



# GEO-ECONOMIC DEXTERITY STARTS AT HOME

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Pakistan's geographical position is a double-edged sword, offering immense potential yet presenting significant challenges. Afghanistan remains unstable with no recognized government, relations with India are fraught and confrontational, and Iran is burdened by international sanctions. While China stands as a steadfast ally, this relationship is not without its geopolitical repercussions for Pakistan. PIDE argues that our longstanding focus on geopolitics and geo-security has been inherently flawed. Had we embraced a geo-economic perspective, our trajectory could have been markedly different.

To explore this critical issue, PIDE's third edition of EconFest in the capital city of 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, while your truly moderated the session. The panelists engaged in a deep analysis of Pakistan's past strategic missteps, emphasizing 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 shifted from military might to economic influence, driven by globalization. For

instance, through CPEC, China uses its economic power to build infrastructure and trade routes that enhance its strategic influence in South Asia. Similarly, the European Union's use of economic agreements to integrate Eastern European countries into its fold serves as a geo-economic strategy to expand its influence. Same is the case in America's Marshall Plan and now Beijing's BRI.

However, in Pakistan's policy corridors, the concept of geo-economics took its birth a couple of years ago, in the recent national security discourse. The term "geo-economics" has then emerged as a rallying cry, promising a recalibration long overdue. In the intricate web of globalization, avenues for progress have arisen time and again, yet Pakistan's response has often been hesitant. Rather than embracing these opportunities, the nation has clung steadfastly to antiquated alliances and borrowing practices, while its indigenous enterprises find themselves awe-struck in a labyrinth of bureaucratic hurdles and suffocating regulations, hindering their expansion and global reach.

CPEC is the first of the ventures for Pakistan 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, CPEC establishes a crucial trade route that not only facilitates economic exchanges between China and

Pakistan but also opens up access to broader markets in Central Asia, the Middle East, and beyond.

At its core, CPEC embodies the principles of geo-economics by leveraging economic infrastructure to drive geopolitical influence and economic growth. Through CPEC, Pakistan can position itself as a key player in regional trade and connectivity initiatives, capitalizing 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 involved in the Belt and Road Initiative (BRI), Pakistan can diversify its trade routes, reduce transportation costs, and attract foreign investment. This not only boosts Pakistan's economic development but also enhances its geopolitical significance as a vital node in regional trade networks.

Moreover, CPEC offers opportunities for Pakistan to develop its industrial and manufacturing sectors, create jobs, and upgrade its infrastructure. By investing in sectors such as energy, transportation, and telecommunications, Pakistan can enhance its competitiveness and attract further investment from international partners. However, CPEC should not be considered a nosh from heaven that will take care of all our problems. The key is channelizing CPEC the right way. Otherwise, its fate will be same as once known as "Great Indian Railways" – the grand project of its time, now in shambles.

Talking of neighborhood, 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 or economic interests can open a window of opportunity? The dream of trade normalization with India tantalizes, yet as long as Bharatiya Janata Party (BJP) is in the power corridors, normalization in trade relations seems a difficult road to get on. It 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 inquiry: why have we not forged stronger economic ties with our immediate neighbors? Similarly, trade with Africa and the Far East languishes, largely unexplored by Pakistani enterprises.

Is this reluctance born of apprehension or a dearth of necessary support structures? To surmount these obstacles, fostering a culture of entrepreneurship and bolstering assistance for local businesses is imperative. While our embassies house a substantial cadre of commercial officers and entities like the Ministry of Commerce and the Trade Development Authority of Pakistan (TDAP) concentrate on bolstering exports, the results remain modest.

This suggests the need for a reevaluation and potential restructuring of these endeavors to ensure they yield tangible outcomes.

In parallel, Afghanistan stands as a pivotal yet precarious bridge between South and Central Asia, playing a crucial role in Pakistan's geo-economic strategy. The U.S. withdrawal and the Taliban's resurgence have added layers of complexity to this scenario. On one hand, 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 (TAPI) 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 heavy reliance on Russia and China. Enhanced connectivity via Afghanistan and 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 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 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 harmonized regulations and an improved business environment. Additionally, Central Asia's strategic interest to major powers like Russia, China, and the U.S. 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 capitalize on the geo-economic opportunities in this region.

Let me impress upon a sense of urgency that Pakistan teeters on the brink of a defining moment, poised to redefine its economic trajectory. Embracing geo-economics entails not just acknowledging the opportunities afforded by globalization 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 converged on the argument that putting the house in order is the first step. We have to look inwards, without that our diplomatic and commercial efforts abroad would always meet a dead end. They apprised the audience that Pakistan's enduring struggle with economic and political instability has left it entangled in the perplexing enigma of unstable development. Since its inception, the economic performance of Pakistan has been marred by extreme volatility. This tells a lot about the character of our will as well as strategic planning. In one-liner, it can be said that it has all been just firefighting and the absence of long-term vision.

Economy thrives on transactions. Simplify these, and economic activity will flourish naturally. The government should act as an umpire, not a player. Running businesses isn't its job. Ignoring these critical issues renders any reform effort pointless. Without reform, our country stagnates. Without growth and development, how can we compete on the global economic stage?

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