

# Germany: Prominent trading partner of Pakistan

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The economy of Germany is a highly developed social market economy. It has the largest national economy in Europe, the fourth-largest by nominal GDP in the world, and fifth by GDP (PPP). According to the IMF Germany is a founding member of the European Union and the Eurozone.

Pak-Germany economic and political relations are always considered important and analyzed on larger domestic and international trajectories. 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.

Germany has been a prominent trading partner of Pakistan and has always extended its

**Table 1: Pak - German Trade**

Value: US\$ Million

Year	Exports	Imports	Balance of Trade
2013-14	1,171	987	+184
2014-15	1,215	895	+319
2015-16	1,217	969	+248
2016-17	1,237	1,095	+141
2017-18	1,363	1,097	+266

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	2017-18	2016-17	2015-16
Cotton fabrics	98,956	96,356	99,781
Readymade garments	324,659	307,802	271,367
Kitwear	218,624	181,868	151,812
Bedwear	240,845	210,449	192,086
Towels	42,273	43,604	42,433
Textile made ups	42,450	31,591	28,567
Tents and canvas	597	1,535	813
Art silk & synthetic textiles	15,210	7,620	9,431
Rice	10,083	6,679	7,735
Leather tanned	12,383	12,019	13,567
Leather garments	82,397	77,957	77,968
Leather gloves	24,113	20,684	23,386
Footwear	32,549	26,218	23,117
Sport goods	47,740	45,268	50,197
Carpets and rugs	6,174	6,420	7,859
Surgical instruments	51,729	46,718	48,972
Fruits	7,248	8,181	17,025
Other items	104,970	105,031	150,884
<b>Total</b>	<b>1,363,000</b>	<b>1,236,000</b>	<b>1,217,000</b>

Source: Trade Development Authority of Pakistan.

support for the betterment of the country in both commercial and social sectors. One of the major push to Pak-Germany trade relations is now attributed to the Generalized System of Preferences plus (GSP+) granted by EU in January, 2014. 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.

In Pakistan, German businesses are symbolized on the one hand by multinational corporations, who 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 the metropolitan city of Karachi and at least another 5 companies have merged with other multinationals being headquartered in the port city. Another 5 German companies are located in Lahore and one in Quetta. Of all the multinational companies' present in Pakistan, 55% of them are from the pharmaceutical and chemical industries. The second largest

sector turns out to be the electronics industry with a share of around 20%. The services sector (15%) is followed by the transport sector and textiles machinery with 5% each.

**Trade Relations**

Germany has been a prominent trading partner of Pakistan and has always extended its support for the betterment of the country in both commercial and social sectors. At present 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 2017-18 Germany's bilateral trade with Pakistan stood at US\$ 2.46 billion. German exports to Pakistan amounted to US\$ 1.10 billion and German imports from Pakistan US\$ 1.36 billion. During the past five year's balance of trade remained in Pakistan's favor. 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. Export of textile and other products from Pakistan to Germany are given Table 2.

Pakistan's main imports from Germany are chemical products, machinery, electrical goods, motor vehicles and iron goods. Germany's export of modern machinery for textile to Pakistan, especially for value added textile sector would help Pakistani textile manufacturers improve the quality of their products and reduce cost of doing business. Import of various textile machinery from Germany to Pakistan decreased from euro 55 million in 2017 to euro 52 million in 2018, thus showing decline of 5.4%. Imports of textile machinery from Germany to Pakistan are given in Table 3.

**Import of Major Products from Germany to Pakistan**

Products	Share
Machinery	20%
Electrical Machinery and Equipments	20%
Vehicals	17%
Mineral Fuels	13%
Pharmaceutical Products	7%
Plastics and Articles thereof	6%
Optical	5%
Organic Chemicals	5%
Iron and Steel	4%
Articles of Iron or Steel	3%
<b>Total</b>	<b>100%</b>

**References**

1. German Textile Machinery Association (VDMA).
2. Pakistan-Germany Bilateral Trade-2017, Trade Development Authority Pakistan
3. Pakistan Bureau of Statistics.
4. State Bank of Pakistan-Annual Reports.
5. Trade Development Authority of Pakistan. ♦

**Table 3: Sector-wise Export of German Textile Machinery to Pakistan**

Value: Euro 000

Sector	2018	2017	2016	2015	2014
Spinning	37,718	38,785	36,689	18,868	21,319
Knitting and Hosiery	1,647	4,417	2,809	1,306	3,048
Finishing	9,432	9,064	10,451	5,136	9,671
Weaving	2,871	3,178	1,177	734	1,130
<b>Total</b>	<b>51,668</b>	<b>55,444</b>	<b>51,126</b>	<b>26,044</b>	<b>36,168</b>

Source: German Textile Machinery Association, VDMA.

