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# Pakistan-France Economic Relations 1947-1971: A Numerical-Data- Based Analysis

\_\_\_\_\_ Khalid Naseem  
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## Abstract

This paper examines Pakistan-France economic relations during 1947-1971. The economic cooperation between Pakistan and France started at very early stage in 1948. Initially, this start was very modest. Therefore, the volume of trade between the two countries was low. At that time, the world was divided economically into 'Sterling area' or 'dollar area' and 'franc area' or 'zone franc'. France was concentrating more on 'zone franc' and Pakistan mostly linked economically to dollar or sterling area. This situation of low trade volume continued during the period 1948-1965. The balance of trade during 1948-1965 was mostly in favour of Pakistan. The trade balance started changing in favour of France due to her increased sales to Pakistan during the period from 1966-67 to 1970-71. France has participated in the development process of Pakistan by extending economic assistance in the forms of credits and loans bilaterally as well as through multilateral agencies since 1957. France is also a member of Aid-to-Pakistan Consortium (Paris Club) since 1961, which was organized in 1960 by the World Bank to assist Pakistan in its development projects. France extended its economic aid along with its technical support as well. In

this regard, the significant French technical support can be sought in the establishment of Pakistan's national oil industry, construction of Jhelum Link Canal, the Chashma Barrage, Terbela Dam, Port Qasim Karachi, Machine Tool Factories and various other development plans including power projects. France, being a non-traditional trading partner, has been ignored in the academic research. Therefore, in this paper, an effort has been made to put light on Pakistan's economic relations with France in the historical perspective during the mentioned period.

## Introduction

Hugo Grotius, one of the leading theorists in the natural law tradition, expresses in his book *The Law of War and Peace* (Book 2, Chapter 2; Of Things Which Belong to Men in Common) that, 'God did not bestow all products upon all parts of the earth, but distributed His gifts over different regions to the end that man might cultivate a social relationship because one would have need of the help of another; and so he called commerce into being that all men might be able to have common enjoyment of the fruits of the earth, no matter where produced..... If you destroy commerce, you sunder the alliance binding together the human race.'<sup>1</sup> This means that in this age of international interdependence, no country can claim to be perfect or self-sufficient in any field of technology or development. Every nation has to borrow something from others.<sup>2</sup> Pakistan is also no exception in this regard. It tried to develop cordial relations and to extend economic cooperation with a number of countries. France is also one of them. Initially, although the volume of trade between the two countries was not much significant but an economic activity started which gathered momentum afterwards.

This paper has been divided into Three Sections. In Section I, the trade between Pakistan and France from 1947 to 1971 has been documented year-wise. The French

economic assistance provided to Pakistan during the period under study is described in the Section II. The Section III is reserved for critical analysis of existing economic relations of Pakistan and France during 1947-1971.

## **Section I**

### **Trade between Pakistan and France 1947-1971**

The Second World War had subjected the economy of Indo-Pakistan Sub-continent to a severe strain. There was a change for the worse both in Pakistan and the Indian Union after partition. The unprecedented exchange of population almost completely put the transport system out of gear. The non-Muslims controlled the greater part of the trade and industry in areas now constituting Pakistan. Their mass migration to India created a void in the economy of the country, which took some time to be filled. The banks in Pakistan were mostly staffed by non-Muslims. Their departure resulted in the closing down of a number of offices and the ineffective working of others. This necessarily hampered trade.<sup>3</sup>

France was also badly hit during the World War II. She actively participated in this War by joining Allied forces to stop German aggression. In Western Europe, the most damaged and effected country was France as compared to any other Allied nation. Her economy was actually ruined at the end of this war.<sup>4</sup> France devised the Monnet Plan for the rehabilitation and restoration of French economy by 1952 to its pre-war economic position. The Monnet Plan was started in 1946 and remarkable progress was shown in the next few years. The United States also helped France through Marshal Plan. Thus, France regained not only her pre-war economic position in a few years but started progressing by leaps and bounds and became one of the most economically developed nations in the world.<sup>5</sup>

Pakistan and France started economic cooperation at very early stage after independence of Pakistan. At this initial

phase, although the volume of trade was low due to certain reasons but it set the path for future economic interaction between the two countries. In the following pages, the year-wise trade between Pakistan and France is documented.

## 1.1 Trade Development during 1947–1958 1947 - 1950

In the early years, exports of Pakistan mainly consisted of raw jute, cotton, wool, hides and skins, food grains, and rock salt, etc. The exports during the period from 15<sup>th</sup> August, 1947 to 31<sup>st</sup> March, 1948, were besides India mainly sent to the U.K., the Soviet Union, the U.S.A. and Belgium. In the period 1st April, 1948 – 31<sup>st</sup> October, 1948, the distribution of exports between the countries of British Empire and other foreign countries were Rs.185296 lakhs<sup>6</sup> and Rs.260758 lakhs respectively. France's share was Rs.327 lakhs and Rs. 285 lakhs respectively.<sup>7</sup> In 1948-49, almost 56% of Pakistan's exports went to India, followed by the United Kingdom (11%), United States (8.9%) and Belgium, France, West Germany and Italy together 10.4%.<sup>8</sup>

The major exports from Pakistan to France during the fiscal years 1948-49 and 1949-50 were raw jute, raw cotton, hides and skins. In 1950, France's jute industry was the largest in Europe and third in the world. It had 104 mills, with 10500 looms and 18000 permanently employed people. The consuming capacity of this French jute industry was 90000 tons of raw jute. Pakistan exported to France 29916 tons of raw jute having value Rs.34111624 in fiscal year 1948-49 and 36042 tons of raw jute having value Rs.39599228 in fiscal year 1949-50. Pakistan exported 1501 tons of raw cotton (8407 bales) worth Rs.3523401 and 11199 tons (63716 bales) worth Rs.26785399 and hides and skins having value Rs.2209498 and Rs.722786 during the fiscal years 1948-49 and 1949-50 respectively. Pakistan earned a total of Rs.4045266 and Rs.67429228 by exporting above mentioned three commodities to France in 1948-49 and

1949-50 respectively. The total value of exports to France during fiscal year 1948-49 was worth Rs.40.4 million (\$12.2 million) and in fiscal year 1949-50 it was worth Rs.67.4 million (\$20.3 million).<sup>9</sup>

Pakistan's economy was highly underdeveloped at the time of Independence. Therefore, it was importing all sorts of required commodities and manufactured goods. The major imports were coal, oil, iron and steel, and machinery. In 1948-49, the country-wise distribution of Pakistan's imports on private account was: India 31.8%; United Kingdom 28.0%; United States 8.1%; China 7.3%; Belgium, France, Italy, West Germany 6.4%; Japan 1.5%; Hong Kong 0.5% and other countries 16.4%.<sup>10</sup>

The value of Pakistan's imports from France during the fiscal years 1948-49 and 1949-50 were very small as compared to its exports for the same period. Although the variety of articles were imported but their quantity and value were low. Pakistan imported from France metals and ores, provisions and oilman's store, vehicles, chemicals, machinery and instruments from 1948 to 1950. The total values of French imports to Pakistan were Rs.4.4 million (\$1.33 million) and Rs.8.6 million (\$2.6 million) during the fiscal years 1948-49 and 1949-50 respectively. It means that the balance of trade was in favour of Pakistan having worth Rs.36 million (\$10.87 million) and Rs.58.8 million (\$17.7 million) during 1948-49 and 1949-50 respectively.<sup>11</sup>

Pakistan concluded a trade agreement with France on November 29, 1949, in Karachi. The two governments agreed that Pakistan would export to France 10 listed items including raw jute (80000 tons), raw cotton (40000 tons), cotton seed cake (10000 tons) etc. and would import from France 92 listed items according to the value/quantity mentioned in this agreement. France agreed to supply Pakistan 40000 pig iron, 66000 tons of steel, 10000 tons of steel pipes and tubes, 5000 tons of Copra and kernel, 1000 tons of Olive oil etc.<sup>12</sup> Pakistan imported machinery from France worth Rs.2 lakhs (Rs.0.2 million) approximately but

according to this agreement Pakistan could import machinery from France worth Rs.2 crore (Rs.20 million). France also came to help Pakistan by announcing that she would supply 300000 tons of coal to Pakistan when India suspended all supplies of coal to Pakistan in December 1949.<sup>13</sup>

### 1950-1958

Trade with France during the period from fiscal year 1951-52 to 1957-58 were not significant. The value of total exports from Pakistan to France during the mentioned period was Rs.807 million (\$202.4 million) only and value of total imports from France to Pakistan during 1951 to 1958 was Rs.184 million (\$41.4 million) only. It means that, during 1950-1958, the balance of trade was Rs.623 million (\$161 million) in favour of Pakistan. The value of exports of Pakistan was highest in the fiscal year 1951-52 i.e., Rs.172 million (\$52.1 million) but in the next two fiscal years, i.e., 1952-53 and 1954-55, the value of exports was the lowest i.e., Rs.79 million. It gradually improved in the next few years but not more than Rs.136 million (\$28.5 million). The imports from France were also not reasonable during 1950 to 1958. The available data shows that during this period the total value of Pakistan's imports from France to Pakistan was only Rs.184 million (\$41.4 million). The highest value of these imports was Rs.52 million (\$10.9 million) in the fiscal year 1957-58.<sup>14</sup>

Pakistan concluded two protocols and five trade agreements during this period. The two protocols were signed in 1951 and 1952 for the renewal of trade agreement signed in 1949. In 1953, both the countries agreed on a new trade agreement and in the next three consecutive years, i.e., 1954, 1955 and 1956, they also successfully held trade talks and signed another three agreements. The last agreement signed on February 17, 1958 during this period. In all these agreements, the lists of French exports to Pakistan and Pakistan's exports to France were clearly mentioned. The

main items which Pakistan exported to France during this period were: raw jute, raw cotton, hides and skins, raw wool, raw fur, green and black tea, hand-made carpets, sports goods, raw animal hair, cotton waste, cotton seed cakes, etc. Pakistan imported French goods which were mostly finished products like cotton yarn, cotton thread, cotton fabrics, woollen yarn, woollen fabrics, silk fabrics, knitting wool, finished leather and skins and leather manufactures, blankets, pharmaceutical and patent medicines, liquors, provisions, coffee, clay, chemicals, essential oils and perfumes, synthetic oil, fuel oil, lubricating oil, mineral oil, vegetable oil, shoes, fire arms, kerosene, coal, optical and scientific instruments, paints, civil engineering and agriculture machinery, tyres and tubes, iron and steel products, etc. Pakistan also purchased 235 railway wagons from France on November 7, 1952.<sup>15</sup>

## 1.2 Trade Development during 1958–1971 1958-1959

When the new dictatorial Government led by General Ayub Khan, took office in October 1958, the country had been facing with a difficult, almost desperate economic situation. The economy was subjected to serious strains during the first nine months of 1958. Food situation had deteriorated as a result of a fall in domestic production while anti-social activities like hoarding and smuggling tended to reduce supplies in the market. The new government took many steps to overcome this grave economic condition. The large quantities of food grains imported from abroad which caused a heavy drain on the foreign exchange resources of the country. On the supply side, the index of industrial production fell by 6 points in the second quarter of 1958 while imports remained restricted owing to difficult foreign exchange situation.<sup>16</sup>

As far as Pakistan's trade relations with France and other Western European countries, during the fiscal year 1958-59

are concerned, the total exports to the Western European countries during the fiscal year 1958-59 were \$118.9 million and imports were \$140.7 million. Pakistan's exports to France were worth \$14.8 million (Rs.70 million) and imports were \$ 7.9 million (Rs.38 million). Therefore, the balance of trade was \$6.9 million (Rs.32 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world in dollar terms was 5.3% and to Western Europe was 12.5%. Similarly, France's share in Pakistan's total imports during this fiscal year was 2.4% and to Western Europe it was 5.6%.<sup>17</sup>

The trade agreement with France expired in September, 1958. Pakistan and France held talks for concluding a new trade agreement in Paris in the end of 1958 but due to certain reasons these negotiations were not successfully ended. Therefore, no new agreement was signed with France during the fiscal year 1958-59.<sup>18</sup>

### 1959-1960

In this fiscal year 1959-60, the total exports to the Western European countries were \$153.2 million and imports were \$215.9 million. Pakistan's exports to France were \$16.3 million (Rs.78 million) and imports were \$21.0 million (Rs.100 million). Therefore, the balance of trade was \$4.7 million (Rs.22 million) in favour of France. The share of France in Pakistan's total exports to the world in dollar terms was 4.2% and to Western Europe it was 10.6%. Similarly, France's share in Pakistan's total imports in dollar terms during this fiscal year was 4.1% and to Western Europe it was 9.7%.<sup>19</sup>

Mr. Zulfikar Ali Bhutto, the then commerce minister of Pakistan, during his visit to Paris in October 1959 discussed some aspects of trade relations with the French Government. The two countries agreed to initiate fresh formal talks aimed at resumption of bilateral trade links which suspended last year. Since then many attempts to conclude a fresh bilateral agreement failed mainly because



the French government demanded and insisted persistently to increase Pakistan's purchases in the French Market.<sup>20</sup>

### 1960-1961

During the fiscal year 1960-61, the total exports to the Western European countries were \$139.6 million and imports were \$273.3 million. Pakistan's exports to France were \$14.8 million (Rs.71 million) and imports were \$16.3 million (Rs.78 million). Therefore, the balance of trade was \$1.5 million (Rs.7.0 million) in favour of France. The share of France in Pakistan's total exports to the world in dollar terms was 3.92% and to Western Europe was 10.6%. Similarly, France's share in Pakistan's total imports in dollar terms during this fiscal year was 2.4% and to Western Europe it was 5.96%.<sup>21</sup>

As far as trade agreement is concerned, Pakistan concluded a trade agreement with France on March 15, 1961 for the exchange of goods valued at £115000.<sup>22</sup>

### 1961- 1962

During the fiscal year 1961-62, the total exports to the Western European countries were \$160.4 million and imports were \$268.8 million. Pakistan's exports to France were \$17.8 million (Rs.85 million) and imports were \$9.3 million (Rs.44 million). Therefore, the balance of trade was \$8.5 million (Rs.41.0 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world in dollar terms was 4.6% and to Western Europe was 11.1%. France's share in Pakistan's total imports during this fiscal year was 1.4% and to Western Europe it was 3.5%.<sup>23</sup>

### 1962-1963

During the fiscal year 1962-63, Pakistan's total exports to the Western European countries were \$172.4 million and imports were US \$273.0 million. Pakistan's exports to France were \$19.0 million (Rs.91 million) and imports were

\$13.7 million (Rs.65 million). Therefore, the balance of trade was \$5.3 million (Rs.26.0 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world in dollar terms was 4.03% and to Western Europe was 11.02%. France's share in Pakistan's total imports in dollar terms during this fiscal year was 1.7% and to Western Europe it was 5.02%.<sup>24</sup>

### 1963-1964

In dollar terms, Pakistan's exports to the Western European countries during the fiscal year 1963-64 were \$158.0 million and imports were \$305.9 million. Pakistan's exports to France were \$19.8 million (Rs.94 million) and imports were \$9.6 million (Rs.46 million). Therefore, the balance of trade was \$8.5 million (Rs.48.0 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world was 4.1% and to Western Europe it was 12.5%. France's share in Pakistan's total imports during this fiscal year was 1.03% and to Western Europe was 3.1%.<sup>25</sup>

### 1964-1965

The adverse balance of Pakistan's foreign trade during this period was also rising sharply because imports were increasing faster than exports. In dollar terms, the value of Pakistan's total exports during 1964-65 was \$505.8 million and the value of total imports was \$1129 million. Therefore, for Pakistan there was an adverse balance of trade amounted to \$623.2 million during this fiscal year.<sup>26</sup>

Pakistan's exports to the Western European countries during the fiscal year 1964-65 were \$150.1 million and imports were \$408.2 million. Pakistan's exports to France were \$16.2 million (Rs.77 million) and imports were \$15.3 million (Rs.73 million). Therefore, the balance of trade was \$0.9 million (Rs.4.0 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world was 3.2% and to Western Europe it was 10.8%. France's share in

Pakistan's total imports during this fiscal year was 1.4% and to Western Europe it was 3.8%.<sup>27</sup>

### 1965-1966

Pakistan's exports to the Western European countries during the fiscal year 1965-66 were \$196.7 million and imports were \$356.5 million. Pakistan's exports to France were \$22.1 million (Rs.105 million) and imports were \$13.3 million (Rs.63 million). Therefore, the balance of trade was \$8.8 million (Rs.42.0 million) in favour of Pakistan. The share of France in Pakistan's total exports to the world was 3.9% and to Western Europe was 11.2%. France's share in Pakistan's total imports during this fiscal year was 1.5% and to Western Europe was 3.7%. The total export items sent to France in this fiscal year were 32.<sup>28</sup>

### 1966-1967

Pakistan's exports to the Western European countries during the fiscal year 1966-67 stood at \$183.7 million and imports were recorded \$367.2 million. The value of Pakistan's exports to France was \$16.2 million (Rs.77 million) and the value of imports was \$22.8 million (Rs.109 million). Therefore, the balance of trade was \$6.6 million (Rs.42.0 million) in favour of France. The share of France in Pakistan's total exports to the world was 2.7% and to Western Europe was 8.8%. France's share in Pakistan's total imports during this fiscal year was 2.09% and to Western Europe was 6.2%. The total export items sent to France in the fiscal year 1966-67 were 34. The number of France in Pakistan's export destinations in 1967-66 was 11.<sup>29</sup>

### 1967-1968

Pakistan's exports to the Western European countries including France during the fiscal year 1967-68 stood at \$213.6 million and imports were recorded \$352.1 million. The value of Pakistan's exports to France was \$21.2 million (Rs.101 million) and the value of imports was \$35.4 million

(Rs.169 million). Therefore, the balance of trade was \$14.2 million (Rs.68.0 million) in favour of France. The share of France in Pakistan's total exports to the world was 3.2% and to Western Europe was 9.9%. France's share in Pakistan's total imports during this fiscal year was 3.6% and to Western Europe was 10.1%. The total export items sent to France in this fiscal year, 1967-68, were 40. The number of France in Pakistan's export destinations in 1967-68 was 8.<sup>30</sup>

### 1968-1969

Pakistan's exports to the Western European countries including France during the fiscal year 1968-69 recorded as \$202.1 million and imports were \$340.8 million. The value of Pakistan's exports to France was \$17.2 million (Rs.82 million) and the value of imports was \$39.4 million (Rs.188 million). Therefore, the balance of trade was \$22.2 million (Rs.106.0 million) in favour of France. The share of France in Pakistan's total exports to the world was 2.5% and to Western Europe was 8.5%. France's share in Pakistan's total imports during this fiscal year was 3.8% and to Western Europe was 11.6%. The total export items sent to France in 1968-69 were 51. The number of France in Pakistan's export destinations in 1968-69 was 13.<sup>31</sup>

### 1969-1970

Pakistan's exports to the Western European countries during the fiscal year 1969-70 were \$213.1 million and imports from these Western European countries were \$375.5 million. The value of Pakistan's exports to France was \$16.0 million (Rs.76 million) and the value of imports was \$29.2 million (Rs.139.0 million). Thus, the balance of trade was \$13.2 million (Rs.63.0 million) in favour of France. The share of France in Pakistan's total exports to the world was 2.3% and to Western Europe was 7.5%. France's share in Pakistan's total imports during this fiscal year was 2.7% and to Western Europe was 7.8%. The total export

items sent to France in 1969-70 were 57 and the number of France in Pakistan's export destinations in 1969-70 was 13.<sup>32</sup>

### 1970-1971

Pakistan's exports to the Western Europe during the fiscal year 1970-71 were \$168.5 million and imports from these countries were \$339.8 million. The value of Pakistan's exports to France was \$11.4 million (Rs.54 million) and the value of imports was \$15.4 million (Rs.73.0 million). Therefore, the balance of trade was \$4 million (Rs.19 million) in favour of France. The share of France in Pakistan's total exports to the world was 1.7% and to Western Europe was 6.8%. France's share in Pakistan's total imports during this fiscal year was 1.4% and to Western Europe was 4.5%. The total export items sent to France in 1970-71 were 44 and the number of France in Pakistan's export destinations in this year was 14.<sup>33</sup>

## **Section II**

### French Economic Assistance to Pakistan 1947-1971

#### 2.1 Foreign Economic Assistance

The term foreign economic assistance/aid is used to cover all the different types of unilateral transfer. It generally includes private foreign capital, hard loans, soft loans, loans repayable in local currency, united loans, loans tied by purpose or / and country, money grants, commodity grants, and export credits of more than a certain duration. In short, in foreign economic aid we include all unilateral transfers including loans and guaranteed export credits with a maturity of five years or above.<sup>34</sup>

#### 2.2 Foreign Economic Assistance Received during 1947-1971

Pakistan's own foreign exchange earnings, like most of the developing countries, had been inadequate to meet the ever-increasing demands of economic development. Owing

to its own limited foreign exchange earnings, Pakistan had to depend on assistance from the advanced industrial countries. The importance of foreign aid in the economic development of the country can be judged from the fact that during the period 1954-55 to 1957-58 it constituted 30 per cent of the total receipts of the Central Government budget; this share increased to 36.8 per cent in 1958-59 and still further in 1962-63.<sup>35</sup> Likewise, during the First Plan period (1955-60) the foreign exchange receipts on current account stood at \$565 million per annum. During the Second Plan period this reached an annual average of \$551 million. For the Third Plan the average annual foreign exchange earnings had been placed at \$798 million per annum or an annual compound rate of growth of 6.5 per cent. Against this highly favourable performance, the growth of import requirements as well as "service" and transfer transaction had been averaging \$1010 million per annum during the Third Plan compared to an annual \$837 million in the Second Plan.<sup>36</sup> To bridge this gap, Pakistan had been receiving foreign economic assistance since the commencement of Colombo Plan in 1950. The first technical assistance agreement was signed with the United States in February 1951. The first project loan was obtained from the World Bank in 1952, while the first commodity loan agreement was negotiated with the Export Import Bank of Washington in September 1952. Since then the foreign economic assistance has continued to flow. In the earlier years, economic assistance was provided on grant basis by some of the friendly countries, in particular Australia, Canada, New Zealand and the United States. Over the years, the proportion of grant assistance had been declining.<sup>37</sup>

Pakistan received economic assistance from Australia, Canada, France, Germany, Japan, New Zealand, Sweden, the United Kingdom, the United States, the Soviet Union (USSR), Yugoslavia, the International Bank for Reconstruction and Development, the International Development Association, the International Finance

Corporation, United Nations and its Specialized Agencies and the Ford Foundation. Development credits had also been offered by Belgium, Italy, the Netherlands and Switzerland.<sup>38</sup>

### 2.3 Aid-to-Pakistan Consortium/Aid-to-Pakistan Club/Paris Club

Aid-to-Pakistan Consortium, also known as Aid-to-Pakistan Club, was organized in 1960 by the World Bank. It consisted of Belgium, Canada, France, Germany, Italy, Japan, Netherlands, Sweden, United Kingdom, United States, World Bank and I.D.A.<sup>39</sup> This Consortium was interested in the development efforts of Pakistan for Reconstruction and Development in order to provide the member countries and institutions an opportunity to meet and discuss with representatives of Pakistan, the requirements of aid in foreign exchange for the implementation of the five-year plans of the country. Most of the foreign economic assistance was channelled through this Consortium.<sup>40</sup> In 1998, this Consortium was renamed as 'Pakistan Development Forum' or 'Paris Club'. The countries included in this development forum or Paris Club are Australia, Austria, Belgium, Canada, Denmark, Finland, France, Germany, Italy, Japan, Korea, Netherlands, Norway, Russia, Spain, Sweden, Switzerland, United Kingdom, United States.<sup>41</sup>

### 2.4 French Economic Assistance Received during 1947-1971 1957-1958

The French programme of external assistances to Pakistan started in 1957. In the fiscal year 1957-58, France provided economic assistance to Pakistan in the form of suppliers credit amounted to \$23.045 million with 5.25% interest rate for ten years amortization.<sup>42</sup>

## 1960-1961

*First Consortium Meeting:* The first meeting of the Consortium was held on October 6-7, 1960, in Washington attended by Canada, Germany, Japan, the United Kingdom and the United States of America. The Consortium considered Pakistan's Second Five-Year Plan.

*Second Consortium Meeting:* The second meeting of the Consortium was held in June 1961. In this meeting, France was also included in this Consortium. Pakistan indicated in that meeting that it needed a commitment of \$945 million from the Consortium members to meet development and maintenance requirements for the two years, 1961-62 and 1962-63. The Consortium members agreed to provide \$320 million, in addition to \$229.3 million of existing commitments. France committed \$10 million in this consortium meeting.<sup>43</sup>

## 1961-1962

*Third Consortium Meeting:* Since these commitments fell far short of Pakistan's requirements for the two-year period, another meeting was held in Washington in January 1962 to consider Pakistan's further request for the balance of \$625 million for the second and third years of Second Plan. The Consortium members agreed to provide additional \$625 million, bringing the total to \$945 million originally requested by Pakistan. France committed \$15 million in this meeting.<sup>44</sup> In this fiscal year, Pakistan also contracted a loan with France \$10.128 million having 5.25% interest rate and ten years amortization as exports credits.<sup>45</sup>

## 1962-1963

*Fourth Consortium Meeting:* The fourth meeting of the Consortium was held in Washington on May 2-3, under the auspices of the World Bank to discuss aid for Pakistan during 1963-64, the fourth year of the Second Five-Year Plan. The Consortium had earlier held preliminary



discussion in Paris on the same subject on March 28-29, 1963 and noted that Pakistan's economy had been moving forward in a satisfactory manner.<sup>46</sup>

At this meeting the members undertook to make available \$425 million, for the fourth year of the Plan. These pledges were subsequently raised to \$431 million by France, Germany, the Netherlands and the United Kingdom.<sup>47</sup> France also committed \$32 million, at this Consortium meeting, to finance the import of capital equipment from her.<sup>48</sup> Pakistan and France contracted a loan worth \$15.191 million having 5.25% interest rate and ten years amortization as exports credits in this fiscal year as well.<sup>49</sup>

### 1963-1964

The total commitments since the commencement of the Second Plan from July 1960 to March 31, 1964, excluding the assistance received under the U.S. PL 480 Title I and the contributions for the Indus Basin Replacement Works, came to \$1480 million. Out of this assistance, \$305 million was on grant basis and the balance of \$1175 million on loan basis.<sup>50</sup> As a member of the Pakistan Consortium, France committed \$35 million to finance imports of capital equipment from her. Out of this, contracts for supply of machinery notified up to March 31, 1964 had amounted to \$7 million.<sup>51</sup> Pakistan and France also contracted a loan worth \$10.128 million having 5.25% interest rate and ten years amortization as exports credits in this fiscal year as well.<sup>52</sup>

### 1964-1965

In June 1965, seventeen countries and agencies were providing financial aid to Pakistan. Up to June 1965, Pakistan received a total of 209 loans and credits. The overall principal repayable amount was Rs.9539.5 million and the total interest payable was Rs.3281.7 million. It was 34.4 percent of the overall principal amount. Thus, the total external payable debt in June 1965 was Rs.12821.2 million.

France provided total number of 26 loans up to June 1965 amounted to Rs.119.8 million. The interest payable on the principal amount was Rs.28.9 million which was 24.12 percent of principal amount. Thus, the total repayable amount of French credit was Rs.148.7 million. This interest rate on French credit occupied an intermediate position among the other sixteen donor countries.<sup>53</sup> Pakistan and France also contracted a loan worth \$10.128 million having 5.25% interest rate and ten years amortization as exports credits in this year.<sup>54</sup>

### 1965-1967

In 1965-66, Pakistan contracted loan with France worth \$20.255 million having 5.25% interest rate and ten years amortization as State-cum-Bank credit. This State-cum-Bank credit was consisted of 50% state credit and 50% bank credits.<sup>55</sup>

In 1966-67, Pakistan contracted loan with France worth \$10.128 million having 5.25% interest rate and ten years amortization as State-cum-Bank credits.<sup>56</sup>

### 1967-1969

Total economic assistance received by Pakistan from 1947 to December 31, 1967 was \$4909.396 million. In this total amount, the donor countries aided \$1232.461 million as a grant and \$3676.935 as a loan. The contribution of France in this assistance was \$89.672 million, which was 1.83% of the total amount.<sup>57</sup> During 1967-68, Pakistan contracted a loan with France worth \$10.128 million having 5.25% interest rate and ten years amortization as State-cum-Bank credits.<sup>58</sup>

In fiscal year 1968-69, Pakistan again contracted a loan with France worth \$15.192 million having 3.5 to 7.25 percent interest rate and ten to twenty years amortization in the form of State-cum-Bank credits.<sup>59</sup>

## 1969-1971

The Aid-to-Pakistan Consortium met in Paris on February 1970 and considered a report prepared by the World Bank on Pakistan's external indebtedness. Pakistan received a sum total of \$6033.039 (Grants: \$1316.036 million; and Loans: \$4717.003 million) up to December 1969. France contributed \$113.491 million as loan in this total amount. France did not extend her economic assistance to Pakistan as grant up to December 1969.<sup>60</sup>

Pakistan contracted a loan with France amounted to \$16.204 million in the forms of State and Bank credits during 1969-70. The breakup of total amount was as: State credits were \$8.102 million having 3.5% interest rate and twenty years amortization; Bank credits were \$8.102 million having 7.25% interest rate and twenty years amortization.<sup>61</sup>

In 1970-1971, Pakistan contracted another loan with France as capital aid worth \$30.583 million having 6% interest and 16 years amortization.<sup>62</sup>

## Section III

### Critical Analysis of Pakistan-France Economic Relations

#### 1947-1971

In this section an effort has been made to analyze the data and information given in the previous sections related to the Pakistan-France trade relations and French economic assistance extended to Pakistan during 1947 to 1971. The main purpose of this analysis is to dig out and analyze the causes and circumstances behind the fluctuated trade volume and balance of trade existed between the two countries during the period under study.

#### 3.1 Pakistan-France Trade Relations

The history of Pakistan-France economic relations reveals that the trade volume between them was too small during first twenty years after the independence of Pakistan

in 1947. There were many reasons for this low trade volume. Some of them are as follows:<sup>63</sup>

- Initially, France was facing acute financial crisis after the World War II and actually her economy was touching a low level. France took some time to gain her pre-war economic position by implementation of Monnet Plan and the US economic help through Marshal Plan.
- During the said period, French businessmen were mainly interested in European markets. They were not trying more to explore and enter into new markets. Instead, they were trying to improve the quality and competitiveness of their goods.
- The economic division of the world into 'Sterling area' or 'dollar area' and 'franc area' or '*zone franc*' was also responsible for the small trade between the two countries because France was concentrating more on '*zone franc*' and European Economic Community (EEC) countries and Pakistan mostly linked economically to dollar or sterling area.
- The French were also cautious to enter markets, such as Pakistan, where the United States and their European competitors especially the United Kingdom had already been doing business considerably.
- The trade links of Pakistan were traditionally strong with the United States, the United Kingdom and Federal Republic of Germany. In the early years, Pakistan and India were also main trade partners. Therefore, Pakistani businessmen had confined their business mainly

to these countries and were reluctant to extend their trade relations with other areas.

- The French credit terms were not soft as expected by Pakistani entrepreneurs. Therefore, they did not put special effort to increase trade volume with France.
- The language was also a main obstacle for the enhancement of trade between the two countries because many French firms did/could not communicate in English due to many reasons.

This situation of low trade volume continued during the period 1948-1965. Pakistan's exports to France were more than her imports from France in this phase of their economic interaction. Therefore, the balance of trade during this period was mostly in favour of Pakistan. Pakistan's exports to France were amounted \$234.9 million (Rs.914.8 million) and imports from France were worth \$45.33 million (Rs.197 million), during the period from 1948-49 to 1957-58,. The trade balance was \$189.57 million (Rs.717.8 million) in favour of Pakistan. Thus, Pakistan earned profit in this business during this whole decade due to low French imports.<sup>64</sup>

France was much concerned about this continued trade deficit in trade with Pakistan. Therefore, France, during the trade talks in 1957 held in Paris, had pressed the Pakistan Government to increase her imports from France so that the balance of trade which had all along been highly against France might be minimized but the two countries could not conclude any mutually accepted agreement. France cancelled all outstanding shipments of Pakistani cotton, a major export item for Pakistan in trade with France, due to breakdown of these trade talks.<sup>65</sup> In due course, both the countries continued their negotiations and on February 17, 1958, they were succeeded to conclude a trade agreement.

The trade agreement between the two countries mentioned above expired on September 30, 1958. Therefore both the Governments again started trade talks in Paris in October 1958 but a dead lock in these talks again occurred due to the same reason. Difficulties had arisen over the French instance that Pakistan buy from France manufactured goods matching the value of French purchase of Pakistani cotton. For example, during the last trade year, Pakistan piled up a favourable trade balance of nearly 3 million pounds with France. Pakistan, though agreeing in principle to buy as many French products as possible, thought that it could not meet the French desire entirely in view of prices of most French goods. It was the high and unattractive prices which keep Pakistani importers off the French market. The French Government maintained that especially in view of the critical French foreign exchange position Pakistan must buy as much from France as France would in Pakistan. In the light of the French stand, the Pakistan delegation submitted a compromise proposal and hoped that France would find it acceptable.<sup>66</sup>

The Federal Commerce Minister, Mr. Zulfikar Ali Bhutto, disclosed in January 1959 that these trade talks between Pakistan and France had failed and no bilateral trade agreement was concluded. Although, Mr. Bhutto declined to give reasons for the failure of these negotiations but it was known that the French Government had insisted on Pakistan to step up its imports from France and reduce its favourable balance to only Rs.20 million. Thus, due to no compromise on their stands regarding import-export ratio these talks failed altogether.<sup>67</sup> The dead lock in trade talks resulted in the reduction of volume of trade between them in the fiscal year 1958-59. The trade volume during 1958-59 was \$22.7 million (Rs.108 million), it was a decrease of 42.4% or \$16.7 million (in rupee terms 42.6% or Rs.80 million) over the previous year's trade volume.

In spite of French efforts, the balance of trade was again in favour of Pakistan during the period 1958-59 to 1965-66,

except the two fiscal years 1959-60 and 1960-61. During these eight years, 1958-59 to 1965-66, Pakistan's exports to France amounted to \$140.8 million (Rs.671 million) and her imports from France were accounted for \$106.4 million (Rs.507 million). This resulted in trade balance of \$34.4 million (Rs.164 million) in favour of Pakistan. Although overall trade balance in these eight years was not in favour of France but her imports increased considerably. France's sales to Pakistan during 1958-59 to 1965-66 increased to \$61.07 million or 134.7% (in rupee terms it was an increase of Rs.310 million or 157.4%) as compare to the previous decade, 1948-49 to 1957-58.<sup>68</sup>

The trade relations between Pakistan and France were on purely commercial basis during the period of about eighteen years since Pakistan's independence. The French extended no special credits or guarantees to Pakistan. In this phase, Pakistan exported to France mainly raw material like raw cotton, raw jute, raw wool and hides and skins. France exported to Pakistan mainly finished capital goods, such as heavy machinery and vehicles.<sup>69</sup>

From the fiscal year 1965-66, the trade relations between the two countries started changing when France concentrated more to take interest in trade with the countries other than 'zone franc'. The Ayub Khan's government also adopted a policy of broadening the horizons of their trade due to continued industrialization process in the country. French businessmen, industrialists and companies were very much impressed by Pakistan's industrialization process and the development made by other European countries in trading with Pakistan and capturing her market. Therefore, the French private and government sectors opened a new chapter by increasing their volume of trade with Pakistan. France also contracted special credits to Pakistan either in the form of suppliers' credit or through the Terbela Dam Fund. This increased French activity in the Pakistan market resulted in a new trend of trade between the two countries.<sup>70</sup>

Consequently, during the period from 1966-67 to 1970-71, the trade balance turned completely in favour of France due to her increased sales to Pakistan. In this period of five years, Pakistan's total exports to France were \$82 million (Rs.390 million) and her total imports from France were amounted to \$142.2 million (Rs.678 million). This resulted in trade balance of \$60.2 million (Rs.288 million) in favour of France. It means that Pakistan's exports to France declined by 41.8% or \$58.8 million (in rupee terms 41.9% or Rs.281 million) and its imports from France increased by 33.7% or \$35.8 million (in rupee terms 33.7% or Rs.171 million) during the period 1966-67 to 1970-71 as compared to the period ranging from 1958-59 to 1965-66.<sup>71</sup>

In this phase of Pakistan-France economic relations, the volume of trade between them slumped due to internal political disaster in Pakistan, especially the crisis in East Pakistan which resulted in the dismemberment of Pakistan into two sovereign countries, Pakistan and Bangladesh in December 1971. From a modest start in fiscal year 1966-67, the trade volume reached its peak in 1967-68, when Pakistan's exports to France reached \$21.2 million (Rs.101million) and its imports from France rose to \$35.4 million (Rs.169 million). In the next three fiscal years, 1968-69 to 1970-71, the volume of trade declined considerably. Although imports from France increased from \$35.4 million (Rs.169 million) to \$39.4 million (Rs.188 million) in 1969-70 but exports to France fell from \$21.2 million (Rs.101 million) to \$17.2 million (Rs.82 million). In the next two fiscal years, the value of both Pakistan's exports to and imports from France dropped and in 1970-71 it reached to \$11.4 million (Rs.54 million) and \$15.4 million (Rs.73 million) respectively.



## 3.2 The French Economic Assistance to Pakistan

### 3.2.1 Financial Assistance

France has participated in the development process of Pakistan bilaterally as well as through the instrumentality of multilateral agencies since 1950s. It has extended to Pakistan financial aid mostly in the form of credits and loans. The French financial assistance falls into three main categories. In the first category, are project loans, the utilisation of which is governed by an annual inter-governmental protocol signed within the definitions laid down by the Aid-to-Pakistan Consortium (now Paris Club). Then comes credits for commodity purchase. These are covered by the same protocol and are meant to facilitate the purchase of products needed by Pakistan. Exports credits belong to the third category. They carry easier commercial terms as compare to the ordinary bank rates. There is a joint committee for Technical and Economic Cooperation between Pakistan and France. It regularly meets alternatively in Paris and Islamabad to review the implementation of agreed projects and takes important decisions for expanding the area of cooperation in economic, technical and scientific fields.<sup>72</sup>

Historically speaking, France was concentrating more to provide its aid to 'zone franc' up to 1967. Gradually, France extended its assistance beyond the traditional 'zone franc' to countries like Pakistan, India and Mexico etc. It also made an effort to increase in loans relative to grants. It implies that France was shifting its financial support from '*Soutien budgetaire*' or maintenance support to technical assistance.<sup>73</sup>

The French programme of external assistances to Pakistan started in 1957 in the form of training facilities in engineering and public administration. France included in Aid-to-Pakistan Consortium in its second meeting in June 1961. In the beginning, the French economic assistance through the Consortium was actually an offer to guarantee private export credits and to reduce their interest rates and the French Government's participation was insignificant.

Therefore, this economic assistance was practically unusable.<sup>74</sup> The terms and conditions of credits were also stiff and repayment period was short. With the passage of time, France tried to relax the condition of her credits to Pakistan. In 1963, France reduced the interest rate from 6 per cent to 5.75 per cent. It also decided to grant Pakistan \$3 million out of its total \$10 million Consortium pledges as commodity aid but the terms were still incompatible with Pakistan's needs and existing economic conditions. Therefore, Pakistan had been continuously trying to persuade not only to France but the other members of Aid-to-Pakistan Consortium as well for relaxation of terms and conditions of their economic assistance to Pakistan.<sup>75</sup>

Before Second Plan period (1961-65), France provided external finance to Pakistan through a suppliers credit \$11.5 million for Multan Fertilizer Factory.<sup>76</sup> During the Second Plan period, a sum of \$45 million was pledged by France for the years 1961-65. France pledged \$10 million on a bilateral basis and another 10 million during 1966-67, including non-project assistance of \$5 million. In addition France pledged \$10 million outside the Consortium. Out of the total pledges of \$75 million made by France up to 1966-67, \$54 million had been contracted for various projects. About 60% of export credits was utilized by the industrial sector and the remaining amount was used for purchase of gas-turbines for various projects.<sup>77</sup>

The French economic assistance in the form of suppliers credits was given with provision that it would be used for import of capital equipment from France. The French Government also laid down the condition that the minimum value of each contract reserved for projects should not be less than \$1 million. In the case of utilization of these credits as non-project assistance, the lower limit was \$60000 for each individual contract. These credits were repayable in ten years – repayment would be started six months after the final shipment and carried 5.25% rate of interest.<sup>78</sup>

In 1968, France took one step forward by increasing its annual financial assistance to Pakistan. France committed that now it would provide \$15 million annually instead of \$10 million. The breakup of this amount was as: \$2 million for import of small equipment and machinery; \$2 million for import of commodities; and \$10 million for project assistance. In addition, France also softened the terms and conditions of interest and extended the repayment period. It is important to note that despite grave internal difficulties in 1969, France continued its commitment to provide economic assistance to Pakistan.<sup>79</sup>

France had provided considerable financial support to Pakistan for its industrial development as well in the late sixties. To develop chemical industry, France financed the construction of a streptomycin plant at Chittagong and a DDT factory at Khulna (East Pakistan). French credits were also provided for petroleum industry and setting up of sugar mills. France, in collaboration with Italy and Switzerland had financed the construction of machine tool factory at Landhi (Karachi).<sup>80</sup>

In 1959, the Government of Pakistan decided to set up the first oil refinery of the country. It also examined the question of Pakistan's owning tankers of its own.<sup>81</sup> The negotiations for the refinery project initially conducted with the four oil companies, namely the Burmah oil, Caltex, Shell and Standard Vacuum Oil Company. These negotiations were later ended inconclusive. The Government of Pakistan also consulted with the four-man French team of oil experts for setting up this oil refinery. The expert M. Navarre, who was representing the French Petroleum Institute, had a meeting with Mr. Nasir Ahmed, the Secretary of the Ministry of Industries, on April 19, 1959.<sup>82</sup>

The estimated cost of this oil refinery project was about 11.5 million pound sterling and it was designed to process approximately one and half million tons of crude oil per year to meet the oil requirements of the whole of West Pakistan and to save foreign exchange up to Rs.270 million

per year.<sup>83</sup> President Ayub Khan officially inaugurated this first oil refinery of Pakistan at Korangi (Karachi) on November 14, 1962. The originally estimated cost of refinery was more than Rs.120 million, (£9 million) but it was stated to have been well below this figure.<sup>84</sup>

Mr. Zulfikar Ali Bhutto, the then Minister of Industries and Natural Resources, announced on December 21, 1962, that Pakistan had accepted a French offer to build an oil refinery at Chittagong at a cost of Rs.70 million. The construction work would begin early in 1963 and production would be started by mid 1965.<sup>85</sup> The agreement for the construction of this oil refinery at Chittagong (East Pakistan) was signed on May 14, 1963, by the Government of Pakistan and Eastern Refinery Limited. The capacity of refinery was one million ton annually. This capacity could possibly be extended to 1.5 million tons. The foreign exchange cost was \$12 million. It was financed by a French loan. Pakistan owned 70 per cent of its shares and 30 per cent by the *Regie-Autonomie des Petroles*, the French State Oil authority.<sup>86</sup>

The World Bank announced on May 2, 1968, in Washington, that under its administration, an international agreement had been signed for setting up a fund named "Terbela Dam Development Fund" of \$498 million (approximately half billion dollar) to provide external finance for the Terbela Dam project in West Pakistan. Besides World Bank the other donor countries were France, Canada, Italy, United Kingdom and United States.<sup>87</sup>

The World Bank held a meeting with the representatives of the donor countries for Terbela Dam project before signing the agreement in Paris on March 5-6, 1968. In this meeting, the West Pakistan Water and Power Development Authority (WAPDA) had stated its intention of awarding the main civil works contract of \$622.8 million to the "Terbela Joint Venture," - a consortium of Italian and French firms led by *Impregilo* of Milan (Italy).<sup>88</sup> On December 2, 1969, France and Italy increased aid up to one crore rupees for the construction of Terbela Dam. This dam was built on the

River Indus (River Sindh) and it was the largest earth-filled dam in the world. It was completed and started regular working on August 8, 1975.<sup>89</sup>

### 3.2.2 Technical Assistance

The French economic assistance was coupled with its technical support as well. It extended its technical support in the establishment of Pakistan's national oil industry, construction of Jhelum Link Canal, the Chashma Barrage, Terbela Dam, Port Qasim Karachi, Machine Tool Factories and various other development plans including power projects.

### Conclusion

This survey of Pakistan-France economic relations reveals that from a modest start in the early 1950s, the trade between Pakistan and France enhanced substantially. The volume of trade, which was \$37.1 million (Rs.123 million) in the fiscal year 1953-54, increased to \$56.6 million (Rs.270 million) in the fiscal year 1968-69. It was an increase of \$19.5 million or 52.56% (in rupee terms it was an increase of Rs.147 million or 119.51%) over the trade volume in 1953-54. The volume of trade dropped in the next two fiscal years, 1969-70 and 1970-71, due to internal political crisis in Pakistan. The export and import items were also increased gradually during the period under study. In the beginning, Pakistan was exporting to France its traditional items like jute, raw cotton, hides and skins, rice etc. Gradually, with increased industrial base, Pakistan also exported finished goods to France. On the other hand, Pakistan imported a wide range of products and goods from France, especially, heavy machinery and related parts to establish its industry on sound footings. Besides trade, the French financial aid and technical support to Pakistan was also noteworthy. This French economic assistance to Pakistan greatly helped in its economic development.

Table No. 1  
Direction of Foreign Trade-Pakistan to France 1947-1971

Year	Exports in Rupees Million	Imports in Rupees Million	Balance of Trade in Rupees Million	Years	Exports in US \$ Million	Imports in US \$ Million	Balance of Trade in US \$ Million
1947-48	-	-	-	1947-48	-	-	-
1948-49	40.4	4.4	+ 36	1948-49	12.2	1.33	+ 10.87
1949-50	67.4	8.6	+ 58.8	1949-50	20.3	2.6	+ 17.7
1950-51	-	-	-	1950-51	-	-	-
1951-52	172	-	-	1951-52	52.1	-	-
1952-53	79	-	-	1952-53	23.8	-	-
1953-54	95	28	+ 67	1953-54	28.8	8.3	+ 20.5
1954-55	79	25	+ 54	1954-55	17.4	5.6	+ 11.8
1955-56	124	39	+ 85	1955-56	26.1	8.2	+ 17.9
1956-57	122	40	+ 82	1956-57	25.7	8.4	+ 17.3
1957-58	136	52	+ 84	1957-58	28.5	10.9	+ 17.6
1958-59	70	38	+ 32	1958-59	14.8	7.9	+ 6.9
1959-60	78	100	- 22	1959-60	16.3	21	- 4.7
1960-61	71	78	- 7	1960-61	14.8	16.3	- 1.5
1961-62	85	44	+ 41	1961-62	17.8	9.3	+ 8.5
1962-63	91	65	+ 26	1962-63	19	13.7	+ 5.3
1963-64	94	46	+ 48	1963-64	19.8	9.6	+ 10.2
1964-65	77	73	+ 4	1964-65	16.2	15.3	+ 0.9
1965-66	105	63	+ 42	1965-66	22.1	13.3	+ 8.8
1966-67	77	109	- 32	1966-67	16.2	22.8	- 6.6
1967-68	101	169	- 68	1967-68	21.2	35.4	- 14.2
1968-69	82	188	- 106	1968-69	17.2	39.4	- 22.2
1969-70	76	139	- 63	1969-70	16	29.2	- 13.2
1970-71	54	73	- 19	1970-71	11.4	15.4	- 4.0
1971-72	62	76	- 14	1971-72	11.8	14.4	- 2.6

Note:

- (a) Some data from 1947-48 to 1950-51 is not available.
- (b) Data from 1951-52 to 1970-71 includes figure relating to former East-Pakistan (now Bangladesh).
- (c) In this Table the figures of re-export and re-import have not been included.

## Sources:

*Pakistan Economic Survey (Various Issues)*, Government of Pakistan, Finance Division, Economic Advisor's Wing, Islamabad.

*Pakistan Economic Survey, Statistical Section, 1985-86*, 133.

Mushtaq Ahmed, "Pakistan's Relations with France", *Pakistan Horizon*, Karachi, vol. III, No. 3, September, 1950, 226-227.

*Hand Book of Statistics on Pakistan Economy 2010*, State Bank of Pakistan, 576-592.

[www.sbp.org.pk/departments/stats/PakEconomy\\_HandBook/index.htm](http://www.sbp.org.pk/departments/stats/PakEconomy_HandBook/index.htm)

Table No. 2  
Direction of Foreign Trade of Pakistan 1947-1971  
(US \$ million)

Year	Nature of Trade	France	*EEC	Western Europe	TOTAL (World)	%age of France to Total World
1947-48	Exports	-	-	-	-	-
	Imports	-	-	-	-	-
1948-49	Exports	12.2	-	-	163.9	-
	Imports	1.33	-	-	355.5	-
1949-50	Exports	20.3	-	-	161.7	-
	Imports	2.6	-	-	275.6	-
1950-51	Exports	-	-	-	405.6	-
	Imports	-	-	-	352.6	-
1951-52	Exports	52.1	230.0	250.9	606.3	8.6
	Imports	-	197.7	234.6	593.0	-
1952-53	Exports	23.8	174.6	191.9	441.8	5.4
	Imports	-	119.2	132.8	282.8	-
1953-54	Exports	28.8	173.4	186.9	379.6	7.6
	Imports	8.3	121.5	130.4	222.1	3.7
1954-55	Exports	17.4	126.2	132.7	258.7	6.7
	Imports	5.6	104.0	110.5	205.0	2.7
1955-56	Exports	26.1	149.1	160.9	373.5	6.99
	Imports	8.2	102.1	108.7	208.0	3.94
1956-57	Exports	25.7	144.2	153.2	337.7	7.6

	Imports	8.4	138.6	147.4	334.6	2.5
1957-58	Exports	28.5	142.7	152.5	298.7	9.5
	Imports	10.9	154.6	162.3	430.7	2.5
1958-59	Exports	14.8	107.2	118.9	278.4	5.3
	Imports	7.9	130.2	140.7	331.6	2.4
1959-60	Exports	16.3	142.3	153.2	387.2	4.2
	Imports	21.0	204.6	215.9	517.0	4.1
1960-61	Exports	14.8	129.6	139.6	378.0	3.92
	Imports	16.3	257.8	273.3	669.7	2.4
1961-62	Exports	17.8	143.4	160.4	387.3	4.6
	Imports	9.3	252.0	268.8	653.2	1.4
1962-63	Exports	19.0	156.5	172.4	472.1	4.03
	Imports	13.7	259.1	273.0	802.3	1.7
1963-64	Exports	19.8	142.9	158.0	483.0	4.1
	Imports	9.6	289.3	305.9	930.7	1.03
1964-65	Exports	16.2	133.5	150.1	505.8	3.2
	Imports	15.3	387.5	408.2	1129.0	1.4
1965-66	Exports	22.1	178.6	196.7	570.9	3.9
	Imports	13.3	332.1	356.5	884.1	1.5
1966-67	Exports	16.2	162.2	183.7	611.9	2.7
	Imports	22.8	338.3	367.2	1090.8	2.09
1967-68	Exports	21.2	188.5	213.6	656.4	3.2
	Imports	35.4	330.6	352.1	977.9	3.6
1968-69	Exports	17.2	181.6	202.1	680.6	2.5
	Imports	39.4	316.5	340.8	1028.7	3.8
1969-70	Exports	16.0	189.7	213.1	687.3	2.3
	Imports	29.2	347.9	375.5	1071.0	2.7
1970-71	Exports	11.4	150.0	168.5	682.7	1.7
	Imports	15.4	313.0	339.8	1087.7	1.4
1971-72	Exports	11.8	121.6	139.7	638.5	1.9
	Imports	14.4	205.8	221.8	662.0	2.2

Note:

- (a) Some data from 1947-48 to 1950-51 is not available.
- (b) Data from 1951-52 to 1970-71 includes figure relating to former East-Pakistan (now Bangladesh).



(c) In this Table the figures of re-export and re-import have not been included.

\*EEC: European Economic Community: West Germany, France, Italy, Benelux, Denmark, Ireland.

Source:

*Hand Book of Statistics on Pakistan Economy 2010*, State Bank of Pakistan, 576-592.

[www.sbp.org.pk/departments/stats/PakEconomy\\_HandBook/index.htm](http://www.sbp.org.pk/departments/stats/PakEconomy_HandBook/index.htm)

Table No. 3  
Terms Of Loans And Credits Contracted By Pakistan With  
France  
(Consortium Including Outside Consortium Arrangements)  
(Us \$ Million)

Year	Nature of Loan/ Credit	Amount Of Total Loan	Interest Rate/ Commission(%)	Amortization Years
1947-48	-	-	-	-
1948-49	-	-	-	-
1949-50	-	-	-	-
1950-51	-	-	-	-
1951-52	-	-	-	-
1952-53	-	-	-	-
1953-54	-	-	-	-
1954-55	-	-	-	-
1955-56	-	-	-	-
1956-57	-	-	-	-
1957-58	Suppliers Credits	23.045	5.25	10
1958-59	-	-	-	-
1959-60	-	-	-	-
1960-61	-	-	-	-
1961-62	Export Credits	10.128	5.25	10
1962-63	Export Credits	15.191	5.25	10
1963-64	Export Credits	10.128	5.25	10

1964-65	Export Credits	10.128	5.25	10
1965-66	State-cum-Bank Credits*	20.255	5.25	10
1966-67	State-cum-Bank Credits	10.128	5.25	10
1967-68	State-cum-Bank Credits	10.128	5.25	10
1968-69	State-cum-Bank Credits	15.192	3.5 – 7.25	10 - 20
1969-70	State Credits	8.102	3.5	20
	Bank Credits	8.102	7.25	10
1970-71	Capital Aid	30.583	6	16
1971-72	-	-	-	-

\*State-cum-Bank credit consists of 50% State Credit and 50% Bank Credit.

Sources:

*Pakistan Economic Survey (Various Issues)*, Government of Pakistan, Finance Division, Economic Advisor's Wing, Islamabad.  
*Pakistan Economic Survey, Statistical Section, 1975-76*, 110, 111, 114, 116.

*Pakistan Economic Survey, Statistical Section, 1980-81*, 142, 143, 145, 148.

## Notes and References

- 1 Quoted in Rothkrug, Lionel. *Opposition to Louis XIV: The Political and Social Origins of the French Enlightenment*, (Princeton: Princeton University Press, 1965), 73-74. See also

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<http://www.lonang.com/exlibris/grotius/gro-202.htm> ,  
Accessed on February 2, 2013.

- 2 *Economy of Pakistan 1948-68*, Economic Advisor to the Government of Pakistan, (Islamabad: Pakistan Ministry of Finance, n.d.), 97.
- 3 *Economic Survey of Pakistan, November 1949*, issued by The International Islamic Economic Conference, (Karachi: 1949), 10.
- 4 Mushtaq Ahmed, "Pakistan's Relations with France", in *Pakistan Horizon*, Karachi, vol. III, No. 3 (September, 1950), 224. Mushtaq writes that 'With the destruction of over 3,000 bridges, 4 locomotive workshops out of 10, 25 marshalling yards out of 40 and 15 rolling stock workshops out of 21, her communication had been damaged beyond compare. The destruction of factories and industrial centres was also colossal. The end of the war saw the economic life of France in utter ruin.'
- 5 Ibid.
- 6 Lakh (Lac) = 0.1 million
- 7 *Economic Survey of Pakistan 1949*, 61-63.
- 8 *Economy of Pakistan 1948-68*, 100-101.
- 9 Mushtaq Ahmed, "Pakistan's Relations with France", 226-227. See also Naema Sultan Begum, 'Indo-Pakistan Trade Relations', *Pakistan Horizon*, Karachi, *Pakistan Horizon*, Karachi, vol. III, No. 3 (September, 1950), 173.
- 10 *Economy of Pakistan 1948-68*, 98.
- 11 Mushtaq Ahmed, "Pakistan's Relations with France", 227.
- 12 *Pakistan Treaty Series 1947-53*, Ministry of Foreign Affairs, Government of Pakistan, vol. I, 242-245.

- 13 Mushtaq Ahmed, "Pakistan's Relations with France", 226-227. See also Naema Sultan Begum, 'Indo-Pakistan Trade Relations', 175. After Indian suspension of all coal supplies to Pakistan in December 1949, Pakistan quickly made contact to United Kingdom, France and Poland to buy coal from them. These countries agreed to provide these quantities of coal: Poland 400000 tons; France 300000 tons; and UK 200000 tons.
- 14 See Table 1.
- 15 Raziuddin Razi, Shakar Hussain Shakar, *Pakistan – 53 Saal (Years) (14 August 1947 to 14 August 2000)(Urdu)*, (Lahore: Sang-e-Meel Publications, 2001), 115.
- 16 *Economic Survey of Pakistan 1958-59*, Economic Advisor to the Government of Pakistan, (Islamabad: Pakistan Ministry of Finance, 1959), 40.
- 17 See Tables 1 and 2. See also *Economy of Pakistan 1948-68*, 105-106. In term of crore rupees, the total imports from the Western European countries were Rs. 38.65 crore and exports were Rs. 32.33 crore. France's share was Rs. 3.77 crore in imports (2.39% of total imports and 9.75% of imports from Western Europe) and 7.02 crore in exports (5.30% of total exports and 21.71% of exports to Western Europe)
- 18 *Economic Survey of Pakistan 1958-59*, 39.
- 19 See Table 1.
- 20 *Dawn*, Karachi, November 1, 1959.
- 21 See Table 1.
- 22 *Economic Survey of Pakistan 1960-61*, 37.
- 23 See Table 1.
- 24 Ibid.
- 25 See Tables 1 and 2.

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- 26 *Economic Survey of Pakistan 1964-65*, 73. See also Table 1.
  - 27 See Tables 1 and 2.
  - 28 Ibid.
  - 29 Ibid.
  - 30 Ibid.
  - 31 Ibid.
  - 32 Ibid.
  - 33 Ibid.
  - 34 *Economy of Pakistan 1948-68*, 298.
  - 35 *Economic Survey of Pakistan 1962-63*, 189.
  - 36 *Pakistan Economic Survey 1970-71*, Economic Advisor's Wing, Ministry of Finance, Government of Pakistan, (Islamabad: Pakistan Ministry of Finance, 1971), 124.
  - 37 *Pakistan Economic Survey 1969-70*, 185.
  - 38 *Economic Survey of Pakistan 1962-63*, 190.
  - 39 *Economy of Pakistan 1948-68*, 307.
  - 40 *Economic Survey of Pakistan 1963-64*, 218-219. See also *Pakistan Economic Survey 1969-70*, 188. The Consortium assistance passed through two stages before its actual utilisation. The Consort members generally met once a year to take a stock of Pakistan's implementation of its development programme and next year's requirements of foreign exchange. After having broadly scrutinised schemes, they had to decide the volume of assistance that its members were prepared to offer. The offered assistance was known as 'pledge'. Later, each member country individually selects the projects it would like to finance and through bilateral agreements with Pakistan settled the terms and conditions for

financing these projects. This was known as 'commitment'. After commitment agreements, implementation of the projects starts and the disbursement of fund follows.

- 41 *Economic Survey 1998-99*, 103-105.
- 42 See Table 3.
- 43 *Economic Survey of Pakistan 1962-63*, 198. See also *Economic Survey of Pakistan 1963-64*, 219.
- 44 *Economic Survey of Pakistan 1962-63*, 199. See also *Economic Survey of Pakistan 1963-64*, 220.
- 45 See Table 3.
- 46 *Economic Survey of Pakistan 1963-64*, 220.
- 47 Ibid.
- 48 Ibid., 197.
- 49 See Table 3.
- 50 *Economic Survey of Pakistan 1963-64*, 213.
- 51 Ibid., 215.
- 52 See Table 3.
- 53 Irving Brecher, Syed Afsar Abbas, *Foreign Aid and Industrial Development in Pakistan*, (Cambridge: Cambridge (England) University Press, 1972), 59. The analysis of interest rates as percentage of principal amounts of different donor countries shows that UK (62.3%), Netherlands (52%), IBRD (50.1%), IFC (48.4%), Canada (47.2%) and Germany (41%) were the countries who provided loans with the highest interest rates. Chinese loan was interest free and the other countries who provided loans on comparable very low interest rates were Soviet Union (14.7%) and Yugoslavia (12.4%). IDA (22.38%), France (24.12%) and US (26.22%) provided loans having interest rates which held an intermediate

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position between above mentioned two extremes of interest rates.

54 See Table 3.

55 Ibid.

56 Ibid.

57 *Economy of Pakistan 1948-68*, 299-300.

58 See Table 3.

59 Ibid.

60 *Pakistan Economic Survey 1969-70*, 186-187.

61 See Table 3.

62 Ibid.

63 Samina Ahmed, "Franco-Pakistan Relations – I: Political, Economic and Cultural Ties (1947-1977)", *Pakistan Horizon*, Karachi, vol. XXX, No. 3 & 4 (1977), 41.

64 See Tables 1 and 2.

65 *The Pakistan Times*, Lahore, 22 October 1957. During the year of 1956, Pakistan's export to France totalled about Rs.15.5 crores against total imports of about Rs.6.75 crores. In 1955, Pakistan imported French goods worth Rs.5.5 crores while exports to France totalled about Rs.15 crores. France was one of the largest buyers of Pakistani cotton lifted 116500 bales in 1956-57, 99100 bales during 1955-56 and about 55000 bales during 1953-54.

66 *Dawn*, Karachi, 26 November 1958.

67 *The Pakistan Times*, Lahore, 1 February 1959. See also *The Times of India*, 1 February 1959.

68 See Tables 1 and 2.

69 Samina Ahmed, "Franco-Pakistan Relations – I", 41-42.

- 70 Ibid., 42.
- 71 See Tables 1 and 2.
- 72 N. Ahmed, 'Pak-French Cooperation for Progress,' *The Pakistan Times*, Rawalpindi, 14 July 1976.
- 73 Irving Brecher, Syed Afsar Abbas, *Foreign Aid and Industrial Development in Pakistan*, 78.
- 74 Teresa Hayter, *French Aid*, (London: The Overseas Development Institute Ltd., 1966), 130. Quoted from Samina Ahmed, "Franco-Pakistan Relations – I", 45.
- 75 Ibid. See also *Dawn*, Karachi, 21 July 1963.
- 76 *Pakistan Economic Survey 1966-67*, 197-198.
- 77 Ibid., 198.
- 78 Ibid.
- 79 Samina Ahmed, "Franco-Pakistan Relations – I", 45.
- 80 Irving Brecher, Syed Afsar Abbas, *Foreign Aid and Industrial Development in Pakistan*, 78.
- 81 *The Pakistan Times*, Lahore, 8 March 1959. In 1959, Pakistan was importing oil worth Rs.21 crore per year. It was further spending Rs.3 crore on import of aviation spirit and oil for streamers. It was planned for the proposed oil refinery that it would initially import crude oil from Middle East and would switch over to refine Pakistan oil as soon as it was struck in one of the areas where drilling was going on.
- 82 *Dawn*, Karachi, 21 April 1959. The Government of Pakistan also negotiated with three other parties for setting up of oil refinery in Karachi. These were: (1) a consortium of four British and American oil companies, (2) M.N.I., a state-owned oil company of Italy, and (3) a French company with oil refinery experience in North Africa.
- 83 Ibid. 11 November 1959.



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- 84 *Kessing's Contemporary Archive*, January 12-19, 1963, vol. XIV (14), 1963-64, (Bristol), 19191(C).
- 85 Ibid.
- 86 Ibid., June 15-22, 1963, vol. XIV (14), 1963-64, 19473(B).
- 87 Ibid., May 4-11, 1968, vol. XVI (16), 1967-68, 22685(A). The main features of this agreement were: (1) The total estimated cost of the project was equivalent to \$827.5 million excluding land acquisition. The Government of Pakistan would provide for the Terbela Development Fund an estimated amount in rupees equivalent of \$335.5 million for local expenditure; (2) Foreign exchange requirements for this project now estimated at \$324 million would be met from the unused balance left in the Indus Basin Development Fund after the completion of the Mangla Dam, as envisaged by the Indus Basin Fund Development Supplementary Agreement of 1964; (3) The remaining foreign exchange would be contributed (in US dollar equivalents) by the donor countries as: Canada - \$4.6 million; France - \$30.4 million; Italy - \$40 million; UK - \$24 million; USA - \$50 million; and the World Bank \$25 million. France and Italy had expressed willingness to make further contributions up to the equivalent of the of \$10 million each if it later became clear that funds already agreed were insufficient to meet the foreign exchange costs.
- 88 Ibid.
- 89 Raziuddin Razi, Shakar Hussain Shakar, *Pakistan – 53 Saal (Years)*, 449, 557.