

Pakistan's Economic and Trade Potential in Regional and Global Power Shifts: A Way Forward

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Abstract

Pakistan's strategic location and shift towards economic diplomacy and regional integration allow it to harness its geopolitical potential. The main aim of this exploratory study is to highlight the trade and economic opportunities and potential of Pakistan with its neighboring regional and global partners for long-term fiscal relations and positive economic gains to support its economy and relations. Despite challenges with neighbors Iran, Afghanistan, and India, economic interdependence can revitalize the ancient Silk Route, boosting regional trade. Game-Changing Initiatives like China Pakistan Economic Corridor (CPEC) and Shanghai Cooperation Organization (SCO) membership offer opportunities for Pakistan's geo-economic growth; the MENACASA region (Middle East, North Africa, Central Asia, and South Asia) is the bedrock of global power competition. Despite the unfavorable political and trade circumstances, the trade potential with India is estimated at \$37 billion among the neighboring countries. The current formal bilateral trade with Islamic neighbor Iran has a volume of \$2.3 billion with an ambitious target of \$5 billion as a five-year trade cooperation plan from 2023 to 2028. As a way forward, the study suggested ways to increase of cooperation of the regional countries by promoting the culture and history. In this regard, free trade agreements (FTAs) can be realized to begin economic and trading integration in the region.

Keywords: Economy, Trade, Regional Cooperation, CPEC, SCO, Pakistan.

Introduction

Pakistan, strategically situated at the crossroads of global trade routes in South Asia, is poised to harness its geopolitical position within a shifting landscape of international relations. Pakistan's foreign policy will likely have far-reaching implications and consequences as the world transitions from traditional security-focused alliances to economic partnerships and interdependence (Zubair et al., 2024). Pakistan's trade-to-GDP ratio of merely 30% is among the lowest globally, even considering its large size, suggesting substantial room for growth. Research has consistently shown

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that economic openness yields numerous benefits, including specialization, expanding market access, acquiring new technologies and expertise, and formalizing the economy, presenting opportunities for Pakistan to enhance its economic performance (IsDB & ADB, 2022). Pakistan has undergone a significant shift in priorities, moving beyond a sole focus on strategic and security interests to a more robust emphasis on economic diplomacy and regional economic integration. This transformation is evident in initiatives such as the China-Pakistan Economic Corridor (CPEC) and active engagement with regional organizations like the Shanghai Cooperation Organization (SCO). By pursuing economic development, trade, and connectivity, Pakistan aims to achieve stability and prosperity not only for itself but also for its neighboring regions, thereby creating more integrated and prosperous economic landscapes (Fazal et al., 2023).

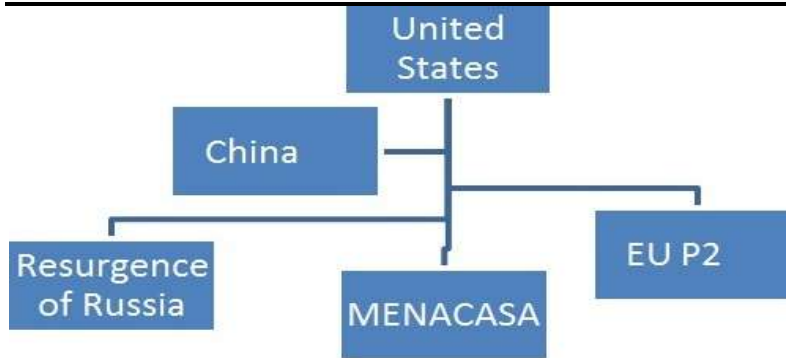
Geo-economics represents the complex relationship between economic and geopolitical factors, where economic growth and development can shape geopolitical dynamics. Conversely, shifts in geopolitical landscapes can have significant implications for the economy. This interplay highlights the reciprocal influence between economic progress and geopolitical power, where advancements in one domain can have far-reaching consequences for the other (Baru & Dogra, 2015). From a geopolitical and geo-economic position, this development can be viewed as a strategic extension of China's vast economic footprint. While it constitutes a modest component of China's comprehensive economic expansion, it signifies a crucial step towards fostering regional connectivity and satisfying China's growing demand for economic integration. The fortification of Pakistan-China economic ties can accelerate economic growth, bolster regional stability, and facilitate human resources, yielding mutual benefits for both nations. This geo-economic landscape encourages Pakistan to adopt a more diversified economic strategy, reducing its dependence on a limited number of industries. By venturing into uncharted markets and sectors, Pakistan can develop a more resilient economy, better equipped to withstand external pressures and shocks and foster sustainable growth and development (Fazal et al., 2023). Pakistan's involvement in prominent regional initiatives like the Central Asia Regional Economic Cooperation (CAREC) program and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project demonstrates its aspirations to strengthen economic ties and boost its geo-economic position, further solidifying its role as a key player in regional economic integration and cooperation (Gul et al., 2021). Unfortunately, Pakistan's economy has struggled for over 60 years due to multiple factors, marked by repeated engagements with the International Monetary Fund (IMF), with 22 bailout programs. Despite receiving significant financial assistance, the country's economic growth has remained volatile. The long-standing relationship between Pakistan and the IMF has failed to yield the desired results, with the country's economic performance remaining suboptimal (Khan et al., 2024). Therefore, the main aim of this study is to highlight the trade and economic opportunities and potential of Pakistan with its neighboring regional and global partners for long-term fiscal relations and positive economic gains to support its economy and relations.

Dynamics of Global Shifts

The National Security Policy Document 2022-26 released by the National Security Division (NSD), has recognized the changing dynamics of the external context. U.S.A., the status quo power, faces a rising China and a resurgent Russia. China unfolded its belt and road initiative in 2013 (figure 1), the China-Pakistan Economic Corridor being part of it, to boost and expand trade activities and employment opportunities (GOP, 2022). European Union is seeking a way for its independent identity. The MENACASA region comprising Middle East, North Africa, Central Asia, and South Asia is the bedrock of global power competition (figure 2).

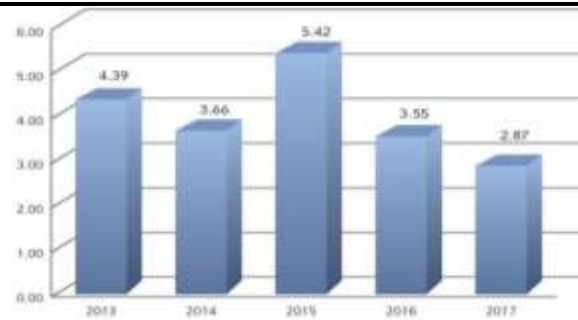
Figure 1: China Belt and Road Initiative

Source: Gilchrist (2019)

Figure 2: Dynamics of Global Politics

CPEC Diplomacy and Relation with China

Pakistan's three neighbors Iran, Afghanistan, and India have multiple issues with Pakistan. But, the economic and trading interdependence amongst the four countries can lead to a trickle-down effect for the South Asian, North African, Central Asian, and Middle Eastern Regions, thereby paving way for the revival of the ancient Silk Route. In this regard, the governments of Pakistan and China had already signed the China-Pakistan Free Trade Agreement (CPFTA) in November 2006. Phase I of the CPFTA became operational in July 2007 and originally covered the period 2007–2012. Under phase I, Pakistan offered tariff concessions on 6,711 items to China. On the other hand, China offered tariff concessions on 6,418 items to Pakistan. Despite having an FTA, Pakistan's exports to China have decreased by more than 40% in the past five years. Imports, on the other hand, have grown by 132% (figure 2) (PBC, 2019). Therefore, there is a vast potential of the promotion of value added exports to China to increase the revenue generation.

Figure 3: Discrepancy in Pakistan Reported Imports from China (Billion Dollars)

Source: PBC (2019).

Luckily, the China Pakistan Economic Corridor (CPEC) offers Pakistan plentiful opportunities to appreciate its geo-economic and geo-political streak and the potential of generating great revenue (Zubair et al., 2024). The true dividends of CPEC can only be realized when it is opened for the economic and trading activities of the region (figure 2). Fortunately, Pakistan is at the strategic location of the rim of the “Heartland” of the world (the theories of Heartland and Rimland were suggested by Halford Mackinder and Nicholas Spykman in respectively, Mackinder argued that the control of the Eurasian Heartland (includes central Asia) is the way to Power while spykman countered that the rim of the sea route from South China Sea to Mediterranean is the way to power. This makes Pakistan at the rim of the Heartland) (Gilchrist, 2019).

If realized through CPEC Diplomacy, it can make Pakistan acquire the great power status. Pakistan aspired for becoming a great power in 1980s and 1990s, but it organized its great power aspirations around security centric and ideological considerations. It is time to renew the great power aspirations around Economic and Trading considerations. For doing so Pakistan needs to enhance trade ties with India, Iran, and Afghanistan. It also needs to explore opportunities in Central Asia, Middle East, and Africa. But, addressing regional geopolitics, economic worries and issues of sustainability requires careful consideration and delicate handling (Rahim et al., 2018).

Figure 4: The CPEC Diplomacy and its Potential for Regional Linkage and Trade in South and Central Asia

Enhancement of Indo-Pak Trade Through All Border Points

According to the World Bank's report 'South Asia Review' the region is anticipated to be the rapidly-mounting region in the world with output GDP growth in 2024 estimated to be high at 6.0% (World Bank, 2024). But persistent structural challenges threaten to undermine sustained, resilient growth. What war could ravish, commerce could bestow and he returned a friend, who came a foe, said Alexander Pope (Chengappa, 1999). Figure 3 shows a discouraging sign of bilateral trade between India and Pakistan, but Dawn quoted World Bank that India-Pakistan trade has a potential of \$37 billion (Ahmed, 2018). The bilateral trade between India and Pakistan, if enhanced, would augment the basket of goods and services and result into market competitiveness for both the countries. Liberalization of trade policies will lead to formalization of trade channels and improve the stream of revenue. Moreover, the inflow of cheaper goods from India would be beneficial for Pakistan. For example, Pakistan can substitute imported iron ore from Australia and Brazil. Moreover, tea and coffee can be substituted from India instead of Kenya. Pakistan also imports tires from India but due to low volume of trade, tires are being routed through Turkmenistan and this has led to escalation in the price. If Pakistan imports tires from India, then transportation cost will be lowered and will ultimately benefit both India and Pakistan. Therefore, enhancing trade with the Eastern neighbor will help Pakistan in dealing with these supply shocks. It is also feasible to presume that greater trade ties might significantly contribute to resolving Pakistan and India's political differences. Frédéric Bastiat, a French economist, once remarked, "When goods do not cross borders, soldiers will." Therefore, for trade all bordering gateways need to be opened.

Figure 5: Total Goods Trade in India and Pakistan and Bilateral Trade



Source: World Bank (2010).

Development of Pak-Iran Trading Relations

Despite sharing a rich history, cultural affinity, geographic proximity, religious and ethnic ties, Pakistan and Iran have yet to fully take advantage of their trade potential. The current formal bilateral trade volume of \$2.3 billion between the two neighboring countries highlights the untapped opportunities and potential for growth in their economic relationship (Amin, 2024). In 2022, Pakistan's exports to Iran amounted to \$162 million, with the top export categories including iron pipes (\$10.6 thousand), medical instruments (\$7.94 thousand), and utility meters (\$3.75 thousand). Notably, the exports to Iran have experienced a remarkable surge over the past five years, growing at an impressive annual rate of 50.4%, from \$21 million in 2017 to \$162 million in 2022, indicating a significant expansion in their trade relationship (OEC, 2022). The reasons

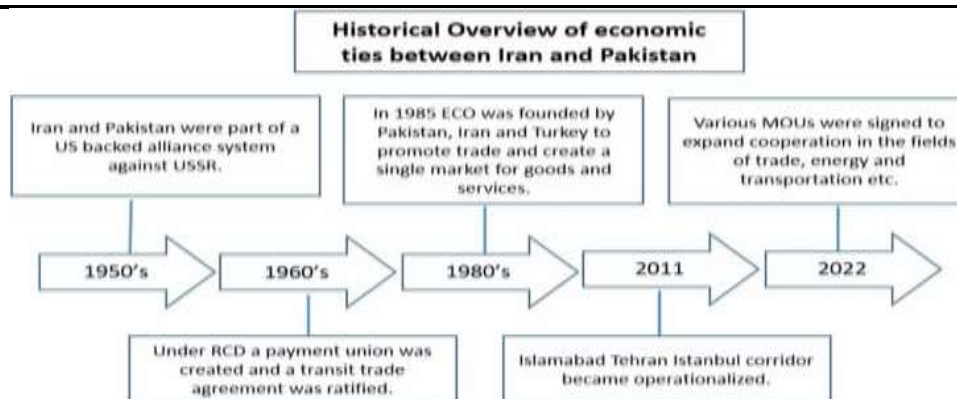
associated with Iran-Pakistan low volume of trade are economic sanctions against Iran, lingering trust, absence of a banking channel, high non-tariff barriers, smuggling, poor infrastructural connectivity and high rates of commodities on which Pakistan enjoys a comparative advantage, i.e., textiles (figure 4). To gain the maximum from the bilateral trade, the long-standing IP (Iran-Pakistan) gas pipeline has huge potential which needs to be implemented on a priority basis. Pakistan and Iran have signed 39 Memorandums of Understanding in January 2023 to enhance bilateral trade and improve economic relations (figure 5) (Saleem, 2023). If these MoUs are implemented in their full spirit they are expected to increase trade value to around \$5 billion per year from the current volume of \$392.08 million.

Figure 6: Pakistan-Iran Trade Quantum



Moreover, Pakistan and Iran have devised a comprehensive five-year trade cooperation plan, spanning from 2023 to 2028, with an ambitious target of achieving a bilateral trade value of \$5 billion. This development was announced by Foreign Minister Bilawal Bhutto Zardari and his Iranian counterpart, Hossein Amir, during a joint press conference in Islamabad. The plan aims to eliminate obstacles to bilateral trade, finalize a Free Trade Agreement, and establish robust institutional links between the private sectors, thereby fostering enhanced economic cooperation and growth in both countries (Radio Pakistan, 2023). Strong trading and business ties with Iran will not only help Pakistan's economic situation but also bring economic stability in the region.

Figure 7: Historic Overview of Pakistan-Iran Trade



Source: Amin (2024).

Augmentation of Pak-Afghan Trade Ties

Afghanistan is a landlocked state, and in these turbulent times, economic diplomacy is all about establishing economic relationships. Moreover, India and Pakistan both are seeking to exert their influence over Afghanistan's development, motivated by their own strategic interests in the region. Meanwhile, Pakistan has been severely impacted by the Afghan conflict and the 'War on Terror', which has resulted in significant harm and destabilization within the country (Khan et al., 2022). In 2010, Pakistan and Afghanistan negotiated the robust Afghanistan-Pakistan transit trade Agreement (APTTA) with a hope that the United States and United Nations would provide a patronage to it. U.S supported the idea of the "New Silk Road" (USDS, 2009) which was supposed to integrate Afghanistan with South Asia and Central Asia. The agreement enacted counter-smuggling initiatives; reiterated a commitment to strengthening both countries' customs facilities; enabling them to use each other's rail, road, and airport infrastructure on certain routes; and provided for the one-way transfer of Afghan goods to India via the Wagah border crossing. The scope of the agreement needs to be broadened to enhance trade links. Moreover, barriers hindering the progress of APTTA need to be eliminated. Barriers like regular payment settlement, lack of better insurance mechanisms and custom duties (ISSI, 2022). The current Pak-Afghan Institutional Mechanisms as shown in figure 5 needs to be strengthened and enhanced. Moreover, Pakistan's involvement in initiatives like the Central Asia Regional Economic Cooperation (CAREC) program and the Turkmenistan-Afghanistan-Pakistan-India (TAPI) gas pipeline project demonstrates its aspirations to strengthen regional economic ties and augment its geo-economic influence (Muhammad, 2023; Hussain, 2021; Mahmood, 2022). These endeavors exemplify Pakistan's shift in focus from geopolitical considerations to economic cooperation and regional integration (Gul et al., 2021).

Figure 8: Pak-Afghan Institutional Mechanism

| Pak-Afghan Institutional Mechanism | | | | |
|--|--|--|------------------------------------|--|
| Afghanistan Pakistan Transit Trade Cooperation Authority (APTTCA) | Pak-Afghan Joint Chamber of Commerce & Industry | Pakistan- Afghanistan Joint Business Council | Joint Economic Commission (JEC) | Afghan-Pakistan Action Plan for Peace and Solidarity (APAPPS) |

The bilateral trade volume was \$2.5 billion in 2012, but unfortunately, it has come down to six million USD in 2022 (Dawn, 2022). Trade between both the states was mostly being carried out under the framework of SAARC but now SAARC has become dormant and emphasizes the need for Afghanistan to look for new trade avenues. Since the Taliban took control, the majority of Pakistani exporters have delayed sending items over the Torkham border to Afghanistan. The exporters and customs clearing agents don't expect a permanent and durable business strategy from the Afghan Taliban (Ibrahim, 2021). The political unrest and wars in Afghanistan have severely affected fruit exports to Pakistan due to being banned by the Afghan government (Dawn, 2022).

However, in 2023, a small recovery has been witnessed with the rising exchange of bilateral trade goods totaling \$1.8 billion. Moreover, the previous Ashraf Ghani and new Taliban Governments focused on the substitute transportation trade route via the Chahbahar seaport of Iran, located 172.2 km away from Gwadar. It is noteworthy that Gwadar is operational with the aid of China, while Chahbahar is functional with the aid of India. So, from strategic and political standpoints,

Afghanistan is trying to increase its dependence on Iran over Pakistan to reduce its influence. There is great potential between Pakistan and Afghanistan to augment trade ties because both countries have simultaneous benefits from this mutual relationship. Afghanistan has recognized Pakistan as a key channel for its trade with the rest of the world. Pakistan is seeking Afghanistan as a trading bridge to harness the vast potential of trade with Central Asian States (CARs). Afghanistan is also a big market for Pakistani exports; therefore, the governments of Pakistan and Afghanistan need to take concrete steps to secure their economic and trading interests (Khan, 2023; Dawn, 2022).

Opportunities in Central Asia

Pakistan's strategic location provides the most direct access to the Arabian Sea for landlocked Central Asian countries and Western China, making it a vital link in regional connectivity. The country's three major ports, i.e. Karachi Port, Port Qasim, and Gwadar Port, are crucial in facilitating regional trade and commerce. That is why these governments recognized Pakistan as a vital nexus to rapidly emerging, fostering cooperation and connectivity among three regions across multiple sectors, including energy, trade, transportation, and tourism, paving the way for enhanced collaboration and mutual growth (Khetran, 2016). As per the New Silk Road Initiative proposed by the United States in 2010, "Central Asia would be sending hundreds of trucks to Gwadar, Karachi, Chahbahar, and Bandar Abbas through Afghanistan (Peyrouse & Raballand, 2015). The New Silk Road Initiative was abandoned, but it has great potential for the trading and economic interests of Pakistan, India, Afghanistan, and Central Asia. Pakistan can mobilize its diplomatic missions for the revival of the Initiative. It will not only enhance the CASA-1000 regional electricity grid but also result in the establishment of energy transmission lines and hydropower plants. Central Asia, the landlocked region, will access the Indian Ocean through Gwadar. As located strategically, the port is the closest deep-sea port to the landlocked Central Asian Republics, providing a vital access point to the Gulf of Oman, which in turn connects to the Persian Gulf via the Strait of Hormuz, making it a crucial gateway for trade and commerce in the region (Ejaz & Jamil, 2022). Similarly, Improving trade and transit in South and Central Asia means improving the "hardware" of reliable roads, railways, bridges, and border crossing facilities. It will also harmonize national customs systems, bring states into multilateral trade institutions, and get neighbors to work together to break down institutional and bureaucratic barriers to trade.

Pakistan, India, and the Central Asian countries are the Shanghai Cooperation Organization (SCO) members. If the issues in Afghanistan that threaten all neighbors of Afghanistan are resolved through SCO, the true dividends of the economic and trading integration of CASA will result in gains for all. More than 1.5 billion people in Afghanistan, Pakistan, and India are expected to benefit from the long-term energy security provided by the project called TAPI. In addition, the project is expected to boost the revenues of Turkmenistan via the sale of gas. Afghanistan and Pakistan will also receive benefits through transit fees.

Opportunities in the Energy-rich Middle East

The Gwadar port and its cardinal position regarding its vicinity to the Gulf States are some new features of the geographical significance of Pakistan (Mohsin, 2020). In the Middle East, Saudi Arabia, and the Gulf Countries are adopting the policies of diversifying their economies. Vision 2030 of Saudi Arabia and Vision 2035 of Kuwait indicate the realization that their reliance on fossil fuels alone will not sustain their economies for a long, unending period. The Middle East is looking for new avenues of cooperation. Pakistan had maintained security relations with Middle

Eastern countries; however, Pakistan also remained dependent on the Middle East for its energy needs. According to the State Bank of Pakistan, Pakistan's exports to the Middle East experienced a significant increase of 36.18% between July 2023 and January 2024, reaching \$1.769 billion. In contrast, imports from the region decreased by 31.69% to \$7.443 billion, substantially reducing the trade deficit from \$9.668 billion to \$5.674 billion. This marks a notable improvement in Pakistan's trade balance, with exports rising from \$1.229 billion to \$1.769 billion and imports decreasing from \$10.897 billion to \$7.443 billion during the same period (Khan, 2024).

For instance, in 2022, the United Arab Emirates (UAE) exported goods valued at \$6.89 billion to Pakistan, with the top exports being crude petroleum (\$2.29 billion), refined petroleum (\$1.3 billion), and propylene polymers (\$212 million). The UAE's exports to Pakistan have experienced a remarkable growth rate of 38.1% annually over the past five years, surging from \$1.37 billion in 2017 to \$6.89 billion in 2022. Notably, no service exports were from the UAE to Pakistan in 2022 (OEC, 2022). In 2022, Pakistan's exports to the UAE totaled \$956 million, with the top exports being refined petroleum (\$1.07 billion), rice (\$235 million), and bovine meat (\$165 million). However, Pakistan's exports to the UAE have been declining at an annual rate of 3.11% over the past five years, from \$1.12 billion in 2017 to \$956 million in 2022. Additionally, there were no service exports from Pakistan to the UAE in 2022 (OEC, 2022).

The trembling economy with high inflation and unemployment rates, internal and external debts, and depreciation of the Pakistani rupee against the US dollar and other currencies are the main obstacles due to which Pakistan highly relies on Saudi Arabia to strengthen its position in international dialogue institutes like International Monetary Fund (IMF). Saudi Arabia has extended significant financial assistance to Pakistan, totaling over \$22 billion from 2018 to 2022. This support has strengthened Pakistan's economy and enhanced its appeal to potential investors. The establishment of the "Special Investment Facilitation Council" is a crucial move to attract foreign direct investment, particularly from the Gulf Cooperation Council (GCC) countries, which include Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman, in addition to Saudi Arabia (Bonesh, 2023). The government has recently signed a free trade agreement (FTA) with the Gulf Cooperation Council (GCC) states aimed at reducing the trade deficit with the region and promoting a more balanced trade relationship (Khan, 2024). Free trade agreements enhance international trade (Mukhtar, 2019).

In 2021, Pakistan's exports to Saudi Arabia totaled \$472 million, primarily rice, bovine meat, and spices. In contrast, Saudi Arabia's exports to Pakistan amounted to \$3.4 billion, mainly comprising crude petroleum, ethylene polymers, and propylene polymers, highlighting a significant trade imbalance between the two nations. In 2022, Pakistan and Saudi Arabia's trade volumes surged to \$4.6 billion, with a diversified range of products, including plastics, textiles, coffee, and tea, in addition to traditional items. Furthermore, the Saudi Fund for Development (SFD) provided Pakistan with \$5.4 billion worth of oil derivatives from 2019 to 2023, signifying a significant strengthening of economic ties between the two nations (Bonesh, 2023).

Almost two million Pakistanis live in Saudi Arabia, where they remit \$6.5 billion annually. Around 15 million Pakistanis depend on the Pakistani diaspora employed in KSA (Ramday, 2017). The Middle East provides an opportunity for Pakistan to export value-added services. Pakistan needs value-added trading ties, not aid. In this regard, Pakistan needs to invest in its human capital to provide value-added services instead of working as laborers in Middle Eastern countries. Diplomatic resources must be diverted in the right direction: attracting Arab countries to invest in Pakistan.

Increase in Trading Relations with African Countries

Pakistan's Look Africa Policy was initiated in 2017 to promote trade with African states by 2025 (GOP, 2019). As a result of this initiative, six trade wings were opened in Algeria, Egypt, Ethiopia, Sudan, and Tanzania, under which local people have been appointed as trade development officers and are responsible for the trade and development activities. Venues for Pak-Africa Economic and Trading Cooperation, which can be capitalized upon, include the following:

- Pakistan can export rice, frozen food, machinery, and textile apparel.
- Millat Tractors.
- Health Sector: opportunities for pharmaceutical companies to work with relevant stakeholders in Africa.

Conclusion

Pakistan, strategically situated at the crossroads of global trade routes in South Asia, is poised to harness its geopolitical position within a shifting landscape of international relations. Pakistan's foreign policy will likely have far-reaching implications and consequences as the world transitions from traditional security-focused alliances to economic partnerships and interdependence. Pakistan has undergone a significant shift in priorities, moving beyond a sole focus on strategic and security interests to a more robust emphasis on economic diplomacy and regional economic integration. This transformation is evident in initiatives such as the China-Pakistan Economic Corridor (CPEC) and active engagement with regional organizations like the Shanghai Cooperation Organization (SCO). Dynamics of external context needed to expand its influence in Asia through economic interdependence and better relations with neighbors, i.e., Iran, Afghanistan, and India, though they have many issues with Pakistan. However, the economic and trading interdependence amongst the four countries can lead to a trickle-down effect for the South Asian, North African, Central Asian, and Middle Eastern Regions, thereby paving the way for the revival of the ancient Silk Route. The true dividends of CPEC can only be realized when it is opened for the economic and trading activities of the region. The CPEC offers Pakistan plentiful opportunities to appreciate its geo-economic and geo-political streak and the potential of generating great revenue as the trade potential is expected to be billions of dollars with India, Iran, and Afghanistan. Central Asia, the landlocked region, will access the Indian Ocean through Gwadar Port as it's located strategically within the center of the Persian Gulf, Gulf of Oman, Chabahar Sea Port, Bandar Abbas, and Strait of Hormuz.

Moreover, Pakistan, India, and the Central Asian countries are members of SCO. Middle East provides an opportunity for Pakistan to export value-added services and Pakistan and Pakistan has recently signed a free trade agreement (FTA) with Gulf Cooperation Council (GCC) countries, which include Kuwait, the United Arab Emirates, Qatar, Bahrain, and Oman to reduce the trade deficit and support trade balance. Pakistan is also striving to promote trade with African states by 2025, as Pakistan can export rice, frozen food, machinery, and textile apparel.

Pakistan needs a paradigm shift to move towards a development-oriented welfare state from a security state. For such a paradigm shift, if supplemented by spending on internal trade and economy-supportive infrastructure, Pakistan has the following way forward as key suggestions as well in three ways;

Strategic Long Term

1. Pakistan needs to open CPEC for regional countries, including India, to extract maximum dividends from being at the pivot of regional and global supply chains. It will also integrate

the old North-South corridor, the old Silk Road, with China's belt and road initiative. By doing so, Pakistan's dependence on China can also be reduced since new parties in CPEC will open policy options for Pakistan vis a vis China.

2. A collective security organization for the region, on the pattern of the Shanghai Cooperation Organization (SCO), inclusive of all SAARC countries and Iran, can be established to curb non-traditional security threats, i.e., Terrorism.

Bilateral Medium Term

1. On the subcontinent's history, a Joint Textbook Commission can be established between India and Pakistan on the pattern of Germany and France. Pakistan can also enter in agreement with Iran and Afghanistan for a common history and culture.
2. Free Trade Agreements for the free flow of goods within the region can be realized to begin economic and trading integration as Pakistan already had concluded with China, Sri Lanka, and Malaysia.

Short Term Measures

1. People-to-people interaction by giving space to non-government forces, i.e., trade unions, youth exchange, and cultural events, can shift public opinion from war-mongering to peaceful co-existence.
2. Third parties like Russia and China, both founding members of SCO, can be engaged to stimulate dialogue between the neighboring countries, and SCO can play the role of guarantor.

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