

Report No: TDAP-Textile

Series: 03/2023

# **Comparative Analysis of Free Trade Agreements (FTAs) of Pakistan (Textile & Leather Sector)**

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**Trade Development Authority of Pakistan**

**May-2023**



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## Table of Contents

Disclaimer .....	<b>Error! Bookmark not defined.</b>
Table of contents.....	3
Introduction.....	4
<b>FTA between Pakistan and Srilanka.....</b>	<b>6</b>
<b>FTA between Pakistan and Malaysia.....</b>	<b>9</b>
<b>FTA between Pakistan and China.....</b>	<b>13</b>
Conclusion .....	18
Recommendations.....	19



## Executive Summary

Pakistan has signed several Free Trade Agreements (FTAs) with different countries and regional blocs to enhance trade and economic cooperation. Some of the major FTAs including Pakistan-Sri Lanka Free Trade Agreement (PSFTA), that was signed in 2002 and implemented in 2005, PSFTA has allowed for the duty-free access of many products between the two countries. The second most important was China-Pakistan Free Trade Agreement (CPFTA), the agreement was signed in 2006 and implemented in 2007. Under this agreement, both countries have eliminated tariffs on a wide range of products. The final important one in the list was Pakistan-Malaysia Free Trade Agreement (PMFTA), the agreement was signed in 2007 and implemented in 2008, and PMFTA has significantly reduced tariffs on a variety of products and increased bilateral trade between the two countries. Moreover, there are top 10 textile export products that mostly belongs to chapter 52, 55, 61 and 63. All of these products are getting zero percent duty from Srilanka. But, Srilanka has not importing much on those tariff lines however, Srilanka imports more than \$3 billion of textile products and the main exporting country is China. Similarly, in the case of Malaysian FTA, It has been found that, Pakistan was facing 20 to 25% tariff rate on major top 10 tariff lines of textile sector and that has been removed after the 5 years of time (Normal track) and hence, Pakistan has zero tariff rate on those tariff lines after actualization of FTA between Pakistan and Malaysia. However, China and India are two major competitors of Pakistan in Malaysia and both have the FTA with Malaysia as well. However, in the case of CPFTA II, while the growth in Pakistan's exports to China outpaced Pakistan's exports to rest of the world, Pakistan's imports from China grew even more than its exports. The result of this was that the trade deficit with China ballooned as it was already representing a quarter of Pakistan's total trade deficit in 2007 and by 2018, this had grown to 35 per cent. The conclusion of CPFTA 2 was that, 83 per cent of Priority 1 product lines will have duty-free access to China and 93 per cent of the product lines will face tariffs of less than 10 per cent. Relative to CPFTA1, 44 per cent of the product lines will now face a lower tariff under CPFTA2. Moreover, Pakistan can increase its exports to the limit of \$8 million at HS.540245 and \$25 million at HS. 600632 in Srilanka. Similarly, Pakistan can increase its exports until the limit of \$3 million at HS.630790 and \$30 million at HS.630900. In the similar vein, Although, Pakistan has been enjoying the same tariff rate as Vietnam on HS.611020, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the above tariff line upto 90m. Although, Pakistan has been enjoying the same tariff rate as Vietnam and Bangladesh on HS.620342, its exports is not even half of the exports of Vietnam and Bangladesh. Hence, Pakistan can increase its exports on the above tariff line upto 19m. Although, Pakistan has been enjoying the same tariff rate as Vietnam, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the 410712,420290 upto 20m. Subsequently, it can be concluded that, Pakistan is not gaining much benefit from the FTAs and it may increase its exports to more than \$200 million if the exporters are facilitated in the implementation of FTAs.



## Introduction

Pakistan has signed several Free Trade Agreements (FTAs) with different countries and regional blocs to enhance trade and economic cooperation. Some of the major FTAs of Pakistan are:

1. Pakistan-Sri Lanka Free Trade Agreement (PSFTA): The agreement was signed in 2002 and implemented in 2005, PSFTA has allowed for the duty-free access of many products between the two countries.
1. China-Pakistan Free Trade Agreement (CPFTA): The agreement was signed in 2006 and implemented in 2007, CPFTA is the first FTA of Pakistan. Under this agreement, both countries have eliminated tariffs on a wide range of products.
2. Pakistan-Malaysia Free Trade Agreement (PMFTA): The agreement was signed in 2007 and implemented in 2008, PMFTA has significantly reduced tariffs on a variety of products and increased bilateral trade between the two countries.

Pakistan and Sri Lanka have signed a Free Trade Agreement (FTA) in June 2005. The agreement was done in order to promote bilateral trade between the two countries by eliminating tariffs and other barriers to trade. The FTA covers a wide range of goods, including agricultural products, textiles, and electronics. Under the FTA, Pakistan grants duty-free access to 206 Sri Lankan products, including tea, rubber, coconut oil, and spices. In return, Sri Lanka grants duty-free access to 102 Pakistani products, including textiles, cement, and pharmaceuticals. The FTA has been beneficial for both countries, with bilateral trade increasing significantly since its implementation. In recent years, both countries have been working to further strengthen their economic ties, with plans to expand the FTA to cover services and investment. Overall, the FTA between Pakistan and Sri Lanka has helped to increase trade and economic cooperation between the two countries, and has the potential to bring even more benefits in the future.

Pakistan and China have a free trade agreement (FTA) was signed in 2006. In 2007, China and Pakistan implemented the first phase of the China-Pakistan Free Trade Agreement, initiating a reduction in bilateral tariffs. In the period following CPFTA1, bilateral trade flourished, growing by 242 per cent between 2007 and 2018—nearly six times faster than the growth of Pakistan's trade with the rest of the world in the same period. In that sense, CPFTA1 achieved its objective of promoting bilateral trade ties. China is now Pakistan's largest trading partner, and Pakistan has become an important market for Chinese products. However, some critics argue that the FTA has been lopsided in favor of China, with Pakistan experiencing a trade deficit with China. Pakistan has also faced challenges in increasing its exports to China due to non-tariff barriers, language barriers, and lack of competitiveness in certain sectors. The second phase of the China Pakistan Free Trade Agreement (CPFTA) spanning 2019-2024 was recently finalized between the two



countries. There is a wide perception that the terms of Phase 1 of the CPFTA (CPFTA1) over 2007-2012 disproportionately favored China. In light of the growing trade deficit of Pakistan, renegotiating the free trade agreement (FTA) had been very high on the agenda of Government of Pakistan and local industry. The signing of the second phase of the FTA (henceforth CPFTA2), therefore, is a significant milestone for the economic and trade relations between the two countries. Overall, the FTA between Pakistan and China has had both positive and negative impacts on their bilateral trade and economic relations.

The FTA between Pakistan and Malaysia was preceded by an Early Harvest Program (EHP) which was initiated in 2005 and implemented on 1 January 2006. Under the EHP, the bilateral tariff structures by both countries were based mainly on most favored nation (MFN) tariffs for 2005 along with concession in selected items offered independently by both countries for the period of 1.5 years. The objective of the EHP was to analyze the impact of the liberalization exercise between the countries before the comprehensive FTA was signed. The completion of the EHP led both the countries to further the integration process and accomplish the signing of FTA. Finally, the FTA was signed on 8 November 2007 and subsequently implemented on 1 January 2008. This was the first ever comprehensive FTA signed by Pakistan with any country. The FTA was also the first ever between two Muslim countries and the first of Malaysia's FTA with a South Asian country. This agreement covered trade in goods and services, investment and cooperation in technical areas between Pakistan and Malaysia. The agreement envisioned enhancement of cooperation in various areas of bilateral interest such as sanitary and phytosanitary measures, intellectual property protection, construction and telecommunications for capacity building. The full implementation of the FTA terms was completed by the year 2014 under several tracks.

<b>Top 10 Tariff Lines</b>	
<b>HS.Code</b>	<b>Description</b>
630231	Bed Linen (other Than Printed) Of Cotton, Not Knitted Or Crocheted
630260	Toilet And Kitchen Linen Of Cotton Terry Toweling Or Similar Cotton Terry Fabrics
630239	Bed Linen (other Than Printed) Of Textile Materials Others, Not Knitted Or Crocheted
630210	Bed Linen, Knitted Or Crocheted
630299	Other Linen, Of Other Textile Materials, Toilet Or Kitchen Linen, Containing Less Than 85 Percent By Weight Of Silk Or Silk Waste
610339	Men's Or Boys' Suit-type Jackets And Blazers, Knitted Or Crocheted: Of Other Textile Materials
520512	Cotton Yarn Others, 85% Or More By Weight Of Cotton, Not Put Up For Retail Sale, Single Uncombed Yarn
520511	Cotton Yarn Others, 85% Or More By Weight Of Cotton, Not Put Up For Retail Sale, Single Uncombed Yarn



620322	Men's Or Boys' Ensembles Of Cotton, Not Knitted Or Crocheted
551341	Woven Fabrics Of Polyester Staple Fibers, Under 85% (wt.)

### FTA Between Pakistan and Srilanka

#### Tariff Comparison- Srilanka

HS.Code	Pakistan	Bangladesh	Vietnam	China	India	Cambodia
630231	0.976m	0.761m		0.016m	0.09m	
630260	1.3m			0.071m	0.62m	
630239	1.4m			0.002m	0.004m	
630210	0.645m			0.003m	0.021m	
520512	3.7m			0.055m	3.5m	
520511	0.014m			3m	1.8m	
Potential or Under-utilized Tariff Lines						
HS.Code	US Amount	Trade Potential	540245-China Unit cost Low 600191-India and Vietnam unit cost High 520959- India and China -Unit Cost Low 600632- T.China, China, Thailand- Unit cost High 551311- China and Thailand –Unit cost low 520622- China Unit cost low			
540245	\$2.9m	\$8m				
600191	\$3.2	\$1m				
520959	\$2.6m	\$5m				
600632	\$1.4m	\$25m				
551311	\$1.07m	\$1m				
520622	\$1.05m	\$1m				

#### Srilanka Imports from Pakistan-\$162m (38%)

Hs.Code	Pakistan	China	India	H.China	Vietnam	Portugal
520939-0	24m	39m	35m	4m	2.5m	2.4m
Hs.Code	Pakistan	India	China	Italy	Brazil	Egypt
520942-0	16m	19m	11m	2.3m	2.1m	1.5m
Hs.Code	Pakistan	India	China	Vietnam	Turkiye	Italy
600622	10m	93m	33m	7m	4m	1m
Hs.Code	Pakistan	China	T.Chinese	H.China	India	Thailand
600690	8.2m	81m	34m	27m	20m	8m
Hs.Code	Pakistan	India	China	UAE	Thailand	
630221	7.2m	0.090m	0.043m	0.001m	0.001m	
Hs.Code	Pakistan	China	H.China	India	Malaysia	Thailand



551339	7m	0.882m	0.748m	0.422m	0.211m	0.146m
Hs.Code	Pakistan	China	India	Bangladesh	Germany	H.China
520932	6.9m	9.2m	2.2m	0.609m	0.591m	0.432m
Hs.Code	Pakistan	China	India	Bangladesh	Turkiye	Vietnam
521142	6.3m	42m	8.7m	2.4m	1.2m	0.873m
Hs.Code	Pakistan	India	Korea	Vietnam	China	Indonesia
520521	4.9m	5m	3.4m	2.3m	1.7m	0.112m
Hs.Code	Pakistan	India	China	Korea	Turkiye	
520512	3.5m	3.7m	0.055m	0.053m	0.001m	

### Discussion

It has been noted that, Pakistan granted 100% concession on more products than Srilanka and the textile sector is almost completely ignored in the 100% concession list. Moreover, there are top 10 textile products that mostly belongs to chapter 52, 55, 61 and 63. All of these products are getting zero percent duty from Srilanka. But, Srilanka has not importing much on those tariff lines however, Srilanka imports more than \$3 billion of textile products and the main exporting country is China. Although, Srilanka has imposed 0% percent duty on almost all the textile products, the importation of textile products into Srilanka is only \$162 million. Hence, Pakistan can increase its exports to Srilanka on the following tariff lines but, the unit cost of Pakistan must be competitive with respect to China, India and Vietnam. Pakistan total imports from Srilanka is more than \$70 million and Srilanka is competitive almost in all products. The following tariff lines are not included in the FTA between Pakistan and Srilanka but can play a key role in promoting trade between the two countries

540245	Yarn other than high tenacity textured yarn (excl. sewing thread),	\$2.9m	\$8m
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In the above tariff line, Pakistan exports to Srilanka is almost \$3 million but, China exports more than \$20 million hence, Pakistan needs to increase its exports to Srilanka on this tariff line by reducing its unit value price as compared to China

600191	Pile fabrics of cotton, knitted or crocheted (excl. "long pile" fabrics)	\$3.2	\$1m
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In the above tariff line, Pakistan exports more than \$3 million to Srilanka and Pakistan can export \$1 million more to Srilanka as, Srilanka imports more than \$12 million on this tariff line. Hence, Pakistan can increase more than \$1 million because it has lower unit cost as compared to India and Vietnam.





520959	Woven fabrics of cotton, containing 85% or more by weight Of Cotton, weighing more than 200 G/M 2	\$2.6m	\$5m
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In the above tariff line, Pakistan exports almost \$3 million to Srilanka and Pakistan can export more than \$5 million to Srilanka as Srilanka imports more than \$17 million on the above tariff line. Hence, Pakistan needs to reduce its unit cost as compared to India and China hence, Pakistan needs to work strategically in this regard.

600632	Knitted crocheted fabrics, n.e.s. in Ch. 60, of synth. Fibres, dyed.	\$1.4m	\$25m
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In the above tariff line, Pakistan exports more than \$1 million to Srilanka but, Pakistan can export more than \$25 million on this tariff line as, Srilanka imports more than \$100 million. Hence, Pakistan unit cost is lower than China and Thailand hence, Pakistan can increase its exports to Srilanka more than \$1 million.

551311	Woven fabrics of polyester staple fibers, under 85% (Wt.) of such fibers	\$1.07m	\$1m
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In the above tariff line, Pakistan exports more than \$1 million to Srilanka but, Srilanka imports more than \$7 million on this tariff line. Hence, Pakistan needs to compete with China and Thailand in order to increase its exports of at least \$1 million in the near future.

520622	Cotton yarn containing predominantly, but < 85% cotton by weight	\$1.05m	\$1m
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In the above tariff line, Pakistan exports more than \$1 million to Srilanka but, Srilanka imports more than \$5 million on this tariff line. Hence, Pakistan needs to compete with China in order to increase its exports of at least \$1 million in the near future.



## FTA Between Pakistan and Malaysia

### Tariff Comparison- Malaysia (Millions\$)

HS.Code	Pakistan	India	China	Vietnam	Bangladesh	Turkiye	Total	Unit Cost
630231	2.9-0%	3.5-0%	6.5-0%	00.45-0%	0.206-0%	00.46-0%	13.4	Low
630260	3.3-0%	4.2-0%	12.1-0%	0.14-0%	0.39-0%	00.35-0%	20.6	Low
630239	3.3-0%	0.13-0%	3.9-0%				7.5	Low
630210	0.36-0%	5.1-0%	2.2-0%			0.224-0%	8.08	Comparative
630299	0.126-0%	0.057-0%	2.04-0%			0.010-0%	2.3	Low
610339	0.016-0%		0.641-0%	0.145-0%			1.01	Low
520511		1.3-6%		0.368-0%			2.4	
Potential or Un-utilized Tariff Lines								
HS.Code	Amount US	Trade Potential	630790- India and Vietnam unit cost 630900- Australia and Korea unit cost 630533- 29 million- Malaysian imports 630532-24 million- Malaysian imports 630622-8 million- Malaysian imports				Pakistan is the major competitor in Malaysia in Chapter 63- 7 <sup>th</sup> Position- \$500 million	
630790	0.709	3 million						
630900	3.4	30 million						
630533	1.09 m	0.5 million						
630532	0.889	1 million						
630622	2.4	1 million						
630612	0.155	0.5 million						

### Unit Comparison- Pakistan Imports from Malaysia



Hs.Code	Malaysia	Indonesia	Kuwait	UAE	Bahrain
151190	0.340M-7%	2.9B-7%			
271019	121M-11.6%		1.3B-11.9%	1.09B-11.9%	187M-11.9%
151110	63M-6%	20M-6%			
270900	39.5M-0%		296M-3%	1.7B-3%	Saudi Arabia- 2.12B-3%

### Malaysian Imports from Pakistan- Textile- \$54 million (11%)

Hs.Code	Pakistan	Bangladesh	India	China	Vietnam	Indonesia
611420-0%	12m	45m	37m	30m	30m	29m
Hs.Code	Pakistan	Thailand	Vietnam	Indonesia	Philippines	China-10%
550953-0%	5m	11m	7m	2m	1m	0.750m
Hs.Code	Pakistan	Japan	Korea	Australia	Thailand	Singapore
630900-0%	3.4 m	44m	22m	6m	4m	3.8m
Hs.Code	Pakistan	China	India	USA	UK	H.China
630239-0%	3.3m	3.9m	0.13m	0.046m	0.028m	0.017m
Hs.Code	Pakistan	China	India	Bangladesh	Vietnam	Korea
630260	3.3m	12.1m	4.2m	0.39m	0.14m	0.113m
Hs.Code	Pakistan	China	India	Bangladesh	Turkiye	Vietnam
630231	2.9m	6.5m	3.5m	0.206m	0.046m	0.045m
Hs.Code	Pakistan	Vietnam	India	Indonesia	Srilanka	Cambodia
600539	2.5m	7.1m	6.5m	6m	1m	0.634m
Hs.Code	Pakistan	Bangladesh	China	Singapore	Vietnam	India
610910	1.4m	35m	33m	9m	9m	5m
Hs.Code	Pakistan	India	China	Korea	Indonesia	Japan
520852	1.29m	2.2m	1.5m	0.727m	0.174m	0.156m
Hs.Code	Pakistan	USA	Vietnam	Australia	Turkiye	India
520299	0.994m	1.8m	0.309m	0.258m	0.243m	0.171m

### Discussion

It has been found that, Pakistan was facing 20 to 25% tariff rate on major top 10 tariff lines of textile sector and that has been removed after the 5 years of time(Normal track)and hence, Pakistan



has zero tariff rate on those tariff lines after actualization of FTA between Pakistan and Malaysia. However, China and India are two major competitors of Pakistan in Malaysia and both have the FTA with Malaysia as well. Hence, Pakistan needs to compete on the unit value rather than tariff rate and Pakistan as being a leader on these tariff lines is not exporting much as compared to India and China. Pakistan can almost double its exports to Malaysia if the following tariff lines are used extensively.

Hs.Code	Pakistan	Bangladesh	India	China	Vietnam	Indonesia
611420-0%	12m	45m	37m	30m	30m	29m

Pakistan had experienced 20% tariff rate on above tariff lines before the FTA but, Pakistan has zero tariff rate as similar to India, Bangladesh and China. Hence, Pakistan can compete on the above tariff line and increase its exports upto \$20 million.

Hs.Code	Pakistan	Japa	Korea	Australia	Thailand	Singapore
630900-0%	3.4 m	44m	22m	6m	4m	3.8m

Pakistan is facing 0% tariff rate on above tariff lines before the FTA as similar to Japan and Korea. Hence, Pakistan can compete on the above tariff line and increase its exports upto \$10 million.

Hs.Code	Pakistan	China	Singapore	USA	Korea	Vietnam
630790-0%	3.4 m	95m	29m	8m- 10%	4m	2m

Pakistan is enjoying the same tariff rate as China, Korea and Vietnam, However, USA is facing 10% tariff rate on the above tariff line. However, Pakistan has also lower unit value as compared to these countries, hence, Pakistan can increase its exports upto \$6 m at the above tariff line

Hs.Code	Pakistan	Japan	Korea	Australia	Thailand	Singapore
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630900-0%	3.4 m	95m	29m	8m- 10%	4m	2m
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Although, Pakistan is enjoying the same tariff rate as Japan, Korea and Australia. However, Pakistan has also lower unit value as compared to all countries except Japan, hence, If Pakistan wants to increase its exports upto \$30 million, and it needs to compete with Japan on the unit value.

Hs.Code	Pakistan	China	Vietnam	Thailand	Indonesia	Canada
630533-0%	0	10m	10m	3m	3m	0.7m-20%

Although, Pakistan is enjoying the same tariff rate as China, Vietnam, Thailand and Indonesia but Pakistan doesn't export to Malaysia on the above tariff line. However, Pakistan has lowest unit value as compared to all countries mentioned above, hence Pakistan can export to Malaysia at least \$0.5 million initially in order to expand its product market.

Hs.Code	Pakistan	China	Vietnam	Thailand	Indonesia	India
630532-0%	0	14m	4m	2m	1m	1.2m-20%

Although, Pakistan is enjoying the same tariff rate as China, Vietnam, Thailand and Indonesia but, Pakistan is not exporting currently to Malaysia on the above tariff line. However, Pakistan has comparative unit value as compared to all countries mentioned above, hence Pakistan can export to Malaysia at least \$1 million initially in order to expand its product market.

Hs.Code	Pakistan	China	Vietnam
630622-0%	0	14m	4m



Although, Pakistan is enjoying the same tariff rate as China and Vietnam. But, Pakistan is not exporting currently to Malaysia on the above tariff line. However, Pakistan has lower unit value as compared to all countries mentioned above, hence Pakistan can export to Malaysia at least \$1 million initially in order to expand its product market.

### FTA Between Pakistan and China

#### Tariff Comparison- China

HS.Code	Pakistan	India	Italy	Portugal	Vietnam	Bangladesh	Total	Unit Cost
630231	1.4M-0%	2.6M-6%	2.1M-6%	1.6M-6%			10M	Low
630260	0.277M-0%	2.7M-6%	0.93-6%	1.4M-6%	20M-0%	2.3M-0%	34M	High
520512	568M-3.5%	343M-3.5%			1,280M-0%		2.7B	Comparative
520511	159M-3.5%				193M-0%	T.china-33M-0%	427M	Comparative
Potential or Under-utilized Tariff Lines								



HS.Code	Amount US	Trade Potential	
			620342- Italy(6), Vietnam and Bangladesh(0)
			610462- Vietnam and Cambodia(0)
			611595- Turkiye(6) and Thailand(0)
620342	6.5m-6	15m	551422- Japan(8)
610462	6.4m-6	10m	510220- Mongolia and Turkmenistan(9)
611595	5.1m-6	1m	611020- Italy(6) and Vietnam(0)
551422	1.1m-0	4m	610342- Cambodia and Vietnam(0)
510220	1.1m-5	4m	
611020	29.6m-0	90m	
610342	12.5m-6	19m	

### Chinese Imports from Pakistan

Hs.Code	Pakistan	Vietnam	India	Uzbekistan	Indonesia	Malaysia
520512	568m-3.5	1.2B-0	343m-3.5	132m-5	131m-0	99m-0
Hs.Code	Pakistan	Vietnam	T.Chinese	Indonesia	Malaysia	India-3.5
520511	159m-3.5	193m	33m	11m	8m	6m
Hs.Code	Pakistan	Italy-6	Vietnam	Portugal-6	China	Korea-3.9
611020	29m-0	183m	155m	104m	84m	64m
Hs.Code	Pakistan	Italy-6	Vietnam	Portugal-6	Bangladesh	Turkiye-6
610910	26m-0	177m-6	151m	136m-6	64m	40m-6
Hs.Code	Pakistan	Vietnam	Italy-8	Japan-8	Thailand	India-5.2
520912	21m-0	11m	0.339m	0.141m	0.107m	0.071m
Hs.Code	Pakistan-0	Uzbekistan-8	Indonesia-0	India-8	T.Chinese-8	Italy-8
520812	15m	1.5m	1.4m	0.882m	0.674m	0.284m
Hs.Code	Pakistan-6	Cambodia	Vietnam	Italy-6	Portugal-6	Indonesia
610342	12.5m	38m	24m	21m	13m	12.8m
Hs.Code	Pakistan-3.5	Vietnam	India-3.5	Indonesia	Malaysia	Korea
520522	12.5m	167m	137m	13m	8.2m	3.2m
Hs.Code	Pakistan-3.5	India-3.5	Vietnam	Indonesia	Tajikistan-5	Uzbekistan-5
520532	11.7m	16m	11.8m	1.7m	0.598m	0.523m
Hs.Code	Pakistan-0	Vietnam	Indonesia	T.Chinese	India	Korea
520911	11m	0.469m-5	0.447m-5	0.279-8	0.268-8	0.262-7.5

### Unit Comparison- China-\$1.5B

Hs.Code	China	Thailand	Vietnam	Indonesia	Korea	UAE
540233	\$199m-11	\$24m-11	\$19m-11	\$4m-11		



550410	\$135m-3	\$0.41m-3		\$193-3		
540331	\$122m-11					
600192	\$119M-16				0.159M-20	0.093M-20

### Leather- China

HS.Code	Pakistan	Italy	Brazil	India	Ethiopia	Thailand	Vietnam
410712	\$1m-3	\$139-5.5	\$70m-5.5				\$19m-0
410792	\$16m-5	\$64m-5	\$29m-5			\$73-0	\$33-0
411310	\$8.8m-9.8	\$2.7m-14		\$11m-9.8	\$4.8m-0		
411200	\$2.8m-5.6	\$5.5m-8		\$6.7m-5.6	\$7.9m-0		
420310	\$2.4m-0	\$58m-6		\$14m-6			
420292	\$1.8-5	\$106m-6		\$5.9-3.9		\$12.8-0	\$74m-0
<b>Potential or Un-utilized Tariff Lines</b>							
HS.Code	Amount US	Trade Potential		420329- Italy and China- Unit cost high-10%			
420329	0.514-0	\$1m		420330- Italy, France, India- Unit cost high-6%-5.7%			
420330	0.185-0	\$100m		420340- Italy and France Unit cost High-10%			
420340	0.0029m	\$1m		420231- Italy and France Unit cost High-6%			
420231	0.0002m	\$50m		640339- Italy, Indonesia and Vietnam unit cost high-8%(Italy)			
640339	0.034m-5	\$250m		640391- Italy, Indonesia and Vietnam unit cost high-8%(Italy)			
640391	0.102m-5	\$80m					

### Discussion





It was been found that, China and Pakistan implemented the first phase of the China-Pakistan Free Trade Agreement back in 2007 initiating a reduction in bilateral tariffs. In the period following CPFTA1, bilateral trade flourished and grown by 242 per cent between 2007 and 201 and that is nearly six times faster than the growth of Pakistan’s trade with the rest of the world in the same period. In that sense, CPFTA1 achieved its objective of promoting bilateral trade ties. However, while the growth in Pakistan’s exports to China outpaced Pakistan’s exports to rest of the world, Pakistan’s imports from China grew even more than the exports. The result of this was that the trade deficit with China ballooned as it was already representing a quarter of Pakistan’s total trade deficit in 2007 and by 2018, this had grown to 35 per cent. The conclusion of CPFTA 2 was that, 83 per cent of Priority 1 product lines will have duty-free access to China and 93 per cent of the product lines will face tariffs of less than 10 per cent. Relative to CPFTA1, 44 per cent of the product lines will now face a lower tariff under CPFTA2. In terms of the value of these product lines, almost USD 11.5 billion worth of exports now have duty-free access. However, Pakistan is not exporting much on the top 10 tariff lines over which, more than half the of the total textile exports is done. Moreover, there are at least two tariff lines where Pakistan can export more than its current figure 630231 and 520512. Although, India and Vietnam are the two major competitors on these tariff lines but Vietnam as being a member of ASEAN is getting the same tariff structure as Pakistan but, India is also competitive even without the concession of tariffs on these products. Moreover, there are two tariff lines related to leather division, 410710 and 420292 over which, Pakistan is getting not as competitive tariffs as similar to Vietnam hence, Pakistan needs to negotiate in this regard as well. However, there are 7 tariff lines over which, Pakistan can increase its textile exports and there are 6 other tariff lines in leather division over which, the exports can be enhanced.

Hs.Code	Pakistan	Italy	Vietnam	Bangladesh	Romania
620342-0%	6-0	54m-6	50-0	43-0	20-6

Although, Pakistan has been enjoying the same tariff rate as Vietnam and Bangladesh, its exports is not even half of the exports of Vietnam and Bangladesh. Hence, Pakistan can increase its exports on the above tariff line upto 19m.



Hs.Code	Pakistan	Vietnam	Cambodia	Italy	Bangladesh
610462-0%	6-0	21m-0	11-0	8-6	7-0

Although, Pakistan has been enjoying the same tariff rate as Vietnam and Bangladesh, its exports is not even half of the exports of Vietnam and Bangladesh. Hence, Pakistan can increase its exports on the above tariff line upto 10m.

Hs.Code	Pakistan	Italy	Vietnam	Portugal	Korea
611020-0%	29-0	183m-6	155-0	104-6	64-6

Although, Pakistan has been enjoying the same tariff rate as Vietnam, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the above tariff line upto 90m

Hs.Code	Pakistan	Cambodia	Vietnam	Italy	Portugal
610342-0%	12-0	38m-0	24m-0	21-0	13-0

Although, Pakistan has been enjoying the same tariff rate as Vietnam and Cambodia, its exports is not even half of the exports of Cambodia. Hence, Pakistan can increase its exports on the above tariff line upto 19m

Hs.Code	Pakistan	Italy	Brazil	Australia	Vietnam
410712-0%	1-0	139-5.5	70-5.5	20-0	19-0



Hs.Code	Pakistan	Italy	France	Vietnam	Indonesia
420292-0%	1.8-0	106m-6	86-0	74-0	31-0

Although, Pakistan has been enjoying the same tariff rate as Vietnam, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the above tariff line upto 20m

### **Conclusion**

The first FTA was signed between Pakistan and it was termed as Pakistan-Sri Lanka Free Trade Agreement (PSFTA). The agreement was signed in 2002 and implemented in 2005, PSFTA has allowed for the duty-free access of many products between the two countries. The second in line was China-Pakistan Free Trade Agreement (CPFTA) and it was signed in 2006 and implemented in 2007 and third one was Pakistan-Malaysia Free Trade Agreement (PMFTA). The agreement was signed in 2007 and implemented in 2008, PMFTA has significantly reduced tariffs on a variety



of products and increased bilateral trade between the two countries. Moreover, it has been noted that, Pakistan granted 100% concession on more products than Srilanka did and the textile sector is almost completely ignored in the 100% concession list. Moreover, there are top 10 textile export products that mostly belongs to chapter 52, 55, 61 and 63. All of these products are getting zero percent duty from Srilanka. But, Srilanka has not importing much on those tariff lines however, Srilanka imports more than \$3 billion of textile products and the main exporting country is China. Similarly, in the case of Malaysian FTA, It has been found that, Pakistan was facing 20 to 25% tariff rate on major top 10 tariff lines of textile sector and that has been removed after the 5 years of time (Normal track) and hence, Pakistan has zero tariff rate on those tariff lines after actualization of FTA between Pakistan and Malaysia. However, China and India are two major competitors of Pakistan in Malaysia and both have the FTA with Malaysia as well. However, in the case of CPFTA II, while the growth in Pakistan's exports to China outpaced Pakistan's exports to rest of the world, Pakistan's imports from China grew even more than its exports. The result of this was that the trade deficit with China ballooned as it was already representing a quarter of Pakistan's total trade deficit in 2007 and by 2018, this had grown to 35 per cent. The conclusion of CPFTA 2 was that, 83 per cent of Priority 1 product lines will have duty-free access to China and 93 per cent of the product lines will face tariffs of less than 10 per cent. Relative to CPFTA1, 44 per cent of the product lines will now face a lower tariff under CPFTA2. In terms of the value of these product lines, almost USD 11.5 billion worth of exports now have duty-free access. However, Pakistan is not exporting much on the top 10 tariff lines over which, more than half the of the total textile exports is done. Finally, it is concluded that, there are at least two tariff lines where Pakistan can export more in the context of Srilanka and Malaysia, however, there are at least four key products where exports can be increase in the case of China. Pakistan can increase its exports to the limit of \$8 million at HS.540245 and \$25 million at HS. 600632 in Srilanka. Similarly, Pakistan can increase its exports until the limit of \$3 million at HS.630790 and \$30 million at HS.630900. In the similar vein, Although, Pakistan has been enjoying the same tariff rate as Vietnam on HS.611020, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the above tariff line upto 90m. Although, Pakistan has been enjoying the same tariff rate as Vietnam and Bangladesh on HS.620342, its exports is not even half of the exports of Vietnam and Bangladesh. Hence, Pakistan can increase its exports on the above tariff line upto 19m. Although, Pakistan has been enjoying the same tariff rate as Vietnam, its exports is not even half of the exports of Vietnam. Hence, Pakistan can increase its exports on the 410712,420290 upto 20m. Subsequently, it can be concluded that, Pakistan is not gaining much benefit from the FTAs and it may increase its exports to more than \$200 million if the exporters are facilitated in the implementation of FTAs.

### **Recommendations**

1. Pakistan is not exporting much on the top 10 export lines with respect to textile sector hence, more efforts may be directed in that direction
2. Pakistan can export more to Srilanka on HS.540245, 600191,520959 and 600632



3. Pakistan can export more to Malaysia on HS.630790, 630900, 630533,630532 and 630622.
4. Pakistan can export more to China with respect to textile sector including HS.620342, 610462,611595, 551422, 510220,611020 and 610342.
5. Pakistan can export more to China with respect to leather sector including HS.420329, 420330,420340,640339 and 640391.
6. Pakistan may still revise the existing FTAs in order to include the new political and economic developments in the regional settings with respect to China, Malaysia and Srilanka.