



Asfandiyar Khan \*

Fiza Rani †

Parwanat Khan ‡

## India and Pakistan Trade: A Vision for Peace



**Abstract:** *The Indo-Pak relations have always been the victim of up and down. Both of the countries are nuclear powers. They have a big potential in every field and trade is one of them. There are different opinions about trade; trade has the potential to shape the relationship better and to develop peace among the countries but on the other hand, it may become a source of conflict or contention. In the context of Pakistan and India, the relations between trade and peace are complicated due to their extreme rivalry since its inception. This paper investigates that whether trade can be an instrument of peace between two nuclear powers of South Asia. This study is purely Qualitative in nature. Primary and secondary data are collected from different sources and the data is analyzed by NVIVO software*

**Key Words:** India, Pakistan, Trade, Economic Diplomacy, Globalization, Interdependence

### Introduction

Trade has established a prominent position for itself in the current condition of foreign policy priorities. The majority of European states engaged in warfare, which devastated the continent, as can be seen from historical facts about Europe. Even so, they made an effort to put their respective crises, disputes, and enmities aside for the sake of long-term peace and prosperity through bilateral and international economic relations. This serves as a model for both India and Pakistan, showing that industrialized nations like Europe are able to put aside their shared political and security issues. Both India and Pakistan have developing economies, and they face similar challenges. Now is the moment for them to work together and cooperate. They ought to put aside their differences and actively pursue cooperation in trade. Europe has fought protracted conflicts with one another, yet history is a witness that they are currently trading and leading happy lives. For Pakistan and India, it is proof that trade can promote enduring peace. The era of geo-economics will shape politics and force policymakers to interact amicably with one another due to economic pressure (Pakistan: geo-economic

targets, neighbours and the region, 2023). Economic instruments can be useful in reducing hostilities. Regretfully, political and security concerns have dominated India and Pakistan's friendly relations, with little thought given to the economic aspect. The moment is now, and there are excellent opportunities to strengthen economic ties that can address the difficult political issues that have plagued Pakistan-Indian relations generally for more than 60 years (Antholis, 1992).

### New thinking about Pakistan and India relations in the New Era

The start of the twenty-first century marks the beginning of the new age of wisdom. It is known as the "era of awareness," which forced people in Pakistan and India to fight destitution, poverty, malnourishment, underdevelopment, and defilement—and, above all, to improve people's quality of life. The general populace is extremely ready and thirsty for their basic needs, which include access to clean drinking water, healthcare and education, and a pollution-free environment. Given that the needs of an enormous number of people have not yet been met, it is the primary responsibility of both regimes to address their

\* MS (International Relations), Department of Humanities, COMSATS University Islamabad Pakistan.

† MS (International Relations), Department of Humanities, COMSATS University Islamabad Pakistan.

‡ MS (International Relations), Department of Humanities, COMSATS University Islamabad Pakistan.

basic needs. Soft power facilitation is urgently needed, and only bilateral, regional, and global trade between Pakistan and India can make this happen (Kugelman [n.d](#)). It has the potential to significantly raise the average person's level of living. These actions, if taken seriously, have the potential to bring about enduring peace among South Asia's major powers, each of which possesses nuclear weapons. The only thing that can reduce the elements of war, distrust, and enmity is trade. In this sense, a generous portion of the budget will be set aside for positive growth and prosperity. History attests to the fact that battles, disagreements, and conflicts have always caused devastation and resulted in significant losses (M. Shoaib, Personal Communication, June 21, 2021).

India and Pakistan are two significant actors in the area. The prosperity of the entire area depends on these two important individuals. Furthermore, there is an urgent need for economic cooperation and liberalization between these two governments in addition to political soundness. Upgrading bilateral trade is extremely significant at the current level. It is critical because, in this age of globalization, it helps a great number of people who are falling behind in their quest for progress.

Divergent accounts exist concerning commerce between India and Pakistan, indicating that opinions on future expansions in trade exist on both sides. There is broad agreement among academics regarding a markedly beneficial increase in trade between them. Trade can rise to a level that is roughly 20 times higher than its current level of \$2.5 billion to \$50 billion under normal trade relations if trade barriers are removed. The government, academics, and business community in Pakistan agree that trade will reach a level of \$6 billion to \$10 billion during the next five years (Khan). The prognosis for increased trade is shifting in both states. The main point is that liberalizing the flow of goods and services will boost trade (Antholis, 1992).

Both states stand to gain from trade liberalization and the removal of trade obstacles. Trade with Pakistan is something that businesspeople on both sides of the border are keen to start, and trade ought to take precedence over politics. If the economy is to be prioritized, political tensions and conflicts shouldn't be allowed to get in the way. Others benefit from tensions and conflicts between India and Pakistan

in addition to these two neighbours. Sharing in each other's prosperity, development, and growth is essential for India and Pakistan. It shouldn't allow one economy to take advantage of it for its own gain. Interdependence between the countries is a kind of guarantee for harmony and tranquillity in the region, according to Baron de Montesquieu (1748) and Angell (1910). It aims to build confidence and trust while establishing a variety of trading liaisons. Regretfully, rather than putting their own region first, Pakistan and India have chosen to prioritize trading with distant trading partners, opening up new arenas for commercial activity. It is imperative that commercial endeavours be traded for political aspirations in this dire situation (Husain, [2012](#)).

### **Trade as a Vehicle of Peace between India and Pakistan**

Pakistan and India found themselves in the midst of the Cold War shortly after gaining their independence. These fledgling, fragile economies were thrust into the political arena. The world was split into two blocs at that time. Their political and economic systems diverge (Jalal [n.d](#)). Both superpowers made an effort to draw the newly formed nations into their own bloc. The situation was extremely dangerous for both Pakistan and India. They were completely perplexed. Both India and Pakistan seek to become members of these blocs in order to further their individual national agendas. The economic interconnectivity of global trends prompted Pakistan and India to follow suit. Most developing nations chose to join liberal trade regimes in the 1970s and 1980s or were forced to do so. This choice made by the newly formed states during the Cold War had an impact on their economic policy both domestically and internationally (James, [1996](#)).

India and Pakistan were compelled by the advent of globalization to drastically alter their economic strategies. With India and Pakistan, there was no other option because they were unable to compete on a global scale without adjustments to their economic policies. An active economy is vital for the sake of global rivalry, and trade is one of the tools that can assist these emerging economies to flourish. Since trade is an instrument for growth, bilateral commerce between Pakistan and India can help both countries achieve economic prosperity. But

regrettably, political issues have always harmed trade between Pakistan and India (Johnson [n.d](#)). Politics and trade, according to the liberal school of thought, are two different matters altogether. Since 1947, there has always been a lack of trust, uncertainty, and suspension in relations between India and Pakistan. As a result, neither country saw the other as a viable economic partner. Could bilateral trade serve as a means of fostering positive relations if trust deficit, doubts, and suspension are relinquished? Questions of this nature spark opposing or supportive debates on trade relations. Individuals differ in their concepts and stories. Proponents of commerce between India and Pakistan assert that it has the potential to improve not just the fortunes of both countries, but also the entire South Asian area. Trade can lead to improved relations by altering the current pattern of engagement. In light of these developments, Pakistan and India were designed to bring forth enduring peace, prosperity, and improved macroeconomic conditions. Good commercial ties between Pakistan and India may provide the South Asian commercial bloc with new opportunities. Liberal peace will be advanced by free trade policies, which will also lessen domestic components of protectionism and war-related intrigues (Jalal).

### **Liberal School of Thought and Trade between India and Pakistan**

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Different parts of the world have seen a shift in rivalry from earlier patterns. Countries like Pakistan and India are pursuing ambitious growth objectives in the new global order and are unable to afford to sever links. It's a competitive world now, and Pakistan must outperform every economy, even its close neighbour India, in the global economic system. Don't think twice; Pakistan must prepare itself for competitiveness. Pakistan has only one choice in this cutthroat period to meet the challenges of the modern world. They only have one choice for achieving this: upgrading the economic and technological systems (Karachi Chamber of Commerce, 1996).

Improving trade ties between Pakistan and India is a topic of much discussion in Pakistan, as commerce is viewed as beneficial to the country. A shift in perspective is imminent. There are just a few internal reasons for this shift in perspective. The insight that conflict is expensive and peace is

profitable has now occurred within. India and Pakistan are geographically close and similar. For them, multi-track diplomacy will be effective. Civil society can, under all conditions, bring about constructive change; in fact, a gradual shift in mindset is already apparent and may benefit trade relations. There are other outside variables in this case that are also quite significant. These outside variables are the main cause of the shifting global circumstances. Examples include the engagement of outside forces, concerns about regional unification at the regional level, the function of international financial and security organizations, the evolving dynamic between China and India, and the emergence of prospects in Central Asia. The Liberal School of Thought holds that dealing with third parties is always advantageous to them. There will always be adversaries trying to talk them out of going to war. Pakistan and India would be obligated by the interests of a third party to protect their own interests (Easterly, [2021](#)). A third party would always be beneficial to ties between Pakistan and India. Everyone is aware that conflict disrupts many networks and systems. This function between India and Pakistan can be filled by projects from Central Asia and the Persian Gulf. India is a sizable market that requires resources for its businesses, and all of this might lead to an energy collaboration with Pakistan, which would not be possible without Pakistan's cooperation. The Liberal School contends that determining trade policies should take geographic closeness into account. The trade between Pakistan and India is associated with a number of factors, including cultural similarities and social similarities that lead to taste similarities and the normalization and harmonization of the total system. Furthermore, because of their geographic location, transportation costs are lower and there is a greater exchange of talent and knowledge, which will boost their economies' performance and prepare them for global competition. The main idea is that both countries benefit from being close to one another geographically (James, 1996).

### **War is a Destructive Activity**

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It has demonstrated the destructive nature of war. There is no military solution to any problem, conflict, or disagreement. It has demonstrated that it is amenable to resolution via discussion, argument, and ongoing cooperation. War is not the

best course of action when dealing with other states in the current situation. For example, starting in 2021, the US has been engaged in a protracted war in Afghanistan. They attempted to establish Afghanistan and eradicate terrorism when they arrived, but they were unsuccessful (Levy, 1998). The United States and the Taliban signed a peace treaty on February 29, 2020. The United States declared the end of its military presence in Afghanistan. The main point is that, despite America's assurances that there is no military solution in Afghanistan, the superpower failed in that country. In the current era of globalization, states establish trading connections within their territory and beyond. Other stakeholders are involved in these networks and trade ties. This structure of networks and economic ties fosters mutual dependency, which in turn promotes peace (Johnson).

### **The Role of Central Asia and the Gulf**

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A project originating from the Gulf and Central Asia may be quite significant. For example, India can save up to US \$300 million per year on energy expenditures through the Iran, Pakistan, and Indian gas pipeline projects, while Pakistan can make US \$600–700 million annually on transit fee charges in addition to meeting its own energy demands. Furthermore, India's economy is heavily reliant on inexpensive energy supplies. The fact that these resources are plentiful in Central Asian nations and that Pakistan is the sole nation capable of offering a transit route makes all the difference. India is dependent on Pakistan since it lacks a clear geographic connection to the countries of Central Asia. Improved ties between India and Pakistan will enable Indian manufacturers to connect the Indian market with untapped markets in Afghanistan and the Commonwealth of Independent States (CIS). They would be united by these kinds of networks and programs for peace. They won't permit them to fight any longer (Saleem, 2018).

### **Trade Route to Landlock Countries**

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Pakistan offers a practical and efficient commercial route to China's neighbouring regions, the Central Asian States, and the landlocked nation of Afghanistan. Trade links between India and Pakistan will allow India to access markets in

Central Asia and Pakistan to access markets in South Asia. Large-scale initiatives like this will increase their trust in one another and compel them to maintain ties and links once they have been made. If trade with foreign partners is seen to be disrupted, the majority of countries do not engage in conflicts. In actuality, it forces them to give in. Furthermore, geography is crucial and plays a major part in trade. Being close by guarantees prompt delivery and lower transportation costs for commodities between India and Pakistan. If they were to become friendly, this may lead to the development of a sizable market and a hub for trade. Opportunities for raw materials, concessions, markets, and other similar facilities should be extended to each other by India and Pakistan so that they can support one another while also potentially creating a space and reaping group benefits from the export of their combined goods to other areas (Chengappa, 1999).

### **Military Expenditures of India and Pakistan**

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Both India and Pakistan dedicate a sizable portion of their GDP to military expenditures. India's military spending was projected to account for 2.9% of GDP in 2021. Conversely, Pakistan's military spending was projected to account for about 4% of its GDP in 2021. Additionally, trade is raising the average person's standard of living. Millions of people's futures can be altered by trade. However, Pakistan and India ought to shift their funding from less beneficial sectors—such as military and defence spending—to initiatives aimed at reducing poverty. Reducing expenditure on these items will free up enough funds for India and Pakistan to improve social and economic conditions by better meeting the basic necessities of the populace. Following the Kargil Crisis, there has been a discernible shift in how people view one another. According to the World Development Indicators, Pakistan and India are the two countries that spend the most on their militaries. They are having the opposite effect on prosperity and growth. Both governments are well-funded, but they mostly focus on the military and security, at the expense of the social sector. Resources from non-developmental projects will be directed toward developmental projects in India and Pakistan if their relations are peaceful and normal, saving the social sector (AFZAL, n.d).

## **Economic Diplomacy**

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Economic integration is thought to be an important diplomatic tactic. Because of diplomacy, a problem can be resolved quickly. Several commercial relationship structures (unions, customs, etc.) can promote international peace in political matters. Essentially, commercial liberalization and active regional economic integration would force India and Pakistan to cooperate, make concessions, and maintain positive political ties. Furthermore, commerce between Pakistan and India will shield them from shocks to the world market under the regional umbrella. It is possible to demonstrate that regional trading may replace trade multilateralism. Bilateral and regional trade between India and Pakistan is great to use. The rest of South Asia would support India and Pakistan in starting cooperative projects to divide labour and strive toward the total removal of trade obstacles. At the regional level, organizations like SAFTA can help Pakistan and India. India and Pakistan might increase their bilateral trade by 79%. Both political harmony and economic growth will result from it. The natural link was broken by the British government. Trade agreements at the regional level, such as SAFTA, can offer a platform for addressing and resolving tensions and strains before they become issues that are conflict-oriented. Membership in one of these RATs by both Pakistan and India reduces the likelihood of conflict by about half. Despite being members of SAFTA, Pakistan and India do not show much dedication to the agreement (Kirmani, 1997).

## **Economic Inequalities and Underdeveloped Countries**

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There are disparities in economic ties on a global scale. Developing nations like India and Pakistan are coping with an imbalance in their economic relations. It is a great pity that developed industrialized nations use protectionism as a strategy to shore up their fragile sectors. It exacerbates the predicament for emerging economies and the commodities they produce. Products from Pakistan and India are not as competitive as those from wealthy nations. It is imperative that Pakistan and India strengthen their bilateral and regional accords in light of the

competitive and uneven world we live in. Given that both India and Pakistan are emerging nations with nuclear weapons, their problems are already extremely complicated. Pakistan and India must cooperate to sustain peace and development in order to address the challenges posed by the unjust system, preserve South Asia's peace and stability, and overcome its problems. Tensions in the region and global issues necessitate taking proactive measures and eliminating mistrust. Liberal schools of thought also contend that commerce enables states to profit from one another's products and services while coexisting peacefully. The frequency of conflict and discord is increased when trade is absent or inadequate. Although there have been many ups and downs in trade between Pakistan and India, trade has remained incredibly low since 1965. Political disagreements and a lack of interdependence dominated their relationships, causing rifts to widen. The only thing that can end hostilities and end the conflict between India and Pakistan is trade. Due to their close proximity, Pakistan and India are in a very sensitive situation, making the war more damaging (Gul, 2021).

## **Blame Game**

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India and Pakistan are chastising one another for sponsoring and engaging in terrorism with the aim of causing the other to become unstable. Applying pressure is no longer effective and will only make the situation worse. It will be the best option if there are interactions for positive reasons. Peace will result from it. Politics is the primary and most important barrier to trade between India and Pakistan (Ghuman & Madaan, 2006). Economic losses result from these obstacles. Furthermore, Pakistan and India ignore significant trade opportunities. They can only benefit from advantageous interactions in terms of cost and location. India and Pakistan should refrain from using force and make wise use of their resources. Furthermore, in commerce, the most favoured nation (MFN) status is crucial. In the modern world, it is a reality of international trade. States are encouraged and enabled by this status to treat all commercial partners fairly. Trade liberalization will benefit the development of both Pakistan's and India's economies. The MFN classification is significant because it will lessen the advantages of middlemen who profit from the tension between India and Pakistan. The governments of both India

and Pakistan will receive more money if trade between their two countries becomes normalized. It is misleading propaganda that uses negative language in relation to MFN status and the protection of emerging businesses. Every (WTO [n.d](#)) member is able to use the MFN status. India and Pakistan are the WTO signatories in this particular circumstance. According to WTO regulations, India must be granted MFN status (Shoaib, 2021).

India and Pakistan are encouraged to work together to build the trade regime of South Asia by new internationalist ideas. In contrast to current commerce, India and Pakistan's trade might increase threefold if the MFN designation is applied with genuine sincerity (Nasim & Nabi, 2001). Sadly, India has given Pakistan MFN status; nevertheless, India hasn't stopped levying high tariffs on products that are important to Pakistan, like as leather and textiles. The main point is that having MFN status does not automatically translate into simpler commerce. Pakistan has the potential to greatly benefit from the WTO and develop its economy. In order to maximize global trade, trade under the WTO will be advantageous for both Pakistan and India. Regretfully, private individuals and advocacy groups have taken control of the commercial exchanges between the two nations. They are serving their own interests by taking advantage of the adverse conditions surrounding the tensions between India and Pakistan (Chishti et al, 2002).

### **Globalization and Interdependency**

States and regions now interact and depend on one another more as a result of globalization. Owing to the phenomena of globalization, India and Pakistan must now engage in economic interactions with one another; a nation cannot survive in this day and age without commerce. Pakistan and India ought to cooperate with one another. Trade will have a favourable impact on relations between India and Pakistan. For example, the economic activities in a globalized world can be explained by the fact that a corporation may be located in Pakistan or India, or it may begin operating in China. It is able to import raw materials from the African continent and export finished goods to the United States and Europe (Kirmani, 1997).

A network of interconnected and related states and products is created by this kind of operation. India and Pakistan are encouraged to remove and minimize the barriers to trade under this new economic structure. Their businesses and eventually their economies will suffer from protectionism. India and Pakistan have a practical method for raising the standard and competitiveness of their output. If domestically produced goods are more affordable and of higher quality than imported ones, then there is no need for protection. (Eswaran & Kotwal, 1994). Development is the primary goal of globalization from this perspective. The majority of relationships were military in nature prior to the globalization era. Very little economic cooperation took place. Less democratic government systems and trade protectionist policies prevailed (Weede, [2004](#)). An open trade system was introduced by globalization. Liberal peace between nations can be achieved because of this openness. Armed conflict is detrimental to open economic connections. India and Pakistan have fought four wars against each other: in the 1940s, 1960s, 1970s, and 1990s. Throughout their history, they have been rigidly opposed to one another and have not shown any willingness to compromise. The moment has arrived to concentrate on future economic improvements. (Paul, [2018](#)).

### **The New Form of Interdependency**

The notion of economic prosperity and growth is being introduced by the new kind of interdependency. Foreign direct investment (FDI) will be attracted to India and Pakistan the more they liberalize their commerce. Investors bring technology advancements from rich nations to emerging nations such as Pakistan and India because they require security and prefer a favourable environment. The economy is further boosted by this investment. Peace exists in the region as a result of increased economic growth and output. Peace between India and Pakistan is contingent upon amicable commercial links and connections. Globalization and a new approach to international trade have led to developing countries collaborating with one another on a global scale. This is what is currently required. They have to keep doing that. They shouldn't shut their doors to the developed world because trade actually supports many other growing ideas,

relations, and cultures, and indirectly contributes to other advancements in addition to bringing commodities and taking money out of the country. Furthermore, maintaining a reasonable balance between this kind of trade and local production, trade, and trade with developing nations is vital. The participation of citizens of the host nation, will aid in preserving the foundation of the economy and the preservation of the nation's culture and dignity (Husain, 2012).

### **Emerging China's Influence**

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China's economy is the one in this region that is expanding the fastest and plays a major role. Since 1991, the relationship between China and India has improved. Due to its extensive border connections with Pakistan and India, China is a socialist state that supports peace initiatives. China wants to normalize relations between Pakistan and India because it is adjacent to South Asia, but it does not try to impose its will on regional issues. China greeted the absence of conflict in the area with open arms and worked to integrate the region into the global economy. Trade agreements also present another way in which the international community might help to foster harmonious relations between India and Pakistan. These players must support these accords. In addition to having an influence in other spheres like social and cultural ones, economic relations would also help maintain peaceful relations. Third parties would prefer to use commerce as a vehicle for peace between them in this day of globalization (Johnson).

### **The Dominance of Politics OVER Economic Affairs**

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The viewpoint is predicated on the idea that politics is more important than economics. Supporters of this viewpoint contend that public mood and public emotions have an impact on political decisions and are particularly relevant to developing nations like Pakistan and India. Trade is not as prevalent in Pakistan-India ties as Muslim-Hindu animosity is. Pakistan and India find it extremely challenging to put their economic ties ahead of their political ones. It is difficult to ignore historical differences when attempting to build and strengthen trade ties between India and Pakistan. Furthermore, the political ties between India and

Pakistan have remained tense and discordant for nearly 60 years. Nonetheless, one of the major reasons that has prevented the relationship from being stable and amicable is the lack of confidence. Any economic partnership must start with stable and friendly relations. India and Pakistan have now decided to import goods from one another using a substitution strategy. The protection of the regional industry is the rationale for this strategy. The depth of this war in South Asia has prevented regional attempts to establish preferential trade agreements from succeeding. Notwithstanding bilateral disputes in other parts of the world, regional integration has been observed. In South Asia, regionalism as a tool for economic competition is completely brittle. Political stability is lower in conflict-ridden countries, such as South Asia, where there are trading agreements such as the South Asia Preferential Trade Agreements (SAPTA), among others. With the South African Development Cooperation (SADC), the situation is the same. These illustrations show that trade and conflict consistently have a favourable relationship (Barbieri, 2002).

### **The Role of Internal Factors**

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The historical animosity between India and Pakistan stems from a number of internal causes, including the military's influence in politics, radical ideologies, pressure groups, and the countries' unequal geographic positions. The lack of political will or ability to resolve conflicts peacefully is evident in all of these situations, leading to violence. Furthermore, foreign powers have always interfered and played a significant role in India-Pakistan ties. Foreign meddling in Indo-Pak relations has a history, which contributes to their continued instability and power imbalance. Furthermore, the fight against terrorism has exacerbated misperceptions, with each side aligning itself with friends like Pakistan, China, North Korea, India, the United States, and Israel (Kugelman).

### **The Concept of Asymmetrical Trade among Partners**

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Trade is usually advantageous to strong partners. When there is asymmetrical trading, a state that removes trade barriers will suffer. It has the ability to flood smaller states' markets with commodities

from larger trading partners. The trading relations between India and Pakistan are in a similar predicament. India is larger than Pakistan and has always been an ally of India. In comparison to Pakistan, India's market is similarly sizable and robust. It follows that Indian goods will undoubtedly gain market share in Pakistan and eventually undermine the country's economic system under any trade situation. Similarly, Pakistan will become more reliant on Indian imports if tariffs are lowered. Reduced tariffs will lead to a cheaper supply of Indian commodities (Husain, 2012). Indian commodities will make a good market in Pakistan. Ultimately it gives birth to a fear that increased dependency can create pressure on Pakistan for concession on disputed matters like the Kashmir issue. India and Pakistan are very suspicious of trade liberalization because of its bitter history. However, due to the domestic situation in Pakistan, it is not in the interest of Pakistan to develop trade interdependence with an antipathetic state of India; so, it shows that there is no intention to resolve the decades-old issue of Kashmir. All these discussions reflect that realist's school of thought disagree with those who see that trade ties might neutralize the stances of both states related to Kashmir. They rather believe in one-sided (dependent partner) concessions. Strong governments do not seek concessions, and weak states must abide by the terms and circumstances set forth by the powerful state, according to the realist school of thought. According to this school of thought, a partner must make equal concessions in order for there to be lasting peace. If Pakistan and India genuinely wish to create unity, then both parties must make sincere concessions. They will pay extremely high costs due to other possibilities and circumstances. This school of thinking has a very negative outlook on commerce between Pakistan and India (Easterly, 2021).

### **Hope for Peace, Prosperity and Stability in South Asia**

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The time has come to sincerely and unwaveringly encourage commerce for South Asia's peace, prosperity, and stability. However, there are other obstacles to cooperation and economic integration in India-Pakistan relations, including political disputes and a bureaucratic mindset (problems with visa restrictions and rules). Other issues include those related to infrastructure, such as

inadequate marine trade routes, road connections, and railroad tracks. Therefore, these issues make commerce challenging and expensive. Trade barriers, both tariff and non-tariff, impede the integration of the economies of India and Pakistan, particularly with regard to the former's agricultural and leather exports. Their service exchange moves too slowly between them (Saima, 2021).

### **The Role of Foreign Direct Investment**

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Foreign Direct Investment (FDI) flows are lacking in India-Pakistan ties. FDI is crucial to any kind of advancement. However, in the case of Pakistan and India, both sides' procedural problems impede any attempt at foreign direct investment. Government approval is essential for foreign direct investment (FDI); without it, it is not feasible. Comparably, the histories of India and Pakistan are replete with misunderstandings, hostility, and negative sentiments toward one another. The relationship between Pakistan and India is primarily driven by feelings. Any change for them is seen to pose a threat to their continued survival. Any policy that challenges the status quo is seen as harmful by those in positions of power and policymakers. It will be exceedingly difficult for commerce to change either party's mentality in a relationship like this (A. H. Khan & Kim, 1999).

### **Conclusion**

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After considering all of the aforementioned points, it is clear that commerce is necessary to maintain peace and stability between India and Pakistan and that it cannot be avoided in the current environment. In South Asia, India and Pakistan are the two main actors. Unfortunately for this region, their connection is politically unstable. The nature of relations between India and Pakistan makes trade between them extremely low. Although there is still a lot of excitement for promoting commerce, obstacles prevent trade from growing. It is true that both governments would profit from trade expansionism. Government revenue would increase, energy imports would cost less, and consumer price advantages would decrease. Additionally, trade is referred to as a catalyst for economic expansion, raising living standards, reducing poverty, and fostering a competitive atmosphere. Furthermore, commerce will create new economic ties and lead to peace between



Pakistan and India. Trade contacts of this kind have the potential to improve people's quality of life, foster trust, and ultimately lead to the establishment of peace. People in both nations are developing markets, helping each other out, and trading with one another. In this sense, it establishes a "trade ship" that benefits both parties and functions as a team. The fact that it supports their way of life, safeguards and advances their culture, and positively impacts numerous others inadvertently is what matters most. In fact, it forges a bond between them all, visible or invisible, and nobody will be pleased if this communal pool is ever eliminated. Because it immediately enables them to recognize that they are for each other, this invisible but beneficial tie between them somewhat contributes to peace. While tense relations do exist between India and Pakistan, trade has enormous potential to improve relations. Furthermore, excellent trade relations benefit both nations, but in this instance, Pakistan will have to put up more of a fight to establish trade relations. Indeed, India's thriving economy outpaces Pakistan's by a

wide margin, and the country is increasingly succeeding in regional and bilateral trade agreements. Pakistan won't want to be taken out of these agreements and will fight to strengthen its already fragile economy. The ultimate goal of friendly commercial relations is to drive political relations to the next level and usher in a period of economic prosperity, peace, and expansion. On the other hand, the opponents' argument that trade is a less effective strategy falls down. There are views that emphasize the idea that political disputes are impeding the improvement of ties. In this case, Pakistan and India must open up and allow commerce in order to comply with WTO obligations. Aside from this, regional and global traders are not particularly interested in Pakistan's economic situation. Pakistan would suffer losses if it did not trade during this crucial period. India, on the other hand, is capable of playing a superior role in the area. India has built and formed linkages with ASEAN as a result of peaceful relations; in this scenario, India will benefit globally and regionally if it enhances its regional image.

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