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## PAKISTAN'S ECONOMIC RELATIONS WITH THE UNITED STATES (2015-2023): CHALLENGES, OPPORTUNITIES AND POLICY LESSONS

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### ABSTRACT

*This article<sup>1</sup> examines the nature of Pakistan's economic relations with the United States during 2015-2023 to underline the challenges, opportunities, and policy lessons for the country. Pakistan's longstanding engagement with the US has not resulted in an enduring economic partnership. US aid to Pakistan remains the cornerstone of their economic ties and is often provided as a transactional instrument in pursuit of the former's geopolitical interests. This pattern is evidenced by the reduction and final termination of the US aid to Pakistan from 2015 to 2023. Regarding bilateral trade ties, the US remains one of the most important destinations for Pakistani exports, which are low in absolute as well as relative terms. In this context, the article identifies challenges and opportunities that correspondingly hinder and enable Pakistan to institute a robust economic*

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<sup>1</sup> Note: This research article is based on the HEC-funded research project under the National Research Program for Universities (NRPU)

*relationship with the US. In light of these challenges and opportunities, the article offers policy lessons for Pakistan to prioritize economic interests in relations with the US.*

**KEYWORDS**

*Pakistan-US, Economic Relations, Trade, Aid, Challenges, Opportunities, Policy Lessons*

**INTRODUCTION**

The relationship between the United States and Pakistan has been shaped by a complex mix of challenges and opportunities that have developed over the years. As strategic allies during the Cold War and partners in the fight against terrorism, both countries have gone through changing dynamics influenced by geopolitical shifts, security concerns, and convergence-divergence of interests. Despite instances of cyclical cooperation, various factors including trust deficit, lack of strategic alignment, and regional instability have frequently obstructed the relationship. Historically, Pakistan-US engagement is characterized by the centrality of geopolitical considerations rather than the economic interests. In the absence of strategic convergence, Pakistan-US relationship has followed a pattern of transactional and cyclical cooperation. The interplay between the US geopolitical interests in the region and Pakistan's strategic and economic considerations brought the two countries to mutual cooperation after the 1990s discord. However, this engagement, like before, proved transactional, narrowly focused on the US security agenda, and strategic divergence between the two actors.

In the geopolitical dispensation of Pakistan-US relations, their economic partnership has been limited, inconsistent and subject to geopolitical interactions. Pakistan received significant economic assistance as the US needed the country to serve its geopolitical interests. However, this ended with the turnaround of the geopolitical situation. Likewise, Pakistan-US trade partnership remains limited. This paper delves into the challenge of economic primacy in U.S.-Pakistan relations, underlining the issues like misplaced political priorities, aid dependency and lack of economic competitiveness. It also seeks to pinpoint opportunities for collaboration including economic development and counter-terrorism efforts, while drawing valuable lessons from previous policy choices. As both countries navigate an increasingly complicated global landscape, grasping these dynamics is essential for building a more productive and resilient partnership.

## LITERATURE REVIEW

The book “The Leverage Paradox: Pakistan and the United States,” authored by Robert Hathaway and published in 2017, presents an in-depth examination of the intricate dynamics of the US-Pakistan relationship. The work delivers significant insights into the characteristics of the US foreign policy regarding Pakistan, exploring the areas of alignment and discord in their strategic objectives. The author emphasizes that leverage is a multifaceted process that can also be utilized by smaller and less powerful nations. Consequently, Pakistan has adeptly utilized both its strengths and vulnerabilities to meet its strategic goals while engaging with the United States (Hathaway, 2017).

The article “Challenges and Opportunities in Pakistan-US Relations and its Impact on Pakistan’s Foreign Policy” offers a detailed analysis of Pakistan-US complex relationship, emphasizing the historical swings between trust and mistrust. It outlines the main factors that have shaped their bilateral relations, highlighting the coexistence of interdependence and a lack of trust. The article underlines the moments of alignment and disagreement in their interests, providing insight into the intricacies of their interactions. It examines the factors related to national security of Pakistan and shows how these elements influence Pakistan's foreign policy. By highlighting the policies that have surfaced in different national and international contexts, the article effectively conveys the pivotal moments that have defined Pakistan-U.S. relations. Overall, it presents a nuanced view of a historically complicated relationship in international relations (Haq, 2023).

Mohammad Ali argues in research article “Managing US Relations with Pakistan in Uncertain Times: Opportunities and Obstacles” that the US-Pakistan relationship may have lost significance following the U.S. withdrawal from Afghanistan. However, it has become increasingly clear that the US strategic interests along with a range of other factors, require ongoing commitment and active involvement. This is particularly true because the US cannot overlook Pakistan and its surrounding region. In addressing matters related to Pakistan, U.S. officials should embrace a more holistic strategy, especially in the context of the intensifying great power rivalry in South Asia. Establishing a mutually beneficial and enduring partnership serves the interests of both the US and Pakistan (Ali, 2023).

The article titled "Pakistan-US Relations: Rethinking the Dependency Relationship" discusses the inherently asymmetrical nature of the relationship between Pakistan and the United States. This dynamic is characteristic of bilateral relations where a dominant global power can position a smaller nation in a subordinate or dependent role. Tensions between the two nations reached unprecedented heights beginning in 2018,

as the United States adopted a confrontational approach towards Pakistan. In response to the policy shifts under the Trump administration over the past year, Pakistan sought to strengthen ties with its longstanding ally, China, and initiated a process of enhanced engagement with other nations, including Russia and Turkey. The paper assesses Pakistan-US relations through the lens of dependency theory, while also exploring the evolving status of Pakistan from a peripheral to a semi-peripheral state, indicating a reduced reliance on core nations. Furthermore, the paper analyzes Pakistan's interactions with other regional countries and the challenges it faces amid the changing dynamics of its relationship with the United States (Khan, 2019).

The article titled "Normalizing U.S.–Pakistan Relations" emphasizes the need for U.S. diplomacy in Pakistan to strike a balance between security concerns and enhanced engagement. This can be achieved by increasing the mobility of diplomats in key cities such as Islamabad, Lahore, and Karachi. The United States should advocate for regional integration by fostering dialogue between India and Pakistan, while also leveraging Pakistan's role in promoting stability in Afghanistan. A thorough assessment of the US aid is necessary, with a focus on trade and investment, particularly through initiatives like the U.S.-Pakistan Trade and Investment Framework. Additionally, strengthening people-to-people exchanges can be accomplished by expanding educational and business opportunities, streamlining visa processing, and providing scholarship programs such as Fulbright (Weinstein, 2023).

### ***DEPENDENCY THEORY AND PAK-US ECONOMIC RELATIONS***

The dependency theory is a concept that was originally presented by Raúl Prebisch in the 1950s that is centered on the concept of the 'international system' as the primary focus or framework of analysis. The theory addresses imbalances in the processes of international division of labour and economic production between dominant and subordinate countries claiming that there exists a division between two categories of nations: core or developed countries and peripheral or developing countries. Based on structural division between core and periphery states, Prebisch states that the peripheral economy provides labour and raw materials but the manufacturing and distribution of finished products is done by the core economy (Alan et al., 2023). Such relationship implies that the structural distribution of the economic outputs is heavily in favour of the manufacturing and exporting countries. The dependency theory portrays a negative depiction of developing countries in relation to the developed world for the former rely too much on the latter for basic needs, resources,

assistance and technology. This understanding is useful in investigating the case of economic relations between Pakistan and the US. In the centre-periphery relationship between the US and Pakistan, the latter remains dependent on the former's economic and military assistance. On the other hand, trade, not aid, can develop an economic partnership between the two countries.

### **RESEARCH METHODOLOGY**

This research is qualitative in nature as it explains the nature of US-Pakistan relations through an in-depth analysis. It follows the technique of thick description to identify and analyze challenges, opportunities and policy lessons for the US-Pakistan relationship. With particular focus on the US aid to Pakistan and trade since 2015, it makes a longitudinal analysis to underline various challenges associated with the US-Pakistan relationship. Data has been collected from both primary and secondary sources. The primary sources comprise the governmental sources of information and interviews of the subject experts. Secondary sources are consisted of books, research articles and newspaper reports and op-eds.

### **PAKISTAN-US ECONOMIC RELATIONS (2015-2023)**

The United States and Pakistan maintained a robust cooperation after 9/11 as reflected by the \$3 billion five-year aid package that President Bush announced in 2003 (Bush Okays \$3 Billion Aid Package to Pakistan, 2003). By tackling poverty, illiteracy, and extremism, this commitment sought to assist Pakistan in strengthening regional security, taking part in the fight against terrorism, and promoting economic avenues. Debt relief and development assistance were included in the aid package to support economic reform, growth in the private sector, and good governance. By reducing barriers, the US and Pakistan signed the Trade and Investment Agreement (TIFA) in 2003 with the intention of promoting trade and investment. Increased cooperation, especially in counterterrorism initiatives, resulted from Pakistan's strategic importance.

### ***US AID TO PAKISTAN***

After 9/11, Pakistan was given financial and military support by the US to help combat terrorism. However, this assistance was tied with Pakistan's role in the US geopolitical interests vis-à-vis Afghanistan. Pakistan received economic and military assistance as far as it acted as a frontline state in war against terrorism. The assistance witnessed a reduction or complete halt as Pakistan's cooperation declined or it became irrelevant to the US geopolitical calculus. The US assistance to Pakistan in the context of

former’s post-9/11 intervention in Afghanistan is characterized by this pattern. It decreased sharply and finally halted during 2015 and 2023 as the US planned and ultimately materialized withdrawal from Afghanistan in this period. This pattern is evident from the following table:

**Table 1:** US Aid to Pakistan 2015-2023 (US\$ million)

<b>YEAR</b>	<b>ECONOMIC ASSISTANCE</b>	<b>MILITARY ASSISTANCE</b>
<b>2015</b>	561	343
<b>2016</b>	331	322
<b>2017</b>	285	305
<b>2018</b>	88	23
<b>2019</b>	90	42
<b>2020</b>	94	22
<b>2021</b>	57	30
<b>2022</b>	190	28
<b>2023</b>	93	22

Data Source: U.S. Departments of State, Defense, and Agriculture; U.S. Agency for International Development.

The economic relationship between Pakistan and the U.S. has largely revolved around aid in the context of US-led international engagement in Afghanistan following the 9/11 terrorist attacks. Consequently, trade and investment relations have not seen their full potential. Security issues stemming from the war on terror have significantly restricted foreign direct investment in Pakistan. Pakistan has not been able to convert the US financial assistance into sustainable development or industrial development. Much of the aid tends to be allocated and spent in a way that has not yielded long-term results, perpetuating a cycle of dependency instead of promoting real development. From 2015 to 2023, U.S. aid to Pakistan saw a notable decline, signaling a reevaluation of geopolitical priorities. This pattern pointed to a shift towards a more transactional relationship, where aid was tied to specific conditions such as cooperation in global war against terrorism. The gradual reduction in U.S support suggests that Pakistan's influence vis-à-vis the US is waning and hints at a possible shift of Pakistan

towards a more balanced, state-to-state relationship if it opts to move away from the U.S.

***US-PAKISTAN TRADE RELATIONS***

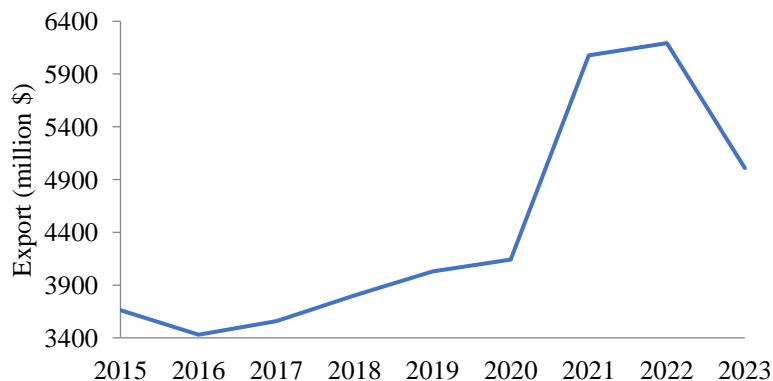
Apparently, Pakistan has advantageous trade relations with the US given that trade surplus is in its favour and the latter serves as the most important destination for the Pakistani exports. Even with Pakistan benefiting from a trade surplus, US-Pakistan trade volume is still extremely low and well below potential. The persistently low trade volume between the US and Pakistan in comparison to other countries exposes deeper issues with Pakistan's foreign policy framework, which usually prioritizes security above economic objectives. Generally, Pakistan's potential to improve bilateral commercial relations with the US is restricted by the lack of economic competitiveness and a strong economic strategy. Following table shows an increase in Pakistan's exports to the US market. However, it reflects that Pakistani exports and total trade in relation to the US are much lower in volume when compared with many other countries. Pakistan ranks 62<sup>nd</sup> goods trading partner of the US. Further, Pakistani exports to the US have not experienced a significant and consistent rise over the years.

**Table 2:** Pakistan Exports to USA, 2015-2023 (million \$)

<b>YEAR</b>	<b>EXPORT</b>
<b>2015</b>	3662
<b>2016</b>	3430
<b>2017</b>	3560
<b>2018</b>	3802
<b>2019</b>	4030
<b>2020</b>	4142
<b>2021</b>	6077
<b>2022</b>	6193
<b>2023</b>	5011

Source: UN Comtrade, 2024

**Figure1:** Pakistan Exports to USA, 2015-2023  
(million \$)



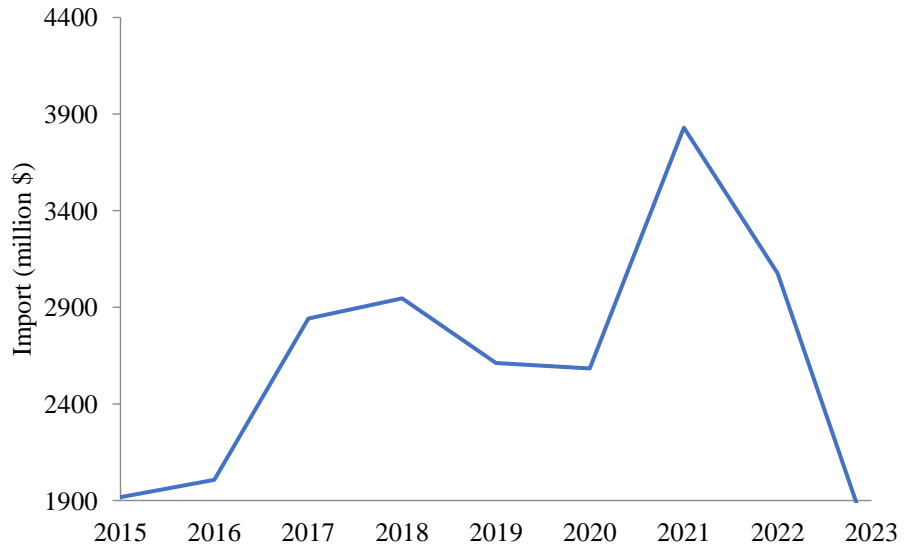
Source: UN Comtrade, 2024

**TABLE 3:** PAKISTAN IMPORTS FROM USA, 2015-2023 (MILLION \$)

YEAR	Import
2015	1917
2016	2007
2017	2843
2018	2947
2019	2611
2020	2584
2021	3830
2022	3076
2023	1660

Data Source: UN Comtrade, 2024

**Figure 2:** Pakistan Imports from USA, 2015-2023 (million \$)



Data source: UN Comtrade, 2024

The trends of Pakistan’s imports from the United States exhibited a fluctuating growth pattern between 2015 and 2023. From 2015 to 2017, imports showed a steady increase, reaching a high level of \$2,843 million in 2017. However, the period from 2018 to 2020 saw a stagnation or decline in imports, which decreased to \$2,611 million in 2019 and further to \$2,584 million in 2020. This decline could be attributed to various factors, including tariffs or changes in Pakistan's import sources. In 2021, there was a notable surge in imports, which rose to \$3,830 million, reflecting an increase in exports and a post-pandemic recovery along with improved bilateral trade relations. Nevertheless, imports fell to \$3,076 million in 2022 while dropped sharply to \$1,660 million in 2023, suggesting a considerable reduction in demand. This downturn may be linked to economic contraction, a shift in import sources, or a decrease in the demand for American goods in Pakistan.

***CHALLENGES FOR ECONOMIC PRIMACY IN PAKISTAN-US RELATIONS***

Pakistan-US relationship has always followed a patron-client pattern, in which the US acts as center nation and Pakistan behaves as the periphery. It is characterized by the transactional type of interactions, experiencing cooperation as the US needs Pakistan in pursuit of its geopolitical interests, and detachment as the latter loses geopolitical relevance. Consequently, the economic agenda in Pakistan-US relations is transactional, centered on aid,

and tied with geopolitics. In other words, it is not based on a long-term multi-dimensional economic partnership. Rather, it is limited in scope, asymmetrical in bilateral cooperation, and temporal in period.

Numerous challenges accounting for the lack of economic primacy in Pakistan-US relations can be identified.

### ***Political Priority***

From the beginning, state security has been the political priority of the Pakistani ruling elite. Therefore, Pakistan has always pursued a security-laden foreign policy agenda, particularly in relations with the US. Historical and contemporary Pakistan-US engagements have sought security cooperation. The only economic agenda that Pakistan has attempted to pursue in ties to the US is aid, ignoring trade partnerships and FDI. Due to the lack of political will, Pakistan has missed several opportunities to prioritize the economic agenda in its foreign policy orientation. After experiencing economic hardships and political instability in the 1950s, there was an opportunity to continue with the economic growth and development achieved in the 1960s. However, the lack of political will resulted in the loss of all economic gains. Again, the post-Cold War era provided an opportunity for focusing on economic growth. However, contrary to many developing countries including India, the Pakistani ruling elite could not establish a political realization for economic growth.

### ***Economic Diplomacy***

Pakistan has failed to undertake economic diplomacy to pursue economic interests in international relations. It has well-established diplomatic missions in all important countries across the world. However, they hardly engage in promoting the economic interests of Pakistan. They can potentially play a key role in promoting the economic image of Pakistan, establishing trade linkages, and finding investment opportunities. Further, they can launch economic diplomacy to negotiate free trade agreements and present the case of Pakistan for trade preferences. This is particularly true in the case of Pakistan-US relations given the long history of ties between the two states. However, mostly, political and security issues are the focus of Pakistan's diplomatic efforts towards the US. The Ministry of Foreign Affairs of Pakistan has an economic unit, but its role in promoting economic agenda in foreign policy remains marginalized compared with political and security interests.

### ***Aid Dependence***

The economic agenda in Pakistan-US relations is centered on aid. Dependence on aid adversely affects a broad-based economic partnership between them. Pakistan's aid dependence undermines its economic performance in many ways. Firstly, aid is an uncertain financial resource because it is tied with the US geopolitical interests. It is mostly spent on unproductive economic purposes and, therefore, does not convert into economic growth. Further, its productive utilization gets reduced because it is tied with conditionalities. Then, the US aid is granted amidst conflict that carries direct as well as indirect cost in the shape of various expenses and losses caused by instability. Secondly, Pakistan's dependence on aid results in less efforts for enhancing capacity in trade and investment. Since aid serves as a quick fix of economic challenges, it also gives an opportunity to the Pakistani governments for avoiding and delaying the economic reforms.

### ***Economic Competitiveness***

International economic arena is globalized, interdependent and highly competitive. It operates through market forces on the basis of survival of the fittest. Economic competitiveness depends on many factors including levels of industrial productivity, diversification of products, quality and value addition, innovation and cost efficiency. Pakistan seriously lacks in these respects. Its exports are majorly concentrated in textile and clothing sector, lacking value addition and innovation. The US, being world's top economy, has highly competitive market. Pakistan lacks economic capacity and prerequisites to effectively compete in the US market. Consequently, Pakistan-US economic relationship remains restricted to lower trade volumes and mostly dependent on aid.

### ***Economic Management***

Poor economic management on part of Pakistan also adversely affects Pakistan-US economic relations. Pakistan's economic governance has several shortcomings. First, Pakistan's economic institutions involved in decision making are not up to the mark in terms of economic performance. Key economic institutions involved in decision making are Ministry of Finance, State Bank of Pakistan, Commerce Ministry, Planning Commission of Pakistan, National Economic Council and Trade Development Authority of Pakistan. These institutions have not demonstrated competence in ensuring business friendly governance, giving viable economic decisions, and promoting a conducive environment for domestic and international business. Pakistan lacks competent economic

managers to effectively pursue economic objectives at home and abroad in the shape of industrial development, business environment, economic reforms, FDI, and international trade.

### ***OPPORTUNITIES FOR ECONOMIC PRIMACY IN PAKISTAN-US RELATIONS***

As Pakistan faces economic challenges and the US aid comes as an uncertain and reliable financial resource, the country has opportunities to re-set economic relations with the US. The US aid for Pakistan comes to an end following the former's withdrawal from Afghanistan. Still, the US remains the most important destination for Pakistani exports and potentially offers FDI opportunities. A number of opportunities exist for prioritizing economic agenda in their relations as discussed below:

#### ***Trade, not Aid***

The idea and political rhetoric of 'trade, not aid' reflects not only the centrality of aid in Pakistan-US relations but also the need of promoting trade in these relations. This concept has both political and economic connotations. Economically, Pakistan-US ties centered on trade can foster a long-term mutually beneficial economic partnership between the two states. Further, it can help Pakistan in promoting economic development, reducing aid dependency and overcoming multiple economic challenges. Pakistan and the US can work together to strengthen trade partnership. The existing initiative Trade and Investment Framework Agreement (TIFA) can serve the purpose of negotiating and expanding the trade partnership. Next, they can work on concluding a Free Trade Agreement (FTA) for deepening the trade partnership. The two sides need to identify the economic sectors having potential for establishing trade partnership between them.

#### ***Investment Opportunities***

Pakistan offers increasing opportunities for investment to Pakistan given its geographic location, growing population and middle class, and emergence of new sectors having growth potential. In this regard, technology and IT sector is most important as it presents opportunities for investment in IT services, digital services, e-commerce, and business process outsourcing through call centers and customer support. Another important sector that is open for FDI is the energy sector. Pakistan needs investment in generation and distribution of energy through renewable and non-renewable sources. Having a large agricultural sector, Pakistan needs investment in modernization of agricultural production and agri-exports.

The US investors can bring investment for the development of tourism and hospitality industry in Pakistan targeting hotels, resorts and travel agencies.

### ***Exports Diversification***

As Pakistan develops Special Economic Zones (SEZs) under China-Pakistan Economic Corridor (CPEC), it expects expansion and modernization of industry. The US can bring investment in SEZs and thus help Pakistan in producing diversified industrial output. Diversification of exports on part of Pakistan will increase both quantity and quality of Pakistani exports to the US market, which already remains the largest destination for exports from Pakistan. At the same time, Pakistan can concentrate on its IT sector to provide IT products and services to the US market.

### ***Pakistani Diaspora***

Pakistani diaspora in the US is an important source for promoting economic interests of Pakistan. This asset remains unutilized so far. Having linkages with both the US and Pakistani markets, the Pakistani community settled in the US can play key role in fostering economic collaboration between the two countries, particularly in trade, investment and entrepreneurship. The Pakistani diaspora in the US is well linked with the business communities both in the US and Pakistan, and, therefore, can prove crucial in business networking between the two countries. Further, the diaspora associated with business can make investments in Pakistan, particularly through SEZs, and promote the US investment in Pakistan. Likewise, the diaspora can promote tourism industry through cultural diplomacy. As the Pakistani diaspora in the US is an important source of remittances and foreign inflows for Pakistan, it needs to be organized and channelized in this regard.

### ***Human Resource Development***

The US has been providing assistance to Pakistan in education sector for long. Pakistani students are beneficiary of scholarships under the US Fulbright programme and US-Pakistan Knowledge Corridor. Further, the US can help Pakistan in developing skilled workforce. Pakistan should seek the US investment in modernizing technical education and vocational training in accordance with international standards. Technical experts from the US can be engaged in industry-specific trainings. Pakistan may become more competitive in the global economy and fortify its human capital base by investing in education, skill development, and worker training. Knowledge transfer, skill development, and capacity building in important

economic areas can be facilitated by cooperation with US educational institutions and training programs.

### ***POLICY LESSONS FOR ECONOMIC PRIMACY IN PAKISTAN-US RELATIONS***

Historically, Pakistan has paid little attention to the ways and strategies for long-term and sustainable economic growth. It could not adopt viable economic policies and reforms to put the country on the track of economic development. Consequently, the country could not experience industrialization, export diversification, and investment. In view of the above-mentioned challenges and opportunities for economic primacy in Pakistan-US relations, several policy lessons can be identified for prioritizing economic agenda in Pakistan's foreign policy.

#### ***Pivot to Geoeconomics***

Predominantly, security interests dominate Pakistan-US relations and frequently cast a shadow over durable economic partnership. Consequently, the geoeconomic relationship between Pakistan and the US remains subservient to the latter's geopolitical interests in the region and towards Pakistan. However, there is a growing consensus that Pakistan and the US need to renew their relations based on a geoeconomic approach. This kind of shift can be a realistic response to the changing global geopolitical environment, especially in light of the US-China competition, as well as Pakistan's urgent economic needs. Setting Pakistan's economic agenda first in its dealings with the US is not only beneficial, but also necessary for long-term mutual gains and bilateral collaboration. Pakistan's National Security Policy (NSP), 2022-2026 is a manifestation of both requirement and will of Pakistan to change its foreign policy orientation from geopolitics to geoeconomics. Given historical trajectory and regional geopolitical environment, Pakistan faces the challenge of adopting this policy in practice. In this regard, the examples of US-China economic partnership and Sino-India economic cooperation despite geopolitical differences indicate that Pakistan can forge economic relations with neighbours guided by sound economic policies and principle of economic competitiveness.

#### ***Economic Diplomacy***

Economic agenda seriously lacks in Pakistan's international diplomatic engagements. Pakistani leaders and diplomats often talk about the security issues in their international political and diplomatic pursuits. Consequently, international community talks about Pakistan in security and geopolitical

terms because this is what we talk about. Pakistan needs to modify its international image presenting itself as an important economic actor vis-à-vis regional as well as global economic affairs. CPEC should go a long way in establishing Pakistan's economic identity at regional and global levels. However, the country needs to do much more. Pakistan should promote its strategic location for geoeconomic objectives rather than geopolitical pursuits. Economic diplomacy on part of Pakistan should focus on projecting it in geoeconomic context, whereby the country can serve as hub for regional connectivity and trade. It should make diplomatic efforts to convince the major economic players like the US and China to invest in building regional connectivity infrastructures. While China is already investing under CPEC, the US needs to be convinced and invited to invest in Pakistan. Further, Pakistan's economic diplomacy should be focused on negotiating and concluding trade and investment agreements. As part of international economic diplomacy, Pakistan should make its economic engagement more effective and visible at regional and global platforms such as WTO, SCO, AIIB, G20 and UNCTAD.

### ***Economic Planning and Management***

Pakistan needs strong economic institutions and competent economic leaders to ensure sound and efficient economic planning and management. In this regard, there is need to strengthen economic governance and institutions. Key economic institutions including Federal Board of Revenue, State Bank of Pakistan and Planning Commission of Pakistan need to undertake economic reforms, ensure efficient economic governance and introduce stronger accountability mechanisms. They need to improve their performance in terms of ensuring the efficient use of public resources, addressing bureaucratic inefficiencies, and promoting transparency. Economic institutions and teams should be capable to devise effective strategies for economic planning in terms of collecting tax revenues, boosting industrial output, increasing exports and attracting investment. In addition, they should be able to manage foreign debt, foreign investment and economic reforms.

### ***Economic Reforms***

For establishing enduring trade partnerships and attracting local and foreign investment, Pakistan needs to undertake some essential economic reforms. Foremost, it needs to improve its taxation system towards broadening its base, making it progressive in terms of share, and simplification in terms of collection mechanisms. Further, it needs to ensure efficient provision of energy, address the issue of circular debt in

power sector, and privatization of public enterprises to boost their performance and productivity. The country also needs reforms for the management of public debt, reduction of fiscal deficit, and cutting down non-productive government spendings, particularly on subsidies. Notably, Pakistan needs to diversify its export base and boost exports through effective trade policies, trade facilitation, and support for industries with export potential such as textiles, agriculture and IT. There is need to encourage domestic production to replace some imports such as food, energy and industrial goods. This can help address the balance of payments. Finally, investment in high-tech sectors and innovation can lead to Pakistan's transition from low-value-added industries to more advanced sectors with higher income levels.

### ***Consistent Economic Policies***

Pakistan needs consistency in economic policies to achieve sustainable economic growth. Inconsistent economic policies undermine the wholistic economic growth process. On the other hand, consistent economic policies are vital to achieve economic sustainability and stability. First, consistent policies are required to build trust among both local and foreign investors. Inconsistent and unpredictable policies discourage long-term investment because they increase the risk for businesses and investors. FDI is highly sensitive to policy stability, and a lack of consistency in economic policies results in capital flight or reduced investment inflows. Further, consistency in economic policies is important for long-term planning by businesses and the government. Frequent changes create uncertainty, making it difficult for businesses to plan the growth and expansions of businesses. Likewise, various governmental initiatives such as infrastructure development projects, social welfare programs, and trade agreements need policy continuity to realize their full potential.

### ***Political Stability***

Political stability plays a critical role in fostering economic growth, ensuring conducive environment for business activities, investment opportunities, long-term economic planning and efficient governance. This holds true for Pakistan as the country has been suffering from political instability for long paying an economic cost. Political stability boosts confidence of investors, as they feel more secure about their investment in terms of availability of a conducive socio-economic environment, profit potentials and market certainty. This attracts long-term investments in industries, infrastructure and technology, and thus makes significant contribution to sustainable economic growth. In addition, political stability

leads to continuity of economic policies, long-term economic planning, efficient governance and enforcement of economic reforms. Political instability often leads to frequent changes in government and, consequently, shifts in economic policies. These disruptions can undermine long-term projects, create uncertainty in business environments, and discourage investment. Likewise, a stable political environment gives governments an opportunity to focus on essential reforms, improve governance, and tackle inefficiencies like corruption and poor infrastructure.

### ***Security Environment***

Security is a prerequisite of economic development. Pakistan needs to ensure internal security for economic growth. Foreign investors prioritize stability and security while looking for investment opportunities. A country with high levels of political instability, lawlessness, or terrorism becomes less attractive for FDI. In Pakistan, security challenges like terrorist incidents, sectarian violence, and political instability, have often deterred potential investors.

Further, infrastructure development including roads, ports and energy facilities, is often delayed or hindered because of insecure security environment. Without adequate security, contractors and workers are usually unwilling to participate in large-scale projects, like CPEC. For instance, tourism and hospitality sector has huge potential to grow in Pakistan, but ongoing security concerns, like terrorism and political instability, have adversely affected the growth of the tourism sector.

### ***Increasing Foreign Investment***

Bringing foreign investment in Pakistan requires a multi-dimensional approach, which addresses structural problems, builds investors' confidence, and creates a conducive environment for business. In this regard, Pakistan needs to ensure macroeconomic stability to attract local and foreign investment. Also, it needs to ensure rule of law taking strong antiterrorism measures. Further, Pakistan needs to undertake regulatory reforms relating to ease of doing business, justice in contract enforcement and dispute resolution, and property rights and protection of intellectual property rights. Finally, infrastructure development related to energy sector, transportation and connectivity, and IT sector is crucial for attracting foreign investment in Pakistan. In this context, CPEC may prove a game changer for bringing FDI in Pakistan.

## CONCLUSION

The economic relationship of Pakistan with the United States has largely been shaped by the latter's provision of assistance in the context of its geopolitical interests, thus preventing the growth of a strong economic partnership. The decrease in US assistance between 2015 and 2023 suggests the transactional nature of the US foreign policy vis-à-vis Pakistan and hence the uncertainty and problems of dependence on the foreign aid. In order to remedy the situation, Pakistan should pursue trade as an alternative to aid, broaden its scope of exports, and seek foreign direct investment, particularly in information technology and energy. It will be necessary, therefore, to adopt a geoeconomic paradigm with an aim to prioritize business and economic relations with the US and other global partners. Pakistan needs a robust economic diplomacy focused on promoting trade opportunities and attracting foreign investment. Achieving this aim requires political stability, consistency in the execution of economic policies, and structural reforms that improve governance and competitiveness. By pursuing these policies, Pakistan can achieve inclusive and sustainable growth, reduce aid dependence, and build an asymmetric and win-win economic relationship with the US.

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