

**5th Review of the
China-Pakistan
Free Trade Agreement
with Recommendations for
Phase II Negotiations**

Including a Note on China's Steel Industry

March 2019

ACKNOWLEDGEMENTS

Team Leader:

Samir S. Amir

Lead Researcher:

Mustafa Gul Kaliya

Disclaimer:

The findings, interpretations and conclusions expressed do not necessarily reflect the views of the Board of Directors and Members of the Pakistan Business Council or the companies they represent. Any conclusions and analysis based on data from ITC Trade Map, ITC Market Access Map, World Bank, Euro Monitor, UN Comtrade, World Integrated Trade Solutions (WITS), WTO Tariff Data Base, and National Data (National Bureau of Statistics of China) are the responsibility of the author(s) and do not necessarily reflect the opinion of the ITC, World Bank, UN, WTO, EU, or the National Bureau of Statistics of China. Although every effort has been made to cross-check and verify the authenticity of the data, the Pakistan Business Council, or the author(s), do not guarantee the data included in this work. All data and statistics used are correct as of January 1st, 2019, and may be subject to change.

For any queries or feedback regarding this report, please contact;
Samir@pbc.org.pk or Mustafa.Gul@pbc.org.pk

THE PAKISTAN BUSINESS COUNCIL AN OVERVIEW

The Pakistan Business Council (PBC) is a business policy advocacy platform, established in 2005 by 14 (now 78) of Pakistan's largest private-sector businesses and conglomerates, including multinationals. PBC businesses cover nearly all sectors of the formal economy. It is a professionally-run organization headed by a full-time chief executive officer.

The PBC is a not-for-profit entity, registered under Section 42 of the Companies Ordinance 1984. Though it is not required under the law to do so, the PBC follows to the greatest extent possible, the Code of Corporate Governance as applicable to listed companies.

The PBC is a pan-industry advocacy group. It is not a trade body nor does it advocate for any specific business sector. Rather, its key advocacy thrust is on easing barriers to allow Pakistani businesses to compete in regional and global arenas. The PBC conducts research and holds conferences and seminars to facilitate the flow of relevant information to all stakeholders in order to help create an informed view on the major issues faced by Pakistan.

THE PAKISTAN BUSINESS COUNCIL - AN OVERVIEW

The PBC works closely with relevant government departments, ministries, regulators and institutions, as well as other stakeholders including professional bodies, to develop consensus on major issues which impact the conduct of business in and from Pakistan. The PBC has submitted key position papers and recommendations to the government on legislation and other government policies affecting businesses. It also serves on various taskforces and committees of the Government of Pakistan as well as those of the State Bank, SECP and other regulators with the objective to provide policy assistance on new initiatives and reforms.

The PBC's Founding Objectives:

The major objectives of the PBC as stated in its founding documents are:



To provide for the formation and exchange of views on any question connected with the conduct of business in and from Pakistan.



To conduct, organize, set up, administer and manage campaigns, surveys, focus groups, workshops, seminars and field works for carrying out research and raising awareness in regard to matters affecting businesses in Pakistan.



To acquire, collect, compile, analyze, publish and provide statistics, data analysis and other information relating to businesses of any kind, nature or description and on opportunities for such businesses within and outside Pakistan.



To promote and facilitate the integration of businesses in Pakistan into the World economy and to encourage in the development and growth of Pakistani multinationals.



To interact with governments in the economic development of Pakistan and to facilitate, foster and further the economic, social and human resource development of Pakistan.

More information on the PBC, its members, and its workings, can be found on its website: www.pbc.org.pk

THE PBC'S MEMBERS COMPANIES

 Abbott A Promise for Life	 AkzoNobel	 AlliedBank	 AMRELI STEELS Building for Life	 Artistic Milliners	 Atlas
 Bata	 Bank Alfalah Limited	 CENTRAL DEPOSITORY COMPANY	 CHERAT CEMENT	 Coca-Cola	
 COLGATE-PALMOLIVE	 Dalda	 Dawood Hercules	 DESCON	 efu	 The Legend Leads... English Biscuit Manufacturers
 engro corp	 engro foods	 faysabank	 FEROZSONS LABORATORIES LIMITED	 GATRON	 Getz pharma
 gsk GlaxoSmithKline	 Gul Ahmed TEXTILE MILLS LIMITED, KARACHI	 HBL	 HASCOL	 HUBCO	 ICI PAKISTAN

THE PBC'S MEMBERS COMPANIES

ACRONYMS

ASEAN	Association of Southeast Asian Nations
BRI	Belt and Road Initiative
CNY	Chinese Yuan
CPEC	China-Pakistan Economic Corridor
CPFTA	China Pakistan Free Trade Agreement
FDI	Foreign Direct Investment
FTA	Free Trade Agreement
FTZ	Free Trade Zone
GDP	Gross Domestic Product
GoP	Government of Pakistan
HS	Harmonized System of tariff nomenclature
ITC	International Trade Center
LDC	Less Developed Countries
MFN	Most Favored Nation
PTA	Preferential Trade Agreement
SEZ	Special Economic Zone
SAARC	South Asian Association for Regional Cooperation
UK	United Kingdom
USA	United States of America
USD	United States Dollar
WTO	World Trade Organization

CONTENTS

ACKNOWLEDGEMENTS	i
THE PAKISTAN BUSINESS COUNCIL: AN OVERVIEW	ii
KEY FINDINGS	xix
RECOMMENDATIONS	xxii
INTRODUCTION	01
DISCREPANCY IN TRADE DATA	03
TRADE OVERVIEW	06
Pakistan's Trade Overview	06
Pakistan's Exports To The World	07
Pakistan's Imports From The World	08
China's Trade Overview	09
China's Exports To The World	10
China's Imports From The World	11
PAKISTAN-CHINA BILATERAL TRADE	12
Trade Overview	12
Pakistan's Exports to China	13
Pakistan's Imports from China	16
UTILIZATION OF CONCESSIONS UNDER CPFTA	19
Pakistan's Imports from China	20
Pakistan's Exports to China	34
CHINA'S TRADE WITH INDIA	49
China's Exports to India	49
China's Imports from India	52
THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?	54
CHINA OUTWARD FDI	61
Overview	61

CONTENTS

FDI by Sector	62
Top Destinations for Chinese FDI	64
Chinese FDI in Sub-Saharan Africa	66
Chinese FDI in Asia	69
Top Chinese Investors	71
Chinese FDI in Pakistan	72
THE CHINESE STEEL INDUSTRY	75
Overview	75
History of the Chinese Steel Industry	77
Global Steel Production	82
Raw Materials Required by the Steel Industry	84
Chinese Exports of Iron & Steel and its Articles (HS-72 & HS-73)	86
Chinese Exports of Iron & Steel and its Articles (HS-72 & HS-73) to Pakistan	90
PAKISTAN INDUSTRY ANALYSIS	92
Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof (HS-90)	92
Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s. (HS-901890)	95
SOURCES	98
ANNEXURE I	99
ANN EXURE II	102

LIST OF FIGURES

Figure 1: Discrepancy in Pakistan's reported imports from China (USD Billion) (2013-17)	04
Figure 2: Discrepancy in Pakistan's reported export to China (USD Billion) (2013-17)	05
Figure 3: Pakistan's trade overview (USD Billion) (2013-17)	06
Figure 4: China's trade overview (USD Billion) (2013-17)	09
Figure 5: Pakistan's trade with China (USD Billion) (2013-17)	12
Figure 6: Pakistan's import from China (% of concessionary items) (2017)	20
Figure 7: Pakistan's import from China (Concessionary and Non-concessionary items) (2013-17)	21
Figure 8: Pakistan's exports to China (% of concessionary items) (2015-17)	34
Figure 9: Chinese outward FDI (USD Billions) (2008-17)	74
Figure 10: Manufacturing process for iron and steel.	76
Figure 11: Production of Coke in China (Million Metric Tons)	76
Figure 12: Pakistan's export of HS 90 (2013-17) (USD millions).	93
Figure 13: Pakistan's export potential of HS 90 to China (2013-17) (USD millions).	93
Figure 14: Pakistani Exports of HS-901890 (USD Millions) (2013-17)	95
Figure 15: Pakistan's potential exports to China of HS-901890 (USD Millions) (2013-17)	96

LIST OF TABLES

Table 1:	Pakistan’s reported trade with China (USD Billion) (2013-17)	03
Table 2:	China’s reported trade with Pakistan (USD Billion) (2013-17)	04
Table 3:	Pakistan’s exports to the world (HS-02 level) (USD Millions) (2013-17)	06
Table 4:	Pakistan’s imports from the world (HS-02 level) (USD Millions) (2013-17)	08
Table 5:	China’s exports to the world (HS-02 level) (USD Millions) (2013-17)	10
Table 6:	China’s imports from the world (HS-02 level) (USD Millions) (2013-17)	11
Table 7:	Pakistan’s Exports to China (HS-02 level) (USD Millions) (2013-17)	13
Table 8:	Pakistan’s Exports to China (HS-06 level) (USD Millions) (2013-17)	15
Table 9:	Pakistan’s imports from China (HS-02 level) (USD Millions) (2013-17)	16
Table 10:	Pakistan’s Imports from China (HS-06 level) (USD Millions) (2013-17))	18
Table 11:	Pakistan’s trade with China (USD Billions) (2013-17)	19
Table 12:	Break-up of Pakistan’s imports from China by categories defined under the CPFTA (USD Millions) (2017)	22
Table 13:	Break-up of Pakistan’s exports to China by categories defined under the CPFTA (USD Millions) (2015-17)	35
Table 14:	Values in USD Millions	48
Table 15:	Values in USD Millions	48
Table 16:	China’s exports to India (HS-02 level) (USD Millions) (2013-17)	50
Table 17:	China’s exports to India (HS-06 level) (USD Millions) (2013-17)	51
Table 18:	China’ s imports from India (HS-02 level) (USD Millions) (2013-17)	52
Table 19:	China’s Imports from India (HS-06 level) (USD Millions) (2013-17)	53
Table 20:	China’s top 20 textile exports to the United States affected by additional tariffs. (2017) (Thousands USD)	56
Table 21:	Pakistan’s top potential exportable textile articles to the United States (2017) (Thousands USD)	60
Table 22:	Chinese FDI by Sector (2008-18) (USD Millions)	63
Table 23:	Chinese outward FDI in the Textile Sector (USD Millions)	64
Table 24:	Top Destinations of Chinese FDI (USD Millions) (2013-17)	65
Table 25:	Top Low and Lower Middle Income Destinations of Chinese FDI (USD Millions) (2013-17)	66
Table 26:	Sectoral Break-up of investment in Sub-Saharan Africa (USD Millions) (2013-17)	66

CONTENTS

Table 27:	Country-wise Break-up of investment in Sub-Saharan Africa (USD Millions) (2013-17)	67
Table 28:	Country-wise Break-up of investment in Asia (USD Millions) (2013-17)	69
Table 29:	Sectoral Break-up of investment in Asia (USD Millions) (2013-17)	70
Table 30:	Top 15 Chinese investors (USD Millions) (2013-17)	72
Table 31:	Sectoral break-up of Chinese investment in Pakistan over the period 2009-17 (USD Millions)	73
Table 32:	Top Chinese Investors in Pakistan over the period 2009-17 (USD Millions)	73
Table 33:	Chinese greenfield FDI projects in Pakistan (USD Million) (2009-17)	74
Table 34:	Top 10 Steel Producers (Million Metric Tons)	82
Table 35:	Use of Steel by Country (Million Metric Tons)	83
Table 36:	Apparent Steel Use per Capita (Kg)	83
Table 37:	Chinese imports of Iron ores and concentrates (HS-2601) (USD Millions)	84
Table 38:	Chinese imports of Coke (HS-2704) (USD Millions)	85
Table 39:	Chinese imports of Ferrous waste and scrap (HS-7204) (USD Millions)	86
Table 40:	China's country-wise exports of Iron and Steel (HS-72) (2013-17) (USD millions).	86
Table 41:	China's product-wise exports of Iron and Steel (HS-72) (2013-17) (USD millions).	87
Table 42:	China's country-wise exports of Articles of Iron and Steel (HS-73) (2013-17) (USD millions).	88
Table 43:	China's product-wise exports of Articles of Iron and Steel (HS-73) (2013-17) (USD millions).	89
Table 44:	China's Top 20 exports of HS-72 and HS-73 to Pakistan at HS-06 level (2013-17) (USD millions).	91
Table 45:	Top five categories at HS-06 level of 'Optical, photographic, ... ; parts and accessories thereof' (HS-90).	94
Table 46:	Top destinations of Pakistani export of HS-90 (2013-17) (USD Million)	94
Table 47:	Pakistan's top five export destinations of HS-901890 i.e. 'instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.'. (2013-17) (USD Million)	96
Table 48:	Top destinations of Pakistani export of HS-901890 (2013-17) (USD Million)	97
Table 49:	Top 3 Pakistani exports for the tariff lines covered under HS-901890 (2013-17) (USD 000')	97

EXECUTIVE SUMMARY

In November 2006, the governments of Pakistan and China signed the China-Pakistan Free Trade Agreement (CPFTA). Under the CPFTA, both countries agreed to offer preferential market access through tariff concessions. The first phase of the CPFTA covered the period 2007-12. In the first phase, Pakistan gained tariff concessions on 6,418 tariff lines, while China secured concessions on 6,711 tariff lines. Negotiations for Phase II of the CPFTA are still goods etc. In 2017, the difference between Pakistan's reported imports from China and China's reported exports to Pakistan was \$2.8 billion. Similarly, the difference between Pakistan's reported exports to China and China's reported imports from Pakistan was \$325 million. So, while Pakistan reported a trade deficit of \$13.88 billion in its bilateral trade with China, China reported a trade surplus of \$16.42 billion in its trade with Pakistan.

Pakistan's exports to the world are mostly dependent on 'Other made-up textile articles' (HS-63), 'Cotton' (HS-52), 'Articles of apparel and clothing accessories' (HS-61 & 62) and Cereals (HS-10). Imports on the other hand, are primarily focused on 'Mineral fuels, mineral oils and products of their distillation; bituminous substances' (HS-27), 'Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof' (HS-84), 'Electrical machinery and equipment and parts thereof' (HS-85), and 'Iron and steel' (HS-72). In 2017, Pakistan's imports from the world grew by \$10.4 billion to \$57.4 billion, while exports increased by \$1.3 billion to \$21.9 billion thus leading to a trade deficit of \$35.6 billion. The table below shows Pakistan's top 5 exports and imports to the world in 2017.

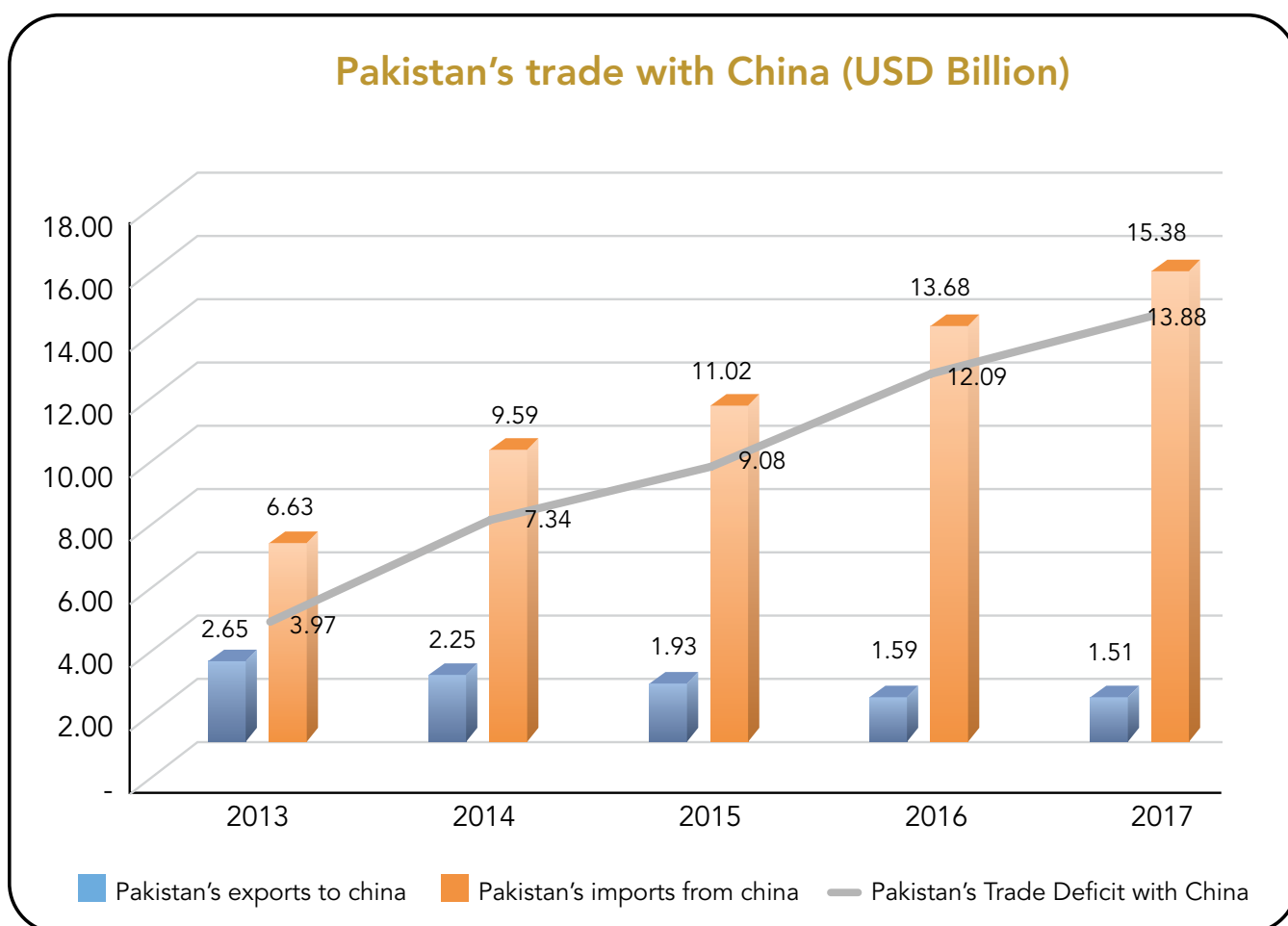
EXECUTIVE SUMMARY

Pakistan's Top 5 Exports to the World			Pakistan's Top 5 Imports to the World		
HS-Code	Description	2017 (USD Million)	HS-Code	Description	2017 (USD Million)
TOTAL	All products	21,878	TOTAL	All products	57,440
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3,956	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	13,712
52	Cotton	3,498	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	6,863
61	Articles of apparel and clothing accessories, knitted or crocheted	2,516	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	4,745
62	Articles of apparel and clothing accessories, not knitted or crocheted	2,465	72	Iron and steel	3,419
10	Cereals	1,752	87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	2,666

China is the largest exporter in the world with exports worth \$2.26 trillion in 2017. Roughly 43% of Chinese exports to the world are of 'Electrical machinery and equipment and parts thereof;' (HS-85) and 'Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof' (HS-84). Similarly, imports of 'Electrical machinery and equipment and parts thereof;' (HS-85), 'Mineral fuels, mineral oils and products of their distillation;' (HS-27) and 'Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof' (HS-84) account for almost half of China's total import bill. In 2017, China imported \$1,841 billion and exported \$2,272 billion worth of goods leading to a trade surplus of \$431 billion. The table below shows China's top 5 exports and imports.

China's Top 5 Exports to the World			China's Top 5 imports from the World		
HS-Code	Description	2017 (USD Million)	HS-Code	Description	2017 (USD Million)
TOTAL	All products	2,263,371	TOTAL	All products	1,843,793
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	598,325	85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	457,922
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	383,244	27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	249,625
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; . . .	88,973	84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	169,532
62	Articles of apparel and clothing accessories, not knitted or crocheted	73,409	26	Ores, slag and ash	126,478
61	Articles of apparel and clothing accessories, knitted or crocheted	71,824	90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	97,469

Pakistan’s trade with China reached its highest point in 2017; imports rose to \$15.38 billion, and exports fell \$1.51 billion leading to a trade deficit of \$13.88 billion. Cotton (HS-52) is Pakistan’s largest export to China and represents roughly 60% of total exports. Meanwhile, imports from China are mostly focused on Machinery (HS-84 & 85), and Iron and Steel (HS-72), both of which combined made up 52% of total imports from China. The figure below shows Pakistan’s trade with China over the period 2013-17.



Analysis of utilization of concessions offered under the CPFTA shows that 42% of all imports from China fall under the full concession list, i.e. Category 1. Furthermore, over 84% of goods imported from China are in the concessionary list. Similarly, out of total exports to China, 87% were those that received concessions under the CPFTA. The largest share of exports, 56%, are from Category 2 (Tariff rate reduced to 0-5%) followed by Category 1 with a 26% share.

EXECUTIVE SUMMARY

The top twenty items with high export potential to China from Pakistan have been identified in Table 17, these have an estimated additional cumulative export potential of \$2.98 billion. Out of these high potential export items, 'Semi-milled or wholly milled rice, whether or not polished or glazed' (HS-10063090) has the highest potential of \$519.45 million.

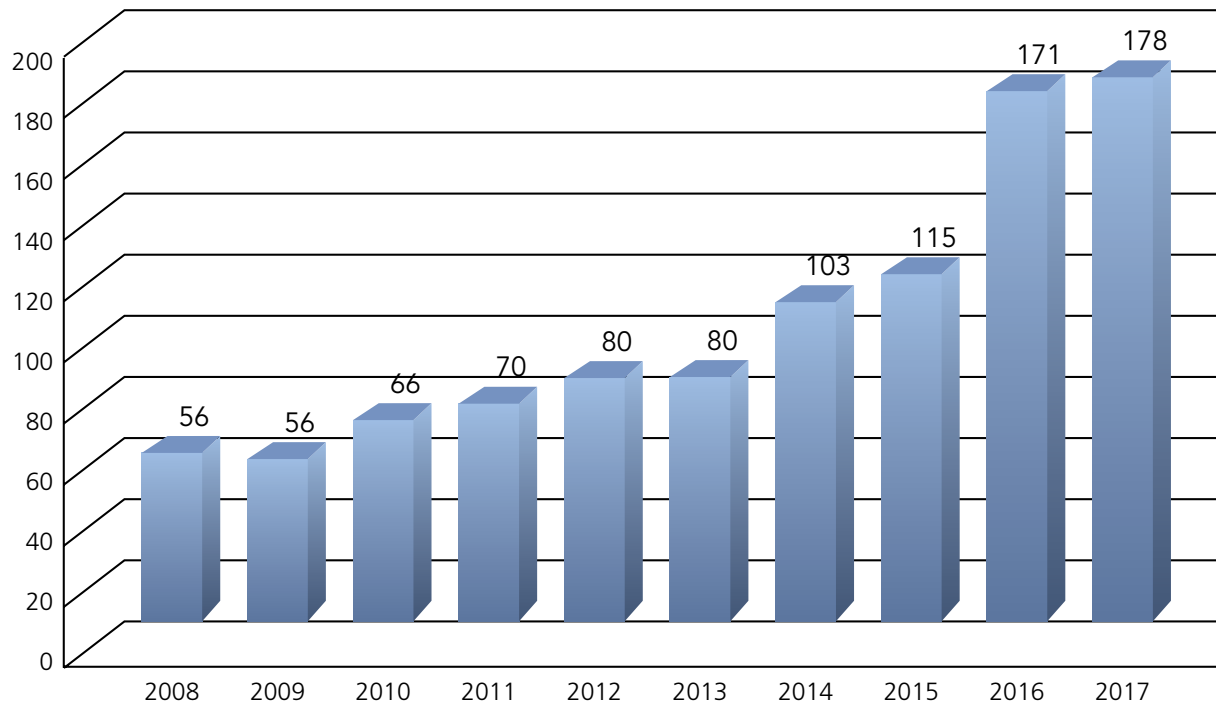
China also runs a huge trade surplus with India which was \$51.6 billion in 2017. The largest export category for China in its exports to India in 2017 was HS- 85, 'Electrical machinery and equipment and parts thereof' which accounted for 32% of total Chinese exports to India. Meanwhile, the largest share of imports was for 'Natural or cultured pearls, precious or semi-precious stones, ... ; coin' (HS-71).

On March 22, 2018, following a report by the Office of the U.S. Trade Representative (USTR) regarding China's acts, policies and practices concerning technology transfer, intellectual property and innovation, President Trump signed a memorandum announcing that the United States would take multiple steps to protect American technology and intellectual property from certain alleged discriminatory and burdensome trade practices by China. As part of the response, the Office of the United States Trade Representative (USTR) released a list of approximately \$200 billion worth of Chinese imports that would be subject to additional tariffs.

The full list of goods on which additional tariffs have been levied contains 5,745 complete or partial lines of which 937 lines pertain to textiles and apparel. It is important to note that total textile imports from China by the US in 2017 were in excess of \$41.0 billion out of which a mere \$3.57 billion or 8.7% of textile imports have currently been subject to additional tariff. Pakistan however, has an export capability in just 189 of the 806 tariff lines that China is now facing additional tariffs on. Hence, the incremental increase for Pakistan is limited if it remains focused on the HS codes that it presently exports to the US.

Over the last decade, Chinese Outward Foreign Direct Investment (FDI) has been on an increasing trend. In 2017, Chinese companies invested \$178 billion in various sectors around the world. Although, Energy remains one of the most important areas for FDI; in 2017, Agriculture, Transport and Logistics took the largest share of FDI. As for the investment in the textile sector, the Ruyi Group has been the single largest source of outward FDI. The group accounted for nearly 59%, or \$3.64 billion, of the \$6.18 billion textile sector FDI in the past seven years. The figure below shows China's Outward FDI for the period 2008-2017.

CHINESE OUTWARD (USD Billion)



Interestingly, most of the Chinese FDI is concentrated in high-income countries. Among the top ten destinations for Chinese FDI, eight are high-income countries. Amongst the low and lower-middle-income economies, Pakistan ranked third in FDI inflow from China. Laos, managed to attract the largest share of Chinese FDI in 2017 worth \$3.07 billion.

Chinese FDI in Sub-Saharan Africa has decreased substantially in the last few years. In 2013, the region managed to attract \$12.3 billion worth of Chinese investments. However, in 2017, Chinese FDI in the region was only \$980 million. Over the last decade, the most significant share of Chinese FDI in Sub-Saharan Africa was in the Democratic Republic of the Congo which was followed by South Africa and Niger. A major proportion of China's FDI in Africa has been in the primary sector. However, during recent years the Chinese have diversified their portfolio with investments in real estate and manufacturing along with investments in the energy sector. These investments have also enabled knowledge-transfer from China, and as a result, complete value-chains with vertically integrated industries

EXECUTIVE SUMMARY

have been set-up. Chinese developmental projects in Africa have shown steady progress in the last few years and have helped provide improved infrastructure, means of communication and telecommunications.

Over the last five year, Chinese companies have invested over \$149 billion in Asia (not including China). Major destinations for Chinese investments in Asia over the same period are Singapore, Malaysia, Pakistan, Indonesia, India, Laos and the UAE. These investments have been focused primarily on energy, transport, real estate and logistics sectors. Although the energy sector is the largest recipient of Chinese FDI in the region, rail transport systems have attracted significant amounts of investments making rail transport the second biggest recipient of Chinese FDI. In 2017, the highest share of Chinese FDI in Asia was in the logistics sector worth \$10.0 billion followed by the energy and transport sectors with FDI worth \$7.5 and \$6.0 billion respectively.

Over the past decade, 16 Chinese projects worth \$10.5 billion have been launched in Pakistan. Out of the 16 projects, 10 were Greenfield projects and accounted for 77.0% of the \$10.5 billion investment. Furthermore, Chinese FDI in Pakistan is mostly focused on the Energy sector; out of the 16 Chinese FDI projects, eleven are in the energy sector.

China is the largest producer of steel in the world. The Chinese steel industry was originally built with the support of the Soviet Union during the 1950s. However, the Soviets withdrew their technical support in 1960, leaving China with old and outdated technology. In 1981, the Chinese state introduced the 'contract responsibility system' (CRS) for state-owned enterprises. Under the CRS program, autonomy over production decisions was devolved to enterprise managers, these in turn 'contracted' with the State over firm-level production plans. In terms of expanding steel output and substituting imports at low cost, the CRS program was a major success.

The complete marketization of the steel sector began in 1993 with the cancellation of the CRS and its replacement with the 'modern enterprise system' (MES). Under the MES, steel firms were devolved full managerial autonomy, including financial responsibility for all profits and losses. As a consequence of the devolution of full financial responsibilities to firms, the MES program quickly threw the steel industry into a debt crisis. Given its strategic importance to the national industrialization program, the state was left with little choice but to financially bail out steel firms. In the Ninth

Five Year Plan launched in 1996, the Chinese government abandoned its prior policy of decentralised industrial development in favour of a new programme based on the principle of 'grasp the large, let go of the small'. A set of bureaucratic reforms led to the number of regulatory authorities being streamlined in 2003. Various Chinese planning bodies were abolished and replaced by two newly formed organisations with a clear division of regulatory authority; the State-owned Assets Supervision and Administration Commission (SASAC) and the National Development and Reform Commission (NDRC). The SASAC's role was to exercise direct 'ownership' functions on behalf of the State, and it took responsibility for issues relating to enterprise financing, mergers and managerial appointments. The NDRC's role was to act as a national planning body, setting broad industrial goals which were then to be implemented at the firm level at the discretion of the various SASAC branches. The Chinese government had thus moved back to an interventionist approach to the steel industry. Growth in the Chinese steel industry rapidly accelerated from 2000 onwards, and within a decade national steel consumption had quadrupled, production increased five-fold, investment increased six-fold, and the country shifted from being a net steel importer to becoming an aggressive exporter. Within three decades policy reforms had seen the Chinese steel industry transform from a small-scale and technologically backward industry to becoming the world's fastest growing steel industry, producing half of the global steel output.

In response to the recent additional tariffs imposed by the Trump administration on imports from China, the Chinese government, in a bid to keep exports competitive, has increased tax rebates on 397 tariff lines. From these 397 tariff lines, 88 are from Iron and Steel and its Articles (HS-72 & HS 73) groups, where the tax rebate ranges from 9% to as high as 16% as shown in Annexure II. At the surface level, this retaliatory measure will for sure be beneficial for the Chinese exporters; however, since the rebates are not country-specific, it might lead to Chinese producers engaging in dumping practices which would pose a severe threat to a small-scale producer such as Pakistan.

EXECUTIVE SUMMARY

The most substantial chunk of Chinese exports of Iron and Steel (HS-72), 13%, are of 'Flat-rolled products (FRP) of alloy steel of width ≥ 600 mm, only hot-rolled, in coils' (HS-722530) while the largest share of exports of articles of iron and steel (HS-73) was 'Structures and parts of structures, iron or steel, n.e.s.' in 2017.

Steel and its products accounted for \$1.93 billion, i.e., 11% of Pakistan's total imports from China in 2017. Furthermore, over the last five years' steel imports from China registered a staggering growth of 131%.

Pakistani exports of 'Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof' (HS-90) were on a fluctuating trend between 2013 and 2016. In 2017, exports grew by about 13% and were recorded at \$411 million. The largest share of exports is 'Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.' (HS-901890) which made up 88% of the exports in HS-90. Furthermore, Pakistan only exports \$15.8 million worth of 'Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.' to China while its total potential is \$344.7 million.

KEY FINDINGS

- Bilateral trade figures reported by Pakistan and China to the International Trade Center (ITC) greatly differ from one another. Although, over the last few years, the discrepancy in the trade data reported by Pakistan and China has been decreasing, it is still too large to ignore. In 2017, Pakistan reported a trade deficit of \$13.88 billion in its trade with China. China, on the other hand, reported a trade surplus of \$16.42 billion in its bilateral trade with Pakistan.
- Pakistan's overall trade deficit in calendar year 2017 amounted to \$35.6 billion.
- Over the past five years, Pakistan's exports to China have decreased by more than 40%. Imports, on the other hand, have grown by 132%. This has led to a bilateral trade deficit of \$13.88 billion as reported by Pakistan to the ITC. Pakistan's exports to China are highly dependent on Cotton (HS-52), which represented roughly 60% of total exports to China in 2017.
- China also runs a huge trade surplus with India which was \$51.6 billion in 2017.
- Analysis of Pakistan's imports from China shows that out of the total imports of \$15.4 billion from China, 84% were of products that fell under the China-Pakistan Free Trade Agreement (CPFTA) concession list.

KEY FINDINGS

- Similarly, analysis of Pakistan's exports to China showed that 87% of the \$1.5 billion exports were goods that received concessions from China under the CPFTA.
- The top twenty high potential exports from Pakistan to China identified in Table (17) have an estimated cumulative export potential of \$2.98 billion. From these goods, Semi-milled or wholly milled rice, whether or not polished or glazed (HS-10063090) has the highest potential of \$519.45 million.
- The current trade tensions between China and the USA provides an opportunity for Pakistan to increase its trade with both China and the USA. In 2017, the US subjected \$3.57 billion worth of Chinese textile imports to additional tariffs, the next round of additional tariffs which were to be enforced in January 2019 are currently on hold.
- In the event of additional tariffs being levied on Chinese imports by the USA, there is a very small potential for Pakistan to get incremental exports to the US if Pakistan remains focused on the HS-codes that it presently exports to the US. The challenge is to develop capabilities in those products that China exports.
- In 2017, Chinese companies invested \$177.7 billion in various countries / sectors across the world. In the last ten years, major Chinese investments have been in the energy sector.
- In 2017, the largest share of outbound Chinese FDI worth \$45.87 billion was in agriculture. The energy sector, in 2017, contributed \$22.7 billion to outbound Chinese FDI.
- The Chinese investment in the US and France in the area of textiles follow two diverse strategies; the investment in US can be classified as upstream investments whereas the investment in France is in the downstream sector.
- Chinese investment in Vietnam and Cambodia's textile and apparel industry has managed to increase employment in the region. However, since bulk of these local jobs are low or medium skilled positions, there is no evidence of knowledge transfer. Furthermore, Chinese investment in Africa has led to the creation of jobs as well as improved infrastructure, and better means of communications and telecommunications.

- In the past ten years, China has invested over \$10.5 billion in Pakistan. These investments have mostly focused on the energy sector; out of the sixteen Chinese FDI projects, eleven are in the energy sector. The \$10.5 billion invested in Pakistan, includes \$7.2 billion under China Pakistan Economic Corridor (CPEC) which is a part of the Belt and Road Initiative (BRI).
- China is the largest producer of Steel in the world. In 2017, China produced over 831 million tons of Steel, which was almost half of the world's total production. Similarly, in terms of usage of steel, China ranks at the top; utilizing 767.5 million tons of steel. In wake of the trade war between China and the USA, the Chinese government, in a bid to keep steel and other exports competitive, increased rebate on 397 tariff lines. Out of the 397 tariff lines, 88 are from Iron and Steel and its Articles (HS-72 & HS 73) with the tax rebate ranging from 9% to as high as 16% as shown in Annexure II. Since the rebates are not market specific, there is a possibility that some this subsidized steel will eventually be exported to Pakistan.
- For Pakistan there is high potential for export to China under HS-901890, i.e. 'instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.'. Since China is the largest importer in the world for the said category, it could potentially absorb all of Pakistan's current exports under HS-901890. Pakistan's current exports under HS-901890 to the world in 2017 were \$360.6 million

RECOMMENDATIONS

- Governments of Pakistan and China must take measures to implement live Electronic Data Interchange (EDI) of trade data to help overcome the menace of misreporting of imports and exports. EDI should not be confined to only consignments where concessions have been claimed under the CPFTA.
- Pakistan's export basket to China needs to be increased in terms of depth and width. The ever-increasing imports from China need to be curbed while working to enhance the export capacity.
- Products/Tariff lines recommended by the Pakistan Business Council to be added to Category 1 (Elimination of tariffs within three years) of the Chinese offer list in Phase 2 of the CPFTA are listed in Table 17.
- In the purview of the China-US trade tension, Pakistan can increase its textile exports to the United States. For this purpose, Pakistani textile industry and other stakeholders need to focus on export of those lines which are the biggest exports by China to US as shown in Table 23 and Annexure I.
- Pakistan is a composite and dynamic textile exporter where the entire textile value chain is in the country. Pakistan can potentially draw Chinese FDI to various subsectors within the textile sector, as China has been doing so in different parts of the world.

RECOMMENDATIONS

- From Pakistan's perspective, this investment in the textile sector would not only lead to inflow of capital, employment and increased exports but also generate increased global demand for Pakistani products through their Chinese counterparts.
- From the Chinese perspective, Chinese investors would be able to bypass sanctions imposed by the United States as well as take advantage of Pakistan's GSP status to the US as well as the GSP+ status granted by the EU.
- There is an absence of a regulatory body for the steel industry which could potentially create and maintain standards for Pakistani producers. This would ensure that domestic industry manufactures to quality standards acceptable in the international market.
- In the wake of heavy rebates given to Chinese steel manufacturers (Annexure II), the local industry needs to be safeguarded against possible dumping practices.
- Producers of instrument and appliances used in medical, surgical or veterinary sciences (HS-901890) should work to gain a larger share in exports to the world and China, and take advantage of the high demand for said product.

INTRODUCTION

A free trade agreement was signed between the governments of Pakistan and China in November 2006. Under the China-Pakistan Free Trade Agreement (CPFTA), both countries agreed to offer preferential market access through tariff concessions. The first Phase of the CPFTA commenced in 2007 and covered the period 2007-12. Under the first phase of the CPFTA, Pakistan gained tariff concessions on 6,418 tariff lines while China secured concessions on 6,711 tariff lines. Negotiations for Phase II of the CPFTA are still underway.

The Pakistan Business Council (PBC), since 2007, has been documenting trade patterns between China and Pakistan post implementation of Phase I of the CPFTA. The main focus of the previous studies was on preferential tariff imports from China of items with the greatest potential to damage domestic manufacturing. The PBC, since 2013, has published the following reports on the impact of the CPFTA on Pakistan's economy:

1. Preliminary Study on Pakistan and China Trade Partnership Post FTA (Published 2013)
2. Second review of Phase I of the Pakistan-China FTA and Recommendations for Phase II (Published 2015)
3. Third Review of the Pakistan-China FTA and Recommendations for Phase 2 Negotiations (Published 2016)

4. 4th Review of the China Pakistan Free Trade Agreement (CPFTA) & Recommendations for Phase II Negotiations (Published 2018)

In addition to the above studies, the PBC has facilitated a number of interactions between industry and the Ministry of Commerce on matters relating to Phase II negotiations of the CPFTA.

Since Phase II is still under negotiations, this study updates the work already done in the previous studies, while at the same time looking at potential opportunities such as those created by the recent trade dispute between China and the US.

There is a greater awareness and willingness in both China and Pakistan, especially in China to help Pakistan get greater market access to the Chinese market. In addition, with rising labour costs in China, the possibility of using Pakistan as a manufacturing hub for Chinese textile exporters is also under discussion. This study takes a closer look at the goods currently being traded under the FTA and the investments made in Pakistan by Chinese companies. It then identifies tariff lines where Pakistan needs to negotiate with the Chinese for equal if not better concessions than those offered by China to its other trading partners. The likely impact of a US China trade war is studied in an effort to identify opportunities for Pakistani exporters. The final section of the study looks at the Chinese steel industry and Pakistan's surgical goods industry and its potential in the Chinese market

DISCREPANCY IN TRADE DATA

As highlighted in all previous PBC reviews of the CPFTA, there exists huge discrepancies in bilateral trade data reported by Pakistan and China to the International Trade Center (ITC). Though this discrepancy has been reducing in the past few years, it is still too large to be ignored. It has been the consistent view of the PBC that this discrepancy to a large extent reflects under-invoicing by Pakistani importers and that this has severely impacted domestic manufacturing in the country. Worst hit are domestic manufacturing SMEs which have been all but wiped out in certain industries like light engineering, toys, writing instruments, apparel, sports goods etc. Even large scale manufacturing has seen its market share eroded in Pakistan and a huge drop in investments in technology upgradation and expansion in the manufacturing sector. In 2017, the difference between Pakistan's reported imports from China and China's reported exports to Pakistan was \$2.8 billion. Similarly, the difference between Pakistan's reported exports to China and China's reported imports from Pakistan was \$325 million. Furthermore, Pakistan reports a trade deficit of \$13.88 billion with China, while China reports a trade surplus of \$16.42 billion with Pakistan.

Pakistan's Reported Data	2013	2014	2015	2016	2017
Pakistan's imports from China	6.63	9.59	11.02	13.68	15.38
Pakistan's exports to China	2.65	2.25	1.93	1.59	1.51
Pakistan's Reported Trade Balance with China	3.97	7.34	9.08	12.09	13.88

Table 1: Pakistan's reported trade with China (USD Billion) (2013-17)

DISCREPANCY IN TRADE DATA

China's Reported Data	2013	2014	2015	2016	2017
China's exports to Pakistan	11.02	13.24	16.44	17.23	18.25
China's imports from Pakistan	3.20	2.75	2.47	1.91	1.83
China's Reported Trade Balance with Pakistan	7.82	10.49	13.97	15.32	16.42

Table 2: China's reported trade with Pakistan (USD Billion) (2013-17)

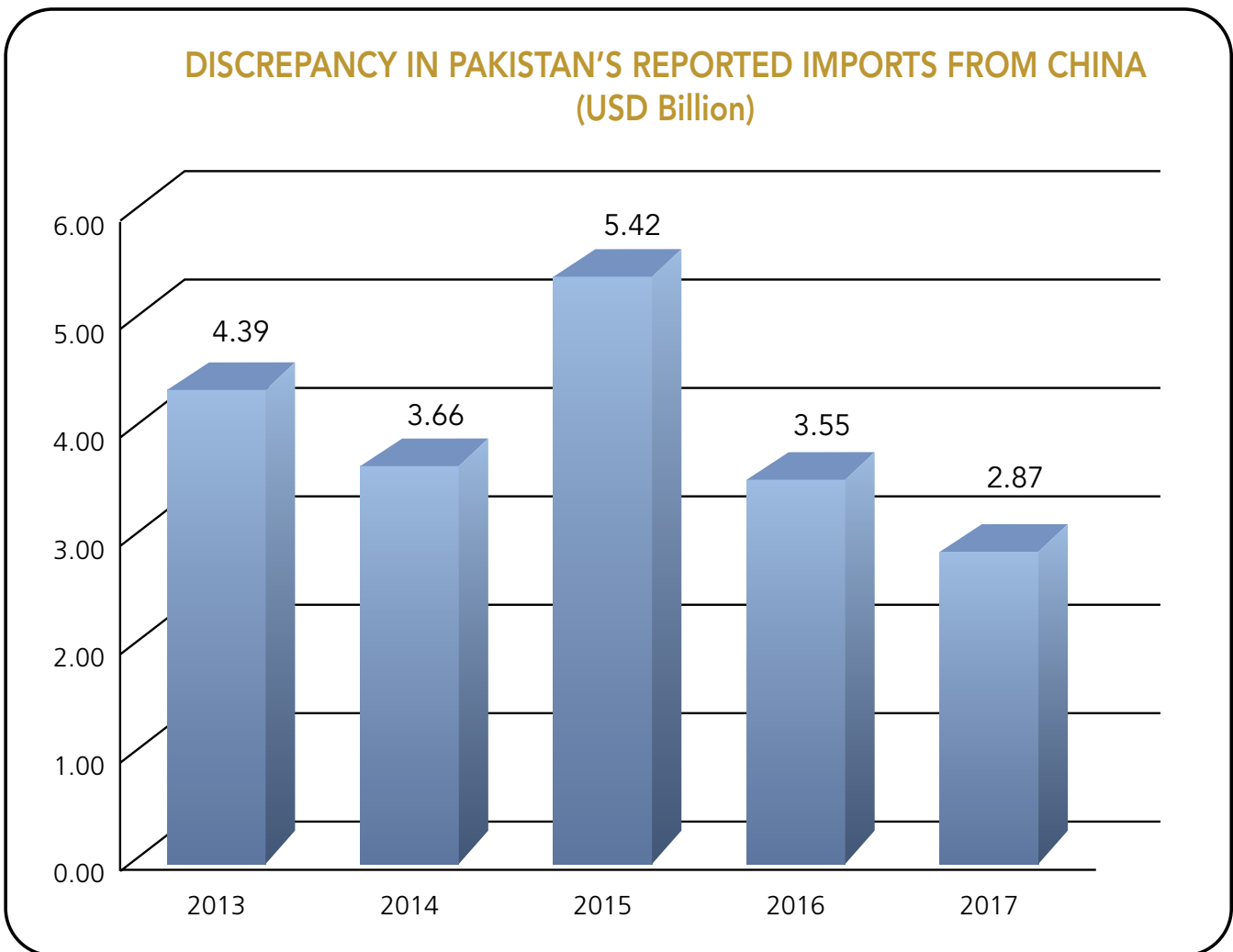


Figure 1: Discrepancy in Pakistan's reported imports from China (USD Billion) (2013-17)

DISCREPANCY IN TRADE DATA



Figure 2: Discrepancy in Pakistan's reported export to China (USD Billion) (2013-17)

TRADE OVERVIEW

Pakistan's Trade Overview:

The share of manufacturing in Pakistan's GDP has been declining since 2008 as a result of which imports have been increasing while exports have been more or less stagnant. Exports fell from a high of \$25 billion in 2014 to \$22 billion in 2017. Imports, on the other hand, increased in the same period by \$9 billion. The rise in imports has resulted in the highest ever trade deficit of \$35.6 billion in 2017.

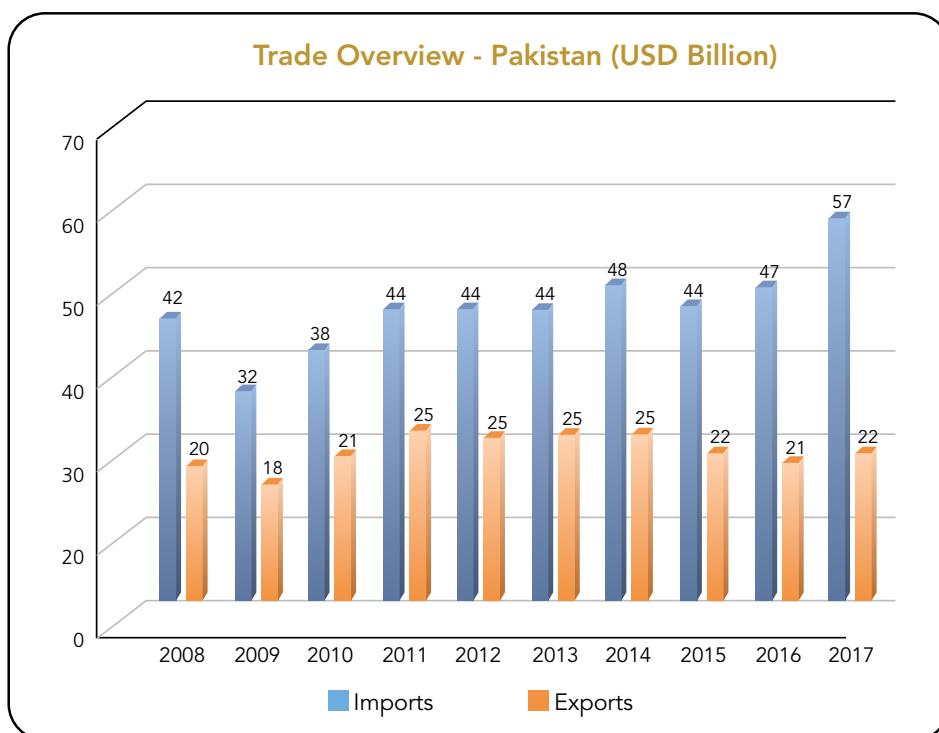


Figure 3: Pakistan's trade overview (USD Billion) (2013-17)

Pakistan's Exports to the World.

Pakistan has a narrow export base. Pakistan's exports to the world are mostly dependent on 'Other made-up textile articles' (HS-63), Cotton (HS-52), 'Articles of apparel and clothing accessories' (HS-61&62) and Cereals (HS-10); these product groups combined make up 65% of Pakistan's total exports. Exports of cotton (HS-52) have decreased significantly over the last five years falling from \$5.3 billion to \$3.5 billion. The table below shows Pakistan's top 10 exports to the world at HS-02 level in USD Millions for the period 2013-17.

HS Code	Description	2013	2014	2015	2016	2017
TOTAL	All products	25,121	24,722	22,089	20,534	21,878
63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	3,685	3,906	3,760	3,804	3,956
52	Cotton	5,334	4,731	4,040	3,497	3,498
61	Articles of apparel and clothing accessories, knitted or crocheted	2,105	2,403	2,360	2,347	2,516
62	Articles of apparel and clothing accessories, not knitted or crocheted	1,855	1,985	2,127	2,253	2,465
10	Cereals	2,181	2,211	1,942	1,717	1,752
42	Articles of leather; saddlery and harness; travel goods, handbags and similar containers; articles . . .	744	742	688	645	632
17	Sugars and sugar confectionery	634	439	358	251	512
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	348	365	369	364	411
03	Fish and crustaceans, molluscs and other aquatic invertebrates	333	356	329	336	407
25	Salt; sulphur; earth and stone; plastering materials, lime and cement	723	694	508	448	386

Table 3: Pakistan's exports to the world (HS-02 level) (USD Millions) (2013-17)

Pakistan's Imports From The World

Over the last five years, Pakistan's imports from the world have been on an increasing trend. The only category amongst the top 10 that decreased in value was 'Mineral fuels, mineral oils and products of their distillation' (HS-27), primarily as a result of a decline in global prices. Imports for the other categories have increased significantly over the past five years.

HS Code	Description	2013	2014	2015	2016	2017
TOTAL	All products	43,775	47,545	43,990	46,998	57,440
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	15,247	14,822	10,031	9,529	13,712
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	3,058	3,927	4,069	5,832	6,863
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	2,682	3,346	3,802	4,431	4,745
72	Iron and steel	1,841	2,302	2,552	2,756	3,419
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1,238	1,314	1,745	2,101	2,666
29	Organic chemicals	2,016	1,964	1,864	1,944	2,372
15	Animal or vegetable fats and oils and their cleavage products; prepared edible fats; animal . . .	1,980	2,150	1,853	1,928	2,370
39	Plastics and articles thereof	1,570	1,952	1,933	1,938	2,296
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal . . .	479	781	785	1,048	1,399
07	Edible vegetables and certain roots and tubers	500	666	674	936	981

Table 4: Pakistan's imports from the world (HS-02 level) (USD Millions) (2013-17)

TRADE OVERVIEW

China's Trade Overview

China has had a trade account surplus with the world for the past twenty years. Exports rose significantly during the 2009-14 period, going from \$1.2 trillion to \$2.3 trillion. Exports fell after attaining their highest point in 2014; in 2016, exports were \$2.1 trillion. In 2017, exports grew again to \$2.3 trillion. The same trend is shown in China's imports from the world.



Figure 4: China's trade overview (USD Billion) (2013-17)

China's Exports to the World:

China is the largest exporter of the world with exports worth \$2.26 trillion in 2017. Roughly 43% of Chinese exports to the world are of machinery (HS-84 & 85). The table below shows China's exports to the world at HS-02 level for the period 2013-17. In line with the overall trend, exports of all top 10 products rose in 2017 as compared to the previous year, the only exception being 'Articles of apparel and clothing accessories, knitted or crocheted' (HS61) which fell from \$74.4 billion to \$71.8 billion. The top ten exports at HS-02 level made up 68% of China's total exports in 2017.

HS Code	Description	2013	2014	2015	2016	2017
TOTAL	All products	2,209,007	2,342,293	2,273,468	2,097,637	2,263,371
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	561,288	570,924	594,325	553,169	598,325
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	383,153	400,834	364,276	343,771	383,244
94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; . . .	86,415	93,374	98,531	87,509	88,973
62	Articles of apparel and clothing accessories, not knitted or crocheted	68,252	81,445	78,440	72,065	73,409
61	Articles of apparel and clothing accessories, knitted or crocheted	96,793	91,992	83,786	74,413	71,824
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	74,530	74,001	73,677	67,488	70,616
39	Plastics and articles thereof	61,753	66,789	65,683	62,350	70,000
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	58,550	64,193	62,600	60,145	67,263
73	Articles of iron or steel	57,348	60,637	60,523	51,892	56,728
95	Toys, games and sports requisites; parts and accessories thereof	35,847	38,553	42,627	43,707	54,593

Table 5: China's exports to the world (HS-02 level) (USD Millions) (2013-17)

TRADE OVERVIEW

China's Imports from the World

China is one of the largest economies in the world, and as such, it is also one of the largest importers. Chinese imports were on a decreasing trend up until 2016 as the value of imports fell from \$1,959 billion in 2014 to \$1,588 billion in 2016. In 2017, imports rose by about \$256 billion over the previous year, reaching \$1,843 billion. Machinery (HS-84 & 85) and mineral fuels (HS-72) make up nearly 48% of China's total imports from the world. Top ten Chinese imports from the world at HS-02 level made up 77% of total imports in 2017.

HS Code	Description	2013	2014	2015	2016	2017
TOTAL	All products	1,949,992	1,959,235	1,679,564	1,587,921	1,843,793
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television . . .	439,418	424,319	428,694	412,879	457,922
27	Mineral fuels, mineral oils and products of their distillation; bituminous substances; mineral . . .	315,232	316,788	198,601	176,536	249,625
84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	170,571	179,378	157,043	147,660	169,532
26	Ores, slag and ash	148,772	134,661	93,720	94,479	126,478
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical . . .	107,588	105,806	99,636	92,689	97,469
87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	74,148	89,509	69,629	71,506	79,246
39	Plastics and articles thereof	72,391	75,190	65,551	61,049	68,929
71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad . . .	18,340	41,894	96,593	79,327	65,288
29	Organic chemicals	65,877	60,313	47,758	43,906	55,838
12	Oil seeds and oleaginous fruits; miscellaneous grains, seeds and fruit; industrial or medicinal . . .	42,627	45,888	39,713	38,295	44,514

Table 6: China's imports from the world (HS-02 level) (USD Millions) (2013-17)

PAKISTAN-CHINA BILATERAL TRADE

Trade Overview

Over the last five years, Pakistan's exports to China have shown a declining trend. Meanwhile, Pakistan's imports from China are growing at a healthy rate. This has led to an increasing trade deficit for Pakistan. In 2017, Pakistan exported \$1.51 billion worth of goods to China and imported \$15.38 billion worth of goods leading to a trade deficit of \$13.88 billion¹. Since 2013, Pakistan's trade deficit with China has increased by almost 250%. The following figure shows Pakistan's trade with China for the period 2013-17.

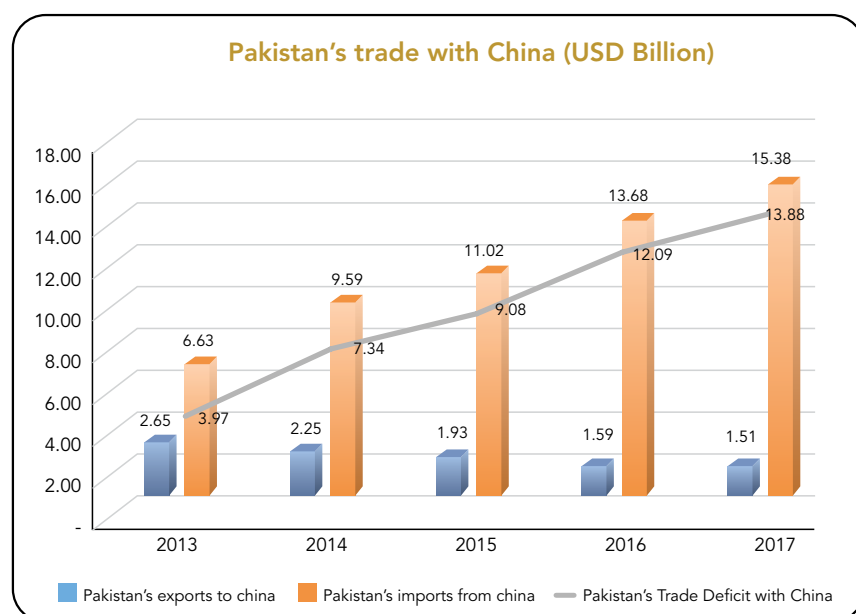


Figure 5: Pakistan's trade with China (USD Billion) (2013-17)

¹ Trade data used in the study is Pakistan's reported data to the ITC unless explicitly mentioned.

PAKISTAN-CHINA BILATERAL TRADE

Pakistan's exports to China

Over the past five years, Pakistan's exports to China have decreased by more than 40%. Between 2013 and 2016, Pakistan's exports to China shrunk by about 15% each year. In 2017, exports fell by 5%.

Cotton (HS-52) is Pakistan's largest export to China and represents roughly 60% of total exports. Since cotton is such a large part of Pakistan's exports, any fall in the export of cotton has a significant negative impact on the country's exports. Exports of cotton to China fell from \$1.9 billion in 2013 to \$0.89 billion in 2017. The table below shows Pakistan's top 10 exports to China at HS-02 level for the period 2013-17 in USD millions.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	2,652.22	2,252.90	1,934.93	1,590.86	1,508.08
'52	Cotton	1,936.01	1,525.34	1,261.71	968.23	885.41
'26	Ores, slag and ash	129.17	91.67	70.65	77.66	98.45
'10	Cereals	144.07	137.84	167.05	220.82	95.51
'03	Fish and crustaceans, molluscs and other aquatic invertebrates	35.78	55.21	46.17	47.99	60.10
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	14.41	8.33	8.50	14.59	39.71
'25	Salt; sulphur; earths and stone; plastering materials, lime and cement	63.51	52.29	47.98	37.44	38.46
'74	Copper and articles thereof	36.56	34.50	28.00	12.28	37.80
'41	Raw hides and skins (other than furskins) and leather	57.06	55.42	42.13	37.12	37.04
'63	Other made-up textile articles; sets; worn clothing and worn textile articles; rags	26.92	34.57	26.83	25.79	25.78
'61	Articles of apparel and clothing accessories, knitted or crocheted	7.63	9.84	11.86	16.91	22.08

Table 7: Pakistan's Exports to China (HS-02 level) (USD Millions) (2013-17)

PAKISTAN-CHINA BILATERAL TRADE

The following table shows Pakistan's top twenty exports to China at HS 06 level for the period 2013-17. From the top 10 exports to China, six are from the broader category of cotton (HS-52). The Largest share of exports is of 'Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight' (HS-520512); it represents about 40% of total exports to China.

Furthermore, exports of the top twenty goods have fallen in value over the last five years with the exception of "Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology, ..." (HS-901580) which rose from \$3.67 million in 2013 to \$23.65 million in 2017.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	2,652.22	2,252.90	1,934.93	1,590.86	1,508.08
'520512	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	1,187.59	955.60	828.92	670.31	623.96
'261000	Chromium ores and concentrates	108.58	78.28	59.97	73.54	94.10
'100630	Semi-milled or wholly milled rice, whether or not polished or glazed	101.92	109.45	114.41	193.95	79.46
'520511	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	122.13	51.41	71.82	61.82	74.74
'520912	Woven fabrics of cotton, containing \geq 85% cotton by weight and weighing $>$ 200 g/m ² , in three-thread ..	123.85	112.41	88.52	63.57	41.52
'520532	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight ...	71.67	97.2	53.74	34.49	33.98
'520522	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and with a linear ...	71.04	64.14	49.87	26.84	30.96
'520812	Plain woven fabrics of cotton, containing \geq 85% cotton by weight and weighing $>$ 100 g to 200 ...	72.19	77.00	50.97	26.97	28.77
'901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology, ...	3.67	0.00	0.01	3.40	23.65
'251512	Marble and travertine, merely cut, by sawing or otherwise, into blocks or slabs of a square ...	46.18	38.38	35.49	24.21	20.96
'030339	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae" ...	14.131	15.28	17.031	13.19	18.313
'740319	Copper, refined, unwrought (excluding copper in the form of billets, wire-bars, cathodes and ...	10.069	9.395	2.43	3.301	17.01

PAKISTAN-CHINA BILATERAL TRADE

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	2,652.22	2,252.90	1,934.93	1,590.86	1,508.08
'230120	Flours, meals and pellets of fish or crustaceans, molluscs or other aquatic invertebrates, ...	8.709	14.87	7.005	6.71	16.865
'620322	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	0.672	1.278	4.173	6.664	16.439
'081340	Dried peaches, pears, papaws "papayas", tamarinds and other edible fruits (excluding nuts, ...	13.791	23.698	26.725	26.311	16.19
'100640	Broken rice	41.433	28.033	52.639	26.651	16.051
'901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	8.542	7.947	6.955	9.142	15.836
'410712	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	6.506	7.952	8.52	13.17	15.104
'391590	Waste, parings and scrap of plastics (excluding that of polymers of ethylene, styrene and vinyl ...	22.278	18.405	15.719	17.865	14.072
'740400	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes, of remelted ...	23.051	23.263	23.214	7.145	14.046

Table 8: Pakistan's Exports to China (HS-06 level) (USD Millions) (2013-17)

Pakistan's Imports from China

Pakistan's imports from China are over ten times larger than its exports to China. Machinery (HS84 & 85) represents the largest share of imports at 45%, followed by Iron and Steel (HS-72) which represents 7% of imports from China. The table below shows Pakistan's top ten imports from China at HS-02 level for the period 2013-17. Over the past five years, all the top ten imports at HS-02 level have increased in value. The most substantial increase was in 'Machinery, mechanical appliances, nuclear reactors, boilers;' which grew by about 300% during this period. The top ten imports at HS-02 level account for 75% of total imports from China.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	6,626.32	9,588.42	11,019.01	13,680.15	15,383.40
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	1,756.32	2,264.95	2,566.00	3,363.75	3,645.86
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	836.77	1,369.96	1,666.32	2,940.38	3,308.37
'72	Iron and steel	324.81	712.66	1,015.48	1,061.42	1,112.79
'29	Organic chemicals	378.28	490.78	570.45	635.61	790.50
'54	Man-made filaments; strip and the like of man-made textile materials	367.79	479.43	509.56	556.29	552.08
'73	Articles of iron or steel	252.37	292.92	413.49	525.22	534.24
'31	Fertilisers	229.44	551.73	503.05	300.02	487.02
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	145.38	171.66	255.08	398.18	440.48
'39	Plastics and articles thereof	232.38	335.75	351.39	363.73	424.70
'55	Man-made staple fibres	170.67	310.85	307.45	307.20	336.61

Table 9: Pakistan's imports from China (HS-02 level) (USD Millions) (2013-17)

At the HS-06 level, we can see that Pakistan imports a large variety of goods from China. Much like at HS-02 level, machinery (HS-84 & 85) dominates the list, representing twelve out of the top twenty imports.

The Largest growth in imports was seen in 'Watertube boilers ...' (HS-840211), 'Generating sets' (HS-850239) and 'Flat-rolled products of alloy steel ...' (HS-722530) whose imports have risen by 2,202%, 2,092%, and 1,374%, respectively, in the last five years. The top twenty imports at HS-06 level make up only 30% of Pakistan's total imports from China.

PAKISTAN-CHINA BILATERAL TRADE

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	6,626.32	9,588.42	11,019.01	13,680.15	15,383.40
'854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	109.94	181.81	434.87	469.67	627.01
'851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	621.64	609.57	552.60	504.30	513.25
'310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...)	137.76	290.47	325.02	280.83	450.29
'840211	Watertube boilers with a steam production > 45 t/hour	18.69	13.12	57.90	212.67	430.16
'722530	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, not further ...	27.27	169.96	325.81	367.00	401.98
'850231	Generating sets, wind-powered	79.71	2.19	216.16	329.83	319.03
'851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	148.07	248.09	161.65	228.92	257.14
'401120	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding tyres with ...)	121.01	143.17	164.95	166.71	168.72
'841430	Compressors for refrigerating equipment	43.04	62.44	75.39	102.47	148.75
'850239	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston ...)	5.68	114.65	149.23	284.64	124.52
'540233	Textured filament yarn of polyester (excluding that put up for retail sale)	144.928	178.473	173.072	162.299	120.241
'550410	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	9.454	27.721	27.242	72.758	119.547
'540331	Yarn of viscose rayon filament, incl. monofilament of < 67 decitex, single, untwisted or with ...	79.973	100.75	96.968	110.088	116.524
'600192	Pile fabrics of man-made fibres, knitted or crocheted (excluding "long pile" fabrics)	20.566	39.552	76.097	97.943	112.2
'292690	Nitrile-function compounds (excluding acrylonitrile, 1-cyanoguanidine "dicyandiamide", fenproporex ...)	25.435	29.729	56.551	79.238	110.117

PAKISTAN-CHINA BILATERAL TRADE

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	6,626.32	9,588.42	11,019.01	13,680.15	15,383.40
'841590	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing ...	31.724	39.904	48.241	70.867	107.389
'853710	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	11.569	24.884	18.207	58.778	106.287
'847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	20.188	113.167	28.216	111.804	101.9
'850440	Static converters	22.839	49.303	55.765	64.562	101.837
'853720	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	9.683	12.597	30.579	78.927	101.272

Table 10: Pakistan's Imports from China (HS-06 level) (USD Millions) (2013-17)

UTILIZATION OF CONCESSIONS UNDER CHINA-PAKISTAN FREE TRADE AGREEMENT (CPFTA)

The table below shows bilateral trade over the last five years. Pakistan's trade deficit with China has been increasing. In 2017, the trade deficit was \$13.89 Billion. In 2017, Pakistan's imports from China were at an all-time high of \$15.40 Billion.

USD Billion	2013	2014	2015	2016	2017
Imports from China	6.63	9.59	11.02	13.68	15.40
Exports to China	2.65	2.25	1.93	1.59	1.51
Pakistan's Trade Deficit with China	3.97	7.34	9.08	12.09	13.89

Table 11: Pakistan's trade with China (USD Billions) (2013-17)

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Pakistan's Imports from China

This upward trend in both, imports from and the trade deficit with China, can partially be attributed to the CPFTA which was signed in 2006 and which allowed the entry of Chinese goods into Pakistan at concessional rates. Pakistan's concession list of 6711 products in total, was divided in to the following categories:

- Category 1: Elimination of tariff (3 years)
- Category 2: 0-5% (5 years)
- Category 3: Reduction of Margin of Preference: 50% (5 years)
- Category 4: Reduction on Margin of Preference 20% (5 years)
- Category 5: No concession
- Category 6: Exclusion

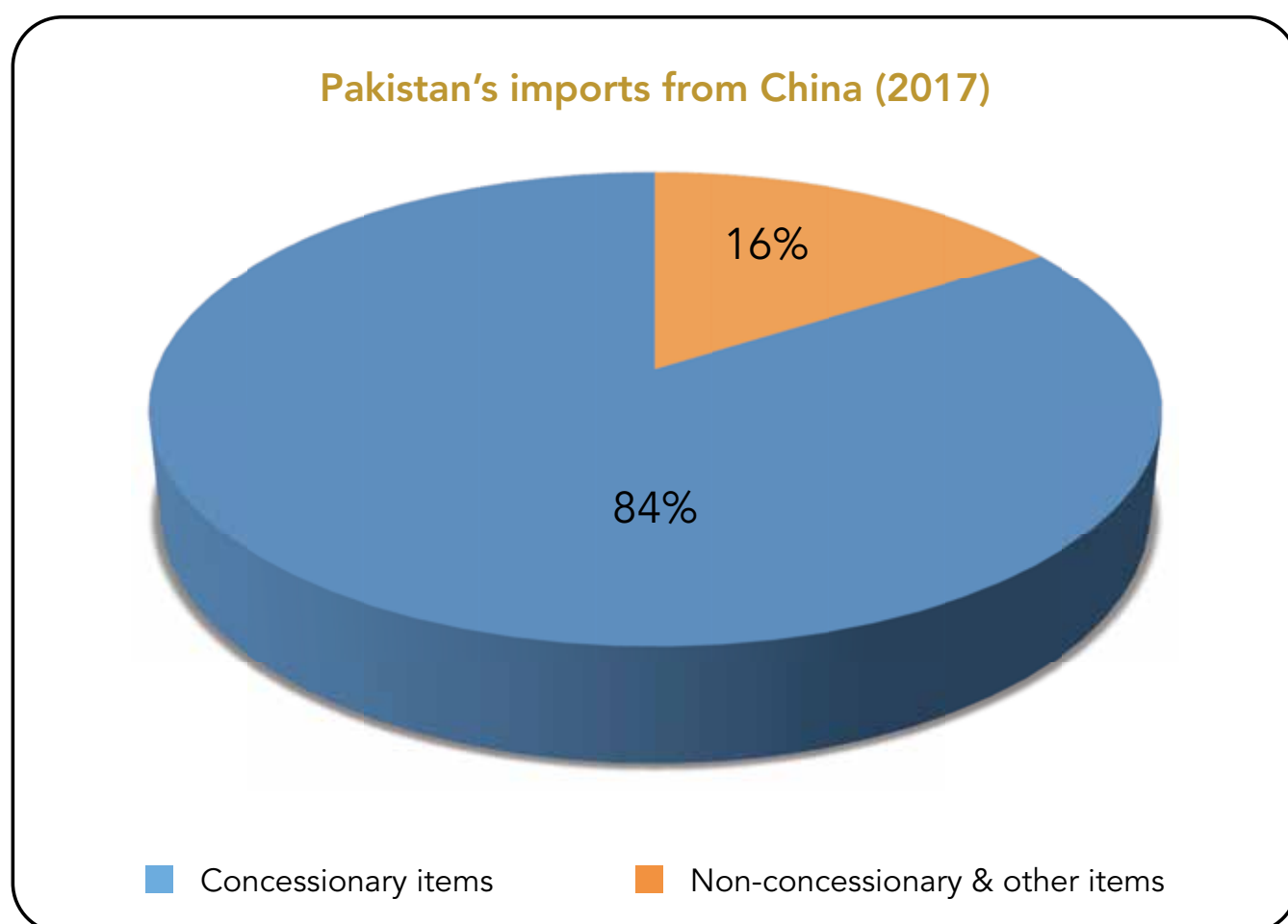


Figure 6: Pakistan's import from China (% of concessionary items) (2017)

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Analysis of trade data shows that majority of Pakistan's imports from China in 2017 were those that had received concessions from Pakistan under the CPFTA. Out of \$15.4 billion imports from China, 84% of imports enjoyed tariff concession while the remaining 16% were non-concessionary & other items².

Over the last five years, concessionary items have accounted for the majority of Pakistan's imports from China. The contribution of non-concessionary & other items has fallen from 22% in 2013 to 16% in 2017.

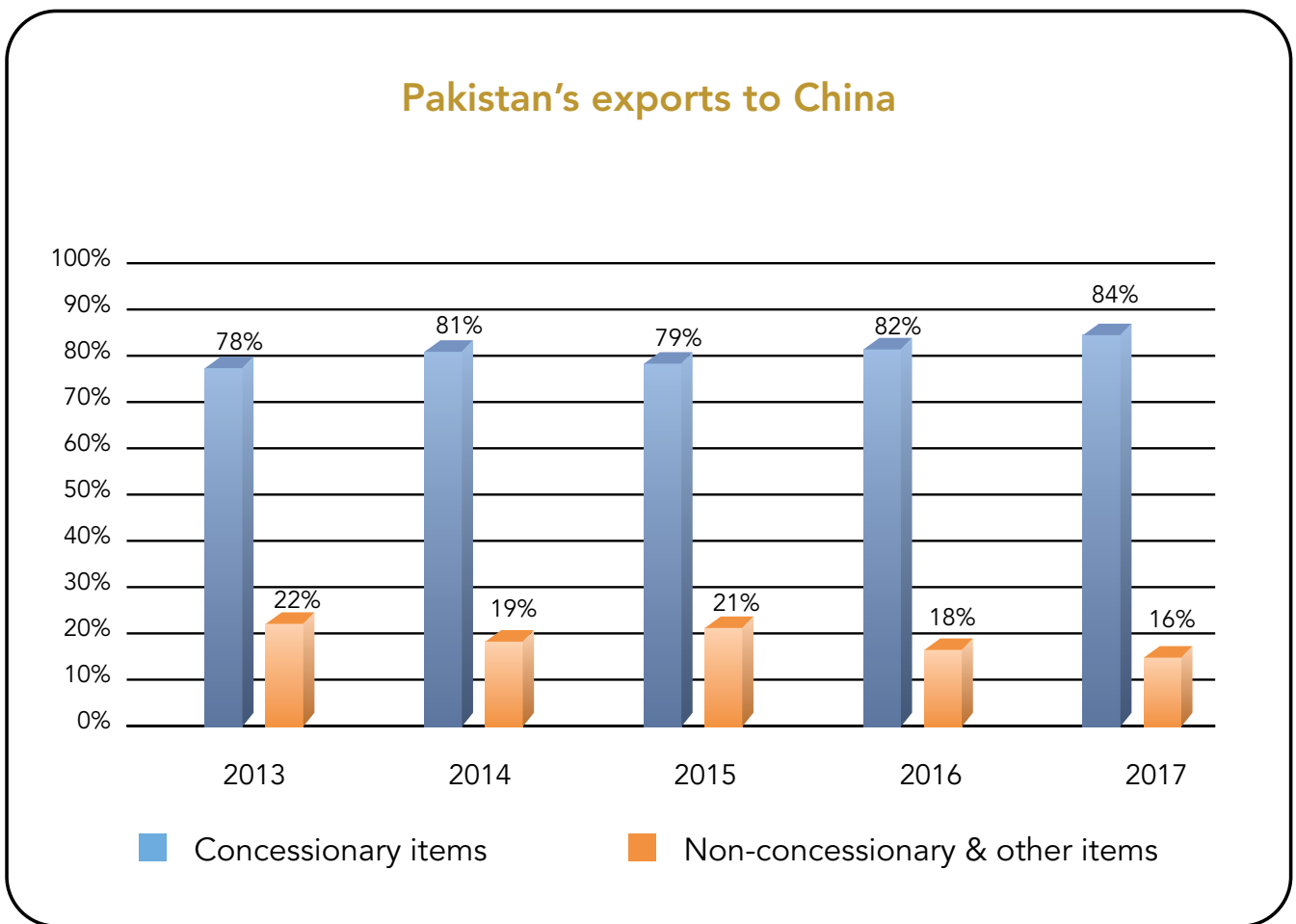


Figure 7: Pakistan's import from China (Concessionary and Non-concessionary items) (2013-17)

² Other items are those that either do not fall under any of the categories or in more than one defined in the CPFTA.

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

The following table shows a breakup of Pakistan's imports from China by categories defined under the CPFTA. The largest percentage of imports are from goods defined under Category 1 (Zero Tariff) which represents about 42% of total imports from China. The second largest percent of imports are from Category 4 (20% Reduction) accounting for 24% of total imports from China.

	Percentage of Tariff lines in the category	Value in 2017 (USD Million)	Percentage share of Total Value
Category 1 – Zero Tariff	(2,423 tariff lines - 35.6%)	6,488	42%
Category 2 – 0-5%	(1,338 tariff lines - 19.9%)	2,497	16%
Category 3 – 50% reduction	(157 tariff lines - 2%)	162	1%
Category 4 – 20% reduction	(1,768 tariff lines – 26.1%)	3,738	24%
Category 5 – No Concession	(1025 tariff lines – 15%)	1,883	12%
Category 6 – Exclusion	(92 tariff lines – 1.4%)	3	0%
Others		626	4%
Total		15,399	

Table 12: Break-up of Pakistan's imports from China by categories defined under the CPFTA (USD Millions) (2017)

The following tables show the top twenty imports under each category.

Category 1 – Zero tariff (2,423 tariff lines - 35.6%)

Category 1 consists of those goods where Pakistan has granted China duty-free access. Although this category consists of 35.6% of tariff lines; in terms of import value, it accounted for 42.1% of total imports from China. Furthermore, the top twenty imports from this category contributed 52.8% to total imports from this category.

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
85414000	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...629.69	659.25	16,469.24	
85171210	Telephones for cellular networks "mobile telephones" or for other wireless networks: cellular ...	509.67	756.94	126,629.55
72253000	Flat-rolled products of alloy steel other than stainless, of a width of >= 600 mm, not further ...	402.95	403.21	5,661.85

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
84021190	Watertube boilers with a steam production > 45 t/hour: other	326.15	348.35	21.81
85023100	Generating sets, wind-powered	319.16	322.58	409.53
84143010	Compressors for refrigerating equipment: used with hfc and non-cfc gases	148.64	209.58	2,843.18
40112090	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding tyres with ...	143.71	209.70	7,390.08
85023900	Generating sets (excluding wind-powered and powered by spark-ignition internal combustion piston ...	124.14	170.97	72.18
29269050	Nitrile-function compounds (excluding acrylonitrile, 1-cyanoguanidine "dicyandiamide", fenproporex ...	110.17	113.40	591.77
84713010	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	82.58	120.29	20,884.42
84748090	Machinery for agglomerating, shaping or moulding solid mineral fuels, ceramic paste, unhardened ...	80.30	95.84	178.45
74031100	Copper, refined, in the form of cathodes and sections of cathodes	71.70	95.78	2,054.80
86031000	Self-propelled railway or tramway coaches, vans and trucks, powered from an external source ...	71.61	71.61	673.17
84068200	Steam and other vapour turbines, of an output <= 40 mw (excluding those for marine propulsion)	70.53	118.79	71.47
70320000	Garlic, fresh or chilled	67.59	68.08	2,185.44
84068100	Steam and other vapour turbines, of an output > 40 mw (excluding those for marine propulsion)	66.54	118.79	28.03
29349990	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds (excluding ...	55.06	72.71	1,675.52
29291000	Isocyanates	52.14	95.51	663.16
32061100	Pigments and preparations based on titanium dioxide of a kind used for colouring any material ...	49.56	85.40	1,985.46
84479010	Machines for making gimped yarn, tulle, lace, embroidery, trimmings, braid or net and machines ...	49.51	54.31	6.28
Total of Top 20 Imports of Category 1		3,431.41	4,191.07	190,495.38
Total Imports of Category 1		6,488.17	22,008.62	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 2 – 0-5% (1,338 tariff lines - 19.9%)

Category 2 consists of all those tariff lines where duties were brought down to between 0 and 5 percent. The most substantial share of imports is of Diammonium hydrogenorthophosphate (HS-31053000) worth \$450 million. Moreover, imports from the category account for 16% of total imports from China.

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
31053000	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	450.68	647.96	2,207.82
55041000	Staple fibres of viscose rayon, not carded, combed or otherwise processed for spinning	119.88	293.60	604.17
72111990	Flat-rolled products of iron or non-alloy steel, of a width < 600 mm, simply hot-rolled, not ..	90.23	90.3	149.45
85044090	Static converters: other	83.69	113.7	-
85177000	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	70.89	84.81	50,776.28
72107090	Flat products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	70.55	70.88	712.25
72104990	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, hot-rolled or cold-rolled ...	57.06	65.66	5,275.93
29419090	Antibiotics (excluding penicillins and their derivatives with a penicillanic acid structure, ...	54.27	78.41	1,060.14
54033200	Yarn of viscose rayon filament, incl. monofilament of < 67 decitex, single, with a twist of ...	53.28	53.34	5.79
95030090	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	49.08	50.59	373.57
9101100	Ginger, neither crushed nor ground	40.47	63.29	402.37
72083990	Flat-rolled products of iron or non-alloy steel, of a width of >= 600 mm, in coils, simply ...	40.22	345.97	15.25
84821000	Ball bearings	36.59	60.13	2,557.19
94054090	Electric lamps and lighting fittings, n.e.s: other	30.98	32.94	13,954.71
72139190	Bars and rods, hot-rolled, in irregularly wound coils, of iron or non-alloy steel, of circular ...	29.81	30.49	11.77

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
70134900	Glassware for table or kitchen purposes (excluding glass having a linear coefficient of expansion ...	29.12	30.64	998.59
54024410	Synthetic filament elastomeric yarn, single, untwisted or with a twist of <= 50 turns per metre ...	23.48	43.06	285.40
38089310	Herbicides, anti-sprouting products and plant-growth regulators (excluding goods of subheading ..	23.12	54.76	1,326.38
85022000	Generating sets with spark-ignition internal combustion piston engine	22.48	60.45	1,188.25
38170000	Mixed alkylbenzenes and mixed alkyl naphthalenes produced by the alkylation of benzene and naphthalene ..	21.77	87.46	215.53
Total of Top 20 Imports of Category 2		1,397.64	2,358.48	82,120.85
Total Imports of Category 2		2,497.37	14,270.74	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 3 – 50% reduction (157 tariff lines - 2%)

Category 3 consist of goods where Pakistan has offered 50% reduction in the MFN tariff rates. As one of the smaller categories, it only accounts for 1% of the total imports from China. Furthermore, the imports of the category are mostly dependent on the top 20 goods which make up 84% of total imports from China under the category. Moreover, the largest import from this category in 2017 was insecticides (HS-38089170).

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
38089170	Insecticides (excluding goods of subheading 3808.50): products registered under the agricultural ...	37.17	59.99	438.00
50079000	Woven fabrics containing predominantly, but < 85% silk or silk waste by weight	23.71	23.71	30.89
70109000	Carboys, bottles, flasks, jars, pots, phials and other containers, of glass, of a kind used ...	12.03	14.78	1,523.01
96190010	Sanitary towels (pads) and tampons, napkins and napkin liners for babies, and similar articles, ...	6.86	12.01	0.18
70099100	Glass mirrors, unframed (excluding rear-view mirrors for vehicles, optical mirrors, optically ...	6.83	6.89	452.88
34029000	Surface-active preparations, washing preparations, incl. auxiliary washing preparations and ...	6.74	18.35	417.63
51119000	Woven fabrics containing predominantly, but < 85% carded wool or carded fine animal hair by ...	5.25	5.27	9.98
32089090	Paints and varnishes based, incl. enamels and lacquers, on synthetic polymers or chemically ...	4.71	16.46	206.05
37013020	Photographic plates and film in the flat, sensitised, unexposed, with any side > 255 mm: photo ..	4.07	4.74	420.48
69021090	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods containing, ...	3.92	12.33	758.12
68069000	Mixtures and articles of heat-insulating, sound-insulating or sound absorbing mineral materials ..	3.32	3.67	94.69
34021110	Anionic organic surface-active agents, whether or not put up for retail sale (excluding soap): ...	3.30	16.34	242.22
50072000	Woven fabrics containing >= 85% silk or schappe by weight	3.22	3.28	537.24
68061000	Slag-wool, rock-wool and similar mineral wools, incl. intermixtures thereof, in bulk, sheets ...	2.90	3.10	184.90

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
51111900	Woven fabrics containing \geq 85% carded wool or carded fine animal hair by weight and weighing ...	2.64	2.89	28.27
69022090	Refractory bricks, blocks, tiles and similar refractory ceramic constructional goods containing, ...	2.35	4.88	418.26
51129000	Woven fabrics containing predominantly, but $<$ 85% combed wool or combed fine animal hair by ..	1.81	1.90	5.30
68109900	Articles of cement, concrete or artificial stone, whether or not reinforced (excluding prefabricated ..	1.65	1.86	1,464.27
33049190	Make-up or skin care powders, incl. baby powders, whether or not compressed (excluding medicaments): ...	1.60	2.09	282.85
33041000	Lip make-up preparations	1.39	2.09	361.76
Total of Top 20 Imports of Category 3		135.44	216.64	7,876.97
Total Imports of Category 3		162.15	400.29	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 4 – 20% reduction (1,768 tariff lines – 26.1%)

Category 4 consists of goods in which China received a 20% reduction over the MFN tariff rates. More than half of the top twenty goods under this category are from machinery group (HS-84 & HS-85). Furthermore, the total imports under this category account for 24.2% of total imports from China.

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
85176290	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	222.55	242.85	18,163.58
60019290	Pile fabrics of man-made fibres, knitted or crocheted (excluding "long pile" fabrics): other	111.06	111.89	2,567.69
85371090	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	105.94	130.97	5,695.85
84021130	Watertube boilers with a steam production > 45 t/hour: heat recovery steam generators (hrsg's)	104.74	144.15	21.81
85372000	Boards, cabinets and similar combinations of apparatus for electric control or the distribution ...	100.96	116.53	1,312.17
73082000	Towers and lattice masts, of iron or steel	94.79	96.24	537.44
73089090	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, ...)	87.26	104.76	8,352.15
84199090	Parts of machinery, plant and laboratory equipment, whether or not electrically heated, for ...	84.76	94.13	579.00
84195000	Heat-exchange units (excluding instantaneous heaters, storage water heaters, boilers and equipment ...)	77.10	83.82	946.34
85043400	Transformers having a power handling capacity > 500 kva (excluding liquid dielectric transformers)	73.76	80.24	194.29
85042300	Liquid dielectric transformers, having a power handling capacity > 10.000 kva	68.04	80.97	875.42
64041900	Footwear with outer soles of rubber or plastics and uppers of textile materials (excluding ...)	60.50	63.51	12,670.26

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
48109200	Multi-ply paper and paperboard, coated on one or both sides with kaolin or other inorganic ..	58.51	118.11	1,031.81
72279000	Bars and rods of alloy steel other than stainless, hot-rolled, in irregularly wound coils (excluding ...	57.77	61.10	2,803.97
85444990	Electric conductors, for a voltage <= 1.000 v, insulated, not fitted with connectors, n.e.s: ...	53.33	70.03	-
60063200	Dyed fabrics, knitted or crocheted, of synthetic fibres, of a width of > 30 cm (excluding warp ...	48.00	49.56	4,121.85
85393110	Discharge lamps, fluorescent, hot cathode: energy saving lamp	46.67	46.83	5.48
63014000	Blankets and travelling rugs of synthetic fibres (excluding electric, table covers, bedspreads ..	43.14	44.35	3,230.75
72142010	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations ..	39.29	39.81	106.90
84818090	Appliances for pipes, boiler shells, tanks, vats or the like (excluding pressure-reducing valves, ...	37.72	88.71	4,119.59
Total of Top 20 Imports of Category 4		1,575.88	1,868.55	67,336.34
Total Imports of Category 4		3,737.64	6,946.38	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 5 – No Concession (1025 tariff lines – 15%)

Category 5 is the 'No concessions' List. It includes all the tariff lines which would be unaffected by Phase I of the CPFTA, in other words, imports into Pakistan would be at Pakistan's MFN tariff rate. The tariff lines in this category however, may enjoy preferential treatment under Phase II of the FTA. Imports under this category account for 12.2% of total imports from China. Furthermore, 8 out of the top 20 goods fall under manmade filaments and staple fibers (HS-54 & HS-55) .

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
54023300	Textured filament yarn of polyester (excluding that put up for retail sale)	120.35	172.12	1,390.17
54033100	Yarn of viscose rayon filament, incl. monofilament of < 67 decitex, single, untwisted or with ...	116.66	120.78	320.98
54075200	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament ...	74.14	89.31	5,172.40
87112010	Motorcycles, incl. mopeds, with reciprocating internal combustion piston engine of a cylinder ...	71.90	102.74	93.14
55032010	Staple fibres of polyesters, not carded, combed or otherwise processed for spinning: of polyesters ...	50.44	67.26	1,028.40
84159099	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing ...	41.46	45.16	2,918.00
55161400	Woven fabrics containing >= 85% artificial staple fibres by weight, printed	36.35	36.56	1,116.88
55161200	Woven fabrics containing >= 85% artificial staple fibres by weight, dyed	33.23	33.35	550.77
69089010	Glazed ceramic flags and paving, hearth or wall tiles; glazed ceramic mosaic cubes and the ...	32.93	55.64	N/A
54075400	Woven fabrics of yarn containing >= 85% by weight of textured polyester filaments, incl. monofilament ...	30.95	32.30	1,653.60
40111000	New pneumatic tyres, of rubber, of a kind used for motor cars, incl. station wagons and racing ...	28.59	48.09	5,031.72
40112010	New pneumatic tyres, of rubber, of a kind used for buses and lorries (excluding tyres with ...	25.24	44.33	7,390.08

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
55169400	Woven fabrics containing predominantly, but < 85% artificial staple fibres by weight, other ...	23.27	23.82	12.27
84159030	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing ...	23.07	23.72	2,918.00
76071100	Aluminium foil, not backed, rolled but not further worked, of a thickness of <= 0,2 mm (excluding ...	22.85	31.55	2,047.19
39199090	Self-adhesive plates, sheets, film, foil, tape, strip and other flat shapes, of plastics, whether ...	22.34	39.95	1,815.36
84159011	Parts of air conditioning machines, comprising a motor-driven fan and elements for changing ...	22.15	25.21	1,373.36
87021090	Motor vehicles for the transport of >= 10 persons, incl. driver, with compression-ignition ...	21.99	60.19	1,688.01
84151020	Window or wall air conditioning machines, self-contained or "split-system": self contained ...	21.25	34.45	7,093.84
10061010	Rice in the husk, "paddy" or rough: seed for sowing	20.73	20.73	N/A
Total of Top 20 Imports of Category 5		839.90	1,107.28	43,614.17
Total Imports of Category 5		1,883.38	11,283.02	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 6 – Exclusion (92 tariff lines – 1.4%)

Category 6 is the 'exclusion list'. Goods under this category have been excluded from the CPFTA concessions and hence imports into Pakistan would be at Pakistan's MFN tariff rate. This is the smallest category defined under the CPFTA and its trade accounts for only \$3.45 million.

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
40129090	Solid or cushion tyres, interchangeable tyre treads and tyre flaps, of rubber: other	1.11	1.45	89.40
72044920	Waste and scrap of iron or steel (excluding slag, scale and other waste of the production of ...	0.49	10.25	163.71
36030000	Safety fuses; detonating fuses; percussion or detonating caps; igniters; electric detonators ...	0.47	1.03	46.02
85123030	Electrical sound signalling equipment for cycle or motor vehicles: anti-theft alarm system ...	0.38	0.67	N/A
40129020	Solid or cushion tyres, interchangeable tyre treads and tyre flaps, of rubber: rim flaps, mud ...	0.24	0.25	22.54
39159000	Waste, parings and scrap of plastics (excluding that of polymers of ethylene, styrene and vinyl ...	0.20	8.57	97.97
72041020	Waste and scrap, of cast iron (excluding radioactive): waste and scrap of auto parts	0.18	1.09	10.97
36041000	Fireworks	0.17	0.17	719.70
25249000	Asbestos (excluding crocidolite and products made from asbestos)	0.16	3.58	9.46
25241000	Crocidolite asbestos (excluding products made from crocidolite)	0.01	0.01	N/A
40121200	Retreaded pneumatic tyres, of rubber, of a kind used on buses or lorries	0.01	0.07	3.33
22072000	Denatured ethyl alcohol and other spirits of any strength	0.01	0.05	1.62
85129030	Parts of electrical lighting or signalling equipment, windscreen wipers, defrosters and demisters ...	0.00	0.00	1,162.73
84384000	Brewery machinery (excluding centrifuges and filtering, heating or refrigerating equipment)	0.00	0.00	138.27

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's imports from China (USD Mn) (2017)	Pakistan's imports from the World (USD Mn) (2017)	China's exports to the world (USD Mn) (2017)
38252000	Sewage sludge	0.00	0.00	-
85481090	Waste and scrap of primary cells, primary batteries and electric accumulators; spent primary ...	0.00	16.13	N/A
39153000	Waste, parings and scrap, of polymers of vinyl chloride	0.00	8.31	13.64
22030000	Beer made from malt	0.00	0.05	227.60
40129010	Solid or cushion tyres, interchangeable tyre treads and tyre flaps, of rubber: flaps for use ...	0.00	0.00	13.16
Total of Top 20 Imports of Category 6		3.45	51.71	2,720.13
Total Imports of Category 6		3.451	60.016	

Pakistan's Exports to China

China extended concessions on 7550 products in total, which were divided into the following categories:

- Category 1: Elimination of tariff (3 years)
- Category 2: Tariff reduced to 0-5% (5 years)
- Category 3: 50% reduction in tariff rates (5 years)
- Category 4: 20% reduction in tariff rates (5 years)
- Category 5: No concession

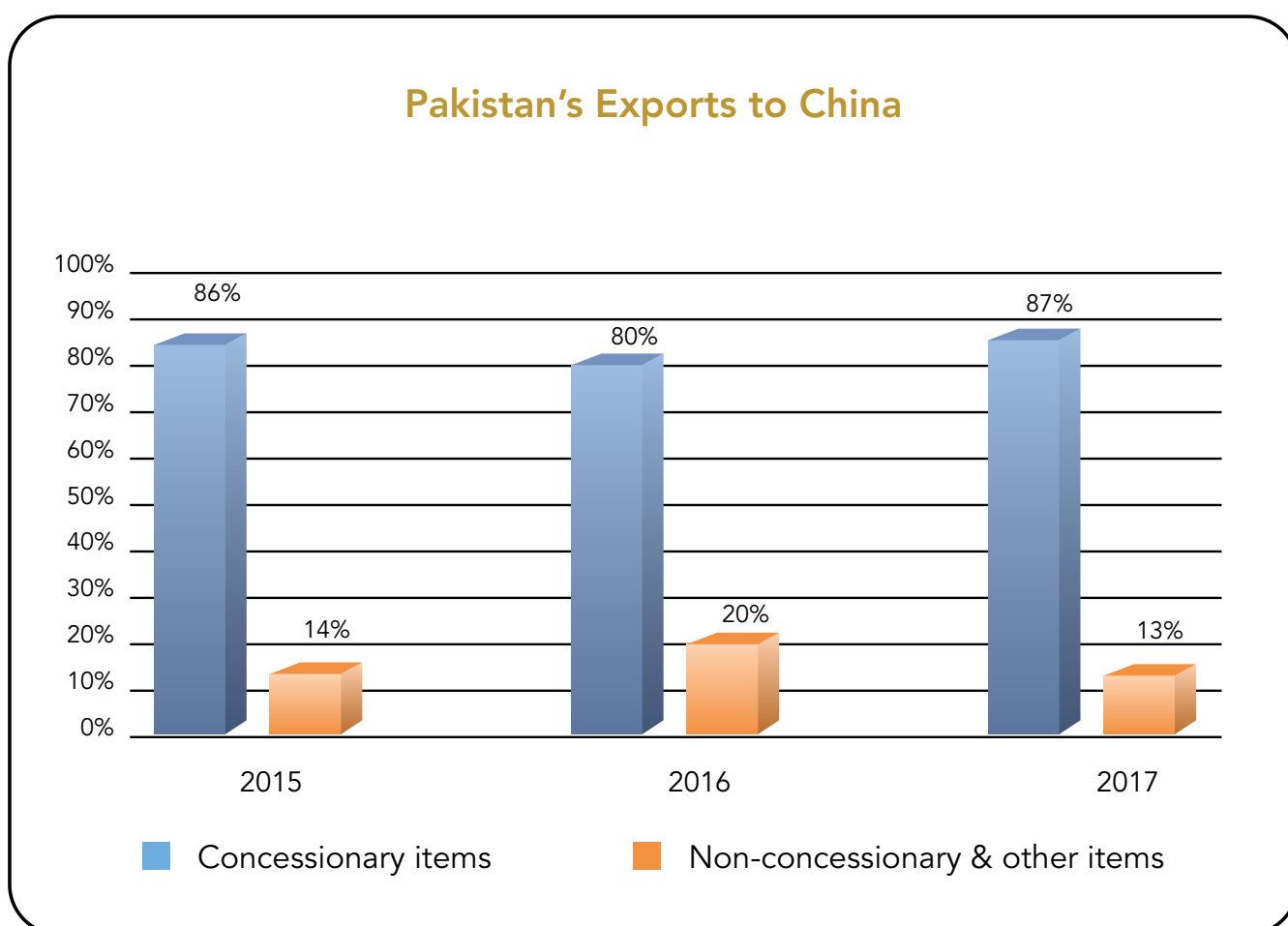


Figure 8: Pakistan's exports to China (% of concessionary items) (2015-17)

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Pakistan's total exports to China in 2017 were \$1.5 billion out of which 87% of the goods were those that received concession from China under CPFTA. The remaining 13% were non-concessionary & other items³.

Over the last three years, concessionary items have accounted for a majority of Pakistan's exports to China. Moreover, the contribution of non-concessionary & other items grew from 14% in 2015 to 20% in 2016. Although, this percentage fell to 13% in 2017. The following graph shows Pakistan's exports to China categorized as either concessionary or non-concessionary.

Two of the largest categories defined under CPFTA are Category 1 (Zero Tariff) and Category 2 (0-5%) both of which together make up 70% of all tariff lines and in value terms these categories represent more than 80% of Pakistan's total exports to China. The following table shows the breakup of each category defined under the CPFTA for the period 2015-17.

	Pakistan's Exports to China (2017) Value (USD Mn)		Pakistan's Exports to China (2016) Value (USD Mn)		Pakistan's Exports to China (2015) Value (USD Mn)	
Category 1 – Zero tariff (2,681 tariff lines - 35.5%)	438	29%	346	22%	510	26%
Category 2 – 0-5% (2,604 tariff lines - 34.5%)	825	55%	869	55%	1,087	56%
Category 3 – 50% Reduction (604 tariff lines - 8%)	17	1%	16	1%	13	1%
Category 4 – 20% Reduction (529 tariff lines - 7%)	24	2%	23	1%	18	1%
Category 5 – No Concession (1,132 tariff lines - 15%)	199	13%	326	20%	277	14%
Total Exports to China	1,508		1,591		1,935	

Table 13: Break-up of Pakistan's exports to China by categories defined under the CPFTA (USD Millions) (2015-17)

³ Other items are those that either do not fall under any of the categories or in more than one defined in the CPFTA.

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

The following tables show the top twenty exports under each category.

Category 1 – Zero tariff (2,681 tariff lines - 35.5%)

Exports under Category 1 of the CPFTA consists of goods where China has granted Pakistan duty-free access. These goods represent nearly 29% of Pakistan's exports to China.

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
26100000	Chromium ores and concentrates	94.29	104.53	3,443.68
52091200	Woven fabrics of cotton, >= 85% cotton by weight & weighing > 200 g/m²...	41.59	134.19	57.41
52081200	Plain woven fabrics of cotton, >= 85% cotton by weight, weighing > 100 g to 200 ...	28.78	213.42	30.68
90158000	Instruments and appliances used in geodesy, topography, hydrography, oceanography..	23.34	33.32	442.91
25151200	Marble and travertine, merely cut, by sawing or otherwise ...	20.99	25.09	1,452.82
74031900	Copper, refined, unwrought (excluding copper in the form of billets ...	16.98	17.51	47.30
23012010	Flours, meals and pellets of fish or crustaceans, molluscs ...	16.52	19.30	2,216.58
90189090	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s: other	15.82	359.61	1,448.49
22071000	Undenatured ethyl alcohol, of actual alcoholic strength of >= 80%	12.11	361.98	9.36
74040090	Waste and scrap, of copper (excluding ingots or other similar unwrought shapes ...	12.04	74.72	9,152.48
13023210	Mucilages and thickeners, derived from locust beans, locust bean seeds or guar seeds, whether ...	11.05	35.41	35.09
3061700	Frozen shrimps and prawns, even smoked, whether in shell or not, incl. shrimps and prawns in ...	10.49	54.70	472.71
89051000	Dredgers	10.43	15.21	5.32

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
52091900	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , unbleached ...	9.91	70.29	15.37
52091100	Plain woven fabrics of cotton, containing >= 85% cotton by weight and weighing > 200 g/m ² , ...	7.48	28.05	15.26
95066210	Inflatable balls: footballs, soccer balls	7.15	154.71	20.42
52081300	Woven fabrics of cotton, containing >= 85% cotton by weight and weighing <= 200 g/m ² , in three-thread ...	6.99	33.53	7.89
63023130	Bedlinen of cotton (excluding printed, knitted or crocheted): bed covers, mill-made	6.27	234.52	0.40
63023190	Bedlinen of cotton (excluding printed, knitted or crocheted): other	5.80	333.61	21.95
25051000	Silica sands and quartz sands, whether or not coloured	5.06	5.16	43.96
Total of Top 20 Exports of Category 1		363.137	2,308.90	18,940.09
Total Exports of Category 1		437.52	8,505.80	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 2 – 0-5% (2,604 tariff lines - 34.5%)

Category 2 consists of all those tariff lines where duties were brought down to between 0 and 5 percent. Half of the top twenty goods in this category are from cotton (HS-52), the highest item value wise being HS-52051200 (Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight) with exports to China worth \$624 million in 2017. The top twenty goods make up about 97.5% of the total exports to China from this category.

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
52051200	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	624.56	812.80	2,312.72
52051100	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	74.85	92.78	221.65
52053200	Multiple "folded" or cabled cotton yarn, of uncombed fibres, \geq 85% cotton ...	34.04	129.46	53.51
52052200	Single cotton yarn, of combed fibres, containing \geq 85% cotton by weight and...	30.96	97.17	269.69
03051000	Flours, meals and pellets of fish, fit for human consumption	12.16	13.74	0.31
84269900	Ships' derricks; cranes, incl. cable cranes (excluding overhead travelling cranes	6.52	6.55	32.10
03031900	Frozen salmonidae (excluding trout and pacific, atlantic and danube salmon)	6.46	76.14	9.08
56012900	Wadding of textile materials and articles thereof (excluding of cotton or man-made fibres; ...	2.32	5.37	2.04
52051300	Single cotton yarn, of uncombed fibres, containing \geq 85% cotton by weight and with a linear ...	2.28	12.09	149.56
52054200	Multiple "folded" or cabled cotton yarn, of combed fibres, containing \geq 85% cotton by weight ..	1.93	13.53	82.07
3032900	Frozen, nile perch (lates niloticus) and snakeheads (channa spp.)	1.87	21.87	0.04

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
39151000	Waste, parings and scrap, of polymers of ethylene	1.59	3.63	1,099.47
28044000	Oxygen	1.21	1.21	1.50
52052300	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	0.66	21.20	310.41
52052400	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	0.64	7.54	711.76
52051400	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	0.63	4.42	797.36
84262000	Tower cranes	0.52	0.52	1.23
73269090	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire): ...	0.44	2.67	493.97
5079090	Tortoiseshell, whalebone and whalebone hair, horns, antlers, hooves, nails, claws and beaks, ...	0.43	1.45	6.42
52053100	Multiple "folded" or cabled cotton yarn, of uncombed fibres, containing >= 85% cotton by weight ...	0.35	5.20	0.85
Total of Top 20 Exports of Category 2		804.41	1,329.36	6,555.73
Total Exports of Category 2		824.75	2,152.88	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 3 – 50% Reduction (604 tariff lines - 8%)

Category 3 consist of goods where China has offered 50% reduction in the MFN tariff rates. The top twenty goods from the category make up 67% of total exports to China in the category. Furthermore, fifteen out of the top 20 goods in the category are from 'Articles of apparel and clothing accessories, knitted or crocheted' (HS-61).

HS-08 Code	Description	Pakistan's exports to China (USD Mn) (2017)	Pakistan's exports to the World (USD Mn) (2017)	China's imports from the world (USD Mn) (2017)
61034900	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	3.12	175.84	6.16
61033900	Men's or boys' jackets and blazers of textile materials (excluding of wool, fine animal hair, ...	2.11	146.70	3.44
61046200	Women's or girls' trousers breeches and shorts of cotton, knitted ...	1.05	32.19	68.26
61046900	Women's or girls' trousers breeches and shorts of textile materials, ...	0.78	59.10	11.09
63053300	Sacks and bags, for the packing of goods, of polyethylene or polypropylene strip or the like ...	0.78	0.92	10.02
61033300	Men's or boys' jackets and blazers of synthetic fibres, knitted or crocheted (excluding wind-jackets ...	0.59	10.89	16.11
05069090	Bones and horn-cores and their powder and waste, unworked, defatted, degelatinised or simply ...	0.58	1.85	10.65
61043900	Women's or girls' jackets and blazers of textile materials, knitted or crocheted (excluding ...	0.56	39.72	6.89
61034300	Men's or boys' trousers, bib and brace overalls, breeches and shorts of synthetic fibres, knitted ...	0.50	29.11	64.47
61034200	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or ...	0.36	47.07	105.14
61069000	Women's or girls' blouses, shirts and shirt-blouses of textile materials, knitted or crocheted ...	0.36	71.71	0.52
61059000	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	0.17	310.81	4.57

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
61033200	Men's or boys' jackets and blazers of cotton, knitted or crocheted (excluding wind-jackets ...	0.14	33.79	19.90
61121100	Track-suits of cotton, knitted or crocheted	0.14	2.60	2.13
61029000	Women's or girls' overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, ...	0.09	2.90	0.35
35030090	Gelatin, whether or not in square or rectangular sheets, whether or not surface-worked or coloured, ...	0.08	0.44	3.00
62105000	Women's or girls' garments of textile fabrics, rubberised or impregnated, coated, covered or ...	0.07	0.47	21.86
62031910	Men's or boys' suits of textile materials (excluding of wool, fine animal hair or synthetic ...	0.03	11.87	0.16
61061000	Women's or girls' blouses, shirts and shirt-blouses of cotton, knitted or crocheted (excluding ...	0.03	20.97	10.94
61121900	Track-suits of textile materials, knitted or crocheted (excluding cotton or synthetic fibres)	0.02	8.19	0.27
Total of Top 10 Exports of Category 3		11.54	1,007.13	365.93
Total of Exports of Category 3		17.23	2,365.78	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 4 – 20% Reduction (529 tariff lines - 7%)

Category 4 consists of goods which received a 20% reduction in tariff rates over China's MFN tariff. This is the smallest category in the CPFTA and only covers 529 tariff lines. Total value of exports to China from Pakistan in this category were a mere \$24 million in 2017.

HS-08 Code	Description	Pakistan's exports to China (USD Mn) (2017)	Pakistan's exports to the World (USD Mn) (2017)	China's imports from the world (USD Mn) (2017)
62032200	Men's or boys' ensembles of cotton (excluding knitted or crocheted, ski ensembles and swimwear)	16.45	1,294.52	1.17
62046290	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...)	2.10	196.40	214.22
61159500	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied ...	1.54	200.19	79.85
13023900	Mucilages and thickeners derived from vegetable products	1.33	2.11	-
63053900	Sacks and bags of man-made textile materials (excluding of polyethylene ...)	1.32	20.76	13.54
03011900	Live ornamental fish (excluding freshwater)	0.23	0.44	2.93
62045200	Women's or girls' skirts and divided skirts of cotton (excluding knitted or crocheted and ...)	0.19	3.46	33.15
39041090	Poly"vinyl chloride", in primary forms, not mixed with any other substances: other	0.16	0.58	711.14
63052000	Sacks and bags of cotton	0.11	13.78	5.15
63059000	Sacks and bags of textile materials (excluding man-made, cotton, ...)	0.10	3.70	2.82
62033200	Men's or boys' jackets and blazers of cotton (excluding knitted or crocheted, and wind-jackets ...)	0.09	25.82	48.81
62042200	Women's or girls' ensembles of cotton (excluding knitted or crocheted, ski overalls and swimwear)	0.09	14.79	0.54
62041200	Women's or girls' suits of cotton (excluding knitted or crocheted, ski overalls and swimwear)	0.07	11.25	0.13

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
73102900	Tanks, casks, drums, cans, boxes and similar containers, of iron or steel, for any material, ...	0.06	37.80	-
42021290	Trunks, suitcases, vanity cases, executive-cases, briefcases, school satchels and similar containers, ...	0.03	1.42	179.83
61012000	Overcoats, car coats, capes, cloaks, anoraks, incl. ski jackets, windcheaters, wind-jackets ...	0.02	6.03	12.71
92059000	Wind musical instruments (excluding brass-wind instruments)	0.02	0.72	-
62043200	Women's or girls' jackets and blazers of cotton (excluding knitted or crocheted, wind-jackets ...	0.02	5.98	63.55
85219090	Video recording or reproducing apparatus, whether or not incorporating a video tuner (excluding ...	0.01	0.01	18.95
74199990	Articles of copper, n.e.s: other	0.01	0.13	-
Total of Top 20 Exports of Category 4		23.94	1,839.89	1,388.49
Total Exports of Category 4		23.99	2,176.36	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Category 5 – No Concession (1,132 tariff lines - 15%)

Category 5 is the 'No concessions' List. It includes all the tariff lines which would be unaffected by Phase I of the CPFTA, in other words, imports into China would be at China's MFN tariff rate. The table shows the top 20 exports under category 5. The largest export in the category is Semi-milled or wholly milled rice (HS-10063090) which accounts for 40% of the total exports in the category.

HS-08 Code	Description	Pakistan's exports to China (USD Mn) (2017)	Pakistan's exports to the World (USD Mn) (2017)	China's imports from the world (USD Mn) (2017)
10063090	Semi-milled or wholly milled rice, whether or not polished or glazed: other	78.28	1,033.52	597.73
3033900	Frozen flat fish "pleuronectidae, bothidae, cynoglossidae, soleidae, scophthalmidae and citharidae" ...	18.34	157.41	261.59
10064000	Broken rice	16.15	182.65	325.88
8134030	Dried peaches, pears, papaws "papayas", tamarinds and other edible fruits (excluding nuts, ...	16.12	25.47	0.05
41071200	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine ...	15.13	114.58	578.13
41131000	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats ...	9.04	83.08	136.44
41120000	Leather further prepared after tanning or crusting incl. parchment-dressed leather", of sheep ...	8.14	32.33	121.18
61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	4.43	197.84	429.06
3062400	Crabs, even smoked, whether in shell or not, live, fresh, chilled, dried, salted or in brine, ...	3.64	4.87	-
12074000	Sesamum seeds, whether or not broken	3.16	43.56	734.40
17019910	Cane or beet sugar and chemically pure sucrose, in solid form (excluding cane and beet sugar ...	3.09	342.57	239.15
12073000	Castor oil seeds	2.49	2.49	9.47
41079200	Grain splits leather "incl. parchment-dressed leather", of the portions, strips or sheets of ...	2.05	50.77	839.79

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

HS-08 Code	Description	Pakistan's exports from China (USD Mn) (2017)	Pakistan's exports from the World (USD Mn) (2017)	China's imports to the world (USD Mn) (2017)
41139000	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of antelopes, ...	1.53	36.79	6.66
39076090	Oth polyethylene terephthalate	1.42	2.19	-
52010090	Cotton, neither carded nor combed: other	1.31	60.99	2,185.78
52029900	Cotton waste (excluding yarn waste, thread waste and garnetted stock)	1.29	41.21	72.54
61051000	Men's or boys' shirts of cotton, knitted or crocheted (excluding nightshirts, t-shirts, singlets ...)	1.20	168.63	98.42
48043900	Kraft paper and paperboard, uncoated, in rolls of a width > 36 cm or in square or rectangular ...	1.11	1.87	88.60
41044900	Hides and skins of bovine "incl. buffalo" or equine animals, in the dry state "crust", without ...	0.94	14.22	17.41
Total of Top 20 Exports of Category 5		188.84	2,597.04	6,742.28
Total Exports of Category 5		198.82	4,321.91	

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

PBC's Recommendation for inclusion of products in Category 1 of the CPFTA

The list provided below shows the products recommended by the Pakistan Business Council to be added to Category 1 (Elimination of tariffs within three years) to the Chinese offer list in Phase 2 of the CPFTA currently under negotiations.

The PBC's recommendations are based on an analysis of current Pakistani exports to China of a product, Pakistan's exports to the world of the said product, China's current imports of the product from the world, the current Chinese tariffs on imports from Pakistan, China's preferential tariff for ASEAN, and the likely increase in Pakistan's exports to China if China was to give zero tariff access to Pakistan for the product.

Code	Product Label	Pakistan's exports to China (USD Million) (2017)	Pakistan's exports to the world (USD Million) (2017)	China's Imports from the world (USD Million) (2017)	Equivalent ad valorem tariff faced by Pakistan	Equivalent ad valorem tariff faced by ASEAN	Export Potential (USD Million) (2017)
10063090	Semi-milled or wholly milled rice, whether or not polished or glazed	78.28	1,033.52	597.73	65	35	519.45
62034290	Men's or boys' trousers, breeches, nes, of cotton	0.74	410.25	348.76	8	0	348.03
61091000	T-shirts, singlets and other vests of cotton, knitted or crocheted	4.43	197.84	429.06	9	0	193.41
62046290	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	2.10	196.40	214.22	13	0	194.30
10064000	Broken rice	16.15	182.65	325.88	65	20	166.50
52051200	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight andwith a linear ...	624.56	812.81	2,312.72	4	0	188.25
41071200	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine . . .	15.13	114.58	578.13	4	0	99.45
61099090	T-shirts, singlets and other vests, knitted or crocheted: Of other textile materials: Other	0.06	106.29	222.60	9.3	0	106.23
61051000	Men's or boys' shirts, knitted or crocheted: Of cotton	1.20	168.63	98.42	13.6	0	97.23

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Code	Product Label	Pakistan's exports to China (USD Million) (2017)	Pakistan's exports to the world (USD Million) (2017)	China's Imports from the world (USD Million) (2017)	Equivalent ad valorem tariff faced by Pakistan	Equivalent ad valorem tariff faced by ASEAN	Export Potential (USD Million) (2017)
62046290	Women's or girls' trousers, bib and brace overalls, breeches and shorts of cotton (excluding ...	2.10	196.40	214.22	13	0	194.30
10064000	Broken rice	16.15	182.65	325.88	65	20	166.50
52051200	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	624.56	812.81	2,312.72	4	0	188.25
41071200	Grain splits leather "incl. parchment-dressed leather", of the whole hides and skins of bovine . . .	15.13	114.58	578.13	4	0	99.45
61099090	T-shirts, singlets and other vests, knitted or crocheted: Of other textile materials: Other	0.06	106.29	222.60	9.3	0	106.23
61051000	Men's or boys' shirts, knitted or crocheted: Of cotton	1.20	168.63	98.42	13.6	0	97.23
03033900	Frozen flat fish "Pleuronectidae, Bothidae, Cynoglossidae, Soleidae, Scophthalmidae and Citharidae" . . .	18.34	157.41	261.59	8	0	139.07
41131000	Leather further prepared after tanning or crusting "incl. parchment-dressed leather", of goats . . .	9.04	83.08	136.44	9.8	0	74.04
48115900	Paper and paperboard, surface-coloured, surface-decorated or printed, coated, impregnated or . . .	0.21	81.28	219.66	8	0	81.07
64039900	Footwear with outer soles of rubber, plastics or composition leather, with uppers of leather . . .	0.00	69.02	901.60	5	0	69.02
61159500	Full-length or knee-length stockings, socks and other hosiery, incl. footwear without applied . . .	1.54	200.19	79.85	11.2	0	78.31
15162000	Vegetable fats and oils and their fractions, partly or wholly hydrogenated, inter-esterified, . . .	0.00	39.83	161.30	25	0	39.83
61034200	Men's or boys' trousers, bib and brace overalls, breeches and shorts of cotton, knitted or . . .	0.36	47.07	105.14	8	0	46.71
62046300	Women's or girls' trousers, bib and brace overalls, breeches and shorts of synthetic fibres . . .	0.00	1.78	82.03	8.8	0	1.78
52010090	Other Cotton, neither carded nor combed	1.31	60.99	2,185.78	20	10	59.67
62046900	Women's or girls' trousers, bib and brace overalls, breeches and shorts of textile materials . . .	0.07	31.78	38.62	8	0	31.71

UTILIZATION OF CONCESSIONS UNDER (CPFTA)

Code	Product Label	Pakistan's exports to China (USD Million) (2017)	Pakistan's exports to the world (USD Million) (2017)	China's Imports from the world (USD Million) (2017)	Equivalent ad valorem tariff faced by Pakistan	Equivalent ad valorem tariff faced by ASEAN	Export Potential (USD Million) (2017)
17049000	Sugar confectionery not containing cocoa, incl. white chocolate (excluding chewing gum)	0.10	61.80	187.24	8.2	0	61.70
39249000	Household articles and toilet articles, of plastics (excluding tableware, kitchenware, baths, . . .	0.00	15.45	127.89	5	0	15.45
63071000	Floorcloths, dishcloths, dusters and similar cleaning cloths, of all types of textile materials	0.24	407.62	29.88	7	0	29.64
61059000	Men's or boys' shirts of textile materials, knitted or crocheted (excluding of cotton or man-made ...	0.17	310.81	4.57	8	0	4.40
61034900	Men's or boys' trousers, bib and brace overalls, breeches and shorts of textile materials, ...	3.12	175.84	6.16	8	0	3.03

Table 14: Values in USD Millions

Pakistan's total exports to the world	Pakistan's total exports to China	Potential increase in exports after tariff exemptions
21,878	1,508	2,981

Table 15: Values in USD Millions

Note: There exists a significant variance in HS-08 codes between China and Pakistan, which have been reconciled to the best of abilities.

CHINA'S TRADE WITH INDIA

China's Exports to India

China's exports to India are on an increasing trend. Over the last five years, exports grew by 40%, going up from \$48.4 billion in 2013 to \$67.9 billion in 2017. The largest export category in 2017 was HS- 85, i.e. 'Electrical machinery and equipment and parts thereof' which accounted for 32% of total Chinese exports to India. Furthermore, Machinery (HS-84) and Organic chemicals (HS-29) represented another 18% & 10% of Chinese exports to India. The following table shows China's top ten exports to India at HS-02 level for the period 2013-17.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	48,432.41	54,217.42	58,228.03	58,397.76	67,925.12
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	10,195.77	10,978.53	13,376.53	16,902.97	21,707.14
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	10,221.13	10,066.56	10,197.95	10,367.16	12,093.26
'29	Organic chemicals	5,234.09	6,239.76	5,950.16	5,671.32	6,572.05
'39	Plastics and articles thereof	1,791.66	2,238.23	2,128.76	2,245.07	2,673.55
'90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical ...	1,315.21	1,415.93	1,537.16	1,691.70	1,821.28
'94	Furniture; bedding, mattresses, mattress supports, cushions and similar stuffed furnishings; ...	1,258.62	1,473.46	1,964.54	1,656.87	1,698.45

CHINA'S TRADE WITH INDIA

HS Code	Description	2013	2014	2015	2016	2017
'72	Iron and steel	1,006.31	2,333.56	2,260.46	1,496.25	1,510.08
'73	Articles of iron or steel	1,604.95	1,541.20	1,411.65	1,308.40	1,468.11
'87	Vehicles other than railway or tramway rolling stock, and parts and accessories thereof	1,076.52	1,214.86	1,156.21	1,165.88	1,276.89
'31	Fertilisers	1,895.24	2,338.37	3,541.51	1,540.32	1,031.83

Table 16: China's exports to India (HS-02 level) (USD Millions) (2013-17)

At the HS-06 level, seven out of the top 20 goods belong to HS- 85, i.e. 'Electrical machinery and equipment and parts thereof'. The following table shows China's top exports to India at the HS-06 level for the period 2013-17. The top twenty goods at the HS-06 level made up 33% of China's total exports to India.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	48,432.41	54,217.42	58,228.03	58,397.76	67,925.12
'851770	Parts of telephone sets, telephones for cellular networks or for other wireless networks and ...	794.81	781.46	1,352.52	3,278.29	6,195.01
'854140	Photosensitive semiconductor devices, incl. photovoltaic cells whether or not assembled in ...	611.47	577.65	1,466.86	2,584.98	3,558.95
'847130	Data-processing machines, automatic, portable, weighing <= 10 kg, consisting of at least a ...	2,067.00	1,819.46	2,132.38	1,600.65	2,383.72
'851712	Telephones for cellular networks "mobile telephones" or for other wireless networks	1,438.37	1,967.71	2,344.70	2,326.76	2,024.90
'852990	Parts suitable for use solely or principally with transmission and reception apparatus for ...	196.54	269.01	287.08	534.11	749.15
'901380	Liquid crystal devices, n.e.s. and other optical appliances and instruments not elsewhere specified ...	522.63	596.55	613.31	709.79	698.20
'310530	Diammonium hydrogenorthophosphate "diammonium phosphate" (excluding that in tablets or similar ...	878.45	688.44	1,780.58	941.85	687.10
'851762	Machines for the reception, conversion and transmission or regeneration of voice, images or ...	455.02	544.60	610.27	643.77	663.66
'850440	Static converters	442.31	391.00	370.12	431.49	643.81

CHINA'S TRADE WITH INDIA

HS Code	Description	2013	2014	2015	2016	2017
'852872	Reception apparatus for television, colour, whether or not incorporating radio-broadcast receivers ...	164.14	411.70	391.15	521.15	589.03
'850760	Lithium-ion accumulators (excluding spent)	324.588	217.24	301.91	407.405	546.235
'847330	Parts and accessories of automatic data-processing machines or for other machines of heading ...	393.334	386.655	343.293	311.12	474.019
'950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls' carriages; dolls; other toys; ...	83.962	90.243	142.266	202.881	445.363
270400	Coke and semi-coke of coal, of lignite or of peat, whether or not agglomerated; retort carbon	388.131	454.196	310.065	343.864	425.89
'293499	Nucleic acids and their salts, whether or not chemically defined; heterocyclic compounds (excluding ...	302.555	349.871	419.647	362.601	401.256
'294190	Antibiotics (excluding penicillins and their derivatives with a penicillanic acid structure, ...	284.736	318.848	312.32	342.522	398.273
'841430	Compressors for refrigerating equipment	265.029	309.136	307.235	362.773	374.18
'852580	Television cameras, digital cameras and video camera recorders	244.773	185.463	187.858	176.299	371.583
'871410	Parts and accessories of motorcycles, incl. mopeds, n.e.s.	385.53	427.576	339.556	344.519	358.925
'841510	Window or wall air conditioning machines, self-contained or "split-system"	179.306	158.078	194.069	220.649	351.475

Table 17: China's exports to India (HS-06 level) (USD Millions) (2013-17)

China's imports from India

China's imports from India declined from \$16.8 billion in 2013 to \$11.8 billion in 2016. In 2017 however, imports increased to \$16.3 billion. The largest share of imports are HS-71 'Natural or cultured pearls, precious or semi-precious stones, ... ; coin' followed by Copper (HS-74) and Ores, slag and ash (HS-26). The table below shows China's top imports from India at HS-02 level for the period 2013-17.

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	16,970.27	16,358.69	13,368.55	11,764.13	16,333.35
'71	Natural or cultured pearls, precious or semi-precious stones, precious metals, metals clad ...	1,776.52	2,522.25	1,960.99	2,495.33	2,605.06
'74	Copper and articles thereof	1,824.65	2,338.37	1,646.05	997.01	2,154.79
'26	Ores, slag and ash	2,202.77	1,317.46	650.05	1,256.86	2,037.66
'29	Organic chemicals	1,094.76	1,052.76	1,101.92	906.59	1,731.81
'52	Cotton	4,347.86	3,218.14	2,275.20	1,271.97	1,294.65
'25	Salt; sulphur; earths and stone; plastering materials, lime and cement	678.06	958.70	843.45	738.55	983.24
'84	Machinery, mechanical appliances, nuclear reactors, boilers; parts thereof	560.07	638.98	561.96	520.40	633.32
'85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television ...	380.85	440.58	362.66	465.21	577.97
'72	Iron and steel	336.97	206.69	157.60	173.88	474.49
'39	Plastics and articles thereof	596.76	499.68	367.95	269.46	437.76

Table 18: China's imports from India (HS-02 level) (USD Millions) (2013-17)

At HS-06, Diamonds (HS-710239) accounted for nearly 16% of China's total imports from India. Furthermore, during the last three years, imports of diamonds from India have increased even though total imports have been on a decreasing trend. The following table shows China's top 20 imports from India at HS-06 level for the period 2013-17.

CHINA'S TRADE WITH INDIA

HS Code	Description	2013	2014	2015	2016	2017
'TOTAL	All products	16,970.27	16,358.69	13,368.55	11,764.13	16,333.35
'710239	Diamonds, worked, but not mounted or set (excluding industrial diamonds)	1,703.09	2,224.80	1,917.65	2,474.33	2,585.05
'740311	Copper, refined, in the form of cathodes and sections of cathodes	1,801.13	2,332.42	1,636.21	992.24	2,144.53
'260112	Agglomerated iron ores and concentrates (excluding roasted iron pyrites)	109.56	116.86	22.81	323.88	907.39
'260111	Non-agglomerated iron ores and concentrates (excluding roasted iron pyrites)	1,358.37	715.26	78.41	528.41	840.46
'251611	Granite, crude or roughly trimmed (excluding already with the characteristics of setts, curbstones ...	453.18	739.00	630.14	552.68	676.82
'290243	P-Xylene	23.67	69.60	236.29	116.45	673.17
'720241	Ferro-chromium, containing by weight > 4% of carbon	306.94	174.93	123.85	135.87	456.10
'151530	Castor oil and fractions thereof, whether or not refined, but not chemically modified	307.68	237.86	283.54	272.53	378.45
'520524	Single cotton yarn, of combed fibres, containing >= 85% cotton by weight and with a linear ...	451.68	355.32	604.09	297.26	311.43
'520512	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	553.09	451.26	437.11	279.19	307.95
'271012	Light oils and preparations, of petroleum or bituminous minerals which >= 90% by volume "incl. ...	87.713	212.345	337.392	141.924	269.543
'790111	Unwrought zinc, not alloyed, containing by weight >= 99,99% of zinc	64.025	50.922	184.178	26.278	235.797
'520100	Cotton, neither carded nor combed	2239.55	1528.648	364.324	189.695	192.893
'520514	Single cotton yarn, of uncombed fibres, containing >= 85% cotton by weight and with a linear ...	531.602	543.6	505.469	225.159	177.545
'250100	Salts, incl. table salt and denatured salt, and pure sodium chloride, whether or not in aqueous ...	99.202	94.617	75.432	63.567	162.663
'290611	Menthol	253.8	187.036	125.529	137.983	161.588
'850440	Static converters	44.179	65.038	65.538	141.091	154.569
'390120	Polyethylene with a specific gravity of >= 0,94, in primary forms	57.665	28.494	36.02	50.278	152.686
'520523	Single cotton yarn, of combed fibres containing >= 85% cotton by weight and with a linear ...	156.474	132.799	132.353	105.537	147.471
'670300	Human hair, dressed, thinned, bleached or otherwise worked; wool, other animal hair or other ...	251.072	204.22	176.088	133.379	125.593

Table 19: China's Imports from India (HS-06 level) (USD Millions) (2013-17)

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

On March 22, 2018, President Trump signed a memorandum announcing that the United States would take multiple steps to protect American technology and intellectual property from certain alleged discriminatory and burdensome trade practices by China. These actions were announced following a report by the Office of the U.S. Trade Representative (USTR) regarding China's acts, policies and practices with respect to technology transfer, intellectual property and innovation.

As part of the United States continuing response to China's alleged theft of American intellectual property and the forced transfer of American technology, the Office of the United States Trade Representative (USTR) released a list of approximately \$200 billion worth of Chinese imports that would be subject to additional tariffs. In accordance with the directives of President Trump, the additional tariffs became effective on September 24, 2018 at initially 10 percent. Starting January 1, 2019, the additional tariffs were supposed to increase to 25 percent in addition to the existing MFN duties that they were subjected to prior to September 24th. However, on December 14, 2018, the USTR deferred the imposition of additional duty till March 2, 2019 to allow for a negotiated settlement.

The US list contains 5,745 full or partial lines of which 937 lines pertain to textiles and apparel. As of 2017, the US imports from China comprised of 806 of the 937 tariff lines on which the additional tariff has been applied. The United States in 2017 imported from China \$3.57 billion worth of textile and apparel items that are currently subject to the 10% additional tariff. What is important to note is that the total textile imports from China by the US for the year were in excess of \$41 billion of which a mere \$3.57 billion or 8.7% of textile imports have currently been subject to additional tariff.

Pakistan's exports to the world in 2017 for the 806 tariff lines on which the US has imposed additional tariffs on China were \$1.64 billion of which \$176 million worth of exports were to the US. However, Pakistan has export capability for just 189 of the 806 tariff lines that China is now facing additional tariffs on. Furthermore, it is only in 66 lines that Pakistan's exports to the world exceed \$1 million clearing showing insufficient export capability.

Pakistan has GSP status with the United States along with 119 other countries. US allows duty free access for the GSP countries on the eligible products. However, textiles are heavily protected by the US. In the GSP eligible product list, there are only 81 lines pertaining to textiles and apparel. Of the Chinese tariff impacted lines, Pakistan has duty free access under GSP to US on just '1' item – HS-51032000 (Waste of wool or of fine animal hair, incl. yarn waste).

The following table shows China's top 20 textile exports to the United States affected by additional tariffs, US imports from Pakistan for these products and Pakistan's world exports for these items.

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

HS-Code	Description	US Total Imports in 2017 ('000 US\$)	US Imports from China in 2017 ('000 US\$)	US Imports from PAK in 2017 ('000 US\$)	PAK's Total Exports in 2017 ('000 US\$)
60063200	Dyed knitted or crocheted fabrics of synthetic fibers, nesoi	113,995	68,475	25	466
56031300	Nonwovens, of man-made filaments, weighing >70 but not >150 g/square m	205,696	54,887	-	5
56039200	Nonwovens (not of man-made filaments), weighing >25 but not >70 g/square m,	189,342	54,521	-	11
60064200	Dyed knitted or crocheted fabrics of artificial fibers, nesoi	50,016	42,738	-	92
60053700	Other wrap knit fabrics of synthetic fibers, dyed,not specified innote 1 to	79,788	41,053	-	101
57039000	Carpets and other textile floor coverings, tufted, whether or not made up, of other	121,678	37,780	79	86
56012100	Wadding of cotton and other articles of cotton wadding nesoi	70,373	29,368	95	93
60063400	Printed knitted or crocheted fabrics of synthetic fibers, nesoi	44,933	28,979	-	27
50072000	Woven fabrics containing 85 percent or more by weight of silk or of silk waste	64,842	19,420	1	289
55111000	Yarn of synthetic staple fibers, containing >85% synthetic fibre	70,719	19,174	2	2,516
56031100	Nonwovens, of man-made filaments, weighing not >25 g/square m	145,427	16,947	-	9
58089000	Ornamental trimmings in the piece, without embroidery	29,701	16,096	10	89
60053900	Other wrap knit fabrics of synthetic fibers, printed, not specified innote 1	22,747	14,120	-	214
55161200	Woven fabrics of artificial staple fibers, containing 85% or more by weight of such	15,352	13,745	-	17
55121900	Woven fabrics containing 85% or more by weight of polyester staple fibers	32,328	12,494	13	15,687
58062000	Narrow woven fabrics (not goods of heading 5807), not pile	18,618	11,889	1	4
58063100	Narrow woven fabrics (other than goods of heading 5807), not pile, not cont by wt 5%	14,721	10,482	23	3
57024110	Wilton, velvet and like floor coverings of pile construction, woven, not tufted or	24,616	8,967	-	5
54075100	Woven fabrics, containing 85 percent or more by weight of textured polyester	20,349	8,918	299	1,225
57029920	Carpets & other textile floor coverings, not of pile construction, woven, made up, of	44,911	8,773	32	7
Total of Top 20 Tariff Impacted Lines		1,380,152	518,826	580	20,946
Total of All (806) Tariff Affected Items		14,141,032	3,565,443	176,439	1,643,832
Total of All Textile Lines (HS-50 to HS-63)		114,128,389	40,832,054	2,936,469	13,018,414

Table 20: China's top 20 textile exports to the United States affected by additional tariffs. (2017) (Thousands USD)
Annexure II shows the top 40 Chinese textile tariff lines which are currently not impacted by additional tariffs.

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

The following table shows additional potential for Pakistan’s current top textile exports to the US in case additional tariff is imposed on all textile imports from China. As can be seen, the incremental increase for Pakistan is limited if it remains focused on the HS codes that it presently exports to the US. The challenge for Pakistan is to move to those codes that China exports. This will entail primarily a change in fabric to man-made and to apparel that Pakistan currently does not export.

HS-Code	Description	US Total Imports in 2017 ('000 US\$)	US Imports from China in 2017 ('000 US\$)	US Imports from PAK in 2017 ('000 US\$)	PAK's Total Exports in 2017 ('000 US\$)	Applied Tariff on PAK
52094200	Denim containing 85% or more cotton by weight,	68,612	6,923	549	483,072	8.40
52093200	Dyed 3- or 4-thread twill fabrics of cotton, including cross twill	9,372	1,308	78	156,140	8.40
52091200	Unbleached 3 or 4 thread twill fabrics of cotton >85% of cotton	4,920	195	684	134,190	6.50
52053200	Multiple or cabled cotton yarn, 85% or more cotton by weight	3,645	73	981	129,462	7.30
55134100	Printed plain weave fabrics of poly staple fib, < 85% by weight polyester	4,404	781	162	107,085	14.90
52052200	Single cotton yarn, 85% or more cotton by weight, of combed fibers	10,781	154	249	97,174	7.30
52091900	Unbleached woven fabrics of cotton containing 85% or more cotton	21,144	1,509	4,654	70,287	6.50
52114200	Denim containing < 85% cotton by wt, mixed mainly man-made fibers	17,904	8,682	38	50,782	8.10
52111200	Unbleached 3- or 4-thread twill fabrics of cotton , < 85% cotton	921	474	242	35,180	7.70
52081300	Unbleached 3- or 4-thread twill fabrics of cotton,	624	66	384	33,533	7.90
52091100	Unbleached plain weave fabrics of cotton, 85 percent or more cotton	10,861	187	982	28,047	6.50
52092200	Bleached 3- or 4-thread twill fabrics of cotton, 85 percent or more cotton	7,810	310	2	23,244	7.70
52052300	Single cotton yarn, 85% or more cotton by weight, of combed fibers	23,075	551	25	21,197	8.60
52093900	Dyed woven fabrics of cotton, nesoi, containing 85% or more cotton by wt	16,971	2,477	488	19,079	8.40
55095300	Yarn of polyester staple fibers	15,441	7,302	-	16,241	13.20
55121900	Woven fabrics containing 85% or more of polyester staple fibers	32,328	12,494	13	15,687	13.60

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

HS-Code	Description	US Total Imports in 2017 ('000 US\$)	US Imports from China in 2017 ('000 US\$)	US Imports from PAK in 2017 ('000 US\$)	PAK's Total Exports in 2017 ('000 US\$)	Applied Tariff on PAK
52054200	Multiple or cabled cotton yarn, 85% or more cotton, of combed fibers	5,271	5	1,033	13,533	6.5
52103200	Dyed 3 or 4 thread twill fabrics of cotton, < 85% cotton, mixed	214	9	-	13,232	10.00
52021000	Cotton yarn waste (including thread waste)	474	5	30	9,122	-
52061200	Single cotton yarn, less than 85% cotton, of uncombed fibers	4,968	3	1,351	8,552	9.20
52029100	Cotton garnetted stock	1,683	-	-	7,620	4.30
52052400	Single cotton yarn, 85% or more cotton by weight, of combed fibers	5,176	19	28	7,538	9.90
52062100	Single cotton yarn, less than 85% cotton, of combed fibers	10	6	2	7,206	9.20
60069090	Other knitted or crocheted fabrics nesoi	5,875	2,844	-	6,788	-
52092900	Bleached woven fabrics of cotton, containing 85% or more cotton by wt	4,622	1,379	1,206	6,149	7.70
52095900	Printed woven fabrics of cotton, containing 85% or more cotton	8,523	1,433	1,053	6,009	8.40
55142300	Woven fabrics of polyester staple fib, < 85% polyester staple fibers, mixed	1,334	610	2	5,560	14.90
56012900	Wadding of textile materials and articles	696	189	-	5,371	4.00
52053100	Multiple or cabled cotton yarn, 85% or more cotton, of uncombed fibers	2,922	9	395	5,199	5.80
52062200	Single cotton yarn, less than 85% cotton, of combed fibers	996	-	73	4,999	9.20
52113200	Dyed 3- or 4-thread twill fabrics of cotton, < 85% cotton by wt, mixed	3,911	379	-	4,776	8.10
52095200	Printed 3- or 4-thread twill fabrics of cotton, containing 85% or	1,069	341	3	4,648	8.40
54071000	Woven fabrics obtained from high tenacity yarn of nylon	42,863	6,876	5	4,528	13.60
58064000	Narrow fabrics consisting of warp without weft	4,102	61	-	3,964	8.00
52115100	Printed plain weave fabrics of cotton, < 85% cotton	859	131	-	3,912	-
52054300	Multiple or cabled cotton yarn, >85% cotton, of combed fibers, yarn	1,851	106	88	3,812	8.60
52111100	Unbleached plain weave fabrics of cotton, < 85% cotton	733	123	142	3,699	7.70
52053300	Multiple or cabled cotton yarn, 85% or more cotton, of uncombed fibers	1,180	-	612	3,690	8.60

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

HS-Code	Description	US Total Imports in 2017 ('000 US\$)	US Imports from China in 2017 ('000 US\$)	US Imports from PAK in 2017 ('000 US\$)	PAK's Total Exports in 2017 ('000 US\$)	Applied Tariff on PAK
52054400	Multiple or cabled cotton yarn, >85% cotton, of combed fibers, yarn	969	30	68	3,674	9.90
52083300	Dyed 3- or 4-thread twill fabrics of cotton, 85% or more cotton	928	170	82	3,553	10.30
55144100	Printed plain weave fabrics of polyester staple fiber	320	5	112	3,199	14.90
52111900	Unbleached woven fabrics of cotton, containing < 85% cotton,	4,735	436	1,581	3,082	7.70
52052100	Single cotton yarn, 85% or more cotton by weight, of combed fibers	574	36	115	2,987	5.80
52082300	Woven cotton fabric, >= 85% cotton, <= 200 g/m2, bleached	479	60	102	2,884	9.10
58021900	Terry toweling and similar woven terry fabrics	3,507	950	292	2,864	9.40
52041100	Cotton sewing thread, containing > 85% of cotton, not put up	5,767	886	1	2,855	4.40
51032000	Waste, other than noils, of wool or of fine animal hair, including yarn waste	694	-	-	2,827	-
52113900	Dyed woven fabrics of cotton, nesoi, < 85% cotton by weight	9,321	2,737	68	2,718	8.10
52063200	Multiple or cabled cotton yarn, < 85% cotton, of uncombed fibers	492	-	59	2,550	9.20
55111000	Yarn (other than sewing thread) of synthetic staple fibers	70,719	19,174	2	2,516	7.50
52061300	Single cotton yarn, < 85% percent cotton, of uncombed fibers	416	57	-	2,481	9.20
52092100	Bleached plain weave fabrics of cotton, >85% cotton by weight	5,581	508	183	2,445	7.70
52113100	Dyed plain weave fabrics of cotton, containing < 85% cotton, mixed	3,550	1,161	-	2,335	8.10
52115900	Printed woven fabrics of cotton, nesoi, < 85% cotton by weight	1,518	109	263	2,234	8.10
52053400	Multiple or cabled cotton yarn, 85% or more cotton, of uncombed fibers	55	-	55	1,939	9.90
55142200	Wov 3-or 4-thread twill fabric of poly staple fib, < 85% poly staple	2,336	2,138	2	1,557	14.90
53101000	Unbleached woven fabrics of jute or of other textile bast fibre	30,406	2,900	14	1,423	-
55101100	Yarn (other than sewing thread) containing >85% of artificial staple	19,927	4,613	35	1,411	9.00
52052800	Single cotton yarn, 85% or > cotton, of combed fibers	53	-	-	1,410	12.00
54078200	Woven fabrics, < 85 percent by weight of synthetic filaments, mixed	5,682	2,052	162	1,327	14.90

THE US – CHINA TRADE WAR, AN OPPORTUNITY FOR PAKISTAN?

HS-Code	Description	US Total Imports in 2017 ('000 US\$)	US Imports from China in 2017 ('000 US\$)	US Imports from PAK in 2017 ('000 US\$)	PAK's Total Exports in 2017 ('000 US\$)	Applied Tariff on PAK
52061100	Single cotton yarn, <85 percent cotton, of uncombed fibers	2,761	719	54	1,282	9.20
52054100	Multiple or cabled cotton yarn, 85% or more cotton, of combed fibers	988	-	-	1,253	5.00
54075100	Woven fabrics, containing >85 % of textured polyester	20,349	8,918	299	1,225	14.90
55122900	Woven fabrics containing >85% of acrylic or modacrylic staple fibers	30,546	2,748	-	1,203	12.00
55141910	Woven fabric of polyester staple fiber, < 85% wt polyester	4,851	376	1,109	1,106	14.90
52054800	Multiple or cabled cotton yarn, >85% cotton, of combed fibers, >120nm	289	-	-	1,054	12.00
TOTAL OF 66 ITEMS		575,958	108,797	20,212	1,621,701	

Table 21: Pakistan's top potential exportable textile articles to the United States (2017) (Thousands USD)

NOTE: The highlighted text indicates that the article is covered under GSP; and therefore has duty-free access to US for Pakistan.

CHINESE OUTWARD FDI

Overview

Over the last decade, Chinese outward Foreign Direct Investment (FDI) has been on an increasing trend. In 2017, Chinese companies invested \$178 billion in various sectors around the world.

The upsurge in FDI is largely due to acquisitions by private Chinese firms. Energy remains one of the most important sectors for FDI; in 2017, however, Agriculture, Transport and Logistics took the largest share of FDI. According to research by the American Enterprise Institute, China's investment boom can't last. Its financial resources are still massive but decreasing. "Lack of reciprocal access to the Chinese market will begin to alienate recipient countries."

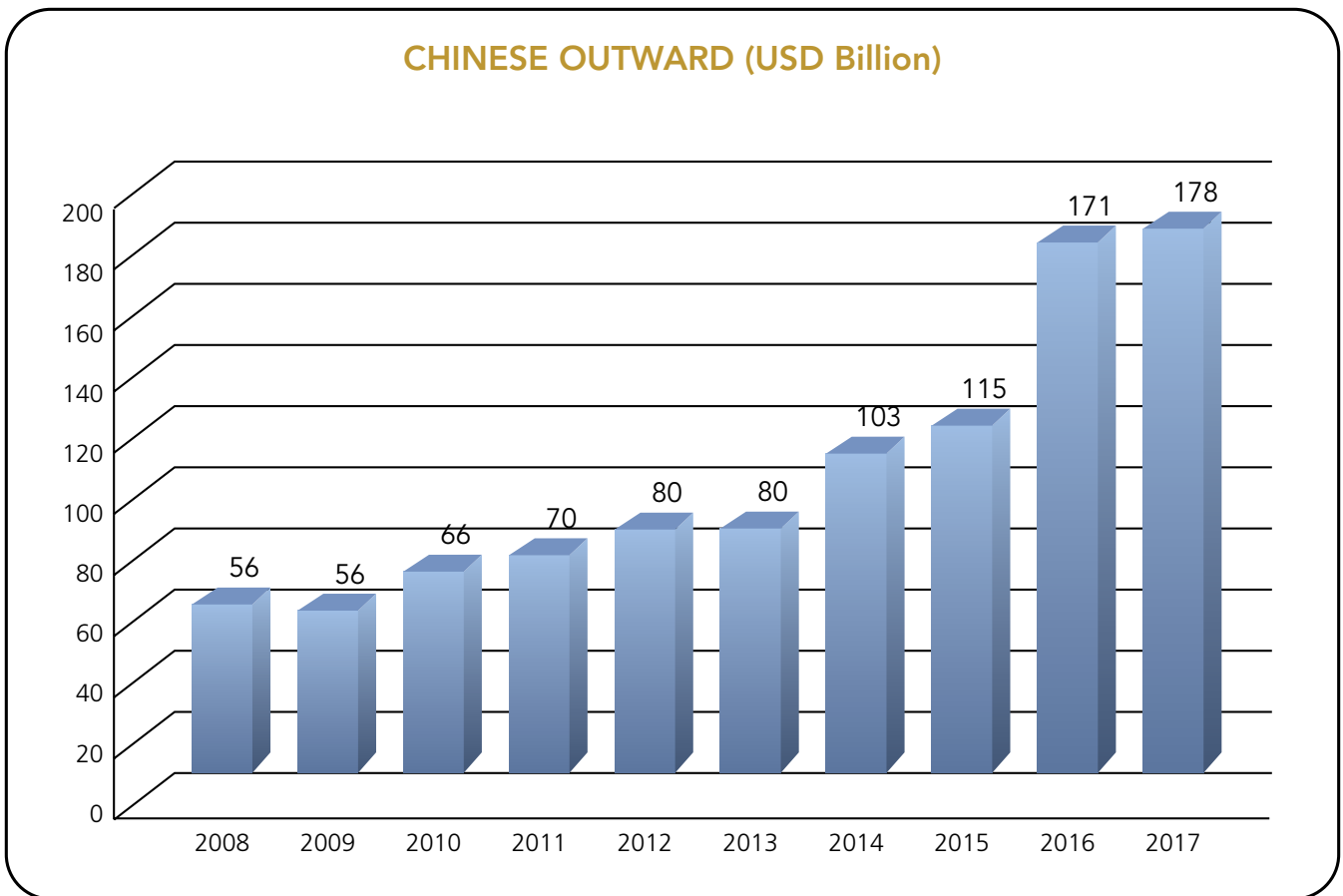


Figure 9: Chinese outward FDI (USD Billions) (2008-17)

FDI by Sector

Over the last ten years, Chinese businesses have invested around \$973 billion outside of China. One third of this total investment, \$325 billion, over the last ten years, was directed towards the energy sector. Furthermore, real estate has been gaining favor as investment in this sector has been increasing since 2011; though in 2017, investment in the real estate sector fell to 12.6 billion from its high of \$16.4 billion in 2016.

Entertainment was not a major avenue for investment till 2013. However, since then, investments have grown reaching a high of \$22 billion in 2016 and then falling back to \$6.8 billion in 2017. Investments in metals are on a declining trend since 2008, representing a shift in focus away from this sector. Highest investment in the sector was \$22 billion back in 2008 while the lowest investment in the last decade was \$3.6 billion in 2017.

CHINESE OUTWARD FDI

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-Year Total
Agriculture	340	370	1,580	2,830	3,750	9,640	7,030	2,080	5,610	45,870	79,100
Transport	6,020	910	5,680	4,020	2,920	2,780	6,240	22,460	15,920	27,440	94,390
Logistics				1,610	790	770	800	4,310	330	23,880	32,490
Energy	21,840	34,480	35,970	36,950	43,040	37,700	29,170	29,830	33,970	22,770	325,720
Finance	4,650	3,100	3,030	2,280	2,900	1,020	6,150	12,530	4,100	15,990	55,750
Real estate	390	4,880	5,060	3,720	7,000	14,250	16,150	16,400	16,210	12,660	96,720
Other		350	1,550	970	1,720	900	2,020	1,780	12,260	7,460	29,010
Entertainment			100	400	3,170	350	2,110	3,740	22,180	6,800	38,850
Health	360		270		120	980	590	1,420	1,370	5,550	10,660
Metals	22,220	10,300	11,020	11,000	10,870	7,950	15,430	7,910	6,120	3,660	106,480
Technology		1,500	300	1,680	2,440	310	8,390	8,840	22,740	3,270	49,470
Tourism		250			130	2,440	7,630	2,480	24,330	2,420	39,680
Chemicals			1,200	4,190		1,260	620		3,460		10,730
Utilities					1,120	100	800	730	1,930		4,680
Total	55,820	56,140	65,760	69,650	79,970	80,450	103,130	114,510	170,530	177,770	973,730

Table 22: Chinese FDI by Sector (2008-18) (USD Millions)

FDI in Textiles

The table below shows total Chinese outward FDI in the textile sector for the six-year period ending 2017. The USA has been the largest recipient of Chinese investment in textiles in this period with investments totaling \$2.26bn followed by France and India with investments of \$1.48bn and \$0.8bn, respectively.

Among Chinese investors, the Ruyi Group has been the single largest source of outward FDI in the textile sector. The group has accounted for nearly 59%, or \$3.64bn, of the \$6.18bn investment over the past 7 years. This includes the acquisitions of the US-based, Invista Corporation's Apparel and Advanced Textile Business, a majority stake in the French SMCP Group and a 25% stake in Masood Spinning, a Pakistani manufacturer.

Country	2012	2013	2014	2015	2016	Total Investment 2017 (2012-17)	
USA		220				2,040	2,260
France					1,480		1,480
India				790			790
Switzerland	700						700
Ethiopia					350		350
Malaysia			200				200
Japan		160					160
Vietnam		120					120
Pakistan			120				120
Total	700	500	320	790	1,830	2,040	6,180

Table 23: Chinese outward FDI in the Textile Sector (USD Millions)

Top Destinations for Chinese FDI

The table below shows top ten destinations for Chinese FDI. Most of the Chinese investment is concentrated in high income countries; amongst the top ten destinations for FDI, eight are high income countries. Although, Switzerland has not been a very attractive avenue for the Chinese investors, 2017 can be regarded as an anomaly, owing to the acquisition of the Swiss agro-based company Syngenta for \$43 billion.

USA, however, has had constant inflows of Chinese capital over the past decade adding up to more than \$160 billion during the period 2008-17. In 2016, USA witnessed a steep influx of Chinese investment equaling \$53.9 billion; this was due to increased investment of about \$50 billion in Technology and Tourism, most notable by HNA, a Chinese conglomerate. Britain also attracted increased investments in 2017, mainly focused on logistics and finance.

CHINESE OUTWARD FDI

Countries	2013	2014	2015	2016	2017
Switzerland		400	4,000	2,070	45,370
Britain	6,260	6,950	3,280	10,390	28,800
USA	15,850	17,950	14,570	53,910	24,770
Singapore	1,370	790	4,470	3,590	13,220
Brazil	2,900	2,400	3,220	12,960	9,620
Germany	800	1,620	620	12,380	7,010
Australia	8,580	9,860	10,480	6,530	5,600
Sweden			2,200		5,460
Laos	180	130	100	1,360	3,070
UAE	450			1,360	2,960

Table 24: Top Destinations of Chinese FDI (USD Millions) (2013-17)

FDI in Low and lower middle income countries

Amongst the low and lower middle income economics, Pakistan ranked third in FDI inflow from China. Laos managed to attract the most investment in 2017 worth \$3.07 billion. Out of the \$3.07 billion, \$2.56 billion were invested in railways by the China Railway Corp and China Railway Engineering.

India, a close second to Laos, managed to secure \$2.92 billion in Chinese investments. Largest share of these investments were aimed at the consumer and health sector by the Chinese giants Alibaba and Fosun. As for Pakistan, almost 90% of the investment done in 2017 was by China's State Power Investment in the energy sector in a joint venture with HUBCO. Amongst the low income economies, Nepal secured the most investment from China. The \$1.2 billion investment was done in the hydro power generation sector by the Three Gorges Corporation.

Country	2013	2014	2015	2016	2017	Income Group
Laos	180	130	100	1,360	3,070	Lower Middle Income
India		600	2,420	910	2,920	Lower Middle Income
Pakistan	1,650	640	4,400	580	1,680	Lower Middle Income
Indonesia	420	2,520	3,760	450	1,510	Lower Middle Income
Nepal			250		1,200	Low income
Kenya			120	240	310	Lower Middle Income
Uzbekistan					300	Lower Middle Income
Democratic Republic of the Congo	170		220	3,790	250	Low income
Vietnam	230	210	3,260	420	250	Lower Middle Income
Liberia		160			250	Low income

Table 25: Top Low and Lower Middle Income Destinations of Chinese FDI (USD Millions) (2013-17)

Chinese FDI in Sub-Saharan Africa

Chinese FDI in the Sub-Saharan Africa has been in a decline. In 2013, the region managed to attract \$12.3 billion worth of investments. In 2017, however, FDI in the region was only \$980 million. Sectors which attracted most of the investment in the region were energy and metals. The table below shows the sectoral breakup of Chinese FDI in Sub-Saharan Africa.

Country	2013	2014	2015	2016	2017
Sub-Saharan Africa	12,290	8,590	6,870	6,980	980
Agriculture		420			
Chemicals	1,150	620			
Energy	7,880	1,300	1,640	250	170
Finance					
Logistics					
Metals	2,550	3,950	4,100	4,890	500
Other				350	
Real estate	710	2,300	1,010	200	310
Transport			120	1,290	

Table 26: Sectoral Break-up of investment in Sub-Saharan Africa (USD Millions) (2013-17)

As we look at the country wise breakup of these investments we see that over the last ten years, the Democratic Republic of the Congo (DRC) has attracted \$8.6 billion of Chinese FDI or about 13% of total Chinese FDI in Sub-Saharan Africa. The following table shows top ten destinations of Chinese investments in Sub-Saharan Africa sorted by their total investment over the 10 year period (2008-2017). In 2017, the investment trend changed; most of the Chinese FDI was directed towards Kenya, Liberia, and Guinea-Bissau, which had not been attractive destinations for Chinese FDI over the last ten years.

	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017	10-Year Total
Total	7,830	1,580	4,610	7,970	7,210	12,290	8,590	6,870	6,980	980	64,910
Democratic Republic of the Congo	2,540			1,280	350	170		220	3,790	250	8,600
South Africa			450	2,330	480	110	230	490	1,290		5,380
Niger	5,180										5,180
Mozambique					210	4,710					4,920
Nigeria			2,060		2,630						4,690
Uganda					1,570	2,180	920				4,670
Guinea							3,460		1,100		4,560
Sierra Leone			260	1,490		1,700		770			4,220
Angola				1,190		2,120	120				3,430

Table 27: Country-wise Break-up of investment in Sub-Saharan Africa (USD Millions) (2013-17)

Impact of Chinese FDI in Sub-Saharan Africa

China being the world's largest consumer of steel, copper, coal and platinum, is also Africa's largest trading partner since 2008, replacing the European Union (EU) and the United States (US).

China has used its trade and investment policies to build alliances in Africa, some examples of this include China's involvement in the oil sector in Nigeria, Angola and Sudan and its influence in the mining sector in Zimbabwe and Congo. Chinese State Farms have invested in the agricultural sector in several African countries, including Senegal and

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

Zambia. Furthermore, in the current year, China has pledged \$60bn in financing for projects in Africa in the form of grants, interest-free loans, concessional loans and credit lines.

(Van Dijk, 2009) presents several objectives with respect to trade policies being pursued by China in Africa, these include; assuring supply of raw materials for China including agricultural products, creating a market for Chinese products and services, to allow for the transfer of Chinese people to Africa, to gain diplomatic support from African countries, to present an alternative to the Western development model, and lastly to emphasize China's status as a superpower.

The developmental projects in Africa have shown steady progress in the last few years and have helped advance improved infrastructure, means of communication and telecommunications. Several African countries such as Ethiopia have recently seen the benefits of rising investments by Chinese manufacturers where Huajian, a Chinese shoe producer, has increased employment from 600 to 3,500.

A major proportion of China's FDI in Africa has been in the primary sector. However, during recent years the Chinese have diversified their portfolio with investments in real estate and manufacturing along with investments in the energy sector. These investments have also enabled knowledge-transfer from China and as a result complete value-chains with vertically integrated industries have been set-up. Regarding investment in the oil and gas sector, Angola, Niger, Nigeria, Sudan and Uganda have seen major Chinese investments. Local industries in many countries in Africa have been affected by the growing Chinese influence in the local markets. For instance, the textile industry has been severely affected in South Africa after Chinese companies set up their own production facilities in the country. In addition, all new infrastructure has been designed and constructed to enable Chinese corporations to extract natural resources, such as minerals and oil. Unfortunately, many of these projects and ventures failed to meet the regulatory, environmental, and ethical standards because of which a hype has been created around the moral and ethical boundaries of China's developments in Africa.

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

China impacts many aspects of the African economy: in finance, the Chinese state provides major resource-backed loans to African states, in corporate control, many of the small- and medium-sized enterprises that invest in Africa are State Owned Enterprises. One obvious motive that has been pointed out by various observers is China's need for energy, resources and access to African markets.

Chinese FDI in Asia

Major destinations for Chinese investments in Asia are Singapore, Laos, UAE, India, Japan, and Pakistan. Over the last five years, Singapore and Malaysia have managed to attract \$23 billion and \$16 billion, respectively, of Chinese FDI. Laos and the UAE attracted investments worth \$3 billion each.

Country	2013	2014	2015	2016	2017	5-Year Total
Singapore	1,370	790	4,470	3,590	13,220	23,440
Laos	180	130	100	1,360	3,070	4,840
UAE	450			1,360	2,960	4,770
India		600	2,420	910	2,920	6,850
Japan	160		1,340	670	2,350	4,520
Pakistan	1,650	640	4,400	580	1,680	8,950
Indonesia	420	2,520	3,760	450	1,510	8,660
Nepal			250		1,200	1,450
Malaysia	3,200	580	7,370	4,340	930	16,420
Iran		350		600	730	1,680
Total	22,580	20,470	43,350	29,740	32,920	149,060

Table 28: Country-wise Break-up of investment in Asia (USD Millions) (17-2013)

Energy has been the most attractive investment for Chinese firms in Asia; in the last five years, Chinese businesses invested over \$61 billion in the energy sector. Real estate and Transportation have also been popular sectors for investment, both bringing in over \$15 billion.

In 2017, the highest investment was done in the logistics sector worth \$10 billion followed by Energy and Transport worth \$7.5 and \$6 billion respectively. Investments in agriculture and finance were \$280 and \$230 million in 2017. The table below shows the sectoral break-up of Chinese investments in Asia.

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

Sector	2013	2014	2015	2016	2017	5-Year Total
Agriculture	2,040	1,560	440	1,940	280	6,260
Chemicals	110					110
Energy	12,460	10,860	19,970	10,530	7,570	61,390
Entertainment		500		5,160	110	5,770
Finance	200	320	2,530	1,360	230	4,640
Health	240				1,320	1,560
Logistics		800	150	190	10,090	11,230
Metals	1,920	1,190	2,700	290	350	6,450
Other	570	530	1,470	1,840	3,760	8,170
Real estate	2,890	1,080	6,160	2,860	2,460	15,450
Technology	110	1,600	3,560	450	800	6,520
Tourism	1,430	1,100	150	2,280		4,960
Transport	610	930	5,490	2,840	5,950	15,820
Utilities			730			730
Grand Total	22,580	20,470	43,350	29,740	32,920	149,060

Table 29: Sectoral Break-up of investment in Asia (USD Millions) (2013-17)

Impact of Chinese FDI in Asia

China has always had a major impact on the region to which it belongs. The Belt and Road Initiative (BRI) has led to major infrastructure investments in the region with the potential to altering the traditional economies of Asia. Especially significant is China's attempt to establish a number of road and rail networks to bypass the Strait of Malacca and directly integrate countries in the region. China's engagement of Southeast Asia through BRI and the expansion of its regional presence in Asia through investment provides it with strategic and economic leverage.

The major chunk of Chinese FDI in Vietnam and Cambodia has been in the energy sector. However, China which is the global market leader in apparel and textile has seen its costs rise (labor costs) in recent years. In order to retain buyers, Chinese investors have invested in the textile sector of Cambodia and Vietnam. In this manner, not only did the Chinese not lose their business, but they managed to lower their cost of labor as well as enjoy increased market access owing to the preferential market access that Cambodia enjoys

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

as an LDC. Garments being a labor-intensive industry, has been a source of employment for a large number of locals in both countries. However, there are concerns that knowledge and technology transfers are not taking place and the locals are majorly employed in low to medium skilled positions and the upper management predominantly comprises of Chinese expats. Despite that, both countries are now regarded as garment producing hubs which are also a source of precious forex for their respective governments.

Though the energy sector is the largest recipient of Chinese FDI in the region, the rail transport systems have attracted a significant amount of investments making it the second biggest FDI attraction. The rail projects which are part of the BRI are not only of strategic importance to China but will also be a source of jobs in Laos and other countries. In Laos, 60% of the total investment in the rail project is provided by China Railway Corp. whereas the remaining will be covered by the Chinese government and the government of Laos, with the latter bearing 30% of the remaining cost. To ensure the successful implementation of the project China has also promised to provide loans up to \$500 MN at low-interest rates if need be.

Top Chinese investors

Over the last five years, HNA has invested more than \$47 billion throughout the developed world in various sectors such as aviation, finance, real estate, and tourism. Largest share of investment has been made in Aviation worth \$10.7 billion most of which was directed towards the USA.

China Reform Holding's Chem China was the largest Chinese investors in 2017. Their investment was directed towards the acquisition of the Swiss agro firm Syngenta for \$43 billion. Furthermore, China Investment Corporation (CIC) in 2017, invested \$14.5 billion in Britain, Singapore and USA; this included the acquisition of European warehouse firm Logisor for \$13.8 billion.

The \$15.2 billion investment by the China National Petroleum Corporation (CNPC) in 2013 focused mainly on the energy sector; most significant of which were done in Kazakhstan, Mozambique, and Peru worth \$5.3 billion, \$4.2 billion, and \$2.9 billion, respectively. The table below shows top Chinese investors for the period 2013-17.

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

Investor	2013	2014	2015	2016	2017	5-Year Total
China Reform Holdings, Chem China					43,060	43,060
HNA	780	180	8,440	18,930	19,440	47,770
CIC	3,800	1,550	6,220	7,580	14,450	33,600
Ping An	390		480	210	9,900	10,980
Vanke, Hopu, Hillhouse, Bank of China					9,060	9,060
Geely Auto	150	200	870		4,710	5,930
Tencent	350	500	130	8,600	4,290	13,870
State Power Investment			2,200	230	3,740	6,170
State Grid	5,760	2,500		5,370	3,730	17,360
Three Gorges	2,030	530	930	6,620	2,850	12,960
CNPC	15,210	2,680		2,060	2,810	22,760
China Railway Corp, China Railway Engineering					2,560	2,560
Yankuang		2,960			2,420	5,380
Shandong Ruyi		120		1,480	2,040	3,640
Legend		1,540		390	1,900	3,830
Total	80,450	103,130	114,510	170,530	177,770	646,390

Table 30: Top 15 Chinese investors (USD Millions) (2013-17)

Chinese FDI in Pakistan

Over the past ten years, China has invested over \$10.5 billion in various sectors of Pakistan. Investment is mostly focused on Energy; out of the 16 Chinese FDI projects, eleven are in the energy sector. Other sectors that have attracted Chinese investments are shipping, telecom and textiles. The table below shows the sectoral breakup of Chinese investment in Pakistan from 2009 to 2017.

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

Sector	Subsector	2009	2011	2012	2013	2014	2015	2016	2017	Grand Total
Energy	Alternative		130				1,560	220		1,910
	Coal						1,070		1,480	2,550
	Gas			200						200
	Hydro				1,650			360		2,010
	N/A		750				150			900
Other	Textiles					120				120
Technology	Telecom	500				520			200	1,220
Transport	Shipping						1,620			1,620
Total		500	880	200	1,650	640	4,400	580	1,680	10,530

Table 31: Sectoral break-up of Chinese investment in Pakistan over the period 2009-17 (USD Millions)

The following table shows the top Chinese investors in Pakistan over the last 10 years. The Three Gorges Corporation is the largest Chinese investor with investments worth \$2 billion; all of which are in the energy sector. Zhuhai Port Holdings is also a major investor but has made only one investment in the Transport sector which was in 2015. Furthermore, the third and fourth largest investors have also invested only in the energy sector.

Investor	2009	2011	2012	2013	2014	2015	2016	2017	10-Year Total
Total	500	880	200	1,650	640	4,400	580	1,680	10,530
Three Gorges		130		1,650			220		2,000
Zhuhai Port Holdings, State Construction Engineering						1,620			1,620
State Power Investment								1,480	1,480
ZTE						1,440			1,440
China Mobile	500				520			200	1,220
Power Construction Corp						1,190			1,190
United Energy		750	200						950
China Energy Engineering							360		360
Sinomach						150			150
Shandong Ruyi				120					120

Table 32: Top Chinese Investors in Pakistan over the period 2009-17 (USD Millions)

Note: China's FDI figures have been retrieved from the data reported by the World Heritage Foundation.

CHINESE INVESTMENT IN SUB-SAHARAN AFRICA AND ASIA

Chinese FDI in Greenfield Projects

Over the last 10 years, 16 Chinese projects have been launched in Pakistan. Out of the 16 projects, 10 were green field projects and accounted for %77 of the 10.5\$ billion investment. Furthermore, nine out of these ten investments were financed by Chinese state owned enterprises. These investments were carried out in the energy, telecom and transport sectors. The table below shows the Chinese Greenfield FDI projects over the last 10 years.

Year	Month	Investor	Ownership	Quantity in Millions	Sector	Subsector
2017	March	State Power Investment	State Owned	1,480	Energy	Coal
2017	February	China Mobile	State Owned	200	Technology	Telecom
2016	July	Three Gorges	State Owned	220	Energy	Alternative
2015	April	Power Construction Corp	State Owned	1,070	Energy	Coal
2015	August	Power Construction Corp	State Owned	120	Energy	Alternative
2015	August	ZTE	Private Owned	1,440	Energy	Alternative
2015	November	Zhuhai Port Holdings, State Construction Engineering	State Owned	1,620	Transport	Shipping
2013	August	Three Gorges	State Owned	1,650	Energy	Hydro
2011	December	Three Gorges	State Owned	130	Energy	Alternative
2009	December	China Mobile	State Owned	500	Technology	Telecom

Table 33: Chinese greenfiled FDI projects in Pakistan (USD Million) (2009-17)

Note: China's FDI figures have been retrieved from the data reported by the World Heritage Foundation.

THE CHINESE STEEL INDUSTRY

Overview

Steel plays a major part in our lives. From the agricultural fields to the vast mega projects including skyscrapers, airplanes, bridges, railway tracks, and cars, our lives are greatly influenced by steel and its products.

Methods for manufacturing steel have evolved significantly since production began on a mass scale in the late 19th century. Modern methods, however, are still based on the same principle as the original Bessemer process, which uses oxygen to lower the carbon content in iron. The two major processes for producing steel include, basic oxygen steelmaking and electric arc furnaces, together these two account for nearly the entire world production of steel today.

If one tries to break down the process of modern steelmaking, it can be divided into the following steps. First and foremost, melting the raw inputs of iron and lime in a blast furnace. Second, treating the molten steel produced by the two processes to adjust composition of the steel. This is usually done by adding or removing certain elements and/or manipulating the temperature and production environment. Continuous casting sees the molten steel cast into a cooled mould causing a thin steel shell to solidify whereas in primary forming, the steel that is cast is formed into various

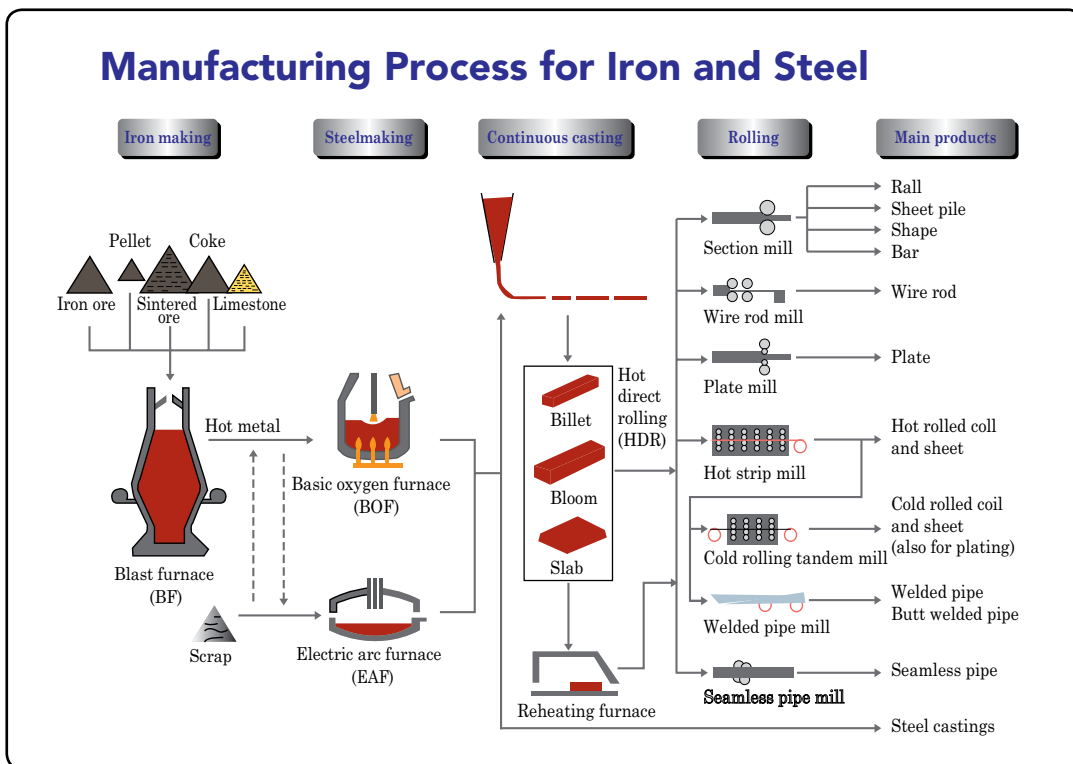


Figure 10: Manufacturing process for iron and steel.

shapes, often by hot rolling, a process that eliminates cast defects and achieves the required shape and surface quality. Hot rolled products are further divided into flat products, long products, seamless tubes, and specialty products. Finally, the manufacturing, fabrication and finishing take place during which steel is given its final shape and properties. These include cold rolling, drilling, welding, galvanizing, tempering and carburizing.

According to the World Steel Association, there are over 3,500 different grades of steel, each possessing distinctive physical, chemical & environmental properties. The very nature of steel comprises of iron & carbon, but the properties of any grade of steel is determined by the amount of carbon, its composition, level of impurities or any additional alloy elements that it has. Various grading systems are used to distinguish steels based on these properties, these include density, elasticity, melting point, thermal conductivity, strength & hardness etc.

According to the American Iron and Steel Institute (AISI), the various types of steel can be broadly categorized into four groups: carbon, alloy, stainless and tool steels. Being one of the most important

THE CHINESE STEEL INDUSTRY

materials across various industries, steel, possesses high tensile strength, ductility and durability which makes its uses very efficient in terms of cost. It is a material which can be recycled easily due to its unique magnetic characteristics; it can be used to create lighter and more efficient vehicles, to generate renewable energy and more efficient power stations or it can be used in the creation of energy-efficient homes and in the construction of massive structures.

History of the Chinese steel industry

The Chinese steel industry was built with the support of the Soviet Union during the 1950s. However, the Soviets withdrew their technical support following the beginning of the Sino-Soviet rift in 1960 leaving China with old and outdated technology. Subsequent attempts at modernising steel production during the Cultural Revolution were hampered by Mao's national security-motivated 'Third Front' industrial programme which decentralised industry by building small-scale (and relatively inefficient) steel mills in each of China's 29 provinces (Sugimoto 1993). The state lacked financial muscle to back these reforms in the early years and the industry failed to provide the mass steel quantities required for China's ambitious industrialisation programme.

Contract Responsibility System (CRS)

Lacking the financial resources to directly fund new steel projects, the Chinese state found a solution in a new 'contract responsibility system' (CRS) for state-owned enterprises. This programme was first tested in 1981 before being extended to the entire steel sector in 1984 (Steinfeld 1998). Under the CRS program, autonomy over production decisions was for the first time devolved to enterprise managers, who in turn 'contracted' with the State over firm-level production plans. These contracts translated national-level production plans to the firm level by specifying output and profit remittance targets, which would increase at a set rate (usually 7 per cent) each year to encourage growth (Byrd 1992). However, the CRS was also designed to promote growth in steel output beyond the levels called for in these contracts – by allowing firms to sell any above-plan output onto newly established

steel markets and retain all associated profits which could then be reinvested into capacity expansions (Chen 1995). As an import-substitution policy, the CRS was also backed by tariff & trade protection with a 33 per cent tariff and a trade licensing system deployed during the mid-1980s as a means to protect the nascent steel industry from foreign imports (Nolan 1998). In terms of expanding steel output and substituting imports at low cost to the state budget, the CRS programme was a major success – with investment surging seven-fold by the early 1990s and production increasing to match growing domestic demand.

Despite this, the CRS program had its drawbacks; it offered no incentive to upgrade technology or to ensure that the products were of the correct mix required by customers, it also failed to demarcate the level of the government (either central, provincial or municipal) which was responsible for steel firms, with various state agencies vying to exercise regulatory control with often-contradictory results (Steinfeld 1998), and finally though the CRS allowed firms to retain profits, it did not devolve financial responsibility for losses, which began to mount as a result of excess production of low-value products in the late 1980s resulting in operating losses. These were initially absorbed by the state banking system. (Hassard et al. 1999).

Years	Contract Responsibility system		Investment (Real RMB Billion)
	Production (mtpa)	Net trade (mtpa)	
1981-85	40.6	-9.5	18.1
1886-90	59.2	-9.1	30.2
1991-95	85.9	-12.3	51.2

Modern Enterprise System (MES)

The first set of steel industry reforms in the 1990s involved the extension of greater autonomy (and responsibility) to firms. The complete marketization of the steel sector began in 1993 with the cancellation of the CRS and its replacement with the 'modern enterprise system' (MES) of enterprise management. Under the MES, steel firms were devolved full managerial autonomy, including financial responsibility for all profits and losses (Hassard et al. 1999). National steel planning was also terminated in 1997 when the last of the CRS contracts expired (Tse 1997: 17). Nonetheless, governmental oversight was maintained – if indirectly – by rules which

THE CHINESE STEEL INDUSTRY

mandated the placement of Chinese Communist Party (CCP) officials in all top management positions (Bai & Bennington 2007). As a consequence of devolving full financial responsibility to firms, the MES quickly threw the steel industry into a debt crisis. Given its strategic importance to the national industrialisation programme the state was left with little choice but to financially bail out steel firms.

A second component of state-led reform attempted to address the industry's technical difficulties. This began under the Ninth Plan of 1996, when the Chinese government abandoned its prior policy of decentralised industrial development in favour of a new programme referred to as 'grasp the large, let go of the small' (Zheng & Chen 2007). The policy involved a process of consolidation under ongoing state ownership for heavy industries considered a strategic part of the national economy, and the privatisation of all remaining non-strategic sectors (Green & Liu 2005). As steel was amongst the strategic industries to be 'grasped' by the state, in 1997 eight major steel firms were named in an 'enterprise groups' policy that sought to create large-scale steel conglomerates. These conglomerates were initially formed by the state extending finance through the state banking system to large state owned enterprises for the purpose of acquiring smaller steel firms (Sutherland 2001: Chapter 3).

Rationalisation and technology upgrading was then followed by a third set of bureaucratic reforms that sought to clarify the role of the state as both owner and regulator of the steel industry. This began in 1998, when the ownership of a majority of Chinese steel firms was devolved from the national Ministry of Metallurgical Industry to either their local or provincial governments (Tse 1997).

Years	Production (mtpa)	Modern Enterprise System Net trade (mtpa)	Investment (Real RMB Billion)
1996-2000	115.4	-10.1	43.6
2001	151.6	-12.5	50.5
2002	182.2	-19	68.6
2003	222.3	-30.2	138
2004	272.8	-15.1	170.6
2005	355.8	-5.3	221

The 21st Century

The reforms of the 1990s paid dividends and the Chinese steel industry resolved most of the issues it had faced. As a result of the MES reforms, by 2000 the Chinese steel industry had become fully independent of the national planning system both financially and operationally, albeit still subject to 'oversight' by the state through personnel linkages between enterprise management and the CCP. The result of the state-led reform addressing the industry's technical difficulties resulted in consolidation and upgrading of the conglomerates and in doubling the size of the ten largest steel firms during the 1990s. A set of bureaucratic reforms led to the number of regulatory authorities being streamlined in 2003. Various Chinese planning bodies were abolished and replaced by two newly formed organisations with a clear division of regulatory authority; the State-owned Assets Supervision and Administration Commission (SASAC) and the National Development and Reform Commission (NDRC). The SASAC's role was to exercise direct 'ownership' functions on behalf of the state, and it took responsibility for issues relating to enterprise financing, mergers and managerial appointments. Four steel firms considered 'nationally strategic' were retained by the central branch of SASAC, with ownership of the rest devolved to its provincial branches (SASAC 2009). The NDRC's role was to act as a national planning body, setting broad industrial goals which were then to be implemented at the firm level at the discretion of the various SASAC branches (Voss et al. 2008: 4). The effect of these bureaucratic reforms was to finally achieve a separation between the state's ownership (SASAC) and regulatory (NDRC) functions in the steel industry, notwithstanding ongoing state ownership and CCP control of managerial appointments.

The Chinese government had thus moved back to an interventionist approach to the steel industry – reassuming planning powers it had previously devolved, directly intervening in firms' investment decisions, and using control of the state banking system to ensure industrial development targets would be met. The key variable explaining this reversal in course is the fact that during the 2000s the crisis in the Chinese steel industry

THE CHINESE STEEL INDUSTRY

was international in character following the structural crisis of 1990 which led to an increase in labour costs and more steel being produced around the world and less demand for steel. Thrust into competition with foreign firms for the first time, a need existed for national-collective action to rectify the industry's competitive disadvantages. Indeed, the shift back towards intervention was expressly justified by the government as aimed at ensuring '...the overall competitiveness of China's steel industry can reach an advanced international level, with the aim of making China one of the largest and the most competitive steel producing countries' (NDRC 2005: Article 1). While such interventions proved instrumental in improving the competitiveness of Chinese steel firms, they demonstrate the extent to which the industry had come to rely on state leadership (and attendant financial support) to solve its difficulties.

These interrelated reforms set the stage for a Chinese steel boom that took off from around 2000. While in part the result of policy reforms, this boom was equally associated with the Chinese economy shifting from light- to heavy-industrialisation around this time, this led to increased demand for steel from the construction, and machinery and automobile sectors rapidly increase (Rothman 2005). Growth in the Chinese steel industry rapidly accelerated from 2000, and within a decade national steel consumption had quadrupled, production increased five-fold, investment increased six-fold, and the country shifted from being a net steel importer to an aggressive exporter. Consistent with the government's goal of 'grasping the large', the bulk of this production was concentrated in state-owned enterprises (SOEs). In 2006, SOEs accounted for just over half of Chinese steel production (OECD 2006), and only one of the 20 largest firms – which were the most technologically sophisticated and internationally competitive – was privately owned (Price et al 2007: 8–9). The Chinese steel boom also quickly catapulted the industry to a position of unprecedented global dominance, rising from a 15 per cent share of world steel production in 2000 to 45 per cent by 2011. Its dominance in Asia was even more pronounced, accounting for 77 per cent of regional steel production in 2011 (WSA 2012). Within three decades, policy reforms had seen the

Chinese steel industry transform from a small-scale and technologically backward industry to becoming the world's fastest growing steel sector, capable of capturing almost half of the global steel market.

In response to the recent tariff imposition by the Trump administration on the imports from China. The Chinese government, in a bid to keep steel exports competitive, increased the percentage of tax rebate on 397 tariff lines. Out of the 397 tariff lines, 88 are from Iron and Steel and its Articles (HS-72 & HS 73) with the tax rebate ranging from 9% to as high as 16% as shown in Annexure II. At the surface level, this retaliatory measure will for sure be beneficial for the Chinese exporters, however, since the rebates are not country-specific it might lead to Chinese producers engaging in dumping practices which would pose a severe threat to a small-scale producer such as Pakistan.

Global Steel Production

China is the largest producer of Steel in the world. In 2017, China produced over 831 million tons of Steel, which was almost half of the world's total production. Japan has been the second largest producer but its production has been decreasing over the last 10 years. Furthermore, India has become the third largest producer of steel followed by the United States and Russia. By 2017, India had registered a growth of over 75% since 2008.

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
China	512.3	577.1	638.7	702.0	731.0	822.0	822.3	803.8	807.6	831.7
Japan	118.7	87.5	109.6	107.6	107.2	110.6	110.7	105.1	104.8	104.7
India	57.8	63.5	69.0	73.5	77.3	81.3	87.3	89.0	95.5	101.5
United States	91.9	59.4	80.5	86.4	88.7	86.9	88.2	78.8	78.5	81.6
Russia	68.5	60.0	66.9	68.9	70.2	69.0	71.5	70.9	70.5	71.5
South Korea	53.6	48.6	58.9	68.5	69.1	66.1	71.5	69.7	68.6	71.0
Germany	45.8	32.7	43.8	44.3	42.7	42.6	42.9	42.7	42.1	43.3
Turkey	26.8	25.3	29.1	34.1	35.9	34.7	34.0	31.5	33.2	37.5
Brazil	33.7	26.5	32.9	35.2	34.5	34.2	33.9	33.3	31.3	34.4
Italy	30.6	19.8	25.8	28.7	27.3	24.1	23.7	22.0	23.4	24.1

Table 34: Top 10 Steel Producers (Million Metric Tons)

THE CHINESE STEEL INDUSTRY

Similarly, in terms of usage of steel, China ranks at the top; utilizing 767.5 million tons of steel. The following table shows the top 10 steel users in the world. US and India were the 2nd and 3rd largest users of steel in 2017. However, consumption in Japan, South Korea and Italy has declined over the years.

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
China	465.5	574.4	612.1	667.9	687.6	772.3	740.4	700.4	709.4	767.5
United States	110.5	69.4	92.4	101.0	108.3	106.3	121.6	108.3	102.6	109.7
India	56.2	64.4	69.1	73.2	77.4	80.7	87.1	89.3	94.5	100.9
Japan	83.2	56.0	67.4	69.6	68.8	70.8	72.9	67.8	67.5	70.1
South Korea	61.0	47.3	54.6	58.7	56.3	53.9	57.8	58.1	59.5	58.8
Russia	40.9	28.5	41.4	48.0	49.5	49.7	49.4	44.7	43.4	44.4
Germany	44.9	29.1	40.5	45.1	40.8	41.7	43.1	42.6	42.8	43.3
Turkey	22.9	19.2	25.1	28.7	30.3	33.3	32.8	36.6	36.3	38.4
Mexico	24.5	17.6	20.6	23.1	23.7	22.9	26.2	27.9	28.5	29.5
Italy	35.3	21.3	27.2	28.1	22.8	23.2	23.2	26.0	25.2	26.1

Table 35: Use of Steel by Country (Million Metric Tons)

The following table represents the steel use per capita (kg) of the top 10 countries in the world. South Korea takes the lead because of its lower population, and its large automotive and ship building industry. However, China has a larger population due to which it ranks as the 10th country in terms of usage per capita.

Country	2008	2009	2010	2011	2012	2013	2014	2015	2016	2017
South Korea	1239.6	958	1101.3	1180.8	1127.5	1074.7	1147.8	1148.9	1171.8	1152.4
United Arab Emirates	1948.7	904.5	890.4	875.4	860.2	823.1	856.7	847.3	918.5	917
Taiwan (R.o.C.)	884.9	587.8	924.1	936.6	917	954.8	1002.4	895.5	931	896.6
Czech Republic	724.8	496.5	605.4	660.9	637.3	638.5	674.2	719.6	727.6	765.1
Qatar	1253.2	1068.7	725.5	565.2	569.9	610.2	666.4	669.9	637.7	621.4
Singapore	871.1	712.9	660.2	946.7	907.2	997	879.4	906.8	629.6	610.2
Djibouti	173.5	173.3	172.1	181.1	242.9	142.7	186.3	675.3	767.5	575.7
Japan	647.2	435.6	524.3	541.6	535.7	551.8	568.8	529.8	528.4	549.9
Slovenia	672.9	469.9	529.7	545.7	476.3	468.4	483.9	510.4	544.8	548.8
P.R. China	346.2	424.8	450.1	488.4	500	558.5	532.6	501.3	505.5	544.5

Table 36: Apparent Steel Use per Capita (Kg)

Raw Materials Required by the Steel Industry

China's steel producing sector has emerged as a powerful global player contributing more than half to the world's production of steel. The three basic elements required for steel production are iron ore, coke (a form of coal) and scrap steel. However, raw material is also extracted from ship breaking which is in the form of scrap steel.

Out of the above-mentioned raw materials, iron ore and its concentrates are the most imported items by the Chinese steel industry. The domestic Iron Ore Mining Industry in China has reported a declining revenue of 6.4% per year on average. The sharp fall in demand and iron ore prices in 2014 and 2015 resulted in a decline of 4.9% and 20.4%, respectively. The industry operates with 3,700 enterprises and employs a labor force of 585,267.

Australia (\$46.50 billion) followed by Brazil (\$17.36 billion), South Africa (\$3.52 billion), India (\$1.75 billion) and Iran (\$1.39 billion) are the top 5 import origins of iron ore for China. Australia accounted for 61% of China's total iron ore imports in 2017. Following are the top 10 countries from which China imported iron ore (HS-2601) in 2017 for its steel industry over the last five years. Due to a fall in iron ore prices since 2012, imports have decreased from \$106.17 billion in 2013 to \$76.5 billion in 2017.

Import Partners	2013	2014	2015	2016	2017
World	106,175	93,439	57,393	58,033	76,500
Australia	55,153	54,264	35,757	35,671	46,500
Brazil	21,606	17,955	12,077	12,743	17,365
South Africa	6,039	4,853	3,049	2,834	3,527
India	1,468	832	101	852	1,752
Iran, Islamic Republic of	2,374	1,857	690	824	1,392
Ukraine	2,331	2,271	1,518	959	976
Peru	1,315	994	595	585	837
Chile	1,359	1,272	663	720	833
Canada	2,125	1,383	683	610	581
Mauritania	1,163	943	406	482	478

Table 37: Chinese imports of Iron ores and concentrates (HS-2601) (USD Millions)

THE CHINESE STEEL INDUSTRY

The second most important raw material used by the steel industry is coke (HS-2704) however, its import value has remained much lower since most of the production of coke takes place in China. The leading import partners of coke are listed below, these made up nearly 98% of China's total coke imports from the world in 2017.

Import Partners	2013	2014	2015	2016	2017
World	6.61	0.53	0.40	0.29	2.36
South Africa	-	0.02	0.01	0.02	1.89
Japan	0.16	0.18	0.13	0.14	0.21
United Kingdom	-	0.01	0.03	0.03	0.10
Germany	0.08	0.09	0.04	0.06	0.10
United States of America	0.00	0.00	0.03	0.03	0.02

Table 38: Chinese imports of Coke (HS-2704) (USD Millions)

The following figure shows the local coke production in China from 2008 to 2017 in million metric tons. During the 2008-17 period, production of coke in China grew by 37% from 327 million metric tons in 2008 to 448 million metric tons in 2017.

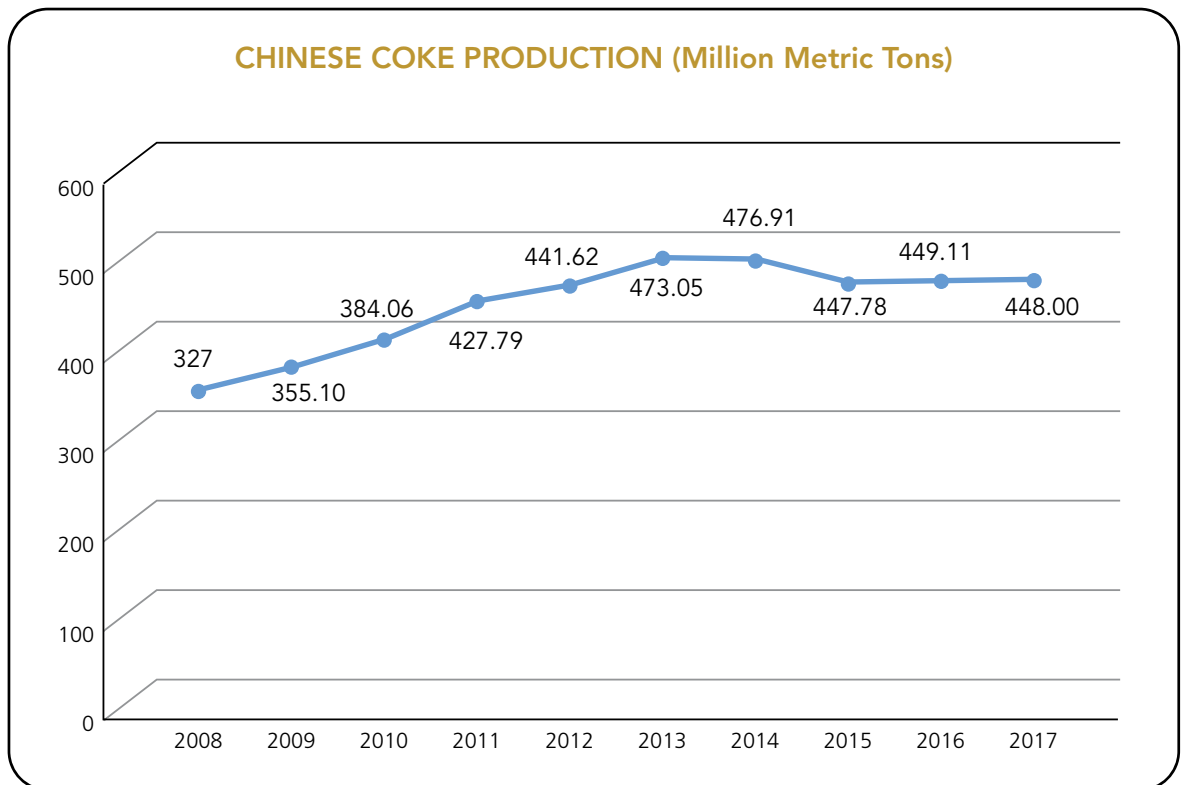


Figure 11: Production of Coke in China (Million Metric Tons)

The following table shows the top 5 import origins of China for ferrous waste and scrap (HS-7204) from 2013 to 2017; Japan (84.8%) was the leading import partner followed by the USA (5.17%) and the Republic of Korea (3.63%). These countries accounted for 96% of China's total imports of HS-7204 in 2017. The import bill was \$1,238 million in 2017 which was 52.3% less than that for 2013.

	2013	2014	2015	2016	2017
World	2,598	1,685	1,189	930	1,238
Japan	1,818	1,454	1,025	813	1,050
United States of America	465	45	23	14	64
Korea, Republic of	60	52	48	39	45
Hong Kong, China	87	27	11	8	18
Australia	69	10	12	7	15

Table 39: Chinese imports of Ferrous waste and scrap (HS-7204) (USD Millions)

Chinese export of Iron & Steel and its Products (HS 72 &73)

The following table shows China's country-wise exports of Iron and Steel (HS-72) for the period 2013-17 in USD millions. South Korea is the largest destination for Chinese exports followed by Viet Nam and Thailand. Total Chinese exports of the category are almost \$43 billion. Furthermore, India was the 7th largest destination of Chinese Iron and Steel, in 2017, followed by Pakistan with imports valued at \$1.18 billion.

Importers	2013	2014	2015	2016	2017
World	38,621	55,479	49,197	43,244	42,984
Korea, Republic of	6,528	8,339	6,331	6,069	6,760
Viet Nam	2,424	3,791	4,151	4,531	4,336
Thailand	1,840	2,074	2,011	2,390	2,007
Philippines	1,481	2,573	2,172	2,329	1,945
Taipei, Chinese	2,092	2,956	1,960	1,886	1,845
Indonesia	1,263	1,768	1,911	2,017	1,704
India	1,006	2,334	2,260	1,496	1,510
Pakistan	474	813	1,001	1,047	1,177
Malaysia	1,157	1,484	1,445	1,258	1,086
Japan	1,154	1,478	963	789	983

Table 40: China's country-wise exports of Iron and Steel (HS-72) (2013-17) (USD millions).

THE CHINESE STEEL INDUSTRY

Product wise Breakup

The table below shows China's exports of Iron and Steel (HS-72) for the period 2013-17 in USD millions. The largest chunk of exports, 13%, are of 'Flat-rolled products (FRP) of alloy steel of width ≥ 600 mm, only hot-rolled, in coils' (HS-722530) followed by 'FRP of Iron or non-alloy steel of width ≥ 600 mm, hot or cold rolled not corrugated, plated or coated with zinc' (HS-721049) representing 12% of exports.

Code	Product label	2013	2014	2015	2016	2017
722530	FRP of alloy steel other than stainless, of a width of ≥ 600 mm, not further worked than hot-rolled, in coils (excluding products of silicon-electrical steel)	3,046	6,010	5,291	4,798	5,662
721049	FRP of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled «cold-reduced», not corrugated, plated or coated with zinc (excluding electrolytically plated or coated with zinc)	3,733	4,851	4,379	4,368	5,274
722830	Bars and rods of alloy steel not stainless, not further worked than hot-rolled, hot-drawn or extruded (excluding ... wound coils)	4,777	9,161	10,715	9,312	4,499
721070	Flat products of iron or non-alloy steel, of a width of ≥ 600 mm, hot-rolled or cold-rolled «cold-reduced», painted, varnished or coated with plastics	3,692	4,796	4,285	4,052	4,498
722790	Bars and rods of alloy steel other than stainless, hot-rolled, in irregularly wound coils (excluding products of high-speed steel or silicon-electrical steel)	4,207	5,484	4,350	3,507	2,775
722540	FRP of alloy steel other than stainless, of a width of ≥ 600 mm, not further worked than hot-rolled, not in coils(excluding products of silicon-electrical steel)	2,313	3,712	2,881	2,256	2,321
721913	FRP of stainless steel, width ≥ 600 mm, not further worked than hot-rolled, in coils, 4,75 mm > thickness ≥ 3 mm	1,077	1,701	1,300	1,348	1,743
721061	FRP of iron or non-alloy steel, width ≥ 600 mm, hot-rolled or cold-rolled, plated or coated with aluminium-zinc alloys	733	904	706	779	1,078
722870	Angles, shapes and sections of alloy steel other than stainless, n.e.s.	1,920	2,006	1,599	1,359	984
721012	FRP of iron or non-alloy steel, width ≥ 600 mm, hot-rolled or cold-rolled «cold-reduced», tinned, thickness < 0.5 mm	873	1,084	824	784	892

Table 41: China's product-wise exports of Iron and Steel (HS-72) (2013-17) (USD millions).

Chinese Exports of Iron & Steel and its Articles (HS-72 & HS-73) to Pakistan 4

China, in 2017, exported over \$56.7 billion worth of goods under Articles of iron or steel (HS-73). Largest share of exports was destined for the USA i.e., 18% followed by Japan and North Korea. Even though Pakistan is not amongst the top ten export destinations for Chinese exports of articles of Iron and Steel, yet it still imported over \$755 million worth of articles of iron and steel from China. Pakistani imports of the category have increased by 110% in the last five years. The following table shows Chinese exports of 'Articles of Iron and Steel' (HS-73) for the period 2013-17 in USD millions.

Importers	2013	2014	2015	2016	2017
World	57,348	60,637	60,523	51,892	56,728
United States of America	8,571	9,280	10,499	8,977	10,218
Japan	3,141	3,367	3,165	2,994	3,119
Korea, Republic of	2,781	2,818	2,997	2,615	2,586
Australia	2,246	2,008	1,812	1,610	1,895
Hong Kong, China	1,633	1,600	1,582	1,493	1,732
Germany	1,481	1,669	1,651	1,466	1,686
Malaysia	1,394	1,353	1,375	1,255	1,503
India	1,605	1,541	1,412	1,308	1,461
Viet Nam	1,121	1,407	1,516	1,239	1,418
Canada	1,439	1,670	1,546	1,044	1,340

Table 42: China's country-wise exports of Articles of Iron and Steel (HS-73) (2013-17) (USD millions).

The following table showwvs China's product-wise exports of articles of iron and steel (HS-73) for the period 2013-17 in USD millions. The top ten categories at HS-06 level accounted for about \$29.5 billion i.e. more than 50% of total exports under (HS-73).

THE CHINESE STEEL INDUSTRY

Code	Product label	2013	2014	2015	2016	2017
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, towers and lattice masts, doors and windows and their frames, thresholds for doors, props and similar equipment for scaffolding, shuttering, propping or pit-propping)	8,394	8,390	9,196	8,074	8,308
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	5,504	5,814	5,933	5,207	5,716
732393	Table, kitchen or other household articles, and parts thereof, of stainless steel (excluding cans, boxes and similar containers of heading 7310; waste baskets; shovels, corkscrews and other articles of the nature of a work implement; articles of cutlery, spoons, ladles, forks etc. of heading 8211 to 8215; ornamental articles; sanitary ware)	1,878	2,685	3,487	2,928	3,486
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers (excluding coach screws and other wood screws, screw hooks and screw rings, self-tapping screws, lag screws, stoppers, plugs and the like, threaded)	2,111	2,307	2,304	2,141	2,401
732111	Appliances for baking, frying, grilling and cooking and plate warmers, for domestic use, of iron or steel, for gas fuel or for both gas and other fuels (excluding large cooking appliances)	1,772	1,918	2,110	1,981	2,248
732399	Table, kitchen or other household articles, and parts thereof, of iron other than cast iron or steel other than stainless (excluding enamelled articles; cans, boxes and similar containers of heading 7310; waste baskets; shovels and other articles of the nature of a work implement; cutlery, spoons, ladles etc. of heading 8211 to 8215; ornamental articles; sanitary ware)	2,918	2,456	2,401	1,891	2,222
730419	Line pipe of a kind used for oil or gas pipelines, seamless, of iron or steel (excluding products of stainless steel or of cast iron)	2,046	1,972	1,611	1,255	1,552
731210	Stranded wire, ropes and cables, of iron or steel (excluding electrically insulated products and twisted fencing wire and barbed wire)	1,246	1,417	1,346	1,276	1,487
731700	Nails, tacks, drawing pins, corrugated nails, staples and similar articles of iron or steel, whether or not with heads of other material (excluding such articles with heads of copper and staples in strips)	1,211	1,338	1,384	1,099	1,175
732620	Articles of iron or steel wire, n.e.s.	968	971	985	868	976

Table 43: China's product-wise exports of Articles of Iron and Steel (HS-73) (2013-17) (USD millions).

Chinese exports of Iron and steel and its products (HS-72 & 73) to Pakistan.

Steel and its products accounted for 11% of Pakistan's total imports from China in 2017. Considering China's significance as an import source for Pakistan, it is not surprising that China is also the largest source of imported steel for Pakistan. Over the last five years' steel imports from China registered a staggering growth of 131%. Furthermore, in the near future Pakistan's steel demand is expected to increase due to various reasons; firstly, the growth of the automobile sector with 8 new entrants, Hyundai, Renault, and Kia to name a few, and secondly, the current government in its pre-election agenda announced a plan to build 5 million housing units which may add significantly to steel demand. The following table shows China's Top 20 exports of HS-72 and HS-73 to Pakistan at HS-06 level for the period 2013-17 in USD Millions.

Code	Product label	2013	2014	2015	2016	2017
	Total	835	1,214	1,638	1,819	1,932
722530	Flat-rolled products of alloy steel other than stainless, of a width of \geq 600 mm, not further worked than hot-rolled, in coils (excluding products of silicon-electrical steel)	152	290	364	427	446
730890	Structures and parts of structures, of iron or steel, n.e.s. (excluding bridges and bridge-sections, towers and lattice masts, doors and windows and their frames, thresholds for doors, props and similar equipment for scaffolding, shuttering, propping or pit-propping)	57	88	121	209	227
721070	Flat products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled «cold-reduced», painted, varnished or coated with plastics	35	51	51	76	106
721119	Flat-rolled products of iron or non-alloy steel, of a width $<$ 600 mm, simply hot-rolled, not clad, plated or coated, of a thickness $<$ 4,75 mm (excluding «wide flats»)	0	0	0	1	90
730820	Towers and lattice masts, of iron or steel	11	20	43	52	72
722790	Bars and rods of alloy steel other than stainless, hot-rolled, in irregularly wound coils (excluding products of high-speed steel or silicon-electrical steel)	25	52	60	74	70
721049	Flat-rolled products of iron or non-alloy steel, of a width of \geq 600 mm, hot-rolled or cold-rolled «cold-reduced», not corrugated, plated or coated with zinc (excluding electrolytically plated or coated with zinc)	39	67	80	70	60

THE CHINESE STEEL INDUSTRY

Code	Product label	2013	2014	2015	2016	2017
721420	Bars and rods, of iron or non-alloy steel, with indentations, ribs, groves or other deformations produced during the rolling process	14	15	13	24	52
722540	Flat-rolled products of alloy steel other than stainless, of a width of ≥ 600 mm, not further worked than hot-rolled, not in coils (excluding products of silicon-electrical steel)	18	21	26	42	42
722830	Bars and rods of alloy steel other than stainless, not further worked than hot-rolled, hot-drawn or extruded (excluding products of high-speed steel or silico-manganese steel, semi-finished products, flat-rolled products and hot-rolled bars and rods in irregularly wound coils)	15	92	127	91	39
732690	Articles of iron or steel, n.e.s. (excluding cast articles or articles of iron or steel wire)	13	13	22	27	36
721934	Flat-rolled products of stainless steel, of a width of ≥ 600 mm, not further worked than cold-rolled «cold-reduced», of a thickness of $\geq 0,5$ mm but ≤ 1 mm	30	32	30	33	35
721935	Flat-rolled products of stainless steel, of a width of ≥ 600 mm, not further worked than cold-rolled «cold-reduced», of a thickness of $< 0,5$ mm	37	36	32	29	32
730419	Line pipe of a kind used for oil or gas pipelines, seamless, of iron or steel (excluding products of stainless steel or of cast iron)	38	29	37	32	28
720916	Flat-rolled products of iron or non-alloy steel, of a width of ≥ 600 mm, in coils, simply cold-rolled «cold-reduced», not clad, plated or coated, of a thickness of > 1 mm but < 3 mm	3	15	27	18	25
732111	Appliances for baking, frying, grilling, cooking & plate warmers, for domestic use, of iron or steel, for gas fuel or for both gas and other fuels (excluding large cooking appliances)	5	8	17	19	20
731815	Threaded screws and bolts, of iron or steel, whether or not with their nuts and washers (excluding coach screws and other wood..., plugs and the like, threaded)	10	9	21	18	20
730429	Casing and tubing, seamless, of iron or steel, of a kind used in drilling for oil or gas excluding products of cast iron)	16	23	18	23	19
731210	Stranded wire, ropes and cables, of iron or steel (excluding electrically insulated products and twisted fencing wire and barbed wire)	6	7	8	9	18
730799	Tube or pipe fittings, of iron or steel (excluding cast iron or stainless steel products; flanges; threaded elbows, bends and sleeves; butt welding fittings)	4	6	7	18	17

Table 44: China's Top 20 exports of HS-72 and HS-73 to Pakistan at HS-06 level (2013-17) (USD millions).

PAKISTAN INDUSTRY ANALYSIS

Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof (HS-90)

Pakistani exports of HS-90 were on a fluctuating trend between 2013 and 2016. In 2017, however, exports grew by about 13% and were recorded at \$411 million. One of the reasons for this growth can be attributed to an increase in exports to China which rose by 172% over the previous year; exports to China reached \$40 million in 2017. Whereas, the US, which is the largest export destination for Pakistan, recorded a decline.

Although, the CPFTA provides Pakistan with duty-free access, so do the US, UK and Germany, all of which are Pakistan's major exports markets. However, China not only exceeds these countries in terms of population but is also the second largest economy and the largest importer of HS-90. Figure 10 shows a comparison between the actual and potential exports to China of HS-90 from Pakistan. In 2017, Pakistan had an untapped potential of \$370 million against which it only exported goods worth \$40 million. Needless to say, if Pakistan wanted to take full advantage of this opportunity it would need to address the supply side issues and enhance production capacities.

PAKISTAN INDUSTRY ANALYSIS

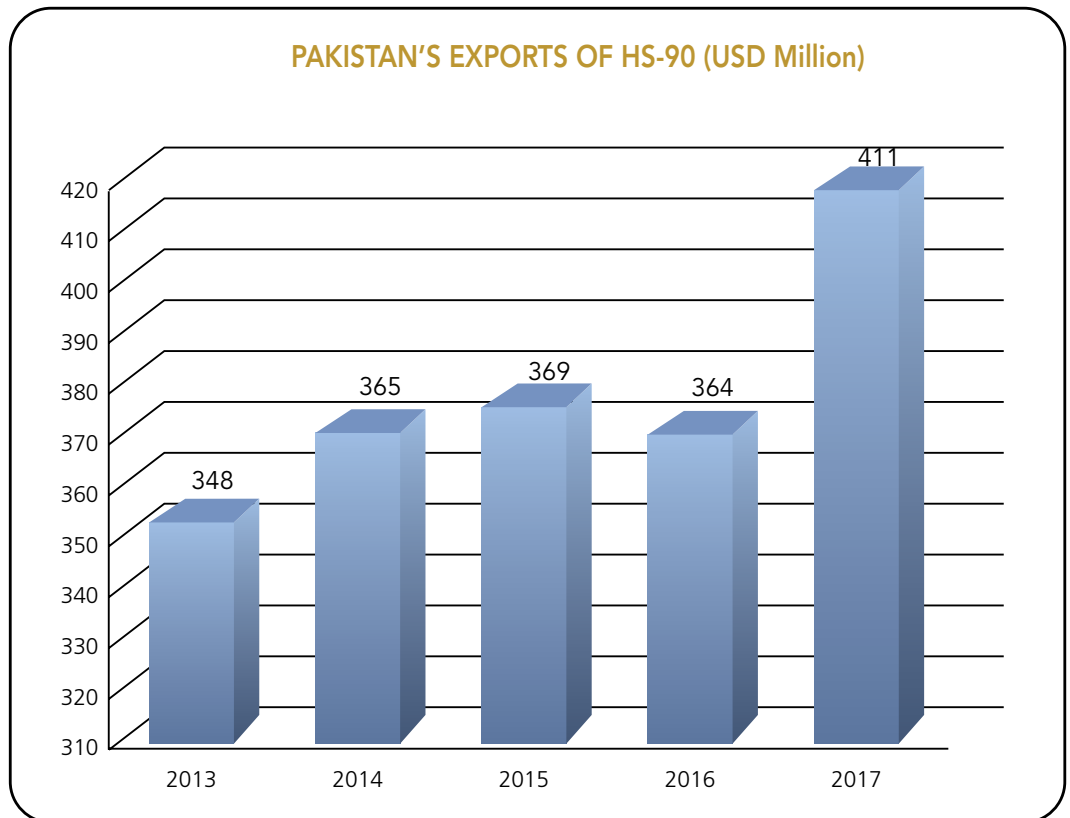


Figure 12: Pakistan's export of HS 90 (2013-17) (USD millions).



Figure 13: Pakistan's export potential of HS 90 to China (2013-17) (USD millions).

The following table shows the top five categories at HS-06 level of ‘Optical, photographic, ... ; parts and accessories thereof’ (HS-90). Largest share of exports is attributed to ‘Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.’ (HS-901890) which made up 88% of the exports in HS-90. Furthermore, Pakistan only exports \$15.8 million worth of ‘Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.’ to China while its total potential is \$344.7 million.

HS-Code	Description	Pakistan export to China ('000 US\$)	Pakistan exports to the world ('000 US\$)	China imports from the world ('000 US\$)	Exports potential ('000 US\$)
901890	Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s.	15.84	360.58	2,462.79	344.74
901580	Instruments and appliances used in geodesy, topography, hydrography, oceanography, hydrology, . . .	23.65	33.70	440.47	10.05
901849	Instruments and appliances used in dental sciences, n.e.s.	0.12	4.31	159.14	4.20
901590	Parts and accessories for instruments and appliances used in geodesy, topography, photogrammetrical . . .	-	2.57	107.37	2.57
903089	Instruments and apparatus for measuring or checking electrical quantities, without recording . . .	-	2.26	232.43	2.26

Table 45: Top five categories at HS-06 level of ‘Optical, photographic, ... ; parts and accessories thereof’ (HS-90).

USA has been the top export market for Pakistani producers. However, Pakistani exporters have started to diversify their market portfolio. Despite total exports of HS-90 registering a growth of 12.7% in 2017, exports to the US fell by 5.7%. Moreover, exports to China have grown by about 170% while exports to the UAE rose by 178% over the previous year.

Importers	2013	2014	2015	2016	2017
World	348,075	364,565	369,205	364,223	410,573
United States of America	81,975	90,584	102,542	102,452	96,606
Germany	45,363	47,243	50,743	49,289	52,950
China	14,406	8,334	8,501	14,585	39,706
United Kingdom	35,743	39,140	36,070	33,610	34,674
United Arab Emirates	6,506	16,620	13,068	6,706	18,623

Table 46: Top destinations of Pakistani export of HS-90 (2013-17) (USD Million)

Instruments and appliances used in medical, surgical or veterinary sciences, n.e.s. (HS-901890)

Pakistan's exports of Instruments and appliances used in medical, surgical or veterinary sciences (HS-901890) have been on an increasing trend over the last five years with the exception of 2016 when exports dropped to \$326.0 million. In 2017, however, exports regained their momentum and were worth \$360.6 million.

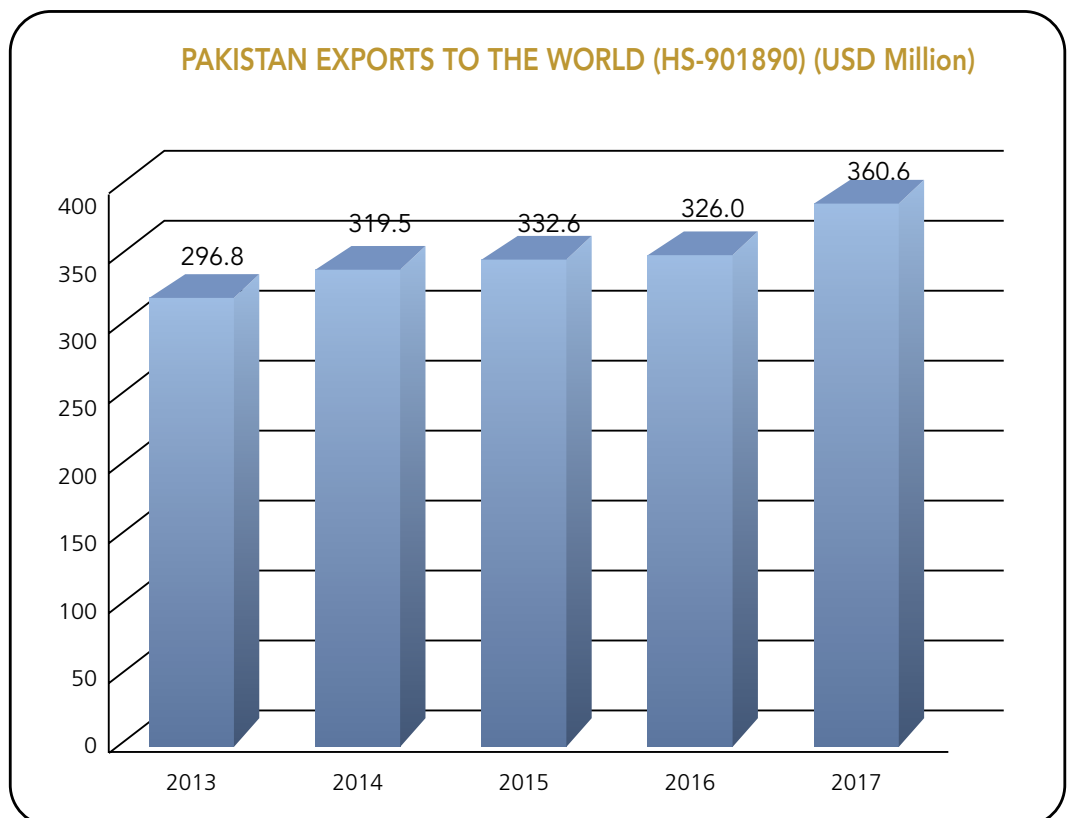


Figure 14: Pakistani Exports of HS-901890 (USD Millions) (2013-17)

China is the 4th largest destination of Pakistan's exports of HS-901890 i.e. 'instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.' its share in the Pakistani export basket of the said category is a mere 4.4%. Top exports markets for Pakistan in the same category include USA, followed by Germany and the UK. The fact that almost 50% of Pakistan's exports are destined to developed economies is evidence of the quality standards maintained by Pakistani exporters. Although, Pakistan enjoys duty free access through the CPFTA to the Chinese market, it has been able to secure just 0.32% of China's import of HS-901890.

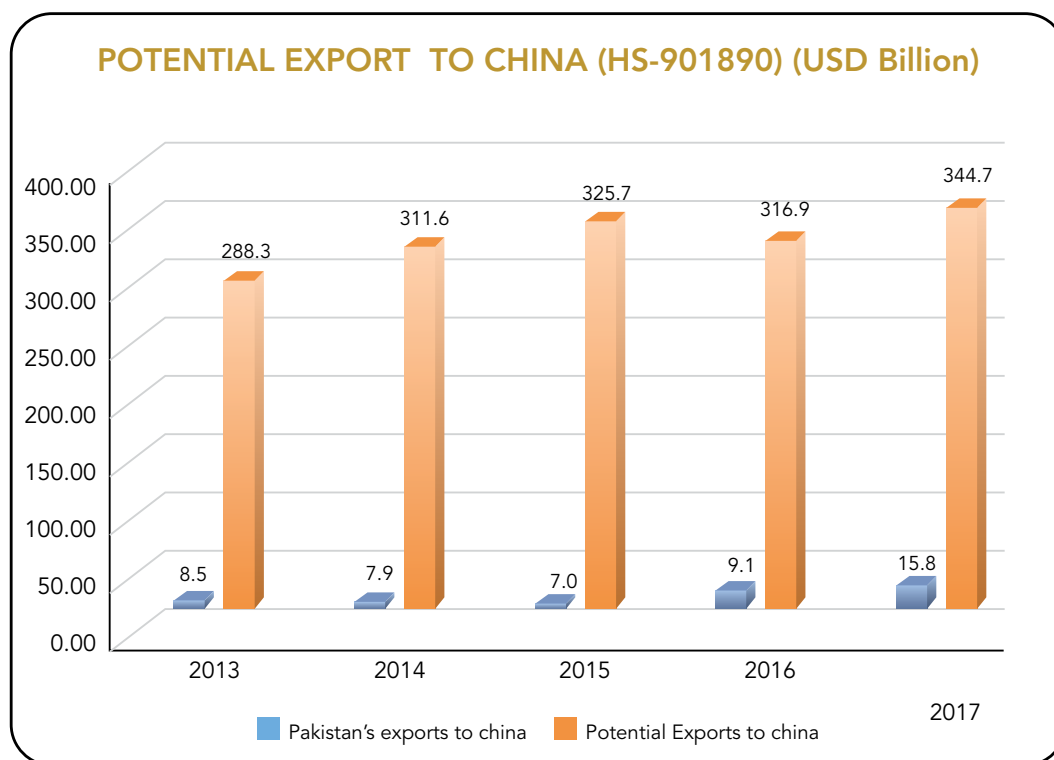


Figure 15: Pakistan’s potential exports to China of HS-901890 (USD Millions) (2013-17)

USA has been the biggest destination for Pakistani exports. However, during the last year, US imports of the said category declined both in value and share. Similarly, exports to France also fell in 2017. Meanwhile, exports to China, Germany and the UK rose during the year. Moreover, Pakistan enjoys Duty-free access to all countries in the table below, so in terms of duty, China doesn’t provide any additional benefits. The following table shows Pakistan’s top five export destinations of HS-901890 i.e. ‘instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.’.

Importers	2013	2014	2015	2016	2017	Share of total exports (%)
World	296,808	319,526	332,642	326,028	360,575	
USA	79,066	88,082	99,570	100,296	95,177	26%
Germany	43,272	44,697	48,261	45,992	49,218	14%
United Kingdom	34,447	37,481	34,195	31,778	33,893	9%
China	8,542	7,947	6,955	9,142	15,836	4%
France	13,946	15,447	14,218	14,332	12,193	3%

Table 47: Pakistan’s top five export destinations of HS-901890 i.e. ‘instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.’. (2013-17) (USD Million)

PAKISTAN INDUSTRY ANALYSIS

China is the largest importer of HS-901890 i.e. 'instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.' in the world. Largest portion of imports originate from the USA, 28%, followed by Germany, 21%. The following table shows China's top five import partners for HS901890.

Currently Pakistan ranks as the 18th largest supplier to China. Through the CPFTA, China has also granted Pakistan duty-free access while the rest of the top exporters of this product face a tariff of 3.6%. The proximity and size of the Chinese markets are also added advantages.

Importers	2013	2014	2015	2016	2017	Share of total imports (%)
World	1,607,105	1,907,251	2,116,668	2,367,233	2,462,790	
USA	605,085	658,074	650,139	704,916	680,875	28%
Germany	415,919	478,026	475,885	554,442	506,596	21%
Japan	303,566	370,387	364,474	378,720	418,223	17%
Mexico	41,286	115,259	238,312	280,928	329,728	13%
Israel	39,721	49,540	68,024	72,701	93,556	4%

Table 48: Top destinations of Pakistani export of HS-901890 (2013-17) (USD Million)

The following table shows the top 3 Pakistani exports at HS-08 for the tariff lines covered under HS-901890 i.e. 'instrument and appliances used in medical, surgical or veterinary sciences, n.e.s.'. The major chunk of the Pakistani exports in this category lies under 'others' while only \$1.4 million worth of surgical scissors were exported and only \$5000 worth of surgical knives.

HS-Code	Description	2013	2014	2015	2016	2017
90189090	Other	288,210	313,062	329,508	325,026	359,615
90189030	Surgical scissors	8,457	6,124	3,131	988	1,405
90189040	Surgical knives	119	213	2	0	5

Table 49: Top 3 Pakistani exports for the tariff lines covered under HS-901890 (2013-17) (USD 000')

SOURCES

Asia Regional Integration Center
Business Recorder
Crowell & Moring
CPEC
CPEC: Long Term Plan for China-Pakistan Economic Corridor (2017-2030)
Daily Mirror
Dawn
EU SME Centre: Business Opportunities and Challenges in The Textile and Apparel Market in China
Euro Monitor
Financial Times
ITC - Market Access Map
ITC - Trade Map
Ministry of Commerce China
Ministry of Commerce Pakistan
National Data – National Bureau of Statistics of China
The Diplomat
The Economist
The News
The World Bank – Data
UN Comtrade
Wikipedia
World Integrated Trade Solutions (WITS)
WTA /WTO and GATT Uruguay 1994
WTO Tariff Data Base

ANNEXURE 1

The top 40 Chinese textile and Apparel exports not effected by the additional tariffs imposed by US account for \$23.5 billion, i.e. 58% of total exports under the textile and Apparel categories (HS 50-HS63). The table below shows the top 40 goods, in 2017, not effected by the additional tariffs at the tariff line in USD millions.

HS-08 Code	Description	US Imports from China (USD Mn) (2017)	US Imports from the World (USD Mn) (2017)	US Imports from Pak (USD Mn) (2017)
61102020	Boys' or girls' garments imported as parts of playsuits of cotton, containing less than 23% ...	2,270.81	7,073.13	186.45
63079098	Furniture movers' pads of cotton	2,264.11	3,010.40	25.72
62046280	Girls' blue denim trousers and breeches of cotton, imported as parts of playsuits, not knitted ...	1,803.31	4,597.38	217.84
61103030	Boys' and girls' garments, imported as parts of playsuits, of man-made fibers, knitted or crocheted, ...	1,581.12	6,111.52	6.28
61159690	Socks and other hosiery, etc., knitted or crocheted, of syn fibers: cont 23% or more by weight ...	952.79	1,273.86	33.51
62121090	Brassieres, not containing lace or net or embroidery, of cotton, whether or not knitted or ...	886.65	2,183.63	0.86
62034245	Boys' blue denim trousers and breeches of cotton, imported as parts of playsuits, not knitted ...	861.82	5,206.36	204.70
63014000	Blankets and traveling rugs, of synthetic fibers, other than woven	792.74	853.54	0.45

HS-08 Code	Description	US Imports from China (USD Mn) (2017)	US Imports from the World (USD Mn) (2017)	US Imports from Pak (USD Mn) (2017)
62044340	Girls' dresses, of synthetic fibers, not knitted, with less than two colors in the warp	789.56	1,327.51	0.44
63039220	Curtains (including drapes) and interior blinds; curtain or bed valances of synthetic fibers, ...	658.22	1,081.54	20.56
61112060	Babies' garments and clothing accessories of cotton, knitted or crocheted (excl. Hats) , NOT ...	620.08	1,223.20	4.23
62052020	Boys' corduroy shirts of cotton, imported as parts of playsuits, not knitted or crocheted	602.01	2,696.30	5.53
61044320	Girls' dresses, knitted or crocheted, of synthetic fiber, containing less than 23 percent by ...	538.54	1,245.30	0.27
63026000	Toilet linen and kitchen linen, of terry toweling or similar terry fabrics, of cotton: dish ...	519.10	2,117.41	533.18
62114310	Girls' coveralls, jumpsuits, and similar apparel, of man-made fibers, not knitted nesoi	510.86	1,152.41	9.59
62064030	Girls' blouses, shirts, and shirt blouses, of man-made fibers, not knitted, with less than ...	494.19	1,469.90	0.54
61124100	Girls' swimwear, knitted or crocheted, of synthetic fibers, containing by weight 5 percent ...	457.73	916.53	0.03
61082290	Girls' briefs and panties, knitted or crocheted, of man-made fibers	439.89	906.27	0.05
62101050	Garments, made up of fabrics of heading 5602 or 5603: nonwoven disposable apparel designed ...	434.23	686.56	0.02
61083200	Girls' nightdresses and pajamas, knitted or crocheted, of man-made fibers, blanket sleepers	398.40	605.41	0.43
62019360	Men's or boys' anoraks, wind-breakers and similar articles, not knitted, of man-made fibers: ...	370.77	651.05	0.08
63023220	Bed linen: other than printed, not knit man-made fiber bolster cases, not embroidered, lace, ...	364.09	400.72	16.43
61091000	Boys' cotton other t-shirts, knitted or crocheted, except underwear	352.87	3,941.03	125.27
61046220	Girls' shorts, knitted or crocheted, of cotton, imported as parts of a playsuits	329.08	1,491.94	25.19
61089200	Girls' bathrobes, dressing gowns, negligees, and similar articles, knitted or crocheted, of ...	326.04	489.04	0.04
61046320	Girls' shorts, knitted or crocheted, of synthetic fibers, containing less than 23 percent of ...	320.01	1,696.19	0.74
62029348	Women's or girls' anoraks, wind-breakers and similar articles, not knitted, of man-made fibers, ...	311.45	514.68	0.43
63023190	Other bed linen nesoi, not printed/knit/napped, not containing embroidery, lace, braid, edging, ...	309.76	1,406.62	179.12
63079075	Other made up articles, including dress patterns: toys for pets, of textile materials	290.85	298.59	0.01

ANNEXURE 1

HS-08 Code	Description	US Imports from China (USD Mn) (2017)	US Imports from the World (USD Mn) (2017)	US Imports from Pak (USD Mn) (2017)
61099010	Boys' tanktops and singlets, knitted or crocheted, of other textile materials: of man-made ...	271.83	1,865.06	9.32
61101210	Men's or boys' pullovers, sweatshirts, and similar articles, wholly of cashmere, knitted or ...	269.97	324.16	0.00
61101100	Boys' sweaters, of wool, knitted or crocheted	266.48	369.92	0.00
62063030	Girls' blouses, shirts and shirt-blouses of cotton, imported as parts of playsuits, not knitted ...	265.44	967.70	4.87
63079089	Cotton pillow shells	261.38	296.08	1.23
63071020	Other made up articles, including dress patterns: dish cloths, of cotton	256.77	379.85	45.82
62121050	Brassieres, containing lace or net or embroidery, of cotton, whether or not knitted or crocheted	233.16	478.22	0.21
61023020	Girls' overcoats, carcoats, capes, cloaks, anoraks, windbreakers, and similar articles, knitted ...	215.61	479.74	0.64
61143010	Men's or boys' other garments, knitted or crocheted, of man-made fibers: tops	211.60	512.60	0.33
62044230	Girls' dresses, of cotton, not knitted, containing less than 36 percent of flax fibers, corduroy	207.79	540.23	0.81
61044420	Girls' dresses, knitted or crocheted, of artificial fibers, containing less than 23 percent ...	207.77	493.53	0.01
Total of top 40 Chinese exports not under Section 301		23,518.86	63,335.09	1,661.21

ANNEXURE II

The following table shows the steel exports benefiting from the increase in Chinese tax rebate policy released on 5th September 2018.

Product Code	Description	Adjusted tax rebate rate (%)	China's exports to Pakistan in 2017 (USD Bn)	China's exports to US in 2017 (USD Bn)	China's exports to world in 2017 (USD Bn)
72052100	Powders of alloy steel	9	0.07	33.34	33.34
72091510	Flat rld prod, a yield strength exceed 355N/mm2, w > =600mm,thk > =3mm	13	-	0.38	0.38
72124000	Flat rld prod,i/nas,w	9	1.05	46.38	46.38
72173090	Wire, of iron/nonalloy steel, coated with other base matals	13	0.04	34.45	34.45
72221100	Bars/rods, stainsl stl, nfw th ht rl/drwn/extrud, of circ cros sectn	9	1.50	26.93	26.93
72221900	Bars/rods, stainless steel, nfw than hot rld/drawn/extrud, nes	9	0.20	6.43	6.43
72222000	Bars/rods, stainless steel, nfw than cold formed/cold finished	9	0.34	42.58	42.58
72223000	Bars/rods, stainless steel, nes	9	0.14	17.46	17.46
72224000	Angles, shapes & sections, stainless steel	9	0.76	65.02	65.02
72230000	Wire of stainless steel	9	1.61	235.23	235.23
72292000	Wire of Si-Mg steel	9	1.60	244.88	244.88
73021000	Rails, iron/steel(i/s)	13	16.10	167.83	167.83
73023000	Switch blades/crossng frogs/point rods/oth crossng pieces,iron/stl	13	3.33	39.59	39.59

ANNEXURE II

Product Code	Description	Adjusted tax rebate rate (%)	China's exports to Pakistan in 2017 (USD Bn)	China's exports to US in 2017 (USD Bn)	China's exports to world in 2017 (USD Bn)
73024000	Fish plates & sole plates, iron/steel	13	0.13	18.96	18.96
73029010	Sleepers (cross-ties)	13	-	4.52	4.52
73029090	Rail/tramway construction material of iron/steel, nes	13	0.05	24.90	24.90
73030090	Tubes, pipes & hollow profiles of cast iron, nes	13	1.52	199.49	199.49
73043110	Boiler tube/pipe, i/non alloy s, smls, circular cs, cold drw/rld	13	0.58	30.07	30.07
73043120	Geo casng/drill pipe, i/non alloy s, smls,circul cs, cold drw/rld	13	0.51	2.44	2.44
73081000	Bridges & bridge sections, i/s	13	3.98	144.44	144.44
73082000	Towers & lattice masts, i/s	13	71.95	537.44	537.44
73083000	Doors, windows & their frames & thresholds for doors of i/s	13	11.49	892.73	892.73
73084000	Equipment for scaffolding, shuttering, propping/pit-propping, i/s	13	7.03	875.89	875.89
73089000	Structure/parts nes, prepd plate,rods etc for struct, i/s	13	225.71	8,352.15	8,352.15
73090000	Reservoirs, tanks, vats & sim ctnr, cap > 300L, i/s	9	10.50	281.74	281.74
73101000	Tanks, casks, drums, cans, boxes&sim contr, i/s, cap. > =50L but<300L	9	0.31	57.88	57.88
73102110	Tear tab ends and bodies, closed by soldering or crimping	9	0.75	24.34	24.34
73102190	Other cans of iron or steel, capacity<50l	9	2.33	403.93	403.93
73110010	Containers for compressd/liquefied gas, i/s, for retail packng	9	0.57	51.36	51.36
73121000	Stranded wire,ropes & cables of i/s, not electrically insulated	9	17.69	1,489.40	1,489.40
73129000	Plaited bands, slings & the like of i/s, not elec insulated	9	0.18	44.15	44.15
73130000	Wire,barbed,twisted hoop,sgl flat/twisted double of i/s,for fencing	9	1.29	66.35	66.35
73141200	Woven endless bands for machinery of stainless steel	9	-	1.20	1.20
73141400	Other woven cloth of stainless steel wire	9	0.60	162.25	162.25
73141900	Other woven cloth of i/s wire (including endless bands), for technical use	9	0.17	46.51	46.51
73142000	Grill,netting,fencing,i/s,welded inter, cs dim > =3mm,ms > =100 scm	9	0.81	40.99	40.99
73143100	Grill/nettng/fencng, i/s, welddd at intersectn, coatd with zinc	9	2.67	207.30	207.30
73143900	Grill/nettng/fencng, i/s, welddd at intersection, nes	9	1.00	94.88	94.88
73144100	Grill/netting/fencing, i/s, nes, zinc platd/coat	9	2.07	203.57	203.57
73144200	Grill, netting, fencing, i/s, plastic coated	9	0.66	60.03	60.03

ANNEXURE II

Product Code	Description	Adjusted tax rebate rate (%)	China's exports to Pakistan in 2017 (USD Bn)	China's exports to US in 2017 (USD Bn)	China's exports to world in 2017 (USD Bn)
73144900	Grill, netting, fencing, i/s, nes	9	0.99	148.07	148.07
73145000	Expanded metal, i/s	9	0.53	44.06	44.06
73151120	Roller chain, i/s, for motorcycles	16	9.77	244.17	244.17
73151190	Roller chain, i/s, nes	16	3.48	345.95	345.95
73151200	Chain, articulated link, i/s, nes	16	0.32	85.62	85.62
73170000	Nails, stpl & sim art, i/s,excl art of head No 8305 &art w/Cu hd	9	10.69	1,195.93	1,195.93
73181100	Screws, coach, i/s	9	0.14	20.82	20.82
73181200	Screws, wood, i/s, nes	9	0.08	107.57	107.57
73181300	Screw hooks & screw rings of i/s	9	0.55	27.43	27.43
73181400	Screws, self-tapping, i/s	9	2.72	477.57	477.57
73181510	Other screws and bolts, tensile strength > =800MPa	9	5.46	605.23	605.23
73181590	Other screws and bolts, tensile strength<800MPa	9	14.35	1,808.20	1,808.20
73181600	Nuts, i/s, nes	9	5.68	925.48	925.48
73181900	Threaded articles of i/s, nes	9	1.49	412.14	412.14
73182100	Washers, spring/lock, i/s	9	0.17	51.08	51.08
73182200	Washers, i/s, nes	9	1.14	323.92	323.92
73182300	Rivets, i/s	9	0.34	56.29	56.29
73182400	Cotters & cotter-pins, i/s	9	0.41	150.35	150.35
73182900	Non-threaded articles of i/s, nes	9	0.86	113.47	113.47
73194010	Pins, safety, i/s	9	0.17	8.61	8.61
73194090	Pins, i/s, nes	9	1.07	33.54	33.54
73199000	Articles for use in the hand, i/s, similar to sewing needles/pins	9	1.04	48.46	48.46
73201010	Leaf-springs and leaves, of i/s, for railway vehicles	9	-	0.27	0.27
73201020	Leaf-springs and leaves, of i/s, for motor vehicles	9	0.10	119.25	119.25
73201090	Other leaf-springs and leaves, of i/s, nes	9	0.11	27.35	27.35
73202010	Helical springs, i/s, for railway vehicles	9	0.06	4.24	4.24
73202090	Helical springs, i/s, other than for railway vehicles	9	0.96	218.95	218.95
73209010	Other springs, i/s, nes, for railway vehicles	9	-	1.32	1.32
73209090	Other springs, i/s, nes, other than for railway vehicles	9	0.60	100.73	100.73
73211210	Kerosene cooking stoves, i/s	9	0.00	26.68	26.68
73218100	Household/camping appliances,i/s, nes, for gas or gas/oth fuels	9	0.22	237.77	237.77
73218200	Household/camping appliances,i/s, nes, for liquid fuel	9	0.02	10.57	10.57
73221100	Radiators & parts thereof, cast iron	9	-	38.84	38.84

ANNEXURE II

Product Code	Description	Adjusted tax rebate rate (%)	China's exports to Pakistan in 2017 (USD Bn)	China's exports to US in 2017 (USD Bn)	China's exports to world in 2017 (USD Bn)
73221900	Radiators & parts thereof, i/s, other than cast iron	9	0.00	40.21	40.21
73229000	Air heaters,hot air distributors,parts, non-electrical-heated	9	0.04	61.90	61.90
73231000	I/s wool,incl pot scourers, polishing pads, gloves & like,i/s	9	8.51	203.22	203.22
73251010	Cast articles of non-malleable cast iron, nes, for technical use	9	0.46	90.11	90.11
73251090	Cast articles of non-malleable cast iron, nes, not f techncl use	9	0.91	344.99	344.99
73259100	Balls, grinding & similar articles of i/s, cast for mills	9	2.89	58.20	58.20
73259910	Cast articles of i/s, nes, for technical use	9	0.05	121.16	121.16
73259990	Cast articles of i/s, nes, not for technical use	9	0.17	71.64	71.64
73261100	Balls,grinding & similar art. of i/s, forged/stamped, not f/wkd	13	0.45	538.87	538.87
73261910	Forged/stamped articles of i/s, nfw, nes, for technical use	9	1.39	178.30	178.30
73261990	Forged/stamped articles of i/s, nfw, nes,not for techncl use	9	1.37	302.94	302.94
73262010	Articles of iron/steel wire, nes, for technical use	9	0.42	92.58	92.58
73262090	Articles of iron/steel wire, nes, not for technical use	13	3.77	893.31	893.31
73269011	Steel fibres and articles thereof for technical use	9	0.01	22.33	22.33
73269019	Articles, i/s, for technical use,nes	9	15.41	906.91	906.91



8th Floor, Dawood Center, M.T. Khan Road, Karachi - Pakistan
Telephone: +92 21 3563 0528-29 Fax: +92 21 3563 0530 Website: www.pbc.org.pk