**Pakistan-China cooperation**

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Pakistan is the world’s fifth largest country which provides opportunities to investors to invest in various sectors of the economy, especially in the automobile industry. China is a rising world power, historically maintaining strong relations with Pakistan. The region has already witnessed close economic cooperation between the two countries in the form of the China-Pakistan Economic Corridor (CPEC).

We have signed a free trade agreement (FTA) with China, which is extremely beneficial for both countries in promoting free trade and investment. The two countries have now started new cooperation in the field of automobile manufacturing, which is indeed a win-win situation. China, which has the largest automobile market in the world, has gained huge importance in automobile manufacturing over the years.

The automobile sector has a close relationship with a country’s road networks including highways and motorways. The CPEC plan has provided a great opportunity of importing automobile parts and completely knocked down (CKD) kits from China at affordable prices. Pakistan has an abundant supply of cheap labour and Chinese original equipment manufacturers (OEM) in this sector can establish its own plants in Pakistan. The country has already given tax concessions to Chinese investors on a long-term basis.

Chinese automotive manufacturers can avail tax concessions in this field, which is again a great incentive for establishing the auto industry in Pakistan. The flourishing free zone in Gwadar is the main attraction for such investors from China. Some auto manufacturers such as JAC Motors, Zotye, FAW, Dongfeng and Foton are already showing interest in investing here.

The Chinese automobile market is so big that it consists of more than 30 percent of worldwide vehicle production exceeding that of European Union or the combined production of the US and Japan. China’s automobile sale volume is now around 30 million units including, but not limited to, multi-purpose and sport-utility vehicles. Other than the traditional four brands of car manufacturers -- FAW Group, Dongfeng, SAIC Motors and Chang’an -- auto manufacturers like Beijing Automotive Group, Guangzhou Automobile Group, Geely Global, Brilliance Auto Group, Great Wall Motors and Jianghuai (JAC Motors) are performing quite well.

It is encouraging to see that a Chinese company, Brilliance Auto Group, is showing interest to set up its assembly plant in Pakistan. The company is the joint venture partner of the famous German carmaker, BMW. It is being said that the German luxury brand is interested in entering Pakistani market. China’s state-owned First Automobile Works (FAW) and Foton Motor Group have their assembly plants in Karachi, and they are interested in expanding their investment as their heavy automobile trucks and buses are already plying regularly on our roads. Their commercial trucks and pickup vans are quite popular in Pakistan’s market. It is a great success story for Chinese companies that are investing in the automobile sector of Pakistan.

Our country has always been interested in attracting foreign direct investments (FDIs) in various sectors of the economy. And the automobile industry is first among equals. Pakistan’s Master Group set up a joint venture with China’s Changan carmaker, in 2017. The two countries entered into partnership as a 70:30-equity joint venture that aimed at production of cars and pickup vans. The two companies have gained a foothold in Pakistan. Under the name and brand of Master Changan Motors (MCM), these companies have started assembling right-hand-drive vehicles with a big leap forward in the market.

The company’s sale volume has been high even during the Covid-19 pandemic, which is a great sign of a flourishing market. The people of Pakistan are relying more on Chinese cars and vehicles as they are more affordable. So, it can be said that the future of the MCM in Pakistan is quite bright. The company is planning to provide and export CKD kits to regional countries, as the Group has invested to establish a $136 million-worth CKD plant for this purpose. With the MCM, we see a great future of the Pakistan-China joint venture in the automobile industry, hopefully growing even stronger with time.

The most prominent and popular features of MCM vehicles are their eye-catching designs and premium facilities. These vehicles provide such facilities at prices that are comparatively less than that of many luxury cars, making it attractive to the majority. The annual production capacity of the plant is 30,000 units. The company has around 32 dealerships all over Pakistan. The Group had an impressive sale of around 3,000 units last year, which is going to gain strength with time. It is expected that it is going to capture a large portion of the market in the country soon. Its pickup vans, which are both cheap and efficient, are quite popular in Khyber Pakhtunkhwa (KP). Car and pickup vans bookings have picked up speed, and demand for dealership is also on the rise. The future seems to be promising for more joint ventures in this sector.

Pakistan is a choice country for Chinese investors, especially after CPEC investment by China, as the almost $75 billion project can yield wonderful results. The ever-rising demand of automobiles in Pakistan encourages investors from China to invest more in this industry to get maximum benefits of the existing potential. Pakistan can become a window for Chinese auto investors to promote and export products from Pakistan to the rest of the world.

Auto industrial clusters are a significant indicator of a country’s economic growth. The industrial chain involves a lot of other industrial outputs starting from raw materials of steel, rubber, oil, etc to full-fledged processing and manufacturing machinery for the final output. While the upstream of this industrial chain involves the ante stated mechanics, the downstream revolves around market, retail and consumer finance.

Chinese automobile cooperation with Pakistan will go a long way in the creation of auto industrial clusters that will ultimately support the economy. Chinese investment in this regard will help establish a matching industry of spare parts with transfer of technology. Once the industry is grown up, logistic costs could be reduced step by step. Greater cooperation with big investment in auto manufacturing is expected from China on the style and pattern of the MCM joint venture, which would definitely provide a big boost to our economic growth and industrial development.

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