



Preferential Trade Agreement
between
The Islamic Republic of Pakistan
and
The Islamic Republic of Iran

PREAMBLE

The Government of the Islamic Republic of Iran (“IRAN”) and the Government of the Islamic Republic of Pakistan (“Pakistan”), hereinafter referred to, collectively as the “Contracting parties” and individually as “Contracting Party”,

conscious of their longstanding friendship and common cultural heritage;

expecting that this Agreement will create a new climate for economic and regional cooperation between them;

recognizing that strengthening of their closer economic partnership will bring economic and social benefits and improve the living standards of their peoples:

bearing in mind that the expansion of mutual trade and economic relations will foster further interconnectedness between the Contracting Parties thus promoting regional peace and stability;

desiring cultural cooperation and developing exchange of information;

conscious that such mutual trade arrangements will contribute to the promotion of closer links with other economies in the region;

believing that this contractual framework could promote gradually and could also extend to new areas of mutual interests;

having regard to the need to support Iran’s efforts for accession to the World Trade Organization;

considering that the expansion of their domestic markets, through commercial cooperation, is an important prerequisite for accelerating - economic development of *the* Contracting Parties;

bearing in mind the desire to promote mutually beneficial bilateral trade;

And

recognizing that progressive elimination of obstacles to trade through this preferential trade agreement (hereinafter referred to as “ *the* Agreement”) will contribute to the

expansion of bilateral trade leading to Free Trade Arrangements between the Contracting Parties,
Agree as follows:

ARTICLE 1: OBJECTIVES

1- The objectives of the Contracting Parties in concluding this Agreement are:

- ◆ To strengthen the economic and political relationship between the Contracting parties;
- ◆ To increase the volume of trade in goods between the Contracting Parties;
- ◆ To promote a more predictable and secure environment for the sustainable growth of trade between the Contracting Parties;
- ◆ To reinforce and gradually promote this Preferential Trading Arrangement;
- ◆ To expand mutual trade through exploring newer areas of cooperation;
- ◆ To facilitate diversification of traded products between the Contracting Parties;
- ◆ To encourage further competition amongst their enterprises;
- ◆ To contribute in this way, by the removal of barriers to trade, to the harmonious development and expansion of bilateral as well as world trade.

2- Provisions of this Agreement shall be interpreted in view of the objectives expressed in paragraph 1 of this article as well as the decisions of the Joint Committee, which in turn shall observe applicable rules of international law.

ARTICLE 2: DEFINITIONS

For the purpose of this Agreement:

1. “Tariffs” means customs duties included in the national schedules of the Contracting Parties.
2. “Para-tariffs” means border charges and fees other than tariffs on foreign trade transactions of a tariff-like effect, which are levied solely on imports but not those indirect taxes and charges which are levied in the same manner on like domestic products. Import charges corresponding to specific services rendered, are not considered as para-tariff measures.
3. “Non-tariff barriers” means any measure, regulation, or practice, other than tariffs and Para-tariffs, the effect of which is to restrict imports or to significantly distort trade between the Contracting Parties.
4. “Products” means all products including manufactures and commodities in their raw, semi-processed and processed forms.

5. "Preferential treatment" means any concession or privilege granted under this Agreement by a Contracting Party through the reduction of tariffs on the movement of goods.
6. "The Committee" means the Joint Trade Committee referred to in Article 15.
7. "Serious Injury" means significant damage to domestic producers of like or similar products resulting from a substantial increase of preferential imports in situations which cause substantial losses in terms of earnings, production or employment unsustainable in the short term. The examination of the impact on the domestic industry concerned shall also include an evaluation of other relevant economic factors and indices having a bearing on the state of the domestic industry of that product.
8. "Threat of Serious Injury" means a situation in which a substantial increase of preferential imports is of a nature so as to cause Serious Injury to domestic industry and that such injury, although not yet existing, is clearly imminent. A determination of threat of Serious Injury shall be based on facts and not on mere allegation, conjecture, or remote or hypothetical possibility.
9. "Critical Circumstances" means the emergence of an exceptional situation, where massive preferential imports are causing or threatening to cause "Serious Injury" difficult to repair and which calls for immediate action.
10. "Dumping" means the introduction of a product into the commerce of the other Contracting party at less than its normal value which is the comparable price in the ordinary course of trade for the like product destined for consumption in the exporting country, or, in the absence of such domestic prices, is either the highest comparable price for the like product for export to any third country in the ordinary course of trade, or the cost production of the products in the country of origin plus a reasonable addition for selling cost and profit.

ARTICLE 3: SCOPE AND COVERAGE

This Agreement applies to trade between the Contracting Parties relating to the products specified in Annexes A and B, with due regard to the arrangements provided for in those Annexes.

ARTICLE 4: TARIFFS, PARA-TARIFFS AND NON-TARIFF BARRIERS

1. The Contracting parties hereby establish a Preferential Trade Agreement through this Agreement, in accordance with the provisions of Annexes A and B, which shall form an integral part of this Agreement.
2. The Contracting parties further agree to eliminate from the date this Agreement enters into force, all non-tariff barriers and any other equivalent measures on the movement of goods, other than those imposed in accordance with Article 8 of this Agreement.
3. Having exchanged their respective lists of para-tariffs, the Contracting parties also agree not to make any increase in the existing para-tariffs, or introduce new or additional para-tariffs without mutual consent.

4. In the implementation of this Agreement the Contracting Parties shall pay due regard to the principle of reciprocity.
5. The Contracting Parties also commit themselves not to increase their respective rates of preferential tariffs without mutual consent.
6. The Contracting Parties shall consider further liberalization of their bilateral trade through future consultations.

ARTICLE 5: MOST FAVOURED NATIONS TREATMENT

The Contracting parties shall accord unconditionally treatment, which is no less favourable than that accorded to any other Non-Contracting party with regard to all the rules regulations, procedures and formalities applicable to trade. However, unless there is specific mutual agreement between the Contracting Parties, they shall not be eligible to benefit from tariff rate quotas or tariff concessions granted by each Contracting Party to some other country within the framework of a specific free trade agreement, preferential trade agreement or regional trade agreement”

ARTICLE 6: NATIONAL TREATMENT

The contracting parties shall ensure that domestic laws, regulations and all other measures and formalities applicable to imports from the other Contracting Party shall not be applied in a manner so as to afford protection to domestic production. Subject to other provisions of this Agreement, the Contracting Parties shall accord treatment to products originating from their territory of the other Contracting party, no less favourable than that accorded to the like domestic products.

ARTICLE 7: TRANSPARENCY

The Contracting Parties commit themselves to ensure transparency with regard to their relevant regulations and practices through publication. They shall also notify each other of new measures, which pertain to or affect the operation of this Agreement.

ARTICLE 8: EXCEPTIONS

Subject to the condition that such measures are not applied in a manner to constitute arbitrary or unjustifiable discrimination or a disguised restriction on trade between the Contracting Parties, nothing in this agreement shall preclude prohibitions or restrictions on imports, exports or goods in transit justified on grounds of public morality, religious values, national security, the protection of human, animal and plant life and health, the protection of national treasures possessing artistic, historic or archeological value, the protection of exhaustible natural resources and genetic reserves, regulations concerning gold or silver. – Nothing in this agreement shall also be understood to require either

Contracting Party to furnish any information the disclosure of which it deems contrary to its essential security interests.

ARTICLE 9: RULES OF ORIGIN

1. Products covered by the provisions of this Agreement shall be eligible for preferential treatment provided they satisfy the Rules of Origin as set out in Annex C to this Agreement, which shall form an integral part of this Agreement.
2. For the development of specific sectors of the industry of either Contracting party lower value addition norms for the products manufactured or produced by those sectors may be considered through mutual negotiations.

ARTICLE 10: SAFEGUARD MEASURES

1. If any product is imported into the territory of a Contracting Party in such a manner or in such quantities as to cause or threaten to cause Serious Injury in the territory of that Contracting party, such Contracting Party may with prior consultations with the other Contracting Party, except in critical circumstances, suspend provisionally the preferential treatment accorded to that product under the Agreement.
2. When either Contracting Party in terms of paragraph 1 of this Article has taken action, it shall simultaneously notify the other Contracting Party and the Joint Trade Committee established in terms of Article 16. The Committee shall enter into consultations with the Contracting Parties and endeavour to reach a mutually acceptable agreement to remedy the situation. If such consultations fail to resolve the issue, the matter will be resolved in accordance with the provisions laid down in Articles 15, 17 and 18 and the Contracting Party affected shall have the right to withdraw the equivalent preferential treatment.

ARTICLE 11: ANTIDUMPING MEASURES

If either Contracting Party determines that dumping is taking place in trade with the other Contracting Party, it may levy an anti-dumping duty on the importation of the products dumped if it determines that the effect of the dumping is such as to cause or threaten to cause material injury to an established domestic industry, or is such as to retard materially the establishment of a domestic industry.

ARTICLE 12: BALANCE OF PAYMENTS

1. Either Contracting party, when faced with serious balance of payments difficulties or under threat thereof, may take restrictive measures with regard to the transfer of payments for its current account transactions in the framework of this Agreement, subject to conditions and procedures set out in this Article.
2. Either Contracting Party intending to resort to such measures, shall enter into consultations with the other Contracting Party with a view to designing a mutually

- acceptable mechanism to address the situation. In the event of it not being practical to enter into prior consultation, they shall promptly do so following the adoption of such measures. While in consultation, the Contracting Parties shall give exhaustive considerations to all other possible alternative solutions to deal with the situation concerned.
3. If the Contracting Parties fail to come to a mutually satisfactory agreement within three months of the beginning of such consultations, the Contracting Party affected by serious balance of payments difficulties, may adopt or maintain the measure concerned provided that it will:
 - a. Avoid unnecessary damage to the commercial, economic or financial interests of the other Contracting Party;
 - b. Not be more burdensome than necessary to deal with the balance of payments difficulties or threat thereof;
 - c. Be temporary and be phased out progressively as the balance of payments situation mitigates.
 4. In case the balance of negotiated concessions is substantially affected by the measures of a Contracting party, falling under the provisions of this article, the other Contracting Party shall have the right to deviate from its obligations under this Agreement with respect to substantially equivalent trade, until such time those restrictive measures are relaxed.

ARTICLE 13: RE-EXPORT & SHORTAGE CLAUSE

1. In the event that a Contracting Party adopts or maintains a prohibition or restriction on the importation from or exportation to a non-contracting party of a good, nothing in this Agreement shall be construed to prevent that Contracting party from:
 - a. Limiting or prohibiting the importation from the territory of the other Contracting Party of such good of that non-contracting party; or
 - b. Requiring as a condition of export of such good to the territory of the other Contracting Party, that the good not be re-exported to the non-contracting party, directly or indirectly, without being consumed in territory of the other Contracting Party.
2. In addition, none of the provisions of this Agreement shall preclude the maintenance or adoption by either Contracting Party of any trade restrictive measures necessary to remove or forestall a serious shortage, or threat thereof, of a product essential to the exporting Contracting Party.

ARTICLE 14: STANDARDS, TECHNICAL REGULATIONS AND SPS MEASURES

The Contracting Parties shall ensure that technical regulations and standards are not prepared, adopted or applied so as to create obstacles to mutual trade or to protect domestic production.

Accordingly, the Contracting Parties shall

- a. Ensure that any sanitary or Phytosanitary measure is applied only to the extent necessary to protect human, animal or plant life or health, is based on scientific principles and is not maintained without sufficient evidence, taking into account the availability of relevant scientific information and regional conditions; and
- b. Ensure that standards and technical regulations are not prepared, adopted or applied with a view to or with the effect of creating unnecessary obstacles to mutual trade. For this purpose, technical regulations shall not be more trade-restrictive than necessary to fulfill a legitimate objective, taking into account the risks, non-fulfillment would create. Such legitimate objectives include those measures described in Article 8. In assessing such risks, relevant elements of consideration include available scientific and technical information, related processing technology or intended end-uses of products.

ARTICLE 15: JOINT TRADE COMMITTEE

1. A Joint Trade Committee shall be established consisting of officials of the Contracting Parties. The Committee, headed by the Vice Minister/Federal Secretary of Commerce from the two sides, shall meet initially within six months of the entry into force of the Agreement and thereafter at least once a year to review the progress made in the implementation of this Agreement.
2. The Committee shall set out its rules of procedures within six months of the entry into force of the Agreement.
3. The Committee may also set up any other Sub-Committee and/or Working Group for specific purposes, as it may consider necessary.
4. The Committee shall accord adequate opportunities for consultation on representations made by either Contracting Party with respect to any matter affecting the implementation of the Agreement.

ARTICLE 16: CONSULTATIONS

1. Each Contracting Party shall accord sympathetic consideration to and shall afford adequate opportunity for consultations regarding such representations as may be made by the other Contracting Party with respect to any matter affecting the operation of this Agreement.
2. The Joint Trade Committee shall meet at the request of either Contracting Party to consider any matter for which it has not been possible to find a satisfactory solution through consultations under paragraph 1 above.

ARTICLE 17: DISPUTE SETTLEMENT

1. Any dispute arising from the interpretation and or application of the Agreement shall first be settled amicably through bilateral consultations.
2. In case the dispute is not settled amicably within 90 days from the beginning of the consultations, either Contracting Party may, in accordance with their laws and regulations, refer it to an arbitration panel, consisting of one representative from each Contracting party and one or three international personalities other than nationals of the Contracting parties, and to be chosen by agreement between the said arbitrators.
3. The arbitration tribunal shall determine its rules of procedure.
4. The Contracting parties shall give the arbitration tribunal all assistance to examine and resolve the case.
5. The Contracting Parties shall be bound to take measures involved in carrying out the decisions of the arbitration panel. If either Contracting Party fails to implement the decisions, the other Contracting party shall have the right to withdraw the equivalent preferential treatment.”

ARTICLE 18: TERMINATION OF AGREEMENT

Either Contracting Party may terminate this Agreement by means of a written notification through diplomatic channels to the other Contracting Party, which shall take effect six months after the date of such notification.

ARTICLE 19: AMENDMENTS

The Contracting Parties may amend and develop the provisions of this Agreement through mutual consent, taking into account the experience gained in its application. Therefore, either Contracting Party may put forward suggestions for the purpose of promoting further liberalization of bilateral trade.

ARTICLE 20: ANNEXES TO BE FINALIZED

Annex A containing the Tariff Preferences to be granted by the Government of Iran and Annex B containing the Tariff Preferences to be granted by the Government of Pakistan and Annex C containing the Rules of Origin under the Agreement shall be finalized within a period of 90 days from the signing of this Agreement.

All the Annexes shall become effective and shall constitute an integral part of the Agreement when the two Contracting parties have confirmed them through the exchange of diplomatic notes.

ARTICLE 21: ENTRY INTO FORCE

The Agreement shall enter into force on the 30th day after the Contracting Parties have notified each other through diplomatic channels that their respective constitutional

requirements and procedures have been completed in respect of this Agreement, including the Annexes under Article 20.

In witness thereof, the undersigned, duly authorized thereto by their respective Governments, have signed this Agreement.

Done in one preamble and 21 Articles on this 4th Day of March, 2004 corresponding to the Iranian Calendar 14th Esfand 1382 in texts in two originals in Persian and English, all the two texts being equally authentic.

In case of divergence interpretation of the English text shall prevail.

Sd/=
The Government of the
Islamic Republic of Pakistan

Kamal Afsar
Secretary Commerce

Sd/=
The Government of the
Islamic Republic of Iran

Mojtaba Khosrowtaj
Vice Minister of Commerce