

# CREATING AN INDO-PAK. TRADE CORRIDOR THROUGH PUNJAB

Relevant for: International Relations | Topic: India - Pakistan

A view of the Kartarpur complex and Gurdwara Darbar Sahib.

India-Pakistan relations have always been viewed through the prism of Kashmir. But, as noted security expert C. Raja Mohan argued, the opening of the Kartarpur corridor has unlocked the possibility of looking at bilateral relations through the prism of Punjab and the idea of *punjabiyat*. While some believe that Pakistan's interest in opening this religious corridor is to revive the Khalistan movement, others look at this as a harbinger of normal relations between the countries.

In this regard, it is worth considering whether Punjab can be made central to the India-Pakistan relationship by opening new trade corridors or fortifying existing trade routes running through Punjab. These trade corridors or routes could be developed with an aim to foster a free trade area that brings closer the two Punjabs. As lawyer Raj Bhala argues, such a free trade area could allow absolute free trade in those agricultural and industrial goods and services that originate in either of the Punjabs. This would allow agricultural products originating in Indian Punjab to get preferential market access in Pakistan, thus benefiting the farmers of Punjab. It would also amplify the size of the markets for producers and consumers of Punjab from Chandigarh to Lahore.

Such an FTA can be drafted, thanks to Article XXIV.11 of the General Agreement on Tariffs and Trade (GATT), especially created for India and Pakistan. The Article allows World Trade Organization (WTO) member countries to enter a customs union (CU) or enter into a FTA subject to the following conditions. First, the countries need to eliminate barriers on "substantially all" trade between them. Second, the countries need to ensure that their tariff barriers vis-à-vis third countries are not "on the whole higher or more restrictive" than what they were before the CU or FTA came into existence.

While the Article's obligations apply to all trade agreements in goods entered into by all WTO member countries, paragraph 11 of the article exempts the application of these requirements to a trade deal that India and Pakistan may enter into. The GATT contracting parties recognised that India and Pakistan have long constituted one economic unit and thus should be allowed to enter into special agreements. Paragraph 11 allows India and Pakistan to do two things. First, the two countries can enter into special trading arrangements pending the establishment of mutual trade relations on a definitive basis, and such an arrangement need not meet the requirements of the entire GATT. Second, even after the two countries agree upon trade arrangements, they may depart from GATT rules. The only requirement is that these arrangements should in general be consistent with GATT's objectives — a condition that would not be difficult to satisfy.

Liberal internationalists argue that there is a positive correlation between trade and peace. Freer trade fosters better economic relations between countries and boosts ties of interdependence between the private sectors and the governments. This interdependence creates new constituencies which demand and lobby for peace as it serves their interests. The overall net-effect is fewer conflicts, thus more peaceful relations. In the context of India-Pakistan ties, researchers have long argued that augmenting bilateral trade can yield a 'peace dividend'. India needs to appreciate that there is not one but several 'Pakistans' to deal with. While it should deal

resolutely with the Pakistani deep state, it also needs to reach out to the business community, including in Pakistani Punjab, and nurture these peace constituencies, as part of a larger political process. Boosting trade can be one way to cultivate such peace constituencies.

India and Pakistan have to collectively fight against the scourge of poverty. Trade can play an important role in this. Bilateral trade is today languishing at around \$2.5 billion annually, while the potential, according to the World Bank, is \$37 billion. Trade ties between the two countries hit rock bottom when Islamabad, recklessly, suspended all trade ties after the Article 370 decision in August. Earlier, India had unilaterally increased custom duties on all Pakistani products to 200%, post the Pulwama terror attack in February. On its part, Pakistan did not honour its most favoured nation obligation towards India for a very long time. Creating a new trade corridor from Chandigarh to Lahore, and a free trade area across the Radcliffe Line can be the first principal move towards normalising trade interactions.

Prabhash Ranjan teaches at South Asian University's Faculty of Legal Studies. Views are personal

You have reached your limit for free articles this month.

Register to The Hindu for free and get unlimited access for 30 days.

Already have an account ? [Sign in](#)

Sign up for a 30-day free trial. [Sign Up](#)

Find mobile-friendly version of articles from the day's newspaper in one easy-to-read list.

Enjoy reading as many articles as you wish without any limitations.

A select list of articles that match your interests and tastes.

Move smoothly between articles as our pages load instantly.

A one-stop-shop for seeing the latest updates, and managing your preferences.

We brief you on the latest and most important developments, three times a day.

\*Our Digital Subscription plans do not currently include the e-paper ,crossword, iPhone, iPad mobile applications and print. Our plans enhance your reading experience.

*Why you should pay for quality journalism - [Click to know more](#)*

Please enter a valid email address.

How an idea for a 'perfect Mumbai feature story' failed to materialise

Subscribe to The Hindu now and get unlimited access.

Already have an account? [Sign In](#)

Sign up for a 30-day free trial. [Sign Up](#)

Support The Hindu's new online experience.

END

Downloaded from [crackIAS.com](http://crackIAS.com)

© **Zuccess App** by crackIAS.com

CrackIAS.com