

India allows Foreign Investment from Pakistan

UMER AKRAM CHAUDHRY

India opened the doors to investors from Pakistan on Wednesday as a major step to enhance bilateral trade and investment in the region. According to the statement of [India's Ministry of Commerce](#), "the government of India has reviewed the policy... and decided to permit a citizen of Pakistan or an entity incorporate in Pakistan to make investments in India."

Pakistan's Foreign Ministry spokesman welcomed India's decision and said that "we hope this decision will be fruitful for the people of both countries."

Shri Vikrajit Singh Sahney, President of SAARC Chamber of Commerce and Industry (SAARC CCI) [stated that the](#) latest development in India-Pakistan bilateral trade will not only improve trade in the region but will compliment efforts for meaningful implementation of South Asia Free Trade Agreement (SAFTA).

"It is very positive gesture showed by the Government of India, which will give Pakistani enterprises an ample opportunity to make investment in almost all sectors," Sahney added.

The Federation of Pakistan Chambers of Commerce and Industry (FPCCI) and India-Pakistan Chamber of Commerce and Industry (IPCCI) [also welcomed](#) India's decision to allow Pakistani businesses to enter India.

India's decision to open up to Pakistani business and investors is a momentous step in the recent efforts by traditional South Asian rivals to liberalize cross-border trade and investment. In March this year, Pakistan's Ministry of Commerce scrapped the 'positive list' of around 1900 importable items from India and substituted the ['negative list'](#) of 1209 items that cannot be imported from India. Pakistan also permitted 137 items to be imported by land route passing through the Wagah-Attari border crossing.

The Wagah-Attari border crossing is expected to emerge as a major South Asian trading hub. [India inaugurated](#) an Integrated Check Post (ICP) at Wagah-Attari in April this year as both countries are taking measures to develop transport infrastructure and trading facilities. Bilateral trade liberalization has immense promise for both Pakistan and India. As new confidence building measures are introduced, there is a marked rise in the volume of cross-

border trade. During the first quarter of 2012, India's imports from Pakistan increased by 106 percent and exports by 39 percent over the corresponding period last year.

Pakistan has committed to phase out the 'negative list' and accord Most Favored Nation (MFN) status to India. This will allow India to import around 7500 additional items to Pakistan through Wagah-Attari land route. India granted MFN status to Pakistan in 1996.

The grant of MFN status to India by Pakistan is expected to lead to an exponential increase in trade between the two countries. According to a study by Associated Chambers of Commerce and Industry of India (ASSOCHAM), the inauguration of ICP at Wagah-Attari border and granting of MFN status to India by Pakistan can increase the bilateral trade by over threefold from \$2.6 billion at present to \$8 billion in just two years.

India-Pakistan trade can not only be seen in terms of economic advantages because it may also contribute to settling historic animosity between the two countries in the longer run. While easing the restrictions on trade and investment, India and Pakistan are taking active measures to relax visa regulations and encourage cross-border travelling. Both countries have expressed the willingness to bring down the non-tariff barriers (NTBs) to allow a level playing field to business from across the border.

Pakistan is looking at India to purchase electricity to partially resolve Pakistan's acute power crisis. Discussions are also being carried out over trade in petroleum and other products. With time and right steps, India-Pakistan trade is only expected to lead to further economic prosperity and regional cohesion.

Visit Trans Lex Blog at: <http://translexblog.wordpress.com>