

DAWN

[Rising economic prospects](#)

[Ishrat Husain](#) Published July 9, 2026

ALTHOUGH it will take time for US-Iran negotiations to produce a durable peace deal, regional states have begun positioning themselves to benefit from the new economic opportunities that are likely to emerge. Anticipating greater regional integration, Türkiye, for example, has announced incentives to attract manufacturing investment.

Pakistan, too, is well placed to benefit. It has earned global goodwill for helping reduce regional tensions and supporting diplomatic efforts for peace. At home, the economy has reached an important inflection point. After restoring macroeconomic stability, the challenge now is to move towards investment-led, export-oriented and inclusive growth. The new budget seeks to balance fiscal discipline under the IMF programme with steps to ease business constraints and give relief to citizens — an aim that's essential but not easy to fulfil.

Implementation of the broader reform agenda is a sine qua non for availing emerging opportunities: improving security, making energy prices competitive, privatising SOEs, broadening the tax base while reducing compliant taxpayers' burden, expediting regulatory reforms, investing in quality human capital, replacing generalised subsidies with targeted support, digitising the economy, reducing government size and boosting public institutions. Success depends less on announcing reforms and more on implementing them through responsibilities, timelines and accountability.

Here, we focus on how Pakistan should seize the economic opportunities arising from a regional peace settlement. Some are asking how many billions of dollars Pakistan should receive for its constructive role. This is a mistaken approach. A country aspiring to dignity and self-reliance shouldn't revert to the rentier-state model that's weakened its economy. Indeed, we should gradually convert or repay the nearly \$12 billion in friendly-country deposits supporting our foreign exchange reserves. We should build partnerships based on expanding trade, attracting investment for productive sectors (agriculture and industry) and acquiring technology and managerial expertise. Friendly states' proposals must be judged against these goals. Implementation is critical. Agreements must be supported by measurable milestones, regular monitoring and effective coordination, with the PM himself reviewing progress.

Iran, Türkiye and Saudi Arabia offer immediate economic opportunities.

Iran: A stable, economically revitalised Iran offers Pakistan enormous opportunities. Scholars like Vali Nasr and Nargis Bajoghli say that the emerging generation of Iran's security and political leaders is technocratic and strategically nationalist rather than ideological. They know that prolonged economic stagnation is the greatest threat to political stability. Hence economic recovery is central to their national priorities. This change should facilitate stronger bilateral economic cooperation while helping improve border security.

During President Masoud Pezeshkian's recent visit, both countries agreed to raise bilateral trade from about \$3bn to \$10bn by 2028. Achieving this target needs close collaboration between the commerce ministry and private sector to identify products in which Pakistan enjoys a comparative advantage. Pakistan can expand exports of rice, meat, textile, surgical instruments, fruit and processed foods, while importing raw material and intermediate goods from Iran at competitive prices.

Our engineering and logistics organisations should participate in Iran's post-war reconstruction through commercial partnerships with Iranian firms. Skilled and semi-skilled workers whose wage costs are lower than those of their Iranian counterparts can contribute to reconstruction activities.

Iran's opening of six trade routes to Central Asia and Azerbaijan is another opportunity. Pakistan should improve customs procedures, border infrastructure, logistics and road connectivity to benefit from these transit corridors. If sanctions on Iran's energy exports are eased, Pakistan should

replace informal fuel imports with transparent commercial purchases of discounted Iranian crude oil while developing strategic petroleum reserves at Gwadar. The six border markets should be fully operational to stimulate economic activity in Makran Division with SEZs supplying products for cross-border trade.

Pakistan must also revive talks on the Iran-Pakistan gas pipeline by aligning pricing with global benchmarks. Additional electricity imports from Iran can lessen power shortages in Gwadar and its environs. Collaboration in agriculture, pharmaceuticals, dairy technology and scientific research must be expanded.

Türkiye: Pakistan and Türkiye are committed to increasing bilateral trade from \$1bn to \$5bn within three years. This needs active private-sector participation and removal of trade barriers. Türkiye's internationally competitive construction companies can partner with Pakistani firms to undertake reconstruction projects in Iran. Pakistan should study Türkiye's successful integration of defence industries with private manufacturing, which has generated technological innovation with a significant impact on manufacturing and a strengthened civilian industry.

The greatest opportunity may lie in attracting Turkish manufacturing investment. Major Turkish conglomerates such as Koç Holding, Sabancı Holding and Anadolu Group have extensive access to European markets. Their labour-intensive production of consumer electronics, household appliances and engineering goods could be partially relocated to Pakistan, allowing Turkish firms to benefit from competitive production costs while creating employment, exports and technology transfer for Pakistan.

Saudi Arabia: Our highest investment priority should be the long-delayed petrochemical complex and modern refinery proposed by the Saudi crown prince during his 2021 visit. Feasibility studies have been completed; remaining administrative and financial obstacles must be removed. This project will transform the competitiveness of our downstream manufacturing industries, including automobiles, synthetic fibre, plastics, packaging, pharmaceuticals, fertilisers, electronics, paints and detergents, and reduce import dependence, boost exports and create value addition within Pakistan. A financing option is to convert Saudi Arabia's deposits held by Pakistan into equity participation in the project to transform temporary financial support into long-term productive investment while boosting bilateral economic ties.

Focused strategy: This agenda focuses on Iran, Türkiye and Saudi Arabia as they offer immediate opportunities. China, the US and other Gulf countries remain vital economic partners, but the current geopolitical transition provides exceptional prospects with these three countries. So, Pakistan shouldn't measure its diplomatic success by the amount of financial help it receives. The real dividend of regional peace lies in expanding trade, attracting productive investment and acquiring technology. If these opportunities are pursued along with vigorous, disciplined implementation of the domestic reforms agenda, and with clear accountability, Pakistan can convert its enhanced global standing into durable economic growth and achieve greater regional integration.

The writer is a former World Bank country director for Central Asian Republics.

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