

# Confluence of Commerce and Conflict between India and Pakistan Since 1947

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## Abstract

Bilateral trade between India and Pakistan is as old as the two countries are, but the volume of trade between them is microscale relative to the size of their economies. This paper is an attempt to measure the importance, strength and nature of the bilateral trade relationship between India and Pakistan with conflict since its birth. The conflict between the two nations is best understood in a multivariate framework where variables such as economic performance, integration with the rest of the world, bilateral trade, military expenditure, democracy orientation and population are simultaneously considered. Several empirical studies have examined the likely gains that are made from removing the barriers to trade between India and Pakistan. Several indices can be used to measure trade relations between two nations. One such index is the trade intensity used in this study. Bilateral trade relationships between India and Pakistan, described in terms of intensity indices, help to identify how intensively the countries are trading with each other. Bilateral trade intensity indices have been calculated for the time period 1981 to 2022. The limitation of the study is that the trade intensity indices have limited application for measuring bilateral potential trade between nations. The policy implications of the analysis are that there is no alternative way for the two countries to increase their economic ties.

**Keywords:** Bilateral Trade, Economic Ties, Trade Intensity, Trade Potential, Democracy and Conflict, Conflict and Economic Development

## Introduction

India–Pakistan relations are the bilateral ties between India and Pakistan. Due to a number of significant political and historical occurrences, most notably the partition of British India in August 1947, the two countries have a complicated and generally adversarial relationship. One of the most militarised international borders in the world is the one between India and Pakistan (<https://en.wikipedia.org>). The anecdote behind this is to ascertain the gravity of trade in the India-Pakistan peace process. Trade is instrumental in achieving and maintaining peace and stability in the Indian sub-continent (Batra, 2004). Economic interconnectedness fosters peace, and the benefits of trade prevent international conflict. Taking into account India-Pakistan commercial connections, it is possible that trade can contribute to the peaceful resolution of disputes between the two longtime rivals (<http://www.mea.gov.in>).

The international environment is changing gradually, and the system of the world in the new order is moving from unipolar to multi-polar system of fact. Interdependence on each other and cooperation among countries in regions is going to expand (Khan, 2013). Not only regionalism but cooperation among superpowers is being witnessed these days. In recent years, efforts toward promoting peace in the Sub-continent have revolved around the idea of improving trade relations among the states (<https://www.academia.edu>). Trade relationships between India and Pakistan have been weak. Wars, reforms, politics, and a general distrust have stalled the growth of developing

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economic ties, with both sides agreeing to cooperate and collaborate, then subsequently falling behind each other's expectations (Basu & Datta, 2007). Countries' foreign policies play a vital role in determining trade relations between India and Pakistan (Noshina, 2014). India-Pakistan trade relations are of paramount importance not only between the two countries but the whole of the South Asian region. There are numerous welfare gains associated with enormous unexploited trade and investment between the two countries. Trade is certainly one of the most important pragmatic measures for fermenting bilateral ties (Baysan, Panagariya & Pitigala, 2004).

Until India and Pakistan became independent in 1947 from the British, they not only formed one political entity but also one integrated economy. Greater Punjab was one economic entity for centuries before partition bi-furcated it between India and Pakistan in 1947 (<http://www.icrier.org>). A salient feature of this interdependence was that Pakistan produced raw materials while India processed them, thus earning a much higher rate of return (SAFTA, 1993). Following the independence and partition of India in 1947, India-Pakistan trade fell drastically and came to a standstill for almost nine years in the aftermath of the war in 1965. On a list of mutually agreed-upon issues, a protocol for the restart of trading relations was signed in 1974. In 1996, India accorded Most Favoured Nation (MFN) status to Pakistan, but it was not reciprocated by the latter. In 2012, Pakistan made an offer to grant India MFN status after more than a decade; however, it was not accepted (<https://www.thehindu businessline.com>). Pakistan, on the other hand, continued to allow imports of only a limited number of items from India, collectively known as the positive list, although the number of items on the list has increased gradually ([www.academia.edu](http://www.academia.edu)). India shares over 3,300 kilometres long border with Pakistan despite that India's bilateral trade with the country through land route is less than half a billion dollars.

As per the latest official data given in Parliament, India's total bilateral trade with Pakistan is, surprisingly, not heavily skewed in its favour, unlike Nepal and Bangladesh (Basu & Datta, 2007). India exports goods and services worth \$263 million to Pakistan and imports goods and services worth \$235 million, taking the bilateral trade figure to \$498 million. India's bilateral border trade with Pakistan is just 7% of India's bilateral border trade with

Nepal (Noshina, 2014). Additionally, it only accounts for 12% of India's bilateral border trade with Bangladesh and only 23% of India's total border trade with Bhutan, a nation with a population of only 8 lakhs and a GDP of \$2.54 billion, as opposed to Pakistan's 21 crore people and \$304 billion GDP (Akhtar, 2008). Apparently, border hostilities between India and Pakistan have taken a heavy toll on the potential of trade and commerce between these two nuclear-armed neighbours, which have fought four wars since independence (<https://www.financialexpress.com>).

Despite their shared history, culture, and ethnic heritage, India and Pakistan have had tense relations ever since India's split in 1947, despite these ties. To begin the peace process, several confidence-building-measures (CBMs) between India and Pakistan have been taken (Sangini & Schaffer, 2003). Two of these effective initiatives that were crucial in increasing people-to-people contact between the two nations are the Samjhauta Express and the Delhi-Lahore Bus service (Khan, 2013). A historic trade route across the Line of Control was opened in 2008, and the start of the Srinagar-Muzaffarabad bus service in 2005 has increased both sides' desire to improve relations.

Despite being in enmity and having fought several wars, the business between the two countries has neither really stopped nor even flourished. Increasing tensions on LOC constantly have once again raised the question of whether trade with Pakistan is feasible or not. If yes, then a question immediately pops up in anyone's mind could be, are we compromising on the country's sovereignty? The issue also arises as to what other ways could be adopted to minimise this state of apprehension between the two neighbouring countries. The answer might not be as simple as the question seems to be; however, the debate is ongoing.

## Literature Review

Any study project requires a review of the existing theory's literature. The literature review provides information on the work done in the related area and the theoretical framework on which the proposed solution to the problem can be based. The literature on the problem is quite scattered and extracted from different sources to explore the depth of the problem under study, namely the India-Pakistan trade relations. The brief review of the literature has been presented under different themes:

- *Type of Products Traded*

Akhtar (2008) has analysed that Pakistan has experienced high growth in the industries of sole/upper of rubber/plastic, footwear, top of leather, footwear and part of footwear removable in-soles, heel cushion, etc. gaiter, etc. A pattern of trade in Pakistan's footwear industry is shifting from a disadvantaged situation to a situation of comparative advantage. India has the highest contribution in footwear, the upper of leather, part of removable shoe insoles, heel cushions, etc. and the upper of a textile mat. Finally, the study suggests that in the rapidly changing global environment, there should strengthen the competitiveness of the footwear industry.

Khan (2013) has examined the critical issues related to India-Pakistan trade relations. According to the study's findings, Pakistan has a relative competitive disadvantage in the production of iron and steel, pharmaceutical products, minerals, chemicals, and polyester, as well as in the manufacturing of automobile parts. The textile and garment sector are the primary contributor to the list of product lines in which the country has a comparative advantage. The report recommends that both countries should reactive SAFTA and agree to increase the sensitive list of commodities.

Mukherji (1997) measured the structural changes in India's exports to the SAARC region during the period from 1990-91 to 1994-95. The share of textiles and textile products remained predominant at nearly 29%, while that of primary products declined marginally to 8.5% during the study period. The share of value-added manufactured products remained more or less the same. The only change to be seen as a decline in the share of machinery and an increasing share of basic metals, reflecting an increasing share of intermediate capital goods exports to meet the growing aspiration for industrialisation in South Asian countries.

Taneja (2015) has studied the trading patterns between India and Pakistan in the sports goods sector. The finding of the study shows that Pakistan's sports sector contributes significantly to the economy and provides employment. The Indian sports sector also contributes substantially to rural and urban employment. Bilateral trade between India and Pakistan has been increasing over the last few years (from 1995 to 2010) in the sports sector. One of the primary products that is exported from India to Pakistan

is inflatable balls. India is competitive in other sports products also, like golf equipment, water sports equipment, tracksuits and sports footwear. The study reveals that both countries have a comparative advantage in sports goods. The simple gravity model confirms that there is great potential for trade between these two nations, and both should try and increase trade based on their respective comparative advantage. The study recommends that India and Pakistan should concentrate on trading in products in which they have a comparative advantage.

- *Determinants of Trade*

Basu and Datta (2007) analysed that Pakistan had export similarities with India and hence faced high export competitiveness and also tried to identify the determinants of bilateral export and trade deficit by using an econometric time series analysis. The study found that export was to be of random nature and trade deficit had a poor relation with the exchange rate. The study suggested that Pakistan should pursue an appropriate exchange rate policy and aimed at increased diversification in its export structure in order to reduce the bilateral trade deficit.

Noshina's (2014) point of view was trade relationships between India and Pakistan have been weak. Wars, reforms, politics, and general distrust have stalled the growth of developing economic ties, with both sides agreeing to cooperate and collaborate, then subsequently falling behind each other's expectations. Countries' foreign policies play a vital role in determining trade relations between India and Pakistan.

Sikdar (2005) measured trade intensity and revealed comparative advantage and trade complementarity indices of India-Pakistan. This appears not only to goods in which the individual economy is endowed with the revealed comparative advantage but to overall trade also, as reflected by trade complementarity indices. The study concluded that the actual prospects of such a trading arrangement would seem to have a rather limited scope.

- *Nature of Trade*

Batra's (2004) study revealed that the magnitude of India's trade potential was highest in the Asia-Pacific region. Among specific country groupings' trade arrangements, India's trade potential was revealed as highest with Pakistan in SAARC and with the Philippines and Cambodia in the ASEAN for the year 2000.

Ghuman and Madaan (2006) have analysed the trade cooperation between India-Pakistan and SAARC (South Asian Association for Regional Cooperation). It observed in this study that the main problem in promoting mutual trade has been political rationalities. The normalisation of relations could facilitate them to cut their spending on defence. It would help to spend spare resources on poverty, unemployment, and inequality, which are the serious problems of both countries.

IMF (2005), in its study of trade liberalisation and its impact, found that Indians' trade restrictiveness measures eight (on a scale from one to ten), while Pakistan's index stands at six (<https://www.imf.org>).

Madaan (1998) investigated the SAARC members' trade interactions from 1975 to 1995. The study revealed that India's trade with SAARC was only 2.8%. Among the SAARC countries, India and Pakistan were the major trading partners with Sri Lanka. Pakistan's trade with SAARC has declined over the period due to restrictive trade policies. The study suggested the promotion of exports through its diversification to improve trade among SAARC members.

Taneja and Nisha (2008) attempted to promote trade and economic relations between India and Pakistan, focusing on identifying bilateral trade possibilities and identifying non-tariff barriers to Indo-Pak trade. The study shows that there is a large untapped trade potential between the two countries of US \$11.7 billion. Pakistan has a \$ 2.2 billion export potential to India, while India has a \$ 9.5 billion export potential to Pakistan.

Based on the literature survey, gaps have been explored, which have been presented in the subsequent section.

## Gap Analysis

India Pakistan Trade relations, however, has not achieved its full potential since its growth is marred by various political and border conflict as well as inadequacies. Keeping into consideration that border trade has been beneficial both at the bilateral and local levels, there are wide scopes to strengthen and expand border trade (Dollar & Kraay, 2004). The first stage in the formulation of the research problem is to assess the current problem in border trade practices between India and Pakistan. The

focus of this study is on strengthening and improving bilateral border trade practices between India and Pakistan (George, 2001).

On the basis of the literature review, the following three problems have been identified that are associated with strengthening and improving the two antagonist border trade practices between India and Pakistan:

- First, very little is known about the extent of border trade practices between India and Pakistan. Whereas from the regulators' standpoint, this information is important in deciding future possibilities for the growth of bilateral border trade economic relationships and for making necessary policy changes.
- Second, very few studies attempted to identify the determinants of bilateral border trade practices and to assess the extent to which different factors can explain the variations in such trade issues. Also, previous studies have hardly made any effort to identify various deterrents to bilateral border trade practices between India and Pakistan.
- Third, little empirical evidence is available from the previous studies regarding political factors, which might explain the variation, if any, in the extent of border trade practices between India and Pakistan.

To pursue the study in this area, we explored the following prime issues that are related to the central research problem of this study:

- Whether there is proper domestic connectivity in the border region, viz., setting up roads and communication networks.
- Whether there is any development of industries in the border regions and establishment of forward and backward linkages between the border trade and the domestic industrial base.
- Whether there is any political barrier in establishing border connectivity between two antagonist countries.
- Is there any impact on transport costs?
- Is there any incidence of unofficial trade?
- Is there any issue on balance being maintained between security concerns and economic necessities while deliberating on border trade?

- Is there any economic upliftment to the underdeveloped border regions due to these bilateral border trade practices between India and Pakistan?
- Is there any scope for growth of opportunities or positive impact on the economy as well as on the psychology of the people of the two countries due to such trade practices?
- Is there any scope to remove all differences between these two countries through these bilateral trade practices?

In the next section, we described the objectives of the study in the context of the issues described above.

## Objectives of the Study

The prime objectives of the study are as follows:

- To study the development of bilateral trade relations and the conflict between India and Pakistan;
- To review the product wise trade practices between India and Pakistan over the period of 1981-2022;
- To examine the status of investment due to bilateral trade between India and Pakistan;
- To explore determinants and deterrents to bilateral trade between India and Pakistan.

## Research Methodology

The study has been based on Secondary data sources from 1981 to 2022. Data for India and Pakistan's trade performance and progress have been collected from UNCOMTRADE. Revealed comparative advantage trade indices have been calculated to assess India's and Pakistan's trade performance.

This study has used both qualitative and quantitative research approaches in an effort to thoroughly examine the topic. We use information from secondary sources, such as a variety of publications, research articles, journals, and novels, in order to have a fair appraisal of the problem. This study is organised into four sections. The first section focuses on a brief introduction and background of the research problem. The second section is an attempt to highlight the different stages and benefits of trade. The third section evaluates the status of contribution in the present situation along with its mechanism and efforts to

enhance trade in the region. The last section of the paper is based on suggestions and conclusions. This study is a step towards promoting peace which may lead both countries to a win-win situation. The outcomes of this work are anticipated to be extremely helpful for both students and policymakers in the subject of development studies, in addition to scholars and experts in political economy.

## Analysis and Findings

Balassa's (1965) Revealed Comparative Advantage (RCA) determines the relative benefit of a nation over others, in particular, market via the relative market share that the product of that country holds. The formula of RCA is further interpreted by Donges and Riedel, 1977; Kunimoto, 1977; Bowen, 1983 and Vollrath, 1991. It was more critically reviewed by Lapadre (2001).

$$RCA_{ij} = (X_{ij}/X_{it}) / (X_{wj}/X_{wt})$$

Where  $X_{ij}$  and  $X_{wj}$  are the values of the country's exports of product  $j$ , and world exports of product  $j$ , and  $X_{it}$  and  $X_{wt}$  refer to the country's total exports and total world exports.

A value of less than unity implies that the country has a revealed comparative disadvantage in the product. Similarly, if the index exceeds unity, the government is said to have a revealed comparative advantage in the product. If the value is equal to one, the country's specialisation in a commodity is identical with the world's specialisation in that commodity (Balassa & Bauwens, 1988).

The logic of using this approach is that countries are more likely to export only those commodities in which they are globally competitive rather than items in which the partner countries have demand and supply capabilities. The major problem highlighted with such a measure of RCA is that its theoretical concept is based upon pre-trade relative prices in a world where markets function without distortions. There will always be a discrepancy between a country's supposed comparative advantage based on post-trade observable statistics and its real comparative advantage. However, according to Balassa, comparative advantage can be determined by looking at country/commodity trade patterns because actual trades take into account differences in non-price aspects as well as relative costs (Balassa, 1965). The results of both approaches

are reported, but the analysis of total trade potential and potential in the negative and sensitive lists is undertaken using the RCA approach.

A “paired RCA approach” is an extension of the RCA concept that looks at the sensitive and negative lists. This concept is used to identify ‘vulnerable items’ defined as those items in which a country is not globally competitive ( $RCA < 1$ ) but the partner country is ( $RCA > 1$ ). These are termed ‘vulnerable’ as they are most likely to face competition from exports of the competitive partner country. Countries may consider protecting such items.

## India’s Trade Performance with the Pakistan

### Exports

Table 1 shows the trade trends of India to Pakistan during 1981-2022. Table 1 depicts that India’s exports to Pakistan

have been continuously increasing since 1981. India’s exports to Pakistan surged from US \$ 3563345 million in 1981 to US \$ 2133675846 million in 2019, or by roughly 600 times in 38 years, during the pre-SAFTA period. The trend shows an increase in exports during SAFTA’s implementation.

### Imports

India’s imports from Pakistan have increased from US \$ 11884712 million in 1981 to US \$ 696215418 million in 2021, i.e. increased by more than 60 times in 40 years. However, it is clear from Table 1 that during 1981-1992, trade is unfavourable for India. In 1993-1997, India’s trade balance was found to be positive. This is the period when India gave MFN status to Pakistan. Again, the Indian trade balance was found negative in 1998, the period of nuclear tests. During 2000-2022, the trade balance found positive credit goes to the maritime protocol policy, 2005.

**Table 1: India’s Trade with Pakistan (1981-2022) in US \$ Million**

Year	Exports	Imports	Total Trade	Trade Balance	Export/Import Ratio
1981	3563345	11884712	15448057	-8321367	0.30
1982	6611103	0	6611103	6611103	0
1983	11935482	27082034	39017516	-15146552	0.44
1984	10869102	13266532	24135634	-2397430	0.82
1985	12081800	21945828	34027628	-9864028	0.55
1986	12140871	15009232	27150103	-2868361	0.81
1987	14744487	17963348	32707835	-3218861	0.82
1988	24818204	47626888	72445092	-22808684	0.52
1989	31670804	29424128	61094932	2246676	1.08
1990	40560468	46551920	87112388	-5991452	0.87
1991	40160440	57606296	97766736	-17445856	0.70
1992	56733403	144886364	201619767	-88152961	0.39
1993	64061760	43565044	107626804	20496716	1.47
1994	57230540	52745100	109975640	4485440	1.09
1995	76585312	45014688	121600000	31570624	1.70
1996	157205710	36137085	193342795	121068625	4.35
1997	143179264	44388008	187567272	98791256	3.23
1998	106058480	214640288	320698768	-108581808	0.49
1999	92877320	68179542	161056862	24697778	1.36
2000	163832124	69621541	233453665	94210583	2.35
2001	164599391	69886178	234485569	94713213	2.36
2002	187706742	33893498	221600240	153813244	5.54
2003	183554120	68054395	251608515	115499725	2.70

Year	Exports	Imports	Total Trade	Trade Balance	Export/Import Ratio
2004	522079200	79132479	601211679	442946721	6.60
2005	593061926	165945292	759007218	427116634	3.57
2006	1235038945	286471806	1521510751	948567139	4.31
2007	1584291463	286689567	1870981030	1297601896	5.53
2008	1772775379	372014038	2144789417	1400761341	4.77
2009	1455772376	272119701	1727892077	1183652675	5.35
2010	2235787729	320726021	2556513750	1915061708	6.97
2011	1678131096	352110776	2030241872	1326020320	4.77
2012	1633347730	500328116	2133675846	1133019614	3.26
2013	2176411673	379160427	2555572100	1797251246	5.74
2014	2169947520	529854769	2699802289	1640092751	4.10
2015	1963455900	456327942	2419783842	1507127958	4.30
2016	1524632901	49642538	4234876921	1263549102	4.83
2017	2030241872	320726021	1772775379	1400761341	4.62
2018	1298652312	456702376	3498235610	2169947520	3.21
2019	2133675846	529854769	1678131096	4271166348	2.11
2020	106058480	214640288	320698768	-108581808	1.49
2021	163832124	696215418	233453665	94210583	2.55
2022	64061760	43565044	107626804	20496716	1.47
CAGR	12.08	11.11	1175	4429322179*	2.66*

Source: Calculated From UNCOMTRADE, 2022. \* Average.

## Pakistan's Trade Performance with India

### Exports

Table 2 shows the trade trends of Pakistan with India during 1981-2022. Pakistan exports to India increased from US \$ 67403568 million in 1981 to US \$ 512284289 million in 2022, i.e. increased by 7.6 times.

### Imports

Pakistan imports from India increased from US \$ 2777389 million in 1981 to US \$ 2669286173 in 2022, i.e. increased by more than 960 times. However, during 1981-1988, Pakistan's balance of trade was found to be positive. Since 1990, it has remained unfavourable for all the years except 1998. From 2000 to 2022, Pakistan's trade of balance has been negative.

**Table 2: Pakistan's Trade with India (1981-2022) in US\$ Million**

Year	Exports	Imports	Total Trade	Trade Balance	Export/Import Ratio
1981	67403568	2777389	70180957	64626179	24.27
1982	30591107	3545557	34136664	27045550	8.63
1983	28527050	7051871	35578921	21475179	4.05
1984	25551646	12733166	38284812	12818480	2.01
1985	37556715	15431000	52987715	22125715	2.43
1986	20743962	12706697	33450659	8037265	1.63
1987	21346628	11794759	33141387	9551869	1.81
1988	50580280	28793882	79374162	21786398	1.76
1989	30180715	30322166	60502881	-141451	1.00
1990	48805264	45570524	94375788	3234740	1.07

Year	Exports	Imports	Total Trade	Trade Balance	Export/Import Ratio
1991	48769652	43761108	92530760	5008544	1.11
1992	135327680	52126932	187454612	83200748	2.60
1993	48997560	68293912	117291472	-19296352	0.72
1994	2006000	1364800	3370800	641200	1.47
1995	39790064	82366600	122156664	-42576536	0.48
1996	42205535	187794530	230000065	-145588995	0.22
1997	33293120	142173248	175466368	-108880128	0.23
1998	204278288	153590640	357868928	50687648	1.33
1999	81544064	130655024	212199088	-49110960	0.62
2000	64994600	183176624	248171224	-118182024	0.35
2001	54518862	240753654	295272516	-186234792	0.23
2002	48747840	162477664	211225504	-113729824	0.30
2003	83546281	226244660	309790941	-142698379	0.37
2004	158497931	454408247	612906178	-295910316	0.35
2005	337217915	576700798	913918713	-239482883	0.58
2006	326704192	1114994985	1441699177	-788290793	0.29
2007	291695688	1266227743	1557923431	-974532055	0.23
2008	354636647	1691475888	2046112535	-1336839241	0.21
2009	235322717	1080404059	1315726776	-845081342	0.22
2010	274982511	1559920968	1834903479	-1284938457	0.18
2011	272863766	1607345601	1880209367	-1334481835	0.17
2012	347994005	1572585136	1920579141	-1224591131	0.22
2013	402747280	1874061902	2276809182	-1471314622	0.21
2014	392214289	2104803618	2497017907	-1712589329	0.19
2015	312284289	1669286173	1981570462	-1357001884	0.19
2016	1298652312	456702376	3498235610	2169947520	3.21
2017	37556715	15431000	52987715	22125715	2.43
2018	183554120	68054395	251608515	115499725	2.70
2019	48997560	68293912	117291472	-19296352	0.72
2020	163832124	696215418	233453665	94210583	2.55
2021	20743962	12706697	33450659	8037265	1.63
2022	512284289	2669286173	1981570462	1357001884	5.19
CAGR	10.92	12.13	11.53	-384607251.8*	1.76*

Source: UNCOMTRADE, 2022. \* Average.

## Commodity Composition of India's Trade with Pakistan

### Indian Exports

An average share of the Indian exports to Pakistan of 1981-1990, 1991-2000, 2001-2010 and 2011-2022 has been listed in Table 3. The top twenty commodities have been selected as per their major share in the Indian export structure with Pakistan. During 1981-1990, the highest

average share is found for Inorganic chemicals, precious metals, and isotopes (26.32%), followed by Edible vegetables and certain roots and tubers (22.15%), Organic chemicals (21.34%), Oil Seeds, oleagic fruits, grain, seed etc., nes (6.48%) and Products of animal origin, nes (5.97%). The minimum share is found for Coffee, tea, mate and spices (0.04%), Iron and steel (0.04%), Furniture, lighting, signs, prefabricated buildings (0.02%) and Clocks and watches and parts thereof (0.01%) for the study period.

For the years 1991 to 2000, the commodities with the highest market share were live trees, plants, bulbs, roots, and cut flowers (17.14%), followed by cereals (14.92%), tobacco and manufactured tobacco substitutes (11.88%), edible vegetables and some roots and tubers (10.24%), and inorganic chemicals, precious metal compounds, and isotopes (9.07%). For the period of 1991-2000, the low share was observed in the following sectors: Electrical and electronic equipment (0.57%), Man-made staple fibres (0.51%), Impregnated, coated, or laminated textile fabric (0.50%), Pearls, precious stones, metal, coins, etc. (0.42%), and aircraft, spacecraft, and parts thereof (0.37%).

For the period of 2001 to 2010, the category with the highest average share was knit or crocheted articles of clothing or accessories (23.29%), followed by articles of clothing or accessories that were not knit or crocheted (7.01%), headgear and components thereof (6.50%), and carpets and other textile floor coverings (6.14%). The lower share was recorded for Ships, boats and other floating structures (0.89%) and Pearls, precious stones, metal, coins, etc. (0.45%) for 2001-2010.

The commodity Ores, slag and ash (20.29%), followed by headgear and parts thereof (12.89%), Articles of apparel, accessories, knit or crochet (12.42%), Products of animal origin, nes (8.72%) and Carpets and other textile floor

coverings (5.49%). The lowest amount of share is in Bird skin, feathers, artificial flowers, and human hair for 2011-2022.

It is clear from Table 3 that items Edible vegetables and certain roots and tubers, Organic chemicals, oil seed, oleagic fruits, grain, seed etc., nes, Arms and ammunition, parts and accessories thereof, Ships, boats and other floating structures, Tobacco and manufactured tobacco substitutes, Bird skin, feathers, artificial flowers, human hair, Impregnated, coated or laminated textile fabric, headgear and parts thereof has concentrated for few commodities. Item, namely headgear and parts thereof, Articles of apparel, accessories, knit or crochet, pearls, precious stones, metals, coins, etc., and Carpets and other textile floor covering have recorded increased share throughout the study period. Inorganic chemicals, precious metal compounds, isotopes, edible vegetables, and specific roots and tubers were the top two items discovered between 1991 and 1990. For the next five years, Live trees, plants, bulbs, roots, cut flowers and Cereals. During 2001-2010, Articles of apparel, accessories, knit or crochet and Oil seed, oleagic fruits, grain, seed, fruit, etc., nes. In 2011-2022, ores, slag and ash and headgear and parts thereof were found to be the top twenty items. Thus, diversification of Indian exports to Pakistan has been found.

**Table 3: Top 20 Items of India Export to Pakistan (1981-2022) (Percentage Share)**

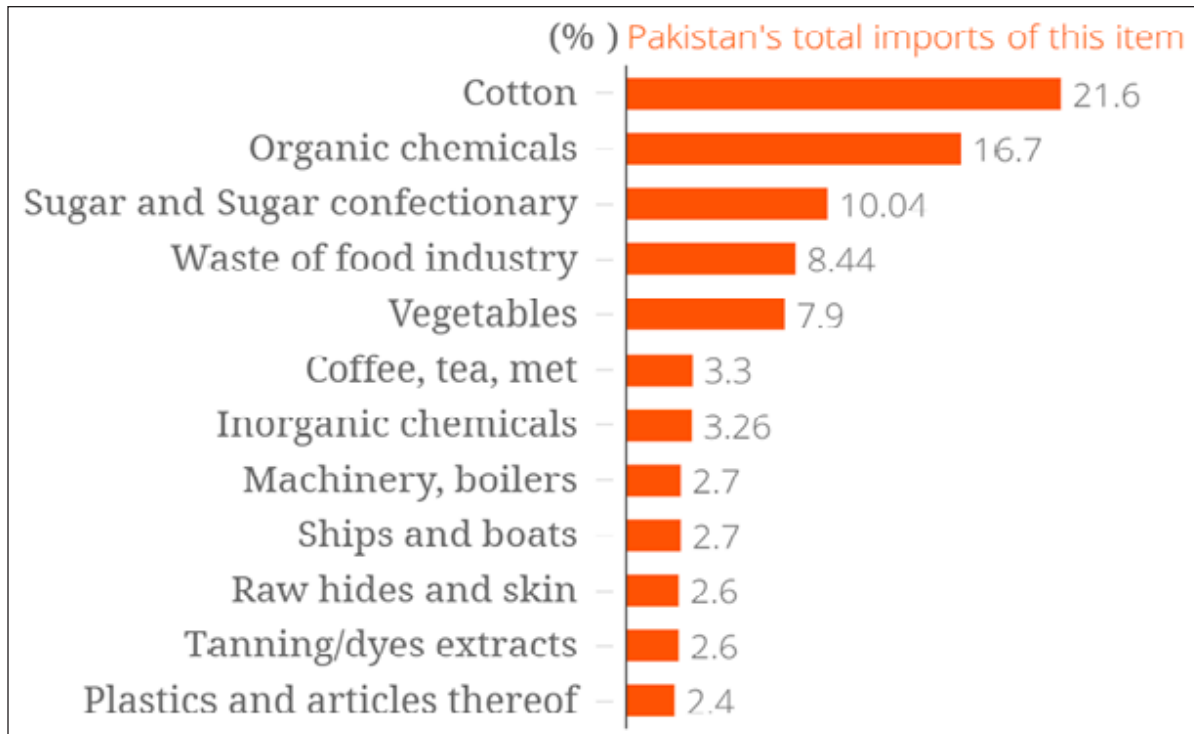
HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
28	Inorganic chemicals, precious metal compound, isotopes	26.32	9.07	3.72	-
07	Edible vegetables and certain roots and tubers	22.15	10.24	2.90	4.05
29	Organic chemicals	21.34	8.62	2.07	2.34
12	Oilseed, oleagic fruits, grain, seed, fruit, etc, nes	6.48	5.35	7.01	2.58
05	Products of animal origin, news	5.97	1.56	2.64	8.72
53	Vegetable textile fibers nes, Paper yarn, woven fabric	5.96	-	-	-
93	Arms and ammunition, parts and accessories thereof	4.65	0.9	3.2	5.49
89	Ships, boats and other floating structures	3.92	1.89	0.89	2.23
69	Ceramic products	3.75	-	-	-
24	Tobacco and manufactured tobacco substitutes	3.27	11.88	2.97	3.15
67	Bird skin, feathers, artificial flowers, human hair	3.21	1.09	2.35	1.56
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	2.86	-	-	-
52	Cotton	2.42	0.8	3.51	-

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
78	Lead and articles thereof	1.82	-	-	-
27	Mineral fuels, oils, distillation products, etc	1.74	8.2	2.91	-
50	Silk	1.74	-	-	-
84	Nuclear reactors, boilers, machinery, etc	1.21	-	1.28	-
51	Wool, animal hair, horsehair yarn and fabric thereof	0.99	-	-	-
68	Stone, plaster, cement, asbestors, mica, etc articles	0.95	1.27	1.3	1.36
63	Other made textile articles, sets, worn clothing, etc	0.86	-	-	-
59	Impregnated, coated or laminated textile fabric	0.80	0.5	1.6	2.34
65	Headgear and parts thereof	0.76	0.89	6.5	12.89
76	Aluminum and articles thereof	0.54	-	-	-
74	Copper and articles thereof	0.49	0.64	1.17	-
82	Tools, implements, cutlery, etc of base metal	0.37	-	-	-
79	Zinc and articles thereof	0.33	-	-	-
55	Manmade staple fibers	0.31	0.51	-	1.11
10	Cereals	0.31	14.92	-	-
87	Vehicles other than railway, tramway	0.28	-	-	-
61	Articles of apparel, accessories, knit or crochet	0.25	5.18	23.39	12.42
54	Manmade filaments	0.24	3.05	3.03	2.64
58	Special woven or tufted fabric, lace, tapestry, etc	0.17	-	-	-
71	Pearls, precious stones, metals, coins, etc	0.12	0.42	0.45	1.29
85	Electrical, electronic equipment	0.11	0.57	-	-
62	Articles of apparel, accessories, not knit or crochet	0.08	-	7.01	-
22	Beverages, spirits, and vinegar	0.08	0.63	-	-
88	Aircraft, spacecraft, and parts thereof	0.06	0.37	-	-
09	Coffee, tea, mate and spices	0.04	-	-	-
72	Iron and steel	0.04	-	-	-
94	Furniture, lighting, signs, prefabricated buildings	0.02	-	-	-
91	Clocks and watches and parts thereof	0.01	-	-	-
57	Carpets and other textile floor coverings	-	2.39	6.14	5.49
26	Ores, slag and ash	-	1.33	-	20.29
08	Edible fruit, nuts, peel of citrus fruit, melons	-	5.93	-	-
23	Residues, wastes of food industry, animal fodder	-	0.65	-	-
57	Carpets and other textile floor coverings	-	1.35	-	-
04	Dairy products, eggs, honey, edible animal product nes	-	1.47	-	-
06	Live trees, plants, bulbs, roots, cut flowers	-	17.14	-	-
32	Tanning, dyeing extracts, tannins, derivs, pigments etc	-	0.81	-	-
01	Live animals	-	-	1.38	-

Source: Calculated from UNCOMTRADE, 2022, Note: (-) wiped out items for the period.

Fig. 1 shows the average yearly item-wise detail of exports from India to Pakistan. The trend shows that in the export status from India to Pakistan, cotton dominates (21.6%) followed by organic chemicals (16.7%), whereas

export of raw hides and skin (2.6%), tanning/dye extracts (2.6%) and plastics and articles thereof (2.4%) is very insignificant.



Source: [www.mea.gov.in](http://www.mea.gov.in)

**Fig. 1: Indian Exports to Pakistan**

### Indian Imports

An average share for the period of 1981-1990, 1991-2000, 2001-2010 and 2011-2022 from Pakistan has been listed in Table 4. The top twenty commodities have been selected as per their major share with India's imports from Pakistan. The highest average share is found for wadding, felt, nonwovens, yarns, twine, cordage, etc. (0.25%), followed by Ores, slag and ash (0.24%), Product of animal origin, nes (0.23%), Bird skin, feathers, artificial flowers, human hair (0.21%) and Headgear and parts thereof (0.13%) for the period of 1981-1990. The lowest average share is found in Beverages, spirits and vinegar (0.03%), Organic chemicals (0.02%), Inorganic chemicals, precious metal compounds, isotopes (0.02%), Articles of apparel, accessories, not knit or crochet (0.01%) and Wool, animal hair, horsehair yarn and fabric thereof (0.01%) for 1981-1990.

For the period of 1990-2000, the maximum share has been found in Dairy products, eggs, honey, edible animal product nes (0.33%), followed by Products of animal origin, nes (0.31%) and Wadding, felt, nonwovens,

yarns, twine, cordage, etc. (0.27%). The minimum import share, i.e. 0.01%, is found for items Mineral fuels, oils, distillation products, etc. beverages, spirits and vinegar and edible vegetables and certain roots and tubers for the period of 1991-2000. Similarly, for the period of 2001-2010, the item, namely products of animal, nes has a higher share, i.e. 0.35%, followed by Wadding, felt, nonwovens, yarns, twine, cordage, etc. (0.17%) and Headgear and parts thereof (0.12%) comprise highest average share in India's imports. For the years 2001–2010, the items with the lowest share were cotton, ships, boats, and other floating structures (0.01%), as well as arms and ammunition, an average share for the period of 1981-1990, 1991-2000, 2001-2010 and 2011-2022 from Pakistan has been listed in Table 4. The top twenty commodities have been selected as per their major share with India's imports from Pakistan. The highest average share is found for wadding, felt, nonwovens, yarns, twine, cordage, etc. (0.25%), followed by Ores, slag and ash (0.24%), products of animal origin, nes (0.23%), bird skin, feathers, artificial flowers, human hair (0.21%) and headgear and parts thereof (0.13%) for the period of 1981-1990. The lowest average share is found in beverages,

spirits and vinegar (0.03%), Organic chemicals (0.02%), inorganic chemicals, precious metal compounds, isotopes (0.02%), articles of apparel, accessories, not knit or crochet (0.01%) and Wool, animal hair, horsehair yarn and fabric thereof (0.01%) for 1981-1990 their parts and accessories. The highest average share is found for products of animal, nes (0.20%), followed by inorganic chemicals, precious metal compounds, isotopes (0.17%) and essential oils, perfumes, cosmetics, toiletries (0.15%) for the period of 2011-2022. The minimum share of 0.01% is found for arms and ammunition, parts and accessories thereof, iron and steel, ships, boats and other floating structures.

It is clear from Table 4 that India shares in Pakistan imports for the items, namely Ores, slag and ash, products of animal origin, nes, Headgear and parts thereof, articles of apparel, accessories, knit or crochet, mineral fuels, oils,

distillation products, etc., beverages, spirits and vinegar, organic chemicals and inorganic chemicals, precious metal compound, isotopes remain in the top ten categories. Item, namely Ores, slag and ash, have recorded increased share throughout the study period. In 1981-1990, the top two items were found. Namely, Wadding, felt, nonwoven, yarns, twine, cordage, etc., and Ores, slag and ash. Dairy products, eggs, honey, edible animal products nes and products of animal, nes were found to be the top two commodities for the period of 1991-2000. Animal-related products such as wadding, felt, nonwoven fabrics, yarns, twine, and cordage occupied the top two spots between 2001 and 2010. In 2011-2022, Inorganic chemicals, precious metal compounds, isotopes and products of animal, nes found. Thus, diversification of Indian imports to Pakistan has been found.

**Table 4: Top 20 Items of India Imports from Pakistan (1981-2022)**  
(Average Percentage Share)

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	0.25	0.27	0.17	-
26	Ores, slag and ash	0.24	0.11	0.02	0.10
05	Products of animal origin, nes	0.23	0.31	0.35	0.20
67	Bird skin, feathers, artificial flowers, human hair	0.21	0.04	0.11	-
65	Headgear and parts thereof	0.13	0.04	0.12	0.05
04	Dairy products, eggs, honey, edible animal product nes	0.12	0.33	0.04	-
61	Articles of apparel, accessories, knit or crochet	0.08	0.03	0.02	0.04
27	Mineral fuels, oils, distillation products, etc	0.04	0.01	0.01	0.04
32	Tanning, dyeing extracts, tannins, derivs, pigments etc	0.04	-	-	-
22	Beverages, spirits and vinegar	0.03	0.01	0.01	0.01
29	Organic chemicals	0.02	0.03	0.03	0.01
28	Inorganic chemicals, precious metal compound, isotopes	0.02	0.08	0.01	0.17
62	Articles of apparel, accessories, not knit or crochet	0.01	-	0.01	-
51	Wool, animal hair, horsehair yarn and fabric thereof	0.01	-	0.06	0.05
07	Edible vegetables and certain root and tubers	-	0.01	0.01	0.01
93	Arms and ammunition, parts and accessories thereof	-	-	0.01	0.01
52	Cotton	-	-	0.01	0.03
74	Copper and articles thereof	-	-	0.02	-
72	Iron and steel	-	-	-	0.01
54	Manmade filaments	-	-	-	-
89	Ships, boats and other floating structures	-	-	0.01	0.01
01	Live animals	-	-	-	-
02	Meat and edible meat offal	-	-	-	-
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	-	-	-	-
06	Live trees, plants, bulbs, roots, cut flowers	-	0.03	0.11	0.02
08	Edible fruit, nuts, peel of citrus fruit, melons	-	-	0.04	-

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
33	Essential oils, perfumes, cosmetics, toiletries	-	0.20	-	0.15
34	Soaps, lubricants, waxes, candles, modeling pastes	-	-	0.04	-
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	-	-	0.03	0.10
68	Stone, plaster, cement, asbestos, mica, etc articles	-	-	0.03	0.02
87	Vehicles other than railway, tramway	-	-	0.03	0.01
74	Copper and articles thereof	-	-	0.01	0.09
25	Salt, sculpture, earth, stone, plaster, lime and cement	-	-	0.01	-
53	Vegetable textile fibers nes, paper yarn, woven fabric	-	-	0.02	-
76	Aluminum and articles thereof	-	-	-	0.01
84	Nuclear reactors, boilers, machinery, etc	-	-	-	-
42	Articles of leather, animal gut, harness, travel good	-	-	-	0.08
23	Residues, wastes of food industry, animal fodder	-	-	-	0.01

Source: Calculated from UNCOMTRADE, 2022, Note: (-) wiped out items for the period.

### Pakistan Exports

An average share for the period of 1981-1990, 1991-2000, 2001-2010 and 2011-2022 Pakistan exports to India have been listed in Table 5. The top twenty commodities have been selected as per their major share of Pakistan's exports to India. The highest average share is found for meat and edible meat offal (6.60%) for the period of 1981-1990. The minimum average share has been found in inorganic chemicals, precious metal compounds, and isotopes (0.01%), followed by carpets and other textile floor coverings (0.01%) for the period of 1981-1990. The items having the highest share have found in the period of 1991-2000, namely live trees, plants, bulbs, roots, and cut flowers (0.37%), followed by products of animal origin, nes (0.36%) and essential oils, perfumes, cosmetics, toiletries (0.25%). For the duration of the investigation, the lowest percentage was observed in the following categories: mineral fuels, oils, distillation products, etc.; inorganic chemicals; precious metal compounds; and isotopes (0.01%). Similarly, the highest average share is found for items, namely essential oils, perfumes, cosmetics, and toiletries (0.34%), followed by Products

of animal origin, nes (0.25%) for the period of 2001-2010 and the minimum share found for inorganic chemicals, precious metal compound, isotopes and Edible vegetables and certain roots and tubers (0.01%). The highest share has been recorded for products of animal origin, nes (0.20%) and the minimum share has been found for organic chemicals and ships, boats and other floating structures (0.01%).

It is clear from the Table 5 that commodities, namely Essential oils, perfumes, cosmetics, toiletries, Headgear and parts thereof, Ores, slag and ash, Products of animal origin, nes, Articles of apparel, accessories, Mineral fuels, oils, distillation products, etc, Organic chemicals, has remained in the top twenty position. Items namely, Essential oils, perfumes, cosmetics, toiletries, Products of animal origin, nes and live trees, plants, bulbs, roots, cut flowers has found to be decreased throughout the study period. For the particular study period, the following commodities fall into the category of top position: Meat and edible meat offal, live trees, plants, bulbs, roots, and tubers, essential oils, fragrances, cosmetics, toiletries, and ore, slag, and ash. Thus, diversification of Pakistan exports to India has been found.

**Table 5: Top 20 Items of Pakistan Exports to India (1981-2022)**  
(Average Percentage Share)

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
02	Meat and edible meat offal	6.60	-	-	-
33	Essential oils, perfumes, cosmetics, toiletries	0.95	0.25	0.34	0.03
60	Knitted or crocheted fabric	0.22	-	-	-
65	Headgear and parts thereof	0.21	0.07	0.16	0.09
67	Bird skin, feathers, artificial flowers, human hair	0.19	-	-	-
26	Ores, slag and ash	0.17	0.09	0.02	0.11

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
05	Products of animal origin, nes	0.17	0.36	0.25	0.20
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	0.09	-	-	-
61	Articles of apparel, accessories, knit or crochet	0.06	0.03	0.03	0.07
04	Dairy products, eggs, honey, edible animal product nes	0.06	0.05	0.02	-
73	Articles of iron or steel	0.03	-	-	-
52	Cotton	0.03	-	0.03	0.04
93	Arms and ammunition, parts and accessories thereof	0.02	0.01	0.08	-
27	Mineral fuels, oils, distillation products, etc	0.02	0.01	0.01	0.04
50	Silk	0.02	-	-	-
29	Organic chemicals	0.01	0.04	0.01	0.01
01	Live animals	0.01	-	-	-
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	0.01	-	-	-
62	Articles of apparel, accessories, not knit or crochet	0.01	-	-	-
85	Electrical, electronic equipment	0.01	-	-	-
59	Impregnated, coated or laminated textile fabric	0.01	-	-	-
25	Salt, sculpture, earth, stone, plaster, lime and cement	0.01	-	-	-
68	Stone, plaster, cement, asbestos, mica, etc articles	0.01	-	0.04	0.02
15	Animal, vegetable fats and oils, cleavage products, etc.	0.01	-	-	-
55	Manmade staple fibers	0.01	-	-	-
51	Wool, animal hair, horsehair yarn and fabric thereof	0.01	-	0.04	0.05
28	Inorganic chemicals, precious metal compound, isotopes	0.01	0.01	0.01	0.09
57	Carpets and other textile floor coverings	0.01	-	-	-
89	Ships, boats and other floating structures	-	-	-	0.01
06	Live trees, plants, bulbs, roots, cut flowers	-	0.37	0.02	0.04
07	Edible vegetables and certain roots and tubers	-	-	0.01	-
08	Edible fruit, nuts, peel of citrus fruit, melons	-	-	0.01	-
58	Special woven or tufted fabric, lace, tapestry etc	-	0.05	0.01	0.02
78	Lead and articles thereof	-	0.04	-	-
79	Zinc and articles thereof	-	0.03	-	-
22	Beverages, spirits and vinegar	-	0.01	-	-
72	Iron and steel	-	0.01	0.10	-
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	-	-	0.05	0.13
74	Copper and articles thereof	-	-	0.03	-
30	Pharmaceutical products	-	-	0.02	-
23	Residues, wastes of food industry, animal fodder	-	-	0.01	-
87	Vehicles other than railway, tramway	-	-	0.01	0.03
84	Nuclear reactors, boilers, machinery, etc	-	-	0.01	0.01
32	Tanning, dyeing extracts, tannins, derivs, pigments etc	-	-	-	0.01
88	Aircraft, spacecraft, and parts thereof	-	-	-	0.01

Source: Calculated from UNCOMTRADE, 2022 Note: (-) wiped out items for the period.

### Pakistan Imports

An average import share of Pakistan from India for the period of 1981-1990, 1991-2000, 2001-2010 and

2011-2022 have been listed in Table 6. The top twenty commodities have been selected as per their major share in the Pakistan import structure with India. For the years 1981 to 1990, pharmaceutical products had the

highest average share (0.38%), followed by inorganic chemicals, precious metal compounds, isotopes (0.33%), and organic chemicals (0.22%). Minimum average share found to be Bird, skin feathers, artificial flowers i.e 0.01% share in Pakistan imports for the period of 1981-1990. The commodities, namely Headgear and parts thereof (10.84%) have a higher share followed and Copper and articles thereof (9.26%). Between 1991 and 2000, the minimum share was discovered for cotton (0.01%) and iron and steel (0.01%). Similarly, Wool, animal hair, horsehair (0.30%) item has the maximum share, followed by Live trees, plants, bulbs, roots, cut flowers (0.17%) and minimum share has found in Umbrellas, walking-sticks, seat-stick and Bird skin, feathers, artificial flowers (0.01%) for the period of 2001-2010. During 2011-2022, highest share has been found in Headgear and parts thereof (4.31%) followed by Beverages, spirits and vinegar (3.09%). The commodities which have the least share are Meat and edible meat offal (0.01%) and Man-made staple fibers (0.01%).

It is clear from Table 6 that inorganic chemicals, precious, edible vegetables and certain roots and tubers, organic chemicals, ceramic products, products of animal origin, nes, zinc and articles thereof, vegetable textile fibres nes, paper yarn, woven fabric, impregnated, coated or laminated textile fabric, wool, animal hair, horsehair, ships, boats and other floating structures, copper and articles thereof, stone, plaster, cement, asbestos, mica, etc. articles, bird skin, feathers, artificial flowers and articles of apparel, accessories remain the top twenty items. Commodity, namely, inorganic chemicals, precious has been in the top position from 1991-1990. In 1991-2000, headgear and parts thereof came under the category of top level and on the second number copper and articles thereof. For the next five years, live trees, plants, bulbs, roots, and cut flowers are in the top place. In 2011-2022, headgear and parts thereof and beverages, spirits and vinegar have established to be in the top position. Thus, the imports of Pakistan have been found to be spread out.

**Table 6: Top 20 Items of Pakistan Imports from India (1981-2022)**  
(Average Percentage Share)

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
28	Inorganic chemicals, precious metal compound, isotopes	0.33	0.14	0.06	0.20
29	Organic chemicals	0.22	0.09	0.02	0.02
69	Ceramic products	0.10	0.02	0.02	0.02
59	Impregnated coated or laminated textile fabric	0.03	0.00	0.02	0.03
73	Articles of iron or steel	0.03	0.09	-	-
51	Wool, animal hair, horsehair yarn and fabric thereof	0.02	0.06	0.30	0.11
27	Mineral fuels, oils, distillation	0.01	0.02	-	-
66	Umbrellas, walking-sticks, seat-stick	0.01	0.02	0.01	-
71	Pearls, precious stones, metals, coins, etc	0.01	-	-	-
07	Edible vegetables and certain roots and tubers	0.13	0.06	0.03	0.03
02	Meat and edible meat offal	0.01	-	0.00	0.01
55	Manmade staple fibers	0.00	-	0.00	0.01
89	Ships, boats and other floating structures	0.02	0.02	0.00	0.02
67	Bird skin, feathers, artificial flowers	0.01	0.01	0.01	0.02
62	Articles of apparel, accessories	0.00	0.06	0.04	0.02
72	Iron and steel	0.00	0.01	0.00	0.01
01	Live animals	0.00	-	0.01	-
03	Fish, crustaceans, molluscs	0.00	-	-	0.12
30	Pharmaceutical products	0.38	0.12	-	-
23	Residues, wastes of food industry, animal fodder	0.09	0.11	-	-
05	Products of animal origin, nes	0.08	0.60	0.04	0.24
79	Zinc and articles thereof	0.06	0.03	0.01	2.53
53	Vegetable textile fibers nes, paper yarn, woven fabric	0.04	5.40	0.03	0.01

HS Code	Product Description	1981-1990	1991-2000	2001-2010	2011-2022
52	Cotton	0.01	0.01	-	0.02
82	Tools, implements, cutlery, etc of base metal	0.01	-	-	-
68	Stone, plaster, cement, asbestos, mica, etc articles	0.01	7.57	0.01	0.20
74	Copper and articles thereof	0.01	9.26	0.01	1.82
06	Live trees, plants, bulbs, roots, cut flowers	-	0.22	0.17	-
33	Essential oils, perfumes, cosmetics, toiletries	-	0.03	0.02	0.03
22	Beverages, spirits and vinegar	-	3.76	0.01	3.09
32	Tanning, dyeing extracts, tannins, derivs, pigments etc	-	0.03	0.01	-
58	Special woven or tufted fabric, lace, tapestry etc	-	0.01	0.07	0.03
26	Ores, slag and ash	-	0.01	0.11	0.25
78	Lead and articles thereof	-	0.01	-	-
65	Headgear and parts thereof	-	10.84	0.01	4.31
08	Edible fruit, nuts, peel of citrus fruit, melons	-	1.67	0.07	0.10
04	Dairy products, eggs, honey, edible animal product nes	-	-	0.02	1.89
54	Manmade filaments	-	-	0.07	0.01

Source: Calculated from UNCOMTRADE, 2022 Note: (-) wiped out items for the period.

Table 7 shows the result of India's revealed comparative advantage of the top twenty items for 1981, 1985, 1990, 1995, 2000, 2005, 2010, 2015 and 2022. Organic chemicals (31.40%) and inorganic chemicals, precious metal compounds, and isotopes (22.07%) had the highest comparative advantages in 1981. Commodities like Pearls, valuable stones, metals, coins, and certain roots and tubers (0.02%) and edible vegetables and certain roots and tubers (0.05%) have discovered comparative disadvantage.

In 1985, organic chemicals (38.47%) had a significant comparative advantage over inorganic chemicals, precious metal compounds, and isotopes (38.11%). The lower comparative disadvantage was found for nuclear reactors, boilers, machinery, etc. (0.006%). Organic chemicals (47.86%) and inorganic chemicals, precious metal compounds, and isotopes (21.05%) had the highest RCA in 1990. The comparative disadvantage was again found for Nuclear reactors, boilers, machinery, etc. (0.026%) in 1990. Organic chemicals (41.76%) and inorganic chemicals, precious metal compounds, and isotopes (12.13%) are products that fall within the category of higher comparative advantage in 1995. Cotton (0.05%) and Pearls, precious stones, metals, coins, etc. (0.03%) had a comparative disadvantage in 1995. India registered a great extent of comparative advantage

for cotton (22.47%) and organic chemical (9.23%) and a comparative disadvantage for edible vegetables and certain roots and tubers (0.03%) in 2000. The RCA value is high for live animals (38.84%), followed by stone, plaster, cement, asbestos, mica, etc. articles (31.07%) and lower value found for edible vegetables and certain roots and tubers (0.02%). During 2010, comparative advantages have found in other made-textile articles sets, woven clothing, etc. (67.34%) and stone, plaster, cement, asbestos, mica, etc. articles (46.47%) and the lower value is in cotton (0.003%). In 2022, the highest RCA value was found in stone, plaster, cement, asbestos, mica, etc. articles (28.47%) and dairy products, eggs, honey, and edible animal products nes (17.58%). Minimum RCA has been in live trees, plants, bulbs, roots, and cut flowers (0.01%).

In the end, India has the maximum RCA for organic chemicals, inorganic chemicals, precious metal compounds, isotopes, ships, boats and other floating structures, impregnated, coated or laminated textile fabric and edible vegetables and certain roots and tubers has remained in the top twenty categories and having an advantage over the period of study. The items ships, boats and other floating structures impregnated, coated or laminated textile fabric shift from comparative to disadvantage.

**Table 7: India's Revealed Comparative Advantage with Pakistan**

HS Code	Product Description	1981	1987	1992	1998	2004	2010	2017	2022
29	Organic chemicals	31.40	38.47	47.86	41.76	9.23	12.72	4.46	4.03
28	Inorganic chemicals, precious metal compound, isotopes	22.07	38.11	21.05	12.13	1.95	2.84	-	-
93	Arms and ammunition, parts and accessories thereof	20.59	-	-	-	0.32	-	0.13	
69	Ceramic products	13.92	-	0.22	0.20	-	-	0.51	-
27	Mineral fuels, oils, distillation products, etc	12.24	1.72	-	-	1.72	-	-	-
66	Umbrellas, walking-sticks, seat-sticks, whips, etc	5.54	5.54	-	0.12	-	0.90	-	-
89	Ships, boats and other floating structures	5.43	2.32	2.55	1.08	0.82	0.99	0.39	0.82
82	Tools, implements, cutlery, etc of base metal	2.41	-	-	-	-	-	-	-
59	Impregnated, coated or laminated textile fabric	1.96	0.15	0.92	0.08	0.21	0.64	1.24	1.12
52	Cotton	1.22	11.38	2.97	0.05	22.47	0.06	0.05	0.08
67	Bird skin, feathers, artificial flowers, human hair	0.94	0.07	-	0.05	-	-	-	-
24	Tobacco and manufactured tobacco substitutes	0.73	-	-	-	-	-	-	-
84	Nuclear reactors, boilers, machinery, etc	0.65	0.006	0.026	-	0.0009	0.003	0.0001	0.0005
65	Headgear and parts thereof	0.42	-	0.20	0.52	-	0.96		1.58
77	Transport and other equipments	0.08	0.11	0.84	0.31	-	-	-	-
07	Edible vegetables and certain roots and tubers	0.05	1.03	0.22	0.33	0.29	0.07	0.12	0.10
71	Pearls, precious stones, metals, coins, etc	0.02	-	-	0.03	-	-	-	-
74	Copper and articles thereof	-	-	0.22	-	-	-	-	0.24
78	Lead and articles thereof	-	-	1.20	-	-	-	-	-
01	Live animals	-	-	-	-	-	34.84	-	-
02	Meat and edible meat offal	-	-	-	-	-	-	-	-
04	Dairy products, eggs, honey, edible animal products	-	-	-	-	-	-	-	17.58
05	Products of animal origin, nes	-	-	-	-	-	27.68		12.89
06	Live trees, plants, bulbs, roots, cut flowers	-	-	-	-	-	-	8.00	0.01
08	Edible fruit, nuts, peel of citrus fruit, melons	-	-	1.09	0.81	0.03	0.02	0.006	0.005
09	Coffee, tea, mate and spices	-	-	-	1.52	-	-	-	-
10	Cereals	-	-	0.31	-	-	-	-	-
12	Oil seed, oleaginous fruits, grain, seed, fruit, etc, nes	-	-	-	-	-	-	-	-
22	Beverages, spirits and vinegar	-	-	-	-	-	-	-	0.05
26	Ores, slag and ash	-	-	-	-	-	1.62	2.95	-
51	Wool, animal hair, horsehair yarn and fabric thereof	-	-	0.21	0.90	1.37	4.27	1.52	1.21
53	Vegetable textile fibers nes, paper yarn, woven fabric	-	-	-	9.27	6.00	1.42	0.72	0.70
54	Manmade filaments	-	-	-	0.30	1.15	-	-	1.02
55	Manmade staple fibers	-	-	-	-	-	-	-	0.64
57	Carpets and other textile floor coverings	-	-	-	-	-	4.29	0.67	2.11
58	Special woven or tufted fabric, lace, tapestry etc	-	-	-		3.92	-	-	-
62	Articles of apparel, accessories, not knit or crochet	-	-	-	6.38	-	4.26	0.87	-
63	Other made textile articles, sets, worn clothing etc	-	-	-	-	-	-	67.34	-
68	Stone, plaster, cement, asbestos, mica, etc articles	-	-	-	6.62	-	31.07	46.47	28.47
72	Iron and steel	-	-	7.14	6.91	-	-	5.37	5.13

Source: Calculated from UNCOMTRADE, 2022, Note: (-) wiped out items for the period.

Table 8 shows that Pakistan revealed comparative advantage for the period of 1981, 1985, 1990, 1995, 2000, 2005, 2010, 2015 and 2022. Ores, slag, and ash had the biggest comparative advantage in 1981 (8.53%), followed by knitted or crocheted clothing and accessories (8.37%) and essential oils, fragrances, cosmetics, and toiletries (4.21%). The minimum disadvantage is found for ships, boats and other floating structures (0.01). Similarly, in 1985 ores, slag and ash (17.59%) had a great extent of revealed comparative advantage, followed by organic chemicals (6.21%) and disadvantages in articles of apparel, accessories, knit or crochet (0.20%). Headgear and parts thereof (12294.2) had the largest revealed comparative advantage in 1990, followed by knit or crocheted articles of clothing, accessories (63.76%), and beverages, spirits, and vinegar (60.95%). The lowest comparative disadvantage was found in arms and ammunition, parts and accessories thereof (0.01%).

In 1995, organic chemicals (36.97%) had a high value of revealed comparative advantage, followed by Articles of apparel, accessories, knit or crochet (5.61%) and Arms and ammunition, parts and accessories thereof (5.03%). Minimum RCA was intended for Edible fruit, nuts, peel of citrus fruit, and melon (0.01%) in 1995. For the period of 2000, the greatest comparative advantage has been recorded in organic chemicals (40.88%) followed by the products of animal origin, nes (4.88%) and dairy products, eggs, honey edible animal product news (4.86%), but some commodities having comparative

disadvantage, i.e., edible vegetables and certain roots and tubers (0.02%), Live trees, plants, bulbs, roots, cut flowers (0.05%) in 1995.

In 2005, the maximum comparative advantage was in special woven or tufted fabric lace, tapestry, etc. (51.47%) and a comparative disadvantage in edible vegetables and certain roots and tubers (0.01). A great amount of comparative advantage was again found in special woven or tufted fabric, lace, tapestry, etc. (50.02%), and the disadvantage was again in edible vegetables and certain roots and tubers (0.01%) in 2010. During 2015, the value of RCA was high in articles of apparel, accessories, knit or crochet (45.5%), followed by ores, slag and ash (21.31%), and a minimum value of RCA has been recorded for edible vegetables and certain roots and tubers (0.01%).

In the end, ores slag and ash, articles of apparel, accessories, knit or crochet, organic chemical, products of animal origin, news, mineral fuels, oils, distillation products, etc., ships, boats, and other floating structures and articles of apparel, accessories, knit or crochet having revealed comparative advantage value greater than one throughout the study period. It reflects that Pakistan has a competitive strength in these products. Only some commodities do not have competitive strength as their value is less than one, namely ships, boats and other floating structures, edible vegetables and certain roots and tubers, fish, crustaceans, molluscs, aquatic invertebrates nes and headgear and parts thereof.

**Table 8: Pakistan Revealed Comparative Advantage with India**

HS Code	Product Description	1981	1987	1992	1998	2004	2010	2017	2022
26	Ores, slag and ash	8.53	17.59	1.05	2.22	1.79	2.16	6.72	21.31
61	Articles of apparel, accessories, knit or crochet	8.37	0.2	63.76	5.61	1.29	4.07	12.51	45.50
33	Essential oils, perfumes, cosmetics, toiletries	4.21	-	-	-	-	2.87	0.91	-
29	Organic chemicals	2.32	6.21	7.01	36.97	40.88	7.84	14.20	11.81
93	Arms and ammunition, parts and accessories thereof	1.46	0.51	0.01	5.03	-	-	-	-
05	Products of animal origin, nes	0.68	0.75	2.3	2.71	4.88	2.39	1.19	1.27
27	Mineral fuels, oils, distillation products, etc	0.43	0.89	0.75	1.4	1.18	0.22	1.37	8.52
89	Ships, boats and other floating structures	0.01	0.23	0.35	0.32	0.23	0.21	0.63	0.29
02	Meat and edible meat offal	-	-	-	-	-	-	-	-
07	Edible vegetables and certain roots and tubers	-	-	0.01	0.01	0.02	0.01	0.01	0.03
69	Ceramic products	-	-	-	-	-	1.46	1.71	-
72	Iron and steel	-	-	-	-	0.09	-	-	-
03	Fish, crustaceans, molluscs, aquatic invertebrates nes	-	-	-	0.01	-	0.03	-	-

HS Code	Product Description	1981	1987	1992	1998	2004	2010	2017	2022
04	Dairy products, eggs, honey, edible animal products	-	-	0.02	-	4.86	0.09	-	-
06	Live trees, plants, bulbs, roots, cut flowers	-	-	-	0.47	0.05	0.10	-	-
08	Edible fruit, nuts, peel of citrus fruit, melons	-	-	-	-	-	-	-	-
09	Coffee, tea, mate and spices	-	-	-	-	0.11	-	-	-
22	Beverages, spirits and vinegar	-	-	60.95	-	-	-	-	23
23	Residues, wastes of food industry, animal fodder	-	-	-	-	-	-	-	-
28	Tanning, dyeing extracts, tannins, derivs, pigments etc	-	-	1.26	-	-	1.19	5.25	-
32	Inorganic chemicals, precious metal compound, isotopes	-	-	-	-	-	-	-	-
51	Wool, animal hair, horsehair yarn and fabric thereof	-	-	-	-	0.54	25.08	10.62	-
52	Cotton	-	-	-	-	-	-	19.01	-
54	Manmade filaments	-	-	-	-	-	-	-	-
55	Manmade staple fibers	-	-	-	-	-	-	-	-
56	Wadding, felt, nonwovens, yarns, twine, cordage, etc	-	-	13.49	-	-	-	-	-
58	Special woven or tufted fabric, lace, tapestry etc	-	-	-	-	-	51.47	50.02	-
59	Impregnated, coated or laminated textile fabric	-	-	-	-	-	-	-	-
64	Footwear, gaiters and the like, parts thereof	-	-	-	-	-	-	-	-
65	Headgear and parts thereof	-	-	0.34	0.71	-	0.26	0.88	0.69
68	Stone, plaster, cement, asbestos, mica, etc articles	-	-	-	-	-	-	-	-
78	Lead and articles thereof	-	-	-	-	-	-	-	-
79	Zinc and articles thereof	-	-	-	-	-	-	-	-
84	Nuclear reactors, boilers, machinery, etc	-	-	-	-	0.99	0.03	0.09	-
87	Vehicles other than railway, tramway	-	-	-	-	1.12	0.70	2.34	-

Source: Calculated from UNCOMTRADE, 2022, Note: (-) wiped out items for the period.

## Conclusion and Recommendation

Trade between nations directly leads to peace and tranquillity. Trade creates an economic interest between nations and develops contacts between the human race, which help them in mutual understanding. Usually, countries are less likely to involve in a war if they have mutual economic benefits (Mukherji, 1997). Strong economic ties between India and Pakistan are essential for the peaceful accomplishment of territorial disputes. It is true that conflicts have hampered India-Pakistan bilateral trade, but it is also equally true that more trade will be a significant confidence-building measure which will facilitate peace and reduce tension (Chaudhary & Saleem, 2001). India-Pakistan mutual trade can be promoted and enhanced by taking some major steps, including like elimination of non-tariff barriers to trade and/or facilitation of cross-border movement of goods and/or

promotion of conditions of fair competition and equitable benefits and/or creation of an effective mechanism for implementation and application of agreement and/or simplification of customs clearance procedure and banking procedures for import financing (Reddy & Devi, 1984). Moreover, the development of communication systems and transport infrastructure, simplification of procedures for business in regard to and the establishment of a framework will also facilitate economic cooperation (Ghuman & Madaan, 2006). Apart from that, there is a dire need to draw a rigorous framework for trade that should be formulated independent of any political pressure. Both countries need to discuss a roadmap for removing bottlenecks in the liberalisation of bilateral trade and remove all hurdles in trade relations. The Indian government needs to address the concerns of the business community in Pakistan regarding non-tariff barriers and other issues which impact the export of goods (Madaan,

1998). Hence, improved trade relations between India and Pakistan are inevitable for stability and, thus, security in Sub-continent. Notwithstanding, these positive changes, along with several hurdles, continue to exist due to political differences between the two countries. Some policymakers in India insist that unless territorial disputes between two countries are resolved, trade and economic cooperation will remain low (CII Paper, 2011). However, a relationship which is based on trust and willingness and is backed by economic and commercial links can pave a way forward in name of peace and prosperity (<https://howtoexportimport.com>). Enhancing mutual trade will not only bring benefits to the whole region but will also prove a key determinant for lasting relations between two neighbours. It is, therefore, concluded that trade can play a soft and positive role in conflict resolution between two long-standing antagonists (Mohsin, 2009).

Bilateral trade between India and Pakistan was banned in past when New Delhi abolished Jammu and Kashmir's special status. Pakistan banned bilateral trade with New Delhi and planned to remove India's High Commissioner to Islamabad (<https://foreignpolicy.com>). Despite the present official stoppage of business, trade between India and Pakistan continues, either illegally or through a 3rd alternative. Later, often called circular trade, it departs through areas like Afghanistan (Mukherjii, 1997). This highlights that both nations have economically viable choices, as people of the business world would be willing to engage in cross-border trade if given the prospect (Wacziarg & Welch, 2008). Given ongoing conflicts that have highlighted political relations between India and Pakistan, commercial relations between the two South Asian neighbours are unlikely to improve anytime soon (Nanda & Raikhy, 2004). It is almost incomprehensible that two nations with so much in common, including a border that spans more than 3,000 kilometres, do not engage in trade with one another despite long-standing political conflicts (<https://www.inventiva.co.in>). The gravity equation in international trade is one of the most solid empirical findings in economics, stating that bilateral trade between two countries is proportionate to their respective sizes, which are measured by GDP, and inversely proportionate to geographical distance. If distance is effectively utilised, it can act as a surrogate for transportation costs in the model (Batra, 2006). However, a different civilisation often compromises communication

and trust between two commercial partners, resulting in difficulty in developing a solid trading alliance. A noteworthy example that might be used to demonstrate the model's lack of applicability in the modern world is the trade scenario between India and Pakistan (Chakraborty, 2022). Liberalisation of trade policy between India and Pakistan might assist in formalising these trading routes while also providing a source of money for respective governments in the form of customs charges (<https://www.maritimegateway.com>). Recent signs from the Pakistani administration suggest that a revival of trade relations with India is possible ([www.mha.gov.in](http://www.mha.gov.in)). It is also reasonable to believe that improving commercial relations will go a long way toward resolving India and Pakistan's political issues. Trade with India will help Pakistan attract cheaper items over the border (Chakraborty, 2022).

On October 21, 2008, India and Pakistan started trading over the Line of Control (LoC) as part of confidence-building measures (CBMs). Over a highly contentious and frequently unpredictable border, this economic engagement was anticipated to foster alliances and interpersonal relationships (Krishna, 2022). Cross-LoC commerce, however, has additional advantages besides being a CBM that is sometimes disregarded for the micro-economy in border regions (Confederation of Indian Industry, 2005). From the standpoint of the border economy, this study makes the case for a reconsideration and restart of trade with the necessary structural reforms. The framework for trade is established by a standard operating procedure for cross-LoC trade that was published in 2008 and includes a list of approved goods, timings, permissions, and a code of conduct for movement. The Indian National Investigation Agency (NIA) recommended that trade be suspended in April 2019 due to concerns about misuse by some traders who had ties to militant groups operating out of Pakistan, the illegal flow of weapons, drugs, and fake money, and the diversion of goods from third parties or other countries because import duties were lower. Officials also cite under-invoicing of goods (to reach permitted value) while selling them at market rates once they cross the border. If trade across the LoC is to resume, it requires modern operating procedures, invoicing and taxation standards, stricter trader registration, better infrastructure at trade facilitation centres (like full-body truck scanners), channels for cross-border talks, dispute resolution mechanisms, verification,

and much-needed digitisation (<https://icmai.in>). The problem is not one that can be resolved by one side alone (for instance, demand for a banking system has been consistently denied by the Pakistani side) (Chaudhary & Saleem, 2001). If resumed, cross-LoC trade could be a catalyst for the region's overall development, given the government's objective and push for the same in border areas (Krishna, 2022). While cross-LoC trade was a minuscule part of the Indian economy, it was a big part of the local frontier economy. In addition to business, trust and people-to-people cooperation were investments in a volatile region (Ranjit & Davinder, 2006). Successful cross-LoC trade may result in a model applicable to other frontiers, such as Tamil Nadu and Northern Sri Lanka or Rajasthan and Sindh. A major aspect of the challenge is a vicious cycle of trust and trade; while the resumption of trade is contingent on sound bilateral relations, trade is one of the most important measures for the upkeep of the relationship between two countries (Bhattacharya, 2001). In immediate, the state and business community in the region should also consider repurposing some of the border infrastructure, manpower, and production capacity to meet local demand and supply needs so that they don't remain unutilised or underutilised in the absence of cross-LoC trade (<https://carnegieindia.org>).

Pakistan's economy, which is characterised by inadequate industrialisation, has created a demand-supply gap and drives both "black" and circular trade for truck tyre exports from India (Ahmad, 2016). Indian truck tyres are a popular product in Pakistan. However, though the item has been placed on the 'open' import list, the high duty structure of 46.6% would make Indian tyres costlier in Pakistan than tyres imported through the Turkmenistan route ([www.oecd.org](http://www.oecd.org)). India and Pakistan, both being agrarian economies, could cooperate in agriculture which is a core component of GDP and the largest employment generation sector in either country (Akhtar, 2008). It is important for two countries to cooperate in areas of common interests as it would be to their mutual advantage. The food and agri-business industry has a significant impact on the regional economy (<https://mdoner.gov.in>). This industry has one of the highest economic multiplier effects among various industries, even ahead of the telecom or power sector. According to an estimate, liberalised India-Pakistan trade in agro-sector would generate around 2.7 lakh jobs in India and 1.7 lakh jobs in Pakistan (Kaur & Nanda, 2011). An India-Pakistan track-

two diplomacy group which comprises academics, editors and former military leaders from both countries, has made suggestions to improve economic relations between both countries (<https://stenn.com>). Apart from this, there must be some recommendations in these aspects are like:

- India and Pakistan need to constantly engage with one another to understand each other's regulatory regimes to study trends and progress of bilateral trade and conflict between India and Pakistan, as new businessmen enter into trading relations, it is important to have forums that bring buyers and sellers together.
- Guaranteed payments are necessary for creating long-lasting business relationships; therefore, the banking infrastructure would have to be strengthened. For which, it is necessary to review product wise trade practices between India and Pakistan over the period of 1981-2022.
- An innovative dispute resolution system should also be put in place to examine the status of investment due to bilateral trade between India and Pakistan. For many years, Dubai has provided a facilitator for trade and guaranteed payments between India and Pakistan. Therefore, a third nation where Pakistan and India have mutual trust could offer a useful dispute resolution mechanism.
- It is also important for business communities to create multilevel channels of communication which can reduce misconceptions, bridge information gaps, and generate a significant change in the business environment of the two countries. It is highly required to explore determinants and deterrents to bilateral trade between India and Pakistan in this way.

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