

Speech by High Commissioner of India, Mr. Sharat Sabharwal, at the Karachi Chamber of Commerce & Industry. (June 9, 2010)

It gives me great pleasure to address this distinguished gathering of businessmen of Pakistan. I am grateful to the Karachi Chamber of Commerce & Industry for giving me an opportunity to do so. I am particularly privileged to be addressing you in this historical building whose foundation stone was laid by Mahatma Gandhi on 8th July, 1934.

2. Dear friends, as you know, India has emerged as one of the fastest growing economies of the world. We recorded a compound annual growth rate of 8.6% over the period of five years upto the financial year 2007-08. Strong economic growth, more importantly with confidence in future prosperity, has produced strong consumption growth. Our GDP has grown from US \$ 400 billion a decade ago to over a trillion dollars. Our middle class is growing fast, lending a new dynamism to the economy. The global downturn did have an impact on our economy, but we weathered it well and maintained growth rates of 6.7% and 7.2% in the FY 2008-09 and 2009-10 respectively. We hope to go back to the growth rate of 9% this financial year.

3. Prime Minister Manmohan Singh has a vision of transformed South Asia where, with the cooperation of all our neighbours, we move from poverty to prosperity and from ignorance to a knowledge society. We believe it is in our own interest to see the rest of South Asia prosper. As the fastest growing economy of the region, India has the potential to become a growth opportunity for all our neighbours. This potential can be realized fully if SAARC, as a whole, becomes more integrated. However, sadly, while the SAARC countries have been integrating with the global economy, they remain far less integrated among themselves. Intra SAARC exports are a mere 5% of the total exports of the region. The percentage is much higher in other regional groupings such as ASEAN and NAFTA, where it is 22 and 52 respectively.

4. Distinguished friends, the SAARC took an important step in your beautiful capital city of Islamabad by concluding an Agreement on South Asian Free Trade Area or SAFTA in 2004. It

came into force in January 2006 and its phased liberalization programme became operational from the 1st of July, 2006. In keeping with Article 7, Clause 3(a) of the Agreement, India has maintained a sensitive list of around 850 tariff lines for all the Non-LDC Members of SAFTA, including Pakistan. All other items are subject to Trade Liberalization Programme. For LDCs, we have reduced our sensitive list to around 480. We have also given Zero Duty Access to LDCs from the 1st of January 2008, i.e. one year ahead of the target date. The SAFTA Agreement does not provide for a positive list approach for imports by one member country from another. However, Pakistan continues to follow a positive list approach vis-à-vis India and the list currently stands at a little less than 2000 items. We earnestly hope that this situation will change, so as to bring each and every SAARC country in line with the provisions of SAFTA. Some so called Non-Tariff and Para-Tariff Barriers in India are spoken of from time to time. The examples quoted include requirements of technical standard certification, standard of quality, labelling, marking, packaging, sanitary and health regulations, etc. Such regulations are not unique to India and prevail in all countries. I would also like to emphasise that such regulations in India apply to all our trading partners and are not specific to Pakistani exports to our country. In any case, the issue of Non-Tariff Measures in all member countries of SAFTA has been under discussion by an Expert Group in SAARC.

5. It needs to be noted that at the recently concluded SAARC Summit in Bhutan, our leaders reiterated their commitment to implementation of SAFTA in letter and spirit. They called for reduction in the size of sensitive lists, acceleration of trade facilitation measures and removal of Non-Tariff, Para-Tariff and other barriers. The leaders welcomed the signing of the SAARC Agreement on Trade in Services which, when implemented, will further deepen the integration of regional economies. At Bhutan, India also proposed the preparation of a Roadmap for Developing a SAARC Market for Electricity on a regional basis, as SAARC is considering electricity trading, supported by enabling markets in the member-States.

6. Dear Friends, in view of the size of the Indian economy, regional trade in South Asia is sometimes seen essentially as India's trade with its neighbours, leading to Indian economic dominance. However, the history of economic cooperation in other

parts of the world has shown that smaller economies stand to gain more than the larger ones in a regional free trade arrangement. As I have already stated, India's fast growing economy offers opportunities of an expanding market, investments, technology and entrepreneurial resources for our neighbours. Some examples are our FTA with Sri Lanka, Bhutan's cooperation with India to tap its hydro-electric potential (which will grow to 10000 MWs by the year 2020), India's trade creating investments in Nepal and growing tourism from India to Maldives, Nepal and Sri Lanka. In any case, it makes little economic sense for a SAARC country to import a product, available within the SAARC region, at a higher cost and freight from other parts of the world.

7. I would like to recall here the observations made in the Final Report of the Panel of Economists, appointed by your Planning Commission, on Medium Term Development Imperatives and Strategy for Pakistan. The report assesses that bilateral trade between our two countries, which has been around \$2 billion per annum, has the potential to grow in a range of \$3 to 10 billion. The report talks of several advantages of normalizing trade between India and Pakistan. These include the advantage of geographical proximity and cheaper transportation costs. The shorter distances will also render it unnecessary for industry to carry high levels of inventories of raw material, intermediate goods and parts, thereby reducing the cost of operations. The report observes that opening trade with India will also have a salutary effect on prices. The panel of economists maintains that the fear of the Pakistani manufacturing sector being swamped and rendered uncompetitive by Indian goods is highly exaggerated. Import tariffs have been substantially lowered and the Pakistani industry is already standing up to the competition of cheap imports, including from China. Moreover, if Pakistani exports can compete with Indian exports in the international markets, they can do so in Pakistan's domestic market also. As a first step, the report recommends moving to an MFN basis and from a positive list approach to a negative list approach. The report also recommends better transportation links between the two countries for trade. I may mention here that we have started the construction of an Integrated Check Post (ICP) at the Wagah – Attari border and work on this project is estimated to be completed by April 2011. The Check Post will have the most modern facilities, both for trade and travel purposes between our two countries. We have also proposed in the

past that in addition to the Mumbai - Karachi and Attari - Wagah routes, the Khokhrapar - Munabao rail link should also be used for trade. This is in addition to the two routes across the LOC viz, Srinagar - Muzaffarabad and Poonch-Rawalakot, which are already functional.

8. To conclude, I would like to assure you that any positive move from your side in opening up trade will not find the Indian response wanting. Finally, I believe that Governments can only create an enabling environment for trade and eventually, it is for businessmen to create win-win situations, that are to the advantage of both the countries. I have no doubt that businessmen in Pakistan and India are fully capable of doing so.

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