

Pakistan and China all set to sign FTA phase 2

By Saeed A Baloch 29 March 2018

A renewed free trade agreement (FTA) looks set to be signed between Pakistan and China, giving a boost to the textile industry.

Officials from the two countries met in Beijing last month for the ninth round in a series of protracted talks aimed at streamlining the original FTA, which came into force in 2006.

Since the signing of the original FTA on 24 November 2006, Pakistani exporters have been raising concerns, with the government claiming they have been short changed by the deal.

They claim the FTA favoured the Chinese – a view borne out by the Pakistan ministry of commerce's own trade statistics for 2016-17. Of US\$14bn bilateral trade, Pakistan exports account for just US\$2bn as against US\$12bn imports from China. Pakistan's textile community has complained that the country's key exports to China – cotton yarn, woven fabrics, grey fabric etc – have enjoyed no tariff concessions under phase 1 of the FTA.

Anis-ul-Haq, acting secretary general of All Pakistan Textile Association, explains that China has granted zero tariffs on most of the products to ASEAN countries, therefore the Pakistani business community wants the same concessions for its exports, too.

"We want zero tariffs for our items falling in chapters 52-62 of the FTA dealing with bedwear, woven cotton, fabric, denim fabric etc," he says, calling on such an agreement to be introduced by Beijing as soon as the new FTA is drafted with the reciprocal concessions being phased in by Islamabad.

Mohammad Ashraf, spokesperson for Pakistan's ministry of commerce, the body responsible for renegotiating the FTA, gives a measured reaction to the issue.

He explains that China has agreed to accommodate Pakistan's concerns regarding the FTA, which has been subject to renegotiation since 2012. "During the 9th round of negotiations on the China-Pakistan FTA in Beijing, the Pakistan delegation presented the demands of Pakistani exporters and industries for accommodating in the final draft of the FTA."

Ahmad Kamal, a former chairman of the Pakistan Textile Exporters Association, says: "Our major concern is that the government has failed to protect our interests in the original FTA. If the government is really serious about doing something for the local exporters, it should properly renegotiate with the Chinese to address our genuine grievances with regards to tariff concessions."

According to Mr Ashraf, the Pakistan delegation discussed with Chinese authorities the exporters' demands, particularly those pertaining to providing tariff concessions equivalent to ASEAN countries. He said that prior to going to Beijing, the secretary of commerce had held

extensive consultations with various trade associations to have their input on protecting local industry from Chinese imports by disallowing tariff concessions on several Chinese products.

“The Pakistani team, during the course of discussions with the Chinese, also proposed incorporating clauses to safeguard the industries and the economy from any undue pressure on the balance of payments,” he adds. Ashraf claimed that the Chinese side also agreed to electronic data exchange to minimise the chances of under invoicing – another key concern of Pakistani exporters.

However, Kamal adds: “If the government, as it has claimed, has successfully negotiated with China and addressed all concerns of the business community, why is it hiding details from us?”

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