

**Press Information Bureau  
Government of India  
Ministry of Railways**

14-March-2013 13:59 IST

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**Railway Minister Delivers Key-Note Address at the Annual Conference on  
'Normalising India-Pakistan Trade'**

The Minister of Railways Shri Pawan Kumar Bansal delivered a key-note address at the two day annual conference on 'Normalising India-Pakistan trade' being organised by Indian Council for Research on International Economic Relations (ICRIER) here today. Also present on the occasion among others were Smt. Isher Judge Ahluwalia, Chairperson, ICRIER, Shri Rajat Kuthuria, Director and Chief Executive, ICRIER, Dr. Salman Shah, former Finance Minister of Pakistan and Dr. Hafiz Pasha, Dean Beaconhouse National University, Lahore and former Commerce Minister, Finance Minister and Deputy Chairman, Planning Commission, Government of Pakistan.

The following is the text of Railway Minister's key-note address:-

"It is with great honour that I stand here to participate in this conference, and am delighted to see such large number of participants from both India and Pakistan.

The theme of today's meeting – "Normalising trade relations between India and Pakistan" - has an underlying connotation that things are not "normal", which is in line with the perception in some sections, of generally strained relations between the two neighbours. There is, therefore, the need to commence our discussions on an optimistic note and recount the positive facets of our neighbourly relations that have grown over the years.

India and Pakistan have a shared lineage with much in common in terms of culture, cuisines and languages. In the past, people of both countries had been united in their struggle to free themselves from the 200 years of colonial rule. Most of us have parents or grandparents who were born on the other side of the border and we have grown up listening to their fond memories of the times before partition. Some Indians and Pakistanis still marry across the border, rekindling the love and affection that always existed.

Large number of Indian Sikhs travel across the border to visit holy Sikh sites in Nankana Sahib, while a number of Pakistani pilgrims come to visit the shrine of Ajmer Sharif. Transport between India and Pakistan has been developed to facilitate tourism and support cultural and commercial endeavours.

With a view to address the need and aspirations of people of both the countries, Railways of the two countries have taken a lead with introduction of Samjhauta Express running via Attari – Wagah border in Punjab and Thar Express running via Munabao – Khokrapar border in Rajasthan. Successful running of these two services symbolises the resolve of the people of both the countries to cut across the barriers of a political boundary.

The large Indian and Pakistani diaspora in many different countries across the world have built strong mutual relationships and live alongside each other in peace and harmony and share many cultural traits. In fact, many of my friends have told me that the ideal host in a foreign country is a Pakistani.

Pakistani singers, musicians and actors are very popular in India, with many having achieved widespread fame through their involvement in Indian television and Bollywood films. Likewise, Indian music and films are very popular in Pakistan.

Cricket, as we all know, has undoubtedly remained the uniting factor. A very healthy rivalry visible among cricket as well as hockey fans demonstrates normalised sporting links between the two countries. Even in tennis, Rohan Bopanna of India and Aisam-ul-Haq Qureshi of Pakistan have formed a successful duo and have been dubbed as the "Indo-Pak Express!"

Building on these social and cultural ties, there has been an increase in high level bilateral exchanges of officials and diplomats between the two countries in recent years, which has initiated the peaceful resolution of outstanding issues through cooperative, constructive and result oriented engagement. Both countries had realised that the mutual trust deficit was a major area of concern and the initiation of the process of finding cooperative solutions to all problems faced has created a new climate of positivity and progress.

However, Ladies and Gentlemen:

In addition to all of this, sobering ground realities also point to the fact that both countries are bound by common challenges and problems arising from the high incidence of poverty in the region.

The need, therefore, is to find an enduring solution to common problems; to resolve outstanding issues that have a bearing on the future of the two countries and on the wellbeing of their people. Going forward, engaging with each other is the only way out for both countries, and they need to find peaceful and productive ways of doing so.

And for this, one of the best ways forward would be the "normalisation of trade flows" between India and Pakistan. Bilateral trade relations are now at a point where significant economic gains could serve as powerful means for conflict resolution. Empirical evidence has proved that trade is an "engine for growth" and is vital for bringing about economic prosperity and development needed to eradicate poverty. History is also full of examples, across the globe, of trade being a harbinger of greater understanding between people of between two geographical areas, two linguistic entities and two nationalities.

For the last few years, there has been a very popular annual event in Chandigarh, the place I come from. It is essentially a trade fair named 'Made in Pakistan'. There, besides a great variety of Pakistani goods including cotton fabrics and Onax creations, it is the food stalls which draw unmanageable crowds.

The process of trade normalization was set in motion in 2004 by initiation of a dialogue on commercial and economic cooperation between India and Pakistan, wherein trade negotiations were carried out parallel to a dialogue on several other issues.

Significant ground has been covered on many trade issues. Between 2004 and 2007, the talks resulted in three major changes – an expansion of Pakistan's positive list of items allowed to be imported from India, opening of the road route for the first time in 2005, and an amendment of the maritime protocol which allowed trade by the sea route according to global maritime norms. I had the opportunity to attend a meeting of SAARC Finance Ministers in Islamabad in July, 2006. Earlier, as a member of a goodwill delegation under the aegis of Indo-Pak Parliamentarians Forum, I had the chance to visit Chambers of Commerce and Industry in Pakistan. We then found a strong desire amongst them to promote Indo-Pak ties through the trade route.

Even though the composite dialogue was stalled for almost three years starting 2008, what is heartening is that during this time, proactive trade facilitation measures were continued to be taken by both countries. Hope of togetherness therefore never left us.

In April 2011, the talks resumed. Even though the talks centred on two major issues – granting MFN status and addressing non-tariff barriers; the wider agenda included improving border infrastructure, customs liaison, harmonization of customs procedures, trade in electricity, trade in petroleum products, co-operation in information technology, visas, bilateral investments, and opening of bank branches. This time, they proceeded at an unprecedented pace, culminating in Pakistan's decision to grant Most-Favoured Nation (MFN) status to India, paving the way for a new era in India Pakistan trade relations.

Consequent to the trade liberalisation measures, bilateral trade between the two countries increased from US\$ 0.6 billion in 2004-05 to US\$ 1.9 billion in 2011-12. Between 2010-11 and 2011-12, Pakistan's exports to India rose by 27% from US\$ 333 million to US\$ 422 million. Further, Pakistan's exports to India during April 2012 to January 2013 registered a 50% increase over the same period in the previous year - to US\$ 475 million from US\$ 320 million. The important items imported from Pakistan include dates, cement, woven cotton fabrics, petroleum oil, organic chemicals, and plastics.

We are very happy to note that Pakistan's market access to India has improved considerably- indicating that there are no non-tariff barriers. India has also reduced its sensitive list by 30%. There should not, however, be any room for complacency- we will have to continue to take trade facilitating measures that will increase imports from Pakistan to much greater heights.

As India and Pakistan move towards normalizing their bilateral trading regimes, there will be new trading opportunities for both countries. There is a large untapped trade potential between the two countries, and various estimates suggest that potential trade could vary between 0.5 to 20 times of actual trade. A large part of this has been taking place through informal channels – largely through third countries- and goes unaccounted for. But I am sure that as both countries move towards normal trade relations, with the removal of the trade barriers and the subsequent reduction of trade costs, a significant part of informal trade will shift to formal trade channels.

Trade facilitation measure such as development of Integrated Check Posts (ICPs) will give a boost to the bilateral trade through the land route. One other step to give further fillip to the bilateral trade between the two countries could be introduction of containerization. Rail based movement of containers across the boundary will not only ease the road traffic, but also help trade in offering door-to-door service to its customers, which would also help in cutting down the transaction cost.

There are large trade possibilities in several sectors such as agriculture and processed food items, petroleum products, chemicals, automobiles, processed foods and textiles. These possibilities could be realized effectively if firms link up to global and regional value chains. There are also possibilities in the services sector. Information technology, healthcare and the audio-visual sector are most promising.

For deeper and stronger trade linkages, it is important that there are foreign investment flows between the two countries. India now welcomes Foreign Investment from Pakistan and Indian industry would be glad to invest in Pakistan.

In another major step both countries have moved towards a more liberal visa regime. The new visa regime facilitates simpler cross-border travel, replacing the old visa regime signed in 1974. The new visa agreement will facilitate multiple-entry and reporting-free visas for businessmen, allowing them to visit five cities instead of three as was the case earlier. It also allows visa on arrival for elderly people.

Thus, Ladies and Gentlemen:

We can see that tremendous progress has been made in the last couple of years to normalise trade and economic ties between India and Pakistan. But a lot still needs to be

done, and both countries need to work together in several areas to be able to realize their untapped trade potential.

The extent to which the trade potential can be realized between the two countries will depend on a host of factors. Several impediments remain to be addressed. A concerted effort needs to be made to create multilevel channels of communication which would bridge the information gap, and generate a significant change in the business environment of the two countries.

The success of the trade normalization process will also be determined by the role of institutions that are involved in this process, including different government departments at the state, centre, and border levels; business and trade associations; non-governmental organizations, and the media.

For tapping the full potential of the bilateral trade, development of infrastructure needs to be strengthened. India and Pakistan share a common heritage of Railway system and both the countries have broad-gauge railway network. The research, development and standardization carried out by Indian Railways in the areas of track, rolling stock, signaling & telecommunication, IT etc is an immense pool of knowledge which can be harnessed to provide cost effective solutions. Similarly, there is adequate manufacturing base in India for various sub-assemblies and components used in these items. We can also work together to develop technology solutions in railway sector for our common needs.

As a long term strategy for developing our economies, both India and Pakistan have agreed to be part of UN project of Trans-Asian Railway Network.

India is hosting the 7<sup>th</sup> Meeting of the Chief Executives of the Railways of South and South East Asian Countries on 18<sup>th</sup> & 19<sup>th</sup> March 2013 in New Delhi. This meeting would deliberate on the role of railways in the transport sector, inter-country linkages and would provide an opportunity for enhanced regional co-operation in the Rail sector. The Chairman of Pakistan Railways and other senior Railway officials including Director General (Operations) of Pakistan Railway would be participating in the two day meeting. We would be glad to welcome the delegation.

In conclusion I would like to re-iterate the fact that trade and commerce have proven to be the most effective way of establishing peace. In the present scenario of global integration where borders have virtually lost meaning for much of the world, it is essential to remove all barriers to cross-border movement of people, goods, services and ideas.

Initially, India and Pakistan had felt that without addressing core issues, it would not be possible to move forward on economic and trade issues. But now things are changing and there is a whiff of fresh air new beginning in the environment that exists in both countries. Across the board, there is a convergence of views that India-Pakistan is a relation we need to normalise, to build upon, to live in peaceful coexistence and to grow with self respect and love for each other.

We should work towards accelerating economic and business change as well as societal change. It is an opportunity today that we can move beyond a perception issue. Of course there are political and strategic issues but we can go beyond those and focus on economic issues.

Improved relations between India and Pakistan will also set a new paradigm for the integration of South Asia as a whole. Emerging trends now point towards a shift in traditional engines of growth from industrial countries to emerging economies. In such a scenario, strengthening the process of South Asian Integration presents tremendous opportunities. However, in terms of intraregional trade and investment in goods and services, South Asia continues to lag far behind other regions. Clearly, a lasting peace between India and Pakistan backed by improved trade and commerce links between them is essential to ensure a stable and prosperous South Asia.

In the light of this, I am happy to note that all of us have gathered here at a very opportune time to discuss ways of taking forward the process of trade integration between India and Pakistan. We need to bridge the gap between academia and policy makers and I am glad this conference brings up such an opportunity. I hope that all of us present here, having come together on this platform with a shared vision of bilateral cooperation and mutual prosperity will be able to come up with concrete inputs that can be incorporated in the ongoing policy dialogues and negotiations. **Thank you**".

*AKS/HK/BS*