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2020년 8월
석사학위 논문

A Study on Trade Policy of Pakistan and South Korea

- 파키스탄과 한국의 무역정책에 관한 연구 -

조선대학교 대학원

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List of Abbreviations

1. Organization for Economic Cooperation and Development	OECD
2. Organization of Islamic Council	OIC
3. South Asian Association for Regional Cooperation	SAARC
4. Association of South East Asian Nations	ASEAN
5. Gross Domestic Product	GDP
6. European Union	EU
7. World Trade Organization	WTO
8. General Agreement on Tariffs and Trade	GATT
9. General Agreement on Trade in Services	GATS
10. Foreign direct investment	FDI
11. Balance of Trade	BOT
12. Trade & Investment Framework Agreement	TIFA
13. Pak-Malaysia Trade Agreements, China-Pakistan FTA	CPFTA
14. Information Technology	IT
15. Asia-Europe Meeting	AEM
16. Asia-Pacific Economic Cooperation	APEC
17. Research and development	R&D
18. Non-tariff barriers	NTBs
19. Freight on Board	FOB
20. National identity card	NIC
21. National tax number	NTN

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ABSTRACT

A study on Trade Polices of Pakistan and South Korea

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The country's trade policy has an overall impact on economic growth, poverty reduction and job creation. In developing countries as well as in developed countries, the country's trade policy serves as an indicator of domestic economic growth and the direction of business operations. Furthermore, today's trade policy is adding importance in that it leads to political and economic diplomatic conflicts with other countries.

Pakistan is actively seeking to increase productivity in the public sector and attract investment from the private sector by attempting to reform the public sector in the administrative sector and improve the service system for the national infrastructure. In addition, it is showing a move to promote internal market competition and actively attract foreign investment by adopting an open economic system. Pakistan, like many other countries, has been pursuing trade policies in the direction of expanding trade performance and improving import and export balances.

This study focused on the trade policy of Pakistan and South Korea, trade relations, and the status of bilateral free trade agreements, and analyzed Pakistan and South Korea's trade policy in detail. Pakistan has signed several regional trade agreements to maintain sustained economic growth. In particular, the Pakistani government has strengthened market access with third countries through the Free Trade Agreement (FTA). In addition to free trade agreements with China, Malaysia, Sri Lanka and South Asian Free Trade Zone (SAFTA) countries, it has also signed a PTA with Iran. It is also pursuing a free trade agreement with Singapore, Indonesia, Turkey and Kazakhstan. The trend is also strengthening trade diplomatic efforts with regional trade agreements, including the South Asian Regional Cooperative Federation (SAARC) and Mercosur (MECOSUR). As such, Pakistan is pursuing a free trade agreement with a focus on expanding exports of textile products, the largest industry. Pakistan's free trade agreements are being pushed toward lowering trade barriers and trade tariffs to strengthen trade freedom. Based on the Korean

government's trade policy, this study was conducted to analyze the feasibility of the Pakistani government's trade policy direction and to predict its performance.

초록

국가의 무역 정책은 경제 성장, 빈곤 감소 및 일자리 창출 등에 전반적인 분야에 영향력을 가진다. 개발도상국에서는 물론이고 선진국에서도 그 나라의 무역정책은 국내 경제 성장과 기업의 운영 방향에 지표를 제공하는 기능을 한다. 나아가 오늘날 무역 정책은 다른 나라와의 정치적, 경제적인 외교적 갈등으로 연결되는 점에서 중요성을 더해 가고 있다.

파키스탄은 행정 분야의 공공개혁과 국가 기간산업에 관한 서비스 체계 개선을 시도함으로써 공공부문의 생산성 확대와 민간부문의 투자유치를 적극 도모하고 있다. 또한 개방적 경제체제를 채택하여 내부적인 시장 경쟁을 촉진하고 해외투자를 적극적으로 유치하려는 움직임을 보이고 있다. 파키스탄도 다른 많은 나라들과 마찬가지로 무역 성과 확대, 수입 및 수출 수지의 양적 개선이라는 방향으로 무역 정책을 추진해 오고 있다.

본 연구는 파키스탄과 한국의 무역 정책, 무역 관계, 양국의 자유 무역 협정 체결 현황에 초점을 맞추었고, 파키스탄과 한국의 무역 정책을 자세히 분석하였다. 지속적인 경제성장을 유지하기 위해 파키스탄은 여러 지역무역 협정을 체결하였다.

특히, 파키스탄 정부는 자유무역협정(FTA, Free Trade Agreement)을 통해 제 3국과의 시장 접근을 강화하였다. 중국, 말레이시아, 스리랑카, 남아시아자유무역지대(SAFTA) 국가들과 자유무역협정을 체결하는가 하면, 이란과는特惠무역협정(PTA)을 체결하기도 하였다. 그리고 싱가포르, 인도네시아, 터키, 카자흐스탄과 자유무역협정 체결을 추진 중에 있다. 남아시아지역협력연합(SAARC), 메르코수르(MECOSUR)를 포함한 지역 무역협정 권역과의 통상외교 노력도 강화하고 있는 추세이다. 이처럼 파키스탄은 최대 산업인 섬유 제품의 수출 확대에 중점을 두고 자유무역협정을 추진하고 있다. 파키스탄의 자유 무역 협정은 세금과 무역 관세를 낮추어 무역 자유를

강화하는 방향으로 추진되고 있다. 이 연구는 한국 정부 의 무역정책을 바탕으로, 파키스탄 정부의 무역정책 방향의 타당성을 분석하고 성과를 예측하기 위한 목적에서 추진되었다.

CHAPTER 1:

1.1 INTRODUCTION

The global trade catalogues with an increase or decrease in trade volume by economic activity variations. Trade is not only related to the commodities, but also linked with services and technology. To understand the importance of trade along with its related factors, the trade policy is an extremely important element. Trade policy strengthens the economic development and growth by increasing exports, investment and employment.¹ The imports and exports are contributing factors to the Gross Domestic Product (GDP). The main concern of trade policy is a choice between free trade policy and protection policy. Where, Free trade refers to the form of trade pacts, the duties and tariffs imposed by the countries on exports and imports. The main aim to assess these duties and tariffs is to eliminate or reduce the trade barriers and encourage international trade. Free Trade agreements "provide preferential tariff treatment". The trade agreements include the clauses for rule-making and trade facilitation particularly in the areas of intellectual property, technical standards, government procurement, phytosanitary and sanitary issues, and investment. Whereas, protectionism², the protection policy, provides a safeguard to domestic industries from foreign competition in terms of subsidies, tariffs, import quotas, trade restrictions, and the handicaps on the imports by foreign competitors.

Protectionism³ and liberalization⁴ (free trade policy) are the two main instruments for governments⁵ to maintain control of international trade⁶, the two different types of foreign trade policy. However, the state's minimum intervention in the international trade is known as Free trade policy⁷. The intervention has been done by controlling the demand and supply.

¹ Nomura, R. *et al.* (2019) 'Expansion of Free Trade Agreements, Overlapping Free Trade Agreements, and Market Size', pp. 3–19.

² Lewis, S. R. and Guisinger, S. E. (1968) 'Measuring Protection in a Developing Country: The Case of Pakistan', *Journal of Political Economy*. University of Chicago Press, 76(6), pp. 1170–1198.

³ Siles-Brügge, G. (2011) 'Resisting Protectionism after the Crisis: Strategic Economic Discourse and the EU-Korea Free Trade Agreement', *New Political Economy*, 16(5), pp. 627–653.

⁴ Sukar, A. and Ahmed, S. (2019) 'Rise of trade protectionism: the case of US-Sino trade war', *Transnational Corporations Review*. Routledge, 11(4), pp. 279–289.

⁵ Arkolakis, C. (2010) 'Market penetration costs and the new consumers' margin in international trade', *Journal of Political Economy*, 118(6), pp. 1151–1199.

⁶ Bahmani-Oskooee, M. and Kara, O. (2005) 'Income and price elasticities of trade: Some new estimates', *International Trade Journal*, pp. 165–198

⁷ Egger, P. H. and Lassmann, A. (2012) 'The language effect in international trade: A meta-analysis', *Economics Letters*, 116(2), pp. 221–224.

While “Protectionism”, is a trade policy that protects from international competitors⁸ in the Local/domestic market⁹ by using tariff or non-tariff instruments. By adopting any of these trade policies, according to the economic condition of a country; it affects international trade, consequently the economic growth.

The economic growth is associated with the international trade and its policies, in many ways such as increased employment opportunities, attracts¹⁰ more investment, and generates investment, efficient utilization of domestic resources, and technical efficiency that support foreign exchange in developing as well as in underdeveloped sectors of an economy. Many researchers^{11 12 13} explored literature¹⁴ that the participating countries of international trade become more productive by getting, more investment opportunities than the non-participating¹⁵ countries. The non-participating countries are only involved in producing for local markets, where there is no foreign competition and less exposure. Trade liberalization in free trade brings the economies closer to make a bond between external factors and trade policy, more exposure to the foreign competitors, increased investment, and superior quality of products and services. Therefore, the economic growth of a country is a significant relationship with the international trade in the current era. The policymakers, while making the trade policies, are cautious about the terms of international trade. Concerning the EU's (European Union) trade policy¹⁶, during the last 20 years¹⁴ the liberalization policy has been employed¹⁷ to support and increase the international trade.¹⁸ An economic expansion and growth¹⁹ were observed by employing the trade liberalization policy by the EU.²⁰ For

⁸ Gorgoni, S., Amighini, A. and Smith, M. (2018) ‘Automotive international trade networks: A comparative analysis over the last two decades’ *Network Science*. Cambridge University Press, pp. 571–606

⁹ Linnemann, H. (1966) ‘An econometric study of international trade flows’. North-Holland.

¹⁰ Ahmed, V. et al. (2019) ‘Informal flow of merchandise from India: The case of Pakistan’, in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 47–70

¹¹ Rinity, T. and Ollege, C. (2002) *The Trade Policy-Making Process Level One of the Two-Level Game: Country Studies in the Western Hemisphere ITD-STA*.

¹² Schott, J. J. (no date) *Free Trade Agreements: Boon or Bane of the World Trading System?*

¹³ Kravchenko, A. (2019) *Session 5-Evidence-based trade policy formulation: impact assessment of trade liberalization and FTA*.

¹⁴ ur Rehman, M., ur Rehman, S. and Ali, M. (2019) *relationship of exchange rate with various macroeconomic variables*.

¹⁵ Lewis, M. K. (2020) ‘Mega-FTAs and Plurilateral Trade Agreements: Implications for the Asia-Pacific’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 419–433

¹⁶ Young, A. R. (2015) ‘Liberalizing trade, not exporting rules: the limits to regulatory co-ordination in the EU’s “new generation” preferential trade agreements’, *Journal of European Public Policy*. Routledge, 22(9), pp. 1253–1275.

¹⁷ Levitt, C. J., Saaby, M. and Sørensen, A. (2019) ‘The impact of China’s trade liberalization on the greenhouse gas emissions of WTO countries’, *China Economic Review*. Elsevier B.V., 54, pp. 113–134.

¹⁸ Meunier, S. and Nicolaidis, K. (2006) ‘The European Union as a conflicted trade power’, *Journal of European Public Policy*, 13(6), pp. 906–925.

¹⁹ Meunier, S. and Czesana, R. (2019) ‘From backrooms to the street? A research agenda for explaining variation in the public salience of trade policy-making in Europe’, *Journal of European Public Policy*. Routledge, 26(12), pp. 1847–1865.

²⁰ Schmidt, V. A. (2019) ‘Politicization in the EU: between national politics and EU political dynamics’, *Journal of European Public Policy*. Routledge, 26(7), pp. 1018–1036.

liberalization of trade policy, countries make trade agreements with no trade tariffs. General Agreement on Tariffs and Trade (GATT) - when the developed countries give trade concessions to least developed or the developing countries, the developing or least developing countries should not expect to a make matching offer in return to this trade agreement.^{21 22}

However, GATT with its clause “Generalized System of Preferences” (GSP)²³ - a unilateral relationship between developing and developed countries than a reciprocal prudential agreement. Agreement on Trade-Related Aspects of Intellectual Property Rights (TRIPS)²⁴ has been introduced as an agreement to enhance the technology transfer among the member countries. The waivers²⁵ are also provided on trade to the member countries. Waiver refers²⁶ to the exemptions provided by the governments to certain companies from taxes and tariffs on some specific goods. Therefore, the trade policies employed in different countries of the world, the trade policy of Pakistan and South Korea is taken into consideration. The European Union, with 27 European countries²⁷ providing investment plans to stimulate economic growth. Moreover, more investment in local markets and FDI (foreign direct investment) also increase the employment rate²⁸ that lead to economic expansion. These investment and employment reforms are based on trade liberalization policies²⁹. The trade policies are also provided by WTO (World Trade Organization)³⁰ to the member countries including least developed, developing (Pakistan and South Korea)³¹ and the developed economies. The WTO provides trade agreements to the member countries to increase their trade volume. These agreements include:

²¹ A. R. (2019) 'Two wrongs make a right? The politicization of trade policy and European trade strategy', *Journal of European Public Policy*. Routledge, 26(12), pp. 1883–1899.

²² *Trade Policy Agenda and 2019 Annual Report OF THE PRESIDENT OF THE UNITED STATES ON THE TRADE AGREEMENTS PROGRAM* (2020).

²³ González, A. et al. (2020) *20-1 Developing Countries Can Help Restore the WTO's Dispute Settlement*

²⁴ *THIS REPORT CONTAINS ASSESSMENTS OF COMMODITY AND TRADE ISSUES MADE BY USDA STAFF AND NOT NECESSARILY STATEMENTS OF OFFICIAL U.S. GOVERNMENT POLICY* Voluntary Report-Voluntary-Public Distribution (2020).

²⁵ Yeo, A. D., and Deng, A. (2019a) 'The trade policy effect in international trade: the case of Pakistan', *Journal of Economic Structures*. Springer, 8(1). doi: 10.1186/s40008-019-0169-8.

²⁶ Chen, X. and Gao, X. (2020) 'Exploring the Dynamic Nexus Between the European Union's Trade and Foreign Policy Toward East Asia', in, pp. 115–137.

²⁷ *Who we are-WTO* (2020).

²⁸ Xu, X. (2000) 'International trade and environmental regulation: Time series evidence and cross-section test', *Environmental and Resource Economics*, 17(3), pp. 233–257.

²⁹ Wu, M. et al. (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

³⁰ "Id 24"

³¹ Young, A. R. (2015) 'Liberalizing trade, not exporting rules: the limits to regulatory co-ordination in the EU's "new generation" preferential trade agreements', *Journal of European Public Policy*. Routledge, 22(9), pp. 1253–1275.

In this study, the trade policy of Pakistan concerning South Korea is discussed. The trade policy³² of Pakistan is witnessed³³ to boost up the economic growth by the strong trade liberalization policies adopted by Pakistan during the last three decades. There is a flexible exchange rate policy since 1982³² and the free float policy adopted from 2000 till 2017.³³ Besides, the flexible exchange rate policy, price of imports, and export³⁴ (commodities) has been changed accordingly after adopting trade liberalization policies.³⁵ Therefore, trade of Pakistan with other countries of the world has an important role in economic growth; technological advancement and increased industrial production for economic growth and industrial production. Pakistan is an agriculture-based country³⁶ and earns foreign exchange by the export of cotton, rice, fruits and vegetables, vegetable oil and wheat³⁷. However, the main exports of South Korea³⁸ include electronic products, motor vehicles (particularly automobiles), machinery, ships, steel, clothing and textiles.

The top imports of South Korea³⁹, include are Integrated Circuits (\$32B), Crude Petroleum (\$74.8B), Refined Petroleum (\$20.2B), Petroleum Gas (\$23B), and Coal Briquettes (\$14.1B) during 2018-19.

South Korea exports mostly to United States (\$73.1B), China (\$160B), Hong Kong (\$44.5B), Vietnam (\$48.6B) and Japan(\$30.8B).^{40 41} South Korea imports of mostly from Germany(\$20.4B), Saudi Arabia (\$23.5B), Japan (\$51.5B), United States(\$55.8B) and China (\$107B).⁴²

³² Coe, D. T. and Moghadam, R. (2020) 'Capital and Trade as Engines of Growth in France: An Application of Johansen's Cointegration Methodology', *Staff Papers - International Monetary Fund*. Springer Nature, 40(3), p. 542

³³ Curran, L. and Eckhardt, J. (2020) 'EU Trade Policy in a Trade-Skeptic Context', in, pp. 139–161

³⁴ Yeo, A. D. and Deng, A. (2019b) 'The trade policy effect in international trade: case of Pakistan', *Journal of Economic Structures*. Springer, 8(1), pp. 1–17.

³⁵ *The trade policy effect in international trade: the case of Pakistan | SpringerLink* (2019).

³⁶ *Trade policy effect in international trade: the case of Pakistan | springerprofessional.de* (2019). the-trade-policy-effect-in-international-trade case-of-Pakistan

³⁷ Baysan, T. (1992) 'TRADE POLICIES IN PAKISTAN', pp. 459–478.

³⁸ Wu, M. et al. (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

³⁹ *Trade Effects of the EU–South Korea Free Trade Agreement in the Automotive Industry: Journal of East-West Business: Vol 0, No 0* (2020).

⁴⁰ "Id 39"

⁴¹ Wei, D., Chen, Z. and Rose, A. (2019) 'Estimating economic impacts of the US-South Korea free trade agreement', *Economic Systems Research*. Routledge, 31(3), pp. 305–323.

⁴² "Id 39".

1.2 PROBLEM STATEMENT

In the economics literature, the foreign trade and economic growth nexus has been explored by many researchers.⁴³ With the increased globalization trends and the proliferation of international trade integrations Pakistan⁴⁴ for reshaping the trade policies with foreign countries. Pakistan has reasserted its position by adopting a proactive policy to boost up its performance in international trade. This transformation of trade policies of Pakistan has focused on increasing bilateral trade relationships in the global front with major trade partners. Currently, Pakistan is actively participating in three bilateral free trade agreements, including Pakistan-Sri Lanka FTA (free trade agreement)⁴⁵ [operational since 2005], Pakistan-China FTA⁴⁶ [operating since 2006], and Pakistan-Malaysia FTA⁴⁷ [operational since 2008]. This thesis does not only analyze the trade policies of Pakistan and South Korea but also concerning the economic growth of both the countries. This study focuses particularly on the laws and policies of Pakistan and South Korea in terms of free trade. This relationship has been analyzed in the light of FDI (foreign direct investment)⁴⁸ growth and BOT (balance of Trade). The ease in trade policies and favorable laws boost up the economic growth. This scenario has been observed by the economic indicators of both the countries. This policy and laws also affect imports, exports, economic growth factors of trade and trade patterns. Most of the previous research⁴⁹ on this topic, have focused on a causal relationship between FDI and economic growth based on the data of many countries, however, the laws and polices implied on trade between Pakistan and South Korea have not been studied extensively. This study has focused on the mentioned area by making a comparative analysis and effect of these policies on trade, and ultimately economic growth. Moreover, the developing economies consider some important factors while forming a policy such as: Trade rules-setting of includes the following factors to be regulated as openness, liberalization, ease of

⁴³ *International Trade Journal: Vol 34, No 3* (2020).

⁴⁴ Shen, Z., Puig, F. and Paul, J. (2017) 'Foreign Market Entry Mode Research: A Review and Research Agenda', *International Trade Journal*. Taylor and Francis Inc., 31(5), pp. 429–456.

⁴⁵ Koźluk, T. and Timiliotis, C. (2016) 'Do environmental policies affect global value chains? A new perspective on the pollution haven hypothesis'. OECD Publishing.; *The International Trade Journal: Vol 34, No 3* (2020).

⁴⁶ Rotunno, L. (2016) 'Political stability and trade agreements: Evidence for "endgame FTAs"', *European Journal of Political Economy*. Elsevier B.V., 45, pp. 133–148.

⁴⁷ *The trade policy effect in international trade: the case of Pakistan | SpringerLink* (2019). *The trade policy effect in international trade: the case of Pakistan | springerprofessional.de* (2020).

⁴⁸ *The International Trade Journal: Vol 34, No 3* (2020).

⁴⁹ *The trade policy effect in international trade: the case of Pakistan | SpringerLink* (2019).

trade policies and enforcement, promote exports and control, customs, trade barriers, tariffs, trade remedies, investment, trade preferences and trade adjustment. The developing economies still face many issues related to fiscal policies, the balance of payment, liberalization, trade barriers, tariffs, customs duties, inflation and exchange rate.^{50 51}

1.3 SIGNIFICANCE OF STUDY

This study aims to contribute to the economics literature thorough understanding of laws and policies towards the foreign trade pattern of Pakistan and South Korea from different perspectives. It also examines the impact on the economic growth of both countries during the last four decades.

To pursue this aim, the extensive understanding would be attained on these issues: was foreign trade an important determinant of Pakistan's economic growth during the last four decades, and how did trade policies/laws affect the economic growth, changing export-import policies would restructure the trade patterns of Pakistan and South Korea.⁵² The objective of this study is to explore that the ease of trade policies/laws increases the overall trade of Pakistan and South Korea. The trade policies/laws have a significant positive relationship with economic growth of Pakistan, the trade policies/laws have a significant positive relationship with economic growth of South Korea, the trade policies⁵³ of Pakistan are influenced by the political instability. The trade policies/laws of Pakistan are affected by the macroeconomic variables (inflation & exchange rate and the trade policies/laws of South Korea are affected by the macroeconomic variables (inflation & exchange rate).⁵⁴ This relationship was not discussed in detail previously, the volume of trade between Pakistan and

⁵⁰ Qi, C. and Zhang, J. X. (2018) 'The economic impacts of the China-Australia Free Trade Agreement - A general equilibrium analysis', *China Economic Review*. Elsevier B.V., 47, pp. 1-11. ; Quisumbing, A. R. et al. (2015) 'Gender, assets, and market-oriented agriculture: learning from high-value crop and livestock projects in Africa and Asia', *Agriculture and Human Values*. Kluwer Academic Publishers, 32(4), pp. 705-725.

⁵¹ Radchenko, N. and Corral, P. (2018) 'Agricultural Commercialization and Food Security in Rural Economies: Malawian Experience', *Journal of Development Studies*. Routledge, 54(2), pp. 256-270.; Rakodi, C. (1999) 'A capital assets framework for analyzing household livelihood strategies: Implications for policy', *Development Policy Review*. Blackwell Publishing Ltd, 17(3), pp. 315-342. ; Rifin, A. et al. (2020) 'Assessing the impact of limiting Indonesian palm oil exports to the European Union', *Journal of Economic Structures*. Springer Science and Business Media LLC, 9(1).

⁵² Khan, M. (2015) 'An ascertainment of multi-sectorial programs for trade and aid between Pakistan and South Korea; challenges, opportunities and way forward', 5(11), pp. 240-251.

⁵³ Summer, D., Christie, M. E. and Boulakia, S. (2017) 'Conservation agriculture and gendered livelihoods in Northwestern Cambodia: decision-making, space and access', *Agriculture and Human Values*. Springer Netherlands, 34(2), pp. 347-362.

⁵⁴ Wei, D., Chen, Z., and Rose, A. (2019) 'Estimating economic impacts of the US-South Korea free trade agreement', *Economic Systems Research*. Routledge, 31(3), pp. 305-323.

South Korea is not huge. I have explored that Pakistan is exporting⁵⁵ cotton, vinegar, knitted and crocheted articles, salt, lime, cement, skins and hides, oils, oil seed grains and fruits to Korea. This study is based on previous research and not on empirical analysis.

⁵⁵Wu, M. *et al.* (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

CHAPTER 2: Literature Review

2.1 TRADE POLICIES OF PAKISTAN

There are many important factors⁵⁶ in the ‘conventional’ discourse⁵⁷ ineffective tariff liberalization⁵⁸ because of long sensitive lists of the non-tariff barriers, Free Trade Agreements, political issues and lack of trade facilitation in Pakistan.

In South Asia⁵⁹, after India, Pakistan and Bangladesh are considered as two big countries in terms of land areas, population and real Gross Domestic Product (GDP). Pakistan shared 8.3% of GDP in 2019. The trade agreements of Pakistan contribute much in this regard. Moreover, the trade agreements⁶⁰ of Pakistan are helpful in increasing the trade volume as well as the economic growth. These trade agreements⁶¹ include Pak-Afghanistan Transit Trade Agreement, Trade & Investment Framework Agreement -TIFA (Pakistan and USA), Agreement on South Asian Free Trade Area (SAFTA), Pak-Malaysia Trade Agreements, China-Pakistan FTA (CPFTA), and Pak-China Free Trade Agreement in Services, Pak-China Early Harvest Program, Pak Sri Lanka Free Trade Agreement, Pak-Iran Preferential Trade Agreement, Pak-Mauritius Preferential Trade Agreement and Pak-Indonesia Preferential Trade Agreement⁶². [See Appendix I]. The trade policy of Pakistan affects the demand and supply mechanism⁶³ particularly on agricultural goods. It is evident⁶⁴ that in the province of Punjab, the chickpea market is highly sensitive to the trade policy. Due to the tax rate and tariffs imposed on imports and exports as well as on the pesticide industry. These tariffs increase the cost of the farmers; the price of the finished product is increased. The

⁵⁶ Ahmed, V., Suleri, A. Q. and Adnan, M. (2019) ‘FDI in India: Prospects for Pakistan’, in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 193–219

⁵⁷ Ahmed, V. *et al.* (2019) ‘Informal flow of merchandise from India: The case of Pakistan’, in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 47–70

⁵⁸ Ahmed Ali (2020) ‘Trade Policy Of Pakistan’, *Development Policy Review*, 38(2)

⁵⁹ Alavi, H. A. (2019) ‘Kinship in West Punjab Villages’, *Contribution to Indian Economy*, 6(1), pp. 1–27

⁶⁰ Asem, E. and Gupta, K. L. (2019) ‘Foreign Aid and the Welfare Cost of Inflation’, in *Foreign Aid: New Perspectives*. Springer US, pp. 37–48

⁶¹ Chanda, R. (2019) ‘Trade in services between India and Pakistan’, in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 147–192.

⁶² “Id 61”

⁶³ Cookson, F. E. and Shamsul Alam, A. K. M. (2020) towards greater sub-regional economic cooperation : limitation, obstacles, and benefits. University Press.

⁶⁴ EVALUATING THE EFFICIENCY OF CHICKPEA MARKETS IN PUNJAB, PAKISTAN (2020) : Pak. J. Agri. Sci., Khalid Mushtaq*, Asghar Ali, Abdul Ghafoor, Maqsood Hussain and Shahzad Hameed; Vol. 57(2), 585-590;

empirical analysis show that there is an endogenous relationship exists between the trade policy and demand and supply of agricultural goods in Pakistan. Along with the agriculture sector, the energy sector of Pakistan is also facing problems due to the tight trade policies. The proper supply of electricity and gas to agriculture sector is still not maintained. Due to this reason, this sector is not producing as much as it is expected to do. However, other macroeconomic factors such as foreign direct investment, trade agreements and subsidies on imports or exports also contribute to this relationship. Further, Pakistan, being a developing country,⁶⁵ mainly depends upon agriculture sector. More than 25%⁶⁶ of its economy is living below the poverty line. There is lack of education and health facilities. The terrorism rate is quite high due to poverty. In this scenario, the tourism industry is also contributing less to the GDP. Tourism activities⁶⁷ are one of the major sources for economic growth. In this regard, Pakistan has provided an ease in getting visit visa to promote this sector. In addition to this, according to the international standards⁶⁸, the infrastructure of Pakistan is relatively dismal⁶⁹ as compared to the other developing economies, as it is suffering from multi-fold infrastructural issues. The major issues include power, water, irrigation, as well as transport sectors⁷⁰. These infrastructure deficiencies have a negative impact on the economic growth. It increases the production costs that hinder the economy and competitiveness of companies working in Pakistan.

Moreover, due to the high competitiveness⁷¹, Pakistan is facing many challenges⁷² in the export market of China and India. Logistic efficiency, high cost of transept, lack of market access and low capital are the major challenges. Furthermore, the literature⁷³ explored that Pakistan is in need to form trade policy that allows a massive investments in different sectors

⁶⁵ Hassan, F. S., Javaid, K. and Majid, H. (2019) 'Pakistan-India bilateral trade in sports goods sector', in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 245–272.

⁶⁶ Hassan, M. S., Wajid, A. and Kalim, R. (2017) 'Factors affecting trade deficit in Pakistan, India and Bangladesh', *Economia Politica*. Springer International Publishing, 34(2), pp. 283–304.

⁶⁷ Casaca, P. and Wolf, S. O. (2020) *Terrorism revisited: Islamism, political violence and state-sponsorship*.

⁶⁸ *India-Pakistan Trade - Strengthening Economic Relations* | Nisha Taneja | Springer (2020)

⁶⁹ *Informal Trade in the SAARC Region* | SpringerLink (2020)

⁷⁰ Kiran, G. S. *et al.* (2020) 'Dietary administration of gelatinised polyhydroxybutyrate to *Penaeus vannamei* improved growth performance and enhanced immune response against *Vibrio parahaemolyticus*', *Aquaculture*. Elsevier B.V., 517. ⁶⁹Klasen, A. (2020 a) *The handbook of global trade policy*.

⁷¹ Hassan, M. S., Wajid, A. and Kalim, R. (2019) 'Factors affecting trade deficit in Pakistan, India and Bangladesh', *Economia Politica*. Springer International Publishing, 34(2), pp. 283–304.

⁷² "Id 71"

⁷³ Lama, M. P. (2019) 'India-Pakistan energy cooperation: Rethinking opportunities and newer approaches', in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 311–335.

of economy to upgrade existing as well as build a new infrastructure. However, it is found⁷⁴ that Pakistan has less or weak financial resources to maintain the competitiveness in export market and meet the trade challenges, so expose to a trade deficit. In addition to this, a huge gap is found⁷⁵ between capacity of public sector to build, maintain and operate infrastructure and implement the available resources such as human resources and management skills. Therefore, Pakistan has been recently entered⁷⁶ in to many agreements to improve its infrastructure and maintain a sustainable economic growth as well as to utilize its human resources. The China and Pakistan Economic Corridor (CPEC) is an important step in this context. It has improved the economic growth by providing employment opportunities and attracts more Foreign Direct Investment to the country. In order to increase the trade volume, it is forecasted that this agreement would be enhanced further and Russia⁷⁷ would become a trade partner of Pakistan and China. It is also expected that direct participation of Moscow would further strengthen this corridor initiative along with the position of Pakistan in the region. On the other hand, Gwadar remains the main focus of Pakistan for import and export. In this regard, the main aim is to reduce the trade burden and dependence on Port Qasim and Karachi port⁷⁸. This would help to make the full naval blockade of the country. It also helps to discourage negative effect of the potential blockade at Karachi port in times of Pakistan -India tension. Another logistic and economic objective of Pakistan is to envisage the development of Karachi port is to lower congestion. The trade policy of Pakistan is not only concerned with import and export but also focusing on the regional and international⁷⁹ trade agreement that lead to an economic growth. The present government is taking useful measures in this regard by providing ease in taxes and tariffs to many sectors.⁸⁰ The government has recognized⁸¹ the construction sector as an industry that

⁷⁴ Majid, H. and Mukhtar, N. (2019) 'Pakistan-India trade: An analysis of the health sector', in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 273–309.

⁷⁵ *The China-Pakistan Economic Corridor of the Belt and Road Initiative | SpringerLink* (2020)

⁷⁶ Tarp, F. et al. (2019) 'Danish Aid Policy: Theory and Empirical Evidence', in *Foreign Aid: New Perspectives*. Springer US, pp. 149–169.

Pohit, S. and Saini, R. (2015) 'India-Pakistan trade liberalization: A CGE modeling approach', in *India-Pakistan Trade: Strengthening Economic Relations*. Springer India, pp. 127–146.

⁷⁷ *The China-Pakistan Economic Corridor of the Belt and Road Initiative | SpringerLink* (2020)

⁷⁸ *The impact of foreign direct investment on trade in Pakistan: the moderating role of terrorism | Emerald Insight* (2020) ⁷⁹ *The Handbook of Global Trade Policy* (2020) *The Handbook of Global Trade Policy*. Wiley.

⁷⁹ Pakistan: the moderating role of terrorism', *Journal of Economic Studies*. Emerald Publishing Limited, ahead-of-print(ahead-of-print) ⁸¹ Wolf,

S. O. (2020k) 'The GSP+ Conundrum and the CPEC's Impact on EU-Pakistan Economic and Trade Relations', in, pp. 243–260 ⁸²Trade, Global Value Chains and Inclusive Growth in Asia and the Pacific - *The Handbook of Global Trade Policy - Wiley Online Library* (2020).

⁸⁰ Zajączkowski, J. and Wolf, S. O. (2019) 'EU-Pakistan relations: European perspectives at the turn of the twenty-first century', in *The Merits of Regional Cooperation: The Case of South Asia*. Springer International Publishing, pp. 131–151

⁸¹ Tarp, F. et al. (2019) 'Danish Aid Policy: Theory and Empirical Evidence', in *Foreign Aid: New Perspectives*. Springer US, pp. 149–169.

would be beneficial not only to this industry but also for a number of people associated to this industry. This would also increase the imports (construction material), the labor (specialized in construction), and skilled works⁸² and consequently would increase the foreign direct invest in Pakistan. In economics literature, the effects of foreign trade have been seen as a major factor for economic growth. The growth rate of the economies with free trade regimes is higher than the closed economies. The relation between foreign trade and total factor productivity in 93 countries⁸³ and concluded that TFP growth is faster in more open economies. The magnitude of the relationship between international trade and growth by not just considering its statistical significance but also regarding its economic significance, and revealed that a one percentage point increase in growth of exports leads to a one-fifth percentage point increase in economic growth. The exports of a country have significant effect on economic growth and increased role of export-led growth strategies in many developing countries^{84,85}. The exports are positively associated the economic growth. The empirical analysis revealed that exports are positively and significantly affect the economic development and growth when the countries achieved a handsome level of economic growth and development. The export orientation of countries with middle-income have a potential to grow faster as compared to the countries, less export-oriented and exports do not have a significant impact on economic growth of low and high-income countries.

2.2 TRADE POLICIES OF SOUTH KOREA

South Korean trade policy is highly dependent⁸⁶ upon vehicles, petroleum, oils, ships and electrical equipment. The major trade partners are United States, China, Japan, Hong Kong and Vietnam. These trade partners contribute⁸⁷ to the foreign direct investment of South Korea. The agriculture sector⁸⁸ of South Korea has the contribution in its GPD. However, it focuses⁸⁹ also on capital intensive industry. South Korea is also importing

⁸² Molecular detection of Enterocytozoon hepatopenaei and Vibrio parahaemolyticus-associated acute hepatopancreatic necrosis disease in Southeast Asian Penaeus vannamei shrimp imported into Korea - ScienceDirect (2020)

⁸³ X. (2000) 'International trade and environmental regulation: Time series evidence and cross-section test', Environmental and Resource Economics, 17(3), pp. 233–257

⁸⁴ Park, I. (2020) 'Regional Trade Agreements in East Asia: Past and Future', Development Policy Review. Blackwell Publishing Ltd, 38(2), pp.251

⁸⁵ Frankel, S. and Richardson, M. (2020) 'Limits of Free Trade Agreements: The New Zealand/Australia Experience', in, pp. 315–333.

⁸⁶ "Id 84"

⁸⁷ *The Handbook of Global Trade Policy* (2020) *The Handbook of Global Trade Policy*. Wiley.

technology to enhance the manufacturing sector. Extensive research and development supports the industries to outperform, and enhance the economic growth of South Korea. There are, at present, not tariffs implied by the WTO⁹⁰, but the taxes are imposed by the government at flat rates.⁹¹ Contrary to the economic conditions of Pakistan, South Korea is enjoying a trade surplus.⁹² Furthermore, South Korea has been entered into many trade agreements⁹³ with the United States of America, China, Australia the European Union. These trade agreements have increased⁹⁴ the economic growth, employment rate, foreign direct investment, skilled workers and technological reforms in the country. Furthermore, South Korea dealt in Biotechnology, pharmaceuticals, medical devices, healthcare, components of Information Technology (IT), industrial chemicals, semiconductor manufacturing, aerospace, defense, environmental technology energy, and transportation. Unlike Pakistan⁹⁵, South Korea has good educational and health care system. It is trading the healthcare, medical devices, biotech and pharmaceuticals that supports⁹⁶ the health sector. Moreover, earns⁹⁷ a handsome amount of trade surplus South Korea is also member of the ASEM (Asia-Europe Meeting) and Asia-Pacific Economic Cooperation (APEC) that has also strengthened the position of the country. In addition to this, the empirical literature is also found a significant relationship between trade policy of South Korea and its growth during short as well as in long run.⁹⁸

⁸⁸ Raihan, S. and De, P. (eds) (2020) *Trade and Regional Integration in South Asia*. Singapore: Springer Singapore (South Asia Economic and Policy Studies)

⁸⁹ Tarp, F. *et al.* (2019) 'Danish Aid Policy: Theory and Empirical Evidence', in *Foreign Aid: New Perspectives*. Springer US, pp. 149–169.

⁹³ Zajączkowski, J. and Wolf, S. O. (2019) 'EU-Pakistan relations: European perspectives at the turn of the twenty-first century', in *The Merits of Regional Cooperation: The Case of South Asia*. Springer International Publishing, pp. 131–151

⁹⁰ Wolf, S. O. (2020k) 'The GSP+ Conundrum and the CPEC's Impact on EU-Pakistan Economic and Trade Relations', in, pp. 243–260

⁹¹ *The impact of foreign direct investment on trade in Pakistan: the moderating role of terrorism | Emerald Insight* (2020)

⁹² *Trade, Global Value Chains and Inclusive Growth in Asia and the Pacific - The Handbook of Global Trade Policy - Wiley Online Library* (2020).

⁹³ *The impact of foreign direct investment on trade in Pakistan: the moderating role of terrorism | Emerald Insight* (2020)

⁹⁴ "Id 89"

⁹⁵ "Id 89"

⁹⁶ "Id 88"

⁹⁷ *The Handbook of Global Trade Policy* (2020) *The Handbook of Global Trade Policy*. Wiley.

⁹⁸ "Id 89"

2.3 TRADE RELATIONSHIP BETWEEN PAKISTAN AND SOUTH KOREA

The export-oriented policies of Pakistan and South Korea has boost up the growth and development of economy because the macroeconomic factors¹⁰⁰ affect the trade policy as well as economic growth. Pakistan is exporting¹⁰¹ cotton, vinegar, knitted and crocheted articles, salt, lime, cement, skins and hides, oils, oil seed grains and fruits to Korea. There is a trade relationship between both the countries. The exports of Pakistan to South Korea were amounted US\$242.39 million during 2019.

The economic performance¹⁰² is mainly concerned with the import substitution¹⁰³ and export-oriented policies. Trade liberalization¹⁰⁴ encourages transferring the technology¹⁰⁵ by the import of capital goods. Therefore, this technological improvement¹⁰⁶ has been raised by increasing export revenue¹⁰⁷ and inflows of foreign capital¹⁰⁸.

The export sector widens the volume of business¹⁰⁹ in the local market by the firms with a mission of achieving economies of scale¹¹⁰. With this purpose, the export sector allows a trade by concentrating the comparative advantage¹¹¹ at low-cost. A theory of economics¹¹² discusses that the export of a country leads to growth based on the strategy¹¹³ adopted by that

⁹⁹ Sgro, P. M. (1999) 'Book Reviews', *The Journal of International Trade & Economic Development*. Informa UK Limited, 8(3), pp. 319–320.

¹⁰⁰ The key macroeconomic variables are the gross domestic product (GDP), the unemployment rate, inflation, and interest rates.

¹⁰¹ Wu, M. *et al.* (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

¹⁰² This is everything about an economy- its growth, rate of price changes, unemployment, the performance of the current account, asset prices, etc. source: Clarke, G. R. G. (2020) 'From the Editor', *The International Trade Journal*. Informa UK Limited, 34(3), pp. 279–280.

¹⁰³ Montant, G. (2020) 'The Determinants of Intra-Oceanian Imports from 2001 to 2015: A Panel Gravity Model Approach', *The International Trade Journal*. Informa UK Limited, 34(3), pp. 297–318

¹⁰⁴ «Id 101»

¹⁰⁵ Chambers, R. G., Karagiannis, G., and Tzouvelekas, V. (2010a) '*American Journal of Agricultural Economics*. Oxford Academic, 92(5), pp. 1401–1419.

¹⁰⁶ «Id 105»

¹⁰⁷ Garbandi, E., Radmehr, R., and Saghaian, S. H. (2020) 'The Impact of Consumer Beef Safety Awareness on U.S. Beef Exports', *the International Trade Journal*. Informa UK Limited, pp. 1–22.

¹⁰⁸ DaSilva-Glasgow, D. (2020) 'Transactions Costs Perspective of Non-Tariff Barriers to Trade: An Analysis of Food and Agricultural Exports from Guyana Using Survey Data', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 339–364.

¹⁰⁹ Campi, M., and Dueñas, M. (2019) 'Intellectual property rights, trade agreements, and international trade', *Research Policy*. Elsevier B.V. (3), pp. 531–545.

¹¹⁰ Carrère, C. and de Melo, J. (2011) 'Notes on Detecting the Effects of Non-Tariff Measures', *Journal of Economic Integration*. Center for Economic Integration, 26(1), pp. 136–168.

¹¹¹ Kee, H. L., Nicita, A. and Olarreaga, M. (2009) 'Estimating trade restrictiveness indices', *Economic Journal*, 119(534), pp. 172–199.

¹¹² Klimentko, M., Ramey, G. and Watson, J. (2008) 'Recurrent trade agreements and the value of external enforcement', *Journal of International Economics*, 74(2), pp. 475–499

¹¹³ Miller, S. T. (2020) 'The Knowledge We Have Lost in Information: The History of Information in Modern Economics', *The International Trade Journal*, pp. 1–3.

country. It is an amplification strategy¹¹⁴ adopted a country that performs a crucial role related to foreign trade and export that lead to economic development and growth. The worldwide revolution¹¹⁵ regarding the relationship between export and growth has been observed¹¹⁶ and found that the trade policies are associated with potential¹¹⁷ as well as actual¹¹⁸ economic benefits¹¹⁹. The developing (South Korea and Pakistan) and developed countries adopt such trade policies that increase exports. The reduction in trade tariffs¹²⁰ and taxes¹²¹ are considered an important factor to promote exports. Along with these tariffs and taxes, effective protection at an average level, in particular, the discrimination against exports¹²² is reduced. The argument¹²³ in favor of degree of openness¹²⁴ or trade liberalization as a determinant of growth¹²⁵ leads to an increase in exports and efficient¹²⁶ use of resource allocation¹²⁷. In addition to this, the external competition globally is resulted increased exports and inflow of capital and import of advanced technology by the developing countries¹²⁸ from the developed economies¹²⁹. The country-specific barriers¹³⁰ such as weak property rights¹³¹ and institutional aspects towards the technology adoption would hinder¹³²

¹¹⁴ Nye, J. S. (2001) 'Globalization's Democratic Deficit: How to Make International Institutions More Accountable', *Foreign Affairs*. JSTOR,p.2

¹¹⁵ Odularu, G., Adetunji, B. and Odularu, A. (2020) 'Conclusion and Policy Recommendations: Creating an Enabling Business Ecosystem for Fostering Trade Opportunities in the Digital Age', in, pp. 213–218.

¹¹⁶ Ongan, S. and Gocer, I. (2020) 'The Causal Relationships between International Trade and International Tourism in NAFTA countries: Applications of Time and Frequency Domain Approaches', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 319–338.

¹¹⁷ Qi, C. and Zhang, J. X. (2018) 'The economic impacts of the China-Australia Free Trade Agreement - A general equilibrium analyses', *China Economic Review*. Elsevier B.V., 47, pp. 1–11.

¹¹⁸ Smith, H. (2009) 'North Korea: Market opportunity, poverty and the provinces', *New Political Economy*, 14(2), pp. 231–256.

¹¹⁹ Sukar, A., and Ahmed, S. (2019) 'Rise of trade protectionism: the case of US-Sino trade war', *Transnational Corporations Review*. Routledge,

¹²⁰ *The International Trade Journal: Vol 34, No 3* (2020)

¹²¹ Tinbergen, J. (1962) 'Shaping the World Economy: Suggestions for an International Economic Policy'. The Twentieth Century Fund. *This report contains assessments of commodity and trade issues made by USDA staff and not necessarily statements of official u.s. government policy voluntary report-voluntary-public distribution* (2020).

¹²² DaSilva-Glasgow, D. (2020) 'Transactions Costs Perspective of Non-Tariff Barriers to Trade: An Analysis of Food and Agricultural Exports from Guyana Using Survey Data', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 339–364.

¹²³ Williamson, J. G. (1965) 'Regional Inequality and the Process of National Development: A Description of the Patterns', *Economic Development and Cultural Change*. University of Chicago Press, 13(4, Part 2), pp. 1–84.

¹²⁴ Wu, M. et al. (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

¹²⁵ *This report contains assessments of commodity and trade issues made by USDA staff and not necessarily statements of official u.s. government policy voluntary report-voluntary-public distribution* (2020).

¹²⁶ *The International Trade Journal: Vol 34, No 3* (2020)

¹²⁷ Unctad (2020) *Trade policy frameworks for developing countries: A Manual of Best Practices*.

¹²⁸ , X. (2000) 'International trade and environmental regulation: Time series evidence and cross-section test', *Environmental and Resource Economics*, 17(3), pp. 233–257

¹²⁹ Vemuri, V. K. and Siddiqi, S. (2009) 'Impact of commercialization of the Internet on international trade: A panel study using the extended gravity model', *International Trade Journal*, 23(4), pp. 458–484

¹³⁰ Wall, R. et al. (2019) 'Which policy instruments attract foreign direct investments in renewable energy?',

¹³¹ are theoretical socially-enforced constructs in economics for determining how a resource or economic good is used and owned. Source: Costa, O. (2019) 'The politicization of EU external relations', *Journal of European Public Policy*. Routledge, 26(5), pp. 790–802

¹³² Turkson, F. E., Adjei, R. M. and Barimah, A. (2020) 'Does Trade Facilitation Promote Bilateral Trade in Sub-Saharan Africa? Policy and Issues', in, pp. 63–96.

the technology flow in the country that would lead to the income gaps¹³³ across the economies. In contrast to the technology flow in the production of services and manufacturing sectors, there are low technological reforms in agriculture sectors¹³⁴. However, the developing countries are mainly based¹³⁵ in the agriculture sector. But less technological reforms in this sector lead to slow or weak¹³⁶ the economic growth of the developing countries. Some of other researchers¹³⁷ recommend that import of technology for the agriculture sector in the form of machinery and equipment led growth¹³⁸ the hypothesis is somewhat, unswerving with the endogenous¹³⁹ growth literature¹⁴⁰. The trade policy of a developing country, in this regard, plays a vital role.

Theoretically, import of technology, intermediary goods¹⁴¹, capital goods¹⁴² and services increase the economy. The transfer of technology by the developing countries includes R&D¹⁴³ (research and development) spillover. Therefore, the Pakistan is now promoting the transfer of technology as the manufacturing and agriculture sector (major sector) are suffering from lack of technology. Both the sectors are producing up to the standard¹⁴⁴ due to lack of technological reforms whereas this case is not true for South Korea (due to the huge difference between the volumes of economy)¹⁴⁵. Moreover, imports of 85%¹⁴⁶ of developing countries including South Korea and Pakistan are based on transport equipment¹⁴⁷ and machinery¹⁴⁸ assist and economic

¹³³ Shen, Z., Puig, F. and Paul, J. (2017) 'Foreign Market Entry Mode Research: A Review and Research Agenda', *International Trade Journal*. Taylor and Francis Inc., 31(5), pp. 429–456

¹³⁴ The International Trade Journal: Vol 34, No 3 (2020)

¹³⁵ on Hunegnaw, F. B. and Kim, S. (2020) 'Exchange Rate and Sectoral Trade Balance Dynamics: Empirical Evidence from Eastern Africa Panel Data', *The International Trade Journal*. Informa UK Limited, pp. 1–17.

¹³⁶ Bermejo Carbonell, J. and Werner, R. A. (2018) 'Does Foreign Direct Investment Generate Economic Growth? A New Empirical Approach Applied to Spain', *Economic Geography*. Taylor and Francis Inc., 94(4), pp. 425–456.

¹³⁷ übner, K., Deman, A. S. and Balik, T. (2017) 'EU and trade policy-making: the contentious case of CETA', *Journal of European Integration*. Routledge, 39(7), pp. 843–857

¹³⁸ Bergsten, C. F. (1996) 'Globalizing free trade', *Foreign Affairs*, pp. 105–118.

¹³⁹ Grossman, Gene and Helpman, E. (1993) *The Politics of Free Trade Agreements*. Cambridge, MA

¹⁴⁰ Klimenko, M., Ramey, G. and Watson, J. (2008) 'Recurrent trade agreements and the value of external enforcement', *Journal of International Economics*, 74(2), pp. 475–499

¹⁴¹ Intermediate goods, producer goods, or semi-finished products are goods, such as partly finished goods, used as inputs in the production of other goods including final goods.

¹⁴² Unctad (2020) *Trade policy frameworks for developing countries: A Manual of Best Practices*.

¹⁴³ De Bièvre, D. (2018) 'The Paradox of Weakness in European Trade Policy: Contestation and Resilience in CETA and TTIP Negotiations', *International Spectator*. Routledge, 53(3), pp. 70–85.

¹⁴⁴ Pohit, S. and Taneja, N. (2020) 'India's Informal Trade with Bangladesh: A Qualitative Assessment', *The World Economy*. Wiley, 26(8), pp. 1187–1214.

¹⁴⁵ Raihan, S. and De, P. (eds) (2020) *Trade and Regional Integration in South Asia*. Singapore: Springer Singapore (South Asia Economic and Policy Studies)

¹⁴⁶ übner, K., Deman, A. S. and Balik, T. (2017) 'EU and trade policy-making: the contentious case of CETA', *Journal of European Integration*. Routledge, 39(7), pp. 843–857

¹⁴⁷ Shen, Z., Puig, F. and Paul, J. (2017) 'Foreign Market Entry Mode Research: A Review and Research Agenda', *International Trade Journal*. Taylor and Francis Inc., 31(5), pp. 429–456

¹⁴⁸ The International Trade Journal: Vol 34, No 3 (2020)

growth. These transport equipment and machinery is a source of transfer of technology. Furthermore, the rapid growth¹⁴⁹ of an open economy¹⁵⁰ rely upon high investment in the import of machinery and equipment as technology reforms. Another evidence¹⁵¹ is found from the developing countries that the trade policy affect the agriculture sector. It is also found that the unemployment¹⁵² even, the suicide rate has been increased due to the increased taxes and tariffs on agriculture and related industry.

In addition to this, the import and invest in human capital¹⁵³ is also key factor for economic growth. The trade policy, other than discussing the import and export regulations, also focuses on investment in human capital. The import of skilled workers and provide them lenient terms¹⁵⁴ of employment is also mentioned in the trade policy and lead to an economic growth.¹⁵⁵

The theoretical literature¹⁵⁶ concerning trade policy of developing counties¹⁵⁷ includes the discussion of the trade policy of Pakistan and South Korea. The trade policy of Pakistan is examined according to organizational¹⁵⁸ and geographical¹⁵⁹ clusters. The trade policy of Pakistan includes trade tariffs¹⁶⁰ including custom duty¹⁶¹ and taxes¹⁶² to generate revenue for the Government of Pakistan. However, the trade policy of Pakistan has also been critically¹⁶³ discussed and found that the trade policy of Pakistan has a significant effect¹⁶⁴ on imports and

¹⁴⁹ *Bulletin of the European Communities Supplement 1/76 European Union* (2020).

¹⁵⁰ Uust, M., Vahter, P. and Varblane, U. (2020) 'Trade Effects of the EU-South Korea Free Trade Agreement in the Automotive Industry', *Journal of East-West Business*. Routledge.

¹⁵¹ Wall, R. et al. (2019) 'Which policy instruments attract foreign direct investments in renewable energy?',

¹⁵² Ongan, S. and Gocer, I. (2020) 'The Causal Relationships between International Trade and International Tourism in NAFTA countries: Applications of Time and Frequency Domain Approaches', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 319-338. ¹⁶

¹⁵³ this report contains assessments of commodity and trade issues made by USDA staff and not necessarily statements of official u.s. government policy voluntary report-voluntary-public distribution (2020). ¹⁵⁰ *The International Trade Journal: Vol 34, No 3* (2020)

¹⁵⁴ Hunegnaw, F. B. and Kim, S. (2020) 'Exchange Rate and Sectoral Trade Balance Dynamics: Empirical Evidence from Eastern Africa Panel Data', *The International Trade Journal*. Informa UK Limited, pp. 1-17.

¹⁵⁵ Haveman, J. D. and Shatz, H. J. (2004) 'Developed Country Trade Barriers and the Least Developed Countries: The Current Situation', *Journal of Economic Integration*. Center for Economic Integration, 19(2), pp. 230-270.

¹⁵⁶ Grossman, Gene, and Helpman, E. (1993) *The Politics of Free Trade Agreements*. Cambridge, MA

¹⁵⁷ Hübner, K., Deman, A. S. and Balik, T. (2017) 'EU and trade policy-making: the contentious case of CETA', *Journal of European Integration*. Routledge, 39(7), pp. 843-857

¹⁵⁸ Hübner, K., Deman, A. S. and Balik, T. (2017) 'EU and trade policy-making: the contentious case of CETA', *Journal of European Integration*. Routledge, 39(7), pp. 843-857

¹⁵⁹ Unctad (2020) *Trade policy frameworks for developing countries: A Manual of Best Practices*.

¹⁶⁰ Odularu, G. O. A., Hassan, M. and Babatunde, M. A. (eds) (2020) *Fostering Trade in Africa*. Cham: Springer International Publishing (Advances in African Economic, Social and Political Development)

¹⁶¹ Ampuero, M. and Dueñas, M. (2019) 'Intellectual property rights, trade agreements, and international trade', *Research Policy*. Elsevier B.V., 48(3), pp. 531-545.

¹⁶² Bergsten, C. F. (2018) 'Globalizing free trade', *Foreign Affairs*, pp. 105-118.

¹⁶³ Leblond, P., and Viju-Miljusevic, C. (2019) 'EU trade policy in the twenty-first century: change, continuity and challenges', *Journal of European Public Policy*. Routledge, pp. 1836-1846.

¹⁶⁴ Wall, R. et al. (2019) 'Which policy instruments attract foreign direct investments in renewable energy?',

exports as compared¹⁶⁵ to the other developing countries¹⁶⁶. The non- tax/tariff barriers affect¹⁶⁷ the trade as well as environmental¹⁶⁸ policy. The entry cost¹⁶⁹ of the local market and free trade¹⁷⁰ agreement effect the on trade flow. Referring to the non-tariff barriers (NTBs), the trade inflow is increased with the NTBs. The same case is with the free trade agreements. However, the high entry cost discourages the flow of trade. The instruments¹⁷¹ of trade policy including non-tariff barriers, free trade agreements, taxes, and custom duty also affect the growth rate of labor¹⁷² productivity. Moreover, there found¹⁷³ a relationship between a trade policy of Pakistan. The mechanism of demand and supply¹⁷⁴, the microeconomic factors are also affected by the trade policy. The non-trade barriers increase the availability¹⁷⁵ of imported goods in the local market. In this regard, trade policy affects the demand and supply mechanism. This increases the supply of imported goods. On the other hand reduces the demand of local goods. The economic and political¹⁷⁶ determinants have been examined¹⁷⁷ regarding non-tariff barriers¹⁷⁸ and the effect of protection¹⁷⁹ for both tariff and non-tariff barriers on trade flow. The political¹⁸⁰ factors include the ruling parties and changing ministries¹⁸¹, resulted in changing the trade policies. Whereas, the¹⁸² factors include the macroeconomic factors¹⁸³ - inflation, interest rate, consumer

¹⁶⁵ Hunegnaw, F. B. and Kim, S. (2020) 'Exchange Rate and Sectoral Trade Balance Dynamics: Empirical Evidence from Eastern Africa Panel Data', *The International Trade Journal*. Informa UK Limited, pp. 1–17.

¹⁶⁶ , This report contains assessments of commodity and trade issues made by USDA staff and not necessarily statements of official u.s. government policy voluntary report-voluntary-public distribution (2020).

¹⁶⁷ Grossman, Gene, and Helpman, E. (1993) *The Politics of Free Trade Agreements*. Cambridge, MA

¹⁶⁸ Hernandez-Trillo, F. (2018) 'Mexico, NAFTA, and Beyond', *International Trade Journal*. Taylor and Francis Inc., 32(1), pp. 5–20.

¹⁶⁹ Schmidt, V. A. (2019) 'Politicization in the EU: between national politics and EU political dynamics', *Journal of European Public Policy*. Routledge, 26(7), pp. 1018–1036.

¹⁷⁰ Wall, R. *et al.* (2019) 'Which policy instruments attract foreign direct investments in renewable energy?',

¹⁷¹ Leblond, P. and Viju-Miljusevic, C. (2019) 'EU trade policy in the twenty-first century: change, continuity and challenges', *Journal of European Public Policy*. Routledge, pp. 1836–1846.

¹⁷² Haveman, J. D. and Shatz, H. J. (2004) 'Developed Country Trade Barriers and the Least Developed Countries: The Current Situation', *Journal of Economic Integration*. Center for Economic Integration, 19(2), pp. 230–270.

¹⁷³ Shen, Z., Puig, F., and Paul, J. (2017) 'Foreign Market Entry Mode Research: A Review and Research Agenda', *International Trade Journal*.

Taylor and Francis Inc., 31(5), pp. 429–456

¹⁷⁴ Leblond, P. and Viju-Miljusevic, C. (2019) 'EU trade policy in the twenty-first century: change, continuity and challenges', *Journal of European Public Policy*. Routledge, pp. 1836–1846.

¹⁷⁵ *The International Trade Journal: Vol 34, No 3* (2020)

¹⁷⁶ Williamson, J. G. (1965) 'Regional Inequality and the Process of National Development: A Description of the Patterns', *Economic Development and Cultural Change*. University of Chicago Press, 13(4, Part 2), pp. 1–84.

¹⁷⁷ Pöyhönen, P. (1963) 'Toward a general theory of the international trade', *Economiska Samfundets Tidskrift*, 16, pp. 69–77.

¹⁷⁸ Peres, M., Ameer, W. and Xu, H. (2018) 'The impact of institutional quality on foreign direct investment inflows: evidence for developed and developing countries', *Economic Research-Ekonomska Istrazivanja*. Taylor and Francis Ltd., 31(1), pp. 626–644.

¹⁷⁹ Vemuri, V. K. and Siddiqi, S. (2009) 'Impact of commercialization of the Internet on international trade: A panel study using the extended gravity model', *International Trade Journal*, 23(4), pp. 458–484

¹⁸⁰ Rotunno, L. (2016) 'Political stability and trade agreements: Evidence for "endgame FTAs"', *European Journal of Political Economy*. Elsevier B.V., 45, pp. 133–148.

¹⁸¹ Rotunno, L. (2016) 'Political stability and trade agreements: Evidence for "endgame FTAs"', *European Journal of Political Economy*. Elsevier B.V., 45, pp. 133–148.

¹⁸² This report contains assessments of commodity and trade issues made by USDA staff and not necessarily statements of official u.s. government policy voluntary report-voluntary-public distribution (2020).

price index, exchange rate and money supply. The trade policy is interrelated¹⁸⁴ to political and economic factors. The linkage is found between micro, macroeconomic factors, and trade policy of Pakistan. The internalization theory of Foreign Direct Investment¹⁸⁵ argues that the trade policy encourages the foreign direct investment, consequently the employment rate and money supply¹⁸⁶ also increases. Therefore, some adjustment policies¹⁸⁷ regarding employment has also been made to reduce unemployment as unemployment is harmful to economic growth. Both of these factors contribute to economic growth. So it is stated¹⁸⁸ that FDI as a contributing factor to economic growth is also affected by the trade policy. At the same time, FDI is also sensitive to the political and economic variables.

A handsome amount¹⁸⁹ of empirical literature time series¹⁹⁰ and cross-sectional¹⁹¹ studies have recommended that trade openness (liberalization) is positively¹⁹² related to economic development and growth. The relationship between economic growth and export has been investigated¹⁹³ by employing econometric tools¹⁹⁴. The evidence¹⁹⁵ of a causal¹⁹⁶ and correlational¹⁹⁷ analysis has been found. There is causality between trade policy and economic development as well as a significant correlation is found. Some of the research examines this relationship (economic development- growth and exports) based on the classical framework by

¹⁸³ Ortmann, S. (2012) 'The "Beijing consensus" and the "Singapore model": Unmasking the myth of an alternative authoritarian state-capitalist model', *Journal of Chinese Economic and Business Studies*, 10(4), pp. 337–359

¹⁸⁴ Peres, M., Ameer, W., and Xu, H. (2018) 'The impact of institutional quality on foreign direct investment inflows: evidence for developed and developing countries', *Economic Research-Ekonomika Istrazivanja*. Taylor and Francis Ltd., 31(1), pp. 626–644 ¹⁹⁴ *The International Trade Journal: Vol 34, No 3* (2020)

¹⁸⁵ Ongan, S. and Gocer, I. (2020) 'The Causal Relationships between International Trade and International Tourism in NAFTA countries: Applications of Time and Frequency Domain Approaches', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 319–338.

¹⁸⁶ , X. (2000) 'International trade and environmental regulation: Time series evidence and cross-section test', *Environmental and Resource Economics*, 17(3), pp. 233–257

¹⁸⁷ Odularu, G. O. A., Hassan, M. and Babatunde, M. A. (eds) (2020) *Fostering Trade in Africa*. Cham: Springer International Publishing (Advances in African Economic, Social and Political Development)

¹⁸⁸ Ongan, S. and Gocer, I. (2020) 'The Causal Relationships between International Trade and International Tourism in NAFTA countries: Applications of Time and Frequency Domain Approaches', *The International Trade Journal*. Taylor and Francis Inc., 34(3), pp. 319–338.

¹⁸⁹ Ortmann, S. (2012) 'The "Beijing consensus" and the "Singapore model": Unmasking the myth of an alternative authoritarian state-capitalist model', *Journal of Chinese Economic and Business Studies*, 10(4), pp. 337–359 ²⁰² Bergsten, C. F. (1996) 'Globalizing free trade', *Foreign Affairs*, pp. 105–118.

¹⁹⁰ Pulliainen, K. (1963) 'A world trade study: an econometric model of the pattern of the commodity flows of international trade in 1948–60', *Economiska Samfundets Tidskrift*, 16, pp. 78–91.

¹⁹¹ Hernandez-Trillo, F. (2018) 'Mexico, NAFTA, and Beyond', *International Trade Journal*. Taylor and Francis Inc., 32(1), pp. 5–20.

¹⁹² Rădulescu, M. and Druica, E. (2014) 'The impact of fiscal policy on foreign direct investments. Empiric evidence from Romania', *Economic Research-Ekonomika Istrazivanja*. Taylor and Francis Ltd., 27(1), pp. 86–106.

¹⁹³ an Beers, C. and Van Den Bergh, J. C. J. M. (1997) 'An empirical multi-country analysis of the impact of environmental regulations on foreign trade flows', *Kyklos*. Helbing und Lichtenhahn Verlag AG, 50(1), pp. 29–46

¹⁹⁴ Vemuri, V. K. and Siddiqi, S. (2009) 'Impact of commercialization of the Internet on international trade: A panel study using the extended gravity model', *International Trade Journal*, 23(4), pp. 458–484

¹⁹⁵ Shen, Z., Puig, F., and Paul, J. (2017) 'Foreign Market Entry Mode Research: A Review and Research Agenda', *International Trade Journal*. Taylor and Francis Inc., 31(5), pp. 429–456

¹⁹⁶ Park, K. H. (2020) 'Patterns and strategies of foreign direct investment: The case of Japanese firms', *Applied Economics*, 35(16), pp. 1739–

¹⁹⁷ , X. (2000) 'International trade and environmental regulation: Time series evidence and cross-section test', *Environmental and Resource Economics*, 17(3), pp. 233–257

employ in the least square estimation method and found the exports are an important element of economic growth. Moreover, the GDP ratio¹⁹⁸ is also positively correlated with exports. Furthermore, the exports (with easy trade policy) and economic growth have a linear¹⁹⁹ relationship. Therefore, new growth theories²⁰⁰ as well as the theories of endogenous growth recognize that trade openness²⁰¹ is the primary engine of growth. However, the effect of trade policy on GDP growth²⁰² has also been examined by some of the researchers by adding dummy variables²⁰³ as the determinants of GDP growth in the regression model. The results found that the economic growth of developing countries including Pakistan and South Korea²⁰⁴ have a significant positive relationship with exports (trade policy)²⁰⁵. In short, all these studies, previously conducted, have concluded a significant relationship between economic growth and foreign trade in developing countries. The general argument about this relationship has been explored as a positive significant relationship that exists between international trade and economic growth. These studies concluded differently according to the time period difference and investigated the variables are determining the causality and its direction in the relations. While some studies have revealed different direction of causality from export to economic growth, some others reveal it the opposite way round. Actually, this point is of importance for this study because the relationship and its causal direction among import, export and GDP growth is investigated.

¹⁹⁸ debt-to-GDP ratio is the metric comparing a country's public debt to its gross domestic product (GDP). Source: Hartman, S. W. (2011) 'NAFTA, the controversy', *International Trade Journal*, 25(1), pp. 5–34

¹⁹⁹ regression is a statistical method used in finance, investing, and other disciplines that attempt to determine the strength and character of the relationship between one dependent variable. Source: Hübner, K., Deman, A. S. and Balik, T. (2017) 'EU and trade policy-making: the contentious case of CETA', *Journal of European Integration*. Routledge, 39(7), pp. 843–857

²⁰⁰ Park, K. H. (2020) 'Patterns and strategies of foreign direct investment: The case of Japanese firms', *Applied Economics*, 35(16), pp. 1739

²⁰¹ Ortmann, S. (2012) 'The "Beijing consensus" and the "Singapore model": Unmasking the myth of an alternative authoritarian state-capitalist model', *Journal of Chinese Economic and Business Studies*, 10(4), pp. 337–359

²⁰² The gross domestic product (GDP) growth rate measures how fast the economy is growing.

Van Beers, C. and Van Den Bergh, J. C. J. M. (1997) 'An empirical multi-country analysis of the impact of environmental regulations on foreign trade flows', *Kyklos*. Helbing und Lichtenhahn Verlag AG, 50(1), pp. 29–46

²⁰³ Hernandez-Trillo, F. (2018) 'Mexico, NAFTA, and Beyond', *International Trade Journal*. Taylor and Francis Inc., 32(1), pp. 5–20.

²⁰⁴ Williamson, J. G. (1965) 'Regional Inequality and the Process of National Development: A Description of the Patterns', *Economic Development and Cultural Change*. University of Chicago Press, 13(4, Part 2), pp. 1–84.

²⁰⁵ Odularu, G. O. A., Hassan, M. and Babatunde, M. A. (eds) (2020) *Fostering Trade in Africa*. Cham: Springer International Publishing (Advances in African Economic, Social and Political Development) Uust, M., Vahter, P. and Varblane, U. (2020) 'Trade Effects of the EU–South Korea Free Trade Agreement in the Automotive Industry', *Journal of East-West Business*. Routledge.

CHAPTER 3: Analysis of Trade Policy (Pakistan & South Korea)

3.1 IMPORT AND EXPORT ANALYSIS OF PAKISTAN

A collection of policies rules and regulations about trade is known as trade policy. All the nations have their trade policy to conduct the business (domestic and foreign trade) reasonable for the country. The main aim of trade policy is to support the international trade of a country to carry on more smoothly. The clear goals and standards have been prepared to cope with the trade partners. The tariffs, taxes, quotas, and inspection regulations implied on imports and exports²⁰⁶ are the major part of trade policy. Though, some countries attempt to employ these regulations for protecting the local industries, heavily rely upon the trade policies. The heavy burden has been imposed on the importers by allowing the domestic manufacturers of goods and services to sell their goods at a lower price or increase the availability of goods. This act discourages the import of goods. However, to address trade challenges encountered by Pakistan on economic and financial fronts, the Ministry of Commerce of Pakistan has launched a transparent and comprehensive strategic framework²⁰⁷ of Trade Policy (2019) document. The trade policy would provide different trade measures to increase the volume of trade. Therefore, the STPF²⁰⁸ has been formed to achieve a sustainable high economic growth (high Gross Domestic Product) by increasing exports. The trade policy helps and supports the government, civil society, industry, and donors. The trade policy of Pakistan has some strategic salient features. These features include support of mark up to import as well as the purchase of machinery, introduced an export finance scheme towards some selected sectors of export, ad hoc²⁰⁹ relief has been given at 3%²¹⁰ by the Freight on Board (FOB) to reduce the effect of high-cost utilities,, establish "Export-import Bank" (EXIM Bank) to boost up the exports, promoting the service sector with the sector by institutional arrangements. Moreover, the regional trade is supported especially the

²⁰⁶ Beghin, J. C., Maertens, M. And Swinnen, J. (2019) 'Nontariff Measures and Standards in Trade and Global Value Chains', *Annual Review of Resource Economics*. Annual Reviews, 7(1), pp. 425–450. ; Khan, M. A. (2019) 'Potential Pakistan-South Korea Free Trade Agreement – Options for Pakistan', 9(11), pp. 1–9.

²⁰⁷ De Bièvre, D. (2018) 'The Paradox of Weakness in European Trade Policy: Contestation and Resilience in CETA and TTIP Negotiations', *International Spectator*. Routledge, 53(3), pp. 70–85.

²⁰⁸ Strategic Trade policy framework- provides a framework to increase the exports. Source: Sgro, P. M. (1999) 'Book Reviews', *The Journal of International Trade & Economic Development*. Informa UK Limited, 8(3), pp. 319–320.

²⁰⁹ Khan, M. A. (2019) 'Potential Pakistan-South Korea Free Trade Agreement – Options for Pakistan', 9(11), pp. 1–9.

²¹⁰ Milner, H. V. and Mukherjee, B. (2012) 'Democracy and the Skill-Bias in Trade Policy in Developing Countries', *SSRN Electronic Journal*, pp. 1–47.

trade with Afghanistan, China, and Iran. Furthermore, the mobilization of investment has been increased²¹¹ particularly in export-oriented industries with of “Special Economic Zones”. Exports are also related to tariffs and taxes. Their tariffs are designed for making the imports expensive than the products domestically produced. However, these tariffs barrier and taxes are imposed on imports of Pakistan to protect local companies and industries. Therefore, there are also non- tariff barriers are measures rather than the high import duties or tariffs for restricting the imports. Moreover, these tariffs help to protect domestic companies and industries especially established newly as well as from foreign competition. These tariffs, in some cases, also protect aging and inefficiency of domestic companies and industries from the foreign competition as well as domestic producers are being safeguarded from "dumping" by the foreign investors²¹² or governments. The tariffs are also a major means of generating revenues for the government.

The trade policy²¹³ newly-introduced by the Pakistani government is similar to the policies of three previous trade policies. The strategic framework of these policies is just the same. The framework would mainly focus on boosting exports of the country. The trade of Pakistan is evaluated on a regional base. The regional trade is related to trade policy and forecasts the outcomes of this trade as well as the trade performance of Pakistan. These regions include the Organization for Economic Cooperation and Development (OECD), Organization of Islamic Council (OIC), South Asian Association for Regional Cooperation (SAARC), Association of Southeast Asian Nations (ASEAN)²¹⁴, and the rest of the world. Additionally, the trade policy of Pakistan is affected by the following factors import price, export price, foreign direct investment, foreign exchange reserves exchange rate, and interest rate. Furthermore, these factors also contribute to the economic growth of Pakistan. Trade policy mainly uses to aggravate imports, exports and boost up the economic growth. Therefore, the trade officials²¹⁵ have conceded none of the previously employed strategic frameworks to come close for fulfilling their targets due to a wide gap in implementing the plans. The new policies are

²¹¹ Lee, J. W. and Swagel, P. (2019) ‘Trade barriers and trade flows across countries and industries’, *Review of Economics and Statistics*. MIT Press Journals, 79(3), pp. 372–382

²¹² Umer, F. (2013) ‘Impact of Trade Openness on Economic Growth of Pakistan: An ARDL Approach’, 3(11), pp. 392–398.

²¹³ Lewis, S. R., And Guisinger, S. E. (1968) ‘Measuring Protection in a Developing Country: The Case of Pakistan’, *Journal of Political Economy*. University of Chicago Press, 76(6), pp. 1170–1198.

²¹⁴ *Highlights of Economic Survey, 2018-19 | Business Recorder* (2019).

²¹⁵ Hooghe, L. And Marks, G. (2019) ‘Grand theories of European integration in the twenty-first century’, *Journal of European Public Policy*. Routledge, pp. 1113–1133.

expressed as the hope to implement to meet the targets being set by the government to boost up the shipments (exports).

Moreover, USD36 billion has been allocated to exports, announced by the Ministry of Commerce during 2015-2019 to improve export competitiveness. The transitioning from ‘factor driven’ economy towards ‘efficiency-driven’ and to ‘innovation-driven’, and to increase the share of trade in regional trade. Therefore, the exports of Pakistan have been declined below 16% in 2017-2018, USD 20.4 billion from USD 23.6 billion during 2016-2017. The political instability is considered a main reason of this decline²¹⁶. Moreover, exports of Pakistan have consistently been decreasing from USD 25 billion in 2015-2016. The export optimization is based on the monthly average recovery of 11-12pc²¹⁷ since the beginning of the present fiscal year, after the recovery rate was consistently dropped during the last three years. However, the pace of export growth has maintained the shipments that would be increased to USD 36 billion²¹⁸ during the next five years. This growth is considered a moderate growth even the country has a lot of “potentials to achieve higher growth in exports” that is explained as increased exports leads to huge FDI²¹⁹. FDI is a main determinant²²⁰ country’s economic growth. The trade policy of Pakistan is focusing²²¹ on investment gaps for creating an export surplus. The gender rationalization and mainstreaming of tariffs have been suggested new measures to improve export competitiveness, increase export of services, and diversify products and markets. The government also reviews the unfavorable terms related to free trade agreements to attain higher market access to sell the country's goods. According to the trade policy of 2019, the exports are pushed to USD 36²²² billion during the next five years. However, the ministry of commerce of Pakistan has focused on policy transparency and consistency. Therefore, the longer period in concern to the policy-making will allow the ministry to review the policy interventions during the mid-term." However, the success of a policy during short to long-term is based on a strategic framework, while that does not guarantee the success unless the policy incorporates

²¹⁶ Highlights of Economic Survey, 2018-19 | Business Recorder (2019). ²¹⁸ Highlights of Economic Survey, 2018-19 | Business Recorder (2019).

²¹⁷ Juust, M., Vahter, P., And Varblane, U. (2020) ‘Trade Effects of the EU–South Korea Free Trade Agreement in the Automotive Industry’, Journal of East-West Business.

²¹⁸ Bartels, L. (2007) ‘The trade and development policy of the European Union’, European Journal of International Law, 18(4), pp. 715–756.

²¹⁹ *The International Trade Journal: Vol 34, No 3* (2020)

²²⁰ *The impact of foreign direct investment on trade in Pakistan: the moderating role of terrorism*

²²¹ Gruber, S. et al. (2019) ‘2019 National Trade Estimate Report on FOREIGN TRADE BARRIERS UNITED’, United States Trade Representative.

²²² Caldara, D. et al. (2020) ‘The economic effects of trade policy uncertainty’, Journal of Monetary Economics. Elsevier B.V., 109, pp. 38–59.

with the regulations of other sectors of the country. These sectors include agriculture, industry, labor, planning, finance, and others. In addition to that, the provinces have clear-cut responsibilities to achieve the targets of the trade policy.

It would attract both foreign private and domestic investment to support value-addition, manufacture for export surpluses, resolve long-standing issues such as inefficiencies, outdated technology, low productivity, encourage new industries and sectors to venture into the exports of Pakistan.

The objective of this policy framework is to realize the country's real exports that have the potential to create jobs for millions of labor enter the market to seek jobs every year. Moreover, STPF acts as an "umbrella" under which monetary, finance, agricultural, industrial, labor, energy and other policies have been designed to help and support the country for achieving the set targets by the "trade policy". However, STPF must provide a periodic or quarterly review for implementing the policy as per the interventions and recommendations by the body to address the drawbacks, flaws, and shortcomings. This body²²³ is headed by the prime minister by him and consulted about other policies or trade agreements are devised. These policies potentially could harm or affect the implementation of the interventions and recommendations spelled out by the STPF. It is considered as the only way to implement the trade policy and would be ensured. The ministries' would also focus to divert back on exports. Moreover, three commodities including rice, textiles, and leather are constituted more than two-thirds of the total exports of Pakistan.

3.1.1 LIST OF TARIFFS IN PAKISTAN

The following tariffs are imposed on the trade policy of Pakistan²²⁴:

- Import duty
- Export duties
- Regulatory duties
- Additional customs duty Table 1

²²³ Yeo, A. D., and Deng, A. (2019a) 'The trade policy effect in international trade: case of Pakistan', *Journal of Economic Structures*. Springer, 8(1), pp. 1–17.

²²⁴ Khan, M. A. (2019) 'Potential Pakistan-South Korea Free Trade Agreement – Options for Pakistan', 9(11), pp. 1–9.

Table 1. Economic Indicators of Pakistan 2019

Pakistan Trade	2018-19	2017-18	Highest Trade in 2018-19	Lowest Trade 2018-19	Unit of Trade	+(increase in trade)
Balance of Trade	-2122	-1437.75	-244	-0.272	USD Million	[+]
Current Account	-736	-661	141	-6308	USD Million	[+]
Current Account to GDP	-4.8	-6.3	4.	-8.5	percent	[+]
Imports	3075	3181	444	0.58	USD Million	[+]
Exports	953.29	1740	199	0.308	USD Million	[+]
External Debt	111047	106891	11104	33172	USD Million	[+]
Terms of Trade	61.7	60.6	94.	49.2	points	[+]
Remittances	5627	5918	591	906	USD Million	[+]
Gold Reserves	64.63	64.63	65.4	64.38	Tonnes	[+]
Foreign Direct Investment	289	223.1	1262.	-367.5	USD Million	[+]
Capital Flows	-360	-3516	162	-5364	USD Million	[+]
Crude Oil Production	85	92	9	50	BBL/D/1K	[+]
Terrorism Index	7.89	8.18	9.0	6.12		[+]

Source: Economic Survey of Pakistan 2018- 2019²²⁵

²²⁵ Ministry of Finance Government of Pakistan | (2020). Ministry of finance Pakistan- Economic Survey; pp;1-228

The above table shows the economic indicators of Pakistan. Previous show the value at the fiscal year ended 2017-18, last is the value of fiscal year ended 2018-19, highest value during the year 2018-19 and lowest value of economic indicators on year ended 2018-19. Therefore, the exact dates of the highest and lowest points are not mentioned in the economic survey. The ease in trade tariffs and rebate in taxes have increase the volume of trade and there found no trade deficit during the fiscal years 2018-2019. There is a positive response in current account and increase in imports and exports. Remittances and Foreign direct investment show a positive trend (increase), consequently, GDP is also increased. furthermore, the capital flow is also raised with the production of crude oil but there is a negative sign to the economy and the policy makers must keep an eye on it, the terrorism index is also increased that creates depression in the country. The data has been collected from the economic survey (an authenticated source), provided by the ministry of finance and approved by the government.

3.1.2 TYPES OF TARIFFS AND TRADE BARRIERS

There are different types of barriers and tariffs that the government employs to regulate the trade and to generate revenues.²²⁶

- Specific tariffs: the fixed amount of fee has been levied on one unit of the imported goods is known as a specific tariff.
- Licenses: these are granted by the government to run a business for importing certain products. Therefore, the types of products are specified.
- Import quotas: these quotas are associated with license issuance.
- Voluntary export restraints: the exporting countries usually create these restraints than the importing countries to control and maintain the exports.
- Local content requirements: the restriction on imports and exports can be imposed in percentage terms of goods or the percentage term of value (monetary) of the goods.

²²⁶ Umer, F. (2013) 'Impact of Trade Openness on Economic Growth of Pakistan: An ARDL Approach', 3(11), pp. 392–398.

Therefore, the non-tariff barriers²²⁷ are, sometimes, considered unjustified /unreasonable packaging, product standards, labeling, quality conditions, and quota shares levied on the exporting countries by the importing country. The classification of imported products could ban Import licenses. While product-specific or general quotas are imposed with the price discrimination of imported goods.

3.1.3 TRADE POLICY FOR IMPORTS

Imports are made against all payment modes subjected to the procedures and policies prescribed by the “State Bank of Pakistan”²²⁸. The importers of the private sector can be entered into Commodity Exchange Arrangements with the exporters or foreign suppliers based on the regulations notified by the “State Bank of Pakistan” in import manual. The import of all goods is allowed from all the sources worldwide unless otherwise prohibited, banned, or restricted. The financial institutions of Pakistan under the monitoring of State Bank of Pakistan provided services to the importers in the form of Letters of Credit (L/C) or Bill of Lading (B/L)²²⁹ issued before the import is being done. However, the import duty on machinery, plant, and other equipment new or refurbished or used is allowed in the relocation of projects in the industrial sectors except for some industries. Whereas the spare parts in a list of regular inventory for projects are also permitted for import, whether old, secondhand, or new. Gwadar,²³⁰ seaport, of Pakistan is announced to be the special economic zone. The trade of goods at Gwadar the “Special Economic Zone”²³¹ from tariff area or from abroad is regulated by the Federal Government. The policy, procedures, rules, bylaws, and regulation of trade in this are also set by the Federal Government.

²²⁷ Pavlínek, P. (2018) ‘Global Production Networks, Foreign Direct Investment, and Supplier Linkages in the Integrated Peripheries of the Automotive Industry’, *Economic Geography*. Taylor and Francis Inc., 94(2), pp. 141–165

²²⁸ Umer, F. (2013) ‘Impact of Trade Openness on Economic Growth of Pakistan: An ARDL Approach’, 3(11), pp. 392–398.

²²⁹ External Relations Department- State Bank Announces Measures to Facilitate Export-Oriented Sectors and Manufacturing Concerns, Letter no. ERD/M&PRD/PR/01/2020-12- January 28, 2020, pp.1-6

²³⁰ Yeo, A. D. and Deng, A. (2019a) ‘The trade policy effect in international trade: the case of Pakistan’, *Journal of Economic Structures*. Springer, 8(1), pp. 1–17.

²³¹ *The trade policy effect in international trade: case of Pakistan | springerprofessional.de*

Imports of Pakistan - Machinery, petroleum, chemicals, vehicles & spare part, edible oil, wheat, tea, fertilizers, plastics material, paper board, iron & steel, pharmaceuticals product.²³²

Procedure of imports include: NTN- National Tax Number Certificate, which is issued by the Income Tax Department on the filing of application form accompanied with one attested copy of NIC (National identity card). Opening of a bank account²³³ is necessary for the exporter. Current bank account is required for import proceedings and documents. Furthermore, sales tax registration is required to import into Pakistan. For registration, Form ST-1 (sales tax) is required to send to the local sales tax registration office via post with acknowledgment due. A membership certificate acquired from “Chamber of Commerce and Industries” or any relevant trade association of Pakistan. Sales tax is charged on import of Pakistan. Every importer is required to pay sales tax on taxable goods at the rate of 16-18% at the time of importation. "Taxable Goods" means all goods other than those which have been exempted from Sales Tax.

3.1.4 IMPORT STRATEGY AND MEASURES

Import of mobile transit mixtures / dumpers, import of used buses, used cryogenic containers, secondhand / used cement bulkers, import of prime movers, import of used dump trucks, CFC (chlorofluorocarbon) based compressors, Import of static road rollers, imports from India, import of CNG (gas) busses from India²³⁴. The import strategy²³⁵ of Pakistan includes ban on import of poultry and its product from South Korea, Kazakhstan, Russia, Mongolian, Greece, Turkey, Croatia, Azerbaijan, Italy, Ukraine Bulgaria, Iraq, Austria, Slovakia, Herzegovina and Bosnia will be lifted with certification from respective veteran authority. The veteran authority of the exporting country provides a certificate to the birds that these birds are only from prescribed flocks.

²³² Yeo, A. D. and Deng, A. (2019a) 'The trade policy effect in international trade: the case of Pakistan', *Journal of Economic Structures*, Springer, 8(1), pp. 1–17.

²³³ External Relations Department- State Bank Announces Measures to Facilitate Export–Oriented Sectors and Manufacturing Concerns, Letter no. ERD/M&PRD/PR/01/2020-12- January 28, 2020, pp.1-6

²³⁴ Pohit, S. and Biswas, P. (2019) ‘Pakistani Economic Review’, *Turkish Economic Review*, 3(3), p. 17.

²³⁵ *Ministry of Finance Government of Pakistan | (2020). Ministry of finance Pakistan- Economic Survey; pp:1-228*

This certification is considered mandatory after spread of Bird Flu. This disease has been reported from last seven years. However, import of cigarettes rods, plug wrap paper, two or three wheeler auto vehicles, air-pistol and slugs are allowed in Pakistan.

3.1.5 TRADE POLICY FOR EXPORTS

The policies of exports from Pakistan²³⁶ are made according to the foreign exchange procedures, rules, and regulations, notified by the “State Bank of Pakistan”. The State Bank of Pakistan reset and revises these rules and regulations on periodic bases as the policies of the host country would change. Many other factors are affecting these regulations such as exchange rate, inflation, interest rate, or consumer price index. Moreover, the major portion of the GDP (Gross Domestic Product) of Pakistan is based on exports. These policies and regulations have some relaxation of restrictions and prohibitions. The Federal Government, therefore, for some reasons, allows export-cum-import, export as well as re-exports in this regard (relaxation of a restriction and prohibition). The Federal Government also issues an authorization letter for export-cum-import, export, and re-exports with the respect of items. Moreover, the authorization of export is printed on the consecutively numbered and is embossed. This notification is valid up to the next six months, if not then specified.²³⁷

Export-cum-import items are exported for replacements, repairs, or refilling the cylinders or ISO (International Organization for Standardization) tanks subjected to indemnity bond submission by the customs authorities. The undertaking of the goods being exported would be re-imported after replacements, repairs, or refilling. The exports from Gawadar “Special Economic Zone” are regulated by the rules and policies notified by the federal government. The taxes, tariffs, and custom duties are also prescribed by the federal government.

Raw cotton, cotton yarn, and textile products, rice, leather & leather products, carpets & rugs, synthetics textile, sports goods, readymade garments, vegetable and fruit, fish,

²³⁶ Umer, F. (2013) ‘Impact of Trade Openness on Economic Growth of Pakistan: An ARDL Approach’, 3(11), pp. 392–398.

²³⁷ Yeo, A. D., and Deng, A. (2019a) ‘The trade policy effect in international trade: the case of Pakistan’, *Journal of Economic Structures*. Springer, 8(1), pp. 1–17.

engineering goods, chemicals & pharmaceutical product procedure for exports. In 2019, Pakistan exported mostly: articles of apparel and clothing accessories (11.3% of total exports); knitwear (13.2%); cotton fabrics (9.4%); bed-wear (10.4%); rice (7.4%) and fruits, vegetables & preparation (2.9%). The major export partners of Pakistan are the US with 17.2% of total exports, China with 7.7%, the UK with 7.6%, and Germany with 5.6%.

National Tax Number (NTN) Certificate is required which is issued by the income tax department on the filing of application form accompanied with one attested copy of CNIC²³⁸.

Sales tax registration²³⁹ is an important part of exports. However, a commercial exporter is not required to get registered with the sales tax department. But if the exporter pays the sale tax to the local market sellers, it is better to get registered with the sales tax department.

So the tax deduction on purchased goods would be justified. Opening of a bank account²⁴⁰ is also an important requirement for export. The current Bank Account is essential for export documents and proceedings. Documents for clearing agent

-Once the consignment, to be exported arrives at the port, usually clearing agent services are sought. The following documents are required to provide to clearing agent to clear the consignment.

- Packing List
- Commercial Invoice
- Letter of Credit (L/C)
- Certificate of Origin which is issued by the Chamber of Commerce □ National Tax Number Certificate.

Form “E”²⁴¹ is an important clause that has been issued from the State Bank of Pakistan. All exports of Pakistan are subjected to the regulations of Foreign Exchange are required

²³⁸ Yeo, A. D. and Deng, A. (2019a) 'The trade policy effect in international trade: the case of Pakistan', *Journal of Economic Structures*. Springer, 8(1), pp. 1–17.

²³⁹ *Highlights of Economic Survey, 2018-19 | Business Recorder* (2019)

²⁴⁰ *The trade policy effect in international trade: the case of Pakistan | SpringerLink* (2019 a)

²⁴¹ *Highlights of Economic Survey, 2018-19 | Business Recorder* (2019)

to be declared on the prescribed form “E”. The exporter is required to submit the full set (including 4 sub forms of Form "E") to the bank. After the completion of this process and signed by the exporter by himself or by his authorized agent. The export documents would be submitted to the bank. However, all shipping documents concerning goods exported from Pakistan must be declared on form “E, duly passed through the bank within 14 days after the date of shipment.

3.1.6 INCENTIVES FOR EXPORTS

- Short Term Financing
- Long Term Financing B - Credit Enhancement Incentives
- Pakistan Export Finance Guarantee

Furthermore, the short term financing Export Finance Scheme (EFS) provides a working capital facility during the short term that is for 180 days to boost up the exports of Pakistan. This operation of this scheme is divided into two parts a) transaction-based b) performance-based

Transaction based facility covers 100% of export contract /order/LC²⁴². This facility is available for both stages of Pre & Post shipment to “Direct Exporters” (DE). However, this facility is available up to 180 days are provided to “Indirect Exporters” (IE) but only at the Pre-shipment stage. The same facility is also available for 120 days yet the performance is required against each transaction

However, the Performance-Based Facility is accessible for Direct Exporters. These exporters are allowed to attain a cash credit limit equal to 50% of the total value of exported goods during the previous year. Moreover, the performance is determined on the value of export for eligible items during the previous year according to both parts of exchange of futures for swaps (EFS)²⁴³. Therefore, the exporters can avail of any of these facilities for 180 days.

²⁴² The trade policy effect in international trade: the case of Pakistan | springerprofessional.de

²⁴³ An exchange of futures for swaps (EFS) is a transaction negotiated privately in which a futures contract for a physical item is exchanged for a cash settled swap contract. It is similar to an EFP except that it involves a cash contract rather than a physical contract. Source: Forwards, Swaps, Futures and Options (2019). IEOR E4706: Foundations of Financial Engineering, pp1-16

Long Term Financing is another scheme for Export Oriented Projects (LTF-EOP)²⁴⁴ has been provided to the exporters. It allows the financial institutions (announced eligible by the Government) to provide loan facilities to these export-oriented units.

Moreover, Credit Enhancement Incentives Pakistan Export Finance Guarantee “PEFG” was established to support small and medium businesses as well as emerging exporters to obtain bank credit. The main objective of PEFG is to provide a range of trade finance guarantees to the exporters both for pre-shipment and post-shipment.

In 1980, the government of Pakistan established the EPZA- export processing zones authority to manage, develop, and operate the export processing zones in Pakistan.

Karachi export processing zones also helps the exporters on specific term and condition

However, the policymakers also find some challenges while making the trade policy. These challenges include external factors and internal factors. The external factors include an overall slump in global markets, consumer behavior that affects the imports and exports, economic slowdown buyers' perception in Pakistan being a supplier of inferior quality products, and negative travel advisories. However, the internal factor includes decline in growth of large scale manufacturing, structural issues during long run, monetary policy changes, export market competition, expensive financing, law and order situation, energy crisis including gas and electricity, reduced international competitiveness and reduction on investment opportunities, therefore, the access to the favorable market owing toward 19 bilateral trade agreements.

moreover, there are some specific departments²⁴⁵ to look after different export units as growing services sectors, export measure for herbal health supplements, export of halal food products, export of handicrafts, development of export clusters for the automobile sector, federal export promotion board, export quality & standard, trade dispute settlement, management efficiency northern areas export facilitation for Trade Diplomacy and Trade Development Authority of Pakistan (TDAP).

²⁴⁴ The trade policy effect in international trade: the case of Pakistan | springerprofessional.de (2019).

²⁴⁵ Wei, D., Chen, Z. And Rose, A. (2019) ‘Estimating economic impacts of the US-South Korea free trade agreement’, Economic Systems Research. Routledge, 31(3), pp. 305–323

Table 2 – Sector-wise increase in trade of Pakistan

Sector	2013-14	2014-15	2015-16	2016-17	2017-18	2018-19
A. Agriculture	2.68	2.5	2.13	0.15	2.07	3.81
1. Crops	1.53	2.64	0.16	-5.27	0.91	3.83
Important Crops	0.17	7.22	-1.62	-5.86	2.18	3.57
Other Crops	5.58	-5.71	2.51	0.4	-2.66	3.33
Cotton Ginning	-2.9	-1.33	7.24	-22.12	5.58	8.72
2. Livestock	3.45	2.48	3.99	3.36	2.99	3.76
3. Forestry	6.58	1.88	-12.45	14.31	-2.37	7.17
4. Fishing	0.65	0.98	5.75	3.25	1.23	1.63
B. INDUSTRIAL SECTOR	0.75	4.53	5.18	5.69	5.43	5.8
1. Mining & Quarrying	3.88	1.4	4.97	6.19	-0.38	3.04
2. Manufacturing	4.85	5.65	3.88	3.69	5.82	6.24
Large Scale	4.46	5.46	3.28	2.98	5.62	6.13
Small Scale	8.28	8.29	8.21	8.19	8.15	8.18
Slaughtering	3.63	3.38	3.34	3.61	3.55	3.52
3. Electricity Generation & Distribution & Gas Distribution	-26.38	-0.74	13.48	9.39	5.82	1.84
4. Construction	1.08	5.96	7.26	13.68	9.84	9.13
COMMODITY PRODUCING SECTOR						
(A+B)	1.73	3.49	3.63	2.92	3.79	4.84
C. SERVICES SECTOR	5.13	4.46	4.36	5.72	6.46	6.43
1. Wholesale & Retail Trade	3.53	4.77	2.6	4.73	7.46	7.51
2. Transport, Storage & Communication 4.03	5.07	4.89	4.44	3.58	3.55	3.52
3. Finance & Insurance	8.32	4.31	6.35	6.42	10.78	6.13
4. Housing Services						

(Ownership of Dwellings)	4	4	3.99	3.99	3.99	4
5. General Government Services	2.86	4.82	9.72	5.95	11.42	12.03
6. Other Private Services	5.26	6.22	6.06	6.77	7.98	6.15
GDP {Total of GVA at bp (A + B + C)}	4.05	4.06	4.56	5.37	5.7	6.23

Source: Economic Survey of Pakistan 2018- 2019²⁴⁶

Table 2 shows the sector wise increase in percentage after providing ease in trade policy. It is observed that in the sectors the trade has been increased during 2018-19 by getting more ease in taxes and tariffs.

3.2 IMPORT AND EXPORT ANALYSIS OF SOUTH KOREA

The Republic of Korea (ROK)²⁴⁷ is considered as a promising country to conduct business with U.S. companies. The Gross Domestic Product (GDP) valued at USD 2.09 trillion, that is ranked 3rd in East Asia and at 11th position in the world. However, the long established strength of Korea is steel shipbuilding and petrochemical industries. However, the other industries including pharmaceuticals, healthcare, medical devices, Biotechnology, Information Technology (IT) components, industrial chemicals, aerospace, semiconductor manufacturing, defense, environmental technology energy, and transportation also contribute to the GDP of South Korea. Therefore, U.S. companies have identified investment opportunities in these industries. Besides, these companies have begun to invest in the local Korean companies for market expansion including markets²⁴⁸ of ASEAN, the Asia-Pacific, and the Middle East. Korea stands at the world's most trade-dependent nation and a huge portion²⁴⁹ of its GDP is based on trade by giving robust air cargo and shipping infrastructure. South Korea is not only a market as an endpoint of U.S. goods and services, but it is also a hub of expansion to other markets.

²⁴⁶ Ministry of Finance Government of Pakistan | (2020). Ministry of finance Pakistan- Economic Survey; pp:1-228

²⁴⁷ South Korea Economy, Politics and GDP Growth Summary - The Economist Intelligence Unit (2020).

²⁴⁸ Trade Effects of the EU-South Korea Free Trade Agreement in the Automotive Industry: Journal of East-West Business: Vol 0, No 0 (2019)

²⁴⁹ Economic and Social Survey of Asia and the Pacific 2020: Towards sustainable economies | United Nations ESCAP (2020).

3.2.1 THE ECONOMIC INDICATORS OF KOREA

Table 3 Economic Indicators of South Korea

ECONOMY	2017	2018	2019
GDP (\$ billions)	1,415	1,531	1,619
GDP per capita (USD)	27,608	29,743	31,363
GDP Growth (% change)	2.9	3.1	2.7
GDP Growth Rate Per Capita (% change)	2.5	2.6	2.3
Consumer Price index (% change)	1	1.9	1.5
Unemployment (% of the labor force)	3.7	3.7	3.8

Source: Economic Survey of South Korea²⁵⁰

The above table shed light on the economic indicators of South Korea GDP and GDP per capita have been increased in 2019 but the percent change in real terms has been reduced. Consumer price index has been reduced from 2018; the unemployment rate in South Korea has been increased in 2019 from 2018. The change in the level of unemployment and consumer price index affect GDP, as these are the determinants of GDP.

3.2.2 LIST OF TARIFFS OF SOUTH KOREA²⁵¹

- Tariff quota system to stabilize local commodity markets.
- Customs duties can with basic rate of 40% (flat)

²⁵⁰ *Economic and Social Survey of Asia and the Pacific 2020: Towards sustainable economies | United Nations ESCAP (2020).*

²⁵¹ Gruber, S. *et al.* (2019) '2019 National Trade Estimate Report on FOREIGN TRADE BARRIERS UNITED', *United States Trade Representative.*

- Value Added Tax (VAT) at 10%(flat)
- Special excise tax of 10-20% on the import of certain luxury goods and on durable consumer goods.

Tariffs and taxes levied by South Korea must be paid within 15 days after the goods have been cleared customs.

3.2.3 TRADE POLICY FOR IMPORTS

The following documents²⁵² are required from the importers before import: certificate of origin, commercial invoice, bill of lading, packing lists, maritime insurance, and special documentation for agriculture and food products, maritime insurance and import declaration. South Korea has imposed the lowest custom tariffs in the world at 8%²⁵³ on average. Its top imports of South Korea²⁵⁴ are Integrated Circuits (\$38.6B), Petroleum Gas (\$17.3B), Crude Petroleum (\$56B) and Coal Briquettes (\$13.3B).

3.2.4 TRADE POLICY FOR EXPORTS

The export-oriented trade policies of South Korea are the most important factor in economic development and growth. South Korea is the fifth largest goods exporter and the ninth largest importer of the world. In 2019,²⁵⁵ trade contributes almost 83% of its GDP. The exports include vehicles (6.8%), petroleum oils (5.8% and ships (4.2%) and electrical equipment (15% of total exports). The imports include electrical equipment (7%), petroleum oils (12.5%), coal (3.1%) and hydrocarbons (3.9%).

South Korea is integrated heavily into international trade²⁵⁶ and finance. The trade policy is subsequently vulnerable for external influences, particularly from China; (the main trade partner) contributes to 26.8% to total export. Furthermore, the contribution of other

²⁵² South Korea Economy, Politics and GDP Growth Summary - The Economist Intelligence Unit (2020).

²⁵³ Juust, M., Vahter, P. And Varblane, U. (2020) 'Trade Effects of the EU-South Korea Free Trade Agreement in the Automotive Industry', *Journal of East-West Business*.

²⁵⁴ Imran, K. (2018) 'South Korea's potential export flow: a panel gravity approach', *Asian Journal of Empirical Research*, 8(4), pp. 124-139

²⁵⁵ Taneja, N., Kaushal, N. and Ray, N. S. (2019) *A Service of zbw India-Korea CEPA: Harnessing the potential in services India-Korea CEPA: Harnessing the Potential in Services INDIAN COUNCIL FOR RESEARCH ON INTERNATIONAL ECONOMIC RELATIONS*.

²⁵⁵ the Korea-European Union Free Trade Agreement Free Trade Agreement (2019)

²⁵⁶ Bartels, L. (2019) 'The trade and development policy of the European union', *European Journal of International Law*, 18(4), pp. 715-756

trade partners²⁵⁷ as Japan (5%), Hong Kong (7.6%), Vietnam (8%), and United States (12.1%). However, the main suppliers are the United States (11%), China (19.9%), Japan (10.2%), Germany (3.9%), and Saudi Arabia (4.9%). South Korea is also involved in free-trade agreements with many countries including five Central American countries, representing almost 70% of the global economy. Moreover, South Korea is considering joining the “Comprehensive and Progressive Agreement for Trans-Pacific Partnership” (CPTPP), which is signed by 11 Asia-Pacific countries to continue with, concluded the “Regional Comprehensive Economic Partnership” (RCEP). Moreover, exports of goods with the value USD 604.8 billion and imports amounted to USD 535.2 billion²⁵⁸ was recorded in 2019. Whereas, exports of services with a value of USD 95.4 billion, and imports amounted to USD 122.7 billion was recorded in South Korea. Therefore, the export of bio-health, pharmaceuticals, medical services, and semiconductors are considered as the main contributors to the trade surplus. However, the top export partners²⁵⁹ of South Korea are Japan (\$26.9B), Hong Kong (\$34.8B), Vietnam (\$47.7B), United States (\$69.4B) and China (\$149B) in 2019.

3.2.5 ASSESSMENT OF COMMERCIAL POLICY

WTO²⁶⁰ has explained Korean trade policy, as the exchange barriers and inventoried imposed by the United States and the EU²⁶¹. Sanitary and phytosanitary barriers-inventoried by the EU. South Korea has signed several free trade agreements²⁶² during recent years with China (2014), Australia (2014), the United States of America (2010), and the European Union (2009). South Korea is a member of the ASEM (Asia-Europe Meeting) and Asia-Pacific Economic Cooperation (APEC). It is also a signatory of

²⁵⁷ Siles-Brügge, G. (2019) ‘Resisting Protectionism after the Crisis: Strategic Economic Discourse and the EU-Korea Free Trade Agreement’, *New Political Economy*, 16(5), pp. 627–653

²⁵⁸ Korea-European Union Free Trade Agreement (2019)

²⁵⁹ *South Korea Economy, Politics and GDP Growth Summary - The Economist Intelligence Unit* (2020).

²⁶⁰ WTO reform | Legislative train schedule | European Parliament (2019).

²⁶¹ Rifin, A. et al. (2020) ‘Assessing the impact of limiting Indonesian palm oil exports to the European Union’, *Journal of Economic Structures*. Springer Science and Business Media LLC, 9(1).

²⁶² Khouilid, M., And Echaoui, A. (2019) ‘The impact of Non-Tariff Measures (ntms) on Moroccan foreign trade: Comparison between developed and developing countries’, *IOSR Journal of Economics and Finance*. IOSR Journals, 08(03), pp. 48–57

many bilateral and multilateral agreements as well as signed São Paulo Round- the Global System of Trade Preferences among Developing Countries (GSTP).

3.3 PAKISTAN AND SOUTH KOREA- TRADE

Pakistan and South Korea are set to have a roadmap of “Preferential Trade Arrangement” (PTA)²⁶³ for providing trade surplus to each other. South Korea and Pakistan is an important trading partner in the "Asia Pacific” region by having bilateral trade of almost \$ 1 billion in the last five years. However, in this period, the exports of Pakistan to Korea have been decreased from \$ 325 million during 2017-18 to \$ 275 in 2018-19 whereas the imports have been increased from \$325 million to \$818 million during the same period. It shows a trade surplus of \$543 million for South Korea. The major exports of Pakistan to Korea are²⁶⁴ compounds, chemical elements, cotton yarn, cotton fabrics (woven), article of apparel & cloths, cotton thread, leather, knit/crochet, oil seeds fish and fish preparation, and baby sports goods, oleaginous fruits, medical/surgical instruments.

However, then major imports²⁶⁵ of Pakistan from Korea are iron and steel manufacturer, chemical material and products, petroleum, machinery (all sorts) and its parts, medical and pharmaceutical product, road vehicles, chemical element and compounds, vegetable, synthetic textile fiber, coloring, dyeing, tanning material to old clothing. South Korea has been entered to multilateral and bilateral trading arrangements with the countries including Chile, Singapore, India, USA, Peru, ASEAN, and EU, etc. The exports of Pakistan are facing entry barriers in the South Korean market. These barriers include high tariffs and non-tariff barriers²⁶⁶. Other restrictions include the permit visa restrictions for the businessmen from Pakistan. Also special tariffs are imposed on agricultural products of Pakistan that create a hazard in the expansion of trade. These

²⁶³ Wu, M. Et al. (2019) ‘Trade liberalization and informality nexus: Evidence from Pakistan’, *Journal of International Trade and Economic Development*, Routledge, 28(6), pp. 732–754

²⁶⁴ Kawai, M. And Urata, S. (2019) ‘Changing commercial policy in Korea, 1985–2018’. Oxford University Press, pp. 225–251.

²⁶⁵ Kee, H. L., Nicita, A. And Olarreaga, M. (2009) ‘Estimating trade restrictiveness indices’, *Economic Journal*, 119(534), pp. 172–199.

²⁶⁶ Vemuri, V. K. And Siddiqi, S. (2019) ‘Impact of commercialization of the Internet on international trade: A panel study using the extended gravity model’, *International Trade Journal*, 23(4), pp. 458–484.

factors restrict Pakistan from playing at a particular level in the South Korean market. Both sides have completed their respective feasibility studies which strongly recommend the conclusion of a Free Trade Agreement between Pakistan and South Korea.

Furthermore, to improve the bilateral trade between Pakistan and South Korea, and widening the bridge of trade balance, a Free Trade Agreement (FTA)²⁶⁷ is required between Pakistan and Korea.

Chapter 4: Free trade Agreements of Countries (Pakistan and South Korea)

4.1 FREE TRADE AGREEMENTS OF PAKISTAN

The government of Pakistan is concerned by investment agreements²⁶⁸ and bilateral trade. It has signed a free trade agreement with Sri Lanka in 2005, a preferential trade agreement with Iran in

²⁶⁷ Caldara, D. *et al.* (2020) 'The economic effects of trade policy uncertainty', *Journal of Monetary Economics*. Elsevier B.V., 109, pp. 38–59

²⁶⁸ *to do the Preferential Trade Agreements are Economic or Foreign Policy instruments? Evidence from Pakistan* (2020)

2004 and Mauritius in 2007. The early harvest schemes with Malaysia (2007) and China (2005) and Malaysia (2007). Along with Pakistan, both these countries are part of Economic Cooperation Organization Trade Agreement (ECOTA)²⁶⁹ - is a preferential trade agreement signed ECO summit in Islamabad, on July 17, 2003, a preferential trade region was formed between the countries of Azerbaijan, Afghanistan, Iran, Kyrgyzstan, Kazakhstan, Pakistan, Turkmenistan, Turkey, Tajikistan, and Uzbekistan. The “South Asian Free Trade Area” (SAFTA)²⁷⁰ is a free trade arrangement by the “South Asian Association for Regional Cooperation” (SAARC). The agreement was signed in 2006, succeeding in the SAARC Preferential Trading Arrangement in 1993. SAFTA signatory countries include Pakistan, Bangladesh, Afghanistan, India, Maldives, Bhutan, Nepal, and Sri Lanka.

However, various stages of free trade agreements²⁷¹, or preparations for talks, with Indonesia, Brunei, Thailand, Malaysia, Jordan, Morocco, Singapore, the Gulf Cooperation Council, Switzerland, Canada, Indonesia, China, Nepal, Russia, and Turkey (among others). It signed a Framework Agreement on Trade, in July 2006 with Marcos. The Negotiation on a US Pakistan has been signed is a bilateral investment treaty, but the US-Pakistan free trade agreement has become quite controversial and uncompleted. Soon after talks have been restarted in mid-2010 and a draft has been prepared for US-Pakistan bilateral²⁷² investment treaty and sent the agenda of this treaty to Pakistan’s Cabinet for approval in April 2012. The government of Pakistan has already signed bilateral investment treaties, almost 50, with different countries. Furthermore, Germany has ratified a bilateral investment treaty with Pakistan in 2011. On a wider scale, the talk of possible free trade agreements²⁷³ of Pakistan with Afghanistan, the EU, Laos, Algeria, Mexico, New Zealand, Japan, Tunisia, and South Africa. Therefore, at present, Pakistan is already involved in the free trade agreement with China. Now the first phase of this free trade agreement was signed in 2006 and in 2013, the trade volume between both the countries reached

²⁶⁹ Abrenica, M. J. V. and Bernabe, J. (2020) ‘Competition Chapter in the Trans-Pacific Partnership Agreement: Developing a Template for a Multilateral Framework’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 165–186

²⁷⁰ A Household Level Analysis of the Pakistan–Malaysia Free Trade Agreement - Muhammad Aamir Khan, Qaisar Mehmood, Muhammad Zakaria, Muhammad Iftikhar ul Husnain, (2020)

²⁷¹ Antons, C., and Hilty, R. M. (2020) ‘Introduction: IP and the Asia-Pacific “Spaghetti Bowl” of Free Trade Agreements’, in, pp. 1–23.

²⁷² Anuradha, R. V. (2020) ‘WTO to the TPP: Evolution of Environmental Provisions in Trade Agreements’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 241–253.

²⁷³ Baysan, T. (2020) ‘TRADE POLICIES IN PAKISTAN’, pp. 459–478

\$13 billion. Now the second phase of the free trade agreement has been stated between China and Pakistan.

The FTA-II²⁷⁴ (free trade agreement- second phase) China during the first year is estimated to increase its exports of Pakistan to China by \$4-6 billion in the next five years. 313 tariffs from the tariff lines have been eliminated. The figure for export will cover over \$8.7 billion worth of global exports of Pakistan and 90% of global imports of China.

Pakistan and China had finalized the FTA-II²⁷⁵ on April 28, 2019, in Beijing. Under the FTA-II Pakistan had secured the deeper and enhanced concessions on products of export interests. The second phase of FTA was commenced from the sixth year (i-e.2013) of agreement, however, it was delayed due to the officials of both the countries were failed to decide an agreement even having meetings over 12 times. However, the talks on Phase-II of free trade agreement have started in 2011. Therefore, the ministry of commerce²⁷⁶ and the business community of Pakistan had expressed concerns over the first phase of the free trade agreement. The Pakistani businessmen²⁷⁷ said in this regard that the first phase of free trade agreement (FTA-I) had provided many more benefits to China, however, the local manufacturers faced huge losses because of the high demand for goods being imported from China.

Under this agreement, the government of China had agreed upon immediately reducing the trade duties to zero percent on 313 tariff lines (as mentioned above). The new list of imports included leather, textile goods, engineering, furniture, chemicals, auto parts, rubber, plastic, paper board, glass, ceramic, footwear, articles of stones, surgical instruments wood, meat, seafood, home appliances tractors, etc.

The Federal Board of Revenue,²⁷⁸ on 31st December 2019, issued article “SRO 1640(I)/2019”²⁷⁹ for implementing the protocol that has been agreed upon between China and Pakistan. To

²⁷⁴ Irshad, M. S. (2020) ‘Pakistan-China Free Trade Agreement (PCFTA) Treaty Model: Capability, Prospects and Disputes’, *SSRN Electronic Journal*. Elsevier BV.

²⁷⁵ *China-Pakistan FTA (CPFTA) Phase-II FAQs 1. China’s Offer to Pakistan* (2020).

²⁷⁶ Bergsten, C. F. (2020) ‘Globalizing free trade’, *Foreign Affairs*, pp. 105–118.

²⁷⁷ Bergstrand, J. H. (1985) ‘The Gravity Equation in International Trade: Some Microeconomic Foundations and Empirical Evidence’, *The Review of Economics and Statistics*. JSTOR, 67(3), p. 474. ²⁹³Beghin, J. C., Maertens, M. and Swinnen, J. (2020) ‘Nontariff Measures and Standards in Trade and Global Value Chains’, *Annual Review of Resource Economics*. Annual Reviews, 7(1), pp. 425–450

²⁷⁸ Baysan, T. (2020) ‘TRADE POLICIES IN PAKISTAN’, pp. 459–478

implement this agreed protocol, the Board, thorough deliberations, with the Ministry of Commerce's consultation transposed the “Offer List” and formed a Statutory Regulatory Order. The Pakistan China FTA Phase-II will operationalize vide - SRO1640(I)/2019 issued on 31st December 2019 that shall supersede the previous SRO 659(I)/2007²⁸⁰ dated 30.06.2007.

However, the “Tariff Elimination Schedule” or the “Offer List of Pakistan”²⁸¹ shared by the Ministry of Commerce is divided into subcategories i-e A0, A7, A15, MOP1, MOP2, C1, and C2. Therefore, the Customs Duties 3251- Tariff Lines in the A0 category is eliminated. The goods in the prescribed category shall be custom free from 01.01.2020²⁸². Furthermore, in the A07 category, the customs duty structure will be tapered towards elimination from Year 2 to year 7. Moreover, the Category A15^{283 284} carry the duty structure will be tapered towards elimination since year 4 to year 15. But in the Margin of Preference (MOP), two categories, in MOP1, customs duty on each category shall be reduced by 20% on base rate from the date of this protocol enters into force, however, in MOP2 the custom duty structure will be reduced by 20% on the base rate in two years duration. However, the customs duties on the originating goods are provided for in category - C1 shall remain at base rates, while in category C2 shall not be subject to a concession.

The Amending Protocol, also named as Phase-II of the CPFTA,- China-Pakistan FTA intends to a deep trade relationship between Pakistan and China by increasing liberalization of goods traded, facilitating the inter-country balance of payments, safeguarding mechanisms for the domestic industry, and electronic data exchange. Moreover, the protocol has introduced the new schedule for tariff elimination to widen the mutual market access, trade remedies provisions amend rules of origin, and adds a new chapter of rules on customs cooperation. According to the round of revisions, CPFTA²⁸⁵ has expanded and diversified the trade opportunities for new businesses on both sides, as well as providing fair and equitable protection to the local industry interests.

²⁷⁹ Irshad, M. S. (2020) ‘Pakistan-China Free Trade Agreement (PCFTA) Treaty Model: Capability, Prospects and Disputes’, *SSRN Electronic Journal*. Elsevier BV.

²⁸⁰ Corbin, L. and Perry, M. (2020a) *Free trade agreements : hegemony or harmony*.

²⁸¹ Frankel, S. and Richardson, M. (2020) ‘Limits of Free Trade Agreements: The New Zealand/Australia Experience’, in, pp. 315–333.

²⁸² Chaisse, J., Gao, H. and Lo, C. (eds) (2020) *Paradigm Shift in International Economic Law Rule-Making*. Singapore: Springer Singapore (Economics, Law, and Institutions in the Asia Pacific

²⁸³ *China-Pakistan FTA (CPFTA) Phase-II FAQs I. China's Offer to Pakistan (2020)*

²⁸⁴ Chakraborty, D. (2020) ‘Picking the Right Alternative: Should India Participate in TPP Instead of RCEP?’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 501–519.

²⁸⁵ Corbin, L., and Perry, M. (2020a) *Free trade agreements : hegemony or harmony*

Table 4 Free Trade Agreements of Pakistan and South Korea

Agreement	Country	Country
The UK - South Korea Free Trade Agreement	UK	South Korea
ASEAN–China Free Trade Area	Association of Southeast Asian Nations	People's Republic of China
Korea-Australia FTA	Australia	Korea
Chile-South Korea free trade agreement	Chile	South Korea
China–Pakistan Free Trade Agreement	People's Republic of China	Pakistan
Pakistan–Turkey Free Trade Agreement	Turkey	Pakistan

Source: Economic and Social Survey of Asia and the Pacific 2020²⁸⁶

The above table shows the free trade agreements in which Pakistan and South Korea are involved. However, there is no free trade agreement between Pakistan and South Korea.

4.2 FREE TRADE AGREEMENTS OF SOUTH KOREA

Major areas of international trade have been covered by “Free Trade Agreement” covering related²⁸⁷ to trade relationships that include, trade in services trade in goods, competition, intellectual property and government procurement. Joint Committee has been made to supervise these Agreements. The chapter of rules and regulations provide dispute settlement procedures. Therefore, the European Free Trade Association (EFTA) mentioned an agreement between the US and Korea.

Content of the Free Trade Agreement

²⁸⁶ Economic and Social Survey of Asia and the Pacific 2020: Towards sustainable economies | United Nations ESCAP (2020).

²⁸⁷ To Elms, D. K. (2020) ‘Market Access for Goods in the TPP: The Good, the Bad, and the Ugly’, in Economics, Law, and Institutions in the Asia Pacific. Springer, pp. 147–161

- The Agreement for free trade by South Korea²⁸⁸ consists of ten Chapters, 88 - Articles, 13-Annex. The Agreement covers the main issues include: (trade-in goods, technical trade barrier , phytosanitary and sanitary measures, trade-in services, trade remedies, intellectual property protection, competition, institutional provisions, government procurement, investment agreement and dispute settlement)

Table 5: Economic Indicators of Republic of Korea (Trade)

Foreign Merchandise Trade (\$ billions)	2017	2018	2019
Exports to World from ROK	495.4	573.7	605.2
Imports from World to ROK	406.2	478.5	535.2
U.S. Exports to ROK*	42.91	49.28	57.62
U.S. Imports from ROK*	70.39	71.81	75.01
U.S. Trade Balance with ROK*	-27.47	-22,53	-17.39

Source: Economic Survey of ROK²⁸⁹

The above table shows the trade of Republic of Korea with the US. In 2019, the imports and exports have been increased. The trade has been increased by the lenient trade policy and providing eases in the trade laws.

4.2.1 TRADE-IN GOODS

Industrial Goods, Fish, and Marine Products²⁹⁰

In Annex V and Annex VI-. Most of the industrial goods, including fish and other marine products, will benefit from duty-free access to the respective markets as of the entry into force of the Agreement. For some products imported into Korea, customs duties are to be eliminated after a transitional period or after a joint review by the Parties.

²⁸⁸ Elms, D. K. (2020) ‘Market Access for Goods in the TPP: The Good, the Bad, and the Ugly’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 147–161

²⁸⁹ *Korea Economic Snapshot - OECD* (2020)- Economic Survey of Korea; Government of Korea; pp: 1-345

²⁹⁰ Frankel, S. and Richardson, M. (2020) ‘Limits of Free Trade Agreements: The New Zealand/Australia Experience’, in, pp. 315–333.

4.2.2 TECHNOLOGICAL GOODS PRODUCTS²⁹¹

The Gross Domestic Product (GDP) valued at USD 2.09 trillion, that is ranked 3rd in East Asia and at 11th position in the world. However, the long established strength of Korea is steel shipbuilding and petrochemical industries. However, the other industries including pharmaceuticals, healthcare, medical devices, Biotechnology, Information Technology (IT) components, industrial chemicals, aerospace, semiconductor manufacturing, defense, environmental technology energy, and transportation also contribute to the GDP of South Korea. Therefore, U.S. companies have identified investment opportunities in these industries.²⁹² These agreements form part of the instruments establishing the free trade area. They provide for concessions on both sides.

4.2.3 RULES OF ORIGIN

The Agreement provides some rules²⁹³. The trade policies/laws have a significant positive relationship with economic growth of Pakistan, the trade policies/laws have a significant positive relationship with economic growth of South Korea, the trade policies²⁹⁴ of Pakistan are influenced by the political instability. The trade policies/laws of Pakistan are affected by the macroeconomic variables (inflation & exchange rate and the trade policies/laws of South Korea are affected by the macroeconomic variables (inflation & exchange rate). The Agreement with a provision on phytosanitary²⁹⁵

4.2.4 TECHNICAL BARRIERS TO TRADE (TBT)

The Agreement and provisions of technical regulations²⁹⁶ have been found to relate WTO Agreement, that provides strengthen to the cooperation, consultations, and exchange of information. Joint Committee has been made to supervise these Agreements. The chapter of

²⁹¹ *Free Trade Agreements - Hegemony or Harmony* / Lillian Corbin / Springer (2020)

²⁹² Friedmann, D. (2020) 'TPP's Coup de Grâce: How the Trademark System Prevailed as Geographical Indication System', in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 273–291.

²⁹³ Ganguly, A. and Das, K. (2020) 'Multi-sectoral Analysis of Foreign Investment and Trade Liberalization in India: A CGE Modelling Approach', *Global Business Review*. Sage Publications India Pvt. Ltd, 18(5), pp. 1345–1372

²⁹⁴ summer, D., Christie, M. E. and Boulakia, S. (2017) 'Conservation agriculture and gendered livelihoods in Northwestern Cambodia: decision-making, space and access', *Agriculture and Human Values*. Springer Netherlands, 34(2), pp. 347–362.

²⁹⁵ Gao, H. (2017) 'The Regulation of Digital Trade in the TPP: Trade Rules for the Digital Age', in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 345–362.

²⁹⁶ Caso, R. and Guarda, P. (2019) 'Copyright Overprotection Versus Open Science: The Role of Free Trade Agreements', in *Free Trade Agreements*. Springer Singapore, pp. 35–51

rules and regulations provide dispute settlement procedures. Therefore, the European Free Trade Association (EFTA) mentioned an agreement between the US and Korea.

4.2.5 TRADE REMEDIES

The Agreement with the provisions of trade remedies²⁹⁷ refers to the relevant WTO rules and provides additional disciplines on such measures that enhanced the consultations and notifications.

4.2.6 TRADE-IN SERVICES

Trade-in service is covered in chapter²⁹⁸ (Chapter III, Articles 3.1 to 3.20, exemptions, mutual telecommunication services, recognition and Co-production of broadcast program from (Annex I- XI).

The agreement is covering all four modes of delivery i-e supply of services, which has been defined under “General Agreement on Trade in Services” (GATS)²⁹⁹, and addressed all the service sectors.

As in the GATS³⁰⁰ of specific lists have been provided for party commitments and are an important clause of agreement.

4.2.7 PROTECTION OF INTELLECTUAL PROPERTY (IPR)

The sets of Agreements with high standards to protect intellectual property rights³⁰¹ prescribed in Annex XIII- Articles 7.1 to 7.3 covering areas like trademarks, copyright and patents, as well

²⁹⁷ Carrère, C. and de Melo, J. (2020) 'Notes on Detecting The Effects of Non-Tariff Measures', *Journal of Economic Integration*. Center for Economic Integration, 26(1), pp. 136–168

²⁹⁸ Haveman, J. D. and Shatz, H. J. (2020) 'Developed Country Trade Barriers and the Least Developed Countries: The Current Situation', *Journal of Economic Integration*. Center for Economic Integration, 19(2), pp. 230–270

²⁹⁹ Hilty, R. M. and Jaeger, T. (2020) 'Legal Effects and Policy Considerations for Free Trade Agreements: What Is Wrong with FTAs?', in, pp-84

³⁰⁰ Hong, P. *et al.* (2020a) 'Beyond Rising Asia and American Hegemony: Prospect', in *Rising Asia and American Hegemony*. Springer Singapore, pp. 241–251

as goes, beyond what is provided by the Agreements of WTO³⁰² on Intellectual Property Rights (TRIPS)³⁰³ - Trade-Related Aspects as well as the other international conventions.

4.2.8 GOVERNMENT PROCUREMENT

In this Chapter, government procurement in Annex XII - Article 6.1 to 6.3³⁰⁴, parties recognize that the agreements of WTO on the “Government Procurement” (WTO GPA) is governing the obligations and rights of parties. This Chapter has also ensured that the parties of these agreements will have an “early harvest”.

4.2.9 COMPETITION

The competition is discussed in Article 5.1³⁰⁵ that is dealing with consultation, co-operation, notification and non-confidential exchange of information among the parties.

4.2.10 INSTITUTIONAL PROVISIONS

The Agreement has been established by “joint committee” according to Article- 8.1³⁰⁶. It administers and supervises the agreement and oversees for further elaboration of agreement. The information exchanged and consultations can take place in the joint committee.

4.2.11 DISPUTE SETTLEMENT

A Chapter has discussed dispute settlement in Articles 9.1 to 9.11³⁰⁷. There are rules and rules and procedures for settlement or avoid the disputes among the parties of agreements.

³⁰¹ camp, M. and Dueñas, M. (2020) ‘Intellectual property rights, trade agreements, and international trade’, *Research Policy*. Elsevier B.V., 48(3), pp. 531–545.

³⁰² Carrère, C. and de Melo, J. (2020) ‘Notes on Detecting The Effects of Non-Tariff Measures’, *Journal of Economic Integration*. Center for Economic Integration, 26(1), pp. 136–168

³⁰³ Khouilid, M. and Echaoui, A. (2020) ‘The impact of Non-Tariff Measures (NTMs) on Moroccan foreign trade: Comparison between developed and developing countries’, *IOSR Journal of Economics and Finance*. IOSR Journals, 08(03), pp. 48–57

³⁰⁴ Lewis, M. K. (2020) ‘Mega-FTAs and Plurilateral Trade Agreements: Implications for the Asia-Pacific’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 419–433

³⁰⁵ Lewis, M. K. (2020) ‘Mega-FTAs and Plurilateral Trade Agreements: Implications for the Asia-Pacific’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 419–433

³⁰⁶ Kelsey, J. (2019) ‘The Trans-Pacific Partnership Agreement and the Regional Comprehensive Economic Partnership: A Battleground for Competing Hegemons?’, in *Free Trade Agreements*. Springer Singapore, pp. 11–34

³⁰⁷ Caso, R. and Guarda, P. (2019) ‘Copyright Overprotection Versus Open Science: The Role of Free Trade Agreements’, in *Free Trade Agreements*. Springer Singapore, pp. 35–51

4.2.12 INVESTMENT AGREEMENT

An agreement on investment^{308 309} was concluded between Korea, on, and Liechtenstein & Iceland, Switzerland, on the other. This agreement has been managed for protecting investments of both and accesses the markets.

4.3 SOUTH KOREA - FREE TRADE AGREEMENT RULES

Modifications to Harmonized Tariff Schedule-United States-Korea Free Trade Agreement

- Preamble: Initial Provisions and Definitions and National Treatment and Market Access for Goods is provided in Annex 2-A as National Treatment and Import and Export Restrictions and Annex 2-B: Tariff Elimination

3. Agriculture given in Annex 3-A as Agricultural Safeguard Measures³¹⁰
4. Textiles and Apparel given in Annex 4-A: specific rules of origin for textile and apparel goods in Annex 4-B: Fibers, yarns, and fabrics not available in commercial quantities with appendix 4-b-1: fibers, yarns, and fabrics not available in commercial quantities and confirmation letter regarding the trade of yarns, fibers and fabrics not available in commercial quantities)
5. Pharmaceuticals and Medical Devices-³¹¹ Confirmation Letter (Independent Review Body)
6. Rules of Origin and Origin Procedures in Annex 6-A: Specific Rules of Origin with Appendix 6-A-1: Correlation Table for Footwear in Annex 6-B: Exceptions to Article 6.6

Van Beers, C. and Van Den Bergh, J. C. J. M. (1997) 'An empirical multi-country analysis of the impact of environmental regulations on foreign trade flows', *Kyklos*. Helbing und Lichtenhahn Verlag AG, 50(1), pp. 29–46.

³⁰⁹ Chakraborty, D. (2020) 'Picking the Right Alternative: Should India Participate in TPP Instead of RCEP?', in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 501–519.

³¹⁰ Cookson, F. E. and Shamsul Alam, A. K. M. (2020) Towards greater sub-regional economic cooperation : limitation, obstacles, and benefits.

³¹¹ Taneja, N., Dayal, I. and Bimal, S. (2020) 'Facilitating India–Pakistan Trade Through the Land Route', in *India-Pakistan Trade Normalisation*. Springer Singapore, pp. 313–345.

7. Customs Administration and Trade Facilitation
8. Sanitary and Phytosanitary Measures
9. Technical Barriers to Trade in Annex 9-A: Committee on Technical Barriers to Trade and Annex 9-B: Automotive Working Group. A Confirmation Letter (Specific Autos Regulatory Issues) is also required.
10. Trade Remedies
11. Investment, the rules and regulations are given in Annex 11-A: Customary International Law, Annex 11-B: Expropriation, Annex 11-C: Service of Documents on a Party under Section B, Annex 11-D: Possibility of a Bilateral Appellate Mechanism, Annex 11-E: Submission of a Claim to Arbitration, Annex 11-F: Taxation and Expropriation, Annex 11-G: Transfers along with a Confirmation Letter (Property Rights)
12. Cross-Border Trade in Services in Annex 12-A: Professional Services with Appendix 12-A-1: Sectors for Mutual Recognition and Temporary Licensing, Annex 12-B: Express Delivery Services and Annex 12-C: Consultations Regarding Non-Conforming Measures Maintained by a Regional Level of Government. A Confirmation Letter (Understandings of Both Sides), Confirmation Letter (Gambling), Confirmation Letter (Express Delivery Services - Amendment) , Confirmation Letter (Express Delivery Services - Reform) and Confirmation Letter (Telecommunications) is also required
13. Financial Services rules are given in Annex 13-A: Cross-Border Trade, Annex 13-B: Specific Commitments, Annex 13-C: Financial Services Committee, Annex 13-D: Supply of Insurance by the Postal Services to the Public and Confirmation Letter (Cross-Border Financial Services)
14. Telecommunications laws are provided in Annex 14-A and Annex 14-B
15. Electronic Commerce rules are provided Confirmation Letter (Access to and Use of the Internet)

16. Competition-Related Matters

17. Government Procurement regulations³¹² are given in Annex 17-A: Government Procurement Annex

18. Intellectual Property Rights with a Confirmation Letter (Limitations on Liability for Internet Service Providers), Confirmation Letter (Promoting Protection and Effective Enforcement of Copyrighted Works), Confirmation Letter (Online Piracy Prevention) and Confirmation Letter (Disputes Involving Patent Linkage)

19. Labor laws³¹³ are given in Annex 19-A: Labor Cooperation Mechanism and Confirmation Letter (Public Communication)

20. Environment rules³¹⁴ with a Confirmation Letter (Public Participation) and Confirmation Letter (Equivalence in Environmental Laws)

21. Transparency with Confirmation Letter (Publication)

22. Institutional Provisions and Dispute Settlement in Annex 22-A: Alternative Procedures for Disputes Concerning Automotive Products, Annex 22-B: Committee on Outward Processing Zones on the Korean Peninsula and Annex 22-C: Joint Fisheries Committee.

23. Exceptions³¹⁵

Final Provisions in Annex I: Non-Conforming Measures for Services and Investment in Annex I Formatting Note as well as Korea Annex I and U.S. Annex I Annex II: Non-Conforming Measures for Services and Investment as well as Annex II Formatting Note, Korea Annex II, U.S. Annex II, Annex III: Non-Conforming Measures for Financial

³¹² Maini, T. S. (2020) ‘Munabao–Khokhrapar Land Route and India–Pakistan Relations’, in *India-Pakistan Trade Normalisation*. Springer Singapore, pp. 347–372.

³¹³ Chand, R. and Saxena, R. (2020) ‘Agricultural Trade Between India and Pakistan: Status and Potential’, in *India-Pakistan Trade Normalisation*. Springer Singapore, pp. 15–59.

³¹⁴“id 313”.

³¹⁵ Lewis, M. K. (2020) ‘Mega-FTAs and Plurilateral Trade Agreements: Implications for the Asia-Pacific’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 419–433

Services, Korea Annex III (with Formatting Note), U.S. Annex III (with Formatting Note) General Notes include Tariff Schedules , and TRQ Annexes, Korea General Notes, Korea TRQ Appendix (2-B-1), Korea Tariff Schedule, U.S. General Notes, U.S. TRQ Appendix (2B)- .U.S. Tariff Schedule- Exchange of Letters Establishing KORUS Working Group on SMEs and Committee on Services & Investment. Letter from Minister Kim to Ambassador Kirk ³¹⁶ regarding the Committee on Services and Investment under the United States-Korea (KORUS) Trade Agreement. Letter from Ambassador Kirk to Minister Kim regarding the Committee on Services and Investment under the United States-Korea (KORUS) Trade Agreement.

CHAPTER 5:

CONCLUSION

This study concludes that the trade policy of Pakistan ³¹⁷ affect all sectors of economy and ultimately, the economic growth of Pakistan. In this context, government of Pakistan is

³¹⁶ Lewis, M. K. (2020) ‘Mega-FTAs and Plurilateral Trade Agreements: Implications for the Asia-Pacific’, in *Economics, Law, and Institutions in the Asia Pacific*. Springer, pp. 419–433

³¹⁷ Lewis, S. R. and Guisinger, S. E. (2020) ‘Measuring Protection in a Developing Country: The Case of Pakistan’, *Journal of Political Economy*. University of Chicago Press, 76(6), pp. 1170–1198.

providing tariff and tax³¹⁸ relief to agriculture sector as well as on the import of machinery and equipment used in the agriculture sector. The trade policy is also associated with macro and microeconomic factors. The inflation, interest rate, exchange rate fluctuation is significantly associated with the trade policy. On the other hand, the microeconomic variables, such as demand, supply as well as supply chain and logistic business are strongly affected³¹⁹ by the trade policy. The objective of this study is to explore that the ease of trade policies/laws increases the overall trade of Pakistan and South Korea. The trade policies/laws have a significant positive relationship with economic growth of Pakistan, the trade policies/laws have a significant positive relationship with economic growth of South Korea, the trade policies³²⁰ of Pakistan are influenced by the political instability. The trade policies/laws of Pakistan are affected by the macroeconomic variables (inflation & exchange rate and the trade policies/laws of South Korea are affected by the macroeconomic variables (inflation & exchange rate)).³²¹ This relationship was not discussed in detail previously, the volume of trade between Pakistan and South Korea is not huge. We have explored that Pakistan is exporting³²² cotton, vinegar, knitted and crocheted articles, salt, lime, cement, skins and hides, oils, oil seed grains and fruits to Korea. This study is based on previous research and not on empirical analysis.

The imports of consumer goods change the overall consumer behavior. The same is the case with money supply, consumes saving and spending is also associated with inflation and exchange rate due to the increased demand of imported goods. To promote the international trade Pakistan and South Korea have become part of many free trade agreements and regional trade organizations³²³. These agreements include Association of South East Asian Nations (ASEAN), South Asian Association for Regional Cooperation (SAARC) Organization of Islamic Cooperation (OIC), Organization for Economic Cooperation and Development (OECD). This study also examines effect of aggregate and disaggregates trade on micro and

³¹⁸ Baysan, T. (2020) 'TRADE POLICIES IN PAKISTAN', pp. 459–478.

³¹⁹ Weiß, W. (2020b) 'Interpreting Essential Security Exceptions in WTO Law in View of Economic Security Interests', in, pp. 255–284.

³²⁰ sumner, D., Christie, M. E. and Boulakia, S. (2017) 'Conservation agriculture and gendered livelihoods in Northwestern Cambodia: decision-making, space and access', *Agriculture and Human Values*. Springer Netherlands, 34(2), pp. 347–362.

³²¹ Wei, D., Chen, Z., and Rose, A. (2019) 'Estimating economic impacts of the US-South Korea free trade agreement', *Economic Systems Research*. Routledge, 31(3), pp. 305–323.

³²² Wu, M. *et al.* (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754.

³²³ Wu, M. *et al.* (2019) 'Trade liberalization and informality nexus: Evidence from Pakistan', *Journal of International Trade and Economic Development*. Routledge, 28(6), pp. 732–754

macroeconomic factors in Pakistan. The total trade, aggregate exports³²⁴, aggregate imports, semi manufactured goods and manufactured goods, exports of primary commodities³²⁵ imports of consumer goods, industrial raw material for capital goods and imports of capital goods, industrial raw material of consumer goods through a detailed analysis of trade tariffs³²⁶ and rules and regulation on imports and exports of both the countries. The free trade agreement, laws, polices and regulation are discussed and found that these agreements are promoting the trade and strengthen the economy. The trade policy is the main element in the economic growth and development. The foreign direct investment is an important factor in overall economic growth. To increase the foreign direct investment and decrease the unemployment rate Pakistan has made trade agreement with China (CEPEC). The results of this study are consistent³²⁷ with the previous research.

Trade policy is a mechanism consists of many factors affecting the policy making. While preparing a comprehensive trade policy, the policy makers take many factors in to account. These factors include unemployment rate in a country, prevailing interest rate and revenues of financial sector as well as the policy of central bank of the country regarding interest rate. Inflation rate and exchange rate are the important factors to be reviewed before making the trade policy. The high rate of inflation or devaluation of local currency affect the exports and make the imports more expensive. So the policy makers proved ease to the exporters in this situation. Along with these factors, foreign direct investment, being a major factor affected by the trade policy, is reduced by the tight trade policy³²⁸.

Due to the latest high trend of consumption globally³²⁹, Pakistan is attracting foreign direct investment by giving ease in the trade policy. FDI contributes in increasing the GDP growth rate³³⁰ as significant increase in values has been observed. Government of Pakistan has adopted³³¹ some transparent Structural Reforms for accelerating and expediting privatization,

³²⁴ Weiß, W. and Furculita, C. (2020b) 'Introduction: EU Trade Policy Facing Unprecedented Challenges', in, pp. 1–13

³²⁵ Tawada, M. and Okimoto, M. (2016) 'Strategic Trade Policy and Food Trade', in, pp. 167–179.

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³²⁹ Bhagwati, J. and Hansen, B. (2019) 'A Theoretical Analysis of Smuggling', *The Quarterly Journal of Economics*. Oxford University Press (OUP), 87(2), p. 172.

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liberalization and de-regulation activities within Pakistan³³². In order to increase the investment activities some duties/taxes are waved off from the industry/ manufacturing units to promote competition as well as increase the exports³³³. During the last few months, the inflation level has been increased; expansionary monetary policy is not working as it was expected. The cost of production has been increased as well as the competitiveness of exports has been reduced. The levels of interest rate are constantly fluctuating due to an unexpected pandemic³³⁴ and slump in overall economy. Due to this reason, the exports and imports have been reduced. The exchange rates are also not stable to manage the imports and exports of Pakistan. Exchange rate encourages the FDI in scenarios, increasing or decreasing. The imposed costs on the border would be managed because it reduces the competitiveness of export. While in present situation, the borders have been closed and no trade has been permitted by the Government of Pakistan. At this time, the developing countries are ready to adopt product diversification policies³³⁵ for avoiding unexpected/ expected changes in term of trade.

Being agriculture based countries, most of the import and exports comprise of fruits and vegetables- perishable goods. There is a high risk of deteriorating these goods on the borders in case of misleading trade policy. Recently, much of the import of mangoes from Iran to Pakistan has been destroyed³³⁶ on boarded as it was closed and no policy has yet been announced to release the goods. The suitable and timely announcement as well as implementation of trade policy is beneficial for a country³³⁷.

The increase in export price has showed the growth enhancing results. However, the countries should focus on research and development (Pakistan as South Korea's economy³³⁸ is much stronger) to increase quality of product. On the other hand, the decrease in taxes and tariffs on export and rebate on export is required to be applied to boost up the economic growth by exports. License and standard certification cost should be lessened and provide an ease in the trade policy for the importer and exporters.

³³² Lewis, S. R. and Guisinger, S. E. (2019) 'Measuring Protection in a Developing Country: The Case of Pakistan', *Journal of Political Economy*. University of Chicago Press, 76(6), pp. 1170–1198.

³³³ Chiang, M.-H. (2019) *Contemporary South Korean Economy: Challenges and Prospects*. World Scientific (EAI Series on East Asia).

³³⁴ Mckibbin, W. et al. (2020) *The Global Macroeconomic Impacts of COVID-19: Seven Scenarios*

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³³⁶ Development Bank, A. (2020) 'The Economic Impact of the COVID-19 Outbreak on Developing Asia'.

³³⁷ Furculita, C. (2020) 'FTA Dispute Settlement Mechanisms: Alternative Fora for Trade Disputes—The Case of CETA and EUJEP', in, pp. 89–111.

³³⁸ Kawabata, Y. (2019) 'Cost Asymmetries and Import Tariff Policy in a Vertically Related Industry', in, pp. 151–163.

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Appendix I- Trade Agreements

Association of Southeast Asian Nations

Politics

- Charter
- Customs union
- Date of Establishment
- Organizations
- Secretariat
- Treaty of Amity and Cooperation
- Visa policies

Symbols

- Anthem
- Emblem

		<ul style="list-style-type: none"> • Flag • Hymn
Membership		<ul style="list-style-type: none"> • Brunei • Cambodia • Indonesia • Laos • Malaysia • Myanmar • Philippines • Singapore • Thailand • Vietnam
	Observer Candidate Member	<p>and for</p> <ul style="list-style-type: none"> • Papua New Guinea • East Timor
Events	Summits	<ul style="list-style-type: none"> • ASEAN Summit • East Asia Summit
	Other	<ul style="list-style-type: none"> • ASEAN Plus Three • Asian Monetary Unit • ASEAN Regional Forum • Asia–Europe Meeting • Chiang Mai Initiative • Comprehensive Economic Partnership for East Asia • Regional Comprehensive Economic Partnership
Competitions		<ul style="list-style-type: none"> • SEA Games • ASEAN University Games • ASEAN School Games

Related

- ASEAN Para Games
- ASEAN Football Championship
- ASEAN Armies Rifle Meet
- ASEAN Football Federation
- ASEAN Free Trade Area
- ASEAN–China Free Trade Area
- ASEAN–India Free Trade Area
- Common Time
- Economy