goods to India. The Afghan trade transported a total weight of goods 173,394 M Ton having total value is Rs. 173,394 million. The trade increased year by year and gets its peak in 2018-19 amounting Rs. 35,468 million. A ten-year summary of Afghan cargo transit to India via the truck route is given in Figure 3.

Figure 3.
Yearly Afghan Transit Trade, Wagah (Rs. Million)



Source: Model Customs Collectorate (Preventive), Lahore

4.2.6. Trade Statistics (Number of Trucks) at Wagah

The road trade via the Wagah-Attari border was mostly conducted through trucking between both countries and also for Afghan trade transit. A total of 234,865 trucks used for imports and 295,929 for exports. While for Afghan trade 24,502 trucks carried goods through Wagah. These statics are span of 10 years from 2009-10 to 2018-19. A summary of imports and exports and Afghan transit in terms of the number of trucks involved in the trade is given in Table 5. Approximately on average monthly 1,957 for imports from India, 2,466 for exports to India from Pakistan and 204 trucks passed to move exports from Afghanistan to India. This shows a huge network and employment for

transporters.

Table 5.
Yearly Summary for Trucks Involved in Trade

Financial Year	Total No. of Trucks Involved for Cross-Border Trade		
	Imports	Exports	Afghan Transit
2009-10	18,213	-	1,503
2010-11	31,897	4,664	1,724
2011-12	36,157	22,272	1,697
2012-13	44,589	32,393	2,772
2013-14	44,757	39,871	2,711
2014-15	28,831	41,658	2,406
2015-16	13,889	38,081	3,865
2016-17	11,643	40,764	2,504
2017-18	3,252	47,061	2,793
2018-19	1,637	29,165	2,527
Total	234,865	295,929	24,502

Source: Model Customs Collectorate (Preventive), Lahore

4.3. SAFTA's Unexplored Potential

The South Asian Free Trade Area (SAFTA) is a trade agreement among South Asian countries. It is similar in intention and aims to other regional trade blocs like the EU and NAFTA. In their particular regions, they are credited with accelerating economic growth and playing a key role in reducing poverty. With a population more than 2 billion, South Asia has about 25.2% of global population and is also one of the continents with the fastest population increase. These eight countries—Pakistan, Afghanistan, India, Maldives, Bangladesh, Nepal, Sri Lanka and Bhutan combine to form the region (Worldometer, 2023). The South Asian Association for Regional Cooperation (SAARC) members have agreed to enhance regional trade and economic cooperation. SAARC was established in 1985 to advance economic development and human well-being. The SAARC nations then signed SAPTA in 1995 to ease trade-related restrictions on the member nations. With the 2006 signing of the SAFTA Agreement, the determination to encourage intraregional trade grew stronger. The key components of SAFTA include a systematic



program of trade liberalization to reduce tariffs, the streamlining of customs procedures, the harmonization of import registration and licensing, and regulations for fair competition. SAFTA also features a Council of Experts to oversee and help with the implementation of trade policy, as well as a Ministerial Council, which is the highest decision-making body.

South Asia is currently the world's region with the lowest economic integration, nonetheless. Comparatively to ASEAN, where this percentage is 25% (World Bank's Approach to South Asia Regional Integration, Cooperation and Engagement (SA RICE), 2020), intraregional trade currently makes up about 5% of the entire amount of commerce. The two largest SAFTA Agreement members are Pakistan and India. They collectively account for around 90% of South Asia's GDP and make up 80% of intraregional commerce (Kathuria & Shahid, *Boosting Trade and Prosperity in South Asia*, 2017). The SAFTA can play a vital role across various sectors if implemented in real sense and will create tremendous opportunities for both the countries.

4.3.1. Trade Opportunities

Trade creation is a straightforward result of removing trade restrictions like tariffs, which encourage specialization and drive down the cost of goods while raising demand for them. For instance, Pakistan has protected its auto sector through the sensitive list. However, it was noted in a study that just 35 of the 167 goods are susceptible to competition from India because India has a competitive advantage over Pakistan in these commodities. However, Pakistan and India can compete on an equal footing for the other commodities (Taneja, Dayal, & Bimal, *India–Pakistan Trade and Regionalism in South Asia*, 2017). In addition to commodities, the region has enormous potential in the service sector, particularly in information technology, health education, religious tourism, and the entertainment industry. Pakistan and India can both benefit in the area of health. Already, a steady stream of Pakistani patients travels to India for medical procedures including open heart surgery and liver transplants. A few years ago, teams of Indian medical professionals would travel to Lahore's Sheikh Zayed Hospital to do liver transplant surgery. Many patients who could not afford to attend were severely harmed when the visits were stopped.

4.3.2. Increased Intra-Regional Investment

Investment and trade are strongly related. India has investments in Sri Lanka Nepal and Bangladesh, all of which are in South Asia, although its overseas investments are far larger. If SAFTA is successful in achieving the level of integration it aims for, Pakistan may get FDI from India, which might supplement local investment and aid in funding the balance of payments over the long run. Additionally, this FDI encourages product variety and enhances access to the world's industrial network.

4.3.3. Better Security and Trusted Relations

Increased economic integration promotes interdependence and builds international trust. The opportunity cost of war and conflict increases with the degree of economic interdependence. The most significant CBM in the two nations' economic and political relations is trade cooperation in and of itself (Mahmood, 2013).

5. Section-IV: Gaps and Challenges

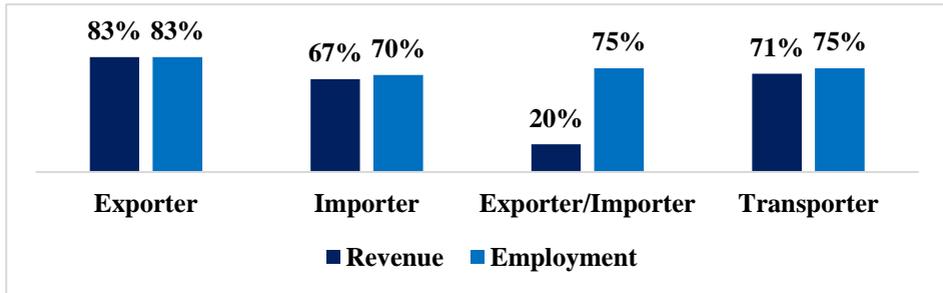
5.1. Ground Check

As adequately explained in Section-II, it was deemed appropriate to get a ground check through survey of the stakeholders. The survey was therefore undertaken among a group of traders who had been actively involved in commercial ties with India in the past through Wagah border, in order to gather key insights about the dynamics of India-Pakistan trade at the Wagah border. The purpose of this survey was to understand the difficulties, chances, and viewpoints of traders involved in trade operations between India and Pakistan, particularly at the Wagah border, for a more on-the-ground view. Recommendations were also taken regarding steps the government can take in order to facilitate trade in case of future reopening. This survey helped gather first hand evidence of the negative impact that trade closure has had on the trading community. A majority of trade was in agricultural produce and minerals, as per the surveyed traders. Trade links between the neighboring states were easy to establish and run due to the shared border, Wagah being near the major city of Lahore, and due to similar currency exchange rates at the time. Suspension of trade relations since 2019 have resulted in reduction in revenues and employment levels, as per every trader that was surveyed. Also, due to the sudden nature of trade closure, businessmen had to scramble to get alternative supply chains from Central Asian countries, the Middle East, Afghanistan, Iran etc.

The survey results show an overall 68% drop in revenue and a 78% drop in employment. Moreover, the graph 4 shows the category wise percent decrease in both indicators. From all of the category's employment has been decreased more than revenue. Since, most of the traders has started trades from Afghan-Transit route (India to Karachi, then Karachi to Afghanistan and Afghanistan to Pakistan or India-to Karachi, then Karachi to Dubai and then Dubai to Pakistan) on limited capacity which has somewhat maintain their revenues. However, revenues also shown massive decrease. Furthermore, the Indian trader belongs to Amritsar who imports minerals from Pakistan also reported 80% in revenue and 60% decline in employment. In addition, 95% of the respondent preferred to use road route for trade with India and 5% with using rail as a mode of transport for trade.



Figure 4.
Traders Survey Results (% decrease)



Also, a common point noted during the course of this survey was that Pakistani traders were still stuck in the simplified business model of trading in primary goods, like grains, fruits and vegetables, or raw minerals; whereas the Indian side had advanced towards more value-added production and exports. In this sense, the lack of progress over the past couple of years or so on the Pakistani side was evident.

As a supplement to the survey, a Focus Group discussion was held at the Wagah border to assess the trading facilities, and engaged with the traders and government employees at Wagah Customs post in a collective discussion on cross-border trade. The participants were encouraged to give open and honest feedback regarding their experience trading with India and dealing with government regulations. The traders in the discussions were mostly involved in agricultural goods, like fruits and vegetables, and some minerals like gypsum. They stated that they used to get a favorable rate from India, and had good channels of communication across the border. The Wagah area used to be a hub of trade activity, with trucks and workers active there during the day. Since closure, the labor pool has dried up, the Wagah dry port bears an abandoned look due to zero activity in the area, and traders’ profitability has been hit. Reopening of the Wagah-Attari trade route was a common demand of the people present in the focus group. They claimed that the current runaway inflation in Pakistan, particularly in terms of foodstuffs, could be curtailed if trade was revitalized, given the lower rates of agricultural goods in India. They stated that since Wagah was closed, Afghanistan became a key supply chain link for them. The problem with that was that the Afghans charge a higher margin and have unreliable supply delivery times.

The traders gave some suggestions on how the government should handle the issue of Wagah trade reopening going forward, chief among which was their plea to the government to notify them 10 to 15 days in advance before suspending trade so that they may arrange alternative supply routes. Others included rationalization of tariffs, easing of goods quarantine, setting up a mutual banking channel with India to facilitate cross-border transactions, and

incentivizing exports from Pakistan so that imports and exports should be equal, rather than India dominating the trade margin, as had been the case in the past.

5.2. Learning from International Best Practices

There are numerous countries in the world having political and other conflicts along with border sharing. However, they have maintained their trade relationships to uplift economic prosperity and reducing poverty. The following sections outlined to briefly describes the trade ties among various such nations.

5.2.1. India and China

India's trade with China reaches record levels despite chilly relations. By 2008, China had overtaken all other countries as India's top trading partner, a position it has held ever since the two nations' economic ties began to expand around the turn of the century. Since the beginning of the preceding decade, trade between the two has increased dramatically. According to data made public by the Chinese customs department, trade between China and India increased to \$135.98 billion in 2022 from \$125 billion, an increase of 8.4%. According to the data, China's exports to India increased to \$118.5 billion (a 21.7% year-over-year gain), while its imports from India decreased by 37.9% to \$17.48 billion from \$28.1 billion. Furthermore, the two countries' bilateral trade has grown exponentially since the start of the previous decade. India and China's bilateral trade increased by 75.30% from 2015 to 2021, growing at 12.55 percent year on average (Staff, 2023).

India passed China to become its 16th-largest trading partner in 2020. Bilateral trade between China and India increased by 90.14% between 2015 and 2022, growing 12.87% year on average. The total value of commerce with China climbed by 8.47% annually in 2022, exceeding USD 136.26 billion, surpassing the USD 100 billion mark for the second consecutive year. India's exports to China decreased by 37.59% to USD 17.49 billion, while its imports from China climbed by 118.77% to USD 118.77 billion., compared to net exports of USD 28.03 billion previous year. By the end of 2021, Chinese investments in India reached USD 5.403 billion, while Indian investments in China were USD 943.96 million. Trading forums and dialogues between China and India are critical in promoting and strengthening bilateral economic relations. These venues allow representatives from both countries to engage in constructive talks, share knowledge, and seek mutually beneficial trade prospects (Trade and Economic Relations, 2022).

5.2.2. China and Taiwan

In 2020, the total trade volume between China and Taiwan was \$164.4 billion and increased to \$203.6 billion in 2021 (OEC, 2021). The largest foreign investor in China comes from Taiwan. Between 1991 and the end of December 2021,



44,823 cases totaling US\$198.28 billion in approved investments in China were made. Cross-strait trade was worth US\$273.06 billion in 2021 (CROSS-STRAIT RELATIONS, 2021). Taiwan sold commodities totaling \$188.91 billion to Hong Kong and the mainland People's Republic of China in 2021. According to Taiwan's Ministry of Finance, optical equipment came in second with more than half of the market. Between 2016 and 2021, Taiwan's exports to mainland China increased by 71%. Unlike trade, investments have showed a changing decreasing trend with sizable drops in recent years since both sides' peak levels in the early 2010s. In 2021, Taiwan's annual investment in Mainland China amounted to \$5.86 billion USD. In contrast, the mainland invested US\$116.24 million on the island in 2021 (Cheng, 2022).

5.2.3. US and Mexico

In 2022, trade between Mexico and the US reached \$779.3 billion. The US imports from Mexico \$454.9 billion and exports to Mexico are \$324.4 billion (Affairs, 2023). Land trade between the United States (U.S.) and Mexico increased from roughly \$100 billion to almost \$400 billion (in US currency) between 1995 and 2012. Although both means of transportation expanded gradually over time (economic downturns aside), goods transported by trucks are expected to have an aggregate freight value four to five times higher than goods transported via rail (Tracking Freight Traffic Trends at the U.S.-Mexico Border).

Estimated commerce in goods and services between the U.S. and Mexico in 2019 was \$677.3 billion, \$387.8 billion compared to \$289.5 billion in exports. Approximate trade in services reached \$62.7 billion, with imports for \$29.8 billion, while exports accounted for \$32.9 billion. The Department of Commerce reports that in 2015, 1.2 million jobs were reportedly supported by American exports of goods and services to Mexico. Both countries are also investing in several sectors. The amount of U.S. foreign direct investment (FDI) in Mexican stocks rose by 5.2% to \$100.9 billion in 2019. Manufacturing, finance, insurance, and nonbank holding firms are the industries with the biggest share of American FDI in Mexico. Comparatively, Mexico's FDI in stocks in the United States increased by 2.3% to \$21.5 billion in 2019. The distribution of Mexican FDI in the United States however is unknown. According to estimates, in 2017 businesses with a majority Mexican ownership produced \$9.9 billion in service sales in the United States, while affiliates with a majority U.S. ownership sold services worth \$42.6 billion in Mexico (U.S.-Mexico Trade Facts, 2019).

5.3. SWOT analysis

In the context of the current research topic, SWOT Analysis was used as a tool to delve deeper into the issues and gaps. The results of SWOT show that:

5.3.1. Strengths

- i. Pakistan will have access to a sizable consumer market if trade with India is resumed. With a population of over 1.3 billion people, and the world's fifth-largest economy in terms of nominal GDP, Indian border trade presents enormous chances for Pakistani exporters to grow their clientele and boost sales, increasing export earnings (Ashraf, 2019).
- ii. There are complementary industries in Pakistan and India. India is skilled in manufacturing, medicines, and IT services, while Pakistan is skilled in textiles, agriculture, and sporting goods. Resuming trade may result in cooperation and utilizing one another's advantages for both parties' gain. An exchange of expertise and capital can help domestic industry grow.
- iii. For Pakistan's economy to remain competitive, trade partner diversification and a reduction in reliance on a small number of markets are essential. Pakistan can lessen its dependency on other nations and build a more balanced economic portfolio by resuming commerce with India.

5.3.2. Weaknesses

- i. Trade relations between Pakistan and India have historically been complicated by political tensions and disputes. Any proposed re-opening of negotiations can be hampered by domestic political opposition and a lack of trust between both sides due to the burden history. This may cause inordinate delay and create barriers to creating an environment for trade that is stable and beneficial for all stakeholders.
- ii. Pakistan's infrastructure, which includes its transport systems, freight-handling, and border facilities, needs to be improved, and logistical issues must be fixed if trade flows are to be more efficient and costs to be brought down. India already has a much more developed system given the fact that it is amongst the top trading nations of the world.
- iii. Regulatory hindrances between India and Pakistan can hamper trade by raising complications, non-tariff barriers, and administrative challenges. Successful trade restart depends on streamlining trade laws after mutual negotiations, collaboration among bureaucracy, and removing non-tariff barriers.

5.3.3. Opportunities

- i. Pakistan has the chance to promote economic growth if trade with India resumes. Increasing economic collaboration can drive up incomes, open up job opportunities, aid in eradicating poverty, and



promoting trade development.

- ii. There is an opportunity to diversify export markets. Relying on a larger variety of trading partners promotes resilience in the face of global economic issues and decreases exposure to changes in demand from individual regions.
- iii. In a number of industries, including IT, software development, and pharmaceuticals, India has become a global leader. With the restart of trade, Pakistan will be able to benefit from Indian expertise and advance its own industrial skills. Knowledge transfer can help spur development of local industry in Pakistan as well.
- iv. A reduction in dependence on the US dollar by establishing favorable exchange rate trade with India can reduce the burden on Pakistan's already over-stretched foreign exchange reserves.

5.3.4. Threats

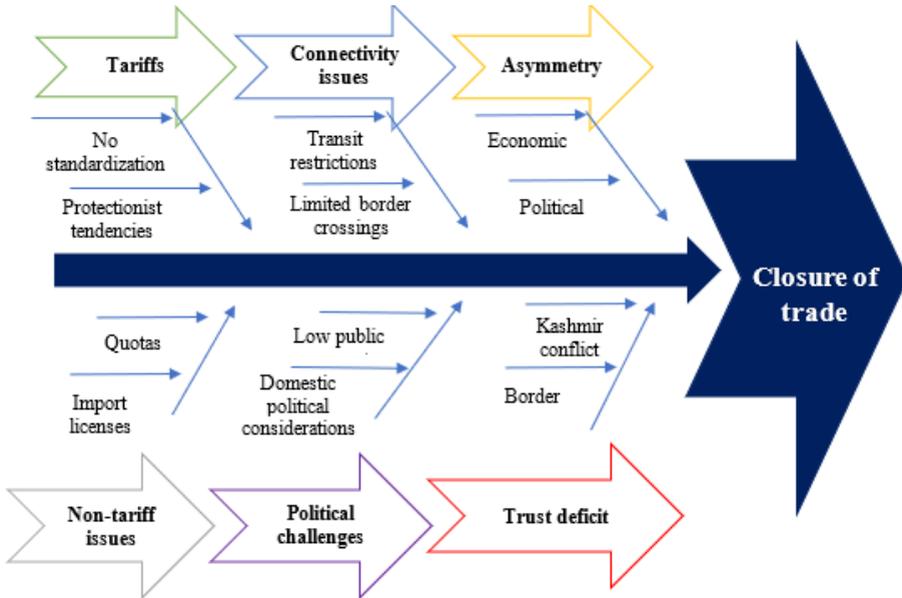
- i. Pakistan must exercise caution in order to maintain an even trade balance with India. Imports outpacing exports in a major trade imbalance could have a negative effect on Pakistan's trade and current account balances, which are already stressed due to high current account deficits. Indian trade should be a relief rather than a burden on Pakistan's trade gap.
- ii. Attempts to resume trade face dangers from security threats like terrorism and border clashes. There may also be a concern that India may use trade as a geo-economic tool to put pressure on Pakistan to pursue its strategic interests. Hence, in order to keep trade activity safe, both nations must adequately manage security issues and launch confidence building measures to increase mutual trust.
- iii. Indian businesses could pose a threat to Pakistan's industry, already used to a substantial degree of protectionist measures and heavy subsidies, particularly in fields where India already has a significant presence like textiles, agriculture, pharmaceuticals, and raw materials. To effectively compete in the Indian market, Pakistani industries must raise their level of competitiveness through innovation, expense reduction, and quality enhancements, which can be time-consuming and costly.

5.4. Fishbone Analysis

The closure of India-Pakistan border trade is a complex issue with a variety of causes, as discussed previously. The fishbone diagram below provides a general overview of the factors that have contributed to the closure of trade between the two countries. The causes of the closure of bilateral trade have been broadly narrowed down to the following six: tariffs, non-tariff measures,

connectivity issues, political challenges, asymmetry, and trust deficit; with their corresponding details added.

Figure 5.
Fishbone Analysis



What the above fishbone diagram tells us is that, while there are a whole host of cause-effect relationships that have led to trade suspension, on a broader scale they are due to the intertwining of geo-politics with geo-economics. Political tensions between Pakistan and India reached a head with the Pulwama incident. These were then further exacerbated by the unilateral suspension of Article 370 by India, in direct contravention of United Nations (UN) resolutions in disputed Kashmir. Since then, a trade embargo has existed between the countries. It is because of this conflict that the two economies are not aligned with each other in any way. Customs, tariffs, border management, trade facilitation, and cross-border investment are only possible when both parties are willing to conduct dialogue and come to mutual agreement on how best to align their mutual interests. In the current environment, this proves a daunting challenge due to a trust deficit and absence of confidence-building measures (ASWANI, 2023).

5.5. PESTLE Analysis

External influences—political, economic, social, technological, legal, and environmental—are examined through a PESTLE analysis. It is applied in aid of strategic decision making. In the context of the current research topic on Indo-Pak border trade, the PESTLE Analysis is given below:

5.5.1. Political

- i. The political climate between India and Pakistan heavily influences the resumption of border trade. The process can be hampered or facilitated by any political tensions, conflicts, or disputes.
- ii. Rules and guidelines established by the governments of both nations regarding trade, customs, tariffs, and cross-border transit must be made in a conducive environment for effective implementation.
- iii. Leadership must positively influence public opinion on both sides. Domestic political opposition is a factor that can hinder progress on either side, since mutual hostilities have been simmering for quite some time.

5.5.2. Economic

- i. Considerations must be made for elements including consumer spending power, market demand, foreign exchange, relative competitive advantage, tariff structures, and trade balance.
- ii. Current trade frameworks or agreements between India and Pakistan, including SAFTA (South Asian Free Trade Area), and its effects on the resumption of border trade should be analyzed. Best international practices must be adopted.
- iii. Protectionist tendencies and over-reliance on state assistance, particularly on the Pakistani side, make businesses uncompetitive and resistant to change. They may hence be in danger of being crowded out by larger Indian companies.

5.5.3. Social

- i. Due to increased populist rhetoric and a Hindu nationalist government in India, people on both side of the border have been exposed to traditional and digital media campaigns aimed at denigrating Pakistan and increasing hostilities. This has fostered an unfriendly perception of each other among the people of both states.
- ii. Border trade resumption must also result in increased cultural exchange and people-to-people contact. Despite current relations, India and Pakistan's populations share a common history and have sociological similarities that can create a friendly attitude, which may translate to increased trade and collaboration across multiple sectors.

5.5.4. Technological

- i. India is one of the leading exporters of information technology (IT) and software in the world. A resumption of trade can facilitate

technological and knowledge-based exchange that can provide an opportunity for Pakistan's development as well. Our IT industry, while full of potential, can learn from their Indian partners and collaborate to increase their weight globally.

- ii. Trade resumption would also demand investment in updating infrastructure, transport networks, border management systems, digital platforms, and cargo handling to bring them up to modern standards.
- iii. India has a prominent presence on digital media and social media platforms. Up to now, these have been used to encourage disinformation campaigns against Pakistan, without much oversight from international organizations. These same tools can be used more effectively to facilitate meaningful exchange and increase bonhomie between people on either side of the border.

5.5.5. Legal

- i. Legal agreements must be reached with mutual consensus between both nations. A system of neutral international arbitration can also be enacted to amicably resolve any disputes that may arise, on the pattern of the Indus Waters Treaty (IWT).
- ii. To maintain fair trade practices and prevent concerns with infringement, it is crucial to evaluate the Intellectual Property Rights (IPR) protection laws and their enforcement in both countries to reach a common standard.
- iii. Any judicial verdicts or laws on either side that may potentially prevent cross-border trade must be annulled or amended.

5.5.6. Environmental

- i. In order to ensure sustainable trade practices, it is important to assess the effects of border trade on the environment, including pollution, waste management, and resource depletion.
- ii. Both India and Pakistan are amongst the countries that are most affected by global climate change. Considering how potential climate change impacts, such as natural disasters or extreme weather events, may affect border trade might aid in developing backup plans. Cooperating both domestically and internationally in global forums can enhance advocacy of climate resilience and assistance to the people of South Asia.



6. Section-V: The Way Forward

6.1. Conclusion

Trade is a crucial instrument in a nation's quest for independence and the eradication of poverty. Pakistan needs to look into as many trade opportunities as it can because its exports are declining and its imports are rising. Pakistan has a wide range of trading opportunities with South Asia in this situation, both in terms of the market and the proximity to it. However, trade within a region must be conducted in a methodical and inclusive manner in order to minimize costs and maximize advantages. The potential for trade with India is enormous. Both informal and official trade with India occurs often. This shows that both markets have the ability to accept goods from across the border provided that the problems impeding greater economic cooperation are resolved in a reasonable and practical manner. A key to improving trade relations is to foster more relationships between individuals and businesses. The mobility of people will eventually result in more seamless border crossings of products and services.

6.2. Recommendations

In light of the analysis presented above, following are some recommendations for reopening of the Wagah-Attari border trade between Pakistan and India, keeping in view Pakistan's needs and desire for economic benefits:

- i. **Diplomatic Negotiations:** High-level diplomatic negotiations between India and Pakistan are necessary to resolve disputes and foster a business-friendly climate. Mutual trust and understanding can be developed via regular communication and negotiation. Confidence-building measures (CBM's) must be put in place that will increase trust between the two nations. This could involve cooperation efforts to encourage inter-human contact, cultural exchanges, and visits by corporate delegations.
- ii. **Innovative Infrastructure:** It is necessary to modernize the hard infrastructure at the border check posts, which consists of full-body truck scanners, warehouses, cargo holding areas, container handling facilities, lab facilities for testing, and banking facilities.
- iii. **Business Friendly Reforms:** There is a need to implement customs reforms, especially those pertaining to openness and the streamlining of processes, and risk management systems should be used to systematically inspect import shipments.
- iv. **Inclusion of Private Sector:** At the border post, private-bonded warehouses should be allowed to function, and containerized freight should be allowed to transit across borders. Meetings between government agencies and business leaders from the two nations should

be institutionalized and held frequently.

- v. **Educating Traders:** To educate businessmen about the benefits of starting commerce with India, a more coordinated campaign is needed to enable them to both strategically and technically compete with India, gain more knowledge about the Indian markets, the make-up of the industry, and the trade and economic policy environment in India that is required to succeed. This will greatly ensure that the local population and industry are prepared for trade reopening to gain maximum benefits.
- vi. **Easy Visa Processing:** Businessmen should be granted visas with fewer limitations so they can travel to multiple cities for extended periods of time without having to report to the police. The current visa system is onerous, time-consuming, and deters exchange. There should be no distinction made between big and small businessmen when awarding visas. If this new visa policy is not implemented right away, further trade liberalization measures will be useless since contact between industry leaders will be the main foundation of trade growth.
- vii. **Utilization of SAFTA Platform:** Both countries should revitalize the South Asian Free Trade Area (SAFTA) and plan a phasing-out of trade limitations. A restrictive regime would nullify all the potential gains of preferential trade access.
- viii. **Eradicating Trade Barriers:** India, the biggest economy in the region, needs to pursue a more proactive approach of removing trade barriers if it is to reach its potential. The convoluted web of laws, norms, and business procedures governing cross-border commerce must be streamlined and made simpler.
- ix. **Mutual Agreements:** Tax, tariff, and subsidy policies that stifle incentives for production and trade in both nations should be replaced with more progressive ones as per mutual agreement.
- x. **Industrial Relocations:** The relocation of industries within the region would be encouraged by the harmonization of legislative laws for investor protection, contract and intellectual property rights enforcement, and labor relations since economies of scale would result from the increased market size and mobility of goods and services. Choosing locations for inputs, components, and raw materials with low transaction costs would provide completed goods a competitive advantage.
- xi. **Better Security:** To safeguard the security of people and goods participating in cross-border trade, the two nations should strengthen their security cooperation. It will be essential to maintain law and order



to share intelligence and to implement border security measures that are effective in encouraging economic exchanges.

- xii. **Financial System:** There is a need to establish reliable and effective financial systems to aid international trade. This could entail establishing banking connections, encouraging digital payments, and addressing problems with currency conversion. India is a leader in financial technology (fintech); hence, cooperation in this area would be beneficial for Pakistan.
- xiii. **Re-Export of Goods:** Re-export of goods should be allowed to importers so that they can re-export the goods to India, which could not fulfil the quality requirements.
- xiv. **Same List of Items for Import and Export:** The same goods should be allowed to export for which having import is allowed. This should be done with proper implementation of taxes to get a price advantage.
- xv. **Quarantine Facilities and Trade Closure:** The quarantine facilities should be upgraded to assess the quality of goods. Furthermore, the government should notify at least 10-15 days before any trade closure or policy shift.
- xvi. **Joint Study Team:** In order to investigate and exploration of the untapped trade potential, and deepen economic linkages, both countries should formulate a joint study team. This team should also create mutual economic linkages and strengthen trade ties measures favorable to both nations.

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