

India-Pakistan Relations

India desires peaceful, friendly and cooperative relations with Pakistan, which require an environment free from violence and terrorism.

In April 2010, during the meeting between Prime Minister and then Pak PM Gilani on the margins of the SAARC Summit (Thimphu) PM spoke about India's willingness to resolve all outstanding issues through bilateral dialogue. Follow up meetings were held by the two Foreign Ministers (Islamabad, July 2010), and the two Foreign Secretaries (Thimphu, February 2011). During the latter meeting it was formally agreed to resume dialogue on all issues: (i) Counter-terrorism (including progress on Mumbai trial) and Humanitarian issues at Home Secretary level; (ii) Peace & Security, including CBMs, (iii) Jammu & Kashmir, and (iv) promotion of friendly exchanges at the level of Foreign Secretaries; (v) Siachen at Defence Secretary-level; (vi) Economic issues at Commerce Secretary level; (vii) Tulbul Navigation Project/ Wullar Barrage at Water Resources Secretary-level; and (viii) Sir Creek (at the level of Surveyors General/ Additional Secretary).

Since then several efforts have been made by the two countries to enhance people-to-people contacts. Cross-LoC travel and trade across J&K, initiated in 2005 and 2008 respectively, is an important step in this direction. Further, India and Pakistan signed a new visa agreement in September 2012 during the visit of then External Affairs Minister to Pakistan. This agreement has led to liberalization of bilateral visa regime.

Two rounds of the resumed dialogue have been completed; the third round began in September 2012, when the Commerce Secretaries met in Islamabad. Talks on conventional and non-conventional CBMs were held in the third round in December 2012 in New Delhi. A meeting of the Working Group on Cross-LoC (Line of Control) trade and travel CBMs was held in New Delhi on March 4, 2014 in which strengthening of standard operating procedures was discussed following unilateral suspension by Pakistan of cross-LoC trade and travel for about a month in January-February 2014 after seizure of a large amount of drugs by Indian authorities in a truck coming to the Indian side of the LoC.

Pakistan's PML (N) party received a strong mandate in the elections held on 11 May 2013 which allowed its leader Mian Nawaz Sharif to form a new Government. In his letter of congratulations (May 12), Prime Minister expressed desire to work with the new Pakistan government "to chart a new course" in bilateral ties. PM's Special Envoy Ambassador S.K. Lambah met Nawaz Sharif on 27 May 2013 in Lahore to personally convey PM's message even before the latter formally assumed office - a gesture that was appreciated by the new Pakistan PM. Ambassador Shahryar Khan also visited India (4-6 July) as PM

Nawaz Sharif's Special Envoy and met PM (5 July); during the meeting he also handed over a personal letter from Prime Minister Nawaz Sharif to PM.

Following the dastardly attack on 6 Aug 2013 in which five Indian jawans were killed along the LOC with the involvement of Pak army, India called upon Pakistan to maintain ceasefire and uphold the sanctity of LOC, which is the most important Confidence Building Measure between the two countries and, together with Pakistan's assurance not to allow territory under its control to be used for anti-India activities, formed the basis of bilateral dialogue. It was conveyed that such unprovoked incidents on LOC by the Pak Army would have consequences for our bilateral ties.

In their meeting on the margins of the UN General Assembly on September 29, 2013 in New York, Prime Minister and PM Nawaz Sharif agreed that the precondition for a forward movement in the relationship, which they both desired, was an improvement of the situation on the LoC where there had been repeated ceasefire violations and incidents. They decided to task the Directors General of Military Operations (DGMOs) to suggest effective means to restore the ceasefire and a way forward to ensure that that remains in force and in place. The meeting of the DGMOs took place at Wagah on December 24, 2013.

Terrorism

Terrorism emanating from territory under Pakistan's control remains a core concern in bilateral relations. This is precisely why India has sought a firm and abiding commitment from Pakistan that it will not allow its territory and territory under its control to be used for the aiding and abetting of terrorist activity directed against India and for providing sanctuary to such terrorist groups. India has consistently stressed to its interlocutors the need for Pakistan to fulfill its oft-repeated assurances, given to us at the highest level, that territory under its control would not be allowed to be used for anti-India activities in any manner. It is critical for the security of the region that Pakistan undertakes determined action to dismantle the terrorist networks, organizations and infrastructure within its own territory. However, internationally sanctioned entities such as Lashkar-e-Toiba (LeT) continue to function in Pakistan under various aliases. LeT's leader Hafiz Saeed and his followers also continue to incite violence against India. Moreover, in the recent months, key terrorists - fugitives from Indian law - have resurfaced in Pakistan.

Progress in the ongoing **Mumbai terror attack case** in Pakistan is seen as an important marker of Pakistan's commitment to combat terrorism emanating from its soil. The trial of seven persons in an Anti Terrorism Court (ATC) for their involvement in the 2008 Mumbai terror attacks has however proceeded at a glacial pace. The trial has been subject to repeated adjournments, non-appearances of lawyers, and frequent changes of prosecution lawyers and judges. A Pak Judicial Commission undertook its second visit to India in

September 2013 and cross-examined key prosecution witnesses. Prime Minister Nawaz Sharif told PM in New York on September 29, 2013 that effective action on bringing the perpetrators of the Mumbai attacks to book was indeed Pakistan's intention, and now that the Judicial Commission had returned to Pakistan after gathering depositions and evidence in India, there would be further progress. Hearings in the case, however, continue to be disrupted for one reason or another.

Economic Ties

Formally accounted India-Pakistan bilateral trade in 2012-13 was US\$2.6 billion (Indian exports to Pakistan were US\$2.064 bn and imports from Pakistan US\$ 541 million). Pakistan exports to India crossed \$500 million mark for the first time during this period. [Trade through third countries is variously estimated at US\$ 3.5-4 billion]. Main items of **export** from India to Pakistan are: cotton, organic chemicals, food products including prepared animal fodder, edible vegetables, plastic articles, man-made filament, coffee, tea and spices, dyes, oil seeds and olea, etc. Main items of **import** by India from Pakistan are: copper and copper articles, edible fruits and nuts, cotton, salt, sulphur and earths and stones, organic chemicals, mineral fuels, rubber plastic products, wool, etc.

MFN Status

India had accorded MFN status to Pakistan in 1996. A cabinet decision of November 2011 by Pakistan to reciprocate remains unimplemented. Pakistan, however, substituted in March 2012 a 'positive list' of a little more than 1950 lines, permitted for import from India, by a 'Negative List' of 1209 lines which cannot be imported from India.

In August 2012, India announced reduction of 30% in its SAFTA Sensitive List for non-Least Developed Countries, bringing down tariff on 264 items to 5% within a period of three years. This measure benefited Pakistan's exports to India in sectors of key interest to Pakistan.

During the Commerce Secretary-level talks September 20-21, 2012 in Islamabad, a roadmap was established to move forward for full normalization of bilateral trade. However, in the absence of the first step of the road map, viz, Pakistan permitting all importable items through Wagah/ Attari land route (as against current only 137), the roadmap remained unimplemented.

In their meeting in New Delhi on January 18, 2014, Commerce Ministers of India and Pakistan reaffirmed the commitment to expedite establishment of normal trading relations and in this context to provide Non-Discriminatory Market Access (NDMA), on a reciprocal basis. They decided to intensify and accelerate the process of trade normalisation, liberalization and facilitation and to implement the agreed measures before the end of February 2014. Implementation of these

steps, *inter alia*, removal of 'Negative List' and removal of restrictions on the number of importable items via Wagah land route by Government of Pakistan is awaited.

Trade Agreements

With a view to build confidence of the business community on both sides, representatives of various trade regulatory bodies of India held meetings over 2011-12 with representatives of leading chambers of commerce and industry of Pakistan to discuss matters pertaining to trade regulations, standards, labeling and marking requirements. Three agreements, viz., Customs Cooperation Agreement, Mutual Recognition Agreement and Redressal of Trade Grievances Agreement, were signed during the Commerce Secretaries' talks on September 21, 2012.

Trade Infrastructure

The then Home Minister of India, in the presence of, among others, the Commerce Ministers of India and Pakistan, and the Chief Ministers of the states of Punjab of the two countries inaugurated the Integrated Check Post (ICP) at Attari on April 13, 2012. The Attari ICP represents vastly improved infrastructure to facilitate trade and travel. Spread over 118 acres, it contains a passenger terminal measuring 9,600 sq mts, a dedicated cargo terminal measuring 4,700 sq mts, and separate import and export warehouses measuring over 10,000 sq mts, apart from over 50,000 sq mts of parking space for trucks, and equally large area for future expansion. The two sides have discussed initiatives such as 24x7 operation at Attari-Wagah trade route, movement of containers between Amritsar and Lahore and meeting point for business persons at Attari/ Wagah. Various segments in Pakistan have spoken in favour of opening more land trade routes with India, including Munabao-Khokhrapar. A Joint Working Group has been established to look into this.

Other Economic Initiatives

In response to a request made by Prime Minister Nawaz Sharif for assistance to tackle power crisis in Pakistan, the possibility of supplying upto 5 million cubic meters gas per day (by extending the Dadri-Bawana-Nangal pipeline from Jalandhar via Amritsar to Lahore), and establishing a 500 MW HVDC link from Amritsar to Lahore to facilitate power trading were explored. A composite Indian delegation comprising officials and public sector representatives from electricity and gas utilities visited Lahore and Islamabad on June 9-12, 2013 to hold discussions at technical level and made presentations to the Chief Minister of Punjab and Member of Prime Minister's Energy Committee Shehbaz Sharif, Minister for Water and Power Khawaja Asif and Minister for Petroleum and Natural Resources Shahid Khaqan Abbasi. After a hiatus of a few months since July/ August 2013, when visit of a delegation from Pakistan to

India for follow up was expected, further talks were held in Delhi on March 5, 2014 on trade in power, and on April 1, 2014 on cooperation in gas and petroleum sector.

Pakistan welcomed India's decision to allow investment from Pakistan (notified by the Government of India on August 1, 2012). The decision to allow investment from Pakistan in shares and convertible debentures was notified by RBI on August 22, 2012. In September 2012, RBI removed restriction on investment in Pakistan from India.

Business Exchanges

A strong tradition of exchange of trade delegations has also been built up over the last two years. The first meeting of the newly created Joint Business Council (JBC)/ Forum, comprising 15 top level business representatives from each country was, held in Islamabad on 29 June 2013. The JBC decided to form ten task forces to examine the priority areas of economic cooperation in agriculture, pharmaceuticals, automobiles and healthcare. Its second and third meetings were held in New Delhi and Lahore, respectively in October 2013 and February 2014.

Among business-to-business exchanges since April 2012 are participation of a CII-organised high level business delegation in the 2nd Indo-Pak *Aman ki Asha* Economic Conference 'Dividends: Profits on Peace' in Lahore on 7-8 May 2012, Bombay Chamber of Commerce and Industry in 'My Karachi' exhibition in Karachi from 13-15 July 2012, 'India Expo' in Karachi in 2013, the second edition of 'India Show' in Lahore (February 14-16, 2014) - which was inaugurated by Federal Minister for Commerce of Pakistan Khurram Dastgir Khan, 'Made in Pakistan' Exhibition mounted by the Federation of Pakistan Chambers of Commerce and Industry in Mumbai from August 31-September 4, 2012, and again from April 3-7, 2014, participation of Pakistan in Indian International Trade Fair in November 2012 and 2013, and in a number of other trade exhibitions and events, including those arranged by the PHD Chamber of Commerce and Industry in Chandigarh, Ludhiana, Delhi, etc. The next edition of 'Lifestyle Pakistan' is being planned.

Humanitarian Issues

A joint 'Judicial Committee on Prisoners' comprising retired Judges from the higher judiciary of both countries looks into humanitarian issues related to **prisoners and fishermen** in each other's jails, which it visits alternatingly twice a year. Its last visit to India was in October 2013. The Committee's recommendations on better consular access, expeditious trial, provision of legal aid, humanitarian treatment, early repatriation after completion of sentences, and repatriation of fishermen along with their boats, are examined for implementation by the government on both sides. As a result of constant efforts by the

Government, release of close to 2,000 Indian fishermen and 100 prisoners has been secured from Pakistani prisons since 2008. At present, there are over 300 fishermen and estimated over 200 prisoners believed to be Indian in Pakistani jails. Some of them have completed their sentences and await release. Since 2008, deaths of eight Indian fishermen and 3 prisoners while in custody of Pakistani authorities have been reported, with a few of these known or believed to have resulted from unnatural causes. The matter of reported auctions of confiscated boats of apprehended Indian fishermen has been taken up with concerned Pakistani authorities.

April 8, 2014