

**Non Tariff Barriers (NTB'S) Between
Pakistan & India**

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Non tariff barriers

The statistics shows that there is a large untapped trade potential between the two countries. Using the potential trade approach, it is estimated that the trade potential between these two countries is US \$6 billion. Items having export potential from Pakistan are largely in the Textile sector while items having export potential from India are predominantly in non-textile sectors. Very few items having export potential from India are on the positive list adopted by Pakistan. At the same time there are several items that India is importing from other countries but not from Pakistan. This indicates that there is a huge information gap on both sides on items that can be imported by India from Pakistan.

A working definition of non-tariff barriers included six major categories, namely, quantitative restrictions, trade facilitation and customs procedures, technical barriers to trade and sanitary and phytosanitary measures, financial measures, Para-tariff measures and visas.

- (a) Positive List Approach (Embargo)
- (b) Trade Facilitation and Customs Procedures.
- (c) Technical Barriers to Trade and Sanitary and Phytosanitary Measures.
- (d) Financial Measures.
- (e) Para-tariff Measures.
- (f) Visas.

The approach followed

The Positive List Approach

The most apparent barrier of having a positive list approach is that it limits Potential trade. Over the years, the positive list approach has expanded gradually but there are several problems that traders face in the application of this policy measure.

The most well documented problem being that several goods not on the positive list are exported to Pakistan through Dubai. This has been a traditional practice and is admitted by traders in both countries.

Trade Facilitation and Customs Procedures

Trade between India and Pakistan takes place by sea, rail, air and road. Several Factors such as inadequate land routes, weak transport infrastructure and bilateral Transport protocols raise the transaction cost of trading between the two countries. Barriers related to customs procedures, customs clearance, and rules of origin Certification has also been of great Importance.

Inadequate Land Transport Routes

The most feasible and cost-effective way of moving goods between the two countries are through the land route. However, the only operational rail route is through the Wagah border. Goods from Kolkata are being shipped to Karachi via Singapore. Only a limited number of items are allowed to be traded through the road route. Pakistan has allowed the import of a few products from India through the road route since July 2005. The items permitted are: garlic, tomato, potato, onion and livestock. Pakistan allows the export of only one item, viz., cement to India by the road route. On the rail route also there are restrictions. Pakistan does

not allow the import of cotton by the rail route through the Attari as per Plant Quarantine Rules, 1967, Pakistan (which allows cotton to be imported only through Karachi port). A large number of textile mills are located around Lahore but cotton has to be imported through a circuitous route where goods are first transported to Mumbai, from where they are moved to Karachi by sea and further on to Lahore by road. Similarly India no longer allows to be traded by the rail route

Pakistan allows goods from Afghanistan to be transported to India through the land border but does not allow Indian goods transit facilities to Afghanistan. Indian goods are therefore denied market access to Afghanistan market through the shortest route. Similarly India does not allow Pakistan transit facilities through its territory to Bangladesh and Nepal.

Infrastructure Constraints and Related Bilateral Protocols

This section outlines infrastructure constraints related to rail, road and sea Routes. There are several bottlenecks for transportation by the rail route. Currently Goods move by rail by the goods wagon or by parcel wagons that are attached to the Samjhauta Express, the passenger train. In addition, rake is allowed to ply from some cities in Madhya Pradesh. Goods that are transported by Samjhauta Express by parcel wagons move at fixed timings on a biweekly basis. The same number of parcel wagons (move on every trip, whether loaded or unloaded. There is no fixed timing for a goods train but the trains do not move across the border after 5:00 p.m. due to security reasons. The number of rakes/wagons that can play from Attari to Amritsar are determined usually on a monthly basis. Under a reciprocal arrangement between the two countries, the wagon balance has to be cleared every 10 days between the two countries. The Indian Railways crew and engine is allowed to carry the wagons till the Attari/Wagah border only (and vice-versa) from which point the wagons are transported by Pakistani rail engine head. The following problems were highlighted

- There is a scarcity of wagons as demand exceeds supply.
- Since the wagon balancing takes place only thrice a month, there is a scarcity of wagons till such time that there is a zero balance. From the sixth day onwards, railway authorities try to restrict the number of wagons to be moved across the border.
- There is limited handling capacity at Lahore. Currently the Lahore railway station is not able to handle more than 20 rakes. Hence any increase in the number of rail wagons/rakes from the Indian side would have to be accompanied by a simultaneous increase in handling capacity on the Pakistani side.
- Traders have pointed out that wagons that are used currently are antiquated. There is no provision for movement of containerized rail cargo from Amritsar. All containerized cargo has to be moved by the sea route.
- Other problems include lack of space for customs house agents, poor condition of sheds, obsolete weighing and X-ray (only one) machines, and lack of regular communication between rail and customs officials. A gamma ray scanner is also required.

The above listed problems need to be addressed at the earliest. While bilateral trade is expanding rapidly the corresponding rail infrastructure is not keeping pace. The problems need to be addressed jointly with the Pakistani authorities as removing the bottlenecks on the Indian side alone will not yield the desired results.

The road route has the following bottlenecks.

- There is only one gate for exports to Pakistan and imports from Afghanistan, Movement of passengers by bus and on foot. The border ceremony conducted by the Border Security Force (BSF) also takes place at the same gate.

- Trade takes place only from 8:00 a.m. to 4:00 p.m. The gate is closed at 4:00 p.m. for the border ceremony hence no trading can take place after the gate is closed.
- There is no warehousing facility on either side of the border. On the Indian side there are two sheds whereas the requirement is for at least four sheds.
- There is no cold storage facility available at the border even though only\ perishables are being exported. Reefer trucks carrying frozen meat have to use Generators for three to four days while they are parked at the border.
- There are only 2 X-ray machines on the Indian side which are obsolete. The above problems need to be addressed to ensure safety of goods and speedy movement of goods across the border.

Customs Procedures and Administration

The simplification and harmonization of procedures and documents are at the heart of the trade facilitation agenda with customs clearance being the main focus. Some of the major problems faced by traders are related to cumbersome Procedures, customs clearance, rules of origin certification, valuation and clearance of goods. While a major change introduced as part of customs reforms to deal within Cumberseome procedures has been the introduction of the Electronic Data Interchange (EDI) that allows the goods declaration to be filed electronically, a major hindrance facing traders trading between India and Pakistan is that this facility is not available at the land-border trading points in both countries.

Sanitary and Phytosanitary Measures (SPS) and Technical Barriers to Trade (TBT)

The Agreement on Technical barriers to trade and the Agreement on Sanitary and Phytosanitary measures allows all WTO Members to maintain standards to ensure safety and to protect plant human and animal life. India and Pakistan have taken the initiative to implement all the WTO-compatible procedures related to standards, testing, and labeling and certification requirements. The basic obligation

of the TBT agreement is that measures should be applied in a non-discriminatory manner with respect to like products of national origin and to like products originating in any other country. The Agreements also require Members to apply these measures in a manner that they do not have the effect of creating unnecessary obstacles to international trade.

India and Pakistan have a domestic institutional framework within which they implement SPS and TBT related measures. In India the Bureau of Indian Standards, under the purview of the Ministry of Food and Consumer Affairs, is the premier standard setting body while in Pakistan the only standard setting body is the Pakistan Standards and Quality Control Authority.

The implementation of standards in India has become more rigorous since 2001 when quantitative restrictions were removed. This is often perceived as a nontariff barrier.

In India there are 24 standard setting bodies both at the centre and state level, in Pakistan there is a single authority. Given that there is a multiplicity of standards, and exporters in other countries are often confused about what the national standard is, the problem becomes more acute in the case of Indo-Pakistan trade where trade related information flows are not smooth.

In addition to several standard setting bodies, there is also a multiplicity of rules and regulations, multiple certifying bodies, and several agencies involved.

Enforcement of standards in India

This creates confusion among exporters from Pakistan as to which the actual national standards are, who the certifying agencies are and what is the relevant law/regulation applicable when there are multiple laws for the same purpose.

Exports from India to Pakistan

In the survey conducted in India and Pakistan there was no evidence on nontariff Barriers related to the application of SPS and TBT measures in Pakistan on imports from India.

In fact traders in India and Pakistan felt that the implementation of standards to imports was not a rigorous process in Pakistan.

Some exporters of live *animals* in India and importers in Pakistan pointed out that the Pakistani Government had relaxed the quarantine and other import Requirements for imports of live animals through the Wagah border. Some of these Measures included reduction in quarantine requirement from 21 days to 5 days, Waiver of quarantine and testing fees, and allowing additional quarantine stations in the private sector to operate at the Wagah border. However, Indian exporters have to obtain an animal quarantine certificate before they can export live animals. The closest animal quarantine centre to Amritsar is in Delhi. Blood samples collected at Delhi are sent for testing to Bareilly. On the whole the process takes about seven to eight days for which not only does the exporter incur additional cost but animals lose weight by about 5 kgs

It was pointed out by Indian exporters that if the importing country has lower standards, India should allow exporters to follow those standards.

Exports from Pakistan to India

Pakistani exporters have complained about the stringent conditions imposed by India on imports of various products. There is a strong perception in Pakistan that the two most important products of export interest for Pakistan – textile products and agricultural and related products – are the ones that have the highest non-tariff barriers. Some of the product specific barriers that have been observed in the survey conducted in Pakistan are mentioned below. It may be noted however that these barriers are not discriminatory in nature and apply to all countries alike. Some restrictions that pertain to land border movements of consignments do become country-specific to the extent the two countries in question (India and Pakistan) are the only ones affected by the common border.

In the case of export of *leather items and melamine products* from Pakistan to India it has been pointed out that samples of export consignments are sent to testing laboratories that are located far away from the port of entry in India. In the case of *textile* products it has been mentioned by traders in Pakistan that to export fabric to India they are required to obtain a pre-shipment certificate from a textile testing laboratory in Pakistan accredited to the National Agency in the country of origin certifying about the non-use of hazardous dyes. In some cases even the EU accredited labs have been rejected by Indian customs. Pakistani traders perceive that with these stringent conditions it would be impossible for them to export textiles to the Indian market. In the case of *pharmaceutical products* it has been pointed out by Pakistani exporters that the requirement of registration of the drug with the Central Drug Standard Control Organization in India is an arduous and time consuming process. In the case of imports of *agricultural items* from Pakistan it has been pointed out by Indian importers that to get the required phytosanitary certificate and testing requirements in India could take several

BILATERAL TRADE STATISTICS SUMMARIZED

India Imports from Pakistan

274,983, 000 USD

Percentage of Total Indian Imports

0.1%

INDIA TOTAL IMPORTS FROM THE WORLD

220, 290, 676,000 USD

THE POTENTIAL OF TRADE BETWEEN INDIA AND PAKISTAN

In order to figure out the true potential between Pakistan and India, first we need to have a thorough understanding of the following details:

Product	Category	India imports from Pakistan 000USD	Share in India's import in percents, %	India Imports From The World Value in 2010, USD thousand	Pakistan Export To The World 000 USD
code	All products	274,983	0.1	220,290,676	
'08	Edible fruit, nuts, peel of citrus fruit, melons	45,253	6.6	683,457	254,177
'52	Cotton	38,327	7.5	512,069	4,013,419
'25	Salt, sulphur, earth, stone, plaster, lime and cement	32,291	3.3	982,974	514,407
'27	Mineral fuels, oils, distillation products, etc	26,368	0.1	30,352,155	1,202,621
'29	Organic chemicals	25,744	0.2	10,399,776	41,910
'39	Plastics and articles thereof	18,624	0.3	6,499,143	408,132
'41	Raw hides and skins (other than furskins) and leather	12,877	1.8	719,325	415,652
'28	Inorganic chemicals, precious metal compound, isotopes	11,357	0.4	2,633,083	29,963
'78	Lead and articles thereof	9,051	2.2	418,153	13,679
'74	Copper and articles	8,722	0.6	1,480,540	89,342

	thereof				
'51	Wool, animal hair, horsehair yarn and fabric thereof	8,444	2.7	313,401	11,636
'63	Other made textile articles, sets, worn clothing etc	6,646	2.1	312,597	3,284,531
'90	Optical, photo, technical, medical, etc apparatus	4,355	0.1	6,096,026	260,743
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc, nes	4,153	2.7	155,981	32,137
'72	Iron and steel	2,494	0	10,186,292	31,290
'84	Machinery, nuclear reactors, boilers, etc	2,184	0	35,748,146	250,148
'38	Miscellaneous chemical products	1,811	0.1	2,422,762	15,839
'20	Vegetable, fruit, nut, etc food preparations	1,602	2	79,506	30,974
'61	Articles of apparel, accessories, knit or crochet	1,188	0.7	174,449	1,982,423
'09	Coffee, tea, mate and spices	1,094	0.4	257,576	46,988
'70	Glass and glassware	1,031	0.1	694,330	15,639
'26	Ores, slag and ash	989	0	5,119,022	164,950
'73	Articles of iron or steel	837	0	3,785,629	147,985
'60	Knitted or crocheted fabric	729	0.2	345,098	82,946
'56	Wadding, felt,	663	0.3	201,994	29,546

Shumaila Khalid (Senior R&D Officer)

	nonwovens, yarns, twine, cordage, etc				
'89	Ships, boats and other floating structures	649	0.1	962,864	74,399
'42	Articles of leather, animal gut, harness, travel goods	622	0.3	240,133	618,842
'55	Manmade staple fibres	621	0.1	515,385	511,243
'03	Fish, crustaceans, molluscs, aquatic invertebrates nes	617	5.8	10,696	231,040
'95	Toys, games, sports requisites	495	0.2	246,072	212,180
'76	Aluminium and articles thereof	428	0	1,711,510	35,121
'62	Articles of apparel, accessories, not knit or crochet	398	0.4	109,495	1,461,643
'68	Stone, plaster, cement, asbestos, mica, etc articles	396	0.1	366,336	21,010
'36	Explosives, pyrotechnics, matches, pyrophorics, etc	378	3.3	11,417	20,360
'35	Albuminoids, modified starches, glues, enzymes	354	0.2	223,822	9,312
'22	Beverages, spirits and vinegar	305	0.1	344,332	187,455
'85	Electrical, electronic	301	0	25,334,876	142,716

Shumaila Khalid (Senior R&D Officer)

	equipment				
'16	Meat, fish and seafood food preparations nes	257	4.4	5,815	30,146
'40	Rubber and articles thereof	201	0	2,432,938	10,202
'87	Vehicles other than railway, tramway	200	0	5,144,518	83,629
'71	Pearls, precious stones, metals, coins, etc	175	0	21,310,999	590,242
'54	Manmade filaments	172	0	797,502	63,548
'13	Lac, gums, resins, vegetable saps and extracts nes	165	0.2	106,937	30,793
'96	Miscellaneous manufactured articles	137	0	561,853	19,730
'59	Impregnated, coated or laminated textile fabric	125	0	1,029,096	9,795
'05	Products of animal origin, nes	115	0.8	13,556	30,595
'49	Printed books, newspapers, pictures etc	113	0	506,600	4,667
'57	Carpets and other textile floor coverings	104	0.1	134,102	129,331
'07	Edible vegetables and certain roots and tubers	95	0	873,343	119,524
'99	Commodities not elsewhere specified	92	0	5,355,736	1,023

'79	Zinc and articles thereof	89	0.1	147,479	477
'14	Vegetable plaiting materials, vegetable products nes	79	0.3	24,047	7,274
'82	Tools, implements, cutlery, etc of base metal	74	0	787,725	93,422
'50	Silk	69	0	497,601	858
'21	Miscellaneous edible preparations	44	0	113,286	14,207
'32	Tanning, dyeing extracts, tannins, derivs,pigments etc	40	0	1,127,785	28,402
'64	Footwear, gaiters and the like, parts thereof	34	0	372,889	92,694
'30	Pharmaceutical products	33	0	1,508,840	135,870
'19	Cereal, flour, starch, milk preparations and products	31	0.1	51,997	24,273
'58	Special woven or tufted fabric, lace, tapestry etc	26	0	175,069	24,581
'01	Live animals	25	0.2	14,496	26,410
'44	Wood and articles of wood, wood charcoal	22	0	927,951	29,980
'34	Soaps, lubricants, waxes, candles, modeling pastes	21	0	410,531	14,853
'33	Essential oils, perfumes, cosmetics,	19	0	392,299	10,226

	toiletries				
'94	Furniture, lighting, signs, prefabricated buildings	15	0	1,176,667	97,515
'92	Musical instruments, parts and accessories	9	0	26,393	3,578
'48	Paper & paperboard, articles of pulp, paper and board	2	0	1,990,173	23,774
'15	Animal, vegetable fats and oils, cleavage products, etc	1	0	6,382,809	85,926
'17	Sugars and sugar confectionery	1	0	1,314,414	87,956

Potential between India and Pakistan

Irrespective of the fact that both the countries are sharing culture, history, language and religion, only 0.1 % of the total Indian Imports Consist of Products from Pakistan. The item which is being imported to India makes meager share of the total imports of India in that particular product category whereas, Pakistan do have the potential to increase the exports of commodities in such h categories. For example, referring to the above table, Pakistan exports in sugar and confectionary item is 87,956,000 USD where as The Indian imports of this category from Pakistan is nearly 1000 USD, this items carrying a lot of potential for exports to India on the basis of the fact that it's a neighboring country, where less trade restriction and lesser rules will lead to improved exports figures as far as this product is concerned. Same is the case with cosmetics, essential oils, wood and furniture.