

# DEVELOPMENT OF INSTITUTIONAL FRAMEWORK TO REVIEW PAKISTAN'S PREFERENTIAL TRADE AGREEMENTS

## TRADE RELATED TECHNICAL ASSISTANCE PROGRAMME



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## Contents

Executive Summary.....	1
1. Introduction .....	5
2. Overview .....	7
2.1. Pakistan-China Free Trade Agreement .....	7
2.2. Pakistan-Malaysia Free Trade Agreement.....	8
3. Brief on the Three Economies.....	9
3.1. Pakistan Economy Overview.....	9
3.2. China Economy Overview .....	13
3.3. Malaysia Economy Overview .....	17
4. Analysis of the FTAs .....	21
4.1. Pak-China FTA .....	21
4.1.1. Trade in Goods .....	21
4.1.2. Trade in Services .....	25
4.1.3. Investment .....	26
4.2. Pak-Malaysia FTA .....	26
4.2.1. Trade in Goods .....	26
4.2.2. Trade in Services .....	32
4.2.3. Investment .....	33
5. Pakistan's Post FTA performance .....	34
5.1. Under the Pak-China FTA.....	34
5.1.1. Trade in Goods .....	34
5.1.2. Trade in Services .....	44
5.1.3. Investment .....	45
5.1.4. Balance of Payments.....	46
5.2. Under Pak-Malaysia FTA .....	47

5.2.1.	Trade in Goods .....	47
5.2.2.	Trade in Services .....	56
5.2.3.	Investment .....	57
5.2.4.	Balance of Payments.....	58
6.	Potential Opportunities for Pakistan to Increase Benefits .....	59
6.1.	Under Pak-China FTA .....	59
6.1.1.	Trade in Goods .....	59
6.1.2.	Trade in Services .....	62
6.1.3.	Investment .....	63
6.2.	Under Pak-Malaysia FTA .....	64
6.2.1.	Trade in Goods .....	64
6.2.2.	Trade in Services .....	65
6.2.3.	Investment .....	67
7.	Stakeholders Consultation .....	68
7.1.	Views of the Importers .....	68
7.2.	Views of the Exporters .....	69
8.	Proposed Framework for Consultation With Stakeholders .....	70
9.	Identification of Export Barriers of Pakistan’s Trade with China and Malaysia.....	72
9.1.	Export Barriers for Trade in Goods .....	72
9.2.	Export Barriers for Trade in Services .....	79
9.3.	Barriers to Investment .....	82
10.	Recommendations .....	85
Appendix I	.....	90

## List of Tables

Table 3.1: Pakistan's Top Import Partners .....	10
Table 3.2: Pakistan's top export destinations.....	10
Table 3.3: Pakistan's top exports to the world .....	11
Table 3.4: Pakistan's top imports from the world .....	12
Table 3.5: China's top import partners .....	14
Table 3.6: China's top export destinations .....	14
Table 3.7: China's top exports to the world.....	15
Table 3.8: China's top imports from world .....	16
Table 3.9: Malaysia's top import partners.....	18
Table 3.10: Malaysia's top export destinations .....	18
Table 3.11: Malaysia's top exports to the world .....	19
Table 3.12: Malaysia's top imports from the world.....	20
Table 4.1: Tariff Reduction Modality of Pakistan.....	21
Table 4.2: Tariff Reduction Modality of China .....	21
Table 4.3: Top Ten Export Products of Pakistan .....	22
Table 4.4: Tariff Reduction Modality of China for New Zealand .....	23
Table 4.5: Tariff Reduction Modality of China for Chile.....	24
Table 4.8: Tariff Reduction Modality of Pakistan for Malaysia.....	27
Table 4.9: Tariff Reduction Modality of Malaysia for Pakistan.....	28
Table 4.11: Tariff Reduction Modality of Malaysia for New Zealand .....	30
Table 4.12: Tariff Reduction Modality of Malaysia for India .....	31

## List of Abbreviations

AQSIQ	Administration of Quality Supervision, Inspection and Quarantine
BOI	Board of Investment
CCC	China Compulsory Certificates
CNCA	China National Certification and Accreditation Commission
CPA	Certified Public Accountant
DVS	Department of Veterinary Services
EL	Exclusion List
ETP	Economic Transformation Programme
FDI	Foreign Direct Investment
FSQD	The Food Safety and Quality Division
FTA	Free Trade Agreement
GAC	General Administration of Customs
GDP	Gross Domestic Product
HSL	Highly Sensitive List
ITC	International Trade Centre
JAKIM	Department of Islamic Development Malaysia
MFN	Most Favored Nation
MIA	Malaysian Institute of Accountants
MITI	Minister of International Trade and Industry
MOP	Margin of Preference
MOFCOM	Ministry Of Commerce
MOT	Ministry of Transport
MOE	Ministry of Education

NMC	Non-Manipulation Certificate
NTB	Non-Technical Barriers to Trade
OIC	Organiuzation of Islamic Conference
PKR	Pakistan Ruppee
PPDSC	Public Private Dialogue Steering Committee
PPP	Purchasing Power Parity
PPD	Public Private Dialogues
PSI	Pre-Shipment Inspection
PTA	Preferential Trade Agreement
R&D	Research and Development
SBP	State Bank of Pakistan
SFDA	State food and Drug Administration
SPS	Sanitary and Phytosanitary'
TBT	Technical Barriers to Trade
TRQL	Tariff Rate Quota List
TRTA II	Trade Related Technical Assistance II
USD	United States Dollar
VAT	Value Added Tax
WTO	World Trade Organization

## Executive Summary

This research study has been conducted under the Trade Related Technical Assistance (TRTA II) Programme, a European Union funded project that aims at strengthening the capacity of Pakistan to participate in international trade.

This study focuses on an analysis of Pakistan's Free Trade Agreements with China and Malaysia. Pakistan and China signed a Free Trade Agreement (FTA) for goods and investment on 24 November 2006; the Agreement on Trade in Services was enforced on 10 October 2009 to expand the coverage of the FTA. The FTA between Pakistan and Malaysia was signed on 8 November 2007. For the purpose of this study, these FTAs have been analysed with respect to trade in goods, services and investment. The analysis indicates that on an overall basis, Pakistan appears to have benefitted from the two FTAs; however, it could not fully capitalize on the benefits envisaged.

This study presents a brief description of the economies of the three focal countries, namely, Pakistan, China and Malaysia, to give an overview of each country's trade profile and level of economic dependence. This has been attempted in order to critically evaluate the outcomes of the FTAs, with respect to their contribution to economic growth.

A complete comparison of the tariff reduction modalities for goods and the provisions for services and investment (as given under the FTA signed by China and Malaysia with Pakistan, and with some other countries) has been presented in detail. This comparison has been made with the objective of assessing the relative benefits that Pakistan has obtained by signing the two FTAs under discussion, compared to other countries. These evaluations lead us to the conclusion that Pakistan is not placed at an equally gainful position as other countries competing in Chinese and Malaysian domestic markets, indicating that the country's overall trade has probably not increased to the level desired after the conclusion of the two FTAs.

Pakistan's performance upon the signing of FTAs has been evaluated with the help of data acquired from the International Trade Centre (ITC). For information related to the Pak-China FTA, data for the years 2006 and 2012 has been collected; 2006 representing the time prior to the signing of the

agreement and 2012 reflecting the current scenario. Likewise, for information pertaining to the Pak-Malaysia FTA, data has been collected for the years 2007 and 2012. Subsequent to data collection, the trends of Pakistan's top exports and imports (under each concessional category of the respective FTA under consideration) have been examined in detail. The trends primarily indicate that Pakistan's imports from China have increased extensively, as compared to imports from other countries, following the enforcement of the agreement. A major portion of the increase in imports from China comprises of engineering goods that are not produced locally. Imports of a few raw, semi-finished/intermediate products have also increased, creating an opportunity for the production of cheaper value-added products. However, there has also been an increase in the imports of products that are sufficiently produced by the local industry, thereby negatively impacting the future growth of local production capabilities. This aspect needs to be discussed in the next FTA review dialogue.

As far as Pakistan's exports to China are concerned, these have increased substantially; this rise, however, could have been more important had the top export products been included in higher concessional categories. Conversely, under the Pak-Malaysia FTA, Pakistan's exports and imports to and from Malaysia have increased insignificantly. The trend indicates that even after the implementation of the FTA, trade between the two countries has remained at a low level.

This study identifies potential export growth opportunities for Pakistan under the FTAs. The pace of increase in exports to China points to the conclusion that Pakistan has great potential to boost its exports to China and Malaysia further, under each concessional category. Moreover, Pakistan also possesses potential to export products that are included in the lower concessional categories and even those that are not covered by the FTAs. Furthermore, given the extensive export of services to the rest of the world, Pakistan also has a potential to export its services to China and Malaysia as well.

Pertinent feedback from stakeholders has been acquired to meet the objectives of the study. According to the opinions of the importers and exporters surveyed, the tariff lines covered under both FTAs are insufficient for Pakistan. Likewise, exporters are of the view that the items for which export potential is high, even those tariff lines do not attract higher/zero rated tariff concession. Various stakeholders are of the view that their suggestions have not fully been incorporated by the Government of Pakistan in the FTAs. In addition, they are also concerned about non-tariff barriers imposed on exports to both China and Malaysia. On the other hand, it has been observed that the

business community (including domestic producers, importers and exporters, mostly, has not even attempted to go through the content of the FTAs. Thus, there is a severe lack of knowledge and understanding of the provisions of the FTAs. Some sort of an information sharing mechanism needs to be developed and used to assist the business community of Pakistan in becoming self-aware. The community needs to know of the various opportunities available under the FTAs, in order for it to be able to capitalize on them.

Several barriers to trade (regarding goods, services and investment) with China and Malaysia have been identified and discussed in this study. Obstacles related to the trade in goods include pre-shipment inspections, standardization, packaging and labelling, product certifications, import licensing, testing requirements, registration, quality assurance, transportation barriers and sanitary & phytosanitary measures. It should be noted that Malaysia has imposed strict rules on the imports of food items; this presents an important trade barrier for Pakistan, as food-related items are Pakistan's major exports to Malaysia.

Trade barriers pertaining to the export of services include foreign ownership restrictions, licensing requirements, conditional partnership/joint ventures, market access restrictions, discriminatory treatment, qualification requirements and other technical regulations. Trade barriers to the export of investment include conditional requirements, lack of information, security barriers, regulatory limitations, lack of access to capital markets, partial behaviour, and restrictions placed on foreign direct investment. Conclusively, Pakistan is exposed to a number of technical and non-technical barriers within the domain of international trade.

Towards the end, the study highlights key recommendations in the light of the FTA analysis conducted. The most fundamental recommendations are as follows:

- i. Pakistan should negotiate with China and Malaysia for its top exports to be included in higher concessional categories, and also seek equivalent or higher concessions for the products that have a competitive advantage in the world. Moreover, the country should negotiate for the insertion of a "Reverse MFN" clause in the FTAs, to allow it to automatically avail concessions that are equivalent to the allowances provided by China and Malaysia to other FTA/PTA partners. Pakistan should also hold pre-negotiation meetings with its key stakeholders.

- ii. Imported products that may adversely affect the capability of local producers should be placed in the lower concessional categories. However, interests of consumers must not be compromised while doing so.
- iii. Mergers of small units should be encouraged. Training programs on FTA rules, opportunities, applicable laws and the deployment of cost effective measures should be arranged. The cost of doing business should be reduced and controlled so that concessions made under the FTAs are not wiped out. Cost audits should be arranged for all the major industries to assess and subsequently enhance their cost effectiveness and competitiveness.
- iv. Pakistan needs to promote trade in services, create a conducive, investment-friendly environment, educate exporters on the importance of compliance with non-tariff trade barriers, establish the necessary facilities to make compliance easy, and negotiate for the softening of non-tariff barriers to trade.
- v. The country should develop trained 'International Trade Focal Persons' from various stakeholders for the assistance of the FTA negotiations team. Sector Specific Committees should be established within government ministries and an 'International Trade Task Force' should be created to develop and implement a 'National Negotiations Strategy'.
- vi. Pakistan should compute a Balance of Trade with its FTA partners on a quarterly basis to address complaints and incorporate suggestions of the local industry and consumer groups. It should also introduce and prepare periodic FTA performance reports, authored by the Pakistan Trade Mission in the respective FTA partner country.

## 1. Introduction

The Trade Related Technical Assistance (TRTA II) Programme is a project funded by the European Union that focuses on strengthening the capacity of Pakistan to participate in international trade. Component 1 of the programme, Trade Policy Capacity Building, implemented by the International Trade Centre (ITC), is aimed at the Ministry of Commerce and Government of Pakistan in developing a coherent trade policy and attendant regulations for export competitiveness.

The ITC has constituted a Public Private Dialogue Steering Committee (PPDSC) with the approval of Ministry of Commerce to hold public private dialogues (PPD) on issues related to trade policy and regulatory reform. The Committee is also empowered to commission a number of research studies to feed into the PPDs and to better form the dialogue on selected issues.

In its meeting held on the 7<sup>th</sup> of March, 2013, the PPDSC selected the “Regional Integration, Trade in Services, Sectorial Competitiveness Enhancement and Technology Foresight” for holding the PPDs during 2013. A number of important topics were selected for conducting policy research studies which would identify the challenges facing the stakeholders in selected areas, and recommend a way forward to overcome these challenges. The outcome of each research study is to be presented by the researcher during a one-day long PPD event for the consideration of stakeholders, and to draw plausible results and recommendations for the Government regarding trade policy and domestic regulatory reform.

The purpose of this research study is to review the Pak-China and Pak-Malaysia FTAs and recommend an institutional framework to evaluate these trading arrangements. The study is specifically required to address the following objectives:

- Analysis of the Pak-China and Pak-Malaysia FTAs with a view to identify problems faced by the Ministry of Commerce in conducting negotiations, consulting with stakeholders and formulating a strategy
- Identification of problems which could have been avoided if a mechanism for consultation and negotiations existed

- Analysis of the above FTAs to ascertain utilization and implementation of the two FTAs, and recommend domestic regulatory reform for enhancing competitiveness and export potential (to increase the benefits achieved from the two agreements)
- In light of the analysis, clearly set out and articulate recommendations for the establishment of a framework for reviewing the preferential trading arrangements of Pakistan
- The recommendations should provide a long term and short term strategy, and should address challenges faced behind the border, at the border and beyond the border, with reference to the two agreements
- The recommendations should be derived from a combination of analytical research and stakeholder consultations
- To a great extent, the researcher should aim to reach a common stakeholder position to arrive at the final recommendations; however where clear divergences exist in stakeholder views on the recommendations (and underlying challenges), these should be tracked and represented by the researcher
- Any laws, regulations and policies which may need to be changed should be identified, and proposals should be furnished to amend them

## 2. Overview

### 2.1. Pakistan-China Free Trade Agreement

Pakistan and China signed a Free Trade Agreement (FTA) on 24 November 2006. This bilateral Free Trade Agreement covered trade in goods and investments in its first phase. However, both countries started negotiations on trade in services during 2007, to enlarge the scope of the Free Trade Agreement. The second phase started from the sixth year of the enforcement of the agreement. The Early Harvest Program was launched on 1 January 2006, and was later merged into the bilateral FTA. In Phase I of the FTA, tariffs were to be reduced by varying levels over the first five years following the agreement (with the grant of zero duty on nearly 36% of the product lines within three years). The aim was to eliminate tariffs on at least 90% of the products, both, in terms of tariff lines and trade volumes.

Pakistan has given free market access to China for the following categories of products: machinery, organic and inorganic chemicals, fruits and vegetables, medicaments and other raw materials for various industries (including the engineering sector), intermediary goods for engineering sectors, etc. On the other hand, China has eliminated tariffs on industrial alcohol, cotton fabrics, bed linen and other home textiles, marble and other tiles, leather articles, sports goods, mangoes, citrus fruits and other fruits and vegetables, iron and steel products, and engineering goods. The products for which China has reduced its tariffs by 50% include fish, dairy products, frozen orange juice, plastic products, rubber products, leather products, knitwear, woven garments, etc.

In trade in services, Pakistan has provided market access to China in 11 sectors, and 107 sub-sectors out of a total of 160 sub-sectors. Likewise, China has granted market access to Pakistan in 11 sectors and 133 sub-sectors. China's offer to Pakistan is WTO-plus in nature; therefore, Pakistan has been given more market access in trade in services than the commitments taken by China for other countries. Furthermore, China has allowed Pakistani investors to entirely own their projects in China in many sectors such as distribution services, commission agent services, wholesale and retail services, and computer and related services.

## 2.2. Pakistan-Malaysia Free Trade Agreement

The Comprehensive Free Trade Agreement (FTA) for Closer Economic Partnership between Pakistan and Malaysia was signed on 8 November 2007 in Kuala Lumpur Malaysia. Pakistan's High Commissioner to Malaysia signed the Agreement on behalf of the Government of Pakistan, while the Minister of International Trade & Industry (MITI) represented the Malaysian Government. This agreement was the 1<sup>st</sup> bilateral FTA ever to be signed between two Muslim countries (both being members of the Organization of Islamic Conference (OIC)). The agreement was also Pakistan's first comprehensive FTA, incorporating trade in goods, services and investment, along with provisions for Economic Cooperation. On the other hand, the agreement was also Malaysia's first bilateral FTA with a South Asian country. As per the mandates of the Pak-Malaysia FTA, Pakistan was to eliminate tariffs on 43.2% of its imports from Malaysia by 2012. Likewise, Malaysia was to remove tariffs on 78% of its imports from Pakistan during the same time period. Pakistan was also required to reduce its tariff on 7 palm oil tariff lines by 15% Margin of Preference (MoP) – 10% in 2008, and an additional 5% in 2010. However, no reduction was to be made on the rates of sales tax/federal excise duty levied at 15%, and withholding taxes charged at 2% on imported palm oil.

Presently, in the domain of trade in services, both countries have granted WTO-plus market access to each other. Moreover, Pakistan has secured a 100% equity share in the fields of computer and IT-related services, Islamic Banking, and Islamic Insurance (Takaful) in Malaysia. These levels of market access in services are bound to have a positive effect on investment and the trade of goods between the two countries. Mutual recognition arrangements are also a part of the Pak-Malaysia FTA. These arrangements are meant to provide a framework for the accreditation of educational institutions and academic programmes, and to facilitate the effective and efficient delivery of services.

The Pak-Malaysia FTA also contains a chapter on investment to promote entrepreneurship in both countries. The incentives granted by both countries to each other have not been offered to investors from other countries. A point to note is that the bilateral investment treaty signed by Pakistan with Malaysia is to have no impact on the investment provisions of the FTA.

### 3. Brief on the Three Economies

#### 3.1. Pakistan Economy Overview

Pakistan is an agriculture-based country situated in the hub of Asia. The country's major production and exports are mainly dependent on the agriculture and textiles sectors. The recent growth of the overall GDP (base 2005-06) was registered at 3.6% in 2013 (based on nine months data), as compared to 4.4% in 2012. The agriculture sector provides food items and raw materials for industrial units and accounts for 21.4% of the total GDP. This sector showed a growth of 3.3% in 2013, against the previous year's growth rate of 3.5%. On the other hand, the large scale manufacturing sector grew by 2.8% in 2013 as compared to a growth rate of 1.2% in 2012. Lastly, the services sector grew by 3.7% as compared to 5.3% in 2012.<sup>1</sup> Given the fact that the country majorly produces food items and textiles, it also largely exports the same to China and Malaysia. It is observed that the total level of these exports has increased to some extent after the signing of the two FTAs (irrespective of the fact that some food and textile articles had not been included in the preferential concessions list).

Going forward, Pakistan should consider the inclusion of products other than the aforementioned in the expense of the two FTAs, in order to boost trade levels and develop the production capabilities of other local industries. Under Phase II of the Pak-China FTA in particular, Pakistan should negotiate for items with immense export potential to be considered for inclusion in the FTA.

Investment plays a key role in the economic progress of a country. The state of investment in Pakistan has been hard hit by internal and external factors during the last few years. From 2007-8 to 2012-13, total investment decreased from 19.21% of GDP to 14.22%. Fixed investment declined to 12.6% of GDP, from its former level of 17.61%. Similarly, private investment witnessed a contraction from 12.8% of GDP to 8.7%. Public investment, as a% of GDP, also decreased to 3.9%, against the former 4.8% point of reference. With respect to the Pak-China FTA, however, the investment from China in Pakistan increased to a level of USD \$90.6 million in 2012-13 from USD \$13.7 million in 2007-8.

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<sup>1</sup> The facts and figures provided under the heading "Pakistan Economy Overview" are taken from the Pakistan Economic Survey 2012-13, issued by the Statistical Bureau of Pakistan.

## Trade profile of Pakistan

**Table 3.1: Pakistan's Top Import Partners**

Country	2008	2009	2010	2011	2012
UAE	3.78	3.35	5.25	6.82	7.21
China	4.74	3.78	5.25	6.47	6.69
Saudi Arabia	5.95	3.50	3.84	4.67	4.28
Kuwait	3.44	1.80	2.61	3.89	4.21
Malaysia	1.69	1.61	2.05	2.73	2.13
Japan	1.72	1.29	1.59	1.86	1.88
India	1.69	1.08	1.56	1.61	1.57
USA	2.06	1.80	1.63	1.75	1.51
Indonesia	1.19	0.65	0.68	0.93	1.35
Germany	1.47	1.27	0.99	1.00	1.14

Values in billions of USD

Source: International Trade Centre (ITC) website

**Table 3.2: Pakistan's top export destinations**

Country	2008	2009	2010	2011	2012
United States of America	3.65	3.22	3.67	3.84	3.67
United Arab Emirates	2.01	1.54	1.83	1.92	2.87
China	0.73	1.00	1.44	1.68	2.62
Afghanistan	1.45	1.37	1.68	2.66	2.10
United Kingdom	1.00	0.94	1.11	1.26	1.25
Germany	0.88	0.72	0.98	1.31	0.99
Bangladesh	0.42	0.37	0.64	0.95	0.70
Italy	0.70	0.56	0.64	0.78	0.52
Spain	0.49	0.41	0.47	0.57	0.50
Belgium	0.43	0.40	0.52	0.66	0.49
Malaysia	0.14	0.16	0.15	0.24	0.23

Values in billions of USD

Source: International Trade Centre (ITC) website

**Table 3.3: Pakistan's top exports to the world**

HS code	Product	2008	2009	2010	2011	2012
<b>Pakistan's exports to the world (in millions of USD)</b>						
<b>52</b>	Cotton	3,596	3,204	4,013	5,097	5,226
<b>63</b>	Others made textile articles, Sets, worn clothing etc.	3,146	2,918	3,285	3,570	3,285
<b>10</b>	Cereals	2,508	1,823	2,280	2,807	2,061
<b>61</b>	Articles of apparel, accessories, knit or crochet	1,888	1,681	1,982	2,239	2,006
<b>62</b>	Articles of apparel, accessories, knit or crochet	1,361	1,206	1,462	1,775	1,694
<b>71</b>	Pearls, precious stones, metals, coins, etc	240	479	590	469	1,634
<b>25</b>	Salt, sulphur, earth, stone, plaster, lime and leather	601	563	514	571	714
<b>42</b>	Articles of leather, animal, gut, harness, travel goods	767	578	619	681	674
<b>39</b>	Plastic and articles thereof	296	306	408	544	521
<b>41</b>	Raw hides and skins (others then furskins) and leather	383	270	416	468	457
<b>55</b>	Manmade staple fibers	285	300	511	606	49
<b>08</b>	Edible fruit, nuts, peel of curts fruit, melons	145	203	254	311	348
<b>27</b>	Mineral fuels, oils, distillation products, etc.	1,230	715	1,203	1,312	331
<b>90</b>	Optical, photo, technical, medical ,etc. apparatus	280	257	261	302	319
<b>03</b>	Fish, crustaceans, mollucs, aquatic invertebrates nes	218	193	231	261	292

*Source: International Trade Centre (ITC) website*

**Table 3.4: Pakistan's top imports from the world**

HS Code	Product	2008	2009	2010	2011	2012
<b>Pakistan's imports from the world (in millions of USD)</b>						
27	Mineral fuels, oils, distillation products, etc	14,054	8,838	11,399	14,860	15,947
84	Machinery, nuclear reactors, boilers, etc	3,924	3,120	2,953	2,951	3,060
85	Electrical and electronic equipment	3,782	2,619	2,442	2,430	2,752
15	Animal, vegetable fats and oils, cleavage products, etc	1,880	1,412	1,852	2,589	2,313
29	Organic chemicals	1,761	1,518	1,721	2,213	2,038
72	Iron and steel	1,629	1,683	1,695	1,680	1,848
87	Vehicles other than railway and tramway	1,184	969	1,308	1,502	1,596
39	Plastics and articles thereof	1,360	1,185	1,458	1,679	1,501
31	Fertilizers	729	805	648	1,028	908
52	Cotton	1,209	498	831	909	684
12	Oil seed, oleagic fruits, grain, seed, fruit, etc. nes	380	459	628	691	616
30	Pharmaceutical products	433	539	498	534	598
7	Edible vegetables and certain roots and tubers	305	430	507	562	595
38	Miscellaneous chemical products	450	503	555	588	549
89	Ships, boats and other floating structures	183	399	839	527	544

*Source: International Trade Centre (ITC) website*

### 3.2. China Economy Overview

The People's Republic of China is the second most rapidly emerging economy of the world that shares an elaborate border with Pakistan. The Chinese economy has expanded at an average annual rate of around 10% over the past three decades (much faster than the rate at which other high-performing, rapidly-industrializing Asian economies grew during their extended growth spells). This level of economic growth has translated into major improvements in China's living standards. According to the World Bank's classification, China has only recently graduated from a lower to upper middle income status; by 2012, the country's GDP per capita (on a PPP basis) was in excess of USD \$9,000. The growing emphasis on improving access to health and education, along with a high investment in infrastructure, has helped spread the benefits of China's economic growth nationally – including, in rural areas where incomes have grown consistently.<sup>2</sup> China's chief exports consist of electronics, nuclear items and garments, while Pakistan's major import items also consist of electronics and nuclear items. It has been observed that in the post-FTA period, trade between Pakistan and China of these items has increased to a great extent.

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<sup>2</sup> The facts and figures provided under China Economic Survey is taken from China Economic Survey 2012 issued by OECD.

## Trade profile of China

Table 3.5: China's top import partners

Country	2008	2009	2010	2011	2012
Japan	150.60	130.94	176.74	194.57	177.70
Republic of Korea	112.14	102.55	138.34	162.72	166.57
Chinese Taipei	103.34	85.72	115.73	124.91	132.18
United States of America	81.59	77.76	102.73	123.12	128.61
Germany	55.79	55.76	74.25	92.73	92.03
India	20.26	13.71	20.85	23.37	18.82
Pakistan	1.01	1.26	1.73	2.12	3.14

Values in billions of USD

Source: International Trade Centre (ITC) website

Table 3.6: China's top export destinations

Country	2008	2009	2010	2011	2012
United States of America	252.84	221.30	283.78	325.01	351.79
Hong Kong	190.73	166.22	218.30	267.98	322.76
Japan	116.13	97.91	121.04	148.27	151.18
Republic of Korea	73.93	53.68	68.77	82.92	87.53
Germany	59.21	49.92	68.05	76.40	68.95
India	31.59	29.67	40.91	50.54	47.67
Pakistan	6.05	5.52	6.94	8.44	9.28

Values in billions of USD

Source: International Trade Centre (ITC) website

**Table 3.7: China's top exports to the world**

HS Code	Product	2008	2009	2010	2011	2012
<b>China's exports to the world (in millions of dollar)</b>						
'85	Electrical and electronic equipment	342,083	301,099	388,755	445,757	487,322
'84	Machinery, nuclear reactors, boilers, etc.	268,671	236,010	309,814	353,764	375,899
'61	Articles of apparel, accessories, knit or crochet	60,877	53,763	66,711	80,165	87,045
'94	Furniture, lighting, signs, prefabricated buildings	42,833	38,937	50,584	59,336	77,886
'90	Optical, photo, technical medical, etc. apparatus	43,331	38,914	52,110	60,685	72,631
'62	Articles of apparel, accessories, not knit or crochet	52,490	46,716	54,361	63,074	61,224
'73	Articles of iron or steel	48,419	33,781	39,144	51,196	56,156
'39	Plastics and articles thereof	29,809	25,275	34,697	45,421	55,194
'87	Vehicles other than railway, tramway	39,273	27,931	38,398	49,539	55,117
'64	Footwear, gaiters and the like, parts thereof	29,720	28,016	35,634	41,722	46,811
'71	Pearls, precious stones, metals, coins, etc.	8,506	7,498	12,547	27,504	45,451
'29	Organic chemicals	29,095	24,230	31,452	39,292	40,408
'89	Ships, boats and other floating structures	19,571	28,364	40,296	43,625	38,820
'72	Iron and steel	53,473	13,481	28,931	39,878	37,118
'95	Toys, games, sports requisites	32,815	26,490	29,307	34,305	35,619

*Source: International Trade Centre (ITC) website*

**Table 3.8: China's top imports from world**

HS Code	Product	2008	2009	2010	2011	2012
<b>China's import from world (in million dollars)</b>						
'85	Electrical, electronic equipment	266,515	243,756	314,282	350,954	381,521
'27	Mineral fuels, oils, distillation products, etc.	169,252	123,970	188,966	275,766	313,067
'84	Machinery, nuclear reactors, boilers, etc.	138,796	123,717	172,150	199,314	181,960
'26	Ores, slag and ash	85,937	69,591	109,387	150,656	133,728
'90	Optical, photo, technical, medical, etc. apparatus	77,709	66,996	89,919	99,141	106,146
'87	Vehicles other than railway tramway	26,963	28,363	49,504	65,439	70,597
'39	Plastics and articles thereof	48,863	48,514	63,705	70,199	69,424
'99	Commodities not elsewhere specified	4,408	3,305	18,433	49,499	68,769
'29	Organic chemicals	39,237	36,163	48,263	63,132	60,864
'74	Copper and articles thereof	26,051	29,513	46,183	54,251	54,516
'12	Oil seed, oleagic fruits, grain, seed, fruit, etc.	23,182	21,006	27,062	32,021	38,583
'72	Iron and steel	24,534	27,816	25,326	28,381	23,280
'40	Rubber and articles thereof	11,903	10,374	16,925	23,063	20,652
'52	Cotton	7,445	6,180	10,620	14,730	18,681
'88	Aircraft, spacecraft, and parts thereof	10,056	10,525	12,391	13,542	17,613

*Source: International Trade Centre (ITC) website*

### 3.3. Malaysia Economy Overview

Malaysia is a rapidly developing economy of Asia. The previously middle-income country, has transformed itself since the 1970s, from a producer of raw materials into an emerging multi-sector economy. The Government of Malaysia is continuing efforts to boost domestic demand to wean the economy off of its dependence on exports. Nevertheless, exports – particularly of electronics – remain a significant driver of the economy. From 2000 until 2013, Malaysia's GDP growth rate averaged at 1.3%.<sup>3</sup>

The Economic Transformation Programme (ETP) entails large-scale investments in infrastructure, health, and education, as well as interlinked efforts to push key sectors further up the value chain – in order to reduce Malaysia's reliance on raw material exports and augment skill and income levels. Malaysia's manufacturing sector performed well in 2012 (including mining and electricity generation); however, the development of value-added industries, as well as the services sector, could help the economy develop further.<sup>4</sup>

It has been noted that after the signing of the Pak-Malaysia FTA, electronics have been the main category of items imported by Pakistan, as well as the major exports of Malaysia. Therefore Pakistan has availed some degree of benefit from the FTA with Malaysia (since Malaysia has been offering electronics to Pakistan under the Fast Track). Nevertheless, overall trade between the two countries is not exceptionally significant.

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<sup>3</sup> Data taken from the website of <http://www.tradingeconomics.com/malaysia/gdp-growth>

<sup>4</sup> Data taken from the website of [http://www.oxfordbusinessgroup.com/economic\\_updates/malaysia-year-review-2012](http://www.oxfordbusinessgroup.com/economic_updates/malaysia-year-review-2012)

## Trade profile of Malaysia

**Table 3.9: Malaysia's top import partners**

Country	2008	2009	2010	2011	2012
China	20.05	17.25	20.68	24.71	29.72
Singapore	17.01	13.62	18.73	23.99	25.98
Japan	19.45	15.43	20.70	21.35	20.19
United States of America	16.83	13.84	17.55	18.11	15.89
Thailand	8.74	7.48	10.27	11.28	11.75
Indonesia	7.25	6.55	9.15	11.47	10.07
Taipei, Chinese	7.52	5.25	7.42	8.85	8.16
Republic of Korea	7.22	5.69	8.89	7.53	7.97
Germany	6.73	5.24	6.64	7.18	7.51
Vietnam	2.31	2.07	2.60	3.38	5.21
Pakistan	0.13	0.15	0.15	0.25	0.25

Values in billions of USD

Source: International Trade Centre (ITC) website

**Table 3.10: Malaysia's top export destinations**

Country	2008	2009	2010	2011	2012
Singapore	29.06	21.93	26.55	28.81	30.91
China	19.01	19.10	25.06	29.82	28.73
Japan	21.19	15.46	20.61	26.13	26.85
United States of America	24.81	17.24	18.98	18.85	19.72
Thailand	9.48	8.48	10.63	11.67	12.21
Hong Kong	8.45	8.20	10.12	10.21	9.73
India	7.41	4.83	6.52	9.21	9.50
Australia	7.30	5.68	7.47	8.21	9.42
Indonesia	6.20	4.91	5.63	6.80	8.94
Republic of Korea	8.08	5.99	7.52	8.44	8.19
Pakistan	1.72	1.63	2.34	2.56	1.86

Values in billions of USD

Source: International Trade Centre (ITC) website

**Table 3.11: Malaysia's top exports to the world**

HS Code	Product	2008	2009	2010	2011	2012
<b>Malaysia exports to the world (in millions of dollars)</b>						
'85	Electrical, electronic equipment	50,903	45,187	55,775	61,351	59,298
'27	Mineral fuels, oils, distillation products, etc	36,479	23,251	31,514	40,277	46,241
'84	Machinery, nuclear reactors, boilers, etc	32,975	26,230	29,927	25,234	24,838
'15	Animal, vegetable fats and oils, cleavage products, etc	16,488	11,980	16,202	22,720	19,504
'40	Rubber and articles thereof	6,281	4,824	7,862	10,290	9,082
'90	Optical, photo, technical, medical, etc apparatus	4,459	3,625	5,560	5,999	7,455
'39	Plastics and articles thereof	5,732	4,704	6,182	7,008	6,885
'29	Organic chemicals	3,375	2,491	3,731	4,552	4,505
'44	Wood and articles of wood, wood charcoal	4,725	3,767	4,319	4,489	4,372
'38	Miscellaneous chemical products	2,987	2,195	3,078	3,919	3,567
'71	Pearls, precious stones, metals, coins, etc	2,471	2,328	2,646	2,975	3,437
'94	Furniture, lighting, signs, prefabricated buildings	2,797	2,336	2,669	2,893	3,140
'73	Articles of iron or steel	2,898	2,528	2,712	2,956	3,131
'72	Iron and steel	2,313	1,381	1,795	2,236	1,856
'87	Vehicles other than railway, tramway	1,342	1,132	1,508	1,567	1,811

Source: International Trade Centre (ITC) website

**Table 3.12: Malaysia's top imports from the world**

HS Code	Product	2008	2009	2010	2011	2012
<b>Malaysia's imports from the world (in millions of dollars)</b>						
'85	Electrical, electronic equipment	48,271	37,388	51,234	50,712	50,215
'27	Mineral fuels, oils, distillation products, etc	17,034	10,148	16,404	22,056	27,856
'84	Machinery, nuclear reactors, boilers, etc	21,429	18,813	21,293	22,733	23,410
'87	Vehicles other than railway, tramway	4,032	3,844	5,717	5,873	7,309
'72	Iron and steel	6,532	3,649	5,420	6,296	6,063
'39	Plastics and articles thereof	4,683	3,787	5,175	6,056	5,968
'90	Optical, photo, technical, medical apparatus	4,462	3,621	4,795	5,354	5,500
'71	Pearls, precious stones, metals, coins, etc.	3,316	2,596	3,687	4,979	5,060
'40	Rubber and articles thereof	2,129	2,201	3,160	4,201	4,569
'88	Aircraft, spacecraft, and parts thereof	1,759	1,630	1,880	3,498	4,254
'73	Articles of iron or steel	3,542	2,645	2,821	3,533	4,015
'29	Organic chemicals	2,936	2,465	3,394	3,964	3,830
'74	Copper and articles thereof	2,882	1,886	3,128	3,669	3,390
'15	Animal, vegetable fats and oils, cleavage products, etc.	1,570	1,402	2,232	3,624	2,941
'76	Aluminium and articles thereof	2,020	1,474	2,162	2,673	2,309

*Source: International Trade Centre (ITC) website*

## 4. Analysis of the FTAs

### 4.1. Pak-China FTA

#### 4.1.1. Trade in Goods

Pakistan and China signed a Free Trade Agreement (FTA) on 24 November 2006. Under Phase I of the FTA, the tariff reduction modalities of China and Pakistan within five years of the signing of the agreement were as follows:

**Table 4.1: Tariff Reduction Modality of Pakistan**

Category No.	Track	No. of tariff lines	% of tariff lines Covered at the 8 digit
I	Elimination of tariff (three years)	2,423	35.6%
II	0-5% (five years)	1,338	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)	1,768	26.1%
V	No concession	1,025	15.0%
VI	Exclusion	92	1.4%

*Source: Pak-China FTA from the website of Ministry of Commerce of Pakistan*

**Table 4.2: Tariff Reduction Modality of China**

Category No.	Track	No. of tariff lines	% of tariff lines Covered at the 8 digit
I	Elimination of tariff (three years)	2,681	35.5%
II	0-5% (five years)	2,604	34.5%
III	Reduction on Margin of Preference from 50% (five years)	604	8%
IV	Reduction on Margin of Preference from 20% (five years)	529	7%
V	No concession	1,132	15%

*Source: Pak-China FTA from the website of Ministry of Commerce of Pakistan*

Under Phase II, both Parties shall attempt to eliminate the tariffs applied to no less than 90% of the products traded (both in terms of tariff lines and traded volumes) within a reasonable period of time, and on the basis of friendly consultation and accommodation of the concerns of both parties. The table below shows the top ten export products of Pakistan, and the concessional categories in which these products are placed by China.

**Table 4.3: Top Ten Export Products of Pakistan**

HS Code	Top Ten Export Products of Pakistan	Concessional Category offered by China
71131910	Jewelry of gold	Not part of the FTA
10063090	Rice other varieties	No concession
62032200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Ensembles: Of cotton	Reduction on Margin of Preference of 20% (five years)
52053200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibers: Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number, but not exceeding 43 metric number per single yarn)	0-5% (five years)
52010000	Cotton not carded or combed	No concession
52051200	Cotton yarn (other than sewing thread), containing 85% or more by weight of cotton, not put up for retail sale: Single yarn, of uncombed fibres: Measuring less than 714.29 decitex, but not less than 232.56 decitex (exceeding 14 metric number, but not exceeding 43 metric number)	0-5% (five years)
10063010	Rice basmati	No concession
62034200	Mens/boys trousers and shorts of cotton, not knitted	Not part of the FTA
39076020	Bottle grade	No concession
25232900	Portland cement, aluminous cement, slag cement, super sulphate cement and similar hydraulic cements, whether or not colored or in the form of clinkers: Portland cement: Other	0-5% (five years)

The table illustrated above clearly indicates that none of the top ten export products of Pakistan are placed in concessional category I (i.e. elimination of tariff by China). More so, out of these top export products, two are not even part of the FTA while four are placed in category V that offers no concessions. One product has been included in concessional category IV ("Reduction on Margin of Preference of 20% (five years)"), while three others have been included in concessional category II ("0-5% (five years)"). It is evident from the preceding discussion that Pakistan has not duly negotiated for its top export products to be included in the highest concessional categories. This could be cited as the reason behind Pakistan's failure to increase its exports to China up to an optimum level. Now that Phase II of the FTA is underway, Pakistan should negotiate for its top exports products to be included in the top-most concessional categories.

China has also signed FTAs with other countries such as the ASEAN countries, New Zealand, Chile, Singapore, Peru and Costa Rica. To investigate whether China leaves Pakistan with a competitive edge over other countries, a comparison of the tariff reduction modalities offered by China to Pakistan, New Zealand and Chile has been made. A brief explanation of each of these modalities has been given in the following paragraphs.

The China-New Zealand Free Trade Agreement was signed on the 7<sup>th</sup> of April, 2008. China has offered tariff reductions on 7,655 tariff lines (at HS-8 levels) to New Zealand.

**Table 4.4: Tariff Reduction Modality of China for New Zealand**

Category No.	Track	No. of Tariff Lines	% of Tariff lines Covered at 8 digit
I	Elimination of tariff upon enforcement of the agreement	1,848	24.14%
II	Elimination of tariff till 2012	5,104	66.68%
III	Elimination of tariff till 2013	437	5.71%
IV	Elimination of tariff till 2016	32	0.42%
V	Elimination of tariff till 2017	7	0.09%
VI	Elimination of tariff till 2019	4	0.05%
VII	Tariff Quota Rate	9	0.12%
VIII	No concession	214	2.79%

*Source: China-New Zealand FTA from the website of MOFCOM, Republic of China*

The China-Chile Free Trade Agreement was signed in November 2005. To Chile, China has offered tariff reductions on 7,550 tariff lines at HS-8 levels.

**Table 4.5: Tariff Reduction Modality of China for Chile**

Category No.	Track	No. of Tariff Lines	% of Tariff lines Covered at 8 digit
I	Elimination of tariff in year 1	2,806	37.17%
II	Elimination of tariff in year 2	1,947	25.79%
III	Elimination of tariff in year 5	973	12.89%
IV	Elimination of tariff in year 10	1,610	21.32%
V	Exclusion List	214	2.83%

Source: China-New Zealand FTA from the website of MOFCOM, Republic of China

***A comparison of the tariff reduction modalities offered by China to Pakistan, New Zealand and Chile***

China has offered tariff reductions on 7,550 and 7655 tariff lines to Chile and New Zealand, respectively. This implies that China has offered 105 more tariff lines to New Zealand as compared to Pakistan, irrespective of the geographic proximity with the latter. Resultantly, this leads to lower freight and insurance costs, and lower losses in transit for New Zealand. Bearing the payback of such concessions in mind, Pakistan and China should negotiate on more tariff lines to be included in their FTA.

The complete elimination of tariffs, offered by China on various tariff lines to Pakistan, New Zealand and Chile (up to 2012), is depicted in the table below:

**Table 4.6**

Track offered by China	Pakistan	New Zealand	Chile
Elimination of tariff till 2012	2,681	6,952	5,726

The table clearly indicates that China has offered an elimination of tariffs on more tariff lines to New Zealand and Chile as compared to Pakistan. It is important to note that even after 2012, the

number of tariff lines covered under the elimination scheme remained the same for Pakistan (i.e. 2,681), while for New Zealand and Chile, the number increased significantly (as can be seen in Tables 4.4 and 4.5).

Moreover, an analysis of the exclusion list/no concession category (Table 4.7) reveals that China offered 1,132 tariff lines to Pakistan without a concession, while this number is very small in the case of New Zealand and Chile. This implies that China imposed a restriction on the export of 918 more products in the case of Pakistan, as compared to New Zealand and Chile.

**Table 4.7**

Track offered by China	Pakistan	New Zealand	Chile
No concession	1,132	214	214

Keeping in view the above analysis, it can be reasonably concluded that Pakistan has not attained a competitive advantage over other countries to compete in the Chinese market. Despite apparent tariff concessions offered by China, Pakistan appears to have failed to maximize the true potential it could achieve in the Chinese market. In order to go forward, Pakistan should negotiate with China for concessions equal to, or more than those offered to other suppliers of the same products.

#### 4.1.2 Trade in Services

In this section, the Pak-China FTA has been analysed with respect to the provisions given to other countries (in this case New Zealand and Chile) by China as compared to Pakistan. The schedule of commitments taken by China reveals that the country has imposed heavy restrictions on the trade of services. The schedule has many conditions attached to it, which are there to discourage the import of services from other countries, and to promote China's own service providers.

China has imposed restrictions on the trade of services; these include limitations placed on accounting firms to use CPAs that are licensed by Chinese authorities, a prohibition on the hiring of Chinese national lawyers for providing legal services, market R&D and taxation service businesses are allowed only to operate in the form of joint ventures, and the use of scheme design for architectural services is restricted. Furthermore, joint ventures of more than 50% share in equity are not allowed in

the case of telecommunication services, foreign insurance is not allowed to engage in the statutory insurance business, and foreign equity share in Chinese financial services companies is limited to 70%.

### **4.1.3 Investment**

The Pak-China FTA encompasses investment-related provisions. Investors are to be given constant protection and security in the territory of the other party and are, at all times, required to be granted fair and equitable treatment. Each party is to be subject to its laws and regulations. Guarantees are to be provided to the investors of the other party, of the transfer of their investments, and the returns held in its territory. Any disputes between the parties are to be settled by consultation through a diplomatic channel, as far as possible.

Similar provisions have been covered under the China-New Zealand FTA. However, in the case of the China-Chile FTA, provisions differ to some extent; both parties are required to promote the establishment of information exchange channels and facilitate complete communication with respect to investment policy laws, economic trade and commercial information, exploration of the possibility of establishing investment promotion mechanisms, and provision of national information and investment cooperative parties for potential investors.

From the above accord, it can be realized that China has been pursuing a similar approach for devising investment-related provisions for Pakistan and New Zealand, whereas for Chile these provisions are in some way different. Overall, China encourages the outflow and inflow of investment to some extent.

## **4.2. Pak-Malaysia FTA**

### **4.2.1. Trade in Goods**

Pakistan and Malaysia signed an FTA on 8 November 2007. Under the Pak-Malaysia FTA, the tariff reduction offered by both countries is the chief aspect that has been discussed below.

**Pakistan's Tariff Reduction Modality for Malaysia:** Pakistan has offered tariff reductions on 6,803 tariff lines at the HS-8 level on its imports from Malaysia. Out of these, 765 items (representing 11.23% of the total lines covered under the FTA) are placed in the Highly Sensitive List (HSL) in which no concessions are offered by Pakistan.

On 138 items Pakistan has offered a Margin of Preference (MOP) to Malaysian imports. These MOP tariff lines are further divided into two tracks: 129 items are placed in the MOP-T1 and 9 in the MOP-T2. The MOP lines constitute about 2.02% of the total covered lines. 179 items are included in the Exclusion List (EL), which represent about 2.63% of lines covered under the FTA.

The remaining 5,721 tariff lines follow a predefined schedule of tariff reductions (under multiple tracks) offered by Pakistan to Malaysia (Table 4.8). All of the lines covered under the Fast Track were to be liberalized completely (down to 0% duty) by January 2009, while tariffs on the lines included in the Normal Track were to be eliminated by January 2012.

**Table 4.8: Tariff Reduction Modality of Pakistan for Malaysia**

Tracks	No. of tariff lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Fast Track</b>	1,703	25.03%	0%	1-1-2009
<b>Normal Track</b>	1,236	17.72%	0%	1-1-2012
<b>Sensitive Track-1</b>	796	11.70%	5%	1-1-2011
<b>Sensitive Track-2</b>	593	8.71%	10%	1-1-2014
<b>Sensitive Track-3</b>	1,423	20.91%	20%	1-1-2011
<b>Margin of Preference-1</b>	129	1.90%		
<b>Margin of Preference-2</b>	9	0.13%		
<b>Highly Sensitive List</b>	765	11.25%	-	-
<b>Exclusion List</b>	179	2.63%	-	-

Source: Pak-Malaysia FTA from the website of Ministry of Commerce, Pakistan

**Malaysia's Tariff Reduction Modality for Pakistan:** Malaysia has offered tariff reductions along 10,593 tariff lines at HS 8 levels. Out of these, 450 items are placed in Highly Sensitive List (HSL), where no concession is offered to Pakistan's exports, representing about 4.24% of the total covered lines. 17 items are in the Tariff Rate Quota List (TRQL), which accounts for about 0.16% of the covered lines, and 102 items are placed in the Exclusion List (EL), which represents about 0.96% of the total. The remainder 10,025 items follow the schedule illustrated below, of tariff reductions (under multiple tracks) offered by Malaysia to Pakistan under the FTA.

Malaysia eliminated the tariffs on 63.23% of Pakistan's imports in January 2009; tariffs on the 1215 items that fall in the Normal Track category were supposed to be eliminated by January 2012.

**Table 4.9: Tariff Reduction Modality of Malaysia for Pakistan**

Tracks	No. of tariff lines at the HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Fast Track</b>	6,699	63.23%	0%	1-1-2009
<b>Normal Track</b>	1,215	11.46%	0%	1-1-2012
<b>Sensitive Track-1</b>	224	2.11%	5%	1-1-2011
<b>Sensitive Track-2</b>	616	5.81%	10%	1-1-2014
<b>Sensitive Track-3</b>	1,271	11.99%	20%	1-1-2011
<b>Highly Sensitive List</b>	450	4.25%	-	-
<b>Tariff Rate Quota</b>	17	0.16%	-	-
<b>Exclusion List</b>	102	0.96%	-	-

*Source: Pak-Malaysia FTA from the website of Ministry of Commerce, Pakistan*

The following table presents Pakistan's top exports and the concessional category offered by Malaysia to Pakistan for each of these.

**Table 4.10**

HS Code	Top Export Products of Pakistan	Concessional Category offered by Malaysia
71131910	Jewelry of gold	Not part of the FTA
10063090	Rice other varieties	Highly Sensitive List
62032200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Ensembles: Of cotton	Sensitive Track 3
52053200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibres: Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	Normal Track
52010000	Cotton not carded or combed	Fast Track
52051200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale; Single yarn, of uncombed fibres: Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	Normal Track
10063010	Rice basmati	Highly Sensitive List
62034200	Mens/boys trousers and shorts of cotton, not knitted	Highly Sensitive List
39076020	Bottle Grade	Not part of FTA
25232900	Portland cement, aluminous cement, slag cement, supersulphate cement and similar hydraulic cements, whether or not coloured or in the form of clinkers: Portland cement: Other	Not part of FTA

The table clearly depicts the fact that only one of the top exports of Pakistan is placed in Concessional Category I that coincides with 0% duty offered under the Fast Track. However, out of these top export products, three are not included in the FTA, while another three are placed on the Highly Sensitive List. Finally there is one product that has been classified under the concessional category Sensitive Track 3 while two others are placed in the "Normal Track" category (to which a 0% duty rate was to be offered from January 2012).

It is evident from the discussion and results illustrated above that Pakistan has not properly negotiated for its top exports to be included in the highest concessional categories. This could be the reason behind the slow growth of Pakistan's exports to Malaysia. In the future, Pakistan should negotiate for its top export products to be included in the highest concessional categories covered under the Pak-Malaysia FTA.

Malaysia has also signed FTAs with other countries including Australia, Chile, India, Japan and New Zealand. To evaluate whether the FTA with Malaysia has given Pakistan a competitive edge over other countries, a comparison of the tariff reduction modalities offered by Malaysia to Pakistan, New Zealand and India has been made. A brief description of these modalities has been presented in the following paragraphs.

The Malaysia-New Zealand Free Trade Agreement was signed on 26<sup>th</sup> of October 2009 under which Malaysia offered tariff reductions along 8,926 tariff lines (at the HS-8 level) to New Zealand.

**Table 4.11: Tariff Reduction Modality of Malaysia for New Zealand**

Tracks	No. of tariff lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Normal Track-1</b>	7,600	85.14%	0%	1-1-2012
<b>Normal Track-2</b>	1,223	13.70%	0%	1-1-2016
<b>Tariff Rate Quota</b>	15	0.17%	-	-
<b>Exclusion List</b>	88	0.99%	-	-

*Source: Malaysia-New Zealand FTA from the website of Ministry of International Trade & Industry, Malaysia*

The Malaysia-India Free Trade Agreement was signed on 13<sup>t</sup> August 2009. Malaysia has offered tariff reduction on 14,935 tariff lines at HS-8 levels to India.

**Table 4.12: Tariff Reduction Modality of Malaysia for India**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
Normal Track-1	5,693	38.12%	0%	30-09-2013
Normal Track-2	6,681	44.73%	0%	30-06-2016
Sensitive Track	1,239	8.30%	5%	30-06-2016
Highly Sensitive List	1,316	8.81%	Reduced to 50% and 25%	31-12-2018
Tariff Rate Quota	4	0.03%	-	-
Special Track	2	0.01%	-	-

*Source: Malaysia-India FTA from the website of Ministry of International Trade & Industry, Malaysia*

***A comparison of the tariff reduction modality offered by Malaysia to Pakistan, New Zealand and India***

Compared to Pakistan's count of 10,593 lines, Malaysia offered tariff reductions on 8,926 and 14,935 lines to New Zealand and India respectively. It is evident from tables 4.9 and 4.12 that Malaysia has offered more tariff lines to India compared to Pakistan. Resultantly, India is in a better, more beneficial position than Pakistan in its trade with Malaysia.

The duty relief offered by Malaysia on different tariff lines to Pakistan, New Zealand and India can be contrasted from the below table:

**Table 4.13**

Tariff reduction offered by Malaysia	Pakistan	New Zealand	India
0% duty rate	7,914	8,823	12,374

It is worth noting that duty exemptions are granted to fewer tariff lines in Pakistan as compared to India and New Zealand. New Zealand and India are enjoying a 0% duty rate on more than 909 and

4460 tariff lines respectively. As a consequence, Pakistan might not be in a position to compete in the Malaysian market owing to this discrepancy in provisions offered by Malaysia to Pakistan as compared to other countries.

Moreover, from the below table, when exclusion list/no concession category has been analyzed, it has been identified that Malaysia offered 102 tariff lines under no concession category while no concession to India has been offered on 88 tariff lines. This means that Malaysia imposed restriction on export of more 14 products from Pakistan as compared to India.

**Table 4.14**

Tariff Reduction offered by Malaysia	Pakistan	New Zealand
Exclusion List	102	88

It is apparent from the preceding analysis that Pakistan is at the lower side of acquiring benefits from its trade agreement with Malaysia as compared to other countries competing in the Malaysian market.

#### 4.2.2. Trade in Services

Along similar lines, Malaysia has presented a tight schedule to Pakistan for the import of services. Further, it has been observed that Malaysia is, to some extent, reluctant to invite the services of other countries. For this reason it has placed some restrictions of the import of services. Some of these limitations imposed by Malaysia on import of service sectors from Pakistan are as follows:

- Legal services can only be provided through the incorporation of a company in the Federal Territory of Labuan
- Accounting and taxation services can only be provided through a partnership in which foreign interest should not exceed 40%, in the case of accounting services, and 30% in the case of taxation services

- Foreign directorship is not allowed in the case of architectural and engineering services; a joint venture with up to 30% foreign equity is allowed in the case of architectural services, and 40% in the case of engineering services
- Only Malaysian controlled corporations or the corporations acting as agents of Malaysian companies, are allowed to provide leasing-related services
- Foreign equity ownership should not exceed 30% (in aggregate) in the case of telecommunication services. Also, management control should be in the hands of the Malaysian corporation
- Tourism services can only be provided under a joint venture arrangement – with no more than 49% foreign equity ownership. Further, management control must lie with the Malaysian partner.

#### 4.2.3. Investment

Some of the investment-related provisions included under the Pak-Malaysia FTA are as follows:

- Each Party shall within its country's territory accord to investors of the other Party and to their investments, treatment no less favourable than that it accords in like circumstances to its own investors, and to their investments with respect to the establishment, acquisition, expansion, management, operation, maintenance, use, possession, liquidation, sale, or other disposition of investments.
- Each Party shall encourage and create favourable conditions for the investors of the other Party to invest in its country's territory and take all possible measures for the protection of investments.
- Each Party shall permit all transfers relating to investment to be made freely, and without delay, into and out of its country's territory in any freely usable currency.

Similar provisions have been granted under the Malaysia-New Zealand FTA and Malaysia-India FTA. This is indicative of Malaysia's consistency in its offering of investment-related provision to Pakistan and other countries.

## 5. Pakistan's Post FTA performance

### 5.1. Under the Pak-China FTA

#### 5.1.1. Trade in Goods

Pakistan's trade with China has significantly increased from 2006 to 2012; however, a significant volume of this trade can be attributed to large imports of electric and electronic equipment, machinery, chemicals, fertilizers and industrial raw materials (iron and steel, staple fibres, plastics, etc.).

**Table 5.1**

	2006	2012
Imports from China	2,915	6,688
% of total imports from the world	10%	16%
Exports to China	507	2,620
% of total exports to the world	3%	11%

*Values in millions of USD*

The table above clearly shows that after the implementation of the FTA in 2006, Pakistan's imports from China increased by 129% in 2012, while exports to China increased by 417%. Pakistan mainly exports textile products to China.

#### **Exports to China: Elimination of Tariff (within three years)**

Customs duties under this category were removed in four stages starting from the signing of the agreement in 2007. The goods placed in this category became duty-free from the 1<sup>st</sup> of January of year three. The Margin of Preference (MOP) is as follows:

**Table 5.2**

Category	Entry into force	01.01.08	01.01.09	01.01.10
I	25% concession	50% concession	75% concession	100% concession

According to **Table 1 (Appendix 1)**, the top exports under Category I (elimination of tariff within three years) mainly consist of cotton products (HS-52), and Ore and Chromium (HS-26). The exports of Ore and Chromium to China in 2006 amounted to USD 27.831 million, climbing up to the level of USD 111.477 million by 2012 (depicting a 300% increase). Likewise, total exports to the world of the said products increased from USD 30.923 million in 2006 to USD 111.477 million in 2012. This increase in total exports to the world can be attributed to the massive increase in exports to China within the same period.

The exports of cotton products exhibited a considerable increase, as is evident from **Table 1 (Appendix 1)**. Cotton exports to China rose from USD 2.850 million in 2006 to USD 101.507 million in 2012. Once again, this major increase in cotton exports to China resulted in increasing the total exports to the world (from USD 40.457 million in 2006 to USD 151.284 million in 2012).

After the signing of the FTA, Pakistan's exports to China witnessed positive growth (with respect to total exports to the world) in the following product codes: HS-26100000 (from 90% in 2006 to 95.5% in 2012), HS-52091200 (from 7% in 2006 to 67% in 2012), and HS-25151200 (from 18% in 2006 to 87.65% in 2012).

Whereas some products (such as HS-72051000 and HS-26190000) showed no exports to China and to the rest of the world prior to 2006, after the signing of the FTA, the total export to China of these products amounted to around USD 6 million each in 2012. Therefore, for these unique products, exports have increased from 0% to 100% upon the signing of the contract.

Lastly, while some of the products exported to China showed a decline with respect to total exports from 2006 to 2012, i.e. HS-23064100 (from 100% to 91.74%) and HS-23064900 (from 75.7% to 72%), in absolute terms, the export of these products to China increased from 2006 to 2012. On an overall basis, however, Pakistan has not exported all of the products covered under this category, indicating that this category remains underutilized to a great extent.

**Exports to China: 0-5% tariff (five years)****Table 5.3**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
II Where MOP is given by:	(X-5)/ 6X	2(X-5)/ 6X	3(X-5)/ 6X	4(X-5)/ 6X	5(X-5)/ 6X	6(X-5)/ 6X
If MFN= 10%, the reduction in duties would be given by 10%(1-MOP)	9.17%	8.33%	7.5%	6.67%	5.83%	5%

In the second category, customs were to be reduced to or below 5% in the five years following the enforcement of the Pak-China FTA. Maximum reductions in tariff under this category were achieved in 2012.

**Table 2 (Appendix 1)** reveals that within this category, the main increase in exports to China has been achieved in the following articles of cotton: HS-52051200 (USD 99.274 million to USD 529.267 million), HS-52053200 (USD 115.762 million to USD 450.651 million), HS-52051100 (USD 34.841 million to USD 167.384 million), HS-52051300 and HS-52053100 (USD 3.513 million to USD 120.966 million).

From the same table, it can be seen that the exports of the above-mentioned items to the world have increased tremendously, a large portion of which is attributed to the exports to China. Here, the phenomenon of diversion comes into play, as a major share of world exports is represented by the exports to China.

In addition, subsequent to the signing of the FTA, the huge rise in exports under this particular category is owed to the 5% or lower tariff rate offered. In some instances, it has been observed that whereby total exports to the world have decreased, exports of the same products to China have increased (**Table 2 in Appendix 1**). For example, exports of products with the codes HS-52052200, HS-52051400, HS-52052400 and HS-52052300 to China were much lower in 2006 compared to 2012,

irrespective of the fact that the total exports of these products to the world decreased during this time. This, again, is a clear depiction of the diversion of exports to China from the rest of the world.

### Exports to China: 50% Reduction in Margin of Preference (Five years)

Under this category, custom duties have been reduced by a MOP of 50% within five years of the enforcement of the agreement in 2007. The MOP is as follows:

**Table 5.4**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
III	8% concession	16% concession	25% concession	33% Concession	41% concession	50% concession

**Table 3 (Appendix 1)** clearly elucidates that prior to the FTA of 2006, most of the products that fall in this category had close to no exports to China. However, in 2012, the export of these products to China increased only slightly (regardless of the fact that the tariff lines covered under this category had availed their maximum concession of 50%). The only product in this category that showed some amount of improvement subsequent to the enforcement of the FTA was HS-63053300 (there were no exports to China of this product in 2006, while in 2012 the value of its exports was USD 9.829 million).

Under this category, some textile products in finished form, mainly, HS-61034900, HS-61059000, HS-61159900 and HS-61033900, showed a slight increase in exports to China in 2012, while exhibiting a much larger increase in exports to the world. This occurrence indicates that exports to China might have increased if these products had been granted more concessions, or had been placed in any of the higher concessional categories.

The trivial increase in exports to China, in 2012, shows that this category remains largely underutilized. **Table 3 in Appendix 1** titled, "Potential Opportunities for Pakistan to Increase Benefits", evidently indicates that there exist tremendous export opportunities for Pakistan under this category. However, unfortunately, these opportunities are difficult to be availed, owing to the low concessional rate of duty provided by China to Pakistan.

### Exports to China: 20% Reduction in Margin of Preference (Five years)

Customs duties have been reduced by an MOP of 20% within five years of the enforcement of the agreement. The MOP is as follows:

**Table 5.5**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
IV	3% concession	6% concession	10% concession	13% concession	16% concession	20% concession

It is evident from **Table 4 (Appendix 1)** that the products that fall under this category had almost no exports to China in 2006. However, after the signing of the FTA, in 2012 (when a maximum reduction in tariff had been achieved), the exports of these products demonstrated only a slight increase.

Item HS-62032200 exhibited a large increase in the exports to the world in 2012 i.e. worth USD 774.325 million, however, exports of this product to China increased only to a level of USD 2.769 million. These figures suggest that there is huge potential to boost the exports of this product to China.

In addition, other products such as HS-63053900, HS-62042200, HS-2041000 and HS-62045200 have undergone an increase in exports to China which is very small compared to total world exports. It is safe to say that had these product lines been included in any of the other three categories, there might have been a possibility of advancing more of their exports to China.

It can also be seen that a few product lines (e.g. HS-8109090) have witnessed a decline in total global exports from 2006 to 2012. The point to be noted here is that the same products had no exports to China prior to the FTA that was signed in 2012. Soon after 2012, the exports of these products started to show signs of improvements, suggesting that Pakistan had positively benefited from the FTA with China.

### Exports to China: No Concession

Under the “No Concession” category, Pakistan’s products largely remain at a disadvantage in the highly competitive Chinese market (as is evident from **Table 5 in Appendix 1**). The first product listed in this table, HS-10063090, had very few exports to China in 2006. Following the FTA, the exports of this product to China increased significantly (from USD 0.012 million to USD 248.719 million). Exports to the world of this product also increased, a major portion of which was accounted for by the exports to China (indicative of the diversion phenomenon). However, this particular scenario is rather unique; the item falls under the ‘no concession’ category but Pakistani exporters ship this item to China at high duty. Resultantly, the product remains uncompetitive in the Chinese market due to the high duties imposed. Nevertheless, this confirms that Pakistan definitely has a promising potential to export this product to China, but the benefits of the FTA have not been achieved so far since the product is not included in any of the concessional categories. Similarly, the second product (HS-41120000) has also followed the same pattern of exports in 2012, as around one-third of the exports of this product are targeted towards China.

Some other products such as HS-30339000, HS-41139000, HS-41079200 and HS-10059000, have shown a slight increase in exports to China in 2012 as compared to 2006. Even though these products have significantly high exports to the world, they are displaying slow growth in exports to China since they have not been included in any of the concessional categories of the Pak-China FTA. As a result, the levels of exports of these products to China have remained extremely low. **Table 5 (Appendix 1)** sheds light on the enormous potential for the growth in exports of these products, which may lead to higher profits for exporters if they successfully secure favourable tariff rates.

### Imports from China: 100% concessions under Elimination of Tariff (within three years)

Import custom duties under this category were removed in four stages, following the enforcement of the agreement in 2007. All goods under this category became duty-free in 3 years from the date of the agreement, 1 January 2010. The MOP is as follows:

**Table 5.6**

Category	Entry into force	01.01.08	01.01.09	01.01.10
I	25% concession	50% concession	75% concession	100% concession

It can be seen from **Table 6 (Appendix 1)**, that the chief contributors to imports include HS-4011209, HS-89080000, HS-86071900 and HS-86050000. These products codes cover railway coaches and parts, traffic control equipment, electric space heating apparatus, machineries, inorganic and organic chemicals and products of iron, steel and alloys.

Several of these products had little or no imports from China in 2006, but saw a rapid surge in imports after the implementation of the FTA. Imports from the world also increased during this time, with China representing the majority share. This upturn in the imports from China can be associated to the lower prices of Chinese products as compared to those of other countries. For example, product code HS-89080000, which was not imported from China up till 2006, witnessed an immense increase in imports after the signing of the FTA.

Some other item codes, such as HS-29224100 and HS-7219901, also experienced a huge post-FTA increase in imports from China. For these products, the increase in imports from China is greater than the increase in the imports from the world, suggesting that perhaps the increase in imports from China is the major driver of the increase in imports from the world.

#### Imports from China: 0-5% tariff (five years)

Import customs duties in this category have been reduced to or below 5% in the five years following the enforcement of the agreement in 2007. Duties are calculated in the following manner (with X referring to the applied MFN tariff rates of the current year):

**Table 5.7**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
II	(X-5)/	2(X-5)/	3(X-5)/	4(X-5)/	5(X-5)/	6(X-5)/
Where MOP is given by:	6X	6X	6X	6X	6X	6X
If MFN= 10%, the reduction in duties would be given by 10%(1-MOP)	9.17%	8.33%	7.5%	6.67%	5.83%	5%

Under the 0-5% tariff reduction category, the tariff rate declined each year, reaching its maximum reduction level in 2012. It is clear from the **Table 7 (Appendix 1)** that the trade between China and Pakistan has increased after the implementation of the FTA. The tariffs available to China in its exports to Pakistan provide preferential treatment to most of the products being traded between the two nations.

Referring to the same table (**Table 7 in Appendix 1**) the top three product codes, which saw a significant boost in imports from China after the signing of the FTA, include HS-31053000, HS-85022000 and HS-31021000. It should be noted that overall imports from the world also increased during this time period, of which China represented a major chunk.

For some other products in this category, e.g. HS-72104990, HS-54033200, HS-55041000, HS-29419090 and HS-85359000, trade diversion from the world to China can be observed.

Ginger is the only product in the list that has seen a decline in imports from 2006 to 2012 (HS-9101000). Ginger imports fell from USD 22.820 million in 2006 to USD 12.546 million in 2012, and from USD 25.579 million in 2006 to USD 16.032 million in 2012, from China and the world respectively. This trend shows that the decrease in total imports of ginger from the world is more than the decrease in the imports of ginger from China, indicating that a diversion in imports has occurred.

#### **Imports from China: 50% Reduction in Margin of Preference (five years)**

Import customs duties under this category have been reduced by a margin of preference of 50% within five years following the enforcement of the agreement in 2007. The MOP is calculated as follows:

**Table 5.8**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
III	8% concession	16% concession	25% concession	33% concession	41% concession	50% concession

Under Category III, the Chinese imports contributing substantially to Pakistan's total imports consist of fabrics of silk waste, glass mirrors, woven fabrics (of carded wool), makeup preparations, and baby diapers.

According to **Table 8 (Appendix 1)**, the level of imports of the products with the item codes HS-50079000, HS 7009100 and HS 50072000 was quite low in 2006; however, this amount significantly increased in 2012 owing to the reduction of tariff rates to 50%. In addition, and similar to other cases, out of the increase in total imports from the world, the largest portion can be attributed to the imports from China.

It can also be observed that the imports of some products from China have shown a higher increase compared to the increase in total imports e.g. in the case of HS-50072000, HS-69021090 and HS-34029000. This implies that a major portion of the total imports from world has been diverted towards imports from China.

#### **Imports from China: 20% Reduction in Margin of Preference (five years)**

Import customs duties in this category have been reduced by a margin of preference of 20% within five years following the enforcement of the agreement. The MOP is calculated as follows:

**Table 5.9**

Category	Entry into force	01.01.08	01.01.09	01.01.10	01.01.11	01.01.12
IV	3% concession	6% concession	10% concession	13% concession	16% concession	20% concession

**Table 9 (Appendix 1)** reveals that the imports of some products were strikingly low in 2006 (e.g. HS-84021200, HS-85164000, HS-73083000 and others), yet, as 2012 approached, the magnitude of these imports (both from the world as well as from China) increased, with China being the major contributor. This trend signifies the increase in trade levels between Pakistan and China following the implementation of the FTA.

Two product codes from the above mentioned table (HS-72165000 and HS-73012000) are those in which China has almost captured the entire market, whereby all of the imports flowing into Pakistan are sourced from China

It can also be observed that many products that fall in this category (e.g. HS-73012000, HS-96086000 and HS-73083000) had negligible imports in 2006. The sudden upsurge of the inflow of imports in 2012 is indicative of either the lower prices of imported products, or a rise in demand that couldn't be met with local production. Still, the important thing to note is that the major share of Pakistan's imports is represented by the imports being sourced from China.

### **Imports from China: No concession**

This list consists of 1025 items. In spite of no concessions being offered in this particular category, it can be seen that overall imports have increased in 2012.

Another important observation is that Pakistan's imports from China have increased by an amount greater than that from other countries of the world. This manifestation can be ascribed to the increase in demand for goods, in which there is a preference for low cost Chinese alternatives over local or other high-priced goods.

Some products in this category shown in **Table 10 (Appendix 1)** have undergone significance upturns in demand, complemented by an equivalent increase in the level of imports from China (from the year 2006 to 2012). These products include HS-54023300, HS-55032010, HS-85393910, HS-54033100, HS- 87112010, among others.

Imports from the world in general have also increased from 2006 to 2012, however, for some products (such as HS-55032010, HS-54033100, HS-64051000, HS-64029900 and HS-55032090), China now comprises of a major portion of the total imports.

Further, the increasing demand of imports for these products from China indicates that they are considered as cheaper substitutes for the local products available. The local industries have been subject to lower utilization of capacity because of low productivity and high costs. This is where the battle

begins; the local producers face scarce and at times unavailable resources. Consequently, they lose their own market because the buyers demand cheap products, keeping quality aside.

### 5.1.2. Trade in Services

It should be noted that table 5.10 provides information pertaining to the year 2010, as recent data on the export and import of services (sector-wise and otherwise) to and from China is unavailable. This limitation has been an obstacle in the way of constructive analysis. However, the information presented in the table, does lay down the base for conducting some degree of useful analysis.

It can be clearly observed from the table that the import by Pakistan from the world decreased by 16% from 2006 to 2010. This indicates that the domestic services sector of Pakistan had strengthened by 2010, being the main reason behind the decline in the import of services. On the other hand, exports of Pakistan to the world increased significantly, by 88%, from 2006 to 2010, indicating that the services sector of Pakistan was beginning to be recognized in the world.

The services imported from China in particular, have been seen to decrease by 39% from 2006, following the implementation of the FTA in 2010. It can also be seen from the table below that in 2010, services imports from China stood at 7% of the total import of services. In absolute terms, in 2010, these imports (worth USD 524.912 million) were still much higher compared to Pakistan's export of services to China (worth USD 45.569 million).

Conversely, in 2010, the flow of services exports from Pakistan to China increased by 63% from its level in 2006, following the implementation of the FTA. In spite of the numerous market access limitations imposed by China on the import of services, the export of services from Pakistan increased from the nominal value of USD 27.948 million in 2006 to USD 45.569 million in 2010. These limitations have been discussed in detail in the "Export Barriers for Trade in Services" sub-section.

**Table 5.10**

	2006	2010	% of increase / decrease
Imports from China	859.765	524.912	(39%)
Imports from the World	8,417	7,105	(16%)
% of total imports from the World	10%	7%	(3%)
Exports to China	27.948	45.569	63%
Exports to the World	3,506	6,593	88%
% of total exports to the World	0.80%	0.69%	(0.11%)

*Values in millions of USD*

*Source: International Trade Centre (ITC) website*

### 5.1.3. Investment

It should be noted that data related to the flow of investment between Pakistan and China (sector-wise and otherwise) is unavailable. However, the table below does provide some amount of useful information relating to the inflow and outflow of investments from Pakistan.

It is observable that the total inflow of investment into Pakistan from all over the world stood at USD 2,338.40 million in 2009, decreasing to the level of USD 1,326.20 million by 2011. At the same time, the value of the inflow of investment from China in 2009 stood at negative USD 109.9 million; however, irrespective of the total decline in investment inflows from the world, this value turned positive in 2011, reaching the level of USD 80 million. This increase in the inflow of investment from China could be attributed to the provision of suitable investment conditions under the Pak-China FTA (which has been discussed in Section 5: "Analysis of the FTAs").

An increase in the flow of investment into a country can contribute towards reducing the deficit in the balance of payments (or incrementing the surplus thereof). Pakistan can encourage the inflow of investments by rendering the business environment favourable for foreign investors. In the last few years, Pakistan has been confronted with several misfortunes, such as the deteriorating law and order situation; political instability; the loss of economic vigour; escalating costs of doing business (as compared to the world); and a weak and inefficient legal system (leading to uncertainties in the enforceability of contracts). Furthermore, Pakistan lags behind other developing countries that are able

to attract higher levels of foreign investments, in terms of the state of its infrastructure. The availability, reliability and low costs of infrastructural facilities (such as power, telecommunications and water supplies) are important elements of a business environment conducive to investment.

**Table 5.11**

	2009	2011	% of increase / (decrease)
Inflow from China	(109.9)	80	172.79
Total inflow of investment	2,338.40	1,326.20	(43.29)
% of total inflow from the World	(4.7)	6.03	10.73
Total outflow of investment	71	62	(12.68)

Values in millions of USD

Source: International Trade Centre (ITC) website

#### 5.1.4. Balance of Payments

The following table highlights Pakistan's balance of payment account figures with China, for the years 2006 (prior to the FTA) and 2012 (post-FTA).

**Table 5.12-A**

	2006	2012
Exports to China	466,775	2,560,510
Imports from China	2,040,776	4,470,414
<b>Deficit in Balance of Payment</b>	<b>(1,574,001)</b>	<b>(1,909,904)</b>

Values in 000 USD

Source: State Bank of Pakistan (SBP) website

From the table above, it can be seen that prior to the FTA in 2006, Pakistan's exports to and imports from China were placed at a fairly low level as compared to 2012. It can also be observed that Pakistan has faced a deficit in its balance of payments account, both before and after the signing of the FTA.

As per expectation, the deficit should have decreased after the signing of the agreement; instead it increased by 21.34%. Despite the overall increase in exports to China, the deficit has increased

indicating that Pakistan has not been able to fully reap the benefits of the Pak-China FTA. It appears that China is gaining more from the agreement relative to Pakistan.

The following table shows Pakistan's balance of payment amounts against the world (excluding China) for the years 2006 and 2012:

**Table 5.12-B**

	2006	2012
Exports other than China	16,582,897	22,212,399
Imports other than China	24,656,228	36,006,195
<b>Deficit in Balance of Payment</b>	<b>(8,073,331)</b>	<b>(13,793,796)</b>

*Values in 000 USD*

*Source: State Bank of Pakistan (SBP) website*

It is evident from the table above that the Pakistan's deficit in the balance of payments has increased by 70.86% from 2006 to 2012. Analysing this in competitive terms, it is safe to say that some amount of gain has been derived from the Pak-China FTA since the incremental percentage of the deficit recorded for China (21.34%) is much lower than that observed for the world (70.86%).

## 5.2. Under Pak-Malaysia FTA

### 5.2.1. Trade in Goods

Pakistan's trade agreement with Malaysia involves various tariff concession offered on different tariff lines. Out of these concessions, Malaysia has offered reductions on around 10,593 items at the HS-8 digit level to Pakistan. 450 items from among these lines are a part of the Highly Sensitive List (HSL), for which no concessions have been granted by Malaysia to Pakistan.

#### **Export to Malaysia under the Fast Track:**

The first category under the Pak-Malaysia FTA is the Fast Track. This category includes 1,703 tariff lines at the HS-8 digit level which represent 25.03% of the total tariff lines covered in the FTA. The provision of this category offered the complete elimination of tariff rates, effective from 1 January 2009.

**Table 5.13**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Fast Track</b>	1,703	25.03%	0%	1-1-2009

**Table 11 (Appendix 1)** shows that the top four products exported to Malaysia in 2012 (HS-10059000, HS-10051000, HS-23021000 and HS-10019900) had close to no exports to Malaysia in 2007. This increase in the level of exports was possibly a result of the enforcement of the FTA, and the subsequent drop in tariff rates to 0%.

Comparing these results with Pakistan's exports to the world, there were almost no exports of Maize (HS-10059000 and HS-10051000) to Malaysia, whereas only a few exports to the world in 2007 that showed an increasing trend in 2012. The figures show that the quantity exported to Malaysia was far less than the quantity of Maize exported to the world. A possible reason for this situation could be that the world's demand for Maize rose significantly from the year 2007 to 2012. Another possibility is that the production capacity of Pakistan rapidly grew over these years and while there was sufficient output that could be exported, for some reason Pakistan could not succeed in improving its exports of this item to Malaysia.

The third product in the same table, coded HS-23021000, represents a major share of exports to Malaysia in the total exports to the world in 2012.

Another unique trend observed under this category, in the codes HS-03037900 and HS-03037400, shows that the exports of these products declined drastically in year 2012 as compared to 2007, both to Malaysia and to the world. This decline may have occurred as a result of a steep reduction in the production of these items, or perhaps due to the decrease in demand of Pakistani products in Malaysia because of a market-related reason, irrespective of the fact that there was no tariff on these products.

**Export to Malaysia under the Normal Track:**

The Normal Track covers another set of provisions granted by Malaysia to Pakistan. The total number of items included in this category (1,236) represents 17.72% of the total tariff lines covered under the FTA. 0% tariff rates were to be applied to the export of these products, effective from the start of the 5<sup>th</sup> year of the FTA i.e., 1 January, 2012.

**Table 5.14**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Normal Track</b>	1,236	17.72%	0%	1-1-2012

The trends depicted in **Table 12 (Appendix 1)**, show that exports to the world of these products increased from 2007 to 2012, however, despite the complete elimination of tariffs, exports to Malaysia did not increase by a considerable amount during the same time period.

Further, exports of the second, third and fourth product codes shown in the table only increased by a small percentage. These observations point to Pakistan's undercapitalization of the benefits of the FTA. An overall analysis of trade levels between the two countries (from 2007 to 2012) reveals that the FTA has not played a major role in raising these trade levels.

**Export to Malaysia under Sensitive Track 1:**

Under this provision, Malaysia gave concessionary rates for the exports of certain products and at the start of third year from the date the agreement was signed; the tariff rate decreased to a minimum of 5%.

The 224 product lines that fall this category only account for 2.11% of the total tariff lines covered under the FTA

**Table 5.15**

Tracks	No. of Tariff Lines @ HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-1</b>	224	2.11%	5%	1-1-2011

According to **Table 13 (Appendix 1)**, Woven fabric (HS-55131100) was the top product from this category that showed only a small improvement in its level of exports from 2007 to 2012. The total exports of this product to the world declined over the same period, possibly because of low production rates of the fabric or a shift in overall global demand to other countries. On the other hand, the rise in the exports to Malaysia may be attributed to maximum capitalization of the reductions in tariff, specifically for this product.

Conversely, the rest of the products of this category showed only a nominal increase in exports to Malaysia from 2007 to 2012. A comparison of these export levels with that of the rest of the world shows that Pakistan is perhaps not fully cashing on the potential of the FTA.

#### **Export to Malaysia under Sensitive Track 2:**

The export to Malaysia under Sensitive Track 2 contains 616 product lines which represent 5.81% of the total tariff lines under the FTA. Under this category, the maximum concessions in tariffs were to be available from the beginning of the sixth year (i.e. 1 January 2014); the tariffs on these items were to be reduced to 10%.

**Table 5.16**

Tracks	No. of Tariff Lines @ HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-2</b>	616	5.81%	10%	1-1-2014

As per the provisions of the FTA regarding this category, minimum tariff rates were to be applicable from the sixth year of the signing date.

There has been no significant increase in exports, as suggested by the figures in **Table 14 (Appendix 1)**, under this category, except for the first product category that showed an increase from

USD 1.047 million in 2007 to USD 12.041 million in 2012. On the other hand, exports to the world increased significantly from USD 21.549 million in 2007 to USD 98.099 million in 2012. It was anticipated that the rise in exports to Malaysia would occur near the end of fifth year when the minimum tariff level is achieved.

In 2012, exports to the world of HS codes HS-62033900 and HS-94049000 increased considerably. However, at the same time, exports to Malaysia of these products showed only a nominal increase. This category of the Pak-Malaysia FTA is highly underutilized, as is evident from **Table 14 (Appendix 1)**.

### Export to Malaysia under Sensitive Track 3

Under the Sensitive Track 3 category, Malaysia offered the provision of a reduction in tariff rate to 20%, applicable from the start of the third year. 1,271 products are covered in this category representing 11.99% of the total tariff lines offered under the FTA.

**Table 5.17**

Tracks	No. of Tariff Lines @ HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-3</b>	1,271	11.99%	20%	1-1-2011

**Table 15 (Appendix 1)** shows that white crystalline cane sugar (HS-1701991) was the top product under this category. Exports of this product were nil before the FTA (i.e. in 2007) and increased to USD 11.203 million in 2012. However, the share of exports to Malaysia in total exports to the world was still quite low, standing at 6.9% only. This trend indicates that while Pakistan has the capacity to export this product, the demand for the product in Malaysia is low.

The exports of the item with code HS-62111200 to Malaysia grew from nil to a value of USD 1.319 million from 2007 to 2012. On the other hand, exports of this product to the world amounted to USD 0.842 million in 2007 and USD 2.323 million in 2012. Therefore, for this item, Malaysia represents a major portion of total exports to the world i.e. 56.780%.

In addition, other products (excluding the above-listed products) under this category, showed a very small increase in exports to Malaysia after the implementation of the FTA in 2012. This clearly indicates that this category, also, remained underutilized in the FTA.

### Import from Malaysia under the Fast Track

For import purposes, Pakistan offered a concessional scheme on various products at the HS-8 digit level. There are 1,703 total products in the fast track that represent 25.03% of the total tariff lines offered under the FTA.

**Table 5.18**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
Fast Track	1,703	25.03%	0%	1-1-2009

Under this category, tariff rates were to be reduced to zero by the start of the year 2009. **Table 16 (Appendix I)** shows top imports of the products that are included in this category. The first product in this category (HS-89080000) had no imports prior to the FTA; however, after the implementation of the agreement, the imports of this item increased to USD 33.383 million by 2012. At the same time, imports of this product from the world increased from 2007 to 2012, indicating that the demand for this product in Pakistan increased during this time period.

The import from Malaysia of the item with HS code 84143010 showed a slight increase in 2012. At the same time, the imports of the said product from the world decreased in 2012. It can be concluded from the observed pattern that a small fraction of the imports of this product have diverted from the world to Malaysia.

Imports from Malaysia of the item with code HS 296161200 have shown an increase in the years following the agreement. Imports from the world of the said product have also increased during this timeframe; however, the increase is much lower relative to the imports from Malaysia. Once again, this trend points to the occurrence of diversion.

HS-40011000, HS-38231920 and HS-84713020 are three products that have followed a different trend. The imports of these items decreased after the FTA (both from the world and from Malaysia), indicating that there might be an increase in the local production of these items resulting in a low demand for these products from abroad.

Overall, Pakistan's imports from Malaysia have witnessed an increase under this category.

### Import from Malaysia under the Normal Track

Under this category, Pakistan has offered Malaysia the export of 1,236 of its items, representing 17.72% of the total tariff lines offered under the FTA. Tariff rates under this category were to decline to 0%, applicable from the start of fourth year, i.e. 1 January, 2012.

**Table 5.19**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
Normal Track	1,236	17.72%	0%	1-1-2012

It can be seen from **Table 17 (Appendix I)** that the first three products, i.e. HS 85299090, HS-18050000 and HS-23066000, witnessed an increase in imports from 2007 to 2012 both, from Malaysia and the world. It can also be observed that Malaysia captured a major share of world imports in these categories.

Imports of the product with the code HS-74031100 climbed up from zero to the level of USD 8.694 million, from 2007 to 2012, irrespective of the decline in total imports from the world during the same time. It is evident from this trend that Malaysia grabbed a major share of the imports of this product from other countries.

Another notable product, with the code HS-23040000, saw a drastic increase in imports from the world from 2007 to 2012, i.e. from the value of USD 83.806 million to USD 281.607 million. However, imports from Malaysia of the same product increased only slightly during the same time span.

### Import from Malaysia under Sensitive Track 1

Under this category, tariff rates were to be reduced a minimum of 5%, applicable from the start of the third year (2011). This category includes 796 products that represent 11.7% of the total tariff lines covered under the FTA.

**Table 5.20**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-1</b>	796	11.70%	5%	1-1-2011

It can be seen from **Table 18 (Appendix I)** that imports from Malaysia of the product with the code HS-39023000 decreased from 2007 to 2012, whereas imports from the world of the same product rose in 2012 compared to 2007. It is clear that Pakistan did not avail the benefit of the minimum duty of 5% applicable to the said product by importing it from Malaysia.

Moreover, imports of the products with the codes HS-39012000 and HS-85362010, both, from Malaysia and the world, decreased in 2012. This implies that these items are now required in lower quantities by Pakistan, possibly because of expansion in the scale of local production or a general reduction in the demand of the product.

In addition, products with the codes HS-39013000 and HS-49119900, exhibited a trend where their imports increased after the signing of the FTA, while imports from rest of the world declined.

### Import from Malaysia under Sensitive Track 2

593 items are included in this category, representing 8.711% of the total tariff lines offered under the FTA. A minimum tariff rate of 10% was to be applied to this category at the start of the sixth year (2014) following the agreement.

**Table 5.21**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-2</b>	593	8.71%	10%	1-1-2014

**Table 19 (Appendix I)** shows that the imports of products with the codes HS-35069110, HS-74081900, HS-38237000, HS-39041010, HS-3409090, HS-73079900 and HS-73121010, increased only slightly after the enforcement of the FTA. At the same time, total imports from the world also witnessed a gradual rise.

Two items in the table (with the codes HS-72139190 and HS-84818090) saw a fall in imports from Malaysia whilst an increase in imports from the world, from 2007 to 2012. It can be observed from the table that the overall share of imports from Malaysia, with respect to the imports from the world, is rather small, thereby depicting that this category is highly underutilized.

#### **Import from Malaysia under Sensitive Track 3:**

1423 tariff lines are covered under this category, which represent 20.91% of the total tariff lines that fall under the FTA. Duties on the items of this category were to be reduced to 20% from 1 January 2011.

**Table 5.22**

Tracks	No. of Tariff Lines at HS-8	% of total tariff lines offered under FTA	Duty	Year
<b>Sensitive Track-3</b>	1,423	20.91%	20%	1-1-2011

Most of the products of this category are those which had fewer imports in 2007 as compared to 2012, both from the world and from Malaysia (**Table 20 – Appendix I**). In 2012, the import of these items increased nominally from the world as well as from Malaysia. Additionally, the share of imports from Malaysia when compared to the world was much smaller, indicating that for this category, the FTA did not have a gross effect on imports from Malaysia.

Furthermore, the import of the product HS-29152100 from Malaysia was worth USD 11.649 million in 2007, which decreased to the level of USD 6.450 million in 2012. On the other hand, the imports of this product from the world increased from 2007 to 2012. It can therefore be concluded that even after the FTA, this category has remained underutilized.

### 5.2.2. Trade in Services

It should be noted that the table below provides information pertaining to the year 2010, as the data for recent years, regarding the export and import of services (sector-wise and otherwise) to and from Malaysia is unavailable. This limitation has been an obstacle in the way of constructive analysis. However the information presented in the table below does provide the base for conducting some degree of useful analysis.

It can be clearly observed from the table below that the import by Pakistan from the world decreased by 19.44% from 2007 to 2010. This indicates that the domestic services sector of Pakistan had strengthened by 2010, being the main reason behind the decline in the import of services. On the other hand, exports of Pakistan to the world increased by 75% from 2007 to 2010, indicating that the services sector of Pakistan was beginning to become renowned in the world. In contrast to the trends witnessed for the world, the services imported from Malaysia have been seen to increase by 4.76% from 2007 to 2010, following the implementation of the FTA. In absolute terms these imports (worth USD 154.021 million) were much higher compared to Pakistan's export of services to Malaysia (worth USD 39.337 million) in 2010.

Likewise, the flow of services from Pakistan to Malaysia increased by 42% from 2007 to 2010. In spite of the numerous market access limitations imposed by Malaysia on the import of services, the export of services from Pakistan increased from the nominal value of USD 27.688 million in 2006 to USD 39.337 million in 2010. These limitations have been discussed in detail in the "Export Barriers for Trade in Services" sub-section.

**Table 5.23**

	2007	2010	% of increase / (decrease)
Imports from Malaysia	134.207	154.021	14.76
Imports from World	8,820	7,105	(19.44)
% of total imports from world	1.52	2.17	0.65
Exports to Malaysia	27.688	39.337	42.07
Exports to World	3,767	6,593	75.02
% of total exports to world	0.74	0.60	0.14

*Values in millions of USD*

### 5.2.3. Investment

It should be noted that sector-wise data related to the flow of investment between Pakistan and Malaysia is unavailable. However, the table below does provide some amount of useful information relating to the inflow and outflow of investments from Pakistan.

It is observable that the total inflow of investment into Pakistan from all over the world stood at USD 2,338.40 million in 2009, which decreased to the level of USD 1,326.20 million by 2011. At the same time, the value of the inflow of investment from Malaysia in 2009 stood at negative USD 2.5 million; however, irrespective of the total decline in investment inflows from the world, this value turned positive in 2011, reaching the level of USD 14.5 million. This increase in the inflow of investment from Malaysia could be attributed to the provision of suitable investment conditions under the Pak-Malaysia FTA (which have been discussed in previous sections). Pakistan can further encourage the inflow of investments by rendering the business environment favourable for Malaysian investors, as has been discussed in the case of China.

**Table 5.24**

	2009	2011	% of increase / (decrease)
Inflow from Malaysia	(2.5)	14.5	(680)
Total inflow of investment	2,338.40	1,326.20	(43.29)
% of total imports from world	(0.1)	1.09	1.19
Total outflow of investment	71	62	(12.68)

Values in millions of USD

Source: International Trade Centre (ITC) website

#### 5.2.4. Balance of Payments

Pakistan's Balance of Payments with Malaysia in 2007 (prior to the FTA) and 2012 is given in the table below:

**Table 5.25-A**

	2007	2012
Exports to Malaysia	76,061	214,873
Imports from Malaysia	984,426	1,906,471
<b>Deficit in Balance of Payments</b>	<b>(908,365)</b>	<b>(1,691,597)</b>

Values in 000 USD

Source: State Bank of Pakistan (SBP) website

From the table above, it can be seen that Pakistan's exports to Malaysia were only nominal prior to the FTA, witnessing an increase following the enforcement of the agreement. However, the level of exports remained lower in value than imports during the same period. Resultantly, Pakistan faced a deficit in its Balance of Payments with Malaysia, both, in 2007 as well as in 2012. Since the FTA has remained highly underutilized, this deficit in the balance of payments has increased by 86.22% instead of declining. On the other hand, Malaysia's surplus in the Balance of Payments has almost doubled from 2007 to 2012, indicating that the former is benefitting more from the FTA as compared to Pakistan.

Pakistan's Balance of Payments with the world (excluding Malaysia), for the years 2007 and 2012, is shown in the table below:

**Table 5.25-B**

	2007	2012
Exports other than Malaysia	18,112,097	24,558,036
Imports other than Malaysia	27,791,631	38,570,138
<b>Deficit in Balance of Payment</b>	<b>(9,679,534)</b>	<b>(14,012,102)</b>

*Values in 000 USD*

*Source: State Bank of Pakistan (SBP) website*

From the table above, it can be observed that the deficit in the Balance of Payments with the world increased by 44.76% in 2012 over its 2007 level. Since the incremental increase (86.22%) in the deficit with Malaysia is much greater than the incremental increase (44.76%) in the deficit with the rest of the world, we can argue that Pakistan has not duly benefited from its FTA with Malaysia.

## 6. Potential Opportunities for Pakistan to Increase Benefits

### 6.1. Under Pak-China FTA

#### 6.1.1. Trade in Goods

In this section, the maximum possible attainable level of exports is calculated for products that fall under each category of the FTA, as well as for high performing products that are not part of the FTA (at the 6-digit HS code). These levels of trade can only be realized if China gives Pakistan preferential concessions in selected products – such that these allowances are at par with those provided by China to other countries, providing Pakistan with an equal opportunity to contribute to China's imports.

#### **Exports to China with 100% concession**

Under the 100% concession category, since 2011, 2681 products at the 8 digit HS-level code have been exempted from duties. Pakistan could benefit from this opportunity by exporting at zero percent duty levels; however, unfortunately this has not been realized and trade potential under this category has largely remained underutilized.

It can be clearly seen from **Table 21 (Appendix I)** that Pakistan has significant potential to divert its exports to China and/or to expand its export-base. Significant potential for diversion exists for products with the codes HS-901890, HS-520942, HS-420310, HS-740400, HS-730890, etc. Further, great potential for expansion lies with the products with the codes HS-740400 and HS-300490, worth USD 14,686.611 million and USD 6,471.009 million respectively.

It should be noted that the diversion of exports to China under this category can yield relative benefit against the rise in per-unit prices and rise in revenues, ultimately resulting in a rise in investment irrespective of landed costs being lower. Moreover, expansion in exports, in addition to diversion, can benefit the economy in terms of earning foreign exchange, facilitating high capacity utilization, etc.

#### **Exports to China with 0 to 5% tariff concession:**

Subsequent to the signing of the FTA, exports of the products placed in this category could have been diverted to China (by an amount as large as USD 329.361 million), while further expansion could also have been realized.

This category is endowed with a large potential for the expansion of exports to China. The first item listed in **Table 22 (Appendix I)**, for instance, has a high demand in the Chinese market.

On similar grounds, trade expansion can take place across the entire product category range shown in the table. It is fair to assert that there are many products for which these opportunities provided by the FTA have not been capitalized.

#### **Export to China: Reduction in MOP by 50%**

In this category, Pakistan fully avails the minimum tariff exemption of 50%. As is evident from the figures shown in **Table 23 (Appendix I)**, China's share of top Pakistani products that are being exported to the world is very small, whereby it fulfils its demands of these products from other countries. The FTA thus holds significant potential to facilitate the surge in export volumes, by diverting

Pakistan's trade with the world to China (for instance in the case of HS codes HS-620333 and HS-900240).

#### **Export to China: Reduction in MOP by 20%:**

Referring to **Table 24 (Appendix I)**, the exports of the items listed remained negligible even after the FTA was signed. There could be a possible diversion of exports from the world to China, as well as an expansion in exports towards China, after the Pak-China FTA.

The tariff rates under this category have been reduced to 20%. Nonetheless, export patterns have not seen to change considerably from 2006 to 2012. This explains why, under this category, there exists a huge opportunity for the increase in the exports of these products to China.

#### **Exports to China under No Concession**

The products that fall in this category are given no concession, implying that there is no real incentive to export valuable items under this category. The top product that has been placed in this category is rice, which is one of Pakistan's specialties. Rice should be placed in a concessional category in order to enhance its exports to the wide Chinese market.

Similarly, there are other items (**see Table 25 – Appendix I**) that have great potential to divert from the world to China. These products should also be included in one of the concessional categories to reap the benefits of diversion and an overall increase in exports.

#### **Exports to China not part of the FTA**

The product codes that are shown in **Table 26 (Appendix I)** are those that are not a part of the Pak-China FTA, entailing that these products were ignored at the time of the signing of the FTA.

However, figures reveal that Pakistan's total exports of the said items were significant and that these items could have been included in the FTA to divert these exports to China at concessional rates. Going forward, the concerned authorities should start negotiations with China to cover these products under the FTA's umbrella to avoid the underutilization of their export potential.

### 6.1.2. Trade in Services

For this part of the study, i.e. to find potential exports in the services sector, a severe limitation of data availability has been faced. Moreover, reliable sources are unable to provide complete data on the sector-wise export of services to China or to the world. The only information available has been presented in table below, which shows the overall exports to China and to the world. In addition, the data is not up to date; the latest figures available pertain to the year 2010.

The figures in Table 6.1 show that Pakistan has great potential to export services to China, and that this potential has increased over the years. The exports of services to the world in 2010 were worth USD 6,593 million, compared to USD 3,506 million in the year 2006. For China as well, there has been an increase in the export of services from USD 27.948 million to USD 45.569 million.

These levels of improvements suggest that the services sector of Pakistan has immensely developed over the years, and that there is an increased worldwide demand for Pakistani services. Potential exports to China stood at USD 6,547.431 million in 2010; relaxations in trade barriers applied to the export of services could further increase this potential.

**Table 6.1**

	2006	2010
Exports to China	27.948	45.569
Exports to World	3,506	6,593
% of total exports to world	0.80%	0.69%
Potential Exports to China	3,478.052	6,547.431

*Values in million USD*

*Source: International Trade Centre (ITC) website*

With the constraint of limited data availability in view, the following table represents the overall sector-wise services export data for the year 2012. The table does not specify the amount of services exported or the names of the countries that these services were exported to.

According to Table 6.2, government services had the highest value of services exported to the world, USD 3377.5 million for the year 2012. Second in terms of the value of exports was the commercial services sector, followed by the transportation services sector. Looking at this table, it is

evident that these sectors should be kept under consideration by Pakistan in its FTA negotiations with China since this could greatly improve the value of the export of services to China.

**Table 6.2**

Service label	Exported Value in 2012
Government services, n.i.e.	3,377.5
Commercial services	3,181.305
Transportation	1,362.71
Other business services	756.725
Travel	339.39
Communications services	316.08
Computer and information services	266.11
Insurance services	52.55
Financial services	43
Construction services	33.25
Royalties and license fees	6.54
Personal, cultural and recreational services	4.95

*Values in millions of USD*

*Source: State Bank of Pakistan (SBP) website*

### 6.1.3. Investment

There is a limitation of sector-wise and country-wise data availability related to the investments made by Pakistan. Moreover, no reliable source has published latest data (for the year 2012). Nevertheless, the available data on the total outflow of investment from Pakistan for the years 2009 to 2011 is presented in the table below. The table clearly indicates that the total outflow of investment reduced from 2009 to 2011. As far as the potential outflow of investment to China is concerned, this can be achieved if China specifically invites more investment from Pakistan.

**Table 6.3**

	2009	2011
Total outflow of investment	71	62

*Values in millions of USD*

*Source: International Trade Centre (ITC) website*

## 6.2. Under Pak-Malaysia FTA

### 6.2.1. Trade in Goods

#### Potential Export to Malaysia under the Fast Track

Under the Fast Track category, tariff rates were to be completely eliminated by the start of the second year following the enforcement of the FTA. **Table 27 (Appendix I)** shows the exports made to Malaysia under this category, both, prior to and subsequent to the signing of the agreement. The figures show that exports to Malaysia have not increased in the post-FTA timeframe, instead, most of the exports are flowing towards the world; therefore, a great opportunity for trade diversion to Malaysia exists.

It should be noted that the findings of the table differ, to some extent, from the Pak-China FTA potential export tables, because of limited data available for Malaysia's imports from the world.

#### Potential Export to Malaysia under the Normal Track

This is the second category under which the tariffs on all of the items included under the category have been reduced to zero. However, it can be concluded from the observed export patterns (**Table 28 – Appendix I**) that the export of these items did not increase significantly after the enforcement of the FTA. More so, a major portion of the exports of these products was directed towards the world, showing that there is a big margin for trade diversion from the world to Malaysia.

#### Potential Export to Malaysia under Sensitive Track 1

Under this category, tariffs were to be reduced to 5% at the start of the fourth year. A similar trend can be seen for the products listed in **Table 29 (Appendix I)**; there has only been a slight increase in the exports to Malaysia in the post-FTA period. The last column of the table shows the potential for diversion to Malaysia of these products, indicating that if proper policy interventions and negotiations had been made at the time of the FTA, there could have been a rise in the exports to Malaysia.

### **Potential Export to Malaysia under Sensitive Track 2**

Under the sensitive track 2 category, tariff rates were to be reduced to 10% by the start of the fourth year. The first product in this category (**Table 30 – Appendix I**) showed an increase in exports in 2012 from 2006, while the rest of the products showed no reasonable increase in exports. Nonetheless, there is great potential for the diversion of these exports to Malaysia, mainly because Pakistan is exporting these products to the rest of the world in large numbers while the export to Malaysia is limited.

### **Potential Export to Malaysia under Sensitive Track 3**

The sensitive track 3 includes those items on which tariff rates were to be reduced to 20% at the start of the fourth year. The figures in **Table 31 (Appendix I)** show that exports to Malaysia of the listed products were almost negligible in 2006, exhibiting only a slight increase in 2012. However, the exports of the same items were significant towards the world, indicating the potential to increase the export of these products towards Malaysia.

### **Potential Export to Malaysia, not part of FTA**

The products that are shown in **Table 32 of Appendix I** are those that are not a part of the FTA, indicating that these products were ignored at the time of the FTA. However, figures reveal the fact that Pakistan's exports of the said items are significant – pointing out that these items should have been included in the FTA for the expansion of their exports to Malaysia at concessional rates.

## **6.2.2. Trade in Services**

Besides the export of goods, the export of services forms an equally important part of FTAs. With regard to the Pak-Malaysia FTA, the limitation of data availability is the principal hurdle in assessing the true potential of the export of services. The table below shows the total exports to the world and to Malaysia for the period 2007 to 2010.

Services exports increased substantially from 2007 to 2010, which indicates the great potential of trade in services. Exports to Malaysia improved from USD 27.688 million in 2007 to USD 39.337 million in 2010. Similarly, exports to the world rose from USD 3,767 million in 2007 to USD 6593 million in 2010. Potential exports to Malaysia in 2010 were worth USD 6553.663 million, significantly higher from where they stood in 2007.

**Table 6.4**

	2007	2010
Exports to Malaysia	27.688	39.337
Exports to World	3,767	6,593
% of total exports to world	0.74%	0.60%
Potential Exports to Malaysia	3,739.312	6,553.663

*Values in millions of USD*

*Source: International Trade Centre (ITC) website*

Keeping in view the unavailability of the required data, the following table represents the overall sector-wise distribution of services exports, as of 2012. The table does not specify the amount of services exported or the names of the countries these services were exported to.

According to Table 6.5, government services had the highest value of services exported to the world, USD 3377.5 million for the year 2012. Second in terms of the value of exports was the commercial services sector, followed by the transportation services sector. Looking at this table, it is evident that these sectors should be kept under consideration by Pakistan in its future FTA negotiations with Malaysia, as this could greatly improve the value of the exports of services to Malaysia.

**Table 6.5**

Service label	Exported Value in 2012
Government services, n.i.e.	3,377.5
Commercial services	3,181.305
Transportation	1,362.71
Other business services	756.725
Travel	339.39
Communications services	316.08
Computer and information services	266.11
Insurance services	52.55
Financial services	43
Construction services	33.25
Royalties and license fees	6.54
Personal, cultural and recreational services	4.95

*Values in millions of USD*

*Source: State Bank of Pakistan (SBP) website*

### 6.2.3. Investment

There is a limitation of sector-wise and country-wise data availability related to the investments made by Pakistan. Moreover, no reliable source has published latest data (for the year 2012). Nevertheless, the available data on the total outflow of investment from Pakistan for the years 2009 to 2011 is presented in the table below. The figures in the table indicate an abrupt decline in the outflow of investment from the year 2009 to 2011, dropping from USD 71 million to USD 62 million. As far as potential outflow of investment to Malaysia is concerned, this can be realized if Malaysia encourages greater investments from Pakistan.

**Table 6.6**

	2009	2011
Total outflow of investment	71	62

*Values in millions of USD*

*Source: International Trade Centre (ITC) website*

## 7. Stakeholders Consultation

### 7.1. Views of the Importers

In the survey responses gathered, Pakistan's leading importers identified the following few key points related to the imports from China and Malaysia. Pakistan's imports from the two regions primarily include raw materials being used to develop finished products. In general, Pakistan's importers prefer to use imported materials, even when local alternatives of comparable quality and price are available.

Nearly all importers cited the relatively lower costs and tariffs applied to the imports from China and Malaysia, and the lack of availability of required products in the local market, as reasons for preferring to import from these two countries.

Most of the importers, with a general understanding of FTAs, claimed that they did not witness a large-scale improvement in their imports following the enforcement of these agreements – denying the attainment of any amount of gross benefits in the post-FTA period. Only one out of the many importers surveyed reported an increase in the variety and quantity of his imports at reasonable prices, following the Pak-China FTA. Furthermore, most importers were of the opinion that the tariff lines covered under Phase I of the Pak-China FTA were unsatisfactory. Only one importer alleged that the concessions offered by Pakistan in these FTAs were sufficient to increment his products' competitiveness against imports from other countries.

Some importers conveyed that the concessional import of raw materials permitted by the agreements has enabled the domestic industry to become more competitive in domestic and international markets (it is worth noting that no BTs or NTBs are applied to these importers in Pakistan). Nevertheless, the entire group was dissatisfied with the mechanism and timing of stakeholder consultations carried out by the Government of Pakistan, complaining that their suggestions were often not taken into account.

An important suggestion put forth by the panel of importers surveyed was the arrangement of seminars to help spread awareness of the FTAs among the generally unaware business community. Additionally, the Ministry of Commerce of the Government of Pakistan should send teams to various

Chambers and Associations in different cities, providing information about the ongoing discussions of the second phase of the FTAs.

## **7.2. Views of the Exporters**

The surveyed lot of exporters, in general, knew about the provisions of Pakistan's FTA with China and Malaysia. Most of them, however, had no plans to espouse further investments in either China or Malaysia.

Most of the exporters surveyed were of the view that the tariff concessions provided under the FTAs are fairly sufficient to render their products competitive in the domestic market against other sources of imports. However they also seemed to believe that in the trade with China and Malaysia, other countries have a much bigger advantage—owing to the large sizes of their domestic markets, high rates of capacity utilization, and better delivery services that allow them to procure better prices from the two destinations. They also stated that, in practical terms, the concessions provided by China and Malaysia to compete in their local market are not adequate, as both countries are endowed with a highly skilled labour force of their own in addition to first-rate technology.

The majority of exporters claim that while exporting to China and Malaysia they encounter some non-tariff barriers related to administrative rulings. Additional obstructions include hefty paperwork and department clearances which cause several delays in shipments.

Just as in the case of importers, most of the exporters surveyed also complained about their suggestions not being welcomed in the on-going review process of the FTAs. Only one of these exporters claimed to be invited by the Government of Pakistan in the review process for his suggestions, with no clue as to whether his recommendations were taken into account. The exporters, in general, also denied the achievement of a significant amount of diversion or expansion of trade routing from the implementation of the FTAs. The most important of their suggestions revolved around having a single window operation for interaction with stakeholders, improved infrastructure, and effective monitoring of the concerned departments.

## 8. Proposed Framework for Consultation with Stakeholders

The term “consultations” can cover both, efforts to build support for policies, and practices that help the government develop effective policies. Broad public involvement in the policy process, and narrow solicitation of information from economic actors, should contribute to making a democratic trade policy that will be both, effective and legitimate. A negotiation framework for preferential trading agreements should be made in consultation with all private and public sectors. However, prior to identifying the private sector actors that might influence trade policy, it is useful to first recognize the government actors that they might seek to influence, and the range of possible influences that they might exert. When policy is so significant, and the actors so numerous and diffuse, collective action is essential. Some sectors organize on provincial lines, while other sectors organize to lobby the federal government. The industrial organization of a sector also has a big impact on who will seek what kind of influence. While entering into trading agreements all of these facts should be kept in mind by the government so that the interests of stakeholders do not affected. It is tough for the government to reconcile the divergent interests of all the stakeholders; to overcome this problem it should try to balance conflicting interests by meeting with the leaders of all key stakeholders. Moreover, the government should provide adequate avenues to all interested parties to participate in policy design, while at the same time attempting not to overburden the system with duplication and irrelevancy. It should only permit well-organized interest groups to capture the debate and finally, the outcome.

The Government of Pakistan could create three inter-departmental bodies to manage participation i.e. the Trade and Tariffs Committee — which may be designed to be a mechanism for communicating with both industrial groups and provincial governments, the Trade Negotiations Coordinating Committee — which may be established to improve the coordination of the federal public service on trade policy, and the Continuing Committee on Trade Negotiations — which may serve to control political influence over the negotiations.

Moving forward, the Government needs to keep all stakeholders informed throughout the review process (to avoid a situation of surprise by the end). A discussion paper, providing the general background and the identified issues being discussed in the negotiations, needs to be distributed to all stakeholders. Subsequently, the stakeholders need be urged to meet with umbrella organizations at the

regional and provincial, as well as the national level. Moreover, a conference needs to be organized to allow stakeholders to learn from, and react to, the representations of other players in the industry. Every party involved needs to understand that the purpose of these interventions is not to challenge the underlying commitment to multilateral trade liberalization, but to ensure that the Government's eventual negotiating position reflects the interests of all sectors of the industry.

A multilateral trade negotiation is not a single event to be monitored, but a continuous process. Trade policy is so detailed and complicated, and has such dispersed effects, that most interests have to be highly organized to be effective. Therefore, the Government needs to work hard to keep all stakeholders on board through-out the policy formulation process.

Consultations between industry stakeholders and the Government need to be kept confidential. The frequency of meetings will have to be determined by the developments of the continuing negotiations. The stakeholders who have an interest, knowledge and technical expertise on trade policy and negotiations, and have the ability to provide timely advice, can serve as a contact point for their respective organizations.

Specialized institutions need to be established to manage trade and competition. These should be governed by broadly-accepted standards of transparency, participation and democratic accountability to keep the country in a good position to benefit from trade liberalization.

Trade negotiations always have two dimensions: one domestic, the other external. Thus, trade-negotiation strategies should be drawn up bearing in mind not only external conditioning factors (for instance, the strategies of other countries, the evolution of the system of trade rules, the international economy, and so on), but domestic conditioning factors as well.

Since the FTAs have now been finalized by the Ministry of Commerce, a proper framework should be put in place for consultation with all key stakeholders (including importers, exporters, domestic producers and concerned Government agencies), prior to, during and after the review of the FTAs. Every Ministry (i.e. Textile, Industries, and Agriculture Ministries, Federal Board of Revenue (FBR), State Bank of Pakistan (SBP), and the Board of Investment (BOI)) should gather a determined and trained international trade team for carrying out the negotiations. Further, the team negotiating on the

Government's behalf must also have consistent information and complete knowledge of the background and issues of the FTAs.

Sector-specific committees, charged with the promotion their sectors, need to be promoted and maintained. These committees should be well aware of the interests of their respective sectors, and have sufficient knowledge and technical expertise on trade policy and negotiations, along with the ability to provide timely advice to the concerned ministries.

## **9. Identification of Export Barriers of Pakistan's Trade with China and Malaysia**

### **9.1. Export Barriers for Trade in Goods**

A number of trade barriers are applied to the exporters of Pakistan. These barriers are of two types, namely, technical barriers to trade (TBTs) and non- technical trade barriers (NTBs).

Most of the NTBs can be defined as protectionist measures, unless they are related to difficulties in the market, such as externalities or information asymmetries between consumers and producers of goods. An example of this is safety standards and labelling requirements. Increasing consumer demands for safe and environmentally-friendly products have also had an impact on increasing the popularity of NTBs.

There are instances where governments impose unnecessary obstacles to trade in their preparation of technical regulations for the protection of human health, safety, or the environment, etc. In some cases, these governments become more trade-restrictive than necessary to fulfil these legitimate objectives. Some of the export barriers that Pakistani exporters face while exporting to China and Malaysia are as follows:

### i. Pre-shipment Inspection<sup>5</sup>

Pre-shipment inspections (PSI) are required when mandated by the government of the importing country. Governments assert that pre-shipment inspections ensure that the price charged by the exporter reflects the true value of the goods, prevent substandard goods from entering their country, and mitigate attempts to avoid the payment of custom duties. Inspection costs are generally paid either by the importer or by the government of the importing country.

In China, PSI is generally required for the import of waste raw material, used material, electronics and certain commodities related to national security (with high value or complicated technology), and equipment exceeding a certain height, length or volume.

### ii. Standardization<sup>6</sup>

China has four types of standards: national, professional, local, and enterprise. The national, professional, and local standards categories are further divided into voluntary and mandatory standards. Voluntary standards, however, can become mandatory if they are referenced in obligatory conformity assessment procedures. In this respect, exporters often raise their concern of no prior notice being given to them of the change of a voluntary standard into a mandatory standard. **(WTO trade policy review)**

Malaysia also follows a strict standardization protocol for food items. Malaysia's Food Act 1983 and the Food Regulations of 1985 govern food safety and quality control, including food standards, food hygiene, food import and export, food advertisement and the accreditation of laboratories. The Food Safety and Quality Division (FSQD) of Malaysia implements an active food safety program, which includes routine compliance, sampling, food premises inspection, food import control activity and licensing of specified food substances required under the two Acts.

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<sup>5</sup> Data taken from WTO Trade Policy Review of China 2010

<sup>6</sup> For China, data is taken from WTO Trade Policy Review of China 2010 and for Malaysia, data is taken from <http://www.agrifoodgateway.com/articles/malaysia-food-and-agricultural-import-regulations-and-standards>

### iii. Packaging and Labelling<sup>7</sup>

Another trade barrier pertains to packaging and labelling, which is an additional cost that is borne by the exporter. In Malaysia, the labelling and packaging requirement is mainly applied on food items. The language used for labelling must either be Bahasa Malaysia or English (in either case the label can include a translation in another language). While exporting food items to Malaysia, the following details are required to be mentioned on the packaging: the name and business address of the manufacturer, or the packer, or the owner of the rights of manufacture, or an agent of any of them, the name and business address of the importer in Malaysia, and the name of the country of origin of the food. Other particulars that should be included are the descriptions of foods; in the case of mixed or blended food, words indicating this nature of contents, and in case of alcohol in food, a statement confirming the presence thereof. A date marking should also be incorporated in the label. All of these details relating to the labelling requirement add to the cost of exporting to Malaysia.

China's labelling requirements vary according to the type of imported product. All requirements stipulate that products must be labelled in Chinese, and for some products both Chinese and English is required. It is compulsory that the Chinese label is printed or fixed on the package, prior to the shipment arriving at the Chinese port. The products that require labelling requirement include textile, food and beverages, cosmetics products and electronic appliances. The Chinese label requirement adds to the costs relating to the translation and dissemination of product information.

### iv. Product Certification<sup>8</sup>

Product certification is also an export barrier which, apart from causing delays in shipments, is increasing the cost of exports.

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<sup>7</sup> For China, data is taken from <http://www.eusmecentre.org.cn/content/labelling> and for Malaysia, data is taken from <http://www.agrifoodgateway.com/articles/malaysia-food-and-agricultural-import-regulations-and-standards>

<sup>8</sup> For China, data is taken from WTO Policy Review Of China 2010 and for Malaysia, data is taken from <http://www.agrifoodgateway.com/articles/malaysia-food-and-agricultural-import-regulations-and-standards>

China has several bodies which ensure that a proper certification procedure is carried out before the export of specific items. For example, the China National Certification and Accreditation Commission (CNCA), under the Administration of Quality Supervision, Inspection and Quarantine (AQSIQ), is responsible for the administration, organization, and implementation of compulsory product certifications in China. The AQSIQ and CNCA work with relevant departments of the State Council to formulate and adjust the product catalogue. Under the Regulations on Certification and Accreditation, products listed in the Compulsory Product Certification Catalogue may not be sold or imported into China, unless they have China Compulsory Certificates (CCCs) and carry CCC marks.

In Malaysia, all meat, processed meat, poultry, eggs and egg products, either domestically produced or imported, must receive a Halal certification from the Department of Islamic Development Malaysia (JAKIM) prior to distribution in the domestic market. The certificate is issued on the joint recommendation of the Malaysian Department of Veterinary Services (DVS) and JAKIM, following an on-site inspection. In addition, food items and products that are either deemed critical or can have a direct impact on health and safety, reliability and revenue require a special certification in Malaysia.

#### **v. Import Licensing<sup>9</sup>**

Malaysia's tariff lines (principally with regard to animal and vegetable products, wood, machinery, vehicles and transport equipment, and arms) are subject to import licensing, most of which is non-automatic. This results delayed shipments along with increasing the cost of exports.

China's import licensing regime is regulated by the Foreign Trade Law, the Regulations on Administration of Import and Export of Goods (State Council Decree No. 332 in 2001), the Administrative Permission Law, the Measures on Administration of Import License for Goods, and the Measures on Administration of Automatic Import Licensing for Goods. Based on these

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<sup>9</sup> Data is taken from the Trade policy review of China 2010

rules, the Ministry of Commerce (MOFCOM) together with the General Administration of Customs (GAC) and other relevant authorities, issue the Catalogue of Goods Subject to Automatic Import Licensing Administration, and the Catalogue of Goods Subject to Import License Administration in the second half of every year in the form of a MOFCOM Announcement, (to be implemented the following year). Thus, the requirement of an import license is also considered to be an export barrier, as it hinders the process of trade.

**vi. Testing Requirement<sup>10</sup>**

Another trade barrier that exporters face while exporting to China and Malaysia is the testing requirement.

In the case of China, first, a sample of the product being exported is scrutinized. The order is only confirmed if the sample is well-liked and it meets China's standards of quality assurance. Following this, the entire consignment is shipped which is then matched with the sample – if the two match, the order is accepted, and if not the consignment is sent back.

In Malaysia, all food consignments are subject to a random checking and sampling procedure, at 28 entry points spread all over the country, to ensure that the food items being imported into the country are safe and comply with prescribed standards and regulations.

**vii. Registration<sup>11</sup>**

In Malaysia, health and medicinal food products need to be registered. Product registration applications are processed through Malaysian registered companies.

In China, both the importer and exporter must comply with registration requirements, in order to trade food products. Regardless of whether the importer is foreign-owned or Chinese-owned, all importers of food products in China must have a registered business scope encompassing the business activities of (a) importing and (b) distributing food products (even if

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<sup>10</sup> Data is taken from <http://www.agrifoodgateway.com/articles/malaysia-food-and-agricultural-import-regulations-and-standards>

<sup>11</sup> Data is taken from the WTO Policy Review of China 2010

the importer does not intend to commercially distribute its products). Importers must also be registered as a foreign trade operator with the MOFCOM.

**viii. Quality Assurance<sup>12</sup>**

China has adopted many international standards (such as the ISO 9000 and ISO 14000) to ensure quality and a guarantee the production of goods under satisfactory social and environmental conditions.

Standards and standardization activities are among Malaysia's top priorities for achieving a developed nation status by 2020. Malaysia is among those countries that have made and are propagating the use of their own standards. This rapid increase in standardization for quality assurance is a significant trade barrier for Pakistani exporters.

**ix. Transportation Barrier<sup>13</sup>**

There are instances where exporters have complained that the products being exported to Shanghai are not directly delivered to the destination (they are first delivered to the Hong Kong port, repacked and then delivered to Shanghai). In addition, in order to check for possible manipulation, the products that arrive in Hong Kong are provided with an NMC the cost of which is around USD 100. This procedure erects an enormous time and cost barrier for Pakistan's exports.

**x. Additional Import Taxes and Fees<sup>14</sup>**

In China, most imported goods are subject to a value added tax (VAT), which is applied on the c.i.f. plus duty value. China's application of the VAT, which ranges between 13 to 17%,

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<sup>12</sup> Data is taken from [www.standardsmalaysia.gov.my/standards](http://www.standardsmalaysia.gov.my/standards)

<sup>13</sup> Data is taken from the report "Evaluation of Pak-China FTA"

<sup>14</sup> Data is taken from <http://web.ita.doc.gov/tacgi/OverSeasNew.nsf/alldata/China>

depending on the product, continues to be uneven. A consumption tax of 2 to 3% (varying according to provinces) is also applied on the c.i.f. value.

**xi. Sanitary and Phytosanitary Measures<sup>15</sup>**

Sanitary and phytosanitary (SPS) measures are the requirements from goods in the form of standards and technical regulations applied to protect the health of human beings, animals and plants. These measures affect imported goods more severely than locally produced goods, and cause there to be unnecessary delays in the on-going trade processes between countries.

In Malaysia, the regulatory framework under which SPS measures are implemented include the Plant Quarantine Act 1976, the Plant Quarantine Regulations 1981, the Animal Act 1953 (Revised 2006), the Fisheries Act 1985, the Food Act 1983, and Food Regulations 1985.

It can be observed that Pakistan's major exports to Malaysia comprise of food items which have increased only slightly in the post-FTA period. More so, some exports have declined subsequent to the signing of the agreement. This situation can be improved if some amount of relaxation can be given along the SPS front.

The responsibility for policy, legislation, regulations and their implementation on sanitary and phytosanitary issues in China is divided among a number of Government agencies, namely, the State Food and Drug Administration (SFDA), Ministry of Health, Ministry of Agriculture, MOFCOM, State Administration for Industry and Commerce and AQSIQ.

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<sup>15</sup> Data is taken from WTO Trade policy Review of China 2010 and WTO Trade Policy Review 2006

## 9.2. Export Barriers for Trade in Services<sup>16</sup>

### i. Foreign ownership restrictions

In Malaysia, with regard to the provision of financial services, while allowing foreign individuals to acquire shares in local insurance companies or banking institutions, there are limits imposed on foreign shareholding (30% and 51% for banking institutions and insurance firms respectively). With regard to telecommunications services, foreign investors can acquire no more than 49% of the total shares of a local telecommunications company.

In China, foreign equity is capped at 50% for insurance services. Moreover, China maintains foreign equity restrictions and a multitude of other barriers in the telecommunications sector. China's foreign equity restrictions (a maximum of 49% foreign equity for basic telecommunications and 50% for value-added telecommunications) severely diminish commercial opportunities in the sector.

### ii. Licensing requirement

Foreign vessels are subject to fishing licensing control in Malaysia in addition to a number of restrictions. First, foreign vessels are required to pay a certain amount of licensing fee for fishing in waters that fall within the territory of Malaysia. Additional restrictions may be attached to the license by the Head of the Fishery Authority, such as the requirement for employing local Malays, transferring fishing technologies as desired, accepting inspectors sent by the Malaysian Government, and paying for the cost incurred by the Government for sending these inspectors. Moreover, there are harsh regulations in Malaysia concerned with the provision of foreign engineering services. Foreign engineers are licensed by the Board of Engineers only for the duration of specific projects, upon being sponsored by the Malaysian company executing the project. In addition, foreign architects are not licensed in Malaysia but are allowed to be managers, shareholders, or employees of Malaysian firms.

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<sup>16</sup> For Malaysia, export barriers for trade in services data is taken from <http://www.china.org.cn/english/features/fmar/166123.htm> and for China <http://www.ustr.gov/sites/default/files/2013%20NTE%20China%20Final.pdf>

China has not granted any new enterprise annuities services licenses in over five years. Even under previous licensing windows, China licensed very few foreign operators, and only for limited elements of enterprise annuities services. In order to obtain a 10-year license, foreign travel and tourism firms in China must register with the China National Travel Administration (CNTA) and deliver a required feasibility study to the CNTA/Ministry of Commerce, as well as an annual report on future investment and possible sectoral expansion. China continues to apply an annual sales requirement on foreign travel agencies, whereas there are no such requirements for domestic agencies.

**iii. Conditional partnership/joint venture**

Foreign law firms cannot operate in Malaysia except as minority partners with local law firms, with their stake in the partnership limited to 30%. Foreign lawyers cannot practice Malaysian law or operate as foreign legal consultants, nor can they affiliate with local firms or use their international firm's name. Their scope of service is limited to advice concerning home-country and international law. A foreign architectural firm can operate in Malaysia only as a joint-venture participant in a specific project, with of course the approval of the Board of Architects for providing construction related services. Foreign accounting firms can only provide accounting and taxation services in Malaysia through affiliates. In addition, joint ventures are mandatory for establishing a hotel business in Malaysia.

In China, foreign life insurance companies can only be established as joint ventures. With regard to educational services, foreign universities may set up non-profit operations, but must have a Chinese university host and partner to ensure that the programs bar subversive content, in addition to adapting informational material to the local context.

**iv. Market access (quantitative) restrictions**

China continues to maintain market access barriers in the insurance sector. China's formal and informal practices have combined to keep foreign market share in the insurance sector very low. In addition, the Ministry of Transport (MOT) in China has been slow in approving applications submitted by foreign logistics firms, and is unwilling to issue nationwide

trucking licenses, limiting the ability of foreign firms to build economies of scale. Moreover, with regard to educational services, the Ministry of Education (MOE) restricts the participation of foreign educators and trainers.

The Government of Malaysia restricts the employment of non-local residents in Malaysia, and monitors the recruitment procedure of enterprises so as to maintain a set ratio between local and foreign labour. Malaysia hasn't opened its labour market to general labour services, exercising strict control over the total number of employees as well as skilled and unskilled labour. These restrictions imply that it is very difficult for foreign labour to obtain a work permit in Malaysia.

**v. Discriminatory treatment**

Discriminatory treatment may be direct or indirect (whereby a national provider of services enjoys better conditions than a foreign service provider).

China extends a more favourable treatment towards domestic companies compared to foreign companies (in matters such as zoning and urban development requirements), alongside imposing additional informal minimum capital requirements on foreign suppliers. In addition, local regulations concerned with logistic services, in almost all major Chinese cities, restrict daytime access by trucks. China's enforcement efforts are often targeted at foreign transport/logistics firms, while local firms are permitted to operate, even without being in full compliance.

In Malaysia, the environment is unfavourable for foreign labour services suppliers.

**vi. Qualification Requirements and Procedure**

With regard to professional services, all accountants who wish to provide auditing and taxation services in Malaysia must register with the Malaysian Institute of Accountants (MIA), before applying for a license from the Ministry of Finance. A citizenship or permanent residency status is required for registration with the MIA. Malaysian citizens or permanent residents who

have either obtained degrees from local universities or are members of at least one of the 11 overseas professional bodies recognized by the Commonwealth countries can apply for registration.

In China, with regard to professional services, foreign accounting service providers must be Certified Public Accountants (CPAs) licensed by Chinese authorities.

#### **vii. Other Technical Regulations**

In China foreign law firms are concerned about not being allowed, except by entrusted clients or Chinese law firms, to deal in Chinese legal affairs.

In Malaysia, foreign service providers are required to obtain approvals from the authorities in charge of energy, telecommunications, and postal services.

### **9.3. Barriers to Investment<sup>17</sup>**

#### **i. Conditional Requirement**

While making investments, China requires parties to conduct a certain amount of research and development in the country, register their intellectual property in China, or license it to Chinese entities. Moreover, some Chinese government officials, even in the absence of applicable language in a law, regulation or agency rule, still consider factors such as export performance and local content when deciding whether to approve an investment or to recommend the approval of a loan from a Chinese policy bank (which is often essential to the success of an investment project).

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<sup>17</sup> Export barriers for trade in investment is taken from <http://www.china.org.cn/english/features/fmar/166123.htm>, for Malaysia and <http://www.ustr.gov/sites/default/files/2013%20NTE%20China%20Final.pdf> for China

**ii. Lack of information**

In China, foreign investment objectives are defined in part through its Foreign Investment Catalogue. The Foreign Investment Catalogue, however, uses a vague language and lacks transparency. For example, some sections of the Foreign Investment Catalogue appear to be inconsistent with the foreign investment regulations and policies issued by ministries and/or local governments. This ultimately results in inconsistent and incomplete information being delivered to investors. Moreover, the Foreign Investment Catalogue incorporates several key sectors, such as telecommunications, certain insurance services, legal services, and logistics, in its "restricted" category.

Malaysia's laws governing FDI do not provide general principles and/or rules for foreign participation in local businesses.

**iii. Security barriers**

China has issued a State Council Notice regarding the establishment of a security review mechanism for foreign investors acquiring domestic enterprises. The notice, in turn, has established an inter-agency Joint Conference, led by NDRC and MOFCOM, with the authority to block foreign mergers and acquisitions with domestic firms that it believes may have an impact on national security. The Conference is instructed to always consider the impact of a proposed transaction on national defence, economic stability, social stability, and the research and development capabilities of key national security technologies.

**iv. Regulatory Limitations**

Foreign private equity and venture capital investments are subject to a variety of regulatory limitations in China. Restrictions on foreign exchange conversion, for instance, are still a major hurdle for private equity funds investing in China.

**v. Access to Capital Markets**

China's controls on capital flows, and the differences between its accounting standards and those of other countries, remain the main obstacles in the development of capital inflows. Further, several foreign firms continue to report difficulties in obtaining government approval for bringing in foreign capital to expand their businesses.

**vi. Partial Behaviour**

In China, Government authorities can easily wield their discretionary power on foreign or disfavoured investors in addition to making special demands by threatening to crack their businesses down. In addition, confidential accounts from foreign enterprises indicate that Chinese government officials, acting without fear of legal challenge, at times necessitate foreign enterprises to transfer their technologies to secure investments approvals. This lack of a clear and consistent framework of laws and regulations creates a barrier in the form of uncertainty.

In Malaysia, considerable proportions of government projects and procurement deals are awarded in the absence of a transparent and competitive bidding process, creating hurdles for foreign investors.

**vii. Restriction on Foreign Direct Investment**

In the case of investments aimed at the domestic market, the Malaysian Government has used its authority to restrict foreign equity-holding (normally to 30%) and to oblige foreign firms to enter into joint ventures with local partners.

## 10. Recommendations

- i. Pakistan could negotiate with China and Malaysia for its top export products to be included in the hundred percent or other high-concession categories during the review of the FTAs. Prior to the review, nominations from various trade bodies could be called to provide pre-negotiation consultations. Further, business houses could be induced to open their marketing offices/sales points in China and Malaysia. The Foreign Trade Missions in these countries, in collaboration with their respective trade associations, could be encouraged to arrange trade exhibitions to introduce Pakistani products in these export destinations. Moreover, these Trade Missions could help in organizing meetings of the trade associations with various entities, such as the chambers of trade and industry, supermarket chains, and the consumer/retailer/wholesaler associations of China and Malaysia.
- ii. The domestic industry could be encouraged and facilitated to expand local production facilities for exportable products, and increase exports where opportunities already exist.
- iii. The Government of Pakistan could seek higher concessions from its FTA partners (as compared to the rest of the world), specifically for products that enjoy both, high export potential and a global competitive advantage. Further, the Government could negotiate for the insertion of a "Reverse MFN" clause in its FTAs, to automatically avail concessions equivalent to what the two countries extend to the rest of their FTA/PTA partners.

For future potential trade agreements, the Government could gather data of the FTAs/PTAs that have already been enforced between countries and prepare a detailed compilation of the several concessions granted on various tariff lines. This exercise could help in the future, in negotiating for concessions no less than those that have already been granted by countries to each other.

- iv. Imports of products that can adversely affect local producers (as a consequence of the concessions offered by Pakistan) need to be placed in low-concession categories to allow domestic industries to build up scale and competitiveness. Additionally, a newfound category of highly sensitive goods could be exempted from concessions to give the nascent local industry reasonable breathing space and ample time to progress. However, the relevant local industry

shall be made aware of the phasing out of the protection regime and be prepared so as to become more competitive and self-reliant. Such an action will keep the domestic stakeholders (producers) on board and would be an incentive for them to improve their competitiveness within a stipulated timeframe. However, caution must be observed with respect to the sensitizing campaign launched for the local industry, in order to ensure that it does not scare/threaten the local industry, resulting in a siphoning out of investment. Moreover, provisional safeguard measures may be resorted to where the influx of imported goods crosses permissible limits.

- v.** Interests of consumers should not be compromised in an attempt to safeguard the interests of domestic industries. In the case of those industries that are likely to exhibit monopolistic behaviour, and are prone to cartel formation (thereby fleecing the interests of consumers in terms of price and quality), the Government could promote imports to protect customers from the unfair trading practices of the local industry.
- vi.** Mergers between small units could be encouraged to earn economies of scale for which programs on FTA rules, opportunities, applicable laws and cost effective measures could be arranged. Further, cost audits of all of the industries could be promoted to make them cost efficient and more competitive in the international market. Domestic industries could be educated to give up a rent-seeking attitude, bring efficiency and cost effectiveness, improve quality and seek remedies available under trade defence laws, rather than striving for tariff protection.
- vii.** Exporters could be educated about the importance of compliance with non-tariff trade barriers and create necessary facilities for making compliance easy. Pakistan may also negotiate, if there is a possibility and room for such negotiations, for the softening of non-tariff barriers to trade so that trade opportunities are fully utilized.
- viii.** The costs of conducting business need to be reduced or controlled by concerned authorities, to ensure that the concessions acquired under an FTA are not wiped out by an increase in these costs. The costs of doing business in Pakistan are quite high, owing to the inconsistent availability of electricity and gas, high inflation rates, high interest rates, and the tumbling law and order situation. These costs need to be compared with the cost incurred by other countries competing

in the domestic markets of China and Malaysia. Accordingly, the levels of concessions granted to these countries could be sought to equalize the comparative cost difference. Moreover, a comparative study of the cost of production of the competing countries could be undertaken; based on the results of the study, efforts could be made at the government, as well as the industry level, to control costs where they appear to be unnecessarily high.

- ix.** The Ministry of Commerce could introduce a system of data collection by which it could be aware of the available surplus capacity in specific industries and sectors, while negotiating concessions from China and Malaysia. Those products which have surplus capacity and potential for export, in addition to fulfilling domestic demand, may be identified for negotiating concessions in the review process. Further, these products may not be given additional concessions, if already included in tariff lines offered to FTA partners. This knowledge can be gained, and continuously improved upon, if consultations with private sector stakeholders and other relevant Government agencies are held prior to, during and after the negotiation of the FTAs. Moreover, there is a dire need of gathering and compiling national data. Although the Monthly Statistical Bulletin, Foreign Trade Bulletin, and Economic Survey are published for this purpose, unfortunately their scope appears to be rather limited. A number of sectors, as well as agricultural and industrial products and services are not covered in these publications. Therefore, the capacity of production of most of the products is unknown.

In brief, surplus capacity information at the national level, and data on future infrastructure and utility projects and capacities in the pipeline, is mostly unavailable. In this age of automation and computerization, publication of national data on a quarterly basis could be considered as a replacement of the current practice of yearly reporting.

- x.** Promotion of trade in services and improvement in the climate for investment is required by negotiating for a softening of the visa policies, reciprocal recognition of professional qualifications, removal of obstacles in the way of access to investment and capital markets, and the provision of a conducive, investment-friendly environment to promote inflow of foreign direct investment in Pakistan.

- xi.** Stakeholders could invariably be taken on board during the consultation process of the FTAs. The Ministry of Commerce may design a proper framework/standard operating procedure of consultation with all of the stakeholders—importers, exporters, domestic producers, and concerned Government agencies—prior to, during and after the negotiation/review of FTAs/PTAs. Intensive and extensive homework should be undertaken before entering negotiations in an FTA. In this connection, a mass awareness campaign may be initiated to apprise stakeholders about the FTA. Through such a campaign political leadership, establishment, parliamentarians, businessmen, traders, manufacturers, growers, and even university and college students could be educated about the objectives, opportunities, threats, gains, and possible losses of entering into FTAs/PTAs, international commitments relating to FTAs/PTAs, remedies available to counter the threats, and softening of the negative outcomes of FTAs/PTAs. FTAs/PTAs need continuous engagements of all the stakeholders in the discussions, in order to eliminate the element of shock/surprise. Furthermore, an acceptable balance in conflicting interests may be arrived at by arranging meetings with the leaders of associations of all the involved stakeholders.
- xii.** It has been observed that the business community, in general (including exporters, importers and domestic producers), does not know about the provisions of the FTAs. In this regard, a pre-negotiating public private dialogue group should be created involving members of various chambers of commerce to provide them an opportunity to learn about the provisions of FTAs and share their views and comments. There also exists a need for arranging capacity building programmes for the private sector/business community.
- xiii.** It has also been observed that when stakeholders are consulted and their suggestions are taken, the incorporation of their suggestions often poses a bigger problem. The reason for this is that the influence of conflicting vested interests is quite high, which creates hurdles in the implementation process and framing of policies/procedures. In this regard, the Government may take care of such problematic situations by putting in place a mechanism for communicating with both industrial groups and provincial governments, improving coordination between public servants working on trade policy and neutralizing the political influence over negotiations.

- xiv.** FTAs, PTAs and all other types of trade arrangements have a long-lasting impact on a country's domestic industries, customer welfare, balances of trade and the economy as a whole. Therefore such agreements, instead of being signed in haste, should be based on research and a thorough analysis of the potential impacts on the local industry, employment and consumer welfare. Each agreement must first be weighed in the larger interest of economic well-being and public welfare.
- xv.** Sector-specific committees need to be established within government ministries; these could be held responsible to promote their respective sectors and address particular issues related to the FTAs. These committees would have to be well aware of the interests of their sectors, while possessing necessary negotiation skills, complete knowledge and technical expertise on trade policy, and the ability to provide timely assistance during the dialogue process.
- xvi.** Each relevant ministry, division and department must gather dedicated and trained "International Trade Focal Persons" to provide assistance to the FTA negotiating team. Additionally, to avoid inconsistency during the negotiations, Government representatives must also have sufficient knowledge of both, the issues that have been discussed in the FTAs in the past and those that are to be discussed going forward. They must also have the skill and expertise to defend the interests of the domestic industry, the consumers, and the country at large. For the purpose of developing and implementing a 'National Negotiation Strategy', the Ministry of Commerce could create an 'International Trade Task Force', for which all of the relevant ministries could nominate at least two participants. A capacity building programme could also be arranged for this International Trade Task Force.
- xvii.** A mechanism to measure the results of potential FTAs/PTAs needs to be put in place to:
- Compute the Balance of Trade with the FTA partner on a quarterly basis.
  - Record, evaluate and respond to the complaints and suggestions of the local industry and consumer groups.
  - Introduce the preparation of periodic FTA performance reports, authored by the Pakistan Trade Mission in the FTA partner country.

## Appendix I

Table 1

Values in millions of USD

HS Code	Product	China	World	China's share in total exports	China	World	China's share in total exports	Increase in exports to China (2006-2012)	Increase in exports to the World (2006-2012)
		2006			2012				
26100000	Chromium ores & concentrates	27.831	30.923	90.00%	111.477	116.725	95.50%	83.646	85.802
52091200	Unbleached 3 or 4-thread twill, with ≥85% cotton, >2" g/m <sup>2</sup>	2.850	40.457	7.04%	101.507	151.284	67.10%	98.657	110.827
52091100	Unbleached plain cotton weave, with ≥85% cotton, >2" g/m <sup>2</sup>	10.925	68.222	16.01%	81.003	203.232	39.86%	70.078	135.01
52081200	Unbleached plain cotton weave, ≥85% cotton, >1" g/m <sup>2</sup> but ≤2" g/m <sup>2</sup>	0.641	20.094	3.19%	49.711	172.928	28.75%	49.07	152.834
25151200	Marble & travertine merely cut into a square or rectangular shape	1.072	5.849	18.33%	32.232	36.775	87.65%	31.16	30.926
52081300	Unbleached 3 or 4-thread twill, with ≥85% cotton, ≤2" g/m <sup>2</sup>	1.623	28.668	5.66%	23.312	131.936	17.67%	21.689	103.268
52081100	Unbleached plain cotton weave, with ≥85% cotton, ≤1" g/m <sup>2</sup>	0.704	22.975	3.06%	20.611	43.112	47.81%	19.907	20.137
52121100	Unbleached woven fabrics of cotton, ≤2" g/m <sup>2</sup> , nes	3.484	47.417	7.35%	20.069	79.143	25.36%	16.585	31.726

23064100	Oil-cake & other solid residues of low erucic acid rape or colza seeds	0.088	0.088	100.00%	15.744	17.161	91.74%	14.912	17.073
74031900	Refined Cu products, unwrought, nes	0.000	0.011	0.00%	10.585	23.161	45.70%	10.585	23.15
52081900	Unbleached woven cotton fabrics, nes, with≥85% cotton,≤2"g/m2	11.988	389.073	3.08%	10.171	60.806	16.73%	(1.817)	(328.267)
72051000	Granules of pig iron, spiegeleisen iron or steel	0.000	0.000	0.00%	6.933	6.933	100.00%	6.933	6.933
26190000	Slag, dross (other than granulated slag & slag sand); scales from the manufacture of iron or steel	0.000	0.000	0.00%	6.899	6.899	100.00%	6.899	6.899
52091900	Unbleached cotton fabrics, with≥85% cotton, >2"g/m2, nes	0.412	11.492	3.59%	6.209	65.094	9.54%	5.797	53.602
23012010	Flours or meals of fish, used in animal feeding	0.000	0.000	0.00%	6.037	8.947	67.48%	6.037	8.947
25151100	Marble & travertine, crude or roughly trimmed	0.603	0.831	72.56%	5.725	6.759	84.70%	5.122	5.928
52094200	Denim, with≥85% cotton, >2"g/m2	0.104	81.182	0.13%	4.565	490.685	0.93%	4.461	409.503
90189090	Medical/veterinary instruments & appliances	0.692	147.206	0.47%	4.018	271.426	1.48%	3.326	124.22
23064900	Oil-cake & other solid residues of rape or colza seeds	1.184	1.564	75.70%	3.960	5.487	72.17%	2.776	3.923
55095300	Yarn,<85% polyester staple fibres, mixed with cotton	0.129	18.580	0.69%	3.612	33.352	10.83%	3.483	14.772

Table 2

Values in millions of USD

HS Code	Product	China	World	China's share in total exports	China	World	China's share in total exports	Increase in exports to China (2006-2012)	Increase in exports to the World (2006-2012)
		2006			2012				
52051200	Uncombed single cotton yarn, with ≥85% cotton, nprs, >14mn but ≤43mn	99.274	386.339	25.70%	529.267	645.901	81.94%	429.993	259.562
52053200	Uncombed cabled cotton yarn, with ≥85% cotton, nprs, >14mn but ≤43mn	115.762	485.030	23.87%	450.651	719.462	62.64%	334.889	234.432
52051100	Uncombed single cotton yarn, with ≥85% cotton, nprs, ≤14mn	34.841	186.231	18.71%	167.384	218.578	76.58%	132.543	32.347
52051300	Uncombed single cotton yarn, with ≥85% cotton, nprs, >43mn but ≤52mn	3.513	29.507	11.91%	120.966	170.451	70.97%	117.453	140.944
52053100	Uncombed cabled cotton yarn, with ≥85% cotton, nprs, ≤14mn	23.936	107.759	22.21%	80.054	144.384	55.45%	56.118	36.625
52052200	Combed single cotton yarn, with ≥85% cotton, nprs, >14mn	18.344	114.452	16.03%	52.833	90.657	58.28%	34.489	(23.795)

	but≤43mn								
52051400	Uncombed single cotton yarn, with≥85% cotton, nprs, >52mn but≤8'mn	1.463	13.482	10.85%	7.487	9.251	80.93%	6.024	(4.231)
52052400	Combed single cotton yarn, with≥85% cotton, nprs, >52mn but≤8'mn	1.117	20.794	5.37%	6.877	14.970	45.94%	5.76	(5.824)
3051000	Flours, meals & pellets of fish, fit for human consumption	0.369	0.558	66.13%	6.433	8.047	79.94%	6.064	7.489
52052300	Combed single cotton yarn, with≥85% cotton, nprs, >43mn but≤52mn	2.957	24.236	12.20%	5.277	13.331	39.58%	2.32	(10.905)
39079900	Polyesters in primary forms	0.000	0.189	0.00%	4.909	50.225	9.77%	4.909	50.036
39151000	Waste, parings & scrap of polymers of ethylene	0.021	0.111	18.92%	4.669	5.042	92.60%	4.648	4.931
7139090	Dried leguminous vegetables, shelled	0.000	4.985	0.00%	4.499	4.503	99.91%	4.499	(0.482)
52061200	Uncombed single cotton yarn, with<85% cotton, nprs, >14mn but≤43mn	0.066	1.851	3.57%	3.835	8.881	43.18%	3.769	7.03
52041900	Cotton sewing thread, with<85% cotton, not put up for	0.000	0.020	0.00%	3.419	6.667	51.28%	3.419	6.647

	retail sale								
52053400	Uncombed cabled cotton yarn, with ≥85% cotton, nprs, >52mn but ≤8'mn	0.098	0.892	10.99%	3.226	10.796	29.88%	3.128	9.904
3031900	Frozen pacific salmon	0.319	2.498	12.77%	2.820	15.436	18.27%	2.501	12.938
52052100	Combed single cotton yarn, with ≥85% cotton, nprs, ≤14mn	1.419	35.261	4.02%	2.517	9.110	27.63%	1.098	6.517
52054400	Combed cabled cotton yarn, with ≥85% cotton, nprs, >52mn but ≤8'mn	0.001	0.844	0.12%	1.775	7.361	24.11%	1.774	6.517
52061100	Uncombed single cotton yarn, with <85% cotton, nprs, ≤14mn	0.000	0.744	0.00%	1.679	8.708	19.28%	1.679	7.964

Table 3

Values in millions of USD

HS Code	Product	China	World	China's share in total exports	China	World	China's share in total exports	Increase in exports to China (2006-2012)	Increase in exports to the World (2006-2012)
		2006			2012				
63053300	Sacks & bags made of polyethylene or polypropylene strips or the like	0.000	1.642	0.00%	9.829	14.453	68.01%	9.829	12.811
61034900	Men's trousers, etc. of other textiles, knitted/crocheted	0.000	13.555	0.00%	0.386	72.337	0.53%	0.386	58.782
61046200	Women's trousers, etc, of cotton, knitted or crocheted	0.000	33.121	0.00%	0.327	22.537	1.45%	0.327	(10.584)
61059000	Men's shirts of other textiles, nes, knitted or crocheted	0.000	118.263	0.00%	0.231	269.978	0.09%	0.231	151.715
61159900	Hosiery & footwear, of other textiles, knitted or crocheted, nes	0.000	9.503	0.00%	0.230	65.364	0.35%	0.230	55.861
61034200	Men's or boys' trousers, etc, of cotton, knitted or crocheted	0.000	37.379	0.00%	0.227	27.734	0.82%	0.227	(9.645)
61043900	Woman's or girls' jackets, of other textiles, knitted or crocheted	0.001	4.871	0.02%	0.206	24.622	0.84%	0.205	19.751
61033900	Men's or boys' jackets... of other textiles, nes, knitted/crocheted	0.061	31.291	0.19%	0.185	103.485	0.18%	0.124	72.194
61042900	Women's or girls' ensembles, of other textiles, knitted/crocheted	0.000	0.560	0.00%	0.127	1.721	7.38%	0.127	1.161
61033200	Men's or boys' jackets & blazers of cotton, knitted or crocheted	0.010	49.462	0.02%	0.120	51.965	0.23%	0.110	2.503
61046900	Women's or girls' trousers, etc, of other textile, knitted/crocheted	0.000	5.272	0.00%	0.106	30.487	0.35%	0.106	25.215
61069000	Women's or girls' blouses, etc,	0.000	10.064	0.00%	0.060	37.305	0.16%	0.060	27.241

	of other textiles, knitted/crocheted								
3073900	Mussels, frozen, dried, salted or in brine	0.000	0.000	0.00%	0.055	0.061	90.16%	0.055	0.061
64022000	Footwear with thongs plugged into soles, of rubber or plastics	0.000	0.331	0.00%	0.041	0.070	58.57%	0.041	0.261
5119990	Animal products, nes; dead animals of Chapter 1	0.000	0.151	0.00%	0.034	0.038	89.47%	0.034	0.113
7123200	Dried wood ears	0.000	0.000	0.00%	0.033	0.099	33.33%	0.033	0.099
63080000	Sets of woven fabric & yarn, for making up into rugs, etc, prs	0.000	0.013	0.00%	0.024	0.043	55.81%	0.024	0.030
62031910	Men's or boys' suits of silk or silk waste	0.012	5.992	0.20%	0.019	12.862	0.15%	0.007	6.87
61061000	Women's or girls' blouses, etc, of cotton, knitted or crocheted	0.026	79.749	0.03%	0.013	23.983	0.05%	(0.013)	(55.766)
61121100	Track-suits of cotton, knitted or crocheted	0.000	44.935	0.00%	0.012	1.409	0.85%	0.012	(43.526)

Table 4

Values in millions of USD

HS Code	Product	China	World	China's share in total exports	China	World	China's share in total exports	Increase in exports to China (2006-2012)	Increase in exports to the World (2006-2012)
		2006			2012				
62032200	Men's ensembles of cotton	0.000	2.573	0.00%	2.769	774.325	0.36%	2.769	771.752
63053900	Sacks & bags, used for the packing goods, made of man-made textile fibres	0.000	0.419	0.00%	1.173	19.900	5.89%	1.173	19.481
5010000	Human hair, un worked, whether or not washed/scoured, waste hair	0.000	0.000	0.00%	0.882	0.893	98.77%	0.882	0.893
68159100	Articles containing magnesite, dolomite or chromite	0.000	0.096	0.00%	0.287	0.287	100.00%	0.287	0.191
62042200	Women's ensembles of cotton	0.000	1.812	0.00%	0.125	23.580	0.53%	0.125	21.768
63019000	Other blankets & travelling rugs, nes	0.000	1.404	0.00%	0.052	7.450	0.70%	0.052	6.046
8109090	Other fruit, fresh, nes	0.000	9.948	0.00%	0.052	1.501	3.46%	0.052	(8.447)
2041000	Fresh or chilled lamb carcasses & half carcasses	0.000	1.478	0.00%	0.050	25.505	0.20%	0.050	24.027
61022000	Woman's or girls' overcoats, etc, of cotton, knitted or crocheted	0.001	0.350	0.29%	0.049	3.401	1.44%	0.049	3.051
3072900	Scallops, frozen, dried, salted or in brine	0.000	0.000	0.00%	0.049	0.617	7.94%	0.049	0.617
63059000	Sacks & bags, used for packing goods, of other textiles, nes	0.000	0.864	0.00%	0.042	2.675	1.57%	0.042	1.811

4090000	Natural honey	0.000	3.601	0.00%	0.040	5.962	0.67%	0.040	2.361
62045200	Skirts & divided skirts of cotton	0.000	14.153	0.00%	0.026	32.887	0.08%	0.026	18.734
73102900	Cans, i's, capacity<5' litres nes	0.003	0.060	5.00%	0.015	0.778	1.93%	0.012	0.718
74181900	Table/kitchen/other household articles & parts nes, of Cu	0.000	0.032	0.00%	0.013	0.214	6.07%	0.013	0.182
61042200	Women's or girls' ensembles, of cotton, knitted or crocheted	0.000	0.175	0.00%	0.011	4.275	0.26%	0.011	4.1
62041200	Women's or girls' suits of cotton	0.014	17.631	0.08%	0.009	6.671	0.13%	(0.005)	(10.96)
19059000	Other bread, etc, nes; communion wafers, rice paper, etc	0.000	2.238	0.00%	0.008	12.656	0.06%	0.008	10.418
61012000	Men's or boys' overcoats, etc, of cotton, knitted or crocheted	0.000	3.890	0.00%	0.007	15.961	0.04%	0.007	12.071
42021210	Trunks and suitcases with outer surface of plastics or textile materials	0.000	0.454	0.00%	0.006	0.426	1.41%	0.006	(0.028)

Table 5

Values in millions of USD

HS Code	Product	China	World	China's share in total exports	China	World	China's share in total exports	Increase in exports to China (2006-2012)	Increase in exports to the World (2006-2012)
		2006			2012				
10063090	Semi-milled or wholly milled rice	0.012	623.756	0.00%	248.719	941.601	26.41%	248.707	317.845
41120000	Leather further prepared after tanning or crusting, including parchment-dressed leather, of sheep or lamb, without wool (whether or not split), other than leather of heading 41.14	3.891	22.688	17.15%	24.596	60.566	40.61%	20.705	37.878
41131000	Leather processed further after tanning or crusting, including parchment-dressed leather, of goats without wool or hair (whether or not split), other than leather of heading 41.14	8.824	120.178	7.34%	12.831	119.317	10.75%	4.007	(0.861)
30339000	Frozen flat fish (excluding halibut, plaice & sole)	6.273	18.853	33.27%	12.631	98.099	12.88%	6.358	79.246
41139000	Leather further prepared after tanning or crusting, including parchment-dressed	1.825	20.463	8.92%	7.908	80.966	9.77%	6.083	60.503

	leather, of other animals without wool or hair, (whether or not split), other than leather of heading 41.14								
8134030	Chinese dates (red jujubes), dried	0.000	0.000	0.00%	6.238	15.308	40.75%	6.238	15.308
52029900	Cotton waste nes	2.401	26.799	8.96%	5.981	55.108	10.85%	3.58	29.182
52021000	Yarn waste of cotton	1.858	19.349	9.60%	5.514	40.750	13.53%	3.656	21.401
41079200	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair (whether or not split), other than leather of heading 41.14, other than whole hides and skins	0.766	2.818	27.18%	4.463	71.664	6.23%	3.697	68.846
29173610	Terephthalic acid	16.331	59.687	27.36%	4.067	21.198	19.19%	(12.264)	(38.489)
10059000	Maize excluding seeds	0.000	0.022	0.00%	2.036	82.631	2.46%	2.036	82.609
12101000	Hop cones (excluding ground, powdered or pellets cones), fresh or dried	0.000	0.000	0.00%	1.493	3.993	37.39%	1.493	3.993
39011000	Polyethylene having a specific gravity<'.94, in primary forms	0.000	0.013	0.00%	1.451	1.827	79.42%	1.451	1.814
8029090	Other nuts, fresh or dried, nes	0.000	0.884	0.00%	1.447	4.752	30.45%	1.447	3.868

<b>39012000</b>	Polyethylene having a specific gravity $\geq$ .94, in primary forms	0.000	0.351	0.00%	1.012	1.066	94.93%	1.012	0.715
<b>3037400</b>	Frozen mackerel	0.045	9.308	0.48%	0.675	7.114	9.49%	0.63	(2.194)
<b>10063010</b>	Semi-milled or wholly milled long grain	0.047	495.049	0.01%	0.543	621.455	0.09%	0.496	126.406
<b>61051000</b>	Men's or boys' shirts of cotton, knitted or crocheted	0.038	553.222	0.01%	0.462	307.878	0.15%	0.424	(245.344)
<b>39076090</b>	Polyethylene terephthalate, nes, in primary forms	0.000	0.283	0.00%	0.413	0.431	95.82%	0.413	0.148
<b>10051000</b>	Maize seed	0.000	0.269	0.00%	0.241	16.421	1.47%	0.241	16.152

Table 6

Values in millions of USD

HS Code	Product	China	World	China's share in total imports	China	World	China's share in total imports	Increase in imports from China (2006-2012)	Increase in imports from the World (2006-2012)
		2006			2012				
40112090	Tyre rubber for buses	53.223	88.371	60%	126.538	165.901	76%	73.315	77.53
89080000	Vessels and other floating structures for breaking up.	0.000	15.856	0%	96.208	776.620	12%	96.208	760.764
86071900	Parts of railway or tramway locomotives or rolling-stock; bogies, bissel-bogies, axles, wheels, and parts thereof; Other, including parts	0.121	5.362	2%	56.990	57.025	100%	56.869	51.663
39072000	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms; other polyethers	3.376	40.166	8%	55.573	96.617	58%	52.197	56.451
84479010	Knitting machines, stitch-bonding machines and machines for making gimped yarn, tulle, lace,	0.786	2.852	28%	42.161	54.515	77%	41.375	51.663

	embroidery, trimmings, braid or net; machines for tufting; multi head embroidery machines								
86050000	Railway passenger and special purpose coaches, not self-propelled	0.006	0.571	1%	40.892	40.892	100%	40.886	40.321
84143010	Compressor used non cfc gases	14.351	70.931	20%	36.879	118.465	31%	22.528	47.534
38249091	Diphenyl methane(mdi)	0.192	19.265	1%	32.948	53.932	61%	32.756	34.667
85301000	Electrical signalling, safety or traffic control equipment for railways, tramways, roads, inland waterways, parking facilities, port installations or airfields (other than those of heading 86.08); Equipment for railways or tramways	0.000	0.089	0%	30.085	31.901	94%	30.085	31.812
32061100	Other colouring matter; preparations as specified in Note 3 to this Chapter, other than those of heading 32.03, 32.04 or 32.05; inorganic products of a kind used as luminophores	3.610	28.299	13%	28.398	65.326	43%	24.788	37.027

	(whether or not chemically defined); pigments and preparations based on titanium dioxide, containing 80% or more by weight of titanium dioxide (calculated on the dry matter)								
29224100	Oxygen-function amino-compounds; amino-acids, other than those containing more than one kind of oxygen function, their esters and salts thereof; lysine, its esters and salts thereof	1.852	11.247	16%	26.636	33.493	80%	24.784	22.246
84109090	Hydraulic turbines, water wheels, and regulators thereof; parts, including regulators	0.618	0.753	82%	25.010	27.135	92%	24.392	26.382
72199010	Flat-rolled products made of stainless steel, of a width of 600 mm or more: Other: Of a thickness of less than 0.5 mm: sheets in circular shape of all sizes	0.000	0.882	0%	24.394	24.628	99%	24.394	23.746
29269050	Nitrile-function compounds (excl. acrylonitrile, 1-	8.594	10.972	78%	21.611	31.585	68%	13.017	20.613

	cyanoguanidine 'dicyandiamide', fenproporex 'INN' and its salts, and methadone 'INN'-intermediate '4-cyano-2-dimethylamino-4,4-diphenylbutane'); ingredients for pesticides								
84304900	Other moving, grading, levelling, scraping, excavating, tamping, compacting, extracting or boring machinery, for earth, minerals or ores; pile-drivers and pile-extractors; snow-ploughs and snow-blowers: other boring or sinking machinery	28.086	40.049	70%	21.553	54.384	40%	(6.533)	14.335
29349990	Heterocyclic compounds	4.820	27.206	18%	21.349	50.334	42%	16.529	23.128
85023100	Electricity generating sets and rotary converters; wind-powered generating sets	0.000	0.020	0%	20.870	20.871	100%	20.870	20.851
7032000	Onions, shallots, garlic, leeks and other alliaceus vegetables (fresh or chilled); garlic	29.933	30.646	98%	17.684	20.459	86%	(12.249)	(10.187)

84069000	Steam turbines and other vapour turbines: Parts	0.843	12.457	7%	16.676	27.187	61%	15.833	14.73
90158000	Surveying (including photogrammetrical surveying), hydrographic, oceanographic, hydrological, meteorological or geophysical instruments and appliances, excluding compasses; rangefinders; other instruments and appliances	2.408	12.786	19%	16.171	39.858	41%	13.763	27.072

Table 7

Values in millions of USD

HS Code	Product	China	World	China's share in total imports	China	World	China's share in total imports	Increase in imports from China (2006-2012)	Increase in imports from the World (2006-2012)
		2006			2012				
31053000	Mineral or chemical fertilizers containing two or three of the fertilizing elements nitrogen, phosphorus and potassium; other fertilizers; goods of this Chapter in tablets or similar forms, or in packages of a gross weight not exceeding 10 kg: diammonium phosphate	0.000	43.575	0%	179.598	367.250	49%	179.598	323.675
85022000	Electricity generating sets and rotary converters; generating sets with spark-ignition internal combustion piston engines	3.891	19.585	20%	87.233	144.578	60%	83.342	124.993
31021000	Mineral or chemical fertilisers, nitrogenous; urea (whether or not in aqueous solution)	0.000	158.388	0%	65.931	264.969	25%	65.931	105.612
72104990	Flat-rolled products of iron or non-alloy steel,	7.577	23.995	32%	64.590	73.214	88%	57.013	49.219

	of a width of 600 mm or more (clad, plated or coated, or otherwise plated or coated with zinc): Other: Other								
54033200	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex: Other yarn, single: Of viscose rayon, with a twist exceeding 120 turns per metre	4.352	4.672	93%	39.593	39.843	99%	35.241	34.921
55041000	Artificial staple fibres, not carded, combed or otherwise processed for spinning: Of viscose rayon	1.450	95.968	2%	30.898	155.895	20%	29.448	59.927
29419090	Other, antibiotics	13.386	37.862	35%	30.271	53.626	56%	16.885	15.764
85359000	Electrical apparatus for switching or protecting electrical circuits, or for making connections to or in electrical circuits (for example, switches, fuses, lightning arresters, voltage limiters, surge suppressors, plugs and other connectors junction boxes), for a voltage exceeding 1,000 volts: Other	2.127	6.815	31%	28.964	30.113	96%	26.837	23.298
72083790	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more (hot-rolled - not clad, plated or coated); Other, in coils,	0.705	0.869	81%	28.680	45.564	63%	27.975	44.695

	not further worked than hot-rolled; of a thickness of 4.75 mm or more but not exceeding 10 mm: Other								
72139190	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel: Other: Of circular cross-section measuring less than 14 mm in diameter: Other	4.583	11.785	39%	27.573	40.710	68%	22.99	28.925
85044090	Oth ups	5.254	26.616	20%	21.581	43.895	49%	16.327	17.279
72091690	Flat-rolled products of iron or non-alloy steel, of a width of 600 mm or more, cold-rolled (cold-reduced), not clad, plated or coated; Others, in coils, not further worked than cold-rolled (cold-reduced), and of a thickness exceeding 1mm but less than 3 mm	0.427	6.177	7%	21.067	27.999	75%	20.64	21.822
7133300	Dried leguminous vegetables, shelled, (whether or not skinned or split); beans (Vigna spp, Phaseolus spp.): Kidney beans, including white pea beans (Phaseolus vulgaris)	14.178	21.147	67%	19.508	44.963	43%	5.33	23.816
72083890	Flat-rolled products made of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad,	0.000	0.562	0%	18.213	85.318	21%	18.213	84.756

	plated or coated Others, in coils, not further worked than hot-rolled, of a thickness of 3 mm or more but less than 4.75 mm								
84821000	Ball or roller bearings	4.605	22.448	21%	15.950	37.673	42%	11.345	15.225
72083990	Flat-rolled products made of iron or non-alloy steel, of a width of 600 mm or more, hot-rolled, not clad, plated or coated: Others, in coils, not further worked than hot-rolled, of a thickness of less than 3 mm	0.000	2.878	0%	15.417	221.150	7%	15.417	218.272
54012010	Sewing thre viscose rayon dyed	1.696	2.398	71%	14.034	15.401	91%	12.338	13.003
29181400	Carboxylic acids with an additional oxygen function and their anhydrides, halides, peroxides, peroxyacids, and their halogenated, sulphonated, nitrated or nitrosated derivatives; carboxylic acids with the alcohol function, but without other oxygen function, their anhydrides, halides, peroxides, peroxyacids and their derivatives: Citric acid	5.495	6.350	87%	13.773	15.756	87%	8.278	9.406
9101000	Ginger	22.820	25.579	89%	12.546	16.032	78%	(10.274)	(9.547)
89040000	Tugs and pusher craft.	1.069	1.329	80%	11.850	11.851	100%	10.781	10.522

Table 8

Values in millions of USD

HS Code	Product	China	World	China's share in total imports	China	World	China's share in total imports	Increase in imports from China (2006-2012)	Increase in imports from the World (2006-2012)
		2006			2012				
38249099	Binders for industry	4.912	71.527	7%	13.120	76.388	17%	8.208	4.861
50079000	Woven fabrics of silk or of silk waste; Other fabrics	0.032	0.051	63%	11.154	11.259	99%	11.122	11.208
34021110	Sulphonic acid (soft)	1.713	24.446	7%	8.561	19.153	45%	6.848	(5.293)
70099100	Glass mirrors, (whether or not framed) including rear-view mirrors; Other: Unframed	2.257	2.429	93%	8.518	8.571	99%	6.261	6.142
50072000	Woven fabrics of silk or of silk waste; other fabrics, containing 85 % or more by weight of silk or of silk waste other than noil silk	0.212	3.094	7%	7.791	7.858	99%	7.367	4.764
69021090	Oth contain singly > 50%	0.883	7.789	11%	6.041	11.583	52%	5.158	3.794
70109000	Oth carboys bott,flask,jar,pot	1.732	3.875	45%	5.827	7.245	80%	4.095	3.37
34029000	Organic surface-active agents (other than soap); surface-active preparations; washing preparations (including auxiliary washing preparations) and cleaning preparations (whether or not containing soap), other than those of heading 34.01: Other	0.750	9.290	8%	3.942	10.048	39%	3.192	0.758
69022090	Oth refractory goods contain	1.601	4.130	39%	2.054	3.253	63%	0.453	(0.877)
32089090	Paints and varnishes, including enamels and lacquers; synthetic polymers or chemically modified natural polymers, dispersed or dissolved in a non-aqueous medium; solutions	0.321	8.282	4%	1.594	10.204	16%	1.273	1.922

	of products of subheading 3901 to 3913 in volatile organic solvents, containing more than 50% solvent by weight (excluding those based on polyesters, acrylic or vinyl polymers and solutions of collodion): Other								
39041010	Polymers of vinyl chloride or of other halogenated olefins, in primary forms: Poly(vinyl chloride), not mixed with any other substances: Emulsion grade	0.041	4.587	1%	1.576	18.102	9%	1.535	13.515
48184010	Baby diapers	0.469	1.392	34%	1.292	1.686	77%	0.823	0.294
33042000	Beauty or make-up preparations and preparations for the skin care (other than medicaments), including sunscreen or sun tan preparations; manicure or pedicure preparations; eye make-up preparations	0.108	0.472	23%	1.084	1.298	84%	0.976	0.826
37013020	Photographic plates and film in the flat, sensitized and unexposed, made of any material other than paper, paperboard or textiles; instant print film in the flat, sensitized and unexposed, (whether or not in packs); other plates and film, with sides exceeding 255 mm; photo polymers and CTP plates of a kind used in the printing of newspapers and magazines	0.000	0.123	0%	0.791	1.490	53%	0.791	1.367
70099200	Glass mirrors (framed or unframed), including rear-view mirrors Other: Framed	0.163	0.230	71%	0.706	0.746	95%	0.543	0.516
38063000	Rosin and resin acids, and derivatives thereof; rosin spirit and rosin oils; run gums and ester gums	0.222	0.311	71%	0.655	0.798	82%	0.433	0.487
40169320	Washers and other seals of rubbers	6.083	6.224	98%	0.591	8.304	7%	(5.492)	2.08

<b>38059000</b>	Gum, wood, sulphate turpentine and other terpenic oils produced by the distillation or other treatment of coniferous woods; crude dipentene; sulphite turpentine and other crude para-cymene; pine oil containing alpha-terpineol as the main constituent: Other	0.476	0.973	49%	0.548	0.964	57%	0.072	(0.009)
<b>34059000</b>	Polishes and creams for furniture, floors, coachwork, glass and metal; scouring pastes and powders and similar preparations (in the form of paper, wadding, felt, nonwovens, cellular plastics or cellular rubber -- impregnated, coated or covered with such preparations), excluding waxes of heading 34.04: Other	0.232	0.714	32%	0.535	1.608	33%	0.303	0.894
<b>50071000</b>	Woven fabrics of silk or of silk waste; fabrics of noil silk	0.000	0.000	0%	0.498	0.498	100%	0.498	0.498

Table 9

Values in millions of USD

HS Code	Product	China	World	China's share in total imports	China	World	China's share in total imports	Increase in imports from China (2006-2012)	Increase in imports from the World (2006-2012)
		2006			2012				
84021200	Steam or other vapour-generating boilers (other than central heating hot water boilers) capable also of producing low pressure steam; super-heated water boilers; steam or other vapour generating boilers; watertube boilers with steam production not exceeding 45 t per hour	0.005	0.471	1%	0.900	1.238	73%	0.895	0.767
94013000	Seats (other than those of heading 94.02) (whether or not convertible into beds) and parts thereof; swivel seats with variable height adjustment	0.056	0.068	82%	0.898	1.161	77%	0.842	1.093
85164000	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair-dressing apparatus (for example,	0.758	1.382	55%	0.893	1.026	87%	0.135	(0.356)

	hair dryers, hair curlers, curling tong heaters) and hand dryers; electric smoothing irons, other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors (other than those of heading 85.45); electric smoothing irons								
73083000	Structures (excluding prefabricated buildings of heading 94.06) and parts of structures of iron or steel; plates, rods, angles, shapes, sections, tubes, etc. prepared for use in structures made of iron or steel; doors and windows; frames and thresholds for doors	0.045	0.529	9%	0.854	1.003	85%	0.809	0.474
42021900	Trunks, suit cases, etc. of leather or of composition leather, of sheeting of plastics, of textile materials, of vulcanised fibre or of paperboard, or wholly or mainly covered with such materials or with paper	0.235	0.284	83%	0.846	0.975	87%	0.611	0.691
96086000	Ball point pens; felt tipped and other porous-tipped pens and markers; fountain pens, stylograph	0.061	0.390	16%	0.846	1.325	64%	0.785	0.935

	pens and other pens; duplicating stylos; propelling or sliding pencils; pen-holders, pencil-holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading 96.09; refills for ball point pens (comprising the ball point and ink-reservoir)								
56075000	Twine, cordage, ropes and cables (plaited or braided and impregnated, coated, covered or sheathed with either rubber or plastics); Of other synthetic fibres	0.410	0.566	72%	0.843	0.996	85%	0.433	0.43
72165000	Angles, shapes and sections of iron or non-alloy steel; other angles, shapes and sections (not further worked than hot-rolled, hot-drawn or extruded)	0.258	5.099	5%	0.838	0.843	99%	0.58	(4.256)
59019090	Other textile fabrics (gum-coated)	0.454	0.699	65%	0.831	0.892	93%	0.377	0.193
85392200	Electric filament or discharge lamps, including sealed beam lamp units and ultra-violet or infra-red lamps; arc-lamps; other filament lamps, excluding ultra-violet or infra-red lamps; other	0.235	0.433	54%	0.824	2.054	40%	0.589	1.621

	lamps of a power not exceeding 200 W and a voltage not exceeding 100V								
73102100	Tanks, casks, drums, cans, boxes and similar containers (for any material other than compressed or liquefied gas) made of iron or steel, but of a capacity not exceeding 300 l, (lined or heat- insulated, but not fitted with mechanical or thermal equipment); cans which are closed by soldering or crimping, of a capacity of less than 50 l	0.116	0.167	69%	0.812	1.310	62%	0.696	1.143
40119400	New pneumatic tyres of rubber; other tyres of a kind used on construction or industrial-handling vehicles and machines (with a rim size exceeding 61cm)	0.766	1.644	47%	0.800	1.142	70%	0.034	(0.502)
85167100	Electric instantaneous or storage water heaters and immersion heaters; electric space heating apparatus and soil heating apparatus; electro-thermic hair- dressing apparatus (for example, hair dryers, hair curlers, curling tong heaters) and	0.263	0.418	63%	0.795	0.876	91%	0.532	0.458

	hand dryers; electric smoothing irons; other electro-thermic appliances of a kind used for domestic purposes; electric heating resistors, other than those of heading 85.45; other electro-thermal appliances such coffee or tea makers								
73144900	Cloth (including endless bands), grill, netting and fencing, of iron or steel wiring; expanded metal of iron or steel: Other cloth, grill, netting and fencing: Other	0.320	1.621	20%	0.788	1.337	59%	0.468	(0.284)
63079090	Other made-up articles	0.139	0.385	36%	0.777	1.643	47%	0.638	1.258
96082000	Ball point pens; felt tipped and other porous-tipped pens and markers; fountain, stylograph and other pens; duplicating stylos; propelling or sliding pencils; pen-holders, pencil-holders and similar holders; parts (including caps and clips) of the foregoing articles, other than those of heading 96.09; felt tipped and other porous-tipped pens and markers	0.203	0.916	22%	0.766	1.778	43%	0.563	0.862
73012000	Sheet piling of iron or steel, whether or not	0.000	0.032	0%	0.762	0.797	96%	0.762	0.765

	drilled, punched or made from assembled elements; welded angles, shapes and sections, of iron or steel: Angles, shapes and sections								
83089020	Buckle of base metal	0.109	0.308	35%	0.761	0.917	83%	0.652	0.609
85016200	Electric motors and generators (excluding generating sets): AC generators (alternators): Of an output exceeding 75 kVA but not exceeding 375 kVA	0.026	0.081	32%	0.759	1.383	55%	0.733	1.302
63023910	Bed sheets oth tex mat handloom	0.011	0.011	100%	0.738	1.201	61%	0.727	1.19

Table 10

Values in millions of USD

HS Code	Product	China	World	China's share in total imports	China	World	China's share in total imports	Increase in imports from China (2006-2012)	Increase in imports from the World (2006-2012)
		2006			2012				
54023300	Synthetic filament yarn (other than sewing thread), not put up for retail sale, including synthetic monofilament of less than 67 decitex: Textured yarn: Of polyesters	23.044	64.003	36%	159.618	200.665	80%	136.574	136.662
55032010	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning: Of polyesters not exceeding 2.22 decitex	4.041	53.641	8%	110.344	137.862	80%	106.303	84.221
85393910	Energy saving lamps	23.898	24.392	98%	86.232	87.066	99%	62.334	62.674
54033100	Artificial filament yarn (other than sewing thread), not put up for retail sale, including artificial monofilament of less than 67 decitex: Other yarn, single: Of viscose rayon, untwisted or with a	22.024	29.813	74%	81.266	84.988	96%	59.242	55.175

	twist not exceeding 120 turns per metre								
87112010	Motor-cycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder capacity > 50 cm <sup>3</sup> but ≤ 250 cm <sup>3</sup> : In CKD/SKD condition	10.921	36.846	30%	51.627	87.188	59%	40.706	50.342
69089010	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, whether or not on a backing: Other: Tiles	6.942	9.683	72%	30.866	49.390	62%	23.924	39.752
55169400	Woven fabrics of artificial staple fibres: Other: Printed	0.005	0.005	100%	20.131	21.774	92%	20.126	21.769
64051000	Other footwear: With uppers of leather or composition leather	2.660	2.958	90%	15.421	15.597	99%	12.761	12.639
87021090	Motor vehicles for the transport of ≥ 10 persons, incl. driver, with compression-ignition internal combustion piston engine 'diesel or semi-diesel': Other	0.257	8.180	3%	15.384	33.888	45%	15.127	25.708
64029900	Other footwear with outer soles and uppers of rubber or plastics: Other footwear: Other	1.322	1.422	93%	14.060	14.210	99%	15.127	12.788

74111090	Tubes and pipes of refined copper: Other	4.291	8.462	51%	12.699	14.254	89%	8.408	5.792
40112010	New pneum tyres light trucks	7.580	22.435	34%	12.124	30.479	40%	4.544	8.044
39199090	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether or not in rolls: Other: Other	0.626	1.442	43%	11.270	27.233	41%	10.644	25.791
32041100	Synthetic organic colouring matter, whether or not chemically defined; preparations as specified in Note 3 to this Chapter based on synthetic organic colouring matter; brightening agents or as luminophores, whether or not chemically defined: Synthetic organic colouring matter and preparations based thereon as specified in Note 3 to this Chapter: Disperse dyes and preparations based thereonsynthetic organic products of a kind used as fluorescent	5.909	8.363	71%	10.597	15.667	68%	4.688	7.304

28331100	Sulphates; alums; peroxosulphates (persulphates): Sodium sulphates: Disodium sulphates	2.097	2.190	96%	10.576	10.700	99%	8.479	8.51
55032090	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning: Other	1.499	12.879	12%	10.179	19.936	51%	8.68	7.057
64039900	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather: Other footwear: Other	0.934	1.585	59%	9.765	16.845	58%	8.831	15.26
54075200	Woven fabrics of synthetic filament yarn, including woven fabrics obtained from materials of heading 54.04: Other woven fabrics, containing 85 % or more by weight of textured polyester filaments: Dyed	6.906	7.546	92%	9.485	12.015	79%	2.579	4.469
28491000	Carbides, whether or not chemically defined: Of calcium	3.066	3.161	97%	8.770	8.862	99%	5.704	5.701
84099910	Oth ring for piston veh ch-87	0.069	2.872	2%	8.732	18.510	47%	8.663	18.441

Table 11

Values in millions of USD

HS Code	Product	Export to Malaysia	Export to World	Malaysia's share in total exports	Export to Malaysia	Export to World	Malaysia's share in total exports	Increase in exports to Malaysia (2007-2012)	Increase in exports to the World (2007-2012)
		2007			2012				
10059000	Maize (corn): Other	0	0.076	0	3.4817	82.631	4.214	3.4817	82.555
10051000	Maize (corn): Seed	0	0.300	0	5.933	16.421	36.500	5.933	16.121
23021000	Bran, sharps and other residues, whether or not in the form of pellets, derived from the sifting, milling or other working of cereals or of leguminous plants: Of maize (corn)	0	0.001	0	4.907	6.917	70.941	4.907	6.916
10019900	Wheat and meslin. other : other	0	0	0	3.476	24.000	14.483	3.476	24
29032100	Halogenated derivatives of hydrocarbons: Unsaturated chlorinated derivatives of acyclic hydrocarbons: Vinyl chloride (chloroethylene)	0	0	0	2.043	8.706	23.467	2.043	8.706
07019000	Potatoes, fresh or chilled: Other	0.982	34.039	2.885	1.829	64.835	2.821	.847	30.796

07122000	Dried vegetables, whole, cut, sliced, broken or in powder, but not further prepared: Onions	0.188	0.722	26.039	1.702	5.030	33.837	1.514	4.308
07031000	Onions, shallots, garlic, leeks and other alliaceous vegetables, fresh or chilled: Onions and shallots	1.412	7.519	18.779	1.615	7.330	22.032	.203	(.189)
03037900	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04: Other fish, excluding livers and roes: Other	2.478	34.015	7.285	1.205	16.031	7.517	(1.276)	(17.984)
03037400	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04: Other fish, excluding livers and roes: Mackerel (Scomber scombrus Scomber australasicus, Scomber japonicus)	4.449	23.288	19.104	0.841	7.114	11.822	(3.608)	(16.104)

Table 12

Values in millions of USD

HS Code	Product	Export to Malaysia	Export to World	Malaysia's share in total exports	Export to Malaysia	Export to World	Malaysia's share in total exports	Increase in exports to Malaysia (2007-2012)	Increase in exports to the World (2007-2012)
		2007			2012				
10064000	Rice: Broken rice	0.596	36.027	1.654	33.065	387.974	8.522	32.469	351.947
52051200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Single yarn, of uncombed fibres: Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	2.825	431.495	0.655	3.391	645.901	0.525	0.566	214.406
52053200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibres: Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	3.333	329.285	1.012	3.370	719.462	0.468	0.037	390.177

52053100	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibres: Measuring per single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)	0.353	70.453	0.501	3.042	144.384	2.107	2.689	73.931
52051100	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Single yarn, of uncombed fibres: Measuring 714.29 decitex or more (not exceeding 14 metric number)	0.229	134.737	0.170	2.279	218.578	1.043	2.05	83.841
35030010	Gelatin	1.101	5.018	21.941	2.243	8.780	25.547	1.142	3.762
55134100	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2: Printed: Of polyester staple fibres, plain weave	0.687	113.985	0.603	1.713	237.448	0.721	1.026	123.463
52052100	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Single yarn, of combed	0.046	6.697	0.687	1.306	9.110	14.336	1.26	2.413

	fibres: Measuring 714.29 decitex or more (not exceeding 14 metric number)								
52102100	Woven fabrics of cotton, containing less than 85 % by weight of cotton, mixed mainly or solely with man-made fibres, weighing not more than 200 g/m2: Bleached: Plain weave	0.745	97.628	0.763	1.057	100.271	1.054	0.312	2.643
52085100	Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing not more than 200 g/m2: Printed: Plain weave, weighing not more than 100 g/m2	0.807	15.252	5.291	0.811	52.827	1.535	0.004	37.575

**Table 13***Values in millions of USD*

HS Code	Product	Exports to Malaysia	Exports to World	Malaysia's share in total exports	Exports to Malaysia	Exports to World	Malaysia's share in total exports	Increase in exports to Malaysia (2007-2012)	Increase in exports to the World (2007-2012)
		2007			2012				
55131100	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m <sup>2</sup> : Unbleached or bleached: Of polyester staple fibres, plain weave	0.055	59.682	0.092	0.384	54.448	0.705	0.329	(5.234)
08045020	Mangoes	0.175	29.027	0.603	0.314	36.186	0.868	0.139	7.159
55131200	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m <sup>2</sup> : Unbleached or bleached: 3-thread or 4-thread twill, including cross twill, of	0	4.884	0	0.082	10.358	0.792	0.082	5.474

	polyester staple fibres								
36050000		0	25.234	0	0.010	24.727	0.040	0.01	(0.507)
39075000	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms: Alkyd resins	0.017	0.081	20.988	0	0	0	(0.017)	(0.081)

Table 14

Values in millions of USD

HS Code	Product	Exports to Malaysia	Exports to World	Malaysia's share in total exports	Export to Malaysia	Export to World	Malaysia's share in total exports	Increase in exports to Malaysia (2007-2012)	Increase in exports to the World (2007-2012)
		2007			2012				
03033900	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04: Flat fish (Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae), excluding livers and roes: Other	1.047	21.549	4.859	12.041	98.099	12.274	10.994	76.55
62033900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Jackets and blazers: Of other textile materials	0.011	17.291	0.064	0.624	37.916	1.646	0.613	20.625
94049000	Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs or stuffed or internally	0.018	21.244	0.085	0.096	83.644	0.115	0.078	62.4

	fitted with any material or of cellular rubber or plastics, whether or not covered: Other								
62041200	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Suits: Of cotton	0.030	16.306	0.184	0.063	6.671	0.944	0.033	(9.635)

Table 15

Values in millions of USD

HS Code	Product	Export to Malaysia	Export to World	Malaysia's share in total exports	Export to Malaysia	Export to World	Malaysia's share in total exports	Increase in exports to Malaysia (2007-2012)	Increase in exports to the World (2007-2012)
		2007			2012				
17019910	White crystalline cane sugar	0	0.005	0	11.203	161.268	6.947	11.203	161.263
62111200	Track suits, ski suits and swimwear; other garments: Swimwear: Women's or girls'	0	0.842	0	1.319	2.323	56.780	1.319	1.481
62034200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Trousers, bib and brace overalls, breeches and shorts: Of cotton	0.02	580.434	0.003	0.945	351.323	0.269	0.925	(229.111)
61109000	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted: Of other textile materials	0	27.966	0	0.426	65.656	0.649	0.426	37.69
61091000	T-shirts, singlet and other vests, knitted or crocheted: Of cotton	0.105	258.266	0.041	0.209	184.924	0.113	0.104	(73.342)
62032200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and	0	2.843	0	0.189	774.325	0.024	0.189	771.482

	brace overalls, breeches and shorts (other than swimwear): Ensembles: Of cotton								
62171000	Other made up clothing accessories; parts of garments or of clothing accessories, other than those of heading 62.12: Accessories	0.004	0.934	0.428	0.165	6.489	2.543	0.161	5.555
56012900	Wadding of textile materials and articles thereof; textile fibres, not exceeding 5 mm in length (flock), textile dust and mill neps: Wadding; other articles of wadding: Other	0	1.195	0	0.148	4.689	3.156	0.148	3.494
62160010	Gloves of textile fabrics	0.007	19.207	0.036	0.133	35.458	0.375	0.126	16.251
48237000	Other paper, paperboard, cellulose wadding and webs of cellulose fibres, cut to size or shape; other articles of paper pulp, paper, paperboard, cellulose wadding or webs of cellulose fibres: Moulded or pressed articles of paper pulp	0	0	0	0.128	0.579	22.107	0.128	0.579

Table 16

Values in millions of USD

HS Code	Product	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Increase in imports from Malaysia (2007-2012)	Increase in imports from the World (2007-2012)
		2007			2012				
89080000	Vessels and other floating structures for breaking up.	0	51.128	0	33.383	776.620	4.298	33.383	725.492
84143010	Compressor used non cfc gases	18.543	120.064	15.444	18.801	118.465	15.871	0.258	(1.599)
29161200	Unsaturated acyclic monocarboxylic acids, cyclic monocarboxylic acids, their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives: Unsaturated acyclic monocarboxylic acids, their anhydrides, halides, peroxides, peroxyacids and their derivatives: Esters of acrylic acid	10.538	17.364	60.689	12.655	19.175	65.997	2.117	1.899

400110 00	Natural rubber, balata, gutta-percha, guayule, chicle and similar natural gums, in primary forms or in plates, sheets or strip: Natural rubber latex, whether or not pre-vulcanised	17.432	35.578	48.997	10.875	36.628	29.690	(6.117)	1.05
382319 20	Palm acid oil	9.209	13.286	69.314	8.106	8.294	97.733	(1.103)	(4.992)
847130 20	Personal computers(pcs)	12.396	56.761	21.839	4.892	46.224	10.583	(7.504)	(10.537)
847982 30	Oil refining machines	3.564	5.527	64.483	4.383	11.168	39.246	0.819	5.641
320611 00	Other colouring matter; preparations as specified in Note 3 to this Chapter, other than those of heading 32.03, 32.04 or 32.05; inorganic products of a kind used as luminophores, whether or not chemically defined: Pigments and preparations based on titanium dioxide: Containing 80 % or more by weight of titanium dioxide	1.327	32.415	4.094	3.762	65.326	5.759	2.435	32.911

	calculated on the dry matter								
490199 90	Oth, similar printed matter.	0.022	17.000	0.129	3.675	21.784	16.870	3.653	4.784
740710 40	Bars, rods and profiles, of refined copper, n.e.s.: Busbars of electrolytic grade of 99.9% purity	1.048	4.194	24.988	3.392	4.604	73.675	2.344	0.41

Table 17

Values in millions of USD

HS Code	Product	Import from Malaysia	Import from World	Malaysia's share in total imports	Import from Malaysia	Import from World	Malaysia's share in total imports	Increase in imports from Malaysia (2007-2012)	Increase in imports from the World (2007-2012)
		2007			2012				
85299090	Oth t/c eqp/apphd85.25-85.28	0.968	32.546	2.974	15.982	56.516	28.279	15.014	23.97
18050000		1.491	2.709	55.039	8.757	11.300	77.496	7.266	8.591
74031100	Refined copper and copper alloys, unwrought: Refined copper: Cathodes and sections of cathodes	0	95.787	0	8.694	76.203	11.409	5.694	(19.584)
23066000	Oil-cake and other solid residues, whether or not ground or in the form of pellets, resulting from the extraction of vegetable fats or oils, other than those of heading 23.04 or 23.05: Of palm nuts or kernels	0.107	0.107	100	8.510	8.605	98.896	8.403	8.498
19019090	Other food preparations	0.271	8.631	3.140	3.818	30.991	12.320	3.547	22.36
23099020	Preparations of a kind used in animal feeding: Other: Preparations for use in making the complete feeds or supplementary feeds	0.070	4.385	1.596	1.536	28.426	5.403	1.466	24.041

180400 00		0.461	1.258	36.566	1.310	1.660	78.916	0.849	0.402
293690 00	Provitamins and vitamins, natural or reproduced by synthesis (including natural concentrates), derivatives thereof used primarily as vitamins, and intermixtures of the foregoing, whether or not in any solvent: Other, including natural concentrates	0.001	0.267	0.375	1.234	3.615	34.136	1.233	3.348
731290 10	Oth stl cord usein tyre mfu	0.063	0.777	8.108	1.059	1.077	98.329	0.996	0.3
230400 00		0	83.806	0	0.783	281.607	0.278	0.783	197.801

(In million dollars)

Table 18

Values in millions of USD

HS Code	Product	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Increase in imports from Malaysia (2007-2012)	Increase in imports from the World (2007-2012)
		2007			2012				
39023000	Polymers of propylene or of other olefins, in primary forms: Propylene copolymers	9.173	36.533	25.109	8.410	92.787	9.064	(0.763)	56.254
39012000	Polymers of ethylene, in primary forms: Polyethylene having a specific gravity of 0.94 or more	27.233	224.497	12.131	1.963	184.656	1.063	(25.27)	(39.841)
85362010	Auto circuit breaker>10amp	0.768	11.561	6.643	0.660	10.049	6.568	(0.108)	(1.512)
85079000	Electric accumulators, including separators therefor, whether or not rectangular (including square): Parts	0.049	0.795	6.164	0.571	3.324	17.178	0.522	2.529
85044020	Electrical transformers, static converters (for example, rectifiers) and inductors: Static converters: Battery chargers	0.010	1.815	0.551	0.564	4.955	11.382	0.554	3.14

85044090	Oth ups	0.070	37.864	0.185	0.429	43.895	0.977	0.359	6.031
84821000	Ball or roller bearings: Ball bearings	0.310	22.127	1.401	0.414	37.673	1.099	0.104	15.546
30042000	Medicament oth antibiotics	0.084	25.647	0.328	0.367	29.773	1.233	0.283	4.126
39013000	Polymers of ethylene, in primary forms: Ethylene-Vinyl acetate copolymers	0.127	26.830	0.473	0.314	26.439	1.187	0.187	(0.391)
49119900	Other printed matter, including printed pictures and photographs: Other: Other	0.001	11.791	0.008	0.306	3.803	8.046	0.305	(7.988)

Table 19

Values in millions of USD

HS Code	Product	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Imports from Malaysia	Imports from World	Malaysia's share in total imports	Increase in imports from Malaysia (2007-2012)	Increase in imports from the World (2007-2012)
		2007			2012				
35069110	Adhesives based on polymers of heading 3901 to 3913 or on rubber (excl. products suitable for use as glues or adhesives put up for retail sale as glues or adhesives, with a net weight of <= 1 kg): Shoe adhesives	1.538	3.782	40.666	1.860	4.286	43.397	0.322	0.504
72139190	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel: Other: Of circular cross-section measuring less than 14 mm in diameter: Other	1.348	28.343	4.756	1.196	40.710	2.938	(0.152)	12.367
74081900	Copper wire: Of refined copper: Other	0	0.260	0	0.831	1.556	53.406	0.831	1.296
38237000	Industrial monocarboxylic fatty acids; acid oils from refining;	0.036	0.582	6.186	0.739	1.170	63.162	0.703	0.588

	industrial fatty alcohols: Industrial fatty alcohols								
39041010	Polymers of vinyl chloride or of other halogenated olefins, in primary forms: Poly(vinyl chloride), not mixed with any other substances: Emulsion grade	0.480	10.751	4.465	0.724	18.102	4.000	0.244	7.351
34049090	Other, artificial waxes	0.295	4.532	6.509	0.393	8.091	4.857	0.098	3.559
73079900	Tube or pipe fittings (for example, couplings, elbows, sleeves), of iron or steel: Other: Other	0.009	20.163	0.045	0.360	23.089	1.559	0.351	2.926
84818090	Taps, cocks, valves and similar appliances for pipes, boiler shells, tanks, vats or the like, including pressure-reducing valves and thermostatically controlled valves: Other appliances: Other	0.882	44.546	1.980	0.339	49.129	0.690	(0.543)	4.583
74071020	Rods of refined copper	0.039	11.900	0.328	0.294	9.033	3.255	0.255	(2.867)
73121010	Iron and steel wire	0	2.577	0	0.254	4.470	5.682	0.254	1.893

Table 20

Values in millions of USD

HS Code	Product	Import from Malaysia	Import from World	Malaysia's share in total imports	Import from Malaysia	Import from World	Malaysia's share in total imports	Increase in imports from Malaysia	Increase in imports from the World
		2007			2012			(2007-2012)	(2007-2012)
84151020	Air conditioning machines, comprising a motor-driven fan and elements for changing the temperature and humidity, including those machines in which the humidity cannot be separately regulated: Window or wall types, self-contained or "split-system": Self-contained or split type	0.909	8.223	11.054	8.502	14.770	57.563	7.593	6.547

	comprising of inner and outer unit whether or not imported separately								
29152100	Saturated acyclic monocarboxylic acids and their anhydrides, halides, peroxides and peroxyacids; their halogenated, sulphonated, nitrated or nitrosated derivatives: Acetic acid and its salts; acetic anhydride: Acetic acid	11.649	15.445	75.422	6.450	19.566	32.965	(5.199)	4.121
34012000	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for retail sale,	5.647	6.878	82.102	4.034	5.580	72.294	(1.613)	(1.295)

	whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent: Soap in other forms								
76072000	Aluminium foil (whether or not printed or backed with paper, paperboard, plastics or similar backing materials) of a thickness (excluding any backing) not exceeding 0.2 mm: Backed	1.500	12.255	12.240	3.913	15.125	25.871	2.413	2.87
40151100	Gloves, rubber, surgical	1.697	2.546	66.654	3.153	4.617	68.291	1.456	2.071
34011100	Soap; organic surface-active products and preparations for use as soap, in the form of bars, cakes, moulded pieces or shapes, whether or not containing soap; organic surface-active products and preparations for washing the skin, in the form of liquid or cream and put up for	0.847	4.908	17.258	2.531	10.941	23.133	1.684	6.033

	retail sale, whether or not containing soap; paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent: Soap and organic surface-active products and preparations, in the form of bars, cakes, moulded pieces or shapes, and paper, wadding, felt and nonwovens, impregnated, coated or covered with soap or detergent: For toilet use (including medicated products)								
69089010	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the like, whether or not on a backing: Other: Tiles	1.360	38.397	3.542	2.360	49.390	4.778	1	10.993
39199090	Self-adhesive plates, sheets, film, foil, tape, strip and other flat	0.002	7.868	0.025	2.275	27.233	8.354	2.273	19.365

	shapes, of plastics, whether or not in rolls: Other: Other								
29054500	Acyclic alcohols and their halogenated, sulphonated, nitrated or nitrosated derivatives: Other polyhydric alcohols: Glycerol	0.574	1.674	34.289	2.146	4.549	47.175	1.572	2.875
48114100	Gummed adhesive paper & board	0.802	3.183	25.196	2.009	9.858	20.379	1.207	6.675

**Table 21***Values in millions of USD*

HS Code	Product	Exports to China 2006 (A)	Exports to World 2006 (B)	Exports to China 2012 (C)	Exports to World 2012 (D)	China imports from World 2012 (E)	Potential diversion to China (D-C or E-C whichever is lesser)	Potential expansion other than diversion to China (E-D)
901890	Instruments and appliances used in medical or veterinary sciences, nes	0.804	155.759	4.747	291.384	378.386	286.637	87.002
520942	Denim fabrics of cotton, >=85%, more than 200 g/m2	0.104	81.182	4.601	458.650	223.854	219.253	-
420310	Articles of apparel of leather or of composition leather	0.895	422.952	0.316	342.099	139.099	138.783	-
740400	Waste and scrap, copper or copper alloy	6.925	24.394	27.871	154.272	14,840.883	126.401	14,686.611
730890	Structures & parts of structures, i/s (ex prefab bldgs of headg no.9406)	-	10.761	-	65.409	525.489	65.409	460.080
521142	Denim fabrics of cotton, <85% mixed with m-m fib, more than 200 g/m2	-	14.801	0.103	50.183	118.044	50.080	67.861
520812	Plain weave cotton fabric, >=85%, >100 g/m2 to 200 g/m2, unbleached	0.641	20.094	48.642	166.900	101.718	53.076	-
300490	Medicaments nes, in dosage	0.023	41.309	0.028	52.797	6,523.806	52.769	6,471.009
521031	Plain weave cotton fab, <85% mixd w m-m fib, not more than 200 g/m2, dyd	0.825	197.609	1.032	78.305	52.963	51.931	-
520852	Plain weave cotton fabric, >=85%, >100 g/m2 to 200 g/m2, printed	0.045	7.165	0.430	47.358	48.009	46.928	0.651

520912	Twill weave cotton fabric, >=85%, more than 200 g/m2, unbleached	2.850	40.457	97.387	144.276	187.085	46.889	42.809
520919	Woven fabrics of cotton, >=85%, more than 200 g/m2, unbleached, nes	0.412	11.492	5.645	62.879	50.443	44.798	-
80450	Guavas, mangoes and mangosteens, fresh or dried	0.001	16.657	0.067	44.302	206.888	44.235	162.586
520932	Twill weave cotton fabrics, >=85%, more than 200 g/m2, dyed	0.128	20.901	1.449	160.362	44.345	42.896	-
520839	Woven fabrics of cotton, >=85%, not more than 200 g/m2, dyed, nes	0.200	36.925	0.106	42.307	46.724	42.201	4.417

**Table 22***Values in millions of USD*

HS Code	Product	Export to China 2006 (A)	Export to World 2006 (B)	Export to China 2012 (C)	Export to World 2012 (D)	China import from World 2012 (E)	Potential diversion to China (D-C or E-C whichever is lesser)	Potential expansion other than diversion to China (E-D)
271019	Other petroleum oils and preparations	-	811.850	-	329.361	29,566.479	329.361	29,237.12
640399	Footwear, outer soles of rubber/plastics uppers of leather, nes	-	9.160	0.001	62.379	650.952	62.378	588.57
390799	Polyesters nes, in primary forms	-	0.189	7.241	48.055	1,016.176	40.814	968.12
520513	Cotton yarn, >=85%, single, uncombed, 23.2.56 >dtex >=192.31, not put up	3.513	29.507	33.859	72.504	158.426	38.645	85.92
392490	Household and toilet articles nes, of plastics	-	5.271	0.086	35.944	79.443	35.858	43.50
520523	Cotton yarn, >=85%, single, combed, 23.2.56 >dtex >=192.31, not put up	2.957	24.236	13.042	45.580	221.587	32.538	176.01
252329	Portland cement nes	-	108.014	-	546.942	29.683	29.683	-
730690	Tubes, pipe & hollow profiles, iron or steel, welded, nes	-	4.268	-	153.529	19.306	19.306	-
391722	Tubes, pipes and hoses, rigid; of polypropylene	-	1.182	-	18.718	20.590	18.718	1.87
392321	Sacks and bags (including cones) of polymers of ethylene	-	1.407	0.031	18.679	118.099	18.648	99.42
520524	Cotton yarn, >=85%, single, combed, 19.2.31 >dtex >=125, not put up	1.117	20.794	19.091	36.111	500.013	17.020	463.90
520544	Cotton yarn, >=85%, multiple, combed, 19.2.31 >dtex >=125, not put up, nes	0.001	0.844	1.538	18.087	30.362	16.549	12.28

520542	Cotton yarn, >=85%, multi, combed, 714.2 9 >dtex >=232.56, nt put up, nes	0.669	4.073	2.347	17.296	276.048	14.949	258.75
30319	Frozen Pacific salmon "Oncorhynchus gorbuscha, Oncorhynchus keta, Onco	0.319	2.498	2.689	13.550	22.428	10.861	8.88
520534	Cotton yarn, >=85%, multi, uncombed, 19 2.31 >dtex >=125, nt put up, nes	0.098	0.892	5.474	15.921	41.982	10.447	26.06

**Table 23***Values in millions of USD*

HS Code	Product	Export to China 2006 (A)	Export to World 2006 (B)	Export to China 2012 (C)	Export to World 2012 (D)	China import from World 2012 (E)	Potential diversion to China (D-C or E-C whichever is lesser)	Potential expansion other than diversion to China (E-D)
610462	Womens/girls trousers and shorts, of cotton, knitted	0	33.121	0.519	41.582	24.12	23.601	-
610332	Mens/boys jackets and blazers, of cotton, knitted	0.01	49.462	0.121	51.005	17.076	16.955	-
610342	Mens/boys trousers and shorts, of cotton, knitted	0	37.379	0.274	37.949	15.887	15.613	-
620333	Mens/boys jackets and blazers, of synthetic fibres, not knitted	0	13.632	0	14.226	94.009	14.226	79.783
610439	Womens/girls jackets, of other textile materials, knitted	0.001	4.871	0.271	23.623	12.278	12.007	-
610610	Womens/girls blouses and shirts, of cotton, knitted	0.026	79.749	0.004	25.364	10.808	10.804	-
610520	Mens/boys shirts, of man-made fibres, knitted	0.001	26.506	0.001	16.911	10.775	10.774	-
611212	Track suits, of synthetic fibres, knitted	0	7.62	0	8.908	14.276	8.908	5.368
350300	Gelatin and gelatin derivs; isinglass; glues of animal origin, nes	0	6.048	0	8.692	19.804	8.692	11.112
900240	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	0	0.609	0.011	7.966	38.791	7.955	30.825
611693	Gloves, mittens and mitts, nes, of synthetic fibres, knitted	0	1.008	0.001	7.769	9.583	7.768	1.814
610343	Mens/boys trousers and shorts, of	0	5.682	0	7.643	13.107	7.643	5.464

	synthetic fibres, knitted							
610339	Mens/boys jackets and blazers, of other textile materials, knitted	0.061	31.291	0.206	104.376	6.526	6.320	-
620920	Babies garments and clothing accessories of cotton, not knitted	0	4.531	0.006	5.825	13.335	5.819	7.510
610590	Mens/boys shirts, of other textile materials, knitted	0	118.26	0.222	251.172	5.487	5.265	-

Table 24

Values in millions of USD

HS Code	Product	Export to China 2006 (A)	Export to World 2006 (B)	Export to China 2012 (C)	Export to World 2012 (D)	China import from World 2012 (E)	Potential diversion to China (D-C or E- C whichever is lesser)	Potential expansion other than diversion to China (E-D)
40120	Milk not concentrated & unsweetened exceeding 1% not exceeding 6% fat	0	15.568	0	45.657	68.04	45.657	22.383
611120	Babies garments and clothing accessories of cotton, knitted	0	14.673	0.023	20.773	40.222	20.750	19.449
610711	Mens/boys underpants and briefs, of cotton, knitted	0	21.708	0	30.102	18.73	18.730	-
190590	Communion wafers, empty cachets f pharm use&sim prod&bakers' wares nes	0	2.238	0.007	15.132	153.616	15.125	138.484
620332	Mens/boys jackets and blazers, of cotton, not knitted	0.002	45.396	0.007	14.459	56.557	14.452	42.098
620452	Womens/girls skirts, of cotton, not knitted	0	14.153	0.043	30.607	13	12.957	-
611420	Garments nes, of cotton, knitted	0.19	69.998	0	7.809	9.528	7.809	1.719
630539	Sacks & bags, for packing of goods, of other man-made textile materials	0	0.419	1.09	23.443	8.735	7.645	-
620432	Womens/girls jackets, of cotton, not knitted	0	10.488	0.022	7.527	42.204	7.505	34.677
610821	Womens/girls briefs and panties, of cotton, knitted	0	15.15	0	8.648	7.293	7.293	-

621142	Womens/girls garments nes, of cotton, not knitted	0	25.507	0.726	7.141	8.627	6.415	1.486
700529	Float glass etc in sheets, non-wired nes	0	1.148	0	6.203	433.071	6.203	426.868
40900	Honey, natural	0	3.601	0.039	5.912	26.208	5.873	20.296
630140	Blankets (o/t electric) and travelling rugs, of synthetic fibres	0	1.494	0	6.372	4.864	4.864	-
81090	Fruits, fresh nes	0	10.003	0.001	4.462	799.855	4.461	795.393
610831	Womens/girls nightdresses and pyjamas, of cotton, knitted	0	12.603	0.005	12.672	4.095	4.09	0
420212	Trunks,suit-cases&sim container w/outer surface of plastics/textiles	0	0.481	0.062	3.913	111.86	3.851	107.947
611430	Garments nes, of man-made fibres, knitted	0	3.965	0	3.426	11.394	3.426	7.968
631010	Used or new rags of textile materials, sorted	0.041	5.915	0.004	3.382	58.596	3.378	55.214
190110	Prep of cereals,flour,starch/milk f infant use,put up f retail sale	0	4.284	0	3.274	1044.77	3.274	1041.5

Table 25

Values in millions of USD

HS Code	Product	Export to China 2006 (A)	Export to World 2006 (B)	Export to China 2012 (C)	Export to World 2012 (D)	China import from World 2012 (E)	Potential diversion to China (D-C or E-C whichever is lesser)	Potential expansion other than diversion to China (E-D)
100630	Rice, semi-milled or wholly milled, whether or not polished or glazed	0.059	1118.8	207.12	1622.309	1006.9	799.786	-
390760	Polyethylene terephthalate	1.222	89.588	2.263	216.653	377.077	214.390	160.424
610910	T-shirts, singlets and other vests, of cotton, knitted	0.004	261.91	0.063	236.58	180.074	180.011	-
170199	Refined sugar, in solid form, nes	0	11.572	0	161.401	219.78	161.401	58.379
411310	Leather further prepared after tanning or crusting "incl. parchment-dr	8.824	120.18	15.606	132.564	196.69	116.958	64.126
30339	Flatfish nes, frozen, excluding heading No 03.04, livers and roes	6.273	18.853	14.555	117.459	135.416	102.904	17.957
610510	Mens/boys shirts, of cotton, knitted	0.038	553.22	0.468	275.202	93.902	93.434	-
20110	Bovine carcasses and half carcasses, fresh or chilled	0	6.095	0	87.147	No data	87.147	-
100590	Maize (corn) nes	0	0.022	1.962	81.239	1683.37	79.277	1,602.131
410792	Grain splits leather "incl. parchment-dressed leather", of the portion	0.766	2.818	3.055	58.727	1269.21	55.672	1,210.483
610990	T-shirts, singlets and other vests, of other textile materials, knitted	0	17.35	0.001	54.256	75.302	54.255	21.046
520299	Cotton waste, nes	2.401	26.799	6.615	49.121	61.735	42.506	12.614

411200	Leather further prepared after tanning or crusting "incl. parchment-dr	3.891	22.688	26.234	63.266	158.352	37.032	95.086
841451	Fans: table, roof etc w a self-cont elec mtr of an output nt excdg 125W	0	18.448	0	35.928	120.043	35.928	84.115
520210	Cotton yarn waste (including thread waste)	1.858	19.349	4.787	34.748	49.111	29.961	14.363

**Table 26***Values in millions of USD*

HS Code	Product	Export to China 2006 (A)	Export to World 2006 (B)	Export to China 2012 (C)	Export to World 2012 (D)	China import from World 2012 (E)	Potential diversion to China (D-C or E-C whichever is lesser)	Potential expansion other than diversion to China (E-D)
711319	Articles of jewellery&pt therof of/o prec met w/n platd/clad w prec met	0.169	18.429	0	1,522.71	463.489	463.489	-
520100	Cotton, not carded or combed	2.208	58.651	67.415	373.078	11,804	305.663	11,430.934
620342	Mens/boys trousers and shorts, of cotton, not knitted	0.013	526.32	0.895	611.315	256.959	256.064	-
151620	Veg fats & oils & fractions hydrogenatd, inter/re-esterifid, etc, ref'd/not	0	99.279	0	219.56	158.36	158.360	-
620462	Womens/girls trousers and shorts, of cotton, not knitted	0.038	242.39	1.884	430.342	147.553	145.669	-
410712	Grain splits leather "incl. parchment-dressed leather", of the whole h	1.626	9.725	6.376	74.846	549.246	68.470	474.400
100640	Rice, broken	0	32.939	47.621	258.875	109.855	62.234	-
390319	Polystyrene nes	0	7.049	0.022	59.189	1538.72	59.167	1,479.528
50400	Guts, bladders and stomachs of animals except fish whole or in pieces	0.005	13.378	0.051	53.307	253.588	53.256	200.281
711311	Articles of jewellery&pts therof of silver w/n platd/clad w/o prec met	0	0.062	0	88.206	39.073	39.073	-
940490	Articles of bedding/furnishing, nes, stuffed or internally fitted	0	53.415	0.075	82.293	39.685	39.610	-
30617	Other frozen shrimps and prawns	0	0	0.682	35.019	152.749	34.337	117.730

620343	Mens/boys trousers and shorts, of synthetic fibres, not knitted	0	8.887	0	23.676	62.823	23.676	39.147
120740	Sesamum seeds, whether or not broken	0.726	10.884	0.637	29.638	521.147	29.001	491.509
620463	Womens/girls trousers and shorts, of synthetic fibres, not knitted	0	4.707	0.152	29.069	36.463	28.917	7.394

**Table 27***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
41071200	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41. 14: Whole hides and skins : Grain splits	0.182	12.180	0.168	95.393	95.225
41139000	Oth lea further prep.aftr tane	0.136	48.627	0.231	80.966	80.735
41079200	Leather further prepared after tanning or crusting, including parchment-dressed leather, of bovine (including buffalo) or equine animals, without hair on, whether or not split, other than leather of heading 41. 14: Other, including sides: Grain splits	0.133	17.258	0.578	71.664	71.086
64039900	Footwear with outer soles of rubber, plastics, leather or composition leather and uppers of leather: Other footwear: Other	0.019	60.337	0.148	66.008	65.86
41120000	Prepared leather sheep/lamb	0.071	31.037	0.151	60.566	60.415
61169200	Gloves, mittens and mitts, knitted or crocheted: Other: Of cotton	0.120	34.429	0.495	55.178	54.683
52029900	Cotton waste (including yarn waste and garnetted stock): Other: Other	0.121	17.721	0.650	55.108	54.458
39031910	Polymers of styrene, in primary forms: Polystyrene: Other: General Purpose Polystyrene (GPPS)	0.00	4.906	0.039	53.109	53.07
09109100	Other spices: Mixtures referred to in Note 1 (b) to this Chapter	0.036	5.205	0.157	42.438	42.281
30049099	Medicaments (excluding goods of heading 30. 02, 30. 05 or 30. 06) consisting of mixed or unmixed products for therapeutic or prophylactic uses, put up in measured doses (including those in the form of transdermal administration systems) or in forms or packings for retail sale: Other: Other: Other	0.031	18.386	0.408	29.319	28.911

**Table 28***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
52053200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibres: Measuring per single yarn less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number per single yarn)	3.333	329.285	3.370	719.462	716.092
52051200	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Single yarn, of uncombed fibres: Measuring less than 714.29 decitex but not less than 232.56 decitex (exceeding 14 metric number but not exceeding 43 metric number)	2.825	431.495	3.391	645.901	642.51
55134100	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m <sup>2</sup> : Printed: Of polyester staple fibres, plain weave	0.687	113.985	1.713	237.448	235.735
52051100	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Single yarn, of uncombed fibres: Measuring 714.29 decitex or more (not exceeding 14 metric number)	0.229	134.737	2.279	218.578	216.299
52081200	Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing not more than 200 g/m <sup>2</sup> : Unbleached: Plain weave, weighing more than 100 g/m <sup>2</sup>	0.00	27.123	0.052	172.928	172.876
52093200	Woven fabrics of cotton, containing 85 % or more by weight of cotton, weighing more than 200 g/m <sup>2</sup> : Dyed: 3-thread or 4-thread twill, including cross twill	0.00	50.633	0.049	164.790	164.741
52053100	Cotton yarn (other than sewing thread), containing 85 % or more by weight of cotton, not put up for retail sale: Multiple (folded) or cabled yarn, of uncombed fibres: Measuring per	0.353	70.453	3.042	144.384	141.342

	single yarn 714.29 decitex or more (not exceeding 14 metric number per single yarn)					
61033900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: Jackets and blazers: Of other textile materials	0.00	64.198	0.198	103.485	103.287
52102100	Woven fabrics of cotton, containing less than 85 % by weight of cotton, mixed mainly or solely with man- made fibres, weighing not more than 200 g/m2: Bleached: Plain weave	0.745	97.628	1.057	100.271	99.214
55132100	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2: Dyed: Of polyester staple fibres, plain weave	0.024	34.749	0.157	58.027	57.87

**Table 29***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
55131100	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2: Unbleached or bleached: Of polyester staple fibres, plain weave	0.055	59.682	0.384	54.448	54.064
39079900	Polyacetals, other polyethers and epoxide resins, in primary forms; polycarbonates, alkyd resins, polyallyl esters and other polyesters, in primary forms: Other polyesters: Other	0.00	0.576	0.00	50.225	50.225
08045020	Mangoes	0.175	29.027	0.314	36.186	35.872
36050000		0.00	25.234	0.010	24.727	24.717
55131200	Woven fabrics of synthetic staple fibres, containing less than 85 % by weight of such fibres, mixed mainly or solely with cotton, of a weight not exceeding 170 g/m2: Unbleached or bleached: 3-thread or 4-thread twill, including cross twill, of polyester staple fibres	0.00	4.884	0.082	10.358	10.276

**Table 30***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
03033900	Fish, frozen, excluding fish fillets and other fish meat of heading 03.04: Flat fish (Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae), excluding livers and roes: Other	1.047	21.549	12.041	98.099	86.058
94049000	Mattress supports; articles of bedding and similar furnishing (for example, mattresses, quilts, eiderdowns, cushions, pouffes and pillows) fitted with springs or stuffed or internally fitted with any material or of cellular rubber or plastics, whether or not covered: Other	0.018	21.224	0.096	83.644	83.548
62033900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Jackets and blazers: Of other textile materials	0.011	17.291	0.624	37.916	37.292
25151200	Marble, travertine, ecaussine and other calcareous monumental or building stone of an apparent specific gravity of 2.5 or more, and alabaster, whether or not roughly trimmed or merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape: Marble and travertine: Merely cut, by sawing or otherwise, into blocks or slabs of a rectangular (including square) shape	0.011	8.311	0.00	36.775	36.775
62041200	Women's or girls' suits, ensembles, jackets, blazers, dresses, skirts, divided skirts, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Suits: Of cotton	0.030	16.306	0.063	6.671	6.608

**Table 31***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
62032200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Ensembles: Of cotton	0.00	2.843	0.189	774.325	774.136
62034200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Trousers, bib and brace overalls, breeches and shorts: Of cotton	0.002	580.434	0.945	351.323	350.378
61091000	T-shirts, singlets and other vests, knitted or crocheted: Of cotton	0.105	258.266	0.209	184.924	184.715
17019910	White crystalline cane sugar	0.00	0.005	11.203	161.268	150.065
62034900	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear): Trousers, bib and brace overalls, breeches and shorts: Of other textile materials	0.034	38.429	0.100	86.216	86.116
61109000	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted: Of other textile materials	0.00	27.966	0.426	65.656	65.23
61033200	Men's or boys' suits, ensembles, jackets, blazers, trousers, bib and brace overalls, breeches and shorts (other than swimwear), knitted or crocheted: Jackets and blazers: Of cotton	0.003	45.704	0.039	51.965	51.926
61161000	Gloves, mittens and mitts, knitted or crocheted: Impregnated, coated or covered with plastics or rubber	0.009	14.334	0.079	43.427	43.348
62160010	Gloves of textile fabrics	0.007	19.207	0.133	35.458	35.325
61102000	Jerseys, pullovers, cardigans, waistcoats and similar articles, knitted or crocheted: Of cotton	0.00	38.665	0.042	35.286	35.244

**Table 32***Values in millions of USD*

HS Code	Product	Export to Malaysia 2007 (A)	Export to World 2007 (B)	Export to Malaysia 2012 (C)	Export to World 2012 (D)	Potential diversion to Malaysia (D-C)
63026010	Towels of cotton mill-made	1.271	552.235	9.548	672.757	663.209
63021010	Bedsheets, knitted/crocheted	0.482	245.074	0.523	447.400	446.877
52010090	Other cotton	0.00	34.240	3.599	395.400	391.801
42031010	Articles of apparel and clothing accessories, of leather or of composition leather: Articles of apparel: Jackets, leather or of composition leather	0.190	206.673	0.688	296.850	296.162
90189090	Oth inst, app medical/sur/veten	0.595	189.658	0.555	271.426	270.871
63023990	Bed linen oth tex mat not/knit	0.126	125.509	0.524	218.719	218.195
63021090	Oth bed linen, knitted/croch	0.165	123.131	0.376	211.178	210.802
13023210	Vegetable saps and extracts; pectic substances, pectinates and pectates; agar- agar and other mucilages and thickeners, whether or not modified, derived from vegetable products: Mucilages and thickeners, whether or not modified, derived from vegetable products: Mucilages and thickeners, whether or not modified, derived from locust beans, locust bean seeds or guar seeds: Guwar gum	0.265	27.056	2.462	183.493	181.031
11010010	Wheat flour	0.00	100.898	2.064	167.144	165.08
63023910	Bed sheets oth tex mat handloom	0.225	210.335	0.825	162.229	161.404



The International Trade Centre implemented the Trade Policy Capacity Building Component of the European Union funded TRTA II programme. It is aimed at the Ministry of Commerce and Government of Pakistan in developing a coherent trade policy and attendant regulations for export competitiveness. Specifically, it will aim to reinforce the skills of government officers working in trade related ministries and implementing agencies on issues related to trade policy, commercial diplomacy and regulatory reform. The main way in which to achieve this through the institutional capacity building of key local training institutes, which is intended to have an immediate effect on the capacity of government officers working on trade policy issues.

In addition, Component 1 promotes comprehensive, regular and well informed public-private dialogue among the government, private sector and civil society for trade policy development, monitoring and evaluation. To promote local ownership and legitimacy of the dialogue, a steering committee comprising equal representation of the public and private sectors has been established with the formal approval of the Ministry of Commerce of Pakistan. Its mandate is to oversee the planning, implementation and monitoring of public-private dialogue on key issues. To better inform the public-private dialogue process, research studies are commissioned and internationally peer reviewed before dissemination to stakeholders.

The targeted interventions of Component 1 to achieve these goals constitute the following:

**Result for Component 1: Coherent trade policy and regulatory reform for export competitiveness**

1. The Pakistan Institute for Trade and Development (PITAD) institutional capacity is strengthened.
2. PITAD's and other research institutes' expertise on trade policy strengthened.
3. Government officers' capacity on specific trade policy and international trade negotiations strengthened.
4. Research studies contributing to the development of a national export strategy conducted.
5. Public-private dialogue for a coherent national export strategy is fostered.



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For further information about the ITC implemented Component 1 and the TRTA-II programme visit: <http://trtapakistan.org>