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India-Pakistan Economic Ties Under-shadowed by Geopolitics: An Analysis

Asfandiyar Khan,[1] Parwanat Khan,[2] Adrish Anwar,[3] & Fiza Rani[4]

Abstract:

Despite the realization of its benefits, bilateral trade between India and Pakistan experienced a significant downturn. Following the suspension of trade ties in 2009, bilateral trade witnessed a staggering 90.4% decrease, with exports plunging from $1.035 million to a mere $0.099 million, as the State Bank of Pakistan reported. Before the suspension, the value of goods traded reached $2.56 billion in 2018-19, despite tariff and non-tariff barriers, mainly imposed by India. A 2018 World Bank study estimated the trade potential between the two countries to be around $37 billion, highlighting vast untapped opportunities. Based on secondary data and a qualitative approach through the lens of complex interdependence theory, this paper aims to answer the question: "Why is bilateral trade between India and Pakistan at the lowest ebb?" It further explores how bilateral trade can improve geopolitics and eventually normalize relations between the two nations. Considering the significant costs of economic non-cooperation for both countries and the entire South Asian region, it is imperative to revive and strengthen bilateral trade relations. This promises economic prosperity and holds the potential to build trust and reduce the chances of conflict, ultimately leading to a more peaceful and stable South Asia.

Keywords: India, Pakistan, South Asia, bilateral trade, interdependence, cooperation, conflict

INTRODUCTION

A strong economy is the backbone of any nation, fueling its development and prosperity. In today's world, a country's military might and population are ineffective without a robust economic

[1] Holds MS Degree in International Relations from COMSATS University, Islamabad, Pakistan. Email: asfandiyarir@gmail.com

[2] Holds MS Degree in International Relations from COMSATS University, Islamabad, Pakistan. Email: parwanatkhan22@gmail.com

[3] Holds MS Degree in International Relations from COMSATS University, Islamabad, Pakistan. Email: adrishanwar@yahoo.com

[4] Holds MS Degree in International Relations from COMSATS University, Islamabad, Pakistan. Email: rani.fiza@yahoo.com

foundation. Despite being nuclear powers with significant military and workforce resources, India and Pakistan face economic challenges.

Pakistan and India, the two most prominent South Asian nations, share a similar economic history, have started their journey after gaining independence. However, despite having a higher per capita GDP than India in the 1960s, Pakistan's economy faltered in comparison over time. Today, India has surpassed Pakistan in terms of per capita GDP and gained a significant lead across most economic metrics. Pakistan's economic woes are multifaceted. It has faced a protracted battle against terrorism, international criticism for failing to control homegrown terror groups, and a fragile financial system burdened by mounting global debt. These challenges stand in stark contrast to India's emergence as a global leader, recently surpassing the United Kingdom to become the fifth-largest economy in the world ("India Vs Pakistan," 2020). This stark disparity in economic performance can be attributed to various factors, including Pakistan's unstable government, unreliable energy infrastructure, and alleged covert support for terror organizations. The 2008 Mumbai attacks served as a turning point in Indo-Pak relations, with India accusing Pakistan of involvement, leading to further economic isolation for Pakistan.

LITERATURE REVIEW

The exist vast literature on Indo-Pakistan trade or in the context of trade liberalization in South Asia. Ahmad (2015) highlighted the Indian stance towards trade liberalization in South Asia, as well as the apprehension of the smaller regional states in this regard. His work mainly elucidated the dichotomy in the stance and actual behaviour towards trade facilitation and market integration in South Asia as India has erected multifaceted barriers to the imports of smaller regional states that cause huge trade imbalance as well as strains in the intrastate relations in South Asia. Pakistan generally remained skeptical towards trade liberalization with India for multiple reasons, both political and economic. Any improvement in their bilateral relations was halted due to political developments in the region (Ahmad 2015).

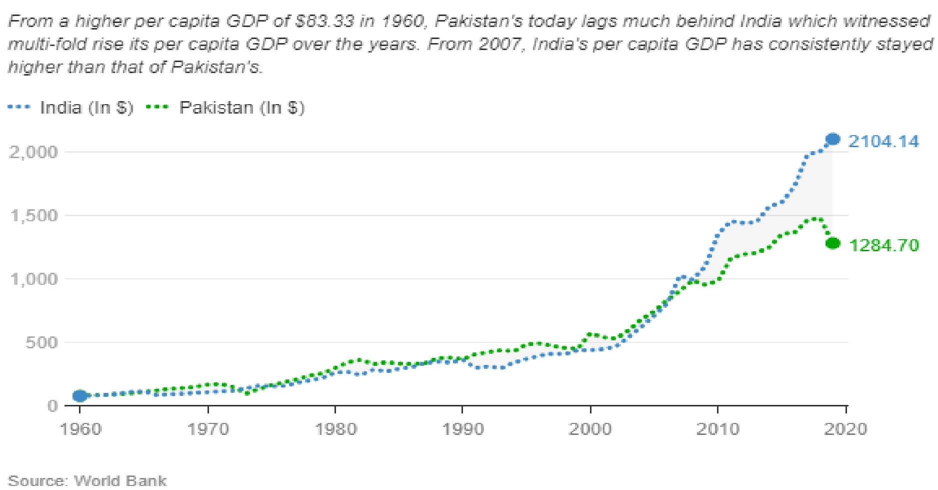
Following the Pulwama terror attack in February 2019 that claimed 41 CRPF personnel, India revoked Pakistan's Most Favored Nation status and imposed a 200% import duty on all Pakistani goods. The Kashmir issue holds immense strategic importance for both countries, and its resolution is crucial to their economic, social, and political stability. "The suspension of trade ties will hit Pakistan more as our exports to them are heavily restricted due to their lack of Most Favored Nation (MFN) status," stated Ajay Sahai, Director General of the Federation of Indian Export Organization (Suneja 2019). He further highlighted that India's exports had already significantly declined due to strained relations following the Pulwama attack.

On August 5th, 2019, India's revocation of Article 370 and the special status of Jammu and Kashmir Pakistan to downgrade diplomatic relations and suspend trade ties prompted Pakistan to downgrade all diplomatic relations and suspend trade ties (Choudhury, 2019). This decision was critical for Pakistan's already struggling economy, which relies heavily on financial assistance from China, Saudi Arabia, the UAE, and the International Monetary Fund (Sharma & Kapoor, 2019). Analysts and media outlets warned that downgrading diplomatic ties and suspending trade would severely impact Pakistan's fragile economy, while India's economic strength would remain largely unaffected. This assessment was confirmed by Pakistan's economic survey, which placed India as the sixth-largest export destination for FY19. Statistics further demonstrate that the suspension caused significantly more damage to Pakistan's economy than India's (Sharma & Kapoor, 2019).

RESEARCH METHODOLOGY

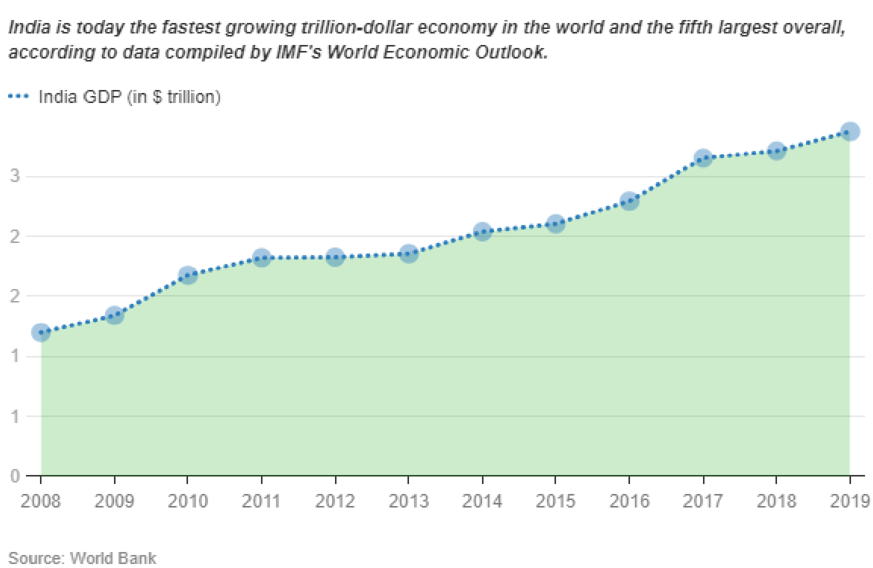
This study employs qualitative and case study method. Case study method is primarily used as it is considered to be the most appropriate method for such kind of studies. Moreover, this study primarily utilized primary data from various sources including government's statistical reports, statistical data from World Bank, IMF, and various other organizations. Apart from available literature, newspapers and articles besides books and research articles have also been utilized.

ECONOMIC JOURNEY: PER CAPITA GDP OF INDIA AND PAKISTAN FROM 1960-2020



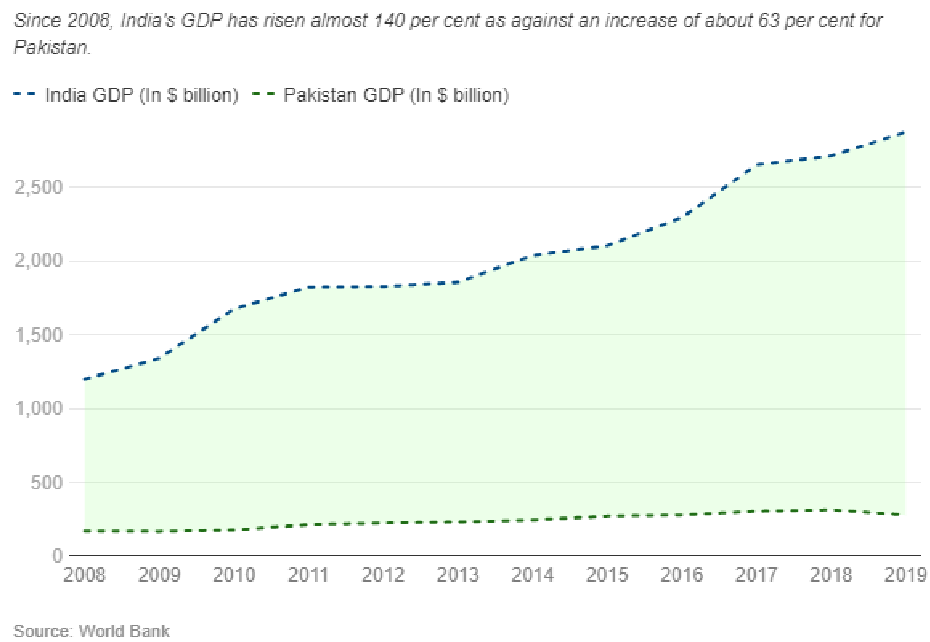
India has become the world's fifth-largest economy, with a GDP ten times larger than Pakistan's (Mayers, 2020). This highlights a significant economic disparity between the two nations. While India enjoys rapid growth, Pakistan ranks 22nd globally in purchasing power parity and 45th in nominal GDP (Nominal GDP) ("India Vs Pakistan," 2020).

India GDP Growth (2008-2019)

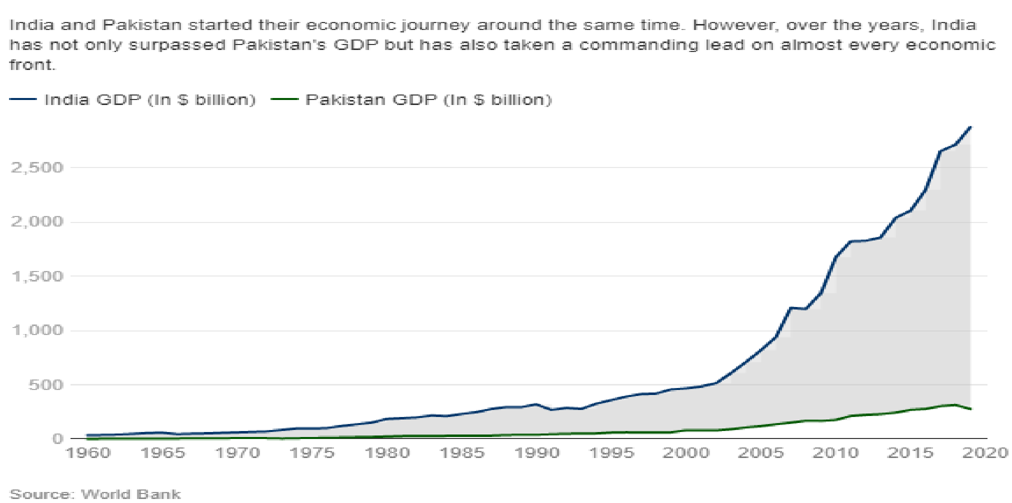


India's growth has been remarkable in recent years, with GDP nearly tripling since 2008, compared to Pakistan's increase of around 63% (Myers, 2020).

GDP Growth of India and Pakistan (2008-2019)



India's 2019 GDP was $2.875 trillion, ranking third globally by PPP ($9.612 trillion). Pakistan's GDP was $278.22 billion (24th by PPP) (India VS Pakistan: A memories of Two Economies, 2020).



Regarding the World Bank's ease of commercial enterprise ranking 2020, Pakistan stands at 108 positions while India is positioned better at 63rd.

India's Imports from Pakistan

There are some top 10 products that India imports from Pakistan including Dry food, Cotton, Oil Seeds, Oleaginous fruits, Polymers of Vinyl Chloride, Dates, Figs, Pineapple, Avocados, Guavas, Mangoes, Wool, Woven Fabric of Cotton, Nuts, Leather, Halogenated hydrocarbons, Salt, Sulphur, limestone, cement, sporting goods, marine goods, alcohol beverages, plastic, raw cotton, Ores, Slag, Rawhide ("Top import products," n.d.).

India's Export to Pakistan

Previously, tomatoes were a critical import from India, but this has been banned due to potential contamination concerns. This, coupled with India's withdrawal of MFN status and 200% import duties, resulted in skyrocketing tomato prices in Pakistan, exceeding Rs. 200 per kg. (Singh, 2019).Fourtheen other significant products are exported from India to Pakistanincluding, tea, sugar, oil cake, cotton yarn, tires, rubber, dye, petroleum oil, uncooked cotton, chemicals and plastic and Machinary etc.

Comparison of Trade Volume Between India and Pakistan

India's economy dwarfs Pakistan's by a significant margin. With a GDP of around $2900 billion, it is nearly nine times larger than Pakistan's. In fiscal year 2018-19, India's total exports to Pakistan were a mere $2.17 billion, representing only 0.83% of its overall exports.. Key Pakistani exports to India include: Fruits ($112.8 million), Cement ($78.3 million), Chemicals ($60.4 million), fertilizers ($34.9 million) and leatherand allied products. In contrast, India's top exports to Pakistan include: tomatoes, tea, sugar, petroleum merchandise, cotton yarn, tyres, rubber, dye and many others exports to Pakistan (Singh, Agran Josh, 2019). While Pakistan suspended its trade with India after the abolition of Article 370, its smaller economy made it significantly more dependent on India for trade than vice versa.

Bilateral Trade in the Years 2017-2018 and 2018-2019

Indian Council of Research on International Economic Relations (ICRIER) reports reveal a significant imbalance in India-Pakistan trade. For instance, in 2017-18, bilateral trade between Pakistan and India stood at a mere $2.4 billion. This constituteda minuscule 0.31% of India's global trade and roughly 3.2% of Pakistan's. The size of the Indian economy, at $2900 billion, dwarfs Pakistan's by a factor of nine (Singh & Josh, 2019).

In 2018-19, India's exports to Pakistan were just $2.17 billion (0.83% of total exports) (Singh 2019). India's imports from Pakistan were even lower at less than US$500 million(0.13% of total imports). Despite a slight increase in bilateral trade (Rs.18,000 crores in 2018-19), India's dominance remains clear. Indian exports account approximately 80% of the trade while imports from Pakistan comprise only 20%. This highlightsIndia's comparative advantage and Pakistan's significant dependence on India trade (Singh & Josh, 2019).

Most Important Trade Routes between India and Pakistan

Bilateral trade between India and Pakistan flows through two primary routes; Sea Route: Connecting Mumbai and Karachi, and Land route: Passing through the Wagah border, with additional traffic via Chakan Da Bagh in Poonch and Salemabad in Uri.

Roughly50-60 vehicles traverse the Wagah border daily, facilitating trade alongside these alternative routes. Indian exports to Pakistan are dominated by textiles and chemical products, representing approximately 33% and 37% of the total. In contrast, India imports incorporates of especially mineral products (49%) and fruits (27%) from Pakistan (Singh.2019).

Peace Through Trade

Trade is one of the most impactful parameters to enhance and promote positive bilateral relations between relations. While conflict undeniably creates tensions and hinders cooperation, peaceful engagement through trade can significantly decrease anxiety and foster stronger ties (Ahmad & Samsu, 2016). As such, trade serves as a vital Confidence Building Measure (CBM), contributing to developing and maintaining healthy international relations. India and Pakistan, despite possessing considerable trade potential in various fields, have unfortunately been hampered by a volatile political environment. Currently, the trade volume between the two nations remains negligible. However, a World Bank report highlights the immense potential for bilateral trade between India and Pakistan, reaching a staggering $35 billion if both nations prioritize peace over (Singh et al., 2019).

Pak-India relations experienced a period of improvement after 2001, leading to decreased tensions between the two nations. This positive development was marked by PM. Vajpayee’s visit to Islamabad for the 12th SAARC convention, where both leaders agreed to pursue normalization and strengthen family ties.

Both countries agreed to develop political and economic relations. This meeting yielded fruitful results, leading both nations to move forward with several both nations to move forward with several Confidence Building Measures (CBMs). These CBMs included addressing the Kashmir issue, launching bus services, opening border gates for official trade, enacting flexible visa policies, promoting monetary and industrial cooperation, and encouraging tourism with self-belief. The most significant outcome was signing of the SAFTA agreement among SAARC nations in 2004. This landmark agreement enhanced economic cooperation among SAARC members by eliminating tariffs and boundaries. As a result of the SAFTA agreement, Pakistan and India can now pursue their trade relations more efficiently and productively (Sharma K. H., 2016).

Unfortunately, the deadly Mumbai attacks of 2008 shattered the trade, political, and social ties between India and Pakistan. After three years, diplomatic relations were restored in 2011. Both sides met in New Delhi during this period to initiate a peace process to promote trade and foster peace within the region.

Trade Under SAFTA

All member countries of the South Asian Association for Regional Cooperation (SAARC) including Pakistan and India, signed the landmark South Asian Free Trade Agreement (SAFTA) in Islamabad—the agreement aimed to liberalize trade among member states by eliminating trade barriers and reducing tariffs. Tariffs would be reduced in two phases: a zero-to-five percent decrease effective January 1, 2006, followed by complete implementation by December 31, 2015. The treaty was ratified by Pakistan, India, Bhutan, Nepal, Maldives and Sri-Lanka, and Bangladesh.

SAFTA facilitates the free flow and movement of goods within the region, with provisions for a list of sensitive items that member's states can protect in the public interest (Ahmad, 2015).

The objectives of the SAFTA agreement have been wide-ranging and benefits for all SAARC member countries. It aims to promote and enhance mutual trade and economic cooperation among members through; removing barriers to trade and facilitating the cross-border movement of goods. Promoting fair competition and ensuring equitable benefits. Considering their respective levels and patterns of economic development. Establish robust mechanisms for implementing, monitoring, and managing the agreement and resolving disputes. Creating a framework for further regional cooperation to expand and enhance the mutual benefits (Iqbal, 2016).

Trade Liberalization and India-Pakistan Bilateral Trade

In many developing countries, trade liberalization began in the early 1980s and intensified in the 1990s. This era saw the implementation of exchange rate liberalization and market-oriented economic reforms. The primary motivation behind trade liberalization was the elimination of tariff and non-tariff barriers. This policy has had significant effects with the Heckscher-Ohlin trade theorem as the primary theoretical foundation (Acharya, 2015). The father of economic liberalization, Adam Smith, advocated for free trade and economic liberalization, vehemently opposing the doctrine of mercantilism. Mercantilism aimed to increase national wealth by implementing trade regulations favoring exports and restricting imports (Naqvi & Tahira, 2015).

In the case of India and Pakistan, a history of territorial disputes has led to three primary armed conflicts and numerous border skirmishes. The normalization of relations and the realization of mutual benefits hinge entirely on resolving these territorial disputes. Historical belligerence and territorial disputes hurt trade, suggesting that the level of trade between India and Pakistan is significantly lower than what could be predicted on their GNPs (Naqvi & Tahira, 2015).

Trade Works as a Catalyst

Exchanging commodities acts as a catalyst to enhance bilateral relations. Unfortunately, in the case of India and Pakistan, such exchange has not been widespread. Trade can bring nations closer and prevent them from resorting to armed conflict (Naqvi & Tahira, 2015). Following the British partition of the Sub-continent, trade between India and Pakistan flourished. After independence, bilateral trade volume reached nearly70%, exceeding Pakistan's expectations (Naqvi & Tahira, 2015). It turned into reduced in 1948-1949, due to the primary armed warfare on Kashmir difficulty. In 1951, Pakistan exported goods worth US$113 million to India while importing only $0.08 million (Naqvi, 2015). Trade relations broke down again in 1965 due to another conflict. The 1971 war was further hampered the improvement of bilateral ties, and trade relations remained suspended until 1975. In 1975, Pakistan and India signed a three-year bilateral trade agreement, which needs to be renewed.

Until 1993, the balance of trade remained in Pakistan's favor; however, since it has shifted towards India, the trade deficit increased from US$27 million in 1993-1994 to US$1.47 billion in 2010-2011 (Naqvi,2015). Trade is a critical factor in promoting peace and stability. For good relations to flourish, concessions and mutual support are essential. India granted Most Favored Nation Status to Pakistan in 1996. As a WTO member, Pakistan is obligated to reciprocate by granting India the same status. However, Pakistan opted for a positive list approach, restricting the import of goods from India to a limited list of 596 items in 1996. The list gradually expanded to 1075 items by 2006 (Naqvi & Tahira, 2015).

XIV	Jewelry, etc.	55	5	9.1
XV	Metals and articles.	744	156	21.0
XVI	Machinery	1193	353	29.6
XVII	Vehicles and transport equipment	245	15	6.1
XVIII	Optical and precision instruments	269	103	38.3
XIX	Arms and ammunition	52	-	-
XX	Miscellaneous	186	5	2.7
XXI	Works of art.	72	1	1.4
Total		6,857	1870	27.3

Source: Ministry of Commerce, Government of Pakistan, 2012

Impacts of Positive List

According to the Confederation of Indian Industry (CII), trade under the positive list approach had led to significantinformal trade flows, primarily in goods excluded from the list. Much of this trade is is routed throuhh Dubai, where goods enter the Pakistani market through Iran, Afganistan, or Karachi by sea (Basu, 2013). Chandrajit Banerjee, Deputy Executive Director of CII, said, " The positive list approach lacks transparency, creates uncertainties for traders, and leads to high transation costs (Basu, 2013). Bipul Chatterjee, Deptuy Exective Director of the Consumer Unity and Trust Society (CUIT) Intenational, stated "Trade could exceed $10 bllion annuall, including the formalization of informal trade through third countries, if some major non-tariff barriers were addressed." Pakistani officials pointed to various facilitation challengesin trading with India. They complain of difficulties penetrating the Indian Market, , citing this as one of the reasons for not granting MFN status to India for several years.

Mr. S. M. Muneer, head of the Federation of Pakistan Chambers of Commerce and Industry and President of the India-Pakistan Chamber of Commerce and Industry, stated, "Pakistani businessman visiting New Delhi are not allowed to travel to neighbouring industrial areas like Gurgoan or Noida, while Indian businessmen are allowed to travel freely in Pakistan, depending on the cities their respective visas were granted for" (Basu, 2016). Nisha Taneja, Professor at the Indian Council for Research on International Economic Relations, stated:

> A number of Non-tariff barriers (NTBs) are perceived due to lack of information on the regulatory regimes prevalent in India. These need to be adressed. Though there are visa restrictions on both sides, India has a far more restrictive visa regime towards Pakistan than Pakistan has for India. India needs to play a more active role in liberalizing the visa regime so that trade is not hampered (Sharma & Kapoor, 2019).

India Top 10 exports to Pakistan (2010-2011)

The Importance of Industrial Sector in Economic Development

Industrial development plays a crucial role in a nation's economic progress. It strengthens the backbone of a country, enabling it to wield influence in international politics and secure its national interests.

Countries with robust industrial sectors have showed more typically experience financial growth, improved public living standards, and increased job opportunities ("Importance of Industrial sector," 2020). This development also reduces reliance on agriculure for foreign trade and bolsters a nation's economic security. In the context of Pakistan and India, potential trade normalization holds significantadvantages for Pakistan.

The customers would appreciate lLower product costs, increased variety, and technology transfer from India could boost Pakistani industries, lowering production costs and enhancing global competitiveness. However, domestic anxieties regarding job losses and market saturation in Pakistan must be addressed for successful trade normalization.

Fears of the Domestic Industry

Domestic Pakistani industries harbour anxieties about trade normalization with India, fearing negative impacts.. Biswajit Dhar, a director general, expressed concerns about textile and garment competition, noting similar concerns from other trading partners (Basu, 2013).

Despite worries, Muneer, President of the India-Pakistan Chambers of Commerce and Industry, advocates for phasing ou negative lists and granting India the Most Favoured Nation (MFN) status, citing the absence of such restrictions with other trading partners(Basu, 2013). Haji Ghulm Ali emphasizes the importance of trade competitiveness in the 21st century, arguing that Pakistan's agrarian economy struggles and needs industrial development for succes.

Pakistan's Economic Driver

The economy consists of three main sectors:

Primary sector: This encompasses agriculture, fishing and, mining.

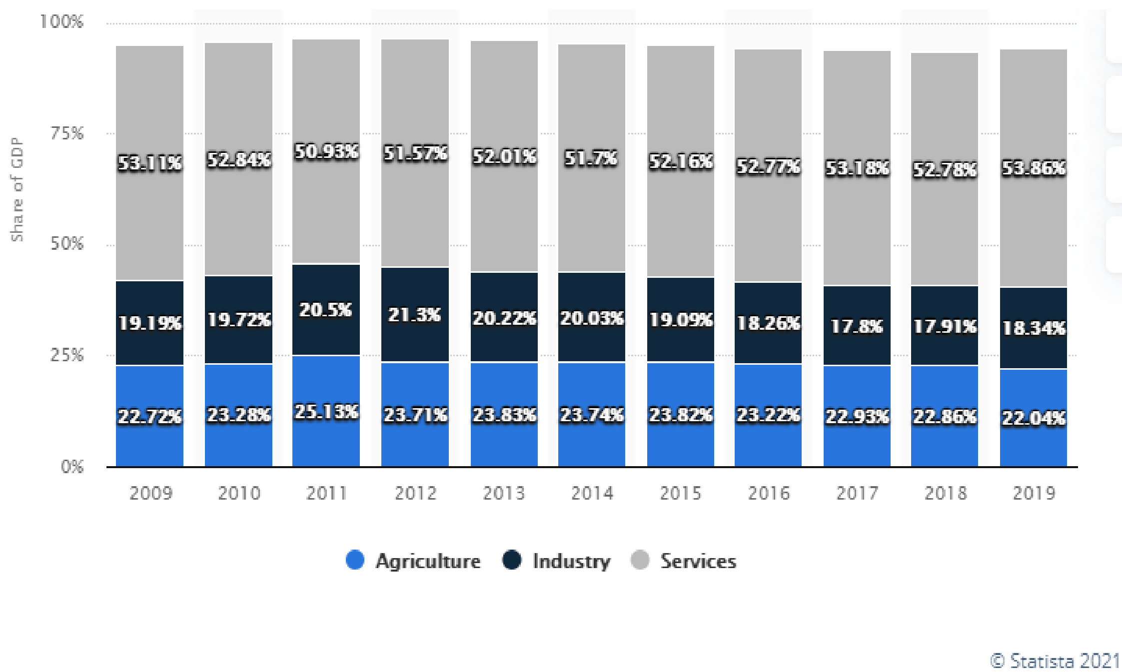
Secondary sector: Also known as manufacturing sector, this transforms raw materials into finished goods.

Tertiary sector: Often called the service sector, this provides services like tourism, finance, or telecommunications (O'Neill, 2021).

Pakistan's economy reflects this global pattern. While initially reliant on agriculture, it has diversified. In 2019, agriculture contributed 22.04% to Pakistan's GDP, industry 18.34%, and the service sector over 50% (O'Neill, 2021). While not yet a developed nation, this shift towards a service-driven economy aligns with trends observed in many developed countries.

Primary sector remains crucial, contributing significantly to GDP (over 20%) and employing nearly half of Pakistan's workforce. Pakistan's fertile land allows for producing and exporting crops like sugarcane, wheat, cotton, and rice (O'Neilla, 2021).

Pakistan: Distribution of Gross Domestic Product (GDP) across economic sector (2009-2019)



Main Industries in Pakistan

There are some key industries in Pakistan that, when fully functional, can significantly boost the country's struggling economy. These include the Textile and Apparel Industry, the Sports Industry, the Sugar Industry, the Cement Industry, and the Fertilizer Industry. The industrial sector is the second-largest portion of Pakistan's economy, contributing about 24% of the GDP. Unfortunately, Pakistan only had 34 industrial units at the time of independence. Even today, Pakistan continues to face economic challenges, with most of these issues ultimately stemming from the slow pace of industrial growth.Economic experts have pointed out that ""Rapid industrialization is considered the sovereign remedy to put our economy on a sound basis" ("Importance of Industrial sector," 2021).

Textile and Clothing

This sector plays a crucial role in both Indian and Pakistani economies. While it contributes less than one-fifth to India's exports, it accounts for nearly two-thirds in Pakistan. Pakistan's textile and clothing sector significantly boostsexports and and reduces unemployment,contributing 8.5% to its GDP and providing 38% of industrial employment (Mughal, 2012). Pakistan ranks fourth in cotton production and third in usage globally. India's textile industry, however, is not only the country's largest but also its oldest, standing as the second-largest worldwide after China. This sector contributes 14% to India's industrial output and17% to its total exports, employing 35 million people, second only to the agriculture sector.

Currently, Pakistan's textile industry faces significant challenges.Prime Minister Imran Khan's government recently rejected a proposal to import cotton from India citing the need for India to reverse the revocation of Jammu and Kashmir's special status ("Pakistan's textile industry," 2021). Pakistan holds a comparative advantage in yarn, fabrics, and other value- added textile products. Pakistan's industry also suffers fro an unfavorabl 75:25 ratio of cotton to artificialfibres. Importing cheaper polyster and other fibers from India could align i with global norms.

Unfortunately, trade in textiles and clothing between India and Pakistan is virtually nonexist. Comparing their exports reveals 176 everyday items withcomparable unit values. Of these, India has a price advantage in 48 textile products, with Pakistan holds a price advantege in 128 (Husain I. , 2013). However, Pakistani textile imports face high tariffs in India, unlike those from Bangladesh and Sri Lanka, which enter duty-free. Based solely on export unit values, it is difficult to conclude that granting MFN status would lead to a unidirectional flow of textile products from India flooding the Pakistani market.

Steel and Iron

Iron and steel play a crucial role global economic development. This industry forms the backbone for various sectors like construction, transportation heavey engineering, energy, and even aeronautical and shipping industries. It also has close ties to the chemical and light industry. Iron and steel contribute significantl to national competitiveness and economic growth (Zemlyanskaya, 2017). India, a significant supplier of iron ore, imports around 69.2% of this raw material for its well-established steel industry. This established industry makes India a net exporter of steel and steel products, boasting many products. Additionally, India benefits from a skilled technical workforce and competitive labour making it the world's 8^{th} largest producer of crude steel and the largest producer of sponge iron.

Pakistan imports iron and steel-products from India, representing a small fraction of its totel imports. However, Pakistan has indentified 46 potential imports where Indian products offer lower unit values thanimports fromother countries. Importing steel and iron ore from India, a nearby source, could boost Pakistan's steel industry. This could lower prices for finished steel goods and benefit downstream industries that rely onsteel as an input (Ishrat, 2013).

Chemicals and Pharmaceuticals

Pakistan's chemical industry must be more developed, driven by local market limitations and historically high tariffs. This results in a need for economies of scale, national integration, and, ultimately, competitiveness. Consequently, Pakistan relies on imported chemicals to meet the needs of its agriculture and industrial sectors.

In contrast, India boasts a well-establsihed and thriving chemical industry, contributing around 6.7% to the its GDP (Husian, I., 2013). Ranked 12th globally and 3rd in Asia by volume, India currently has a turnover $150 billion, with the ambitious goal of doubling it to $300 billion by 2025. Pakistan's pharmaceutical sector, though less developed, is growing by 15% annually. Now a US $3.2 billion industry, it plays a vital role in providing essentail healthcare products and introducing new pharmaceutical advancements. Over 700 manufacturing units contribute to this sector, exporting over $200 million to more than 60 countries (Waheed, 2017). fulfill Pakistan's pharmaceutical industry ful-fil approximately 70% of the country's demand.

Despite this growth, Pakistani pharmaceutical companies remain relatively small compared to their Indian counterparts, hindering their competitiveness. The Indian pharmaceutical industry, in contrast has become a net exporter and even supplies some raw materials globally. It ranks fourth worldwide in volume (8%) and 1.5% by value, placing it among the top 20 pharmaceutical exporters and top 5 manufacturers of bulk drugs. Notably, Pakistan already imports some pharmaceutical raw materials from India, with 166 items offering lower unit values than other sources (Husain I., 2013).

Automobiles

Pakistan's automobile industry operates through franchise and technical cooperation agreements with leading global manufacturers. It can be broadly categorized into various segments, such as cars and light commercial vehicles. Unfortunately, the industry and its parts suppliers have remained significantly below their potential due to inconsistence policies and abrubtshifts in allowing fully- built car imports. This industry contributes 2.8% to Pakistan's GDP and 30 billion rupees to the national exchequer in taxes and duties (Saanga, 2020). India boasts a well-established and robust engineering base and has successfully created substantial capacity for vehicle production. This gives India a clear advantage over Pakistan in the automobile sector. Indian automobile companies are highly competitive due to their adoption of Japanese production concepts and best practices, leading to optimal productivity. Today, India is the world's second-largest two-wheeler manufacturer, second-largest tractor manufacturer, and fifth-largest commercial vehicle manufacturer. It also boasts the fourth-largestcar market in Asia.

Pakistan imports spare parts and automobile components from Thailand and other countries worldwide. However, importingthese spare parts and components from India could be significantly cheaper due to their proximity. Free and bilateral trade agreements could further reduce the cost of importing automobiles from India, making it a much more attractive option for Pakistan than other countries.

Information Technology

India's IT sector is one of the fastest-growing industries in the world. I, having transformed from a 1.2% contributor to GDP in 1998 to a powerhouse contributing 8% in 2020 ("IT and BPM industry," 2021). The momentum is expected to continue, with IT exports projected to surge 19% to US$ 150 billion in FY21. Furthermore, the industry boasts impressive job creation, recording over 138000 new hires and generating an estimated US$194 billion in revenue (a 2.3% YoY increase) in FY21.In the present scenario India is the topmost offshoring destination for IT companies across the world. India's success lies in its proven ability to deliver onshore and offshore services to global clinets. Moreover, its expertise in emerging technologies like AI and cloud computing has attracted new customers and solidified its position as the top offshoring destination for IT companies worldwide. This growth is expected to reach US$ 350 billion by 2025, propelled by a thriving ecosystem of multinational IT giants with software development and R&D centres in the country.

India boasts a thriving IT landscape, with many multinational companies operating with software development or research and development centers. This expertise in emerging technologies has attracted new customers, with IT and services companies in Europe and Japanreaching out to India. In contrast, Pakistan's IT industry is in its infancy, yet it's experiencing rapid growth as it strives to catch up with regional and global counterparts. According to the official 2004-05 report, IT exports surged from US$46 million to US$250 million in 2009-10, reflecting a remarkable 40% annual growth rate. The WTO estimates the industry's size to be between US$2.8 billion and $3billion, with IT- related exports US$1.6billion. Pakistan's IT sector is the fastest-growing in the country,contributing about 1% to the GDP (approximately US$3.5 billion). The industry doubled in the past four years, and experts expect it to grow further by 100% in the next two to four years, reaching US$7 billion. While Pakistan's IT industry is still significantly smaller than India's (51 times smaller, with a worth of US$154 billion, including US$38 billion in domestic sales and US$117 billion in exports, as per Hanif U., 2021), a collaborative effort between Indian and Pakistani companies could be a win-win situation for both, facilitating each other's growth and strengthening the IT landscape in the region.

Agriculture

Pakistan's agricultural sector is the beating heart of its economy, a pillar upon which 18.9% of the GDP rests, and 42.3% of the workforce finds its livelihood. With fertile land and abundant water resources, Pakistan thrives on significant crops like wheat, rice, sugarcane, and cotton. This sector provides food security and employment and acts as a vital source of foreign exchange, stimulating growth in other industries(Government of Pakistan, n.d.). Across the border, India's agricultural sector plays a similar role, contributing approximately 18% to its GDP and supporting around 60% of its population. However, a key difference lies in subsidies. Indian producers often benefit from government support on fertilizers, electricity, and diesel, giving them an edge in selling certain agricultural products to Pakistan. While this might help Pakistani consumers in the short term, it's crucial to consider the bigger picture ("Agriculture in India," 2021).

Pakistan boasts a strong livestock sector, contributing over 50% of its agricultural income. This sector remains largely unthreatened by Indian competition, offering a unique opportunity for further growth and diversification. Additionally, Pakistan's agrarian landscape has immense export potential, particularly in areas like fruits, vegetables, and processed food. By investing in infrastructure, technology, and efficient production methods, Pakistan can capitalize on this potential and establish itself as a significant player in the global agricultural market. While acknowledging the immediate benefits of importing certain agricultural goods from India, it's essential to recognize the long-term vision. Pakistan's agriculture sector, with its diverse strengths and untapped potential, holds the key to ensuring food security and economic stability and carving a unique path to global agricultural prominence.

Recommendations

An Alternative Personality Instead of PM, Narendra Modi

India's political landscape, particularly the current administration's, policies towards Pakistan, has raised concerns about maintaining peace and stability in South Asia. While the direct impact of these policies on regional stability is a complex and debated issue, it's undeniable that they create friction and contribute to existing tensions.

The Bharatiya Janata Party (BJP), led by Prime Minister Narendra Modi, maintains close organizational and ideological ties with the Rashtriya Swayamsevak Sangh (RSS), a Hindu nationalist organization. The RSS's historical advocacy for Hindu supremacy has fueled anxieties in Pakistan and among minority communities within India itself. Importantly, it's crucial to remember that the BJP's policies and the RSS's ideology are not monolithic. Diverse perspectives exist within both entities regarding India's relationship with Pakistan and the path towards regional stability. Furthermore, under Prime Minister Imran Khan, Pakistan's leadership has expressed a strong desire to improve relations and normalize trade with India. Despite existing challenges, this willingness to engage in dialogue offers a positive step toward overcoming tensions and fostering regional cooperation.

Moving forward, constructive dialogue and addressing specific areas of concern are essential for overcoming the obstacles that hinder peace and stability in South Asia. This requires a commitment from both sides to engage in reasonable faith efforts and explore avenues for mutually beneficial cooperation.

Stop Propaganda Against Each Other

As globalization accelerates and communication channels become faster, its impact on humanity is multifaceted. While it offers undeniable benefits, it poses significant threats to human security and state sovereignty. The spread of misinformation and fabricated information has become a weaponized tool used to malign opponents on the international stage. Fake Social Media accounts, Twitter accounts, email generators, etc., are potent instruments for propagating these falsehoods. The case of India and Pakistan exemplifies the dangers of this phenomenon. Their ongoing hybrid warfare, fueled by disinformation, poses a grave threat to regional peace and stability in South Asia. In recent times, fabricated news has emerged as a significant obstacle to improving bilateral relations between the two nations.

Collective Responsibility of the Leadership, of both Countries

The global landscape is shifting from geo-politics to geo-economics, necessitating a reassessment of national priorities. As vital regional players, Pakistan and India must be addressed. However, their economic fragility, exacerbated by poverty, low education rates, and malnutrition, hinders their potential. First, they should address these problems instead of war and conflicts. Poverty is at its peak in both countries. They have also low education rate, malnourishment problem also exists. Instead of of engaging in unproductive wars and conflicts, leadership in both countries must prioritize internal development. Investing in non-essential projects diverts resources from crucial areas like education and healthcare, ultimately harming ordinary people. It is time for a paradigm shift. Both nations should channel their energies into boosting their economies and engaging in healthy competition on the international stage, ultimately leading to improved living standards and greater prosperity for their citizens.

CONCLUSION

At the conclusion of this paper, we have arrived at several crucial points that hold significant weight forPakistan and India. Both nations hold substantial importance for other countries in the current global landscape. Due to its strategic significance, several major players (the US, Russia, China, UK, and some other European nations) exhibit keen interest in this region. The United States of America seeks to contian China's influence in this region through India, while China aims to establish its footprints and undermineAmericans interest. Pakistan playes a key role here, as it offers China the only land-based access to other parts of the world. From another perspective, both countries possess immense trade potential yet their current trade volume is negligible. Both are developing nations grappling with numerous challenges like poverty, low edcuation levels, and unempolyment. Despite these common issues, concrete steps towards overcoming them still need to be discovered. Following the enactment of the 5th August act 2019, Pakistan suspended trade ties with India, demanding the restoration of autonomy in Indian occupied Kashmir (IOK). This unilateral action by Indi is illegal. Trade suspension is not the answer to this problem; it generates further complications. Paksitan's economy is already struggling withinflation and a current account deficit. In this critical sitution, severing trade with India hurts Pakistan more than India. Therefore, normalizing trade relations between the two nations is imperative. India represents a vast global market with immense consumer power. Strategically engaging India in sectors where Pakistan possesses competetive advantages can be a game-changerfor Pakistan. However, if trade with India remains suspended, Pakistan must actively seek alternative strategies to ensure its survival and protect its citizens from poverty, unemployment, and inadequate education.

The brightest future for both Pakistan and India lies inextricably linked to the normalization of trade relations. No other viable option exists for both of them. Achieving this normalization hinges on resolving Kashmir issue, as addressing South Asia's peace, stability, and prosperity is attainable. It is a shared understanding among policymakers in both India and Pakistanthat enhanced trade will yield economic benefits and foster common interests that can help dissipate political tensions.

Recent global events like the COVID-19 pandemic and the ongoing Russian invasion of Ukraine have severely disrupted world economies. The ongoing conflict in Ukraine further destabilizes supply chains and fuels global inflation. With Russia supplying roughly 30% of the world's natural gas, economically vulnerable nations like Pakistan and India need help maintaining their trade isolation. In this complex situation, embracing a complex interdependence between India and Pakistan becomes essential for mutual benefit, allowing them to prioritize peace and prosperity over conflict and animosity.

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