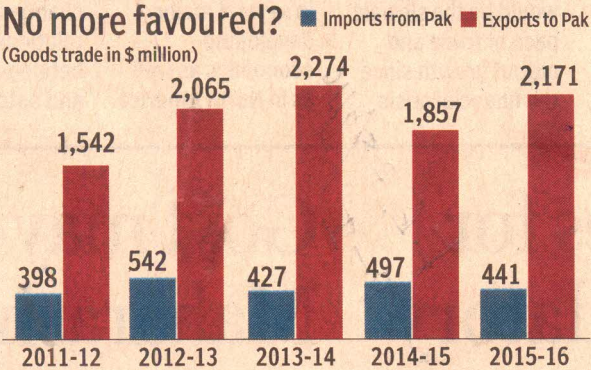


PM to review MFN for Pak on Thursday

■ Awarded unilaterally in 1996

No more favoured?

(Goods trade in \$ million)



Source: DGCIS

fe Bureau
New Delhi, Sept 27

P RIME Minister Narendra Modi will hold a meeting on Thursday to review the most favoured nation (MFN) status to Pakistan, as the government weighs options beyond an outright war to punish the neighbour in the wake of a deadly terror attack at Uri in Kashmir which claimed the lives of 18 soldiers.

Analysts said that since India's imports from Pakistan in any case is low, a withdrawal of the MFN status — trade jargon for giving equal treatment to all trading partners under the World Trade Organisation (WTO) framework — will not be much more than a symbolic protest. However, Pakistan may be tempted to

use any such decision as an excuse to enlarge its negative list of tradable items with India.

India's merchandise exports to Pakistan touched \$2.17 billion in the last fiscal, constituting just 0.8% of the country's total exports. Similarly, India's imports from Pakistan stood at \$441 million, making up for 0.1% of the former's overall purchases from overseas. India mainly exported cotton and some textile items, organic chemicals, plastics and fruit and vegetables, while its imports from Pakistan include some mineral fuels, salt, cement and fruit.

The review of the MFN status comes after a similar review on Monday of the 56-year-old Indus Water Treaty.

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The government is learnt to have decided to "exploit to the maximum" the water of Pakistan-controlled rivers, including the Jhelum, in accordance with the provisions of the pact. India has traditionally been generous towards Pakistan by utilising less water resources than provided for under the treaty, analysts have said.

India, in 1996, unilaterally granted Pakistan the MFN status. It was not withdrawn even after the Kargil war in 1999 and despite a lack of reciprocity by Pakistan, which is now trading with India with a negative list of 1,209 items that can't be shipped to that country.

Pakistan announced the negative list

in 2012, departing from its decades-old practice of trading on the basis of a positive list that had severely restricted prospects of Indian exports to that country. Such a move created opportunity for trade in an estimated 6,850 items, compared with 1,945 items before, but trade still remained below par.

Trade between India and Pakistan remained suspended between 1965 and 1974 due to two wars and resumed with a positive list of only seven items that India could export to the neighbour. The basket of items that India could trade with Pakistan had widened to around 800 items in 1996 when India granted the MFN status to the neighbour. This list further broadened to include a total of 1,945 items by the end of 2011.

In early 2012, Pakistan replaced the

positive list of tradable items with a negative one. Such a move created opportunity for trade in an estimated 6,850 items, compared with 1,945 items before, as any item not specified in the list could be traded. It also declared that the negative list could be phased out and the MFN status could be granted to India as early as January 2013, which was not to be.

Although Article I of the general agreement on tariffs and trade (GATT) stipulates that member nations will accord MFN status to one another, and lays down the principle of non-discrimination among WTO members, it still provided for certain exceptions under which granting such a status was not mandatory. It noted the unique case of India and Pakistan and provided a spe-

cial exception. Paragraph 11 of GATT Article XXIV says: "Taking into account the exceptional circumstances arising out of the establishment of India and Pakistan as independent states and recognizing the fact that they have long constituted an economic unit, the contracting parties agree that the provisions of this agreement shall not prevent the two countries from entering into special arrangements with respect to the trade between them, pending the establishment of their mutual trade relations on a definitive basis."

However, while many trade analysts view this provision as a positive exception, built upon the expectations that since both countries sprang from a single economic unit earlier, they can even go beyond the MFN status, Pakistan has

Banks drop plan to sell Essar Steel loans

Flat steel production in Q1FY17 was 1.22 million tonnes, up 48% over the same period last year. The management hopes to increase capacity utilisation substantially by March next year, producing 80% of its rated capacity.

Private sector lenders HDFC Bank, ICICI Bank and Federal Bank have already sold their loans to Essar Steel worth Rs 2,200 crore. Other lenders in the 20-member consortium include State Bank of India, IDBI Bank and Punjab National Bank, among others.