

PAK-CHINA: ECONOMIC AND BUSINESS RELATIONS DURING THE PERIOD FROM 1991-92 TO 2000-2001

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ABSTRACT

The research article titled "Pakistan-China Economic and Business Relations" is written with the purpose to examine the position of Pakistan -China economic and business relations during the period from 1991-92 to 2000-2001.

Pakistan and China are bound through historical relationship and one of the most important neighbors and close friends. China is one of the leading business partner of Pakistan with trade volume of over \$1.5 million annually besides assisting Pakistan in developing its various sectors.

This paper is organized under the following different headings:

It begins with the introduction, in section 2, economic relations have been explained briefly. Section 3, business relations have been explained in the light of major export markets of Pakistan and major sources of imports. Section 4, Pakistan China trade and debt service payments on Chinese loan and finally conclusions have been drawn in section 5.

INTRODUCTION

Pakistan and China are close neighbors linked with common rivers and mountains. The Sinkiang province adjoins Hunza & Gilgit Pakistan was one of the first countries to recognize the People's Republic of China, on January 4, 1950. Diplomatic relations between the two countries was established on May 21,

1951. The best relations and friendship between the two peoples is of long standing. In this way China has remained a pillar of support for Pakistan, through many trying times. Our country has a longstanding relationship with China in economic and business fields and wanted to further expand the scope of corporation. Over the last half century Pakistan -China relationship has emerged as a model between our two countries through having different ideologies and socio political systems. Both countries have always been sympathizing, understanding and supporting each other and sharing weal and foe.¹

The Chinese government is very grateful for the strong and consistent support that Pakistan extends to China on a series of issues concerning the sovereignty of China such as human rights, Taiwan and Tibet, etc². The mutuality of interest and cordiality that developed in the 1960's over the years has become a permanent feature of our bilateral relationship. Pakistan is very keen to enhance economic and business relationship with China and China is a true friend indeed who has provided credible assistance in different sectors of the economy³. The Government of China has now expanded cooperation in the textile industry. The textile sector has also been making efforts to seek foreign investment in the shape of joint ventures and transfer of technology⁴.

ECONOMIC RELATIONS

Pakistan and China enjoy cordial and friendly economic relations. October 1st is the notional day of the People's Republic of China. Since the founding of the China 53 years ago, and in particular the introduction of reform and opening up policy more than 20 year ago, China has second tremendous achievements attracting world attention in economic build-up and social progress. The comprehensive national power of China has been greatly up-lift. Because China has become one of fast developing economies in the

world. From last 53 years, China's economy has been rising by around 7.7 percent annually, doubling the annual average growth rate of the world⁵. China's GDP in the year 2001, reached RMBY 9.5933 trillion (around US \$17 trillion), in this way China ranking second in the world and 1st in the developing countries in terms of economic aggregate. China is leading producer of many important agricultural and industrial products stood in the forefront in the world. China ranked first in cereal, meat, cotton, peanut, rapeseed, fruit, and, main industrial products are like steel, coal, cement, fertilizer, televisions set, etc.,. The out put of grain reached over 450 million tons and able to feed its 22% of the world population form just 7% of the worlds arable land.⁶

According to World Bank statistics, China's 2000 GDP was the sixth biggest in the world, following that of the United States, Japan, Germany, France and Britain. According to a report published by the United Nations International Trade Conference on global investment in 2001 nearly 400 of the world's top 500 transnational corporations have invested in China⁷.

It is evident from the above report that the country is becoming a production procurement and research and development base for more and more transnational companies, during the last eight years. China has attracted more foreign investment than any other country in the developing world.

The National Bureau of Statistics has reported that in 2002, China is likely to true in an extra US\$ 50 billion in direct foreign investment (DFI)⁸

According to the above facts and figures China is now recognized world wide as one of the fastest growing economies. In the first half of 2002 China's GDP grew 7.8 percent over the same period of last year. It is predicted that China is able to maintain an

annual economic growth rate of 5 to 7 percent in the coming 20 to 30 years. The living standard of the Chinese people has kept on improving. For example Cars, which used to be a symbol of social status, are rapidly finding their way into homes of the ordinary Chinese. For every 200 Chinese people, there was one car in 2000⁹.

China's foreign exchange reserve reached around US\$ 250 billion, ranking second in the world. The absorption of foreign investment ranked 1st in the developing countries for 9 consecutive years.¹⁰

China also provided Pakistan with assistance within its own means in the past. China provided credible assistance such as the Heavy Mechanical Complex, the Karakoram Highway, Kamra Rebuild Factory, Guddu and Jamshoro Power Stations and Chashma Nuclear Power Project, Heavy Engineering Complex. At present the projects decided by two governments such as the Gwadar deep sea port, Thar Coal Mine for power generation, Nuclear Fuel, Sainkak Copper and Gold Mine, while Oil Pipeline are conducting smooth¹¹. These projects have provided lots of employment opportunities for our peoples.

Pakistan -China have different natural resources endowments. They should specialize in the production of the goods and services in which they have higher natural resources endowment and should involve in business relations in the way that the production and consumption level would be higher for social and economic well being of both the countries. Pakistan stands in the category of developing countries, deficient in technology and endowed with natural resources of fertile agricultural land and raw materials.

BUSINESS RELATIONS

Business cooperation is an important component of the both countries. It has made great progress in the recent years. The bilateral trade volume has maintained around US\$ 1 billion in the recent five years. It stood at US\$ 1.396 billion in 2001, an increase of 20.2 percent over the previous year.¹²

In the first 7 months of 2002, the trade volume reached US\$ 1.039 billion, an all-time high. Till June 2002, the Chinese companies signed 633 contract of engineering projects, with a total contracted sum of over US\$ 4.8 billion and a turnover of around US\$ 4.2 billion, among which, the Chinese side has provided suppliers' or buyer's credit of over US\$ 1.7 billion.¹³ From Pakistan's perspective China is one of the important business partner. During 1990-91 to 2000-2001 Pakistan's major export went to 8 countries namely, USA, Germany, Japan U.K. Hong Kong, Dubai, Saudi Arabia and China. Among these countries, the share of Pakistan's exports to USA has been increasing persistently. The exports rise by 126% to USA in the year 2000-2001 when compared with 1990-91, while that of Japan exhibited a continuous decline, mainly on account of a protracted recession in the Japanese economy. The share of exports to Germany, UK, Hong Kong, Dubai and Saudi Arabia remained almost stagnant with some fluctuations over the last eleven years¹⁴. The share of our country's exports to China has been increasing year after year, after the year 1993-94. The share of exports to China increased by 232 percent in the year 2000-2001 when compared with 1990-91.¹⁵ as evidence is given in the table-I.

TABLE-1

MAJOR EXPORT MARKETS OF PAKISTAN (%SHARE)

Country	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
USA	10.8	12.8	13.9	14.4	16.2	15.5	17.7	20.5	21.8	24.8	24.4
Germany	8.9	7.1	7.8	8.0	7.0	6.8	7.5	6.3	6.6	6.0	5.3
Japan	8.3	8.3	6.8	8.0	6.7	6.6	5.7	4.2	3.5	3.1	2.1
U.K	7.3	6.6	7.1	7.8	7.1	6.4	7.2	6.9	6.6	6.8	6.3
Hong Kong	6.0	7.3	6.6	7.3	6.6	9.1	9.4	7.1	7.1	6	5.5
Dubai	2.8	4.4	5.9	6.3	4.0	4.7	4.6	5.0	5.4	5.7	5.3
Saudi Arabia	3.6	4.3	4.7	3.5	2.7	2.4	2.6	2.5	2.4	2.5	2.98
China	0.99	0.80	0.61	0.79	1.11	1.66	1.23	1.86	1.91	2.10	3.29
Sub total	48.69	51.6	53.41	56.09	51.41	53.16	55.93	54.36	55.31	57.1	55.09
Other	51.31	48.40	46.59	43.91	48.59	46.84	44.07	45.64	44.69	42.9	44.91
Countries	100	100	100	100	100	100	100	100	100	100	100

Source: Economic Survey (2001-2002) Government of Pakistan Economic Advisors Wing Finance Division Islamabad pp-91-97

Pakistan imports are highly concentrated in few items namely, machinery, petroleum & petroleum products, chemicals transport equipments edible oil, iron & steel, fertilizer and tea. These eight categories of imports, on average, accounted for about 75% of total imports in the 1990's among these categories, petroleum & petroleum products, machinery and chemicals accounted for almost 54% of total imports. Our country is trading with large number of countries but its imports are coming from few countries. Almost

above one-half of Pakistan's imports during the period form 1990-91 to 2000-2001 originated from 8 countries namely, USA, Japan, Kuwait, Saudi Arabia, Germany, U.K. Malaysia and China. By and large, the relative shares of import originating from these countries have remained almost with some fluctuations. The share of USA, Japan, U.K and Germany exhibited declining trends because of the declining share of capital goods in total imports the share of USA declined by 55%, share of Japan declined by 59%, share of U.K declined by 35% and Germany declined by 52% in this way share of Kuwait increase by 1171%, share of Saudi Arabia increased by 88.7 % and share of Malaysia and China remained almost stagnant with some fluctuations in the year 2001 when compared with 1990-91.¹⁶ Table 2 shows the evidence.

TABLE-2
Major Sources of Imports (%Share)

Country	90-91	91-92	92-93	93-94	94-95	95-96	96-97	97-98	98-99	99-00	00-01
USA	11.8	10.5	9.5	10.6	9.4	8.9	12.0	11.2	7.7	6.3	5.3
Japan	13.0	14.3	15.9	11.8	9.6	10.7	8.6	7.8	8.3	6.3	5.3
Kuwait	0.7	0.9	3.3	5.3	5.8	6.4	6.9	5.6	5.9	12.0	8.9
Saudi Arabia	6.2	5.2	5.4	5.4	4.9	5.9	6.0	6.1	6.8	9.0	11.7
Germany	7.3	8.0	7.4	7.7	6.8	6.8	5.6	5.2	4.1	4.1	3.5
U.K	4.9	5.5	5.2	4.9	5.1	4.4	5.0	4.1	4.3	3.4	3.2
Malaysia	4.0	4.2	5.1	5.5	8.8	7.2	4.7	7.1	6.7	4.3	3.9
China	5.06	4.32	4.23	5.13	4.40	4.61	4.55	5.05	4.18	4.57	4.89
SubTotal	52.96	52.92	56.03	56.33	54.8	54.91	53.35	52.15	47.98	49.97	46.69
Other	47.04	47.08	44.07	63.67	45.20	46.09	46.65	47.85	52.02	50.03	53.31
Countries	100	100	100	100	100	100	100	100	100	100	100

Source: Economic survey (2001-2002) Government of Pakistan Economic Advisors Wing Finance Division Islamabad, pp.91-97.

It is clear from table-2 that Chinese average share was 4.72%, in this ways China dominate on U.K in terms of percentage share of Pakistan Imports¹⁷

Pakistan has averagely exported to China Rs. 5336.36 millions and imported from China averagely Rs.17548.36 millions and balance in deficit was averagely Rs. 12212.0 millions during the period form 1990-91 to 2000-2001 as evidence is shown in Table. 3

TABLE -3

PAK-CHINA BALANCE OF TRADE

(Rs. Millions)

YEAR	IMPORT	EXPORT	BALANCE
1990-91	8658	1364	-7294
1991-92	9932	1378	-8554
1992-93	10928	1080	-9848
1993-94	13242	1619	-11623
1994-95	14131	2796	-11335
1995-96	18334	4895	-13439
1996-97	21170	4031	-17139
1997-98	22046	6954	-15092
1998-99	19487	7473	-12014
1999-2000	24416	9337	-15079
2000-2001	30688	17773	-12915
Total	193,032	58700	-134332
Average	17548.36	5336.36	-12212.0

Source: Economic Survey (2001-2002) Government of Pakistan Economic Advisors wing Finance Division Islamabad pp. 91-97

It is clear from above table-3 Pakistan has been in trade deficit with China during the decade of 90s in last year 2000/2001 its import from China stood at Rs. 30688 million as against the exports of Rs. 17773 million¹⁸. Pakistan earns one third of its total exports to China through textile yarn and fabrics, and other major items that our country exports to China are (1) petroleum and its products, (2) leather and leather manufactures (3) organic chemicals. (4) articles of apparel and cloth accessories (5) fish and (6) chromium ores and concentrates¹⁹

DEBT SERVICE PAYMENT ON CHINA'S LOAN

The terms of foreign loans and credits have significantly become harder over the years. The decade of the 1990's has seen substantial increase in external debt and foreign exchange liabilities. The growing external debt and foreign exchange liabilities have had serious implications for debt service obligations which squeezed the net inflow of resources available for developmental activities in the country. The large accumulated amount of China loans has increased the liability of debt service payment many fold. The table-4 shows the evidence.

TABLE-4

Debt Service Payment on China's Loan

US\$ Million

YEAR	PRINCIPAL	INTEREST
1990-91	13.732	4.5555
1991-92	17.657	9.940
1992-93	22.052	12.632
1993-94	22.448	10.670
1994-95	31.388	13.318
1995-96	50.862	26.641
1996-97	72.527	30.833
1997-98	72.356	32.643
1998-99	0.958	00.000
1999-2000	11.932	08.136
2000-2001	117.900	05.820
Total	433.812	155.188
Average	39.44	14.108
Increase over the period	759%	28%

Source: Economic survey (2001-2002) Government of Pakistan Economic Advisors Wing Finance Division Islamabad pp

It is evident from the table-4 that total China loan was US\$ 433.812 and interest was US\$ 155.188 and averagely it was US\$ 39.44 as principal and as interest it was US\$ 14.108 during the period from 1990-91 to 2000-2001.²⁰ The terms and conditions of the loans and credits were soft during the 60's and the 1970's as compared to the terms of the 1950's. During the 1980's and the 1990's these terms have been made some what more harder and these harder are not suitable for Pakistan's business & economy.

CONCLUSION

It is concluded from the above study that Pakistan has a long standing relationship with Peoples Republic of China in economic and business fields and wanted to further expand the scope of cooperation between the two countries. Pakistan's main exports to China have been cotton, cotton yarn textiles and leather etc. imports from China have been machinery, iron and steel manufactures chemical, sugar, petroleum and its products, medicinal products etc.

The volume or overall trade between China and Pakistan during study period shows that our country has on average exported to China Rs.5336.36 millions and imported from China averagely Rs. 17548.36 million and balance in deficit was averagely Rs. 12212 million. It is also clear from above study that the overall Pak-China balance of trade position during the above period remained under pressure because import is high & export is less. It is not in the favor of the country so Government of Pakistan must control on that luxury commodities which, are not necessary for the country. In this way Pakistan will improve balance of payment on the one hand and earn foreign exchange on the other hand.

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