



## The Political Economy between India Pakistan Trade Relations:

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### **Abstract**

*In this paper scholar recognize the significant of India-Pakistan trade can be reconcile the all preceding disputes. This study emphasizes that superior level of trade resolve the skirmishes and also retain the idyllic relations between both countries. Reciprocal trade promotes peace and abating the conflicts. Furthermore, India and Pakistan trade relations; barriers of dyadic trade also current trade volume, territorial and border skirmishes and peace settlement have been analyzed. We identify numerous key issues, trade expenses; visas, trade routes between India-Pakistan and trade under trade SAFTA. Therefore, conclude that economic can play the vital role to accelerate the two-pronged relations and lessen the mutual conflicts. In this study, qualitative approach used to analyze the results and conclusion.*

**Key Words:** Trade Relations, Peace Process, Most Favored Nation (MFN), SAFTA, India, Pakistan,

### **Introduction**

#### **Background of the Study**

After the separation of India and Pakistan trade relations are dry and wet. Almost six decades the South Asia region has evidence four massive military disputes (1948, 1965, 1971, and 1999) between India and Pakistan. Frequently conflicts have been Line of Control (LoC) also political relations are not retaining of both nations. According to historical background India and Pakistan

consistently disputes with little mutual relations. In addition, different exertions of two big South Asia countries failed to reconcile their differences amicably. Also, similar situation has commerce relations between them. India and Pakistan are facing trouble with political relations and military disputes. Accordingly, of separation between India and Pakistan, the combined financial system of sub-continent was divided. When the British regime devalues the currency in 1949, Pakistan refused this activity but India followed the same. Due



to this ignorance of Pakistan, India acquired irritated and started curbs on commerce with Pakistan. In the end of 1949 and the starting of 1950s commerce relations were postponed but after one year in 1951 India admitted the value of Pakistan currency and accord of commerce was revitalized between India and Pakistan, (Noshina, 2014).

India-Pakistan were involved the war to capture the beautiful valley of Kashmir on 6 September 1965. This war was continuing seventeen days after that UNSC calling the mutually governments for a cessation of hostilities. Both parties agreed to the resolution under the UNSC. After this India and Pakistan signed the Tashkent concurrence on January 10, 1966, brokered by Soviet Union. Due to this agreement both countries would be trade directly and maintain the peaceful relations also exchange the cultural and social activities (Maria, 2006: 78). After this concord both nations started the trade for developed the relations.

The Third India and Pakistan war was in 1971, after the war both countries signed the Shimla pact on July 2, 1972, to reconcile the some matters. This agreement was incredible for both nations and augments the bilateral relations. After three years, both countries started the full fledge trade and railway corridors were also opened. Reciprocal relations incessantly were going well and straight. In 1999 the Prime Minister of India Atal Bihari Vajpayee came in Pakistan by bus, when Lahore-Delhi bus service started; Pakistan Prime Minister Nawaz Sharif welcomed him with open arms. This activity was astonished between both nations for accelerate the trade also enlarge the political and diplomatic

relations because both leaders signed the Lahore Declaration which uttered their shared vision of affluence, idyllic and developed the nation. Additionally, they discussed on borders gates for trade and Kashmir issue would be solve with idyllic dialogue and agreed that would not interference in each other internal matters. Regrettably, in 1999 Kargil war started between India-Pakistan and disturbed the trade relations of both nations (Effendi, M 2006: 78). Though, battle creates the more tensions between the nations; yet trade impact the positive and peaceful affiliation to diminish the tensions. India and Pakistan have the same opinion to enhance the trade and maintain the peace in the region (Statement, 2011)

Moreover, India-Pakistan improved the relations after the 2001; lessen the tension between both nations. Mr. Vajpayee visited the capital city of Islamabad to join 12<sup>th</sup> SAARC conference. In this meeting both nations leaders were agreed to start the dialogue process and develop the political and economic relations. After this great summit, the two nations start moving ahead with calm initiatives through various confidence building measure (CBM) such as Kashmir issue, bus services, open border gates for officially trade, flexible visa policy, economic and commercial cooperation; and exchange the tourists with full of confidence. These CBMs motivated the political relations in the South Asia region recommended a vital prospect of both countries to reconcile the skirmishes (Farmer, 2014). The most significant agreement signed SAFTA among the SAARC nations in 2004. This agreement plays the imperative role to enhance the cooperation between the SAARC members, also elimination of



trade tariffs and barriers. Furthermore, SAFTA will promote the trade between India and Pakistan trade; further members can be taking the benefit due to this occasion (Naqvi, 2007).

In 2008, Mumbai attacked sabotage the trade, political and social relations between the India and Pakistan. These relations were momentary suspended due to Mumbai attack, but after three years diplomatic ties developed in 2011 (Taneja & Pohit, 2014). In 2011, both commerce ministers met in New Delhi to start the peace dialogue process for promote the trade in the region; also Pakistan and India were arranging the exhibitions show. In this exposition, India show the all products Made by Pakistan and Pakistan show the Made by India products, all SAARC commerce ministers were invited of incredibly SAFTA ceremony; all ministers appreciated of this stunning movement and they were expected that trade relations would be develop of both nations (Hussain, 2012).

### **Research Methodology**

In this study, researcher used the qualitative method; thematic analyses use for the analyzed the different perspectives of themes between India and Pakistan trade relations. We employed the data from secondary sources such as various books, research articles, journals, and Newspapers. We emphasized the similarities and differences between the both countries perspectives. In this study promote trade, which may show trade of both countries in a win-win condition. We hoped, consequence of this study will help not solely researchers or professional of political economy but also it would be enormous advantage of students, and

policy makers in the field of development studies.

### **Expand Trade Impact on Peace and Decrease Reciprocal Disputes**

Liberal's perspective that trade brings peace between the nations. Liberalism analysis that high level of trade reconciles the conflicts and maintains peace, reforms the decision making, policy making and negotiating the several prior issues (Keohane and Nye, 1989). Liberalism is a political theory to protect and enhance the liberty and giving the equal rights from the late seventeenth century, but fully implementation in the eighteen century predominantly in Scotland and France. Liberalism has been most significant political theories over the last few centuries especially in International Relation (IR) theory. Liberal viewed that powerful collaboration on trade could broaden to other characteristic of the interstate kinship, on the other hand, Neo-Marxists also certain that the wreck from asymmetrical commerce kinship could influence cooperation in other areas as well (Baldwin, 1993).

Eventually, lacking symmetry commerce relations escort to dispute as seen in numerous American interference in Latin America. Lacking asymmetry trade relations supplied to not equity political force and another dispute. Furthermore, Neo-Marxists, reliance philosophers also contribute this hypothesis concerning the relationship among trade and dispute. Reliance philosopher's focal point on the relation among under develops and developed countries, yet the experiential consequences can be enlarged to another case where an asymmetrical relationship survives.



Classical liberalism argued that international relations most significant in International Relation theory. They also argued that international affairs several but we discussed unimportant. But neo-liberalism has been indentified, the depth study and focus the main political philosophy. That's why IR theorist focuses the trade to maintain the peace between the trading partners also exchange the cultural and ideas. According to Christians thinkers probed that trade increase the prosperity between the commerce partners. Generally, Spanish scholars investigate that trade is natural rights for human (Chafuen & Liberty, 2003).

In seventeenth century this discussion became additional commerce and focal point on the straight advantages and charges of commerce. Keenly, discussion was the balance of trade and must make sure the imports and exports and reformed the trade policies to remove or abating the barriers and balance of all tariffs and duties (Viner, 1948). Additionally, all major European powers were struggled to manage the trade, political and financial resources for emerged the New World. In fact, that time was handled the all resources navies, military etc. In 1965 few English writers begun to quarrel for augment secure the state strategies, foreign trade generate wealth, tycoon powers, and power for religion. Suarez and Gentili (2006) probed that International trade should be free because it has a basic part of International Law. Locke stated that free trade would be affect on the partner, and same political opinion would be affect on the expansion the trade.

Accordingly, Kant (1948) contend that trade is natural phenomenon to maintain

the peace in the region as well as nations together each other. Trade partners States would be promote the peace and reconcile the preceding issues. Campbell and Pedersen, 2001; Dezalay and Garth, 2002; Fourcade-Gourinchas and Babb, 2002; Babb, 2004; Massey et al., 2006 argued that neo-liberalism is heterogeneous set of organizations consisting of different thoughts, financial, society, strategies, and method of arranging political and financial action; perfectly, it comprise official consortiums, like as minimalist wellbeing-state, excise duty, and business decree programs; promote the labor markets, and exhaust the trade barriers; including the institutionalizing the normal favoring in the free trade to solve the economic problems.

On the other hand, realist contended that reliance will encourage the use of force and commerce would be an issue to fight the partner country (Waltz, 1979). Cars (1939, 1964) investigate that trade is a weapon, used as a military, trade push the struggle for advantage. Liberal argued that high level of trade with neighboring countries augment the excellent relations and shrinks the military disputes but also patch up the preceding skirmishes (Gartzke, 2001). Deutsch (1968) argued that after the World War II trade was the essential to move up the relations; mutual compatibility and unbroken the links of societal communication, approach of persons and multiplicity of communications and business. These can be related to solely trade. On the other hand, Schofield (1971) focuses on the trade for enhancing the better relations between the nations. Liberal's focus on the economic policy because trade is a superior source to make the better political relations and build the peaceful



society in the whole world; therefore liberal's focus on the equity that's why equity dwindle the disputes and swell the trust with the neighbor countries, (Dezalay and Garth, 2002; Fourcade, 2006). Liberals thought that trade gains the comparative benefit like economic advantage, cooperation, and stable the mutual relations.

However, realist explored that States feel the fear of trade gains of their partner, through which they come to know the power of military, than partner will be active and could attack on the other partner. They also argued that trade relationship interest overlaps by both sides then tension will be increased to use the force (Hirschman 1945; Keohane and Nye 1977; Wagner 1988; Barbieri 1996). Classical liberal probed that trade is big source to establish the new contacts, even contact are not necessary, but these contacts will be better in future. High level of trade generates the new consortium and smooth political relation and peace in both countries to develop the bilateral relations.

On the other hand, realist thought different as to compare liberal. They suggested balance of power is best source and prefer the self help, not the help others. Realist thinkers are selfish; believe that state own their interest, needs and welfare, than share the advantage to the other state (Waltz, 1979). Liberal approach focuses on mutual interest as a source of peace, (Polachek, Robst, and Chang, 1999). Several scholars suggest that liberals establish the more institutions to resolve the disputes, (Angell, 1913, Doyle, 1997, Mitrany, 1966, Nye, 1971, Russett and Oneal, 2001).

### **India and Pakistan trade under the SAFTA**

Trade liberalization program under the SAFTA, India would lessen the tariffs twenty percent in initial two years; and additional 0-5 percent range by 2013 for Non Least Development Countries (NLDC) members. In addition, India has sensitive list for all SAARC members whose are NLDCs continues to be quite immense, particularly when match to that retained by India for LDCs under SAFTA and under a mutual commerce concord with Srilanka. Numerous items include on the sensitive list are not exported by Pakistan and are unluckily to be exported to India in the imminent future. On the other hand, there are various items include on the sensitive list, which are no elongated engaged for the small-scale sector and can now be production by bulky firms. Thus, on the sensitive list, there is no rationale (Taneja, 2014). Moreover, on the sensitive list items should include solely those items in which Pakistan is succeed in the global souk and India is not as these are items where India is probable to emulation. India's on sensitive list sixty seven items includes twenty of textile items and also includes readymade garments (Taneja, 2011).

Furthermore, India has permitted tax free admittance to all other South Asian countries in the area. Additionally, mutually India and Pakistan still did not have normal trade relations for quite a lot of years. After the partition of both countries in 1947 until the formation of the World Trade Organization (WTO) in 1995, the both nations are doing trade limited numbers of items (Malik, 2015). Further, Pakistan was present the positive list for imports from India in 2000. As well as, Pakistan augment the



positive list in last few years from 600 items in 2000 to 1,934 in 2009. The positive list high business of cost, created qualms and lacked transparency. There is exclusively doing trade by road route just fourteen items. On the other hand, both countries are doing high level of informal trade; mostly items included in unofficial trade. India and Pakistan doing ninety percent trade unofficial through third country, specifically Dubai. Khan (2013) investigates that India and Pakistan doing huge informal trade. Furthermore, India and Pakistan necessitates elevate the trade cooperation; because trade relation will be reform the mutually relations as well as sustain the peace between the two nations (Qazi, 2015).

#### **Formal current bilateral trade volume**

Currently, India and Pakistan are doing trade through two channels (Taneja, 2013). The official trade which takes places through directly border to border other one unofficial or illegal trade through smuggling or via third countries such as UAE, Singapore etc. However, formally trade is meager because the current volume is \$2.7 billion. In addition, informal trade volume is massive around about \$ 8-10 billion with the respect of various statements. India and Pakistan are doing consistently informally trade near about ninety percent. This is big disaster of both nations. If Pakistan and India stabilize their commerce relations it will augment the formal trade, both nations can be develop and prosperous but both nations are frequently doing informal trade. Formal trade is cheaper because India and Pakistan close neighbors with diminutive borders distance, lower transportation costs and attractive markets, therefore their formally trade

can be more advantage able (Taneja, Naqvi, & Schule, 2011).

Moreover, these measures will advantage between India and Pakistan consumers. Expand formally commerce will assist to boost up the economy of both countries in case of revenue collection, exports of goods with inferior costs. Elevate of formal trade will augment the economic interdependence of Pakistan and India. Furthermore, normalize the trade relations with formal trade, both countries disputes can be resolve with respect of manner. Additionally, high level of bilateral trade reforms the political issues, abating the poverty and unemployment. So, both countries must be intention on formally trade to enhancing the socially, politically, and economically relations, including people to people contacts will be increase and diminish the conflicts between India and Pakistan (Qazi, 2015).

#### **Granting Most Favored Nation**

India and Pakistan connected WTO in 1995, the preliminary article of GATT that WTO members would do trade with each other under the principles of Most Favored Nation (MFN). India followed the rules of GATT and granted MFN status to Pakistan after the amalgamation WTO. This activity was gargantuan step for reciprocally. MFN means giving the opportunity of all WTO members same tariffs one trade partner to another partner. These rules or terms do not entail provide extra benefit to any trade partner, but also similar principles for all trading members of countries. On the other hand, the most significant step did not fulfill the all countries. Additionally, mostly countries have followed the Preferential Trading



agreement PTAs and FTAs, these are all working under the GATT; which permit one country to distinguish against the other. (Tuteja, 2012).

Likewise, USA did not give the grant of MFN status to China because of its Marxist inclinations. Furthermore, Pakistan several times decided to grant the MFN status to India, because MFN is the mammoth advantage for both nations, they will enjoy the low tariffs on all products and also will enjoy the open trade between the nations. Pakistan has a major reason of not grant the MFN to India, because India imposed the Non Tariff Barriers on Pakistan. Moreover, current government will grant the MFN status to India, because this time business community facing the crucial circumstances and intercontinental contributor organizations (Memon, Rehman & Rabbi, 2014).

#### **Current India and Pakistan Trade Routes**

Most imperatively focus on India and Pakistan trade via Punjab through Wagah-Attari border; because this is exclusively way between both countries of the direct trade (Pildat, 2012). Here, presenting an inclusive depiction of how commerce currently occurs via the different land routes can present strategies be examine for their achievement or failures. India and Pakistan have fought two wars after the partition in 1947. Due to these wars, borders have ceased several times between the two countries. On the other hand, some crossing enhancing the haulage costs connected with commerce. Undesirably, visa policies highly restricted to made the mutually trade were dilemma.

Furthermore, limited physical connection and restrictive strategies, India and Pakistan trade had been gutted. India and Pakistan various land routes whose are connect the borders between both countries; such as Wagah-Attari in Punjab, Khorakpur-Munabao in Sindh/Rajistan, and Rawalkot-Poonch and Muzaffarabad-Srinagar both in Kashmir. Lamentably, currently working is solely one border working for trading of both countries (Dogra, 2012). Kashmir border also used for trading between India and Pakistan but unluckily closed. On the other hand, Khorakpur-Munabao is exclusively opened once a week for crossing the passenger train and little bit trade but gloomily closed (Pakistan Tribune, 2006). Additionally, India and Pakistan direct trade land routes and by sea eleven gates for crossings. While India and Pakistan trade via Punjab, Kashmir, and sea; are various strategies and practices that rule how the both countries performed commerce, because of altering political phenomenon, geographically, and racial collapse between adjoining provinces. The province of Sindh, Pakistan and Gujarat, India could be play an imperatively role in enhancing the trade between India and Pakistan. Therefore, two regions have historically had strong correlation.

The Pakistan great founder Muhammad Ali Jinnah and India founder Mahatma Gandhi were Gujratis (Mehta & Mona G, 2010). Moreover, their coastal spot, Sindh and Gujarat were deeply engrossed in sea trade (Mookerji, 1912). During the partition in 1947, myriad Gujratis were settled in Karachi, Sindh; therefore immense numbers of Sindhi Hindus are settled in Gujarat (DeSouza, 2012). While the two regions between Sindh and Gujarat are home to separate racial



commune such as Sindhis and Gujratis. Further, racial groups have their divergent traditions and verbal communication. On the other hand, Punjab and Kashmir, these are two provinces are analogue in cultural, civilization, customs, and languages. Undesirably, Sindh and Gujarat borders are not working for officially trade (Bhatt, 2012). The Ranns of Kutch like a seasonal salt marshland in the Thar Desert spans most of the Sindhi-Gujarati border. On the other hand, both sides of borders Chief Sardars, the Rann of Kutch transform from a parched desert to salt marshland during the monsoon season every year (Soomro and Kumar, 2012).

Due to geographically oscillation to sustain the enduring road land infrastructure for connected the Gujarat and Sindh; because lack of low infrastructure no direct trade between Sindh and Gujarat (Mandhro, 2012). Moreover, India and Pakistan are going to trade unofficially through the third country by sea. India and Pakistan are doing mostly trade via Dubai (UAE) (Shah, 2011). India and Pakistan can be officially trade through Sindh and Gujarat route. Sindh is biggest province of the Pakistan and contributes the one-third of Pakistan's GDP also biggest in the population.

The big city is Karachi of Pakistan this is financial and commercial hub; Sindh region contributes considerably to Pakistan financial system. On the other hand, Gujarat is a commercially essential region in India. Gujarat is a hub of Industries. India does the twenty two percent exports from Gujarat (The Economist, 2011). In addition, thirty eight percent exports from developing Delhi-Mumbai industrial corridor (DMIC)

will pass throughout Gujarat. This determined developed scheme seeks to expertise an industrialized belt between Mumbai and Delhi via Gujarat (Soomro, 2012). Additionally, India and Pakistan are doing officially trade via Amritsar-Attari land routes or sea (Singh, 2013).

### **Trade through Punjab Region and Sea Trade**

In Punjab, there are five rivers. During separation in 1947, the British divided Punjab with India getting one-third of the territory and Pakistan getting two-thirds (Hermann, 1948). All ethnics were distributed such as Hindus, Muslims and Sikhs. The divider of the territory harshly curtailed Punjab's aptitude to contribute in South Asia commerce. Furthermore, 1947 partition was not the initiate time that Punjab commerce was disturbed. Former to colonization, Punjab in addition to Kashmir served as a viaduct, linking Afghanistan, Central Asia and the Middle East with the rest of the Indian Subcontinent. Actually, in south Asia are imperatively essential trade routes through Punjab. The foremost biggest one road named as Grand Trunk Road (GTR) links current day Bengal with Delhi, Lahore, Peshawar, and Kabul, ran interrupted throughout Punjab for near two millennia (Coll, 2009). After the partition of 1947, Punjab trade in the east with the rest of the Indian subcontinent was severely limited as the State became separated between Pakistan and India. Eventually, in South Asia commerce is most vital role of Punjab (Bearden, 2001).

With this diminished function, commerce throughout Punjab and by sea still makes up a mainstream of commerce between India and Pakistan. In spite of



dissimilarities in kinds of commerce infrastructure; almost the analogue strategies administrate commerce that occurs at Punjab and straight between the two countries by maritime. It is essential to note that ocean commerce between two major countries of South Asia that is routed third countries are excused from the strategies that guide straight India-Pakistan ocean commerce or trade via Punjab. In addition, through third country trade such as UAE is not subject to similar strategies as straight India and Pakistan maritime trade or Punjab trade.

#### **Trade between India and Pakistan by Sea**

Together with the commerce in Punjab, the similar commerce strategies govern ocean commerce that occurs straight between India and Pakistan. On the other hand, maritime trade way through UAE and other Gulf Cooperative Council (GCC) realms is not subject to these strategies. Actually, India and Pakistan can be trade anything if goods are way through third countries. In 1975, India and Pakistan signed sea commerce concurrence that developed a restricted ocean protocol (Ansari and Vohra, 2003). For example, shadow this concord Indian and Pakistani could not send the merchandise to a third country by seaport each other country. Overseas ships were not subject matter to this strict prerequisite so they were much more effectual and cost effective comparative to their Indian and Pakistani counterpart. This restrict on Pakistani and Indian vessels was ameliorate in 2005 so that both could move commodities ordained for third party destinations while discontinuing for commerce in each other's seaports (Taneja, 2013).

Moreover, reduced costs for transporting items between neighbors (Lewis, 2013). Alas, India and Pakistan doing hefty quantity of trade through third country such as UAE; scholars guesstimate that India and Pakistan can trade double amount if they do officially trade (Khan, 2012). India and Pakistan must be avoiding the unofficial trade because via sea trade too much expensive have need to more time one vessel to another vessel (Lewis, Khan and Altaf, 2013).

#### **India and Pakistan LOC Trade**

In Kashmir, there are two routes used border crossing (Times of India, 2013). The prior is situated in the northern area of the Kashmir province and connect the capital of the Indian province of Jammu and Kashmir, Srinagar, with the capital of the Pakistan state of Azad Kashmir, Muzaffrabad; like as Srinagar to Muzaffrabad. Furthermore, second border crossing is located at the central division of Kashmir linkage the Pakistani Kashmir city of Rawalakot with Poonch in Indian Kashmir like as Poonch to Rawalakot. In 2005, the massive earthquake sabotage the all infrastructure was located at Muzaffarabad in Pakistan Azad Kashmir (Sengupta, 2005). Earthquake gutted the edifices and seventy thousand people were killed in Pakistani Azad Kashmir and another fourteen hundred people in Indian Kashmir. Additionally, India and Pakistan consent to open the five borders crossing in Kashmir on November, 7, 2005 because both governments had to provide the aid for effected people or locations. This was the first time to open the border since 1947 between the two countries. However, five borders situated at Nauseri-Tithwal, Srinagar-Muzaffarabad, Hajipur-Uri, Rwalakot-



Poonch and Tattapani-Mendher (Pakistan News, 2005). When no necessitate the aid deliver of affected areas then crossing border closed bit by bit in 2006. Ultimately, exclusively Rawalakot-Poonch border crossing was open in 2006.

On the other hand, others crossing borders are connecting with main road of Srinagar to Muzaffarabad, both capitals of Pakistan and Indian Kashmir. Moreover, Poonch city is the entrance to the central part of Indian Kashmir, a state that is cut off from Srinagar and Jammu because of the Pir Panjal mountain range. The most vital is the Poonch is solely 163 Km by road from Pakistan's capital city Islamabad.

In addition, the significant regional role of these routes, Indian and Pakistan had acceded to build up bus service throughout these crossings along the Line of Control (LOC) in April 2005, before six month earthquake struck the Kashmir. Furthermore, compared to the other boundary crossings opened in the aftermath of 2005 Kashmir earthquake, physically road infrastructure is good developed and two lanes cemented with asphalt (Patel, 2013). In addition, in 2005 already planned bus routes, these borders crossings had an enduring, even though inadequate customs and immigration amenities on both sides of the LOC.

#### **Expenses of Cross-LoC Trade**

India and Pakistan crossings border extremely cheap as to compare the unofficial trade because diminutive distance of both sides; such as Srinagar to Muzafarabad route 113 Km crossings border between India-Pakistan. Additionally, in case of Rawalakot to

Poonch 64 Km distance of crossing border. Due to the shortest distance of trucks and other cargo costs too much low and directly merchandise one side to another easily reached, roughly estimate of cost one truck pay maximum 275 USD. On the other hand, another short distance of Poonch-Rawalakot route, the operating expenditure for one truck was about 50 USD. These approximations cover the haulage expenses running the entire route on both sides of the LoC. This was the enormous advantage between India and Pakistan from the northern areas (Mirza, 2013).

#### **Bilateral Trade Barriers**

Although, the current trade volume is little bit high, several trade barriers exist between India-Pakistan. According to commerce analysis classically begins with an assessment of tariffs and other Non Tariffs Barriers (NTB) to trade. Pakistan already maintained the positive list of products for which trade with India was allowed (Khan, 2010). Recently several items converted in negative list of products for which trade is prohibited (Pasha and Imran). On the other hand, India keep the sensitive list that have been expelled from regional commerce expansion efforts such as SAARC and SAPTA, which cover more than half of its imports from South Asia (Taneja, Ray, Kaushal, Chowdhury, 2011).

On the other hand, weak political will power including transportation infrastructure between them. Both countries have restricted policy and don't have superhighways for heavy transportations. India and Pakistan no direct flight from Islamabad to New Delhi route, railcars carrying goods must come back home empty, and ships must stop at



an intermediate seaport before docking at their trading partner. Moreover, several potential border crossing places are sealed, mostly bilateral trade through smuggling.

Further, trade can be change through domestic policy changes or international negotiations such as SAARC etc. In the point of history, bilateral trade facing the conflicts, but mutual trade has changed considerably since that time. Precisely, expand trade promotes peace and peaceful foreign policies as well as decision makers; enhance the political, social, and cultural relations (Keohane & Nye, 1989; Deutsh et al. 1957). Neo liberalism explored that reciprocally trade swell the relations and generate the massive opportunities (Hirschman, 1945). Liberal school of thoughts viewed that trade boost up between the nations; whereas greater chances of conflicts between nations, more trade reduced the conflicts and tensions; developed the bilateral relations among the nations (Armstrong, 2010). Finally, both countries must be removed the barriers to enhance the trade and reform the political relations.

#### **India and Pakistan Visas**

There are several times singed accord to flexible the visas procedure for business visas and tourists visas but regrettably their visas policies are not still flexible. India and Pakistan accepted the visa concord in 1974 (Taneja, 2013). On the other hand, this visa concurrence exceedingly restrict movement as it entailed obligatory strategy reporting, a maximum of three months legality, and also include visitors were required to entrance and exit using the same way and form of transportation. However, the main problem of Pakistani visitors that

they would report the police station on arrival and each time the visitor left the city. Moreover, visas were issued for maximum three cities (Bharati, 2012). India and Pakistan adopt new liberal visa policy on September 8, 2012. India and Pakistan new visa policy very easier as to compare previous visa regime because in this policy all categories of persons can be gain the advantage such as elders, children, and businessmen; also no police report have to local police station on arrival or during visit in India (Salman, 2012).

Furthermore, both of countries citizens can apply for the multiple visas and can visit the five cities up from the previous three (Bharati, 2012). This new visa administration was supposed to replace the highly restrict visa regime that had been in force since 1974 (Masood, 2012). However, India makes a decision to indefinitely delay the performance of this visa concord because of cease-fire violations along the Line of Control (LOC) in Kashmir in January 2013 (Sinha, 2013).

#### **Conclusion and Policy Implications**

This article has distinguished numerous economic and political conditions explaining the limited commerce relations between India and Pakistan over the past six decades. Our analysis has addressed a wider range of evidence that suggests that expand trade can play the positive role in economic and political development and promoting the peace with prosperity also abating the disputes between two conflicts countries. In addition, swell the security benefits, regional free trade accord, promoted the institutional concord. While Pakistan declared the MFN status to India is an



essential step for enhancing the trade relations. India and Pakistan expand trade could fine be determined by the events of the coming few years (De, Raihan, and Ghani, 2013). India-Pakistan on border tensions, terrorism, and financial transactions would have severe suggestions for regional peace and prosperity. India and Pakistan would be rapid growth if both nations expand trade for developed the bilateral relations.

While, India would be force to develop and seek increasing the armed arsenal. Furthermore, expanded trade cooperation will not only lead reciprocal gains, but also augment the peace, stability and economic development between them as well as in the whole South Asian region. Cooperation is necessary to attain the objectives of trade expansion, but to gain of expansion trade need a strong political will between both sides. Additionally, international organization could be funding and provide trade related infrastructure projects along the borders. India and Pakistan are members of South Asia Free Trade Agreement (SAFTA) but SAFTA is working very leisurely, it can be expand the trade relations between India and Pakistan. Regional trade agreements play the optimistic role to expand the trade among the nations such as China, Japan and South Korea proceed may be as part of ASEAN.

The finding of this study has numerous imperative policy implications. Firstly, this study evidence the approach of previous research that how expand the mutual trade helps diminish the disputes between India and Pakistan (Khan, 2010; Mamoon and Murshed, 2010). Moreover, dyadic relations require staying on an even keel. We have exposed how exact events can guide to increase in regional

tensions, mistrust, and populist rhetoric, impulsive a collapse of commerce. It is essential that both countries create the multilevel channels to exchange the information so that misunderstanding can be reducing across the border. This is most important to improve normalization relations in the region; both countries can expand the trade flow.

Secondly, India and Pakistan need to bolder policy steps to expand the trade also enhance the greater confidence between them so that they can benefit long term from trade liberalization. Moreover, greater peace and prosperity might be easy to obtain if they focus beginning on specific, jointly beneficial, short term targets such as Energy cooperation, TAPI pipeline project etc. In addition, international community, including World Bank and Asian Development Bank can play the optimistic role in funding and enhancing the trade infrastructure developments.

Finally, mutual rivalry can be lessening through SAFTA. SAFTA can play the vital role to diminish the tension between India and Pakistan. While both countries can be take more advantage through SAFTA liberalization. Furthermore, SAFTA is a negotiating platform to discuss the preceding issues and enhance the stability in the South Asia region. Regular meeting and confidence building mechanism would decrease the trade disruption. In addition, expanding dyadic commerce will not solely bring advantages in South Asia region but also between the two conflicts neighbors India and Pakistan. Therefore, it concludes that trade plays the soft and optimistic role in skirmish resolution between the two extensive standing rivals.



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