

Mfn status to india



MFN to India- The Pakistani Perspective Research Paper 2012 Zoya Mohsin Awan BBA2K9(s) 4/24/2012 Hatred, enmity, war; a few of the many things we associate with our neighboring country India. 1965, 1975 and the Kargil War of 1999; with Kashmir already a bone of contention, Pakistan has skipped loops by merely bringing thought of granting Most Favored Nation Status to India on the discussion table. Since WTO's Charter requires every signatory to grant MFN status to other WTO members, there aren't many if's and but's to ponder.

What really is open for debate is whether we want to swallow the pill now, on our terms, or later when it might be forced down our throats on somebody else's terms (India still hasn't taken the violation of this basic principle to WTO). No matter which stance we chose, one thing is certain; this is the deal which defines the future course of Pakistan. And this is the deal which might be our chance of actually becoming what we have the potential to become - 'Pakistan'. Introduction: Pakistan and India have been under the lime-light ever since the partition of the sub-continent.

During the 1960's, Pakistan was labeled the 'Asian tiger' while India the 'Basket Case'. Today however, the roles have been reversed. Through-out this period, the Indo-Pak trade kept showing a varied trend to the negative side as shown by the figure below: The volume of trade has remained low generally. MFN works towards the liberalization of trade which not only would give a forward momentum to the integration of both countries economically, but would also enhance their image on the international platform.

Cheaper cost of production, exchange of skilled labor, educationinflux and the interest of the US and European economy into this region would help

give the once coveted status of South Asia, back to the forces who originated it. Hence, a carefully reconciled MFN status should be granted to India in order to achieve the long-term prosperity of our country. The Economic Perspective: After going through a large array of material debating this issue, two schools of thoughts generally emerge; the protagonists, who support the idea of non-discriminatory trade between both countries.

And the antagonists, who believe such a measure, would only harm the economy by letting free-flow of cheaper Indian goods into the Pakistani market and well, narrow our options down on the Kashmir issue. The former debates, that by doing so not only do we get access to a potential market which is 8 to 9 times greater than ours, but it also gives us a dependable foundation of mutual dependence to minimize the security concerns across the border.

India is swooping rooks and pawns off the economic chess board towards becoming the third biggest economy of the world, before it leads us up to a stalemate, this situation could be put to advantage for both countries. After all, India cannot keep prospering in a sustained manner if it neighbored by a nation terrorized by political and economic destabilization. So it would be an opportune time for Pakistan to bask in India's glory. Practically speaking, this is the only way we could work towards a productive political debate for both the countries especially since the environmental strain after Mumbai attacks of 2008.

After all, a long-standing peace arrangement can only nurture, if it contains within the deeply ingrained seed of mutual benefit. On the other hand, the antagonists argument that this ' free-trade' would open the floodgates to

cheaper Indian products which in turn could harm Pakistan's economy majorly. However, this could be a positive impact upon the Pakistani consumer since they gain access to imported Indian goods at a lower price. We also have Taiwan, Hong Kong and even China who are on our MFN list and have bombarded us with fierce competition in the past.

Yet if our industries did not cave in to them and withheld own-selves then why fear India? Besides, if the Pakistani market demands a particular good from India, MFN status or not, it would be smuggled cross border anyway so why not legalize it to perk our own interests. Take the example of the Indian Cinema, years and years of culture seeped through the media towards us, while the Wagha Border remained bolted shut. The only issue here is, the Pakistani tax-payer is paying far more than it usually would have due to the added layers of cost of go-between trade via Dubai.

Conversely, this news has drawn a mixed reaction from all the quarters of the business community. Some, like the auto-parts, pharmaceuticals and consumer goods industries, face hard-hitting competition. They fear that India is yielding better quality goods at a lower cost of production due to the economies of scale. On the other hand, industries like textile, entertainment and agriculture are in favor of granting the Most Favored Nation status to India.

These industries argue that trade estimated trade of almost \$13 billion with India is being carried out illegally via cross-border smuggling and personal baggage. Also, indirect trade of an approximate worth of around \$3-4 billion via third parties like UAE, Afghanistan, and Bangladesh is costing us a higher mark-up since the intermediary adds up their cost as well. So it is better to

legitimize this ongoing process and reap some probable gain out of this situation. In support of this argument, I quote the former Finance Minister of Pakistan and Vice President of the World Bank, Shahid Javed Burki: what economics told us is that when trade between a huge and small economy started, smaller economy always benefited from that and what I believe that at macro level Pakistan would benefit, especially in industrial and agricultural sectors. Some sectors might get hurt, but not much as feared. " Published in The Express Tribune, April 3rd, 2012. Free-trade spurs competitiveness which would encourage our local industries to raise their standards and produce quality goods. It has never really hurt any country and all the benefits from recent experience in the European Union, Asian etc, are there for everyone to see.

It would in fact take a page from the book of John Locke by helping us attain a common ground of mutual-coexistence and economic interdependence to rely upon. The Regional Perspective: South East Asia by abroad-spectrum consensus is the least integrated of regions economically due to the disparity and animosity between Pakistan and India. Regional cooperation is must to attract heavy investment in today's globalised world. Diminutive and splintered markets do not attract endowment by substantial investors.

The European Union may be struggling to save the euro but one of Europe's most significant successes is the creation of the frontier-free single market where goods, services and people can circulate untrammelled by border restrictions. Similarly, Association of South East Asian Markets (ASEAN) is working towards building a common market for the whole region by following the European Union's lead. It is high time India and Pakistan set aside their

differences (or at least take small steps towards resolving them) for the overall welfare of the whole region.

If we create an economic bloc like the sorts of EU or Middle-East, it would ensure a better bargaining position vis-a-vis other countries. Within the protective walls of regional economies, both countries would achieve specialization in various sub-sectors of the industry. Moreover, the strengthening of bilateral trade would provide a mutual cushion against financial or stock market shocks. With these two countries forging into one economic power, all of South Asia could become a better place monetarily.

Another aspect of the MFN status would be to increase the 'connectivity with central Asia'. If Indian goods are permitted to transit through Pakistan, then the whole region will benefit. For illustration, the Indian state of Punjab is several thousand kilometers away from the seaports, but the farmers there and in the nearby states would be able to send their agricultural products to Central Asia if these are allowed freely through Pakistan. Same goes for Indian textiles and all the landlocked states which would be facilitated by their proximity to the Pakistani ports.

The advent of MFN status will also help complete the implementation of the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline, as a new environment of trust and cooperation prevails. Even more significantly, natural gas via pipeline will provide the Indian and energy deprived Pakistani industry with a massive boost in sectors ranging from petrochemicals to fertilizers; electric power production will increase dramatically' and a myriad of new commercial uses will be supported. In return Pakistan could profit

from the easy transit fee that it would receive as a royalty and it would only be possible if MFN status is rendered to

India. Social Perspective: Trade is one social mobilizer which would generate benefits for both countries as well as their people. Talking about Pakistan singularly, 61.3% of the people (according to the HDI reports) in Pakistan live below the poverty line. With a 15.4% unemployment rate, Pakistan should not forego any opportunity that provides job opportunities to its masses. Poverty is but a challenge that can be overcome by pursuing 'sustained pro-poor' policies. One such policy is the granting of MFN status to India and lifting the trade barriers across border.

India is a huge market and would provide a smaller country like Pakistan with access to a greater market and increase the demand for their product. This in turn would hoist the output and employment levels in both countries. Secondly, Since India shares a border with us, the freight cost and ease of access would increase the flow of a diverse product base at a lower cost, saving our country's foreign exchange substantially. Pakistan could have entree to quality products in sectors like IT, electronics, transport gear etc.

Thirdly, this legitimization might curb social atrocities like smuggling and illicit trade. This would increase the government revenue for Pakistan since all the goods would be traded under their accord. Another facet where India surpasses many others in this region is its IT infrastructure. India is expected to contain the next Silicon Valley of the century considering its growth in the IT sector. Pakistan could benefit immensely from the inflow of this technology while India could gain advantage by the progress Pakistan has made in its agriculture and industry.

Both countries could complement each other's needs and strengths and hence prove beneficial to their people. The Cultural Perspective: With the advent of the prospect of MFN policy, both countries have started aiming towards more amiable business conditions hence easier visa-processing procedures have been brought on the discussion table since November 14, 2011. This would invigorate the static tourism industry between both countries. Both have many historical and religious places significant to the other.

This would not only generate additional foreign exchange revenue, it would also help increase the people-to-people contact between both countries. Eventually, once the masses start interacting, peace would follow automatically between both regions. Generally, the relations between once brethren Pakistani and Indians are cordial and friendly. A common example would be how well Pakistani's and Indian's gel when they're living abroad, out of the influence of their respectively acrid media's. Delegations of trade bodies, academics, artists, sportsmen, social scientists and media personnel could be exchanged.

This would invoke the once unbreakable cultural bond between both nations considering how much value we place upon common games like cricket and hockey. Threats and Concerns: Although the benefits of granting the inevitable MFN status to India are tremendous, every step Pakistan takes should be guarded and well-thought of. There is no harm in protecting one's own-self against any potential threats that might occur due to any hasty move we make, after all there are years of enmity that we need to overcome before taking huge steps.

Firstly, WTO provisions allow members to impose safeguards restricting imports (for temporary periods) should such imports unfairly or seriously injure domestic producers. Pakistan should rightfully use this clause in case Indian goods start flooding the Pakistani market and ruin local producers. After all, trade should be liberalized but not at the cost of local industries. The second issue that should be considered is that India, despite its liberalization of trade to Pakistan in 1993, is still a restricting domain to us due to high tariff and non-tariff barriers.

Prohibitive NTB's have made our exports to India highly expensive while the trade deficit tilts highly towards Pakistan. We should bring this issue on the WTO summits and appeal to India to either reduce these NTB's and other trade restricting clauses or grant a similar status quo to India. Pakistan's business community generally has reservations because it does not have competitive pricing in many industries and goods. The automotive and pharmaceutical industries are prime examples of apprehension at granting India access to our market.

In order to maintain local stabilization, we need to have all stakeholders to this situation aboard before we chalk out any definitive plan. Concessions should be granted to concerned parties for instance, the automobile industry should be assured that auto-parts would be imported instead of wholly assembled cars. Unbridled, unmanaged and uncontrolled liberalization of trade would lead to chaos in any economy huge or small. Or policies could be formulated in such a way that they would be strict at first (as India's' have been since 1993) and then slowly tighten the nose and India shows signs of economic conciliation.

Conclusion: In retrospect, is it really possible for Pakistan to identify India with bilateral economic prosperity, cross-border trade of culture, and easier visa transit? Political differences between India and Pakistan aside, there is no harm in trading with each other. Our leaders must take into consideration long-term benefits. India has a much better managed economy, but it cannot afford openness. On the other hand, Pakistan's economy is not so closed, and it could take advantage in this regard.

Pakistan, like other developing countries, has strong interest in the maintenance and strengthening of the multilateral rules-based trading system represented by the WTO. The current situation in South Asia indicates that there are large unexploited opportunities for intra-regional trade that could be mutually beneficial. Diplomatic efforts towards this objective — however utopian, is well perceived to be the beginning of soft-ties between both countries. After all, it is said that where diplomacy ends the potential for war begins to take shape.

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