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TRADE BETWEEN PAKISTAN AND CHINA DURING COVID-19: AN OVERVIEW

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Abstract:

The economic relationship between Pakistan and China, which is founded on historical, geopolitical, and economic ties, has been substantially affected by the COVID-19 pandemic. This study analyzes the evolution of trade patterns between the two nations during the pandemic, casting light on how supply networks, trade volumes, and product compositions were impacted. From 2018 to 2022, exports and imports fluctuate, and Pakistan has a trade deficit with China, according to the data. The economic impact of COVID-19 on both nations is examined, as are government responses and relief measures. Despite the pandemic's effects on global trade and supply chains, trade volumes between Pakistan and China increased in 2021 due to the global economic recovery, rising Chinese demand for Pakistani products, and trade agreements. The research highlights the resiliency and adaptability of both nations during difficult periods. The findings highlight the significance of diversifying exports and imports, as well as the potential for future economic growth resulting from ongoing projects under the China-Pakistan Economic Corridor (CPEC) and efforts to balance their trade relationship. This research contributes to a comprehensive comprehension of the impact of the COVID-19 pandemic on Pakistan-China trade and the possibility of future economic cooperation.

Keywords:

Pakistan; China; COVID-19; Trade; Economic growth.

1. Introduction

The economic landscape throughout the world is profoundly impacted by the trading tie that exists between Pakistan and China on both sides of the border. This collaboration has been a cornerstone of economic growth and development for both countries since it is characterized by a unique combination of common interests, historical links, and the ambitious China-Pakistan Economic Corridor (CPEC) project. Nevertheless, the appearance of the COVID-19 pandemic in late 2019 added a new facet to this complex economic connection. Both Pakistan and China were presented with substantial problems and possibilities as a result of the worldwide disruptions created by the epidemic, which had an effect on the trading relationship that exists between the two nations. Due to its $113 billion foreign debt, Pakistan's economy is near collapse. Pakistan exports 50% to COVID-19-affected nations; therefore, a fresh trade crisis might be disastrous. Understanding the country's delicate status before COVID-19 is crucial to understanding this new threat's severity. Pakistan has needed regular financial inflows for a long time due to its massive debt and practically depleted foreign reserves. The current Pakistani government's main goal since taking office in 2018 has been to minimize the current account deficit by reducing imports via tariff rises and increasing exports (Khan, 2020). Cao researcher from China found that China's agricultural commerce has been hampered by the COVID-19 epidemic, which has had an impact on both short- and long-term exports and imports. The research simulated probable long-term impacts using scenario analysis and looked at how the pandemic would affect the supply of food on the global market. The findings indicated that China's agricultural exports have been significantly affected in the near term by supply chain interruptions, but that longer-term external demand slowdowns and possible non-tariff trade restrictions have a more significant impact. Despite this, the supply of food throughout the globe and China's demand for food imports remain positive. According to the analysis, China's imports of pig products are anticipated to rise in both quantity and value (Cao et al., 2021). The purpose of this study is to investigate the complex processes that underlie commercial ties between Pakistan and China, with a particular emphasis on the ways in which the COVID-19 epidemic shaped trade patterns and flows. We will explain how the pandemic impacted supply networks, trade volumes, and the composition of products that were exchanged as of my most recent information update in September 2021. In addition, we will shed light on the resiliency and adaptation demonstrated by both countries during these challenging times. It is vital that, in order to completely appreciate the consequences of COVID-19 on Pakistan-China commerce, it is necessary to dive into the variables that constitute this bilateral relationship and investigate the numerous stages during which the pandemic affected trade, both adversely and favorably. Only then will we be able to comprehend the entire extent of the influence that the pandemic has had. By doing so, we are able to get insights into the ever-changing nature of the commerce that takes place between these two countries as well as the efforts that have been made to minimize the effects of the problems posed by the global health crisis. For this study, we took data from 2018 to 2022 from the WDI (World Bank) and the World Integrated Trade Solution (WITS). Our data include both Pakistan and China's imports and exports with all other countries, and our main focus is on trade between China and Pakistan. There is a lot of research done on trade during the COVID-19 period, but this study focuses only on China and Pakistan trade during the COVID-19 period. It also focuses on top% export and import products during the COVID-19 period. The study shows a decrease in exports in 2019 to Pakistan and a decrease in exports in 2020 to China. The reason is that in China, COVID-19 started in 2019 and China also decreased imports from other countries because of the COVID-19 restriction on imports in China, which is why Pakistan's exports to China are less in 2020.

2. Background of the Study

The historical, geopolitical, and economic linkages between Pakistan and China provide their commercial relationship with a profound foundation, giving it the complexity and significance, it deserves. Over the course of so many years, the two countries' trading relationship has seen both significant expansion and profound development. The commercial relationship between Pakistan and China dates back hundreds of years, with the historic Silk Road acting as an important commercial route linking the two countries for a significant portion of that time. This historical foundation serves as the basis for the current commercial partnership, which grows upon it. The fact that China and Pakistan share a border and have similar strategic objectives has contributed to the growth of the commercial connection between the two countries. The China-Pakistan Economic Corridor (CPEC), which was initiated in 2013, is a great example of this, since it entails significant investments from China in the infrastructure, energy, and transportation sectors of Pakistan. E-governance's involvement in COVID-19 prevention by incorporating CPEC's effects (Ullah et al., 2021) According to the UN's E-Government Development Index (EGDI), China's score has increased from 74 to 65 out of 193 nations, while Pakistan's has decreased from 137 to 148. Their analysis found that CPEC may fight the epidemic by addressing social and economic issues. Pakistan should emulate China's e-governance approach to succeed in CPEC regional expansion and fight the epidemic. Their research also examined COVID-19's possible effect on China's agricultural trade, including supply chain disruption and non-tariff trade restrictions. China has always enjoyed a trade surplus with Pakistan. This trend has continued in recent years. China is Pakistan's primary supplier of manufactured goods, consumer electronics, and consumer goods. Pakistan's primary exports to China include agricultural commodities, textiles, and raw resources. China is Pakistan's primary supplier of manufactured goods. Trade between the two nations has been encouraged and facilitated via the signing of many trade agreements by both governments. Among them is the Free Trade Agreement (FTA) that was established between the two countries, which has resulted in lower tariffs being placed on a variety of goods. Trade between Pakistan and China was minimal. The two countries formed a viable economic partnership in the first decade of this century. Commerce between Pakistan and China may boost their relationship. The July 2007 China-Pakistan Free Trade Agreement (FTA) adds a new dimension to bilateral trade promotion. Pakistan's trade deficit with China increased after 1984 due to its failure to develop an aggressive commercial strategy. Pakistani firms and industries should adopt new ways to increase exports to China and develop a more balanced trade relationship (Ahmad Rashid Malik, 2017). The two countries' mutual commerce has seen significant expansion during the course of their relationship. In the years leading up to the COVID-19 outbreak, China was one of Pakistan's most important commercial partners. Both countries benefited greatly from this economic alliance, which resulted in a large growth in commerce. The growing economic links between Pakistan and China may be attributed, in part, to the robust cultural and people-to-people relationships that already exist between the two countries. The promotion of cultural understanding and respect for one another has helped to create an environment favorable to business. The outbreak of the COVID-19 epidemic presented Pakistan and China with a new set of problems and prospects for their commercial relationship. Trade dynamics were affected by factors such as disruptions in supply chains, a decrease in imports from China, and an increase in the demand for medical products. E-commerce and other forms of internet trading became more significant as a result of lockdowns and other social distancing techniques. Consumers in Pakistan have been very active on Chinese e-commerce websites like AliExpress, which has resulted in an increase in platform revenue. Many e-commerce companies get their items from China. Lockdown regulations in China reduced manufacturing, which is projected to damage the Pakistani online industry, particularly Chinese products. To improve results, primary research uses sample survey analysis. It reveals that China is the top producer and has the most closed industries. Corona viruses slow all shipping operations that have slowed domestic economic growth (Khan et al., 2021). Trade between Pakistan and China has a bright future thanks to the existing and upcoming projects that fall under the CPEC umbrella, as well as the efforts being made to strike a balance in their relationship and diversify their exports and imports.

3. Economic situation during COVID-19

The COVID-19 pandemic had a substantial influence on the economies of both China and Pakistan; however, the consequences and reactions differed across the two countries because of variances in their economic structures, governmental measures, and the intensity of the epidemic in each nation. The GDP of China shrank for the first time in decades during the first three months of 2020, marking the first time in decades that the economy has shrunk. However, it swiftly recovered as a result of strict regulatory measures, stimulus packages, and a concentration on the domestic consumption of goods and services. The Chinese government enacted a number of economic stimulus measures in order to aid local firms. These policies included tax cuts, subsidy programs, and loans with low interest rates. These steps were taken with the intention of reviving economic development and boosting employment. The effects of COVID-19 were compounded by the difficulties that the Pakistani economy was already experiencing before the epidemic. Because of the shutdowns and the limits placed on company activity, the rate of economic growth slowed down. The government of Pakistan took immediate action to help both the economy and the most vulnerable members of society by implementing relief measures. These initiatives included providing financial assistance in the form of cash transfers to people with low incomes and providing tax relief for enterprises. The Chinese economy's slowdown is expected to impact Pakistan through global value chains, with the textile and apparel sectors facing a loss of $44 million. The European Union has requested Pakistani exporters to halt their consignments, leading to a reduction in exports. The initial loss to Pakistan's economy is estimated to be around Rs. 1.3 trillion. The services sector, which contributes to GDP, is a major contributor. The Asian Development Bank predicts a loss of $5 billion in the worst-case scenario, with job losses of 9,46,000 and GDP dropping by 1.57% (Javed, 2020b). Global pandemics like COVID-19 hurt economies. Such severity is caused by labor immobility, productivity decreases, supply chain disruptions, export drops, uncertainty, and so on (Usman et al., 2020). Since the first incidence of the pandemic, which has been given the name COVID-19 (coronavirus), was recorded in late December 2019 in Wuhan, China, it has spread rapidly around the world. Over 3.1 million people have been diagnosed with the virus, and 215,000 people have lost their lives as a direct result of it. The governments of the globe have been obliged to implement a total lockdown of their communities and companies in order to 'flatten the curve' of the rising number of sick individuals (Wormser, 2020).

The increase in China's gross domestic product (GDP) in 2018 was solid, coming in at around 6.75%, suggesting a healthy economy. The growth of China's GDP slowed down in 2019, mostly as a result of factors such as trade tensions with the United States and a slowdown in economic development throughout the world. China’s gross domestic product growth slowed to 2.24% in 2020 as a direct result of the COVID-19 epidemic, which had a substantial effect that year. Despite this, China's economy was able to rebound because of the government's fast reaction to the epidemic and other stimulus measures.

Table 1: GDP Growth in Pakistan And China

Time	China GDP growth %	Pakistan GDP Growth %
2018	6.749774	6.151703
2019	5.950501	2.497637
2020	2.238638	-1.27409
2021	8.447478	6.487087
2022	2.990805	6.188155

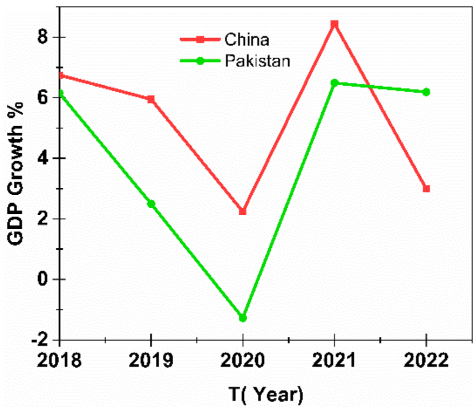

Figure 1: GDP Growth in Pakistan and China
Source: self-created from WDI data

The increase in China's gross domestic product in 2021 greatly recovered, reaching 8.45%. This upturn may be linked to a pickup in international commerce, higher levels of domestic consumption, and more investment in public infrastructure by the government. The growth of China's gross domestic product (GDP) slowed down again in 2022, coming in at 2.99%. This might have been caused by a mix of causes, including economic insecurity on a global scale and attempts to rebalance the economy in China. While the expansion of Pakistan's gross domestic product in 2018 was around 6.15%, which indicates that the economy is doing rather well, The growth of Pakistan's GDP, on the other hand, slowed down dramatically in 2019, mostly as a result of Pakistan's ongoing economic difficulties and structural problems. The effect that the COVID-19 pandemic will have on both the national and global economies is likely the cause of the negative growth that will occur in 2020 (-1.27%). This decline was exacerbated by a number of factors, including lockdowns and a reduction in economic activity. Pakistan's gross domestic product (GDP) growth improved to 6.49% in 2021, presumably as a result of a post-pandemic rebound and steps taken by the government to encourage economic development. The growth of Pakistan's GDP remained positive in 2022, coming in at 6.19%, signaling a continuation of the country's recovery and possible economic changes.

4. Export of goods and services from Pakistan and China

Exports of goods and services accounted for around 19.11% of China's GDP in 2018, whereas exports contributed to approximately 8.58% of Pakistan's GDP in the same year. The proportion of total economic output that was contributed by exports fell by a fraction in 2019, with China and Pakistan both experiencing the same trend. A decrease in the amount of goods shipped out of China on a monthly basis to nations that have implemented more strict lockdowns (Hansen, Kamaliev, and Schmerer, 2023) While China's exports went down to roughly 18.41% of GDP, Pakistan's exports went up to 9.39% of GDP, showing a modest gain. Both nations went through some ups and downs in the year 2020, with China's exports accounting for around 18.59% of the country's GDP while Pakistan's exports remained relatively consistent at 9.30% of the country's GDP. In 2021, China's exports contributed 19.94% of the country's GDP, whereas Pakistan's exports contributed just 9.06% of the country's GDP. The proportion of goods exported from both nations saw a large jump the following year, 2022. Exports of goods and services from China rose to reach 20.68% of the country's GDP, while exports of goods and services from Pakistan rose significantly to reach 10.47% of the country's GDP. The strength of a nation's export industry is heavily influenced by the state of the economy in the rest of the world. Exports tend to increase when there is both growth and stability in the global economy. In 2022, there may have been a more favorable global economic scenario, which led to growth in exports for both China and Pakistan. This increase in exports may have been due to a combination of factors. The exports of a nation may be affected by a number of factors, including trade agreements, trade policy, and international relations. Depending on how these elements shift, a country's capacity to sell its products and services in other countries might either improve or deteriorate. Exporting a variety of different sorts of products and services from a nation may help reduce the economic risks that it faces. For example, China has been growing into a variety of different industries and diversifying its exports, both of which might have contributed to the country's rising export-to-GDP ratio. Changes in the value of a country's currency over time may have an effect on the competitiveness of its exports. It's possible that a lower native currency may make exports from a nation more appealing to purchasers in other countries. It is possible that China and Pakistan have both undergone shifts in the pace at which their domestic GDP is growing, which would have an effect on the ratio of exports to GDP. An acceleration in GDP growth may result in an expansion in exports.

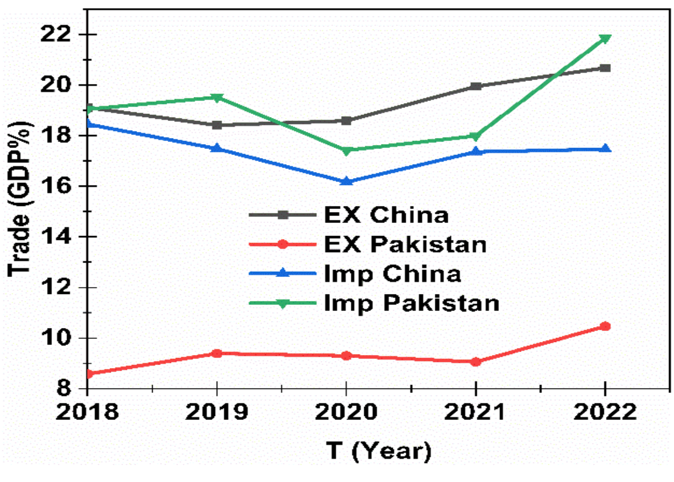

Figure 2: Exports of goods and services from Pakistan and China

Table 2: Export of goods and services from Pakistan and China

Year	Export of China	Import of China	Export of Pakistan	Import of Pakistan
2018	19.112103	8.5817997	18.45368	19.0442
2019	18.409992	9.3908633	17.4801	19.5147
2020	18.586139	9.2985590	16.16816	17.4177
2021	19.943973	9.0582047	17.35802	17.9919
2022	20.677002	10.467999	17.46682	21.8525

Source: WDI (World Bank)

5. Imports of goods and services in Pakistan and China

Imports of goods and services made up around 18.45% of China's GDP in 2018, whereas imports of goods and services made up approximately 19.04% of Pakistan's GDP. China's imports of goods and services made up a lower proportion of its GDP than Pakistan's imports did. In 2019, the proportion of a country's total economic output that was comprised of imports fell in both China and Pakistan. Comparatively, Pakistan's imports stayed relatively consistent at roughly 19.51% of GDP, while China's imports dropped to around 17.48% of the country's GDP. In the year 2020, both nations' import percentages went down much lower than the previous year. While China's imports comprised around 16.17% of the country's GDP, Pakistan's imports rose to 17.42% of that country's total economic output. The proportion of a country's total economic output that is comprised of imports rose throughout the year 2021 in each of these nations. Imports into China reached 17.36% of the country's GDP, while imports into Pakistan reached 17.99% of the country's GDP after a modest rise. In 2022, there was a discernible rise in Pakistan's import percentage, which increased to 21.85% of its GDP, but China's import proportion stayed relatively steady at 17.47% of GDP. Pakistan's import percentage grew significantly, while China's import percentage remained relatively stable. The pattern that can be seen in the table may be attributed to a number of different variables. Alterations in the economic circumstances of a nation, such as an increase in the country's GDP, may have an effect on the demand for imports. When there is expansion in the economy here at home, there may be a rise in the demand for imports because local firms and consumers may purchase more products and services from abroad. Imports of a nation's goods may be affected by a variety of government policies, such as trade taxes and restrictions. Alterations to trade policy have the potential to either boost or discourage levels of importation. Changes in the currency exchange rate may have an impact on a nation's capacity to import. A home currency that is stronger may make imports more affordable, while a domestic currency that is weaker can make imports more expensive. Consumer tastes and company priorities might change over time, which can result in shifts in the kinds of products and services that are brought into the country through import. This may have an effect on the total ratio of imports to GDP. Chinese exports suffered from the US-China trade war, but the exchange rate-volume traded relationship reveals investors and corporations decreased risk by trading equities. It also affects China's trade volume (Shaikh et al., 2021). A nation's import volumes are susceptible to being influenced by external factors like the COVID-19 epidemic and interruptions in global supply systems. As a consequence of these interruptions, there may be changes in the proportion of imports. The amount of money and investments coming into a nation from other countries might also have an effect on its level of imports. The increase in foreign investments may result in an increase in the importation of certain capital goods.

Trade Between Pakistan and China during Covid19:

Table 3: Exports and imports between China and Pakistan

Time	Pak Export to China (US$ in Thousand)	Pak Import from China (US$ in Thousand)
2018	1818069	14544686.8
2019	2036877	12406397
2020	1867039	12486525.4
2021	3033900	20644679.1

Source: Data from the World Integrated Trade Solution (WITS)

Relations between Pakistan and China in the fields of economics and commerce have always been quite strong. Their economic connections have been further strengthened by the China-Pakistan Economic Corridor (CPEC), an infrastructural project that would cost multiple billions of dollars. Despite the epidemic, the two nations did not stop prioritizing one another in terms of their economic connection and working to deepen it. In order to assist Pakistan in its battle against the COVID-19 epidemic, China sent ventilators and other medical supplies to the country. These supplies included personal protective equipment (PPE). This help was provided as a component of China's larger efforts to support international efforts to battle the virus. Both Pakistan and China, along with a great number of other nations, were negatively impacted by the epidemic in terms of their ability to participate in international commerce. Both nations were challenged by a number of challenges, including interruptions in supply chains, lockdowns, and a reduction in demand in some industries. E-commerce and digital trading saw a surge in popularity as a direct result of the epidemic. In an effort to further deepen their economic cooperation, Pakistan and China investigated potential prospects in the digital economy and in online commerce.

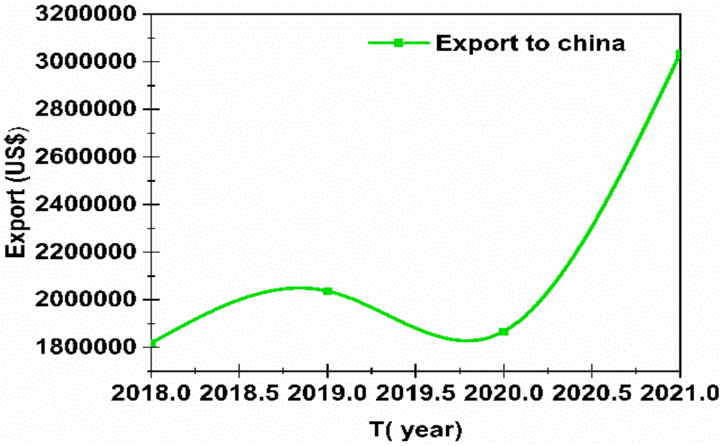

Figure 3: Products export to China from Pakistan

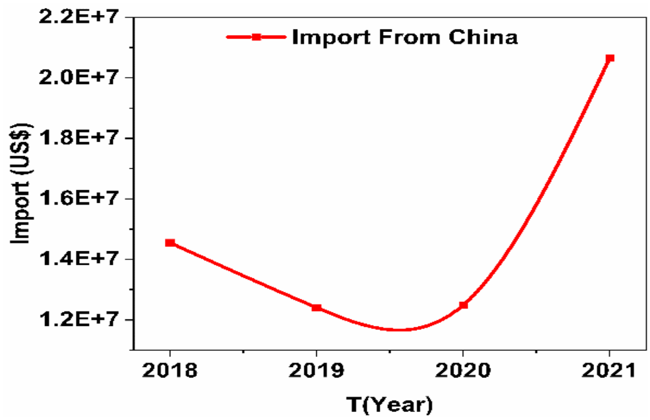

Figure 4: Products export to Pakistan from China
Source: Data from the World Integrated Trade Solution (WITS)

Pakistan exports to China: $1,818,069. Pakistan imports $14,544,686.80 from China. Pakistan had a large trade deficit with China in 2018. Pakistan's largest trading partner is China; hence, this is usual. Exports from Pakistan to China: $2,036,877. Imports from China: $12,406,397 (12.41 billion). Pakistan exported somewhat more to China in 2019 than it imported. The trade deficit fell in 2018. Changes in demand, government policy, or commodity pricing may reduce imports. Pakistan exported $1,867,039 to China. Pakistan imported $12,486,525.40 from China. Pakistan's 2020 exports to China fell while imports stayed constant. Further trade deficit reductions followed. Global trade and supply systems were affected by the COVID-19 pandemic, which may have caused these alterations. Exports from Pakistan to China: $3,033,900 Pakistan imported $20,644,679.10 from China. Pakistan's imports and exports to China increased significantly in 2021. The trade imbalance increased last year. Exports may have increased due to global trade recovery after the pandemic, Chinese demand for Pakistani items, or trade agreements. The exports of Pakistan to China rose from 2018 to 2019, fell in 2020, then rose sharply in 2021. Pakistan's Chinese imports fell in 2018, stabilized in 2020, and rose in 2021. Due to a sharp rise in imports over exports in 2021, the trade deficit rose over 2019. Pakistan and China's economies affect trade volumes. Economic growth, inflation, and exchange rates affect trade. Exports may rise if Pakistan's economy is strong.

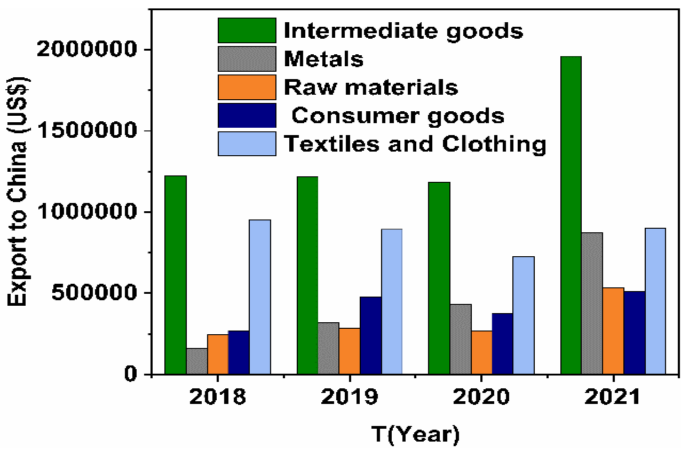

Figure 5: Top 5 Products exported to China from Pakistan
Source: Data from the World Integrated Trade Solution (WITS)

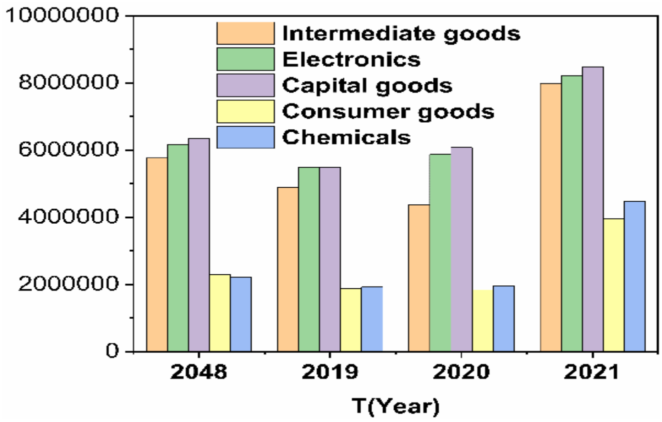

Figure 6: Top 5 products exported to Pakistan from China
Source: Data from World Integrated Trade Solution (WITS)

Global economic conditions impact trade. 2018 and 2019 experienced stable global economic circumstances. The COVID-19 epidemic interrupted global trade in 2020, lowering economic activity and trade volumes. As economies recovered in 2021, trade volumes rose. Imports and exports were affected by the 2020 COVID-19 pandemic. Production and transit delays may have affected trade volumes. Currency exchange rates affect trade. The Pakistani rupee's weakness against the Chinese yuan may boost exports by making them more competitive.In 2018, Pakistan exported $1,221,748.42 thousand to China, or $1.22 billion. Heavy exports of capital goods, machinery, and electrical equipment drove the growth. Capital goods exports were $80,307.53 thousand ($80 million), while machinery and electrical equipment exports were $51,222.56 thousand. Intermediate products, consumer goods, and chemicals were key exports. Pakistan exported $1,218,992.21 thousand (approximately $1.22 billion) to China in 2019. Capital items, machinery and electrical equipment, and intermediate products dominated exports. Exports of intermediate products were robust, while capital goods fell. Consumer items and chemical exports contributed. Pakistan's 2020 exports to China fell to $1,184,041.05 thousand. Machinery, electrical, and capital goods remained the top export categories. Intermediate products, consumer goods, and chemicals contributed to exports. Exports may have decreased due to the COVID-19 epidemic. Pakistan's exports to China rose to $1,960,106.21 thousand in 2021. Capital goods, intermediate commodities, and machinery and electrical equipment dominated exports. Capital goods, machinery, and electronics rebounded. Consumer goods and chemical exports rose year-over-year. Over the five years, exports to China grew, with 2021 being particularly strong. Intermediate, capital, and mechanical and electrical items remained key export categories. Export values varied each year due to economic circumstances, demand, and worldwide events like the COVID-19 pandemic. Pakistan imported $5,759,852.51 thousand from China in 2018. With $6,343,426.78 thousand in imports, capital goods were the largest product category. Electrical and machinery imports were also significant. Imports included intermediate, consumer, and chemical commodities. Pakistan's 2019 Chinese imports fell to $4,895,598.85 thousand. Capital goods, machinery, and electrical equipment dominated imports. Intermediate products, consumer goods, and chemicals followed at lower levels than last year. Pakistan's 2020 Chinese imports fell to $4,364,857.48 thousand. Capital goods remained the biggest import sector, followed by machinery and electrical equipment. Intermediate, consumer, and chemical imports were also made. Pakistan's imports from China rose to $7,989,417.62 thousand in 2021. Capital goods, machinery, and electrical equipment were the top import categories. Imports were mostly from these two groups. Intermediate products, consumer goods, and chemicals increased year-over-year. Over four years, Chinese imports grew, with 2021 indicating a considerable rise. Capital goods, machinery, and electrical equipment were the most important imports. Economic circumstances, demand, government regulations, and global events affect import values year-to-year.

6. Conclusion

The COVID-19 pandemic has had a significant impact on the economies of China and Pakistan, with varying consequences due to differences in their economic structures, governmental measures, and the intensity of the epidemic. Tourism, hospitality, and transport in the services sector may be disproportionately impacted by COVID-

19. Millions of SMEs may face long-term survival challenges owing to cash flow shortages and decreased sales. Lockdown-related layoffs are likely in all provinces of Pakistan due to precarious employment (Javed, 2020a). China's GDP dropped for the first time in decades in 2020, but strong regulations, stimulus programs, and domestic consumption helped it rebound. Pakistan's economy struggled before the epidemic due to shutdowns and minimal industry activity. Businesses received financial and tax relief from the government. Chinese GDP growth fell in 2019 owing to US-China trade tensions and the global economic downturn. It rose to 8.45% in 2021 due to increasing foreign trade, local consumption, and government infrastructure expenditure. Pakistan's GDP growth rose to 6.49% in 2021 and stayed positive in 2022, indicating economic recovery and probable reforms. Chinese exports made up 19.11% of GDP in 2018, whereas Pakistan's made up 8.58%. China's exports fell to 18.41% of GDP in 2019 and Pakistan's to 9.30%. China's exports made up 19.94% of its GDP in 2021, whereas Pakistan's made up 9.06%. China's exports rose 20.68% and Pakistan's 10.47% in 2022. Trade agreements, policies, and international relations can impact a country's ability to export goods and services. Pakistan and China prioritized economic collaboration despite supply chain delays, lockdowns, and industry demand declines. Pakistan exported $1,818,069 in 2018. The trade imbalance was $2,036,877 on $14,544,686.80 in Chinese imports. Pakistan's imports and exports to China surged dramatically in 2021, maybe owing to global economic recovery, Chinese demand for Pakistani goods, or trade agreements. Pakistan and China's economies were devastated by the COVID-19 pandemic, which affected commerce. China's economy briefly declined in 2020, but rigorous restrictions and stimulus packages helped it recover. Pakistan's economy suffered from lockdowns and supply chain disruptions, slowing development. Despite a brief reversal in 2019, Pakistan has historically had a trade imbalance with China due to its larger imports than exports. This trade imbalance affects Pakistan's economy and foreign currency reserves, causing concern. Pakistan's exports to China rose significantly in 2021 after years of fluctuation. Capital goods, industrial, and electrical equipment exports were affected by changing demand and economic instability. The amount of Chinese commodities Pakistan imported fluctuated, peaking in 2021. Capital goods and equipment remained the main import category due to industrial and government demands. The 2020 Chinese economic crisis affected Pakistan's textile and apparel sectors. The crisis damaged Pakistan's economy immediately and might have long-term consequences if not remedied.

7. Policy recommendation

- Pakistan should keep exporting high-value goods and services to diversify. Technology, medicines, and knowledge-based services are examples. Diversification decreases market and sector dependence.
- Pakistan must invest in infrastructure, lower business costs, and increase product quality and standards to boost export competitiveness.
- Pakistan should boost manufacturing and indigenous sectors to decrease trade deficit. Partnerships, incentives, and technology transfer can do this.
- Build robust supply networks to survive global disturbances like COVID-19. This may entail encouraging local production and lowering market dependence.
- Pakistan and China should seek ways to enhance trade and collaboration in technology, infrastructure, and agriculture.

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