

The Impact of FTA on the Trade of Pakistan & China

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Abstract Since 1951 Pakistan and China have shared a very close and supportive diplomatic relationship. The developments in infrastructure, technology, and defense sectors are largely supported by China. Both countries have managed to sustain a very positive relationship and continued to pursue their partnership by signing various agreements and signing the Memorandum of Understanding (MoUs). The FTA (Free Trade Agreement) between China & Pakistan brought an opportunity for Pakistan to surge up to its trade percentage and penetrate in different markets via its export goods to more profitable regions. In this study, we will be analyzing the effectiveness and impact of FTA on the state of trade affairs between Pakistan & China. We will also conclude if the FTA brought out any changes in the dynamics of the economic and trade performance of Pakistan, we will also review the global outcomes of the agreement and how it has impacted Pakistan's economy internationally.

Keywords China, Pakistan, FTA, Trade, Economic

1. Introduction

The relationship between Pakistan & China were developed since the beginning of the PRC. Pakistan is one of the few countries that recognized China as PRC, apart from this, as a neighboring country Pakistan was the first one to accept China as a part of the UN forum. Due to this reason both countries respect the relationship between each other, both countries have been helping and supporting each other since 1947, from Kashmir issue to the issue of Taiwan, Tibet, and Xinjiang. Pakistan also opposed the UN resolution declaring Korea as an antagonist in the Korean War. In 1951, China & Pakistan developed a diplomatic relationship. Pakistan stepped forward and appreciated the bill passed in favor of granting rights to China in the United Nations, this step resulted in further strengthening the bond between the two countries.

China-Pakistan political relations are amazingly profound yet monetary relations are shallow. China-Pakistan "all-climate" kinship requires the fortifying of the respective financial relationship. In such a manner the China-Pakistan, Free Trade Agreement should be a venturing stone in enlarging the financial & economic relations among China and Pakistan. China-Pakistan Free Trade Agreement was marked on 24 November 2006 and went into power on 1 July 2007. Through reciprocal endeavors, the respective exchange of products among China and Pakistan is required to arrive at 15 Billion US Dollars in 2011.

After many years of freedom, China has developed a ground to achieve its desire economic development for the country. From 1980-2005, the yearly GDP development pace of China found the middle value of 9.4%. World Bank anticipated Chinese GDP development of 8.5 percent for 2011. In 2009 The Exports of China were \$1.204 trillion. The fares wares of China are electrical and other apparatus, including information preparing gear, attire, materials, iron, and steel, optical and clinical hardware. In 2009 the Imports of China were \$954.3 billion. The Import products of China are electrical and other hardware, oil and mineral powers, optical and clinical gear, metal minerals, plastics, natural synthetics. The Labor power of China is 813.5 million (2009 Estimated). The Labor power by occupation for farming is 39.5%, industry: 27.2%, and administrations: 33.2%. In 2008, remote direct venture (FDI) in China totaled \$108312 million, making it the most sizzling goal for FDI. China opened its outskirts for outside firms in 1979 with the production of Special Economic Zones in Guangdong and Fujian Provinces with a target to achieve cutting edge innovation from the propelled nations for improving the household capacities. Everything accomplished by imaginative and determined approaches. 1978, the Chinese government chose to move away from Soviet-style financial strategies and make changes for the economy for the more prominent China. Chinese FDI is ever-expanding and mushrooming at a gigantic pace. It is evident from the chart that FDI inflow in 2005 was \$74406 million and \$108312 out of 2008.

China is as of now one of Pakistan's key exchanging accomplices. The present volume of exchange is around the

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US \$5BN. Nonetheless, the administrations of the two nations, in the soul of kinship and collaboration that has existed for more than 4 decades presently, have chosen to shape a Pak-China.

Investment companies that will invest billions in Pakistan and will also triple trade volume to \$15BN in the next 4 years. This represents a Compound annual growth rate (CAGR) of about 35% year over year, which is a tremendous growth rate.

“We hope to create a giant economic corridor that would not only enhance China’s strategic significance but would also help in restoring peace and stability to Asia”. In 2012 trade volume between China and Pakistan surpassed US\$12 billion with Pakistani exports increasing by 48% (2011-2012). While Sino-Pak trade may exceed that of Pak-US, Pakistan’s exports to the US are greater than exports to China. According to figures from different sources Pakistan Imported goods worth \$ 9.5B in 2003 after the signing of the free trade agreement in September 2006, imports got doubled from \$ 2.9M to \$ 4M.

Pakistan is an agriculture-based country. Agriculture contributes to 21 percent of GDP and is the second largest sector of Pakistan’s economy. It also employs 45 percent of the country’s total labor force. Manufacturing accounts for 18.5 percent of GDP and is the third-largest sector of the economy. Pakistan is 4th largest producer of cotton. In terms of foreign currency earnings and job creation, the textile and clothing industry has been the main driver of the economy. Due to shortfall in Chinese crop, the foreign demand for Pakistan’s cotton yarn has risen exceptionally. It is important to mention here that China is the biggest consumer and producer of cotton in the world. China procured huge quantities of yarn from Pakistan, although China is the biggest competitor of Pakistan in the world market. It is obvious from the above table and graph that from 1990 to 2006, the imports of Pakistan from China have always exceeded Pakistan’s exports to China. Pakistan always had a trade deficit with China and with time this deficit is increasing. In 1990, the Pakistani exports were 66.91 US million dollars and the imports were 336.68 US million dollars. But in 2006 the exports were 506.64 million dollars and imports were 2914.93 million dollars. In 1990, the imports of Pakistan from China were 5.03 times of exports to China, and in 2006; the imports of Pakistan are 5.75 times of exports to China. Pakistan’s exports to China are based on a narrow range of products i.e. raw cotton, cotton yarn, cotton, fabrics, and synthetic textiles. There is a dire need that Pakistan should expand its range of exports to China. About 97 products/ sectors both countries are engaged in import & export. The exports from both countries also increased after the FTA in 2006. This was the first phase of the agreement which was later extended and the second phase was signed between the two neighboring countries in 2014-2015.

In table 1 import was around USD 9.5M which appears to be expanding each year, however, after 2006 it is expanding more than previously and it's influencing emphatically on the fares. Post FTA, Pakistan encountered an exponential

increment in the exports which was between \$2.5 to 4.3 M during 2003, 2004, and 2005.

Table 1

year	Import	export
2003	957331	259637
2004	1488774	300581
2005	2349395	435682
2006	2914926	506642
2007	4164230	613759
2008	4738055	726711
2009	3779769	997854
2010	5247713	1435944
2011	6470653	1678959
2012	6687566	2619944
2013	6626323	2652223

Source: trade map USD Million

Stage I of the FTA finished up in five years by the end of 2012 under which Pakistan changed fares on 35.6pc duty lines while in the second stage 19.9pc of tax fares were changed with levy pace of 5% or less.

The respective exchange between both countries came to \$17.2 billion out of 2017-18 as Chinese fares to Pakistan developed from \$3.5 billion to \$15.7 billion from 2006-07 to 2017-18.

The CPFTA stage II was finalized after the eleventh round of arrangements in April 2019 and was signed during PM Imran Khan's ongoing visit to China wherein Pakistan got tax and relaxation obligation free market access for 313 tax lines. Authorities said Pakistan had a near favorable position in the as of late marked FTA stage II when contrasted with the understanding marked in 2006. The Government has likewise Strengthened Safeguard Mechanism to ensure local items against an increase in Chinese imports.

2. Free Trade Agreement & History

Within the sight of top pioneers from the two nations China and Pakistan on November 24, 2006, consented to an arrangement on unhindered commerce territory (FTA). The understanding is anticipated to significantly increase current respective exchange to 15 billion US dollars inside five years. This became effective in 2007. The understanding was partitioned in two stages with Phase I finishing off with December of 2012 and arrangements for Phase II starting in July of 2013. The understanding focused on the respective exchange of 15 billion dollars among Pakistan and China toward the finish of Phase II and would have liked to improve monetary relations.

Data indicates that export had not demonstrated significant development as compared to the imports of Pakistan from China. The exchange was in support of China under the Free Trade Agreement (FTA)- I.

Nonetheless, in April 2019, Pakistan and China had

conceded to the second period of FTA to decrease Pakistan's trade deficit. Before the signing of Phase-II of the FTA with China, the Ministry of Commerce has considered the interests of the Pakistani industrialist through substantive meeting process with various chambers and exchange affiliations.

To all the more likely comprehend the suggestions on organizations of the Pak-China FTA, The Pakistan Business Council (PBC) has attempted this examination which intends to:

1. Identify how two-sided exchange between the two nations fared after the FTA became effective. This piece of the investigation sees Pakistan's fares to China and imports from China in detail contrasted and exchange exhibitions of the two nations with the remainder of the world.
2. Identify items that Pakistan might haggle with China for achieving increasingly positive duty concessions for its fares in this manner bringing a superior exchange balance between the two nations.
3. Identify things that Pakistan however evidently holding significant creation capacity in yet may have all the earmarks of being losing seriousness in its market inferable from less expensive Chinese imports which might be giving a disincentive to any future interests in these neighborhoods ventures.

From 2006 to 2012, 12% development of fares to China was seen in items that stay outside the extent of the FTA. A considerable lot of these are Pakistan's top fares to the world. These incorporate adornments, things of garments weaved, not sewed and squander, articles of cowhide, rice is broken, vegetable fat, misuse of copper, and others. China's interest in these items is noteworthy however Pakistan is contributing under 1% to China's imports along with these product offerings. China's offer in Pakistan's fares to the world stays beneath 10% even in Pakistan's top fare to World, for example, cotton, grain, minerals, fish, and articles of plastics and misuse of the nourishment industry. China has seen a noteworthy increment in its offers in Pakistan's general imports; from 18% to 63% in electrical and hardware, 18% to 44% in results of iron and steel, 7% to 45% in synthetic staple strands since the execution of the FTA. Post FTA China turned into the second biggest wellspring of Pakistan's imports contributing over 25% of the complete imports barring oil-based commodities.

In 2019, the trade deficit between the two nations had descended by \$3.2 billion. By and large exchange among Pakistan and China was \$14.6 billion.

Pakistan's exports had recorded at \$1.86 billion as against imports of \$12.7 billion. Consequently, the trade deficit shortage had recorded at \$10.8 billion in the past monetary year.

The facts demonstrated that Pakistan's trade deficit was \$10.897 in the year 2018-19, \$14.004 billion out of 2017-18, \$12.671 billion in the year 2016-17, and was \$10.436 billion of every 2015-16.

2.1. Products under FTA

Since FTA marked between the two nations numerous items are recorded for FT from the two sides as per the high need of both. Its appears that cotton is profoundly traded to China in 2006 cotton as well as in 2006 Salt, Sulfur, stone, mortar, lime, concrete, crude stows away and skins (other than fur skins) and cowhide estimated, China imported products worth USD \$506642M, whereas Pakistan imported merchandise worth \$2914926B from China in 2006. Electrical, electronic gear hardware, atomic reactors, boilers, natural synthetics are exceptionally sent out to Pakistan from China. After FTA at the year-end imports of Pakistan expanded by 43% anyway complete import of Pakistan is \$6.6 B though send out expanded by 19%, the terrific aggregate at the yearend became \$2.6B. The accompanying table records division insightful things under the current FTA.

Table 2

Products with RCA>1 under concession of current FTA (262 items)	Category
Vegetable Products	15
Beverages, spirits, and vinegar	2
Waste of food industries	5
Mineral Products	23
Products of Chemicals	11
Plastic and articles thereof	1
Articles of Leather	6
Articles of wood, pulp	3
Cotton	59
Man-made filaments	12
Staple fibers	38
Wadding, carpets, woven fabrics, others of industrial use	10
Knitted fabrics	16
Articles of Apparel, knitted	3
Other textile materials	24
Articles of stone, plaster, etc.	5
Articles of base metal	15
Machinery and appliances	6
Surgical and medical instruments	3
Sport goods	5
Total Items	262

Source: Trade map <http://www.trademap.org/>

Following are the recorded item with classifications which are marked and enrolled as under FTA among Pakistan and China. The items are required by ventures situated in China and Pakistan. As we probably are aware Pakistan is a farming nation the two nations gave more significance to vegetables likewise trading the developing advances to make the item more beneficial. Adjacent to this the two nations are taking a shot at minerals together particularly Coal and salt mines and different assets. Fifty-Nine items are identified with cotton enterprises as Pakistan is on number 5 in creating

top-notch cotton and china is well known in the article of the clothing industry. The two nations are chipping away at clinical instruments and China is an exceptionally appealing business sector for Pakistan if there should be an occurrence of purchasing instruments. Around 262 items are marked under FTA to full fill the interest of the two sides.

3. Trade

Pakistan has recorded praiseworthy fare execution during the most recent quite a long while, with trades developing at a normal pace of very nearly 16 percent for every annum in the course of the most recent four years (2002-03 to 2005-06). Pakistan's import development eased back to a typical level in the current financial year after flooding at a normal pace of 29.0 percent per annum during the most recent four years. Four years of solid financial development fortified household requests which set off a considerable get in speculation. The ascent in speculation request prompted an enormous flood in imports.

Pakistan's trade deficit with China had reduced by \$3.2 billion during the past financial year for the most part because of the finish of the China-Pakistan Economic Corridor (CPEC) ventures. The exchange balance among Pakistan and China had reduced to \$10.8 billion during the Fiscal, year (2018-19) when contrasted with the earlier year (2017-18) for example \$14 billion. As per the facts revealed by the Ministry of Commerce, the trade deficiency among Pakistan and China was constantly expanding till the financial year 2017-18 when it has reached \$14 billion.

3.1. Exports

Fares were focused at \$ 18.6 billion or 12.9 percent higher than a year ago. Fares during the initial ten months (July-April) of the year 2007 were expanded by 3.4 percent – ascending from \$ 13457.0 million to \$ 13909.0 million in a similar period a year ago after marking the FTA with China. Fare of rice declined because of lesser creation brought about by antagonistic climate condition which kept the local cost higher. It was more gainful to sell inside the nation than to send out. Fares of material fabricates developed by 6.2 percent. Noticeable among these are the fare of knitwear (13.9%), readymade pieces of clothing (6.8%), made up articles (8.9%), cotton yarn (4.6%), and towels (2.6%). Fares of other material materials enlisted a high twofold digit development of 17.2 percent. Fare of crude cotton, cotton material, and bed wear then again enrolled a decay.

Pakistan's fares are profoundly gathered in a couple of things, in particular, cotton, cowhide, rice, engineered materials, and sports merchandise. These five classes of fares represent 77.2 percent of all-out fares during the initial nine months of 2006-07 with cotton producers alone contributing 61.5 percent, trailed by calfskin (4.5%), rice (6.6%), engineered materials (3.0%) and sports merchandise (1.6%).

3.2. Imports

In the wake of marking FTA with China and different nations perceptible flood in imports was watched. Growing a normal pace of 29 percent for every annum during 2003-2006 Pakistan's import development eased back to a moderate level. The flood in imports as of late was for the most part because of the solid development force that Pakistan is seeing in the course of the most recent five years straight. True to form, development in import decelerated to 8.9 percent during the initial ten months (July-April) of the year 2007 as against a powerful increment of 40.4 percent in a similar period a year ago.

Disaggregation of complete imports proposes that nourishment imports developed by 5.3 percent - up from \$ 2241.5 million to \$ 2360.6 million. Significant supporters of the ascent in nourishment imports included milk and milk items (36.9 percent), dry natural products (24.4 percent), beats (60.6 percent), and Edible oil (Soybean and Palm oil) (24.0 percent). The import of wheat unprocessed then again demonstrated significant decay of 68.3 percent. Imports of apparatus rose by 18.6 percent – up from \$ 3303 million to \$ 3916 million. All classifications apparatus enrolled great development except for material hardware and development and mining hardware. Imports of oil bunch enrolled an expansion of 12.0 percent. In any case, inside the oil gathering, imports of oil-based goods enlisted a sharp increment of 38.6 percent because of enormous flood in heater oil import principally for power age. Imports of rough oil declined by 6.7 percent since processing plants were not working at their full limit.

In contrast to sends out, the profoundly requested imported things in Pakistan are apparatus, oil, and oil-based goods, synthetic concoctions, transport gear, eatable oil, iron and steel, manure, and tea. These eight classes of imports represent 75.5 percent of all-out imports during 2006-07. Among these classifications' hardware, oil and oil-based goods and synthetic substances represented 57.7 percent of absolute imports. Centralization of imports stayed, all things considered, unaltered in the course of the most recent multi-decade.

3.3. List of Trading Partners

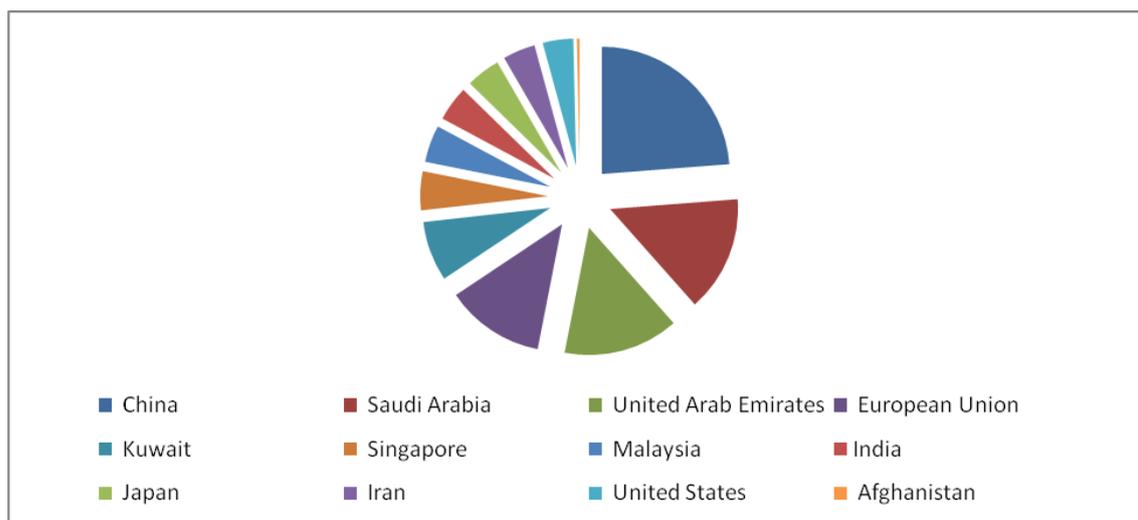
The following is a list of Pakistan's main trading partners as of 2012 in table 3.

In table 3 and figure 1, we can see that China is a significant exchanging accomplice. Pakistan's all-out exchange with China is 16% while the exchange with Europe is 13%. Pakistan inclines toward exchange with China because of numerous reasons. The highest explanation is, its cost viability, other than that the connection between the two nations since 1949 is becoming more grounded as time passes.

Table 3

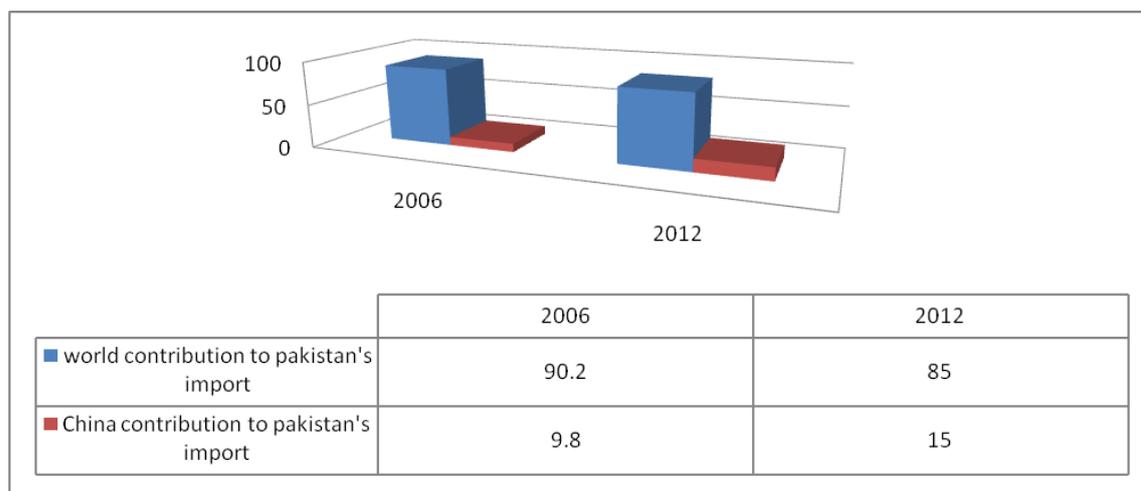
Country	Percentage of imports	Percentage of exports	Percentage of total trade
China	19.7	11.1	16.9
Saudi Arabia	12.2	8.5	9.0
United Arab Emirates	12.1	8.5	10.9
European Union	10.4	18.2	13.0
Kuwait	6.3	0.07	4.4
Singapore	4.1	0.3	2.8
Malaysia	3.9	0.9	2.9
India	3.7	2.1	3.2
Japan	3.6	1.6	2.9
Iran	3.4	1.8	2.9
United States	3.2	13.6	6.7
Afghanistan	0.3	7.6	2.8

Source: PBC <http://www.pbc.org.pk/>¹



Source: PBC <http://www.pbc.org.pk/>

Figure 1



Source: WTO

Figure 2

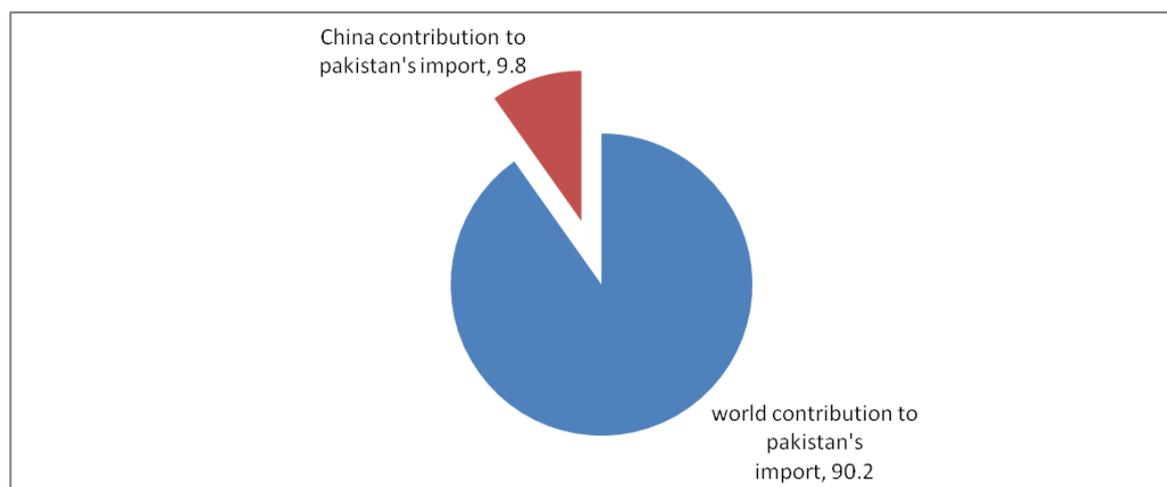
¹ <http://www.pbc.org.pk/>

4. Pakistan – China Trade

China and Pakistan have delighted in a safe and mutually helpful relationship. Pakistan was one of the principal nations to perceive the People's Republic of China in 1950. Pakistan and China have an enormous repository of generosity and delicate force. This relationship depends on trust, understanding, and normal yearnings for harmony and progress. In 2007 Pakistan and China consented to an unhindered commerce arrangement. Pakistan fares to China expanded from US\$ 0.7 billion out of 2008-09 to US\$ 1.153 billion of every 2009-10 indicating development of 64.59%. China is the fourth biggest fare market in Pakistan. Pakistan's offer in China's import is immaterial. Principle items being

sent out to China are Cotton Yarn, Cotton Fabric, Leather Tanned, and Fish and Fish Preparations.

China had been contributing fundamentally to Pakistan's imports even before the FTA was marked and has seen significant improvement in its positioning after the FTA was actualized in 2007. By 2012, it was the hotspot for 15% of Pakistan's general imports from the world when contrasted with 9.8% in 2006. In any case, Pakistan's commitment to China's imports from the world didn't perceive any considerable increments in this time span expanding from 0.06% to an unimportant 0.18%. Though in 2006 commitment of China fare to Pakistan was 9.8% which expanded to 15% after FTA appeared in figure 3.



Source: WTO

Figure 3

As indicated by WTO commitment in Pakistan's imports, China contributed 9.8% while Pakistan is bringing in 98% from the world as per its necessity. China despite everything has a gigantic market for business.

5. FTA Impact

(Pakistan's trade with China, 2006- 2013)

Exchange with China has expanded by 172% from 2006 however a critical volume of this exchange can be credited to huge imports of electric and electronic hardware, apparatus, synthetic substances, composts, and modern crude materials (iron and steel, staple strands, plastics). Given the distinction in the size of the two economies (Pakistan's GDP is 0.2% of China's GDP that presently remains at 8.2 trillion dollars), increases of exchange for a creating nation like Pakistan are accomplished utilizing less expensive crude material and apparatus for neighborhood creation, that China has promptly given. Pakistan's fares to China saw an expansion

of 233% between 2006 and 2011.

Pakistan has likewise observed a smooth inflow of imports from China with Chinese organizations making a critical commitment to imports from the world. Barring oil and oil-based commodities, China adds to multiple/fourth of Pakistan's imports. After the execution of the FTA, China was positioned from the fourth top provider to the second. China was Pakistan's significant hotspot for imports in 2007 and 2009. Even though fares have expanded after the FTA (30% year-on-year normal), the arrangements of the FTA seem to have profited China more. China is an essential provider for the majority of the top imported items to Pakistan. The expanding exchange hole represents a potential hazard for an exacerbating exchange deficiency that might be an impression of bringing down or stale degrees of neighborhood creation given the comparable item piece of the two nations. In figure 4 the effect of exchange after FTA is demonstrated as follows;

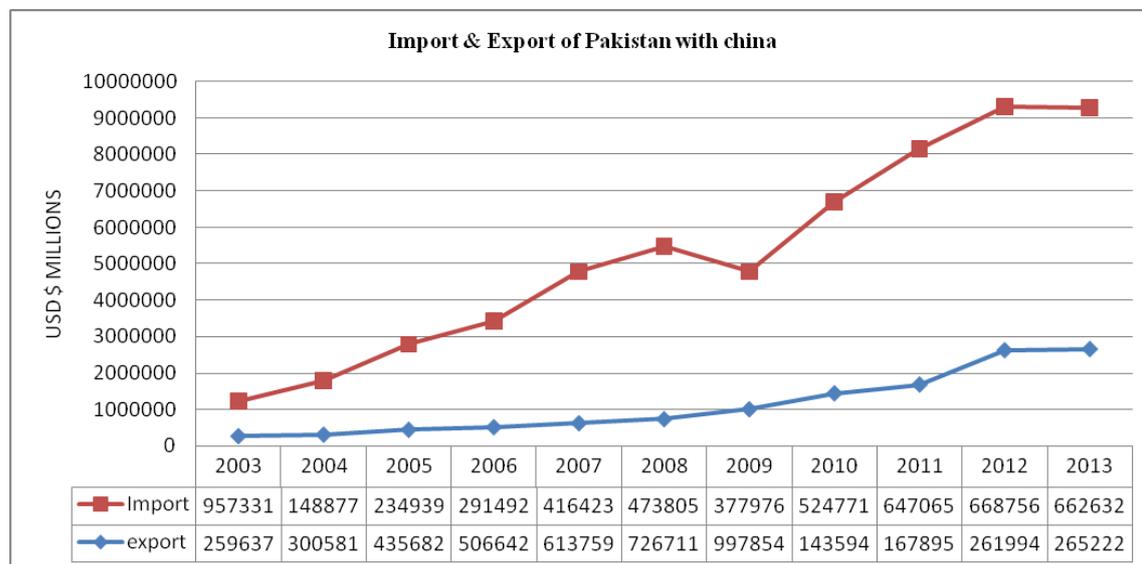


Figure 4. Source: Trade map <http://www.trademap.org>

5.1. Pakistan Import & Export with China

Table 4

S.NO	Product label	Imports Of Pakistan (USD \$ Millions)										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	Electrical, electronic equipment	121995	221775	428922	568060	1066856	1391957	989658	1245303	1366223	1741421	1756316
2	Machinery, nuclear reactors, boilers, etc	174090	369617	539885	691464	695611	851605	599279	800084	851142	868625	836769
3	Organic chemicals	64371	99547	118593	127428	160487	221879	276035	321019	394913	374074	378279
4	Manmade filaments	22431	33313	93131	137452	176179	162658	190041	327417	483680	373457	367793
5	Iron and steel	28732	23075	40627	129620	235125	215664	104272	243235	267888	357720	324810
6	Articles of iron or steel	30052	23341	44275	76537	95584	166818	150254	149675	136166	180961	252365
7	Plastics and articles thereof	20052	31953	65924	85757	100558	106454	98374	135599	201987	202975	232384
8	Fertilizers	5989	23900	22320	1642	228249	88071	10416	140416	409269	339514	229437
9	Manmade staple fibres	3088	7755	6874	20516	91085	96198	86917	186284	303600	176969	170666
10	Rubber and articles thereof	27958	46924	74513	82445	80728	72280	76054	117002	166330	157687	163416

Source: Trade map <http://www.trademap.org/>

Table 5

S.No	Product label	Exports Of Pakistan (USD \$ Millions)										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1	Cotton	169011	203406	271805	358185	376821	382338	701417	910813	1134167	1833646	1936012
2	Cereals	72	28	252	59	307	531	427	1485	11242	256944	144067
3	Ores, slag and ash	4751	15108	25629	27836	87712	158631	74900	149799	112681	120850	129174
4	Salt, sulphur,	1648	1441	1365	1880	4970	7474	10873	21021	38180	44187	63513

S.No	Product label	Exports Of Pakistan (USD \$ Millions)										
		2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
	earth, stone, plaster, lime and cement											
5	Raw hides and skins (other than furskins) and leather	14850	22574	29269	31366	38236	43113	34454	46999	47862	62023	57057
6	Plastics and articles thereof	5921	8449	2498	5157	12332	14220	19478	40207	47321	35882	43087
7	Residues, wastes of food industry, animal fodder	0	0	0	1272	9	2071	4735	26462	14610	25892	37764
8	Copper and articles thereof	0	59	3496	7549	6560	11013	21281	25658	30138	41302	36559
9	Fish, crustaceans, molluscs, aquatic invertebrates	20122	23154	28272	24638	29661	40280	47014	63098	41322	41637	35778
10	Lac, gums, resins, vegetable saps	1339	1704	1478	3264	5705	7523	4861	6704	12046	50060	29687

Source: Trade map <http://www.trademap.org/>

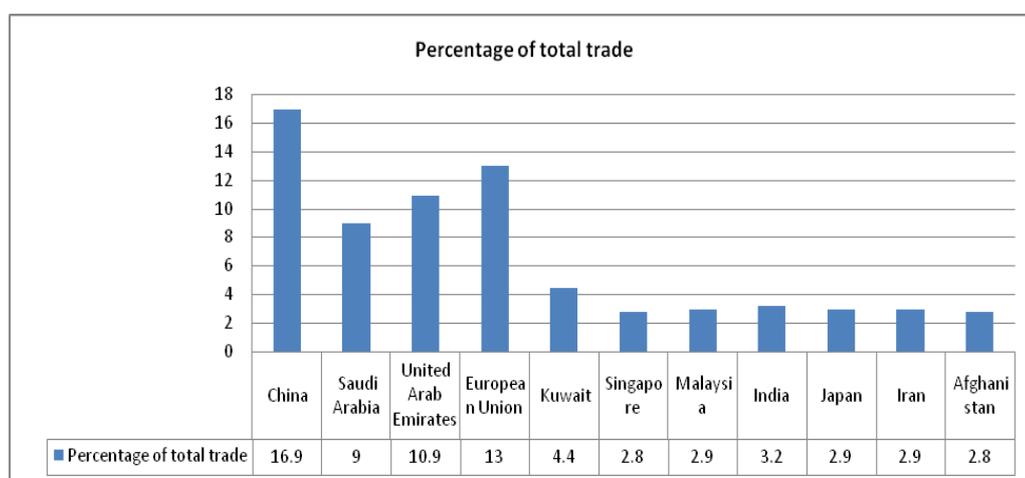
Under FTA listed sectors (product wise) the import and export of Pakistan with China are shown in Tables 4 & 5 with their performance before and after FTA between two countries. These products are listed according to the need of both countries.

6. Analysis

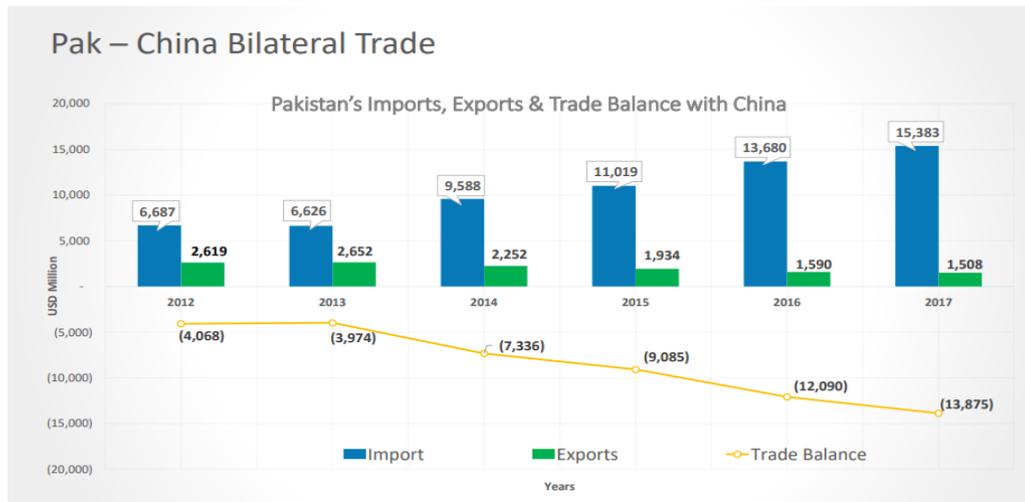
Examination of the FTA shows that although 7,550 items at 8-digit **Harmonized System (HS)** code are a piece of the FTA with China, fares to China were thought along 350 product offerings (2012). Fares were recorded along 169 results of the 2681 items which are a piece of this concession class. About 1400 items recorded no fares from Pakistan to China or the world. Pakistan under the FTA would seem, by all accounts, to be increasingly valuable when contrasted

with those offered by China to Pakistan. From overwhelming apparatus and electronic things to magnificence and makeup arrangements; bolts and keys; cleans and creams; pencil and ballpoint pen sets; inks and hues; too happy, fair, and amusement articles, Pakistan is bringing in one and all from China. imports from China were spread along 57% of the items in 2012 (3800 items) where item use was over half for the zero-appraised classes. This is a huge use rather than simply 5% of use (350 things in 2012) by Pakistan for fares to China.

Pakistan's significant import accomplices are UAE, Saudi Arabia, Kuwait, Malaysia, Japan, India and United States of America with China climbing positions from fourth to the second-biggest provider for Pakistan after the usage of the FTA, expanding by 129% with a volume of over 3.8 billion dollars from 2006 to 2012. China was Pakistan's significant hotspot for imports in 2007 and 2009.



Source: Trade map <http://www.trademap.org/>



<https://www.tdap.gov.pk/word/china-ppt-website.pdf>

	2013	2014	2015	2016	2017	Jan – Dec '18
Pak Imports from China	6,626	9,588	11,019	13,680	15,383	11,098
% of total imports from world	15%	20%	25%	29%	27%	19.98%
Pak Exports to China	2,652	2,252	1,934	1,590	1,508	1,844
% of total exports to world	11%	9%	9%	8%	7%	7.53%
Trade Balance	(3,974)	(7,336)	(9,085)	(12,090)	(13,875)	(9254)

Trade values In USD Million

<https://www.tdap.gov.pk/word/china-ppt-website.pdf>

Figure 5

In figure 5 its shows after 2006 and before 2006 a major change in exchange among Pakistan and China and between other exchanging accomplices. The market analyst said Gwadar port will likewise assume its job soon or last as Gwadar port is contracted to China for better exchange between the two nations.

7. Potential in Trade with Pakistan

Pakistan is as yet a potential market for China over the long haul. As we probably are aware Gwadar port is the key job player for future exchange which is increasingly valuable for Chinese business with the center eastern nations. Pakistan fills in as a portal of travel exchange for China. It can become the briefest course to focal Asia through Afghanistan as well as Iran. Pakistan is a key point in China's drives to resuscitate silk course. Gwadar would become the key purpose of access for both sea traffic in the restored silk courses of China. Through Gwadar and Silk course different nations like the center east will approach Chinese items and China will profit by oil and gas assets from Pakistan and neighbor nations.

China designs as 2,500-kilometer railroad track interfacing Gwadar (Pakistan) to Xinjiang (China). GCC nations especially UAE as the biggest re-exporter of the district would be a recipient also the travel time travel separation would be diminished; Chinese items that reach UAE in 30-40 days would be conveyed in under 7 days.

China has set up itself as a solid colleague for Pakistan in recent decades. Gwadar Deep Sea Port, Karakoram Highway, Pakistan Aeronautical Complex, Kamra, Pakistan Cycle, and Industrial Cooperative, Lahore, Chashma Nuclear Power Plant, Indus Highway, Thar Coal Development and Saindak Metal (Copper/Gold) Project are some striking undertakings for which China has given venture and specialized help to Pakistan.

Pakistan is enduring the emergencies in vitality part. The vitality area of Pakistan is a brilliant start for China's vitality provider organizations. We can examine table No 4 after 2006 FTA, the interest of electrical hardware and gadgets is quickly expanding. In the vitality segment, there is a great deal of potential as vitality is the need of Pakistan. This is because of the way that Afghanistan turned into another potential market for Pakistan and China since the US

finished its activity in this locale. As we probably are aware before the end of 2020 China will be the world's biggest economy. China has a ton of potential to encounter exponential development and infiltrate in South Asia and nations over the Arabian ocean (ARAB COUNTRIES AND AFRICAN MARKET) utilizing Gwadar (Pakistan) which will be an exceptionally short and least expensive defeat for the exchange with different nations.

April 2019 was observed to be the most noteworthy export figure in the current fiscal year. It is appropriate to note that exports stayed above US\$ 2 billion every four months of FY2019. Although overall global economic changes have also impacted the trade terms and exports from Pakistan to China.

The State Bank of Pakistan has kept up low rates for refinancing schemes of export plans and fixed ventures to facilitate industries to invest on large scale. The Government proceeded with the five export sectors, surgical instruments, sports products, textile, leather & carpets –the sales tax regime was zero.

Degrading has expanded the expense of imported crude materials. Nonetheless, this has been to a great extent balance by the liberal fare motivators gave including bigger fare refunds, withdrawal of import obligations on contributions of crude materials and middle of the road merchandise and, all the more as of late, the issuance of promissory notes against discounts due alongside endowments on gas and power devoured. All these measures liable to deliver profit with slack impact.

CPEC was signed in April 2015. In this manner, the effect of CPEC on Pakistan's exports with China started in FY16. In three years, FY16-18, Pakistan's imports from China expanded 30% at 10% per annum from \$12.10 billion to \$15.74 billion.

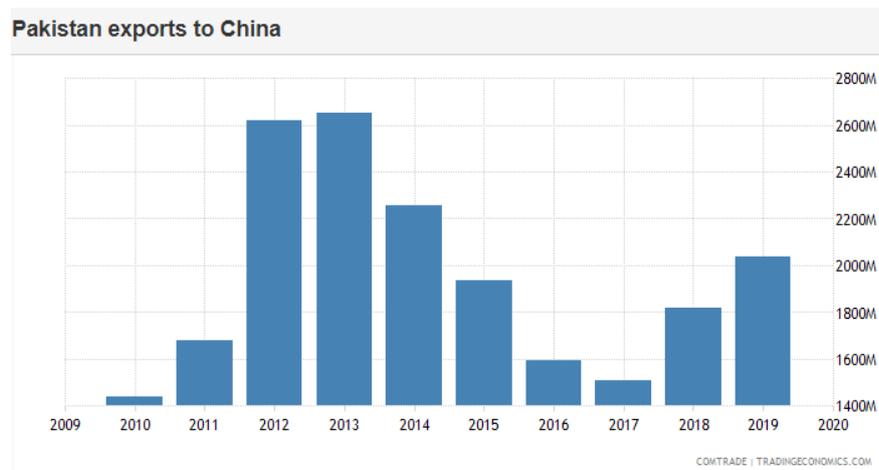
It is said that the execution of the China-Pakistan Economic Corridor (CPEC) drove up imports vigorously from China as capital goods and industrial machinery. In the

three years (FY13-15) going before CPEC, Pakistan's imports from China had expanded 53% at 17.79% per annum from \$6.63 billion to \$10.17 billion. In this way, it is a huge difference in profitability, the FTA, between the two nations that underlie Pakistan's substantial import bill, and an enormous trade deficit with China. While it imports hugely from China, Pakistan's exports to China are just \$1.86 billion. There are two reasons why the FTA didn't pay off until now the way it was expected to benefit Pakistan.

One, even though Pakistan got concessions on 6,418 tax lines under the FTA, these tax lines secured just 5% of China's imports from Pakistan. In this manner, essentially Pakistan was given small market access by China.

Two, the results of Pakistan's exports were not preferred in the wake of China's FTA with Asian nations. The duty looked by Pakistan's rice was 65% while the normal tax for home materials, textile, and woven pieces of clothing was 4%, 7%, and 9% separately. Then again, Asian nations got obligation free market access in China for home garments, textile, and woven articles of clothing, while for rice the applied Chinese tax was 35%. This put Pakistan's star items in a moderately disadvantageous situation in the Chinese market. In the second period of the Pakistan-China FTA, which is probably going to launch soon, Pakistan has been given market access for these items at an even stoop with Asian.

The expanded market access in the second period of the FTA is significant yet given Pakistan's extreme profitability requirements viz-a-viz its rivals in the Chinese market, it may not be adequate to pile on trades. Truth be told, such imperatives were supposed to be considered before going into the second period of the FTA. Additionally, since the FTA is certifiably not a piece of cake, China will likewise get improved market share and be more profitable and productive than Pakistan, it is probably going to remain the greater recipient as per our analysis since 2006 till 2019.

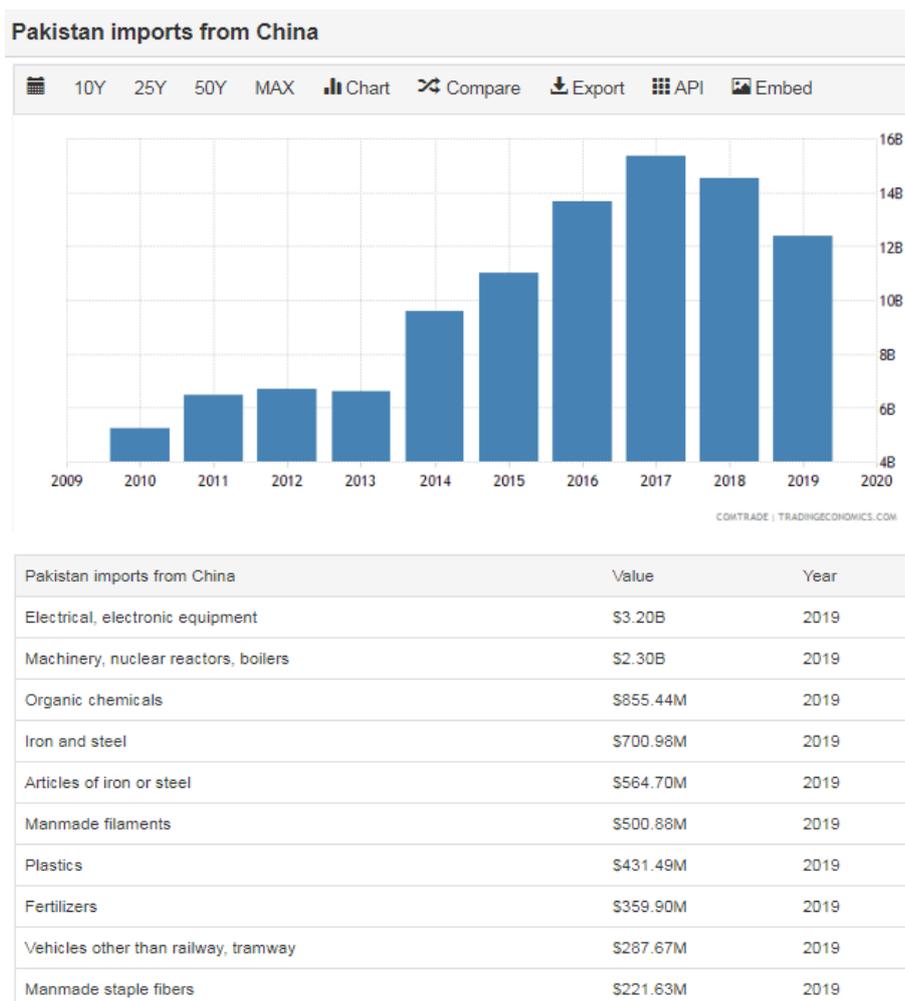


Pakistan exports to China	Value	Year
Cotton	\$817.84M	2019
Copper	\$308.17M	2019
Cereals	\$277.99M	2019
Fish, crustaceans, molluscs, aquatics invertebrates	\$135.46M	2019
Ores slag and ash	\$86.15M	2019
Sugars and sugar confectionery	\$83.61M	2019
Salt, sulphur, earth, stone, plaster, lime and cement	\$43.73M	2019
Articles of apparel, knit or crocheted	\$34.32M	2019
Machinery, nuclear reactors, boilers	\$29.75M	2019
Raw hides and skins (other than furskins) and leather	\$27.10M	2019

As per State Bank of Pakistan (SBP) information, in the initial seven months (Jul-Jan) of current monetary year, Pakistan's solidified fish fares to China expanded 83.70%, which is a thing that contributes a great deal to trades. Nonetheless, Pakistan's general fares to China expanded just 1.80% while imports diminished 2.48%. Talking about the effect of the worldwide pandemic on the two nations'

economies and exchange, the envoy said there is no compelling reason to stress over it. "The first and second quarters will be influenced; however we will make it up in the third and fourth quarters.

"The FTA that has gotten operational from January this year has just brought about 17% expansion in our fares to China," the ambassador said.



Valuing CEN's proposition of several Pakistani and Chinese undertakings putting forth joint attempts to accomplish little objectives of improvement after the pandemic, she commented, "There is no other method of accomplishing advancement aside from when everyone has its influence."

She stated, "Infrastructural activities of the main period of CPEC have now been finished. The energy deficiency is a relic of days gone by. "This is an ideal opportunity to put your heart, soul and endeavors towards expanding reciprocal speculations, exchange and setting up joint endeavors." Hashmi referenced in excess of 10 zones where Pakistan hopes to see venture. These are sustainable power source, electric vehicles, aeronautics and transportation, media transmission, separation instruction, clinical offices, data innovation, motorized horticulture and dribble water system, bug control and dairy industry.

She included, "There is a great span of opportunities among Pakistan and China. You should make the most of the chances and potential outcomes which are presently opening up in new Pakistan."

8. Conclusions

The speedy development of China and signing Free trade agreement with weaker economies like Pakistan is obviously in the favor of China. Such agreements with Pakistan are as well fruit full for Pakistan and for the Pakistani industry to fulfill its demand and supply for the local and international market. The free trade agreement is more fruitful for China rather Pakistan due to current situation as China has taken over the market at global level but still there is a Charm for Pakistan in several sector.

Non involment of business community producers and exporters etc. the ultimate user of a free trade agreement are ignored by the government of Pakistan while negotiation and favored own people in government for the business. While on the other side local business class and small medium enterprises of Chinese businessman were highly regard and supported by the China. Therefore, in order to make the FTAs beneficial for Pakistan, Government should encourage the involvement of its local producers, exporters and importers etc. in the future FTAs' negotiations. FTA agreements should also be placed before the parliament for discussion and approval of the people's representatives².

Pakistani manufacturing sector is in lack of advance technologies resulting in substandard products. In order to overcome this problem; Pakistan is in a dire need to bring new technologies in the country.³ Another reason for trade imbalance between China and Pakistan is the lack of

guidance of the business community of Pakistan. They are unable to explore the Chinese market due to lack of knowledge to target the proper Chinese market for Pakistani finished products. Language barrier is also a major obstacle in this regard.⁴ For its upcoming FTAs with other countries i.e. Thailand, Turkey, Iran etc., Pakistan needs to learn lessons from the experience of CPFTA. While negotiating for the FTA, Pakistan should negotiate that the concessions which its partner country is going to grant to Pakistan in the offer list, similar or lower concessions should not be awarded by that country to the other FTA partners in their respective offer lists. Furthermore, Pakistan should include those product lines in Pakistan's exports list of FTAs in which Pakistan has the comparative advantage and the sectors which contain the considerable export potential. Export list of Pakistan should not necessarily be very long. Moreover, Pakistan needs to protect its domestic industry. Areas in which Pakistani domestic producers are providing reasonable output, imports in those areas should be discouraged strictly; it will encourage the domestic industry to develop at a reasonable pace.⁵

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² A CRITICAL ANALYSIS OF CHINA-PAKISTAN FREE TRADE AGREEMENT: LEARNING EXPERIENCES FOR PAKISTAN WITH RESPECT TO ITS FUTURE FTAs

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³ Trade deficit with China up 53pc, available at, <https://www.dawn.com/news/784965> (Last Visited on Oct 30, 2017)

⁴ IBID

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