National Consultation on 'Trading with Neighbours: Prospects and Challenges'

Session Reports by Sustainable Development Policy Institute

11th November 2014





Panel: Trade Consignment Mapping in South Asia

Sustainable Development Policy Institute (SDPI) organized a national meeting on 'Trading with Neighbours: Prospects and Challenges' on 23rd October, 2014 at Serena hotel. SDPI is conducting policy research work on the state of trade and transport facilitation in South Asia and the event was conducted to get a high level participation as well as stakeholders from the government and business community to ensure a comprehensive discussion on the findings of the research.

The panels discussion was kept in close relevance with the project goals (mentioned below):

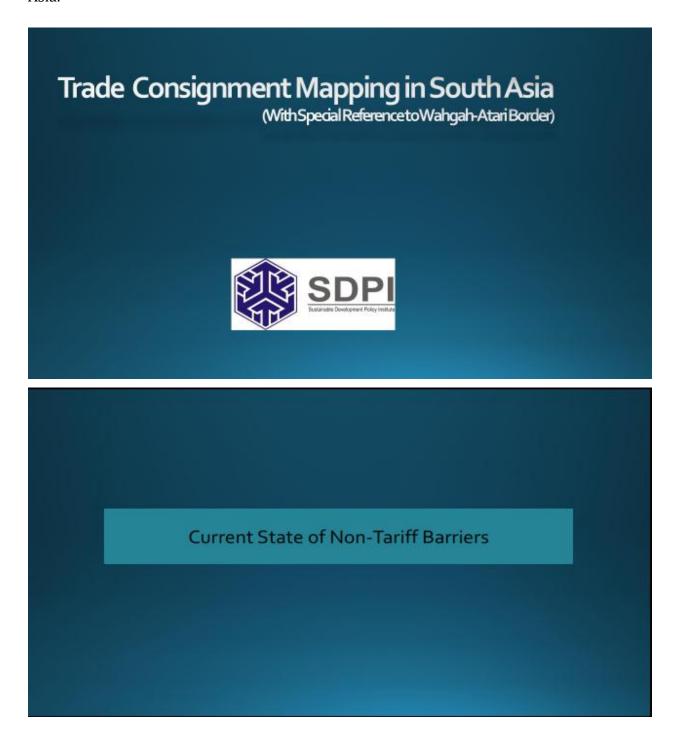
The Goal of the Project is to contribute to the enhancement of intra-regional trade in South Asia through the achievement of the objectives of better trade facilitation measure, by finding answers to important questions vis-à-vis trade facilitation in South Asia and using those answers to influence future policy-making on trade facilitation.

In line with the above mentioned objectives the panel and the audience included a mix of policy practitioners, political community, business community, consumer groups and academia.

Panelists

- Muhammad Zubair, Minister of State of Privatization
- Senator Rubina Khalid
- Dr. Abid Qaiyum Suleri, Executive Director, Sustainable Development Policy Institute
- Muhammad Ibrahim Qureshi, President, All Pakistan Business Forum
- Nadia Tahir, Former Associate Professor, University of Central Punjab
- Idrees Khwaja, Economist at Pakistan Institute of Development Economics (PIDE).
- Muhammad Hamza Abbas, Economist, Sustainable Development Policy Institute.

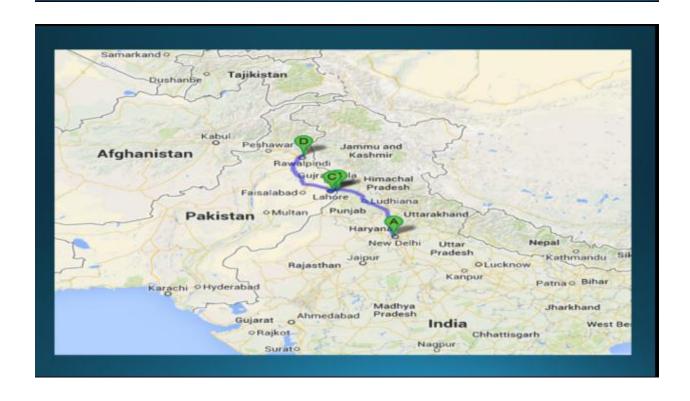
SDPI's Presentation: Consignment Mapping for Better Regional Connectivity in South Asia.



	General Non-tariff Barriers
Customs Valuation	Rejection of transaction value
	Re-classification
	Delays, non-transparency
BIS Standards	Currently, BIS has 18,592 standards for various product categories, only 84% are equivalent to International Standards
	No data available on how many are actually enforced
	Usually, ISO standards are sufficient but in case of imports from Pakistan, discretionar powers are used

	General Non-tariff Barriers
Import	Tightly regulated
Licensing in	Easily available for export-oriented industries (example of leather)
Pakistan	Not easily available for value-added products
Financial Measures	Indian banks do not honor L/Cs opened by Pakistani banks beyond \$10,000. Thus, shipments released in parts
	Indian banks usually request for an extension in maturity date of L/C up to 60 days
	Absence of direct courier service

Trade Consignment Mapping from Islamabad to New Delhi



Methodology

- Rapid survey assessment: 30 enterprises in Pakistan and 30 enterprises in India
- The survey captures the responses from business community, custom officials, freight forwarders, transport associations, trade unions, chamber of commerce, and representatives of other relevant government departments.
- Cities: Lahore, Faisalabad, Gujranwala, Islamabad/Rawalpindi

Some Facts and Figures from Wagah-Atari Border

- Major items Imported through Wagah-Atari: Soya Bean, Raw Cotton, Onions, Other fresh vegetables, Baffalo Meat boneless, CO2 and Plastic.
- Major items Exported through Wagah-Atari: Rock Gypsum, Dry Dates, Soda Ash, Caustic Soda, Cement, Hydrogen Peroxide, Leather.
- Imports Value through Wagah-Atari (July, 2013 Feb, 2014): PKR 44,600 million
- Exports Value through Wagah-Atari (July, 2013 Feb, 2014): PKR 9,782 million
- Number of Trucks coming from India (July, 2013 Feb, 2014): 31,314
- Number of Trucks gone to India (July, 2013 Feb, 2014): 22,650

Documents Required

Exports

- Form E (financial transactions attested by bank)
- Goods Declaration Form
- Certificate of Origin (COO)
- Commercial Invoice
- Packing List
- Undertaking by the exporter and in some cases narcotics certificate
- PCSIR certificate
- SAFTA Certificate

Imports

- · Form E
- Goods Declaration Form
- Certificate of Origin (COO)
- Commercial Invoice
- Imports Manifest (truck builty)
- Quality Certificate
- Import Permit
- · Packing List
- · Undertaking by the importer
- · Heath certificate
- · SAFTA Certificate.

Non-Tariff Barriers to Trade through Wagah-Atari Border

Dishonouring of Letter of Credit

- · Increased cost of payments
- There is serious trust deficit in Pakistani exporters (Agents).
- Applications for opening banks across borders is lying with both the central banks, they must allow these branches to open immediately in order to facilitate trade between both the countries.

Non-Tariff Barriers to Trade through Wagah-Atari Border

- Regulations and Procedures at Wagah-Atari Border
 - Border Timings
 - NLC Scanners on Pakistan side
 - · Priority given to perishable items
 - Additional Certificate Requirements by India (this adds to 20% of the cost of the goods).
- Physical Inspection of 100% Goods.
- 7-8 Documents are required for Exports and Imports.

Non-Tariff Barriers to Trade through Wahgah-Atari Border

- Tickets given to Trucks (it averages PKR 800 for each truck to reach from Islamabad to Wahgah Border)
- 5-10 times charges are made for weighing stations (costs to PKR 4000-6000)
- No Warehousing Facilities at Wahgah Border.
- 137 items are allowed to enter Pakistan.

Policy Recommendations for Enhancing Trade through Wahgah-Atari Border

- NDMA status and remove the positive list of items tradable through the land route.
- The Atari Integrated Check Post has to reduce its dependence on labour and increase mechanisation (fork lifts and cranes).
- Both counties should bring in an agreement to accept cargo in containers. Containers once checked and sealed in the origin country should not be opened until it reaches the destination.
- There is a need for a comprehensive motor vehicle agreement between both countries. The agreement should also include passenger vehicles from both sides.

Policy Recommendations for Enhancing Trade through Wagah-Atari Border

- All departments at the border to enable online documentation.
 Modernisation of all departments at the border should be at the same level.
- All departments should coordinate to bring a single window system in the short to medium term.
- Smooth transit of goods from India to Afghanistan and vice versa should be allowed by Pakistan.
- Expediting opening up of bank branches in main cities of both countries.

Discussion Points

- Which sector-specific non-tariff barriers are hindering trade across South Asia?
- How has the business community reported these barriers to the relevant authorities?
- What have been the specific interventions by relevant trade authorities in addressing these barriers?

Highlights from Special Remarks

Idrees Khwaja, Associate Professor at Pakistan Institute of Development Economics, talked about the benefits of trade with India. He said that the concept of Most Favoured Nation (MFN) is highly misunderstood in Pakistan. He stressed the need for creating awareness by the government, stakeholders and business community for better regional connectivity. There is a dire need for solving political issues to overcome challenges related to trade. Furthermore, he recommended that instead of waiting for Pakistan-India talks, traders must come forward and the political tensions must not affect traders. This will eventually diffuse the tension between the two, he added.

Nadia Tahir, a prominent economist, said that Pakistan is already on the lowest ebb of tariff lines with India but non-tariff barriers still exist. She questioned as to why the formal trade could not take place considering informal trade takes place despite non-tariff barriers and this informal trade is a big loss to both the revenue departments in Pakistan and India. She added that Pakistan is trading perishable goods and thus, cannot opt for complete

consignment trade. She recommended that Pakistan's trade policy should be regulated and a comparative strategy should be adopted.

Muhammad Ibrahim Qureshi, the President of All Pakistan Business Forum, said that Indian government needs to understand the current state of affairs in Pakistan for better trade relations. He recommended that Pakistan should also focus on trade in services, especially in Information, Communication and Technology.

Senator Rubina Khalid said that a link exists between the level of mistrust and the level of trade barriers. Punjabi Taliban are going to suspend terrorist activities in Pakistan, but not in Afghanistan and such incidents do not paint a good image for Pakistan's neighbours. She recommended that internal peace and trust level need to be addressed first.

She claimed that the "mistrust level" between Pakistan and India is the basic problem for low regional trade. She further said peace is pre-requisite for the two countries to work together. She warned of the following a unilateral trade liberalization approach and recommended that Pakistan should opt for strategies that develop trade linkages within the region.

While responding to a question, she mentioned the fact that recent negative political statements and volatile security situation at the border would have negative impact on bilateral trade.

Mohammad Zubair, Minister of State for Privatization, said that Pakistanis can have a better living standard by trading with India. Two main game changers in the current government's Economic Plan are Pakistan-China Economic Corridor and trading with neighbours. He highlighted the importance of regional trade and recommended that Pakistan should follow examples of China-India, China-Taiwan, China-America, Russia-Europe, etc. which have/had political differences between them but continue trading with each other.

He also placed importance on changing Pakistan's perception to a peace-loving nation in the international community to attract foreign direct investment. He emphasized that no country in the world can improve its relations without going into business with its neighbours and Pakistan has not yet seized opportunities that foreign investment has to offer. He recommended that at this point in time Pakistan should be focusing on actions it can take.

He mentioned that there is a huge demand for Indian *sarees*, bridal wears, jewelry, auto parts, cosmetics and herbal products, which are informally traded into Pakistan. Moreover, at the same time, he expressed concern over the negative balance of payment in Pakistan. Connectivity across the border has been a major bottleneck between the traders of the two countries. The Pakistan border is well-equipped to handle containers due to scanners installed by NLC. A key observation by him was that since the volume of trade between India and Pakistan is not so high, promoting trade through containerization would not be beneficial.

Media coverage

The Nation Islamabad, October 26, 2014

Call to improve trade linkages with neighbours

By Our Staff Reporter

http://nation.com.pk/business/26-Oct-2014/call-to-improve-trade-linkages-with-neighbours

Call to improve trade linkages with neighbours

October 26.	2014	OUR STAFF REPORTER	0

Islamabad - Speakers at a multi-stakeholders consultation stressed the need for improving trade linkages with neighbouring countries in the region. They also called for developing the narrative that trade can bring peace and therefore the regional countries should go for it, rather than waiting for peace to start a trading regime. They said conflict should not be the bottleneck in way of trade and South Asia should follow the examples of UK and Spain, as well as China and India where regional trade continues despite centuries' old conflicts on territories.

The consultation on "Trade with Neighbors: Prospects and Challenges," was organized by Sustainable Development Policy Institute (SDPI) where SDPI also launched its two recent studies on regional trade.

Speaking on the occasion, Federal Minister for Commerce Engineer Khurram Dastgir said that PML-N government is committed to increase regional trade as part of promoting peace without compromising on national sovereignty. He added that connectivity especially transport through road, rail and maritime is vital in Prime Minister's vision of regional cooperation and trade. Commerce ministry is proactively focusing on tri-lateral avenues of trade, connectivity and investment as part of regional cooperation to promote peace in South Asia.

Dr Abid Qayyum Suleri, Executive Director of SDPI, while upholding the narrative that trade can bring peace, said that countries cannot change their neighbours and regional trade is all about neighbours, building alliance and synergies for economic and social development to minimize conflict and promote peaceful coexistence. He added that trade is changing from commodification to supply chain concept where linkage and collaboration is the key for progress and prosperity. "Pakistan has given India a de-facto most favorite nation status by shifting from positive list basis trade regime to a negative list basis trade regime. We are now trading on 85% tariff lines compared to 35% tariff lines till 2011". He said it's time to focus on human securities. Minister for Privatization

Muhammad Zubair, highlighting the importance of regional trade, said that we should follow examples of China-India, China-America, Russia-Europe and many others which have their principle stance on political differences among them yet resolved to continue trading with each other. He said PML-N's manifesto plans for 'Economic growth' wherein Pakistan- China Economic Corridor and trade with neighbors is on top on agenda. He also emphaised the importance of changing our perception to a peace loving nation in the international community to attract foreign direct investment through

PPP Senator Rubina Khalid termed the "mistrust level" between Pakistan and India as the basic problem for low regional trade. However, she warned of following a unilateral trade liberalization approach and advised that Pakistan should trade with neighbours on reciprocal basis. Dr Vaqar Ahmed, the Deputy Executive Director of SDPI, said that aim of this consultation is to share our findings and look into new opportunity in the context of Pakistan's role as an economic corridor due to its geographical situation linking South Asia, China and central Asian region to Arabian sea and rest of the world.

Unfortunately, within South Asia shipping connectivity is very low and closely regulated which needs to be deregulated referring to World Bank's ease of trade across borders. Chinese financing in road and rail infrastructure can be a game changer in the region by connecting regional trade and becoming part of supply chain. Trade between Pakistan and India is happening even with barriers, through traditional and non-traditional traditional routes by going around the security paradigm

Shaban Khalid, former President of Islamabad Chamber of Commerce and Industry, suggested that Pakistan needs to revisit its commercial conflict resolution mechanism by making it efficient and friendly to reassure investors who are weary of present lengthy procedures. There is need to transform our agro-based produce to convert it into value-added products. Ali Salman presented different figures quoted from difference sources about Chinese investment in energy and infrastructure development.

Urdu Daily Dunya Islamabad, October 25, 2014

Link: http://e.dunya.com.pk/detail.php?date=2014-10-

25&edition=ISL&id=1353898_26623157



The Economic Times India, October 26, 2014

Will continue to trade with India despite border tensions: Pakistan

By Press Trust of India (PTI)

http://articles.economictimes.indiatimes.com/2014-10-26/news/55446735_1_commerce-minister-khurram-dastagir-gwadar-port-india

Will continue to trade with India despite border tensions: Pakistan

PTI Oct 26, 2014, 12.09AM IST

ISLAMABAD: Pakistan today said that it will continue to trade with India despite tensions along the border casting a shadow on bilateral economic ties as no country can improve its relations without going into business.

"The vision of our government is that we must trade with our neighbours, including India, despite border tensions," Commerce Minister Khurram Dastagir said, addressing a consultative trade meeting yesterday.



"The government is committed to increase regional trade as part of promoting peace without compromising on national sovereignty," The Dawn quoted the commerce minister as saying.

He said that Pakistan would have to trade in energy for import of electricity from India to overcome power crisis.

The minister said the current tension with India on the border is casting a shadow on economic ties between the two countries.

Minister for Privatisation Mohammad Zubair also supported the notion of opening of border for trade with India, saying "Pakistan should trade with India for better standard of living of its own people."

"If we want to develop, we should contribute. It is not about India's domination on us, we absolutely want good relations with India," the minister said at the meeting themed 'Trade with Neighbours: Prospects and Challenges', organised by Sustainable Development Policy Institute (SDPI).

"No country in the world can improve its relations without going into business," he said.

He also said foreigners love to invest in India, adding in 2008, IBM Pakistan had 400 people while India had 75.000.

Dastagir said that Pakistan has given extraordinary concessions to neighbours for trade facilitation.

"We have been trying to finalise our projects with Iran as well," the minister said, adding that due to international pressure, his government is facing difficulties according to modes of international payments.

Pakistan is already purchasing electricity at Gwadar Port from Iran.

"The direction of this government is to encourage investment. A new change will be noticed if Gwadar Port is linked with the North," he said.

Regarding talks on trade with China, the minister said that Pakistan already had a Free Trade Agreement (FTA) with China.

Pakistan, he said, was also planning to develop trading land ports at the three neighbouring junction points -- Wagha, Torkham and Chaman -- as gateways to regional trade.

Dawn Islamabad, October 25, 2014

Pakistan to continue trade with India

By MubrakZeb Khan

http://www.dawn.com/news/1140138/pakistan-to-continue-trade-with-india

Pakistan to continue trade with India

By Mubarak Zeb Khan Updated Oct 25, 2014 10:55am



ISLAMABAD: Federal Minister for Commerce Khurram Dastagir Khan said on Friday that Pakistan will continue trade with its neighbours, including India, despite border tensions.

The minister said that PML-N government is committed to increase regional trade as part of promoting peace without compromising on national sovereignty. "The vision of our government is that we must trade with our neighbours," he said.

Speaking at a consultative meeting "Trade with Neighbours: Prospects and Challenges", organised by the Sustainable Development Policy Institute (SDPI), the minister said that the country's current tension with India is casting a shadow on economic ties.

The minister said that Pakistan would have to trade in energy for import of electricity from India to overcome the energy crisis. The minister admitted that no doubt extraordinary concessions were given to neighbours for trade facilitation.

"We have been trying to finalise our projects with Iran as well," the minister said, adding that due to international pressure, his government is facing difficulties according to modes of international payments. Pakistan is already purchasing electricity at Gwadar Port from Iran.

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State Minister for Privatisation Mohammad Zubair supported the notion of opening of border for trade with India. "Pakistan should trade with India for better standard of living of its own people," the minister said.

"If we want to develop, we should contribute. It is not about India's domination on us, we absolutely want good relations with India," the minister said.

The privatisation minister said that it was time to start with a bold decision. "No country in the world can improve its relations without going into business," he said.

In 2008, he said IBM Pakistan had 400 people while India had 75,000. Foreigners love to invest in India, the minister said.

Dr Abid Qayyum Suleri, SDPI's Executive Director, while upholding the narrative that trade can bring peace, said that countries cannot change their neighbours and regional trade is all about neighbours, building alliance and synergies for economic and social development to minimise conflict and promote peaceful coexistence.

Published in Dawn, October 25th, 2014

Pakistan Observer Islamabad, October 25, 2014

Trade can bring peace: Khurram

Need stressed to improve trade linkages with neighbors

By Staff Reporter



Saturday October 25, 2014

Trade can bring peace: Khurram

Need stressed to improve trade linkages with neighbours

STAFF REPORTER

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Zubair highlighting the importance of regional trade said that we should follow examples of China-Inida, China-America, Russia-Europe and many others which have
their principle stance on political differences
among them yet resolved to continue trading with each other.

Twitter Stream (Selected)



Abid Qaiyum Suleri @Abidsuleri · Oct 25

#SDPI's seminar on Regional Trade. dawn.com/news/1140138/p... #Pakistan #India @kdastgirkhan @sdpiPakistan











Abid Qaiyum Suleri retweeted



Farhana @Farhana Saleem · Oct 23

@Abidsuleri notd chngd regimes of the countries in the rgion & considrd it opportune time 2 realign trade priorities.









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Muhammad Hamza Abbas @hamzaabbas87 · Oct 24

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4 13 * **

Waqar Ahmed @vaqarahmed · Oct 26

RT @Abidsuleri: @SDPIPakistan meeting - #Pakistan 2 continue #Trade with #India dawn.com/news/1140138/p... @kdastgirkhan @beenasarwar @MajydAziz

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#Pakistan to continue trade with #India, #SDPI's consultation in Dawn dawn.com/news/1140138

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Both counties should bring in an agreement 2 accept cargo in containers 2 Enhancing Trade through Wahgah: @hamzaabbas87 #SDPITrade @Kmsalik











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There is a need for a comprehensive motor vehicle agreement b/w both countries for Enhancing Trade through Wahgah:

@hamzaabbas87 #SDPITrade





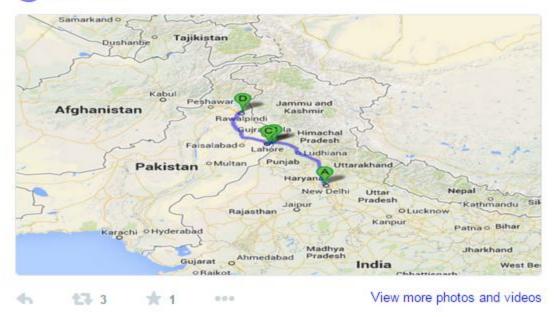






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Law and Order Situation is the biggest Barrier for Trade: Rubina Khalid @SDPIPakistan #SDPITrade @Abidsuleri @vaqarahmed @fayyaz_yaseen

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Senator Rubina Khalid giving her remarks on @SDPIPakistan Consultation on Trading with Neighbors #SDPITrade @Abidsuleri @vaqarahmed @Kmsalik











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Discussion Point is How far the Non Tariff Barriers (NTBs) have affected Pakistan-India Trade: @hamzaabbas87 #SDPITrade @SDPIPakistan











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Dishonouring of Letter of Credit is Applications for opening banks across borders is lying with both the central banks: @hamzaabbas87











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Dishonouring of Letter of Credit Increased cost of payments & is serious trust deficit in Pakistani exporters: @hamzaabbas87 #SDPITrade











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General Non-tariff Barriers r Rejection of transaction value & No data available on how many are actually enforced: @hamzaabbas87 #SDPITrade









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Q & A session has just begin in consultation on "Trading with Neighbors: Prospects and Challenges" @Abidsuleri @SDPIPakistan #SDPITrade

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