

**Address by Shahid Malik**  
**High Commissioner of Pakistan in India**  
*(PHD Chamber of Commerce, 3rd May, 2007, New Delhi)*

President PHD Chamber, Mr Sanjay Bhatia, Distinguished Members of the Chamber, Ladies and Gentlemen.

It gives me immense pleasure to be amongst you once again, after nearly a decade. Having served on an assignment in Delhi in the past, the PHD Chamber and many of your senior members present here today are well known to me. Given the geographical contiguity of this area with Pakistan and a history of economic linkages, the interest of the Chamber in seeking mutually beneficial economic relations with Pakistan is well known and understandable. Only last month, a delegation headed by Mr Bhatia, with past PHD Presidents as its members, undertook a tour of EXPO-2007 to Karachi. As on various occasions in the past, the Chamber also hosted a high level delegation from the Islamabad Chamber of Commerce and Industry recently. Such contacts are useful and need to be encouraged.

Allow me to apprise this distinguished gathering very briefly of Pakistan's impressive performance on the economic front. Over the past seven years, our internationally acclaimed reforms have been guided by the principles of de-regulation, liberalisation, and privatisation accompanied by consistency and maturity. Consequently, Pakistan today is firmly on the path of progress and prosperity internally, while playing a major role as a factor for peace and stability externally. Our economy is now on a high growth trajectory with an average rate of 7 percent, which is amongst the highest in the region. Internationally, we are recognised as one of the top ten performers in the world, which has attracted unprecedented levels of Foreign Direct Investment, standing at nearly 3 percent of GDP, and touching its highest level of \$3.9 billion in our history. During the first nine months of the current year (July-March 2007), foreign investment has been recorded at \$5.6 billion and is expected to reach \$6 billion by the end of the current year. In order to sustain the growth and achieve a competitive edge we have now embarked on our second generation reforms involving infrastructure up-gradation, human capital development and building a knowledge-based economy.

Let me now turn to what you would be particularly interested in knowing. Here, I will touch upon our bilateral economic relations and the direction in which they are headed. During the period following our independence, the bilateral trade constituted a major proportion of total international trade for both the countries. However, as a result of the deterioration in political relations in the 1960s, this witnessed a gradual decrease. Since the year 2000, the trend was reversed and has been consistently positive. From a total trade volume of \$237 million in 2002-03, the bilateral trade increased to over \$1.1

billion in 2006 and part of 2007, thus showing a growth of 370 percent in a span of only three years. It is no mean achievement, though it is generally lost sight of by observers.

Ladies and Gentlemen,

This is not to suggest that we should be complacent with the present situation. Both Pakistan and India have experienced rapid economic development in the past decade or so and the quantum of our international trade has grown manifold. Our two countries have their respective areas of strength and can complement and supplement each other to create a win-win situation. This would also contribute towards economic integration at the regional level as the two economies are the largest amongst the SAARC member states. While the potential for economic co-operation is considerable, a lot of ground still needs to be covered to achieve this potential.

The issues at hand are many: First, to ensure the sustenance of recent positive trends in bilateral economic relations and second, to build upon these both at the bilateral and regional levels, in consonance with the objectives clearly spelt out in the Agreement on SAFTA. This, however, requires an objective analysis of the impediments hampering the achievement of the full potential of trade between our two countries. Before dwelling upon the issues impeding the growth of bilateral trade, it would be helpful to view our bilateral economic relations in the regional perspective as well.

It was in recognition of the trend towards regionalism in international trade and the success story of the trading blocks, like EU, NAFTA and ASEAN, that SAARC leaders decided to execute the Preferential Trade Agreement (SAPTA) in April 1993, with the objective of facilitating trade within the member countries. This was followed by the South Asia Free Trade Agreement (SAFTA) in January, 2004. I may add that intra-regional trade among SAARC countries constitutes only 5 percent of region's total international trade. This compares quite adversely with other regional blocks. We, therefore, have a long journey ahead of us aimed at enhancing economic interaction within the region. Once achieved, it would help in the economic development of the entire SAARC region.

Now coming to the factors inhibiting trade relations between the two countries, one can say that they are both economic and non-economic in nature. During the course of my previous assignment in New Delhi, and even now, I have come across a strongly expressed point of view that improvement of economic and trade relations between the two countries would lead to rapprochement on the political front as well. The underlying assumption behind this view is that in today's world economic factors determine relations on all fronts between the countries. The other view, and I dare say a more dominant and a convincing one, is that while in the short run we may witness a surge in bilateral economic interaction, the sustainability of such progress can only be ensured in an atmosphere of political harmony. Let us hope that both countries are able to resolve their differences and disputes and create an atmosphere which may foster a higher level of economic co-operation to our mutual advantage.

As regards the economic factors, during the four months or so that I have been in India, I have often heard the comment that probably Pakistan is holding back on the trade front due to the apprehension that Indian entities, being more competitive, might swamp

the Pakistani industry. Let me say that this is a myth. Pakistan started liberalising its trade regime in the late 1990's by lowering the tariff rates and diluting the non-tariff barriers. Initially, our industry did suffer some set backs due to the opening up of the economy by giving way to competitively priced goods, particularly from China and the East Asian countries. However, our domestic industry exhibited remarkable resilience and regained its market share, with some local brands of engineering goods even out selling the imported ones. This fact, taken together with the consistent economic growth experienced during the last 7-8 years, has instilled in our industry a sense of confidence to face competition from any country, including India. At the same time, the Pakistani business community understandably expects a level playing field. In this context we have already highlighted the tariff and non-tariff barriers in the Indian trading regime, specially in areas of direct interest to Pakistan.

The high level of subsidies to the agricultural and SMEs sector in India, as well as the role of mega public sector enterprises in international trade, raise justifiable concerns in the Pakistani business community as regards the accessibility of the Indian market. While the agricultural and textile sector is protected by high tariffs, other imports into India are subject to excessive standardisation requirements and cumbersome procedural formalities. A case in point is the recent import of cement from Pakistan. In spite of strong demand from the Indian construction industry, the consignments of cement had to encounter considerable delay for clearance at Mumbai port. I understand that it was cleared only on the interventions of your Chamber. While we appreciate the role played by PHD Chamber, the situation underscores the need to institute a built-in mechanism in your import regime to facilitate imports from SAARC members states, including Pakistan.

I am also aware of the Indian view on the "Positive List". We are prepared to discuss it with the Indian Government, alongwith issues pertaining to the NTBs faced by Pakistan's exports to India, which have already been notified to the SAARC Secretariat. In fact, articles 19 and 20 of the Agreement on SAFTA spell out the mechanism for resolving disputes between member states, in fair detail. Differences on trade matters arising between two member states are required, in the first instance, to be discussed bilaterally between the contracting states to arrive at a mutually agreed solution. In case no Agreement can be reached in the bilateral discussions, Article 20 provides for consideration of the matter by the SAFTA Committee of Experts.

You would be pleased to know that a process of bilateral talks on trade, under the aegis of the Composite Dialogue, has been instituted between the two countries. Furthermore, a Joint Study Group, comprising senior trade officials of both sides, also stands constituted to find ways and means to promote bilateral trade. I am confident that both sides would be able to work out a mutually agreed solution, based on an understanding of the sensitivities of the relevant stake holders in both the countries.

As you would have seen, I confined my talk today to various aspects of our bilateral trade and economic interaction. Allow me, however, to touch very briefly on the basic contours of our foreign policy, with particular reference to India. Both our countries are currently engaged in the composite dialogue process, which has led to reduction of tension and resulted in several confidence-building measures. We believe that the time has now come to move from dispute management to dispute resolution. The Kashmir

dispute remains at the heart of Pakistan-India relations. For a lasting solution, its resolution must be based on the wishes and aspirations of the Kashmiri people and should be acceptable to both Pakistan and India. Towards this end President Musharraf has recently suggested several ideas which could form the basis for serious and useful discussions.

I am hopeful that improved atmosphere in bilateral relations will contribute towards removing the trust deficit between our two countries, and facilitate an early resolution of all outstanding issues so that both can focus on meeting the needs of our peoples.

In conclusions, I would like to thank the PHD Chamber of Commerce, and its office-bearers, for providing me an opportunity to interact with such a distinguished group of businessmen and entrepreneurs.