

Pakistan-GCC Relationship: Reframing Policy Trajectories

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Abstract

For some time, Pakistan's Gulf policy has largely focused on upholding cultural and religious ties, rather than building sustainable economic linkages. Though energy resources have been prioritised, overall efforts towards improving economic ties with the Gulf have been lacklustre. Given the present global economic crunch, if Pakistan's underutilised economic card is used wisely, it could give the Pakistani economy much-needed reprieve. This article briefly outlines the nature of Pakistan's relations with the GCC. Then it will continue on to argue that Pakistan should shift from a more strategic/political relation to a more economic-based one with all of the GCC since economic interdependence is more sustainable. By revitalising trade with all the GCC countries, improving the system of remittances and maintaining neutrality on all fronts, the state of Pakistan can help to steer its economy and could gain immense economic benefits out of the present turbulent economic situation country is facing.

Keywords: GCC, Iran, Remittances, FTA, Economic.

Introduction

In the present world order intermingled with complexities, countries with economic strength are succeeding primarily because political and strategic drivers for any country now necessitate that there be a robust economic framework as well. In his article "Economic Strength and Military Effectiveness,"¹ Michael Beckley concludes that there is a positive correlation between military effectiveness and economic development. He cites cases such as countries in Indo Pacific as key examples, pointing out that these countries based on their development economically have much

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¹ Michael Beckley, "Economic Development and Military Effectiveness," *Journal of Strategic Studies* 33, no. 1 (2010): 43-79.

more potential to counter adversaries than they did 30 years ago.² Hence, most nations have fine-tuned their national security strategies to lay more emphasis on cementing their economic security since it is thought to be more sustainable.

Unfortunately, Pakistan has not been able to improve on its economic strength, focusing instead on strengthening only its strategic links with countries. With regards to the Gulf countries especially, Pakistan's policy has fundamentally been focused on building cultural, religious and political ties. In the start of Prime Minister Imran Khan's term, he travelled to many Gulf countries including Saudi Arabia, United Arab Emirates (UAE) and Qatar to procure financial assistance to help Pakistan's floundering economy. In early 2019, Saudi Arabia and its ally the UAE offered Pakistan an over US\$30 billion support package comprising of loans and investments.³ Qatar followed with US\$3 billion in June 2019. However, the sheer size of the problem led Islamabad to the International Monetary Fund (IMF). In July 2019, under its bailout programme, the IMF approved a US\$6 billion loan for Pakistan — the first tranche of US\$1 billion was released immediately on July 3, 2019.⁴

In the article "A Wide Gulf,"⁵ Huma Yusuf points out that the GCC approach towards Asia now circles around deepening economic ties with India while simultaneously maintaining some sort of security cooperation with Pakistan on specific issues and occasional aid packages for Pakistan's weak economy.

The fact that Pakistan has much potential in the economic sphere can be gathered from the article, "Productive Capabilities and Economic Development: A Case for Industrial Diversification in Pakistan."⁶ Authors,

² Ibid.

³ "Pakistan Turns to Gulf Countries to Keep Economy Afloat," *Wall Street Journal*, January 22, 2019, <https://www.wsj.com/articles/pakistan-turns-to-gulf-countries-to-keep-economy-afloat-11548160203>

⁴ "Pakistan Receives US\$991 Million as First Tranche of IMF Programme," *Dawn*, July 10, 2019, <https://www.dawn.com/news/1493229>

⁵ Huma Yusuf, "A Wide Gulf," *Dawn*, September 9, 2019, <https://www.dawn.com/news/1504362>

⁶ Nazeef Ishtiaq and Ahmed Chaudhry, "Productive Capabilities and Economic Development: A Case for Industrial Diversification in Pakistan," 33rd Paper and

Nazeef Ishtiaq and Ahmed Chaudhry point out that even though Pakistan was poised to become the next Asian Tiger, bad decisions resulted in it becoming a ‘South Asian Snail’ instead. However, the article states that Pakistan still has the potential of becoming the sixteenth biggest economy by the year 2030.⁷

Consequently, whilst Pakistan has always kept up strong strategic links followed by political relations, Islamabad has still to take full advantage of its economic potential with the GCC. Pakistan’s GCC policy has mainly been focused on strategic gains, political angles and recently on securing economic assistance rather than on cementing economic ties, thus missing a crucial opportunity for its own economic growth. In the article, “South Asia’s Strategic Influence in the Middle East,” Shashank Joshi, says as much when he points out how Pakistan has always maintained extensive military-to-military ties with the Arab states⁸ with little or no focus on enhancing economic ties.

Hence, if Pakistan’s underutilised economic card is used wisely, it could give the Pakistani economy much-needed respite. This article will limit itself to the 21st century. It will argue that Pakistan should shift from a more strategic/political relation to a more economic-based one with all the GCC countries since economic interdependence is more sustainable. The paper will primarily cover the questions of why Pakistan’s economic relations with the Gulf countries not at par with its strategic and political relations and give recommendations on how can Pakistan develop its economic potential with the GCC countries.

Nature of Pakistan’s Relations with the GCC in the 21st Century

Pakistan and the Gulf countries have long shared a bond, which was initially premised on religion and strategic ties and has grown to include economic relations. For some time, Pakistan’s Gulf policy has largely focused on upholding cultural and religious ties rather than building

Proceedings, *PIDE*, April, 2018, <https://www.pide.org.pk/psde/pdf/AGM33/papers/Ahmed%20Chaudhry.pdf>

⁷ Ibid.

⁸ Shashank Joshi, “South Asia’s Strategic Influence in the Middle East,” The Lowy Institute, January 31, 2017, <https://www.loyyinstitute.org/the-interpretor/south-asias-strategic-influence-middle-east>

sustainable economic linkages. Time and again, Islamabad has offered to mediate tensions between Riyadh and Tehran, while avoiding becoming enmeshed in various ongoing wars. Though energy resources have been prioritised, overall efforts towards improving economic ties with the Gulf have been lacklustre.

a) Political Relations

The only common institutionalised intergovernmental collaboration frameworks that encompass both Pakistan and all of the GCC countries are defined by common philosophy and faith. The Organisation of Islamic Cooperation (OIC), its different subsidiaries and the Islamic Development Bank are all organisations in which KSA plays the principal role. Indeed, much of Pakistan's interaction with the Persian-Arabian Gulf revolves around its multidimensional ties with Saudi Arabia, the GCC's nucleus state. Pakistan and the GCC countries have always had good diplomatic relations. Apart from the brief downward trend in 2015, relations have always been warm. There are frequent bilateral exchanges throughout the year. Within the political dimension, the relationship between Pakistan and the GCC can be divided into economic and strategic relations.

b) Strategic Relations

Though the underlying factor in Pak-GCC relations is religious affinity, the relationship has grown to include strategic, political and economic ties. There are frequent bilateral visits between the leaders of Pakistan and the GCC countries. Pakistan-GCC strategic relations include joint exercises, training, deployment and sale of weapons. One example is the Joint Gulf Shield 1 drills⁹ in which Pakistan along with forces from 24 other countries participated. These countries included Bahrain and the Emirates and Jordan. In 2011, Pakistan accepted Prince Bandar bin Sultan's request to help suppress an anti-government popular uprising in Bahrain,¹⁰ a key ally of Saudi Arabia. However, despite a history of close ties, challenges increased, mainly because of asymmetrical expectations on either side.

⁹ "Pakistani Flotilla Takes Part in 24 Countries Military Drills in Saudi Arabia," *Express Tribune*, April 8, 2018.

¹⁰ Marvin G. Weinbaum and Abdullah B. Khurram, "Pakistan and Saudi Arabia: Deference, Dependence and Deterrence," *The Middle East Journal* 68, no. 2 (2014): 211-228.

Geographical proximity, as well as Pakistan's significant Shia population, have entailed that Pakistan is not inimical to Iran as are Saudi Arabia and its allies. One such instance is the refusal of sending troops to fight on behalf of Saudi Arabia against Houthi militias. Instead, Pakistan desired to contribute to the mediation efforts such as those being undertaken by the United Nations (UN). This decision by the Government of Pakistan did result in a harsh backlash, particularly from the UAE. However, it is important to mention that the former Saudi intelligence chief, Prince Turki bin Faisal, once said that the ties between Pakistan and Saudi Arabia were "probably one of the closest relationships in the world between any two countries without any official treaty."¹¹ This can be seen in 2016, when the former Pakistani Chief of Army Staff, General Raheel Sharif was appointed as the head of the Islamic Military Counter Terrorism Coalition's (IMCTC) — a move both symbolic and strategic. While the US to this day remains the main external security provider, Pakistan's security provision to the Gulf comes under the scaffold of security provided by the US and UK which involves troop deployment for military trainings, defence pacts and joint military exercises.¹²

In 2018, the National Assembly of Pakistan was told that as many as 1671 Pakistani armed forces men have been stationed in Saudi Arabia, 629 in Qatar and 66 in the Emirates.¹³ In February 2018, a strong contingent of Pakistani troops was sent to Riyadh for training and advice under the 1982 Protocol Agreement signed between Pakistan and Saudi Arabia. There are already around 1,100 Pakistan troops present in the Kingdom. Apart from serving strategic purposes, the military relationship between Pakistan and the GCC countries has an economic angle to it. It is reported that nearly 25 per cent of the GDP¹⁴ that arises from business activities between the GCC

¹¹ "The Dangerous, Delicate Saudi-Pakistan Alliance," *Foreign Policy*, April 1, 2015.

¹² "The Convergence of Pakistan and Gulf Strategic Interests: An Assessment," ORSAM, October 16, 2020, <https://orsam.org.tr/en/the-convergence-of-pakistan-and-gulf-strategic-interests-an-assessment/>

¹³ "As Many As 1,671 Pakistani Soldiers Deployed in Saudi Arabia, NA Told," *Pakistan Today*, March 13, 2018, <https://archive.pakistantoday.com.pk/2018/03/13/as-many-as-1671-pakistan-military-personnel-deployed-in-saudi-arabia-na-told/>

¹⁴ "The Interaction Between Pakistan and the Countries of the Gulf Cooperation Council: 'Sub-Imperialism by Complementarity'?" *Journal of Conflict, Transformation & Security* 5, no.1 (2016): 8-29.

and Pakistan (encompassing various sectors) are initiated by groups or individuals of Pakistan defence sectors. Moreover, establishments and companies embedded in networks of military or former military personnel are also operatives in the trade between Pakistan and the GCC countries.

c) *Economic Relations*

The present volume of Pakistan's trade with the Gulf countries is well below its potential. Data from 2011 shows that of the total trade of US\$18 billion between Pakistan and the GCC, US\$15 billion comprised of imports alone.¹⁵ In the realm of energy security, since 1973, military ties between the US and Saudi Arabia and other GCC oil exporters have created an important component of the petrodollar system which in turn also regulates the modalities of the energy trade between Pakistan and the GCC sphere. Pakistan's utilisation of affluent petroleum products is approximately around 21 million tons. Of this almost 85 per cent were met through imports. According to one report, about half of the energy needs are accommodated by home grown production of gas, 29 per cent through local and imported oil and 11 per cent through hydro-electricity. Pakistan has an ordained refining capacity of 12.82 million tons a year from five refineries. Presently, Pakistan imports oil from GCC countries, primarily Saudi Arabia.¹⁶ It covers its gas needs by importing from Qatar.

Another major part of the Pakistan-GCC relation is the large number of Pakistanis working in the GCC. Remittances is a big piece of pie of Pakistan's economy. In 2019, Pakistan recorded US\$1083.03 remittances from the 4.7 million registered Pakistanis working in the GCC countries.¹⁷ The economic relationship has also included the provision of aid by the GCC countries. For example, during the 2005 earthquake, the aid and help given by the UAE were indispensable. Much of the Pakistani elite have also invested in real estate as well as the tertiary sector in the GCC's hub cities. The Gulf states have also expressed interest in the China-Pakistan Economic Corridor (CPEC). In 2019, both

<https://biblio.ugent.be/publication/7205433/file/7205436.pdf>

¹⁵ Ibid.

¹⁶ Finance Division Government of Pakistan, *Pakistan Economic Survey 2018-2019*, Finance Division, http://finance.gov.pk/survey/chapters_19/Economic_Survey_2018_19.pdf

¹⁷ Country-Wise Workers Remittances, State Bank of Pakistan, <http://www.sbp.org.pk/ecodata/Homeremit.pdf>

Saudi Arabia and the UAE pledged to make investments culminating to almost US\$30 billion in loans and investments in Pakistan.¹⁸ This will give a substantial economic cover to the bilateral relations between Pakistan and the GCC. Taking all the above mentioned into consideration, it can be seen that Pakistan's Gulf policy so far has been tilted towards enhancing strategic ties which have resulted in the neglect of the economic relationship.

Alternative Model for Pakistan-GCC Relations

In light of the present situation of Pakistan's economy, it is now more important than ever for the country to focus on improving its economic relations with the Gulf countries and find avenues as well as secure niches for a much more stable future trajectory. An alternative model premised on improving the remittance sector of the economy and revitalising trade with all the Gulf countries, concurrently balancing rival country relations is presented below.

a) Improving the System of Remittances

Remittances make up around 86 per cent of the secondary income balance of the economy which underscores its significance in the overall foreign exchange reserves of the country.¹⁹ In 2018-2019, Pakistan received remittances worth US\$21 billion²⁰ which almost equalled the country's total export bill. It is noteworthy to mention that the support provided by the remittance flow has helped the economy by reducing the gap in its current account deficit. However, economic slowdown, as well as a sense of growing nationalism in the Gulf countries, have resulted in a decline in the number of migrant workers in the Gulf. This means that measures need to be taken to make the existing workforce more competitive. For Pakistan, the largest remittance source is Saudi Arabia. However, Pakistan's economic revenue from remittances is still insufficient. Despite Covid-19, remittance inflow from the GCC countries have shown an upward trend in

¹⁸ "Pakistan Turns to Gulf Countries."

¹⁹ Finance Division Government of Pakistan, *Pakistan Economic Survey 2009-2010*, Finance Division, http://www.finance.gov.pk/survey/chapter_10/07_Balance_of_Payments.pdf

²⁰ *Pakistan Economic Survey 2018-2019*.

2020 from US\$6747.3 million in 2019 to US\$9952.8millionin 2020.²¹ However, considering that currently there are almost 4.7 million²² recorded Pakistanis employed in the Gulf, there is a certain inequality between remittances received and workers present. By way of example, even though the Pakistanis working in Saudi Arabia are nearly the same size as the Indians working in Saudi Arabia, the former sends back fewer remittances than their Indian equivalents.

It is important that Pakistan revitalises its existing workforce as well as take steps to make the existing workforce more competitive, relative to the labour from the other South Asian countries. Conferring to a report by the International Labor Organisation (ILO),²³ the need for low as well as semi-skilled migrant workers in the GCC private sector will remain elevated in the short-term in lieu of large projects such as the Dubai Expo 2020 coming up. Hence, it would do well if Pakistan government focus on providing vocational training programmes to meet this demand. This would visibly aid the economy.²⁴

To tackle the problem of remittance inflow, another area needs to be addressed which is the cost of remittances. As the amount of the remittance being transferred increases the cost of transmitting this remittance goes down. Presently, under the Pakistan Remittance Initiative (PRI) which was set up in 2009,²⁵ for a minimum amount of US\$500 transferred, remitters can enjoy a free remittance facility. However, this is ineffective since a large proportion of overseas Pakistani workers work on temporary contracts which entails that they have to send home small amounts of money. Hence, more should be done to lessen remittance burdens, predominantly on lesser aggregates and to make the process of moving funds less unwieldy. One

²¹ Country-Wise Workers Remittances.

²² “Year book 2017-2018,” Ministry of Overseas Pakistanis and Human Resource Development, Government of Pakistan, <http://callsarzameen.ophrd.gov.pk/web/wp-content/uploads/2019/07/Year-Book-2017-18.pdf>

²³ “Future of Work: Skills and Migration in the Middle East,” International Labor Organisation, https://www.ilo.org/wcmsp5/groups/public/---asia/---ro-bangkok/---sro-new_delhi/documents/presentation/wcms_566157.pdf

²⁴ “A Migrant’s Journey for Better Opportunities: The Case of Pakistan,” *World Bank Group*, <http://documents1.worldbank.org/curated/en/540841530861637430/pdf/Pakistan-International-Mobility-Draft-06.pdf>

²⁵ “Pakistan Remittance Initiative (PRI),” State Bank of Pakistan, <http://www.sbp.org.pk/careers/2015/ContractualpositionsPRI.pdf>

way can be if the minimum amount to avail the free service is lowered to US\$210,²⁶ these remittances can be brought into a formal setup. At the moment, given the high transfer costs attached with small amounts of money, workers prefer to use informal channels.

Furthermore, if partnerships between banks and the post office network take place, this could aid in the financial provision of remittances. One of the reasons why people do not prefer banks is because of their low coverage especially in the rural parts of the country. Post offices can help tackle this gap. By incorporating low-cost remittance transfer in the rural sector, Pakistan can achieve its target of lowering the cost of remitting to three per cent by 2030.²⁷ Apart from this, greater transparency and digital technology can be used to readdress the remittance flow from informal to formal channels.

All this said, even though new enterprises such as mobile wallets, have to an extent assisted in tackling factors such as cost but the problem of shifting the approach to formal banking still needs to be addressed. The PRI was set up to make the remittance transfer route inexpensive and faster. However, it is still ineffectual and contrary to what it is supposed to do since it is pushing workers to rely on informal channels. Therefore, organisational and operational changes need to take place inside the system and the rules which are already in place need to be further employed. At the same time to improve the PRI, the government needs to work on creating a knowledge economy by capitalizing on training centres that specify nuanced work skills. The Pakistani establishments together with their host country counterparts need to regulate and identify companies that partake in fraud, human trafficking and migrant worker abuse. Laws such as “The Prevention of Smuggling of Migrants Acts, 2018”²⁸ need to be implemented. Furthermore, to monetarily remunerate workers who have been persecuted, emergency funds need to be in place.

²⁶ “Bringing Down the Cost of Remitting to Pakistan,” *Express Tribune*, July 28, 2019, <https://tribune.com.pk/story/2022840/6-bringing-cost-remitting-pakistan/>

²⁷ Faiz Ur Rehman, Muhammad Nasir, Nasir Sarwar and Noman Ahmad, “Measuring Cost of Receiving Remittances in Pakistan,” Sustainable Development Goals, Pakistan, https://www.sdgpakistan.pk/uploads/pub/Cost_of_Remittances_Final_Report_2019.pdf

²⁸ “Trafficking in Persons and Smuggling of Migrants Laws 2018,” UNODC Pakistan. <https://www.unodc.org/pakistan/en/trafficking-in-persons-and-smuggling-of-migrants-laws-2018.html>

b) Revitalising Trade with the Gulf Countries

For the Middle East countries, food security is fast becoming a high-level concern, primarily because the region is suffering from water scarcity and arid weather conditions. The disparity between the production and consumption of agricultural goods of the GCC has increased in recent years. This is why GCC states are now moving away from self-sufficient agricultural policies to a more comprehensive plan which includes imports to guarantee food security. While Saudi Arabia and UAE account for approximately 80 per cent of the total agricultural imports of the GCC, the remaining four countries make up 20 per cent in congruence with their populations.²⁹

Since 2006, the GCC states have been pushing for the establishment of a Free Trade Agreement (FTA) with Pakistan. If this materialises, it is envisioned that the trade between the two sides could rise to US\$350 billion by 2020.³⁰ Though this is yet to be achieved, the potential still merits research by the Pakistani government. A free trade agreement would deepen Pakistan's energy dependency on the GCC beyond the oil sector. For example, by assessing comparative advantage, taking the GCC as a net food importer and Pakistan as a food exporter can open up boulevards of trade opportunities. An FTA with Pakistan is a win-win situation for both sides since Pakistan's agriculture sector can cater to the food requirements of the Gulf countries. For example, Pakistan has an advantage in rice exports. In the fiscal year 2019, rice exports touched US\$2.07 billion.³¹ Rice is the largest export commodity for the country with a total export of over US\$2 billion.³² Moreover, it is envisaged that under the recent agriculture package announced by the Government, the Pakistani agriculture goods will make it more economical in the international arcade through specific actions which will target energy

²⁹ Houcine Boughanmi, Sarath Kodithuwakku and Jeevika Weerahewa, "Food and Agricultural Trade in the GCC: An Opportunity for South Asia?" United Nations Economic and Social Commission for Asia and the Pacific, September 2014, https://www.unescap.org/sites/default/files/Food%20and%20Agricultural%20Trade%20in%20the%20GCC_Jeevika_Sept2014.pdf

³⁰ Bruno De Cordier, "Pakistan and the GCC Countries: Complementarity, or a Center-Periphery Tale?" Central Asia Economic Paper no: 11, George Washington University, December 2013, <https://core.ac.uk/download/pdf/55770944.pdf>

³¹ "Rice exports reach \$2.07bn mark in FY19," *Business Recorder*, July 12, 2019.

³² Ibid.

and water conservation. Moreover, earlier this year, both Saudi Arabia and the UAE signalled they would lower their cap on the Indian agriculture imports because of issues of quality control. The excessive use of pesticides by Indian agriculture exporters opened the way for Pakistani exporters in the European Union as well.³³

According to the Pakistan Bureau of Statistics, the percentage of Gulf exports during June 2018 was 9.14 per cent as against 10.98 per cent in June 2017.³⁴ On the other hand, the imports from the Gulf countries, during June 2018 was 30.20 per cent as against 27.16 per cent in June, 2017.³⁵

The bilateral trade between Pakistan and the UAE stands at around US\$9 billion, far below the actual potential. Currently, Pakistan's exports to the UAE are around US\$2 billion whereas Pakistan imports products worth US\$7 billion.³⁶ The UAE like Saudi Arabia is one of the leading oil suppliers to Pakistan whereas Pakistan exports agriculture-based products to the UAE. Bilateral trade between India and the UAE is around US\$55 billion with a target of US\$100 billion set for 2025.³⁷ Pakistanis are among the top 10 nations which have invested in the UAE real estate sector.³⁸ Moreover, hundreds of Pakistani companies are doing business in free economic zones of the UAE. Pakistan needs to invite the UAE investors likewise since Pakistan has and is going further to have Export Promotion Zones (EPZs) which would be a great opportunity for the UAE investors.³⁹

³³ "Excessive Use of Pesticides Hurting Basmati Exports," *The Pioneer*, August 25, 2018, <https://www.dailypioneer.com/2018/state-editions/excessive-use-of-pesticides-hurting-basmati-exports.html>

³⁴ "Monthly Review of Foreign Trade," *Pakistan Bureau of Statistics*, Government of Pakistan, June 2018, http://www.pbs.gov.pk/sites/default/files/external_trade/monthly_review/rft_june_2018.pdf

³⁵ Ibid.

³⁶ "Whopping Economic Ties Between Pakistan and the UAE," *Pakistan & Gulf Economist*, December 10, 2018.

³⁷ Ibid.

³⁸ "Pakistanis Among Top 10 Investors in Dubai's Property Sector," *News*, September 11, 2018.

³⁹ "EPZA At a Glance," Export Processing Zones Authority, <https://epza.gov.pk/epza-at-a-glance/>

Pakistan can also take advantage of the Halal food industry (estimated to be around \$3 trillion) of which presently it only has a three per cent share.⁴⁰ Bahrain's Halal food industry is extremely successful and incorporates not only food items but fashion, beauty and consumer products as well. Pakistani goods could easily tap into the Bahraini Halal product commerce. This industry is not limited to the Middle East market alone and is said it will grow by about six per cent.⁴¹ This is mainly because of the increase in travel by the world's Muslim population. An FTA with the Gulf countries in this regard can help the Pakistani food exporters wider market access. Also the GCC has an FTA with Singapore⁴² which would provide Pakistani food products a bigger outreach.

Furthermore, to capture the labour market in the GCC, the government of Pakistan needs to strengthen its manpower in line with the impending requirement by countries like Saudi Arabia in the technology and engineering sectors. In this regard, there need to be joint ventures between GCC entrepreneurs and their Pakistani counterparts to set up vocational training centres. The Technical and Vocational Training Corporation (TVTC) in Saudi Arabia is an example with whom such joint projects can be pursued.⁴³

Pakistan is Qatar's 13th largest trading partner with bilateral trade volume standing at around US\$2 billion.⁴⁴ While Pakistan is one of the top importers of Qatar's LNG and petrochemicals, it exports nearly half of its total food exports to Qatar. Pakistan would do well to expand its export base by tapping into the pharmaceutical industry as well as the shipping and maritime sectors. Furthermore, Qatar can also invest in the CPEC's Special Economic Zones (SEZs) by pursuing joint ventures.

⁴⁰ "Pakistan Can Take Top Spot in Emerging Halal Food Business," *Pakistan & Gulf Economist*, November 26, 2018.

⁴¹ Ibid.

⁴² "Gulf Cooperation Council and Singapore Complete FTA," *ASEAN Briefing*, January 13, 2015.

<https://www.aseanbriefing.com/news/gulf-cooperation-council-singapore-complete-fta/>

⁴³ "Technical And Vocational Training Corporation (TVTC)," *Arab News*, August 23, 2019, <https://www.arabnews.com/tags/technical-and-vocational-training-corporation-tvtc>

⁴⁴ "FTA with GCC A Must Plan for Making Pakistan's Economy into Effect," *Pakistan & Gulf Economist*, April 1, 2019.

A final aspect that has been at the backburner is revitalising trade with not only traditional partners but with all members of the GCC. A prime case study of unexplored opportunities for Pakistan in this regard is Oman. Even though geographically Oman is the closest Arab nation to Pakistan and boasts of nearly 800,000 Pakistanis working there, not much bilateral activity can be seen between the two countries save for the occasional joint military exercises. Pakistan exports nearly US\$118 million to Oman⁴⁵ which is well below potential. There are many unexplored niches which Pakistan can tap into with Oman. For example, Pakistan has a poultry surplus,⁴⁶ while Oman imports approximately 57.5 per cent⁴⁷ of its poultry. Similarly, Oman can export energy resources to Pakistan — the cost of which given the geographical proximity will be very economical for Pakistan.

A similar case is Kuwait which is positioned to invest heavily towards achieving its Vision 2035.⁴⁸ This provides a great opportunity for Pakistani businesses not only in Kuwait but in the regional countries which neighbour Kuwait. These include Saudi Arabia, Iraq and Iran. Therefore, this showcases that Oman and Kuwait are prospective trading partners for Pakistan and representative of the uncharted avenues of cooperation in Pakistan-GCC relations.

c) Leveraging both Saudi Arabia and Iran

Pakistan has always had to walk the diplomatic tight rope when it comes to regional rivals Iran and Saudi Arabia. This has been to its own detriment. While Saudi Arabia has always been Pakistan's trusted friend, geographical proximity entails that Pakistan cannot cut off relations with Iran. Saudi Arabia has been significant in providing Pakistan assistance whenever required, be it in financial terms or as investment promises.

⁴⁵ Pakistan Country Profile, The Observatory of Economic Complexity, <https://oec.world/en/profile/country/pak/>

⁴⁶ "Current Issues and Problems Facing Pakistan Poultry Industry," Pakistan Poultry Association, 2019.

⁴⁷ "Food Imports likely to Touch US\$4.8bn by 2020," *Oman Daily Observer*, April 4, 2018.

⁴⁸ Ministry of Foreign affairs, State of Kuwait, *Kuwait Vision 2035 'New Kuwait,'* Ministry of Foreign Affairs, <https://www.mofa.gov.kw/en/kuwait-state/kuwait-vision-2035/>

Iran being a neighbour is an ideal natural trading partner for Pakistan. This fact cannot be shunned aside.

Even though, Saudi Arabia is Pakistan's closest ally when it comes to the GCC, they have comparatively weak trade dealings — Pak-Saudi trade is equal to only a fraction of Indo-Saudi trade. According to last year's figures, Pakistan imported US\$3.24 billion⁴⁹ worth of goods from Saudi Arabia and only exported US\$316 million in return.⁵⁰ This introspective should be enough for an immediate study of the Saudi market so that trade gaps can be identified and addressed. Areas such as export of sport goods to Saudi Arabia should be explored keeping in mind that the Saudi Vision 2030 lays special emphasis on promotion of sports.⁵¹

Moving on to Iran, any economic partnership with Tehran should be given priority for two main reasons: first, an alliance premised on strategic depth would be receptive of backlash from Saudi Arabia which would eventually result in a sectarian backlash from within Pakistan. Second, economic partnership with Iran holds benefits for the entire region. For example, the Iran-Pakistan (IP) gas pipeline can help in the growth of not only Balochistan but broader South Asia as well. Even though the IP project took a back foot because of sanctions imposed by the US, it is hoped that with a new US administration⁵² in place, sanctions might be lifted off of Iran. If this holds true, Pakistan has already indicated that it will move ahead with work on the IP pipeline.⁵³

By taking steps to rejuvenate and create bilateral apparatuses for trade and communication, both Pakistan and Iran can set up a sustainable

⁴⁹ "Pakistan Imports from Saudi Arabia," *Trading Economics*,

<https://tradingeconomics.com/pakistan/imports/saudi-arabia>

⁵⁰ "Pakistan Exports from Saudi Arabia," *Trading Economics*,

<https://tradingeconomics.com/pakistan/exports/saudi-arabia>

⁵¹ "Developments in Saudi Sports following Saudi Vision 2030," *Al Tamimi & Co*, January 2017, <https://www.tamimi.com/law-update-articles/developments-in-saudi-sports-following-saudi-vision-2030/>

⁵² "Biden Wants to Rejoin Iran Nuclear Deal, but It Won't Be Easy," *New York Times*, November 18, 2020,

<https://www.nytimes.com/2020/11/17/world/middleeast/iran-biden-trump-nuclear-sanctions.html>

⁵³ "SC Asks Government to Recover Rs400bn GIDC Dues," *Dawn*, August 14, 2020, <https://www.dawn.com/news/1574289>

economic partnership in the long term. Recently, delegates from both countries have deliberated on increasing trade to US\$5 billion.⁵⁴ One way to circumvent the existing sanctions is to practise barter trade as was discussed in June 2019. The cashless system would entail for example, an exchange of agriculture goods from Pakistan and energy resources from Iran. However, it should not be dismissed that pursuing greater relations with Iran could entail a backlash. The other repercussion Pakistan could face is from the US and given Pakistan's warming relations after Prime Minister Imran Khan's visit, means Islamabad would have to tread carefully. Nevertheless, Pakistan should assess these risks against its own national interests. Keeping the risks involved in mind, Pakistan could increase economic cooperation with Iran gradually by strengthening communication infrastructure such as road, rail and air links. Also, a strong banking sector between the two countries needs to be place. At the same time, Pakistan should be focusing on consolidating economic ties with the GCC countries.

Conclusion

There are many unexplored opportunities that exist in Pakistan-GCC relations. These include agriculture, construction and of course the ever-important human resource market. Moreover, Pakistan is an important part of China's Belt and Road Initiative (BRI) — the flagship project of which is the CPEC. The GCC states should become a part of this initiative vis-a-vis Pakistan. However, mainly due to political reasons, Pakistan has not been able to market this opportunity properly.

In summation of the above discussion, it can be seen that Pakistan has been more focused on the strategic aspect of the Pak-GCC relations as opposed to the economic dimension. It must be noted here that locking in financial assistance does not constitute as success when it comes to economic ties. It already has good strategic relations with these countries and should now focus on enhancing its economic ties as these are more sustainable and not only benefit countries bilaterally but also the entire region/s in which the countries reside.

By pursuing a well-crafted economic plan which includes revitalising past initiatives as well as building on its export strengths, Islamabad can

⁵⁴ "Pakistan, Iran Discuss Ways to Boost Bilateral Trade to US\$5 Billion," *Express Tribune*, December 4, 2018.

ensure durable relationship with the GCC. It is important for Pakistan to focus on improving its remittance sector, since it is already a significant part of the country's balance of payments. Moreover, trade with all GCC countries needs to be maintained not just a selected few. Pakistan should maintain a balance in all of its relations with the GCC countries, regardless of issues amongst them. Given the current weak situation of the economy, these few measures can help stable Pakistan's turbulent economic waters.