



Geo-Economics: The Integral Part of Statecraft

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Introduction

China was India's top imports source in 2020 despite the ongoing Ladakh crisis. Despite its repeated calls for boycott of Chinese products, India imported \$58.71 billion worth of goods from China in the year.¹ This has made two things very clear- despite countries being at ideological loggerheads; the trade must go on, and that economic interdependencies do not replace political differences entirely. This is what globalization has ensured over time- the coexistence and inextricable hyphenation of geo-economics and geopolitics.

Similarly, despite a longstanding adversarial relationship between Pakistan and India, Pakistan's exports to India (although very less) have been \$1.006m (July to March FY22) and was \$2.197m in FY21.² Pakistan has also suspended trade relations with New Delhi. However, since the arrival of the Covid-19 pandemic, the government has only allowed the import of pharmaceutical products from India. Simultaneously on the political front, according to the foreign affairs ministry of Pakistan, the appointment of a Minister (Trade and Investment) in New Delhi may not be seen in the context of any relaxation of trade restrictions with India as the post has existed for more than two decades and has no connection with the operationalization of trade with India or otherwise in the current context. According to the commerce ministry of Pakistan, the appointment of a new trade officer in New Delhi, like the previous two before him, will not get a visa and his time will end. Therefore, it is unlikely that India will grant a visa to the new officer appointed by Islamabad for posting in New Delhi if India follows its previous policy.

This is not a new phenomenon, completely. Post-Cold War (1945-1989) saw a rise in economic interdependence; a key tenant of liberalism, when the international

¹ Shahzad, A. (2021, October 22). Geo-economics is the new geopolitics. *Dawn.Com*.
<https://tribune.com.pk/story/2325778/geo-economics-is-the-new-geopolitics>

² Khan, M. Z. (2022, November). Pakistan rules out trade with India. *Dawn.Com*. <https://www.dawn.com/news/1689236>



financial institutions (IFIs), economic frameworks and collaborative regimes played a part in connecting the world and bailing them out of economic miseries through credit packages. However, history has shown that the influential powers have hijacked the principles of liberalism and used the financial tools to the political detriment of the weaker and ideologically different states. For instance, the US has used its position as a global hegemon to arm-twist Iran a couple of times by imposing economic sanctions through the aforementioned platforms as these countries did not see eye to eye politically. It was the manifestation of the geo-economic strategies being used against the adversaries for political reasons.

Options for Pakistan:

The National Security Policy launched by the former government earlier in January this year had suggested the need to bring openness in trade and develop business ties as part of its focus on economic diplomacy and peace in the neighborhood. It has categorically suggested advised that human development is the key to regional peace and one factor to do so is bring socio-economic development in these low-income countries i.e. Pakistan, Afghanistan, India, Nepal, Iran etc. However, Pakistan's actions have demonstrated over the few years that this option has not been thoroughly explored yet. There are many options that give Pakistan an edge in regard to expand its trade opportunities and economic footprint regionally, few of which are:

1. Pakistan's unique longitudinal geography allows it access to the Central Asia at its north that houses a population of around 50 million, where rice & cotton, leather goods, sports goods, medicines and various kinds of machinery can be exported via the Torkham crossing under the **Transport International Route (TIR) agreement**.
2. Pakistan has an unobstructed access to the Arabian Sea to its south, which can be used to its advantage to increase sea trade in cooperation with China, its all-weather friend. The landlocked CARs are also a repository of vast hydrocarbon reserves for which they need a route to the sea to export their oil and gas-shortest being via Afghanistan and Pakistan.
3. Pakistan enjoys proximity to China and has CPEC flagship program to access warm waters along with China and Pakistan's ideological complementarity to thwart India's attempt which sits on top of Pakistan, to prevent China while China sits on top of India's waters originating from Tibet.



4. Pakistan has a huge youth based population (youth bulge), that can be used as a resource to exchange with regional countries for remittance generation
5. A huge agricultural base, produce and knowledge can help Pakistan provide the most demanded commodities regionally, especially to the food insecure Afghanistan

Policy Options:

Pakistan must siphon its interest in the following directions:

1. Pakistan must adopt a “Look West & Northwest” geo-economics policy which would focus upon the CARs and Euroasian region
2. A shift from conventional low value goods to high valued agricultural grains and products must be used to be exported in the international market
3. Instead of parking money in the real-estate sector, a fixed percentage of that money must be diverted towards the SME development
4. Pakistan can become a part of the de-dollarization club and trade in non-dollar terms with regional trading partners e.g., China, Russia
5. Strengthening of Intellectual Property Regimes (IPR) in Pakistan would help boost the foreign investor confidence to invest in Pakistan’s startups and other multinational projects
6. The Ministry of Commerce can conduct research in collaboration with the various chamber of commerce in the country and develop strength in this area of CARS
7. The chamber of commerce in business & manufacturing hubs must also hire qualified researchers who can analyze the trade and economic potential with CARS.

