

Gulf States: Pakistan has enjoyed very friendly relations with the Gulf States. The first generation of Emirates rulers were very favourably disposed towards Pakistan as they received a lot of cooperation in their journey towards the modernization of the country.

Saudi Arabia and the UAE have absorbed a large number of Pakistani workers in their labour force and are the two top sources of remittances. The UAE is one of the major trading partners and Saudi Arabia and Kuwait suppliers of petroleum products and crude oil while Qatar has long-term contracts for LNG.

These countries have been coming to Pakistan's rescue whenever it has been struck with balance of payments crises. However, the future relationship, to be dependable and sustained, has to be recalibrated so it is not perceived as a one-way street. Both UAE and Qatar in their recent dialogue with Pakistani authorities have expressed the desire to invest or acquire projects in Pakistan rather than provide cash, commodities or place deposits.

These states have plans to invest \$22 billion in Egypt which has also been a traditional recipient of Gulf States' aid flows. The same ought to be our new strategy too; it would create assets and expand the country's productive capacity while retaining the interests of our partner countries. Saudi Arabia had announced in 2019 that they would set up an oil refinery and petrochemical complex in Gwadar but even after three years progress on this project is not visible. Bureaucratic red tape, convoluted and time consuming procedures and coordination failures among the federal and provincial governments have been the main stumbling blocks. The mindset of politicians and civil servants has to change dramatically – from finding faults with proposals from foreign or domestic investors to being facilitators and enablers.

'The Economist' has reported that the Gulf States will earn \$3.5 trillion in the next five years in response to the reengineering of global energy flows arising from Western sanctions, climate change and remaking of geopolitical alliances in the Middle East. Saudi Arabia and the UAE aim to raise output from 13 million barrels per year to 16 million. Qatar is planning to expand its North Field project at a cost of \$30 billion in the next five years and will raise LNG output annually from 77 million tons to 126 million tons, further increasing its present share of 33 per cent in LNG traded worldwide.

A new look Gulf that is destined to remain pivotal for decades to come should evoke a response from Pakistan by strengthening economic ties in the form of trade flows, investment from Sovereign Wealth Funds and reserves (at present \$3 trillion) in long gestation infrastructure projects and exports, energy security, and participating in the development projects of these states by continuing to supply skilled and semi-skilled workers to augment their domestic labour force. The competition from Egypt, India, Bangladesh, Iran and other countries in the neighbourhood is going to be tough and Pakistan has to work hard to win its place.

South Asia: Economic historians and analysts have been faced with a conundrum as they find it hard to comprehend that South Asia, which was a single large market until a few decades ago with goods, services, capital investment and skilled labour flowing freely and the newly independent countries inheriting a common historical, legal, cultural and administrative background and a very well-linked infrastructure, was the least integrated region in the world. This while East Asia, with countries that had such diverse backgrounds and very little in common historically, had become the most integrated region (second after the European Union).

Among many reasons responsible for this puzzle, the political tension and rivalry between the two major countries of the region – India and Pakistan – stands out as the main explanatory variable.

There is almost a consensus among academic economists in both the countries that the normalization of trade relations would bring substantial economic benefits evenly.

India has emerged as a leading economic power during the last decade and Pakistan, which was ahead until 1990, has slipped behind for reasons well known and amply documented. This change in the economic equilibrium calls for a fundamental review of Indo-Pakistan relations. The dark clouds of mutual mistrust, suspicion, blaming each other cannot evaporate overnight. It will take time and perceptible actions on the part of both the countries. However, there is a huge asymmetry in the power relationships where India with 80 per cent of the population and 85 per cent of GDP dominates the region and thus holds disproportionately heavy responsibility to lead the way out of the present stalemate.

India, in its quest to continue its journey towards economic ascendancy needs safe and secure borders, peaceful and prosperous neighbors and a dynamic regional institutional framework in which the smaller countries can have a voice. Its aspirations will be thwarted by constant distractions caused by insecure, discordant and fearful neighbours.

As the predominant player in South Asia its responsibilities, responses and behaviour must be commensurate with its size and status. Past traditions of strict reciprocity, tit-for-tat or equal measured response have to give way to a more asymmetric behavioural pattern in which it shows magnanimity, large-heartedness and broad-mindedness by being more accommodative of the economic and political imperatives of other countries in the region. The refusal to visit Pakistan next year to play cricket is contrary to these desirable attributes. The cost-benefit calculus will favour India in the medium-to-long term if it alters its behaviour; this is a sure way to achieve its economic goals.

For a country that has progressive entrepreneurs, leading intellectuals, professionals, innovators and scientists, globally competitive human resources at the top end, high in demand natural resources it is not comprehensible as to why it cannot take the initiative to resume normalization of trading relations with Pakistan and unshackle the huge potential that regional trade offers for growth, poverty reduction and food security.

Pakistan and India have been observing the Indus Waters Treaty for over 60 years despite wars and skirmishes. It is high time they examined the impact of the glacial melting of the Hindukush range due to which both of them would be affected adversely. They should develop joint strategies to minimize the adverse damage to our agricultural crops, water availability and energy security. This is a regional public good that transcends the boundaries of the two countries and is above the narrow considerations of bilateral relationships – however tense they may be. It is in fact an existential threat for survival and sustenance.

To sum up, resetting Pakistan's foreign economic relations to shift towards geo-economics rather than geopolitics would require Pakistan's domestic economic policies to be stable and predictable, and management and governance to be put on a sound footing. Continued political instability, uncertainty about policies and frequent economic crises will not bring in any change from the present status quo. We will remain a marginal player, losing our dignity by constantly asking for bailouts.

Resorting to the IMF and friendly countries for assistance all the time would nullify the above proposals of resetting. The major problem we face is not lack of diagnostics or prescriptions to solve those problems but an inward-looking narrow mindset where processes are given precedence over outcomes and results.

Unless we remove the inbuilt disdain for anything foreign, including Overseas Pakistanis, we would become more insular and disconnected from the tide of progress that is benefiting other emerging and developing countries. We should have South Korea, China, Indonesia, Malaysia and Vietnam as role models to follow rather than drift towards the closed economies of the world.

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