Developing India and Pakistan Bilateral Relations through Trade

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Abstract

Pakistan and India two largest economies in the entire of South Asia but their trade relations are very abysmally low owing to border disputes and lack of cooperation. In this paper scholar underscored that official trade relations between India and Pakistan could accelerate the bilateral relations in addition to resolution the all preceding issues with harmonious and brotherly manner. However, both nations India-Pakistan have been involved in the unofficial trade which is not ever-increasing with rapid pace but also obliteration the government revenue and sabotage the domestic industry of both sides.

Keywords: India-Pakistan, trade, Political relations

Introduction

In the worldwide atmosphere is shifting progressively. In addition to world system is going to move one direction to another direction. Moreover, in the system of International Relations, the theory of interdependence defined the idyllic and serene bilateral relations for the reason that among countries of cooperation in international level is going to develop. For instance: several countries of cooperation is being witnessed in these days such as, Bilateral Investment treaty (BIT) in the case of United States (US) and China. In the perspective of China and India are going to planned augment their trade relations as well. In the light of above picture, the present study finds out new ways between India and Pakistan. In recent times, between India and Pakistan elites had been met in various places and discussed the issues of peace between border sides and enhance the cooperation in trade. As well as, several meetings of foreign secretaries and commerce ministers talked on trade and sustain the peace on border sides for promote the official trade across the border between India and Pakistan. According to Indian Commission, he stated that we want to desire tranquil and idyllic relations with Pakistan (Indian High Commission, 2015). Over and above, both political and trade relations are not stable owing to border tension and lack of cooperation across the border. In contrast, both official trade relations inimical low and unofficial trade is going to speediness with pace (Taneja & Bimal, 2015). In spite of several measured have been taken to normalize the official trade for instance: diminish transport bottlenecks, embargo the unofficial trade between India and Pakistan (Chohan, 2017). On the other hand, foreign strategies play the integral role in ascertaining the economic relationships between India and Pakistan (Noshina, 2014). The foremost step of most favoured nation (MFN) status, India granted the MFN in 1996; Pakistan did not give the MFN to India yet (Dash & McCleery, 2014).

Literature Review

India and Pakistan are the two most integral countries in the entire South Asian region. The high level of visits between two colossal South Asian countries Prime Ministers (PM) India and Pakistan both focused to amplify trade and cooperation as well, also conduct the various level of diplomatic relations between across the border. Both leaders agreed to end tension between armies of both sides in the disputed Kashmir. In addition, all of diplomatic relations are facing the crucial bottlenecks for instance, terrorist attack, political tension, and border conflicts as well as territorial disputes such as Kashmir issue. Therefore, both economic relations have disturbed of these incidents (The Financial Express, 2016).

Furthermore, several meetings of commerce and foreign secretary level talk between both countries had been held in Pakistan and India to accelerate the official trade, develop the political and diplomatic relations to retain the peace between both countries and in the entire region, but still their trade and political relations are going pessimistically. India-Pakistan trade is abysmally low accounting for less than half a per cent of India’s total global trade (Dawn news, 2015).

Moreover, Pakistan Foreign secretary went in India for lessen the political tension after the Pathankot attack in India. They tried to intensify the political relations through high level of visits and meetings to bridge the differences between them and to converged chasm in the relations by increasing the economic relations and bilateral trade. In addition, specifically, Pakistan announced several times to give the most favoured status (MFN) to India but attributable to political tension and Lahore terror attack named of National Park terminated the decision, remember that India gave the MFN in 1996 to Pakistan. The relationship between Pakistan and India has remained turbulent, but critical to peace in the region. Furthermore, both sides of business community
had disturbed due to political tension and border tension; they are waiting of normalise the bilateral relations such as political, and economic relations. Both India and Pakistan commerce ministers met after few days, both commerce ministers were agreed that they would be drop off the political tension, amplify the trade including control the unofficial trade and remove the non-tariffs barriers such as facilitate the banking system in official trade. But still not get agreeable results about control or reduce unofficial trade and non-tariffs barriers (Indian High Commission, 2014).

In addition, territorial and border disputes such as Kashmir, Siachin, Sir Creek, water dispute, terrorism etc. need to be discussed and strong trade ties can pave a way for the idyllic resolution of all these disputes. According to the Indian Minister Commerce and Industry, Sitharaman, "Progress in trade normalization would depend on the decision taken by Pakistan with regard to granting MFN status to India," if MFN status is granted to India by Pakistan, it would facilitate direct bilateral trade and lead to "economic gains for both countries.

Conversely, both commerce ministers organized the exhibitions in 20- Dec-2015 (The Express Tribune) to extend the trade, culture and political relations, in this exhibition India had to display the Made in India products to develop the interest of Pakistan traders. This movement was astonishing to create the trust between both countries of businessmen and also this activity would be drop off the unofficial trade. As well as, international businessmen attended this exhibition, because this exhibition would be decreasing the impediments as well as diminish the trust deficit between both them. On the other hand, another TEXTILE exhibition was held in Pakistan 2016, unfortunately, this exhibition had been cancelled due to security cause (Lahore attack) Pakistan. Therefore, Lahore terror attacked create the disturbance in between trade and political relations; business community scared to this action because after terror attack trade was proscribed for few days between India and Pakistan.

Indian high commission in Pakistan stated that India want to serene and tranquil relations with Pakistan; in addition to we desire to build up the political, cultural and economic relations with peacefully. We will fight collectively against the terrorism. On the other hand, we will do effort together for control the unofficial trade because unofficial trade devastation the economic growth between both sides. However, the outcome of such endeavours is not encouraging and official trade is well below the expectations on the both sides of the border.

The Associated Chambers of Commerce and Industry of India (ASSOCHAM) is one of the apex trade associations of India. After the Uri attacked, the business leaders (ASSOCHAM) organised the press conference, business community of Indian stated that we must develop the bilateral trade relations with Pakistan because a conflict would be disastrous for both countries. Therefore, we must focus to develop bilateral trade so that peace and political stability can sustain between both countries as well as in the entire region. Additionally, South Asia Association Regional Cooperation (SAARC) members and businessmen organised the meeting in Pakistan, they argued that they would be enhance the cooperation with neighbouring countries especially India. They were agreed on this agenda and performed the trade officially in order to decrease the unofficial trade between India and Pakistan.

India and Pakistan trade had been suspended from the Kashmir border side owing to the drug trafficking. As a result of postponed trade, mostly businessmen were facing the trouble because mostly of freight had ready to deliver of both sides. India and Pakistan businessmen were confused and cannot want to take be more risk in future deal. Both countries of traders are perturbing caused by political tension, hence political instability create the mistrust between both sides of business community. Therefore, political instability encourage the traders of both countries to use the unofficial trade channel instead of official one in order to ascertain the role of unofficial trade and reveal of unofficial trade affect on the political relations.

As well, one of the suicide attacked held on border of Pakistan name as Wagah Attari situated at Lahore, this route is very significantly used for trading between both sides, as a result of this assault trade had been jammed for three days, as well as political tension increase between both countries. Pakistan facing the hitch moment because peace had broken in the country as well as in the intact region, in contrast, numerous of trucks were waiting to normalise the bilateral relations for the reason that both sides of daily three hundred trucks come between both of borders. Both sides of business community were anxious about blur relations. Therefore, terrorist attacked to force the business community to push the trade through unofficial way. President of Federation of Pakistan Chamber of Commerce Industry declared that Pakistan businessmen would not trade more due to Kashmir issue; this was pessimistic impact on the industry of both sides. Due to this defer of trade, both businessmen were confused and force to thinking find another trade channel such as, through third country or illegal trade is called unofficial trade (Pakistan Commerce Ministry, 2016).

In the light of International trade perspective, economically, enhancing trade promote incomes, diminish poverty, decrease the level of unemployment, elevate foreign direct investment (FDI) and reform production in technologies, shrink cost of production as well as swell the assortment of goods for consumer (Wacziarg, 2001). Politically, increase trade volume reduce the rivalry, confiscate austere disputes and promote cooperation, progressively regional serene and constancy (Anderton and Carter, 2001; Barbieri and Levy, 1999; Morrow, 1999).
Research Methodology
For this study, researcher used the approach of qualitative as well as researcher applied the thematic analysis to identify the themes in the context of India and Pakistan trade and political relations. In addition, researcher used the secondary data, for instance: research articles, journals and newspaper. What's more, researcher highlighted the analogous and variation between both sides of trade and political perspectives. Furthermore, current study shows that enhance trade between both sides of border shrink the mutual disputes and solved the issue with amicable and brotherly comportment. At the moment study results will help not merely researchers or professional in the context of India-Pakistan trade relations but it is also it would be immense assistance of students, and policy makers in the ground of growth.

Regional stability
Several studies recommended that high level of trade between India and Pakistan could be patch up the all preceding issues and abolish the armed and territorial disputes (Chowdhry, 2012; De, Raihan, and Ghani, 2013; Gopalan, Malik, and Reinert, 2013; Khan, 2010; Mamoon and Murshed, 2010; Taneja, 2013). Expand trade reduce the future pest and develop the trust among countries as well as, trade is a soft instrument to shrink the mutual misconception and build the people to people interaction (Khan, 2010; Mamoon and Murshed, 2010). In addition, superior level of trade not only lessen the bilateral issues but it is also generate the new institutions for develop the new ways (Morrow, 1999). In the light of above, between China-Taiwan, India-China, and U.S-Russia, despite their political instability, but their cooperation is stable in the context of trade. In this environment, Pakistan willing to become an India-China model of economic cooperation, stated by Pakistan President Asif Ali Zardari in April 2012 when he visited the India. This model presented the positive assumption that mutually countries involved dialogue to merge the issues and developed the trade relations. In contrast, India and Pakistan involved another approach such as: Kashmir issue first and later on trade ties. In case between both countries India-Pakistan must be engaged in trade relations then would be patch up the foremost issue of Kashmir.

Additionally, the lack of cooperation between two South Asian countries the political and territorial issues are still unresolved, therefore, these unsolved issues push the terrorism activities across the border between both sides. Furthermore, both elites must be take the positive step to magnify the cooperation for the reason that cooperation would be play the central role between both countries but also in the intact South Asia region.

Additionally, in the context of Indian, high level of trade with Pakistan giving the most attraction and provided opportunity for India to reveal the entire region of South Asia and China as well. China is growing with rapid pace in South Asia and going to investment in neighbour countries of India. For instance: China built the infrastructure and ports in Sri Lanka, Pakistan and Bangladesh, in another country of Nepal build the roads, in case of Myanmar developed the oil and gas pipelines, China given to Pakistan two nuclear plants power and provide fighter jets, guided missile frigates, weapons-grade fissile material, and bomb designs as a part of its nuclear support to Pakistan (Lamant & Kazmin, 2009).

Furthermore, Indian elites observed that China policy to control the South Asia including India and Indian Ocean region. In the light of above statement, Indian senior officials observed that China policy is getting higher with rapidity investment in South Asia and covered the ASEAN country through amendable policy; as well as, China aim to cover the Japan through soft power is called trade ties. Moreover, India developed the interest in trade relations with their neighbour countries such as: Sri Lanka, Bangladesh, Nepal, and Bhutan from the year of 2000. In the face of this strategy, Indian policymakers would be improved the economic relations with Islamabad (Pakistan.) As well, New Delhi started to work to swell the trade relations with neighbours’ countries for optimistic development in the entire region and showed the affirmative concentration for all commune in the South Asia region. Expand trade ties will be not only established the relations with SAARC countries but it is also would be boost the tranquility and dynamic relations and decline the unemployment and sharing the technologies and enlarge the tourism industry and people to people connections (Mamoon & Murhsed, 2010). Therefore, higher trade relations would be increase the stability in the entire region.

Support for business groups for advancement and development of business and trade
Pakistan understands that the liberalization of respective exchange in the middle of Pakistan and India would not just give impulse to both economies in an advantageous manner additionally evacuate the hindrances to local incorporation inside of South Asia. The potential point of preference for Pakistan from more extensive provincial monetary combination gives off an impression of being vast. Going great past the prompt formation of exchange streams, capital speculation and joint financial endeavours, participation in the fields of IT, Science and Innovation, Innovative work would, without a doubt, help profitability of household commercial ventures and stimulate economic development (Taneja & Pohit, 2015).

It is wide concept held by major political parties and business partners that Pakistan is in state of lingering behind different nations. The reason for this state is that Pakistan has not explored its full potential in many
perspectives. With the marking of the facilitated commerce concurrence with China, Pakistani markets and makers have effectively changed in accordance with moderately less expensive imports from China. They do no more consider that the danger of Indian items flooding Pakistani markets and dislodging household commercial enterprises conveys much substance. In a few zones, for example, design wear, bed wear, home materials, concrete and so on. Pakistan would have the capacity to improve and infiltrate a much bigger business sector.

The staggering backing from Pakistani businesspeople for MFN status to India is incompletely an impression of this feeling of certainty. Brokers and merchants in Pakistan are envisioning much bigger business volumes and consequently benefits for themselves from this opening up. Exchange liberalization will unambiguously advantage Pakistani shoppers since item costs ought to fall and buyer decision grow when exchange hindrances are decreased or evacuated. Expanded exchange stream that originates from the lifting of import preclusion for things originating from India would prompt extra traditions income for Pakistan (Teo et al., 2014).

The mind-boggling proof of the benefits of respective exchange liberalization has tilted the offset for the advocates of expanded exchange with India. Be that as it may, there are still huge spoilers who might be washouts in the deal. Some of them are vocal, understandable and effective. They can't just be overlooked as their irritation esteem in hindering or switching this new bonhomie is not paltry.

### Patterns, Designs and Methods of Official Trade

To date, the greatness of authority exchange in the middle of Pakistan and India stays insignificant contrasted with their separate worldwide exchange volume and neither one of the countries falls in the classification of main ten exchanging accomplices of one another. This is incompletely because of their history of being moderately shut economies, however all the more significantly; past political contacts have affected their shared exchange relations.

The offer of India's remote exchange its gross domestic product (GDP) has expanded consistently since the mid 1990s, however has stayed low at 31 percent until 2003, while Pakistan's exchange openness remained at 38 percent in 2003. The normal exchange openness for South Asia was 65 percent in 2003, much underneath the openness of different locales. Case in point, exchange openness of ASEAN nations found the middle value of 144 percent in 2003 (Taneja et al., 2015).

In addition, South Asia remains the minimum incorporated locales on the planet. Intraregional exchange adds up to one and only percent of South Asia's GDP in 2003 contrasted with 3.5 percent to 4 percent of provincial GDP in Latin America, Sub-Saharan Africa, and East Asia and 9 percent of territorial Gross domestic product in Europe and Focal Asia. Concerning two-sided exchange, Pakistan's aggregate stock exchange with India (imports in addition to fares) contributed a small 3 percent (all things considered) of the general exchange amid the most recent five years finishing 2004-05.

The offer of India in Pakistan's aggregate fares stayed under one percent, though altogether imports, it vacillated inside of a slender scope of 1.24 to 2.66 percent. Essentially, the offer of Pakistan in India's aggregate fares found the middle value of 0.45 percent while in imports it constituted just 0.11 percent amid the period 1999-00 to 2003-04. In the Fiscal Year 2005-06, Pakistan's total share in Indian aggregates fares was worth $80 billion while India shares in Pakistan was equal to $110 billion. Utilizing altered impacts model of reciprocal exchange taking into account 2001 information, a World Bank study has evaluated that if typical relations had won.

Then again, Pakistan imported, by and large, $176 million value of products from India, bringing about a tireless exchange shortfall (aside from in FY99) against Pakistan. The greatness of exchange deficiency shot up to $288.7 million in 2003-04 (the most noteworthy amid the most recent ten years) fundamentally because of upgraded imports under the gatherings of natural chemicals and minerals, slag and fiery remains (+$99.4 million) and also a remarkable import of crude cotton worth $64.8 million in the wake of low cotton creation in FY04.

In spite of the fact that fares to India climbed pointedly to $288.2 million amid FY05 however augmented imports from India worth $548.2 million brought about an exchange shortfall of $260.0 million. The ware astute organization of Pakistan's exchange with India amid the previous five years finished FY04 demonstrated that, by and large, more than 90 percent of Pakistan's fares to India fall under only six general classifications and represented 40 percent of the aggregate number of things sent out in a year. Out of six, the two general classifications of Pakistan's real fares to India comprise of consumable leafy foods (new and dry) and vegetables roots/tubers (Taneja et al., 2015).

Foods grow from the ground organic products alone contributed, by and large, 45 percent of the aggregate fares to India amid the most recent five years. By and large, Pakistan's fares comprise of more crude material than completed items. These comprises mostly of eatable leafy foods (new/dry), unrefined vegetable material (vegetables roots/tubers), cotton, other made up materials articles, woven fabric, and oil seeds (different grains and natural products).

Notwithstanding these things, some different things have been sent out infrequently which include: grains,
between two South Asian countries. Several scholars estimated that India and Pakistan official trade could be pharmaceutical items, and so forth. Throughout the years, the offer of natural chemicals imports have expanded, both economy India and especially Pakistan (Shahbaz, Ahmed, and Ali, 2008; Shahbaz and Rahman, 2010). US$ 50 billion per year if both countries political relations stabled and smooth (Taneja, et al., 2015).

In 2015 unofficial trade jumped up US$ 10 billion per year. Unofficial trade indicated the trade potential (ICRIER) estimated that unofficial trade between India and Pakistan reached to US$ 4.71 billion in 2012-13 and 2015 unofficial trade jumped up US$ 10 billion per year. Unofficial trade indicated the trade potential between two South Asian countries. Several scholars estimated that India and Pakistan official trade could be US$ 50 billion per year if both countries political relations stabled and smooth (Taneja, et al., 2015).

In addition, the main items included in unofficial trade from Indian side jewellery (24 per cent) textiles (20 per cent), machinery and machine parts (8 per cent), electronic appliances (6 per cent), chemicals (5 per cent), paper (5 per cent) and tires (5 per cent). India’s informal imports from Pakistan mainly consisted of textiles (49 per cent), dried fruit (32 per cent), spices (10 per cent) and carpets (4 per cent) (Chohan, 2017).

Furthermore, mostly items exported through third country for Pakistan such as: Dubai. For the reason that middlemen play the vital role to perform the trade since, mostly traders trust on middlemen because these middlemen involved in entire deal and confirmed to buy and sell all products between both sides of parties. In addition, almost 68 per cent Indian products exported to Pakistan from the Dubai podium. In the light of above, few per cent exported from border side of Kashmir, as well as Pakistan exported items through illegal procedure and mostly passengers and travelling by bus or rail and few of through land route across the border. Over and above, there are three major causes to explain the unofficial trade between India and Pakistan. Firstly, mostly items are included in the negative list it means that items are all proscribed to perform the official trade way. Secondly, trade through country is more convenient as to compare direct trade border to border, for the reason that both sides of border is high taxes and infrastructure is not international level. In last, third is payment procedure is very approachable and secure because between both sides of India and Pakistan have no bank who perform the payment procedure. In spite of other factors are impacting on between both sides of official trade for instance: fins new trade partners in Pakistan, both sides of rigid visa regime, limited people to people contacts, a lack of transparency, misconception, distrust between both sides of traders and both sides of government imposed high tariff taxes on the products and political tension and border tension is another massive barrier across the border (Chohan, 2017). However, India and Pakistan unofficial trade is four times expensive and eleven times is longer distance as to compare the official trade border to border. Unofficial trade between India-Pakistan routes is Delhi-Mumbai and then shipment from Karachi through Dubai route.

Informal Trade between India and Pakistan
Informal trade can be defined as trade through illegal way or through third country is considered informal or illicit trade between two countries. Although, between India and Pakistan informal or official trade is inimical meagre, as well both countries unofficial trade is swelling with rapidly pace. In spite of both countries are close neighbours and adjacent border but their trade relations are limited owing to political tension and dearth of cooperation. Regardless several initiatives have been taken to reform the official trade such as: decrease the rigid visa policy impediments and reduce transport bottlenecks.

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India and Pakistan trade impediments
Corruption
In the case of increasing corruption in a country, then mostly investors void to come investment in country. Aburime (2010) delved that corruption impact in foreign direct investment (FDI) in the case of Pakistan and India, FDI would be not elevate and because corruption born up the discrimination and inequality. On the other hand numerous studies mentioned that corruption is a more imperative problematic in the development of the both economy India and especially Pakistan (Shahbaz, Ahmed, and Ali, 2008; Shahbaz and Rahman, 2010).

Law and Order
Recently, in Pakistan law and order is not well for the reason that Karachi is biggest and industrial city and well known place but due to law and order the condition of this city is not good and trade disturbed.
Lack of political stability
In the South Asia region between India and Pakistan both are giant countries in the intact region. As well as, Political stability play the integral role to normalization the business environment of a country. Political instability enhances the business relations and increases the FDI flows between both countries. Several researches show that political instability play the pivotal role to increase the FDI flows and increase the interest of business community (Lambsdorff, 1999).

In case of political stability is weak, businessmen would be not take any interest to invest the business (Brada et al. 2005; UNCTAD 2010; World Bank 2011). Pakistan has golden opportunities and stunning minerals to share the neighbour’s countries and could be take more advantage if Pakistan stables the political relations with India. Moreover, World Bank (2011) emphatically stated that investment of multinational sectors would be not if corruption and political instability will be increase.

Conclusion
India and Pakistan have majestic opportunities to share with each other and trade normalization process would be increase trade potential. Both are close neighbours and diminutive distance across the border, therefore direct trade if would be enlarge their mutual conflicts will be disappear as well with brotherly and amicable manner. Trade normalization process will open it new ways such as: trade is automobile sector and all prescribed items (textile) between across the border. Furthermore, between South Asian nuclear power must be worked together in numerous fields so that trade relations could be enhanced. India and Pakistan government ought to take serious steps to improve the rail and road infrastructure as well as reform the ports so that unofficial trade flow can be havoc with pace for the reason that unofficial trade is eating government revenue. India and Pakistan government could play the foremost role to enhance the trade relations across the border. Trade will not bring both sides of prosperity but it is also elevated the idyllic and tranquil relations across the border sides. In International Relations, the theory of Interdependence aimed to promote serene and peaceful relations with partner country. Therefore, India needs to eliminate the non-tariff barriers for development the trade relations. In addition, this exertion would be providing the opportunity between both sides of businessmen. Over and above, both countries must be work jointly and emerged the label of Made by India-Pakistan so that both sides of customers freely can buy this product and this idea will help for development the both sides of political relations but also across the border of people will be think always optimistic.

Moreover, both sides of Commerce Ministers should be arranged the exhibitions and fairs in the different cities of Pakistan and India for incentive the both sides of business community, in this exhibitions both countries displayed their products and this activity increase the interest of business community. Further, at the same time, Foreign Direct Investment (FDI) flow will be increase and opened up new prospects, India and Pakistan businessmen are afraid of political instability therefore, between both sides of elites must be sustain the peace for development the both countries as well as entire region.

In the light of above discussion, India and Pakistan businessmen cannot be take visa owing to rigid visa regime and both government should be think about this complex issue and policy ought to flexible so that new traders could take more interest for enhance the business environment. As well as, telecommunication channels required to open up to faster people to people interaction and diminish the business expenditures. Additionally, New Delhi and Islamabad need to persistently connect with each other. As a result, new businessmen would be entering in the trade relations. Because new traders will be bring more ideas and potential to enlarge the trade relations between both sides of borders. As well as, new traders will be helpful to eradicate the unofficial trade between India and Pakistan. Most important of government role to play in the banking system so that payment transaction could be easily, in 2005 both government were agreed to open the bank branches across the border still in progress; India and Pakistan government to need a serious action in order that bank branches could be open and businessmen can be withdrawal across the border devoid of extra charges. If India and Pakistan fulfilled the all requirements for facilitate normalization the trade relations in that case, their trade relations will be boost up with rapidly as well in the entire region and unofficial trade would be immediately abolish. On the other hand, Dubai is playing the foremost role to augment the trade between India and Pakistan as a result of Dubai giving the guarantee of payments and trade procedure is convenient and approachable for everyone. Moreover, the role of third country such as: Dubai is giving the podium to share the ideas between India and Pakistan businessmen communities also develop the trust, dwindle the misconception and bridge information gaps as well as change the business environment and alleviate the poverty and unemployment in order that it is better for all kinds of businessmen to rectify the disputes. In addition to all evaluate of this study could help in growing of trade potential between India and Pakistan.

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