

THE ECONOMIC TURN: REASSESSING PAKISTAN'S FOREIGN POLICY PRIORITIES

Saima Siraj^{*1}, Ehsanullah Khan², Dr. Muhammad Fahim Khan³

^{*1}PhD Scholar. Department of International Relations, Muslim Youth University, Islamabad;

²Mphil Scholar. Department of International Relations, Muslim Youth University, Islamabad;

³Assistant Professor, Department of International Relations, Muslim Youth University, Islamabad

^{*1}saimasiraj@yahoo.com; ²Khan19ff@gmail.com; ³dr.fahim@myu.edu.pk

Corresponding Author: *

Received: 25 February, 2024 Revised: 10 March, 2024 Accepted: 24 March, 2024 Published: 31 March, 2024

ABSTRACT

Pakistan, a South Asian nation, is strategically placed at the crossroads of international trade lines. Still, the sense of threats has always guided its foreign policy, and the country has maintained its status as a security state. Many factors contribute to a foreign policy that is security-driven, and many outcomes might be expected from this approach. This explanatory study primarily intends to return to Pakistan's foreign policy in order to change its trade and economic priorities from security-state to welfare-state. The focus of international relations is shifting from alliances driven by security concerns to interdependence based on economic factors. Through the China-Pakistan Economic Corridor (CPEC), Pakistan has a great chance to tap into its economic, political, and geopolitical power as well as its revenue potential. Pakistan has grown into a welfare state and a Great Power because to its strategic foreign policy, which is primarily focused on economic and commercial interests with neighbouring countries and areas. To sum up, Pakistan might follow Germany's example and transform from a security state into a welfare state.

Keywords: Foreign Policy, Security State, Economics, Trade, CPEC, Pakistan.

INTRODUCTION

For a variety of reasons, security concerns have always been at the forefront of Pakistan's foreign policy. Initiating an economic system based on Islamic principles, equality in humanity, and justice, the great leader and founder of Pakistan, Quaid-i-Azam Muhammad Ali Jinnah, prioritised the socio-economic well-being and advancement of the Pakistani masses (as a welfare state) and the Muslim Umma generally (Ahmad, 2001). Additionally, Quaid-i-Azam Muhammad Ali Jinnah emphasised that Pakistan's foreign policy would be grounded in neutrality (Khan et al., 2022).

As a result, Pakistan shifted its foreign policy focus from economic and trade interests to ensuring the safety of its citizens. Having a secure nation is of paramount importance, particularly in areas where there is hostility and when issues and interests are prioritised based on necessity as a result of politics of great power. As a result of their close relationship in supporting India's long-term economic and strategic interests in the region following the war against

terrorism, Pakistan's relations with its immediate neighbours, Afghanistan and India, have been bitter and deteriorating over the years, despite Pakistan's best efforts to foster better and friendly relations with its neighbours for the sake of social and economic well-being (Hanauer and Chalk, 2012). Pakistan, for example, suffered a devastating economic setback and the loss of over 70,000 lives as a result of its role as a key ally in the so-called "War on Terror" against terrorism in Afghanistan following 9/11 (Ahmed, 2021; Khan et al., 2022).

Under the umbrella of military security, a security state prioritises economic development, social services, public health, and all other non-militaristic policy issues (Regilme, 2022). One of the best examples of a security state is Pakistan. Its military budget in 2021 was 3.9% of GDP, much more than Germany's 1.3% and India's 2.6% (World Bank, 2021). In 2021, military expenditures in Pakistan amounted to 17.1% of the government's overall spending, much higher than India's 7.4% and

Germany's 2.5%. This further supports Pakistan's security-centric mindset. While Germany contributed 47% of GDP and India 21%, Pakistan only received 9% of its GDP from exports (World Bank, 2021).

Pakistan's foreign policy has been guided by security concerns rather than economic and trade considerations, as evidenced by the country's high military spending and low export receipts as a percentage of GDP compared to Germany and India. The Pakistani government spends a significant portion of its budget on military spending, which strains the country's already fragile economy. An enormous obstacle to building an internal economic and trading infrastructure is the leaking out of these already-scarce resources. As a result, Pakistan's commercial and economic interests are at a disadvantage in both the regional and worldwide markets. Regardless, new geopolitical possibilities for Pakistan's politics highlight the importance of the military. Pakistan faces a complex array of dangers and strategic obligations in a region characterised by ongoing conflicts and persistent security problems. According to Muneer and Aryal (2024), the military's involvement in shaping foreign policy decisions and security strategy is bolstered by the ongoing reinforcement of its role as guardian of state security. Military and civilian leaders in Pakistan agree that the country has been in a perpetual state of emergency ever since it was founded. They say that Pakistan's geographical integrity is threatened by Afghan irredentism and Indian enmity over the disputed Kashmir area.

Over the years, Pakistan's foreign policy has been skewed towards addressing the country's security concerns, rather than its economic or trade priorities. The present economic and trade stagnation in Pakistan, however, calls for an aggressive change in focus from security to economic and trade interests in order for the country to transform into a welfare state. The overarching goal of this research is to help Pakistan's already-fragile economy by reevaluating the country's foreign policy in order to redirect its focus to economic and trade objectives with the greatest revenue-generating potential. Pakistan has to be more open with its foreign policy towards economic and trade prospects in neighbouring nations and areas if it wants to reach its potential.

Research Methods

The current investigation is an explanatory study that mixed qualitative and quantitative approaches. In a similar vein, both qualitative and quantitative information has been used. Books, journals, magazines, interviews, and official papers from the Pakistani government, the World Bank, the World Trade Organisation, and the International Monetary Fund were studied for the data. Security-focused Pakistan.

Foreign Policy: Causes and Consequences

Many books and articles, both domestic and foreign, have covered different aspects of Pakistan's foreign policy. Most of the published studies take a security-oriented look at Pakistan's foreign policy. By examining both domestic and foreign factors, Amin (2021) seeks to identify the antecedents of Pakistan's security-oriented foreign policy. A security-oriented foreign policy, he says, was born out of the interplay between domestic and external pressures. Most of these concerns are related to the long-term national security and welfare of Pakistan in light of the current political climate, economic difficulties, lack of strong civilian leadership, and increasing dangers posed by terrorists and neighbouring states. According to Pande (2011), Pakistan's foreign policy is influenced by the perception of risk in India. Therefore, a comprehensive examination of Pakistan's historical background reveals that a security-driven foreign policy had multiple sources. Security concerns in international relations have persisted for the most part due to the following factors:

1.1. The causes of security-centric foreign policy

The factors that prompted Pakistan's foreign policy to prioritise security can be broadly categorised according to the policy choices available to the country in consideration of both its domestic and regional contexts.

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

According to historical accounts, decolonization led to the establishment of Pakistan during the global cold war. Pakistan found itself constrained in its foreign policy choices due to the ongoing rivalry between the US-led liberal democratic bloc and the US-led communist bloc, as well as the inherited Kashmir crisis to the east and the Durand Line issue

to the west. In the 1950s, the foreign policy elite were influenced by the restricted policy alternatives to join the US-led Western bloc, specifically SEATO and CENTO. Pakistan's security fears were heightened by India's nuclear tests in 1974, prompting Pakistan to begin constructing its own nuclear programme. As a result, US-Pakistan relations soured, and following the Soviet Union's withdrawal from Afghanistan, the US imposed economic sanctions on Pakistan.

Concerns about Pakistan's position relative to India's prompted the 1979 Soviet invasion of Afghanistan and the United States' and Pakistan's engagement in the Afghan Jihad. Due to the shift from bipolarity to unipolarity in the international environment following the Cold War, the concept of strategic depth suffered a setback. Once again, Pakistan's foreign policy faced constrained alternatives after the 9/11 attacks altered the global context in 2001. As a result of giving in to American demands that it join the "War on Terror," Pakistan is now much more distracted from its trade and economic interests and on the brink of social, political, and economic chaos (GOP, 2014). The political and military elite of Pakistan were primarily concerned with national security throughout the region's war on terror (Hadar, 2002). While this was going on, Pakistan and the United States and NATO established a tight security alliance. Because of its key role in the Afghan conflict, Pakistan's foreign policy has always focused on ensuring the safety of its citizens.

1.1.2. Foreign policy in the light of domestic environment

"There lies in front of us a new chapter and it will be our endeavour to create and maintain goodwill and friendship with Britain and our neighbourly 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," Pakistan's founder Jinnah reportedly said in 1948. (The year 2020 was claimed by Sattar). Afterwards, the foreign policy elite sought economic and security assistance from the US-led Western bloc due to a number of issues, including the constitution-making process, the political setup, economic instability, refugees, a lacklustre administrative infrastructure, and immediate threats from India and Afghanistan.

From a high-level perspective, Pakistan's foreign policy was influenced by several internal factors, all of which served to further the country's security

objectives. The Pakistani military institution played a crucial influence in shaping the country's foreign policy, particularly with regard to matters of national security. According to Burke (1973), Pakistan's military has been instrumental in defining the country's foreign policy from the very beginning. Even after ending its direct rule 38 years ago, the Pakistani military maintained its position as a key power broker in the country.

1.2. Consequences of security centric foreign policy

Pakistan made a strategic mistake when it relied on the United States for regional security in relation to Afghanistan and India. As a member of the group of countries whose economies and security are too dependent on the US and its allies to continue, the US has thrown a long shadow over its strategic culture by refusing to acknowledge neutrality as a fundamental principle of its foreign policy. Economically and militarily, ties with the West and the United States surged after the Cold War ended in 1989. For protection against India, Pakistan has the Taliban in Afghanistan and its own nuclear weapon. According to the GWB Library (2013), the United States of America proclaimed "a war against all those who seek to export terror, and a war against those governments that support or shelter them" in 2001. The 'War on Terror' brought the US and Pakistan together as allies. With the United States and its allies pulling out of Afghanistan in 2022, Pakistan was on the brink of default, facing ongoing terrorist threats from Tehreek-e-Taliban Pakistan. In addition to other conflicts and the possible threat of terrorism in South Asia and the rest of the world, the three wars between Pakistan and India over the unresolved problem of Kashmir have disrupted bilateral relations (Ali et al., 2023).

1.2.1. Separation of East Pakistan and the hunt of Osama bin Laden: Security Failure

There was no reevaluation of foreign policy goals following Bangladesh's transformation from East Pakistan. The state's extractive foreign policy elite hid public opinion from the Hamood ur Rehman Commission Report because it remained a confidential document. A democratically elected party was unable to take office due to the West Pakistani extractive elite's animosity towards the East Pakistanis. Regarding this matter, the Dawn version of the Report notes that "the nation has

indeed been tragically hit" by the surrender in East Pakistan. Pakistan was left fragmented and its reputation as a formidable fighting force shattered by the act of capitulation. We can only pray that the country has grown up since these terrible events and that the report's findings prompt swift and decisive action. Per Dawn (1972). The US military's attack that killed Usama bin Ladan in May 2011 also cast doubt on the efficacy of partner agencies and national security. Subsequently, the Pakistani Parliament appointed a commission to investigate the main causes of this massive security breach. "Systemic deficiencies, capacity shortfalls and strategic missteps, and then recommend a number of policy solutions to address these problems" are highlighted in the leaked version of the Abbottabad Commission Report.

Referenced in Tankel (2013).

1.2.2. The dearth of liberal thinking and engineered public opinion: A Societal Failure

From their narrow vantage point, Pakistan's foreign policy elite influenced public opinion in favour of a strategy that prioritises conventional security concerns confined to the Indian subcontinent. Through the manipulation of textbook material, they

managed to influence public opinion. One relevant example is Zia-ul-Islam Haq's Islamization effort, which promoted Pakistan as an Islamic leader. Judicial reform, the Islamic Penal Code's execution, economic and educational initiatives were all part of Zia's programme. The country's Shia and Sunni communities were already on the brink of sectarian strife when these events occurred (Talbot, 1998).

1.3. Trade not Aid: A struggling economy and trade has a message

Pakistan is reportedly going through a tough patch in its economic and trading profile. Recurring crises include trade deficits, balance of payment issues, and dependence on loans from the International Monetary Fund (IMF). It is currently a part of the 23rd IMF programme. Consequently, Pakistan is trapped in a never-ending cycle of relying on aid and loans rather than engaging in trade.

1.3.1. Pakistan's decreasing real GDP growth rate

From 1980 until 2020, Pakistan's GDP grew, as seen in Figure I. From 1980 to 1990, it was around 6%; however, from 2010 to 2020, it drops to 4% (IsDB and ADB, 2022).

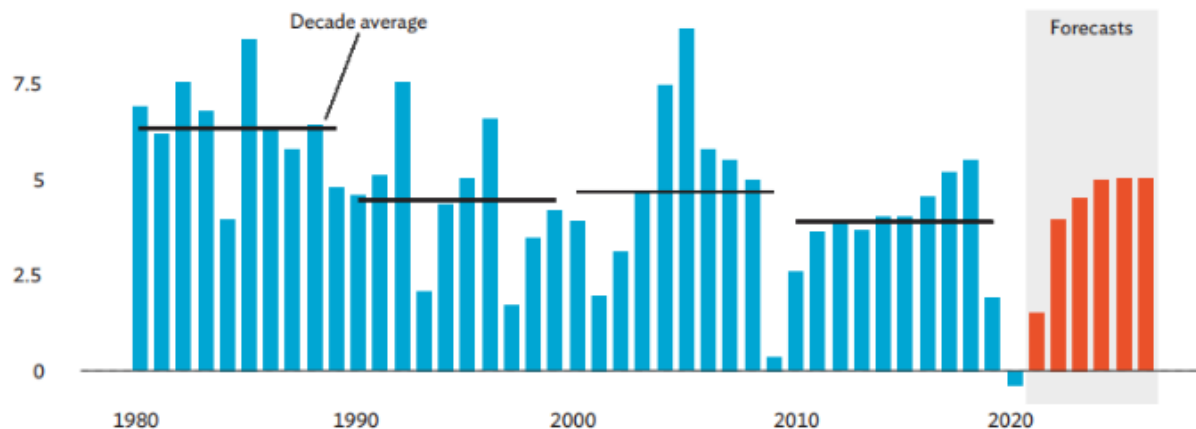


Figure I: Pakistan's Real GDP Growth Rate, 1980-2020
 Source: IsDB and ADB (2022)

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

The statistical measurement of a country's participation in Global Value Chains is achieved through several indicators and units. It is based on a methodology that was developed by Borin and

Mancini in 2019 (Borin and Mancini, 2019) and expanded upon in 2014 (Koopman et al., 2014) by Koopman, Wang, and Wei. The methodology breaks down export flows into value-added categories using data from an intercountry input-output table. Figure

2 shows the five primary export categories, with "H to P" indicating exports from Home to Partner.

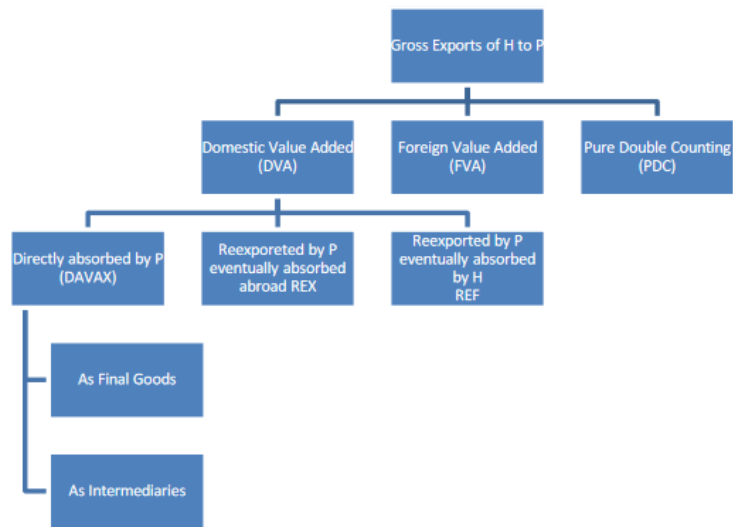


Figure 2: Classification of Exports on the basis of Value Addition
 Source: IsDB and ADB (2022)

In Figure 3, you can see the quantum for each group. Pakistan depends on partner trading countries to add value to its exports, which mainly include DAVAX,

REX, REF, and FVA. The Pakistani economy is severely impacted by this (IsDB and ADB 2022).

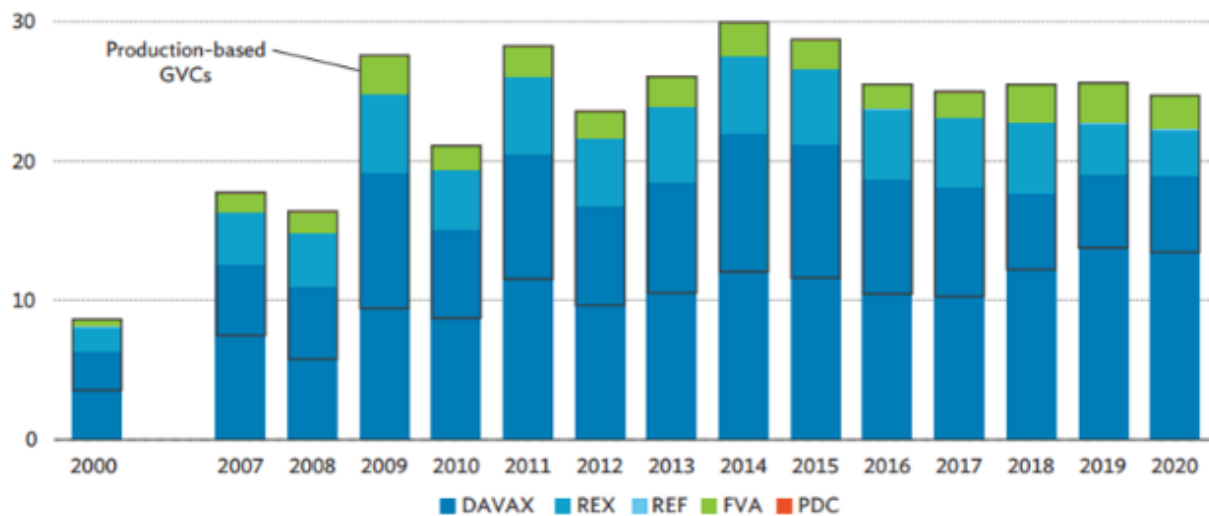


Figure 3: The Quantum of Value Added Exports
 Source: IsDB and ADB (2022)

1.3.3. Pakistan's HDI comparison with SAARC countries

In order to determine an average level of progress along three fundamental dimensions—a long and healthy life, knowledge, and a good standard of

living—the United Nations progress Programme (UNDP) developed the Human Development Index (HDI) in 2022. In 2021, Pakistan's Human Development Index (HDI) was 0.544, placing it second-worst among SAARC nations. The country

was ranked 161. Among the neighbouring countries, Pakistan is also the most geographically separated. The four SAARC nations—Bangladesh, Bhutan, India, and Nepal—are establishing a motor vehicle agreement to connect their nations, paving the way for a lengthy route that will intersect all four of their neighbours, improving transportation for goods and people.

In general, Pakistan's real GDP growth rate is declining. There is trouble brewing in its global value chains (GVCs) for locally added exports. The foreign policy elite should take note of the fact that SAARC has the second-lowest HDI, despite its strategic location at the intersection of three continents: Africa, Central Asia, and the Middle East. The takeaway is that Pakistan's foreign policy would be better served if economic and trade interests, rather than security concerns, were to dictate the road ahead. In contrast, Pakistan's economic growth has been based on the tenet of providing special subsidies to the private sector at the expense of public spending, with little regard for socially important indicators such as income inequality or social justice (Rizvi, 2013).

Table 1: HDI comparison of SAARC countries in 2021

SAARC COUNTRIES	RANK	HDI VALUE	GROUPS
Sri Lanka	73	0.782	High HDI
Maldives	90	0.747	High HDI
Bhutan	127	0.666	Medium HDI
Bangladesh	129	0.661	Medium HDI
India	132	0.633	Medium HDI
Nepal	143	0.602	Medium HDI
Pakistan	161	0.544	Low HDI
Afghanistan	180	0.478	Low HDI

Source: UNDP (2021)

1.3.4 The CPEC Project: A Promising Hope for Strong Economy

In light of these uncertainties, the Pakistan China Economic Corridor (CPEC) is an admiral effort to investigate the possibility of larger economic gains and to lessen regional conflicts through the joint collaboration of Pakistan and its strategic and economic buddy, China. As a result of the many benefits it provides, it will help Pakistan's economy expand. Regional stability is enhanced and Pakistan's economic connections with China are strengthened through the CPEC project. It boasts a vast system of economic zones and industrial locations linked by well-connected roadways across both nations (Figure 3). According to Mohsin (2020), this project is going to open up new energy projects and trade prospects for Pakistan, making it a revolutionary and "game-changing" undertaking. But there are some obstacles that need to be addressed right once, like issues of internal stability, regional geopolitics, and economic sustainability (Rahim et al., 2018). Aside from linking China to the deep-sea port of Gawadar, it will also create a path to landlocked central Asian states via the Gulf of Oman, which in turn links to the Persian Gulf via the Street of Hormuz (Ejaz and Jamil, 2022). Greater regional interconnectedness, economic independence, and bilateral ties will ultimately boost Pakistan's economic and strategic position. Thankfully, the 'geo-economics' has been a central tenet of the foreign policy of the current PDM and caretaker administrations (Fazal et al., 2023).

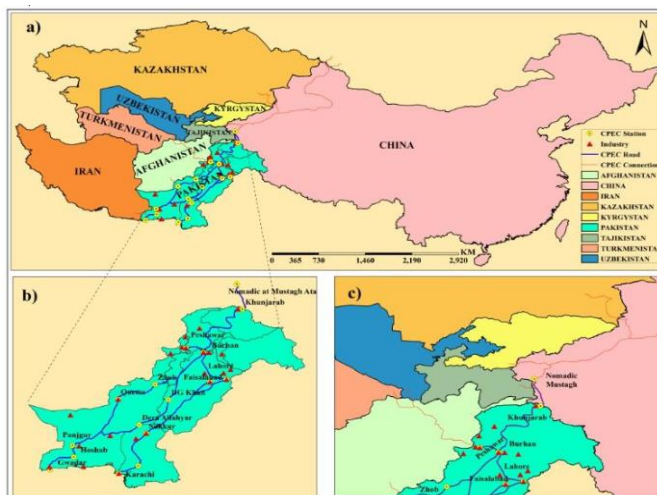


Figure 4: CPEC Project Industrial Sites and Stations in Regional Scenario

Source: Authors (2024)

Conclusion

Many nations have embraced trade and economic integration as a means to achieve their development goals. Pakistan and its neighbours have had a tumultuous relationship since the country's founding in 1947. For a variety of reasons, Pakistan's security interests have remained paramount in Pak. International Affairs Journal, Volume 7, Issue 1 (2024) Looking Back at Pakistan's Foreign Policy via the Lens of Because of a change in foreign policy, the country is now experiencing economic stagnation. Sadly, Pakistan has failed miserably in embracing the neutrality policy that its founder, Quaid-i-Azam Muhammad Ali Jinnah, emphasised. Therefore, both domestic and foreign forces interacted to shape the security-focused foreign policy. In a climate of political unrest, economic hardship, weak civilian leadership, and rising threats from terrorism and neighbouring states, most of these issues are connected to Pakistan's long-term national security and welfare. Its foreign policy had to be reevaluated because of the civil-military unrest in the early 1960s and the partition of East Pakistan in 1971. In the early 1980s, Pakistan's foreign policy choices were severely limited due to the Soviet invasion of Afghanistan, the rivalry between the US-led liberal democratic bloc and the US-led communist bloc, the inherited Kashmir problem in the east, and the Durand Line issue in the west. Pakistan, a U.S. ally, suffered greatly in 2001 as a result of the so-called "War on Terror" following the 9/11 chaos.

Numerous internal factors, all stemming from security concerns, influenced Pakistan's foreign policy. Being in its 23rd programme with the IMF, it currently ranks second-to-last on the Human Development Index (HDI). Its involvement in GCVs, or global value chains, is likewise negligible. A key component of its foreign policy, the "geo-economics" has, however, received more attention as of late from the PDM and caretaker administrations. This is where the China-Pakistan Economic Corridor (CPEC) comes in; it's a huge chance for Pakistan to cash in on its geographic, political, and economic advantages. With improved regional connectivity, economic autonomy, and bilateral relations, Pakistan's economic and geopolitical standing will be bolstered in the long run. Pakistan is clearly not safe nor prosperous with a foreign strategy centred on security concerns. Pakistan has the potential to become a major power if it invests in its economic

and trading infrastructure. The change from a security state to a welfare state is not far off with this radical change in foreign policy, which is guided by course correction. Here, Germany serves as an illustrative case.

References

- Ahmed, K. (2021). 'War on terror' has cost Pakistan more than \$150bn in losses since 9/11, officials say. Arab News, Updated on September 12, 2021. Retrieved from: <https://www.arabnews.com/node/1927131/world> (26 December, 2022).
- Ahmad, R. (2001). Democratic Welfare State as Visualised by the Quaid-i-Azam. The Pakistan Development Review, 40(4), 1137-1146.
- Ali, G., Sami ur Rehman, M., Sajid, M., Mohsin, M., Shabbir, W., Rehman, A., Ahmad, S., Asif, A. (2023). Terrorism in South Asia and its Impact on India-Pakistan Relations. International Review of Basic and Applied Sciences, 11(2), 112-119.
- Amin, S.M. (2021). Pakistan's Foreign Policy: A reappraisal. London: Oxford University Press, World Bank. (2021). The Global Economy 2021. Retrieved from: <https://www.theglobaleconomy.com/compare-countries/> (21 January, 2023).
- Borin, A., Mancini, M. (2019). Measuring What Matters in Global Value Chains and Value- Added Trade. Policy Research Working Paper 8804, World Bank Group, Development Economics, World Development Report 2020 Team. Retrieved from: <https://documents1.worldbank.org/curated/en/639481554384583291/pdf/Measuring-What-Matters-in-Global-Value-Chains-and-Value-Added-Trade.pdf> (10-3-2024).
- Burke, S.M. (1973). Pakistan's Foreign Policy: An Historical Analysis. Karachi: Oxford University Press,
- Dawn. (1972). Tragic Events of 1971: Hamoodur Rahman Commission Report. Hamood ur Rehman Commission Report, Dawn.
- Ejaz, K., F. Jamil. (2022). Belt and Road Initiative of China: Implications for South Asian states. South Asian Studies, 36(2), 351-366.
- Fazal, I., Khan, W.A., Ali, M.I. (2023). Geo-Economic Benefits of the CPEC Project for Pakistan. Pakistan Social Sciences Review, 7(4), 573-589.
- GOP. (2014). Pakistan Economic Survey 2014-15: Impact of War in Afghanistan and Ensuing Terrorism on Pakistan's Economy (Ch. 15). Islamabad: Ministry of Finance, Government of Pakistan. Retrieved from: https://www.finance.gov.pk/survey/chapters_15/Annex_IV_War_on_Terror.pdf(26December, 2022).

- G.W. Bush Library. (2013). George W. Bush Presidential Library and Museum. Retrieved from: <https://www.google.com/search?q=George+W+Bush+Library+and+Museum&oq=George+W+Bush+Library+and+Museum&aqs=chrome..69i57.8542j0j4&sourceid=chrome&ie=UTF-8> (14 January, 2023).
- Hadar, L.T. (2002). Pakistan in America's War against Terrorism: Strategic Ally or Unreliable Client? Policy Analysis (Cato Institute) No. 436. Retrieved from: <http://www.cato.org/pubs/pas/pa436.pdf> (26 December, 2022).
- Hanauer, L., Chalk, P. (2012). India's and Pakistan's Strategies in Afghanistan Implications for the United States and the Region. RAND Corporation, Center for Asia Pacific Policy.
- IsDB., ADB. (2022). Pakistan's Economy and Trade in the Age of Global Value Chains. Islamic Development Bank Institute (IsDB) and Asian Development Bank (ADB). Retrieved from: <https://www.adb.org/sites/default/files/publication/768386/pakistan-economy-trade-global-value-chains.pdf> (11 March, 2024).
- Khan, B., Mohsin, M., Ahmad, S. (2022). Afghan Jihad and its after Effects: A Geographical Context. Pakistan Journal of International Affairs, 5(4), 231-242.
- Koopman, R., Wang, Z., Wei, S. (2014). Tracing Value-Added and Double Counting in Gross Exports. American Economic Review, 104(2), 459-494.
- Mohsin, M. (2020). Geographical and Geostrategic Importance of Pakistan in Global Perspective. Sunjan (Insight), 2020, College Magazine, Govt. Degree College Choti Zareen, D. G. Khan, Pakistan, 2020, 4-10.
- Muneer, S., Aryal, S. (2024). Cause and Effect: The Factors that Make Pakistan's Military a Political Force. Issue Brief, Issue No. 694, Observer Research Foundation.
- Pande, A. (2011). Explaining Pakistan's Foreign Policy: Escaping India. Oxon: Routledge.
- Rahim, N., Khan, A.M., Muzaffar, M. (2018). Problems and Prospects of CPEC for Economic Development and Regional Integration. Global Economic Review, III(I), 21-30.
- Regilme, S.S. Jr. (2022). "Security State." In: P.M Marton and S. Romaniuk Thapa (Eds.). The Palgrave Encyclopedia of Global Security Studies, by, 1-1770, London: Palgrave MacMllan.
- Rizvi, A.H. (2013). The Military and Politics in Pakistan 1947-1997. Lahore: Sang-e-Meel Publications.
- Sattar, A. (2020). Pakistan's Foreign Policy 1947-2019: A Concise History (5th Ed.). London: Oxford University Press.
- Tankel, S. (2013). Unpacking the Abbotabad Commission Report. Carnegie Endowment for International Peace. Retrieved from: <https://carnegieendowment.org/2013/07/16/unpacking-abbotabad-commission-report-> pub-52422 (7 January 7, 2024).
- Talbot, I. (1998). Pakistan: A Modern History. New York: St. Martin's Press.
- UNDP. (2022). Human Development Index (HDI). United Nations Development Program. Retrieved from: [http://hdr.undp.org/data-center/human-development-index#/indices/HDI\(10-3-2024\)](http://hdr.undp.org/data-center/human-development-index#/indices/HDI(10-3-2024)).