GLOBAL Political REVIEW
www.gprjournal.com
empowering humanity

p-ISSN: 2521-2982
e-ISSN: 2707-4587

GPR

GLOBAL POLITICAL REVIEW

HEC-RECOGNIZED CATEGORY-Y

VOL. X, ISSUE I, WINTER (MARCH-2025

DOI (Journal): 10.31703/gpr
DOI (Volume): 10.31703/gpr/.2025(X)
DOI (Issue): 10.31703/gpr.2025(X.I)

Double-blind Peer-review Research Journal
www.gprjournal.com

HumanityPublications
sharing research

Humanity Publications (HumaPub)
www.humapub.com
Doi: https://dx.doi.org/10.31703

Article Title

Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU

Abstract

Pakistan's economic development undergoes multiple challenges due to weak economic planning, misplaced priorities, and poor economic performance. Despite having a longstanding engagement with the major economies and international financial institutions, Pakistan has not been able to derive full benefits due to ineffective planning and policies. Domestically, this economic predicament is attributed to inadequate governance structures and poor economic policies while externally, it is the result of overemphasis on geopolitical objectives in foreign policy pursuits. As the economic capacity of a state plays a central role in determining its global influence and ensuring its security and survival. This paper draws policy lessons for prioritizing the economic agenda in Pakistan's foreign policy based on the country's economic relations with major actors including the US, China, and the EU. It provides recommendations for optimizing economic dividends with respect to trade, investment, and business-friendly relations with other countries.

Keywords: Pakistan, Geo-economics, Geo-Politics, Export diversification, Value addition, Human rights, Economic integration, Exports, Governance

Authors: or

Muhammad Riaz Shad: (Corresponding Auth) Professor, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan. (Email: mrshad@numl.edu.pk)

Aqsa Malik: Research Assistant, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan.

Maira Tariq: Research Assistant, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan.

Pages: 16-24
DOI:10.31703/gpr.2024(X-I).02
DOI link: https://dx.doi.org/10.31703/gpr.2025(X-I).02
Article link: http://www.gprjournal.com/article/A-b-c
Full-text Link: https://gprjournal.com/fulltext/
Pdf link: https://www.gprjournal.com/jadmin/Auther/31rvIolA2.pdf

Global Political Review
p-ISSN: 2521-2982 **e-ISSN:** 2707-4587
DOI (journal): 10.31703/gpr
Volume: X (2025)
DOI (volume): 10.31703/gpr.2025(X)
Issue: I Winter (March-2024)
DOI(Issue): 10.31703/gpr.2025(X-I)

Home Page
www.gprjournal.com

Volume: X (2025)
https://www.gprjournal.com/Current-issue

Issue: I-Winter (December-2025)
https://www.gprjournal.com/issue/10/1/2025

Scope
https://www.gprjournal.com/about-us/scope

Submission
https://humaglobe.com/index.php/gpr/submissions

Visit Us

Humanity Publications (HumaPub)
www.humapub.com
Doi: https://dx.doi.org/10.31703

Citing this Article

02	Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU		
Authors	Muhammad Riaz Shad Aqsa Malik Maira Tariq	DOI	10.31703/gpr.2024(X-I).02
		Pages	16-24
		Year	2025
		Volume	X
		Issue	I

Referencing & Citing Styles	
APA	Shad, M. R., Malik, A., & Tariq, M. (2025). Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU. *Global Political Review*, *X*(I), 16-24. https://doi.org/10.31703/gpr.2025(X-I).02
CHICAGO	Shad, Muhammad Riaz, Aqsa Malik, , and Maira Tariq. 2025. "Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU." *Global Political Review* X (I): 16-24. doi: 10.31703/gpr.2025(X-I).02.
HARVARD	SHAD, M. R., MALIK, A., & TARIQ, M. 2025. Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU. *Global Political Review,* X, 16-24.
MHRA	Shad, Muhammad Riaz, Aqsa Malik, and Maira Tariq. 2025. 'Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU', *Global Political Review*, X: 16-24.
MLA	Shad, Muhammad Riaz, et al. "Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on Its Engagement with the Us, China, and the Eu." *Global Political Review* X.I (2025): 16-24. Print.
OXFORD	Shad, Muhammad Riaz, et al. (2025), 'Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU', *Global Political Review Review,* X (I), 16-24.
TURABIAN	Shad, Muhammad Riaz, Aqsa Malik, and Maira Tariq. "Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on Its Engagement with the Us, China, and the Eu." *Global Political Review* VIII, no. I (2025): 16-24. https://dx.doi.org/10.31703/gfpr.2025(X-I).02.

Pages: 16-24 **e-ISSN:** 2707-4587 **p-ISSN:** 2521-2982 **Doi:** 10.31703/gpr.2024(X-I).02

Global Political Review
www.gprjournal.com
DOI: http://dx.doi.org/10.31703/gpr

Volume: I (2025) **URL:** https://doi.org/10.31703/gpr.2025(X-I).02 **Issue:** I-Winter (March-2025)

Cite Us

Title

Prioritizing Economic Agenda in Pakistan's Foreign Policy: Policy Lessons Based on its Engagement with the US, China, and the EU

Authors:

Muhammad Riaz Shad: (Corresponding Auth)
Professor, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan.
(Email: mrshad@numl.edu.pk)

Aqsa Malik: Research Assistant, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan.

Maira Tariq: Research Assistant, Department of International Relations, National University of Modern Languages (NUML), Islamabad, Pakistan.

Contents

Abstract

Pakistan's economic development undergoes multiple challenges due to weak economic planning, misplaced priorities, and poor economic performance. Despite having a longstanding engagement with the major economies and international financial institutions, Pakistan has not been able to derive full benefits due to ineffective planning and policies. Domestically, this economic predicament is attributed to inadequate governance structures and poor economic policies while externally, it is the result of overemphasis on geopolitical objectives in foreign policy pursuits. As the economic capacity of a state plays a central role in determining its global influence and ensuring its security and survival. This paper draws policy lessons for prioritizing the economic agenda in Pakistan's foreign policy based on the country's economic relations with major actors including the US, China, and the EU. It provides recommendations for optimizing economic dividends with respect to trade, investment, and business-friendly relations with other countries.

Keywords:

Pakistan, Geo-economics, Geo-Politics, Export Diversification, Value Addition, Human Rights, Economic Integration, Exports, Governance

Introduction

Historically, traditional security has been the top priority in the foreign policy agenda of Pakistan. This geopolitical nature of foreign policy has been overshadowing the economic interests of Pakistan. Economic agenda has been a subset of overall foreign policy calculus dominated by traditional security considerations and concerns. Even as a secondary foreign policy priority, the approach to economic security has been misplaced and tactical. The country has been seeking and securing aid rather than trade, which is key to sustainable economic development and leads to the ultimate shift to economic self-reliance and security.

Consequently, the country has been transformed into an aid and consumption-driven economy rather than an export-driven knowledge economy. The resulting economic stagnation has undermined the economic sovereignty of the state due to heavy dependence on foreign financial cushions provided by several states and multilateral lenders, especially IMF and World Bank. As the foreign capital inflows are attached with conditionalities, Pakistan's economic dependence has narrowed its space for political autonomy in the international sphere.

Keeping in view the foregoing economic predicament of Pakistan, the prioritization of economic security as a primary foreign policy objective has assumed an added importance for the country. This research paper gives policy recommendations for realizing a shift in Pakistan's foreign policy from foreign aid dependence to prioritization of trade and value-added exports. The recalibration of the foreign policy agenda is critical to achieving *Endogenous Economic Growth* that will help the country break from the recurrent cycles of economic boom and bust caused by the ebb and flow of foreign aid (Morley, 2015).

Theoretical Framework

Pakistan's economic development pattern can be analyzed with the help of Rostow's Model of Development. Rostow's model of development offers five progressive stages to understand the economic growth of a country (Rostow, 2000). The first stage of Rostow's model is referred to as "Traditional Society" which depicts the lower level of economic development in a state. The second stage is called "Preconditions to Take Off" where a state develops an international connection and depends on foreign aid and investments for economic growth. The third stage is called "Take off" in which the state is characterized by rapid economic growth due to industrialization. The fourth stage is "Drive to Maturity" in which the state's industrial development improves and trade flows become fluent and, consequently, it achieves sustainable growth and rapid development. The poverty level reduces and people's living conditions become stable. The last stage is called the "Age of High Mass Consumption" in which the state achieves the status of a 'developed state' and gets a dominant position in the world economy (Jacob,2024).

With respect to Rostow's development model, Pakistan's economic conditions can be described through the lens of the second stage of development called "Preconditions to Take Off." The stage has various elements considered essential conditions for the 'take-off' of a state after it moves on from the 'traditional society' stage. The first element of progress is high productivity in agriculture. Agriculture is the backbone of Pakistan's economy and has the largest share of its revenue. Pakistan's Agro-export has seen a remarkable increase recently. According to a Pakistan export survey, the country's exports in the agriculture sector have increased by 37%. The second important element of this stage is infrastructure development in a country (Gyimah,1972). Infrastructural development in a state attracts foreign direct investment which further opens ways for sustainable economic growth. In this regard, Pakistan's infrastructural level is relatively poor. There are problems of poor transportation facilities, energy shortages, and poor sanitation. Moreover, Pakistan has been the recipient of foreign aid and loans for a long but there is a little trickledown effect of these foreign inflows. Over the years, Pakistan has been getting bailout packages from IMF but Pakistan has failed to utilize this money for industrial development in the country. As a result, Pakistan's debt has increased manifold. Moreover, Rostow's model highlights the importance of education and political stability for economic growth. Strengthening the rule of law, institutions, and security is very important for economic stability. While external partnerships are crucial no economic agenda can flourish without a solid internal foundation. Robust institutions, the rule of law, an expanding industrial base, and a secure environment are the backbones on which economic growth and foreign investments are built. Pakistan's political landscape is discordant where political parties and leaders often prioritize their own interests over national concerns. Therefore, there is an immense need for political stability and economic reforms in the state as this will open ways for economic development and sustainability.

Research Methodology

The article utilizes a qualitative method to underline policy lessons for Pakistan's foreign policy to address the economic issues. The sources of data collection are primary and secondary which include interviews, conference proceedings, and focus group discussions with experts and policymakers. These data collection methods have been adopted for an

HEC-funded research project and this paper is based on the findings of this project. The secondary sources comprise research articles, national economy survey reports, and newspaper articles.

Policy Lessons

On the basis of Pakistan's engagements with major actors including the US, China, and the EU, key policy lessons are put forward for giving primacy to economic interests in the country's foreign policy.

Pivot to Geo-Economics

In 2022, the government of Pakistan made its first move in reshaping its foreign policy strategy by launching an internal security policy that prioritized geo-economics. This represented a withdrawal from the traditional interest in geopolitics which indicates that Pakistan has understood the significance of economic interests in foreign affairs. The basic aim of this policy is to realign Pakistan to the international economic order, emphasizing the importance of regional connectivity, economic diplomacy, and using economic resources for national security. Despite this strategic shift, there has been limited progress in bringing this vision to reality. Geopolitics and geoeconomics are interlinked and cannot be separated, particularly in the case of Pakistan. Therefore, in practical terms, Pakistan could not undertake a pivot to geoeconomics because it lacked a viable implementation framework (G. Dad, personal communication, May 11, 2024).

Due to a number of challenges including political instability, a weak domestic economy, and ongoing security issues, Pakistan has been unable to completely convert the rhetoric into tangible realities. Therefore, the important policy lesson for Pakistan is to diversify its foreign policy with a focus on geoeconomics. As the world order is in transition and power geometry is moving towards a more multipolar era, where economic and geopolitical clout no longer rests in a single superpower, Pakistan needs to adapt in response (Sharif, 2024). The old model of aligning too closely to any single power, like America or China, is obsolete and holds Pakistan back from being an effective player on the world stage. The better strategy for Pakistan would be to hedge between the United States and China (F.H. Siddiqi, personal communication, May 2, 2024). For this, Pakistan needs to build diversified and adaptive foreign policy strategies that promote a variety of economic relationships. Pakistan should develop closer economic relations with rising markets of Africa, the Middle East, and South Asia, and try to intensify economic engagement with the EU states, Japan, and even Russia to diversify its economic ties on the international stage. Moreover, regional economic integration is very important. For instance, the South Asian Association for Regional Cooperation (SAARC), regardless of the political tensions, may be utilized to resolve trade barriers and establish confidence between Pakistan and its neighbors. Similarly, other regional organizations including Shanghai Cooperation Organization (SCO) and Economic Cooperation Organization (ECO), would be helpful in stimulating economic growth for Pakistan. These forums serve as a platform for joint action on regional problems and economic cooperation, thus enhancing the international role of Pakistan through collaboration and not relying on one or two great powers. Energy cooperation is another key to Pakistan's integration in the region. As Pakistan's energy sector is heavily dependent on imports, especially natural gas and oil, Pakistan can improve its energy security by focusing on regional energy networks.

Cross-border financial cooperation in the form of currency swap arrangements, financial sector cooperation, and mutual investment platforms with regional neighbors can bring significant benefits to Pakistan. Financial assistance for infrastructure and development initiatives by the Asian Infrastructure Investment Bank (AIIB) and SCO can help develop regional connectivity. By aligning with multilateral financial sources and collaborating with other regional players, Pakistan can secure funding for strategic infrastructure projects without relying solely on the West-backed institutions like IMF and World Bank. The regional financial alliances will facilitate mutual investment and joint ventures for Pakistan. A strong regional financial architecture would not only minimize Pakistan's dependence on foreign assistance but will enhance economic resilience, and foster long-term stability within the region. The realignment towards regional economic integration provides Pakistan with a chance to diversify its foreign policy and consolidate its economy by emphasizing trade, infrastructure, energy, and financial cooperation with its regional neighbors. By leveraging its geography to promote more integral economic connections, Pakistan can not only improve its own economic prospects but also support stability and prosperity in the wider region. This would decrease Pakistan's dependence on external powers and establish an enduring foundation for economic development and regional stability.

Economic Diplomacy

Pakistan lacks public diplomacy initiatives compared to many other countries. Good public diplomacy involves influencing global attitudes towards your country, encouraging people-to-people exchanges, and interacting with international media with an aim to open opportunities for trade, investment, and sustainable growth. In an interview, Naghmana Hashmi emphasizes that economic diplomacy is not about direct government involvement in trade, but about facilitating an environment where trade can thrive. For economic diplomacy to be effective, a country must have diverse products to trade, a strong production capacity, and a diversified export base. A government's role is to support trade by creating conducive conditions for investment, including security and infrastructure. However, the effectiveness of economic diplomacy is hindered if structural issues persist, such as the lack of exportable products and inadequate commercial diplomacy training. To succeed, a country must focus on diversifying its industrial production, improving product quality, and addressing structural economic challenges while also ensuring that diplomats are professionally trained for their roles in economic diplomacy (N. Hashmi, personal communication, December 27, 2024).

The U.S. hosts a sizeable and powerful Pakistani diaspora, which is the key source of remittances but remains underutilized for economic diplomacy. Pakistan must proactively reach out to its diaspora to help bring investments and promote bilateral trade and innovation. The diaspora can act as a bridge for cooperation with the U.S. and many other countries, especially in fields such as technology, education, and business. Getting expatriates to invest in Pakistan and serve as country ambassadors for the FDI and exports can be a solid platform for a transition away from aid dependence. To establish a sustainable, two-way relationship with major powers and other nations, Pakistan needs to develop an effective economic diplomacy strategy to proactively seek trade agreements, particularly in areas where Pakistan enjoys competitive strengths. Developing a positive climate for foreign direct investment by enhancing infrastructure, cutting red tape, and providing political and economic stability is the way forward.

The Pakistani diaspora possesses enormous knowledge in advanced fields like information technology, biotechnology, renewable energy, and engineering. However, this knowledge has not always been transferred systematically to Pakistan's local industries (Aquil, 2024). Pakistan needs to involve its diaspora more systematically to facilitate technology transfer and knowledge sharing. By establishing an integrated relationship with the diaspora, Pakistan can develop economic and cultural centers where diaspora members can join cultural exchange programs, business incubators, and trade missions. There is also a need to set up global Pakistani business councils to provide counsel to the government on economic policies and priorities that benefit both local and global Pakistani communities. Speaking at the conference, Haroon Sharif cited the Philippines as a successful example of utilizing remittances as a form of economic diplomacy, and China, which has effectively employed large-scale infrastructure projects to bolster its global standing. Drawing inspiration from these cases, Mr. Sharif called for Pakistan to cultivate its own economic diplomacy model—one that prioritizes high-value sectors such as technology, value-added agriculture, and trade logistics (Sharif, 2024).

Human Resource Development

The global marketplace is evolving and experiencing significant transformations which serve as a catalyst for re-evaluating the global economic development strategies. The pandemic revealed the fragility of global economies that had become overly dependent on singular production (Sharif, 2024). The pandemic has underscored the necessity for strategic realignment in global business practices. The beginning of the AI era has changed the global dynamics of business and economic dealings. AI represents a significant disturbance across multiple sectors, hence bringing both opportunities and challenges. While AI is anticipated to drive innovation, it will also make some job roles obsolete. This highlights the immense need for training or upskilling of the workforce. Consequently, Pakistan needs to prepare its labor market for these technological changes by prioritizing education, vocational training, and workforce development.

The youth in Pakistan is a vital asset that needs to be utilized effectively for advancement in sectors like IT and education (Malik, 2024). Human resource development is crucial for ensuring Pakistan's social and economic progress. A skilled workforce and well-educated youth are very important for driving innovation, improving productivity and competitiveness, and contributing to the sustainable growth of a state. However, Pakistan is facing a skill gap, low literacy rates, and inadequate investment in training and education programs, which account for the less relevance and weak linkages of the workforce vis-à-vis market and industry.

Pakistan may become more competitive in the global economy and fortify its human capital base by investing in education, skill development, and training. Knowledge transfer, skill development, and capacity building in important economic areas can be facilitated by cooperation with foreign education institutions and training programs. For instance, the US has been helping Pakistan in the education sector for a long. Pakistani students are beneficiaries of scholarships under the US Fulbright program and the US-Pakistan Knowledge Corridor. In addition, USAID has undertaken a five-year program worth $19 million to upgrade Pakistan's higher education system. The program aims at developing "a healthier, better educated, inclusive, and more skilled workforce" in Pakistan. Pakistan and the US can further expand the university exchange programs to facilitate greater interaction between Pakistani and American academic communities. 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 pieces of training (Naseer, 2024).

Pakistan and China are cooperating in the education sector and human resource development by introducing various training courses. China offers various scholarships and exchange programs for Pakistani students and workforce to develop expertise in IT and engineering fields. However, developing industries in Pakistan and enhancing employment opportunities necessitate that a dedicated program should be initiated for the skill development of the Pakistani workforce. As the CPEC projects involve both the development and modernization of infrastructure projects, there is an extensive need for skilled and specialized human resources. In this regard, Pakistan should plan a comprehensive training program with Chinese experts to develop the vocational skills of Pakistani labor to meet the technical needs of the CPEC projects. For instance, Pakistan is actively investing in the *Pak-China Technical and Vocational Institute at Gwadar, Huaneng Pakistan Vocational and Technical College and Training Courses under the Singapore Cooperation Programme Training Award (SCPTA)*. These initiatives reflect Pakistan's commitment to developing skilled youth and enhancing innovation to ensure the sustainability of economic growth.

Further, a partnership can be established with Chinese universities and institutions to design specific training programs and transfer technical knowledge. At the level of higher education, there is a need to upgrade the curriculum of universities and technical institutes to include courses related to modern infrastructure and international trade. Through exchange programs, students and faculty can join universities in China, the US, and the EU for education in engineering, business, and industry. Finally, business incubators should be expanded to provide entrepreneurial pieces of training to small and medium-sized enterprises.

Economic Governance

Pakistan has feeble institutions in terms of professionalism, performance, and accountability. Pakistan's economic institutions have a poor record in terms of making long-term policies and pursuing them with consistency. Therefore, institutional efficiency and domestic political reforms have become crucial. Reforms in local economic management can improve resource allocation and policy execution. Moreover, private-public partnerships can improve infrastructure development and service delivery. In addition, there is a requirement of the rule of law for ensuring the security of business investments and implementing property rights. Ambassador Naghmana Hashmi, in an interview, emphasized that Pakistan needs structural reforms and economic governance improvement to move forward. There must be a consensus across governments and political factions on economic priorities and policies.

Being an agrarian economy, a major challenge for Pakistan is its agricultural output and the failure to convert raw materials into finished products for exports (Malik, 2024). There is a need to establish a network of small industries that could steadily evolve into more advanced industrial centers. Pakistan's agricultural industry remains mostly untaxed, resulting in excessive dependence on indirect taxes (Malik, 2024). It is important to reform and execute the agriculture tax system for economic efficiency. This step will eventually reduce corruption and support small-scale farmers to meet their production and marketing needs. The most important lesson for Pakistan in this regard is to provide targeted subsidies to small-scale farmers instead of blanket subsidies, which tend to benefit large farmers.

Sakib Sherani, in an interview, emphasized that institutional reforms are necessary to improve economic policy and governance. The quick fixes and unreliable policies hinder sustainable economic development. There is a need to advance policy coherence among federal economic institutions as well as between federal and provincial institutions. Moreover, the country needs to improve institutional accountability and transparency. Digitalization and e-government can expand institutional transparency and efficiency, mainly in the context of increasing public demand for open access to information.

The economic stability of a state is highly dependent on its internal stability and the availability of an environment favorable to business and economic activities. A joint effort on the part of all stakeholders including government, private sector, civil society, and international partners will help foster a more stable and inclusive environment for economic growth. By forming a unified vision for the country, Pakistan can unlock its full economic potential and build a more prosperous future for its citizens (M. Khan, personal communication, May 16, 2024).

Exports Diversification and Value-Addition

Export diversification and value addition play a crucial role in advancing trade and economic growth for any country. Pakistan has faced multiple challenges in diversifying its trade relations. Pakistan's exports remain stagnant being concentrated in a few products and destinations. Pakistan's export basket majorly comprises textiles and foodstuffs accounting for more than 70 percent of the total exports. Further, Pakistani exports lack value addition and innovation. For the past seventy years, the country has been heavily dependent on imports while its exports remained low. Although there has been some growth, Pakistan's export portfolio is still not diverse, with only a handful of businesses and sectors contributing to the country's trade. The untapped potential in Pakistan's agriculture, IT, and textiles sectors, has been overlooked in the face of political instability and security challenges. Enhanced trade relationships with the U.S., China, and the EU could unlock opportunities for Pakistan's export industries like textiles, agriculture, and IT. This would not only help Pakistan's economic growth but also diversify foreign supply chains and open up new markets around the globe.

To reduce reliance on external assistance, Pakistan should concentrate on formulating a sustainable economic framework that emphasizes trade, investment, and entrepreneurship. By fostering high-value industries, such as value-added agriculture, Pakistan can improve its global competitiveness and economic stability. Pakistan is confronted with the substantial task of integrating 3 million young individuals into the labor market annually (Sharif, 2024). To generate employment opportunities for this expanding demographic factor, the nation must attain a minimum GDP growth rate of 7%, concentrating on various sectors of the economy. (Sharif, 2024). Therefore, it has become essential to endorse policies that promote inclusive growth and job creation. Currently, Pakistan's industrial framework is inadequate to satisfy the demands of its 250 million citizens. Pakistan should prioritize enhancing productivity and transitioning towards higher-value industries, including advanced manufacturing and artificial intelligence. Pakistan should learn the lessons from many countries, especially China (A. Abbas, personal communication, May 7, 2024). One of the major factors of the Chinese success is economic stability, which leads to political stability.

Contrarily, in Pakistan, political instability results in economic instability (A. Abbas, personal communication, May 7, 2024). It has become a common practice in Pakistan that political parties oppose each other's policies even if they serve national interests. Internal instability in Pakistan and its economic impact has been pointed out by the Chinese government with serious concern. In June 2024, Liu Jianchao, the Minister of the International Department of the Communist Party of China (IDCPC), urged Pakistani political leaders to attain political stability for the country's development (The News, 2024). Just like the charter of democracy, there is a need to establish a charter of economy in Pakistan in order to get national consensus from all political parties. This initiative may bring political and economic stability to Pakistan.

Productivity and Competitiveness

One of the grave challenges for Pakistan's poor export performance and economic stagnation is lower productivity. This issue disturbs the output of every economic sector. A research report published in 2023 by the Pakistan Institute of Development Economics states that Total Factor Productivity (TFP) is crucial for the sustainable economic growth of a state. Countries with high and stable TFP experience fast and long-term economic development. A TFP above 3% indicates a sign of good productivity in the state (Dawn, 2024). Unfortunately, Pakistan has been running low on productivity level for the last couple of decades. Pakistan's average growth across 61 sectors during 2010-2020 remained low at 1.5% while India recorded a growth rate of 5.7%, Bangladesh at 3.9%, and China at 8.5% (Dawn, 2024). The sectors with negative growth include agriculture, leather goods, weaving, and spinning. Moreover, Pakistan's export goods are not enlisted in the top 15 global exports. Thus, lower productivity increases the cost of production, reduces profits from the production output, results in price increases, and leads to the loss of competitiveness in the international market.

The low productivity and the consequential lack of global integration are the major causes of Pakistan's poor export performance. Technological advancement, especially in AI, robotics, and biotechnology, has become a central factor in determining global economic competition. Countries that fail to adapt to technological innovations will likely lose their competitive edge. Pakistan needs to invest in digital infrastructure, promote tech-oriented workforce development, and create innovation centers to integrate advanced sectors like AI and robotics into the economy. By focusing on technological partnerships in the IT sector and advancements in agricultural technology, Pakistan can modernize its economy, increase exports, and attract more foreign investments in these high-growth sectors.

Pakistan needs to invest in agricultural development and create small industries to drive industrialization. Additionally, establishing a network of small industries can gradually scale up to advanced industrial centres bridging the gap between raw material production and finished goods. Small and medium enterprises are the backbone of Pakistan, yet their participation in international trade is limited. Empowering SMEs can unleash the true potential of Pakistan's economy. For example, Pakistan can enhance its SME ecosystem by creating a platform for coordination and cooperation between Pakistani and European SMEs (Khan, FGD, May 16, 2024). The action plan can be to establish an SME-focused trade facilitation desk and organize EU-Pakistan business forums to interconnect enterprises for further opportunities (Khan, FGD, May 16, 2024).

The important policy lesson for Pakistan is to prioritize investment in sustainable energy solutions, particularly hydropower, to support long-term economic growth. Sectors like IT need a stable and sustainable energy supply, and investing in renewable energy sources will reduce reliance on coal and thermal energy. Additionally, creating incentives for private entrepreneurs to invest in environment-friendly technologies is essential. By producing sustainable products, businesses contribute to environmental conservation as well as long-term economic growth.

Conclusion

Pakistan's long-standing economic relations with major powers including the US, China, and the EU coupled with other countries offer extensive potential for the country's economic growth and development. Despite having long-standing engagement with these actors, the country has not fully utilized the opportunities due to deeper structural issues. To unlock its full potential, Pakistan must embrace a holistic policy reformation. The outlined policy lessons emphasize the importance of sustainability, innovation, and firm discipline in shaping an economic atmosphere conducive to growth and development. In this process, the lessons learned from past experiences should serve as critical guidelines for the development of effective economic policies for achieving long-term economic growth and prosperity.

References

Alam, R. (2024, April 14) Corporate Window: Pakistan's Labour Productivity Dilemma. *Dawn.* https://www.dawn.com/news/1827178
Google Scholar Worldcat Fulltext

Butt, N. (2024, September 8) Economic Planning: Policy board set up. *Business Recorder*. September 8, 2024. https://www.brecorder.com/news/40321404
Google Scholar Worldcat Fulltext

Developing Youth Skills for the Future: A vision from Pakistan. *United Nations. Developing Youth Skills for the Future: A Vision from Pakistan | United Nations*
Google Scholar Worldcat Fulltext

EU trade relations with Pakistan. Facts, figures, and latest developments. *European Commission.* (2024, May 21)https://policy.trade.ec.europa.eu/eu-trade-relationships-country-and-region/countries-and-regions/pakistan_en#:~:text=The%20EU%20is%20Pakistan's%20second,for%200.2%25%20of%20EU%20trade.
Google Scholar Worldcat Fulltext

European Union Delegation to Pakistan. *Joint Press Release*. Delegation of the European Union to the United Nations in New York | EEAS
Google Scholar Worldcat Fulltext

GSP+ in Pakistan, A Brief Introduction. *Democracy Reporting International.* 3240gsp_in_pakistan._a_brief_introduction..pdf
Google Scholar Worldcat Fulltext

Gyimah, K. O. (1972). Rostow's stages of economic growth: Does it provide a useful scheme for viewing and interpreting modern economic growth in developing countries? A case study of Ghana. *Journal of Eastern African Research & Development, 2*(1), 13-27. https://www.africabib.org/rec.php?RID=18459457X
Google Scholar Worldcat Fulltext

Khan, T. F. (2024, December 3). Policy lessons for prioritizing economic agenda in Pakistan-EU relations. *International Conference on Prioritizing Economic Agenda in Pakistan's Foreign Policy towards United States, China and European Union 2024*, Islamabad.
Google Scholar Worldcat Fulltext

Malik, A. I. (2024, December 2). Policy lessons for prioritizing economic agenda in Pakistan-EU relations. *International Conference on Prioritizing Economic Agenda in Pakistan's Foreign Policy towards United States, China and European Union 2024*, Islamabad.
Google Scholar Worldcat Fulltext

Naseer, N. (2024, March 29). Breaking the mold: The evolution of US-Pakistan cooperation beyond security. *STIMSON.* https://www.stimson.org/2024/evolution-of-us-pakistan-cooperation-beyond-security/
Google Scholar Worldcat Fulltext

New Reports makes the case for investing in adolescents and youth in Pakistan. *UNICEF Pakistan,*

News desk. (2024, June 22) Internal stability must for any nation to develop: Chinese minister *The News.* https://www.thenews.com.pk/print/1202295-internal-stability-must-for-any-nation-to-develop-chinese-minister.
Google Scholar Worldcat Fulltext

Rana, S. (2023, November 21) EU questions Pakistan's record of Human Rights restrictions on media. *The Express Tribune.* https://tribune.com.pk/story/2447449/eu-questions-pakistans-record-of-human-rights-restrictions-on-media
Google Scholar Worldcat Fulltext

Rostow, W. W. (2000, August 29). *Stages of economic growth: A non-communist manifesto*. Cambridge University Press.
Google Scholar Worldcat Fulltext

Sattar, S., & M.Mubasal.(2024, March 25) Exporting for Innovation and Profitability. *Business news.* https://www.brecorder.com/news/40295275
Google Scholar Worldcat Fulltext

Sharif, H. (2024, December 2). Keynote speaker. *International Conference on Prioritizing Economic Agenda in Pakistan's Foreign Policy towards United States, China and European Union 2024*, Islamabad.
Google Scholar Worldcat Fulltext

Trade Privileges for Sri Lanka to be suspended. *Politico.* (2010, February 10) https://www.politico.eu/article/trade-privileges-for-sri-lanka-to-be-suspended/
Google Scholar Worldcat Fulltext

World Economic Forum. (2017) The Global Competitiveness Report 2017-18. Geneva: World Economic Forum. http://www3.weforum.org/docs/GCR 2016-2017/05FullReport/TheGlobalCompetitivenessReport2016-2017_FINAL.pd
Google Scholar Worldcat Fulltext