



## *Peace, MFN and Dr. Palmer*

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A few weeks ago, I was doing a piece on Hafiz Saeed, whose seems to be a loud opponent of the status of “Most Favored Nation” status recently given to India. Most Favored Nation, according to Wikipedia, means that the country recipient of this treatment must receive equal trade advantages like low tariffs or high import quotas.

Saeed fears that India will make Pakistan a “mandi”. He has expressed his concerns regarding Pakistani farmers running out of business. Saeed also believes that Kashmir conflict should be resolved before any trade with India.

Actually, India gains no more benefits from MFN than other trading nations like China get. “Mandi” means “market” in Urdu, which in Economics, means a place where buying and selling, occurs. The kind of dumping Saeed fears is already done by China. Secondly Pakistan’s food inflation is the highest in South Asia and cheaper food items can be a boon. Lastly, Pakistanis will also sell products in India and profit.

If some business seems to be profitable, this is a sign of a healthy economy and the business will soon modify and return in the market.

I had a brief chat with Tom Palmer, an economist, a Senior Fellow at the Cato Institute and Director of Cato University.

Question: Pakistan has declared India, as the Most Favored Nation but some oppose it because they believe Indian cheap products will come in Pakistan and the farmers/businessmen here will run out of business.

Tom Palmer: “Well, one hopes that some “cheap” Indian products do come to Pakistan and some “cheap” Pakistani products go to India. Those Indians are not stupid. They don’t send their stuff for free.

And the same thing is being said on the other side of the border by Indian special interests. Oh, no! The Pakistanis will send us their cheap products! But the Pakistani businesses are also not stupid. They will want something in return. Businesses don’t send things “for free,” that is, without getting anything in return. It is goods and services that trade against goods and services.

Q: But will the local farmers run out of business?

TP: No, of course not. A great deal of farm production is for local use, in any case, and what trade will mean is that food for Pakistanis AND for Indians will fall in price as the extent of the market increases.

Q: What do you mean by fall in price? What about China-style dumping that India might indulge in? What about locals running out of business?

TP: The whole point of trading is to get things that others can make more cheaply, to go from things that are expensive for you to make to things that are less expensive for you to make, because you buy the expensive things cheaper from others.

That's why I don't make my own shoes, but buy them from a shoemaker. There is nothing special about international trade that is different from trade from one village to another.

Q. What about this argument that we need to resolve out conflicts with india before we allow trade with them....?

TP: I think this argument is backwards. If I must first resolve all of my arguments with my neighbor before I even speak with him, when will I ever resolve them? Trade is like conversation. It brings people together and it makes them more ready to be friendly. Moreover, it creates an incentive on both sides of the border to find common ground for peace.

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