

# **FREE TRADE AGREEMENT BETWEEN THE GOVERNMENT OF THE PEOPLE'S REPUBLIC OF CHINA AND THE GOVERNMENT OF THE ISLAMIC REPUBLIC OF PAKISTAN**

The Government of the People's Republic of China ("China") and the Government of the Islamic Republic of Pakistan ("Pakistan") hereinafter referred to as "the Parties";

Committed to strengthening the special bonds of friendship and cooperation between their countries;

Building on their respective rights and obligations under the WTO Agreement and other multilateral, regional and bilateral instruments of cooperation;

Resolved to promote reciprocal trade through the establishment of clear and mutually advantageous trade rules and the avoidance of trade barriers;

Recognizing that this Agreement should be implemented with a view toward raising the standard of living, creating new job opportunities, and promoting sustainable development in a manner consistent with environmental protection and conservation;

and Committed to promoting the public welfare within each of their countries;

Have agreed as follows:

## **Chapter I. Initial Provisions**

### **Article 1. Establishment of a Free Trade Area**

The Parties to this Agreement, consistent with Article XXIV of the General Agreement on Tariffs and Trade 1994, hereby establish a free trade area.

### **Article 2. Objectives**

1. The objectives of this Agreement are to:

- (a) strengthen the mutual friendship between the Parties;
- (b) encourage expansion and diversification of trade between the Parties;
- (c) eliminate barriers to trade in, and facilitate the cross-border movement of, goods between the Parties;
- (d) provide fair conditions of competition for trade between the Parties;
- (e) establish a framework for further bilateral economic cooperation to expand and enhance the benefits of this Agreement.

2. The Parties shall interpret and apply the provisions of this Agreement in the light of its objectives set out in paragraph 1 and in accordance with customary rules of interpretation of public international law.

### **Article 3. Relation to other Agreements**

The Parties affirm their existing rights and obligations with respect to each other under the WTO Agreement and other agreements to which both Parties are parties.

### **Article 4. Application of this Agreement**

The free trade area to which this Agreement applies consists of the territory of the parties with the exception of any part thereof which constitute separate customs territories.

## **Chapter II. General Definitions**

### **Article 5. Definitions of General Application**

For purposes of this Agreement, unless otherwise specified:

days mean calendar days;

GATT 1994 means the General Agreement on Tariffs and Trade 1994;

territory means:

(a) with respect to China, the territory of the People's Republic of China, including land territory, internal waters, territorial sea and any maritime areas beyond the territorial sea that, in accordance with international law and its domestic law, China may exercise sovereign rights or jurisdiction with respect to the sea, seabed and subsoil and their natural resources.

(b) with respect to Pakistan, land territory, internal waters and territorial sea as well as and any maritime area situated beyond the territorial sea which has been or might in future be designated under its national law, in accordance with international law, as an area within which Pakistan may exercise defacto and de jure sovereign rights or jurisdiction with regard to the sea, sea-bed, the subsoil and the natural resources;

WTO means the World Trade Organization;

WTO Agreement means the Marrakesh Agreement Establishing the World Trade Organization, done on April 15, 1994; and

CPFTA means the Free Trade Agreement between the Government of the People's Republic of China and the Government of the Islamic Republic of Pakistan.

## **Chapter III. National Treatment and Market Access for Goods**

### **Article 6. Scope and Coverage**

Except as otherwise provided, this Chapter applies to trade in goods between the Parties.

### **Article 7. National Treatment**

Each Party shall accord national treatment to the goods of the other Party in accordance with Article III of the GATT 1994, including its interpretative notes, and to this end Article III of GATT 1994, and its interpretative notes, are incorporated into and made part of this Agreement, mutatis mutandis.

### **Article 8. Tariff Elimination**

1. Except as otherwise provided in this Agreement, each Party shall progressively eliminate its import customs duties on goods originating in the territory of another Party in accordance with Annex 1.

2. If a Party reduces its applied most favored nation import customs duty rate after the entry into force of this Agreement and before the end of the tariff elimination period, the tariff elimination schedule (Schedule) of that Party shall apply to the reduced rate.

3. On the request of either Party, the Parties shall consult to consider accelerating the elimination of import customs duties set out in their Schedules. An agreement between the Parties to accelerate the elimination of an import customs duty on a good shall supersede any duty rate or staging category determined pursuant to their Schedules for such good when approved by each Party in accordance with their respective applicable legal procedures.

1. Review and Modification of Tariff Reduction Modality and the Lists shall be as follows:

(a) Tariff Reduction Modality and the lists shall be reviewed and modified every five years by the Committee on Trade in Goods.

(b) The review shall be undertaken on the basis of friendly consultation and accommodation of the concerns of the Parties.

(c) The first review and modification shall be undertaken either at the end of the fourth year or at the beginning of the fifth year of entry into force of this Agreement.

(d) Either party may request for an additional review at any time after coming into force of this Agreement. Such a request shall be favorably considered by the other Party.

## **Article 9. Administrative Fees and Formalities**

1. Each Party shall ensure, in accordance with Article VIII:1 of the GATT 1994 and its interpretive notes, that all fees and charges of whatever character (other than import customs duties, charges equivalent to an internal tax or other internal charge applied consistently with Article III:2 of the GATT 1994, and antidumping and countervailing duties) imposed on or in connection with importation or exportation are limited in amount to the approximate cost of services rendered and do not represent an indirect protection to domestic goods or a taxation of imports or exports for fiscal purposes.

2. Each Party shall make available through the Internet or a comparable computer-based telecommunications network a list of the fees and charges and changes thereto levied by the central/federal Government, as the case may be, thereof in connection with importation or exportation.

## **Article 10. Special Requirements Related to Border Measures**

1. Each Party shall provide that any right holder initiating procedures for suspension by the customs authorities of the release of suspected counterfeit trademark or pirated copyright goods (1) into free circulation is required to provide adequate evidence to satisfy the competent authorities that, under the relevant laws of the Party of importation, there is prima facie an infringement of the right holder's intellectual property right and to supply sufficient information to make the suspected goods reasonably recognizable to the customs authorities. The sufficient information required shall not unreasonably deter recourse to these procedures.

2. Each Party shall provide the competent authorities with the powers to require an applicant to provide a reasonable security or equivalent assurance sufficient to protect the defendant and the competent authorities and to prevent abuse. Such security or equivalent assurance shall not unreasonably deter recourse to these procedures.

3. Where the competent authorities have made a determination that goods are counterfeit or pirated, a Party shall grant the competent authorities the right to inform the right holder, at the right holder's request, of the names and addresses of the consignor, the importer, and the consignee, and of the quantity of the goods in question.

4. Each Party shall provide that the competent authorities are permitted to initiate border measures ex officio, without the need for a formal complaint from a person or right holder. Such measures shall be used when there is reason to believe or suspect that goods being imported, or destined for export are counterfeit or pirated.

(1) For the purposes of this Article: (a) counterfeit trademark goods means any goods, including packaging, bearing without authorization a trademark which is identical to the trademark validly registered in respect of such goods, or which cannot be distinguished in its essential aspects from such a trademark, and which thereby infringes the rights of the owner of the trademark in question under the law of the Party of importation; (b) pirated copyright goods means any goods which are copies made without the consent of the right holder or person duly authorized by the right holder in the Party of production and which are made directly or indirectly from an article where the making of that copy would have constituted an infringement of a copyright or a related right under the law of the Party of importation.

## **Article 11. Committee on Trade In Goods**

1. The Parties hereby establish a Committee on Trade in Goods, comprising representatives at the level of joint secretary, director general or deputy director general respectively.

2. The Committee shall meet on the request of either Party or the Commission established under Chapter XI of this Agreement to consider any matter arising under this Chapter, Chapter IV and Chapter V.

3. The Committee's functions shall include:

(a) promoting trade in goods between the Parties, including through consultations on accelerating tariff elimination under this Agreement and other issues as appropriate;

(b) addressing barriers to trade in goods between the Parties, especially those related to the application of non-tariff measures, and, if appropriate, referring such matters to the Commission established under Chapter XI of this Agreement for

its consideration;

(c) monitoring and evaluating the implementation of schedule of tariff reduction as provided in Annex I of this Agreement; and (d) any other issue related to trade in goods, referred to the Committee by either Party.

4. The Committee may establish working groups to deliberate on any matter if required.

## **Chapter IV. Rules of Origin**

### **Article 12. Definitions**

For the purposes of these Rules:

- (a) "CIF value" means the price actually paid or payable to the exporter for the good when the good is unloaded from the carrier, at the port of importation. The value includes the cost of the good, insurance and freight necessary to deliver the good to the named port of destination.
- (b) "Customs Valuation Agreement" means the WTO Agreement on Implementation of Article VII of the General Agreement on Tariffs and Trade 1994.
- (c) "FOB value" means the price actually paid or payable to the exporter for the good when the good is loaded into the carrier at the named port of exportation. The value includes the cost of the good and all costs necessary to bring the good into the carrier.
- (d) "Materials" include ingredients, parts, components, subassembly and/or goods that were physically incorporated into another good or were subject to a process in the production of another good.
- (e) "Originating goods" means products that qualify as originating in accordance with the provisions of Article 13.
- (f) "Product Specific Rules" are rules that specify that the materials have undergone a change in tariff classification or a specific manufacturing or processing operation, or satisfy an ad valorem criterion or a combination of any of these criteria.
- (g) "Indirect material" means a good used in the production, testing or inspection of a good but not physically incorporated into the good, or a good used in the maintenance of buildings or the operation of equipment associated with the production of a good, including:
  - (i) Fuel and energy;
  - (ii) Tools, dies, and moulds;
  - (iii) Parts and materials used in the maintenance of equipment and buildings;
  - (iv) Lubricants, greases, compounding materials, and other materials used in production or used to operate equipment and buildings;
  - (v) Gloves, glasses, footwear, clothing, safety equipment, and supplies;
  - (vi) Equipment, devices, and supplies used for testing or inspecting the goods;
  - (vii) Catalysts and solvents; and any other goods that are not incorporated into the good but whose use in the production of the good can reasonably be demonstrated to be part of that production;
- (h) "Non-originating material" used in production means any material whose country of origin is other than that of the Parties and any material whose origin cannot be determined;
- (i) "Production" includes methods of obtaining goods including manufacturing, producing, assembling, processing, raising, growing, breeding, mining, extracting, harvesting, fishing, trapping, gathering, collecting, hunting and capturing.

### **Article 13. Origin Criteria**

For the purposes of this Agreement, products imported by a Party shall be deemed to be originating and eligible for preferential concessions if they conform to the origin requirements under any one of the following:

- (a) products which are wholly obtained or produced as set out and defined in Article 14; or

(b) products not wholly obtained or produced provided that the said products are eligible under Article 15, Article 16 or Article 17.

## **Article 14. Wholly Obtained or Produced Products**

Within the meaning of Article 13 (a), the following shall be considered as wholly produced or obtained in a Party:

- (a) Plant and plant products harvested, picked or gathered there;
- (b) Live animals born and raised there;
- (c) Products obtained from live animals referred to in paragraph (b) above;
- (d) Products obtained from hunting, trapping, fishing, aquaculture, gathering or capturing conducted there;
- (e) Minerals and other naturally occurring substances, not included in paragraphs (a) to (d) above, extracted or taken from its soil, waters, seabed or beneath their seabed;
- (f) Products taken from the waters, seabed or beneath the seabed outside the territorial waters of that Party; provided that that Party has the rights to exploit such waters, seabed and beneath the seabed in accordance with international law;
- (g) Products of sea fishing and other marine products taken from the high seas by vessels registered with a Party or entitled to fly the flag of that Party;
- (h) Products processed and/or made on board factory ships registered with a Party or entitled to fly the flag of that Party, exclusively from products referred to in paragraph (g) above;
- (i) Parts or raw materials recovered there from articles which can no longer perform their original purpose nor are capable of being restored or repaired;
- (j) Articles collected there which can no longer perform their original purpose nor are capable of being restored or repaired and are fit only for disposal or recovery of parts of raw materials, or for recycling purposes;
- (k) Waste and scrap resulting from manufacturing operations conducted there; and
- (l) Goods obtained or produced in a Party solely from products referred to in paragraphs (a) to (k) above.

## **Article 15. Not Wholly Produced or Obtained Products**

- (a) For the purposes of Article 13(b), a product shall be deemed to be originating if not less than 40% of its content originates from a Party.
- (b) For the purposes of calculating the originating value content the following method shall apply: Value of Non-originating materials x 100% (c) The value of the non-originating materials shall be:
  - (i) the CIF value at the time of importation of the materials; or
  - (ii) the earliest ascertained price paid for the materials of undetermined origin in the territory of the Party where the working or processing takes place.

## **Article 16. Cumulative Rule of Origin**

Unless otherwise provided for, products which comply with origin requirements provided for in Article 13 and which are used in the territory of a Party as materials for a finished product eligible for preferential treatment under the Agreement shall be considered as products originating in the territory of the Party where working or processing of the finished product has taken place provided that the aggregate China-Pakistan originating content on the final product is not less than 40%.

## **Article 17. Product Specific Rules**

Products which have undergone sufficient transformation in a Party shall be treated as originating goods of that Party. Products which satisfy the Product Specific Criteria as annexed to these Rules shall be considered as goods to which sufficient transformation has been carried out in a Party.

## **Article 18. Minimal Operations and Processes**

The following operations or processes shall be considered as minimal operations and shall not be taken into account in determining the origin of a product in terms of Article 13:

- (a) Operations to ensure the preservation of products in good condition during transport and storage (such as drying, freezing, keeping in brine, ventilation, spreading out, chilling, placing in salt, sulphur dioxide or other aqueous solutions, removal of damaged parts, and like operations);
- (b) Simple operations consisting of removal of dust, sifting or screening, sorting, classifying, matching (including the making-up of sets of articles), washing, painting, cutting;
- (c) Changes of packing and breaking up and assembly of consignments;
- (d) Simple cutting, slicing and repacking or placing in bottles, flasks, bags, boxes, fixing on cards or boards and all other simple packing operations;
- (e) Affixing of marks, labels or other like distinguishing signs on products or their packaging;
- (f) Simple mixing of products whether or not of different kinds, where one or more components of the mixture do not meet the conditions laid down in this Chapter to enable them to be considered as originating products;
- (g) Simple assembly of parts of products to constitute a complete product;
- (h) Disassembly;
- (i) Slaughter of animals;
- (j) Mere dilution with water or another substance that does not materially alter the characteristics of the goods; and
- (k) A combination of two or more operations referred to in paragraphs (a) to (j).

## **Article 19. Direct Consignment**

The following shall be considered as consigned directly from the exporting Party to the importing Party:

- (a) If the products are transported without passing through the territory other than China and Pakistan;
- (b) The products whose transport involves transit through one or more intermediate non-CPFTA countries with or without transshipment or temporary storage in such countries, provided that:
  - (i) the transit entry is justified for geographical reason or by consideration related exclusively to transport requirements;
  - (ii) the products have not entered into trade or consumption there; and
  - (iii) the products have not undergone any operation there other than unloading and reloading or any operation required to keep them in good condition.

## **Article 20. Treatment of Packing**

- (a) Where for purposes of assessing customs duties, a Party treats products separately from their packing; it may also, in respect of its imports consigned from another Party, determine separately the origin of such packing.
- (b) Where paragraph (a) above is not applied, packing shall be considered as forming a whole with the products and no part of any packing required for their transport or storage shall be considered as having been imported from outside the CPFTA when determining the origin of the products as a whole.

## **Article 21. Accessories, Spare Parts and Tools**

The origin of accessories, spare parts, tools and instructional or other information materials presented with the goods therewith shall be neglected in determining the origin of the goods, provided that such accessories, spare parts, tools and information materials are classified and collected customs duties with the goods by the importing member state.

## **Article 22. Treatment of Indirect Materials**

Unless otherwise provided, for the purpose of determining the origin of goods, the origin of indirect materials as defined in Article 12 (h), or the materials used in its manufacture which do not remain in the goods or form part of the goods, shall not be taken into account.

## **Article 23. Certificate of Origin**

A claim that products shall be accepted as eligible for preferential concession shall be supported by a Certificate of Origin issued by a government authority designated by the exporting Party and notified to the other Party to the Agreement in accordance with the operational certification procedures, as set out in Annex II.

## **Article 24. Review and Modification**

These rules may be reviewed and modified as and when necessary upon request of a Party and may be open to such reviews and modifications as may be agreed upon by both Parties.

# **Chapter V. Trade Remedies**

## **Article 25. Anti-dumping and Countervailing Measures**

1. The Parties maintain their rights and obligations under the Agreement on Implementation of Article VI of the GATT 1994 and the Agreement on Subsidies and Countervailing Measures, which are parts of the WTO Agreement.
2. Antidumping actions taken pursuant to Article VI of GATT 1994 and the Agreement on Implementation of Article VI of the GATT 1994 or countervailing actions taken pursuant to Article VI of GATT 1994 and the Agreement on Subsidies and Countervailing Measures shall not be subject to Chapter X (Dispute Settlement) of this Agreement.

## **Article 26. Global Safeguard Measures**

1. The Parties maintain their rights and obligations under Article XIX of GATT 1994 and the Safeguards Agreement.
2. Actions taken pursuant to Article XIX of GATT 1994 and the Safeguards Agreement shall not be subject to Chapter X (Dispute Settlement) of this Agreement.

## **Article 27. Bilateral Safeguard Measures**

1. For purposes of this Section:
  - (a) Competent investigating authority means:
    - (i) in the case of China, Ministry of Commerce, or its successor; and
    - (ii) in the case of Pakistan, National Tariff Commission, or its successor;
  - (b) Domestic industry means "the producers as a whole of the like or directly competitive product operating within the territory of the Party, or those producers whose collective production of the like or directly competitive product constitutes a major proportion of the total domestic production of such product";
  - (c) Serious injury means "a significant overall impairment in the position of a domestic industry";
  - (d) Threat of serious injury means "serious injury that, on the basis of facts and not merely on allegation, conjecture or remote possibility, is clearly imminent"; and
  - (e) Transition period means "five-year period in the first phase of customs duty reduction or elimination". With regard to transition period in the second phase, the Parties shall meet to determine it in the review of this Article.
2. During the transition period only, if as a result of the reduction or elimination of a customs duty under this Agreement, an originating good of a Party is being imported into the other party's territory in such increased quantities, in absolute terms, and under such conditions as to constitute a substantial cause of serious injury or threat of serious injury to domestic industry producing a like or directly competitive product, the importing Party may:
  - (a) suspend the further reduction of any rate of customs duty on the good provided for under this Agreement; or

(b) increase the rate of customs duty on the good to a level not to exceed the lesser of

(i) The MFN applied rate of customs duty on the good in effect at the time the measure is taken; and

(ii) The MFN applied rate of customs duty on the good in effect on date of entry into force of this agreement; or

(c) in the case of a customs duty applied to a good on a seasonal basis, increase the rate of customs duty to a level not to exceed the lesser of

(i) the MFN applied rate of customs duty on the good in effect for the immediately preceding corresponding season; and

(ii) the MFN applied rate of customs duty on the good in effect on the date of entry into force of this agreement.<sup>(1)</sup>

3. The following conditions and limitations shall apply to an investigation or a measure described in Paragraph 1(a).

(a) A party shall immediately deliver written notice to the other Party upon:

(i) initiating an investigatory process relating to serious injury or threat thereof and the reasons for it;

(ii) making a finding of serious injury or threat thereof caused by increased imports; and

(iii) taking a decision to apply a safeguard measure.

(b) in making the notification referred to in paragraph (a)(ii) and (a)(iii), the Party proposing to apply or extend a safeguard measure shall provide the other Party with all pertinent information, which shall include evidence of serious injury or threat thereof caused by the increased imports, precise description of the good involved and the proposed measure, proposed date of introduction and expected duration; the Party proposing to apply a measure shall also provide any additional information which the other Party considers pertinent;

(c) a Party proposing to apply a measure shall provide adequate opportunity for prior consultations with the other Party as far in advance of taking any such measure as practicable, with a view to reviewing the information arising from the investigation, exchanging views on the measure and reaching an agreement on compensation set out in Paragraph 4. The Parties shall in such consultations, review, inter alia, the information provided under paragraph (b), to determine:

(i) compliance with the other provisions of this Article;

(ii) whether any proposed measure should be taken; and

(iii) the appropriateness of the proposed measure, including consideration of alternative measures;

(d) a Party shall apply the measure only following an investigation by the competent authorities of such Party in accordance with Articles 3 and 4.2(c) of the WTO Agreement on Safeguards; and to this end, Articles 3 and 4.2(c) of the WTO Agreement on Safeguards are incorporated into and made a part of this Agreement, mutatis mutandis;

(e) in undertaking the investigation described in paragraph (d), a Party shall comply with the requirements of Article 4.2(a) and (b) of the WTO Agreement on Safeguards; and to this end, Article 4.2(a) and (b) are incorporated into and made a part of this Agreement, mutatis mutandis;

(f) the investigation shall in all cases be completed within one year following its date of initiation;

(g) no bilateral safeguard measure shall be maintained:

(i) except to the extent and for such time as may be necessary to remedy serious injury and to facilitate adjustment;

(ii) for a period exceeding two years, except that in exceptional circumstances, the period may be extended by up to an additional one year, to a total maximum of three years from the date of first imposition of the measure if the investigating authorities determine in conformity with procedures set out paragraphs (a) through (g), that the safeguard measure continues to be necessary to prevent or remedy serious injury and to facilitate adjustment and that there is evidence that the industry is adjusting;

(iii) beyond the expiration of the transition period, regardless of its duration or whether it has been subject to extension;

(h) no bilateral safeguard measure taken under this Article shall be applied again to the import of a product which has been subject to such a measure for a period of time equal to that during which such measure had been previously applied, provided that the period of non-application is at least two years;

(i) no bilateral safeguard measure shall be taken against a particular good while a global safeguard measure in respect of



that good is in place; in the event that a global safeguard measure is taken in respect of a particular good, any existing bilateral safeguard measure which is taken against that good shall be terminated;

(j) upon the termination of the safeguard measure under this Article, the rate of duty shall be duty set out in the Party's schedule to Annex I of this Agreement as if the measure had never been applied; and (k) within 5 years after entry into force of this Agreement, the Parties shall meet to review this Article with a view to determining whether there is a need to maintain any bilateral safeguard mechanism.

4. The party proposing to apply a measure described in Paragraph 2 shall provide to the other party mutually agreed adequate means of trade liberalizing compensation in the form of concessions having substantially equivalent trade effects or equivalent to the value of the additional duties expected to result from the measure. If the Parties are unable to agree on compensation within 30 days in the consultations under Paragraph 3 (c), the Party against whose originating goods the measure is applied may take action having trade effects substantially equivalent to the measure applied under this Article. This action shall be applied only for the minimum period necessary to achieve the substantially equivalent effects. The right of suspension described in this paragraph shall not be exercised for the first 18 months that a bilateral safeguard measure is in effect, provided that such a measure conforms to the provisions of this Article.

5. In applying measures under this Article, each Party shall:

(a) ensure the consistent, impartial and reasonable administration of its laws, regulations, decisions and rulings governing all safeguard investigation proceedings.

(b) entrust determinations of serious injury or threat thereof in safeguard investigation proceedings to a competent investigating authority.

(c) adopt or maintain equitable, timely, transparent and effective procedures for safeguard investigation proceedings.

(1) The Parties understand that neither tariff rate quotas nor quantitative restrictions would be a permissible form of a safeguard measure.

## **Chapter VI. Sanitary and Phyto-sanitary Measures (SPS)**

### **Article 28. Definition**

1. The definitions in Annex A of the SPS Agreement shall be applied in the implementation of this Chapter.

2. SPS Agreement means the Agreement on the Application of Sanitary and Phytosanitary Measures of the World Trade Organization.

### **Article 29. Objectives**

The objectives of this Chapter are to:

1. Promote and facilitate the trade of animals, products of animal origin, plants and products of plant origin between the Parties, protecting at the same time the human, animal or plant life or health;

2. Reaffirm the rights and obligations of both parties with respect to each other under the SPS Agreement, which is considered as an integral part of this text;

3. Ensure that the Parties' SPS measures do not arbitrarily or unjustifiably discriminate between two Parties where identical or similar conditions prevail; and

4. provide a forum to discuss SPS measures of each other, to solve the problems of trade in this field in a prompt and efficient manner to ensure trade expansion between the parties.

### **Article 30. Scope**

This Chapter applies to all sanitary and phytosanitary measures of the Parties which may, directly or indirectly, affect trade between the Parties.

### **Article 31. Competent Authority**

1. The competent authorities of the Parties are the authorities competent in the respective countries for the implementation of the measures referred to in this Chapter,
2. The Parties shall inform each other of any significant changes in the structure, organization and division of responsibility within its competent authorities.
3. For the suitable implementation of the Chapter, bilateral contact between the homologous sanitary and phytosanitary agencies will be promoted and strengthened.

## **Article 32. Transparency**

1. The Parties shall undertake cooperation as per transparency requirements set out in WTO/SPS Agreement. The sanitary and phytosanitary enquiry points of the Parties established under the SPS Agreement shall set up a bilateral mechanism for further communication, including the sanitary and phytosanitary measures that needs to be undertaken as well as information regarding noncompliance with sanitary and phytosanitary requirements of importing Party without undue delay.
2. The Parties will, whenever a need arises, exchange information related to the sanitary and phytosanitary condition in their territories and will provide the necessary information to develop risk assessment and equivalence processes.

## **Article 33. Cooperation on Harmonization, Equivalency and Certificate Recognition**

1. To achieve harmonization both Parties shall base their SPS measures on international standards ,guidelines or recommendations, or base the measures on risk assessment, and shall cooperate in this regard.
2. Both Parties shall consider to accept the SPS measures of each other as equivalent even if it differs from their own or from those used by other members trading in the same product, if the exporting party objectively demonstrates to the importing party that its measures achieve the importing party's appropriate level of sanitary and phytosanitary procedure. For this purpose, reasonable access shall be given, upon request, to the importing party for inspection, testing and other relevant procedures.
3. Both Parties shall cooperate for mutual recognition of SPS certificates.

## **Article 34. Committee on Sanitary and Phytosanitary Matters**

1. The Parties hereby agree to establish a Committee on Sanitary and Phytosanitary Matters composed of each Party's representatives who have responsibility for sanitary and phytosanitary matters. the Committee shall be coordinated by:
  - (a) in the case of China, the Director General of Department of International Cooperation of AQSIQ, or its designated person and
  - (b) in the case of Pakistan, Additional Secretary, Ministry of Food, Agriculture and Livestock or its designated person.
2. In order to facilitate the communication and ensure the proper functioning of the Committee, the Parties will designate a contact person no later than two months following the date of entry into force of this Agreement.
3. The Parties shall establish the Committee in a period not longer than two months after the date of entry into force of this Agreement.
4. The objectives of the Committee shall be to ensure the achievement of the objectives stated in this Chapter.
5. The Committee shall seek to enhance any present or future relationship between the Parties' agencies with responsibility for sanitary and phytosanitary matters.
6. The Committee shall be responsible for:
  - (a) enhancing mutual understanding of each Party's sanitary and phytosanitary measures and the regulatory processes related to those measures;
  - (b) consultations on matters related to the development or application of sanitary and phytosanitary measures that affect, or may affect, trade between the Parties;
  - (c) consultations on issues, positions, and agendas for meetings of the WTO/ SPS Committee, the various Codex committees (including the Codex Alimentarius Commission), the International Plant Protection Convention, the World Organization for

Animal Health, and other international and regional fora on food safety and human, animal, and plant health;

(d) coordination of technical cooperation programs on sanitary and phytosanitary matters;

(e) improving bilateral understanding related to specific implementation issues concerning the SPS Agreement; and

(f) reviewing progress on addressing sanitary and phytosanitary matters that may arise between the competent authorities of both Parties.

7. The Committee shall meet once a year unless the Parties otherwise agree.

8. The Committee may agree to establish ad hoc technical working groups in accordance with the Committee's terms of reference.

## **Chapter VII. Technical Barriers to Trade (TBT)**

### **Article 35. Definitions**

1. "WTO/TBT Agreement" means the Agreement on Technical Barriers to Trade of the World Trade Organization.

2. The definitions of Annex I of the WTO/TBT Agreement shall apply.

### **Article 36. Objectives**

The objectives of this Chapter are to:

1. Increase and facilitate trade through furthering the implementation of the WTO TBT Agreement;

2. Reduce, wherever possible, unnecessary transaction costs associated with trade between the Parties.

### **Article 37. Scope and Coverage**

This Chapter applies to all standards, technical regulations and conformity assessment procedures that may, directly or indirectly, affect the trade in goods between the Parties, except sanitary and phyto-sanitary measures which are covered by Chapter VI of this Agreement.

### **Article 38. Reaffirmation**

The rights and obligations of the Parties in respect of technical regulations, standards and conformity assessment procedures shall be governed by the WTO Agreement on Technical Barriers to Trade (TBT).

### **Article 39. Cooperation Area**

1. The Parties shall intensify their joint work in the field of technical regulations, standards and conformity assessment procedures with a view to facilitating bilateral trade. The Parties shall, through consultation, seek to identify specific preferential cooperation areas and products, and arrange for cooperative implementation initiatives that are appropriate for trade needs and practical capacity step by step.

2. The Parties shall use international standards, or the relevant parts of international standards, as a basis for their technical regulations and related conformity assessment procedures where relevant international standards exist or their completion is imminent, except when such international standards or their relevant parts are ineffective or inappropriate to fulfill legitimate regulatory objectives.

3. The Parties shall encourage appropriate institutions in their jurisdiction to strengthen their technical cooperation aimed at achieving full and effective compliance with the obligations set forth in the WTO Agreement and with a view to increase the mutual understanding of their respective systems and facilitating access to their respective markets. To this end, they shall encourage their competent authorities in the areas of standards to cooperate in:

(i) reinforcing the role of international standards as a basis for technical regulations;

(ii) promoting bilateral institutions and regulatory information exchange and technical cooperation; and

(iii) promoting bilateral coordination by appropriate agencies in multilateral and international fora on standards.

4. The Parties shall, within the context of this Article, encourage appropriate institutions in their jurisdiction to:

- (i) exchange information; and
- (ii) give favourable consideration to any written request for cooperation.

## **Article 40. Transparency**

1. In order to enhance the opportunity for persons to provide comments, a Party publishing a notice under Article 2.9 or 5.6 of the WTO/TBT Agreement shall: (a) include in the notice a statement describing the objective of the proposal and the rationale for the approach the Party is proposing; and (b) transmit electronically the proposal to the other Party through the inquiry point established under Article 10 of the WTO/TBT Agreement at the same time as it notifies WTO Members of the proposal pursuant to the TBT Agreement.

2. Where a Party makes a notification under Article 2.10 or 5.7 of the WTO/TBT Agreement, it shall at the same time transmit the notification to the other Party, electronically, through the inquiry point referred to in subparagraph (b) of paragraph 1.

3. The Parties shall undertake cooperation as per transparency requirements set out in WTO/TBT Agreement, and establish cooperation mechanism between enquiry points of the parties.

4. Each Party shall provide and keep updated information about the competent authorities and will communicate any significant change in their structure, organization and division.

5. Each Party shall notify each other upon request the conformity assessment procedure and related list of products stipulated by relevant technical regulations.

## **Article 41. Implementation**

1. The Parties hereby establish the Joint Committee on Technical Barriers to Trade, comprising representatives of each Party. The Committee shall be coordinated by:

(a) in the case of China, the Director General of Department of International Cooperation of AQSIQ, or its designated person; and

(b) in the case of Pakistan, the Director General of Pakistan Standards and Quality Control Authority (PSQCA), or its designated person.

2. In order to facilitate the communication and ensure the proper functioning of the Committee, the Parties will designate a contact person no later than two months following the date of entry into force of this Agreement.

3. The Committee's functions shall include:

(i) monitoring the implementation and administration of this TBT Chapter;

(ii) promptly addressing any issue that a Party raises related to the development, application, or enforcement of technical regulations and conformity assessment procedures;

(iii) enhancing cooperation in the development and improvement of technical regulations and conformity assessment procedures;

(iv) taking any other steps which the Parties consider would assist them in implementing the WTO/TBT Agreement and in facilitating trade in goods between them;

(v) consulting on any matter arising under this Chapter, upon either Party's request.

4. A Party shall, upon request, give favorable consideration to any sector-specific proposal the other Party makes to further cooperation under this Chapter.

5. The Committee shall meet once a year unless the Parties otherwise agree. These meetings may be held via teleconference, videoconference, or through any other means, as mutually determined by the Parties. By mutual agreement, ad hoc working groups may be established if necessary.

## **Chapter VIII. Transparency**

## **Article 42. Contact Points**

1. Each Party shall designate a contact point to facilitate communications between the Parties on any matter covered by this Agreement.
2. Upon request of the other Party, the contact point shall identify the office or official responsible for the matter and assist, as necessary, in facilitating communication with the requesting Party.

## **Article 43. Publication**

Each Party shall ensure that its measures respecting any matter covered by this Agreement are promptly published or otherwise made available to the other Party so as to enable the other Party to become familiarized with them.

## **Article 44. Notification and Provision of Information**

1. To the extent possible, each Party shall notify the other Party of any actual measure that the Party considers might materially affect the operation of this Agreement or otherwise substantially affect the other Party's legitimate interests under this Agreement.
2. Upon request of the other Party, to the extent possible, a Party shall promptly provide information and respond to questions pertaining to any actual or proposed measure, that the other Party considers might materially affect the operation of this Agreement or otherwise substantially affect its legitimate interests under this Agreement, whether or not the other Party has been previously notified of that measure.
3. Any notification or information provided under this Article shall be without prejudice as to whether the measure is consistent with this Agreement.
4. The information referred to under this Article shall be considered to have been provided when it has been made available by appropriate notification to the WTO or when it has been made available on the official, public and free of cost accessible website of the Party concerned.

## **Article 45. Confidential Information**

Nothing in this Agreement shall be construed to require a Party to furnish or allow access to confidential information the disclosure of which would impede law enforcement or would be contrary to the public interests, the laws of the Party protecting the privacy or the financial affairs and accounts of individual customers or financial institutions or which prejudice legitimate commercial interests of particular enterprises, public or private.

# **Chapter IX. Investment**

## **Article 46. Definitions**

For the purpose of this Chapter,

1. The term "investment" means every kind of asset invested by investors of one Party in accordance with the laws and regulations of the other Party in the territory of the latter, and particularly, though not exclusively, includes:
  - (a) movable and immovable property and other property rights such as mortgages, pledges and similar rights;
  - (b) shares, debentures, stock and any other kind of participation in companies;
  - (c) claims to money or to any other performance having an economic value associated with an investment;
  - (d) intellectual property rights, in particular copyrights, patents, trade-marks, trade-names, technical process, know-how and good-will;
  - (e) business concessions conferred by law or under contract permitted by law, including concessions to search for, cultivate, extract or exploit natural resources.
2. Any change in the form in which assets are invested does not affect their character as investments provided that such a change is in accordance with the laws and regulations of the Party in whose territory the investment has been made.

3. The term "investor" means,

(a) natural persons who have nationality of either Party in accordance with the laws of that Party;

(b) legal entities, including companies, associations, partnerships and other organizations, incorporated or constituted under the laws and regulations of either Party and have their seats in that Party.

4. The term "return" means the amounts yielded from investments, including profits, dividends, interests, capital gains, royalties, fees and other legitimate income.

## **Article 47. Promotion and Protection of Investment**

1. Each Party shall encourage investors of the other Party to make investments in its territory and admit such investments in accordance with its laws and regulations.

2. Investments of the investors of either Party shall enjoy the constant protection and security in the territory of the other Party.

3. Without prejudice to its laws and regulations, neither Party shall take any unreasonable or discriminatory measures against the management, maintenance, use, enjoyment and disposal of the investments by the investors of the other Party.

4. Subject to its laws and regulations, each Party shall provide assistance and facilities to the other for obtaining visas and work permit to nationals of the other Party engaged in activities associated with investments made in the territory of that Party.

## **Article 48. Treatment of Investment**

1. Investments of investors of each Party shall all the time be accorded fair and equitable treatment in the territory of the other Party.

2. Without prejudice to its laws and regulations, each Party shall accord to investments and activities associated with such investments by the investors of the other Party treatment not less favorable than that accorded to the investments and associated activities by its own investors.

3. Neither Party shall subject investments and activities associated with such investments by the investors of the other Party to treatment less favorable than that accorded to the investments and associated activities by the investors of any third Party.

4. The provisions of Paragraphs 3 of this Article shall not be construed so as to oblige one Party to extend to the investors of the other Party the benefit of any treatment, preference or privilege by virtue of:

(a) any other customs union, free trade zone, economic union and any international agreement resulting in such unions, or similar institutions;

(b) any international agreement or arrangement relating wholly or mainly to taxation;

(c) any arrangements for facilitating small scale trade in border areas.

## **Article 49. Expropriation**

1. Neither Party shall expropriate, nationalize or take other similar measures (hereinafter referred to as "expropriation") against the investments of the investors of the other Party in its territory, unless the following conditions are met:

(a) for the public interests;

(b) under domestic legal procedure;

(c) without discrimination; and

(d) against compensation.

2. The compensation mentioned in Paragraph 1 of this Article shall be equivalent to the value of the expropriated investments immediately before the expropriation or the impending expropriation becomes public knowledge, whichever is earlier. The value shall be determined in accordance with generally recognized principles of valuation. The compensation

shall include interest at a normal commercial rate from the date of expropriation until the date of payment. The compensation shall also be made without delay, be effectively realizable and freely transferable.

## **Article 50. Compensation for Damages and Losses**

Investors of one Party whose investments in the territory of the other Party suffer losses owing to war, a state of national emergency, insurrection, riot or other similar events in the territory of the other Party, shall be accorded by the other Party treatment, as regards restitution, indemnification, compensation and other settlements no less favorable than that accorded to the investors of its own or any third Party, whichever is more favorable to the investor concerned.

## **Article 51. Transfers**

1. Each Party shall, subject to its laws and regulations, guarantee to the investors of the other Party transfer of their investments and returns held in its territory, including:

- (a) profits, dividends, interests and other legitimate income;
  - (b) proceeds obtained from the total or partial sale or liquidation of investments;
  - (c) payments made pursuant to a loan agreement in connection with investments;
  - (d) royalties in relation to the matters in Paragraph 1 (d) of Article 46;
  - (e) payments of technical assistance or technical service fee, management fee;
  - (f) payments in connection with projects;
  - (g) earnings of nationals of the other Party who work in connection with an investment in its territory.
2. Nothing in Paragraph 1 of this Article shall affect the free transfer of compensation paid under Article 49 and 50 of this Chapter.
3. The transfer mentioned above shall be made in a freely convertible currency, at the prevailing market rate of exchange on the date of transfer in the territory of the Party accepting the investments.

## **Article 52. Subrogation**

If one Party or its designated agency makes a payment to its investors under a guarantee or a contract of insurance against non-commercial risks in respect of an investment made in the territory of the other Party, the latter Party shall recognize:

- (a) the assignment, whether under the law or pursuant to a legal transaction in the former Party, of any rights or claims by the investors to the former Party or to its designated agency, as well as,
- (b) that the former Party or its designated agency is entitled by virtue of subrogation to exercise the rights and enforce the claims of that investor and assume the obligations related to the investment to the same extent as the investor.

## **Article 53. Settlement of Disputes between Parties**

1. Any dispute between the Parties concerning the interpretation or application of this Chapter shall, as far as possible, be settled by consultation through diplomatic channel.
2. If a dispute cannot be settled through consultations within six months, it shall, upon the request of either Party, be submitted to an ad hoc arbitral tribunal.
3. The tribunal shall comprise of three arbitrators. Within two months of the receipt of the written notice requesting arbitration, each Party shall appoint one arbitrator. The two arbitrators shall, within two months, from the date of their appointment, select a national of a third Party, having diplomatic relations with both Parties, as Chairman of the arbitral tribunal.
4. If the arbitral tribunal has not been constituted within four months from the receipt of the written notice requesting arbitration, either Party may, in the absence of any other agreement, invite the President of the International Court of Justice to make any necessary appointments. If the President is a national of either Party or is otherwise prevented from discharging the said functions, the Member of the International Court of Justice next in seniority who is not a national of

either Party or is not otherwise prevented from discharging the said functions shall be invited to make such appointments.

5. The arbitral tribunal shall determine its own procedure. The arbitral tribunal shall reach its award in accordance with the provisions of this Chapter and the principles of international law recognized by both Parties.

6. The arbitral tribunal shall reach its award by a majority of votes. Such award shall be final and binding upon both Parties. The arbitral tribunal shall, upon the request of either Party, explain the reasons of its award.

7. Each Party shall bear the costs of the arbitrator appointed by it and of its representation in the arbitral proceedings. The costs of the Chairman and tribunal shall be borne equally by the Parties. 8. Any dispute between the Parties concerning the interpretation or application of this Chapter shall be exclusively settled according to this Article.

## **Article 54. Settlement of Disputes between Investors and One Party**

1. Any legal dispute between an investor of one Party and the other Party in connection with an investment in the territory of the other Party shall, as far as possible, be settled amicably through negotiations between the parties to the dispute.

2. If the dispute cannot be settled through negotiations within six months from the date, it has been raised by either party to the dispute, it shall be submitted by the choice of the investor:

(a) to the competent court of the Party that is a party to the dispute;

(b) to International Center for Settlement of Investment Disputes (ICSID) under the Convention on the Settlement of Disputes between States and Nationals of Other States, done at Washington on March 18, 1965, provided that the Party involved in the dispute may require the investor concerned to go through the domestic administrative review procedures specified by the laws and regulations of that Party before the submission to the ICSID.

Once the investor has submitted the dispute to the competent court of the Party concerned or to the ICSID, the choice of the forum shall be final.

3. The arbitration award shall be based on the law of the Party to the dispute including its rules on the conflict of laws, the provisions of this Agreement as well as the universally accepted principles of international law.

4. The arbitration award shall be final and binding upon the parties to the dispute. Both Parties shall commit themselves to the enforcement of the award.

## **Article 55. Other Obligations**

1. If the legislation of either Party or international obligations existing at present or established hereafter between the Parties result in a position entitling investments by investors of the other Party to a treatment more favorable than is provided for by the Agreement, such position shall not be affected by this Agreement.

2. Each Party shall observe the commitments it may have entered into with the investors of the other Party as regards to their investments.

## **Article 56. Consultations**

1. The representatives of the Parties shall hold meetings from time to time for the purpose of:

(a) reviewing the implementation of this Chapter;

(b) exchanging legal information and investment opportunities;

(c) resolving disputes arising out of investments;

(d) forwarding proposals on promotion of investment;

(e) studying other issues in connection with investment.

2. Where either Party requests consultation on any matter of Paragraph 1 of this Article, the other Party shall give prompt response and the consultation be held alternatively in Beijing and Islamabad.

## **Chapter X. Dispute Settlement**



## **Article 57. Cooperation**

The Parties shall at all times endeavor to agree on the interpretation and application of this Agreement, and shall make every attempt through cooperation and consultations to arrive at a mutually satisfactory resolution of any matter that might affect its operation.

## **Article 58. Scope of Application**

Except as otherwise provided in this Agreement, the dispute settlement provisions of this Chapter shall apply:

(a) with respect to the avoidance or settlement of all disputes between the Parties regarding the interpretation or application of this Agreement; and

(b) wherever a Party considers that a measure of the other Party is inconsistent with the obligations of this Agreement or that the other Party has failed to carry out its obligations under this Agreement.

## **Article 59. Consultations**

1. Either Party may request in writing consultations with the other Party with respect to any measure that it considers might affect the operation of this Agreement.

2. The requesting Party shall deliver the request to the other Parties and to the Commission (Chapter XI ).

3. Each Party shall accord adequate opportunity for consultations with another Party with respect to any matter affecting the implementation, interpretation or application of this Agreement. Any differences shall as far as possible be settled through consultation between the Parties.

4. The requesting Party shall set out the reasons for the request, including identification of the measure at issue and an indication of the legal basis for the complaint, and shall deliver the request to the other Party.

5. If a request for consultations is made, the Party to which the request is made shall reply to the request in writing within 7 days after the date of its receipt and shall enter into consultations within a period of not more than:

(a) 15 days after the date of receipt of the request for matters concerning perishable goods; or

(b) 30 days after the date of receipt of the request for all other matters.

6. The Parties shall make every attempt to arrive at a mutually satisfactory resolution of any matter through consultations under this Article or other consultative provisions of this Agreement. To this end, the Parties shall:

(a) provide sufficient information to enable a full examination of how the measure might affect the operation and application of this Agreement; and

(b) treat any confidential information exchanged in the course of consultations on the same basis as the Party providing the information.

7. In consultations under this Article, a Party may request the other Party to make available personnel of its government agencies or other regulatory bodies who have expertise in the subject matter of consultations.

8. The consultations shall be confidential and without prejudice to the rights of any Party in any further proceedings.

## **Article 60. Choice of Forum**

1. This section is without prejudice to the rights of the Parties to have recourse to dispute settlement procedures available under other agreements to which they are parties.

2. Where a dispute regarding any matter arises under this Agreement and under another agreement to which the disputing Parties are party, the complaining Party may select the forum in which to settle the dispute.

3. Once the complaining Party has requested a particular forum, the forum selected shall be used to the exclusion of other possible fora.

## **Article 61. Good Offices, Conciliation, and Mediation**

1. The Parties to the dispute may at any time agree to good offices, conciliation or mediation by the Commission. They may begin at any time and be terminated at any time.
2. If the Parties agree, good offices, conciliation or mediation may continue while the dispute proceeds for resolution before an arbitral panel convened under Article 62.
3. The proceedings under this Article and the positions taken by the Parties during these proceedings shall be confidential and are without prejudice to the rights of any Party in any further proceedings.

## **Article 62. Request for an Arbitral Panel**

1. If the Parties fail to resolve a matter within:
  - (a) 60 days after receipt of the request for consultations under Article 59;
  - (b) 30 days after receipt of the request for consultations under Article 59 in a matter regarding perishable goods; or
  - (c) such other period as the Parties agree, either Party may request in writing the establishment of an arbitral panel to consider the matter.
2. The requesting Party shall state in the request the measure complained of and indicate the provisions of this Agreement that it considers relevant, and shall deliver the request to the other Party. An arbitral panel shall be established upon receipt of a request.

## **Article 63. Composition of an Arbitral Panel**

1. An arbitral panel shall comprise three members.
2. The complaining Party and the responding Party shall each appoint one panelist within 30 days from the deliverance of the request made under Article 62.
3. The Parties shall designate by common agreement the appointment of the third panelist within 30 days of the appointment of the second panelist. The panelist thus appointed shall chair the arbitral panel.
4. If one of the Parties does not appoint a panelist within 30 days from the date of deliverance of the request referred to in paragraph 2, at the request of the other Party to the dispute the designation shall be made by the Director-General of the WTO within a further 30 days.
5. If the chairperson of the arbitral panel has not been designated within the period according to paragraph 3, the Director General of the WTO shall at the request of either Party appoint the chairperson of the arbitral panel within 30 days of the request.
6. All panelist shall:
  - (a) have expertise or experience in law, international trade, other matters covered by this Agreement, or the resolution of disputes arising under international trade agreements;
  - (b) be chosen strictly on the basis of objectivity, reliability, and sound judgment;
  - (c) be independent of, and not be affiliated with or take instructions from, any Party; and
  - (d) comply with the code of conduct in conformity with WTO Understanding on the Rules and Procedures Governing the Settlement of Disputes, and the rules established in the document WT/DSB/RC/1 of the WTO.
7. The chairperson of the arbitral tribunal shall:
  - (a) not be a national of a Party
  - (b) not have his or her usual place of residence in the territory of a Party
  - (c) not have dealt with the matter in any capacity.
8. If a panelist appointed under this Article resigns or becomes unable to act, a successor panelist shall be appointed in the same manner as prescribed for the appointment of the original panelist and the successor shall have all the powers and duties of the original panelist.

## **Article 64. Functions of Arbitral Panel**

1. The function of an arbitral panel is to make an objective assessment of the dispute before it, including an examination of the facts of the case and their applicability and conformity with this Agreement.

2. Unless the Parties otherwise agree within 20 days from the date of receipt of the request for the establishment of the arbitral panel, the terms of reference shall be:

"To examine, in the light of the relevant provisions of this Agreement, the matter referred to in the request for the establishment of an arbitral panel pursuant to Article 63 and to make findings of law and fact together with the reasons therefore for the resolution of the dispute."

3. Where an arbitral panel concludes that a measure is inconsistent with this Agreement, it may recommend that the responding Party bring the measure into conformity with this Agreement. In addition to its recommendations the arbitral panel may suggest ways in which the responding Party could implement the recommendations.

4. The arbitral panel, in their findings and recommendations, cannot add to subtract from or alter the rights and obligations provided in this Agreement.

## **Article 65. Rules of Procedure of an Arbitral Panel**

1. Unless the Parties agree otherwise, the arbitral panel proceedings shall be conducted in accordance with the rules or procedure set out in Annex III.

2. The arbitral panel shall, apart from the matters set out in this Article, regulate its own procedures in relation to the rights of the Parties to be heard and its deliberations in consultation with the Parties.

3. The arbitral panel shall endeavor to take its decisions by consensus; provided that where an arbitral panel is unable to reach consensus it may take its decisions by a majority vote.

## **Article 66. Expenses**

1. Unless the Parties otherwise agree, the costs of the arbitral panel and other expenses associated with the conduct of its proceedings shall be borne equally by the Parties.

2. Each Party shall bear its own expenses and legal costs of the arbitral proceedings.

## **Article 67. Suspension or Termination of Proceedings**

1. The Parties may agree that the arbitral panel suspends its work at any time for a period not exceeding 12 months from the date of such agreement. If the work of the arbitral panel has been suspended for more than 12 months, the authority for establishment of the arbitral panel shall lapse unless the Parties agree otherwise.

2. The Parties may agree to terminate the proceedings of an arbitral panel in the event that a mutually satisfactory solution to the dispute has been found.

## **Article 68. Experts and Technical Advice**

1. On request of a disputing Party, or on its own initiative, the panel may seek information and technical advice from any person or body that it deems appropriate, provided that the disputing parties so agree and subject to such terms and conditions as such Parties may agree.

2. Before an arbitral panel seeks information or technical advice, it shall establish appropriate procedures in consultation with the Parties. The arbitral panel shall provide the Parties:

(a) advance notice of, and an opportunity to provide comments to the arbitral panel on, proposed requests for information and technical advice pursuant to paragraph 1; and

(b) a copy of any information or technical advice submitted in response to a request pursuant to paragraph 1 and an opportunity to provide comments.

3. Where the arbitral panel takes the information or technical advice into account in the preparation of its report, it shall also

take into account any comments by the Parties on the information or technical advice.

## **Article 69. Initial Report**

1. The arbitral panel shall base its report on the relevant provisions of this Agreement and the submissions and arguments of the Parties and on any information before it pursuant to Article 68.

2. Unless the Parties otherwise agree, the arbitral panel shall:

(a) within 90 days after the last panelist is selected; or

(b) in case of urgency including those relating to perishable goods within 60 days after the last panelist is selected, present to the Parties an initial report.

3. The initial report is to contain:

(a) findings of fact;

(b) its conclusions as to whether the measure at issue has not conformed with the obligations under this Agreement or any other determination if requested in the terms of reference; and

(c) the recommendation, if any, for the resolution of the dispute.

4. In exceptional cases, if the arbitral panel considers it cannot release its initial report within 90 days or within 60 days in cases of urgency, it shall inform the Parties in writing of the reasons for the delay together with an estimate of the period within which it will release its report. Any delay shall not exceed a further period of 30 days unless the Parties otherwise agree.

5. Panelists may furnish separate opinions on matters not unanimously agreed upon.

6. A Party may submit written comments to the arbitral panel on its initial report within 14 days of presentation of the report or within such other period as the Parties may agree.

7. After considering any written comments on the initial report, the arbitral panel may reconsider its report and make any further examination it considers appropriate.

## **Article 70. Final Report**

1. The arbitral panel shall present a final report to the Parties, including any separate opinions on matters not agreed to by consensus, within 30 days of presentation of the initial report, unless the Parties otherwise agree.

2. No arbitral panel may, either in its initial report or its final report, disclose which panelists are associated with majority or minority opinions.

3. The disputing Parties shall transmit to the Commission on the final report of the panel, as well as any written views that a disputing Party desires to be appended, on a confidential basis within a reasonable period of time after it is presented to them.

4. Unless the Commission decides otherwise, the final report of the panel shall be published 15 days after it is transmitted to the Commission.

## **Article 71. Implementation of Final Report**

1. On receipt of the final report of an arbitral panel, the Parties shall agree on the resolution of the dispute, which normally shall conform with the findings and recommendation of the Panel.

2. Wherever possible, the resolution shall be removal of a major not conforming with this Agreement or a non-implementation of such a measure or, failing such a resolution, compensation.

## **Article 72. Non Implementation – Suspension of Benefits**

1. If in its final report a panel has determined that a measure is inconsistent with the obligations of this Agreement and the Party complained against has not reached agreement with the complaining Party on a mutually satisfactory resolution

pursuant to Article 71 (implementation of final report) within 30 days of receiving the final report, such complaining Party may suspend the application to the responding Party of benefits of equivalent effect until such time as they have reached agreement on a resolution of the dispute or the responding Party has brought its measures at issue into conformity with its obligations under this Agreement.

2. In considering what benefits to suspend pursuant to paragraph 1:

(a) a complaining Party should first seek to suspend benefits in the same sector or sectors as that affected by the measure or other matter that the Panel has found to be inconsistent with the obligations of this Agreement; and

(b) a complaining Party that considers it is not practicable or effective to suspend benefits in the same sector or sectors may suspend benefits in other sectors.

3. On the written request of any disputing Party delivered to the other Party, a panel shall be established, which should be the original panel when possible, to determine whether the level of benefits suspended by a Party pursuant to paragraph 1 is manifestly excessive.

4. The panel shall present its determination within 60 days after the panel is established or such other period as the disputing Parties may agree.

## **Article 73. Compliance Review**

1. If the responding Party considers that it has eliminated the non-conformity that the arbitral panel has found, it may provide written notice to the complaining Party with a description of how non-conformity has been removed. If the complaining Party has disagreement, it may refer the matter to the original arbitral panel within 60 days after receipt of such written notice.

2. The arbitral panel shall release its report within 90 days after the referral of the matter.

## **Article 74. Private Rights**

Any question regarding conformity of a measure taken by either Party under this Agreement shall be submitted and proceeded with as provided under Chapter X of this Agreement.

# **Chapter XI. Administration**

## **Article 75. Establishment of the Free Trade Commission**

The Parties hereby establish the Free Trade Commission (Commission), comprising representatives of the Parties as follows:

(a) in the case of China, the Ministry of Commerce (MOFCOM); and

(b) in the case of Pakistan, the Ministry of Commerce.

## **Article 76. Mandate of the Free Trade Commission**

1. The Commission shall:

(a) supervise the implementation and, where appropriate, give interpretation of this Agreement;

(b) oversee the further elaboration of this Agreement; (c) facilitate avoidance and settlement of any disputes that may arise regarding the interpretation or application of this Agreement;

(d) supervise the work of all committees and working groups established under this Agreement;

(e) consider any other matter that may affect the operation of this Agreement.

2. The Commission shall establish its rules and procedures. All decisions of the Commission shall be taken by consensus.

## **Article 77. Meetings of the Free Trade Commission**

1. The Commission shall convene the first session after six months of the implementation of this Agreement and the following sessions at least once a year in regular session, or as otherwise mutually determined by the Parties.

2. Regular sessions of the Commission shall be chaired alternatively by the Parties.

## **Chapter XII. Final Provisions**

### **Article 78. Annexes and Footnotes**

The annexes and footnotes to this Agreement constitute an integral part of this Agreement.

### **Article 79. Amendments**

1. The Parties may agree on any amendment to this Agreement.
2. When so agreed, and entered into force according to Article 81 (Entry into Force), the amendment shall constitute an integral part of this Agreement.

### **Article 80. Amendment of the WTO Agreement**

If any provision of the WTO Agreement that has been incorporated into this Agreement is amended, the Parties shall consult whether to amend this Agreement.

### **Article 81. Entry Into Force**

1. The entry into force of this Agreement is subject to the completion of necessary domestic legal procedures by each Party.
2. Unless otherwise agreed by the Parties, this Agreement shall enter into force 30 days after the date on which the Parties exchange written notification that such procedures have been completed.

### **Article 82. Termination**

Either Party may terminate this Agreement by written notification to the other Party. This Agreement shall expire 180 days after the date of such notification.

### **Article 83. Future Work Program**

Unless otherwise agreed by the Parties, they shall negotiate trade in services after the conclusion of the negotiations of this Agreement.

IN WITNESS WHEREOF, the undersigned, being duly authorized by their respective Governments, have signed this Agreement.

DONE at Islamabad, the Islamic Republic of Pakistan, in duplicate, the twenty-fourth day of November two thousand and six.

This Agreement shall be done in duplicate in Chinese and English languages, both texts being equally authentic.

For and on behalf of the Government of the Islamic Republic of Pakistan

Minister of Commerce

For and on behalf of the Government of the People's Republic of China

Minister of Commerce