

**PAK-SWITZERLAND ECONOMIC AND TRADE RELATIONS  
DURING THE PERIOD FROM 1982-83 TO 1994-95**

*Muhammad Ayoob Shaikh \**  
*Ghulam Rasool Jamali \**

**ABSTRACT**

The research paper on Pak-Switzerland and economic and trade relation is written with objective of reviewing the position of economic and trade relations of Pakistan and Switzerland. For this purpose data were collected from economic surveys, newspapers, and research journals. The study is from 1982-83 to 1994-95.

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**INTRODUCTION**

Pakistan and Switzerland are countries of remarkable contrast. Pakistan, until 14th August 1947, was a portion of Indian sub-continent; on that date it came into existence.<sup>(1)</sup>

The present Pakistan comprises of 4 provinces. Pakistan is a vast land with an area of 796.1 (000) square kilometers and a population of 128.00 million (1995).<sup>(2)</sup>

Switzerland is small land-locked country in the heart of Europe; consists of a total area of 41293 square km of which 75% is productive. The total population of about 6.3 million lives primarily in seven major cities of Switzerland. Approximately 61.2% of the population is employed in the services sector and remaining in manufacturing (33.2%) and agriculture (5.6%). It has no mineral resources, with the exception of hydroelectricity, and its economy is entirely dependent on foreign trade.

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\* Assistant Professors, Department of Commerce, University of Sindh, Jamshoro.

Pakistan is rich in mineral resources and has a domestic market, which consumes a lion's share of its produce. An other notable difference is that Switzerland imports half of its food needs while Pakistan is mainly self sufficient in agriculture product.(3)

The most significant difference between the two countries, which places Switzerland, in the category of "Developed Countries" and Pakistan in the developing countries, is their ability to export. Switzerland occupies the 14th position amongst the world's exporters while Pakistan is still endeavoring to make its mark on the world markets.(4)

These two countries, are located on two different continents of the world, have enjoyed an extremely cordial relationship since the 1950s.(5)

The traditional friendly political relations have provided the foundations for a meaningful economic cooperation and bilateral trade between the two countries. The Swiss government, which looked after Pakistan's interest in 1971 when diplomatic relations with India broke off has also played its part in promoting trade with Pakistan. It is now more than 30 years since the Swiss Government has been providing financial, technical, and humanitarian assistance to Pakistan. During this period Switzerland has given soft or mixed credits worth more than Swiss Frs.200 million.(6)

These soft loans have helped in bringing up the textile industry, the establishment of a machine tool factory in Karachi and the development of the industrial and power-sector starting in the mid-sixties. Swiss technical assistance has completed various projects and continues to develop a number of projects. The commercial relations between the two countries have progressed well today. Prestigious Swiss firms like CIBA

GIGY, Sulzer, ABB, Laroche and Nestle are prominent in Pakistan. The total bilateral trade in Swiss Frs. 350 million, although heavily tilted in favour of Switzerland.(7)

As the country is largely dependent on imported goods, the balance of trade usually remains negative. In 1991, the deficit was about \$ 4.9 billion. The country has trade relations throughout the world since 1980, Switzerland imports from the developing countries of Asia and Oceania have increased by 30% and are generally evenly distributed among raw material and semi - finished products, consumer goods and capital goods.(8)

It is believed that the actual value of Swiss imports from Pakistan is substantially higher than reflected in the figures furnished to the Government of Pakistan every year. It is reasonable to assume that actual Swiss import value from Pakistan are between two to three time higher than the official figure.(9)

The information concerning Swiss import from Pakistan during 1982-83 to 1994-95 can be had from the given Table-I on the next page.

The analysis of the data given in the Table-I shows that the Pakistan's export increased by 4.76% in 1983-84 when compared with 1982-83. It declined by 2.78% in 1984-85 when compared with 1983-84 and it increased by 7.53% in 1985-86 in comparison of 1984-85. In 1988-89 the export to Swiss was decreased by 11.41% when compared with 1987-88. Similarly it increased by 8.84% in 1989-90 in comparison to 1988-89 and again it increased from 2.39% in 1990-91 when compared with the export to Swiss of 1989-90. It declined by 3.5% in 1991-92 when compared with that of 1990-91.(10)

The study reveals that imports from Swiss increased by 40.49% in 1986-87 when compared with

1985-86. It decreased by 0.19% in 1987-88 when compared with 1986-87. It increased by 31.64% in 1990-91 when compared with 1989-90. It again increased by 37.63% in 1991-92 in comparison to 1990-91.

TABLE-I  
PAK-SWISS TRADE 1982-83 TO 1994-95  
Value in million Rs.

Year	Export to Swiss	% (+)(-)	Import from Swiss	%(+)(-)	Balance of Trade	% (+)(-)
1982-83	378	15.24	852	3.27	-474	45.40
1983-84	396	4.76	1182	38.73	-786	65.82
1984-85	385	-2.78	1257	6.35	-872	10.94
1985-86	414	7.53	1739	38.35	-1325	51.95
1986-87	641	54.83	2598	49.40	-1957	47.70
1987-88	868	35.41	2593	-0.19	-1725	-11.85
1988-89	769	-11.41	2775	7.02	-2006	16.29
1989-90	837	8.84	3325	19.82	-2488	24.03
1990-91	857	2.39	4377	31.64	-3520	41.48
1991-92	827	-3.50	6024	37.63	-5197	47.64
1992-93	943	14.02	5888	-2.25	-4945	-4.84
1993-94	1087	15.27	5350	-9.13	-4263	-13.79
1994-95	984	-9.47	7494	40.15	-6514	52.80
<b>Total</b>	<b>9386</b>		<b>45454</b>		<b>-36072</b>	
% Increase over the period	160.31		780.04		1274.26	

Source: Economic Survey 1995-96, Government of Pakistan, Finance Division, Economic Advisor Wing, Islamabad, Pp. 181-182.

The study further reveals that the balance of trade increased by 47.70% in 1986-87 in comparison to 1985-86, it decreased by 11.85% in 1987-88 when compared with 1986-87. It increased by 47.64% in 1991-92 when compared with 1990-91. Thus the export to Swiss increased 160.31%, import from Swiss increased by 780.04% and balance of trade increased 1274.41% in 1994-95 when compared with 1982-83.(11)

**DEBT SERVICES**

The debt services payments on Switzerland loan in 1992-93 increased by 9.299% principal and 169.47% interest when compared with 1982-83, as shown in the Table - II

**TABLE-II**  
**DEBT SERVICE PAYMENTS ON SWITZERLAND**  
**LOAN US \$ MILLION**

Year	Principal	% (+) (-)	Interest	% (+) (-)
1982-83	2.828	-	1.766	-
1983-84	2.774	-1.90	1.426	-19.25
1984-85	1.310	-52.77	0.748	-47.54
1985-86	1.391	6.18	0.628	-16.04
1986-87	0.356	-74.40	0.715	13.85
1987-88	0.110	69.10	0.918	28.38
1988-89	1.446	1214.54	0.758	-17.42
1989-90	1.722	19.08	0.924	21.89
1990-91	1.573	-8.65	1.322	43.07
1991-92	1.801	14.49	2.242	69.59
1992-93	2.098	16.49	1.506	-32.82
1993-94	2.841	32.69	4.012	22.99
1994-95	3.081	8.79	4.759	18.61
<b>Total</b>	<b>23.341</b>		<b>21.724</b>	
<b>% Increase over the period</b>	<b>9.299</b>		<b>169.479</b>	

Source: Economic Survey 1995-96, Government of Pakistan, Finance Division, Economic Advisor Wing, Islamabad, p. 208.

**DEBT SERVICING AND NET TRANSFER OF AID**

Pakistan's continued reliance on external borrowings has resulted in large accumulation of debt. Debt servicing has increased many folds over time and the net transfer of foreign aid as percentage of gross disbursement has declined. During the year the

estimated debt servicing of \$ 1519 million was slightly higher by \$ 6 million while disbursements were lower by \$ 125 million showing a decrease of \$ 131 million in net transfer of foreign aid as compared to 1991-92. Accordingly, net transfers as percentage of gross disbursements declined from 36% in 1991-92 to 32% in 1992-93.<sup>(12)</sup>

### **MAIN COMMODITIES SWISS IMPORT FROM PAKISTAN**

The export of hand knotted carpets and rugs remained stable in 1993, with export figures aggregating US \$ 7 million. The bed, bath and kitchen linen to the Swiss market was with a share of 28%. Pakistan's over all market share increased slightly in 1993, with an increase from 8.4% in 1992 to 11% in 1993. Pakistan's major contribution comes from bed linen export. The study reveals that in 1993, overall Swiss import of leather and leather products were somewhat lower than that of 1992. Pakistani exports remained stable at US \$ 2.4 million, with a small increase in market share to 1% compared to 0.9% in 1992.<sup>(13)</sup>

The study further reveals that Pakistan's exports of sports ball to Switzerland decreased by 6% in 1993, but the overall trend still looks extremely positive. The 1993 were an excellent year in term on seizing the market niche and it dominated the market with an overall market share of 26%. After an astounding increase in total export values of 250% in 1993, it is not at all alarming to notice that Pakistan's exports of dried mushrooms in 1993 decreased by a slight 10%. The study ascertained that the majority of Switzerland vegetable and vegetable product imports from Pakistan were in the form of mucilage and thickeners made from vegetables products, or guar seed. Pakistan once again excelled in this sector, recording a total increase of 51% in terms of

US \$, i.e. \$ 559 million in 1993, over \$ 370 million in 1992. The market share was equally promising at 12% over a near 7% for 1992. The Switzerland continues to import a huge amount of ready-made garments, the total \$ 5.5 million worth of garments exported by Pakistan to the Swiss market, a little more than half are knotted and the others woven. Pakistan's total exports did, however, increased by 15% over 1992. Pakistan still fails to produce cotton yarn and fabrics to the quality standards required by Swiss textile manufacturers. Despite of dwindling demand, Pakistan still managed to slightly increase its exports figures, with total of US \$ 5 million, 11% up over 1992. The market share, however, remained at 10%. The Swiss exports gemstones in 1993 \$ 256000 and Pakistan's share of total Swiss exports in 1990 was 7% (Precious stones Rubies, Sapphires and Emeralds). The study further ascertained that the Pakistan's surgical instrument lacked in terms of sophistication. However, the Swiss still imports a good deal of elementary instruments, such as tweezers and pliers etc, from Pakistan. Bearing this in mind, Pakistani exports of surgical equipment increased 6% in 1993 in terms of US \$. As of 1991 the Switzerland imports virtually to more raw cotton from Pakistan. The amount of cotton waste imported by Switzerland from Pakistan is for the movement negligible as virtually all of this product is supplied by Germany and France (49% and 19% respectively in 1993). Although export figure for cotton waste are still very low, it is expected that Pakistan export in this sector will gradually rise in the next few years.<sup>(14)</sup>

## CONCLUSION

It is concluded from the above study that Pakistan and Switzerland, both are remarkable contrast. Switzerland economy is entirely dependent on foreign

trade. But Pakistan's major reliance is on export of cotton commodities, hand knotted carpets, rugs and leather products, which is not sufficient for foreign exchange. Our country must take efforts to produce value-added products. Further focus should be shifted to other items, which are available in large quantity and have scarcity in Switzerland. In this way, the balance of trade will remain positive on one hand and earn foreign exchange on the other hand.

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