Chapter 2

Pakistan's Pivot to Geoeconomics: Operational Perspectives

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Pakistan's unique geographical location, neighbouring two large economies—India and China, and proximity to the capital and natural resource-rich countries of the Gulf Cooperation Council (GCC) positions it strategically. Additionally, its role as a transit trade route for Afghanistan and Central Asia, the presence of Gwadar Port as an alternate route for China and Central Asian Republics (CARs), and historical ties with Iran and Turkey have ignited a rethinking about the nature of Pakistan's foreign relations.

Pakistan's National Security Policy (NSP) 2021 represents a directional shift towards geoeconomics as the pivot of its comprehensive national security paradigm.[1] It asserts geoeconomics as one of the tools to achieve sustainable and inclusive growth whilst bolstering regional connectivity creating interdependencies and solidifying economic partnerships.[2] Although the policy is aspirational, it has come under criticism for vagueness in timing, sequencing, phasing of various proposals burden-sharing arrangements for regional connectivity and lack of specificity in achieving this shift. This chapter provides an understanding of the initial framework for transforming this vision into action at the same time maximizing gains from Pakistan's geographical location.

Since the 90s, inefficiencies in the system, have repeatedly led to the recurrence of fiscal and balance of payment crises at regular intervals. Living on borrowed money, indulging in conspicuous consumption rather than saving and investment, financing huge losses of state-owned enterprises, protecting domestic industries at the expense of exports, failing to expand the productive capacity to match the growing demand, neglecting human capital formation, science, and technology, cumulating circular debt on energy due to system inefficiencies have all contributed to this recurring cycle. Pakistan has become a debt-distressed country and its ambition to use geoeconomics as an instrument of public policy remains elusive unless economic foundations are set on strong footing. Likewise, a comprehensive reform program spanning short, medium, and long-term horizons is diligently implemented with the consensus of all major political parties ensuring its execution without reversals or setbacks. The continuity of economic policies would assure the investors to carry out their investments without any fear or favour or sudden and abrupt policy changes.

The specific reforms needed to achieve a strong and sustainable foundation for an economy include.

i The 18th Amendment to the Constitution and the 7th National Finance Commission (NFC) have devolved administrative, legal, and financial powers and authority from the federal to the provincial governments. However, this devolution has remained incomplete. The provinces have not transferred powers and resources further down to local governments, where most of the interaction between an ordinary citizen and the government takes place. The new local government laws should be designed to substantially devolve these powers to the grassroots level empowering the communities to make decisions about their development, services, and welfare. As Pakistan is rapidly urbanizing the administration and management of metropolitan areas, cities and towns would be entrusted to autonomous, directly elected metropolitan and municipal corporations and town councils with the authority to mobilize taxes, fees, and user charges. Accountability and visibility of directly elected Mayors and the councils, would facilitate delivery of public goods and services to the common citizens effectively, efficiently, and economically compared to the present highly centralized system.[3]

ii The administrative machinery of the civil services is on the verge of a breakdown while blueprints for reforms in the police, civil services, organizational structure of the federal and provincial governments, and public utilities are already in place. All that is required is political consensus to implement reforms that would enhance the competence and capacity of civil servants to act objectively and remain neutral, revitalize their morale and motivation so that the governance structure and processes are revamped.[4] Equality of opportunity for specialists, transparent and merit-based selection, result-oriented promotion and career progression, performance measured based on key indicators, continuous learning, and training, as well as compensation based on performance and weeding out of those falling behind the curve are necessary but difficult reforms that could eventually upgrade the quality of civil services at all tiers of the government.

iii Management and regulatory practices in the government need to be modernized and overhauled. Over-centralization and the concentration of power, long hierarchical chains, multiple consultations of form and procedure, turf protection, and the tendency to pass the buck have created a big gap between promises and performance. The rules of business must be rewritten to assign clear responsibilities to ministries, giving them the requisite authority to fulfill their obligations and holding them accountable for results. Regulatory guillotine ought to be applied to axe outdated laws, rules, regulations, and processes. E-government tools would help ensure transparency and expeditious pursuit of business and coordination efforts.[5]

iv Poor educational standards, low literacy levels, large numbers of out-of-school children, rote learning and memorization, and outdated and irrelevant curriculum offerings have made the educational system non-responsive to the economic and social needs of the country. Limited access to schooling and disparity in the educational system particularly post-primary in the backward districts and private schools has widened inequalities. Moreover, Pakistan lacks in producing a skilled-based workforce despite a growing demand both within the country and outside for technical manpower. There is a need to introduce programs to promote technical & vocational training, make higher education more relevant, and reorient scientific research toward national problems. Science, Technology, Engineering, and Mathematics (STEM) education from primary schools to universities must be made mandatory for inculcating inquisitiveness, creativity, and innovative thinking.[6]

v In the financial sector, access to capital remains restricted to a very small minority while most of the farmers, firms, self-employed, employees, and households are unable to obtain financing from formal institutions. As the lower income groups do not have any tangible assets—skills or capital—they have no other option but to be dependent on the elites or the system that benefits the elite. Microfinance has opened the vista for the poor, but the coverage has reached only one-quarter of the eligible borrowers. The banks in Pakistan should adopt data analytics to predict the behaviour of potential borrowers. This would enable them to construct credit scoring models that would enable them to make credit decisions at low acquisition cost and mitigate the risk of default thus expanding their outreach to underserved sectors and underprivileged individuals and firms. The capital debt market should be developed so that large credit-worthy companies can meet their demand for expansion and new investment.

vi Government enterprises are incurring huge losses as they have been captured by their workers, managers, and political and bureaucratic supervisors. Tough measures by the government are confronted by strikes, shutdowns, and suspension of transport causing immense hardships to the citizens. By restructuring or privatizing enterprises not only losses would be curbed helping improve the fiscal situation, but improved efficiency gains would contribute towards higher growth. Privatization of nationalized commercial banks has resulted in huge gains for the budget in the form of corporate profits, dividends etc. instead of continuous injection for recapitalization of banks.[7] Telecom liberalization has significantly reduced user charges and provided mobile phone services to 194 million people and internet access to 124 million people.[8] The recommendations of the State-Owned Enterprises (SOE) Triage Report that has identified the enterprises to be restructured, sold to strategic investors or through the equity market, merged or liquidated or transferred to the private sector for management should be implemented. The process of privatization should be transparent and free from any semblance of crony capitalists' capture.

vii The efforts to widen the tax base and document the economy have not borne fruits because of protests, strikes, and political pressures. Restructuring the Federal Board of Revenue (FBR) and provincial revenue collecting authorities, simplifying tax codes, digitizing processes, and increasing the use of integrated electronic databases are crucial for improving revenue collection.[9] Additionally, measures such as minimizing taxpayers and tax collectors, implementing risk-based audits, bringing new taxpayers into the tax base, gradually reducing withholding taxes, using more transparent valuation methods for import duties and sales tax, reducing import tariffs, and mobilizing urban property tax and agriculture income tax could significantly improve revenue collection. These measures would help correct distortions, minimize leakages and corruption maximize revenue collection, and help in avoiding recourse to debt.

viii "Rent thick" Sectors such as real estate, construction, transportation, utilities, media, and resources, are characterized by the government's significant influence through various mechanisms like price control, contract awards, concessions, and licensing. This influence grants the government, disproportionate power in these sectors. For example, the new renewable energy policy has introduced open competitive bidding for tariff determination instead of upfront cost plus, guaranteed rates of return, and capacity payments. The existing policies since 1994 have made exports non-competitive and tariffs prohibitive for households.[10] Circular debt amounting to Rs. 4 trillion in addition to trillions of rupees paid out of budget as subsidies is a direct outcome of these flawed policies.[11] The new system would have multiple buyers and multiple sellers with the transmission company only recovering wheeling charges. Gas companies ought to be split into generation, transmission, and distribution companies and market competition introduced. The present model of price setting of cost-plus methodology with a guaranteed rate of return allowing for uncounted gas losses has to be dispensed with.

ix The composition of the export goods basket has remained almost unchanged since the 1990s and low-tech, resource-based items dominate this basket. Pakistan's exports have performed dismally compared to its neighbours and the export-GDP ratio has declined to 10 per cent. In addition, the destination is limited to a few select markets such as the European Union (EU) and the United States (US) while penetration in other dynamic markets is negligible. Government and industry's efforts should be focused on promoting competitiveness in mid to high-tech and sunrise industrial products and services. Artificial crutches to support the sunset industries to be gradually taken away as market-determined exchange rates, realistic interest rates and low tariffs on raw materials and components would guide the allocation of resources. Incentives that would be performance-based and time-bound ought to be given for new exportable products and for new export markets and logistic costs to reach ports reduced to those prevailing in other competitor countries. The government's support should be focused on the transition from low-tech to medium-tech and high-tech products through research and development grants, and the Export-Import Bank should provide concessional financing with sunset clauses for the commercialization of new products and penetration into new markets. To accomplish this goal, it is imperative to incentivize joint ventures with foreign companies that link Pakistani exports to the global supply chain, bringing in technology and access to new markets.

x The Government should indicate priority sectors for private business investments. The criteria that would guide the selection of priority sectors ought to be (i) Export manufacturing industries and information technology-oriented services, (ii) Maximum employment generation – direct and indirect, and (iii) Transfer of technology. Using these criteria, the sectors and sub-sectors can choose productivity enhancement in cotton, wheat, and oil seeds; efficient utilization of irrigation water through the lining of water courses; modernization of agricultural marketing; small and medium enterprises; low-cost housing, tourism, and Information Technology (IT).

xi The Commission on Science and Technology and the Commission on Information Technology should bring all science and technology organizations under one umbrella and encourage collaboration and integration in the value chain including multi-disciplinary research. Strategies and action plans for promoting the production of medium and high-tech industries and services deploying dual-use technologies for civilian purposes should be monitored by the Commission. IT industry must move away from labour arbitrage to an end-to-end solution model.

xii In a private sector-driven economy, the role of the judiciary in economic transactions is extremely critical. The dispensation of justice in Pakistan has become time-consuming and expensive. Tax revenues and bank loans, amounting to hundreds of billions of rupees are held up due to litigation. Markets are based on the sanctity of private property and contracts. A judicial system that is unable to ensure the protection and security of the property rights of an individual and firm would inadvertently generate an ethos where the mighty can enforce these contracts on their terms through extra-legal means.

Outline of reforms in institutions of governance, investment in human capital and technology, macroeconomic stability, and removing microeconomic distortions to improve competitiveness is the sine qua non for effective transition to adopting geo-economics. The state, markets and civil society must work together in harmony and unison showing perseverance and tolerating the pains of tough structural reforms in the initial phase for Pakistan to regain its lost respect in the international community.

Pakistan's Bilateral Economic Relations

Pakistan's security concerns arising from the wars with India, Afghan wars, militancy, violence, terrorism, and continued insurrection in Balochistan have dominated Pakistan's foreign relations for most of its existence. The outcomes of this policy have not brought any tangible benefits except some exceptional flows of foreign assistance when Pakistan proved to be a useful ally to the US.

At present, Pakistan has tense and difficult relationships with its three immediate neighbours—India, Afghanistan, and Iran and a shaky, erratic relationship with the United States. A new Cold War situation is emerging with Russia, China, Iran, and many countries in the Global South forming a bloc while the US-Europe-Japan- India with several other countries coalescing together. India is being put forward as a counterforce to China. This rising tide of the US-China rivalry has placed Pakistan in a serious predicament. If the US insists on an '*us vs. they*' approach Pakistan's response has to be carefully calibrated and not at the expense of harming its deep-rooted relations with China. Multi-alignment which is catching up among middle-income countries is the right response. It is in Pakistan's long-term economic interest to maintain cordial and friendly relations with India in its neighbourhood, and China and the US – two global economic powers.

Globalization, technology, demographics, and demand patterns are increasingly becoming important drivers of any country's foreign economic policy. While ambiguity, diplomatic language, courtesies, and sensitivities mask a lot and reveal very little. However foreign economic policy must be more direct, focused, and target-oriented to meet its goals.

The primary driver for the future trajectory of bilateral and multi-lateral relationships is to maximize the opportunities offered by globalization and financial integration for the benefit of Pakistanis and to manage threats to the economy. Although the opportunities offered by globalization are receding due to the reversal of stances of the US and China, countries such as Pakistan can still benefit from trade, investment, technology transfer, and migration. The country could double its per capita income and reduce poverty levels within the next 10-12 years if this strategy of integration into the global economy is pursued vigorously while carefully choosing instruments that benefit Pakistan's economy and avoid those that create volatility and adversity.

The success of East Asia was a combination of smart governments and dynamic private sectors working together. China quadrupled its real per capita income in 25 years, bringing poverty down from 50 per cent to 10 per cent. While facing multifarious problems, India delivered an annual growth rate of 6 per cent over the last 15 years and reduced poverty levels to 12 per cent by opening the economy, liberalizing trade, and attracting foreign investment.

At least four possible instruments can be used in varying degrees and intensities. These include:

i *Trade:* Increase world market share in exports of merchandise goods, by entering into regional and sub-regional trade blocs; accelerate participation in the exports of services, particularly Inner Circle Trade (ICT) and professional services; act as the transit route for cross-border flows of goods, and services, and take part in the global supply chain by providing components, parts, etc.

ii *Investment:* Attract Foreign Direct Investment (FDI), particularly for exports and infrastructure; encourage Pakistani companies to place equities abroad and acquire brands, contracts, and companies overseas; and set up joint venture companies with Multi-National Corporations (MNCs).

iii *Technology Transfer:* Promote transfer of technology to Pakistani companies to transit to medium and high-tech industries, increase productivity, and facilitate Pakistani companies in acquiring international presence.

iv *Labour and Manpower:* Train and supply workers required by other countries and maximize workers' remittances by entering into agreements for placing skilled manpower abroad.

United States

The US has been a major provider of economic, military, and humanitarian assistance to Pakistan. Since 2014 this aid has been substantially cut -- as aid became a highly contentious issue due to the widely differing perceptions held in the two countries. US assistance has proved to be more effective and responsive during natural disasters such as earthquakes and floods.

Post the US-Afghan withdrawal, the Biden administration moved its focus away from areas dealing with security, and Afghanistan and has shifted its focus to trade, investment, and technology transfer. This approach can be a welcome change for Pakistan provided this strategy is executed with full force and pro-activeness on Pakistan's part. The US Chamber of Commerce has repeatedly called for easy access for Pakistan's textiles to the American markets. American tariffs on Pakistan's leading exports average approximately 10 per cent, about four times the average US tariff rates on imports from other countries. A reduction in tariff rates would not confer any favour on Pakistani exporters but provide them with a level playing field. For a country that so strongly believes in marketplace competition, this is a correction, not a concession.

In the same manner, US investors can be encouraged to invest in energy transmission and distribution, gas pipelines, oil and Liquefied Natural Gas (LNG) terminals, refining capacity, and petrochemical complexes among others. Export-Import Bank loans and US International Development Finance Corporation (DFC) equity investment, guarantees, and political risk insurance can assist.

The US leads the world in higher education and scientific and technological research with which it can help assist Pakistan in teacher training and scientists in the leading US institutions. Similarly, forging links and exchanges of scholars between Pakistani and American universities and strengthening the capacity of joint research organizations in agriculture, water resources, renewable energy, and low-cost building materials can improve relations on multiple levels.

Among the world's top 40 universities, two-thirds are in the US, 70 per cent of all Nobel Prize winners work in the US and 40 per cent of the world's total spending on science and research is accounted for by the US. All cutting-edge research and application development in the areas of Artificial Intelligence (AI), robotics, lasers, sensors, avionics, biotechnology, and genetics is being carried out in the US. 45 per cent of US engineering students are from overseas, predominantly Asian countries. The number of Pakistani students in the US in comparison to other countries in South Asia has gone remarkably down from 7070 in 1989-90 to 5345 by 2014-15.

China

Pakistan has a long-standing relationship with China. The level of economic cooperation has moved upwards with the Free Trade Agreement (FTA) and the initiation of the China-Pakistan Economic Corridor (CPEC). There are at least three areas that need accelerated implementation:

i Completion of ongoing projects under CPEC particularly the ML1 Railway track should have been completed by 2025 as originally planned to make a significant difference in reducing the logistics cost of Pakistani exporters. The Gwadar Port must be made operational by commissioning water supply, electricity generation, and other supporting infrastructure. The movement of goods from Gwadar to China and vice versa can start once the missing links in the Karakoram Highway (KKH), western corridor, Khuzdar-Ratodero Road, etc. are complete.

ii Despite the revised FTA with China, the volume of Pakistani exports has not made any significant penetration in the Chinese markets. An actionable plan developed in conjunction with the private sector and monitored by the Cabinet should aim to achieve at least 1 per cent of Chinese imports by 2030. This would require investment in expanding the production of goods and services in which Pakistan has a comparative advantage. Performance-linked incentives, a liberal tax system and a regulatory regime that eases doing business can help. Pakistani professionals and managers should be attached to Chinese companies for some time to better understand their market conditions, standards and requirements.

iii Efforts should be made to attract Chinese companies that are becoming uncompetitive due to rising labour costs to relocate their ventures to Special Economic Zones (SEZs). These zones should be equipped fully with all the facilities, amenities, and utilities free from bureaucratic and administrative hurdles. The prospective benefits of this relocation would be training and development of skilled human resources, improved managerial practices, and transfer of technology thus helping raise the productivity of industries through wide-scale adoption and dissemination. Similarly, the Chinese experience and expertise in agriculture, livestock, and fisheries in developing and diffusing new varieties that are resilient to climate change and conserving the use of water resources should be tapped to minimize the vulnerabilities and extreme weather shocks.

Afghanistan and Central Asian Republics

The relations with the Central Asian Republics (CARS) are contingent upon defusing tension and developing cordial and trusted bilateral cooperative arrangements between Pakistan and Afghanistan. Diplomatic efforts at the regional level may have a much better chance of success. With the betterment of relations between Islamabad and Kabul, sustainable economic relations can lead to maximum benefits for both. The fate of the Central Asia-South Asia (CASA) 100 power project from Kyrgyzstan and Tajikistan and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline from Turkmenistan is hanging in suspension for almost a decade because of the fragility of the situation in Afghanistan. Both these projects are critical for Pakistan's energy security.

Pakistan is one of the largest trading partners of Afghanistan and its exports of goods and services have touched $3 billion annually in the past. Pakistan is also the main conduit of imports from elsewhere through the Karachi port to Afghanistan. More recently, Afghan coal had substituted the supplies from South Africa and others. To promote further trade, tariff rates should be reduced on essential commodities, non-tariff barriers lowered, new border crossings introduced, and trade facilitation eased to remove the obstacles faced by Afghan businesses. Liberalization of the transportation sector, promoting competition among the carriers, expanding the existing highways and re-hauling the railway subsector can facilitate both bilateral and transit trade. Exports of the mining sector from Afghanistan would require that the transport corridors be functioning for evacuation to the ports. In the medium term, Afghanistan and Pakistan should form a common customs union with the external tariffs at ports of entry and thereafter the goods can move freely between the two countries. This will mitigate the curse of illegal imports into Pakistan through the diversion of the present Afghan transit trade, generate tax revenues to be shared by the two, and reduce the transaction cost of doing business.

Connecting Kandahar with Gwadar through the Western corridor can be a possible route that must be explored. It can help both Islamabad and Kabul to earn substantial revenues from transit trade and energy to and from the CARs. Afghanistan can also be included in CPEC and a tripartite agreement between China, Afghanistan, and Pakistan for the use of infrastructure corridors. Before 2021, the World Bank (WB) and Asian Development Bank (ADB) showed interest in building a modern motorway connecting Peshawar to the CARs through Afghanistan. Keeping in mind the future of the region and the importance of connectivity for the region's progress these projects must be revived and implemented.

The present trans-shipment policy that allows Pakistani trucks to cross over to Uzbekistan through Afghanistan has successfully boosted bilateral trade between the two. The same facility should be extended to other Republics. In the coming years, Pakistan can negotiate FTAs and bilateral investment agreements with Afghanistan and CARs on the lines of the recent Preferential Trade Agreement (PTA) with Uzbekistan. The trade agreement can have sensitive lists that protect vulnerable items which can be gradually phased out over a given period. In the area of trade in services, Pakistan has earned a good reputation. Sectors such as banking and insurance, telecommunications, IT-enabled services, engineering consultancy, architecture and accountancy are areas where Pakistan can help Afghanistan and the Central Asian Republics develop expertise in operations and job training of their professionals. Similarly, hospitals, medical laboratories, clinics, nursing training institutes, general and specialized universities and colleges, and vocational and technical training institutes from Pakistan can enter into partnerships and agreements with their Afghan and CARs counterparts. Nonetheless, long-term goals can be attained only if Pakistan and Afghanistan become friendly neighbours without interfering in each other's domestic affairs.

Gulf States

Pakistan has enjoyed friendly relations with the Gulf States. The first generation of Emirates rulers were favourably disposed towards Pakistan as they received a lot of cooperation in their journey towards the modernization of the country. Saudi Arabia and the United Arab Emirates (UAE) have absorbed many Pakistani workers into their labour force and are the two top sources of remittances. UAE is one of the major trading partners of Pakistan. Similarly, Saudi Arabia and Kuwait are major suppliers of petroleum products and crude oil to Pakistan, while Qatar remains a long-term supplier of LNG. These countries have been coming to Pakistan's rescue whenever it has been struck by balance of payments crises. However, for the relationship to thrive and endure, it needs a mutual foundation, to ensure its sustainability and balance.

Saudi Arabia, UAE, and Qatar have also expressed the desire to invest in projects in Pakistan instead of cash, commodities, or place deposits. Investments in projects in the country would create assets and expand productive capacity while retaining the interests of partner countries.

In 2019, Saudi Arabia announced the setting up of an oil refinery and petrochemical complex in Gwadar. However, progress on this project remains limited to none because of bureaucratic red tape, convoluted and time-consuming procedures and coordination failures among the federal and provincial governments. The formation of the Special Investment Facilitation Council (SIFC) – a high-powered decision-making and problem-solving body consisting of relevant stakeholders, can be a valuable vehicle in removing the bottlenecks and difficulties faced by the investors both domestic as well as foreign.

It is estimated that the Gulf States will earn $3.5 trillion in the next five years in response to the reengineering of global energy flows arising from Western sanctions, climate change, and the remaking of geopolitical alliances in the Middle East. Saudi Arabia and the UAE aim to raise output from 13 million barrels per year to 16 million. Qatar is planning to expand its North Field project for $30 billion in the next five years and will raise LNG output annually from 77 million tons to 126 million tons, further increasing its present share of 33 per cent in LNG traded worldwide. The new trajectory of the Gulf States is destined to remain pivotal for decades to come.

Pakistan can tap into this opportunity by strengthening its economic ties in the form of trade flows, investment from Sovereign Wealth Funds and Reserves (SWFR) (at present $3 trillion), infrastructure projects and exports, energy security, development projects by supplying skilled and semi-skilled workers to augment their domestic labour force.

Under its Vision 2030, Saudi Arabia plans to develop a non-oil economy and new modern urban centres. This opportunity offers excellent opportunities for Pakistani consultancy, construction, accountancy, and architectural firms to position themselves for participation in these projects. In addition, Pakistan will have to work hard to win its place as it will have competition from Turkey, Egypt, India, Bangladesh, and other countries.

South Asia

Economic historians and analysts face a conundrum as they find it hard to comprehend that South Asia, which was a single large market until a few decades ago with goods, services, capital as well as common historical, cultural, infrastructure, and administrative background even after 7 decade is the least integrated region in the world. In contrast, East Asia with its diverse background has become the most integrated region (second after the European Union).

The political tension and rivalry between the two major countries of the region – India and Pakistan – stands out as the main explanatory variable for the slow progress and integration of South Asia. There is almost a consensus that the normalization of trade relations would bring substantial economic benefits evenly. India has emerged as a leading economic power during the last decade and Pakistan, which was ahead until 1990, has slipped behind. This change in the economic equilibrium calls for a fundamental review of Pakistan-India relations. It will take time and perceptible actions on the part of both countries to overcome mutual mistrust, suspicion, and blame-game politics. However, there is a huge asymmetry in the power relationships where India with 80 per cent of the population and 85 per cent of GDP dominates the region and thus holds disproportionately heavy responsibility to lead the way out of the present stalemate.

India, in its quest for economic ascendancy, needs a peaceful and prosperous neighbourhood and a dynamic regional institutional framework in which the smaller countries can have a voice. Its aspirations will be thwarted by constant distractions caused by insecure, discordant, and fearful neighbours. As the predominant player in South Asia its responsibilities, responses, and behaviour must be commensurate with its size and status.

Traditions of strict reciprocity or equal measured response have to give way to a more asymmetric but responsible behavioural pattern accommodative of the economic and political imperatives of other regional countries. For a country that has progressive entrepreneurs, leading intellectuals, professionals, innovators, and scientists, globally competitive human resources at the top end, and high demand for natural resources it is not comprehensible as to why it cannot take the initiative to resume normalization of trading relations with Pakistan and unshackle the huge potential that regional trade offers for growth, poverty reduction, and food security.

Pakistan and India have been observing the Indus Waters Treaty (IWT) for over 6 decades despite wars and skirmishes. It is high time for both capitals to join hands in addressing the impact of the glacial melting of the Hindukush by developing joint strategies to minimize the adverse climate change damage. Threats of climate change transcend borders and are above the narrow considerations of bilateral relationships – however tense they may be. It is an existential threat to survival and sustenance.

Serious diplomatic efforts by both Islamabad and New Delhi must be made to end hostilities ease tension, normalize trade and revive connectivity, elements that are critical for larger regional connectivity and Pakistan's shift to geo-economics.

Iran and Turkey

Pakistan has been a long-standing member of the Regional Cooperation for Development (RCD) and Economic Cooperation Organisation (ECO) but the developments in connectivity, trade, transport, and financial cooperation have not been very satisfactory. Although many institutions such as the Trade and Development Bank, Science Foundation, etc. have been created for this purpose progress on mutually beneficial projects is lacking. Connectivity projects like railways between the three countries which have the potential to boost trade with the European markets remain uncertain.

The Iran-Pakistan Pipeline (IPP) agreement signed a decade ago is still to reach the implementation stage on Pakistan's side regardless of its importance in replacing the depleting natural gas reserves of Pakistan. In the same manner, power supply from Iran to Makran coast cities can ease the difficulties faced by the population of these areas, while border trade outposts can activate economic activities in the backward districts of both countries. However, the US sanctions against Iran are the major stumbling block in restoring economic relations with Iran.

Turkey has been a steady friend and partner of Pakistan and can potentially be a critical connecting point for Pakistan with the European markets. Trade volumes between the two countries haven't touched even $1 billion. The transfer of technology and exchange of students and scientists with Turkey is another route which needs to be pursued.

Multilateral Agencies

Having entered 24 agreements, Pakistan has been a prolonged borrower of the IMF.[12] It is high time that Pakistan exits such arrangements by undertaking a fundamental restructuring of its economy. World Bank, Asian Development Bank and Islamic Development Banks are long-standing development partners providing finances for infrastructure and social sectors, policy advice, analytical support, and technical assistance. This relationship should continue and be strengthened as Pakistan sets its agenda of reform and restructuring. Similarly, regional and sub-regional trade blocs and bilateral FTAs are an attractive substitute for the World Trade Organization (WTO), which is under serious stress due to global politics. Moreover, Pakistan must prioritize its cooperation with the UN and its agencies that are proactive on issues such as climate change, the environment, pandemics, and public health.

Conclusion

Resetting Pakistan’s foreign economic relations towards geoeconomics rather than geopolitics would require Pakistan’s domestic economic policies to be stable and predictable, while its management and governance remain on a sound footing. Continued political instability, uncertainty about policies, and frequent economic crises will maintain the present status quo. Resorting to the IMF and friendly countries for assistance frequently would nullify the desire and will to reset economic ties bilaterally and with multilateral organizations.

The absence of proper diagnostics, coupled with an inward-looking mindset and bureaucratic obstacles, will diminish Pakistan's role in both regional and global geo-economics. Unless the inbuilt disdain for anything foreign, including Overseas Pakistanis, is removed, Pakistan will become insular and disconnected from the tide of progress that is benefiting other emerging and developing countries. South Korea, China, Indonesia, Malaysia, and Vietnam should be our role models to follow rather than drift towards the closed economies of the world.

In the 21st century, Pakistan finds itself in a pivotal era defined by knowledge-based economies. The success of geopolitics would work only if steps are taken to transform the economy and make it robust, stable, and self-propelling. A successful foreign economic policy will stem from comprehensive sustainable strategies at both the foreign and domestic levels, but bridging the gap with regional and global peers remains a critical challenge.