

# Pak-German Economic and Trade Relations

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Pakistan and Germany have enjoyed warm friendly relations since the establishment of their diplomatic ties in 1951. Pakistan was one of the first Asian countries to establish relations with Federal Republic of Germany (West Germany). These relations are based on shared values of democracy, pluralism, and respect for human rights, cultural and religious diversity and economic liberalism. Ever since 1951, Pakistan-German relations have been on an upward trajectory.

Germany is Pakistan's largest trading partner within the European Union, accounting for 20% of Pakistan's total exports to the EU and 21% of Pakistan's total imports from the EU.

Germany maintains a healthy diplomatic presence in the country, with an embassy in Islamabad, a consulate in

Karachi and honorary-consulate in Lahore, Peshawar, and Quetta.

Presently, Germany is the eighth largest investor in Pakistan and several German multi-nationals are operating in Pakistan. Germany has also extended active support to Pakistan's initiatives with the EU for providing greater market access to Pakistani exports to EU.

Pakistan is also one of the first of Germany's partner countries to make use of innovative development funding instruments. Under the so-called debt conversion scheme, the Pakistani government is rewarded for making public investments in contractually agreed development programs by debt cancellation worth twice the amount invested.

There is a lot of potential for German investors to invest in energy and power sectors of Pakistan. The GSP plus status attributed to Pakistan not only benefits Pakistan's economy, but is also favorable for Germany in political and economic terms.

Table 1: Region-wise share of German Textile Machinery Exports - 2015

Region	Share
Asia	52.3%
Europe	31.1%
North America	8.6%
South America	5.7%
Africa	2.3%
Total	100.0%

Source: German Textile Machinery Association, VDMA.

In Pakistan, German businesses are symbolized on the one hand by multinational corporations, which are mainly located in Karachi and Lahore, and on the other hand by Pakistani trading agents, who represent the majority of the German companies in the areas of machinery, chemical and pharmaceuticals, instruments, automotive, and related equipment and services. Approximately, 35 German multinationals are engaged in Pakistan.

Table 2: Pak - German Trade Value: US\$ Million

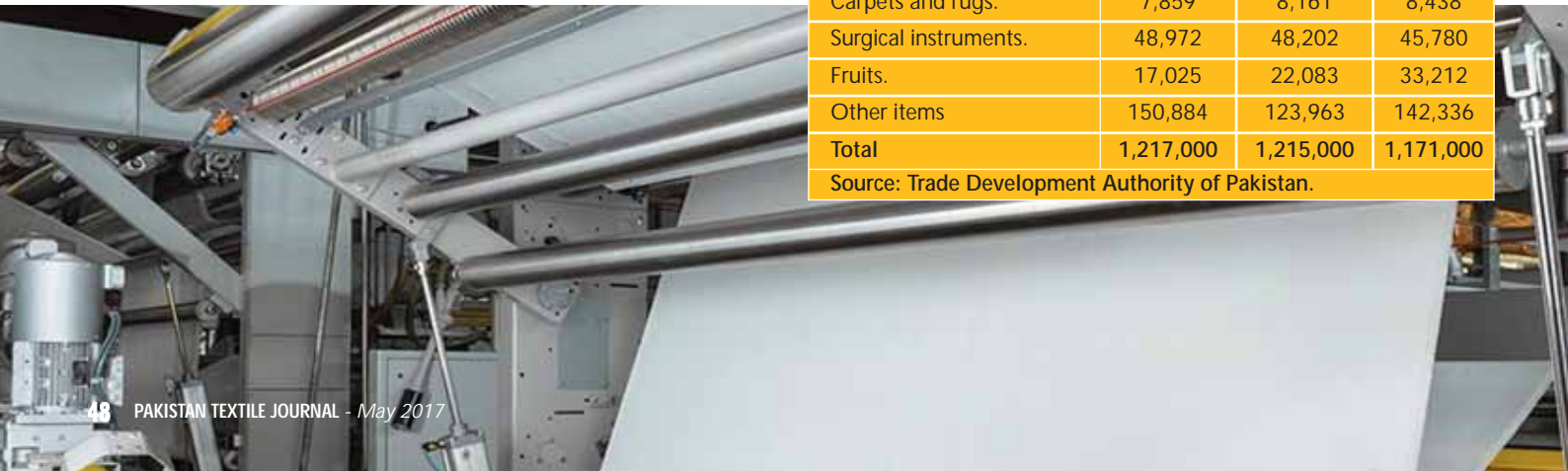
Year	Exports	Imports	Balance of Trade
2010-11	1,216	947	+ 269
2011-12	1,151	1,175	+ 24
2012-13	1,024	974	+ 50
2013-14	1,171	987	+ 184
2014-15	1,215	895	+ 319
2015-16	1,217	938	+ 279

Source: State Bank of Pakistan Annual Reports.

Table 3: Export of textile and other products from Pakistan to Germany (Major Items) Value : US\$ 000

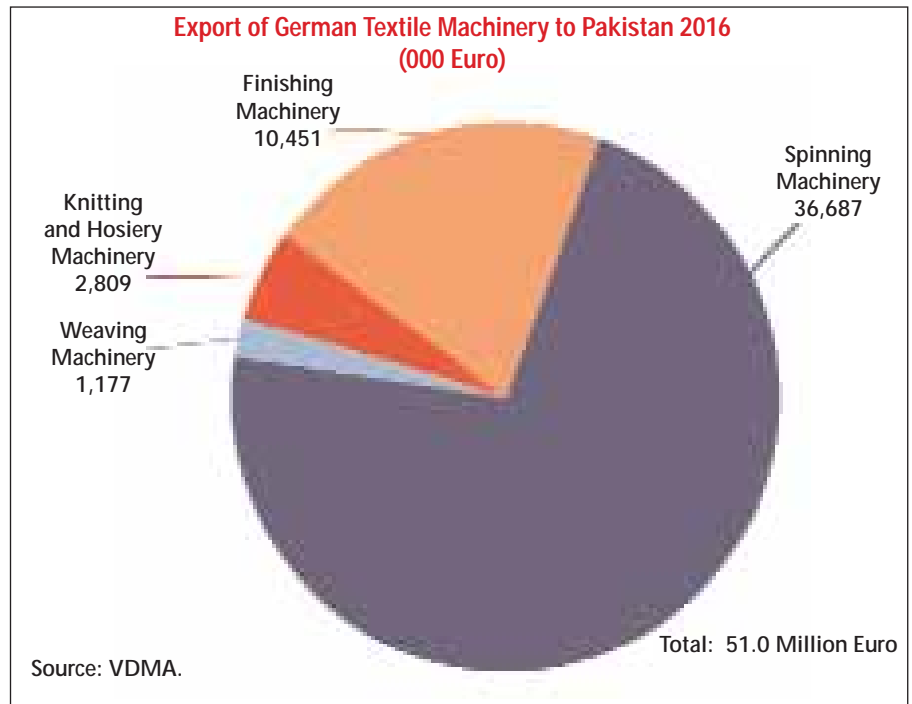
Items	2015-16	2014 - 15	2013 - 14
Cotton fabrics.	99,781	108,881	108,424
Readymade garments.	271,367	238,524	190,963
Knitwear.	151,812	128,101	137,662
Bedwear.	192,086	216,895	204,044
Towels.	42,433	40,779	34,184
Textile made ups.	28,567	29,762	22,507
Tents and canvas.	813	1,059	1,195
Art silk & synthetic textiles.	9,431	8,348	3,880
Rice.	7,735	11,026	10,603
Leather tanned.	13,567	22,645	36,776
Leather garments.	77,968	99,097	110,683
Leather gloves.	23,386	29,563	25,694
Footwear.	23,117	30,751	31,964
Sport goods.	50,197	47,160	50,237
Carpets and rugs.	7,859	8,161	8,438
Surgical instruments.	48,972	48,202	45,780
Fruits.	17,025	22,083	33,212
Other items	150,884	123,963	142,336
<b>Total</b>	<b>1,217,000</b>	<b>1,215,000</b>	<b>1,171,000</b>

Source: Trade Development Authority of Pakistan.



The majority have their production plants and offices in Karachi and at least another five companies have merged with other multinationals being headquartered in the port city. Another five German companies are located in Lahore and one in Quetta.

The business activities of altogether 565 German small and medium-sized companies are represented by 231 Pakistani agents. Comprised of electric and textile machinery, 221 German companies are represented by 71 agents - indicating that one Pakistani agent usually represents more than one German company. The composition of the sectoral distribution reveals that the largest sector represented by the agents in Pakistan is the machinery sector. The second largest product group is chemicals and pharmaceuticals. In this sector 132 German companies are represented by 50 Pakistani agents. The third largest group is manufacturing, electronics, steel, iron, metal products and consumer goods. Cars and technical equipment constitute the fourth largest sector, in which on average one Pakistani agent represents at least two German companies. The service sector consists of banks, insurance,



consultancy, shipping and freight & cargo sector the last and sixth sector constitutes the scientific, optic, and precision instrument sector.

However, during the past years, over 500 companies from Pakistan were represented in several worlds' biggest trade fairs and participated in 16 different exhibitions which may have helped the export sector.

In the year 2015-16 Germany's bilateral trade with Pakistan stood at US\$ 2.16 billion. Whereas in previous years Pakistan had invariably recorded a slight surplus in trade with Germany, German exports to Pakistan amounted to US\$ 938 million and German imports from Pakistan US\$ 1.22 billion. Pakistan's principal exports to Germany are textiles, leather goods, medical

instruments, Basmati rice and jewellery. Pakistan's main imports from Germany are chemical products, machinery, electrical goods, motor vehicles and iron goods. During the past six year's balance of trade remained in Pakistan's favour. Pak-German trade is given in Table 2.

Germany is a good market for Pakistani textile products especially readymade garments, bed wear cotton fabrics and knitwear. The main items of exports included cotton fabrics, towels, synthetic textiles, carpet and rugs, cotton yarn, bed wear, cotton bags and other made-ups textiles, besides textile and clothing articles. Export of textile and other products from Pakistan to Germany are given Table 3.

During the year 2016, German textile machinery exports to Pakistan worth 51.0 million euro. Major items of textile machinery in terms of rupees exported from Germany to Pakistan are given in Table 4.

### References

1. Pakistan Bureau of Statistics.
2. State Bank of Pakistan-Annual Reports.
3. German Textile Machinery Association (VDMA).
4. Trade Development Authority of Pakistan. ♦

**Table 4: Export of Textile Machinery from Germany to Pakistan (Major Items)**  
(Value : Rs. Million)

Machinery	2015-16	2014-15	2013-14
Carding Machines.	795	548	1,418
Textile Spinning Machines.	627	173	597
Drawing / Roving Machines.	488	735	976
Blow Room Machinery.	256	326	925
Preparing Textile Fibre.	19	337	341
Weft Winding Machines.	--	124	301
Textile Winding Machines.	139	206	658
Textile Fibre Machines.	84	289	137
Flat Knitting Machines.	204	131	29
Embroidery Machines.	65	143	150
Top and Flat Card Clothing.	122	131	183
Card Clothing.	118	105	120
Spindles Flyers Ring Travellers.		259	235
Dyeing Machines.	47	301	310
Stentering Machines.	221	195	390
Drying Iron Machines.	404	158	475

Source: Pakistan Bureau of Statistics, Government of Pakistan.