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AGRICULTURAL TRADE AND ECONOMIC COOPERATION BETWEEN INDIA AND PAKISTAN: ISSUES, CHALLENGES AND FUTURE PROSPECTS

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Abstract

International trade plays a crucial role in economic development by enabling countries to specialize according to their comparative advantages and expand market opportunities. However, global trade relations have historically been shaped by structural imbalances between developed and developing countries, limiting the ability of developing economies to fully benefit from global trade integration (World Trade Organization [WTO], 2023). Within South Asia, India and Pakistan represent the two largest economies and share strong geographical, cultural and historical ties. Despite their proximity and complementary production structures, bilateral trade between the two countries remains significantly below its potential due to persistent political tensions, trade restrictions and infrastructural limitations (Taneja, 2013). Agriculture remains a vital sector in both economies, employing a substantial share of the labour force and contributing significantly to national income. Given the similarities in agro-climatic conditions and production patterns, agricultural trade between the two countries holds considerable potential. By analysing existing literature, trade statistics and economic indicators, the study highlights structural constraints and identifies opportunities for strengthening bilateral agricultural trade relations. The findings suggest that improving trade facilitation, reducing non-tariff barriers and strengthening institutional cooperation could significantly enhance agricultural trade between the two countries and contribute to regional economic integration in South Asia.

Keywords: India–Pakistan Trade, Agricultural Trade, South Asian Economic Cooperation, SAFTA, Bilateral Trade Relations, Trade Barriers.

1. INTRODUCTION

International trade has become a fundamental driver of economic growth and development in the modern global economy. Trade facilitates specialization according to comparative advantage, enhances market access, and promotes efficient allocation of resources (Krugman et al., 2018). However, global trade relations have historically been shaped by structural imbalances between developed and developing countries.

Developed economies largely specialized in industrial production, whereas developing economies remained dependent on the export of primary commodities, particularly agricultural products (Todaro & Smith, 2020). This pattern contributed to unequal trade relations and deteriorating terms of trade for many developing countries.

According to the World Trade Organization (WTO, 2023), developing economies accounted for approximately 45 percent of global merchandise exports and 42 percent of global imports in 2022. Despite increasing participation in global trade, these economies still rely heavily on imports of high-value industrial products from developed countries.

India and Pakistan are the two largest economies in South Asia and together account for nearly 88 percent of the region's GDP and around 85 percent of its population (World Bank, 2023). Despite geographical proximity and shared historical ties, bilateral trade between the two countries remains extremely limited (Ghuman & Madaan, 2006).

Before the partition of British India in 1947, the region functioned as an integrated economic system with common markets and infrastructure. However, partition disrupted these economic linkages and led to the emergence of two independent states with strained political relations (Talbot, 1999).

Political tensions between India and Pakistan, particularly regarding the Kashmir dispute, have significantly influenced bilateral economic relations. Several wars and conflicts between the two countries have repeatedly disrupted trade flows (Sridharan, 2005).

Regional initiatives such as the South Asian Association for Regional Cooperation (SAARC) and the South Asian Free Trade Area (SAFTA) were designed to promote economic integration in South Asia. However, the full potential of these initiatives has not been realized due to political tensions and trade restrictions (Chand & Saxena, 2014).

Agriculture remains one of the most important sectors in both countries. In India, agriculture employs about 42.86 percent of the workforce, while in Pakistan it employs around 33 percent of the labour force (World Bank, 2023). Therefore, expanding agricultural trade between the two countries could generate substantial economic benefits. Agricultural trade between India and Pakistan includes several commodities that reflect the complementary nature of their agricultural production. These commodities illustrate the potential for mutually beneficial trade between the two countries (Gill & Madaan, 2015). India mainly export Fruits and vegetables, Cotton, Soyabean products and Sugar and imports Dry dates, Cotton, Sesame Seeds, spices and dry fruits from Pakistan.

This present paper is divided into four sections.

1. Economic Profile of India and Pakistan
2. India-Pakistan Total volume of trade from 2006-2023.
3. India-Pakistan volume of Agriculture trade from 2006-2023.
4. In last phase, policy implication

1.1 ECONOMIC PROFILE OF INDIA AND PAKISTAN

It is relevant to know India's and Pakistan's key economic indicators. Table 1.1 shows the same during 2023. Pakistan was home to 241.49 million people with a Gross Domestic Product (GDP) of US\$ 338.2 billion (bn) during 2023. However, India's population was 1440 million with a GDP of US\$ 3549.92 billion during the same period. Based on their macro-economic indicators, both economies differ significantly. The size of the Indian economy in terms of GDP is more than one thousand times the size of Pakistan's economy. Among the social indicators, there is little similarity between the two nations. During 2023, Life expectancy and literacy rate were 68 year and 77.7 per cent respectively in India and 66 year and 60.7 per cent in the case of Pakistan. Further, both countries have a low proportion of urban population in total population, 36 per cent in India and 38 per cent in Pakistan, in 2023. Moreover, the more reliable Human Development Index (HDI) developed by the United Nations Development Programme (UNDP) to compare the level of development of countries has shown the HDI ranks for India and Pakistan. As shown in Table 1.1. India is ranked 134, while Pakistan is ranked 164 in 2022, (UNDP 2023).

Table 1.1 Key Economic Indicators of India and Pakistan during 2023.

Indicators	India	Pakistan
Total Area ² (000 Km Sq.)	32,87,260	796100
Population (Mn)	1440	241.49
GDP (US\$ Bn)	3549.92	338.2
Gross Capital Formation Per cent of GDP	33.74	13.71
Urban Population (Per cent of Total)	36	38
Life Expectancy at Birth	68	66
Literacy Rate (Per Cent)	77.7	60.7
Per Capita GNI (US\$)	2400	1570
Ease Of Doing Business Rank (2019)	62	108
HDI Rank (2022)	134	164
Per Capita Exports (US\$)	541	119
Per Capita Imports (US\$)	469	248

Source: World Bank. 2023: World Development Indicators; International Monetary Fund, 2024 and UNDP: Human Development Report, 2023

Despite many achievements on the economic front, India and Pakistan both continue to face several major challenges in the areas of poverty, unemployment, economic inequality, malnutrition, a chronic lack of policy implementation, etc.

The India and Pakistan are founder members of GATT (1945) and its successor, WTO (1995). India has a 1440 million (mn) population and 3287260 (000) Km Sq. Area in 2023. On the other hand, Pakistan has a population of 241 million (mn) and an area of 796100 (000) km² in 2023. India and Pakistan are developing economies with per capita GNIs of US\$ 2400 and US\$ 1570 respectively in 2023. India has US\$ 541 per capita exports, and Pakistan has US\$ 119 per capita exports in 2023.

1.2 Review of Literature

A substantial body of literature has examined India–Pakistan trade relations.

Ghuman (1986) analysed the historical evolution of trade between the two countries and highlighted the benefits of reduced transportation costs through bilateral trade. Begum (1998) studied early trade agreements between India and Pakistan and emphasized the significance of the 1948 trade agreement. Mehrotra (1998) examined structural changes in agriculture and found declining agricultural shares in GDP in both countries. Taneja (2004, 2006, 2007) extensively analysed India–Pakistan trade and identified institutional barriers and policy restrictions affecting bilateral trade. Naqvi and Schuler (2007) estimated

bilateral trade potential between US\$3–10 billion, while Taneja (2013) estimated potential trade between US\$10.9–19.8 billion. Gill and Madaan (2015) highlighted non-tariff barriers such as visa restrictions, infrastructure constraints and banking limitations as major obstacles to trade expansion. Recent studies emphasize the role of political tensions. Hussain and Singla (2022) analysed the economic consequences of trade suspension after the Pulwama incident. Similarly, Khan et al. (2023) estimated that the potential trade between India and Pakistan could reach US\$37 billion if trade barriers were removed.

Despite extensive research on India–Pakistan trade relations, most studies focus on political tensions and general trade relations rather than specifically analysing agricultural trade potential. There is limited research examining commodity-specific agricultural trade opportunities and the role of border trade infrastructure such as the Wagah–Attari corridor. Therefore, further research is needed to analyse the structure and potential of agricultural trade between India and Pakistan during the period 2006–2023.

1.3 TRADE AT BILATERAL LEVEL

India-Pakistan bilateral trade has been growing steadily and has received a big boost in recent years. The following table depicts India's global trade with Pakistan from 2006 to 2023. More goods are being exported from India than are being imported from Pakistan. According to this table, trade between India and Pakistan remained balanced over the specified time period.

Table 1.2 shows that India's total exports to Pakistan in 2006 were US\$ 1235.04 million, while its total imports from Pakistan were US\$ 286.47 million. After thirteen years of trade, India's total exports to Pakistan climbed to US\$ 2351.26 million dollars, and in 2018, India's total imports from Pakistan were US\$ 549.25 million dollars. The total volume of trade was US\$ 2900 million in 2018. After 2019, trade between both countries declined due to the Pulwama Attack.

Table 1.2: India's Total Trade with Pakistan during 2006-2023

(US\$ million)

Year	India's Exports to Pakistan	India's Import from Pakistan	Balance of Trade	Trade Volume
2006	1235.1	286.5	948.6	1521.5
2007	1584.3	286.7	1297.6	1870.9
2008	1772.8	372.1	1400.8	2144.8
2009	1455.8	272.1	1183.6	1727.9
2010	2235.8	320.7	1915.1	2556.5
2011	1678.1	352.1	1326.1	2030.2
2012	1633.3	500.3	1133.1	2133.7
2013	2176.4	379.2	1797.2	2555.6
2014	2169.9	529.9	1640.1	2699.8
2015	1961.6	456.6	1504.9	2418.2
2016	1592.4	461.1	1131.3	2053.4
2017	1789.8	469.1	1320.7	2258.9
2018	2351.3	549.2	1802.1	2900.5
2019	1186.2	67.3	1118.9	1253.5
2020	282.4	2.5	279.8	284.9
2021	502.9	2.4	500.4	505.2
2022	629.5	19.9	609.5	649.4
2023	525.1	3.5	521.6	528.5

(2006-23)	26763	5331	21431	32093
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Source: ITC Trade Map; www.trademap.com

1.4 INDIA-PAKISTAN AGRICULTURAL TRADE:

The following table shows agricultural trade relations between the two nations from 2006 to 2023. Trends in agricultural trade between the two nations show that in 2006–2007, the year the SAFTA agreement went into effect, there was a noticeable but transient increase. Following 2006–07, agricultural exports from India to Pakistan remained larger than from Pakistan to India yearly, but they exhibit many fluctuations.

The Pulwama attack will continue to negatively impact trade between India and Pakistan after 2019. India doubled the amount of its import taxes. Although there has been a slight increase in Indian agricultural exports to Pakistan, imports from Pakistan remain stable.

Even though they were modest, Pakistan's agricultural imports were less erratic than its exports. It seems that a significant portion of India's transport to Pakistan was used to stabilise the country's domestic supply.

Table 1.3: India's Agricultural Trade with Pakistan during 2006-2023

(US\$ million)

Year	India's Exports to Pakistan	India's Imports from Pakistan	Balance of Trade	Volume of trade	Share of Agricultural in total trade with Pakistan
2006	636.3	128.8	507.5	765.1	50.29
2007	579.3	152.7	426.5	732.0	39.13
2008	588.5	106.8	481.7	695.3	32.42
2009	366.1	109.5	256.7	475.6	27.52
2010	1213.8	134.2	1079.6	1348.1	52.73
2011	755.2	132.4	622.8	887.6	43.72
2012	610.9	147.4	463.5	758.4	35.54
2013	898.8	214.1	684.8	1112.9	43.55
2014	879.9	246.1	633.9	1126.0	41.71
2015	1016.9	188.9	828.1	1205.8	49.86
2016	741.8	181.3	560.5	923.1	44.96
2017	737.9	182.8	555.1	920.7	40.76
2018	1019.9	196.6	823.3	1216.4	41.94
2019	306.4	35.9	270.5	342.3	27.31
2020	39.6	1.6	37.9	41.2	14.47
2021	136.5	1.6	134.9	138.2	27.35
2022	265.0	0.8	264.2	265.8	40.93
2023	113.6	1.1	112.4	114.7	21.70
Total (2006-23)	10906	2162	8744	13069	40.72

Source: ITC Trade Map; www.trademap.com

Table 1.3 shows India's total Agricultural exports to Pakistan and total agricultural Imports from Pakistan from 2006-2023. It shows that after 2006, with little ups and downs, agricultural trade between

both countries increased until 2018. After that, India's agricultural exports were US\$113.56 million, and India's agricultural Imports from Pakistan were US\$1.11 million in 2023.

India and Pakistan exchanged US\$ 32,093 million in total between 2006 and 2023, (respectively table 1.2), with US\$ 13,069 million coming from agricultural trade in same years. This indicates that about 40.7 per cent of the overall trade volume was made up of agricultural products. Several significant insights into the nature of bilateral trade are revealed by the share and trends, especially the role that agriculture plays in maintaining economic relations even in times of political unrest.

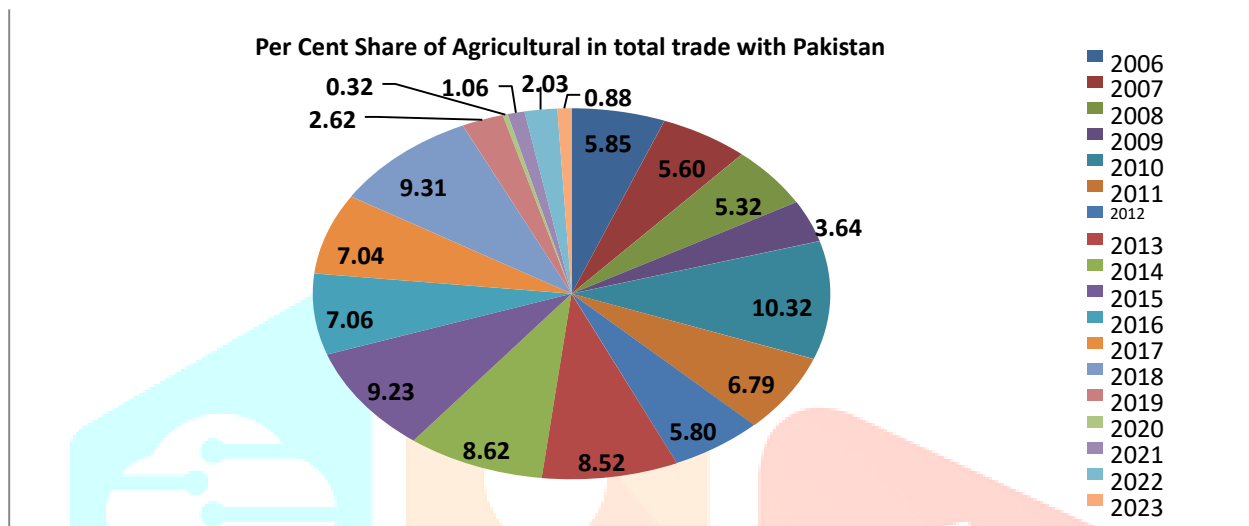


Figure 1.1: Year wise India's Per Cent Share of Agricultural in total trade with Pakistan

The annual percentage of India's agricultural trade in overall trade with Pakistan from 2006 to 2023 is displayed in Figure 1.1. The agricultural contribution peaked in 2015 and was comparatively high and constant from 2006 to 2016, frequently exceeding 5 per cent. After 2016, a downward trend starts, and after 2018, it sharply declines in line with the 2019 Pulwama attack and the ensuing political unrest. Agricultural trade declines from 2019 to 2023, falling below 1 per cent in 2022, indicating a potential collapse in agricultural trade links. The impact of political disruptions on trade is evidently examined in this figure, particularly in the agriculture sector, which is generally more susceptible to bilateral conflicts.

1.5 POLICY IMPLICATIONS

The analysis suggests several policy implications.

1. Normalization of Political Relations

The normalization of political relations between India and Pakistan is a fundamental prerequisite for the development of stable and sustainable trade relations. Historically, bilateral trade between the two countries has been highly sensitive to political tensions and security incidents. Events such as border conflicts, diplomatic disputes, and terrorist attacks have frequently resulted in trade suspensions or the imposition of restrictive measures. For example, after the 2019 Pulwama attack, India withdrew Pakistan's Most Favoured Nation (MFN) status and significantly increased tariffs, which drastically reduced bilateral trade flows. Political stability creates a predictable environment that encourages traders, investors, and policymakers to engage in long-term economic cooperation. When diplomatic relations are stable, governments are more likely to negotiate trade agreements, remove restrictive policies, and promote cross-border economic partnerships. Therefore, sustained diplomatic dialogue, confidence-building measures, and peaceful conflict resolution are essential to create a conducive environment for expanding bilateral

trade, particularly in the agricultural sector where both countries possess complementary production patterns.

2. Reduction of Tariff and Non-Tariff Barriers

Reducing tariff and non-tariff barriers is another crucial step for improving bilateral trade between India and Pakistan. Tariffs, which are taxes imposed on imported goods, directly increase the cost of trade and discourage cross-border exchange. In addition to tariffs, non-tariff barriers such as restrictive import regulations, licensing requirements, sanitary and phytosanitary standards, and complex customs procedures further limit trade potential. These barriers often create delays and uncertainty for exporters and importers, especially in agricultural commodities that are highly time-sensitive. Lowering tariff rates and harmonizing regulatory standards would significantly improve market access for agricultural products such as fruits, vegetables, spices, and grains. Furthermore, simplifying customs procedures and adopting internationally recognized standards for food safety and quality could reduce compliance costs and enhance the competitiveness of agricultural products in both markets. By gradually reducing these barriers, both countries could unlock substantial trade potential and create mutual economic benefits for farmers, traders, and consumers.

3. Improvement of Infrastructure at the Wagah–Attari Border

Improving infrastructure at the Wagah–Attari border is critical for enhancing the efficiency of bilateral trade. The Wagah–Attari Integrated Check Post serves as the primary land route for trade between India and Pakistan, handling a significant portion of the limited trade that occurs between the two countries. However, inadequate infrastructure, limited storage facilities, insufficient cargo handling equipment, and lengthy inspection procedures often result in delays and increased transaction costs. Agricultural commodities, particularly perishable goods such as fruits and vegetables, require efficient transportation and cold-chain facilities to maintain quality and minimize losses. Upgrading border infrastructure by expanding warehousing facilities, establishing modern cold storage units, and introducing advanced cargo scanning and inspection systems could significantly improve the speed and reliability of cross-border trade. Additionally, the development of better road and rail connectivity to the border checkpoint would facilitate the smooth movement of goods from production centers to export points. Strengthening infrastructure at Wagah–Attari would therefore play a vital role in reducing logistical constraints and promoting greater bilateral trade.

4. Strengthening Institutional Cooperation between Customs Authorities

Effective institutional cooperation between the customs authorities of India and Pakistan is essential for facilitating smooth and transparent trade flows. Customs agencies play a crucial role in regulating imports and exports, ensuring compliance with national regulations, and preventing illegal trade activities. However, differences in documentation requirements, inspection procedures, and regulatory frameworks often create delays and administrative burdens for traders. Establishing formal mechanisms for cooperation between customs authorities, such as joint committees, information-sharing systems, and coordinated border management practices, could significantly improve trade facilitation. The adoption of digital customs systems and electronic data interchange could also streamline documentation processes and reduce bureaucratic delays. Furthermore, regular dialogue between customs officials could help resolve operational challenges and ensure the consistent implementation of trade regulations. Strengthening institutional cooperation would enhance transparency, build trust between regulatory authorities, and create a more predictable trading environment for businesses engaged in cross-border commerce.

5. Promotion of Agricultural Cooperation through Research and Technology Transfer

Promoting agricultural cooperation between India and Pakistan through research collaboration and technology transfer could significantly enhance productivity and sustainability in both countries. Both nations share similar agro-climatic conditions, cropping patterns, and agricultural challenges, including

water scarcity, climate change, pest infestations, and declining soil fertility. Collaborative research initiatives between agricultural universities and research institutions could help develop improved crop varieties, sustainable farming practices, and innovative technologies suited to the region's conditions. Technology transfer in areas such as irrigation management, seed development, livestock productivity, and post-harvest management could contribute to higher agricultural output and better resource efficiency. Joint workshops, training programs, and knowledge-sharing platforms could also facilitate the exchange of expertise among farmers, scientists, and policymakers. By fostering cooperation in agricultural research and innovation, both countries could strengthen food security, improve rural livelihoods, and promote mutually beneficial economic development.

CONCLUSION

India and Pakistan share strong historical and economic linkages, yet bilateral trade remains far below its potential. Agriculture represents a major sector in both economies and offers significant opportunities for economic cooperation. However, political tensions, trade restrictions and infrastructural limitations continue to hinder trade expansion. Strengthening agricultural trade relations could generate substantial economic benefits and contribute to regional economic integration in South Asia.

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