

Withdrawal of Most Favoured Nation Status from Pakistan

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Withdrawal of Most Favoured Nation Status from Pakistan

What is Most Favoured Nation (MFN) status?

Country conferred most favored nation status is given specific trade advantages; for instance reduced tariffs on imported goods. WTO recommends that all the member nations should confer MFN status to each other. A country grants this status to another country if it is interested in increasing trade with that country.

Position on MFN Status

In accordance with its obligations under the WTO, India has accorded MFN status to all WTO member countries, including Pakistan. Pakistan was conferred MFN status in 1996. However, Pakistan is yet to confer MFN status to India. Despite ups and downs in bilateral relations, the MFN status accorded by India was not withdrawn.

Trade restrictions imposed by Pakistan

In March 2012, Pakistan shifted from “Positive List” to “Negative List” for imports from India. Positive list permitted import of nearly only 1950 products. On the other hand, negative list prohibited import of only 1,209 products (as on 15th February, 2019); import of rest all the products is permitted. This was a positive change in economic relations. However, only 138 products (as on 15th February, 2019) can be imported through Wagah/Attari land border.

India-Pakistan trade

India’s trade with Pakistan is small in size. India’s trade with Pakistan in the year 2017 was merely \$2.29 billion, or about 0.35% of India’s overall trade. Pakistan’s exports to India are consistently about a fourth of what it imports from India.

Withdrawal of MFN Status Post Pulwama

Within 24 hours after the Pulwama terror attack, India withdrew the Most Favoured Nation (MFN) status accorded to Pakistan. It is said that the withdrawal of MFN status is intended to isolate Pakistan in global scenario. Moreover, even though the trade with Pakistan is limited, still withdrawal of MFN status may affect exports from some Pakistani industries such as cotton and chemicals.

Withdrawal of MFN status can also have certain negative consequences for India. The industries dependent upon Pakistani imports will suffer as they have to procure raw materials at higher costs. The illegal trade between the two countries through border and via other countries may rise. Also, such a decision may be highlighted by extremist elements in Pakistan to raise propaganda against India.