

## Rising Trend in Imports and Exports of Pakistan's FTA Partners in Recent Years

Muhammad Saqib Irshad<sup>1</sup>, Qi Xin<sup>2</sup>

<sup>1</sup>College of International Education, Tianjin University of Finance and Economics, &

<sup>2</sup>President, College of International Education, Tianjin University of Finance and Economics, Tianjin, CHINA.

<sup>1</sup>[mohd\\_saqib\\_malik@hotmail.com](mailto:mohd_saqib_malik@hotmail.com), <sup>2</sup>[sarahqixin008@hotmail.com](mailto:sarahqixin008@hotmail.com)

### ABSTRACT

*The objective of the present paper is to inspect the impact of the Pakistan's free trade agreements with other nations on Pakistan economy and foreign trade. It also deals with the essential questions of: can the expansion of FTAs with other nations benefit Pakistan and trade model of Pakistan's existing economy? Will trade liberalization under an FTA with a neighboring country like China and Iran spur Pakistan's foreign trade and development? Looking at trends and trade patterns of Pakistan, the potential of Pakistan's accessible economy is analyzed to improve interregional trade and export diversification by supplementary deepening outlines a number of recommendations to take out the maximum advantage for Pakistan's economy from these freshly signed FTAs with other economic partners.*

**Keywords:** Pakistan's Trade Penetration, Pakistan Trade, Free Trade Agreements, PFTAs

### INTRODUCTION

We live in a shrinking world. International Trade relations among nations are becoming progressively important in a rapidly altering world, and foreign affairs and global issues among states have become more obvious within the international system. International Trade established its own identity in Global world. International trade has existed for a long time ago, even long before real money came into existence. It's economic, social, and political importance has increased in late centuries, primarily because of industrial development, advanced transportation that reduces time and cost of shipment among Countries and Continents. Globalization is frequently used to refer to economic globalization which is the integration of national economies through trade, Foreign Direct Investment (FDI), capital flows, migration and the spread of technology. Spurred by cost reduction in transportation and communications, the volume of international trade has grown rapidly in recent decades. It may surprise some people that most international trade is not between the government of different nations but rather between people and firms located in different countries and continents. Several international organizations have risen in response to globalization, many trying to control what happens in Outer world. When it comes to international trade, the World Trade Organization (WTO) plays a key role, interfering, managing and offering a list of rules and regulations for the proper flow of International trade for example, with the Free Trade Agreements (FTAs) which have become such an important tool for countries to improve their positions in the international trade or financial atmosphere. FTAs have technologically advanced as an approach to regional economic cooperation, facilitating free trade and investment in the form of goods and services. FTA is a contractual agreement between two or more countries to eliminate tariffs on considerably all trade between them, by this means giving each other preferential market access. The agreement must be under WTO rules and apply to substantially all the trade in goods and services as well as other non-tariff

issues. Modern FTAs generally go beyond eliminating tariffs to include commitments on services, customs cooperation, and FDI. In recent years FTAs have been developing rapidly as an approach towards regional economic cooperation. Throughout the world, many governments are either under FTA negotiations, have signed FTAs, or are anticipating new FTAs.

Regional trade agreements (RTAs) have become progressively prevalent since couple of decades ago; the world observed a surge of RTAs. As of June 2014, some 585 notifications of RTAs had been received by the GATT/WTO. Of these, 379 were in force. RTAs are mutual trade agreements among two or more countries. East Asia, as the most active region in the world economy, still lags behind the rest of the world in terms of regionalism. But coming into the 2000s, many East Asian economies including Pakistan have been breaching with a strong history of multilateral activities, deliberating and implementing regional preferential arrangements with other nations. According to Asia Regional Integration Center of Asian Development Bank by November 2014, 613 Free Trade Agreements engaged which are includes 275 FTAs are in effect. In the remainder, 40 FTAs are signed but not yet in effect, 161 FTAs are in the process of negotiations, 137FTAs are proposed/under consultation and studied by some of the 47 Asian Development Bank–members countries/economies. Pakistan’s objectives in negotiating bilateral and regional (preferential and free) trade agreements are primarily to seek better market access by addressing tariff and non-tariff measures, to promote facilitate and encourage trade, investment and to improve the comparative value of Pakistan's exports. As (Summaira and Amatul R.) 2012<sup>28</sup>during mid-90’s Pakistan’s foreign policies are primarily aimed at strengthening trade relations with Asia<sup>29</sup>.FTA process in south Asia has been growing gradually since late 1990s. Pakistan’s foreign trade volume has developed rapidly. Pakistan’s total import and export worth grew to US\$ 69 billion in 2013.Pakistan’s exports during 2013 decreased to US\$ 25.12 billion compared to US\$25.34 billion during 2011. Export growth could not be appeared on account of many internal as well as external factors. On the external side, economics slump in our major markets, i.e. USA and EU, negative travel advisories and buyers’ perception of Pakistan as a supplier of low quality products played a substantial role. While, on the domestic account, high cost of finance, power failure, deteriorating law and order situation, decline in foreign investment contributed to reducing export performance. According to Asian Development Bank in November 2014 Pakistan’s preferential and Free trade agreements with other nations are 28 in totals which include15 FTAs are proposed/under-consultation and study, 7 are signed/in effect and 6 are signed but not yet in effect. (Table 1) demonstrates Pakistan’s PTA/FTA partners categorized by their nature.

**Table 1. Pakistan’s PTA/FTA with other nations (2014)**

<i>Proposed/Under Consultation</i>	ASEAN, Afghanistan, Brunei Darussalam, European Union, Jordan, Kazakhstan, Nepal, Philippines, Tajikistan, Thailand, Republic of Korea, United States, Singapore, Bangladesh, Morocco
<i>Signed/In Effect</i>	Malaysia, Indonesia, Iran, Mauritius, Sri Lanka, China, SAFTA
<i>Signed But Not Yet In Effect</i>	Mercosur, Gulf Cooperation Council, Turkey, Group of Eight Developing Countries, Economic Cooperation Organization

<sup>28</sup>Summaira M, AmatulR.C. (2012). The structure and behavior of Pakistan’s imports from selected Asian countries: An application of gravity model. Pak. J. Commer. Soc. Sci.2012 Vol. 6 (1), 53-66

<sup>29</sup>Pakistan along with 26 Asian countries had signed the Inter-Governmental Agreement on Asian Highway Network (AHN) in a Ministerial meeting held at Shanghai People’s Republic of China in April, 2004. The main Agreement has been deposited with Secretary General, United Nations. The main objectives of the Agreement on AHN are (i) - To promote and develop international road transport in Asia and with neighboring regions. (ii)- To strengthen relations and promote trade and tourism among members.

Source: Asian Development Bank

This paper will not only find out some important determinants of Pakistan's FTA with other nations and also top five imported and exported products with abovementioned FTA countries but will also attempt to synthesize the current international trade problems faced by Pakistan thereby providing a starting point for further studies.

## FACTS ABOUT PAKISTAN

The Islamic Republic of Pakistan came into being on 14th of August, 1947. Pakistan situated in Southwest of Asia, is the sixth most populated country in the world and has the second biggest Muslim populace in the world following Indonesia. International trade is important to the economy of Pakistan because country needs to import a variety of products to fulfill the increasing demands resulting from its economic recovery and expansion. Pakistan is not a main trading player in the international trade. Pakistan's imports have usually been larger than its exports. Pakistan's exports and imports are highly concentrated to few items namely, machinery, petroleum products, chemicals, transport equipment, edible oil, Iron and steel, fertilizers and tea which account for more than 70% of total imports<sup>30</sup>. In South Asia economic performance of Pakistan is improving quantitatively and qualitatively as growth is broad based and touched all sectors of the economy and is the highest achievement since 2008-09. According to Pakistan Economics Survey 2013-2014 the GDP growth accelerates to 4.14 percent in 2013-14 against the growth of 3.70percent recorded in the same period last year. The growth momentum is broad based, as all sectors namely agriculture, industry and services have supported economic growth. Pakistan is pursuing a policy of export-led growth for which the issues of market access are important. As a consequence, an orchestrated trade policy has been carefully designed. During 1990's the government placed new importance on developing trade links with nearby nations and realized the need to increase regional blocks in international trade. So, Pakistan has adopted a conscious strategy to gradually increase regional blocks in international trade especially with Asian countries. China, Saudi Arabia, Japan, Malaysia, Singapore and Indonesia are among those Asian countries who showed a much pronounced arise in trade with Pakistan during recent years and almost 35 percent to 40 percent of Pakistan's imports are from these countries Sumaira and Amatual (2011)<sup>31</sup>.

## METHODOLOGY

To evaluate Pakistan's overall trade with top trading partners and FTAs with other nations and their trade performances (merchandise imports and exports) data from 2009 to 2013 has been used to analyze Pakistan's overall trade with top trading partners also Pakistan's FTAs with other nations. The trade data utilized in this study is at HS-2 digit level for the calculation of overall trade performances under concession-wise multiple tracks offered under the FTA, the top ranked products from the earner's and loser's end, and calculation of Pakistan's export competitiveness with FTA partners. The study of international trade is a branch of Economics and in response to increased economic interdependence and other profound changes in the international system during the last few decades, the analysis of international trade have developed in new directions. Case study is a qualitative method that social scientists, in particular, have widely used to examine contemporary real-life situations Yin, (2003)<sup>[32]</sup> and that methodology has been used in this paper. This study mainly depends upon secondary information and data; however subject specialists and experts have also been

---

<sup>30</sup>Pakistan Economic Survey 2013-2014

<sup>31</sup>Sumaira M, Amatual R.C. (2011). A static analysis of Pakistan's trade policy with selected Asian countries. *Theoretical and Applied Economics*. Volume XVIII (2011), No. 12(565), pp. 71-88

<sup>32</sup>Yin, R. K. (2003). *Case Study Research: Design and Methods* (3rd ed., Vol. five). Thousand Oaks, CA: Sage.

consulted as trade analysis has a relatively complex terminology. Different experts analyze it differently according to needs and objectives. Many well-known researchers have written about case study research and suggested techniques for organizing and conducting the research successfully. A healthy point of the case study method involves using multiple sources, methods and techniques in the data-gathering process. The data has been conducted by using different national and international websites (WTO, ITC, IMF, IFC and the World Bank), regional (SAARC, JBICADB and JICA), national (CBR, Ministry of Commerce, EPB, Custom House Karachi and PIDE). Tertiary sources of data, where necessary but subject to dependability, have also been used. The data so repossessed has been examined, collated and organized in a logical categorization for drawing conclusions. Tabular enlightenments of the data have also been made wherever needed. On the basis of the data analysis, convinced conclusions have also been drawn and policy recommendations have also been suggested in the light of the conclusions. The analysis conducted in this paper majorly comprise of shares analysis and calculation of certain trade indicators and indices.

## LITERATURE REVIEW

A wide range of theoretical articles, working papers have studied the incentive to calculate Pakistan's gains and obstacles in FTA with other nations. Researchers like Yang.J (2006)<sup>33</sup>, Tekin-Koru (2010)<sup>34</sup>, Hartmut et al. (2008)<sup>35</sup> and so on studied different aspects of industrial agglomeration in free trade area. Nishikimi (2008) came up with solution to industrial agglomeration and imbalance development in free trade area, which has to do with countries that have large market providing public production in free trade area. Baldwin (2003)<sup>36</sup> thought the "shock therapy" should be abridged in the integration. Saqib and Qi (2014)<sup>37</sup> put ahead that every member should apply tactical control to free trade policies. Jiang and Cai (2013)<sup>38</sup> analyzed the status of China-ASEAN trade development and proposed the countermeasures for the development of China-ASEAN trade. Paul (1991)<sup>39</sup> studied in depth the integration of European Commission (EU). He thinks that great considerations should be given to the cost of risk and coordination, as it furthers the development of free trade area and unifies currency. He also mentioned that the integration of regional economy would inevitably promote industrial agglomeration and development of imbalance industry; thus the realistic demands of some member countries cannot be met. Besides, the results of regional economy integration will increase the costs of risk governance and coordination Paul de Grauwe (1997)<sup>40</sup>. Samina and Reema (2007)<sup>41</sup> presented paper which attempts to analyze the pros and cons of forming a Free Trade Agreements with China given the size, formation and trade patterns of Pakistan's existing economy. Qi and Muhammad (2014)<sup>42</sup> explain in recent

---

<sup>33</sup>Yang jing (2006). China and ASEAN Free Trade Area on the construction of the 10+1 .Nanjing University of Aeronautics & Astronautics.

<sup>34</sup>Tekin-Koru A (2010).North-South Integration and the Location of Foreign Direct Investment. Review of International Economics, 4, 696-713.

<sup>35</sup>Hartmut Egger, Peter Egger, David Greenaway, (2008), the Trade Structure Effects of Endogenous Regional Trade Agreements. Journal of International Economics, 74, 278-298.

<sup>36</sup>Baldwin (2003), Openness and growth: what's the empirical relationship? National bureau of economic research, NBER working paper 9578, March, 2003.

<sup>37</sup>Muhammad SaqibIrshad, Qi Xin. (2014). A New Perspective of the China - ASEAN Free Trade Area and the Story of Top Ten Products, European Journal of Business and Management, Vol.18, No.18. Pages 1-8. June, 2014.

<sup>38</sup>Jiang, J.Cai Li. (2013). Analysis of Trade Development between China and Association of Southeast Asian Nations, Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport, 2013, Vol. 1, No. 1, 15-20

<sup>39</sup>Paul Krugman, (1991). Increasing Returns and Economic Geography. Journal of Political Economy, 99, 483-99.

<sup>40</sup>Paul de Grauwe, (1997). The Economics of Monetary Integration, Oxford University Press.

<sup>41</sup>Sanima,s. and Reema,k. (2009). Economic Effects of the Recently Signed Pak- hina Free Trade Agreement. The Lahore Journal of Economics, Special Edition. September, 2009.

<sup>42</sup>Qi xin, Muhammad,S.I. Hu,H. (2014). Boon or Bane: Assessing the Environment of China's free trade agreements with other nations. International Journal of Business and Management Review. Vol.2, No.5, pp.1-13, October 2014.

years, China has drawn a lot of attention, not only due to its rapid economic development and the WTO accession, but also due to its active attitude towards regional economic development. China has obtained substantial advantage after signing free trade agreements. Their study also suggests that China can establish win-win relationships in its targeted market by providing mutual benefits to its counterparts. The international community is on the verge of a unique opportunity to rest the global development agenda.

## FTA PHENOMENON

Free trade Agreements (FTAs) and Preferential Trade Agreements (PTAs) usually promote trade in goods and services and investment by creating an improved environment for business between the partners Kawai and Wignajara, (2011)<sup>[43]</sup>. In the absence of a Doha Trade deal, comprehensive, well designed FTAs may be a means to get regional liberalization and structural reforms, which can assist the development of production networks among nations and continents. Accordingly, Comprehensive FTAs may constitute building blocks-rather than stumbling blocks-to multilateralism liberalization Kawai and Wignajara (2011). However, theoretically, FTAs may also prompt diversion of trade and investment away from countries with less favorable business conditions Zhang, (2010)<sup>[44]</sup>. The agreement must be under the eyes of WTO rules and regulations that apply to substantially all the trade in goods and services plus other non-tariff issues among parties. The World Trade Organization is the only global international organization dealing with global rules of trade among countries. The main function is to guarantee that trade flows as efficiently, unavoidably and freely as possible by helping producers of goods and services, exporters and importers to perform their business internationally.

## PAKISTAN'S TOP TRADING PARTNERS

A growing list of economists argue that the nature of International trade is changing in important ways Kierzkowski et al. (1990)<sup>45</sup>, Grossman and Rossi- Hansberg (2006)<sup>46</sup>, (2008)<sup>47</sup>, Blinder (2006)<sup>48</sup>, (2009)<sup>49</sup>, Hanson et al. (2005)<sup>50</sup>, and Hummels et al. (2001)<sup>51</sup>. Pakistan's imports usually higher than its exports as mentioned in table, for import side Pakistan's top importer is United Arab Emirates with share of US\$ 7.75 billion in year 2013. China stood at 2<sup>nd</sup> with accumulative balance US\$ 6.63 billion. China and Pakistan have entered into a comprehensive plan of "economic corridor" between the two nations. It will serve as driver for connectivity between South Asia and East Asia. Pakistan's imports from Kuwait stood at 3<sup>rd</sup> position with share of US\$ 3.95 billion in the same year. An overall import of Pakistan remains stable since last 3 years. Pakistan imports mostly consists of mineral fuels, oil, distillation products, etc from UAE and China are electrical, electronic

---

<sup>43</sup> Kawai and Wignaraja, 2011, "Asia's Free Trade Agreements: How is business Responding?", Asian development bank Institute.

<sup>44</sup> Yunling Zhang. (2010), "Impact of free trade agreements on business activity: A survey of firms in the people's republic of china", ADBI working paper series.

<sup>45</sup> Jones, R. W. and H. Kierzkowski (1990). The Role of Services in Production and International Trade: A Theoretical Framework, in R. Jones and A. Krueger (eds.), The Political Economy of International Trade, Oxford: Basil Blackwell.

<sup>46</sup> Grossman, G. and E. Rossi-Hansberg (2006). The Rise of Offshoring: It's Not Wine for Cloth Anymore, Jackson Hole Conference Volume, Federal Reserve Bank of Kansas City.

<sup>47</sup> Grossman, G. and E. Rossi-Hansberg (2008). "Trading Tasks: A Simple Theory of Offshoring," American Economic Review 98(5), 1978-97.

<sup>48</sup> Blinder, A. S., (2006). Offshoring: The Next Industrial Revolution? Foreign Affairs 85(2), 113-128.

<sup>49</sup> Blinder, A. (2009). "How Many U.S. Jobs Might Be Offshorable," World Economics, April-June, 2009, 10(2): 41-78.

<sup>50</sup> Hanson, G., R. Mataloni and M. J. Slaughter (2005). "Vertical Production Networks in Multinational Firms," The Review of Economics and Statistics, vol. 87(4), pages 664-678, November.

<sup>51</sup> Hummels, D., J. Ishii and K.M. Yi (2001). The nature and growth of vertical specialization in world trade, Journal of International Economics 54(1), 75-96.

equipment with share of 66 percent, machinery, nuclear reactors, boilers, ets stood at 2<sup>nd</sup> with share of 28 percent in Pakistan’s total imports from China. Kuwait contribution in Pakistan imports are consists of mineral fuels, oils, distillation products, with share of 23 percent and organic chemicals with share of 20 percent. Saudi Arabia contributes in Pakistan’s imports mainly mineral fuels, oils, distillation products with share of 77 percent. Vehicles other than railway, tramway and ships, boats and other floating structures imported from Japan.

**Table 2. Pakistan’s Imports from top trading partners (US\$ billions)**

Country	2009	2008-09	2010	2009-10	2011	2010-11	2012	2011-12	2013	2012-13
	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %
World	31.58	-25	37.54	19	43.58	16	43.81	1	43.78	0
UAE	3.35	-11.3	5.25	56.7	6.82	29.9	7.21	5.7	7.75	7.5
China	3.78	-20.2	5.25	38.8	6.47	23.3	6.69	3.4	6.63	-0.9
Kuwait	1.8	-47.6	2.61	44.5	3.89	49.2	4.21	8.2	3.95	-6.2
Saudi Arabia	3.5	-41.2	3.84	9.7	4.67	21.6	4.28	-8.2	3.85	-10.2
Japan	1.29	-25.2	1.6	23.7	1.86	16.7	1.88	0.8	1.96	4.7
Malaysia	1.61	-5	2.05	27.7	2.73	32.8	2.13	-21.8	1.92	-10.0
India	1.08	-36.1	1.56	44.4	1.61	3.0	1.57	-2.2	1.87	19.2
USA	1.8	-12.7	1.62	-9.6	1.75	7.7	1.51	-13.9	1.67	10.6

Source: Author’s own calculations based on ITC & UN COMTRADE statistics

Exports of Pakistan are getting rich every year. The international community is on the verge of a unique opportunity to rest the global development agenda. Pakistan’s major exporting partner is USA with share of US\$ 3.75 billion which are includes textile articles, sets, and worn clothing articles of apparel. China stood at 2<sup>nd</sup> position with share of US\$ 2.65 billion in 2013. Pakistan exports to China which are include cotton, cereals, ores, slag and ash. Afghanistan imports from Pakistan comprise salt, sulphur, earth, stone, plaster, lime, cement and sugars. Pakistan’s Exports pearls, precious stones, metal, coins to UAE and other made textile articles, sets, worn clothing to UK.

**Table 3. Pakistan’s Exports to top trading partners (US\$ billions)**

Country	2009	2008-09	2010	2009-10	2011	2010-11	2012	2011-12	2013	2012-13
	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %
World	17.55	-13	21.41	22	25.34	18	24.61	-3	25.12	2
USA	3.22	-12	3.67	14	3.84	4.5	3.67	-4.4	3.75	2.1
China	1	37	1.44	44	1.68	16.9	2.62	57	2.65	1.2
Afghanistan	1.37	-5	1.68	23	2.66	57.9	2.1	-21.1	2	-4.8
UAE	1.54	-23	1.83	19	1.92	4.7	2.87	49.6	1.78	-38.2
UK	0.94	-6	1.11	18	1.26	13	1.25	-1	1.43	14.8
Germany	0.72	-18	0.98	36	1.31	33.7	0.99	-24.7	1.08	9.4
Bangladesh	0.37	-13	0.64	73	0.95	48.7	0.7	-26.5	0.72	3.2

Italy 0.56 -21 0.64 16 0.78 21 0.52 -33 0.64 23

Source: Author's own calculations based on ITC & UN COMTRADE statistics

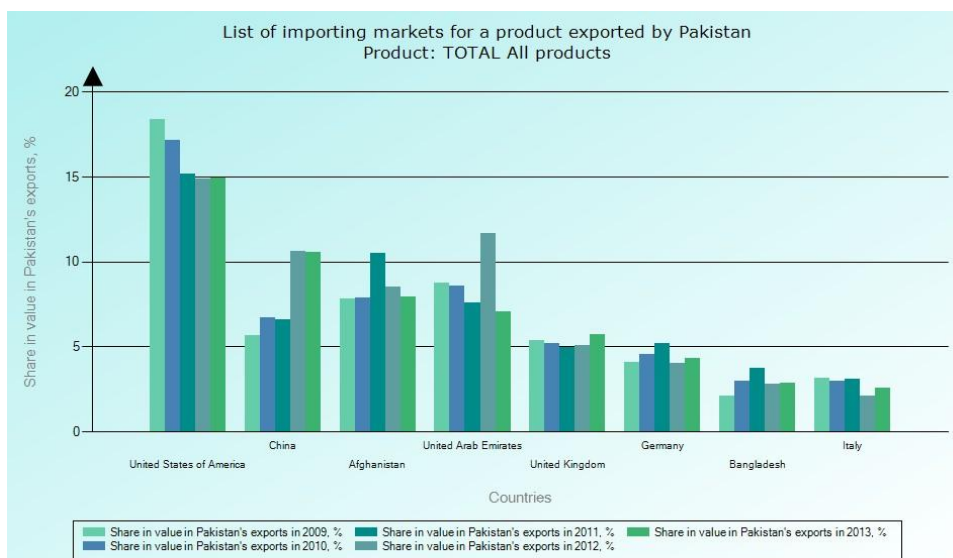


Figure 1.

Source: Author's own calculations based on ITC & UN COMTRADE statistics

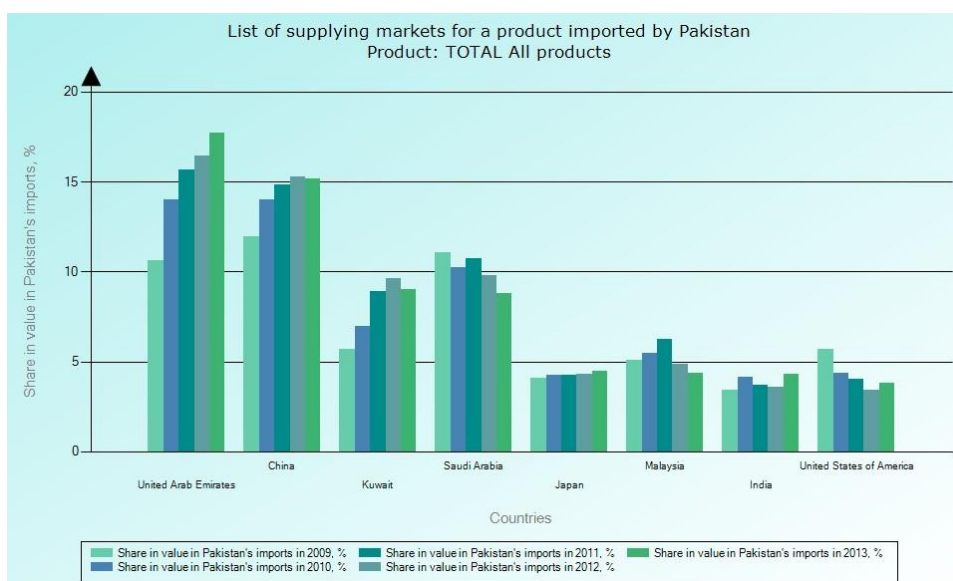


Figure 2.

Source: Author's own calculations based on ITC & UN COMTRADE statistics

## PAKISTAN'S FTA WITH OTHER NATIONS

The government of Pakistan is a keen chaser of bilateral trade and investment agreements. It has a full FTA with Sri Lanka since 2005, a PTA with Iran (2004) and Mauritius (2007), Early Harvest Schemes with China (2005) and now China is the 2nd largest trading partner of Pakistan, Indonesia (2013) and Malaysia (2007), and is part of both ECOTA and SAFTA. It is in various stages of FTA negotiations and reparations for talks, with Brunei, Jordan, Thailand, Malaysia, Morocco, Singapore, the Gulf Cooperation Council, Canada, Switzerland, Indonesia, Nepal, China, Turkey and Russia.

Negotiations on a US-Pakistan bilateral investment treaty, as a step towards a US-Pakistan FTA, have been quite controversial and are unconcluded. After talks restarted in mid-2010, a draft US-Pakistan BIT (Bilateral Investment Treaty) was sent for approval to Pakistan's Cabinet in April 2012. The Pakistani government has already signed almost 50 BITs with other countries. In 2011 Germany ratified a BIT with Pakistan. On a wider scale, there is talk of possible Pakistani FTAs with Afghanistan, Algeria, EU, Japan, Laos, Mexico, New Zealand, South Africa and Tunisia.

**Table 4. Pakistan's Imports from FTA partners (US\$ billions)**

Country	2009	2008-09	2010	2009-10	2011	2010-11	2012	2011-12	2013	2012-13
	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %
World	31.58	-25	37.54	19	43.58	16	43.81	1	43.78	0
China	3.78	-20	5.25	39	6.47	23	6.69	3	6.63	-1
Malaysia	1.61	-5	2.05	28	2.73	33	2.13	-22	1.92	-10
Indonesia	0.65	-45	0.67	3	0.93	38	1.35	45	1.21	-11
Iran	0.96	30	0.88	-8	0.3	-66	0.12	-60	0.17	39
Sri Lanka	0.056	-16	0.053	-4	0.061	15	0.083	37	0.063	-24
Mauritius	0.001	66	0.001	3	0.006	256	0.008	119	0.02	122

Source: Author's own calculations based on ITC & UN COMTRADE statistics

Pakistan continues to expand bilateral and regional free trade agreements. China stood at 1<sup>st</sup> position to contribute Pakistan's imports from China which accounts US\$ 6.63 billion in 2013. Malaysia followed by Indonesia with share of US\$ 1.92 billion, US\$ 1.21 respectively in 2013. (Table 4) shows imports from remaining Pakistan's FTA partners.

**Table 5. Pakistan's Exports to FTA partners (US\$ billions)**

Country	2009	2008-09	2010	2009-10	2011	2010-11	2012	2011-12	2013	2012-13
	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %	Value	Growth %
World	17.55	-13	21.41	22	25.34	18	24.61	-3	25.12	2
China	1	37	1.44	44	1.68	17	2.62	56	2.65	1
Malaysia	0.16	15	0.15	-8	0.24	67	0.23	-4	0.2	-12
Indonesia	0.067	6	0.074	10	0.19	155	0.24	25	0.14	-39
Iran	0.25	-41	0.18	-28	0.15	-16	0.14	-7	0.063	-56
Sri Lanka	0.22	0	0.28	31	0.35	23	0.3	-14	0.32	5



Mauritius	0.027	-34	0.034	29	0.033	-1	0.023	-31	0.028	20
-----------	-------	-----	-------	----	-------	----	-------	-----	-------	----

Source: Author's own calculations based on ITC & UN COMTRADE statistics

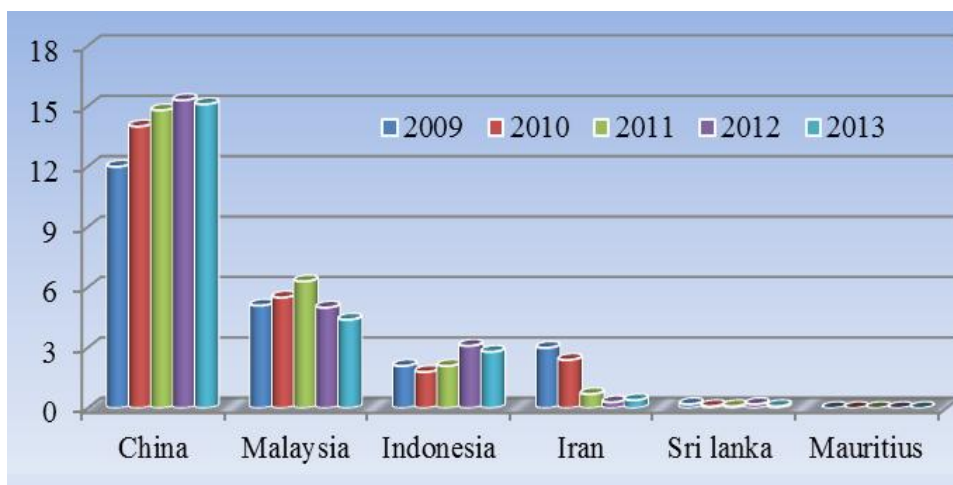


Figure 3. Percentage share in Pakistan's imports from FTA partners

Source: Author's own calculations based on ITC & UN COMTRADE statistics

The Exports has the same change trend with Imports. According to (table 5) there is an upward trend of Pakistan's total exports to world and FTA partners. Pakistan and China signed a bilateral Free Trade Agreement (FTA) in 2006 which came into effect in 2007. The agreement was separated in two parts with Phase I ending in December of 2012 and negotiations for Phase II beginning in July of 2013. The agreement targeted bilateral trade of 20 billion dollars between Pakistan and China at the end of Phase II. Total trade of Pakistan and China under FTA rapidly increased from US\$ 3.5 in 2006 to US\$ 14.3 billion in 2013. China was second major importing partner of Pakistan with share of 16.17% of Pakistan's total imports in 2013. Pakistan's exports to Malaysia and Indonesia remains low and constant. See Table 5. Percentage share in Pakistan's imports and exports from FTA partners from year 2009 to 2013 in (Figure 3, 4).

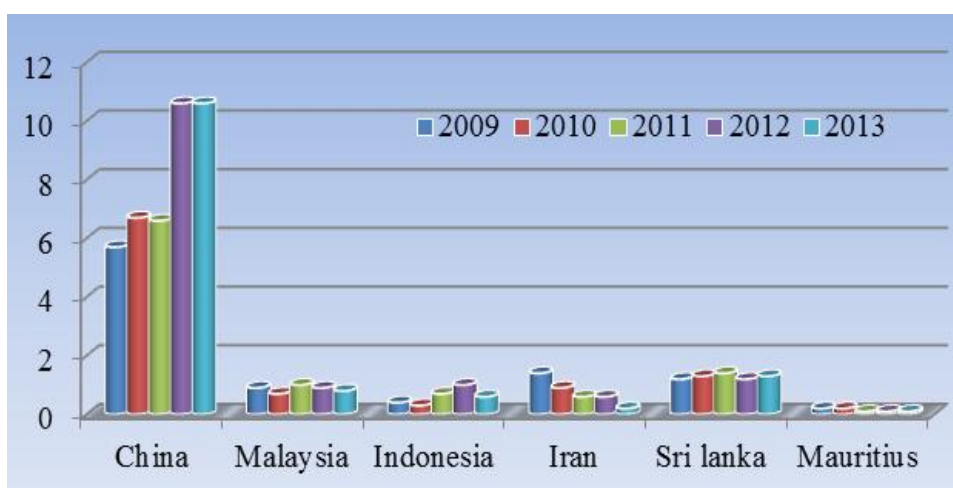


Figure 4. Percentage share in Pakistan's Exports to FTA partners

Source: Author's own calculations based on ITC & UN COMTRADE statistics

## RECOMMENDATIONS

Strengthen the trade development of Pakistan-China also with other trading partners. In 2006, the establishment of Pakistan-China Free Trade Area improved Pakistan-China trade to

increase significantly, demonstrating that the formation of the free trade area has brought the opportunities for Pakistan-China trade development. Cooperating with China can help Pakistan get rid of financial difficulties. For Pakistan, the economy external dependence is growing, strengthening trade links with other nations and strengthening development of Pakistan Free Trade Area can help Pakistan adapt to economic globalization, enhance the ability to withstand economic risks and expand Pakistan's economic cooperation with world.

Optimize structure of international trade in Pakistan. Pakistan should gradually phase out these backward industries that compete with other trading partners, such as high-polluting industries and resource-based industries, and should improve the cooperation with the different countries and regions according to their resource characteristics, economic structure and technological level. Optimizing the industrial structure will be conducive to Pakistan trade with other nations. Pakistan should continue to develop technology intensive and capital-intensive industries rather than labor-intensive industries. Pakistan can make full use of technology advantages and other advantages in intensifying cooperation of the development of biological resources, mineral resources exploration and other areas to upgrade Pakistan's relevant industrial structure. Pakistani firms to produce and export a more sophisticated and diversified range of products to existing as well as new markets and help reduce unemployment and poverty in Pakistan.

Export plays a vital role in the economy of each country. In order to maintain a vigorous equilibrium in between foreign trade and foreign exchange reserves with a sustainable development of a country. Country should have a persistent and elevated rate of growth from the exports. Exports have an effect on the whole industrial environment. In sequence to compete globally, industry needs to have standard quality product, competitive prices, good quality and packaging according international Labeling and packing rules, export acts as the motivating power for a rapidly developing economy and can make an important player in the world market.

## **CONCLUSION**

Several international processes are likely to be required to respond to multiple global challenges and support inclusive and sustainable development. Their effectiveness will also hinge on seeking out complementarities and synergies. It is important that an aspect where consensus is harder to achieve does not hold back or jeopardize agreement in other areas. The momentum created by the FTAs is a major asset, which needs to be sustained. Its successor should not attempt to address every global challenge if this might deter continued progress and especially if other existing processes and frameworks are better placed to do so. Post-2015 Pakistan-China agreements may best be conceived as a framework that brings together a series of interlocking and mutually reinforcing agendas.

Achieving the vision of the Millennium Declaration will require considerably greater international collective action through global public policies. Such collective action is essential to establish an international environment that is conducive to inclusive and sustainable development and to tackle global issues that directly affect the ability of individual countries to achieve development out comes (e.g. in the areas of development finance, trade and investment and migration).

The benefits of Pakistan using FTAs used as a tool to further multilateral liberalization are apparent. Under this premise, a focus on further integration beyond goods in FTAs is the key to success. Elimination of tariff remains a central objective, but its achievement and protection will require development strategies that are both inclusive and sustainable.

## ACKNOWLEDGEMENT

I am deeply indebted and thankful to my Supervisory Professor Dr. Xin Qi for her constant guidance, critical comments and valuable advices during the process of my writing and research. I am also thankful for her efforts to provide material and continuous encourage to me to accomplish this publication. I would like to show appreciation to Mr.Caesar (Hu Hao) PhD scholar, Mr.Faizan Ali for their guidance and motivation. I thank my parents for their countless prayers and my brothers and lovely sister for their understanding and encouragements. My special thank-you is extended to my lovely wife MehreenSaqib for all the efforts she put to support me morally, physically and psychologically throughout my endeavors in pursuing my studies and research.

## REFERENCES

- [1] Summaira, M., &Amatul, R.C. (2012). The structure and behavior of Pakistan's imports from selected Asian countries: An application of gravity model. *Pak. J. Commer. Soc. Sci.*, 6(1), 53-66.
- [2] Summaira, M., &Amatul, R.C. (2011). A static analysis of Pakistan's trade policy with selected Asian countries. *Theoretical and Applied Economics*, XVIII (2011), 12(565), 71-88
- [3] Yin, R. K. (2003). *Case Study Research: Design and Methods* (3rd Edition, Vol. 5). Thousand Oaks, CA: Sage.
- [4] Jing, Y. (2006). *China and ASEAN Free Trade Area on the construction of the 10+1*. Nanjing University of Aeronautics & Astronautics.
- [5] Tekin-Koru, A. (2010).North-South Integration and the Location of Foreign Direct Investment. *Review of International Economics*, 4, 696-713.
- [6] Egger, H., Egger, P., & Greenaway, D. (2008). The Trade Structure Effects of Endogenous Regional Trade Agreements. *Journal of International Economics* 74, 278-298.
- [7] Baldwin (2003). Openness and Growth: What's the Empirical Relationship? *NBER Working Paper 9578*. <http://www.nber.org/papers/w9578>
- [8] Irshad, M. S., &Xin, Q. (2014). A New Perspective of the China - ASEAN Free Trade Area and the Story of Top Ten Products.*European Journal of Business and Management*, 18(18), 1-8.
- [9] Jiang, J., &Cai, L. (2013). Analysis of Trade Development between China and Association of Southeast Asian Nations.*Journal of Behavioural Economics, Finance, Entrepreneurship, Accounting and Transport*, 1(1), 15-20.
- [10] Krugman,P.(1991). Increasing Returns and Economic Geography. *Journal of Political Economy* 99, 483-99.
- [11] De Grauwe, P. (1997). *The Economics of Monetary Integration*. Oxford:OxfordUniversity Press.
- [12] Sanima, S., &Reema, K. (2009). Economic Effects of the Recently Signed Pak- China Free Trade Agreement. *The Lahore Journal of Economics, Special Edition. September, 2009*.

- [13] Xin, i., Muhammad, S. I., & Hu, H. (2014). Boon or Bane: Assessing the Environment of China's free trade agreements with other nations. *International Journal of Business and Management Review*, 2(5), 1-13.
- [14] Kawai & Wignaraja, (2011). "Asia's Free Trade Agreements: How is business Responding?" Asian development bank Institute.
- [15] Yunling, Z. (2010). "Impact of free trade agreements on business activity: A survey of firms in the people's republic of china." ADBI working paper series.
- [16] Jones, R. W., & Kierzkowski, H. (1990). *The Role of Services in Production and International Trade: A Theoretical Framework*, in R. Jones and A. Krueger (eds.), *The Political Economy of International Trade*. Oxford: Basil Blackwell.
- [17] Grossman, G., & Rossi-Hansberg, E. (2006). *The Rise of Offshoring: It's Not Wine for Cloth Anymore*. Jackson Hole Conference Volume, Federal Reserve Bank of Kansas City.
- [18] Grossman, G., & Rossi-Hansberg, E. (2008). "Trading Tasks: A Simple Theory of Offshoring," *American Economic Review* 98(5), 1978-97.
- [19] Blinder, A. S. (2006). Offshoring: The Next Industrial Revolution? *Foreign Affairs* 85(2), 113-128.
- [20] Blinder, A. (2009). "How Many U.S. Jobs Might Be Offshorable," *World Economics*, April-June, 10(2), 41-78.
- [21] Hanson, G., Mataloni, R. & Slaughter, M. J. (2005). "Vertical Production Networks in Multinational Firms," *The Review of Economics and Statistics*, 87(4), 664-678.
- [22] Hummels, D., Ishii, J. & Yi, K.M. (2001). The nature and growth of vertical specialization in world trade. *Journal of International Economics*, 54(1), 75-96.

## AUTHORS' BIOGRAPHY

1. \* Muhammad Saqib Irshad (赛博) is a Pakistani scholar, presently located in Tianjin, China to earn his Ph.D in the International Trade and Economics of the Tianjin University of Finance and Economics, Tianjin, P.R.China. Earlier he earned his Masters in International Trade from Northeast Normal University, Changchun, P.R.China. His research interest is the comparative analysis of China's Free Trade Agreements, Especially China and Pakistan Free Trade agreements with each other and also with other nations all around the world and also China's FDI, OFDI, IFDI with other nations and the International trade and Economics.
2. Professor Dr. Qi Xin is the Professor and the President of College of International Education in Tianjin University of Finance and Economics, Tianjin, P.R.China. She is multi-disciplined teacher, possessing vast experience of supervising and teaching in the areas of International Trade and Economics. She has published extensively in academic journals in the area of International Trade and Economics.