

Addressing NTBs in Indo-Pak trade: Implications for South Asia

Stagnation of intra-regional trade in South Asia is often attributed to lack of improvement in the bilateral trade relations between India and Pakistan, two of the largest economies in the region. Some recent studies by Chatterjee and George (2012) and De (2011) have shown that the amount of unrealised potential in goods trade is the highest between India and Pakistan among all the bilateral cases in South Asia. This is found to be mainly because of both high tariff barriers and widely prevalent non-tariff barriers (NTBs) that blocks growth in trade between both the countries. Though significant progress has been made in the recent past in tariff policy reforms, NTBs remains a huge challenge.

Unlike tariffs which are clearly defined and intentionally applied trade barriers, NTBs include a large variety of trade distorting barriers and sometimes they arise unintentionally out of policy measures imposed for legitimate purposes like protection of human health, product safety, national security, etc. Their diversity and complexity raises difficulties in designing appropriate laws and institutions to address them. Though at a nascent stage, a mechanism has been put in place for tackling NTBs under the South Asian Free Trade Agreement (SAFTA). As members of the Agreement, India and Pakistan have an opportunity to contribute to the betterment of this mechanism and avail it for enhancing bilateral trade relations. This will have positive spill-over effects for the South Asian sub-region as a whole.

This session will deliberate on costs of doing trade owing to NTBs in Indo-Pak trade and look at the future scenario of trade in the region. It is estimated that the volume of informal trade between India and Pakistan is several times than that of formal trade and much of it is due to NTBs. With normalization of trade relations, many of these NTBs can be addressed through mutual recognition and harmonization of standards and other procedural barriers to trade so as to not only convert informal trade into formal trade channels but also to increase overall volume of cross-border trade.

The session will visit and update the existing knowledge on tariff and non-tariff barriers particularly with respect to non-traditional items. It will go beyond the standard estimations of changing producer margins in trade and evaluate how consumers can gain from easing of trade restrictions 20 or 30 years from now. In order to arrive at specific policy remedies, the session will also attempt to identify trade costs on account of some particular logistic-related non-tariff barriers along with a review of the adequacy of the existing institutional mechanisms and procedures for NTB reforms.

References:

Chatterjee, Bipul and Joseph George (2012), *Consumers and Economic Cooperation: Cost of Economic Non-cooperation to consumers in South Asia*, CUTS International

De, Prabir (2011), *Why is trade at borders a costly affair in South Asia? An empirical investigation*, Contemporary South Asia, Vol.19 (4)

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