

# 1. Pakistan downgrades diplomatic ties, suspends trade with India

- On comparing both India and Pakistan economies, who stands where?
- So, where do India, Pakistan export to and import from?
- What if Indo-Pakistan relations were cordial?

**GS paper 2 ( India and its neighborhood relations)**



Date: 11 August, 2019



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**In this video, you can find detailed answers for all the above questions.**

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## What is the context about?



A day after the Modi government abolished Jammu & Kashmir's special status and downgraded the state to two Union Territories, Pakistan's National Security Committee (NSC) has taken the decision to downgrade diplomatic ties with New Delhi.



“Our ambassadors will no longer be in New Delhi and their counterparts here will also be sent back,” Pakistan's Foreign Minister Shah Mahmood Qureshi was quoted.



This is not the first time that India and Pakistan are downgrading ties. In 2001, India pulled out Vijay Nambiar, it's high commissioner to Islamabad after the JeM attack on Parliament.

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## On comparing both India and Pakistan economies, who stands where?



According to World Bank's database on global trade, in 2017 India's GDP stood at \$2,600,818 million with a per capita income of \$1,800. In comparison, Pakistan's GDP was \$304,952 million (i.e. 752 per cent lower than India) and its per capita income was \$1,580.



Pakistan had been outperforming India in economic growth in the first three decades after independence.



Since 1970s, while India was able to improve its growth rate, Pakistan's growth gradually petered, largely due to internal political instability.

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## So, where do India, Pakistan export to and import from?



Pakistan does not feature among India's top 35 exporters and importers. On the other hand, India does not feature among Pakistan's top 10 exporters, but stands at the seventh place in its list of top 10 countries from where it imports. Pakistan's share of exports to India has been less than two per cent of its total exports, and for India, imports from Pakistan are not even 0.5 per cent of its total imports.



Another example that elucidates this insignificant trade relation is that in 2017, India's exports to Nigeria, Oman, Turkey, Belgium, Mexico, Egypt and Kenya was more than its exports to Pakistan with which it shares a well-connected land border.



In regards to imports, India's imports from countries like Angola, Mozambique, Ghana, Peru, Botswana, Chile, Tanzania, Kazakhstan, Zambia, Morocco, Burkina Faso, Brunei, Azerbaijan, Sudan, Myanmar among others, is way more than what it imports from Pakistan.



## What if Indo-Pakistan relations were cordial?



This is a question with a big if.

Had India and Pakistan shared cordial relations over the past decades, the two South Asian developing economies that are plagued with poverty, malnourishment, illiteracy and poor health infrastructure would have been spared with four wars and an unending saga of terrorism.



Cordial relations would have also prevented the two neighbours from dissipating themselves in an economically corroding arms race. The gigantic defence budgets of the two countries could have been diverted for health, education, infrastructure, among others.



"It is clear that the potential gains from liberalising trade with India dominate the total potential gains for Pakistan; 85 per cent of the unrealised regional potential trade for Pakistan is with India, while 15 per cent is with China," World Bank's policy note states.