

# Developing geo-economic dexterity

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**Pakistan's geographical location holds immense potential for economic growth while at the same time presenting some significant challenges. Afghanistan remains unstable and lacks a government recognised by the global community; relations with India are fraught and confrontational; and Iran is burdened by international sanctions.**

While China has been a steadfast ally, this relationship too is not without its geopolitical repercussions. Pakistan Institute of Development Economics has argued that the longstanding focus on geopolitics and geo-security has been inherently flawed. Had the governments embraced a geo-economic perspective instead, the growth trajectory could have been markedly different.

To explore this critical issue, the third edition of PIDE's EconFest - Economy Festival - in Islamabad featured an exclusive session dedicated to geo-economics. The session brought together a distinguished panel including former ambassadors Aizaz Ahmed Chaudhry and Ashraf Jehangir Qazi, alongside Zafar Masud, the president and CEO of the Bank of Punjab. Yours truly moderated the session.

The panelists engaged in a deep analysis of Pakistan's past strategic missteps, pointing out the excessive focus on security and political alliances at the expense of economic development. They explored how a shift towards geo-economics could harness Pakistan's geographic advantages for economic gain.

Before diving deeper, let's clarify the concept of geo-economics. It blends economic and geographic factors to shape global strategy and policy. After the Cold War, the focus worldwide shifted from military might to economic influence, driven by globalisation. For instance, through China Pakistan Economic Corridor, China is using its economic power to build infrastructure and trade routes that will enhance its strategic influence in South Asia. Similarly, the European Union's use of economic agreements to integrate Eastern European countries into its fold is a geo-economic strategy to expand its influence. The American Marshall Plan and the Beijing's Belt and Road Initiative have been no different.

In Pakistan, however, the concept has only recently become a part of the policy discourse. Geo-economics has suddenly emerged as a rallying cry, promising a long due recalibration.

In the intricate web of globalisation, avenues for progress have arisen time and again. However, Islamabad's response to those has often been hesitant. Rather than embracing these opportunities, the nation has clung steadfastly to antiquated alliances and borrowing practices.

The CPEC is the first ventures that has the potential to catapult the country into the realm of geo-economics by leveraging its strategic location and fostering economic connectivity with China and beyond. It represents a transformative opportunity for Pakistan to embrace geo-economics. By linking Pakistan's Gwadar Port with China's Xinjiang region through a network of roads, railways and pipelines, the CPEC establishes a crucial trade route that not only facilitates economic exchanges between China and Pakistan but also opens up access to markets in Central Asia, the Middle East and beyond.

At its core, the CPEC embodies the principles of geo-economics by leveraging economic infrastructure to drive geopolitical influence and economic growth. Through the CPEC, Pakistan can position itself as a key player in regional trade and connectivity initiatives, capitalising on its strategic location at the crossroads of South Asia, Central Asia and the Middle East.

By strengthening its economic ties with China and other countries engaged in the Belt and Road Initiative, Pakistan can diversify its trade routes, reduce transportation costs and attract foreign investment. This can not only boost Pakistan's economic development but also enhance its geopolitical significance as a vital node in regional trade networks.

Moreover, the CPEC offers opportunities for Pakistan to develop its industrial and manufacturing sectors, create jobs and upgrade its infrastructure. By investing in energy, transportation and telecommunications, Pakistan can enhance its competitiveness and attract further investment from international partners. However, the CPEC should not be considered a nosh from heaven that will take care of all our problems. The key is channelising the CPEC the right way. Otherwise, its fate will be no different from the Great Indian Railways, once a promising project but now in shambles.

It is unfortunate that Pakistan has historically struggled to carve out a significant economic or political footprint within its region. While the specter of conflict with India casts a long shadow, one must question whether this is primarily a matter of foreign policy. Can economic interests alone open a window of opportunity?

The dream of trade normalisation with India is tantalizing, yet as long as Bharatiya Janata Party holds power, normalisation in trade relations may be hard to come by. This begs the question: should we invest effort in this ambitious pursuit, or redirect our focus to more achievable goals?

The untapped potential of regions like the Middle East and Central Asia beckons, yet Pakistani businesses remain largely hesitant to explore these markets. This raises a pivotal question: why have we not forged stronger economic ties with our immediate neighbors? Similarly, trade opportunities with Africa and the Far East remain largely unexplored.

Is this reluctance born of apprehension or a lack of support structures? Fostering a culture of entrepreneurship and bolstering assistance for local businesses is imperative to surmount these obstacles. Our embassies house a substantial cadre of commercial officers and entities like the Ministry of Commerce and the Trade Development Authority of

Pakistan concentrate on bolstering exports, but the results remain modest. This suggests that there is a need for a re-evaluation and potential restructuring of these endeavours.

Afghanistan is a pivotal yet precarious bridge between South Asia and Central Asia. It has crucial role in Pakistan's geo-economic strategy. The US withdrawal and the Taliban resurgence have added new layers of complexity to this scenario. Stability in Afghanistan could unlock trade routes, boosting connectivity and reducing transport costs between Pakistan and Central Asia.

Projects like the Turkmenistan-Afghanistan-Pakistan-India pipeline promise to channel vital energy resources to Pakistan, fostering regional cooperation. However, the volatile political landscape and security concerns, including the threat of militant activity and cross-border terrorism, pose significant risks to these opportunities. Ensuring a stable and cooperative Afghan government is critical for long-term regional projects.

Similarly, Central Asian states, with their abundant natural resources and strategic locations, offer untapped potential for Pakistan. These nations are eager to diversify their economic partnerships away from the heavy reliance on Russia and China. Enhanced connectivity via Afghanistan and the CPEC can facilitate more efficient trade, opening markets and reducing costs.

The energy riches of Central Asia, including oil and gas, present valuable import opportunities for Pakistan, with initiatives like TAPI and the CASA-1000 paving the way for energy collaboration. Central Asian countries are also keen to attract foreign investments to bolster their infrastructure and industries, providing fertile ground for Pakistani businesses to explore joint ventures and investments.

Yet, the path to these opportunities is not without its challenges. Logistical barriers, such as the lack of direct land routes and inadequate infrastructure, require collaborative projects to overcome. Regulatory differences and business practices can complicate trade and investment, necessitating harmonised regulations and an improved business environment. Additionally, Central Asia's strategic importance for major powers like Russia, China and the US introduces geopolitical complexities that Pakistan must navigate carefully while fostering economic ties. Balancing these dynamics with a deft touch in diplomacy is essential for Pakistan to capitalise on the geo-economic opportunities in this region.

Pakistan is on the brink of a defining moment. Embracing geo-economics entails not just acknowledging the opportunities afforded by globalisation but also summoning the courage to seize them. By integrating into regional markets, fostering new trade alliances, revamping economic diplomacy and recalibrating investment strategies, Pakistan can aspire to a future marked by prosperity and resilience.

Towards the end of the session, the panelists agreed that putting one's house in order was the first step. Without that our diplomatic efforts abroad will always meet a dead end.

Since its inception, Pakistan's economic performance has been marred by extreme volatility. It may be fair to say that in the absence of a long-term vision, it has all been firefighting.

Economies thrive on transactions. Simplify those, and economic activity will flourish naturally. Governments should seek to act as an umpire, not a player. Running businesses isn't their job. Ignoring critical issues renders any reform effort pointless. Without reform, countries stagnate. Without growth and development, one cannot compete on a global stage.

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