

Free Trade Agreement

Chinese President Hu Jintao and his Pakistani counterpart Pervez Musharraf Friday oversaw the signing of a free trade agreement between the two allies here in Islamabad on 24th November, 2006. The document was signed by the Commerce Ministers of both the countries.

The architecture of the bilateral Free Trade Agreement includes Trade in Goods and Investments in the first Phase and the leaders of both the countries have decided to negotiate on Trade in Services during 2007 to enlarge the coverage of the Free Trade Agreement.

The Early Harvest Programme between the two countries which was put into operation on 1st January 2006, has been merged into this bilateral FTA. In the overall package Pakistan will get market access at zero duty on industrial alcohol, cotton fabrics, bed-linen and other home textiles, marble and other tiles, leather articles, sports goods, mangoes, citrus fruit and other fruits and vegetables; iron and steel products and engineering goods. China will also reduce its tariff by 50% on fish, dairy sectors; frozen orange juice; plastic products; rubber products; leather products; knitwear; woven garments etc.

Pakistan has given market access to China mainly on machinery; organic; and inorganic chemicals, fruits & vegetables, medicaments and other raw materials for various industries including engineering sector, intermediary goods for engineering sectors, etc.

The Agreement

The Free Trade Agreement consists of the following components:


- The Agreement, and
- Annexes I, II and III



The complete text of the Agreement (Agreement signed at Islamabad on 24th November, 2006)






The agreement contains the Articles on Establishment of Free Trade Area, objectives, relation to other agreements, application of this agreement, definitions, scope and coverage, National treatment, tariff elimination, para-tariffs and non-tariff barriers, rules of origin, Trade remedies, safeguard measures, sanitary and phyto-sanitary measures, TBTs, Investment, settlement of disputes, amendments, annexes etc.

Annexes







 Annex 'I'

Annex 'I' relates to the Elimination of import customs duties. It has two phases:

Phase-I -- Tariff Reduction Modality of **China** within five years after entry into force of this agreement:

Click to Download	Category No.	Track	No. of Tariff Lines	% of Tariff lines at 8 digit
	I	Elimination of tariff (Three years)	2681	35.5%
	II	0-5% (five years)	2604	34.5%
	III	Reduction on Margin of Preference of 50%(five years)	604	8%
	IV	Reduction on Margin of Preference from 20% (five years)	529	7%
	V	No Concession	1132	15%


Phase-I -- Tariff Reduction Modality of **Pakistan** within five years after entry into force of this agreement:

Click to Download	Category No.	Track	No. of Tariff Lines	% of Tariff lines at 8 digit
	I	Elimination of tariff (Three years)	2423	35.6%
	II	0-5% (five years)	1338	19.9%
	III	Reduction on Margin of Preference from 50%(five years)	157	2.0%
	IV	Reduction on Margin of Preference from 20%(five years)	1768	26.1%
	V	No Concession	1025	15.0%
	VI	Exclusion	92	1.4%


Note: elimination of tariff on the products covered in the Early Harvest Program (EHP) shall continue in accordance with the earlier agreed modality of tariff elimination for EHP.

Phase-II -- Both Parties shall endeavor to eliminate the tariffs of no less than 90% of products, both in terms of tariff lines and trade volume within a reasonable period of time on the basis of friendly consultation and accommodation of the concerns of both Parties.

Note: The base year for tariff reduction/elimination for China is 2006 and for Pakistan fiscal year of 2006-2007.

 Annex 'II'

Annex 'II' is the form and instruction for the Certificate of Origin. A claim that products shall be accepted as eligible for preferential concession shall be supported by a Certificate of Origin issued by a government authority designated by the exporting Party and notified to the other Party to the Agreement in accordance with the operational certification procedures, as set out in this annex. *(Chapter IV, Article 23 of the Agreement)*

 Annex 'III'

Annex 'III' is for the purposes of this Agreement and Chapter X (Dispute Settlement). It covers Rules of Procedure of an Arbitral Panel established pursuant to Article 63. Annexures I, II & III saved in Acrobat Software in Drive D.