

# **“PAKISTAN-GERMANY TRADE RELATIONS”**



## **ACKNOWLEDGEMENT**

In the name of Allah Almighty the most Beneficial and Merciful, all our strengths and expertise are His blessings and nothing can be achieved without His will.

Our gratitude extends to the management of Sialkot Chamber of Commerce and Industry for giving us a splendid platform to showcase our expertise. The support of the management either through sound back up or esteemed guidelines have always helped in revitalizing our energies and putting our best on the charts. We are extremely grateful to the management for extending their kind assistance in devising this report.

Courtesy extended to **Pakistan German Business Forum** for the valuable information sharing. A word of thanks goes out to **ITC** (International Trade Center) and **World Bank** official websites for all the statistical inputs in this report.

**Research and Development Department**

**SCCI**

## **Introduction:**

Pak-Germany economic and political relations are always considered important and analyzed on larger domestic and international trajectories. Even though, re-assessments in bilateral trade is necessary, because there are many issues faced by Pakistan regarding economic activities in global market e.g. after starting the “War on Terror”, Pakistan has found itself in the spotlight of the International community’s attention, as the country struggles with brutal domestic political and economic problems, including fiscal crises, energy shortages, water scarcity, vicious circle of poverty, and the threat of terrorist activities and rising sectarian violence, which culminated in extensive law enforcement operations by the government and major humanitarian crises. These predicaments have cost Pakistan tremendously in terms of human lives and have had a disturbing economic impact and substantial financial losses. These crises also affected our relationship with neighbors and Western partners. Pakistan looks forward to its trading partners for their trust and cooperation in order to sustain its soft image internationally. 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. 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. This report focuses on bilateral trade, economic cooperation and strategic interests of both the countries.

## **Germany:**

As Europe's largest economy and second most crowded nation (after Russia), Germany is a key member of the continent's economic, political, and defense organizations. European power struggles wrapped up Germany in two crushing World Wars in the first half of the 20th century and left the country occupied by the victorious Allied powers of the US, UK, France, and the Soviet Union in 1945.

With a landmass that stretches from the North Sea and the Baltic Sea in the north to the Alps in the south, Germany has the largest population of any EU country. Germany borders Denmark to the north, Poland and the Czech Republic to the east, Austria and Switzerland to the south, France and Luxembourg to the southwest, and Belgium and the Netherlands to the northwest. Despite being a latecomer to Europe’s Industrial Revolution during the 19th century, the German economy quickly caught up to the likes of Great Britain and France; and by 1910 was one of the world’s leaders in industrial development alongside the U.K. and the U.S. The strength of its industries also allowed the nation to recover quickly from World War II, known as “Wirtschaftswunder”, or economic miracle in German, from 1948 to the 1960s. An enduring element of the economic miracle has been its “social market economy” system or “soziale Marktwirtschaft”, which was introduced by former Minister of Economics Ludwig Erhard, which gave maximum priority to individual rights and ensure that what can be done on the part of an individual should be done by it and not by the state.

The German economy is also considered the fifth largest economy<sup>1</sup> in the world in PPP terms and in Europe, Germany is a leading exporter of machinery, vehicles/automobile, heavy automotive, technology, software’s, chemicals, and household machinery & equipment and gets benefits from a highly skilled labor force. Germany is Europe's most industrialized nation, boasting major players in various industries.

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<sup>1</sup> <https://www.cia.gov/library/publications/the-world-factbook/geos/gm.html>

## **Economic Indicators of Germany:**

<b>Economic indicators</b>	<b>(In 2013)</b>
Population	80.62 million
Current GDP	3.730 trillion
GDP per capita	46,268.6 US\$
GDP Growth Rate	0.1%
GNP Per Capita, PPP (Current International \$)	45,620 US\$
Gross Savings (% of GDP)	26% (2012)
Inflation (GDP Deflator %)	2.1%
Inflation (Consumer prices %)	1.5%
FDI, Net Inflows (BOP, Current US\$)	51,266,993,711
Export of Goods & Services (% of GDP)	45.6%
Imports of Goods & Services (% of GDP)	39.8%
<b>(Resource)</b> <a href="http://www.worldbank.org">http://www.worldbank.org</a>	

## **Pakistan's Overview:**

Pakistan's economy has suffered in the past from decades of internal problems, a rapidly growing population, and mixed levels of foreign investment. Pakistan is currently undergoing a process of economic liberalization with privatization of many government corporations in order to attract foreign investment and to decrease the budget deficit.

The economy of Pakistan is the 26th largest in the world in terms of purchasing power parity (PPP), and 44th largest in terms of nominal GDP. However as Pakistan has a population of over 183 million (the world's 6th-largest), thus GDP per capita is \$ 4,141 ranking 140th in the world<sup>2</sup>. Pakistan ranks as the 15th largest trader of goods in the world and 6<sup>th</sup> largest trader of services<sup>3</sup>. Major industries include textiles (garments, bed linen, cotton cloth, and yarn), chemicals, food processing (mainly sugar, salt, wheat, rice, and fruit), agriculture, fertilizer, cement, Surgical, sports goods, leather articles, dairy and rugs.

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<sup>2</sup> <http://prideofpakistan.com/pakistaniproducts.php>

<sup>3</sup> [http://en.wikipedia.org/wiki/Economy\\_of\\_Pakistan](http://en.wikipedia.org/wiki/Economy_of_Pakistan)

## **Economic Indicators of Pakistan:**

<b>Economic indicators</b>	<b>(In 2013)</b>
Population	182.1 million
Current GDP	232.3 billion
GDP per capita	1275.3 US\$
GDP Growth Rate	4.4%
GNP Per Capita, PPP (Current International \$)	4840 US\$
Gross Savings (% of GDP)	21%
Inflation (GDP Deflator %)	7.4%
Inflation (Consumer prices %)	7.7%
FDI, Net Inflows (BOP, Current US\$)	1,307,000,000 US\$
Export of Goods & Services (% of GDP)	13.2%
Imports of Goods & Services (% of GDP)	19.9%
<b>(Resource)</b> <a href="http://www.worldbank.org">http://www.worldbank.org</a>	

## **Pakistan-Germany Relations:**

Germany, the largest and the healthiest economy in the European Union have long ties with Pakistan. German textile machinery has played an important role in the development of Pakistan's textile industry.

Germany remains one of the vocal and reliable supporters of Pakistan and has taken extreme measures to aid the South Asian country in its economic and governmental hardship. 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. Germany also is one of the European countries, who play a vital and an influential role in country's upcoming political events, others being Saudi Arabia, China, United States and the United Kingdom.

Presently, Germany is the eighth largest investor in Pakistan and several German multi-nationals are operating in Pakistan<sup>4</sup>. Germany has also extended active support to Pakistan's initiatives with the EU for providing greater market access to Pakistani exports to EU. Germany has always supported the Pakistani efforts to get greater access to EU markets including the recently approved Pakistan specific autonomous trade preferences. Germany is expected to continue as an advocate of Pakistan within the European Union.

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. This enabled a total of Euro 166 million to be invested in education, health care and disaster prevention till the end of 2012.

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

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<sup>4</sup> <http://www.ptj.com.pk/Web-2013/05-2013/PDF-May-2013/Pak-German-relations-Dr-Noor.pdf>

## **Bilateral Trade and Economic Relations:**

### **Pakistan-Germany Bilateral Trade:**

Trade between Pakistan and Germany is conducted in freely convertible currency in terms of the Trade Agreement signed in 1957. 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. The total trade volume was over US\$ 2.32 billion between the two countries during the year 2012-13.

<b>Pakistan-Germany Trade Value in US\$ million</b>		
<b>Years</b>	<b>Pakistan Exports to Germany</b>	<b>Pakistan Imports from Germany</b>
2006	689	1190
2007	726	1127
2008	880	1466
2009	719	1271
2010	981	986
2011	1321	1001
2012	989	1144
2013	1189	1576

**(Source)** ITC Trade Statistics

### **Export:**

Major products being exported by Pakistan to Germany have been mentioned in the following table.

<b>Exports from Pakistan (Millions US\$)</b>			
<b>Commodity (Description)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Articles of apparels, accessories, not knit or crochet	345	245	231
Other made textile articles, sets, worn clothing etc.	309	206	260
Cotton	147	96	135
Articles of apparels, accessories, knit or crochet	137	93	121
Articles of leather, animal gut, harness, travel goods	130	117	159

**(Source)** ITC Trade Statistics

### **Imports:**

The major products being imported by Pakistan from Germany have been mentioned in the following table.

<b>Imports From Germany (Millions US\$)</b>			
<b>Commodity (Description)</b>	<b>2011</b>	<b>2012</b>	<b>2013</b>
Machinery, nuclear reactors, boilers, etc.	261	278	340
Electrical, electronic equipment	112	69	113
Iron and steel	80	75	69
Optical, photo, technical, medical, etc. apparatus	60	59	71

**(Source)** ITC Trade Statistics

## Trade potential with Germany:

Pakistan's share in the German market is 4.3% and annual growth of 9% p.a. The following table shows the potential of Pakistani product for German market.

(US Dollar Thousand)

Product Label	Pakistan's exports to Germany			Germany's imports from world			Pakistan's Share		
	2011	2012	2013	2011	2012	2013	2011	2012	2013
<b>All products</b>	1,312,204	988,518	1,080,984	1,260,297,537	1,173,287,600	1,194,482,625	0.1%	0.1%	0.1%
Other made textile articles, sets, worn clothing etc.	309,065	205,995	236,139	4,725,050	4,126,787	4,114,040	6.5%	5.0%	5.7%
Articles of apparel, accessories, not knit or crochet	345,409	244,780	210,201	19,707,265	17,568,497	17,991,865	1.8%	1.4%	1.2%
Articles of leather, animal gut, harness, travel goods	130,267	116,520	144,974	4,143,760	3,893,759	41,47,726	3.1%	3.0%	3.5%
Cotton	146,518	96,077	122,516	1,720,150	1,367,499	1,278,950	8.5%	7.0%	9.6%
Articles of apparel, accessories, knit or crochet	136,952	92,717	110,146	18,531,970	16,309,037	17,509,944	0.7%	0.6%	0.6%
Optical, photo, technical, medical, etc. apparatus	40,191	42,101	45,363	36,650,500	35,354,100	36,597,370	0.1%	0.1%	0.1%
Footwear, gaiters and the like, parts thereof	22,773	20,817	27,060	9,492,185	8,912,209	9,634,607	0.2%	0.2%	0.3%
Tools, implements, cutlery, etc. of base metal	6,994	7,193	8,465	5,781,649	5,464,606	5,290,494	0.1%	0.1%	0.2%

(Source) ITC Trade Statistics

## **Pak-Germany trade & investment:**

In the perspective of international trade, we now analyze the German-Pakistan trade relations. The bilateral trade statistics between the two countries (in above cited tables) reveal that the total trade volume of the previous years has almost consistently increased.

(Pakistan's trade with Germany, 2006-2012, in million US\$)<sup>5</sup>

<b>Years</b>	<b>Import</b>	<b>Export</b>	<b>Total Trade Volume</b>	<b>Trade Balance</b>
2006	1190	689	1879	-501
2007	1127	726	1853	-401
2008	1466	880	2346	-586
2009	1271	719	1990	-552
2010	986	981	1967	-5
2011	1001	1312	2313	311
2012	1144	989	2133	-155
2013	1576	1189	2765	-387

Germany's exports to Pakistan are mostly comprised of machinery, chemicals and electrical products, while Pakistani exports overwhelmingly textiles and garments (over 80.0%) to Germany.

In the German Bundestag, Pakistan is placed in the South- Asian Parliamentary Group, whereas within the BDI (Federation of German Industry), the DIHK (The Association of German Chambers of Commerce and Industry), the state's two largest business associations, and within GTAI (Germany Trade and Invest), it is placed in the "Regional Initiative of Near and Middle East Countries". A more uniform and clearer approach on classifying Pakistan as a South-Asian nation, or within a "Near and Middle East regional initiative", would enable a more serious commitment to further German-Pakistani relations. For the formation of a joint Pakistan-German Chamber of Commerce and Industry, which is urgently needed, the AHKs (German Chamber of Commerce Network) are supported by the Federal Ministry of Economics and Technology on the basis of a resolution by the German Bundestag.

GSP+ status granted to Pakistan on December 12, 2013 by EU creates many important opportunities for further development of Pakistan's trade with the EU and Germany in particular. Given the natural resource base, manpower and entrepreneurial skills and the size of the European import market Pakistan's current export to the EU does not reflect its real potential volume. This deficiency arises due to many domestic issues and weaknesses, one of which is the inability to diversify the country's basket of export commodities. As a result, Pakistan's exports to the EU are observed to be supply- driven rather than demand driven. Except for goods covered by knitted and woven apparel, the top six categories that constitute almost 90% of Pakistan's exports to the EU, do not find a place in the top 45 EU import categories. This mismatch extends also to GSP exports, where only three of Pakistan's top 20 exports to the EU find a place in the EU's top 10 GSP imports. And Pakistan's main characteristics of exports to EU are such that 88% of exports fall within two commodity categories, textiles and leather, a feature that has not changed for a decade and led to the GSP+ "vulnerability" in product diversification<sup>6</sup>.

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<sup>5</sup> ITC Trade Statistics

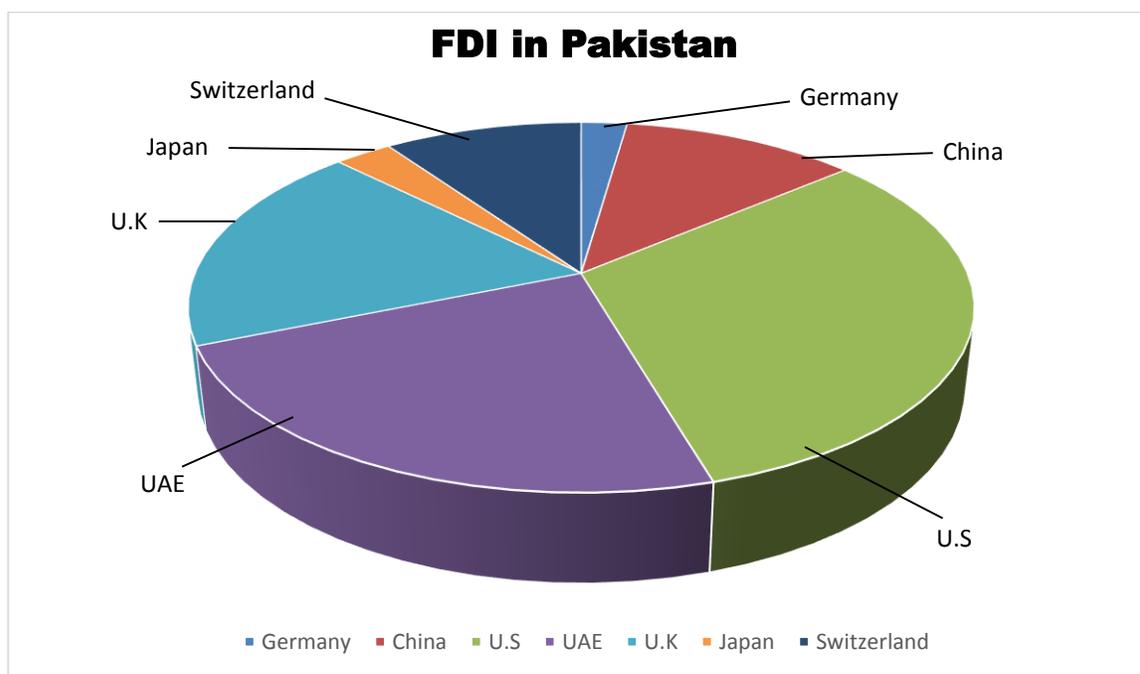
<sup>6</sup> <http://bibliothek.wzb.eu/pdf/2014/p14-004.pdf>

Further, 80% of Pakistan’s exports are directed to Seven countries – **Germany**, UK, Italy, Belgium, The Netherlands, Spain and France and 6% to other five (Portugal, Poland, Denmark, Sweden and Finland). Pakistan’s exports to the remaining 15 EU member states comprises only 14%. Pakistani exports have not fully penetrated geographically into the EU. In the textile and clothing products, Pakistan’s main competitors in the EU market are India, Bangladesh, China and Turkey. Apart from India, the other three countries rank among Pakistan’s top 10 export destinations, creating a jarring situation where Pakistan supplies textile raw materials (yarn and fabrics) to countries whose finished textiles and clothing products enjoy duty free advantage in Pakistan’s main export market.<sup>7</sup>

On the other hand, Pakistan’s total FDI of largest investor countries (between 2003-04 and 2012-13), in million US\$ are;

<b>FDI investors in Pakistan</b>	<b>In million US\$</b>
U.S	5330.4
UAE	3938.8
U.K	3413.6
China	1950.7
Switzerland	1641.9
Japan	477.6
Germany	380.5

**(Source)** Pakistan Board Of Investment 2014



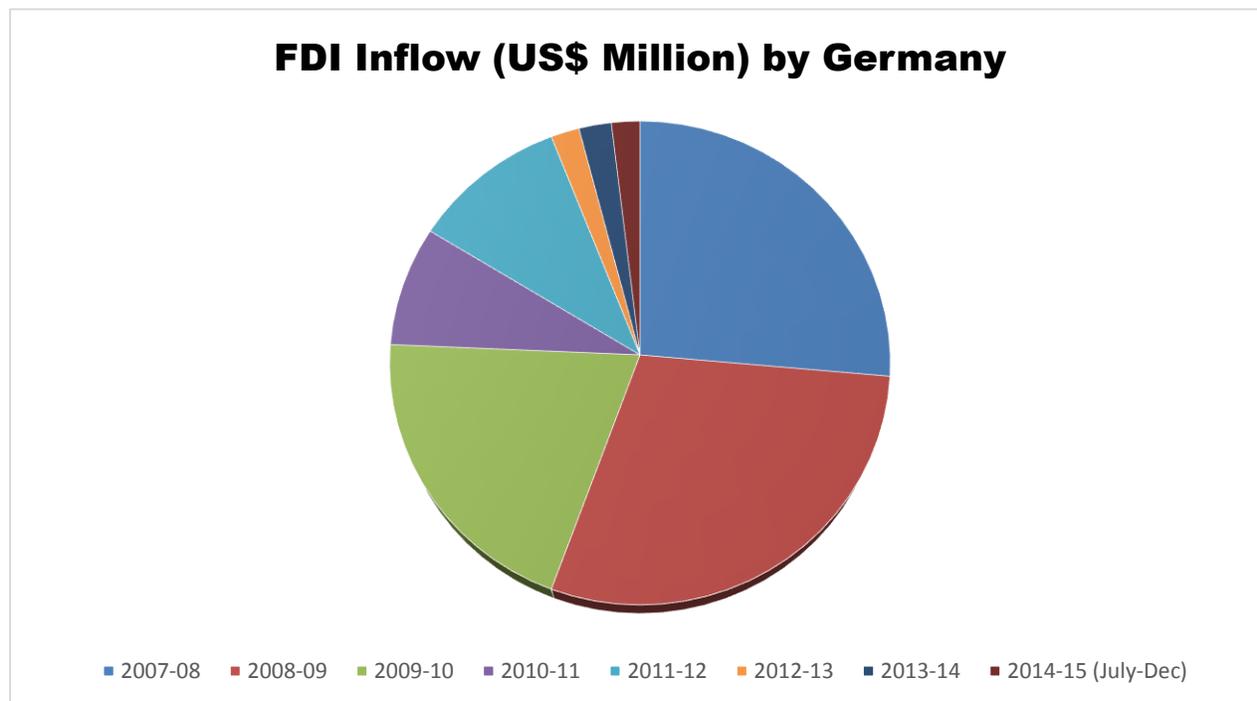
According to the above table and graph, aggregated values of FDI in Pakistan, between 2003-04 and 2012-13. The largest foreign direct investment stems from the United States. The second largest aggregated investment is performed by the United Arab Emirates, followed by the United Kingdom and China. Switzerland and Japan are the 5th and 6th largest investors, respectively. Germany takes the last position of the seven largest investors although it has the great potential to invest in Pakistan.

<sup>7</sup> <http://bibliothek.wzb.eu/pdf/2014/p14-004.pdf>

## Germany investments in Pakistan as FDI:

Germany (in years)	FDI Inflow (US\$ Million)
2007-08	69.6
2008-09	76.9
2009-10	53.0
2010-11	21.2
2011-12	27.2
2012-13	5.0
2013-14	(5.7)
2014-15 (July-Dec)	(5.0)

(Source) Pakistan Board Of Investment



The large German multinationals that have been present in Pakistan since its independence are still in operation, however, during the last few years, a number of new companies have opened their businesses. The volume of German FDI in the last decade shows that there has been low interest on part of German companies to invest in Pakistan. The decline in investment might also be caused by a decline of Pakistan's image as an investment destination since being involved in the security issues connected to the "War against Terror". Since the onset of the post-Musharaf era, this impression might have persisted. Moreover, there is a lack of institutional infrastructure conducive for bilateral trade and investment. Several treaties and agreements, for example for avoiding double-taxation, securing investment, and an agreement on social security, further strengthen the economic and business ties between the two countries and reduce possible obstructions to investments from both sides.

## German based projects in Pakistan:

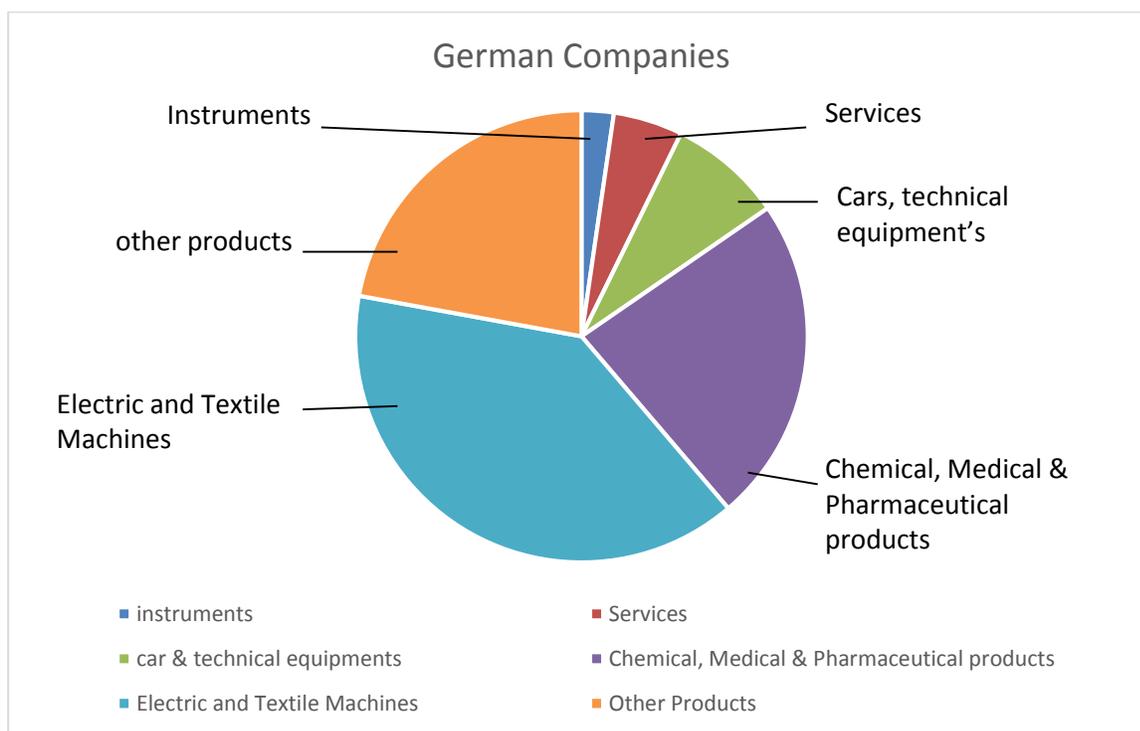
In Pakistan, German businesses are symbolized on the one hand by multinational corporations, who are mainly located in Karachi and Lahore, and on the other hand by Pakistani trading agents who represent the majority of the German companies in the areas of machinery, chemical and pharmaceuticals, instruments, 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.

Sectors	German companies
Instruments	13 (10 agents)
Services	28 (25 agents)
Cars, technical equipment's	46 (32 agents)
Chemical, Medical & Pharmaceutical products	132 (50 agents)
Electric and Textile Machines	221 (71 agents)
Other Products	125 (52 agents)

**Note:** Instruments: scientific, optic and precision instruments  
 Services: banks, insurance, consultancy, shipping, freight, cargo  
 Other products: manufacturing, electronic, steel, iron, metal products, consumer goods

**Source:** Report by Pak-Germany Business Forum



Above cited data represents the German companies engaged in Pakistan. 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 company. 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 chemical, medicine 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 sectors. In this sector, 10 agents represent 13 German companies.

On the other hand, in German markets, Pakistan business presence is non-existent. 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. Pakistan's lack of internationalization and economic diversification of its private businesses as well as a permanent trade deficit pose problems, but at the same time offer opportunities of expanding businesses overseas to generate surplus revenues through expansion. Investing overseas provides a direct entry into these markets through investment and forming joint ventures, broadening existing clientele and using the local work-force. Most emerging economies are in the process of successfully globalizing their businesses and pursuing surplus capital. Pakistan can also achieve much required economic stability, if it begins to provide a more liberalized outward FDI policy for the private sector, which would certainly encourage businesses to access European and international markets.

### **Impediments in trade relation with Germany:**

- Trade in Limited products.
- There is lack of trend of product diversification in Pakistani products.
- There is absence of joint Chamber of Commerce and Industry of both the countries.
- Insufficient use of GSP plus status by Pakistan due to internal powerlessness.
- There is need of advisory and supervising services for market entry for German business interests, for providing other services such as searching partners, preparing individual market studies, offering assistance in establishing new companies, organizing events and delegation visits.
- There is no clearly-defined "policy infrastructure" within Germany and its regional status and in some cases it is classified among Middle Eastern states (within "Near and Middle-East regional initiatives"), or it is grouped among South Asian states. Pakistan drifts between these two very different regional groupings within German institutions, resulting in a lack of focus where policy-making is executed.
- Pakistan's exports to the EU (Germany) are observed to be supply- driven rather than demand driven.
- There is lack of institutional and physical infrastructure.
- Pakistani companies are resistive to change according to the changing trends of the target market.
- One of the major reasons that discourage the German investors from coming to Pakistan is a series of cumbersome bureaucratic procedures that they have to pass through before they can set up their enterprises.
- Today in Pakistan, security situations also adversely affect the inflow of FDI by Germany.
- Also keeping the investors away are energy crisis and bureaucratic red-tapism.
- Rampant corruption in different departments, longer deficiency of electricity and gas, lack of long-term policies, political uncertainty and forcible extortions are among other disincentives. As a result, both foreign and local capital is moving to more attractive destinations rather than Pakistan.
- Tax related issues obstruct the way of both; FDI inflow and export of the country with Germany.
- Pakistan's lack of internationalization and economic diversification of its private businesses as well as a permanent trade deficit pose problems.

## **Export Promotion Strategies:**

Keeping in view the market requirements, German consumer preferences, competitors' strategies and changing dynamics of German market, an integrated product focused approach is devised to enhance Pakistan market share in this market. Selection of product sectors of Pakistan has been made on the basis of competitive advantages, production base, global acceptability and market demand. At the first stage five product sectors including Textile especially Home Textiles, Leather, Food, Sports Goods and Surgical Instruments have been identified. So, all trade and investment promotion activities would be primarily focusing these sectors. The following tasks must be undertaken to achieve the desired results.

- Trade diplomacy
- Trade promotion activities,
- Investment promotion activities
- Data base development
- Display centers
- Business counseling

### **1: Trade Diplomacy**

Trade Diplomacy must be used as the most important tool to address the issue of market access. There must be interaction at government level, facilitating B2B dialogues. In German, the policy making is being carried out, with a triangular thought process of Academia, Innovation and the Government. There is very strong need for lobbying at the highest level and hence it must be planned to conduct:

- Highest level interaction with Potential Trading.
- Highest level interaction with the Academia.
- Highest level interaction with the electronic & print Media of German.
- Highest level interaction with the Public Sector of German.

### **2: Trade promotion Activities:**

#### **(a) Awareness Seminars**

The German buyers lack awareness about the production capacity and export potential of Pakistani products. Product specific seminars must be conducted in major cities. The trade bodies including Chambers of Commerce & Industries, government organizations and concerned importers must be engaged in this regard. Awareness seminars must also be planned to create awareness among potential investors of Germany. The desired results from this exercise would be to reach out the potential buyers, to create awareness and to disseminate information about export potential of Pakistan and to identify delegates to be sent to Pakistan.

#### **(b) Trade Fairs & Delegations**

Successful entry in the German market can only be possible by cultivating business contacts through frequent personal visits. German business culture attaches a high degree of importance to personal relationships, and these relationships take time to establish and nurture. Therefore, both incoming as well as out-going trade delegations must be organized and trade fairs must be arranged for business matchmaking on both sides.

### **3: Investment Enhancement:**

Pakistan offers over 182 million consumers, huge untapped resources, fully convertible currency, unrestricted equity, unconstrained profit repatriation, no compulsion for a local partner, no double taxation this needs to be marketed in Germany, which is leading investor in Pakistan. Government and trade facilitating bodies in Pakistan must take effective steps to flow information regarding favorable and unexploited investment opportunities for German investors, either through media or by arranging special meetings, conferences and seminars. The sectors identified for investment promotion are energy, infrastructure and manufacturing.

### **4: Data Base Development:**

Complete data base must be developed of our total trade as well as, region wise and product specific data of the German importers must be developed. Each company must be verified according to the scale of its operation i.e., on the basis of its annual turnover and annual imports. The database must be shared with the leading trade bodies of Pakistan besides TDAP. Moreover, list of major Pakistani exporters of said sectors prepared by Pak-Germany Business Forum in the German language must be circulated for quick response to the German importers.

### **5: Display Center:**

Display Center would be an important marketing tool. Germany would engage in serious trade talks if we have samples of the products that is why all our competitors have established display center. All interested exporters must be approached to display their exhibits.

## Opportunities for Pakistan in German Market:

- Pakistan welcomes that German investors set up thermal power plants which can be run on coal and gas and offered to facilitate the setting up of their plants near coal mines in Pakistan.
- Dr. Westerwelle proposal of joint investment conference held in Pakistan for German and Pakistani investors participating and share their knowledge and explore the prospects of investment in Pakistan, will prove a shining opportunity for business community in both the countries.
- Bilateral Chamber of Commerce presently functioning in Karachi is being reactivated and upgraded to give further impetus to economic ties between the two countries.
- GSP Plus status its self an emerging opportunity for Pakistan.
- Some major products that are made by Pakistan e.g. Sports Wears, Cutlery & Kitchen Wares, Badges, Musical Instruments, Leather Goods, Sports Goods, Gloves & Protective Equipment and Surgical Instruments etc. also imported by Germany from the other countries. In the range of these products, Pakistani Exporters & manufacturers have the opportunity to broaden their market.

All values are in Million US \$<sup>8</sup>

S #	PRODUCTS	Pak Exports to Germany			Germany Imports from World			Pak Share %	
		2011	2012	2013	2011	2012	2013	2012	2013
1	Sports Wears	12	9	8	943	783	829	1.1%	1.0%
2	Cutlery & Kitchen Wares	0	0	0	527	187	199	0.0%	0.0%
3	Badges	0	1	1	70	60	66	1.7%	1.5%
4	Musical Instruments	0	0	0	311	290	273	0.0%	0.0%
5	Leather Goods	95	81	112	2413	2265	2818	3.6%	4.0%
6	Sports Goods	29	25	27	481	473	452	5.3%	6.0%
7	Gloves & Protective Equipment	44	38	43	476	397	415	9.6%	10.4%
8	Surgical Instruments	45	45	54	6199	6226	6951	0.7%	0.8%
	<b>Total</b>	<b>225.0</b>	<b>199.0</b>	<b>245.0</b>	<b>11420.0</b>	<b>10681.0</b>	<b>12003.0</b>	<b>22.0%</b>	<b>23.6%</b>

## Recommendations:

- Germany's export to Pakistan mostly consists of Machinery, chemicals and electrical products, while Pakistan exports overwhelming textile and garments (over 80%) to Germany. The pattern of trade between both the countries could be improved by including many more products in their bilateral trade.
- Just like the joint German-Indian Chamber of Commerce (which has promoted bilateral economic and business relations. With more than 6,700 German and Indian companies among its members in 2014, it is the largest chamber of commerce in India.), Pakistan-German Chamber of Commerce must be established to boost up our bilateral trade as well as FDI inflow.
- Investment in the areas like infrastructure and population welfare is limited. For reaping substantial benefits, Germany may increase its investment in the non-traditional areas too. Such cooperation would help to win more market share and diversify the benefits.
- Pakistan always has a very welcoming attitude towards Germany. This bond of alliance can be further strengthened by conducting fairs & exhibitions in both the countries related to their industrial products to strengthen their trade relationships and FDI among both the countries.
- Both countries can further expand their trade and economic relations through joint ventures and starting new projects. It can be made possible if both governments cooperate and encourage such development projects.
- In the beginning, the private sector was not entering into new areas, since they had limited information. Thus, with the help of chambers and other trade related bodies, both the countries can expand their economic relations and mutual benefits, as an ample scope exists for such improvements. Strong relations between the chambers of both the countries and other trade bodies need to be established to connect the private businessmen from both sides.
- Pakistani industrialist must focus on the diversification of their products according to new trends and demands of the all segments (Germany) of the entire market (EU).
- Liaison offices must be established in both the countries (in many industrial cities) for providing advisory and supervising services for market entry and for providing other services such as searching partners, preparing individual market studies, offering assistance in establishing new companies, organizing events and delegation visits.
- Government must focus on the country's security situations for attracting the German investors. Political stability and improved law and order conditions are imperative for trade development with Germany. The government should strive to promote "soft image" of Pakistan globally for opening the trade promotional ways and for bringing maximum foreign investment in Pakistan by rebuilding the confidence of the foreign investors.
- Foreign mission in Germany should establish the effective linkages with all the local chambers in Pakistan and must fulfill their responsibilities to create awareness about our potential products through marketing in other countries.
- For promoting international trade in Germany as well as in all the countries of EU and enjoying the real benefits if GSP plus status, Government and International Trade related bodies must play their role to promote **standardization** and **certifications** among the SME's through awareness regarding the value of standardization and certifications. Incentives, special subsidies and facilities must be provided to the credible certified businesses so that they inspire all other businesses to match up to the standards for availing the facilities that they enjoy.
- Pakistan's main characteristics of exports to EU are such that 88% of exports fall within two commodity categories, textiles and leather, a feature that has not changed for a decade and led to the GSP+ "vulnerability" in product diversification. Further, 80% of Pakistan's exports are directed to seven countries – Germany, UK, Italy, Belgium, The Netherlands, Spain and France. For the huge extension in the international trade in EU countries including Germany, Pakistani industrialist must strongly work on the Research & Development to create product development and encourage the other

sectors (Surgical, sports articles, leather goods, and many other products etc.) to export their quality products to the Germany.

- Most emerging economies are in the process of successfully globalizing their businesses and pursuing surplus capital. Pakistan can also achieve much required economic stability, if it begins to provide a more liberalized outward FDI policy for the private sector, which would certainly encourage businesses to access European and international markets. India can serve as a successful model of internationalizing SME's and establishing access points to the German market.
- In times of crisis, such as during 2010's devastating floods in Pakistan, both the German state as well as private citizens came forward to help the affected people, adding that this country has regularly contributed to the development sector in Pakistan. And within the European Union, Germany has the biggest share of trade with Islamabad. So, Pakistan must frame some authentic and regulatory policies for the enhancement of trade with Germany.

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