



Written by [Angeline Tan](#) on March 26, 2024

Pakistan to Consider Restoring Trade With India

Pakistan will “seriously examine” rebooting trade ties with India, on the basis of sentiments voiced by its business community, per the country’s newly appointed Foreign Minister Muhammad Ishaq Dar. Diplomatic relations between the two nuclear-armed neighbors have remained frosty, with little sign of a potential warm-up. On March 24, New Delhi even accused Islamabad of being a sponsor of terrorism at “almost an industry level.”

Dar, who assumed office earlier this month, after Shehbaz Sharif became Pakistan’s new prime minister following months of political turmoil, was responding to questions at a media briefing in London.



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The senior diplomat pointed out that, despite what he described as India’s “very painful” move in 2019 to alter the status of Kashmir, a Muslim-majority region claimed by Pakistan, businesses in the country want to see trade relations with India restored.

“I think the business community of Pakistan is very keen [to restart trade]. When I presented the budget as Finance Minister last year, businessmen pointed out that the imports [from India] are coming in even today — they come via Dubai or via Singapore and involve higher freight, trans-shipment and other transportation costs,” the minister was quoted by Indian media as saying. He added that the government will invite stakeholders to explore what can be done in terms of reviving trade relations with India.

In 2019, after a deadly attack in Kashmir in which 40 Central Reserve Police Force (CRPF) personnel were killed, India withdrew the status of Most Favoured Nation (MFN) it had earlier granted to Pakistan, and also raised import tariffs. Later the same year, Pakistan, following Indian Prime Minister Narendra Modi’s government’s decision to abolish Article 370 of India’s constitution, which had granted a degree of autonomy to Kashmir, suspended direct trade ties with India.

Foreign Minister Dar’s statement was followed on March 24 by remarks from his Indian counterpart, External Affairs Minister Subrahmanyam Jaishankar, noting that any talks with Pakistan would need to “face up to the problem” of its supposed attitude toward terrorist groups.

Speaking in Singapore, Jaishankar said, “Every country wants a stable neighborhood.... If nothing else, you want at least a quiet neighborhood.” He added, however, “How do you deal with a neighbor who does not hide the fact that they use terrorism as an instrument of statecraft?” “It’s not a one-off happening,” he continued, “but very sustained, almost at an industry level.”

Jaishankar cautioned that “dodging the [terrorism] problem gets us nowhere” and vowed that New Delhi “will not skirt this problem anymore.”

Last year, a parliamentary panel in India urged the Modi-led government to mull reviving economic ties



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with Pakistan. The report, tabled in Parliament in July, noted the need to “consider the establishment of economic ties with Pakistan if they come forward and work towards broader people-to-people contacts in view of the cultural commonalities and civilizational linkages between our two countries.” A parliamentary standing committee on external affairs, consisting of 31 members from diverse political parties, prepared the document.

Recent data revealed that, despite the frosty ties, India-Pakistan trade stood at \$1.35 billion in the period between April and December 2022, up from \$516 million in all of 2021. Before bilateral trade was officially suspended in 2019, India’s exports to Pakistan stood at \$2.06 billion, while imports were valued at \$490 million.

Regarding India’s relations with China, Jaishankar stated that returning stability at the Sino-Indian border is necessary before the relationship between the two Asian countries could progress.

In his first public statements since the latest verbal sparring over Arunachal Pradesh — which China claims as Zangnan, part of South Tibet — following Prime Minister Narendra Modi’s inauguration of a tunnel there earlier in March, Jaishankar says India is “today trying to find a way.”

“And it’s not easy. I have myself invested, you know, a great deal of effort with my counterpart [in China]. And at the military commanders level, at the diplomatic level, we’ve had 20-plus rounds of talks.”

Speaking at a lecture organized by the National University of Singapore’s Institute of South Asian Studies (ISAS) on March 23, Jaishankar clarified that the territorial spat will not be resolved in a hurry.

However, a vital initial step would be to find a way to return to the “peace and tranquility” on the border that had existed for 45 years, after India’s loss of four soldiers in 1975. The two countries have entered into various bilateral agreements between 1993 and 2013 to prevent the situation from escalating.

That peace was imperiled in 2020 when at least 20 Indian and four Chinese soldiers were killed in hand-to-hand combat at the 3,800km frontier, much of it poorly demarcated. Relations between India and China have headed south since.

In the latest twist to the Sino-Indian face-off, the United States entered the fray, saying on March 20 that it recognizes the disputed Arunachal Pradesh as Indian territory. China reacted the next day, saying that Washington is serving its “selfish geopolitical interests.”

A media report earlier in March said India had earmarked 10,000 more soldiers to guard its border with China. Asked about this at the ISAS dialogue by *Straits Times* associate editor Ravi Velloor, Jaishankar would only quip, “I think no sensible government confirms troop movements, least of all to someone from a foreign newspaper.”

Moreover, Jaishankar declared that until there is stability on the disputed border, “it is illogical to expect the equilibrium building, the relationship building, doing more things to move forward, because it will naturally engender enormous distrust.”

With China and India emerging simultaneously as rising powers, he said, “The challenge, for me, is how do we find the sustainable equilibrium?”

Both countries should build on the areas that they have found agreement on, he opined.

To him, the skirmish in 2020 was China disturbing the equilibrium by not keeping to its “part of the



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bargain,” rather than “solidifying the foundation for an equilibrium.” “From 1975 to 2020, nobody got killed on that. So, for 45 years, it worked. We have to ask ourselves today, why is it not working?”

“The issue is really not about miscommunication. I assure you their English is wonderful, and our Chinese is even better!” he quipped, to chuckles.

China has said that the incident happened only because India breached the bilateral consensus and made unilateral provocations in Galwan Valley, which China claims in its entirety despite protests by India. India says the Galwan Valley is in Ladakh.

Dr. Jaishankar also elaborated on his thesis of how India is “non-West” but not “anti-West,” which he had written about in his newly published book *Why Bharat Matters*. In this way, he said, New Delhi has expanded the room for maneuver on great powers’ relations, including with the United States and Europe.

He described India’s relationship with the United States and Russia under its “multi-vector” policy and said it is possible to deal with each one on a “non-exclusive” basis because of India’s non-aligned culture.



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