

Free Trade Agreement (FTA) Is Signed between China and Pakistan

2006/11/24

On November 24, 2006, Bo Xilai, Minister of Commerce of China and Humayun Akhtar Khan, Minister of Commerce of Pakistan signed the Free Trade Agreement between the People's Republic of China and the Islamic Republic of Pakistan in the presence of Chinese President Hu Jintao and Pakistani President Pervez Musharraf in Islamabad.

The negotiations on the free trade agreement were launched by Chinese Prime Minister Wen Jiabao and Pakistani Prime Minister Shaukat Aziz on April 5, 2005. Since then, the two countries carried out 6 rounds of consultations on such issues as market access, rules of origin, technical barriers to trade, sanitary and phytosanitary measures, trade remedies, investment, dispute settlement, and cooperation. The consensus was reached recently concerning the contents of the agreement.

According to the agreement, China and Pakistan will reduce the tariffs on all goods in two phases. In the first phase, both sides will reduce the tariffs on 85% percent of goods by different margins within five years of the agreement entering into force, and 36 percent of the goods will be tariff free within three years. China will mainly reduce tariffs on livestock, aquatic products, vegetables, mineral products and textiles, while Pakistan will mainly reduce tariffs on beef and mutton, chemicals and electronic and mechanical products. The second phase starts from the sixth year of the entry into force of the agreement. Both sides will further reduce tariffs on the products on the basis of a review of the implementation of the agreement. The aim is to eliminate tariffs on no less than 90 percent of products, both in terms of tariff lines and trade volume, within a reasonably short period of time and on the basis of taking care of the concerns of both sides.

In addition to the liberalization of trade in goods, the Free Trade Agreement also defines provisions governing investment promotion and protection, treatment of investments, expropriation, compensation for damages and losses and dispute settlement so as to keep boosting mutual investment. The agreement also lays out detailed provisions governing rules of origin, trade remedies, technical barriers to trade, sanitary and phytosanitary measures.

Both sides decided to launch the negotiations on trade in services in the near future.

The Free Trade Agreement between China and Pakistan is the third of its kind reached between China and foreign countries after the China-ASEAN FTA and the China-Chile FTA. The business and trade between China and Pakistan has been developing at a rapid speed in recent years. China-Pakistan trade volume exceeded US\$4.3 billion in 2005, representing a year-on-year increase of 39 percent. The signing of the agreement will further upgrade the economic and trade cooperation level and add new connotations to the bilateral traditional friendship and the strategic partnership between China and Pakistan.