

THE LOWDOWN ON THE MFN STATUS

Relevant for: International Relations | Topic: India - Pakistan

India on Friday revoked the Most Favoured Nation (MFN) status bestowed on Pakistan in 1996.

What does Most Favoured Nation mean?

While the term suggests special preference for the country given MFN status, it actually means it would be treated equally as all others. According to the World Trade Organisation rules, countries cannot normally discriminate between their trading partners. If one country is granted a trade concession such as, for example, lower import duties, then all WTO members must be extended the same concessions. This principle is known as the Most Favoured Nation treatment. Despite repeated promises, Pakistan has never granted MFN status to India.

What does revoking MFN mean?

Revoking it means India can levy whatever import tariffs it wants. India can now make it very expensive for Pakistan to export its goods or services to India.

Will this hurt Pakistan?

So far, India has only revoked the MFN status. It has not altered the import duties on Pakistan. However, if it does hike them, then this will likely have an impact on that country.

That said, the scale of that impact is questionable. India's total trade with Pakistan stood at \$2.4 billion in 2017-18, with just \$488.56 million of this being imports from Pakistan, according to Commerce Ministry data.

Revoking Pakistan's MFN status seems to be more of a symbolic move.

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