

China India Trade

From the past years, China and India are engaged into various conflicts and an example of tensions between them was seen on 21st October 2017 when both the Asian giants were face to face. The tensions escalated to a level where they were in a state of war. The Sino-Indian War of 1962, border conflict, is also an example of the bitter past between China and India. Despite the rivalry the bilateral trade between China and India in post-1962 saw a rapid growth. In 2018, the trade between them touched \$87.6 Billion.

If we talk about 2019, the world's two largest developing economies China and India are negotiating on different dimensions that promote free trade between both the courtiers. China and India both are the competitors in the race of growing economies. A partial equilibrium approach based on highly disaggregated trade data shows that in a scenario where China and India are completely holding the markets, there would be a huge potential to create an impact on trade and welfare in their specific areas, where they enjoy a comparative advantage. Especially, with their annual GDP growth rates standing respectively at 6.2% and 6.1% for 2019, China and India have since come to be recognized as the fastest-growing economies. According to the World Bank estimates and assessments based on purchasing power, China and India have already become the second and fourth-largest economies of the world respectively, surpassing developed countries. Some economists predict that this century will be Asia's Century.

According to the reports India is thinking to cut or eliminate tariffs up to 80% on Chinese products that will be imported in the future, 16 countries are negotiating on a free trade agreement in Vietnam in which China and India are the main players. India plans to cut duties on 86% of imports from

Australia and New Zealand, and 90% for products coming in from ASEAN, Japan, and South Korea. India would immediately eliminate customs duties on 28% of goods, while tariffs on other imports from China would be reduced or eliminated over a period of 10-20 years. The trade deficit with China in 2018-19 was a whopping \$53.6 billion.

Recently Xi Jinping visited India and the visit was dominated by trade matters. Mr. Modi wanted to reduce its huge trade deficit with China. The two leaders are concerned about their economies and thus want focus on trade. China and India share major contention even today due to their border issues yet both rivals have found a common ground, where their mutual interest is to strength their respective economies and utilize the economic potentials that this region offers. The relations between China and India are in the process, in terms of strengthening their economic ties. According to Indians, bilateral trade has been increased with China but so has the deficit and this is a serious matter. Indians appreciate the steps that were taken by the Chinese to improve imports from India. These efforts could be the reason for more success of Indian pharmaceutical and IT products in the Chinese market. Chinese Foreign Minister, Wang Yi appreciated Indian concern over the imbalance of trade. He further said that we stand ready to continue providing facilities to Indian exports to China. He further emphasized on expanding cooperation in industrial production, tourism, border trade, and other areas so that we can achieve overall balance in Indo-China Trade relations. This year the bilateral trade will touch \$100 Billion and that is a historic trade figure between two countries. In the financial year that ended in March, Sino-Indian trade stood at \$87 billion, down 3% from a year ago. Indian exports rose by 26% and imports fell by 8%, shrinking the deficit by \$10 billion.

India and China are showing a huge interest in trade agreements not for the sake of other interests, both countries

are self-centric, making their position stronger in the region. China is a big economic threat to the U.S and India is one of the closest allies of the U.S.

Financial Action Task Force: Way Forward for Pakistan

Pakistan is one of those countries which are most vulnerable to terror financing and money laundering that is emerging from different terrorist groups operating in country. The Asia Pacific Group APG presented the final Mutual Evaluation Report after which Pakistan's chances of being retained in grey list are quite high. In its National Risk Assessment report Pakistan has been denying the fact that money laundering and terror finances is a high-risk issue and considers it a medium risk. On the other hand, Pakistan has been under the continuous threat of terror financing from its porous borders, DNFBPs (Designated non-Financial Businesses and Professions). Out of 40 recommendations Pakistan was fully compliant only on one, mainly compliant on 9, no-compliant on four and partially compliant on 26 recommendations of FATF. Pakistan's performance was considered effective only on one benchmark that led APG to place Pakistan on Enhanced Follow up list.

The Pakistani delegation left for Bangkok to meet the Financial Action Task Force officials from September 8 to 10. Pakistan had to face FATF as a part of efforts to exclude its name from "grey list" and which will scrutinize the country's performance before the final review meeting. Pakistan is under great pressure to ensure compliance before October 2019 as the final deadline was September 2019. Failure to do so might cripple the economic condition of the country.

Financial Action Task Force (FATF) is an international task force that is created for the government, by the government in order to fight the undesirable consequences of money laundering. FATF born in 1989 was created in response to the difficulties of money laundering and was initiated by G7 countries including Canada, France, Germany, Italy, Japan, the United Kingdom, and the United States. These countries felt the need for international cooperation. FATF started with 16 members and the number rose to 35 members. Among these 35 members, 8 are regional bodies which mean that 180 jurisdictions are a part of the FATF family. The rules and conducts set by FATF have to be followed by the member countries

Pakistan has failed to implement the UNSC resolutions against 26/11 mastermind Hafiz Saeed and other terrorists associated with terrorist groups like Lashkar-e-Taiba and Jamat-ud-Dawa. The resolutions are related to curbing money laundering and terror financing in Pakistan. The FATF report came a week before when the agency had to decide whether to retain Pakistan in a "grey list". Pakistan was placed on the grey list in June 2018 and was given a chance to complete the action by Oct 2019 or to get ready to face the risk of being placed on the blacklist with North Korea and Iran. Whereas on the other hand, Pakistan's government is trying to follow the FATF recommendations. So, Pakistan certainly is not a part of the non-complaint category. Partial compliance in 26 areas is technical compliance. Pakistan has gained some confidence after being supported by China, Turkey and Malaysia but India with the support of the United States emphasized on Pakistan's blacklisting.

Pakistan is well aware of the fact that the presence of US and India on FATF forum is an obstacle for its case as both the countries are trying to isolate Islamabad on International level. Whereas, China's position on FATF can be beneficial for Pakistan to implement its policies according to the forum.

Pakistan is faced with the challenge to do more against terrorism because of the ambiguity in legislation which needs clarification. The US and India came up with evidence against Pakistan therefore Islamabad need to do something to strengthen its case because Pakistan is not in a condition to bear the shock of blacklisting. The way forward Pakistan could be politicizing the case with the support of China and showing commitment towards addressing the gaps in legislation.

USA Military Aid to Pakistan – Recent Developments

Pakistan's geographical location and borders sharing with states like India, Afghanistan and Iran made it impossible to achieve peace without weapons and military advancement. Pakistan has always been under constant threat of being attacked directly or circuitously. We are witness to all the attempts of subverting Pakistan from within and India has been actively participating in that. By keeping in view the deterioration of economic condition and increase in advanced defense system USA has been providing military assistance to Pakistan since long. The unfortunate incident of 9/11 became a challenge for Pakistan to fight against terrorism and militancy along with other internal and external challenges.

To crack down on militants and their safe havens in Pakistan USA passed five year plan 2009-2014 under former president Barak Obama and \$7.5 billion worth of assistance was provided. This bill also created a bit of cleft between civil and military leadership in Pakistan because it was looked upon as

threat to sovereignty by military. Along with internal and external security threats, even though Pakistan lost thousands of citizens and military personnel and billions of dollars to this fight, it was constantly hammered to destroy militant's safe havens in Pakistan and USA kept warning Pakistan that if they found any traces of attacks on USA soil back to Pakistan there will be severe consequences.

After Obama the pressure mounted when Trump started the chant of "Do More" because Pakistan was given \$33 billion since 2002 to fight the militants and accused Pakistan of quietly supporting Haqqani network and providing militants with safety on their soil. It was said that rather fighting terror, Pakistani military used \$200 million funds for armament, anti-missile defense system and fighter aircrafts including F-16s when the terrorists had no air attack capability. Pakistan has received about \$15 billion over the past 15 years including funds for Foreign Military Financing, Pakistan Counterinsurgency Capability Fund and International Military Education and Training funds. In January 2018, USA announced that it was suspending \$900 million of security aid and military equipment to Pakistan because it failed to fight effectively against terrorists and militancy.

Pakistan was ashamed and accused internationally for not putting "enough efforts" and just using USA for the sake of money. The relationship was sore between Pakistan and USA until the recent meeting of president Trump and PM Imran Khan where the PM of Pakistan emphasized that USA and Pakistan need to have a good working relationship to proceed ahead on good terms. Trump showed optimism by saying that USA and Pakistan have better relationship now and that USA State Department will provide Pakistan \$125 million for its F-16 aircraft's technical assistance. PM Khan further assured president Trump that Pakistan will do whatever it takes to keep going the peace process and that there are and never will be any safe havens for militants in Pakistan.

PM Visit: Trade and Economic Cooperation

The three day visit of Prime Minister Imran Khan seems to have struck a chord and both President Donald Trump and PM Imran Khan have found some common grounds to move forward on. This week's summit talks turned out to be a positive initiative from both the sides as they kept aside their bitterness and grievances. This meeting broke the ice and both the countries are now back on the track to have bilateral relations. Pakistan's President visit to the United States was not only a good step to the outer world but was a good indicator for Pakistan's economy too.

The talks revolved around four different subjects including peace process in Afghanistan, Kashmir issue between two contending rivals India and Pakistan, regional security and fostering trade and economic relations. Trump on Monday also hinted at the possibility of restoring about \$13 billion aid to Pakistan that was suspended in 2018. Outcomes of these talks indicate that the bilateral ties between both the countries will grow in the near future. However, the US is dangling the possibility of stronger trade and economic relations with Pakistan if it helps with the peace talks in Afghanistan and do more to crack down on terrorism within its borders.

Investment and economic cooperation were of more prime concern than the renewal of the US aid to Pakistan. Because the US has been Pakistan's important development, investment and trade partner and Pakistan's second largest export market after European Union with total trade of \$6.627 billion during FY 2018-19 and over \$1.5 billion worth of investment. Moreover,

The American President also showed interest in raising the US investment and expanding trade relations with Pakistan.

Acknowledging that there have been ups and downs in Pakistan – U.S relations Pakistan is looking forward to discover ways and means to deepen its economic relations with Washington through a constructive and positive approach. This cooperation will be beneficial for both the countries. Pakistan is expecting US engagement in the areas such as economy and finance, energy, science and technology as well as agriculture. These areas have the potential to build up long-term economic growth, stability and human development.

Indeed, this three day visit to Washington has helped to soften Pakistan's relations with the US. Now is the time when the US investors must convince their potential investors to invest in Pakistan and should transfer the latest technology to Pakistan. Moreover, Pakistan should focus more on its private sector by providing all kinds of support and skills to boost its exports.