

Challenges in India Pakistan Trade Normalization – SMEs and the Communication Barriers

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Introduction

- The research looks at the perceptions of Pakistani SMEs, based on their personal experiences or information obtained from colleagues who trade, or seek to trade, with India
- SME Firms were manufacturers, exporters, and traders of textiles, herbs/spices, alternate medicines, IT, engineering services and some agricultural products

Methodology

- A total of 25 personal interviews were conducted in Karachi and Lahore
- Initial sample of firms was identified through FPCCI / KCCI / LCCI and was built upon through referrals
- An interview guide was prepared to bring similarity and direction on the basis of secondary review but respondents were encouraged to diverge in order to bring new ideas to the fore

Key Findings - Visas

Issue # 1

Business Visas & work visas are difficult to obtain:

- a lot of paperwork in the form of invitations, personal guarantees, income tax returns, city specificity, entry-exit point restrictions, police reporting etc., are applicable.
- Only one visa station in each other's country which leads to delays

Implication

- SME are unable to go on “missionary” business trips to explore markets.
- Joint ventures in the IT, engineering services, fashion, media, hospitality, franchising, sectors in which the most vibrant SME operate are unable to do business across each other's borders.
- A parallel industry which “provides” the necessary paperwork has developed on both sides of the border.

Proposed Remedy

A letter from an accredited Chamber of Commerce or a Trade Body should suffice for the granting of a business or a work visa.

Key Findings - Agents

Issue # 2

“Agents” at the border crossings at Wagah / Attari have created a ‘nexus’ with the customs & logistics providers on both sides of the border.

Implication

For the SME sector this creates an entry barrier as well as increasing the transaction cost for legal cross-border trade.

Proposed Remedy: Better sharing of information on procedures / processes and an efficient remedy mechanism.

Key Findings – Lack of Information

Issue # 3

Not enough information is available on India's rules and regulations especially those relating to the states

Implication

Reluctance to export because of payment risks involved

Proposed Remedy: Training sessions in Pakistan, an authentic and updated website in India which can be referred to, also an efficient dispute resolution mechanism

Key Findings - Mistrust

Issue # 4

Monitoring of SME businesses by “state” and “non-state actors” on both sides of the border

Implication

SME live in fear of being branded as “working for the enemy”

Proposed Remedy: Confidence building measures required at the government level.

Key Findings - Services

Issue # 5

Non availability of services:

- Direct Courier services
- cell phone roaming
- bank branches.

PIA only airline providing direct flights

Proposed Remedy: Basic issues that can be resolved through administrative measures.

Implication

Increases costs: people traveling to each other's countries use SIMS issued in third countries, creates uncertainty in minds of SME

Key Findings – Alternate Routes

Issue # 6

Option of exporting / importing through informal but highly efficient channels is very tempting

Implication

A very efficient “shipping” mechanism has developed. Carriers, Khepias, smugglers can deliver in less than 48 hours at any major destination in both India & Pakistan with zero risk to the shipper or the consignee

Proposed Remedy: Procedures and processes need to be simplified

Key Findings – Dispute Resolution

Issue # 7

SME trade associations on both sides have been unable to resolve individual business disputes or influence government decisions to normalize trade

Implication

In the absence of an institutional framework for resolution of disputes involving SME there is a reluctance to trade

Proposed Remedy: Trade bodies / associations representing SME sector need to be involved by governments on both sides.

Key Findings – Trade Routes

Issue # 8

Limited land border crossings & limited number of products which can be imported from India using Wagah / Attari border

Implication

Karachi / Sindh based SMEs unable to use more economical land routes for trading with counterparts in India. Punjab based traders unable to realize full potential of land border due to limitations at existing border in terms of logistics / capacity / products.

Proposed Remedy

Open Khokrapar / Munabao land route to allow Karachi / Sindh based to trade with their Indian counterparts. More land routes need to be opened in Punjab.

Key Findings – Perceived Animosity

Issue # 9

Pakistani traders report facing hostility once in India.

Implication

Hotels, taxi drivers, police, and at times the general public make the Pakistani travelers feel unwelcome through their actions and words.

Proposed Remedy: Governments on both sides of the border need to play a role in emphasizing the benefits of trade through channels which reach the public at large such as the media.

Key Findings – External Events

Issue # 10

Trade is hostage to other events such as unrest on LOC, Mumbai, elections in India.

Implication

SMEs are reluctant to make long-term supply & sourcing commitments, including investments, in each other's markets

Proposed Remedy: There should be an explicit agreement between the two governments that trade channels would remain open irrespective of other events