

## **Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels**

**Saifullah** 

*BS (Hons) International Relations, National University of Modern Languages, Islamabad, Pakistan*

**Correspondence:** [saifullah20k7@gmail.com](mailto:saifullah20k7@gmail.com)

### **ABSTRACT**

*The asymmetric trade interdependence between India and Pakistan is examined using the Theory of Complex Interdependence. Despite the political hostility and official trade prohibition, India has continued to be economically blessed by Pakistan via third-party re-exporter methods, which are the UAE, Qatar, and Singapore. Despite top-down bilateral trade falling to US\$1.2 billion by 2024, compared to US\$3 billion in 2018, trade experts believe the value of Indian-origin goods entering Pakistan through a backdoor channel is over US\$10 billion annually. Since 2015, the trade balance has consistently been in India's favor, with Pakistan relying heavily on imports from India and having minimal potential for exports. Although this trade agreement brings some benefits to Pakistani consumers, i.e., the chance to have more inexpensive or a variety of goods, it also reveals a significant vulnerability in the Pakistani government's trade policy, which is sluggish and unnecessarily restrictive. The policy implications of the findings concern trade reform, regional interaction, and fostering economic sovereignty in Pakistan.*

**Keywords:** *India–Pakistan Conflict, United Arab Emirates, International Political Economy, Trade Interdependence, Trade Deficit, Complex Interdependence Theory, Re-export Channels.*

**Received:**  
August 30,  
2025

**Revised:**  
September 27,  
2025 &  
November 19,  
2025

**Published:**  
December 17,  
2025

### **1. Introduction**

India and Pakistan are two neighbors who have a history of hostility and a history of agreement because Pakistan and India are also in possession of nuclear weapons that frequently lead to another crisis and a period of strain. Some of the most notable incidents of the recent escalations occurred in April and May 2025, when a major terrorist act in Kashmir resulted in corresponding military retaliatory actions by the two countries (Reuters, 2025). Just as historical military conflicts have been, the discussion has been sparked by traditional military and political analysis. Nevertheless, the present paper espouses a different perspective, characterized by the international political economy (IPE), through which economic interdependence, informal trade systems, and third-party mediation are examined in their contribution to the occurrence and resolution of the South Asian conflict. Specifically, it utilizes the model of Complex Interdependence Theory, as proposed by Keohane and Nye, which critiques the realist context by arguing that the

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

reasoning of state security is irrelevant (Keohane & Nye, 1977). Instead, it assumes that in a globalized world, various means of interaction (economic, diplomatic, etc.) limit the unilateral use of force and promote collaboration.

In the new world of globalization, commercialism has not allowed arch-enemies like India and Pakistan to be economically disentangled. South Asian politics is politically volatile, but it is highly integrated into the global network of trade and commerce. This interdependence is in large part indirect, as is shown not by formal bilateral agreements but through intermediary pathways of re-export and re-routing, which are frequently mediated by a third (neutral) trade hub, such as the United Arab Emirates (UAE). The UAE has become a crucial node in this web, as it is a principal investor and also a channel for black-market trade between India and Pakistan India-Pakistan. Therefore, although direct trade has been insignificant or stalled between the two states, economic connections still thrive and even prosper through third-party channels.

This article argues that the concept of asymmetric trade dependence is highly relevant in assessing the contemporary relationship between India and Pakistan. India is in a better structural position due to its larger economy, more diversified trade basket, and better global partnerships, whereas Pakistan is structurally weaker economically. This unbalance enables India to manage trade surprises more comfortably as compared to Pakistan, where acute short-term shocks are experienced. Nevertheless, in economics, at least, the two countries remain connected through re-export processes based in the Gulf, remittances, and investments by other multinational companies. Complex Interdependence Theory also sheds light on how such relationships persist despite a host of political enmities and constrain the ability of states to generate crises without incurring significant economic costs.

The UAE, in particular, provides an interesting case study of this aspect. The Emirates, being a strategic alliance with India and a home to millions of Pakistani laborers at the same time, has an interest in keeping South Asian instability low. In the 2025 crisis, it once again took on the role of an unseen mediator, utilizing its economic power and diplomatic neutrality. Through this, it has become evident that the role of small but economically powerful nations is gaining prominence in international conflict diplomacy. Such non-military intervention in international relations can be attributed to the reflection of the ideas of the Complex Interdependence Theory, which marks the growing role of economic forces and institutions in shaping global outcomes.

This paper will begin by discussing the relationship between Indian-Pakistani trade dependence and its asymmetrical nature, as well as the impact of trade disruptions on them. It then examines the role of the UAE as a third-party actor involved in re-export trade and diplomatic mediation. Finally, it goes on to examine how these developments affect the international political economy as a whole, in that informal trade routes and third-party intervention have become crucial in conceptualizing the geo-political tensions that emerge in South Asia (Ahmed et al., 2021).

## 2. Economic Interdependence in India–Pakistan Relations

Structural asymmetry has long been evident in the economic relations between India and Pakistan. Even before the crisis, there was minimal bilateral trade.

Governmental trade declined to US\$1.2 billion in 2024 (United Nations, 2024) after reaching approximately US\$3.0 billion in 2018. This decline was primarily facilitated by political backlash, such as India's loss of MFN status in 2019. By the first months of 2025, Pakistani exports to India had fallen apart; after reaching US\$547 million in 2019, it did not exceed half a million dollars in 2024.

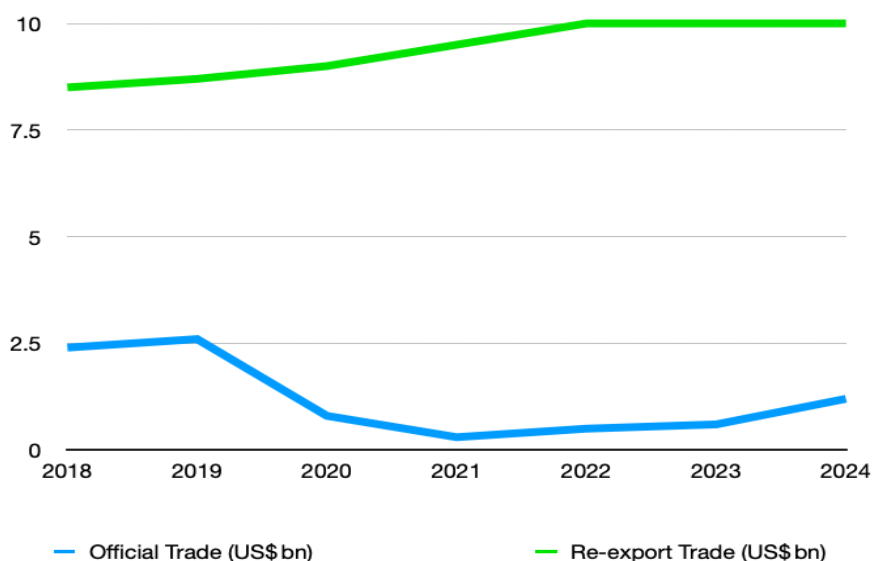
The official trade between India and Pakistan declined significantly between 2018 and 2024. The two countries traded in bilateral trade of about US\$2.41 billion in the financial year 2017 18 and experienced a slight increase of US\$2.56 billion in 2018 19. Nevertheless, with the weakening of diplomatic relations in 2019, particularly after the Pulwama incident and the revocation of Article 370, the actual volumes of traded goods fell drastically. The trade declined in 2019 20 to about US\$0.83 billion before decreasing further to US\$0.33 billion in 2020 21. There was a slight recovery, and trade increased to US\$ 0.52 billion in 2021 22 and 0.65 billion in 2022 23. Formal trade was estimated to be approximately US\$1.2 billion by 2024. Conversely, trade along the re-export corridors, especially to the UAE, Singapore, and other Gulf states, remained stable and held firm. It has been estimated that goods routed to Pakistan via Indian third-party routes consistently ranged between \$8.5 billion and \$10 billion per year between 2020 and 2024. Estimates formerly pegged informal trade at approximately US\$4.7 billion, although recent reviews suggest that re-exported commodities likely reached or surpassed the US\$10 billion mark at this time. Graph 1 and Table 1 summarize these trends (Farid & Ashraf, 2025).

**Table 1: India–Pakistan Official and Re-export Trade Volumes (2018–2024)**

<b>Year</b>	<b>Official Trade (US\$ Billion)</b>	<b>Re-export Trade Estimate (US\$ Billion)</b>
<b>2018</b>	3.0	8.5
<b>2019</b>	2.1	8.7
<b>2020</b>	1.5	9.0
<b>2021</b>	1.3	9.5
<b>2022</b>	1.4	10.0
<b>2023</b>	1.3	10.0
<b>2024</b>	1.2	10.0

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

**Graph 1:** *India–Pakistan Official and Re-export Trade Volumes (2018–2024)*



In Complex Interdependence Theory, states interact not only in the military domain but also in economic and social spheres. Even without an official external relationship, informal trade and social connections (such as remittances and diaspora contacts) continued. Such a channel can be observed in informal trade, estimated to amount to US\$10 billion annually, primarily through the UAE and Singapore. Indian goods enter Pakistan through roundabout routes and, in most cases, are camouflaged as being of Gulf production (Haq & Sharma, 2023). Such flows occur beyond the control of governments and imply strong economic connections that cannot be easily broken, indicating that even during diplomatic breaks, interdependence persists (Farid & Adnan, 2022).

Economic relations are also influenced by regional integration projects, common dependencies on resources, and similar participation in multilateral conferences, such as the South Asian Association for Regional Cooperation (SAARC). Although SAARC has not been active due to the political stalemate, it remains a symbolic structure that can be utilized in the future. Remittances sent by laborers in the Gulf, particularly in the UAE and Saudi Arabia, have a significant multiplier effect on household consumption among Pakistanis. These international economic forces bind the two countries to intersecting supply chains and labor circuits, making it difficult for them to be directly disentangled from each other. Following the April 2025 attack, Pakistan closed its airspace and formal trade routes (Dawn, 2025). Complex Interdependence Theory envisions the re-linkage of economic connectivity even in the event of conflicts through alternative channels. The second implication of this theory is that there should be no strict order of priorities, which is evident in the case of Pakistan, where dependence and security challenges necessitate equal consideration for most aspects; the aspect of security was at the forefront, the economic effects (short access to medicines, increased prices of tea

and fertilizer) were of paramount concern backstage (Ahmed, 2025; Business Recorder, 2025).

The diverse nature of the Indian economy mitigated its short-term impact from the trade blockade. Pakistan, which relied heavily on imports of essential goods, was one of the areas that were hit the hardest. Such asymmetry in the width of vulnerability indicates the concept of asymmetric interdependence central to theories of international relations. The weaker the balance of dependency, the more likely the weaker party is to apply force or confrontational tactics to defend its interests. This is to say that closing all trade routes, albeit a politically rebellious decision, proved to be a very costly one for Pakistan. These trends emphasize the paradoxical relationship of interdependence in relations with enemies. On the one hand, perseverance in economic ties, even without formality, prevents aggravation and leads to third-party mediation. Conversely, the lack of symmetries in capacity and diversification gives greater states a chance to weaponize interdependence. One witness to this is how India continues to export through UAE intermediaries while Pakistan is not allowed to do the same. The presence of such dynamics should not only be viewed as calculative moves but as the results of structural economic realities (Farid, & Ashraf).

### **3. Case Study: United Arab Emirates**

The United Arab Emirates (UAE) has also become a critical middleman in India-Pakistan matters, particularly in matters relating to trade redirection and geopolitical mediation. The UAE, being a country with strong bilateral relations with New Delhi and Islamabad, will be in a unique position to facilitate unofficial trade and utilize diplomatic powers in the event of an emergency. It is particularly vital in the post-2019 setup when official India-Pakistan trade routes have been either cut off or significantly shifted. The UAE is important, first and foremost, due to its significant economic entanglements. India is the UAE's second-largest trade partner, and the UAE is also among the top five investors in India, resulting in bilateral trade exceeding US\$15 billion in the current year, 2023-24 (Ministry of Commerce, 2024). Meanwhile, Pakistan remains heavily dependent on remittances from the Gulf, with over 1.6 million Pakistani workers in the UAE remitting more than US\$4.5 billion to the country in 2024. These two dependencies make the Emirates a strategic country to influence a situation when tension arises in a region.

One of the most outstanding tools connecting the UAE with India and Pakistan's trade is re-export trade. Indian goods that cannot be directly traded due to diplomatic issues are regularly repackaged and rerolled in Dubai and Sharjah and then sold in Pakistan as having a UAE origin. The major ones are pharmaceuticals, auto parts, textiles, and electronic equipment. These goods circumvent official barriers to trade but facilitate the entry of necessary products, especially into Pakistani markets, where failure to provide them would induce inflation and even unrest due to scarcity. The process of this kind of trade demonstrates the key assumptions of the Complex Interdependence Theory: that these international economic connections do not rely on formal governmental flows and that non-state actors and third nations usually mediate in long-term economic relationships.

During the April-May 2025 escalation, the UAE surreptitiously lost its diplomatic links. Admittedly, there was still no official role. However, according to UAE officials, the conversations are taking place behind the scenes with the Ministry of

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

External Affairs in India and the National Security Division in Pakistan, with the intention of offering ceasefire protocols and confidence-building measures in the economy. The analysts in the area believe that, besides economic relations, the UAE had leverage to the extent of its commitments in Indian infrastructure development and Pakistani real estate investment, which would have been lost had the military altercations continued further. Accordingly, diplomacy was determined by economic interdependence.

Additionally, the financial and logistical structure of the UAE has proved to be irreplaceable to the two economies. Dubai Ports World cares for a large number of Indian and Pakistani vessels that are shipped to East Africa and Europe. Emirates Airlines has remained a transit lifeline, and most Indian and Pakistani expatriates count on transit stops using the UAE. Forty-one percent of indirect India-Pakistan cargo transited Emirati ports and customs in 2023, a testament to the UAE's centrality in infrastructural connectivity to South Asian trade.

The UAE has developed a reputation as a neutral mediator in the Gulf, in addition to its economic and diplomatic engagement. Such a reputation gained through its historical functions as a mediator between the US and the Taliban, as well as in aiding Saudi and Iranian reconciliation among themselves, serves to give it the credibility of Intrigue in turbulent geo-political arenas. Within the South Asian framework, its neutrality is also enhanced by its non-alignment with direct military involvements and its preference for economic diplomacy. This image was confirmed by the India-Pakistan crisis in 2025, where both countries seemed willing to agree on an Emirati middle ground behind the scenes despite still being hostile to each other publicly. In terms of international political economy, the UAE is a good example of how states with relatively small size and significant influence can contribute to regional stability by employing informal diplomacy and strategic trade processes. It also demonstrates how re-export apparatus and economic intermediation have played a crucial role in mitigating conflicts due to the absence of powerful multilateral institutions in South Asia. As long as India and Pakistan remain economically interdependent, albeit informally, the role of a third party, such as the UAE, will not only cease to exist as a business enabler but also as a stability tool in times of need (Ahmed, S., Farid, A., & Ashraf.

Another possible role model for mediation is to observe how well the UAE balances its relationship with both India and Pakistan, a model that other Gulf countries, such as Qatar or Oman, can also follow. Nevertheless, this kind of activity demands total impartiality, a profound financial interest, and an image of discretion, which the UAE has continuously fostered. The strategic logic is that it needs to maintain open regional trade corridors, attract investment, and safeguard its expatriate workers who are recruited from both India and Pakistan. In this, the economic rationale rather than ideological affinity predetermines the UAE's policy in South Asia, an ideal case of Complex Interdependence turned into reality.

### **4. Qatar and Singapore: Key Hubs for Informal Trade**

While the United Arab Emirates continues to serve as a focal point in mediating re-export trade and economic liaison between India and Pakistan, Qatar and Singapore are also central, albeit less prominently, in supporting the informal trade flows between the two countries and soft-power economics.

In recent years, Qatar has emerged as a powerbroker in global Islamic politics, leveraging its vast energy resources and strategic position in the world through its extensive connections. Although its trade with India and Pakistan is less in comparison to that of the UAE, Qatar has a large expatriate population of South Asians and re-routing facilities in the country, including air cargo and port facilities. The Hamad Port in Doha, which opened in 2016, has become one of the major transit hubs (Kirillov, Savinov, & Gudzenko, 2021). According to analysts, the proportion of re-export goods to India in 2023-24 transferred through Qatar to Pakistan was approximately 7 percent of the Indian export products, mainly textiles, chemicals, and refined petroleum products. In South Asia, the use of soft diplomacy by Qatar (visits to peace talks and humanitarian aid) is especially prominent. Qatari officials are also reported to have attempted to involve Islamabad and New Delhi in Track II diplomacy as they continued to work on reformulating a regional ceasefire framework within the Organization of Islamic Cooperation (OIC) during the 2025 conflict. Although this initiative was not taken, it highlighted the role Qatar would then play as a neutral Gulf mediator, given its previous experience in Afghanistan negotiations and its extensive media presence worldwide through Al Jazeera. This media agency influenced the views of the people of both nations during the standoff (Prohorovs, 2023).

Singapore, in turn, plays a distinct role in providing financial, logistical, and technological support in trade. Singapore is the largest and most significant re-export economy, home to multinational trading that enables the establishment of legally established transshipment channels. Pakistan primarily receives Indian products through Singaporean intermediaries, mainly due to the exports of electronics, software, and pharmaceuticals. This channel gained particular activity following the 2019 downgrade of India-Pakistan trade. There are also financial instruments (including trade insurance and payment clearing services) provided by Singaporean banks and commodity companies that conceal the origin of goods. These tools can be handy when immediate business retreats between Indian and Pakistani companies are politically risky or not allowed. By 2024, it was estimated that Singapore re-exported US\$700 million of Indian goods to Pakistan annually, second only to the UAE (Asia-Pacific Trade Bulletin, 2024). On the political front, Singapore remains non-aligned in South Asian politics but advocates for the region to be united on the principle of trade security. Although it does not directly mediate, it has facilitated business-to-business dialogue in subtle ways by hosting trade fairs and meetings in various regions. As a case in point, the 2024 ASEAN-2 South Asia Business Council, held in Singapore, included side discussions between the Indian and Pakistani business chambers. These conversations, which could not easily take place in either of the nations, were held in Singapore. On a larger scale, the Complex Interdependence Theory is practical, as evidenced by Qatar and Singapore, which demonstrate the ability of non-regional or smaller players to impact regional stability and tranquility through the use of commercial infrastructure and soft diplomacy. However, their work is not as high-visibility as in the case of the UAE; their input in maintaining informal economic ties and diplomatic openings is essential to understanding India and Pakistan's penchant for trade despite their failure to pursue formal relations (Sarwar & Farid, 2025).

These case studies confirm the central claim of the theory that global politics is increasingly characterized by multiple directions of interaction that resist being led

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

through traditional military and governmental channels (e.g., trade, finance, logistics, informal diplomacy). The management of India-Pakistan conflicts might, therefore, have less to do with the customary art of statecraft and more to do with the intervention of strategic third-party economies that are deeply entwined in the global trade system.

### 5. Why Does Pakistan Continue to Rely on Indian Trade?

Pakistan is economically dependent on India despite ongoing political tensions between the two countries, which impact their interactions in terms of trade, prices, and geographical positioning. In the past, India has supplied Pakistan with consumer goods, industrial raw materials, and medicines at affordable prices. Many of the essential needs fulfilled by Indian products are either costlier or logistically more cumbersome to obtain than elsewhere; Indian products in areas such as medicine, cotton, spices, auto parts, and tea are frequent examples. This reliance is exacerbated whenever there is economic instability in Pakistan, whereby local manufacturing or other imports become cost-prohibitive. India is a natural trading partner in the retail trade due to its geographic proximity. Although the problem of formal trade has been disrupted many times due to political issues, informal channels, such as those through Dubai, Singapore, or Afghanistan, ensure that Indian merchandise still reaches Pakistan's markets. Prices of these products are at least 40 percent lower than those of Western or Chinese ones, even after mark-ups during re-exports. Moreover, Pakistan's industries, such as textiles and pharmaceuticals, typically rely on Indian chemical supplies and equipment, thereby hindering immediate replacement.

Dependence on trade is also institutional. In practice, at least not officially, under the South Asian Free Trade Area (SAFTA), Pakistan had awarded the Most Favored Nation (MFN) treatment to India well before the 2019 Pulwama crisis. Indian supply chains serve to complement its imports of goods, food, and foodstuff products. The consumer base that has remained loyal to Indian products also sustains demand for these products. Concisely, although there is usually political rhetoric to decouple India, the problems observed in the actual markets' behavior point to a consistent dependence and interdependence. In dealing with unequal trade relations between India and Pakistan, Pakistan is having both strategic and structural challenges. These are the constraints on export capability, reliance on essential imports, inability to diversify, poor financial footing of the institution, and the existence of political pressure in economic policymaking.

First, it is also not highly diversified as an industrial nation; hence, it is highly vulnerable to shocks resulting from any disruption of supply. Whereas India has a large export base and is strong in its manufacturing industries, Pakistan has a narrow export base (mainly in textiles, rice, and leather products) and large imports. Second, Pakistan's current account and trade deficits limit its ability to achieve favorable trade terms. At the end of 2024, Pakistan's trade deficit exceeded \$25 billion, with inflation reaching over 18 percent due to the depreciation of the local currency and rising import costs (Pakistan Bureau of Statistics, 2024). The weaknesses restrain the strategic independence at the Islamabad level regarding the timing and manner of undertaking or halting the trading relationship with India. Third, the high costs of institutions and logistics create bottlenecks that prevent Pakistan from growing beyond Indian-source imports, even when it is through an intermediary. This is



because of poor customs enforcement, a disjointed port infrastructure, and a variable trade policy. Establishing new supply routes to countries such as Turkey, Iran, or Malaysia is expensive, and the results are not immediate. Lastly, the politicization of the trade policy interferes with stability. The Pakistani attitude toward the dispute is commonly represented in its politics and the musings of the populace as a selling out of the Kashmir cause through trade with India. This is the aspect of emotion that hinders rational economic decisions. The standard suspension and restart of trade due to political provocation discourage the emergence of long-term supply contracts and the buildup of business confidence.

This reality indicates that Pakistan is the weaker party in the trade relationship with India. Although re-export routes provide some cushioning, they do not address the structural imbalance. The long-term plan would entail not only the diversification of clubs but also the DE politicization of trade decisions—a challenge that remains significant to achieve in the present geo-political environment.

## 6. Trade Deficit Between India and Pakistan

Formal trade is comparatively poor between India and Pakistan, although India has consistently maintained a high trade surplus, further exacerbating the list of economic imbalances between the two sides. Since 2015, bilateral trade has progressively been on the rise, with the highest level recorded in 2018, amounting to almost US billion. However, following the political tensions and the abrogation of Article 370 in 2019 by India, Pakistan halted trade, and formal trading almost came to a standstill (Farid, 2023).

**Table 2: India–Pakistan Formal Trade Balance (US\$ Million)**

Year	India's Exports to Pakistan	Pakistan's Exports to India	Trade Balance (in Favor of India)
2015	1,843	415	1,428
2016	1,894	441	1,453
2017	1,931	489	1,442
2018	2,180	494	1,686
2019	1,381	329	1,052
2020	280	61	219
2021	253	67	186
2022	278	75	203
2023	311	92	219
2024*	335	89	246

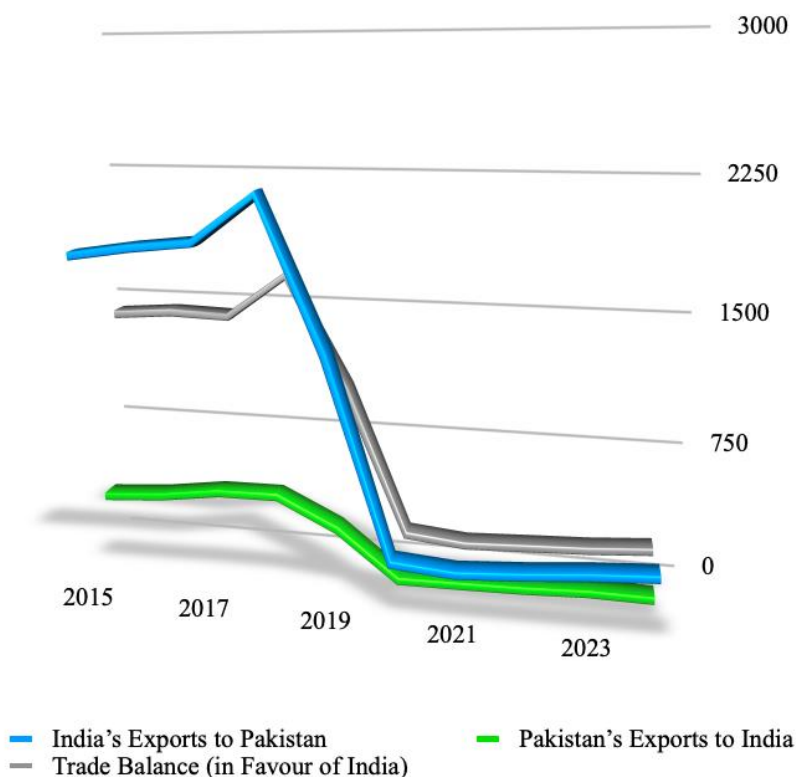
*\*Estimated based on trade records and informal customs data.*

Indian exports to Pakistan consistently exceed Pakistani exports, even during economic downturns, as shown in Table 2 and Graph 2. The over-dependence of Pakistan on Indian industrial products, as well as a narrow base of exports, establishes an imbalance in Pakistan through the structure. This persistent trade deficit is primarily due to Pakistan's limited trade diversification. According to this

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

report, re-export channels also conceal the actual export of India to Pakistan. Analysts estimate that Indian-made goods entering Pakistan annually exceed US\$10 billion, including unofficial trade routes that enable India to trade with countries such as the UAE, Singapore, and Qatar (Shankar & Sharma, 2025). It means that the apparent trade deficit is likely an underestimate of the actual extent of Pakistan's integration into the Indian economic circuit. This imbalance has been a long-term economic and strategic problem for Pakistan. It is essential to emphasize that not only should weak countries diversify their trade partners but also that the possibilities for domestic production should be enhanced. Otherwise, even indirect trade is one of the ways to exert economic pressure- and, possibly, political pressure.

**Graph 2: India–Pakistan Formal Trade Balance (US\$ Million)**



### 7. Unequal Trade and Long-Term Imbalance

A longitudinal examination of formal trade statistics between India and Pakistan shows that the trade balance has been steadily and increasingly in favor of India. Indian exports to Pakistan, primarily comprising pharmaceuticals, chemicals, and textiles, are significantly larger, even during periods of prolonged diplomatic tensions, such as the current situation following India's revocation of Article 370. The Pakistani exports, which have been reduced, are mainly primary and basic goods, such as fruits, salt, and leather products, and are significantly smaller.

There are two important effects of this long-term asymmetry trend on the economic sovereignty of Pakistan:

1. Excessive reliance on Indian-origin intermediate products increases Pakistan's vulnerability to trade shocks, particularly in sectors of paramount importance, such as healthcare (e.g., generic medicines) and agriculture (e.g., pesticides, hybrid seeds). The sudden trade conflicts stemming from political tensions have a direct impact on the supply chain and price stability in Pakistan, which, in many cases, cause fluctuations in the availability of goods and products, leading to increased market volatility.
2. Pakistan has a narrow focus on exports, whose value chains have limited integration in the upper-tier regional value chains. The export priority in Pakistan is minimal, and its value chains have not been well integrated into the broader regional supply chain. This limits its ability to enjoy bilateral trading opportunities and further resnetits structural losses. Conversely, India exports several finished products and intermediate goods, whereas Pakistan mainly exports basic commodities that attract little market influence or price control.

### **8. The Invisible Trade**

Official trade data does not provide a complete picture of the economic exchange between India and Pakistan. A massive cargo of Indian origin still appears in Pakistan under the guise of third countries, mainly the UAE, Singapore, and Qatar, evading official trade restrictions via re-export offers. These goods often tend to be mislabeled or transshipped under non-Indian certificates of origin, thereby obscuring their true origin.

Several critical observations can be drawn from this pattern:

1. Official bilateral trade has dropped to approximately US\$1.2 billion in 2024; however, regional trade analysts estimate that the value of Indian-origin goods reaching Pakistan exceeds US\$10 billion per annum (Taneja & Bimal, 2017). This implies that economic activity involving more than 90 percent of economic activity takes place beyond formal systems.
2. The intermediary states that basing all costs on transaction costs and logistics at 20 and 30 percent, respectively, incurs huge transaction and logistics costs on goods consumed in Pakistan. These are finally passed to Pakistan end-users, which disproportionally hurts the lower-income families most, toy in the food, textile, and pharmaceutical industries.
3. India will economically and strategically benefit by having undercover access to the Pakistani market. This enables it to enjoy export earnings and industrial level without the political expenses of official input. Moreover, it also establishes Indian supply chains in the Pakistani market in a manner that makes them challenging to displace or replace, even when trade restrictions are implemented.

The irony of economic decoupling in conflict areas is evident in the continued existence of the so-called invisible trade. Even though official diplomatic relationships are often stifling, market forces must naturally fill the vacuum, which usually comes at a price. These circles of informal interdependence not only dispute the concept of total independence but also undermine Pakistan's economic

## Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

sovereignty and exacerbate its strategic imbalance, rendering the nation vulnerable to foreign manipulation and less able to make its own economic choices.

### 9. Policy Implications for Pakistan

The cumulative impact of official and unofficial trade imbalances and economic interdependencies has serious long-term consequences for Pakistan's economic self-determination and foreign policy stance.

1. Pakistan has a narrow orientation towards exports and an excessive concentration on Indian imports, which unfavorably affects its ability to generate economic influence in resolving political conflicts. The asymmetry of the structure constrains India's ability to retaliate while also strengthening its bargaining position.
2. The reactive and frequent trade policy reforms, i.e., banning or suspending trade due to political crises, make it difficult to invest and plan strategically in the commercial sphere. In the absence of institutionalized trading continuity, the economy is bound to fall prey to geo-political instabilities.
3. Pakistan also needs to diversify its export basket, alongside its manufacturing industry's capabilities, and aspire to establish supply lines beyond China and Central Asia, as well as the OIC bloc. Trade agreements at the local level and digital connection platforms can also be applied to rebalance region-to-region trade flows, as they are not dependent on the products of Indian origin.

### 10. Conclusion

The economic relationship between Pakistan and India is characterized as asymmetrical, complex, and resilient. Although the trade was formally suspended in recent years, the continued existence of re-export routes using UAE, Qatar, and Singapore productions demonstrates how informal routes maintain economic interdependence even in times of political enmity. Due to its structural advantages, including the availability of export potential, an interior manufacturing base, and the wise utilization of third-market costs of doing business, India can gain access to the Pakistani market without necessarily engaging in two-sided trade. On the other hand, Pakistan is in a position of continued dependence, where it relies on Indian-origin goods to cater to its needs in some important sectors, and it cannot retaliate or rebalance otherwise.

This paper suggests that the national consequences of interdependence are contingent upon power disparities among states' actors despite their shared participation in a network of transnational networks, as outlined in the Complex Interdependence Theory. India has the freedom to weather the upheavals without incurring economic losses, whereas Pakistan experiences a lopsided susceptibility. To address this imbalance, Pakistan must adopt a multifaceted approach. These include diversification of its export mix, investment in metal products within the domestic industry, formalization of trade deals with alternative partners, and a decrease in dependence on India-related supply chains, even those that go through intermediaries. At the same time, there is a need for more decisive regulatory action and trade intelligence intelligence intelligence to check and control the extent of informal imports.

The results of this research have immense implications for trade policymaking in conflict-prone areas. Moreover, these relationships, whether formal or informal, play a significant role in determining state behaviors and state choices of strategic goals. It is imperative to identify, control, and reform such trade trends in order to have long-term economic independence and an increasingly stable South Asia.

### **Declaration of Conflicting Interests**

The author declared no potential conflicts of interest with respect to the research, authorship, and/or publication of this article.

### **Funding**

The author received no financial support for the research, authorship, and/or publication of this article.

Asymmetric Trade Dependence: How India Gains from Pakistan Through Re-Export Channels

**References**

- [1] Ahmed, R. (2025). Pharmaceutical trade in crisis: The cost of closing borders. *Lahore Economic Monitor*, 12(3), 89–99.
- [2] Asia-Pacific Trade Bulletin. (2024). *Asia-Pacific trade bulletin*. Retrieved from United Nations Economic and Social Commission for Asia and the Pacific: <https://www.unescap.org/kp/2024/asia-pacific-trade-bulletin>
- [3] Ahmed, S., Farid, A., & Ashraf, S. (2021). Climate Change: Implications and Policy Recommendations. *Pakistan Languages and Humanities Review*, 5(2), 170-180.
- [4] Ashraf, S., & Adnan, M. (2022). An Economic Confrontation Between Us & China: Implications On Global Climate Change. *The Journal of Political Science (JPS)*, 40(1).
- [5] Business Recorder. (2025). *Pakistan blocks India trade: Prices of medicine, tea, and fertilizer surge*. Retrieved from Business Recorder: <https://www.brecorder.com/news/40276528>
- [6] Dawn. (2025, May 2). *Trade, ties, and flights are off-limits as Pakistan retaliates to India's moves*. Retrieved from Dawn: <https://www.dawn.com/news/1906284>
- [7] Farid, A., & Ashraf, S. (2025). Water Security in South Asia: How Indo-Israeli Technological Cooperation Shapes the Future of the Indus Waters Treaty. *Pakistan Social Sciences Review*, 9(2), 456-476.
- [8] Farid, A. (2023). Recalibrating Stability: Israel–India Defense Ties, US Enablers, and Pakistan’s Crisis vs Deterrence Balance (1992–2022). *Annals of Human and Social Sciences*, 4(3), 936-948.
- [9] Haq, M., & Sharma, V. (2023). Grey markets and informal trade: Case of India–Pakistan via UAE. *South Asian Economic Studies*, 28(1), 44–66.
- [10] Keohane, R. O., & Nye, J. S. (1977). (). *Power and Interdependence: World Politics in Transition*. Boston.
- [11] Kirillov, V., Savinov, Y., & Gudzenko, A. (2021). The Growing Role of Re-Export in International Trade. *MGIMO Review of International Relations*, 14, 187–202. <https://doi.org/10.24833/2071-8160-2021-5-80-187-202>.
- [12] Ministry of Commerce. (2024). *Annual FDI and bilateral trade statistics*. Government of India, Ministry of Commerce.
- [13] Pakistan Bureau of Statistics. (2024). *Annual analytical report on external trade statistics of Pakistan, FY2023*. Pakistan Bureau of Statistics.

- [14] Prohorovs, A. (2023). Re-export: Assessing the impact of re-export companies on sectors and the economy. *Journal of Risk and Financial Management*, 16(2), 77. <https://doi.org/10.3390/jrfm16020077>.
- [15] Reuters. (2025, May 6). *What curbs have India and Pakistan imposed on each other after the Kashmir attack?* Retrieved from Reuters: <https://www.reuters.com/world/asia-pacific/what-curbs-have-india-pakistan-imposed-each-other-after-kashmir-attack-2025-05-06/>
- [16] Shankar, P., & Sharma, Y. (2025, May 1). *The \$10bn India–Pakistan trade secret is hidden by official data*. Retrieved from Al Jazeera: <https://www.aljazeera.com/news/2025/5/1/the-10bn-india-pakistan-trade-secret-hidden-by-official-data>
- [17] Sarwar, G., & Farid, A. (2025). The Indus Under Pressure: Hydro-Politics, Climate Change, and Strategic Anxiety in South Asia. *Journal of Political Stability Archive*, 3(3), 45-59.
- [18] Taneja, N., & Bimal, S. (2017). *India's informal trade with Pakistan. India–Pakistan Trade Normalisation*. (N. Taneja, & I. Dayal, Eds.) Springer.
- [19] United Nations. (2024). *UN Comtrade Database*. United Nations.