

With the trade normalization process between India and Pakistan gathering momentum since November 2011, new vistas for enhancing bilateral trade have been opened between the two countries. This study has analyzed the trade potential between India and Pakistan, and examined how this prospective is disregarded owing to several socio-political reasons. The trade prospects between India and Pakistan is estimated to lie between US\$10.9 billion and US\$19.8 billion.

The study has assessed the products which are of vital importance for a massive growth in trade but unfortunately these products or items fall in the negative or sensitive lists and non-tariff barriers. In the services sector, trade possibilities have been identified in Information Technology (IT), Business Process Outsourcing (BPO), health and entertainment services. This trade potential remains unrealized largely due to impediment in transport and transit facilities, restrictive visa regime, continuation of large informal trade flows, and presence of non-tariff barriers to trade between India and Pakistan. Since the Foreign Direct Investment (FDI) regime between the two countries is liberalized, the study has identified sectors which hold potential for investments, and are likely to deepen the trade linkages between India and Pakistan. Moreover, the research also highlighted traders' motivation for doing business in both markets as well as challenges and obstacles in expanding bilateral trade.

Findings of the current study reveal very crucial aspects of the bilateral trade between Pakistan and India. The first and foremost is the significance of the trade relations within the region than expanding relations with the remote partners. Interest of both the countries in expansion strategy of services sectors and the existence of favourable demand to enhance bilateral trade may create huge potential for expansion of trade relations. The study also reveals that political disputes and the non-tariff barriers have been the major problems for businessmen of both countries in doing business in each other's countries. Analyzing the geo-economic conditions of both the countries, the study urged for a strong trade relation between Pakistan and India.