

Pak-China Economic and Trade Relations

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Pakistan and China enjoy exemplary friendly ties, which have not only sustained changes of governments and the ups and downs in the regional and global situation but have been expanding and becoming even stronger. It is in the interest of both the countries to keep an eye on the new and emerging regional and global scenarios and come up with appropriate strategies to meet the challenges.

The bilateral relationship between the two neighbouring countries characterised by feeling of mutual trust, respect and goodwill towards each other. There is a regular exchange of visits at the highest level between the two countries. The strategic cooperation between Pakistan and China has grown over the past several decades.

China is Pakistan's largest trading partner and a major investor, especially in the infrastructure and energy sector. During 2019-20, bilateral trade between the two countries is US\$ 11 billion. With the official launch of the China Pakistan Economic Corridor (CPEC), the bilateral relationship has been elevated to a higher level.

China and Pakistan are situated in an area that has great geographical importance and hosts almost half of the world's population. Along with human resources, the area is also rich in natural material resources. This speaks volumes about the importance of stability in the region and of amicable relations between the countries situated here. The growth in the economic ties started with the signing of the free trade agreement between the two countries.

China-Pakistan economic corridor project (CPEC) will be another milestone in the development of their bilateral relations. The leadership of the two countries attached top priority to its early implementation.

Besides the trade, there was also an unprecedented increase in China's investment in Pakistan. According to the data by the Chinese Embassy in Pakistan, a total of 46 CPEC projects are under construction or have been completed, and the corridor has brought US\$ 25.4 billion in foreign direct investment to

Table 1: Pak-China Trade
(Value: US \$ Million)

Year	Exports	Imports	Total	Balance of Trade
2015-16	1,905	8,824	10,729	-6,919
2016-17	1,624	10,077	11,701	- 8,453
2017-18	1,753	11,472	13,225	-9,719
2018-19	1,859	10,165	12,024	-8,306
2019-20	1,664	9,566	11,230	-7,902

Source: State Bank of Pakistan - Annual Reports.

Pakistan and created 75,000 jobs for the locals, serving as a focal point for China and Pakistan to drive practical cooperation.

There is a manifold increase in several Chinese companies working in Pakistan. Currently, around 10,000 Chinese workers are engaged in various projects, undertaken in Pakistan.

It is important to note that both countries are giving much importance to their mutual relations in their foreign policy. Pakistan supported the Chinese point of view on one-China policy, Tibet and Taiwan issues. China always gives defence and economic assistance to Pakistan.

In Pakistan, there is a huge Chinese investment that is likely to invest in the development of infrastructure, roads, highways, ports, and energy and communications sectors.

The CPEC energy projects have added thousands of megawatts of installed capacity to the grid of the country and the electricity shortage which was there for the last 20-25 years is no more.

Pakistan welcomed the Chinese investment for social and economic development. Chinese investment in Pakistan is gradually increasing which is very important for economic development in the long run.

Since the establishment of diplomatic ties between the two countries in 1951, China and Pakistan have developed an all-



season friendship that is based on equality, brotherhood and overall cooperation. In past years, the two countries have carried out multi-dimensional cooperation in various fields. Despite the unstable international situation, the China-Pakistan friendship has remained strong and vibrant. Recent years have witnessed frequent exchange of visits between the leaderships of the two countries to further promote cooperation.

China and Pakistan have witnessed steady growth in mutual investments in recent years. A large number of Chinese companies are presently working in Pakistan in different sectors. Chinese goods are very much in demand in Pakistani markets.

Both countries have continued with their planning to undertake mega economic projects like the China-Pakistan Economic Corridor (CPEC) connecting the Pakistani port of Gwadar with Kashgar (Xinjiang region) in China. Other projects include the construction of dams and Chinese investment in Pakistani textile, energy, banking, commerce and industry sectors and numerous other development projects. The government of Pakistan plans to develop nine special economic zones across the country under the CPEC to promote its industrialization. Pakistan also pins high hope on the CPEC and Gwadar port, in particular, to transform itself into a regional trade hub.

Pak-China Trade

Due to various numerous agreements, Pakistan's volume of bilateral trade expanded and reached the US \$ 11 billion in 2019-20. The trade balance has been skewed in China's favour ever since both countries entered into various trade agreements. Comparing the trade between the two, Pakistan's exports to China decreased from the US \$ 1.88 billion in 2018-19 to US\$ 1.66 billion in 2019-20. Against this, China's exports to Pakistan also decreased from US \$11.47 billion in 2017-18 to the US \$ 9.57 billion in 2019-20. Pak-China trade is given in **Table 1**.

China is amongst the top importers of Pakistani cotton yarn and cotton fabrics. It may also be noted that the trade is not restricted to cotton only, as China is also ranked as one of the largest buyers of Pakistani rice. In fact, the dramatic increase in China's rice imports in 2020, which was driven by strong domestic demand and low international prices, paved the way for Pakistani rice to enter Chinese markets. Other major Pakistani exports to China include fish and fish preparation, raw

Table 2: Export of Textile and Other Products from Pakistan to China (Value : US \$000)

Commodities	2019-20	2018-19	2017-18
Raw cotton	452	1,428	1,324
Cotton yarn	676,847	707,923	869,780
Cotton fabrics	63,783	89,744	122,449
Ready made garments	16,397	20,203	20,440
Knitwear	35,418	32,668	25,136
Textile made ups	1,716	2,598	5,159
Bed wear	7,890	10,494	18184
Towels	393	417	1,395
Art Silk and synthetic textiles	5,557	5,594	3,523
Rice	118,801	185,570	127,786
Apparel and clothing	2,291	1,062	1,489
Surgical instruments	18,614	19,105	21,178
Fish and Fish preparation	154,471	94,578	71,961
Fruits	2,797	9,301	21,886
Machinery and transport equipment's	1,369	1,928	1,404
All others	557,204	706,387	439,906
Total	1,664,000	1,889,000	1,753,000

Source : Trade Development Authority of Pakistan

hides and skin, surgical instruments, fruits, etc. Exports from Pakistan to China are given in **Table 2**.

On the other hand, Pakistan's imports from China have been seconded by none. Pakistan imports the largest percentage of goods from China, more than 29% of the entire imports come from China. The imports mainly include; textile machinery, electrical equipment, high-tech machinery, iron & steel, organic chemicals, manmade filaments etc. More than half of Pakistan's electronic and machinery imports come from China.

References

- ❖ Pakistan Bureau of Statistics.
- ❖ State Bank of Pakistan - Annual Report 2019-20.
- ❖ Trade Development Authority of Pakistan. ◆





