

Reshaping economic ties

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TWO developments augur well for reshaping Pakistan's economic relationship with the world. First, the [dismantling](#) of USAID closes a long and painful chapter of dependence and misplaced expectations between Pakistan and America. Even if Washington attempts to revive a similar programme, Pakistan should avoid bilateral aid and its political strings. Second, the finance minister's [declaration](#) that Pakistan will not seek international aid for the 2025 floods is a turning point. Together, these two decisions can lay the foundation for a new model of economic engagement — bilateral, regional, and multilateral — based on dignity, self-reliance and mutual respect. Meanwhile, it's assumed the recent [Pak-Afghan agreement in Doha](#) will minimise security risks to the economy.

This shift comes at a time when Pakistan's global image has improved after the [May 2025 conflict with India](#). Ties with China, Türkiye and Azerbaijan remain close, and new diplomatic openings have emerged. President Donald Trump's [warmth towards Pakistan](#), the prime minister's [inclusion](#) in the ranks of Muslim leaders formulating the Gaza Plan, and development and defence initiatives with Saudi Arabia have enhanced our stature. How can Pakistan build its future economic relations on the foundation recently laid? Should this moment be seen yet again as a transient geopolitical opportunity to extract rents and sustain the economy through windfalls? Will we continue dispatching PMs and army chiefs abroad to solicit deposits from 'friendly' states, to bolster our reserves or avert default? Are we condemned to sacrifice economic sovereignty through repeated IMF programmes that offer temporary stability but leave the economy without job-creating growth?

The current convergence of favourable external circumstances provides a rare window to chart a new course. A benign geopolitical environment, coupled with renewed international respect, should compel us to rethink our economic strategy decisively, abandoning forever the path of dependence, rent-extraction and perpetual crisis management. The goal of Pakistan's external economic engagement should be the creation of a coherent and durable framework that frees the country from dependence on IMF programmes and annual rollovers from Saudi Arabia, China and the UAE. The new framework must prioritise the generation of non-debt-creating foreign exchange and mobilisation of domestic resources by raising the gross domestic savings rate and attaining debt sustainability, with remaining financing needs met through international capital markets.

A sustainable external position begins with a competitive export sector. Immediate reforms should focus on easing constraints on exports and industrial growth through a transparent, predictable export facilitation scheme, rationalisation of excessive taxation, restoration of export financing and realistic energy pricing — steps that must be implemented consistently and in genuine consultation with exporters. Frequent reversal of policies and bureaucratic unpredictability have undermined business confidence.

The second pillar is attracting FDI from countries with abundant capital and a strategic interest in Pakistan — China, Saudi Arabia, the UAE and Qatar, whose sovereign wealth funds seek higher global returns. Pakistan can position itself as a promising destination if it ensures i) security of investors, their personnel, and property; ii) non-interference by government agencies; and iii) freedom to repatriate profits, dividends and interest payments. During the early 2000s, FDI peaked at \$5 billion to \$6bn under an investment-friendly regime, underscoring what can be achieved through coherent policy and investor confidence. However, FDI must be export-oriented, medium-technology-intensive and employment-generating. Domestic investors should also be treated with parity and respect.

Third, demographic trends in advanced economies — especially Japan, South Korea, Germany, and Western Europe — offer significant opportunities. Aging populations and labour shortages are driving these countries to gradually open their markets to skilled foreign workers, despite populist opposition. Pakistan should negotiate country-specific manpower export agreements aligned with each nation's demographic and skill needs. It must identify the required technical, linguistic and social skills, and create targeted training programmes at home. Vocational institutes should work closely with host-country employers to ensure certification and employability. Managed migration of skilled workers can relieve domestic unemployment pressures and create sustained foreign exchange inflows through remittances.

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Fourth, Pakistan should actively seek scholarships from the US, UK, Canada, Australia, Germany and China for advanced studies in STEM disciplines. In return, it should bring foreign faculty to universities here to assist in curriculum design, modern pedagogy, assessment reform, industry linkages and commercialisation of research. Universities must be freed from excessive bureaucratic control and granted autonomy with accountability within a reformed governance structure to become globally competitive.

Fifth, partnerships with China, Türkiye and Azerbaijan offer a promising frontier — transferring dual-use technologies from the defence sector to civilian industries. Our defence institutions and research organisations have significant technical expertise to be applied in manufacturing, electronics, precision engineering and materials science. Private sector participation should be encouraged.

Sixth, Pakistan's links with multilateral institutions must evolve. The World Bank's 10-Year Partnership Strategy for Pakistan has shifted its focus towards project lending in education, health, nutrition, water, technology, and infrastructure — true engines of long-term growth. This approach should replace past reliance on budgetary and balance-of-payments support, which fostered complacency and discouraged domestic resource mobilisation. Other multilateral partners must be encouraged to align their programmes with this development-oriented model. International cooperation must serve as a catalyst for capacity building, not a crutch for short-term financing. If applied with discipline, these measures can provide instruments for reshaping our economic ties based on productivity, partnership and self-reliance. The following framework illustrates potential areas of cooperation:

The US: Investment and joint ventures in mid- and high-technology industries; venture capital and private equity for startups; scholarships and faculty exchange. China, Türkiye, Azerbaijan:

application of defence technologies to civilian industries; accelerated implementation of CPEC II. Japan, Korea, Germany: country-specific manpower export agreements. Saudi Arabia and GCC: sovereign wealth fund investment in projects such as Petrochemical complex and infrastructure.

The closure of the aid-dependent chapter and a more favourable geopolitical climate present an unprecedented opportunity to redefine our external economic relations. The path forward lies in building competitiveness, attracting investment and leveraging innovation to transition from a crisis-prone, aid-dependent state to a self-confident, productive economy integrated with the global system on an equal footing.

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