REVISITING THE PAKISTAN’S FOREIGN POLICY WITH SHIFT IN ECONOMIC AND TRADING INTERESTS: A GEOPOLITICAL SCENARIO

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Abstract

Pakistan, a country in the South Asian region, is located at the pivot of global trading routes. However, it has remained a security state with threat perception constantly driving its foreign policy. Multiple causes can be associated with the security-driven course of foreign policy and numerous consequences can be derived from such a course of foreign policy. The main aim of this explanatory study is to revisit the foreign policy of Pakistan to shift its economic and trade interests from security state to welfare state. The dynamics of international relations are changing from security-led alliances to economic interdependence. China-Pakistan Economic Corridor (CPEC) provides Pakistan with a significant opportunity to realize its geo-economic and geopolitical strength and revenue potential. Through a foreign policy driven by economics and trade interests to neighboring countries and the regions Pakistan’s not only become a welfare state but also a Great Power. In a nutshell, Pakistan has the potential to become another Germany which evolved from a security state to a welfare state.
Keywords: Foreign Policy, Security State, Economics, Trade, CPEC, Pakistan.

Introduction
Pakistan’s foreign policy has been driven by security interests since the very inception because of multiple factors involved in foreign policy making. On its inception, the great leader and founder of Pakistan Quaid-i-Azam, Muhammad Ali Jinnah, also focused on the socio-economic well-being and uplift of the Pakistani masses (as a welfare state) in particular and Muslim Umma in general by opting economic system and equality in humanity and justice truly based on Islamic ideas (Ahmad, 2001). Moreover, Quaid-i-Azam, Muhammad Ali Jinnah insisted that the foreign policy of Pakistan will be based as the policy of neutrality (Khan et al., 2022). Consequently, Pakistan became a security state and its foreign policy trajectory drifted away from economic and trading interests. Security is undoubtedly a core national interest, especially in the presence of hostile neighborhoods and prioritization of interests and issues on the basis of necessity due to great power politics. Over the time, Pakistan tries to establish better and friendly relations with its immediate neighbors i.e. India and Afghanistan for economic and social well beings but has bitter and tumbling relations with its immediate neighbors i.e. India and Afghanistan as they have a close connection in favoring long term India’s economic and strategic interests in the region after the war against terrorism (Hanauer and Chalk, 2012). For instance, after the havoc of 9/11, the involvement of Pakistan as a key ally in so called ‘War on Terror’ against the terrorism in Afghanistan cost a mighty loss of more than 70,000 lives and over $150 billion losses to its fragile economy bringing it to an abrupt and imbalance state (Ahmed, 2021; Khan et al., 2022).

A security state places all other non-militaristic policy concerns – including economic development, social services, public health, etc. – under the overarching goal of military security (Regilme, 2022). Pakistan is a classic example of a security state. It allocated 3.9% of its GDP to military expenditure in comparison to India’s 2.6% and Germany’s 1.3% in the year 2021 (World Bank, 2021). To further substantiate Pakistan’s security centric outlook, in respect of the government’s total spending, military expenses of Pakistan accounted for 17.1% in comparison to India’s 7.4%, and Germany’s 2.5% for the year 2021. Pakistan’s exports receipts accounted for 9% of its GDP in comparison to India’s 21% and Germany’s 47% (World Bank, 2021). Pakistan’s high military expenditure and low export receipts in GDP in comparison to India and Germany shows that security interests, not economic and trading interests, have steered the foreign policy. Pakistan’s striking military expenditure out of its delicate economy takes out a major chunk of government spending. This leak-out of the already scarce resources causes a major hindrance in the way of developing internal economic and trading infrastructure. Consequently, Pakistan’s trading and economic interests in the regional and global market suffer from a competitive disadvantage. Despite these the emerging geopolitical scenarios advocate the vigor role of the military in Pakistan’s political landscape. In a region marked by continuing contentions and insistent security challenges, Pakistan’s facing an intricate range of risks and strategic obligations. Therefore, the obvious role of military as the custodian of state security is constantly supported by these geopolitical situations, giving a justification for its profound participation in forming foreign policy choices and planning security strategies (Muneer and
Aryal, 2024). Both civilian authorities and military officials assert that Pakistan has continuously experienced a state of emergency since its inception. They cite Indian animosity regarding the disputed Kashmir region and Afghan irredentism as significant threats to Pakistan’s territorial integrity.

Over the decades, it has witnessed that security interests have been driving Pakistan’s foreign policy which has led to the drifting away of economic and trading interests from the priorities of foreign policy. However, Pakistan’s current economic and trading doldrums advocate a proactive shift towards economic and trading interests to evolve into a Welfare State from a Security State. Therefore, the main aim of this study is to revisit the foreign policy of Pakistan to shift its economic and trading interests those has an optimal potential for revenue generation to the fragile economy. To realize the potential, Pakistan needs to open its foreign policy to economic and trading opportunities in the neighboring countries and the neighboring regions.

**Research Methods**

Present study is an explanatory study that employed both qualitative and quantitative research methods in a combined manner. Similarly, the data which has been relied upon is a mix of qualitative and quantitative data. For the purposes of data, a wide range of books, periodicals, journals, interviews, official reports of government of Pakistan, World Bank, World Trade Organization, and International Monetary Fund have been consulted.

**Pakistan’s Security Centric Foreign Policy: Causes and Consequences**

The available foreign and domestic literature focuses on different aspects of Pakistan’s foreign policy. Most of the literature focuses on the security aspect of the foreign policy of Pakistan. Amin (2021) makes an effort to historically analyze the domestic and external factors which pushed Pakistan’s foreign policy towards security centric perception. The rationale, he provides, for security centric foreign policy was interplay of internal and external factors. Most of these factors are related to the long lasting national security and well-being of the Pakistan in an environment of political instability, economic crises, feeble civilian governance, and arousing risks from terrorism and neighbors interventions as Pande (2011) critically focuses on the Indian-centric threat perception driving Pakistan’s foreign policy. Therefore, a careful examination of Pakistan’s history suggests that there were multiple causes responsible for a security-driven foreign policy. The causes which kept re-enforcing security interests in the foreign policy are categorized under the following head;

1.1. **The causes of security-centric foreign policy**

Broadly, the causes that led foreign policy to take security-centric course can be divided into the policy options for Pakistan, on the basis of regional and global environment and in light of the domestic environment.

1.1.1. **Policy options on the basis of regional and global environment**

History suggests that Pakistan came into being in a cold war global environment as a result of decolonization. The contest between USSR-led communist bloc and the US-led liberal
democratic bloc along with inherited Kashmir conflict to the East and the Durand Line issue to the West left Pakistan with limited foreign policy options. The limited policy options informed the foreign policy elite to join US led Western bloc i.e., joining SEATO and CENTO in 1950s. India’s nuclear tests in 1974 escalated Pakistan’s security concerns and Pakistan embarked upon developing a nuclear program of its own. This led to the deterioration of relations between Pakistan and the US with the latter putting economic sanctions on Pakistan after the end of Soviet Union’s invasion of Afghanistan.

The Soviet invasion of Afghanistan in 1979 and US-Pakistan involvement in Afghan Jihad was inspired by Pakistan’s security considerations vis-à-vis India. The doctrine of strategic depth got a setback at the end of cold war because bipolarity of the cold war was replaced by unipolarity in the global environment. In 2001, the event of 9/11 changed the global context and Pakistan’s foreign policy was once again confronted by limited policy options. Pakistan conceded to the United States’ demand of joining the ‘War on Terror’ which further dissuaded Pakistan from focusing on its economic and trading interests and drifted it to a verge of political, economic and social upheaval (GOP, 2014). As the region was embroiled in war on terror, security of the country remained a dominant concern of political and military leadership in Pakistan (Hadar, 2002). During this time, Pakistan forged a closed security partnership with the US and NATO. Pakistan was deemed an important player in Afghan conflict and subsequently its foreign policy remained security-centric.

1.1.2. Foreign policy in the light of domestic environment

Jinnah, the founder of Pakistan, is quoted to have said in 1948, “there lies in front of us a new chapter and it will be our endeavor to create and maintain goodwill and friendship with Britain and our neighborly dominion, Hindustan, along with other sisterly nations so that we all together may make our greatest contribution for the peace and prosperity of the world.” (Sattar, 2020). Henceforth, the making of constitution, political setup, economic ill-health, refugees, dismal administrative infrastructure, and immediate existential security vis-à-vis India and Afghanistan were some factors which influenced foreign policy elite to go to US led Western bloc for economic and security considerations.

An overview of Pakistan’s foreign policy suggests that Pakistan’s foreign policy was affected by multiple internal determinants with goals emanating from the primary objective: security interests. For security, the role of Pakistan’s military establishment was pivotal in formulating Pakistan’s foreign policy. Since its inception, Pakistan’s military played a dominant role in spelling out the contours of its foreign policy (Burke, 1973). The military remained an important power broker in Pakistan and it ruled directly for a long 38 years.

1.2. Consequences of security centric foreign policy

Pakistan’s strategic error was to outsource its security in the region (vis-à-vis India and Afghanistan) from United States. Not opening up the option of neutrality as a prime pillar of its foreign policy, has casted a long shadow on its strategic culture in the committee of nations with economy and security unsustainably depending on United States and its allies. The relations with United States and Western countries soared up both in economic and security terms after the end
of cold war in 1989. Pakistan got Taliban in Afghanistan and its own Nuclear Weapon for security vis-à-vis India. In 2001, the US declared “a war against all those who seek to export terror, and a war against those governments that support or shelter them (GWB Library, 2013)”. United States and Pakistan allied together in ‘War on Terror.’ In 2022, United States and its allies left Afghanistan and left Pakistan on the verge of default and it has got Tehreek-e-Taliban Pakistan and a consistent threat of terrorist attacks in the country. Additionally, the unsolved burning issue of Kashmir caused the three wars between Pakistan and India unbalancing the bilateral relations along with other conflicts and the potential threat of terrorism in South Asia and rest of the world (Ali et al., 2023).

1.2.1. Separation of East Pakistan and the hunt of Osama bin Laden: Security Failure
With East Pakistan becoming Bangladesh, the objectives of foreign policy were not revisited. The Hamood ur Rehman Commission Report remained a classified document which means that the extractive foreign policy elite of the state blindfolded the public opinion. The hatred against the East Pakistanis did not let the West Pakistan dominated extractive elite to allow a democratically elected party to govern. In this regard, the Dawn version of the Report states, “the surrender in East Pakistan has indeed been a tragic blow to the nation. By the act of surrender Pakistan stood dismembered, and the image of the Pakistan Army as an efficient and excellent fighting force stood shattered. We can only hope that the nation has learnt the necessary lessons from these tragic events and that effective and early action will be taken in the light of the conclusions reached in the report.” (Dawn, 1972). Similarly, in May, 2011, the killing of Usama bin Ladan by the US military attack was also raised the questions on national security and the professional efficiency of allied agencies. Later, a commission was paneled by the Pakistani Parliament to explore the key reasons of this mighty failure of security. The Abbottabad Commission Report’s leaked version pinpoints “systemic deficiencies, capacity shortfalls and strategic missteps, and then recommend a number of policy solutions to address these problems.” (Tankel, 2013).

1.2.2. The dearth of liberal thinking and engineered public opinion: A Societal Failure
The foreign policy elite of Pakistan shaped the public opinion through one selective perspective favoring foreign policy dedicated to traditional security limited to India within region. They engineered the public opinion through controlled textbook content. Zia-ul-Haq’s Islamization campaign is a pertinent example, which advocated Pakistan as a vanguard of Islam. Zia’s this program comprised the many enactments such as judicial reform, implementation of the Islamic Penal Code, economic and educational activity. These actions further brought unrest and provoke sectarian clashes between Shia and Sunni sects in the country (Talbot, 1998).

1.3. Trade not Aid: A struggling economy and trade has a message
The reports about economic and trading profile of Pakistan present a struggling phase. Trade deficit, balance of payment crisis, and reliance on International Monitory Fund (IMF) loans had been the recurring crisis. Currently, it’s enrolled in 23rd IMF program. Therefore, Pakistan is in the vicious cycle of receiving aid and loans instead of trading.

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1.3.1. **Pakistan’s decreasing real GDP growth rate**

Figure I showed the Pakistan’s GDP growth from 1980 to 2020. The decade from 2010 to 2020 shows a decrease to 4% from around 6% in the decade from 1980 to 1990 (IsDB and ADB, 2022).

![GDP Growth Chart](image)

**Figure I: Pakistan’s Real GDP Growth Rate, 1980-2020**  
*Source: IsDB and ADB (2022)*

1.3.2. **Pakistan’s less value added participation in Global Value Chains (GVCs)**

GVCs statistically measure through different indicators and units to reach a country’s contribution in Global Value Chains. It uses a framework pioneered by Koopman, Wang, and Wei in 2014 (Koopman et al., 2014) and refined by Borin and Mancini in 2019 (Borin and Mancini, 2019). The framework uses information from an intercountry input–output table and uses it to decompose export flows into value-added categories. Exports are broken down into five main categories, as shown in the Figure 2, wherein H to P means Home to Partner exports.
The quantum of each category is shown in Figure 3. Pakistan’s exports primarily consist of DAVAX, REX, REF, and FVA meaning that Pakistan relies on value addition on partner trading countries. This causes a huge stress to the economy of Pakistan (IsDB and ADB 2022).

![Diagram of Exports Classification]

**Figure 2: Classification of Exports on the basis of Value Addition**
*Source: IsDB and ADB (2022)*

**Figure 3: The Quantum of Value Added Exports**
*Source: IsDB and ADB (2022)*
1.3.3. Pakistan’s HDI comparison with SAARC countries

Human Development Index (HDI) is a standard composite index to calculating the average achievement in three basic dimensions of human development viz. a long and healthy life, knowledge and a high standard of living (UNDP, 2022). Pakistan’s Human Development Index (HDI) in 2021 is 2nd lowest as compare to other SAARC countries with a rank of 161 and a HDI value of 0.544 that is considered low standing in ranking. Pakistan is also the most isolated country within the region. Bangladesh, Bhutan, India, and Nepal, the four SAARC countries, are linking their countries through a Motor Vehicle Agreement which will allow cargo and transport to benefit from a long road intersecting the four neighbors. Overall, Pakistan has a decreasing real GDP growth rate. Its domestically value added exports in the global value chains (GVCs) are in distress. The second lowest HDI within SAARC, despite it being at the crossroad of Middle East, Africa, and Central Asia- suggests a message for the foreign policy elite. The message is that instead of allowing security interests to drive the course of foreign policy, it is a matter of high urgency that economic and trading interests are allowed to drive Pakistan’s foreign policy. While the economic development of Pakistan’s is rely on the basic principle of maximal encouragement to private sector with offering state’s special subsidies economic development without considering social key indicators like income distribution, social justice and others (Rizvi, 2013).

<table>
<thead>
<tr>
<th>SAARC COUNTRIES</th>
<th>RANK</th>
<th>HDI VALUE</th>
<th>GROUPS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Sri Lanka</td>
<td>73</td>
<td>0.782</td>
<td>High HDI</td>
</tr>
<tr>
<td>Maldives</td>
<td>90</td>
<td>0.747</td>
<td>High HDI</td>
</tr>
<tr>
<td>Bhutan</td>
<td>127</td>
<td>0.666</td>
<td>Medium HDI</td>
</tr>
<tr>
<td>Bangladesh</td>
<td>129</td>
<td>0.661</td>
<td>Medium HDI</td>
</tr>
<tr>
<td>India</td>
<td>132</td>
<td>0.633</td>
<td>Medium HDI</td>
</tr>
<tr>
<td>Nepal</td>
<td>143</td>
<td>0.602</td>
<td>Medium HDI</td>
</tr>
<tr>
<td><strong>Pakistan</strong></td>
<td><strong>161</strong></td>
<td><strong>0.544</strong></td>
<td><strong>Low HDI</strong></td>
</tr>
<tr>
<td>Afghanistan</td>
<td>180</td>
<td>0.478</td>
<td>Low HDI</td>
</tr>
</tbody>
</table>

Source: UNDP (2021)

1.3.4  The CPEC Project: A Promising Hope for Strong Economy

In these uncertain conditions, the mega project like Pakistan China Economic Corridor (CPEC) is a great initiative to explore the greater potential economic benefits and reducing the regional conflicts with the mutual cooperation of its economic and strategic friend partner China. It will foster the economic growth of Pakistan by offering a multichannel advantages and gains. CPEC project also firming the economic ties of Pakistan with China and increase the regional stability as well. It has a wide network of industrial sites and economic zones with well connectivity of
roads across both countries (Figure 3). This project is simply a ‘Game-Changer’ and revolutionary because it will initiate new energy projects and trade opportunities for Pakistan (Mohsin, 2020). However, the certain hindrances must be sought with immediate attention such as regional geopolitics, internal stability and economic sustainability concerns (Rahim, et. al., 2018). It will connects China with the deep-see Gawadar port and opened an access route to central Asian landlocked states with further adjoining with Gulf of Oman which interconnected with Persian Gulf via Street of Hormuz (Ejaz and Jamil, 2022). Ultimately, it will strengthen the economic and strategic position of Pakistan as it offers a greater regional connectivity, economic independence and bilateral ties. Fortunately, the recent PDM and caretaker governments have given special focus on the ‘geo-economics’ as a fundamental point of its foreign policy (Fazal et al., 2023).

**Figure 4:** CPEC Project Industrial Sites and Stations in Regional Scenario

**Source:** Authors (2024)

**Conclusion**

Countries with a desire need to develop and progress have adopted policies of trading and economic interdependence. Pakistan since its inception in 1947 has multiple issues with its neighbors. Due to multiple causes, security interests have been at the driving seat of Pakistan’s
foreign policy which has left the country with nothing except economic doldrums. Unluckily, Pakistan has not well adopted the policy of Neutrality as focused by its founder Quaid-i-Azam, Muhammad Ali Jinnah. Thus the security centric foreign policy was interplay of internal and external factors. Most of these factors are related to the long lasting national security and well-being of the Pakistan in an environment of political instability, economic crises, feeble civilian governance, and arousing risks from terrorism and neighbors interventions. The civilian-military turmoil during the early 1960s and separation of East Pakistan in 1971 also provoked the need to revisit its foreign policy. In early 1980s, the USSR invasion on Afghanistan and contest between USSR-led communist bloc and the US-led liberal democratic bloc along with inherited Kashmir conflict to the East and the Durand Line issue to the West left Pakistan with limited foreign policy options. In 2001, the so called ‘War on Terror’ after the 9/11 havoc cost enumerable losses to Pakistan’s economic, social and political landscapes as an alley of United States. Pakistan’s foreign policy was affected by multiple internal determinants with goals emanating from the primary objective: security interests. Currently, it is enrolled in its 23rd IMF program and has a second lowest rank in Human Development Index (HDI). It has also minimal participation in the global value chains (GCVs). However, more recently, there have been given a special focus on the ‘geo-economics’ as a fundamental point of its foreign policy by the PDM and caretaker governments. In this regard, China-Pakistan Economic Corridor (CPEC) provides Pakistan a significant opportunity to realize its geo-economic and geopolitical strength and revenue potential. Ultimately, it will strengthen the economic and strategic position of Pakistan as it offers a greater regional connectivity, economic independence, and bilateral ties. It is evident that with foreign policy driven by security interests, Pakistan is neither secured nor prospered. Because by diverting government resources to economic and trading infrastructure, Pakistan can even become a great power. With such paradigm shift in the foreign policy, informed by course-correction, the transition from a security state into a welfare state is not a distant dream. Germany is a pertinent example in this regard.
References
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