

# Impact of Pakistan Sri Lanka Free Trade Agreement (Psfta) on Pakistan and Sri Lanka Economic Relations (a Case Study)

Samia Sami Baig<sup>a\*</sup>, Dr. Farooq Aziz<sup>b\*</sup>

<sup>a</sup>Samia Sami Baig 401/7 Solhaira Apartment, Gulstan Johar Kararchi-Pakistan 75290.

<sup>b</sup>Dr Farooq Aziz 75-A Block 18 Fedral B Area Kharachi-Pakistan 75950.

<sup>a</sup>Email: [gemsbaig86@gmail.com](mailto:gemsbaig86@gmail.com)

<sup>b</sup>Email: [Dr.faziz@yahoo.com](mailto:Dr.faziz@yahoo.com)

## Abstract

This exploration endeavors to gauge Pakistan-Sri Lanka Free Trade Agreement utilizing the exchange potential and CAGR by optional information. Board information for the period 2003-2015 crosswise over two nations is utilized in the investigation. The point of study is to anticipate the exchange capability of both nations worldwide and in addition inside particular SAARC district. The outcomes uncover that Sri Lanka's current exchange potential with Pakistan is high. In this manner, Sri Lanka ought to investigate ways and intends to encourage enhance its exchange relations with Pakistan furthermore focus more on new items to expand its piece of the overall industry quite far. In any case, the volume of exchange of Sri Lanka with Pakistan is lower than that of India, in spite of the current noteworthy possibilities. The fundamental impediments to this end are the political, ethnic and social pressures with India, which is the key player of SAARC. Also, Sri Lanka and Pakistan confront a few noteworthy difficulties, for example, decreasing peripheral comes back to monetary reconciliation, significance of non-duty hindrances to exchange, homogeneous items and absence of administration in Pakistan. It is called attention to that Sri Lankan business people and exporters need to expand from conventional fare markets to mechanical markets in Pakistan. Notwithstanding that, post-PSFTA situation clarified that Sri Lanka's exchange reliance proportions have expanded contrasted and pre-PSFTA situation. This is confirm from persistently expanded post-PSFTA exchange shortage. Thus, Sri Lanka ought to urge financial specialists from Pakistan to put resources into Sri Lanka.

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\* Corresponding author.

The studies would yield the expansion of learning about the key terms. The distinct strategy would be utilized. Information would be gathered through appraisal papers. Information would be examinations by the assistance of tables. Solid proposal would be made on the essential of finding.

**Keywords:** (International Trade); (Exports; High Trade Potential); (Imports; Free Trade Agreement).

## 1. Introduction

### 1.1 Pakistan's Trade

Pakistan promenade on the world's guide on August 14, 1947. At that time Pakistan was viewed as a poor and horticultural nation however now the circumstances has changed and Pakistan is currently made the astonishing advancement in exchange. As per the latest insights, the share of Pakistan in worldwide exchange 0.22% [10].

“Major Exports of Pakistan”

Pakistan exchanges beside the quantity of stock to various countries which included

1. Unrefined cotton, Textile things and Cotton yarn.
2. Rice.
3. Calfskin and cowhide things.
4. Floor covers and covers, Tents.
5. Designed materials.
6. Surgical instruments.
7. Sports items.
8. Readymade bits of apparel.
9. Vegetable, results of the dirt.
10. Planning stock.
11. Chemicals and Pharmaceutical things.

“Major Imports of Pakistan”

Pakistan imports a gigantic delivered items by various countries which included 1. Equipment. 2. Petroleum. 3. Chemicals. 4. Vehicles and additional parts. 5. Tasteful Oil. 6. Wheat. 7. Tea. 8. Fertilizers. 9. Plastic material.

10. Paper Board 11. Press mineral and steel. 12. Pharmaceutical things. These imports spoke to 73% of total imports in the midst of 2006-07.

Among these orders contraption, petroleum/petroleum things and chemicals spoke to 53.4% of total imports Pakistan generally imports couple of things which are especially expensive to Pakistan and effect its balance of portion these couple of things are aftereffect of petroleum, equipment, chemicals, iron and steel, agreeable oil, excrement and tea to various countries in light of the way that Pakistan cannot make these all above notice things by its own benefits Furthermore, if it conveys this thing so the creation is low and cannot meet its solicitations [10,12,15].

### ***1.2 Pakistan's Major Exporter Countries***

Pakistan's fares to China, the US, Germany, France, UK, Italy, Russia, Spain, Brazil, Canada, India, Australia

### ***1.3 Pakistan's Major Importer Countries***

China, US, Germany, France, Italy, Russia, Spain, Brazil, Canada, India, Australia, Indonesia, Japan, Saudi Arabia

## **2. History Of Free Trade Agreement (FTA)**

Organized commerce is a game plan took after by some overall markets in which countries' organizations don't limit imports from, or fares to, various countries. Facilitated commerce is exemplified by the European Economic Area and the North American Free Trade Agreement (NAFTA), which have set up open markets. Most nations are today people from the World Trade Organization (WTO) multilateral trade understandings. Regardless, most governments still constrain some protectionist approaches that are relied upon to support neighborhood occupation, for instance, applying duties to imports or blessings to conveys.

Governments may similarly restrict unhindered business to most remote point charges of standard resources. Distinctive blocks that may baffle trade fuse import shares, charges, and non-impose limits, for instance, authoritative order. Unhindered commerce is a money related speculation that incorporates the examination and limit of bringing in and conveying items without restriction. Various nations partake in unhindered trade to ensure their inhabitants have enough financial resources or customer items for tending to various needs or needs. Encouraged trade is based upon the close purpose of intrigue theory, declared by David Ricardo, an English political monetary investigator, in the mid1800s [10,12].

### **Some Popular Free Trade Agreement' Organizations**

- 1. North American Free Trade Agreement (NAFTA)**
- 2. Asia-Pacific Economic Cooperation (APEC)**
- 3. Association Of Southeast Asian Nations (ASEAN)**

#### **4. Association Of Southeast Asian Nations (ASEAN)**

#### **Examples of Pakistan's Free Trade Agreements with Some Other Countries**

##### **1. Pakistan and China Free Trade Agreement**

##### **2. Pakistan Free Trade Agreement with Iran**

##### **3. Pakistan Free Trade Agreement with Turkey**

##### **4. Pakistan Free Trade Agreement with Indonesia**

#### **3. History Of Trade Between Pakistan And Sri Lanka**

The nearby neighbors of South Asia and individuals from SAARC, Islamic Republic of Pakistan and the Democratic Socialist Republic of Sri Lanka getting a charge out of a warm relation from 1948 till today. Relations between both nations have progressively formed into close and welcoming ties undoubtedly. The soonest legitimate conciliatory and exchange contacts in the middle of Pakistan and Sri Lanka began from 1948. There is a Pakistani international safe haven situated in Colombo and a Sri Lankan consulate arranged in Islamabad. Pakistan helped the Government of Sri Lanka in supplying High-Tech military hardware to the Sri Lankan armed force in the civil war against the Liberation Tigers of Tamil Eelam. On July 23, 1983, when the common war started in Sri Lanka which including Liberation of Tigers of Tamil Eelam (LTTE), Pakistan got another business sector for supplying its arms equipment on normal premise furthermore participated with Sri Lanka till Lankan powers vanquished LTTE on May 18<sup>th</sup>, 2009. Pakistan has additionally offered to prepare Sri Lankan spies for insight gathering purposes Apart from customary military help to Sri Lanka, Pakistan has likewise offered to prepare Sri Lankan police and knowledge administration officers. Sri Lanka began purchasing arms and ammo from Pakistan in a big way from 1999. The aggregate buys until December 2007 were worth US\$50 million while there has been a sudden hop in the amount of stock requested in 2009 and the sum has been tripled. In May 2000, In April 2009, Sri Lanka asked for US\$25 million worth of 81 mm, 120 mm and 130 mm mortar ammo to be conveyed inside of a month. The relationship likewise cultivates on solid shared Sino-Pakistan and Sino-Sri Lankan relationship, as China keeps up solid common enthusiasm for the financial and military improvement of Sri Lanka and Pakistan. Sri Lanka considers Pakistan as a genuine companion who remained with the general population of Sri Lanka amid the troublesome times, and Pakistan additionally considered Sri Lanka a genuine and dear companion and, in addition, an exchange partner. Both nations trade their products and administrations meanwhile of each other. Sri Lanka has likewise demonstrated enthusiasm for marking an atomic manage Pakistan, Regular common visits in the middle of Colombo and Islamabad by pioneers of Pakistan and Sri Lanka in all many years of their relations have taken the relations to another tallness and upgrading in the right conduct. Pakistan and Sri Lanka both have an agreeable and solid exchange, social, prudent and verifiable bonds. Both nations focus and have comparative musings about vital local issues and both need to build up peace in the South Asian area as well. In 1974, both nations built up The Joint Economic Commission and is Co-led by the Minister for Economic Affairs from Pakistan and Minister for Industries and Commerce from Sri-Lanka. Sri Lanka – Pakistan Joint Economic Commission additionally

assumes an imperative part in streamlining the military and other financial arrangements. Both express the trust that considerations of Joint Economic Commission would get ready concrete and noteworthy proposals to progress further development in different regions of common hobbies. Sri Lanka – Pakistan Joint Economic Commission finished its eleventh sessions effectively in which both nations attempted to improve their exchange and financial relations. Different putting organizations of Pakistan put resources into numerous fields like IT, textiles, agriculture, and land areas in Sri Lanka and this speculation expands step by step up to the US US\$100. In August 30<sup>th</sup>, 1991 The Pakistan and Sri Lanka Business Council established. In February 09<sup>th</sup>, 2005 Pakistan and Sri Lanka Business Forum (PSLBF) was consolidated. Pakistan-Sri Lanka Free Trade Agreement (PSFTA) happened in thirteenth June 2005 are viewed as a portion of the critical points of reference in the historical backdrop of exchange relationship between Sri Lanka and Pakistan [12,57].

Pakistan and Sri Lanka consented to a Free Trade Arrangement in July 2002 and it got to be operational in June 2005. The terms of the FTA were far reaching and conceded 100% quick admission to real Pakistani fares, for example, cotton and bond and major Sri Lankan fares, for example, elastic and coconut items. By 2010 both nations were required to have evacuated levies on all things excepting those recorded in their particular no-concession records or those confronting Tariff Rate Quotas (TRQ).

Top Pakistani fares to Sri Lanka incorporate cotton items, bond, refined sugar and potatoes. Top Sri Lankan fares to Pakistan incorporate vegetable items, elastic, fiber board furthermore, coconut items. Pakistan's fares to Sri Lanka developed from US\$ 154 million in 2004 to US\$ 316 million in 2013, however Pakistan could just claim 1.7% of aggregate Sri Lankan imports from the world in 2013.

Sri Lanka's fares to Pakistan developed from US\$ 46 million to US\$ 63 million somewhere around 2004 and 2013, and Sri Lanka guaranteed just 0.14% of aggregate Pakistani imports from the world in 2013. Exchange between the two nations has demonstrated dull development regardless of the FTA. Both nations claim critical pieces of the overall industry in valuable few fares to the next. Exchange has proceeded in generally the same blend of items that existed preceding the FTA and most duty lines proceed to report zero exchange. This glaring difference a distinct difference to Sri Lanka's exchange relations with nations such as India and China, wherein critical and quick-paced development has happened.

This Study recommends that youngster Pakistan-Sri Lanka exchange relations can't be faulted for a scarcity of chances or absence of potential for exchange. Both nations produce merchandise that have solid markets in the accomplice nation. The FTA is exhaustive and offers full concession on an assortment of critical fares. Sri Lanka is right now in a time of remaking taking after the finish of enduring political clash and is developing its status as a prime traveler destination. In addition, Pakistan and Sri Lanka have solid political ties and the goodwill between them is a piece of what drove Pakistan to sign its first facilitated commerce concurrence with Sri Lanka. Impressive potential stays lethargic, and this Study endeavors to tissue out the specifics of this potential and recommend approaches to evacuate hindrances to its acknowledgment.

This Study distinguishes send out things at the 6 digit HS code level which, in light of certain positive measurements, are ready to adequately drive the development of exchange in the middle of Pakistan and Sri

Lanka. The measurements utilized are those of exchange potential and Compound Annual Growth Rate (CAGR) values. Exchange potential speaks to the degree to which exchange can hypothetically be expanded with another nation, and along these lines gives a thought of the extension for exchange development. A CAGR esteem for development in, say, fares of a thing over a specific period gives us the rate at which the fares would have developed on the off chance that they became easily, and in this manner can capacity as a harsh marker of a development pattern. In the event that, for an item X, exchange potential is high, and the CAGR estimations of its aggregate world fares by the sending out nation and its aggregate world imports by the importing nation are high, it can be said that the sending out nation is a critical what's more, developing maker and the importing nation is a critical and developing purchaser of item X. This Study distinguishes things that display this blend of ideal measurements, yet a low or negative CAGR esteem for their exchange in the middle of Pakistan and Sri Lanka, proposing that certain for the most part positive patterns have neglected to include the Pak-Sri Lanka exchange connection.

This further proposes once the Pak-Sri Lanka particular impediment to exchange is evacuated, exchange can be expanded rapidly by bridling the positive patterns. Examination concerning the issues confronted in Pak-Sri Lanka exchange give us some thought of what these impediments may be.

The accompanying are chosen Pakistani send out things with high exchange potential and positive CAGR values. Out of the aggregate exchange capability of around US\$ 1.7 billion for the things studied at the 6 digit level, US\$ 500 million is amassed in things with great CAGR values [57].

**Table 1:** Pakistani products that have high trade potential and encouraging CAGR values

Hs Codes With High Trade Potential And Favourable CAGR Values			
HS Code	Product Label	Total Trade Potential in High	Number of high potential/ CAGR items at 6 digit HS code
		CAGR Items in USD millions	
73	Articles of iron or steel	53	3
39	Plastics and articles thereof.	34	11
85	Electrical, electronic equipment	29	6
62	Articles of apparel and clothing accessories, not knitted or crocheted.	16	3

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.

The going with are picked Sri Lankan convey thing HS codes with high potential and positive CAGR values at the 6 digit HS code level. Out of the total trade ability of around US\$ 1 billion for the things reviewed at

the 6 digit level, US\$ 880 million is moved in things with extraordinary CAGR values [57].

**Table 2:** Sri Lankan products that have high trade potential and encouraging CAGR values

WITH HIGH TRADE HS CODES POTENTIAL AND HIGH CAGR VALUES			
HS Code	Product Label	Total Trade Potential in High	Number of high potential/ CAGR items at 6 digit HS code
		CAGR Items in USD millions	
9	Coffee, tea, mate and spices	316	2
85	Electrical, electronic equipment	75	13
40	Rubber and articles thereof	40	6
	Miscellaneous edible preparations		

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.

These tables suggest that a nonappearance of trade potential is not the fundamental check to better Pakistan-Sri Lanka trade relations.

**3.1 Free Trade Agreement between The Islamic Republic Of Pakistan and The Democratic Socialist Republic Of Sri Lanka (PSLFTA)**

After the awe inspiring achievement of WTO, ASEAN, NAFTA and APEC countries did likewise begin facilitated commerce between or among them and after that after loads of organized commerce understandings were marked by the countries around the globe. Facilitated commerce assention amongst Pakistan and Sri Lanka is additionally a case of organized commerce understanding chain framework

The Pakistan-Sri Lanka Free Trade understanding (PSLFTA) was set apart in July 2002 and got the chance to be operational from twelfth June 2005. The FTA required both countries to fulfill zero charges on an extent of things in the midst of a particular time assignment. Pakistan permitted 100% brisk concession on 206 things at the 6-digit HS level however Sri Lanka permitted 100% snappy concession on 102 things at a similar level. Pakistan's no concession list dashed to 540 things at the 6 digit level while Sri Lanka's no concession list rushed to 697 things, which were cleaved down to 607 things in April 2013. In addition, Pakistan surrendered Sri Lanka a commitment free obligation rate share (TRQ) on tea things furthermore another TRQ at 35% edge of slant on the MFN rate on various dress things. Sri Lanka reacted by surrendering Pakistan a commitment free TRQ on long grain Basmati rice and potatoes. The terms of the

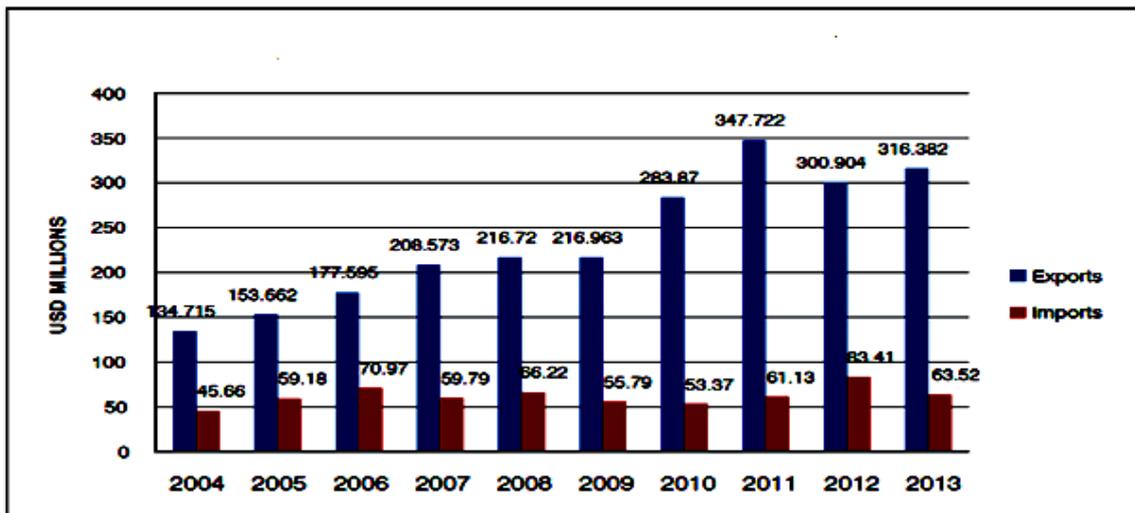
FTA obliged Pakistan to dispose of assessments on things not on its no-concession list by 2008, while Sri Lanka had till 2010 to do moreover. Real Pakistani exchanges that Sri Lanka permitted full admission to join cotton, apparel, sewed textures and bond. Major Sri Lankan exchanges yielded full concession by Pakistan consolidate flexible, coconut things and vegetable things [1,5,12,57].

**Table 3:** Summary of Pak-Sri Lanka FTA terms

Tariff	Pakistan	Sri Lanka
100% immediate concession	206 items	102 items
Tariff-phasing out period	3 years	5 years
Sensitive List	540	607 (amended in 2013)
Rules of Origin	Direct Value Addition (DVA) is 35% of FOB value. If parts of an input originate from a contracting country, minimum aggregate content must be 35% with minimum domestic input content being 25%.	

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.

The most recent year for which thorough trade data was open was 2013 and in this way, the expense concessions permitted to Sri Lankan import things by the Federal Board of Revenue in April 2014 has not been considered.

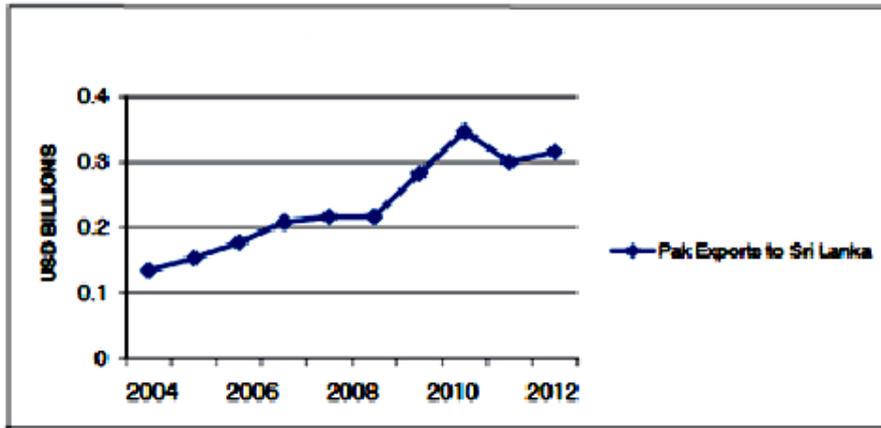


**Figure 1:** Pakistan's Trade with Sri Lanka

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.

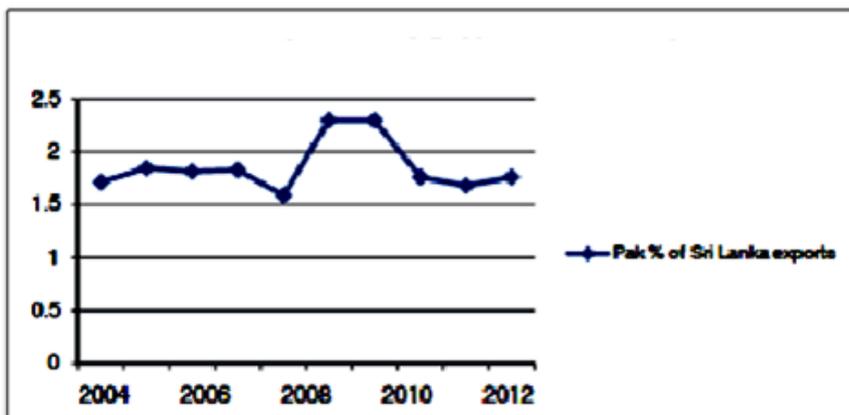
**Overview Of Pakistan-Sri Lanka Tradel.**

Pakistan is Sri Lanka's second greatest wellspring of imports in South Asia behind India, which in like manner has a FTA with Sri Lanka that got the opportunity to be operational in 2000 and was in full effect by 2008. Regardless, India, China and Singapore overpowered Sri Lankan imports in 2013 with 26.5%, 16.5% and 10% of total Sri Lankan imports independently when diverged from Pakistan's unimportant 1.7% offer. The going with graphs show that while Pakistan's tolls to Sri Lanka have selected net improvement in the midst of the 2004-2013 period, asides from a spike around 2009-2010 when Sri Lanka completed its trade advancement, Pakistan's rate offer of Sri Lankan imports has remained stagnant at a low level [3,5,10,12,27,57].



**Figure 2:** Pakistan’s annual exports to Sri Lanka 2003-2013

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.



**Figure 3:** Pakistan’s percentage share of Sri Lanka’s world exports

Source: An Assessment of Pakistan-Sri Lanka Free Trade Agreement, April 2015, The Pakistan Business Council.

In 2004, Pakistani fares to Sri Lanka were US\$ 154 million, which was 1.15% of total Pakistani admissions and 2.8% of Sri Lankan imports. By 2013, they were US\$ 316 million, which was 1.26% of total Pakistani admissions and 1.7% of Sri Lankan imports. It is thusly obvious that the period over which the FTA relentlessly happened Pakistan's aggregate level of charges to Sri Lanka extended by 105% be that as it may, its offer of Sri Lanka's total imports truly fell, which is a purpose behind stress since Pakistan's offer of the Sri Lankan import items business part was to a great degree little in any case. For examination, India, Sri Lanka's other FTA accessory, had tolls to Sri Lanka of US\$ 1.4 billion in 2004, which were 17.8% of Sri Lanka's total imports and by 2013 admissions were US\$ 4.8 billion, and 26.5% of Sri Lanka's total imports. Thusly, by all appearances, India could better adventure its FTA with Sri Lanka than Pakistan was on the PSLFTA. Of course, Sri Lanka's admissions to Pakistan were US\$ 46 million (0.83% of Sri Lankan conveys) in 2004 and US\$ 63 million (0.63% of Sri Lankan exchanges) in 2013. So Pakistan has remained an insignificant admission goal for Sri Lankan things in the midst of the period the FTA has gotten to be powerful. Sri Lanka's admissions to India were US\$ 333 million (6.1% of Sri Lankan conveys) in 2004 and US\$ 515 million (5.15 % of Sri Lankan exchanges) in 2013, suggesting that while there is an immense aggregate climb in passages to India, Sri Lankan charges are finding other need showcases or have been not ready to vanquish India's colossal non-obligation deterrents. It should be remembered, in any case, that while the current state of trade between Sri Lanka moreover, Pakistan is less encouraging, both are markets for the other's vital passages. Pakistan is an imperative toll advertise for tea, which is a top Sri Lankan exchange thing, and it is furthermore an important shipper of copra and flexible, which are in like manner basic Sri Lankan exchanges. Sri Lanka is a basic business segment for material things, contraption and pharmaceuticals alongside various things that Pakistan records gigantic passages of. Thusly a more gainful trading affiliation seems to exist in range for the two countries [1,3,5,10,12,27,57].

#### **4. Literature review**

Numerous studies have been endeavored to discover the financial coordination, for example, SAARC, SAFTA and Free Trade Agreements. The overview plans to set up certain material of writing with respect to the ending up of organized commerce and two-sided exchange. There is a colossal measure of writing review on the subject of exchange or worldwide exchange and a couple of critical works have been inherent the present study. This study is an endeavor to draw out some Empirical deals with intra-provincial exchange among the part nations. Particularly, it is attempted to Estimate Sri Lanka's exchange association with Pakistan.

The guideline objective of this paper has been to explore the impact of SAPTA on equal specific trade amidst India and Pakistan. The two countries exchanged the greatest number of concessions in the Second Round, the conventions notices for which were issued by India after the principle quarter of 1997 and by Pakistan from the second quarter of that year. Unfortunately, the Third Round, instead of animating the exchanging of concessions, signified a sharp diminishing in concessions offered for all CS. Both India and Pakistan got a kick out of the chance to offer concessions to LDCs figuratively speaking. In this way, the impact on two-sided specific trade streams ought to be reviewed with the effect from 1997-98 [29].

One basic finding of this study is that in spite of the way that India's total individual imports from Pakistan declined out and out between 1999-2000 to 2002-03, it's offer of exceptional imports out and out exhibited steady augmentation in the midst of this period. This supports the theory that Pakistan's admissions of things offered trade slant by India performed much better than those that did not get any. So likewise, India's exceptional tolls performed better than anything its particular charges generally speaking which is reflected in the growing offer of such passages inside and out since 2000-01. The study has moreover highlighted thing widening of uncommon trade, however inconspicuous. To speak to, in 1996-97 mineral things spoke to 87 percent of India's specific imports from Pakistan. However in 2002-03, chemicals and related things, mineral, and vegetable things were also added to the once-over of India's real specific imports from Pakistan.

So likewise, in 1996-97 mineral things spoke to the principle piece of India's specific charges to Pakistan. However in 2002-03 plastics, flexible and articles thereof were added to the before summary in this way separating India's specific admissions to Pakistan. The examination is finally connected with individual things that have been clear victors besides those that entered the trade wicker canister strangely as new things [1,5,10,16].

A rate of the valuable results, regardless, the achievements The author in [30] investigated the five greatest South Asian countries' charge drove improvement with a system of different time arrangement. The principal segment he dissected is the far reaching impact of import and admission on fiscal advancement relationship and demonstrating a whole deal and passing equalization of fare, imports and yield strikingly of each of the five countries like Pakistan, India, Sri Lanka, Nepal and Bangladesh.

The author surveyed the ability of two course trade amidst India and Pakistan. She perceived areas of trade and wander co-operation between the two nations. She in like manner gages the trade costs of trade on the introduce of a point by point examination of existing transport strategy between the two countries and the impact of all surviving non-require blocks. she in like manner examines late headways in BIMSTEC,

ASEAN and in Indo-Sri Lanka and Indo-Nepal trade understandings, and pulls in lessons to enhance Indo-Pakistan trade [1,16].

Pak Iran trade relations are to a great degree old, both are trading to each other by arrangement trading system and both are people from RCD and ECO. In the light of these old trading relations of Pak and Iran The author in [11] assessed with gravity show a potential in proportional trade amidst Pak and Iran that whether both countries are giving a positive potential towards their fares. He suggested that Iran exhibited a positive potential towards Pakistan's admissions

The authors in [47] surveyed the open regionalism and trade cooperation between the world 's two greatest, making nations, the People 's Republic of China ( PRC ) and India , under the sorted out trade comprehension and its impact on both countries and the budgetary effect on other Asian countries of ASEAN and WTO trade concurrences with the bank .

Reference [36]; tended to whether RTAs really are as basic for the fiscal improvement of people nations. He

more separated the amount of RTAs and the offer of world trade criteria with a particular ultimate objective to show why both are irrelevant in the present world economy.

Reference [39] endeavored to take a heap of various FATs in South Asia from the point of view of joining of TF measures in the substance of FTAs. He moreover gave unobtrusive components of Articles V, VIII and X for the progress of trade help of South Asian nations. He facilitate inspected the piece of SAFTA, SAARC, and FTA. He moreover gave a sweeping point of view of extensive fiscal affiliation declaration (CEPA).

The development of FTAs appears to have impacted fiscal conditions in various countries through remote exchange. This study attempts to perceive the impacts of FTAs on outside trade by using two methodologies. One strategy is to examine the conformities in return plans earlier and afterward subsequently a FTA by using markers of intra-FTA affiliation. The second approach is the estimation of a gravity numerical articulation to watch the impacts of FTAs on complementary trade streams, i.e. trade creation and distraction impacts, It examination that by disaggregating the trade data with a supposition that the impact of FTAs is different for different portions. The delayed consequences of the examination revealed a couple of interesting discernments. Examination of the total trade demonstrates that FTAs acknowledge trade creation affect and that trade redirection effect is confined [54].

Additionally, the results of the examination of disaggregated trade data demonstrate particular cases of different things, and it perceives trade distraction affect for a few things by virtue of the EU, the NAFTA, and the MERCOSUR however not for the circumstance of the AFTA.

Reference [13] investigated the part and impact of SAFTA furthermore highlighted the ISFTA, PSFTA influence on the night of Pakistan and Sri Lanka. He assist discussed the structure of each and survey their impact on the trade understanding among Sri Lanka, India, Pakistan.

Reference [11] wore down the impact of trade techniques on Pakistan's Preferential access to the European Union, Pakistan's two-sided AND multilateral Liberalization. Also, the effect of regional trade statements (RTA), SAFTA, NAFTA and ASEAN countries on Pakistan and commonplace people.

Reference [6] discussed the impact of SAARC and FTA on the headway of money related and revamp of the DEVELOPMENT of trade relations with Asian countries.

Reference [23] studied on how much upgrade trade help with South Asia Trade Flows in the South Asian countries and their trading accomplices. She discussed assist in the sustenance and agribusiness trade of South Asian countries focusing on the toll goals and import sources , the change of additional - regional trade South Asia through the Regional Trading Agreements with the advancement of trade South Asia. To Estimate and a reward through gravity scientific proclamation to assess an adjustment in return help measures vis - à - vis diverse components affecting general trade.

Examination two complementary FTAs set apart by Sri Lanka independently with India and Pakistan as representations. They more reviewed money related increments of Sri Lanka s FTAs with India and Pakistan,

They attempt to an examination that separate FTA prompt to a change of security of a section country and more conspicuous peace between two section countries. In this paper, they fought that Sri Lanka made sense of how to extend its security by slaughtering the weight from India and expanding military and key support from Pakistan for its present war in the north of the island [22].

In Reference [3] authors assess the pre and post-Free Trade Agreement (FTA), the case of two-sided trade amidst Pakistan and Sri Lanka. Furthermore, moreover, review the impact of the Pakistan-Sri Lanka Free Trade Agreement (PSFTA) in sustaining trade execution.

Reference [55] is from the point of view of Pakistan research the possible destiny of the South Asian blend in light of the changing cases of trade protectionism, the scaling back of obligations have moved the focal point of researchers managing SAFTA towards the a lot of Non-Tariff obstacles (NTBs). The part countries of South Asia have been normal in diminishing their deterrents as assented to under the most recent Tariff Agreement (SAFTA).

The author in [49] fought on the SAFTA and its impact on its people and structures nations. He furthermore Analyzed current Tariff Barriers to Trade in South Asia SAFTA. He facilitate inspected under Safta's people about the FDI and GDP of countries.

The authors in [16] gave the duties and Pakistan's trade plans, the some portion of SROs and CGOs Trade methodologies and trade techniques in the auto division in the material and PSFTA with the reference of the attire zone.

The authors in [4] analyzed the fiscal, trading game-plans and methodologies impact the force of Sri Lanka in the overall stock system framework and the coordination of the material and attire industry. Vertical impact of FTAs and other equal and multilateral trade concurrences on the business are in like manner discussed.

The proportional trade amidst Pakistan and Sri Lanka has viably duplicated and touched US\$400 million in the midst of the latest three years as an eventual outcome of the two-sided encouraged business attestation which the two countries set apart on August 1, 2002, be that as it may, got the chance to be an operator in June 2005. Under FTA, both Pakistan and Sri Lanka have permitted commitment free access to each other on a couple obligation lines, consenting to take out the traditions impose on appropriate around 90 for every penny of things by June 2010. As indicated by FTA's acquirements, Sri Lanka has surrendered commitment free access to Pakistani things on 102 collect lines; while Pakistan has permitted Sri Lanka commitment free access on 206 duty lines. By June 2010, Sri Lanka will forgo the conventions commitment on 4,527 obligation lines out of 5,224 things at six digit level. On the other hand, Pakistan has agreed to wipe out by June 2010 the conventions charge on 4,680 expense lines at six digit levels, covering around 90 for each penny of things. The transfer of customs commitment will cover 69 for each penny of the truly traded items between the two countries. In the light of above purpose of intrigue In reference [12]; the authors given the examination of ISFTA and PSLFTA's impact on SRI Lanka's money related and trade with APTA and SAFTA. As indicated by them, the utilization rates of the two-sided understandings like ISFTA and PSLFTA

are higher than neighborhood trade declaration like APTA and SAFTA. They promote gave the reference of Rules of Origin Requirement criteria for the estimation of the utilization of trade declaration.

The authors in reference [33] attempt to gage Pakistan's trade potential, using the gravity model of trade. The results reveal that Pakistan's trade potential is most shocking with countries in the Asia-Pacific zone (the Association of Southeast Asian Nations [ASEAN].), the European Union (EU), the Middle East, Latin America, and North America. Specifically, the most outrageous potential exists with Japan, Sri Lanka, Bangladesh, Malaysia, the Philippines, New Zealand, Norway, Sweden, Italy, and Denmark. They moreover inspected the volume of trade amidst Pakistan and diverse people from the South Asian Association for Regional Cooperation (SAARC) and Economic Cooperation Organization (ECO) is low, paying little heed to the nearness of critical potential. They moreover attempt to assess the essential hindrances to this end are the political and social strains among neighboring countries, particularly amidst Pakistan and India, which are the major players of SAARC. Similar obstacles exist by virtue of the EU and NAFTA, where Pakistani tolls are unfavorably impacted by political examinations.

Pakistan yielded Sri Lanka TRQs for three million bits of garments things, covering 20 groupings where there was business area potential without restrictions as to the texture's country of beginning stage. The clothing classes furthermore meet all necessities for 35 for each penny exceptional collect edge. Besides, Lankan dirt tiles and flatware in like manner acknowledge 20 for every penny of uncommon obligation edge.

Sri Lanka has yielded to Pakistan TRQs for a commitment free toll of Kino and 6,000 metric tremendous measures of long survey basmati rice, despite 1,000 metric immense measures of potatoes per annum. Starting here of intrigue in reference [48]; the author examined whether Sri Lanka's proportional FTAs with India (ILFTA) in 2000 and with Pakistan (PSFTA) in 2005 have realized a qualification to the country's run of the mill trade plans. Trade execution within the South Asian district is interesting in light of the way that it addresses a peculiarity improvement. Trade within the zone has not executed and what's more, its high monetary advancement may suggest, regardless of exercises for trade progression and common joining SAPTA, SAFTA and PSFTA have made diversion arrangements through equal and nearby game-plans in the ILFTA redundant due to Deeper Reforms Tariff, disposing of the Tariff of shorter periods, straight principles of beginning stage, delicate records and shorter. The authors in [38]. discussed the trade progression and help of South Asia and useful result and difficulties confront by South Asia district, they facilitate checked the potential favorable circumstances of trade help in South Asia by the wide reference of SAFTA and SAARC. Pak-Malaysia encouraged trade statement was set apart in 2005 for the headway in return of items and organizations, wander and Economic Co-operation, it was the key Free trade comprehension of Malaysia with South Asian countries. So toward this regards The authors in [18] analyzed the pre and post-Free Trade Agreement (FTA) declaration amidst Pakistan and Malaysia with the essential concentration of trade advancement and its effect on the economy of ASEAN nations. The point by point separate showed the beneficial outcome on Pak-Malaysia convey ,trade and welfare orientation.

In reference [15]; the author Reviewed Pakistan's existing regional and two-sided trade understandings , with outstanding complement on the part states of ASEAN and RCEP (Regional Comprehensive Economic

Partnership) . His progress discussed that RCEP people countries are quick or unusual contenders of Pakistan's exports. He assist dissected that all people from RCEP will accumulate advantage with the section of Pakistan in view of its geographical.

In reference [25]; the authors reviewed that GDP improvement of 24 Asia/Pacific countries is influenced by settlements and relocation, they promote broke down the dangerous effect of settlements and outside direct wander on a fiscal advancement of 24 Asian countries.

In reference [28] investigated the determinants and trade effects of SAFTA using test strategies. He advance analyzed the procedures of SAFTA actualized, monetary blend and change handle. He encourage battled about the troubles for more significant coordination with the overall economy.

Reference [1] identify the movements happen with the eventual outcome of Sri Lanka INCEPTION trade relationship with Pakistan since the piece of trade progression over the execution of SAARC to 2010. Compare with SAPTA after the advancement.

Reference [2] analyze the part and position of Sri Lanka in the WTO structure is a perception about viewpoints. To begin with as to two of the country's whole trade organization, its progression, and its bearing. Second is Sri Lanka's money related and trade position with its trading assistants.

The authors in [40] discussed the ISFTA and reviewed its result in noteworthy advancement in a trade between the two countries in the wake of getting the opportunity to be Operational in March 2000 and the impact of PSFTA on Pak-Sri Lanka's trade and economy which was set apart in 2002. He moreover expects to address the impact of the two FTAs on an evaluation of key Sri Lanka's economy through charges and Imports, wander exercises, and Negotiating experiences.

The particular trade declaration amidst Pakistan and Sri Lanka which extending the FREE TRADE AGREEMENT which was set apart on August 1, 2002, yet got the opportunity to be a specialist in June 2005. In the light of this comprehension in reference [5] in Daily Jang gave an inconspicuous component report regarding Pak-Sri Lanka facilitated commerce understanding, he gave an examination that this trade attestation showed a phenomenal impact on both countries money related development, sends out items, and its potential

The authors in [19,20] inspected the impact of unhindered business attestation of India–Sri Lanka on their imports, they saw that after FTA India acknowledges the title of most cherished import course for Sri Lanka, they facilitate suggested that both countries can upgrade their imports by expansion of FTA.

In reference [50] ; the authors broke down the change of trades potential amidst ASEAN and New Zealand, and reviewed how this trade association overview the exchange potential, enhance the toll of ASEAN and New Zealand individuals, she encourage highlighted the change of Australian trade with ASEAN under FTA.

In reference [53]; the authors gave the Exceptions in return law for Protecting neighborhood industry of

Pakistan, Sri Lanka, India and China endorsed by the GATT and on non-Tariff limits (NTBs) and its abilities.

In reference [41]; the authors investigate the perfect favorable circumstances of typical coin for SAARC nations. She along these lines Reveals some positive properties ( the nearness of positive : for instance, dazes for critical economies like India ,Pakistan, and Sri Lanka ) . She gave some Geo-Political intuition to more monetary joint effort among the countries , Suggesting areas where support Could be usually important to the economies.

In reference [56]; the authors gave the three zones of trade joining, political relations, and fiscal force. They help discussed Pakistan-India trade streams under the circumstance of pleasant political relations and welfare consequences of two-sided trade and unhindered business with respect to SAFTA in subsectors of agribusiness, materials, light planning, and chemicals.

In reference [7]; the authors analyzed the refinement between passage of material of Pakistan and India with their trade relations. They Showed that charge of India is more unmistakable than Pakistan which prompts augment in its money related progression.

The author protected about Asian individual trade understandings and its impact on overall relations by the use of present day techniques for economy. She facilitate evaluated the Asian regionalism by the wide references of Association of Southeast Asian Nations (ASEAN), United Nations Economic and Social Commission for the Asia-Pacific (ESCAP), South Asia Association for Regional Cooperation (SAARC), Asia-Pacific Economic Cooperation (APEC), Forum for East Asia-Latin America Cooperation (FEALAC), North American Free Trade Agreement (NAFTA).

In reference [26]; the authors evaluated composed business understandings affect with PPML estimator, some rule comes about they separated the change of agrarian trade among people countries of ASEAN-China, PTA, EU-15, EU-25 and SADC affirmations, the import and toll redirection, GDP affect on NAFTA accessories, FTA move affect on admissions on part countries and FTA multilateral exchange affect on provincial aftereffects of it people countries and the SADC outcast trade fondness on the FTA exchange result.

In reference [32]; the authors separated Pakistan's import improvement in view of regional money related joining, they assist analyzed the impact of neighborhood and two-sided concessions to Pakistan' import varying qualities.

In reference [46]; the authors separated the trade and theory connection of other South Asian countries with Pakistan under the SAFTA assention. they more studied the Pakistan's part for SAFTA advance in the reference of multilateralism and rising regionalism. They advance given recommendations for the SAFTA to upgrade the convincing trade Pakistan and South Asian region.

Reference [19] perceived the effect of Free intra-commonplace trade on sustenance things and its security with the reference of high potential trade of South Asian nations, she assist inspected the impact of specific expense rates under the Agreement on South Asian Free Trade Area (SAFTA), she similarly prescribed that

how the SAARC Food Bank and Seed Bank can give capable support of these people countries.

In reference [44]; the authors got the result by gravity show that import and toll revelations are change from total trade disclosures with the unprecedented reference of Pakistan. They advance separated that Pakistan showed improve trade potential toward Norway and Hungary Insists it exhibited better passages potential toward Switzerland and Hungary, Pakistan in like manner exhibited better import potential toward Norway took after, by Philippines, Portugal, and Greece, she more assessed about high trade ability of Pakistan and China as the adjacent edge nations, she also inspected about trade by conferring of periphery to reference of India and China.

In reference [17]; the authors given the knowledge about Sri Lanka's expense courses of action and import methodologies and its effect on its money related advancement, additionally separated the protectionist trade procedures and its negative effect on Sri Lanka's financial improvement and some constructive outcome of exceptional trade understandings like (ILFTA) with India, (PSFTA) with Pakistan and (SAFTA) with South Asian countries on Sri Lanka's trade and fiscal development. They promote given result about WTO simultaneousness on Sri Lanka's agribusiness and more further inspected about Sri Lanka and Bangladesh multilateral trading system.

Reference [43] separated execution of ROO (tenets of beginning stage) extension and SAFTA and FTAs understandings summary of South Asian countries with the phenomenal reference of Nepal. He promote contrasts ROO under FTA, SAFTA and BIMSTEC with an adjacent take a gander at SAFTA focal points of ROO, He more researched about the effect of sensitive summary coordinated by India under SAFTA, of Nepal and India trades, he assist given an examination of Pakistan and Sri Lanka's FTA and SAARC with ROO under SAFTA. He gave a conclusion that tricky summary must continue running for the benefit of Nepal and other South Asian countries under SAFTA.

The authors broke down about obstructions of uncommon trade progression of South Asian nations, structures of commonplace and widespread trade with the reference of trade practices of war association and course of trade, and separate trade offers, inadequacy of South Asia trade world exchange, facilitate given a low down about specific trade statements which held in eighth SAARC summit in Delhi for the improvement of fiscal relations of SAARC individuals, it in like manner pointed that wealthier countries end up being wealthier and poor countries end up being poorer under the trade distraction than creation of trade with the headway of specific trade advancement. Reference [13] broke down the change of commonplace trade compromise of South Asian countries with the investment of SAARC which recognized to its people countries to look for individual trade understandings, given an instance of Sri Lanka who getting a charge out of two-sided concurrences with Pakistan and India, likewise pointed that India is the standard trading assistant for South Asia region and can make a key figure of equal and neighborhood approaches yet it get the chance to be unbelievable by the combination strategy to consolidate South Asian regional social occasion. In reference [45]; the authors separated and looked into Association of Southeast Asian Nations (ASEAN) composed business understandings FTA's late advance, potential, and prospects, assist given a sweeping point of view of ASEAN's improvement, endeavors and headway with the more significant consolidation of

budgetary advancement of the ASEAN Economic Community (AEC) by 2015. The authors separated the Sri Lanka's trade plan with Pakistan and India and each one of the three are in like manner people from SAFTA, it gives a viewpoint about particular trade of Sri Lanka with Pakistan and India under FTA, also given an examination of SAFTA's vitality and FTA's vitality and saw that FTA is better than anything SAFTA as a result of its trade assertions, FTA give more purpose of inclination to trade of its part nations. It surmised that SAFTA transforms into a debilitate in its region in view of FTA's enhancing trade help. In reference [4]; the authors recognized the essentialness of materials and dress industry of Sri Lanka on the planet, it promote assessed the impact of trading blueprints and budgetary courses of action on the Sri Lanka's material and clothing industry, additionally given a knowledge about relative advancement and human change execution of Sri Lanka with the distinction of other South Asian and East Asian nations, nitty gritty history of the material and articles of clothing industry in Sri Lanka and explored about the stock system arrangement of Sri Lanka's industry with the reference of its stock and creations, it furthermore examined about trade and remote wander streams with the guide of the store organize, FTAs, reciprocal and multilateral trade in like manner investigated with some hid game plans. In Reference [31]; the regional trade has been a basic segment in the money related accomplishment of various countries. Inside most trading unions, intra-nearby trade contains 40 percent or a more prominent measure of each part country's individual trade. In any case, for the commonplace arrangements of which Pakistan is a section, intra-regional trade speaks to under 5 percent. Pakistan's indispensable region is its most unmistakable asset, yet it has not used this further reinforcing its favorable luck. Regardless of the way that it was a tolerably forward-looking country until the mid-1960s its methodologies have not been certain to propelling trade and money related progression starting now and into the foreseeable future. While other productive making countries have grasped liberal trade organizations since the 1980s—contingent upon protectionism just on a particular introduce—Pakistan continues relying upon import substitution techniques. Clearly, the country needs to come back to its common and overall trade approaches. In reference [24]; the gravity demonstrate has been comprehensively used as a piece of overall trade examine all through the past 40 years by virtue of its huge correct quality and coherent compel. Since their presentation in the 1960's, gravity models have been used for studying trade approach recommendations and, particularly starting late, to dissect the effects of Free Trade Concurrences on an overall trade. The objective of this paper is to overview the late observational written work on gravity models, highlight best practices and give an audit of Free Trade Agreement results for general trade as reported by imperative gravity display based studies over the earlier decade. In reference [21]; the authors inspected The essential section focuses on the strategy and theoretical arrangement of the China-ASEAN FTA. The accompanying region takes a gander at the case of trade amidst China and ASEAN. The third portion explores the financial structures of China and the ASEAN countries, and their shrouded consequences. The last fragment contains some finishing up remarks on the open entryways and troubles. The author discusses a quantitative reenactment examination on the impact of Japan's FTAs in Asia using a CGE model of overall trade. It has been battled that a regional FTA would be a phase toward overall trade progression rather than the last target. Honestly, it gives the idea that movements in sectoral trade equality and creation would vacillate according to the associates in Japan's FTAs in Asia straying from those ordinary in overall trade progression. Furthermore, the terms of trade effects would be decently colossal in choosing the general welfare influences in midway trade advancement. Then again, capital improvement instruments, one through component capital hoarding

and another through overall capital advancements are gave off an impression of being particularly imperative or macroeconomic increases in a couple ASEAN countries. It is suggested that advancement and help of the trading of items and in addition wander would be urgent for fiscal relationship in Asia. The authors Using point by point data on trade and obligations from 1992-2007, this study investigates how the ASEAN Free Trade Agreement has affected trade with non-people and outside expenses going up against non-people. In any case, it inspects the effect of exceptional and external expense diminishment on import improvement from ASEAN insiders and untouchables across over HS 6-digit business ventures. It finds no confirmation that specific advancement has provoked lower import improvement from non-people. Second, It examines the relationship between uncommon obligation decline and MFN impose diminishing. It finds that extraordinary progression tends to go some time recently external obligation advancement. To take a gander at whether this impose complementarity is an outcome of simultaneous decision making, this study uses the arranged future extraordinary obligation diminishments (assented to in 1992) as instruments for honest to goodness specific duty changes after the Asia crisis. The results remain unaltered, suggesting that there is a causal relationship amidst uncommon and MFN require decreasing. It also finds that outside progression was for the most part more sharpened in the things where slants are subject to be most hurting, showing further sponsorship for a causal effect. All in all, these results deduce that the ASEAN understanding has been a power for more broad advancement.

### 5. Preparatory Analysis Of Pakistani Exports To Sri Lanka Under FTA

At the 2-digit HS code level, 16 of the primary 20 things selected net improvement over the 2004-2013 period. The genuine advancement things were cotton, which showed a development of over US\$41 million, and HS 25 (salt, sulphur and so forth.), which exhibited an extension of over US\$ 45 million, yet from a low early on level of tolls. Other critical Pakistani tolls to Sri Lanka fuse oats and sugar things. Four 2-digit HS code things experienced a net diminished in passages, with the steepest decreasing hitting HS 63 (other made materials), which fell by more than 3 million dollars [12,57].

Pakistan's Major Exports To Sri Lanka

Figures in US\$ Millions

Table 4: pakistan's exports to sri lanka

HS Code	Product label	Value in 2004	Value in 2013	Growth	Equivalent ad valorem tariff applied by Sri Lanka to Pakistan
52	Cotton	60	102	42	0
25	Salt, sulphur, earth, stone, plaster, lime and cement	0	45	45	0.6
10	Cereals	21	38	16	6.9
17	Sugars and sugar confectionery	2	35	33	12.3

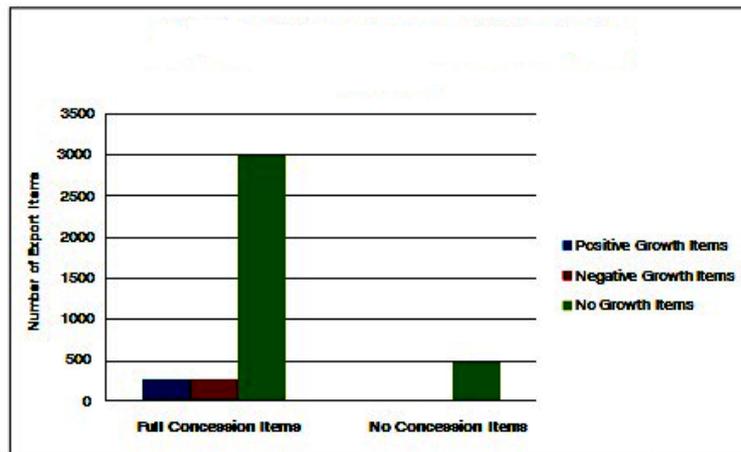
7	Edible vegetables and certain roots and tubers	5	18	13	14.9
30	Pharmaceutical products	5	17	12	0.2
73	Articles of iron or steel	4	15	10	2.3
60	Knitted or crocheted fabric	2	5	3	0
3	Fish, crustaceans, molluscs, aquatic invertebrates nes	6	5	-1	4.5
11	Milling products, malt, starches, inulin, wheat gluten	0	4	4	0.6
41	Raw hides and skins (other than furskins) and leather	0	4	4	0.6
39	Plastics and articles thereof	6	4	-2	2.3
22	Beverages, spirits and vinegar	0	3	3	81.5
8	Edible fruit, nuts, peel of citrus fruit, melons	2	3	1	8.8
9	Coffee, tea, mate and spices	1	2	1	1.6
63	Other made textile articles, sets, worn clothing etc	6	2	-4	0
61	Articles of apparel, accessories, knit or crochet	2	2	0	0
87	Vehicles other than railway, tramway	1	2	1	15.8
55	Manmade staple fibres	1	2	1	0
85	Electrical, electronic equipment	1	1	0	2.7

An examination at the 6 digit HS code level further highlights the focusing on state of Pakistan-Sri Lanka trade relations over the earlier decade. Out of a total of 3502 things at full concession for exchanges from Pakistan, a minor 308 (8.8%) things showed net improvement in the 2004-2013 period. 2952 (84.3%) full concession things demonstrated no improvement in the midst of this period and the staying 242 (6.9%) items exhibited a fall in passages. Plus, 3121 (89%) things at full concession showed 0 conveys in 2013, and 2934 (83.7%) things moreover exhibited zero admissions in 2004. This prescribes little improvement of charges has been expert in the midst of the FTA period. Full concession things spoke to around US\$ 94 million of tolls to Sri Lanka in 2004 likewise, for around US\$ 214 million in 2013, exhibiting an advancement by 129%. In any case, which the terms of the FTA added to this advancement requires facilitate examination. Out of a whole of 568 things at no concession (numbering the things yielded deficient concessions as TRQs,) for which data was open, only 53 (9.3%) things showed net development. 469 (82.3%) things enrolled no improvement while the rest of the 46 (8.1%) things fell in fares. 501 (88%) of these things reported no fares in 2013, and 471 (83%) items reported zero conveys in 2004. Non-concession things spoke to around US\$ 34 million of tolls to Sri Lanka in 2004 likewise, around US\$ 70 million in 2013, demonstrating an advancement of 51%. Impose information was assuredly not open for 74 things at the 6-digit code HS level. These things spoke to about US\$ 6 million of total admissions to Sri Lanka in 2013 [12,15,16,57].

Pakistani export items with positive, negative or zero growth in exports to Sri Lanka

**Table 15**

	Positive Growth	Negative Growth	Zero Growth
	Items	Items	Items
<b>Full Concession</b>	8.80%	6.90%	84.30%
<b>No Concession Items</b>	9.30%	8.10%	82.30%



**Figure 4:** Pakistani Exports Items to Sri Lanka Categorized by Positive, negative and zero growth

**5.1 Analysis Of Pakistan's Exports To Sri Lanka**

We will now attempt to pinpoint those Pakistani admission things to Sri Lanka at the 6 digit HS code level that requires the most thought and has the most hoisted potential to be rotated as a consequence of certain positive estimations associated with them. We will consider things with trade potential higher than or identical to 1 million dollars. Trade potential is given by: Trade Potential [57].

$$= \text{Min} (\text{Pakistan's fares to the universe of X}, \text{Sri Lanka's imports from the universe of X})$$

- Pakistan's present fares to Sri Lanka of X

Trade Potential along gives us an offensive photograph of how much trade can theoretically be extended for any given thing. For example, if Pakistan conveys US\$ 490 million worth of sugar to the world, and Sri Lanka imports US\$ 260 million worth of sugar from the world, and Pakistan offers US\$ 30 million worth of sugar to Sri Lanka, Pakistan's trade potential in this the case is (US\$ 260 million-US\$ 30 million) US\$ 230 million. To further concentration in on high potential things we will consider the Compound Annual Growth Rates (CAGR) for Pakistan's tolls to Sri Lanka, Sri Lanka's imports from the world and Pakistan's charges to

the world. The CAGR is the geometric mean of the individual yearly improvement rates in the midst of a period. It gives you the advancement rate that would have gotten your beginning quality to your last regard had the value turn out to be effortlessly over the appropriate period [57].

In case the CAGR for Sri Lanka's imports of thing X from the world is high, and the CAGR of Pakistan's charges to the universe of thing X is moreover high, yet the CAGR for Pakistan's passages of thing X to Sri Lanka is tolerably low or negative, there is inspiration to trust that some limit exceptional to Pak-Sri Lanka trade relations is blocking admissions of thing X to Sri Lanka. This information joined with the trade potential for thing X can give us a shrewd considered which things require basic thought in view of their at present misused potential. The tolls of these things to Sri Lanka may be bolstered by clearing a non-obligation limit, for instance, a need of care among exporters or prohibitively complex controls that impede allowing Pakistan to profit by the ahead of time of said positive examples versus Sri Lanka. The CAGR qualities can in like manner be used to pinpoint those things that are currently performing commendably as Pakistani passages to Sri Lanka. We can zero in significantly help on high potential things if we consider Sri Lanka's assessment rates on India, Sri Lanka's other South Asian FTA accessory, in conjunction with the before said estimations. So things that show high trade potential, high-potential CAGR values and a Pakistani assessment advantage over India is a particularly justifying thought. Such things have been gathered into a table later in the report. The once-over of high potential things is dealt with by calling potential in sliding solicitation with high potential CAGR regards things highlighted in blue. The total trade potential for things with trade potential outperforming US\$ 1 million is US\$ 1.728 billion. Out of an entirety of these 275 things, 123 then again around 45% show high potential CAGR values. These things exhibit a total trade capability of US\$ 548 million in this manner 30% of total trade capacity for goodness' sake under believed is amassed in high CAGR things. In a manner of speaking, this capacity of US\$ 545 million lies in things that are creating as Pakistani passages to the world and as Sri Lankan imports from the world [57].

This framework recommends that there is a plenitude of things that have experienced perfect examples in their supply and demand by Pakistan and Sri Lanka exclusively, however these examples have clearly fail to join the trade relationship between the two countries. 21 of the 275 things have an obligation advantage on India while 242 things exhibit no refinement in obligations constrained on India and Pakistan by Sri Lanka. Just picked things from the total once-over of 275 are recorded in the going with tables [57].

Take note of: All CAGR qualities are learned for the period 2004-2013. CAGR values have so to speak been assumed if there are no under 3 consecutive years of recorded admissions and at any rate one year of recorded charges inside the period 2010-2013. This is so that the numbers used are later and adequately dependable to be suggestive of future examples. "-" demonstrates that these necessities are not met, or by virtue of non-CAGR values, detachment of data. "-\*" shows that while exchange numbers were represented in 2013, the earlier years did not meet the requirements. Consequently this overall shows to a great degree spotty or potentially low advancement in that particular thing and subsequently the thing should be considered to have not performed well as far as admissions to the country under thought. A quality went before by "\*" demonstrates that while there were no recorded admissions in 2013, the prior years' numbers met the already expressed essentials for determining a CAGR. It should be seen that CAGR values furnish a suggestive

however free picture of improvement examples, taking after amazingly unsteady advancement, can't be addressed absolutely using measures, for instance, CAGR or AAGR (Annual Average Growth Rate) [57].

### **Exchange Potential $\geq$ US\$ 10 Million**

38% for goodness' sake with trade potential outperforming US\$ 10 million show enabling CAGR values. Full scale trade potential in this segment is US\$ 978 million, a high regard owing to the nonappearance of a couple of essential Pakistani tolls to Sri Lanka for which Sri Lanka has a basic demand. Things with trade potential qualities outperforming US\$ 10 million and high potential CAGR values join HS 730890 (structures and parts of structures), HS 901890 (instruments used in helpful sciences), and HS 870190 (wheeled tractors) [57].

Pakistani export items to Sri Lanka with high CAGR items highlighted

Figures in US\$ Millions

### **5.2 Two Digit Hs Codes With High Trade Potential**

The going with table records high trade potential HS codes for Pakistani admission things to Sri Lanka. Things inside the HS codes that show broad potential for improvement fuse bond, which is starting now a significant admission to Sri Lanka, polystyrene, distinctive clothing things and remedial instruments and articles of iron and steel, for instance, plates and bars used as a piece of improvement.

It should be seen that trade potential qualities exhibit the speculative breaking point for developing trade with a particular country. Accordingly, the qualities infer the measure of trade Pakistan could do with Sri Lanka if both countries did however much trade with each different as could sensibly be normal (given the providing furthest reaches of one and the total enthusiasm of the other) before continuing ahead to trade with various countries. Along these lines trade potential qualities are not the same as careful projections of a generally perfect circumstance for any given admission thing inverse Sri Lanka [57].

### **US\$ 1 Million $\leq$ Trade Potential < US\$ 5 Million**

46% of all things in this class have high potential CAGR values. The aggregate exchange potential for this section is US\$ 462.7 million.

### **Two Digit Hs Codes With High Trade Potential Furthermore, Favorable CAGR Values**

The going with table records 2 digit HS codes that have the most important gathering of trade potential inside positive CAGR things at the 6 digit HS code level.

**Table 6:** Pakistani export items to Sri Lanka with high CAGR items highlighted Figures in US\$ Millions

HS Code	Product Label	Pak 2013 Export to SL	SL 2013 World Imports	Pak 2013 World Exports	Trade Potential	Tariff on Pak	Pak-SL CAGR	SL Import CAGR	Pak Export CAGR	Tariff on India
230120	Flour,meal&pellet of fish,crust,mol/oth aqua invert,unfit human cons	0.11	9.75	16.98	9.64	0	-9.70%	5.40%	161.20%	0
320890	Paints &varni based on polymers dissolv in a non- aqueous solv nes	0	12.19	9.43	9.43	20	0.00%	15.20%	73.30%	20
520929	Woven fabrics ofcotton,>=85%, more than 200 g/m2, bleached, nes	1.59	20.62	10.71	9.12	0	13.20%	1.30%	0.40%	0
251512	Marble & travertine,merely cut,by sawing or otherwise into blocks etc	0	9.06	50.26	9.06	0	0.00%	11.10%	32.70%	0
230990	Animal feed preparations nes	0.04	22.71	8.8	8.76	0	_*	15.90%	58.70%	0
620349	Mens/boys trousers and shorts, of other textile materials, not knitted	0.04	8.66	115.33	8.62	0	22.30%	17.50%	50.50%	0
90420	Fruits of the genus Capsicum or of the genus Pimenta : Dried, neither crushed nor ground	0	49.09	6.36	8.61	0	0.00%	0.00%	2.50%	0

640590	Footwear, nes	0	10.41	8.59	8.59	7.2	0.00%	21.40%	-1.90%	7.2
300420	Antibiotics nes, in dosage	0.78	9.21	13.16	8.43	0	12.50%	16.50%	28.90%	0
711319	Articles of jewellery&pt therof of/o prec met w/n platd/clad w prec met	0.13	8.18	400.8	8.05	0	-	25.30%	36.50%	0
711319	Articles of jewellery&pt therof of/o prec met w/n platd/clad w prec met	0.13	8.18	400.8	8.05	0	69.70%	25.30%	36.50%	0
520959	Woven fabrics of cotton,>/=85%, more than 200 g/m2, printed, nes	0.37	9.66	8.23	7.86	0	28.70%	-8.20%	42.20%	0
151620	Veg fats &oils&fractions hydrogenatd,inter/re-esterifid,etc,refd/not	0	7.73	150.55	7.73	0	0.00%	5.20%	12.60%	37.8

**Table 5:** trade potential  $\geq$  usd 10 million

HS Code	Product Label	Pak 2013 Export to SL	SL 2013 World Import	Pak 2013 World Export	Trade Potential	Tariff on Pak	Pak-SL CAGR	SL Import CAGR	Pak Export CAGR	Tariff on India
252329	Portland cement nes	44.44	312.28	506.66	267.84	0	43.50%	27.80%	37.60%	0
170199	Refined sugar, in solid form, nes	34.39	257.24	487.78	222.85	7.5	-	9.50%	48.00%	14.9

300490	Medicaments nes, in dosage	9.41	73.48	279.61	64.07	0	12.40%	14.20%	9.10%	0
730890	Structures&parts of structures,i/s (ex prefab bldgs of headg no.9406)	0	46.56	50.11	46.56	0	0.00%	9.20%	27.60%	1.3
851712	Telephones for cellular networks mobile telephones or for other wirele	0	44.38	106.25	44.38	0	0.00%	7.10%	-1.20%	0
901890	Instruments and appliances used in medical or veterinary sciences, nes	0.23	34.9	296.81	34.66	0	1.30%	5.60%	7.90%	0
520839	Woven fabrics of cotton,>=85%, not more than 200 g/m2, dyed, nes	3.4	46.26	38	34.6	0	8.70%	21.20%	6.70%	0
870190	Wheeled tractors nes	0.76	28.37	33.95	27.61	0	2.90%	7.20%	17.90%	0
841451	Fans: table,roof etc w a self- cont elec mtr of an output nt excdg 125W	0.08	17.98	36.16	17.89	0	25.20%	13.60%	12.50%	0
210690	Food preparations nes	0.01	28.56	17.47	17.46	13.5	17.30%	12.20%	7.00%	13.4
620342	Mens/boys trousers and shorts, of cotton, not knitted	0.03	16.04	653.12	16.01	0	9.30%	21.60%	8.30%	0
520942	Denim fabrics of cotton,>=85%, more than 200 g/m2	23.46	38.8	495.94	15.34	0	73.80%	3.10%	28.10%	0
850710	Lead-acid electric accumulators of a kind usd f startg piston engines	0	15.32	20.32	15.32	30	0.00%	14.40%	51.30%	30
520939	Woven fabrics of cotton,>=85%, not more than 200 g/m2, dyed, nes	1.25	127.04	16.48	15.23	0	63.40%	0.90%	41.00%	0

**Table 7:** usd 5 million ≤ trade potential < usd 10 million

HS Code	Product Label	Pak 2013 Export to SL	SL 2013 World Imports	Pak 2013 World Exports	Trade Potential	Tariff on Pak	Pak-SL CAGR	SL Import CAGR	Pak Export CAGR	Tariff on India
700529	Float glass etc in sheets, non-wired nes	0.29	10.98	7.98	7.69	0	38.60%	13.60%	48.90%	0
40221	Milk and cream powder unsweetened exceeding 1.5% fat	0	246.77	7.65	7.65	30	0.00%	13.10%	35.30%	30
580710	Labels, badges and similar woven articles of textile materials	0.19	12.63	7.67	7.48	0	53.40%	-4.60%	11.10%	0
721049	Flat rolled prod,i/nas,plated or coated with zinc,>/=600mm wide, nes	0.02	17.85	7.44	7.42	15	_*	7.00%	62.50%	15
392321	Sacks and bags (including cones) of polymers of ethylene	0	7.19	18.4	7.19	21.7	-25.00%	3.40%	39.90%	21.7
392321	Sacks and bags (including cones) of polymers of ethylene	0	7.19	18.4	7.19	21.7	0.00%	3.40%	39.90%	21.7
392690	Articles of plastics or of other materials of Nos 39.01 to 39.14 nes	0	31.88	7.18	7.18	0	-42.30%	5.70%	-7.20%	0

**Table 8:** Pakistani export items to Sri Lanka with high CAGR items highlighted Figures in US\$ Millions

HS Code	Product Label	Pak 2013 Export to SL	SL 2013 World Import	Pak 2013 World Export	Trade Potential	Tariff on Pak	Pak-SL CAGR	SL Import CAGR	Pak Export CAGR	Tariff on India
110812	Maize (corn) starch	0	4.68	12.15	4.68	0	*80.58 %	17.50%	27.60%	0
870590	Special purpose motor vehicles nes	0	7.08	4.6	4.6	–	0.00%	19.70%	23.90%	–
170113	Raw cane sugar, (see subheading note 2.)	0	14.42	4.59	4.59	0	0.00%	–	–	0
441114	Medium density fibreboard MDF of wood, of a thickness > 9 mm	0	5.95	4.56	4.56	0	0.00%	17.10%	53.00%	0
481159	Paper and paperboard, surface-coloured, surface- decorated or printed,	0	4.48	38.55	4.48	22.5	0.00%	28.10%	80.20%	22.5
850239	Electric generating sets	0	11.81	4.48	4.48	0	0.00%	23.10%	2.90%	0
821210	Razors including safety razors and open blade type	0	4.43	7.07	4.43	18.1	0.00%	8.70%	21.10%	28.1
140490	Vegetable products nes	0.01	7.12	4.36	4.35	0	20.10%	9.50%	53.20%	0
732690	Articles, iron or steel, nes	0	28.04	4.35	4.35	0	-7.40%	16.10%	17.00%	0

551321	Plain weave polyester staple fib fab,<85%,mixd w/cotton,<=170g/m2,dyd	0.07	4.39	54.58	4.32	0	25.90%	-1.90%	29.60%	0
380991	Finishg agents,dye carriers&oth prep,nes,for use in the textile indust	0	22.9	4.28	4.28	0	*-2.75%	11.50%	12.40%	0
850140	AC motors, single-phase, nes	0	4.26	4.44	4.26	0	0.00%	13.00%	73.00%	0
854449	Electric conductors, for a voltage not exceeding 80 V, nes	0.03	26.5	4.25	4.22	0	62.60%	19.10%	37.90%	0
550953	Yarn of polyester staple fibres mixed with cotton, not put up, nes	0	4.2	18.17	4.2	0	*25.74%	18.80%	14.00%	0
390410	Polyvinyl chloride, not mixed with any other substances	0	36.15	4.14	4.14	0	*- 12.85%	2.20%	-12.90%	0

**Two digit HS codes with high potential Pakistani exports to Sri Lanka Figures in US\$ Millions**

**Table 9:** hs codes with high trade potential

HS Code	Product Name	Total Trade Potential in USD Millions	Main Products at 6 Digit HS code with high potential
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	442	Fans, Air conditioners, Refrigerators
25	Salt, sulphur, earth, stone, lime and cement	297	Portland Cement, Gypsum, Cut Marble
52	Cotton	244	Woven cotton fabrics, denim fabrics
17	Sugars and sugar confectionary	233	Refined sugar
39	Plastics	107	Polystyrene
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.	103	Telephone sets
30	Pharmaceutical products	79	Medicaments
73	Articles of iron or steel	75	Plates, rods etc. for use in structures
62	Articles of apparel and clothing accessories, not knitted or crocheted.	72	Jackets, blazers, trousers etc.
55	Manmade staple fibres	66	Woven fabrics, plain weave polyester
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof.	61	Wheeled tractors, motor vehicle parts
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.	50	Medical instruments
7	Edible vegetables and certain roots and tubers	43	Onions, shallots, potatoes
61	Articles of apparel and clothing accessories, knitted or crocheted.	30	T-shirts, gloves

This is to state that few thing inside these 2 digit HS codes has considered advancement to be Pakistani admissions and as Sri Lankan imports moreover have high trade potential, yet then their stream between the two countries has reduced or stagnated.

It should be seen that few HS codes from the past table are recorded here as well, prescribing that various high potential HS codes in like manner show perfect CAGR values.

These HS codes demonstrate a broadness of chance for improvement in Pak-Sri Lanka trade, taking after awesome examples, are starting now firmly set up what is required is the clearing of pieces novel to Pak-Sri Lanka trade[57].

This table demonstrates that a straightforward 48 things at the 6 digit HS code have a total trade ability of over US\$ 275 million close by high potential CAGR values that have so far not been used to fortify trade between the two countries.

It should be seen that cotton and articles of iron and steel are currently inside the primary ten Pakistani charges to Sri Lanka, and this proposes it will be tolerably less requesting to help passages of things inside these HS codes inferable from setting up trade associations.

Also, HS 61 Articles of Apparel and HS 85 Electrical equipment are in the principle 20 Pakistani tolls to Sri Lanka.

HS codes on this high potential summary that face significant duties from Sri Lanka are HS 39 Plastics, HS 61 Articles of Apparel, HS 84 Machinery and Nuclear reactors and HS 85 Electrical apparatus.

These HS codes speak to US\$ 105 million trade potential and the way that they stand up to obligations suggests that concessions may be a basic stride towards recognizing this potential [57].

**Two digit HS codes with Pakistani exports to Sri Lanka with high CAGR items**

**Figures in US\$ Millions**

**Table 10:** Hs Codes With High Trade Potential And Favourable CAGR Values

HS Code	Product Label	Total Trade Potential in USD millions	Number of high potential items at 6 digit HS code
73	Articles of iron or steel	53	3
90	Optical, photographic, cinematographic, measuring, checking, precision, medical or surgical instruments and apparatus; parts and accessories thereof.	43	4
39	Plastics and articles thereof.	34	11
87	Vehicles other than railway or tramway rolling-stock, and parts and accessories thereof.	31	3
85	Electrical machinery and equipment and parts thereof; sound recorders and reproducers, television image and sound recorders and reproducers, and parts and accessories of such articles.	29	6
84	Nuclear reactors, boilers, machinery and mechanical appliances; parts thereof	27	9

21	Miscellaneous edible preparations.	17	1
62	Articles of apparel and clothing accessories, not knitted or crocheted.	16	3
61	Articles of apparel and clothing accessories, knitted or crocheted.	15	6
52	Cotton	14	2

### 6. Preparatory Analysis Of Sri Lankan Exports To Pakistan Under FTA

All primary 20 things at two digit HS code aside from HS 39 (Plastics), which encountered a diminishment of 500,000 dollars have experienced improvement in their imports by Pakistan, however no ifs ands or buts, the level of Sri Lankan imports remains low. The most bewildering advancement happened in HS09 (Espresso, tea) imports, which created by more than 12 million dollars [57].

#### Major Sri Lankan exports to Pakistan

Figures in US\$ Millions

**Table 11:** top sri lankan exports to pakistan

HS Code	Product label	Value in 2004	Value in 2013	Growth in Exports	Equivalent ad valorem tariff applied by Pakistan to Sri Lanka
9	Coffee, tea, mate and spices	6.87	19.51	12.64	3.4
40	Rubber and articles thereof	10.79	14.47	3.68	5.5
14	Vegetable plaiting materials, vegetable products nets	3.66	11.96	8.3	17.1
8	Edible fruit, nuts, peel of citrus fruit, melons	2.5	9.96	7.47	6.4
44	Wood and articles of wood, wood charcoal	2.23	9.72	7.49	4.4
7	Edible vegetables and certain roots and tubers	0	3.46	3.46	1
23	Residues, wastes of food industry, animal fodder	0.08	1.93	1.85	3.7
58	Special woven or tufted fabric, lace, tapestry etc	0	1.61	1.61	8.2
38	Miscellaneous chemical products	0.04	1.25	1.21	3.1
47	Pulp of wood, fibrous cellulosic material, waste etc	0	1.12	1.12	0.8
54	Manmade filaments	0	0.82	0.82	6.1
15	Animal, vegetable fats and oils, cleavage products, etc	0.4	0.8	0.4	16.1
53	Vegetable textile fibres nes, paper yarn, woven fabric	0.37	0.74	0.38	5.6

62	Articles of apparel, accessories, not knit or crochet	0	0.63	0.63	22.7
48	Paper and paperboard, articles of pulp, paper and board	0.29	0.62	0.33	6.9
69	Ceramic products	0.02	0.51	0.49	9.7
33	Essential oils, perfumes, cosmetics, toiletries	0.02	0.49	0.48	9.8
61	Articles of apparel, accessories, knit or crochet	0.07	0.4	0.34	22.8
39	Plastics and articles thereof	0.88	0.37	-0.5	9.5
76	Aluminium and articles thereof	0.14	0.36	0.22	3.9

A look at the open data at the 6-digit HS code level further fills in this awful picture. Out of 4905 things at the full concession, a little 134 things exhibited advancement, 65 showed pressure in passages, and 4706 exhibited no change, with most of the unaltered things reporting 0 exchanges both 2004 and 2013. Only 147 things reported any admissions at all in 2013, which is 3% of hard and fast concession things. This was up from 1.7% of all concession things exhibiting any charges in 2004. There were hard and fast concession thing conveys by Sri Lanka in 2013 to Pakistan of about US\$ 66 million, up from tolls of about US\$ 29 million in 2004, a rising of 130%. Out of an aggregate of 540 no concession things, data was available for 484. 44 no concession things showed improvement, 16 fell in Sri Lankan passages to Pakistan, and 424 remained unaltered, these having reported 0 conveys in both 2004 and 2013. 51 non-concession things reported conveys in 2013, up from 25 in 2004. There were supreme non-concession thing conveys by Sri Lanka to Pakistan of US\$ 17.2 million in 2013, up from passages of US\$ 10.4 million in 2004, a climb by 64%. This brief survey confirms that the Pakistan-Sri Lanka FTA has fail to upgrade either country's fortunes on a very basic level. We have starting now observed that massive potential exists for Pakistani charges to Sri Lanka, avowed by examples in supply and demand, unhindered by outrageous assessments. A practically identical examination of Sri Lankan exchanges at the 6 digit HS code level will reveal whether a similar measure of potential trade is going unfamiliar for stock coming into Pakistan from Sri Lanka [57].

Sri Lankan export items with positive, negative or zero growth in exports to Pakistan

**Table 16**

	<b>Positive Growth Items</b>	<b>Negative Growth Items</b>	<b>Zero Growth Items</b>
<b>Full Concession Items</b>	2.70%	1.40%	95.90%
<b>No Concession Items</b>	9%	3.30%	87.70%

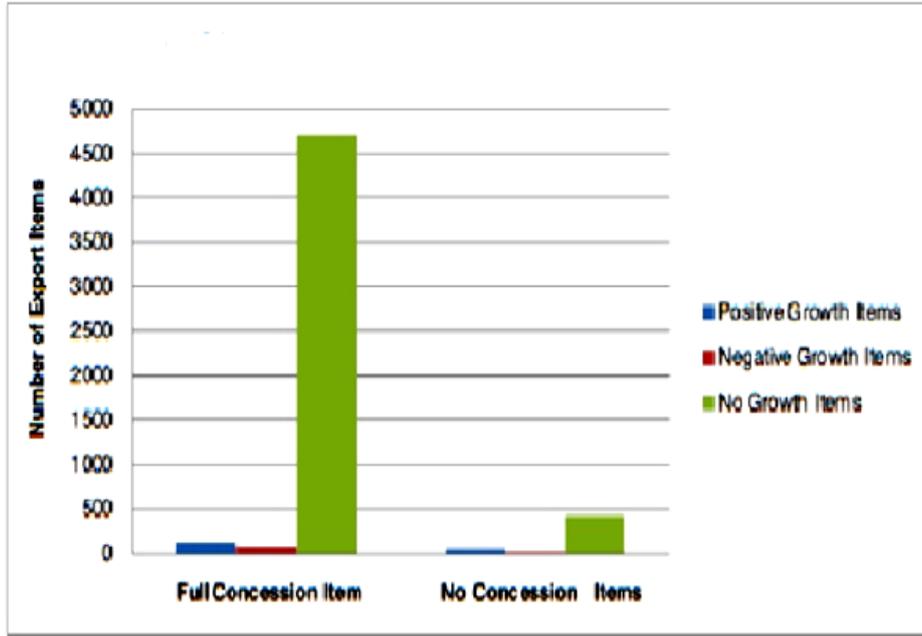


Figure 5: Sri Lankan exports to Pakistan by growth

6.1 Analysis Of Sri Lanka's Exports To Pakistan

We will now use an indistinguishable procedure from in our examination of Sri Lankan imports from Pakistan to endeavor and make sense of which Sri Lankan charges to Pakistan should be seen as the high need things in view of the estimations associated with them. We will eventually be requesting the things as far as expert profession potential while also passing on to hold up under CAGR information from our outlook. There are 247 things with trade potential outperforming US\$ 500,000, out of which 161 (65%) things demonstrate high potential CAGR values. The total trade potential for these 247 things is US\$ 1.08 billion. The total trade potential for the 161 perfect CAGR things is US\$ 878 million, exhibiting that an expansive bit of the trade potential for Sri Lankan charges to Pakistan lies in things that starting now confront designs accommodating for the advancement of the trade [57]. This brief diagram suggests that Sri Lanka too has conveyed things that have experienced incredible examples in Pakistani intrigue and Sri Lankan supply however that have fail to gain ground in the Pakistani business segment. Likewise, the way that 91% of the 247 things confront zero expenses from Pakistan vehemently recommends that the dismal state of trade here too is not primarily a the result of collect disadvantages. Just picked things from the total 247 are recorded in the taking after tables [57].

Sri Lankan export items to Pakistan with high CAGR items highlighted

Figures in US\$ Millions

TRADE POTENTIAL ≥ USD 10 MILLION

**Table 12:** trade potential  $\geq$  usd 10 million

HS Code	Product label	SL 2013mExport to Pak	Pak 2013 World Imports	Sri Lanka 2013 World Exports	SL-Pak Potential Trade	CAGR	Pak Imports CAGR	SL Exports SL Exports CAGR	Tariff on SL
90240	Black tea (fermented) & partly fermented tea in packages exceedg 3 kg	2.18	313.15	800.69	310.96	- 10.90%	5.06%	6.65%	10
271019	Other petroleum oils and preparations	0	7,164.59	31.12	31.12	0.00%	18.26%	16.03%	0
210690	Food preparations nes	0.01	42.63	30.15	30.14	0.00%	17.32%	23.61%	0
230990	Animal feed preparations	0	30	38.75	30	0.00%	21.14%	88.33%	0
490700	Unusd postage, revenue stamps; cheque forms, banknotes, bond certific, etc	0	815.8	28.67	28.67	0.00%	137.52%	22.25%	0
850431	Transformers electric power handling capacity not exceeding 1 KVA, nes	0	26.77	28.42	26.77	0.00%	54.36%	5.79%	0
950300	Tricycles, scooters, pedal cars and similar wheeled toys; dolls" carr	0	24.02	27.49	24.02	0.00%	6.70%	5.65%	0
903180	Measuring or checking instruments, appliances and machines, nes	0	21.5	25.19	21.5	- 25.98%	11.30%	17.12%	0
853890	Parts for use with the apparatus of headg no. 85.35, 85.36 or 85.37, nes	0	20.8	21.65	20.79	_*	6.23%	10.28%	0
853710	Boards, panels, includg numerical control panels, for a voltage $\leq$ 1000 V	0	28.55	19.96	19.96	0.00%	31.69%	25.28%	0
401699	Articles of vulcanised rubber nes, other than hard rubber	0	17.84	55.55	17.84	0.00%	14.20%	17.55%	0
401120	Pneumatic tires new of rubber for buses or lorries	1.06	168.13	18.21	17.15	54.91%	9.31%	12.35%	0

470790	Waste&scrap of paper or paperboard, nes (includg unsorted waste&scrap)	0.48	20.88	17.45	16.97	73.95%	7.14%	17.39%	0
401693	Gaskets, washers and other seals of vulcanised rubber	0	16.72	14.86	14.86	0.00%	20.85%	9.38%	0
80280	Areca nuts	0	72.92	11.76	11.76	0.00%	_*	_*	0
780110	Lead refined unwrought	0	90.7	11.65	11.65	0.00%	27.59%	114.73%	0
240120	Tobacco, unmanufactured, partly or wholly stemmed or stripped	0	11.17	37.06	11.17	0.00%	33.45%	45.31%	0
854449	Electric conductors, for a voltage not exceeding 80 V,	0	42.96	10.85	10.85	-41.29%	22.35%	-10.25%	0

**Figures in US\$ Million**

**Table 13:** usd 500,000 ≤ trade potential < usd 1 million

HS Code	Product label	Sri Lanka 2013 Export to Pak	Pak 2013 World Imports	Sri Lanka 2013 World Exports	Trade Potential	SL-Pak CAGR	Pak Imports CAGR	SL Exports CAGR	Tariff on SL
130190	Natural gums, resins, gum-resins and balsam, except arabic gum	0	2.35	1	1	0.00%	9.78%	0.17%	0
481940	Sacks and bags, of paper, nes; including cones	0.03	1.01	3.57	0.98	_*	4.86%	11.43%	0
330190	Conc&aqueous distls of essentl oils;terpenic by-prods of essentl oils	0.01	0.98	22.59	0.97	_*	17.48%	22.22%	0
960329	Shaving, hair, nail, eyelash & other toilet brushes for use on the person	0	0.95	1.66	0.95	0.00%	24.40%	8.49%	0
550810	Sewing thread of synthetic staple fibres	0.22	1.16	3.1	0.95	-8.38%	24.73%	-0.04%	0
320417	Synthetic organic pigments and preparations based thereon	0	21.63	0.94	0.94	0.00%	1.95%	4.73%	0
842619	Transporter or bridge cranes	0	15.99	0.94	0.94	0.00%	1.52%	83.31%	0

950691	Gymnasium or athletics articles and equipment	0	6.79	0.93	0.93	0.00%	14.57%	39.38%	0
960621	Buttons of plastics, not covered with textile	0	3.05	0.88	0.88	0.00%	35.64%	14.36%	0
420310	Articles of apparel of leather or of composition	0	0.86	14.39	0.86	0.00%	28.55%	21.21%	0
442190	Wood articles nes	0	0.85	8.15	0.85	0.00%	8.61%	9.66%	0
711719	Imitation jewellery nes of base metal whether o not platd w prec metal	0	0.85	3.79	0.85	0.00%	24.02%	20.55%	0
640319	Sports footwear,o/t ski,outr sole of rbr/plas/leather & upper of leather	0	5.61	0.84	0.84	-28.86%	8.27%	-2.00%	0
80111	Coconuts, desiccated	4.06	4.9	59.29	0.84	21.98%	1.28%	2.78%	0
732690	Articles, iron or steel, nes	0	37.06	0.83	0.83	0.00%	19.08%	-0.32%	0
850450	Inductors, electric	0	3.39	0.82	0.82	0.00%	26.25%	20.14%	0
854370	Electrical machines and apparatus, having individual functions, n.e.s.	0	13.88	0.82	0.82	0.00%	13.92%	282.34%	0
732010	Springs, leaf and leaves therefor, iron or steel	0	1.02	0.82	0.82	0.00%	20.87%	5.35%	0
842820	Pneumatic elevators and conveyors	0	0.86	0.82	0.82	0.00%	6.62%	72.58%	0
481950	Containers, packing, nes (including record sleeves) of paper	0	1.63	0.81	0.81	0.00%	50.14%	80.39%	0
640299	Footwear, outer soles/uppers of rubber or plastic nes	0	3.44	0.8	0.8	0.00%	12.52%	38.40%	0
681599	Articles of stone or of other mineral substances nes	0	0.75	7.77	0.75	0.00%	17.40%	74.05%	0
740400	Waste and scrap, copper or copper alloy	0	4.43	0.75	0.75	0.00%	11.41%	11.15%	0

**Two digit HS codes with high potential Sri Lankan exports to Pakistan**

**Figures in US\$ Millions**

The going with table perceives Sri Lankan exchange things to Pakistan at 2 digit HS codes which have high trade potential.

Things inside the HS codes that address high degrees of the potential join dull tea, tires for transports and lorries, food game plans and ethylene sacks likewise, packs.

It should be seen that while tea goes up against an assessment rate parcel, its imports from Sri Lanka fall far underneath the reward that has been made for commitment free imports, suggesting that Sri Lanka has lost a huge part of the Pakistani tea showcase.

**Table 14:** hs codes with high trade potential

HS Code	Product Label	Total Trade Potential in USD Millions	Main Products at 6 Digit HS code with high potential
9	Coffee, tea, mate and spices	327	Black tea
85	Electrical, electronic equipment	128	Transformers, numerical control panels, conductors
40	Rubber and articles thereof	82	Tires for buses and lorries, articles of vulcanised rubber
49	Printed books, newspapers, pictures etc	36	Postage stamps
21	Miscellaneous edible preparations	31	Food preparations
95	Toys, games, sports requisites	28	Wheeled toys
39	Plastics and articles thereof	26	Ethylene sacks and bags, clothing accessories (gloves etc.)

### 7. Impact Of PSFTA On Pakistan And Sri Lanka Economic Relations

Pakistan is the second greatest trading associate of Sri Lanka in the SAARC territory. A liberal improvement in complementary trade is seen in both admissions and imports, especially after Pakistan-Sri Lanka Free Trade Agreement (PSFTA) was completed in 2005. The estimation of total trade between the two countries has extended from the US US\$158 Mln in 2005 to the US US\$350 Mln in 2010. The equality of trade has been strong of Pakistan. Pakistan positions as the second greatest buyer for Sri Lanka in the SAARC region, speaking to around 10 % of Sri Lanka's total tolls to the area. Sri Lanka's passages to Pakistan went to the most raised at the US US\$71.42 Mln. in 2008 while in 2010, estimation of passages to Pakistan has enrolled US US\$60.38. Right when differentiated and the toll estimation of US US\$40 Million in 2004, going before the use of the Free Trade Agreement, it could be seen that there is amazingly beneficial outcome on Sri Lanka's charges to Pakistan

in resulting years [57,12].

Sri Lanka's essential charges to Pakistan are general flexible, fresh coconuts, dried coconut, copra, coconut fiber, betel Leaves, tea, flavors, new pneumatic tires, electric switches, animal sustenance, aluminum thwart, wood charcoal and authorized carbon, built filaments, footwear sole, plastic-based articles, normal graphite. Things, for instance, pineapple, porcelain silverware, pottery tiles, furniture, fiber driving collection of wood, homegrown therapeutic things, and plastic articles are a little bit at a time entering the Pakistan showcase. Correspondingly, Sri Lanka's imports from Pakistan have extended altogether to get in touch with US US\$281.76 Mln in 2010. This vital extends contracts and the import estimation of US\$108 Million in 2004, the year before the utilization of Free Trade Agreement.

Huge import things from Pakistan to Sri Lanka join cotton, rice, bond, potatoes, onion, remedial instruments, pharmaceutical things, material fibers, cotton textures, cowhide, steel channels, flavors, for instance, coriander, polyethylene, paperboard, citrus regular items, electrical machines and gadget, squeezing materials, tractors, dried fish et cetera [12].

This development in proportional trade, especially in the midst of the latest couple of years is an unmistakable impression of conceivable outcomes that are open for both countries in further expanding

the two-way trade. There is a need along these lines to focus on the business openings available in each other's business division by the business gather. Typical, co operations between the business gather at both individual and affiliation level is of most extraordinary vital in this bearing. It is in this way crucial for the business gathering to hunt down various trade and business arranged events made in both countries where affiliation could be developed.

It is basic to understand that both countries have executed the last disposing of import requires under PSFTA, making prepared for a commitment free access for more than 4500 thing classes in each other's business segment. The Main objective of this Free Trade Agreement is to augment two-sided trade, offering a relative purpose of enthusiasm over the things started from other providing areas. Forces of the two countries are routinely watching and investigating the headway of the particular trade and monetary relations and are as of now tending to issues that are being experienced by the business bunch. In the midst of the tenth Ministerial Session of the Joint Economic Commission held Last year in Islamabad, the two sides assented to address diverse issues that have risen with the executing of the Free Trade Agreement, to energize business streams. Given the broad assortment of things secured under the Agreement, and the capability for commitment concessions with more versatile rules of beginning stage criteria, it could be typical that trade between the two countries will upgrade out and out while the thing base being extended. Nevertheless, the greatest limit with regards to advancement and expansion in proportional trade under the FTA is yet to be researched by the business gatherings of the two countries. In the field of co-operation in joint attempts and wander, both countries are yet to abuse the most extreme limit. At present, two-sided theory between the two countries is at an incredibly coordinate level. Starting now there are around 25 wanders endeavored by Pakistan money related experts in Sri Lanka covering areas including Chemicals, Rubber, Plastic, Apparel manufacturing, Leather

things, Food and Beverages, et cetera. Attempts are in the blink of an eye being made by both Governments and private Sector relationship to strengthen and broaden the trade and budgetary relations by holding and taking an intrigue trade shows and constrained time events, exchange of trade assignments while upgrading direct accessibility between the two nations. The PSFTA which got to be powerful on June 13, 2005, is found pleasant with the extending in the volume of two-sided trade between two countries. Assist, there is enormous unfamiliar potential here and with total effort, the trade volume could go over the US\$1 billion. An institutional system perfectly healthy of the Free Trade Agreement (FTA) on stock, equal hypothesis, and normal of cognizance on conventions could be benefitted after the course of action and finishing organizations and wander parts of the FTA. Pakistani agrarian things give a less costly and higher quality diverse choice for Sri Lankan imports from such countries as Australia and even South and Latin America. This, not the scarcest piece would fight with neighborhood farm things and add to the various qualities to the upside of customers of the country. In this line, Sri Lanka and Pakistan focal points from a strong and long-standing individual multi-faceted relationship including money related cooperation.

Assist, there is unused, the unfathomable potential for enhancing trade for both countries to research using the duty concession open under the FTA. Notwithstanding the concessions available under PSFTA, Sri Lanka's passages to Pakistan spoke to under 1 (0.65 % of total trade) percent of total admissions of the country. The Export Development Board (EDB) of Sri Lanka has taken attempts to propel worth included things, for instance, package tea, confection store things, normal social protection things, Ayurveda things, wood based especially furniture, plastic things, precious stones and diamonds, porcelain silverware, paint, and varnishes, pre-made steel things, electrical wiring additional items, LV board sheets, MCBs, switch sheets and power sheets, winding ventilation work likewise, embellishments, et cetera to the Pakistan advertise through this statement. As showed by the Central Bank Annual Report-2010, it was found that Pakistan was the 26th toll go for Sri Lanka in 2010 speaking to just about 0.7 percent of total charges in worth terms while it has been the tenth greatest import beginning stage adding to more than 2 percent of total imports in Sri Lanka in 2010. The trade between the two countries had created in the midst of the later past except for 2009.

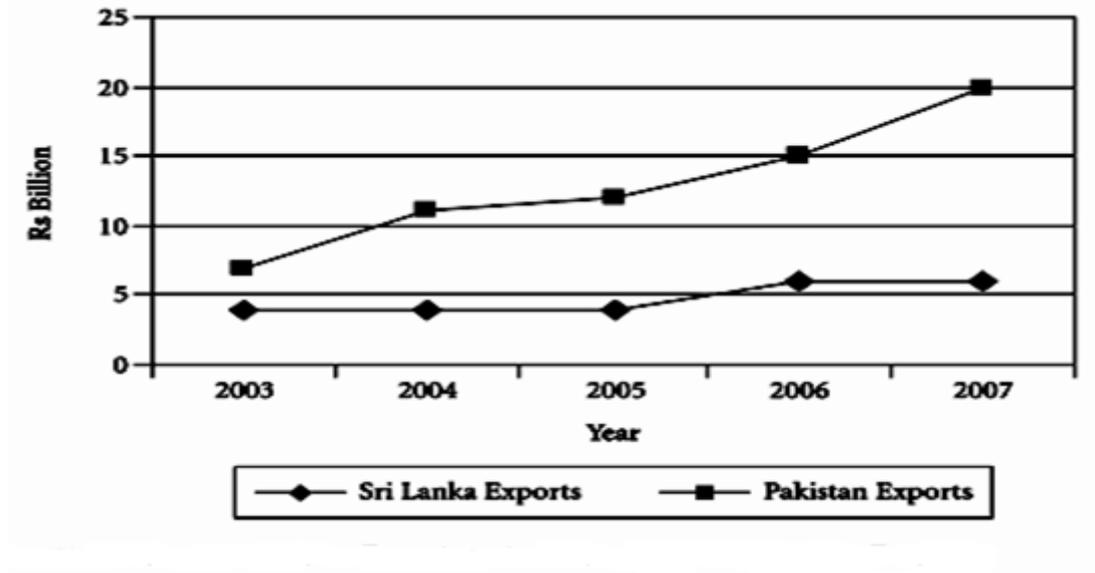
As demonstrated by the Sri Lankans Central Bank Report (2011) and <http://elibrang.data.imf.org/data>, the estimation of total trade amidst Pakistan and Sri Lanka which stayed at the US\$160 million in 2005, and has extended up to the US\$406 million in 2011 recording a 15 percent ordinary improvement in the midst of this period. On another hand, the ordinary augmentation in the two-sided trade among them is about the US\$35.2 consistently after 2005 [1,3,5,12].

Sri Lanka has conveyed, generally, the major stock including sheet flexible, betel leaves, other normal versatile, coconut fresh nuts, became scarce coconut, crepe versatile, pepper, woven textures, lentils and tea in mass to Pakistan advertise. The ordinary tolls of Sri Lanka were US\$59.3 million consistently after PSFTA while typical imports of Sri Lanka was US\$206.4 million consistently.

The total impact of PSFTA accounted as an ordinary rate of tolls has a record of 9 percent for consistently aside from the typical rate of imports was 17 percent yearly. Thusly, Sri Lanka still sits tight for the great opportunity to go into the Pakistan advertise [12].

In 2003, Sri Lanka's charges to Pakistan were US\$36 million (0.7 percent of aggregate fares). While in out and out terms, hard and fast admissions to Pakistan by 2007 had expanded to US\$56 million, in any case they spoke to a straightforward 0.7 percent of aggregate conveys.

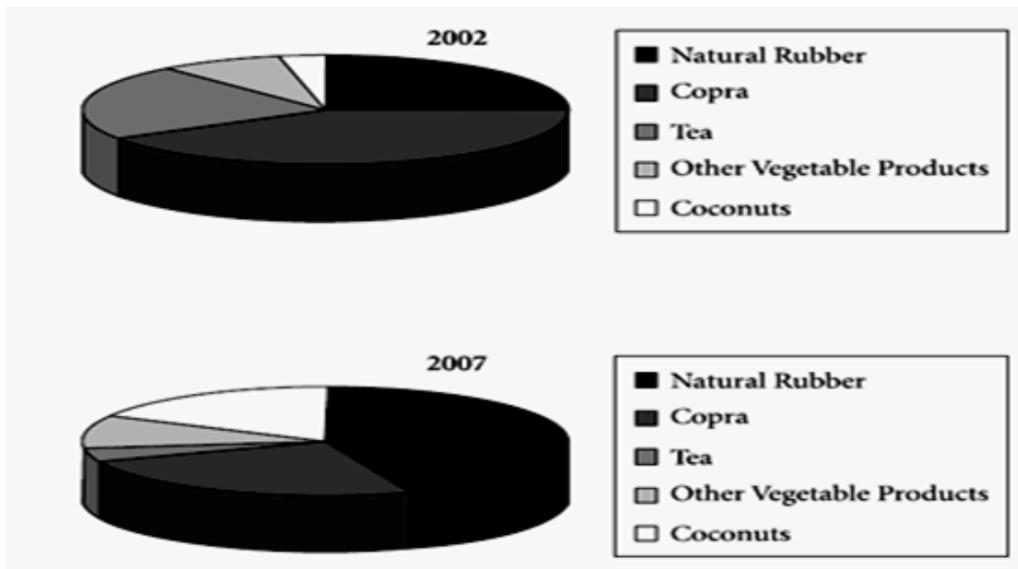
Besides, unmistakably Pakistan's tolls to Sri Lanka have created at a much snappier rate in the midst of this period, extending from US\$71million in 2003 (1 percent of total imports) to more than US\$178 million in 2007 (1.6 percent of total imports) [12,57].



**Figure 6:** Sri Lankan Exports and Pakistan Exports

Source Trade statistics from Department of Customs Trade statistics Database

The development in Sri Lankan fares to Pakistan was to a great extent in similar products to those sent out before the Agreement The main eminent change somewhere around 2002 and 2007 was the expansion in exports of coconuts and the decrease in fares of tea.



**Figure 7:** Sri Lanka's Top Five Export to Pakistan 2002 and 2007

Source: Trade Statics from Department of Customs Trade Statics Database.

In 2006 passages of tea did not use even a substantial segment of the amount circulation under the PSFTA and piece of attire admissions to Pakistan have heretofore been immaterial. Unmistakably convey enhancement has been confined, in any case, it remains in front of calendar in the execution of the attestation and it will require some venture for the full impact of Pakistan's done progression of the business division to be felt. Nonetheless, some things have been conveyed to Pakistan misusing the specific obligations. New pineapples, sports stock, tamarind with seeds, and established carbon are just a part of the things that in advance were not conveyed to Pakistan yet rather now are exchanged using concessions [57].

Imports from Pakistan have grown altogether since the FTA came into the spot. The genuine import thing from Pakistan is materials and fabrics, making up 55 percent of Sri Lanka's imports from Pakistan in 2007. Distinctive things consolidate medicaments, potatoes, rice, and dried fish. The prevailing part of the things imported from Pakistan doesn't get advantage ts under the FTA. Material and apparel articles get MFN commitment free rates, as do medicaments. Rice and dried fish fall under the negative once-over and potatoes are transported in under a TRQ, with the state retail firm Co-specialist Wholesale Establishment (CWE) being allotted the bit. In 2006, the share was 10,000 metric tons in the midst of Sri Lanka's off-season, and only 25 metric tons was transported in by the CWE from Pakistan in that year (State of the Economy 2008) [57].

### 8. A Way Forward

At the primary PSFTA overview meeting, both countries assented to build up the current FTA to outline a CEPA. As yet, one round of particular level plans has happened and the CEPA is a direct result of join trade organizations, besides, and to stretch out obligations to trade items by well ordered decreasing the degree of negative records. To the extent pushing ahead with money related relations between Sri Lanka and Pakistan, the CEPA is an adjusted move since it would in any occasion tie existing levels of progression between the two

countries. Essentially as with the case of India, it would set aside time for Sri Lankan creators to move slants and consider new markets, for instance, Pakistan to which certain corner things could be successfully exchanged.

## **9. Discussion and Conclusions**

In this section, the proportional trade understanding that Sri Lanka has entered with Pakistan, is analyzed concerning the structure of the individual comprehension and the trade impact of this. It was found that while the comprehension has given important business part access to Sri Lanka full purpose of intrigue has not been taken to this business division ideal to utilize in light of specific reasons. Nevertheless, Sri Lanka acknowledges commitment free market access to 206 things in the Pakistani market, while Pakistan, got commitment free access on 102 things in the Sri Lankan showcase. The purpose of a composed business comprehension is to reduce checks, to support exchange so the trade can create as a result of specialization, a division of work, and specifically by method for the relative purpose of inclination (Masood 2010). Sri Lanka's principal charges to Pakistan join normal flexible, copra, tea, coconut, flavors, betel takes off. A compass of new things have in like manner been penetrated into the Pakistan advertise after the execution of the PSFTA, tallying new pineapple, sports stock, tamarind with seeds, consumable oil, porcelain silverware, and kitchenware, pottery tiles, furniture, electrical switches and connections, normal therapeutic things and plastic articles, paints, glass centerpieces, calfskin things, hardened fish, prawns, lobsters, crabs, cut blossoms and foliage, precious stones and Jewelers and aquarium angle. Pakistan has executed its last killing duty in March 2009 and Sri Lanka has in no time commitment free market access for more than 4500 things. Sri Lanka has in like manner completed its fourth arranging without obligation. Besides, backslide result has exhibited that trade - augmentation has happened by and large for both countries nevertheless, Sri Lanka's trade deficiencies were found particularly with Pakistan. The negative once-over has exhibited gigantic controls for Sri Lanka and has remained certain limits to trade notwithstanding the nearness of the unhindered business understandings and these limits have shown this paper. Despite this, it was pointed out that Sri Lankan producers and exporters ought to be more open to upgrading from ordinary toll advertises in Pakistan.

Trade limits and fragile once-over ought to be diminished between Sri Lanka and Pakistan. It will help them generally to get preferences other than partiality

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