

Vast scope of enhancing Pak-German bilateral trade relations

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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. Since inception in 1951, Pakistan-Germany relations have been on an upward trajectory.

Economic Relations

Presently, Germany is the eighth largest investor in Pakistan and several German multinationals 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.

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 favourable for Germany in political and economic terms.

Table 1: Pak - German Trade
Value: US\$ Million

Year	Exports	Imports	Balance of Trade
2012-13	1,024	974	+50
2013-14	1,171	987	+184
2014-15	1,215	895	+319
2015-16	1,217	969	+248
2016-17	1,236	1,095	+141

Source: State Bank of Pakistan Annual Reports.

Table 2: Export of textile and other products from Pakistan to Germany
(Major Items)
Value : US\$ 000

Items	2016-17	2015-16	2014 - 15
Cotton fabrics	96,356	99,781	108,881
Readymade garments	307,802	271,367	238,524
Kitwear	181,868	151,812	128,101
Bedwear	210,449	192,086	216,895
Towels	43,604	42,433	40,779
Textile made ups	31,591	28,567	29,762
Tents and canvas	1,535	813	1,059
Art silk & synthetic textiles	7,620	9,431	8,348
Rice	6,679	7,735	11,026
Leather tanned	12,019	13,567	22,645
Leather garments	77,957	77,968	99,097
Leather gloves	20,684	23,386	29,563
Footwear	26,218	23,117	30,751
Sport goods	45,268	50,197	47,160
Carpets and rugs	6,420	7,859	8,161
Surgical instruments	46,718	48,972	48,202
Fruits	8,181	17,025	22,083
Other items	105,031	150,884	123,963
Total	1,236,000	1,217,000	1,215,000

Source: Trade Development Authority of Pakistan.

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.

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. The composition of the sectorial 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.

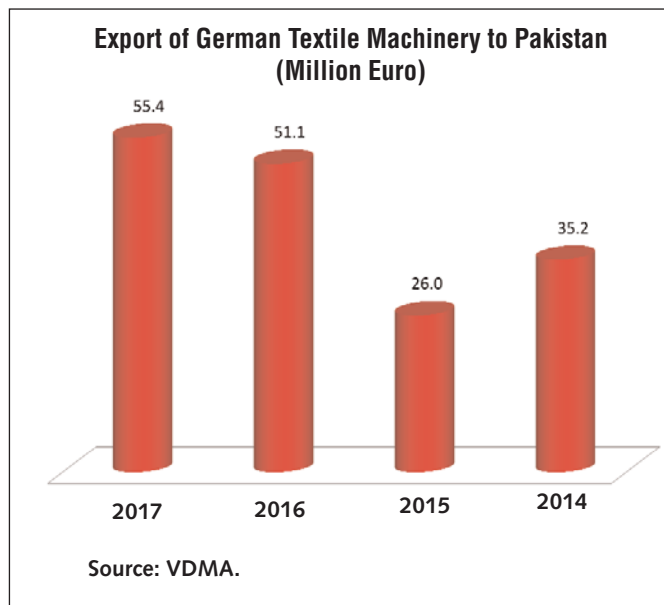
However, during the past years, over 500 companies from Pakistan were represented in several worlds' biggest trade fairs and participated in 16 different exhibitions which may have helped the export sector.

The interest of German economists in the South Asian region has engaged the country in economic diplomacy with Pakistan. This is the reason that Germany is the largest trading partner of Pakistan in Europe. It is also the fifth largest source of foreign investment in the country.

Trade Relations

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.

In the year 2016-17 Germany's bilateral trade with Pakistan stood at US\$ 2.33 billion. German exports to Pakistan



amounted to US\$ 1.09 billion and German imports from Pakistan US\$ 1.34 billion. During the past five year's balance of trade remained in Pakistan's favour. Pak-German trade is given in **Table 1**.

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. Pakistan's main imports from Germany are chemical products, machinery, electrical goods, motor vehicles and iron goods. Export of textile and other products from Pakistan to Germany are given **Table 2**.

Germany, the largest and the healthiest economy in the European Union has long ties with Pakistan. Germany's export of modern machinery for textile, especially for value added textile sector would help Pakistani textile manufacturers improve the quality of their products and reduce cost of doing business and German government would encourage the joint ventures with large Pakistani units. In 2017 import of German textile machinery from Germany increased from 35.17 million euro in 2014 to 55.44 million euro in 2017, thus showing an average increase of 14% per annum. In 2017 German spinning machinery imports to Pakistan reached 38.78 million euro, representing a share of 70% of total German textile machinery imports into Pakistan. Imports of German textile machinery in Pakistan for last four years are given in **Table 3**.

The geographical focus of German development cooperation with Pakistan is in the north and west of the country (Khyber Pakhtunkhwa Province and the Federally Administered Tribal Areas, FATA), with individual measures also being implemented in Baluchistan, Punjab, Gilgit, Baltistan and AJK (Azad Jammu and Kashmir).

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 3: Sector-wise Export of German Textile Machinery
Value: Euro 000

Sector	2017	2016	2015	2014
Spinning	38,785	36,689	18,868	21,319
Knitting and Hosiery	3,178	1,177	734	1,130
Finishing	4,417	2,809	1,306	3,048
Weaving	9,064	10,415	5,136	9,671
Total	55,444	51,090	26,044	35,168

Source: German Textile Machinery Association, VDMA.