

A Pivot to Geoeconomics: Pakistan's Economic Security Paradigm

LTC Taewon Choi, ROK Army, CSAG/CCJ5

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Key Points

- Pakistan's current economic status is problematic due to domestic as well as international factors.
- Pakistan seeks to shift its foreign policy from geopolitics to geoeconomics.
- China's Belt & Road Initiative (BRI) redirects global trade routes from West to East and building the basis for the emerging "Multipolar World Order," therefore, Pakistan's role is vital and may be regarded as the cornerstone of Beijing's future world vision.
- Pakistan's pivot is conditional to 'peace, development partnerships, and connectivity.'
- Pakistan is positioning itself as the convergence point of global powers' geoeconomic interests in Central and South Asia.
- Instability in Afghanistan will continue to hold back Pakistan's already delayed collaborative projects like the TAPI pipeline and CASA-1000 with Central Asian nations.
- Upon withdrawal from Afghanistan, the US should maintain influence by creating a new agenda and strengthening cooperative relations with Pakistan and its neighboring countries that are crucial for its promoting geoeconomics.

Introduction

Recently, Pakistani leaders have repeatedly signaled a shift from geopolitics to geoeconomics. In 2021, Pakistan officials have repeatedly spoke of the term 'geoeconomics'. When the Prime Minister Imran Khan visited Sri Lanka in February, he emphasized the importance and possibility of connectivity of the country up to Central Asia through CPEC (China-Pakistan Economic Corridor). In March, at the first held Islamabad Security Dialogue (ISD),

Army Chief General Bajwa, as one of the key speakers stated:

'The contemporary concept of national security... is not solely a function of armed forces anymore. National security in the age of globalization, information and connectivity has now become an all-encompassing notion; wherein, besides various elements of national power, global and regional environments also play a profound role.'¹

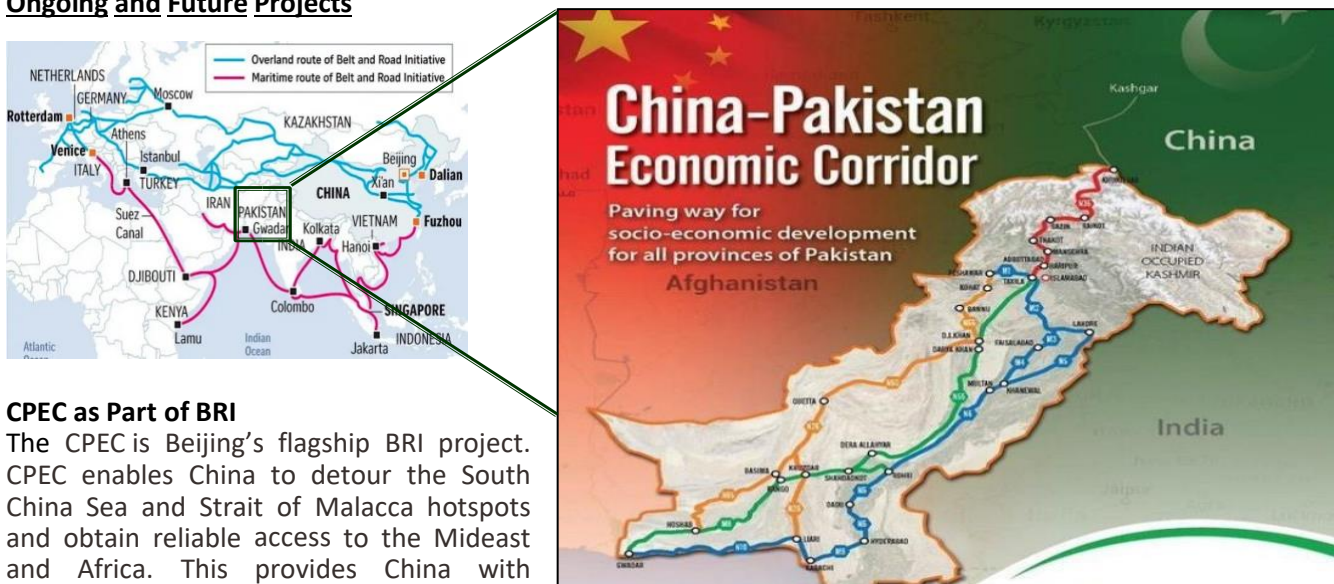
¹ The Tribune, "Bajwa's geo-economic vision," 5 Apr 2021, <https://www.tribuneindia.com/news/comment/bajwas-geo-economic-vision234671> (Accessed 20 Aug, 2021).

Addressing the 25 March Pakistan-Hungary Dialogue in Islamabad, Pakistan Foreign Minister Mehmood Qureshi further explained the shift to geoeconomics and said it should be based on a new 'economic security paradigm.'²He stated:

"My government attaches great importance to enhancing Pakistan's trade and economic relations with our partners. The transformed Pakistan's focus is shifting from geopolitics to geoeconomics ... Our new economic security paradigm has three essential pillars: peace, development partnerships, and connectivity."

This strategy shift from geopolitics to geoeconomics follows a current global trend. China's Belt and Road Initiative (BRI) is a stark example of geoeconomics. Pakistan's current administration, which is well aware of the geopolitical limitations, is trying to take a similar geoeconomic approach.

Ongoing and Future Projects



CPEC as Part of BRI

The CPEC is Beijing's flagship BRI project. CPEC enables China to detour the South China Sea and Strait of Malacca hotspots and obtain reliable access to the Mideast and Africa. This provides China with abundant energy resources and growing

markets for its economy. BRI, for China, is redirecting global trade routes from West to East and building the basis for the emerging Multipolar World Order.³ Considering Pakistan's vital role in this process, it may be regarded as the cornerstone of Beijing's future world vision. CPEC is not just a "highway" from Xinjiang to the Arabian Sea, but a series of regional infrastructure-building projects through which Pakistan can take itself to a leading position of the rapidly changing global geopolitical environment. The potential extension of CPEC seems to have caught global attention, particularly after the US' withdrawal from Afghanistan and demands surge for reconstructing the country in the near future.

In September 2019, the foreign ministers of China, Pakistan, and Afghanistan held a dialogue where they agreed that the three countries should increase mutual connectivity and push the extension of CPEC to Afghanistan.⁴

² DAWN, "Pakistan's focus shifting from geopolitics to geo-economics, Qureshi informs Hungary Dialogue," 25 Mar 2021, <https://www.dawn.com/news/1614535> (Accessed 8 Aug, 2021).

³ Andrew Korybko, "Pakistan: The Global Pivot State," Global Research, 9 March 2019, <https://www.globalresearch.ca/pakistan-the-global-pivot-state> (Accessed 22 Aug, 2021).

⁴ Xinhuanet, "China, Afghanistan, Pakistan pledge efforts to safeguard regional peace, stability," 8 Sep 2019, http://www.xinhuanet.com/english/2019-09/08/c_138374576.htm (Accessed 2 Sep, 2021).

However, the fate of CPEC has come into question. Even though the Taliban has returned to power, the country will remain chaotic for a long time, with serious repercussions for the region, and especially for Pakistan and China. Recently, Chinese workers in Pakistan were attacked, likely by Pakistani Taliban (TTP). However, according to Pakistani Foreign Minister Qureshi, it was a suicide bombing backed by India and Afghanistan.⁵ TTP has been regarded as a different organization from the Afghanistan Taliban until early August when the country's top two generals, the army chief and the head of Inter-Services Intelligence, acknowledged in a briefing for the Parliament, that the Afghan Taliban and Pakistani Taliban were 'two faces of the same coin.'⁶ From Beijing's point of view, a spillover of insecurity from Afghanistan will undermine its investments in Pakistan. This may have motivated China to invite a Taliban delegation to Tianjin. A top-level Taliban delegation met with Chinese Foreign Minister Wang Yi, promising that Afghanistan would not be used as a base for militants and they were looking forward to China's participation in the reconstruction and development of Afghanistan. In exchange, China offered economic support and investment for Afghanistan's reconstruction.⁷ If China develops a cooperative relationship with the Taliban, and the CPEC is extended into Afghanistan, China could help build economic exchange between Afghanistan and Pakistan. The push of such an exchange is likely dependent on the internal political status of Afghanistan is stable enough for foreign investment to proceed without safety concerns.⁸

Pakistan-Afghanistan-Uzbekistan Railway Project

Central Asia is located in the heart of Eurasia and surrounded by regional and major powers: China, Russia, Iran, and India. The five Central Asian States (CAS) are at the center of South Asia, South-East Asia, the Middle East, and Europe, and hence, giving the CAS access to a number of potential trading partners. The region's location, positions the region to act as a potential transport corridor for trades between Asia and Europe and or the Middle East. From a strategic perspective, Central Asia is significant for the geopolitical interests of global powers China, Russia and the United States.

Located in South Asia, Pakistan, can also take advantage of the geopolitical and geoeconomic advantages of Central Asia. Pakistan connects closely with the broader region through the (recently agreed upon) trilateral Pakistan-Afghanistan-Uzbekistan (PAKAFUZ) railway project. Improved trade ties between Central and South Asia via PAKAFUZ will likely strengthen the Economic Cooperation Organization (ECO) in which Pakistan and the Central Asian Republics (CAR) participate.

Through such partnerships, Pakistan is positioning itself as the convergence point of global powers' geoeconomic interests in Central and South Asia. CPEC institutionalized Chinese-Pakistani economic relations, while PAKAFUZ will provide a springboard for Russia to enhance its economic engagement with South Asia the same as the US will be able to utilize this infrastructure project through the recently established "New Quad" to more effectively

⁵ Reuters, "Pakistan says attack that killed Chinese was a suicide bombing," 12 Aug 2021, <https://www.reuters.com/world/asiapacific/pakistan-foreign-min-says-bus-attack-that-killed-9-chinese-workers-was-suicide-2021-08-12/> (Accessed 30 Aug, 2021).

⁶ WSJ, "The Taliban's Afghan Advance Spells Trouble for Pakistan and China," 13 Aug 2021, <https://www.wsj.com/articles/afghanistan-withdrawal-biden-pakistan-taliban-russia-china-belt-and-road-cpec-economic-corridor-11628868392> (Accessed 30 Aug, 2021).

⁷ France24, "China says ready for 'friendly relations' with Taliban after rout," 16 Aug 2021, <https://www.france24.com/en/liveneews/20210816-china-says-ready-for-friendly-relations-with-taliban-after-rout> (Accessed 2 Sep, 2021).

⁸ Daily Times, "CPEC's extension into Afghanistan to boost local exports, journey of peace: analysts," 14 July 2021, <https://dailytimes.com.pk/791402/cpecs-extension-into-afghanistan-to-boost-local-exports-journey-of-peace-analysts> (Accessed 9 Aug, 2021).

engage with Afghanistan and the CAR.⁹ In the event CPEC expands to west Asia and Africa, Pakistan will have an unprecedented opportunity to attract global attention to its pivotal geoeconomic policy.

This pivot from geopolitics to geoeconomics became more detailed when Prime Minister Imran Khan attended the business forum in the capital of Uzbekistan June 15 and 16, 2021. Among other agendas, the two leaders reiterated their support for the Termez-Mazar-i-Sharif-Kabul-Peshawar railway project as an important initiative to create a rail link from Central Asia to the Arabian Sea through Afghanistan and Pakistani seaports of Karachi,

Gwadar and Bin Qasim.¹⁰ The benefits of this project look clear. Landlocked Uzbekistan will have greater access to Pakistan's three ports in Gwadar and Karachi. For Pakistan, the end goal goes beyond more trade opportunities with resource-rich Central Asia. Linking Gwadar and Karachi to the '11-nation Central Asia Regional Economic Cooperation (CAREC) corridor' would open the country and the CPEC to Russia and Europe as well, producing transformative benefits.¹¹

Turkmenistan–Afghanistan–Pakistan–India Pipeline

The Turkmenistan–Afghanistan–Pakistan–India (TAPI) pipeline was first proposed in 1995 when Turkmenistan and Pakistan signed a memorandum of understanding, but construction was delayed due to geopolitical circumstances. Work on the \$10 B gas pipeline finally began in Turkmenistan in 2015. Following an agreement between Afghanistan, India, and Pakistan, gas would be purchased from Turkmenistan and then transported to the western and southern territories of Afghanistan, as well as central Pakistan and northwestern parts of India. The 1,814 km pipeline has been designed for a 30-year period and is expected to supply about 33 B cubic meters

(BCM) of gas per year from Turkmenistan's giant Galkynysh gas field through the Afghan cities of Herat and Kandahar, as well as the Pakistani cities of Quetta and Multan. The pipeline ends at the Indian city of Fazilka, located near its border with Pakistan. Five BCM will be consumed by Afghanistan, while Pakistan and India will receive 14 BCM each. TAPI is expected to boost the economies of participant countries, as well as the region. Turkmenistan's foreign ministry stated:

“This promising project opens an abundance of opportunities for the export of energy resources to South Asian markets through the Islamic Republic of Afghanistan. The project is also aimed at the comprehensive integration of neighboring Afghanistan into the architecture of global stability.”¹²

The pipeline was expected to begin operations in 2020, but its launch has been repeatedly postponed. As for now, Turkmenistan is planning to start its part of the pipeline in 2021.¹³

⁹ Andrew Korybko, “Pakistan's geoeconomic strategy is taking shape in Central Asia,” The Express Tribune, July 26 2021, <https://tribune.com.pk/article/97436/pakistans-geo-economic-strategy-is-taking-shape-in-central-asia> (Accessed 10 Aug, 2021).

¹⁰ DAWN, “Pakistan, Uzbekistan pledge to boost ties in all sectors,” 16 July 2021, <https://www.dawn.com/news/1635305/pakistanuzbekistan-pledge-to-boost-ties-in-all-sectors> (Accessed 5 Aug, 2021).

¹¹ Express Tribune, “Unpacking Pakistan's Geo-economic Ambitions,” 18 July 2021, <https://tribune.com.pk/story/2311110/unpackingpakistans-geo-economic-ambitions> (Accessed 3 Aug, 2021).

¹² Aybulat Musaev, “TAPI Gas Pipeline Gets Boost After Turkmen, Afghan Officials Ink Deal,” Caspian news, 5 Sep 2020, <https://caspiannews.com/news-detail/tapi-gas-pipeline-gets-boost-after-turkmen-afghan-officials-ink-deal-2020-9-4-37/#> (Accessed 19 Aug, 2021).

¹³ Oil & Gas Journal, “Turkmenistan to start Afghan TAPI construction in 2021,” 30 Nov 2020, <https://www.ogj.com/pipeline/transportation/pipelines/article/14188134/turkmenistan-to-start-afghan-tapi-construction-in-2021> (Accessed 20 Aug, 2021).

CASA-1000

CASA-1000, a high-voltage electricity transmission system connecting four countries in Central and South Asia, will help relieve energy shortages and encourage economic growth by facilitating trade of electricity between countries in the region. Some countries in Central Asia enjoy a surplus of electricity during the summer season. The Kyrgyz Republic and Tajikistan have some of the world's most abundant clean hydropower resources. By contrast, in nearby South Asia, Afghanistan and Pakistan have substantial and growing commercial and residential electricity demands. The CASA-1000 construction project is financed by seven institutions, with the majority being financed by the World Bank through the International Development Association (IDA). The World Bank Group is providing \$526.5 M in financing, while the other lenders include Islamic Development Bank (IsDB, \$155 M), European Bank for Reconstruction and Development (EBRD, \$110 M), European Investment Bank (EIB, \$180 M), UK Department for International Development, Afghanistan Reconstruction Trust Fund (ARTE, \$40 M), and the US Government. The United States Agency for International Development (USAID) and the UK Department for International Development are providing bilateral financing of \$11.5 M and \$46 M, respectively. The remaining funding of \$101 M is provided by Pakistan, one of the recipient countries.¹⁴

The CASA-1000 project serves as a critical step toward deepening regional energy cooperation and establishing stronger prospects for cross-border electricity trade.¹⁵ Field construction activities are underway on all ten construction contracts in the four CASA-1000 countries. The \$1.2 B infrastructure project is scheduled to begin commercial operation in 2024, but it looks likely to be delayed due to the current political situation in Afghanistan.

Limitation / Precondition

Great Power Competition for a 'New World Order'

As the Pakistani Foreign Minister explained, this pivot plan is conditioned on pillars of 'peace, development partnerships, and connectivity.' Currently, Pakistan's shift seems to be taking shape in a complicated geopolitical space that causes a new set of challenges.

US President Joe Biden defined America's Great Power Competition (GPC) with China as a "battle between the utility of democracies in the 21st century and autocracies," and said, "We've got to prove democracy works" in his first news conference in March.¹⁶ Analysts assessed his speech signified the emergence of a new divided world many thought had ended with the Cold War when, as the Soviet Union crumbled, the US cemented its influence and also strengthened its global financial influence through organizations like the World Bank and IMF.

Against this, China's BRI appears to contest the US-led 'world order' by providing alternative strategic routes. Simultaneously, China's rapid military modernization threatens America's singular dominance of the seas. Likewise, Beijing's large-scale investment in various regions such as Djibouti, Sri Lanka, and Pakistan has appeared

¹⁴ NS Energy, "Central Asia-South Asia (CASA-1000) Electricity Transmission Project," <https://www.nsenergybusiness.com/projects/casa-1000-electricity-transmission/#> (Accessed 19 Aug, 2021).

¹⁵ USAID, "THE USAID CASA-1000 ACTIVITY," <https://www.usaid.gov/central-asia-regional/fact-sheets/secretariat-casa-1000-powertransmission> (Accessed 22 Aug, 2021).

¹⁶ NY Times, "Biden Defines His Underlying Challenge with China: 'Prove Democracy Works,'" 26 March 2021, <https://www.nytimes.com/2021/03/26/us/politics/biden-china-democracy.html> (Accessed 23 Aug, 2021).

as a challenge to the US.^{6,7} Many analysts assess this divergence in views over sea and land routes between the two superpowers will influence the economic calculus for countries in the region. In Pakistan's case, US officials have already been very vocal in their opposition to CPEC.¹⁹ Washington has also not hidden that it views China's increasing engagement in global affairs through BRI as hostile to its own interests.

Uncertain Surroundings

As a gateway to Central Asia, uncertainty in Afghanistan is the key issue standing in the middle of Pakistan's geo-economic ambitions. If the Taliban fails to firmly secure national control in the near future, various militias will appear²⁰ and the country could possibly enter another civil war.²¹ Such an outcome will cause a serious threat to Pakistan's internal security given how both Baloch and TTP insurgents have strong bases in Afghanistan's bordering areas.

As mentioned above, instability in Afghanistan will continue to hold back already delayed collaborative projects like the TAPI pipeline and CASA-1000 with Central Asian nations. As far as infrastructure projects with the neighbors are concerned, Pakistan hasn't been able to move forward. For the US, its forces' withdrawal from Afghanistan doesn't necessarily mean that it's going to be out of the game. A recent report by the Central Asia-

Caucasus Analyst stated that US presence in Central Asia has increased in the wake of the withdrawal and that its objectives in doing so include balancing Chinese and Russian influence in addition to keeping the Taliban in check.²²

Domestic Hurdles

Implementing the geo-economic policy-shift could face serious issues if Pakistan's current internal situation continues. Pakistan first needs stable political and economic conditions through the re-establishment of civil-military relations. In the current situation, the military continues to be a potent political actor, and its intervention into crucial political decision-making has not yet ended.²³ The country also needs stable economic policies as numerous changes of governments discourage investment and industrialization. The present government has changed finance ministers four times, giving a negative message to both domestic and international investors.

According to analysts, reforming strict bureaucratic rules and reducing judicial intervention in business is also necessary. For instance, tax policies must be stabilized like tax fluctuation and unpredictable exemptions.

¹⁷ CNN, "China and the United States face off in Djibouti as the world powers fight for influence in Africa," 27 May 2019, <https://www.cnn.com/2019/05/26/africa/china-belt-road-initiative-djibouti-intl/index.html> (Accessed 23 Aug, 2021).

¹⁸ Financial Express, "China's growing presence in Sri Lanka and India's concerns," 28 May 2021, <https://www.financialexpress.com/defence/chinas-growing-presence-in-sri-lanka-and-indias-concerns/2260612/> (Accessed 19 Jul, 2021).

¹⁹ The Nation, "America opposes CPEC," 17 Oct 2017, <https://nation.com.pk/17-Oct-2017/america-opposes-cpec> (Accessed 21 Aug, 2021).

²⁰ Reuters, "Anti-Taliban leader Massoud says negotiation only way forward," 22 Aug 2021, <https://www.reuters.com/world/asiapacific/anti-taliban-leader-massoud-says-negotiation-only-way-forward-2021-08-22/> (Accessed 31 Aug, 2021).

²¹ AP, "Top US general foresees Afghan civil war as security worsens," 26 Jun 2021, <https://apnews.com/article/joe-biden-afghanistan9636261069b03719d569b5cf9fe5e4e5> (Accessed 26 Aug, 2021).

²² Nurlan Aliyev, "U.S. Presence in Central Asia: Realities and Perspectives," The Central Asia-Caucasus Analyst, 27 May 2020, <https://www.cacianalyst.org/publications/analytical-articles/item/13619-us-presence-in-central-asia-realities-and-perspectives.html> (Accessed 11 Aug, 2021).

²³ Elisa Ada Giunchi, "The political and economic role of the Pakistani military," ISPI, Analysis No. 269, Jul 2014.

Pakistan will also have to resolve longstanding management issues, such as in the case of the energy sector where even with surplus power, the country's energy crisis continues. Another problem is that Pakistan is still on the Financial Action Task Force's (FATF) gray list despite its efforts to be removed.²⁴ Pakistan has been scrambling in recent months to avoid being added to a list of countries deemed non-compliant with anti-money laundering and terrorist financing regulations by FATF, a measure that officials in Islamabad fear could severely damage its economy. With Pakistan's staying on the 'gray list', it is increasingly becoming difficult for the country to get financial aid from the International Monetary Fund (IMF), World Bank, Asian Development Bank, and the European Union at a time when it faces a hazardous financial situation.²⁵ Analysts stress that Pakistan's geo-economic ambitions will remain just that without foreign direct investment, industrialization, skilled labor, infrastructure, and energy reforms. In the absence of these, Pakistan's grand schemes like CPEC would only serve as transit routes and provide limited benefit.

Strategic Implications

Pakistan's shift to geoeconomics in its foreign policy seems timely and persuasive. Commerce is rapidly displacing military methods across the world to achieve national objectives, as seen in the example of China's BRI. Since the CPEC is BRI's flagship project and Pakistan is willing to do its best in carrying out the project. If Pakistan truly wants to receive investment from the West, it has to provide fair game rules, unbiased arenas, and present areas of mutual interest to create a win-win.

Despite Pakistan claims the competition between the US and China is non-zero-sum game as its economic bandwidth is large enough for other countries co-exist and cooperate with China. As GPC is all about setting up new orders, standards, and rules, some may believe a zero-sum game where the winner (rule setter) will take it all. Pakistan will have to eventually decide on which GPC 'rule setter' they align with, so therefore, it is important for the US to avoid unnecessary misunderstandings. Such misunderstandings may come in the form of forcing Pakistan to choose between operating under China's or the West's standards in a particular technology sector or set of regulatory requirements. This cause Pakistan to turn its back on the West.

Therefore, it is necessary to seek a win-win method by encouraging domestic companies to participate in various projects. For example, Japanese generators and American heavy equipment are being used at current

infrastructure construction sites in Pakistan. In particular, in the present situation, where it is expected that cooperation with Pakistan in the military and security fields will be more or less limited for the time being after the withdrawal from Afghanistan, maintaining the relationship between the two countries through civilian-led cooperation will be an effective way.

In addition, western powers should give serious consideration to the kind of infrastructure programs to pursue in developing countries to maximize Build Back Better World (B3W) Partnership benefits.²⁶ B3W cannot compete with BRI, given China's lower costs, looser standards, and faster timelines. Nevertheless, the G7 initiative could still be a huge win for global welfare, sustainable development, and multilateralism. Rather than physical

²⁴ FATF, "Jurisdictions under Increased Monitoring - June 2021," <http://www.fatf-gafi.org/countries/a-c/barbados/documents/increasedmonitoring-june-2021.html> (Accessed 21 Jul, 2021).

²⁵ Economic Times, "US asks Pakistan to keep working with FATF to 'swiftly complete' its 27-point action plan," 20 Jul 2021, <https://economictimes.indiatimes.com/news/defence/us-asks-pakistan-to-keep-working-with-fatf-to-swiftly-complete-its-27-point-action-plan/articleshow/84577772.cms> (Accessed 10 Aug, 2021).

²⁶ President Biden Press Conference, 13 June 2021, <https://www.whitehouse.gov/briefing-room/speechesremarks/2021/06/13/remarks-by-president-biden-in-press-conference-2/> (Accessed 2 Aug, 2021).

infrastructure, the G7 plan places human infrastructure at the core of its global development ambitions. The White House and G7 emphasize the goals of promoting health security, digital technology, and gender equality along with objectives ranging from global vaccine distribution to decarbonization to expanded education for girls. While China has recently renewed its claims to develop the “Health Silk Road,” the “Digital Silk Road,” and the “Green Silk Road,” its overwhelming focus remains on traditional projects such as ports, roads, dams, railways, power plants, and telecommunication facilities.

The G7 should not attempt to outbid China as the primary provider of traditional infrastructure, directing funds toward social spending and human capital development. B3W’s values-driven approach will reinforce humane norms and bolster labor standards, while improving financial solvency in recipient countries. By contrast, BRI’s infamous reported abusive labor practices such as human trafficking, forced labor, and hazardous conditions endanger workers’ lives.²⁷

Recommendations for the US / USCENTCOM

- Maintain influence by security cooperation with Pakistan and strengthening relations with neighboring countries that are crucial for Pakistan promoting geoeconomics (CAS, Afghanistan).
- Expand cooperation in the civilian-led sector, but keep discovering a new agenda for military and security sectors.
- Support B3W to check the expansion of Chinese influence in the region by cooperating with allies.

²⁷ Caroline Crystal, “The G7’s B3W Infrastructure Plan Can’t Compete with China. That’s Not the Point,” Council on Foreign Relations, 10 Aug 2021, <https://www.cfr.org/blog/g7s-b3w-infrastructure-plan-cant-compete-china-thats-not-point> (Accessed 31 Aug, 2021).