

Critical Evaluation of Pakistan-China Free Trade Agreement:

Policy Lessons

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Abstract

The China Pakistan Free Trade Agreement (CPFTA), implemented on January 1st, 2007, has been a subject of contention due to concerns over its adverse impact on Pakistan's economy. On one hand, CPFTA is appreciated for increased trade with China, Chinese investment in infrastructure and energy-related projects and deepening of Pakistan's strategic ties with China, while on the other hand, challenges such as increased trade imbalance, erosion of domestic industry, limited exports diversification, increasing dependency on China and environmental challenges are viewed critically. The primary objective of this study is to conduct a quantitative analysis of import and export data, with the aim of assessing the economic impact of bilateral trade on Pakistan. This policy paper examines the FTA's effects on various aspects of Pakistan's trade. In this study, a quantitative approach has been utilized. Various secondary data sources, including the Economic Survey of Pakistan (from 2014-15 to 2022-23), Pakistan Revenue Automation Limited, World Bank indices, and World Trade Map, have been employed to calculate several indices. These indices are used to analyze the impacts of the Free Trade Agreement (FTA) on different aspects of international trade in Pakistan. Specifically, it analyzes the trade share, exports to GDP ratio, terms of trade, structure of imports and exports and trade imbalance between the two countries. By

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utilizing sample clearance data and evaluating the revenue concessions provided by China, the paper quantifies the trade-offs experienced by Pakistan. The findings aim to contribute to inform policy decision-making by offering insights into the overall impact of the FTA on Pakistan's economy and trade dynamics. The study highlights a rapidly growing trade imbalance, with Pakistan's trade deficit surging significantly against China. Increased reliance on foreign loans to finance imports from China poses inflationary risks and vulnerability to debt sustainability. While Pakistani exports to China have grown, their share in supplying highly demanded products remains low, whereas China's imports to Pakistan have risen substantially, posing a threat to local industries. Unsatisfactory utilization of trade products by Pakistan and the neglect of the business community during FTA negotiations further hinder the agreement's benefits for Pakistan. Understanding these lessons is vital for shaping future trade agreements that better serve the country's interests and economy.

Keywords: *Critical Evaluation, Pakistan-China, Free Trade Agreement, Policy Lessons.*

1. Introduction

Free Trade Agreement is a bilateral trade agreement aimed at promoting economic cooperation and market access between the two countries. FTA refers to a treaty between two or more countries, allowing the exchange of goods and services across their shared borders without tariffs or obstacles. While entering into FTAs, countries deviate from the principle of non-discrimination in trade, as defined by the World Trade Organization (WTO) under Article 1 of GATT. However, the WTO permits member countries to establish bilateral and multilateral trade agreements through specific clauses, such as Paragraphs 4 to 10 of Article XXIV of GATT (World Trade Organization, [n.d.](#)), also known as the "Enabling Clause," and Article V of GATS ([Sieber-Gasser, 2016](#)). While specific examples of successful and mutually beneficial FTAs among countries are numerous, some noteworthy cases include the North American Free Trade Agreement (NAFTA) between the United States, Canada, and Mexico, as well as the European Union's single market, which fosters trade integration among its member states ([Villareal & Fergusson, 2017](#)).

Entering into an FTA requires a well-planned and comprehensive approach to ensure that the agreement aligns with the economic, social, and political interests of the participating countries and leads to long-term sustainable benefits. Several prerequisites should be considered before entering into FTA that include mutual interest in enhancing trade and economic, compatibility of economies and stakeholder consultation. Prior to starting negotiations, countries should conduct a thorough economic assessment to understand the

potential benefits and drawbacks of the FTA. This assessment involves evaluating the impact on GDP, employment, industries, and sectors, as well as identifying areas of complementarity and potential trade-offs.

Pakistan has signed several FTAs and is currently negotiating various others. The Free and Preferential Trade Agreements signed by Pakistan encompass the Malaysia-Pakistan Free Trade Agreement, Pakistan-Indonesia Preferential Trade Agreement, Pakistan-Mauritius Preferential Trade Agreement, Pak-Sri Lanka Free Trade Agreement, Pakistan-Iran Preferential Trade Agreement, South Asian Preferential and Free Trade Agreements, among others. The geographical locations of Pakistan's FTA trading partners highlight that Pakistan's trade regime is regionally liberalized, as it has signed FTAs with numerous countries in the region. Pakistan's trade statistics indicate that the highest trade volume occurs under the CPFTA that was initiated on January 1st, 2007. The Chinese economy is significantly larger than the economy of Pakistan. The substantial size of the Chinese economy presents both prospects and challenges for Pakistan. On the one hand, it offers tremendous market potential for Pakistani goods, while on the other hand, it poses a potential risk of increased import volume under the FTA (Hamid & Hayat, [2012](#)).

1.1. Statement of the Problem

The Pakistan-China Free Trade Agreement (FTA) has been a subject of concern due to the mismatched economies of Pakistan and China, with China's GDP reaching US\$ 18,100 billion in the year 2022, while Pakistan's GDP stood at US\$ 376.49 billion (Statista, [2023](#)). China, being a major global exporter, has a robust manufacturing base and competitive advantage, while Pakistan heavily relies on imports. With an import-based economy, Pakistan faces the risk of trade deficit escalation and dependence on foreign debts, which could potentially lead to financial default. Addressing these issues is crucial to mitigate the adverse consequences of the FTA.

1.2. Key Questions

This policy paper aims to critically evaluate the Pak-China FTA and address the following questions:

- a) What is the impact of the Pakistan-China FTA on bilateral trade between the two countries, and why has there been an increasing imbalance against Pakistan?
- b) What are the key policy lessons Pakistan can learn from Pakistan-China FTA?

1.3. Scope and Significance

The scope of this study is primarily focused on analyzing trade in goods only, as it constitutes the majority of the bilateral trade between Pakistan and China. This study aims to quantitatively examine the data related to imports and

exports to gauge the impact of bilateral trade on the economy. It is pertinent to mention that the study also takes into account the figures and scenario that has emerged after signing of CPFTA Phase-II.

2. Research Methodology

A quantitative research methodology has been employed in this study. This study has used secondary data sources such as the Economic Survey of Pakistan (2014-15 to 2022-23), Pakistan Revenue Automation Limited, World Bank indices and World Trade Map.

Several indices have been calculated to examine the effects of the Free Trade Agreement (FTA) on different aspects of international trade in Pakistan. By converting absolute trade figures into interpretable indices and comparing them to counterfactuals, a meaningful analysis of the pre-and post-FTA situation has been conducted by the researchers.

3. Literature Review

According to Viner (1937), when countries form a customs union or a regional trade block, trade creation occurs if the members start trading with each other instead of importing from higher-cost non-member countries. This leads to increased efficiency and overall welfare gains. On the other hand, "trade diversion" occurs when a customs union leads to the shift of trade away from a lower-cost non-member country towards a higher-cost member country. This can result in reduced efficiency and overall welfare losses. Gottfried von Haberler (1936) completely regarded the concept of a preferential system aimed at boosting exports without increasing imports as a complete failure. The exponential growth of Free Trade Agreements (FTAs) worldwide resulted from increased international trade post-World War II. The debate between globalization and regionalization persists, with economists favouring the former. The existing literature/ analysis of CPFTA is outdated as it does not take into account the scenario that has emerged after signing of CPFTA Phase-II (Hassan Daud Butt & Majeed, 2022). While there is a belief that the FTA has led to significant revenue losses for Pakistan, the expected gains, such as accessing a vast market and diversifying exports, have not materialized. However, drawing meaningful conclusions based solely on observations and raw data is inadequate. A comprehensive analysis is needed to examine the benefits and losses in detail.

4. Analyzing a Free Trade Agreement

A Free Trade Agreement can bring about diverse economic benefits for a country, but it is unlikely to have a uniform impact across all sectors. While some areas may experience advantages, others may suffer negative consequences. Therefore, a comprehensive analysis of the economic impact of a Free Trade Agreement requires the measurement of gains and losses in

various areas.

5. Areas of Analysis of Pak-China FTA

Keeping these complexities in mind, the impact of the Free Trade Agreement on some of the more important arenas of the macro-economy and international trade of Pakistan has been analyzed with the help of the analysis of clearance data and trade statistics of Pakistan. The counterfactual in this section, for comparison purposes, has been taken as the statistics of a financial year before the FTA. The gains and losses for Pakistan's economy are analyzed in the following areas.

- a) Trade share
- b) Rapidly growing trade imbalance
- c) Trade to GDP Ratio
- d) Terms of Trade
- e) Structure of imports and exports

5.1. Trade Share

The share of a country in another country's imports relative to the global imports gives a proportion of the trade taking place within the regime of the Free Trade Agreement. A certain proportion of trade from a country may be outside the ambit of FTA, as free trade agreements do not cover each tradable commodity. However, for the calculation of shares, it is assumed that the whole trade from a country with FTA is being conducted within the FTA. Relative trade share measures the importance of the exporting or importing country in the international trade regime.

The share of China in Pakistan's imports for the year 2022-23 is calculated as:-

$$\text{Imports share} = \frac{M_{\text{China}}}{M_{\text{W}}}$$

Where M_{China} represents the imports from China and M_{W} represents the imports of Pakistan from the rest of the world.

Using the figures from the Economic Survey of Pakistan 2022-23, the share of China in Pakistan's imports in F.Y. 2021-22 comes out to be 26% which further rose to 28% in the period July-March 2022-23. Pakistan's share in Chinese imports is calculated on the same lines and is found to be 0.12% (Statista, [2022](#)).

The comparison of figures shows that while China is a very important player in Pakistan's imports, covering more than one-quarter of Pakistan's imports, Pakistan is very insignificant to China in terms of imports. A similar analysis is conducted for exports, and it is found that China's share in Pakistan's exports is 8% of the total. This shows that the exports to China (Rs. 380.5 billion) during the first nine months of F.Y. 2022-23 are less than one-fifth of imports to China (Rs. 2168 billion) (Government of Pakistan, [n.d.](#)).

China's share of total exports to Pakistan relative to the world has been



computed using the same formula.

$$\text{Pakistan's share in China Exports} = X_{\text{PAK}} / X_{\text{ROW}}$$

Where X_{PAK} is the exports of China to Pakistan & X_{ROW} is the exports of China to the rest of the world.

The share of Pakistan in China's exports comes out to be 0.6% of China's total Exports, which is quite insignificant (Trademap, 2022). This shows that the Pak-China FTA would affect Pakistan's economy in a significant way as China is a very important player in Pakistan's international trade regime. However, Pakistan's share in China's trade is too little to be important to the Chinese economy. Pakistan's low share of Chinese exports indicates an untapped huge export market.

5.2. Rapidly Growing Trade Imbalance

The trade imbalance between China and Pakistan has reached a critical stage, with the situation progressively worsening since the implementation of Phase 2 of the FTA. Table 4 and Figure 1 clearly illustrate the alarming rise in the trade deficit, which surged from Rs. 489.2 billion in 2011 to Rs. 3166.9 billion in 2023, marking a staggering 15% increase against Pakistan.

Table 1

Pakistan's Bilateral Trade with China (2011-22) (Government of Pakistan, n.d; n.d; n.d; n.d; 2017; 2018; 2019; 2020; 2021; 2022; 2023)

Year	Import to China	Export to China	Total Trade	Trade Deficit
2011-12	685.1	195.9	881	489.2
2013-14	793	249	1042	544
2014-15	1053	219.9	1272.9	833.1
2015-16	1261.9	174	1435.9	1087.9
2016-17	1584.3	153.8	1738.1	1430.5
2017-18	1731.8	185.7	1917.5	1546.1
2018-19	1734.3	259.6	1993.9	1474.7
2019-20	1909.2	273.4	2182.6	1635.8
2020-21	2473.8	388	2861.8	2085.8

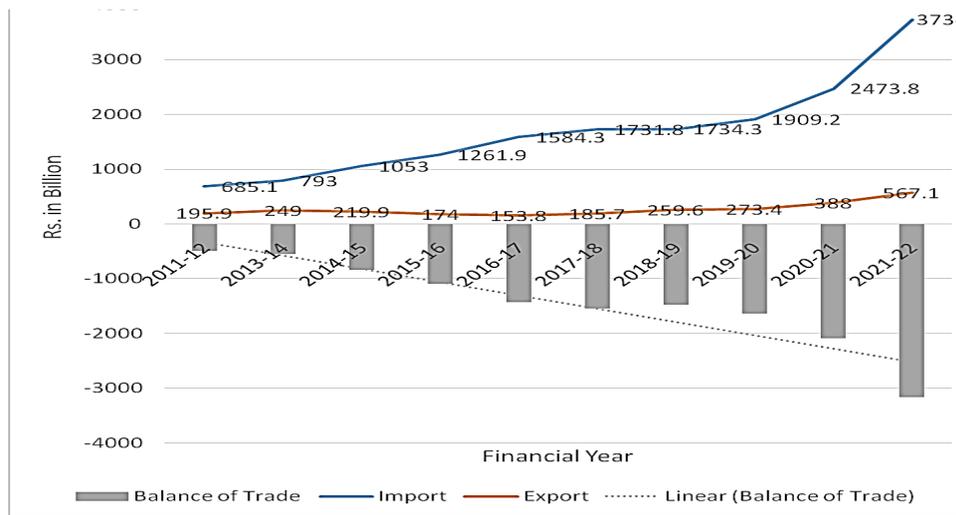
Year	Import to China	Export to China	Total Trade	Trade Deficit
2021-22	3734	567.1	4301.1	3166.9

Note. Figures of Pakistan’s Import from China and Export to China have been taken from the Economic Survey of Pakistan, 2015-23. (Rs. in Billion)

The continuous expansion of imports from China has been the primary driver behind the mounting trade deficit, resulting in the largest deficit Pakistan has with any trading partner. The unequal benefits provided under the FTA have contributed to the widening trade imbalance, as China's exports to Pakistan have grown rapidly while Pakistan's exports to China have increased slowly.

Figure 1

Pakistan Bilateral Trade with China - 2011-2022



Note. Figures of Pakistan’s Import from China and Export to China have been taken from the Economic Survey of Pakistan, 2015-23.

5.3. Trade to GDP Ratio

As the name shows, the trade-to-GDP ratio measures trade as a percentage of the country’s GDP and shows the significance of international trade in the economy. In Pakistan, international trade contributes to almost a quarter of the total production in the economy. Pakistan's trade-to-GDP ratio is 27, China's trade-to-GDP ratio is 37, and the world trade-to-GDP ratio for 2021 is 57 (The World Bank, [n.d.](#)).



Trade to GDP ratio depicts the trade openness of an economy. If the country has no significant barriers to trade relative to the world and still has a low trade-to-GDP ratio, it generally shows that the country is more populated relative to its size. As Pakistan is a populous country, most of its production is used up at the domestic level. With a low trade-to-GDP and particularly export-to-GDP ratio, any free trade agreement will have a lower beneficial impact as most of the country's production will be consumed domestically, and little exportable surplus will be left. With a low export-to-GDP ratio, Pakistan would not be able to reap the potential benefits offered by the huge Chinese market. The export-to-GDP ratio of Pakistan is shown in Table 2.

Table 2

Exports to GDP Ratio

Year	Pakistan	World
2005	15.7	27.2
2009	12.4	26.4
2012	12.4	30.6
2014	12.2	30
2015	10.6	28.3
2019	9.4	28.3
2020	9.3	26.4
2021	9.1	28.9
2022	10.5	30.7

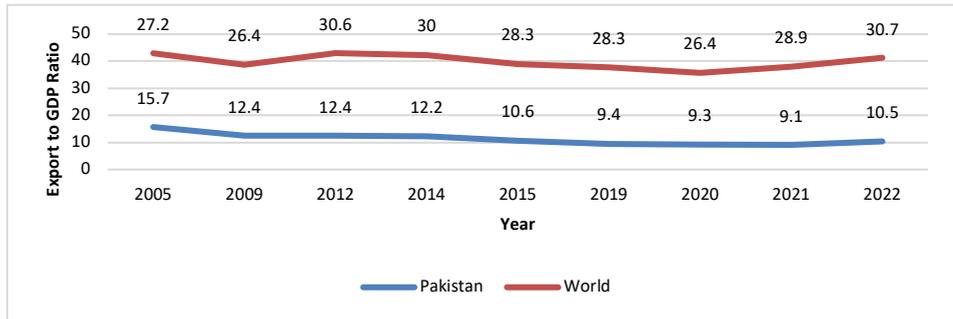
Note. Data regarding exports of goods and services (% of GDP) has been taken from World Bank national accounts data and OECD National Accounts data files (The World Bank, [n.d.](#))

Exports to GDP ratio of one year, i.e., 2005 before the FTA, a sample of four years after the FTA and a sample of 3 years after the signing of Phase-II have been given in the table. It clearly shows that the exports to GDP ratio of Pakistan have not only consistently been less than the world, but it has fallen since 2005. Before the FTA, Pakistan's exports to GDP ratio were 15.7 in 2005. It has fallen consistently to reach 10.5 in the year 2022. The Figure 2 below

shows that the quantum of exports was small, and the concessions were not properly utilized.

Figure 2

Export to GDP Ratio 2005-2022 (Pakistan vs World)



The reasons for the fall in the exports to GDP ratio would require an analysis of the domestic economic situation of Pakistan. It can be safely concluded that the FTA could not aid in enhancing exports for Pakistan to a significant degree. Therefore, FTA has had no beneficial impact on the quantum of exports in Pakistan. However, coupled with the low relative share, the real challenge is the weak production base as compared to the ballooning demand for goods and services by a rapidly expanding population. The indicators show that Pakistan has very little exportable surplus, and major structural changes in the economy are required to enhance the production base and minimize wastage to increase exports. Only then would the country be able to tap the potential offered by the Chinese market.

5.4. Terms of Trade (TOT)

The terms of trade of a country show the country's exports can pay for how much of the country's imports (Kopp, 2022). As terms of trade are calculated as a percentage, a TOT of 100 would indicate that the country's exports earn enough foreign exchange to pay for a country's imports. The terms of trade between Pakistan and China are calculated as

$$TOT = \frac{P_x}{P_M} * 100$$

Where P_x shows Pakistan's exports to China & P_M shows Pakistan's imports from China

$$TOT (2005) = 19.2\%$$



TOT (2021-22) = 15.2% (Government of Pakistan, [n.d.](#))

The comparison of the terms of trade shows that there has been a significant drop in terms of trade. The percentage shows that Pakistan's net export prices to China were 19% of the imports from China in 2005. However, this percentage dropped to 15.2% in 2022. Pakistan's terms of trade with China were unfavorable by a huge margin for Pakistan before the agreement, and the situation after the agreement has further deteriorated. However, the unfavorable terms of trade are even more pronounced due to the massive under-invoicing of imports from China.

5.5. Structure of Imports and Exports

The top ten commodities exported to China in the year 2003-04, along with the same commodities for the year 2022-2023, are given in Table 3.

Table 3

Pakistan exports to China

2003-04	2022-23
Cabled Cotton Yarn	Copper & Articles thereof.
Unbleached Cotton Fabric	Cotton
Chromium Ores	Fish And Crustaceans, Molluscs And Other Aquatic Invertebrates
Pure Terephthalic Acid	Orses, Slag And Ash
Flat Fish	Cereals
Polyvinyl Chloride	Oil Seeds And Oleaginous Fruit; Miscellaneous Grains, Seeds And Fruit; Industrial Or Medicinal Plants; Straw And Fodder
Prepared Or Preserved Fish	Aluminum And Articles Thereof.
Unbleached Cotton Fabric	Articles Of Apparel And Clothing Accessories, Knitted Or Crocheted.

2003-04	2022-23
Cotton Yarn	Residues And Waste From The Food Industries; Prepared Animal Fodder.
Unbleached Cotton Fabric	Salt; Sulphur, Earths And Stone; Plastering Materials, Lime And Cement.

Note. Data has been taken from Customs Clearance Data, 2003-04 and 2022-23, Pakistan Revenue Automation Limited, PRAL, Karachi, Government of Pakistan ([n.d.](#))

A glance at the comparative table indicates that there has been no structural difference in exports to China. The exports to China are still concentrated in food, raw materials, fabrics, etc., as before the FTA. Therefore, FTA has not caused any major structural change in Pakistan's exports.

Table 4

Pakistan's Imports from China

2004-05	2022-23
Air Conditioners	Electrical Machinery And Equipment And Parts Thereof; Sound Recorders And Reproducers, Television Image And Sound Recorders And Reproducers, And Parts And Accessories Of Such Articles.
Telephone Sets	Nuclear Reactor, Boilers, Machinery And Mechanical Appliances; Parts Thereof.
Ceramic Tiles	Organic Chemicals
Radio Or Tv Transmission Apparatus	Iron And Steel
Components For Assembly of Motorcycles	Plastics And Articles Thereof
Monitors and Projectors For TV & Radio	Man-Made Filaments.



2004-05	2022-23
Ginger	Vehicles Other Than Railway Or Tramway Rolling-Stock And Parts And Accessories Thereof.
Solid Fuels From Coals	Pharmaceutical Products
Parts Of Vehicles	Articles Of Iron And Steel.
Polished Glass	Tanning Or Dyeing Extracts; Tannins And Their Derivatives; Dyes Pigments And Other Colouring Matter, Paints And Varnishes; Putty And Other Mastics; Inks.

Note. Data has been taken from Customs Clearance Data, 2003-04 and 2022-23, Pakistan Revenue Automation Limited, PRAL, Karachi, Government of Pakistan ([n.d.](#))

The structure of Chinese imports shows that the imports from China have changed considerably with the shift in technology. This shows that, unlike Pakistan, China has been able to upgrade its manufacturing patterns with technological advancement, and China is exporting finished products to Pakistan that have a detrimental impact on the local industry of Pakistan. It has been observed that China was able to utilize 67% of tariff lines on which concessions were given under FTA while Pakistan utilized only 566 tariff lines out of 7,575 that is around 7.5% of the total tariff lines (7,575) [Sardar, T.G (Secretary Budget FBR), personal communication, 2023].

6. Results of Analysis of Pakistan-China FTA

Following are the results of the above analysis of the Pakistan-China Free Trade Agreement. These lessons must be taken into account to effectively negotiate future FTAs.

6.1. Rapidly Growing Trade Imbalance

The trade disparity between China and Pakistan has reached a critical point, deteriorating steadily since the introduction of Phase II of the Free Trade Agreement (FTA). There is a concerning escalation in the trade deficit. It has surged from Rs. 489.2 billion in 2011 to Rs. 3167 billion in 2023, indicating a remarkable 15% rise against Pakistan. Although Pakistani exports to China have increased following the FTA, the growth includes products outside the

FTA's scope. Pakistan's share in supplying highly demanded products to China remains below 1%. In contrast, China's share of Pakistani imports, excluding petroleum products, has significantly risen, making China the largest source, with over 25% of total imports (Consortium for Development Policy Research, [2019](#)).

6.2. Reliance on Foreign Loans and Rise in Inflation

Pakistan's trade deficit has widened as Pakistan's imports from China have increased significantly compared to exports. This means that the country is buying more goods from China than it is selling to China, creating a trade imbalance. To pay for the increased imports, Pakistan may need to use its foreign exchange reserves or borrow from international sources. Reliance on foreign loans to finance imports can lead to higher debt levels and potentially make the country vulnerable to debt sustainability issues. The increased demand for foreign currency to pay for imports can put pressure on the Pakistani rupee, leading to depreciation. A weaker currency can further contribute to inflationary pressures.

6.3. China's Massive Import is a Threat to Local Industry

CPFTA has a dual impact on local industries. On the one hand, including zero-rated categories and low concessions has facilitated the import of cheaper raw materials from China, benefiting Pakistani manufacturers, however, on the other hand, the significant reduction in tariffs has led to a surge in imports of finished Chinese products, flooding the Pakistani market with inexpensive goods and posing a threat to local industries. The competitiveness of Chinese products is challenging for Pakistani producers who struggle to match their low prices.

Industries such as textiles, footwear, chemicals, steel, and iron, which previously demonstrated reasonable output, rely heavily on imports from China. The dominance of Chinese products in the domestic market has replaced many Pakistani goods.

6.4. Unsatisfactory Utilization of Trade Products by Pakistan

The analysis shows that Pakistan has utilized Trade Products unsatisfactorily. A study by FBR shows that the number of potential export items from Pakistan is only on 7.5 % of the total tariff lines, while the Chinese side utilized the bulk of these tariff concessions leading to a lack of reciprocity. Imports from China account for 67% of total tariff concessions granted by Pakistan to all its trading partners.

6.5. Neglecting the Business Community in FTA Negotiations

The absence of involvement from the Pakistani business community during FTA negotiations has been a significant drawback. It is crucial to recognize that businessmen, producers, and exporters are the ultimate users of a free trade agreement. Unfortunately, the Government of Pakistan overlooked the input and concerns of the local business community during the negotiations for the China-Pakistan FTA, rendering the agreement less beneficial for Pakistan.

7. Conclusion

CPFTA could not bring about any significant beneficial impact on Pakistan's macroeconomic trade indicators. The estimated revenue losses in billions of rupees annually and the lower average benefits availed by Pakistan under the FTA demonstrate its limited advantages. Furthermore, there has been no noticeable diversity in exports, and the export-to-GDP ratio has not seen any substantial improvement after the FTA. The trade share of Pakistan and the trade imbalance between the two countries point towards the fact that Pakistan could not reap desired benefits out of FTA. Moving forward, it is crucial for Pakistan to learn from the experiences of this FTA while negotiating future agreements with other countries. While addressing the concerns of revenue and foreign exchange losses, the focus should also remain on nurturing the domestic industries and promoting sustainable growth in the global trade landscape.

8. Recommendations

8.1. Negotiate Future FTAs Carefully

The first thing Pakistan should learn from the CPFTA is to negotiate future FTAs with partner countries, such as Thailand, Turkey, and Iran, by including products in the concessions list that align with Pakistan's high potential and comparative advantage. This strategic approach will ensure better utilization and maximize the benefits of future trade agreements.

8.2. Renegotiate to Ensure Equal Concessions with China

Pakistan needs to renegotiate with China to ensure more favourable or equal concessions compared to other countries. Moreover, Pakistan has not derived satisfactory benefits from the CPFTA despite China's concessions. Engaging the Pakistani business community during negotiation processes is crucial. Therefore, the second lesson for Pakistan is to negotiate for equitable or preferential concessions with future FTA partner countries while actively

involving the business community in the negotiation process.

8.3. Discourage Imports of Products that Damage Domestic Industry

Pakistan must discourage importing products that negatively impact domestic industries. Such products should be removed from the import list. Conversely, essential items in which Pakistan lacks a comparative advantage should be included. Additionally, Pakistan should review its legislation on anti-dumping, countervailing, and safeguard measures to protect domestic industries from unfair trading practices associated with free trade agreements. Pakistan needs to strike a balance between facilitating imports for its manufacturing sector and safeguarding the interests of local industries in the face of intensified competition from Chinese imports.

8.4. Developing Domestic Industry

Tariff concessions under the FTA have made Chinese materials more affordable, enabling Pakistani manufacturers to access cheaper product inputs. Instead, Pakistan should concentrate on developing its domestic industries and identifying sectors with export potential for promotion. By focusing on these sectors and providing government support, Pakistan can enhance its exports and reduce the trade imbalance.

It is worth noting that many products zero-rated for Pakistan under the FTA are imported by China from other countries in significant quantities, while Pakistani exports to China in those products remain minimal or even non-existent. Therefore, in future negotiations with other countries, Pakistan should prioritize the inclusion of products in its export list that have a high potential in the Pakistani production market rather than incorporating less valuable items. Additionally, the government should actively facilitate the production, promotion, and support of products included in the export list.

8.5. Involving Business Community in FTA Negotiations

The Pakistani business community has expressed strong reservations regarding non-inclusion in FTA negotiations. To ensure the effectiveness and advantages of future FTAs for Pakistan, it is imperative that the government actively encourages the participation of local producers, exporters, importers, and other stakeholders in the negotiation process. Moreover, FTA agreements should be presented before the parliament for approval, allowing for greater transparency and accountability. This collaborative approach will contribute to developing FTAs that benefit Pakistan's economy and promote sustainable growth.



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