

PAKISTAN'S PIVOT TO GEOECONOMICS: OPERATIONAL IMPERATIVES

By

Mian Ahmad Naeem Salik

Research Fellow

Centre for Strategic Perspectives (CSP), ISSI

Edited by

Dr Neelum Nigar

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Pakistan's foreign policy has been significantly shaped by the evolving interests of regional and global powers, particularly regarding its neighbouring countries, Afghanistan, and India. South Asia's security and strategic dynamics have played a pivotal role in influencing Pakistan's foreign policy decisions and actions. However, more recently, Pakistan has demonstrated a shift to geoeconomics by integrating economic considerations more deeply into its foreign policy. This shift is evident through the country's first National Security Policy (NSP), which focuses on various aspects, including defence, internal security, foreign policy, regional peace, and human security.¹ The NSP aims to prioritize citizen-centric and economic security, with a focus on uplifting vulnerable sections of society and it emphasizes the importance of comprehensive security, which includes economic and human aspects alongside military security. The policy highlights the need for economic resources to ensure both military security and citizens' well-being by pursuing a policy focused on geoeconomics.

¹ "The National Security Policy (NSP) 2022-2026," NSD, Accessed August 17, 2023, <https://www.nsd.gov.pk/assets/documents/summary.pdf>

Pakistan's Economic Resilience and Global Partnerships

Pakistan's economy is characterized as mixed, with agriculture, industry, and services sectors contributing to its Gross Domestic Product (GDP). Each sector has unique strengths and challenges and has significant contributions to the overall economic growth and development of the country. Over the years, the economy has consistently grappled with significant challenges, including dwindling foreign reserves, a devaluing currency, and high inflation rates. Economic activity has been hampered by factors such as import controls, high borrowing and fuel costs, low confidence, and protracted policy and political uncertainty. As Pakistan's economic growth is expected to further slowdown and remain below its potential in the medium-term to long-term, a swift move towards geoeconomics-driven policies is in the country's best interest.²

Pakistan's economic interdependencies with neighbouring countries and major global players also have significant implications for its trade, investment, and overall economic growth. The most significant economic partnership is with China through the China-Pakistan Economic Corridor (CPEC) with USD 25.4 billion direct investment over the past decade, and is a flagship project of China's Belt and Road Initiative (BRI).³ The U.S. has been an important partner in terms of trade and aid with Pakistani exports to the U.S. reaching USD 6.56 billion in 2022.⁴ Pakistan's trade with the European Union (EU), which is also an important trading partner, includes textiles, clothing, and other goods. The EU is a significant market for Pakistani exports which amounted to USD 9.94 billion in 2022.⁵ Similarly, remittances from Pakistani expatriates working in countries like Saudi Arabia, the UAE, and Qatar play a vital role in Pakistan's economy with receipts amounting to USD 869 million in the month of July 2023 coming to Pakistan from these three countries.⁶ Therefore, Pakistan's geopolitical location and security environment will play an important role in its shift toward geoeconomic strategy and impact its economic growth and development.

² "Pakistan Overview," The World Bank, Accessed August 17, 2023, <https://www.worldbank.org/en/country/pakistan/overview>

³ "CPEC's projects attract \$25.4b of direct investment during last 10 years," Nation, July 10, 2023, <https://www.nation.com.pk/10-Jul-2023/cpec-s-projects-attract-dollar-25-4b-of-direct-investment-during-last-10-years>

⁴ "United States Imports from Pakistan," Trading Economics, Accessed August 24, 2023, <https://tradingeconomics.com/united-states/imports/pakistan>

⁵ "European Union Imports from Pakistan," Trading Economics, Accessed August 24, 2023, <https://tradingeconomics.com/european-union/imports/pakistan>

⁶ "Country-wise Workers' Remittances," SBP, Accessed on August 24, 2023, <https://www.sbp.org.pk/ecodata/homeremit.pdf>

Proposed Geoeconomic Policies and Operationalisation Strategies

Operationalizing a geoeconomic policy involves implementing strategies and measures to achieve specific economic objectives within the context of geopolitical considerations. Some key steps to operationalize Pakistan's geoeconomic policy can be:

1. *Regional Connectivity:* Pakistan can position itself as a regional hub for trade and connectivity by fostering closer economic integration with neighbouring countries. It is already actively participating in regional initiatives such as CPEC and the Economic Cooperation Organization (ECO) to enhance transportation networks, energy infrastructure, and digital connectivity across the region.
2. *Trade Diversification:* Pakistan must diversify its export markets to reduce dependence on a few trading partners. It should enhance trade relations with emerging economies, particularly in the Middle East, Central Asia, and Africa, while maintaining strong ties with traditional partners such as China, U.S., and EU.
3. *Energy Security:* Recognizing the importance of energy security, Pakistan must focus on attracting foreign investment and developing its domestic energy resources. It needs to strengthen its energy infrastructure, including the exploration and production of oil and gas, expansion of renewable energy sources, and collaboration on energy projects with neighbouring countries.
4. *Investment Promotion:* Pakistan should attract Foreign Direct Investment (FDI) by creating an investor-friendly environment. It should offer incentives, tax breaks, and streamlined procedures for investors, particularly in sectors such as infrastructure, manufacturing, mining, agriculture, and services. Special Economic Zones (SEZs) need to be operationalised to facilitate investment and industrial development.
5. *Regional Cooperation and Partnerships:* Pakistan needs to actively engage with regional forums and organizations to foster economic cooperation and promote shared development goals. It is a member of organizations such as the South Asian Association for Regional Cooperation (SAARC), ECO, and the Shanghai Cooperation Organization (SCO), it should try to utilize these platforms to strengthen economic ties and pursue common objectives.
6. *Human Resource Development:* Pakistan should prioritise investing in human capital to drive economic growth. It needs to focus on improving education and vocational training systems

to develop a skilled workforce capable of meeting the demands of a rapidly changing global economy.

7. *Digital Economy:* Pakistan should aim to harness the potential of the digital economy by promoting technological innovation, e-commerce, and digital infrastructure development. Initiatives are needed to expand access to high-speed internet, support start-ups and entrepreneurship, and develop digital skills to tap into the growing digital market.
8. *Economic Diplomacy:* Pakistan should consistently employ economic diplomacy as a tool to advance its geoeconomic objectives. It must engage in bilateral and multilateral negotiations, trade agreements, and economic partnerships to enhance market access, transfer of technology, facilitate trade flows, and attract investment from diverse sources.

Pakistan's Challenges in Shifting to Geoeconomics

Pakistan's geoeconomic policies face several challenges that can impact its economic growth, development, and regional integration:

1. *Security Concerns:* Ongoing security challenges, including terrorism and political instability, can undermine investor confidence and deter FDI. A volatile security environment can disrupt economic activities and hinder the implementation of infrastructure projects.
2. *Regional Disputes and Conflicts:* Pakistan's geoeconomic ambitions can be affected by regional conflicts, particularly its relationship with India and Afghanistan. Tensions between these countries can disrupt trade routes and connectivity, limiting Pakistan's economic integration with its neighbours.
3. *Energy Shortages:* Chronic energy shortages, including electricity and gas, have been a long-standing challenge in Pakistan. These shortages hamper industrial production, impede economic growth, and deter foreign investors.
4. *Debt Sustainability:* Pakistan's external debt levels have been a concern, and maintaining debt sustainability is crucial for the country's economic stability. High debt burdens can limit fiscal space for investments and development projects.
5. *Trade Imbalances:* Pakistan often experiences trade deficits due to a heavy reliance on imports and a limited range of high-value exports. Addressing trade imbalances requires diversification of exports, improving export competitiveness, and reducing reliance on imports.

6. *Environmental Sustainability*: Environmental challenges, such as water scarcity and air pollution, can impact agricultural productivity, human health, and overall economic growth. Implementing sustainable policies to address these challenges is essential for long-term economic stability.
7. *Inclusive Growth*: Pakistan faces socio-economic challenges including poverty, inequality, and lack of access to quality education and healthcare. Ensuring inclusive growth that benefits all segments of society is important for social stability and sustainable development.
8. *Geopolitical Dynamics*: Pakistan's geoeconomic policies can be influenced by geopolitical shifts and global power dynamics. Balancing relationships with various countries and managing regional rivalries can be challenging.

Conclusion

Pakistan's shift towards geoeconomics should not mean neglecting its geopolitical considerations. Rather, it must recognize the interconnectedness of economics and geopolitics and seek to integrate economic factors into the broader strategic decision-making process. A geoeconomic approach needs to strike a balance between economic interests, security concerns, and political objectives to maximize a country's influence and well-being.⁷

Overall, Pakistan's NSP seeks to address various dimensions of national security, including defence, internal security, economic stability, regional peace, and human security. It aims to prioritize citizen-centric and economic security while recognizing the importance of addressing non-traditional threats and fostering regional cooperation. By incorporating a focus on human security into geoeconomic policies, Pakistan can ensure that economic development is sustainable, inclusive, and beneficial for all individuals and communities. The shift in policy direction is reflective of the fact that policymakers in Pakistan have the realization that to uplift its economy and, concurrently enhance its global stature, it would have to offer the world something more than its geostrategic location. However, this policy direction must be meaningfully implemented for the better future of Pakistan.

⁷ Mian Ahmad Naeem Salik, Mir Sher Baz Khetran, "Pakistan's Policy Emphasis on Geo-Economics," Institute of Strategic Studies Islamabad, December 29, 2021, https://issi.org.pk/wp-content/uploads/2021/12/IB_Ahmad_Salik_and_Mir_Sher_Baz_Khetran_Dec_29_2021.pdf