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Pakistan-Germany Economic Ties in The 21st Century

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ABSTRACT

The term of economic relationship between Pakistan and Germany in the 21st century is examined in this study and how Pakistan has moved from the traditional trade relationship to a wider strategic partnership. Germany is still Pakistan's biggest trading partner in the EU with bilateral trade valued at €3.3 billion in 2024. While labour-intensive industries like textiles, leather, surgical products and sports goods dominate Pakistan's exports, Germany's exports are more concentrated on machinery, chemical and pharmaceutical products required for the industrialization of Pakistan. One of the significant milestones was the EU GSP+ status granted to Pakistan in 2014, which gave Pakistan duty free access and led to a substantial increase in Pakistani exports to Germany. In addition to trade, German Foreign Direct Investment and development cooperation via GIZ and KfW have been involved in the fields of renewable energy, climate resilience, vocational training and infrastructure. Additionally, the study points to new opportunities for cooperation, such as in IT, the generation of green hydrogen, and technology transfer. The partnership has a good potential of sustainable development and growth in the fields of economy and innovations despite the governance, security and investment climate problems.

Introduction

Pakistan's relations with Germany have greatly developed through their multiple times since the last 70 years. Germany has become and still is one of Pakistan's most important partners in Europe, and has by no means been an exception. The 21st century, however, has seen changing times and with that an increase in economic cooperation between the two states such as foreign direct investment (FDI), development cooperation, and collaboration on global matters of significant concern (Xoldarova, 2024). The main aim of this chapter is to bring together the major trends and obstacles to the economic ties of Pakistan and Germany in the 21st century. The primary concern of this research study was to explain how the cooperative economic ties of Pakistan and Germany have shifted from the overall traditional buying and selling economic ties to competitive, cooperative economic ties which have developed into strategic partnership ties. The strategic economic partnership of Pakistan and Germany, as a result, developed to a great extent due to the changing geopolitical arrangements which compelled trade as well as Pakistan's strategic role in this respect (Jahanzaib & Khan, 2024). In the long-established trade relations between Germany and Pakistan, development support has played a significant role. Germany is one of the key players in the European Union (EU) and has been one of Pakistan's Key trading partner in the bloc (Staníčková, Melecký, Doležanová, & Powadová, 2020).

This economic dialogue is not solely transactional, but is done using bilateral agreements and common understanding of promoting sustainable development. There was continuous growth in the trade volume during the initial years of this century, especially Pakistan's trade to Germany in Textile and Leather industry (Mazhar, Ghuri, Aijaz, & Hayyat, 2023). At the same time, German machinery, chemicals and pharmaceuticals also had a ready market in Pakistan to help its industrial and technological development (Niazi & Saeed, 2022). German Foreign Direct Investment (FDI) has a vital role in the Pakistan's economy besides trade. How have German companies built a strong employment presence? Which technologies have they implemented, and in which sectors have they been invested? How are bilateral investment treaties and other investment frameworks facilitating investments? What is the impact of the German private sector development policies? Which challenges are associated with the lack of stability and ease of doing business in the region? How have the GIZ, KFW, and other German development cooperation initiatives addressed Pakistan’s development priorities? How have these cooperation’s addressed climate change? Which priorities of the German Global Sustainability Policy have been addressed? An analysis of the trading and investment patterns will allow consideration of the impact of policy frameworks, especially the most important and the most discussed of these frameworks, the EU GSP+ (Generalized System of Preferences). Furthermore, Germany's Indo-Pacific strategy and the German-Indian partnership for this area will be analyzed, chosen research focus areas of the German-Pakistani partnership in the Indo-Pacific region, and points of interests will be further explained. These focal points will provide the framework to identify the stress points and the strengths of this partnership and provide a basis to identify opportunities for further development of this important economic partnership.

Literature Review

In the article “Pakistan-Eu trade dynamics: An examination of economy challenges and opportunities in the view of international relations” author focused on the Pakistan-Eu economic relations in the era between 2013 and 2023, and they have discussed it in the context of David Ricardo's comparative advantage theory. It points to the fact that in 2014, Pakistan became a Generalized System of Preferences or GSP+ which conferred upon the country a strengthening sell-off based on a preference access through 27 international agreements on governance, human rights and environment. This has certainly helped Pakistan in a big way, but the export basket is very small, untapped and not competitive. The analysis and policy implications share lessons learned and suggest that policies can support export diversification and competitiveness to further develop the relationship with the EU and sustain economic ties (Malik, Arshad, Imran, & shah, 2025). Focus on export growth under the GSP+ does not address the gap in informativeness of the study of long-term sustainability of the export growth along with sectoral plan to maintain sustainability and competitiveness in Pakistan-EU trade.

The study by Younis and Bin Li (2025) “Exploring the Influence of GSP+ Status on Pakistan’s Agro-Based Exports to the European Union: Insights from PPML Estimation” examines the impact of the European Union’s Generalized Scheme of Preferences Plus (GSP+) on Pakistan’s agricultural exports to EU member countries. Using panel data from 2004 to 2022 and applying the Poisson Pseudo-Maximum Likelihood (PPML) estimation technique, the authors analyze trade patterns and evaluate how preferential trade access has influenced export performance. The findings indicate that GSP+ status has significantly enhanced Pakistan’s agro-based exports by reducing tariff barriers and improving access to European markets. In particular, countries such as Italy, Spain, the Netherlands, Belgium, and France have shown notable increases in imports from Pakistan. The study also identifies key export commodities, including cereals, sugar-related products, fish, and other animal-origin goods. However, it highlights structural weaknesses in Pakistan’s export sector, such as limited product diversification, low value addition, and dependence on primary commodities, which restrict long-term competitiveness in global markets. Overall, the study concludes that while GSP+ has played a vital role in strengthening Pakistan–EU trade relations, sustained benefits require policy reforms, industrial upgrading, and export diversification. This research is relevant for understanding the broader economic dimension of Pakistan–Germany relations within the EU trade framework (Younis & Li, 2025). The study focuses on Pakistan–EU agro-based trade under the GSP+ framework and does not provide a country-specific analysis of Germany’s role within EU imports from Pakistan. It also overlooks the non-agricultural sectors and broader strategic implications of Pakistan–Germany economic relations.

The study by Shad, Malik, and Rashid “Pakistan’s Economic Relations with the European Union (2013–2023): Challenges, Opportunities and Policy Lessons” analyzes the evolution of Pakistan–EU economic relations, particularly under the Generalized System of Preferences Plus (GSP+) scheme. The authors explain that the European Union is one of Pakistan’s most important trading partners, with a significant share of Pakistan’s exports, especially textiles, directed towards European markets. The study highlights that the GSP+ status granted in 2014 played a crucial role in expanding Pakistan’s exports by providing tariff-free or reduced-tariff access to EU markets. However, the authors also identify several structural challenges limiting the full potential of this relationship. These include Pakistan’s limited export diversification, dependence on low value-added goods, and lack of competitiveness in global markets. The study further notes that while Pakistan benefits from increased trade opportunities, imports from the EU mainly consist of high-value machinery and industrial goods, creating an imbalance in trade structure. Using economic theories of comparative advantage, the authors argue that Pakistan needs to improve industrial capacity and diversify its export base to sustain long-term benefits. Overall, the article concludes that although Pakistan–EU economic relations have strengthened significantly in the last decade, there is still considerable room for improvement through policy reforms, better industrial planning, and enhanced trade competitiveness (Shad, Malik, & Rashid, 2025). The study focuses broadly on Pakistan–EU economic relations and does not provide a detailed analysis of Germany's specific role within this framework. It also overlooks the sector-specific impacts of trade relations on Pakistan–Germany bilateral cooperation.

In this article "GSP+ Concessions Export Diversification, GSP+ Concessions, and Trade Balance Dynamics: Evidence from Pakistan–EU Trade Relations" author examine present study (2025) reviews the effects of European Union Generalized Scheme of Preferences Plus (GSP+) on export performance, export diversification and trade balance of Pakistan. In this empirical study, the authors examine the impact of preferential tariff reductions granted under the GSP+ on the competitiveness of Pakistan's exports based on the trade data from Pakistan and the EU since Pakistan joined the scheme in 2014. The study reveals that exports of Pakistan to the European market have increased hugely under GSP+ in sectors like textiles and garments which have been directly benefiting from reduced tariff barriers and are other labor-intensive sectors. The authors uphold the thought that preferential market access has positively helped in strengthening Pakistan's trade position with the EU and also has a plus effect on the bilateral trade equation. The study points out in the same breath that Pakistan's export diversification holds restricted value as the country continues to be dependent on a few traditional export items. This concentration aggravates exposure to external economic shocks, variations in international demand and EU trade rules. The study highlights the need for domestic structural reforms to complement preferential trade arrangements for sustainable export growth. The authors advise on increasing the productivity in industries, drafting innovations, creating a better product quality situation, developing value added manufacturing, and tightening up compliance and standards of International Labour Union, Environment, and Quality. Additionally, they emphasize the need to nurture emerging export industries, boost technologies and attract investments in human resources to make Pakistan more competitive on the longer term (Hamza, Ahmed, & Ali, 2025). The study concludes that while GSP+\'s trade benefits offer significant opportunities to increase Pakistan- EU bilateral trade and export earnings, comprehensive policy reforms to diversify Pakistan's exports from agriculture and to modernize its industries and enhance integration to the global value chain are needed to achieve sustainable economic development. However, the study has neglected Germany's role as a partner in Pakistan's economic relations, development cooperation, and strategic influence.

The study by Khan and Sattar (2024) "Panel Cointegration Analysis of Pakistan's Trade: Linkages with Regional and EU Economies" examines the long-term trade relationships between Pakistan and its major regional and European trading partners using a panel cointegration econometric approach. The authors analyze trade data over a defined period to understand the structural dynamics influencing Pakistan's trade performance with the European Union and neighboring economies. The findings indicate that Pakistan's trade is significantly influenced by long-run economic integration with EU markets, where factors such as GDP growth, exchange rate stability, and trade openness play an important role in shaping export and import flows. The study highlights that European Union countries, including major economies like Germany, contribute substantially to Pakistan's export demand, particularly in textiles, agricultural products, and value-added goods. However, the research also identifies persistent structural weaknesses in Pakistan's trade system, such as limited export diversification, reliance on low-value commodities, and vulnerability to external economic shocks. The authors argue that stronger institutional frameworks, improved industrial competitiveness, and diversified export strategies are necessary to enhance Pakistan's trade sustainability (Khan & Sattar, 2024). Overall, the study provides important empirical evidence on Pakistan's integration with EU markets and offers useful insights for understanding the broader economic dimension of Pakistan–Germany relations within the European trade network.

Bilateral Trade Dynamics

In the 21st century, the trade relation between Pakistan and Germany has undergone a dynamic evolution and has experienced continuous growth with a notable trade surplus in favor of Pakistan (Yeo & Deng, 2019). The commercial relations between Germany and Pakistan are very strong and Germany is the most important trading country of the European Union with Pakistan. Overall bilateral trade volume has experienced a steady increase over the last 20 years, it amounted to around €3.3 billion in 2024. Temporal analysis of the volume of trade over the last 25 years (2000 – 2024) indicates that trade has been on the rise, but its growth shows some variations depending on the overall economic conditions and developments in the region and world (Michalczuk, 2021). For example, the trade balance of Pakistan with Germany for January 2026 was €157 million which was positive for Pakistan as their imports were valued at €68.1 million (against exports valued at €225 million). This very positive difference illustrates the competitive edge of Pakistan in selected sectors and the great need of German products in Pakistan. Germany remained Pakistan's most important trading partner in the European Union in 2024. It was Pakistan's greatest export destination in the EU, receiving US$1.72 billion (19.2% of total exports to the EU), as well as the main source of imports from the EU, totaling US$711.1 million (22.5% of all EU imports). These data underscore Germany's key role in Pakistan-EU trade relations (Amir, 2025). Strengthening negotiation capacity and mutual understanding can enhance bilateral trade cooperation and reduce barriers in international commercial relations, including those between Pakistan and Germany (Ott, 2016).

The way in which Pakistan and Germany conduct trade also sheds some light on their economic structures and industrial systems. The majority of labor-intensive goods exports from Pakistan to Germany include manufactured goods, notably textiles and apparel (Parvez , Amjad, Zubair, & Albarrak, 2024). Other essential export goods include leather products, surgical instruments, and sports equipment. Having the requisite trained manpower and the established manufacturing facilities, these industries have historically served as the cornerstone of Pakistan's export economy (Shabir, Noureen, Tanzeel, & Hussain, 2024). The quality of these products is strong enough to maintain Pakistan's competitive edge in the German market. Conversely, German exports to Pakistan are primarily higher value industrial and technological goods (Fu & Khan, 2024). Pakistan's industrial and technological advancements, as well as its infrastructure and healthcare, will depend on Germany, as they provide the requisite goods and services, in a competitive marketplace.

German machinery and equipment have been in demand, showing that Pakistan is continuing on their path of industrial modernization and capacity building. Understanding cultural differences and adapting negotiation strategies can improve bilateral trade, investment, and institutional partnerships between Pakistan and Germany. The key limitation that has contributed to the improvement of Pakistan's export to the EU and hence to Germany has been the European Union's Generalized Scheme of Preferences Plus (GSP+) Company received in 2014 (Aslam, 2024). The FTA with EU gives duty free access to Pakistan market for around 66% of its scheduled tariff lines. German government has been an enthusiastic promoter of Pakistan's GSP+ status and its potential to promote economic growth and stability in Pakistan. The effect of GSP+ on Pakistan's textile exports has been very interesting as its market access has increased", Pakistan's competitiveness in the sector has also improved in a significant way. Research indicates that GSP+ has given the much-needed request position that has enabled Pakistani exporters to improve their market footprint in European markets (Shabir, Noureen, Tanzeel, & Hussain, 2024). Receiving continued status is an important part to ensure the export-driven growth of Pakistan with the EU.

The pre GSP+ Era (2000-2013)

The period in between 2000 and 2013 was of slow yet limited economic involvement of Pakistan in Germany. Bilateral trade in this period has been steadily increasing, with Pakistan's major exports to Germany being textiles, leather, sports goods, surgical instruments and agricultural commodities whilst Germany's exports to Pakistan were in the field of machinery, automobiles, chemicals, pharmaceuticals and industrial equipment. Despite the Germany's importance as a trading partner within the European Union, overall EU-Pakistan trade relationship was considered as moderately growing due to the lack of preferential market access for the exports from Pakistan to the EU. When the Pakistani products were sold in European markets, they had to pay normal regime tariff which made them less competitive as countries getting preferential trade and tariff regime had the advantage of paying lower rates of tariff. In addition, Pakistan was highly concentrated on exporting low value-added textile products and the lack of industrial diversification and technological progress, coupled with energy shortage and inconsistent trade policy, also hampered exports performance (Bank, 2013). However, German investment in Pakistan during the same period was also on the low side due to issues of political instability, security challenges, governance, and an unpredictable business environment. Pakistan's major exports comprised raw materials and simple manufacture and Germany exported industrial machinery. Germany imported around €100 million worth of goods from Pakistan on average every month during 2000, marking a total of about €1.2 billion per year. This had increased to about €1.5 billion in 2010 per year on average. (Invest, 2025).

The post-GSP+ Era (2014–2024)

A major milestone in the bilateral economic cooperation between Pakistan and Germany was the granting of European Union's Generalized Scheme of Preferences Plus (GSP+) to Pakistan in January 2014. The preferential trade agreement enabled the Pakistan exports to enjoy duty-free (or reduced) access to the European market, and enhanced the competitiveness of Pakistani exports across the European Union, especially in Germany, which is Pakistan's biggest export market in Europe (Commission, 2023). Due to this, there has been a significant rise in the export of Textiles, Garments, Home Textiles, Leather Products, Sports Goods, and Surgical Instruments, which increased export revenues and strengthened integration in the European value chains. Bilateral trade grew significantly during this period, indicating a high level of interdependence of the commercial ties of the two countries. Germany further kept on exporting high-value added manufacturing and industrial products to Pakistan, such as machinery, electric equipment, chemical, automobiles and engineering technologies, thereby playing its contribution in industrial modernization and manufacturing capability of Pakistan (Invest, 2025).Development cooperation was not only diversified, but also around climate resilience, renewable energy, vocational education, digital transformation, governance reforms, and sustainable economic development, as well as further expansion of trade. Germany extended its long-term partnership with Pakistan by investing in development initiatives and institutional development efforts through bodies like GIZ and the KfW Development Bank (GmbH, 2025). Nonetheless, there were still some challenges to be addressed such as Pakistan's reliance on textile exports, the lack of diversification in their export basket, compliance with GSP+ criteria and comparatively low amounts of German FDI in Pakistan. The post GSP+ period has, however, substantially changed bilateral economic relations, with an improved trade environment, institutional cooperation and the opening up of new trade possibilities, investment and technology transfer and opportunities for sustainable development. The last ten years of 2014-24 marks the most exciting development of the economic partnership between Pakistan and Germany, which has steered in stronger direction towards their long-term strategic economic partnership.

Foreign Direct Investment (FDI) and corporate presence

Foreign Direct Investment (FDI) by Germany has been important, albeit in some cases ignored, part of the economic relationship in the twenty first century with Pakistan. The amount of German investment in the country may be small in comparison to other major investment countries, but the impact of German FDI in Pakistan in terms of transfer of know-how, skill transfer and also adopting international standards is quite big (Zain, 2019). The presence of German investors in the country has seen investment worth of more than €2.3 billion (Ali & Shaheen, 2019). German investment goes various ways, according to the interests and capacities of German enterprises. Certain dominant players are active in the German matrix in Pakistan in various sectors. Global companies like Siemens, a leader in electrification, automation, and digitalization for the energy sector, have played a key role in the construction of Pakistan's energy infrastructure (Ayaz, 2025). Chemical and pharmaceuticals firm, BASF and Bayer, have been making big impact on the agricultural and healthcare sectors of Pakistan with their products and activities in Pakistan (Moschogianni, 2021). Metro Cash & Carry, an internationally renowned wholesale firm has swept over the retail and wholesale industry in Pakistan with modern supply chain management and business practices (Khan, Mubarik, Kusi-Sarpong, & Alam, 2020). Merck (pharmaceutical) and Lufthansa (air cargo and services) are all other prominent German companies that also shape the economy and offer jobs (Freedom, 2021).

These foreign multinationals bring in capital investment as well as technologies, management knowledge and training that enhances the capacities and competitiveness of local. The legal regime that governs, and is attractive to foreign investors, is likely to impact these investments. In this regard, there is a Bilateral Investment Treaty (BIT) between Pakistan and Germany, which was signed in 1959 and amended (Development, 1959). This treaty ensures strong legal backing for the promotion and mutual protection of investments and guarantees German investors a fair and equitable treatment, protection against expropriation and dispute resolution mechanisms.

These are amongst the first BITs in the world, demonstrating Germany's pioneering role in setting international investment protection standards as far back as in history (Macdonald, 2021). This agreement reduces risk and uncertainties of investment, which are crucial to obtaining long-term investment commitments. Regardless of the positive impacts, German FDI in Pakistan has faced challenges in throughout the 21st century (Gul, 2025). Political uncertainty and security issues have at times been a hindrance to potential investments or impacted existing businesses.

Cooperation and Strategic Partnership for Development

Development cooperation is also a very important aspect of Pakistan-Germany relations and has significantly changed in the 21st century, reflecting current challenges like energy security, climate change and human capital development (Banuri, Almazroui, Kahan, Saeed, & Sen, 2018). Germany, through its implementing bodies such as the Deutsche Gesellschaft für International Zusammenarbeit (GIZ), the KFW Development Bank, etc. has wholeheartedly contributed to the socio-economic development of Pakistan and ensures that the support provided to Pakistan is in accordance with national development priorities and Sustainable Development Goals (SDGs) (Hussain, Musa, & Ali, 2018). GIZ and KfW are facilitating Pakistan's transition to climate change in multi-dimensional ways through technical, financial and capacity building services in a range of sectors (Ullah, Bhutta, Asghar, & Nadeem, 2025). GIZ works on increasing institutional capabilities and sustainable development by giving advisory services and training. KFW, on the contrary, offers various kinds of loans (concessional loans) and subsidies for the execution of infrastructure projects, especially in the energy and water sector. Pakistan's efforts to diversify its trade partnerships and strengthen regional connectivity create opportunities for broader international economic cooperation, including with Germany (Khan, 2023).

Renewable energy and climate change mitigation have been one of the most notable sectors for cooperation in the 21st century. Climate change poses a severe threat to Pakistan, whose climate is highly susceptible to the effects of climate change, and Germany, a leader in renewable energy technologies takes this challenge to Pakistan seriously (Saleem, et al., 2024).Pakistan's high vulnerability to climate change highlights the need for stronger international cooperation in renewable energy, climate resilience, and sustainable development, creating opportunities for enhanced collaboration with Germany. Germania has given significant financial and technical assistance to projects for greater capacity in Pakistan in the areas of renewable energy, including hydropower and solar energy (Bukhari & Syed, 2025). A recent example is a €18m grant agreement under which Pakistan's northern provinces have been provided to support hydropower and renewable energy development projects in the country (Ministry of Economic Affairs, 2026). Moreover, German firms such as Siemen sag are participating in the building of strategic energy infrastructure, including substations, which will play a crucial role in ensuring an efficient and climate-friendly energy supply in Pakistan (Duan, Khurshid, & Călin, 2021).

Another critical area of German development cooperation is vocational training (TVET). By realizing the importance of a skilled workforce for economic development, Germany has taken proactive role to promote the reform and modernization of TVET sector in Pakistan (Ali & Karsidi, 2024). The TVET Sector Support Programmer is to address the quality issues of technical and vocational education and make it relevant to the job market to help increase the employability of the youth in Pakistan, and is funded by Germany, the European Union, the Netherlands and Norway (Zusammenarbeit, 2017). Further indication of strength of the partnership is seen in recent financial commitments. In November 2025, Pakistan and Germany agreed on a partnership (2025-26) for the granting of development cooperation funds worth €114 million (Ministry of Information and Broadcasting, 2025).

Pakistan has been facing challenges in the ease of doing business in the country which has been riding on the edges of bureaucratic hurdles, regulatory complications and infrastructure gaps despite attempts by the government to improve the investment climate (Javed & Ijaz, 2022). Moreover, geopolitical dynamics in the region have shaped the perception of Pakistan as an investment destination (Ghafoor & Rehman, 2025). German new FDI inflows in Pakistan during the last decade showed the short-term interest of the German firms, since during this period Pakistan was not in a favorable position due to the “War on Terror” (Sayed, Hussain, Ahmed,Donoghue, & Frisvold, 2024). Recent activities of both governments, such as through Pakistan-German Business Council of FPCCI, however, continue to work towards tackling these issues and improving the investment climate of Pakistan (Fahle & Trost, 2023).

Information Technology (IT) is a new opportunity for partnership in Pakistan. As far as the Pakistani IT services and software development is concerned, there is a potential to develop an industry capable of providing IT services and software development to the German investments and partnerships, because Pakistani workforce is highly educated and young (Ali & Karsidi, 2024). In the same vein, Green Energy and Technology Transfer is also a logical fit to the superbly developed capabilities of Germany, as well as the increasing energy conservation and climatic changes needs and commitments of Pakistan (Ayaz, 2025). This also includes broad energy efficiency, waste management and sustainable urban development initiatives as well as the sharing of knowledge, skills and experiences.

Moreover, Germany's expertise in high-tech manufacturing and engineering can help in modernizing the industry in Pakistan. One of the opportunities where value addition of manufacturing capacity and integration of Pakistan in the global value chains could be strengthened is through arrangements such as joint ventures and technology licensing (Hassan & Anees, 2024).The opportunities that have arisen are a result of the ongoing dialogue between the two countries, primarily via diplomatic channels and business councils, and serve as a platform for finding them and harnessing them to keep the economic partnership growing and adapting to the changing global landscape.

Sectoral Economic Cooperation

Apart from the standard economic cooperation through trade, Pakistani-German relations have been diversified in the 21st century in terms of sectoral economic cooperation and bilateral cooperation in this regard is now an important dimension of Pakistani-German relations. Cooperation has grown beyond textiles and manufacturing to encompass several other areas, such as renewable energy, vocational education, climate change, information technology, and industrial development. Such a diversification shows the two countries' commitment to the promotion of sustainable economic growth, technological progress and long-term development. Germany is still among the key trading partners of Pakistan in the EU countries and Pakistan has become an important exporter of textile, surgical equipment's, specially sports goods gears, leather and agri products among the German supply market. Germany, meanwhile, sells machinery, cars, chemical and pharmaceutical compounds, and industrial machinery and equipment, which help Pakistan modernize its industry and boost its economy (United Nations Statistics Division, 2025).After obtaining the GSP+ status in 2014, the textile and apparel industry is the biggest part of bilateral trade. A preferential market in Europe had a positive impact on the competitiveness of Pakistan textile products and resulted in higher export earnings. German machinery and some advanced production technologies have also helped to boost productivity, quality norms and the technological capacity of the Textile Industry in Pakistan (Invest, 2024). Likewise, the Pakistan's sports goods and surgical instruments (made at Sialkot) are well-known in the German market for quality and international standards, which also boosts trade between these two nations

In addition to trade, Germany has been actively contributing to the sustainable development of Pakistan through its efforts in the fields of renewable energy, climate resilience, water management, and technical and vocational education. German Agency for International Cooperation (GIZ) and KfW Development Bank have adopted development initiatives in favor of renewable energy, workforce capacity development, institutional infrastructure and environmental sustainability (GmbH, 2025). Both countries have also in recent years talked about potential cooperation in digital transformation, the information technology, innovation and green hydrogen – topics that have gained importance in the global economy. These new fields of cooperation offer scope for technology transfer, investments, sustainable industrial development and reinforce the economic partnership in the long term. Overall, sectoral economic cooperation has significantly deepened relationships between Pakistan and Germany, creating opportunities in traditional and emerging sectors for both countries and taking a contribution to economic growth, sustainable development, and strengthening ties between the two countries.

Conclusion

In the 21st century economic partnership between Pakistan and Germany has been robust and dynamic, not limited to traditional trade but extends to a triple-layered strategic partnership. This process includes trade volumes continuously growing and the important role of sustained German Foreign Direct Investment as well as significant development cooperation with a German preference for sustainable development and mutual prosperity. Germany has been the largest trading partner within the European Union (EU) all throughout Pakistan's trade relations with the EU and since the EU has awarded Pakistan GSP+ status which offers Pakistan preferential access to European markets, so, the trade between the two countries is moving towards export-led growth in Pakistan and the EU market, especially the text emanating from the Pakistani fabric industry. Cooperation between the two countries has been ongoing and can be explained by the theoretical models of neoliberal institutionalism or economic interdependence.

Bilateral agreements have created a stable and predictable environment for the economic players, reduced risk and increased confidence, including the Double Taxation Agreement and Investment Protection and Promotion Agreement. The major German companies that are being established in Pakistan, such as Siemens, BASF and Metro Cash & Carry, are not only giant investments, exceeding €2.3 billion, but can also provide opportunities for technology transfer, transfer of skills and international business practices. Development cooperation, especially via GIZ and KfW has played a significant role in meeting the critical development needs of Pakistan. German support in the field of renewable energy, climate change mitigation and vocational training (TVET) has directly contributed towards achieving energy security, environmental sustainability and human capital development in Pakistan. The recent commitment of €114 million (approximately Rs 2 billion) in 2025-26, pledged by Germany as part of its development cooperation efforts for Pakistan, further highlights the comprehensive efforts being made to ensure Pakistan's long-term development and stability. These can be seen as part of an overall package, in which Germany's knowledge and resources are being put to serve Pakistan's developmental goals.

But the partnership is by no means easy. But as political governance, security and ease of doing business in Pakistan have required continuous progress at times, the enthusiasm of economic engagement sometimes wanes. Regional geopolitics can have an impact, as perceptions and investment decisions dictate that. However, there are opportunities available, despite all these obstacles. The areas where greater collaboration is possible include the growing Information Technology (IT) industry in Pakistan, the potential of Pakistan in Green energy and technology transfer in advanced manufacturing. Germany's Indo-Pacific Vision further reinforces the significance of Pakistan's strategic and economic role and indicates that the Germany-Pakistan relationship could move towards deeper strategic and economic collaboration in the future.

Going forward this partnership will have to be worked on in order to be strengthened by both parties. But in Pakistan's context, continuous efforts for good governance, uniformity in the regulatory regime and comprehensive investment climate will play a pivotal role. It will be important for Germany to continue to support trade preferences and boost investment into the key growth sectors. Strategic dialogue process is not halted and business councils are engaged giving them favorable opportunities to 'size and shape' business opportunities. The opportunities of future growth are based on existing institutional frameworks, development partnerships and the emerging sectoral collaboration, while issues of low investment inflows, export concentration, regulatory restrictions and political and economic uncertainties continue to constrain the potential for bilateral cooperation. Good policy coordination, increased German investments, export diversification, technological cooperation and full development of GSP+ opportunities will play a crucial role in boosting economic cooperation. Thus, there is great potential for maximizing the economic cooperation between Pakistan and Germany into a more dynamic, innovation and sustainable cooperation that can vibe not just Pakistan and Germany but also regional stability and wider cooperation between Pakistan and EU in the coming decades.

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