ANALYSIS OF STRATEGIC COOPERATION, INVESTMENTS, AND TRADE: A CASE STUDY OF PAKISTAN-GERMAN RELATIONS

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Abstract:

In order to fully understand the relationship between Germany and Pakistan, on both sides of the relationship, it is important to examine wider local and international economic and political trends. Pakistan is currently dealing with significant challenges after a democratic power transfer in 2013. Stable regional stability places pressure on Pakistan, aggravating domestic concerns such as macroeconomic and trade volatility, social unrest, and problems with energy and infrastructure supply chains, among other things. As a result, this study investigates the scope and history of German-Pakistani ties, with a focus on trade, economic cooperation, and strategic goals on both sides of the border. An analysis of trade and investment links between Germany and Pakistan over the previous decade indicates relatively low volumes with opportunity for growth. These concerns are shown in the absence of globalisation and economic diversification among Pakistan's private sector companies. More than that, neither country has a specialised policy organisation and neither has a long-standing and friendly, if not particularly energising, relationship with Germany. The EU-Waiver, GSP+, and related trade diversification programmes are the most *important components of EU-Pakistani cooperation, and they account for a considerable portion of German-Pakistani debate. If these trends continue to be favourable, Pakistan should make every effort to benefit from them. It is critical for Germany and Pakistan to continue to develop and deepen their strategic cooperation relationship. German and Pakistani bilateral agreements on a framework for strategic interaction, which were signed recently, must be carried out in their entirety.*

Keywords: Pakistan, Germany, Globalisation, Trade, Energy.

Introduction

In order to understand the German-Pakistani relationship properly, we must take into consideration both countries' larger internal and international economic and political histories. Following recent changes in bilateral relations, there are a number of compelling reasons to reevaluate bilateral relations. There are still several difficulties for the Pakistani government to overcome, including the following: Following the terrorist attacks of September 11, 2001, and the "War on Terror," Pakistan has been exposing significant domestic political and economic problems, such as a budget crisis, energy shortages, water shortages, rising food insecurity for the poor, terrorist threats, and a surge in sectarian violence, all of which have prompted massive international intervention. Pakistan has suffered tremendously as a result of these conditions, both in terms of human lives and economic losses. Crisis situations like these also make it more difficult to maintain positive relationships with both neighbours and western allies in the West.

Nonetheless, there are certain alterations that may be seen as positive in nature. After serving its full term, Pakistan's first democratically elected administration handed over the reins to another democratically elected administration in May 2013, marking a watershed moment in the country's political transformation. A larger number of female voters, as well as increased voter turnout (despite violent incidents occurring around election days), making this election even more crucial. They came as a result of the implementation of the 18th Amendment in 2010, which curtailed the powers of the president, turned Pakistan's government into a parliament, and shifted the country's political emphasis from the capital to the regions. Even if the Army is not subject to civilian control, the current trend of the military refraining from interfering in politics is a positive development. The fact that Pakistan became a member of the EU's GSP+ system in January 2014 is particularly relevant in the context of German-Pakistani relations.

Throughout the whole process of Pakistan's application for the tariff exemption package, Germany has been a firm backer of Pakistan's bid.

There is a lot of interest in this article on the factors that have contributed to the strained bilateral relations between Pakistan and Germany. Why, for example, have the trade and investment potentials between other South Asian countries and Germany not been realised or expanded to the same extent as they could have been? This essay argues that the war on terror and the security situation in the aftermath of military operations in Afghanistan are only a few of the variables that are important to consider. It is hoped that by conducting this research, it would be possible to determine the extent and direction of German-Pakistani connections, with special emphasis on trade and economic cooperation as well as shared strategic objectives. Taking a look at Pakistan's present economic situation and the recent global economic environment will be discussed in further detail in the next part. The third section of the article, which covers the key arguments of the study, is devoted to the German-Pakistani connection. There are three categories, each of which is based on real facts, and they are as follows: trade and investment, commercial co-operation, and strategic and security cooperation. The fourth section provides a summary of the paper's findings, and the fifth portion closes with a discussion of the paper's implications for the future.

Pakistan and its Current Scenario

On December 31, 2018, the country's second democratically elected administration took control after ten years of civilian rule. Pakistan's new civilian administration, led by first-time Prime Minister Imran Khan, has surmounted several challenges. Political split, regional warfare, civil-military imbalance, energy shortages, a weak economy, all-time high corruption, very bad governance, poverty and unemployment in Karachi, Balochistan instability, and US drone attacks are all on the list.

Poor administration, deterioration of law and order, and violations of the nation's sovereignty were major issues for Prime Minister Imran Khan throughout the 2017 election campaign. As a nation and as a society, Pakistan faces these issues for a long time.

Earlier this year, the army stated that domestic security issues would take precedence over India and Afghanistan, which it viewed as foreign threats. We'll see how this proclamation plays out: As terrorism and sectarian conflict pose Pakistan's greatest threat, the Pakistani Army may have switched its primary security priority from India to internal issues. Right now there are reconciliation peace negotiations taking place between the government and the TTP (TTP). This demand was made by all parties in a recent summit. The current administration's key challenge in foreign policy is creating a coherent foreign strategy while maintaining control of the elected civilian government. Pakistan must deal with Taliban problems in Afghanistan, law and order and terrorism in India, and economic issues in the United States. All three concerns should be addressed in a coordinated manner, bearing in mind the impact on Pakistan. India, Afghanistan, and the United States should be included in Pakistan's foreign policy solutions so that ties with neither the military nor non-state actors dominate Pakistan's relations with its neighbours. For the area to be stable, Pakistan, India, and Afghanistan must work together to resolve difficult problems in Afghanistan and the surrounding region. Stabilizing Afghanistan should take precedence over resolving prior bilateral disputes at this time. Resuming the discourse with India would be best served by focusing on increasing bilateral commercial relations, granting comprehensive MFN status, and other social collaboration, rather than on unresolved, complicated challenges like the Mumbai attacks or Siachen heights and Kargil battles. It is imperative that we focus our efforts on improving governance systems at all levels as well as reducing corruption on a national level. There should be a strong focus on the relationship between the federal and provincial administrations.

Latest Financial Indications

When it comes to purchasing power parity and nominal GDP, Pakistan's economy is semi-industrialized and 27th in the world. A population of over 220 million people, Pakistan is the world's 6th most populous country, with a GDP per capita of $3,056 US dollars, placing it 140th globally. Pakistan is the world's 15th biggest exporter of commodities and 6th largest exporter of services, according to the World Bank. There are a number of major businesses in the area including textiles (clothing and bed linen), chemicals, food processing (primarily sugar and salt), agriculture, fertiliser and cement production as well as the production of dairy products and carpets. There have been decades of internal political strife and a fast increasing population that have caused the economy to suffer. To attract international investment and reduce the budget deficit, Pakistan is now pursuing an economic liberalisation process that includes the privatisation of several government businesses.

Due to macroeconomic uncertainty, fiscal retrenchment and deficiencies in Pakistan's foreign accounts, During the previous two decades, the economy of Pakistan has grown modestly. Because of inconsistencies in macroeconomic policy and an under-reliance on investment and exports to generate economic growth, annual per capita growth has averaged just 2 percent, less than half of the South Asia average. As a result, boom-bust cycles are typically triggered by short bursts of fast consumption-fueled expansion that result in large current account and budget deficits. During the first half of FY20, which spans from July 2019 to June 2020, the government entered into a 39-month IMF-Extended Fund Facility in response to one such episode of external and fiscal imbalances. Fiscal consolidation and other related adjustment actions contributed to reducing imbalances during the year and increasing macroeconomic stability.

When COVID-19 pandemic containment measures were put in place, the economy suffered a significant downturn in the fourth quarter of FY20. This has led to a projected 1.5 percent contraction in FY20's GDP growth. The informal and low-skilled employees employed in primary professions suffered the greatest loss of employment. More than two million individuals are expected to be living below the international poverty line of $1.90 PPP 2011 per day, resulting in an increase in poverty incidence from 4.4 to 5.4 percent in FY20. 40 percent of households had moderate to severe food insecurity, according to the survey. A stimulus package of about 2.9 percent of GDP and deferral of some fiscal adjustment measures were utilised to mitigate the severe socioeconomic impacts of the epidemic. A modest improvement has been shown in the first half of FY21 (from July to December 2020). Private spending has risen as a result of increasing community mobility, and official remittance inflows have reached record levels as a result. As a result of double-digit increase in both machinery imports and cement sales, it is believed that investment has also marginally rebounded.

Production was poor in the first six months of FY21 due to severe monsoon floods that impacted cotton production. Indicators of industrial and services activity have rebounded since May 2020, with "Large Scale Manufacturing" and business confidence indices surpassing pre-COVID levels in December 2020, as the lockdown restrictions were gradually lifted. Most of the unorganised employees who were impacted by this issue are expected to be able to return to work as a consequence. Despite a decline in headline inflation between July and February of FY21 (year-over-year), it remains high at 8.3 percent on average, largely due to strong food inflation. Due to the economy's stability, the State Bank of Pakistan (SBP) has kept the policy rate at 7.0 percent since July of this year (2020). Ende December 2020, the capital adequacy ratio was far over the legal level, suggesting that the banking industry has held up well in the first half of the year. June-December 2020 current account surplus came in at US$1.1 billion compared to June-December 2019's deficit of US$2.0 billion, the first half-year surplus in over a decade, as robust official remittance inflows more than offset the country's larger trade deficit. While both foreign direct investment and portfolio investment inflows declined during this time, an improving balance of payments was supported by the increased current account. To put this in perspective, from June 2020 to December 2020 the Pakistani rupee gained by 5.4%, and government foreign exchange reserves grew from US$14.9 billion to US$14.9 billion, approximately 3.3 months' worth of goods and services imports in Pakistan.

After a year-over-year expansion of expenditures, the budget deficit worsened in the first six months of FY21 (year-over-year). To keep up with the recovery of the economy, overall revenues increased by 3.7 percent in the first quarter of 2018. As a result of higher interest payments, overall expenditures increased by 6.2% during the same period of time. From 86.7 percent to 87.9 percent of GDP by the end of December 2020, the public debt, including guaranteed debt, has risen. Over the medium-term, output growth is anticipated to rebound gradually, averaging 2.2 percent between FY21 and FY23, mostly owing to contributions from private consumption. As a result, poverty is likely to stay high in industries like agriculture that employ the poorest people. According to the baseline forecast, major infection flare-ups that would need more widespread lockdowns are unlikely to occur in the near future. Current account deficit is expected to shrink from 0.9% of GDP in FY21 onwards due to increased inflows of remittances. A medium-term rise is predicted, though. Since fiscal year 22 onwards, exports are predicted to increase due to improved external conditions and the implementation of tariff changes. However, imports are likely to rise as well due to greater domestic activity and higher oil prices. Even though fiscal consolidation measures are likely to continue in FY21, the deficit is forecast to remain excessive at 8.3 percent of GDP, mostly owing to the settlement of arrears in the electricity sector. On a medium-term basis, the budget deficit is expected to progressively shrink as revenue-enhancing measures gather momentum and spending reduction efforts resume. Nevertheless, Pakistan's public debt and susceptibility to debt-related shocks will remain significant in the medium term. Infection waves, the introduction of new vaccine-resistant strains, and a failure of mass immunizations are among the major threats to the future. Furthermore, any delays in the implementation of crucial structural reforms might lead to increased fiscal and macroeconomic imbalances. (World Bank, 2021)

Pakistan-Germany Relations

Particularly when comparing German foreign policy towards Pakistan with other nations, a distinct approach may be discerned in German foreign policy toward South Asia in general. South Asia is a complex region, home to hundreds of millions of people of varying ethnic and religious backgrounds, uneven economic conditions, and widening inequities between rich and poor, which reflect policy variations. The countries of South Asia have formed a multilateral regional organisation called the South Asian Association for Regional Cooperation (SAARC), but the prospect of forming a sustainable political coalition remains remote. Economic, commercial, and strategic ties between Germany and Pakistan will be evaluated in the following areas: (for example the differentiation among policies towards Pakistan and India).

Germany and Pakistan have had a long-standing, friendly, but unenthusiastic connection in the past, according to history. While Germany has increased its involvement with Pakistan in recent years due to Pakistan's severe, complicated and urgent security issues, India has been met with policies that are more focused on economic cooperation. Investors have already created subsidiaries and joint ventures in a variety of manufacturing fields, and it is considered a potential investment site (Matter and Helbig 2009).

As far as bilateral trade is concerned, the country is seen as a trustworthy and successful partner. Germany views India as the world's largest democracy - with its secular framework and huge variety in ethnicity, language, and religion - as a country with significant socioeconomic disparity; it praises Indian advancements in democracy and the quality of its rule of law (German Federal Foreign Office 2002). Through political discussion and the use of development cooperation and political foundations, German policy aims to further enhance these governance concerns in the future. A growing middle class and expanding buying power make India's economic market the third largest in Asia, which means that German companies may benefit from its development potential.

In contrast to this, the German-Pakistani dialogue places greater emphasis on establishing human rights programmes and consolidating democracy already in place. In the past, the Pakistani state was built around security concerns, rather than economic and social growth, which is now changing. Since Pakistan's independence, democracy has struggled to take hold. At least four coups by the military have thwarted democratic progress in the past, and the military has also been unable to provide decent administration. Lack of clear development-oriented policies on the part of the government has further tarnished democracy in the view of many.

Security and Strategic Partnership

Pakistan has historically had a low strategic relevance for Germany. Pakistan has never been a priority in Germany's foreign policy, either politically or economically. As a result of India's greater significance, Pakistan was sometimes more marginalised.

During the 1960s, the escalation of the Kashmir war is a good example of these dynamics at work. In general, Germany and India did not disagree on security issues, but the tensions between Pakistan and India had an impact on Germany's foreign policy at the time. German arms exports to Pakistan did not damage Germany's relationship with India because of Pakistan's relative insignificance (Wagner 2007).

Indicators of security and foreign policy ties can be found in the transfer of arms between countries. Germany and Pakistan's collaboration in these transfers was relatively new compared to previous years. According to SIPRI's trend-indicator-value, the United States is the world's top weapons trader, accounting for 44 percent of all arms transfers (TIV). US weaponry exports to Pakistan are the second highest in the world. German shipments to Pakistan account for just 2 percent of the total volume of armament sales to Pakistan. But in recent years, things have changed. From 2004 onwards, Germany's armament exports skyrocketed to almost 200 million US dollars in 2007. (BICC 2012). According to the German government, Pakistan was the fourth largest non-NATO recipient of German arms in 2005. Pakistan acquired radar equipment, aerial reconnaissance equipment, assessment equipment for torpedo exercise equipment, electrical supply, and missiles during this time period, to name a few.

This was consistent with the growing commitment of the United States to armaments and development money transfers. The U.S. government raised USD 3 billion in development and support programmes. It also reflected increased knowledge about Pakistan in general. Of dramatic events following September 11, and the perception of safety concerns from Afghanistan and Pakistan, terror reduction became one of most European governments, including Germany key's national priorities (Gallenkamp 2009). While Germany focused on exports of political institutions and ideas of democracy, human rights and the like, all of Germany's policies relating to Asia and Western governments generally were, after September 11, increasingly focussed on security issues, prior to the emphasis on Asian countries German foreign policy (Robotka 2011). Pakistan gained increased attention with this adjustment in foreign policy. However, even this initial attention, which culminate in the visit of former Chancellor Gerhard Schröder to Islamabad in Oct 2002, did not retain volume immediately after military operations started in Afghanistan – apart from problems relating to confrontation with the Taliban organisations (Steinbach 2007).
The charge of inadequate involvement has lately been rejected by German diplomats and authorities. Indeed, certain steps have been done to enhance bilateral cooperation on strategic issues. In this context, officials are particularly concerned about the quantity of development aid to Pakistan. The volume of help has really risen substantially after 2001.
One of the outcomes of recent meetings and consultations between German and Pakistani state officials was the development of a "Roadmap for Pakistan – Germany Strategic

Dialogue," which was agreed in late 2012. This paved the way for discussions at the level of State and Foreign Secretaries. One of the outcomes of recent meetings and consultations between German and Pakistani state officials was the development of a "Roadmap for Pakistan – Germany Strategic Dialogue," which was agreed in late 2012. This paved the way for discussions at the level of State and Foreign Secretaries. The plan outlines particular platforms and aims to enhance the political, economic and scientific relationship. No much effort has been done in this respect until now. Strengthening trade and investment linkages generally may undoubtedly make an impact. A number of working groups should be set up to allow trade organisations from both nations. In addition, numerous thorough studies should be conducted to identify variables that contribute to or impede bilateral trade and investment.

Investment and trade

It is time to take a look at the commercial ties between Germany and Pakistan from an international and EU trade perspective. From 1.2 billion US$ in 2003 to 2.3 billion US$ in 2008, the total volume of bilateral trade between the two countries has almost consistently increased. From 2009 to 2010, it slightly dropped to $1.9 billion, but again rose to $2.3 billion in 2011 and finally decreased slightly in 2012 to $2.1 billion. While it looks that the average trade volume over the past 10 years is modest, there is still space for growth.

From 2003 through 2011, Germany had a positive trade balance. On the other hand, Germany bought products worth 1.3 billion US dollars in 2011, showing a surplus of 31.3%. Due to this, Pakistan achieved a 312 million US$ surplus in 2011 after six years of deficits. Exports fell in 2012, however, resulting in another another negative trade balance.

Machines, chemicals, and electrical items make up the bulk of Germany's exports to Pakistan, whereas Pakistani exports to Germany are dominated by textiles and apparel (more than 80 percent). While the trade volume between Germany and Pakistan was about 17.6 billion US dollars in 2009 and 23.6 billion US dollars in 2012, the German-Indian trade volume was nearly twice as large. Commerce policy groups inside national institutions have had a significant role in the rapid expansion of German-Indian trade. The German-Indian Chamber of Commerce, which has fostered commercial and business connections between the two countries since 1956, has a particularly important role to play. As of 2014, it has more than 6,700 members from both Germany and India, making it the largest chamber of business in India. As a result, Pakistan's standing in Germany is typically downgraded. Occasionally it is included alongside Middle Eastern states (under

"Near and Middle-East Regional Initiatives") or with South Asian states. Between these two extremely distinct regional groups inside German institutions, Pakistan is unable to focus on policy-making.

Pakistan's position in Germany's political and commercial infrastructure is revealed in a new research. Pakistan is a member of the South-Asian Parliamentary Group in the German Bundestag, while it is a member of the "Regional Initiative of Near and Middle Eastern Countries" in the BDI (German Industry Federation), DIHK (German Chambers of Commerce and Industry), and GTAI (Germany Trade and Invest). When Pakistan is classified as South Asian nation, or as a "regional effort in the Near and Middle East" more consistency would enable the development of German-Pakistani links to be taken seriously. The Federal Ministry of Economics and Technology promotes the creation of a joint Pakistan-German Chamber of Commerce and Industry as a result of a German Bundestag decision.

An office in Düsseldorf handles all market entry services for German companies in India. They also aid in creating new firms, conducting personal recruiting as well as planning events and delegation trips. India is home to approximately 1,800 German SMEs, indicating a growing diversification of bilateral trade (Wagner 2011a). Such a framework does not exist in Pakistan, however, and as a result, there are fewer German SMEs conducting business there.

The Generalized System of Preferences Plus (GSP+) was granted to Pakistan by the European Parliament on December 12, 2013. Germany has consistently backed the EU's GSP+ application. The new status will allow Pakistan to expand its trade with the EU. Because Pakistan has a vast market for imports ($1.54 trillion in 2011), its current export volume to the EU does not reflect its potential. Various household issues induce performance uncertainty. In other words, supply rather than demand is driving Pakistan's EU exports. Despite exporting over 90% of its goods to the EU, none of Pakistan's export categories appear in the EU's top 45 import lists. Similarly, only three of Pakistan's top 20 EU exports are GSP imports, compared to eight from India and six from Sri Lanka (TRTA II 2013).

Due to the fact that 88% of the goods exported to the EU are in two commodity categories (textile and leather), Pakistan's exports to the EU are "vulnerable" under GSP+. Pakistan also exports 80% of its goods to seven countries —the United Kingdom, Germany and France (Poland, Portugal, Denmark, Finland and Sweden). Pakistan exports 14% of its total exports to the remaining 15 EU member states. Pakistani exports haven't made it all the way to the European Union in terms of geography.

Due to GSP+, Pakistan's textile sector, both domestically and internationally, may experience a major boost in investment. For example, many people expect the improved tariff circumstances with the EU to entice Chinese firms into investing on our country's burgeoning domestic market. Chinese investors are reportedly seeking joint ventures in their investment activities, according to reports from industry experts. They are also said to have made their initial purchases in late 2018. To make matters even more complicated, it appears that Pakistan's state governments have already begun putting up investment packages for Chinese and other foreign companies.

However, in recent years a number of new enterprises have entered the market, including big German corporations that have been operating in Pakistan since its independence. With just 33 million US dollars spent on average in the last ten years, German firms have shown little interest in Pakistan's potential but tough market. During the last 10 years, German firms invested an average of 272 million US dollars in India, which is a significantly greater value and indicates their interest in India. From 2000-2001 to 2010-2019, German FDI inflows to India were 123 million US dollars. With 629 million US dollars in 2008-09 and 626 million US dollars correspondingly, 2009-10 saw the most FDI inflows in the country's history (Indo-German Chamber of Commerce 2019).

The amount of German FDI in Pakistan during the previous decade demonstrates that German firms have little interest in investing in Pakistan. As a result of its involvement in the "War on Terror," Pakistan's reputation as an investment destination may have deteriorated. The post-Musharraf period may have left this perception. As a result, bilateral commerce and investment are hindered due to a lack of institutional infrastructure. Meanwhile, there are no Pakistani direct investments in Germany. Because Germany and Europe have superb infrastructure, a highly-educated labour pool (and appealing government subsidies), Pakistani firms should start thinking about entering these markets. More than 500 Pakistani firms actively participated in 16 different exhibits in Germany in 2011, including some of the world's largest trade fairs. This is a great development for Pakistan's export sector. The number of German businessmen who visited Pakistan in 2020 was also higher than in 2019. An increase in the number of business travellers can help develop economic relations between the two countries.
Mehrere Abkommen, such as ones to avoid double taxation, secure investment, and one on social security will strengthen economic and corporate relations and remove potential hurdles to investment on both sides.

Business partnerships and ventures

It must be noted that Pakistani trading agents represent most German corporations in Pakistan. Most German enterprises are engaged in machinery, chemical and pharmaceutical products, tools, automotive equipment and related services, as well as related equipment.

About 35 German multinationals are active in Pakistan, according to our estimations (Mahmood 2012). Almost all of these businesses have their manufacturing facilities and offices in Karachi, while at least five more have combined with other corporations based in the port city. Lahore and Quetta are home to five more German businesses. The pharmaceutical and chemical sectors account for 55 percent of all multinational firms in Pakistan. The industry of electronics, with a part of about 20 percent, is the second largest area in the country. After the services sector (15%), transportation and textile machines each account for 5%.

Compared to Indian SMEs, German SMEs in Pakistan have a higher presence and are more active in Pakistan. 231 Pakistani agents represent the commercial activity of 565 German small and medium-sized enterprises. It is estimated that 71 Pakistani brokers represent 221 German manufacturers of electric and textile gear. It turns out that Pakistan's agents are most concentrated in Pakistan's machine industry, which is the largest sector represented by agents. Chemical, medicine, and pharmaceuticals are the second-largest product group. 50 Pakistani agents represent 132 German firms in this industry. Consumer goods are the third-largest industry. Manufacturing is the fourth-largest industry after steel, iron, and aluminium. Automobiles and technical equipment are the fourth-largest industry, with an average of two German firms represented by one Pakistani agent. The service industry includes banking, insurance, consulting, shipping, and the freight and cargo sector. It's practically one to one in this fifth-largest industry. The scientific, optical, and precision instrument industries make up the sixth and last sector. As a result, ten agents represent thirteen German firms in this area.

According to a German-Pakistani bilateral agreement signed in December of this year, the 1959 "Bilateral Investment Treaty" was the oldest and first global agreement of its type. However, due to EU rules, this pact has not yet been put into effect. As a result of the new pact, it is expected that Pakistan's economy would expand and develop at a faster pace. When the German Federal Government addressed financial investments in August 2009, opted to cover invested equity capital on a case-by-case basis but did not apply or contemplate a return guarantee cover. As part of its decision-making process, the government assesses investment initiatives based on project type, firm branch, and investment kind. As a result of this German involvement, the German business community should be encouraged to extend their investment connections with Pakistan.

Pakistan might also investigate the success tales of its neighbour India, instead of concentrating solely on promoting trade with Germany and other countries. Having provided open and fair market conditions for the economy of India?

There are more than 240 Indian firms that operate in Germany (mostly in Hessen and Bavaria) and many more that operate in the other direction. First, Indian firms entered the German market through corporate buyouts, acquiring enterprises such as Trevira Textiles, Betapharm Pharmaceuticals and Peddinghaus Forgings. Microsol, a joint venture between India and the United Arab Emirates, recently purchased a majority stake in an insolvent Berlin solar firm. However, Indian firms did not only join the German market through corporate takeovers, but also by creating their own subsidiaries and acquiring enterprises. This is according to a recent study which found that the number of Indian subsidiaries in Germany has increased from 194 as of August 2011 to 204 as of May 2012. With its Emerging Markets International Acquisition Tracker report published in April 2012, KPMG's looked at emerging market nations' investments and acquisitions in Germany between 2005 and 2011. Among developing market nations in Germany, India ranked first in terms of the number of trades. Russians (22%), South and East Asians (12%), Middle East and North Africans (12%), Central and Eastern Europeans (18%) and Indian companies (23%) made the biggest acquisitions in Germany (12 percent). (12 %) of the total population. Investments from India in Germany are mostly focused on the IT sector (35%).There has been an increase in foreign direct investment (FDI) into Germany in recent years (Tiwari 2012).

German-Indian business connections benefit from the software sector in both directions. Of all businesses, about 70% come from Information Technology (IT). Der Spiegel, a German publication, named India the most desirable offshore development site for German software businesses. Finance, textiles, mechanical engineering, pharmaceuticals and automobile subcontractors are other major industries for Indian firms in Germany. All of these trends suggest that Indian exports might rise in the medium future if successful diversification is achieved. When it comes to global competitiveness, companies and managers from India are viewed as genuine contenders for success.

On the other hand, Pakistani businesses in Germany are virtually nonexistent. The export sector may have benefited from the presence of nearly 500 Pakistani firms at some of the world's largest trade fairs, as well as participation in 16 different exhibitions. Problematic are Pakistani firms' inability to internationalise and diversify their economic base in addition to the country's persistent trade deficit, but they also present possibilities for developing enterprises overseas to earn surplus profits through growth. To enter these markets directly, one must invest and create joint ventures, as well as expand current customers and employ local workers. For the most part emerging economies are effectively globalising their industries and seeking out excess money. Pakistan's economy can also be stabilised by liberalising its foreign direct investment policy, which would encourage firms to enter European and worldwide markets. As a successful model for internationalising small and medium-sized enterprises (SMEs) and developing entry points to the German market, India can be used.

Developments during the Covid Phase

At a joint news conference in Berlin, German Foreign Minister Heiko Maas and Pakistani Foreign Minister Shah Mahmood Qureshi pledged to boost bilateral trade and investment. Mr Maas hailed Mr Qureshi's visit as a chance to establish new German investments in Pakistan. He praised the willingness of 35 German firms to invest in Pakistan. He said he had a good conversation with Mr Qureshi and that Germany wants to strengthen ties with Pakistan. On the other hand, Mr Qureshi welcomed fresh German investment in Pakistan, calling it a "great opportunity for German companies". He claimed Pakistan's foreign investment incentives will make the country a regional commerce powerhouse. He claimed Pakistan could benefit from German technology transfer and that electric car supply and manufacturing initiatives aligned with the government's environment strategy. He praised Germany for assisting Pakistan in gaining EU GSP Plus status and opposing politicisation of the Financial Action Task Force (FATF). According to Mr Qureshi, Pakistan's population of 220 million people would demand higher doses of Covid-19 in the future. On the growth of Germany, he remarked, adding that Prime Minister Imran Khan wanted to visit Germany. Mr Qureshi said he discussed methods to resolve visa bottlenecks with his German colleague. The beneficial influence of Pakistani diaspora in Germany was also discussed, he said. Qureshi said Germany had helped restore stability to Afghanistan and pledged that Pakistan will raise the matter at every venue, including the Istanbul Peace Process and the Doha Forum. Mr Maas praised Pakistan for helping to restore peace in Afghanistan and for housing 3 million Afghan refugees. Previous delegation-level meetings included commerce, energy, visa policy, and Afghan peace. (Dawn, 2021)

Conclusion

In recent years, Pakistan's economy has been severely strained. GDP growth has slowed and is likely to remain so, while inflation is expected to rise. International donors, notably the US, continue to drip feed Pakistan. Economic changes such as the revised general sales tax must be implemented to eliminate this reliance. In the recent decade, imports have constantly outpaced exports, resulting in a trade deficit. Pakistan's global trade share has shrunk. Pakistan's exports are too narrow and its economy is too undiversified. Because there are no internationalisation initiatives for Pakistani private businesses, this should be a policy problem. The economic recovery of the country is further hindered by the energy problem. Circular debts reduction, fuel subsidy structure deconstruction, transmission and distribution loss resolution and cultural transformation to combat robbery and non-payment are significant yet unresolved problems addressed by the Government.

The volume of German-Pakistani commerce has been stable over the previous decade and has space to grow (about 1.9 billion US$). The failure to diversify the country's export commodity basket contributes to the poor performance. As a result, Pakistan's EU exports are determined by supply rather than demand. Given these circumstances, fully utilising the recently granted GSP+ should be regarded seriously. Since 2000, German FDI in Pakistan has declined and now accounts for just a small percentage of overall foreign direct investment. Compared to German FDI in India, the interest is significantly larger. Direct Pakistani investment in Germany is non-existent. Moreover, Pakistan and Germany do not share a common "policy infrastructure" and its regional standing in Germany is either Middle Eastern or South Asian. These alternating regional foci result in a lack of concentration in policy-making.

Germany and Pakistan have a long-standing but tepid connection. Germany has increased its engagement with Pakistan in recent years, focusing on security and stability, capacity building, and promoting democratic administration. Following this shift in foreign policy, Pakistan gained prominence. Aside from concerns connected to disputes with Taliban organisations, this immediate attention waned with the commencement of military operations in Afghanistan. After 2004, German armament transfers to Pakistan rose quickly, making Pakistan the fourth most important non-NATO receiver in 2005. However, German exports to Pakistan remain negligible. Following recent talks between German and Pakistani authorities, a strategic agreement was signed in 2012. Until today, little implementation work has been done. Implementing these aims might significantly improve overall trade and investment ties.

German-Pakistani ties have generally mirrored EU positions and actions on Pakistan. The recent EU waiver (WTO) and associated trade diversification measures represent one of the most significant aspects of the EU-Pakistan cooperation. The German government backed these trade deals. The EU's discourse towards Pakistan has likewise emphasised security and democracy. In this sense, it reflects a component of the German-Pakistani dialogue. For Pakistan to reap the full benefits of this German-EU partnership, it must create and execute trade and investment policies. To improve bilateral trade, measures should be established to promote Pakistani SMEs in Germany.

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