



# **DAILY NEWSPAPER ANALYSIS**

**THE HINDU**

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**Topic: GS2 - Confidence Building  
Measures (India-Pak) : LOC  
Trade**



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## Sealed disclosure: SC order on electoral bonds

### Context:-

- Recently, the government of India announced the suspension of trade across LoC at the two designated points expressing concerns over **‘illegal inflows of weapons, narcotics and currency’** in the country.
- **‘A stricter regulatory regime’** is expected for re-initiation of trade.

### Background of LoC Trade:-

- In the last decade, the Line of Control (LoC) in Jammu and Kashmir has often been re-interpreted as the **line of commerce and co-operation**. This paradigm shift was the result of initiation of two **confidence-building measures (CBMs)** between India and Pakistan —
  - cross-LoC trade and
  - cross-LoC travel.
- It was representative of a **constructive bilateral engagement process** in the midst of political upheavals. Stakeholders were hopeful that while cross-LoC travel would **connect divided families**, cross-LoC trade would **foster economic ties between Jammu and Kashmir and Pakistan-occupied Kashmir (PoK)** that would **eventually help reap the peace dividend**.
- Cross-LoC trade is an intra-Jammu and Kashmir trade, in the form of **barter of goods** on a reciprocal basis and has been conducted through a standard operating procedure (SOP) mutually agreed by New Delhi and Islamabad.

- The SOP enlists the **21 categories of items** to be traded on zero tariffs.
- LoC trade takes place **four days a week**, wherein traders are allowed to **exchange 70 trucks per day**.
- The **trade-in (import)** and **trade-out (export)** goods have to be balanced to zero for each trading firm within a period of three months.

### **Assesment of the CBM:-**

- **Economic Success:** Since 2008, trade has shown **an average year-on-year growth of about 19%**, reaching a cumulative value of over ₹6,500 crore to date.
  - Furthermore, it has **generated more than 1.6 lakh job days**.
  - To date, more than 1 lakh trucks laden with goods have been exchanged, generating approximate freight revenue of ₹66.50 crore for transporters of Jammu and Kashmir.
  - These figures are indicative of the potential that this trade holds for social and economic development within Jammu and Kashmir.
- **Operation and Policy Level Deficiencies:** The operational and policy level deficiencies render the trade **vulnerable to misconceptions and malpractices**.
  - **Lack of clarity in the SOP** towards rules of origin, items list, goods and services tax (GST)/local taxation mechanisms are some of the limitations.

- **Practice of 'trade number selling'** was prevalent at the TFCs wherein few trading firms sell their registration/token numbers to other trading firms to send the latter's goods across the LoC out of turn in the roster system. This practice has created a gap between the number of genuine traders and traders involved only in 'trade number selling'.
  - The issue is **compounded by the presence of 'seasonal traders'**, that is, traders who are active only for few months, thereby leaving a negative balance overall in the barter trade.
- **Infrastructural issues** such as a non-functional weighbridge, lack of CCTV cameras and truck scanners, and an absence of regular communication channels warrant reforms in the trade practices.

### **Impact of the Recent Decision by GOI:-**

- The unexpected suspension of the trade has affected locals. Traders have incurred significant losses as most of the goods were in transit while some goods were sold at a lower price in the local markets of Jammu and Kashmir.
- Traders who were awaiting the trade-in goods in exchange of the goods sent earlier have also incurred heavy losses and a negative trade balance against their firms.
- This further erode the trust of kashmiris to with Centre(Delhi).

## Way Forward with Infrastructural and Policy level Interventions:-

- **Revision in the Standard of Procedure SOP:** A revision in the SOP is required
  - to highlight the **trader re-registration process**;
  - we need **clarity on the 'rules of origin' of goods**;
  - tradeable commodities need to be identified that will benefit the local economy of Jammu and Kashmir, and
  - further **eight-digit HS (harmonised system) codes** must be assigned to ensure clarity on the items.
  - The SOP must also specify the modality of movement of trucks across the LoC as well as clarity on filing of GST/other local taxes.
  - A **token system on a first-come-first-serve basis** should be explored. This will check the misuse of trade registration number in the roster system.
- **Use of Information Technology:** **Digitisation of the TFCs** must take place to make the process of record keeping easy, transparent and **accessible** to various regulatory agencies.
  - The digitised TFCs should be enabled with a **'trader notification system'** for timely reminders to achieve zero barter balance for continuation of trade.

- **Strict Implementation and Monitoring of Policy Measures:** In case of non-compliance, a **strict ‘trader de-listing policy’** needs to be put in place wherein any trader with a negative balance in barter for more than the designated time period can be suspended from conducting trade.
  - Regular meetings must also be held between the trade facilitation officers of both sides of the LoC to ensure co-ordination of such activities and exchange of the list of suspended/banned traders.
- **Filling Infrastructure Gap:** Infrastructure upgradation such as installation of **truck scanners, functional CCTV cameras** for security, and **calibration of weighbridges**, are essential to check the inflow of banned items, narcotics and weapons.

### **Conclusion:-**

- The gains made by India and Pakistan through initiation of cross-LoC trade and travel have manifested themselves in the form of recent talks of **opening the Sharda Peeth corridor in PoK** as another CBM.
- An important lesson is to be learnt here is that the **sustenance of a CBM requires regular policy and operational-level interventions.**