

GERMANY – PAKISTAN RELATIONS (1960 – 2015) AN ANALYTICAL STUDY

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Abstract— Germany is a country that is traditionally highly regarded in the countries of South Asia. The German people and German products are valued and generate a positive response in South Asia.

The main objective of this thesis is to evaluate and analyse various dimensions of a Such Comparative Study of the Geography (German & Pakistan). Basically Germany is located in Central Europe, it has common borders with Denmark, the Netherlands, Belgium, Luxembourg, France, Switzerland, Austria, the Czech Republic and Poland, It's total area around 356,854 sq km.

Pakistan has a strategic geo-political location at the corridor of world major maritime oil supply lines, and has close proximity to the resource and oil rich Central Asian countries. Germany and Pakistan enjoy intimately cordial relations. Germany has taken large measures to aid the south Asian countries in its economic and governmental hardship. Commercial trade between Berlin and Islamabad has also been very essential as Germany is Pakistan's fourth largest trade partner, also Germany is home to 35,081 Pakistani immigrants overall, the two nations have almost always had a friendly bond.

The aim of my research is to initiate fruitful discussions about appropriate strategies and actions in the face of the economic and geopolitical challenges faced by Pakistan and the role which societies of each country can play in assisting the region in overcoming its problems. The thesis would aim to serve as a facilitator for developing new collaborative research projects between different institutions and disciplines in the Germany and Pakistan institutions. This is important, as the issues of poverty, illiteracy, unemployment social inequities need to be understood properly.

Though geographically far apart from each other, and not having gone through the experience which the Asian states had undergone in their relations with the Portugese, Dutch, French and English. Pakistan and Germany did not have to forget any unpleasant memories of a colonial past. On the contrary the freedom fighters of the Indo-Pak subcontinent did not make secret of their sympathy-nay-admiration for Germany which though defeated in World War I and World War II by Anglo-French and Anglo-American blocs respectively had shaken the British and French empires to their foundation in the protracted wars.

I. INTRODUCTION OF PAKISTAN AND GERMANY

The Islamic republic of Pakistan had to struggle for its independence by making tremendous sacrifices. The partition of India was officially conceived for the first time in March 1940, when the Muslim League, fresh from its freedom from the Congress rule, met in its annual session at Lahore and passed the famous Lahore in Pakistan Resolution on 23 March 1940. Pakistan came into being on 14th August 1947 under the leadership the great leader Quaid-e-Azam Muhammad Ali Jinnah it is a democratic country and follows parliamentary system which consists of two houses: the upper house is the Senate and the lower house is the National Assembly. The Senate is the permanent legislative body which carries national affairs. The President of Pakistan is Head of the State while the Prime Minister is Head of the Government. Geographically, Pakistan is located in South West Asia with the area of 796,095km. China, India, Iran and Afghanistan are neighboring countries, Pakistan is the economic corridor to Central Asia which is a market of 67.1 million people. Therefore, doing business in Pakistan is to target a market of 255.1 million people.

The German population was not homogeneous. Without unnatural frontiers, it lacked linguistic

homogeneity Germany has mountains to the south sea to the North open country to the east and west. Situated at the center and vulnerable from all sides disposed to to attractions is an easy pretty for foreign influence another frontier beside natural frontier, The post Second World War period has seen a considerable change in the global inter-relationship of states. With the end of old style colonialism and the emergence of new states in Asia and Africa bilateral relationship has assumed a new significance. European and the Third World countries have south to forge a new relationship based on reciprocity of interests in trade and commerce science and technology and culture and education. One such example of bilateral dealings between a European and a Third World country is furnished by Pakistan and the Federal Republic of Germany. The two countries have no disputes between them.

Federal Republic of Germany and Pakistan's relations it is necessary to take certain historical factors into consideration. Both the countries boast of martial tradition and both have suffered dismemberment as a result of war. To meet the ideological and military threats each has sought to participate in a regional collective security pact with like-minded world powers. At the same time each has sought accommodations its differences with neighbours, by patient and persistent diplomacy. Pakistan and

Federal Republic of Germany value individual freedom and a free market economy.

It may be mentioned here that owing to Pakistan's adverse balance of trade with the enlarged European Economic Community and the termination of the 1951 Tariff Preferences Agreement it was anxious to conclude a long term agreement with the European Economic Community in order to expand its exports. Pending the conclusion of such an agreement, Pakistan made certain proposals to the European Economic Community of which West Germany is a member state. It may be mentioned here that Pakistan enjoys a significant amount of foreign trade with European Economic Community.

Economic collaboration with the Federal Republic of Germany comprises essentially Capital Aid and Export Credits. The former is on a long – term basis ranging from twenty to twenty – five years and having an interest rate of three.

Trade relations between West Germany and Pakistan were initiated in 1955, though diplomatic relations were established in 1951. Though the trade between the two countries in the ear stages was not substantial, it gradually expended with the passage of time. The Federal Republic of Germany has been eager to further expand its trade and economic relations with Pakistan.

In 1956, Krupps had offered to set up a steel plant in Pakistan in collaboration with the PIDC (Pakistan Industrial Development Corporation), but the deal was blocked for various reason. Furthermore, the scheme for the establishment of a shipyard at Karachi was prepared with the assistance of a German firm.

It may be recalled that during the state visit of Dr. Kurt George Kiesinger in 1967 the problems facing mutual trade between the two countries were discussed at length and it was agreed at the time to send a group of experts to study the possibilities of expanding exports to the Federal Republic of Germany in this connection the meeting of UNCTAD in 1967 was of great importance as it was instrumental in achieving a liberalisation and diversification of trade between developed and developing countries through a stablisation of the prices of raw material at reasonable levels.

II. TRADE TRENDS AND ECONOMIC SETTING

During much of the period after World War II and up to 1973, world trade grew rapidly, aided by the significant trade liberalisation achieved in successive rounds of trade negotiations. The world economy became increasingly intergrated, as the growth of trade outpaced the growth of production. In the period since 1973, global trade volumes have been erratic, the growth of trade has slowed considerably, and the pace of integration has stablised. Between 1963 and 1973, world output (excluding construction and services) rose by 6% annually, while the volume

of world exports increased

In 1973 a Pakistan German bilateral trade committee was set up in order to advise and assist Pakistani manufacturers and exporters on selling techniques in the German market. The international Frankfurt fair was one of the platforms which provided an opportunity whereby Pakistani products could be displayed. Items mainly in the field of handicrafts, surgical good, carpets cotton textile towels, leather goods and cane products were freely exhibited. In order to improve and popularise its goods Pakistan took the initiative to participate in International Trade Fairs from time to time which were held in various cities from February to September 1973. It participated in the light industries and handicrafts fair which was held at Munich from 8 to the 15 April 1973 sport articles from Sialkot were abundantly exhibited at the international sport article fair which was held at Munich from the 22nd to the 25th of February 1973 and was highly appreciated .

III. ECONOMIC ASSISTANCE AND COOPERATION

The West German Minister for Economic Cooperation Dr. JurgenWarnke said during a visit to Pakistan in 1984 that there existed an immense potential for economic cooperation between Pakistan and West Germany. He said that two countries can increase agriculture rural development, vocational and manpower training. He further stated that Pakistan was among the five important countries with whom West Germany was cooperating closely in various fields and felt that there was a great potential for further cooperation in the priority areas of country's next five –year plan.

Numerous German firms are doing good business in Pakistan. Among the West German firms the German Financing corporation for Participation in Developing countries (DEG) participated in industrial development in Pakistan, along with such firms as BASF, Bayer, Hoechst, Klockner Humboldt – Deutz, Schanzline Becker, Deutsche perlite GmbH , Siemens etc. the DEF which functions strictly in accordance with private business principles is involved in the financing of specific projects which are profitable. The Corporation gives priority to projects which are "Joint venture". The DEG which functions strictly in the financing of specific projects principles is involved in financing of specific project which are profitable. The corporation gives priority to projects which are "Joint ventures". The DEG has participated in a milk processing plant and a plaster factory, in terms of financial cooperation, a large proportion of funds is channeled towards the purchase of defence materials food and industrial spare parts etc.

The Federal Republic of German and Islamic Republic of Pakistan are among those countries which had to undergo severe hardships in order to attain nationhood. The Second World War had

brought Germany to the brink of annihilation after which the main task of the Germans was one of survival and the retention of their national independence.

The GSP plus status has served as a revival tool that opened doors to numerous opportunities for local exporters. This preferential tariff has helped Pakistan to enter the EU market and capitalise on the available raw materials wide ranging products and favourable environment. It is an acknowledged fact that countries with strong industrial background show encouraging economic growth and improvement in income and standard of living. Chemicals are significant in producing products to fulfill the basic needs

Year	Export	Import	Balance of Trade
2006-07	711.9	1,205	-493
2007-08	826.2	1,322	-496
2008-09	802.7	1,072	-269
2009-10	830	1,075	-245
2010-11	1,216.00	947	269
2011-12	1,147	1,175	28

Source: State Bank of Pakistan - Annual Report - 2010-11.

During the past four year's balance of trade remained in the favour of Pakistan. The Pak-German trade is given in **Table-1**.

That is fundamental to different industries. In Pakistan the industrial sector contribution to around 20% to GDP reflecting a remarkable growth of four times as compared to last year.

The Islamic Republic of Pakistan has shown sound economic development in recent years. Despite the remaining challenges a growing population and an emerging middle class are providing an expending market. Agriculture and related industries contribute 26% to the country's economy and more than 20% are exports with high annual growth rates. 44% of the Pakistani labour force is engaged in agriculture or related sectors like food processing, packaging and transportation. The growing local demand, as well as the geographic position of Pakistan surrounded by other emerging markets in the gulf region and Asia makes it a potential food exporter for several destinations. In recent years investments opportunities have been encouraged with regards to land development, customs exemptions on import of agriculture machinery and tax relief. The beneficial climate provides the country with excellent preconditions for the cultivation of fruits, crops, vegetables and flowers. Besides this livestock farming is seen as one of the major emerging markets within the country.

Today Pakistan ranks among the top then producers in the world for at least 25 agricultural commodities. Besides agricultural technology like irrigation systems, machinery and equipment for livestock farming and food processing, the government of Pakistan seeks to develop technologies for the marketing, packaging and selling of agriculture products.

In 2012, Pakistan was the official partner country at the international green week in Berlin. The German – Pakistani Agribusiness Forum on 17th January 2013 seeks to expand upon this positive experience and to extend bilateral cooperation between both countries.

a. The EU's "Generalised Scheme of Preferences" (GSP) allows developing country exporters to pay less or no duties on their exports to the EU. This gives them vital access to EU markets and contributes to their economic growth.

There are three main variants (arrangements) of the Scheme:

- the standard/general GSP arrangement, which offers generous tariff reductions to developing countries. Practically, this means partial or entire removal of tariffs on two thirds of all product categories.
- the "GSP+" enhanced preferences mean full removal of tariffs on essentially the same product categories as those covered by the general arrangement. These are granted to countries which ratify and implement core international conventions relating to human and labour rights, environment and good governance;
- "Everything but Arms" (EBA) arrangement for least developed countries (LDCs), which grants duty-free quota-free access to all products, except for arms and ammunitions.

IV. EXPORT OF TEXTILE MACHINERY

Due to the good order situation,VDMA Textile Machinery adjusted the 2014 sale in Pakistan. Export of Germantextile machinery in Pakistan increased from 39.46 million euro in 2013 to 41.50 million euro in 2014, thus showing an increase of 5%. Spinning machinery remained the largest seller of German textile machinery with share of 68%. The growth of finishing machinery also increased by 4%, to reach 7.8 million euro in 2014 from 7.5 million euro in 2013. Germany sold 2.84 million euro of knitting and hosiery machinery and 2.48 million euro of weaving machinery in 2014 to Pakistan.

V. TRADE RELATIONS

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. The EU supports the integration of Pakistan with the global economy by granting Pakistan's exports to the EU reduced tariffs under the EU's Generalized Scheme of Preferences. As a result, more than 78% of Pakistan's exports enter the EU at preferential rates. Around 80% of the textiles and clothing articles imported to the EU from Pakistan enter the EU at a preferential tariff rate

The Pakistan German Business Forum was founded in 1997. Since then it has been engaged in becoming a central instrument for the promotion and expansion of bilateral economic relations between Germany and Pakistan. With members across Pakistan from different business sectors, PGBF is one of the most established business forums in Pakistan.

Pakistan German Business Forum works in close cooperation with the German Embassy in Islamabad, the Consulate General in Karachi and the Pakistan Embassy in Berlin, for the purpose of fulfillment of its objectives.

Pakistan German Business Forum has its Head office located in Karachi, with an additional branch in Lahore.

Resources data has taken of Pak-German Economic and Trade Relations by Noor Ahmed Memon

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