

**Analyzing Pakistan's Strategic Shift from Geopolitics to  
Geo-Economics after CPEC in Rising Asian Century**

**Name: Faiza Zahra**

**Reg no. 02191913011**

**National Institute of Pakistan Studies**

**Quaid i Azam University, Islamabad**

## **List of Acronyms**

<b>BRI</b>	Belt and Road Initiative
<b>CPEC</b>	China-Pakistan Economic Corridor
<b>CARs</b>	Central Asian Republics
<b>FATA</b>	Federally Administered Tribal Areas
<b>FDI</b>	Foreign Direct Investment
<b>GDP</b>	Gross Domestic Product
<b>IMF</b>	International Monetary Fund
<b>PPP</b>	Purchasing Power Parity

**National Institute of Pakistan Studies  
Quaid-i-Azam University  
Islamabad**

**CERTIFICATE**

This is to certify that the thesis entitled  
**–Analyzing Pakistan’s Strategic Shift from Geopolitics to Geo-Economics after  
CPEC in Rising Asian Century”**

Submitted by **Ms. Faiza Zahra**

be accepted in the partial fulfillment of the requirements for the Degree of Master of  
Philosophy in Pakistan Studies

**DR. SADIA MAHMOOD  
SUPERVISOR**

## **Author's Declaration**

I **Faiza Zahra** hereby declare that my M. Phil thesis titled **–Analyzing Pakistan's Strategic Shift from Geopolitics to Geo-Economics after CPEC in Rising Asian Century**” is my own work and has not been submitted previously by me for any other degree from Quaid i Azam University or from anywhere else.

At any time if my statement found incorrect even after receiving of M. Phil degree, the University has the right to cancel my degree.

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**Faiza Zahra**

## **Dedication**

I dedicate this research to my friends and family who supported and encouraged me throughout this period.

## **Acknowledgement**

I wish to thank my supervisor Dr. Sadia Mahmood for her valuable time and comments that made me able to complete my research. Her critical comments not only helped me in research but also envisioned me with more insight and ideas.

## Table of Contents

List of Acronyms .....	i
Certificate .....	ii
Declaration .....	iii
Dedication .....	iv
Acknowledgement .....	v
Abstract .....	x
Introduction .....	1
Background .....	1
Research Questions .....	7
Significance of Study .....	7
Limitation of Study .....	8
Methodology .....	8
Scheme of Study .....	9
Chapter 1 .....	11
Theoretical Framework and Literature Review .....	11
1.1 Theoretical Framework .....	11
1.1.1 Geo-economics in context of the CPEC .....	12
1.2 Literature Review .....	13
Chapter 2 .....	39
Economic Rise and Shifting Patterns from Geopolitics to Geo-Economics in Asia	
2.1 Introduction .....	39
2.2 The Asian Century .....	39
2.3 Factors behind the Economic Rise of Asia .....	41

2.4 Economic Rise of Japan .....	42
2.5 Economic Rise of Asian Tigers .....	43
2.5.1 Singapore .....	43
2.5.2 South Korea .....	44
2.5.3 Hong Kong .....	44
2.5.4 Taiwan .....	45
2.6 Economic Rise of the Asian Tiger Cub Economies .....	45
2.6.1 Vietnam .....	45
2.6.2 Malaysia .....	46
2.6.3 Indonesia .....	46
2.6.4 The Philippines .....	47
2.6.5 Thailand .....	48
2.7 Economic Rise of China .....	48
2.8 Economic Rise of India .....	49
2.9 Economic Rise of Bangladesh .....	50
2.10 Conclusion .....	51
Chapter 3 .....	53
Pakistan's Policy Transition from Geopolitics to Geo-Economics after CPEC .....	53
3.1 Introduction .....	53
3.2 Historical Background of Geopolitics in Pakistan .....	53
3.3 Belt Road Initiative and China Pakistan Economic Corridor .....	57
3.3.1 First Phase: 2015-2019 (Short Term Projects) .....	60
3.3.2 Second Phase: 2019-2025 (Medium Term Projects) .....	61
3.3.3 Third Phase: 2025-2030 (Long term Projects) .....	62



3.4 Geostrategic and Geo-Economic Significance of CPEC .....	64
3.5 Pakistan’s Policy Transition from Geopolitics to Geo-Economics after CPEC .....	70
3.6 Conclusion .....	77
Chapter 4 .....	79
Hurdles and Challenges to Pakistan's Policy Shift from Geopolitics to GeoEconomics....	79
4.1 Introduction .....	79
4.2 Domestic Challenges .....	79
4.2.1 Economic Woes of Pakistan .....	79
4.2.2 Governance Crisis .....	81
4.2.3 Political Instability .....	83
4.3 Regional Challenges .....	83
4.3.1 India .....	84
4.3.2 Afghanistan .....	85
4.4 International Challenges .....	86
4.4.1 Saudi-Iran Proxy Rivalry .....	86
4.4.2 US-China Rivalry .....	88
4.5 Conclusion .....	89
Conclusion .....	90
Bibliography .....	92

## ABSTRACT

*Economic means of power are increasingly applied by states to achieve political objectives. Asia has emerged as an epicenter of world's global economic activities with new emerging economic states particularly East and Southeast Asian states. The remarkable success of these states added to the economic glory of Asia and played a pivotal role in making the 21<sup>st</sup> century as "Asian Century" and there is a shift from West to East. Economists and scholars believe that China would play a decisive role in Asian century and would remain be the engine of economic growth of Asia as it's the 2<sup>nd</sup> largest economic power of the world. China is primarily a geo-economic power and utilizes its economic power to achieve its political aims and objectives. Its geo-economic mega project "the Belt and Road Initiative" is the primary example. BRI is a grand strategy of China that is aimed at connecting Asia to Africa and Europe through economic corridors. At the heart of this strategy is the China-Pakistan Economic Corridor both strategically and geographically. It is expected to reinvigorate the Pakistan's economy while also transforming the regional power balance. After the inauguration of CPEC, a debate emerged that whether Pakistan is shifting its policy approach to geo-economic in policy circles. In this research through analysis of official statements, interviews, documents and data I tried to find that whether there is a shift in policy approach in Pakistan after CPEC. Furthermore, it also explores the shifting patterns from geopolitics to geo-economics in Asia and multiple perspectives about Pakistan's transition of policy from geopolitics to geo-economics.*

## **Introduction**

In this thesis, I analyzed the global economic shift towards Asia, and its determinants, significance of Pakistan's geostrategic position in making the 21st century the Asian century. The changing trends in domestic and foreign policy of Pakistan from geopolitics to geo-economics and the hurdles Pakistan faces in its shift towards geo-economics.

With the rise of China, Pakistan significance also increased by manifolds as it is an important player in China's the Belt and Road Initiative (BRI). Pakistan has a pivot role in CPEC due to its geostrategic<sup>1</sup> position in Asia, as it is at the crossroad of West, central and South Asia (Golizadeh, et.al, 2011). This geostrategic and geo-economic significance of Pakistan's geographical position has compelled China to invest in the country under CPEC. Therefore, Pakistan-China cooperation under CPEC will provide both states ample opportunities to achieve their geo-economic and geo strategic interests in Middle East and in Asia. Furthermore, I analyzed the concept of geo-economics and how it impacted Pakistan's policy approach after launch of CPEC. The research also explores multiple aspects of Pakistan's policy transition from geopolitics to geo-economics.

## **Background**

Asia is the most populous and largest continent of the world. It has world's major resources, and always been a place of economic opportunities especially for the colonial powers. Therefore, colonial states like Britain and France tried to find routes and ways to reach and capture the resources in Asia. After the 18<sup>th</sup> century industrial revolution in Europe, the European states particularly Britain used the Indian sub-continent for the

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<sup>1</sup> "The usefulness of state by its geographical location determines its geostrategic worth." Colen.S, Gray & Geoffry Sloen, (2013)

supply of raw material to Europe for industrial and economic growth as the revolution transformed the agrarian economy and manufacture process to an industrialized one (FNAS, 2012).

Consequently, the colonization process resulted in the economic exploitation and enslavement of states by European nations. The economic exploitation of states under colonialism increased the wealth and capabilities of colonizers especially Britain (Independent, 2020). A total amount of \$45 trillion was taken by Britain from sub-continent from 1765 to 1938 (Al Jazeera, 2018). Resultantly, 19<sup>th</sup> century was referred to Europe and Britain dominated reigned as a superpower of that time (New York Times, 2001).

With the dawn of 20<sup>th</sup> century, Europe went through many transformations. The first World War (1914-1918) and second World War (1939-1945), greatly impacted the colonial states physical control on its colonized territories. Europe was the epicenter for these two wars and these wars became disastrous and catastrophic for Europe as it costed a huge number of human lives and economic capital, destroyed the social fabric of society and bankrupted economies. As Britain had a prominent role in wars, it also had to face major financial challenges and thus was no longer able to maintain its wide and vast colonial territories. Resultantly the sun set on the British Empire as the Second World War (Keating, 2013) and the rise of United States of America as the perspective successor to the United Kingdom was witnessed by the world.

As the Second World War ended, United States of America played a significant role in reshaping and restructuring the world order. In the post Second World War period, to get

out the European states out of economic crisis, US introduced Marshall Plan and Collective Defense Model NATO. Although United States of America was physically quite far from Europe, Marshall Plan and creation of NATO had a significant role in shaping World order which was dominated by geostrategic interests. Thus, the United States and the Soviet Union both became superpowers in the second half of the 20th century, ushering in a period of the Cold War that was characterized by a bipolar global order. But following the fall of the Soviet Union, four decades later in 1989, a new unilateral international order was established when the US emerged as the only superpower four decades later (Frum, 2014).

However, –as the 20th century comes to an end, the United States of America's undisputed dominance is, nevertheless, on decline. Its power and influence are waning around the world and the American century would be all over by 2025 except for shouting” (McCoy, 2010).

The United States' decline can be ascribed to multiple factors which include emergence of a multi polar world order which is predominantly characterized by China's rise and Russia's resurgence. For many, the remarkable economic growth of China and Russia and the gradual fall of the United States are what will define the 21st century (Smith, 2020).

Another factor can be U.S unnecessary and disastrous interventions in Afghanistan, the Middle East, and other regions. It cost the United States of America a great deal, depleted its financial resources, and contributed to decline in its power. Reports indicate that

following the 9/11 incident, \$6.4 trillion dollars were spent by the US on wars in the Middle East and Asia (CNBC, 2019).

The last reason is the economic crisis of 2008. It is regarded as the biggest financial crisis since the Great Depression of the 1930s and had a significant impact on both Europe and the United States. The US lost \$9.8 trillion dollars because of the economic downturn in 2008 (Merle, 2018). The dwindling influence and power of the United States for the past 20 years can be attributed to all these factors.

As the United States' influence is waning across the world, and as a result, Asian states—particularly those in Southeast and East Asia—are becoming more powerful economic players. It is predicted that Asia will make up nearly 50% of global GDP by 2040, which statistically supports an actual Eastward shift in the global economic axis from West (Sneider, 2019). “Miracle of East Asia,” which encompassed the states of Japan, Malaysia, Indonesia, and Singapore as developing markets from the 1960s to the 1990s, played a crucial part in the shift of the world economy to the east (Mead, 1991).

According to Parag Khana (2019),

–Asia is moving ahead on the path of prosperity, and rising as the hub of the global economy.”

The China and India's economic rise from 1995 to 2015 strengthen this argument. During this period of time, revolutionary policies and reforms were implemented by both states which included economic liberalization policies, trade enhancement, and focus on attracting foreign investments. As a result, India and China's contribution is more than half to the Asia's total GDP (IMF, World Bank, 2019).

Policy makers and economists have predicted that Asia will become the centre of the world's economic power, and that this will continue for next several decades. Furthermore, about 60% of all trade between Asian states occurs within Asia, since Asia is an integrated economic continent (Goldman, 2020). This global economic shift of power to Asia has also been acknowledged by the United States. In 2011, US Secretary of State Hillary Clinton in her speech at West-East centre Huawei, mentioned that the "Centre of Gravity" is shifting to Asia-Pacific. Moreover she said:

It is becoming increasingly clear that the world's strategic and economic center of gravity will be Asia Pacific, from the Indian subcontinent to the Western shores of America" (WSJ, 2011).

Moreover, Asia's importance has multiplied in both geo-economic and geostrategic terms as a result of China's recent ascension to become the world's second-largest economy after the United States. It has been predicted that

The Asian Century will be dominated by China. It will continue to be the Asian continent's major source of economic growth. Ample opportunities and alternatives will be created for local producers and consumers as a result of China-driven flows of commodities, finance, and infrastructure development projects" (Huiyao,2019).

Additionally, China has essentially become an economic and geopolitical force in Asia. It mostly employs its economic influence to pique political interest.

China has become a geo-economic power in the 21st century because of its economic strength. To accomplish its political and strategic objectives, it is employing economic

instruments like loans and other financial incentives. The geo-economic component of the Belt and Road Initiative BRI cannot be disregarded in this context as it offers significant opportunities for regional integration, economic and infrastructural development (Blackwill, Hans, 2014).

In 2013, China introduced its grand strategy known as the Belt and Road Initiative (BRI), consists of six mega economic corridors which are going to connect a range of states across Asia, Africa and Europe. Pakistan joined BRI in 2015 through China Pakistan Economic Corridor (CPEC), a flagship project of BRI. CPEC is the BRI's only bilateral corridor and it will link important land and sea routes to western China that is surrounded by land. China Pakistan Economic Corridor is considered as a vital opportunity for revival and development of economy of Pakistan in the 21<sup>st</sup> century. As it has enormous geo-economic benefits, it can be a key facilitator in addressing Pakistan's economic crisis, and through fostering infrastructure, economic growth, and connection, it can also improve national integration and cohesiveness (Golizadeh et.al, 2019).

In China's Belt and Road Initiative (BRI), Pakistan is a significant and vital participant. With the rise of China, its importance has also grown. Due to its geostrategic location in Asia at the intersection of West, Central, and South Asia, Pakistan plays a pivotal role in the CPEC (Golizadeh, et.al, 2019). This geostrategic and geo-economic significance of Pakistan's geographical position has compelled China to invest in the country under CPEC. Therefore, Pakistan-China cooperation under CPEC will provide both states ample opportunities to achieve their geo-economic and geo strategic interests in Middle East and in Asia.



The aim of this research is to study the global economic shift towards Asia and the factors behind this shift. Furthermore, it looks into Pakistan's geostrategic significance in making the 21st century the Asian century. The changing trends in Pakistan's policy approach from geopolitics to geo-economics. Lastly, it discusses the hurdles that hinder Pakistan's transition towards geo economics.

### **Research Questions**

- Is Pakistan's policy approach shifting from geopolitics to geo-economics after the launch of China Pakistan Economic Corridor CPEC?
- How significant is Pakistan's geostrategic position in the 21<sup>st</sup> century in the emerging Asia?
- What are the impediments and challenges in Pakistan's transition from geopolitics to geo-economics?

### **Significance of Study**

–Due to the interconnectedness of the global economy, the relevance between geo-economic strategy to traditional geopolitics had increased. China's Belt and Road Initiative is the foremost example of this shift" (Wigell, et al. 2019).

Pakistan's significance has also increased with the emergence of China as an economic giant in the region. As Pakistan is a major partner of China in its mega project of the Belt and Road Initiative BRI. Through China Pakistan Economic Corridor CPEC, Pakistan joined BRI formally in 2015. This study is significant as it investigates the CPEC through geo-economic lens and opens a new debate that how significant is Pakistan's geo-

economic policy shift and how this region's power balance, which was traditionally influenced by geopolitics, will be impacted by this strategy.

### **Limitation of Study**

In this study the focus is restricted to economic rise of Asian States particularly Southeast Asian states only. The study doesn't study the changing global economic order in detail and is limited only to the factors that contributed to the economic rise of Asia. Furthermore, the geostrategic significance of Pakistan in terms of geo-economics is discussed regarding CPEC only.

Moreover, a significant portion of data, including quantitative measures, tracking the development of the infrastructure project, and the funding ratio between assistance and loans within the CPEC-framework, is kept classified by the Chinese government because CPEC is a vital component of larger Chinese foreign policy agenda and cannot thus be used in this study (CaspianReport, 2019).

### **Methodology**

The research is qualitative and has a futuristic outlook. The method of content/discourse analysis approach is used to analyze the policy statements and interviews of the experts to predict the future policy orientation of Pakistan. Both Primary and Secondary data collection tools are used to gather data. Primary sources include expert interviews and policy statements of the government's officials and other concern authorities, International organizations like IMF, World Bank, Asian Development Bank etc reports which are available online and provided by Pakistan Scientific and Technology

Information Centre (PASTIC). For secondary data, I have consulted books, research journals, magazines and research articles. After analyzing data, conclusion is drawn and future scenario is predicted.

### **Scheme of Study**

This thesis is divided into the following chapters.

The thesis starts with a brief introduction and background explanation of the topic and builds the rationale of the research. In addition, it also includes research questions, significance of the study, methodology used to conduct the research and the limitations of the study.

The first working chapter comprises of two parts. Firstly, it has explained the theoretical framework that is used to conduct the study and the second part reviews of existing literature on the topic including sources such as books, research articles, and newspaper articles, directly related to the topic have thoroughly been studied.

The second chapter explains the factors behind the economic rise of the Asian states particularly East and Southeast Asian states such as Japan, Malaysia, Thailand, Phillipines, Singapore, China and India, etc. Furthermore, all the relevant factors that contributed and will continue to impact the economic growth and development of Asian states and shifting patterns from geopolitics to geo-economics have also be covered.

The third chapter discusses in detail the shifting dynamics of geopolitics to geo-economics in Pakistan. It gives an overview of geopolitical culture of Pakistan since its

inception and how its policy approach shifting from geopolitics to geo-economics specifically after the launch of China Pakistan Economic Corridor (CPEC).

Lastly, the challenges and hurdles, both the internal and external, in Pakistan's transition from geopolitics to geo-economics are discussed in the last chapter.

After all this discussion conclusion is drawn.

## Chapter 1

### Theoretical Framework and Literature Review

#### 1.1 Theoretical Framework

The approach that guides this research is the concept of “Geo-Economics;” the relevance of geo-economics to Pakistan particularly after the inauguration of China Pakistan Economic Corridor (CPEC) in 2015.

–The term geo-economics originates from geopolitics. It primarily deals the geographical, temporal, and political characteristics of economies and resources. It is the study of the complementary relationship between economic, political and geographical factors and how they are utilized by states to pursue strategic goals” (Wigell, et al. 2019).

The genesis of contemporary geo-economics can be traced back to an article which was written by Edward Luttwak (1990), who was a political scientist and a military strategist. He emphasized that as the Cold War ended how military might became less significant in comparison to economic reasoning (Thirlwell, 2010). In recent years, geo-economics has gained significance for explaining and analyzing the use of economic power by major states to achieve their goals and objective. But still it is relatively an understudied part of foreign affairs and International political economy. As the Cold War ended, the rivalries among the states are more economic than military in nature. Even though, the conventional, military-driven geopolitics is still highly significant, the use of economic means to achieve their goals is preferred by major powers (Wigell, et al. 2019).

Although there isn't any standard definition in academia currently, economist Mikael Wigell, Mika Aaltola and A. Vihma (political scientists) and Soren Scholvin – an economic geographer explored and investigated the subject and deconstructed the convoluted concept, resulted in a well-substantiated definition of geo-economics which would be employed in this research.

–Geo-economics is both a strategic practice and an analytical framework. Its referred as a state's use of economic means of power to achieve its strategic means s a foreign policy tool. Geo-economics as an analytical framework builds on the tradition of 'international relations realism,' which emphasized on how competition for relative power determines state behavior" (Wigell, et al. 2019).

Moreover, it is also acknowledged by the geo-economics that geography of a state is a vital component of its national power and has great impact in shaping its international relations and foreign policy directives. Therefore, it can arguably say that geo-economics is the geostrategic use of economic power (Vihma, 2017).

### **1.1.1 Geo-economics in the China Pakistan Economic Corridor's (CPEC) Context**

Although the CPEC primarily concerns Pakistan in geographical terms, it is Chinese investments which enable the infrastructural development. It's critical to know the benefits to China in order to realise why China is funding this massive endeavour. When viewed through a geo-economic lens, China's Belt and Road Initiative is considered as a long-term plan to maintain a dominant position in the politics of Asia in 21<sup>st</sup> century and to protect its national interests (Vihma, 2017). The Belt and Road Initiative BRI's China

Pakistan Economic Corridor (CPEC) is likely the most significant component due to Pakistan's geographic position in the region.

Borrowing theoretical insights from the concept of geo-economics, in this research I attempted to analyse the global economic shift towards East from West and economic rise of Asia in particular. Furthermore, analysis of Pakistan's geographical location and the China Pakistan Economics Corridor CPEC project through geo-economic lens has been done.

## **1.2 Literature Review**

Much has been written on global economic shift from west to east, economic rise of Asia specifically China but only few works are available on geo-economical aspect of China Pakistan Economic Corridor CPEC and Pakistan's role in rising Asian century. Most of the literature covers global economic shift to West, economic rise of East and Southeast Asian countries and economic rise of China and its role in the shift.

In "China's Belt and Road Vision: Geo-economics and Geopolitics," Syed Mahmud Ali (2020), has examined key components and development of the Belt and Road Initiative (BRI), a \$1.4 trillion dollars project of China; which is basically a grand strategy aimed to revive and improve old land and sea routes for trade. He analyzed the foreign policy goals and economic objectives of this mega project. Furthermore, how the project would impact the region in terms of geo-economic and geopolitics has been discussed. Additionally, the author assessed that as the 21<sup>st</sup> century belongs to Asia, with China playing a central role whether the BRI could pose a threat to the United States and global order that is led by it.

Andrew Small in his book, “The China-Pakistan Axis: Asia’s New Geopolitics” (2015), provided a detailed investigation of the geostrategic ties between China and Pakistan since 1960. He is well known scholar who has authority and is well acknowledged on China and its foreign policy in South Asia. He analyzed the significance of Sino-Pak relations not only for themselves but for the whole region. As Pakistan is dependent on China, the nature and extent of strategic partnership between the two states is primarily determined by China. Furthermore, the author states that by investing huge sums in CPEC, China tried to generate economic growth and stability in Pakistan and adds another dimension to their otherwise military-based relationship.

In the article, “The Promise of the Geo-economic Arctic: A Critical Analysis,” the authors partakes another dimension of geo-economics. According to them, geo-economics is the use of how states can utilize geography and statecraft to achieve economic goals. Geographical factors are crucial in deciding economic ends and a state can use its natural resources to achieve its political and strategic gains. Geographical location of a state plays a significant role in shaping and achieving its economic objectives so the geographical variables like transportation routes, straits, and sea lines must be taken account while framing national and international policies and it also falls under the domain of geo-economics.

Edward Nicolae Luttwak (1990), in his famous article, “From Geopolitics to Geo-Economics: Logic of Conflict, Grammar of Commerce,” argued that the significance of military might decreased after the Cold War ended. Commerce and economics displaced military methods and technology, innovation and market penetration became more



important. Interactions between states will be based on economics which would result in fierce competition in some cases and in other it would lead to economic alliances.

Parag Khanna (2019) in his book –The Future is Asian” predicts that 21<sup>st</sup> century belongs to Asia. The author recognises the beginning of a "Asian dominated world order" by analysing the most recent economic developments. Asia will reemerge as the epicentre of world politics to replace the US-led international system. He explained that huge investments, rapid industrialization, and liberal trade policies are the main factors behind this economic growth. Although the author called the Belt and Road Initiative of China as –the most important diplomatic endeavour of the twenty-first century” but he also points out that this economic growth is not limited to only China. India, Japan, ASEAN states, Central Asia, Southwest Asia, Russia, and the Middle Eastern states are also playing a role to this geopolitical revolution.

In the research paper, –Shift of Power from West to East and Rise of China,” the authors evaluated the existing global scenario and the dynamics of power shift from West to the East. The economic, political and security trends were analyzed to understand the most significant aspects of process of power transition. Furthermore, the authors analyzed China’s role and its possible implications in the transition process. The emergence of China as economic giant; and its political, cultural and military aspects have also been highlighted. An effort has been made to analytically view the emergence of China as an economic power and how this economic strength is gradually transforming into political, diplomatic, military strength of China (Minhas et.al, 2018).

In article, "Modern Trends in Geo-Economics and Geopolitics," the authors, Irina F. Ignatyeva and Boris A. Isaev examines the changing dynamics of international politics and economics, concentrating on the modern tendencies that influence how states interact and pursue their economic goals.

The authors begin by highlighting the interdependence of geo-economics and geopolitics and how economic considerations have come to dominate centre stage in geopolitical decision-making. They believe that in the contemporary geopolitical environment, economic concerns are complementing and impacting conventional geopolitical power conflicts, creating an intricate relationship between the two.

Moreover, the article explores some major developments that are reshaping the fields of geo-economics and geopolitics. The prominence of rapidly growing economies like China and India, as well as their expanding impact on world events, is one significant trend that has been debated. The authors discuss various strategies adopted by these nations to express their economic strength and carve out a prominent place for themselves on the global scene.

The growing significance of regional economic cooperation and integration is another significant trend highlighted. Ignatyeva and Isaev examine how the emergence of regional organisations and agreements, such as the European Union and ASEAN, is changing the established power dynamics in global geopolitics and economics.

In addition, the authors discuss how technological developments, particularly in the fields of information technology and communication, have an influence on geo-economics and geopolitics. They draw emphasis to the shaping influence of digital platforms, data

analytics, and cyber abilities, as well as the possible dangers and difficulties posed by these changes.

The article further addresses the increasing importance of non-state entities in the geo-economic and geopolitical scenario, including global corporations, non-governmental organisations, and transnational criminal networks. The authors explore how these actors' impact on national and global decision-making processes may have consequences.

The article offers a thorough analysis of the current trends and dynamics in the field. The authors provide substantial insights into the future of geo-economics and geopolitics by examining how economic variables and geopolitical concerns interact to shape the structure of global power relations.

In the article, *Geo-economic and Geopolitical Conflicts: Outcomes of the Geopolitical Economy in a Contemporary World*, by Petar Kurecic how the use and export of non-renewable natural resources by governments influences the occurrence of resource disputes. The author mentioned that the term "geopolitical economy" has been interpreted in a variety of ways by various authors. A significant difference between their perspectives relates to the state's role and its significance in the international political economy as well as on a global scale. Conversely, this study compares various conflict types and divides them into various "geopolitical economies," relying primarily on R. Desai's claim that the modern world is mainly defined by uneven and combined progress, with nations having a prominent role in it (regulating the political economy within their borders and the geopolitical economy internationally). The main claim of the study is that

resource conflicts are geo-economic-geopolitical conflicts that develop as a result of the geopolitical economy.

The powerful, industrialised nations that now control the world's politics and economics want to maintain the status quo. Contender nations are committed to evolve into dominant states through coordinated growth. The geopolitical economy has been built by and is being maintained by these activities. Due to their underdevelopment and reliance on resource exports, fragile states, particularly those in unstable regions of the world, are more likely to become involved in resource wars, also known as geo-economic geopolitical conflicts. These wars are the results of geo-economic rivalries, in which powerful and aspirant nations show their "unquenchable thirst," mostly for resources that are not renewable, of which oil is now the most crucial. As a result, the states in which these battles are taking place are being destroyed and torn apart, which makes those states as well as the areas in which they are located unstable over time.

In the article, "Re-thinking Geo-economics: Towards a Political Geography of Economic geography," Sami Moisió, examined some of the ways that the idea of geo-economics is defined in and linked to the concept of geopolitics. The notions of geopolitics and geo-economics have been used by both IR academics and human geographers to shed some light on this conceptual problem, particularly by interpreting them as denoting various types of geostrategy and, consequently, various forms of political practise and discourse. When understanding geopolitics from the critical social science and political economics perspective, which emphasises the interconnectedness of the economic with the political, this separation seems startling. It is also noteworthy that many researchers, particularly

those who study geopolitical economy, refrain from using the term "geoeconomics," thus discounting its validity as a concept for analysis.

The divergence between geo-economics and geopolitics is attempted to be addressed by the geopolitical viewpoint on the examination of knowledge-based economies that has been described above.

This viewpoint focuses on the geopolitical space economics of capitalism and draws inspiration from work in urban studies, heterodox political economy, and critical human geography. Possibly, cross-fertilization between these domains is a requirement for creating a perceptive geopolitical understanding of globalisation.

Adriana Erthal Abdenur in "The Geopolitics of East Asia: New Geometries of Competition and Cooperation," with an emphasis on Latin America, attempts to produce an understanding of how East Asia's geopolitics and geo-economics, which are rapidly evolving, effect existing and projected trends in cross-regional economic cooperation. The three main trends that the study focuses on are the economic transformation of East Asia, security and cooperation in the Pacific, and mega-agreements. By amalgamating Western and non-Western arguments from academia and politics, the research offers a concise yet critical summary of contemporary disputes in each of these domains.

East Asia is at a turning point. In addition to its evolution and rise as an emerging economic juggernaut, new sources of ambiguity as well as unique approaches to collaboration have begun to emerge. Although it is by no means the only significant actor, China continues to play a crucial role in determining the economic, political, and security dynamics of the area. The interactions that China chooses to have with the other

governments in the region, as well as the responses of Asian players to China's continued ascent, have a significant impact on patterns of cooperation, rivalry, and competition in the region that extend far beyond the region that is traditionally referred to as East Asia.

The three analyzed trends provide three potential scenarios, outlining various power arrangements for East Asia over the next 20 years. In the first, China would have regional hegemony; in the second, there would be a regional bipolar system with China and Japan as the key players; and in the third, there would be a regional multipolar system with fluctuating centres of gravity and shifting allegiances. Each of these situations, in turn, has a unique set of ramifications for Latin American players, including governments, businesses, and non-governmental organisations. These shifting rivalry and cooperation patterns in Asia (and by Asia) are significant for Latin American actors as it will influence chances for trade and FDI as well as the emergence of new industries and market niches (or, depending on the situation, the closure of existing ones).

In the article, "Conceptualizing Regional Powers Geo-economic Strategies: Neo-imperialism, Neo-mercantilism, Hegemony and Liberal Institutionalism," Mikael Wigell discussed that geo-economics which is also defined as "the geostrategic use of economic power" has taken on more significance in regional powers' strategic behaviour. Regional powers are becoming more significant participants in world affairs. However, they act primarily in the economic sphere and extend their influence through foreign economic policy. Resultantly, the idea of geo-economics has gained significance in both policy discussions and scholarly research on foreign policy and international relations. However, we have yet to acquire the analytical tools necessary to compare the geo-economic policies of regional powers.

The author tried to create a typology for identifying possible geo-economic tactics that regional powers may use to deal with the respective regions. He emphasized on the merger of regional power with a geo-economic approach to produce the four ideal-typical tactics of neo-imperialism, neo-mercantilism, hegemony, and liberal institutionalism. With the use of this new typology, it is feasible to conceptually differentiate between various regional powers and the various geo-economic tactics they may employ.

The author explores how the new typology may further our knowledge of the conduct of regional powers foreign policies as well as the agenda for emerging geo-economic research. Brief case study have been provided for illustrative purposes, focusing in particular on Brazil, the EU, Germany, and Russia, even though the article's goal is not to test any particular theory or conduct an empirical analysis of instances.

Xiaoyu Pu in his article, "One Belt, One Road: Visions and Challenges of China's Geo-economic Strategy," offers a conceptual and theoretical framework for examining the goals, challenges, and hurdles of China's One Belt and One Road OBOR policy. The author debates that the OBOR initiative might be seen as China's new geo-economic vision. OBOR has a huge potential to change China's internal and foreign policies by eventually establishing a new, China-led economic, diplomatic, and security system. The fact that China is still unsure about its place in the world is a major contributing factor to the OBOR's apprehension. Despite being an ambitious strategy, OBOR confronts several obstacles, like as security risks, geopolitical rivalries, and regional opposition. OBOR may aggravate the policy environment of China's market-driven transformation since political logic may possibly outweigh economic justifications.

The author stresses that the trajectory of OBOR will ultimately depend on how powerful China's economy becomes in the future. As two geo-economic experts Blackwill and Harris (2016, p221) mentioned,

“national power depends above all on the performance of the domestic economy and the ability to mobilize and allocate its resources.”

Matt Ferchen, (Head of Global China Research, Mercator Institute for China Studies), in “China’s Belt and Road Initiative and the Problem with Geo-economics: Toward a More Thoughtful and Competitive U.S. Response,” discusses that the prevailing view governing American reactions to China's international economic initiatives, notably the Belt and Road Initiative (BRI), is that China is successfully employing state-backed economic policies and instruments to acquire geostrategic power at the expense of the United States. Such a zero-sum framework indicates the rising popularity of the geoeconomics theory, which holds that a China that is fully aware and all-powerful has the ability of planning and enacting its foreign economic strategies in order to gain uncontested power and influence over its smaller and poorer neighbours in Southeast Asia as well as over supposedly weak or gullible developing nations in regions like Africa and Latin America. Due to this inaccurate judgement, the United States has overestimated Beijing's ability to transform its booming financial, commercial, and investment links with Southeast Asia and other emerging countries into unmistakable Chinese domination at the expense of the the United States.

In addition, the popular, zero-sum geoeconomic paradigm for comprehending China's BRI and other foreign economic policies has undervalued the appeal of China's



"development"-themed foreign economic strategies in developing countries where leaders take advantage of and occasionally misuse China's commercial outreach to obtain their own interests.

Moreover, the author emphasized that the US government, public society, and industry should adopt one of three sorts of reactions as a result of a better understanding of the appeal and limitations of China's foreign economic policy in developing nations: 1) assisting developing nations in building their capacity to interact with China on their own terms and in their own interests; 2) collaborating with allies and partners in Asia and Europe to develop more sustainable, alternative methods of financing and developing transport, energy, and digital infrastructure; and 3) developing and enacting a new, self-assured "prosperity agenda" that will appeal to developing nations in Asia, Latin America, Africa, and perhaps even the Middle East.

In "The New Geo-economics of a 'Rising' India: State Transformation and the Recasting of Foreign Policy," Priya Chacko, with a focus on India, investigates how ideational and actual processes of state change have affected India's foreign engagement throughout history and draws on critical literature on geopolitics, geo-economics, and "relational" state theories.

Prior to 1991, India's involvement with international and regional multilateralism was influenced by geopolitical social forms connected to a national developmentalist state project, and the character of this engagement changed in response to changes in the economic feasibility and legitimacy of this state project. The 1990s saw a deeper transformation of the national social order as a result of the rethinking of statehood within

a geo-economic social, wherein India's future was believed to be best secured through policies of economic openness, development, and competitiveness in the marketplace. The groundwork for this transition was laid by the disintegration of the developmentalist state programme of the 1970s. New forms of global and regional involvement have emerged as a result of the change in India's state project, which are distinct from more traditional types of international engagement and reflect and advance Indian state transformation processes. This has been demonstrated by examining India's evolving energy policy, which since the 2000s has been articulated in terms of "energy security" and has given conception to new regional governance systems in order to safeguard the supply of resources. This has encompassed new kinds of multilateral collaboration in Asia and Africa as well as the regionalization of domestic institutions, sub-national governments, and state agencies.

The author, hence, has offered an alternative viewpoint from which to assess the "rise of India" by looking at modern India's foreign involvement in a way that is attentive to processes of state transition and its international aspects.

Dr Stephen Kirchner in "A Geo-Economic Alliance: The Potential and Limits of Economic Statecraft," analyses the capabilities and constraints of geo-economic statecraft in the context of the alliance between Australia and the US. The author in regard to the security concerns raised by China's increasing power and influence, alliance strategies towards China have changed from engagement to strategic rivalry and competition, which has transformed international and domestic economic policy settings. Policymakers in Australia have grown increasingly concerned about China's use of geo-

economic tools. But in terms of furthering its geopolitical objectives, its use of economic politics has been largely ineffective.

Although Australia and the United States have strengthened their collaboration in some geo-economic policy domains, particularly related to the defence industry, technology, and critical minerals, geo-economics is still an inadequately developed aspect of the alliance relationship, illustrating the alliance's origins in a security treaty that is silent on economic matters. The United States, United Kingdom, and Australia (AUKUS) have a new, improved trilateral security alliance that shows US values collaboration with friends in security as well as in the military industry and technology. The United States has tried to reintegrate global economic, foreign, and defence decisions, much like Australia, in order to reflect changes in Chinese internal politics and geopolitical reality.

Furthermore, the author discusses that the main analytical challenge posed by geo-economics is how to reconcile the typically zero-sum logic of geopolitical rivalry between nation states with the positive-sum logic of profits from international commerce and the cross-border flow of commodities, services, capital, people, and ideas. Instead of bringing the two viewpoints into balance or harmony, geo-economics may be used as a pretext to replace geopolitics with economics.

The author is of the view that the recent concerns about economic coercion among Australia's regional and international allies imply the possibility of a coordinated response should China's economic pressure persist or worsen. The Indo-Pacific region's fears about China's use of geo-economic statecraft should be exploited by Australia and the United States. For both US and Australian authorities, a global strategy to promoting

resistance to China's economic pressure should continue to be of the utmost importance. Therefore, Australian policymakers ought to encourage America to continue investing in the global and regional economic development and trade defence infrastructure while engaging Washington in the World Trade Organisation reform process. In the long run, diversification of trade and growth among allies would better support financial sustainability than trade restrictions targeted at China.

In “Analysis of the Development Level of Geo-Economic Relations between China and Countries along the Belt and Road,” Wei Hu et.al develops a geo-economic model to assess the geo-economic ties between China and the Belt and Road region's nations, examines the spatial-temporal nature of geo-economic flow between China and these nations, and explores the spatial accumulation of geo-economic flow between China and these nations. The findings indicate that the geo-economic flow between China and the Belt and Road countries is growing and that the geo-economic ties between China and these nations are continuing to strengthen. China's geo-economic connections with these nations have mostly relied on trade flow, which is significantly bigger than investment flow. Significant geographical differences exist in the geo-economic movement between China and the nations along the Belt and Road. Unbalanced regional powers are a significant factor in the evolution of geo-economic interactions.

In the northeastern region of India, the geo-economic centre of gravity of China and the nations along the Belt and Road was shifting; it first went to the northwest and subsequently to the southeast. Southeast Asia serves as the geo-economic space of China's core region, and this region has clear core-peripheral structural features. A northwest-southeast trend may be seen in China's geo-economic space. Geo-economic

flow between China and the nations along the Belt and Road has shown a considerable, positive geographical self-correlation but the overall spatial agglomerate has been lacking. China and these nations' geo-economic flow agglomerations have primarily occurred in Southeast Asia, with high-high agglomeration being the primary agglomeration type. China's and Southeast Asia's geo-economic activity produced some geographical spillover effects. China must strengthen investment networks with these nations, optimise geo-economic relationships with regional powers, and encourage the full development of trade flow, investment flow, and other geo-economic element flow in order to promote the sustainable development of China's relations with the countries along the Belt and Road.

The book, “War by Other Means: Geo-economics and Statecraft” (2016) by the authors, Robert Dean Blackwill (former ambassador of US to India) and Jennifer Michelle Harris, is a geo-economics assessment that is intended for both academics and policymakers. The book's main focus is how China uses geo-economics as a tool of statecraft and how the US has neglected this tool in order to advance its foreign policy and national security goals. This book is a substantial addition to the literature on economic statecraft and grand strategy.

Mikael Mattlin and Mikael Wigell (2016) in “Geo-economics in the context of Restive Regional Powers,” emphasised that, historically, the idea of international power has always been framed in geopolitical terms rather than geo-economic terms. It mentioned that

–several countries in the West are aware of Asia's rise. Asia's economic strength is translating into geo-economics where states use their economic strength to achieve political and strategic ends.”

Among them, China and India can be quoted as relevant examples to substantiate the argument. Geo-economic strategies are more suitable for non-western countries such as Brazil, India and China because they rely mainly on non-military means to counter the role of bigger and more powerful players such as US in the world in general and in Asia specifically.

Babones (2017), in his article, “Money Talks: The Rise of Geo-economics Is Playing Right In to Washington’s Hands” stated that China is an example of one of the most prominent states that has been gradually transitioning its policy approach from geopolitics to geo-economics amongst the Asian states. It has no territorial goals along the BRI routes, but it aims to use economic leverage to further its political and strategic goals. Moreover, it has a new vision for Asia that involves working with other nations to use economic soft power to counteract the influence of the US in the region.

Robert Dean Blackwill and Jennifer Michelle Harris (2016) in, “The Lost Art of Economic Statecraft: Restoring an American Tradition” states that US despite being the most powerful economy in the world still too often consider military force over use of economic powers to achieve its geopolitical goals. Initially for over 200 years, the US policy makers always employed economic means to achieve geostrategic interests. The authors look into the gap between US diplomatic priorities and economic means through a historical lens and in context of US current economic adversaries in Russia and China.

The authors are of the view that through BRI, China seeks to achieve certain strategic objectives which are primarily:

–replace the US influence from international system generally and from South Asia in particular, affect US alliances in the Asia, avoid any military confrontation with US and most importantly through BRI, China use its economic power to attract and influence the Asian states, Europe and Africa.”

The authors come to the conclusion that the return of “geo-economics” which means using economic policies for achievement of geopolitical objectives is crucial for both the global balance of power and US diplomatic strategy, influence, and public perception.

Andrea Villarnovo Lopez Begleiter (2019), in her thesis, “The Dragon Stretches its Wings: Assessing the Geopolitical and Economic Implications of China’s Belt and Road Initiative in Pakistan and Kenya,” argued that in order to further its foreign policy objectives, China is employing “debt-trap diplomacy.” He took Kenya and Pakistan as case studies to conduct this research. The author found that Contrary to common claims made by Western politicians and journalists, the initiative has not demonstrated that it serves China's military goals, and the majority of recipient countries are pleased to accept investment. Instead, the study discovers that although there are threats from the United States and other Western states, there is a growing desire worldwide in adopting Beijing's methods for economic growth and development.

Ali Gholizadeh (2020), in his article, “A Geoeconomic and Geopolitical Review of Gwadar Port on Belt and Road Initiative,” by integrating geopolitical and economic variables from a geo-economic viewpoint, the author determined the significance of

Gwadar port for China and Pakistan. The author finds out that the development of Gwadar port can enhance the economic security of both China and Pakistan.

Miguel A. Perez Martin (2010) in, “Geo-Economics in Central Asia and the ‘Great Game’ of Natural Resources: Oil, Gas, Uranium and Transportation Corridors (WP),” analyzed Central Asia from geo-economic lens especially focused on key factors in the region like natural resources such as water, gas, logistics, trade and transportation routes, oil and uranium. He evaluated the existence and impact of nations and significant firms in the region while analysing the role of great powers and multinational corporations in connection to the challenges and showing some major and important players especially Russia and its prominent role in the new “Great Game.”

Aliya Tskhay, a research fellow at University of St Andrews, in her research paper, “China and Geo-economic Dynamics in Central Asia: Balancing Global Strategies, Local Interests and Multiple Partners,” focuses on geo-economic aspects of China’s presence in Central Asia. The author is of the view that although the Belt and Road Initiative BRI offers immense potential for economic development but it would result in to potentially an over-dependent relationship among states.

In the policy paper, “Pak-Americana: Ushering in a New Era for Pakistan-US Relations” the authors also emphasized on transition from Geopolitics to geo-economic cooperation in context of Pak-US relations. The authors in consultation with Pakistani policy experts identified that transitioning from geopolitics to geo-economics cooperation can be a key driver of engagement (along with 6 other major areas of interest) for Pak-US relations on which a more robust bilateral relation can be developed (Ali et.al, 2021).



Ronald Findlay and Kevin O'Rourke in *Power and Plenty: Trade, War and the World Economy in the Second Millennium* (2009),” tries to discuss the relationship between trade and geopolitics throughout the last 1,000 years. The main theme of the book focuses on the premise that wealth (economics) and power (politics) are interwoven, and is based on historical evidence. As Governor General of the Dutch East India Company, Jan Pieterzoon stated;

—We cannot make war without trade nor trade without war.” (Findlay & O'Rourke, 2009: 178)

This academic work stands out as it is a dual emphasis on the development of commerce and economics as well as the strong connection between geopolitics and wars. They emphasized how the outcome of historic conflicts creates certain geopolitical frameworks for conducting trade and pursuing economic development. The analysis of interplay between trade and geopolitics in *Power and Plenty*” provides us a framework to understand how in the contemporary world the rapidly emerging China with its grand strategy and flagship project; the Belt and Road Initiative, is challenging the current Pax Americana.<sup>2</sup>

Muhammad Faisal examined the dynamics of strategic relationships between Pakistan and China in his article, —Impact of Geo-economics on Pak-China Strategic Relations” through a geo-economic lens. The author investigated the geopolitical and economic interdependencies that influence the relationship between these two states. He emphasized on the importance of the China-Pakistan Economic Corridor (CPEC) and

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<sup>2</sup>“Pax Americana term refers to the period of relative peace and stability which was observed when US dominated the World that started as World War II came to an end.”

China's Belt and Road Initiative (BRI) as drivers of greater economic collaboration and closer political relationships. Furthermore, he highlights the China-Pakistan Economic Corridor as a crucial element of the strategic alliance between Pakistan and China. The article focused on the geo-economic factors in context of regional dynamics. In particular, the impact of China's emergence on regional power dynamics is examined in the study along with the consequences of the Pak-China relationship on the larger regional scene. It draws attention to prospective geopolitical changes brought about by the China-Pakistan nexus, particularly in reference to India, the US, and other regional players.

In the article, “Geo-Economic Linkages between China and the Countries along the 21st-Century Maritime Silk Road and Their Types,” an in-depth study of the economic ties between China and the nations located along the Maritime Silk Road has been presented. China has proposed the ambitious 21st Century Maritime Silk Road to improve connectivity and foster economic cooperation between the Asia-Pacific region, Africa, and Europe. Understanding the numerous geo-economic links that have developed as a result of China's involvement with these nations is the main goal of this study.

The study specifies three major categories of geo-economic links. First, links that are focused on trade are emphasised, highlighting the notable expansion of bilateral trade between China and the nations along the maritime route. Due to its growing investment in infrastructure projects and the creation of free trade zones to promote commerce, China has become a significant trading partner for these countries.

The second step examines links that are focused on investments, highlighting China's significant investments in the area. China has been making active investments in industries including manufacturing, energy, and transportation, which has helped these nations' economies expand and flourish. Furthermore, the study explores the advantages and difficulties of these investments, including issues with sustainability of debt and economic reliance.

Thirdly, the analysis of financial ties shows how China and the nations along the Maritime Silk Road have expanded their financial relations. To finance infrastructure projects and advance financial connectivity, China has established a number of financial institutions, including the Silk Road Fund and the Asian Infrastructure Investment Bank (AIIB). The study assesses how these economic ties may have an impact on regional economic integration as well as their potential.

As a whole, the study highlights the rising significance of China's geo-economic connections along the Maritime Silk Road of the twenty-first century. It emphasises how these connections have transformed commerce, investment, and economic collaboration while also noting the difficulties and hurdles brought on by these developments. Policymakers and scholars can better understand the dynamics of China's interaction with the nations along the Maritime Silk Road and its larger implications for the governance of the global economy by comprehending these links.

"Goeconomics and the Impact of the Rise of China," an article authored by Andrii Alymenko and Harrison John Bhatti explores the term geo-economics and looks at the effects of China's growing economic dominance on the geopolitical environment

globally. It explores how China's economic growth affects its ties with other countries and its foreign policy.

The authors introduce geo-economics by describing it as the merger of conventional geopolitics and economics and underlining its relevance in comprehending modern global trends. They discuss that China's economic dominance has reshaped the conventional balance of power, posing new difficulties and prospects for international actors.

The paper then examines the major factors that have contributed to China's economic growth, including its export-oriented strategy, state-led development model, and foreign infrastructure investments. It highlights China's focus on establishing a web of business ties, especially through the Belt and Road Initiative (BRI), which aims to improve connectivity and broaden its economic sway across continents.

Moreover, the effects of China's economic might on global commerce, financial markets, and regional integration have been discussed. They address of how China's increasing economic influence has caused changes in the world's supply chains, led to rivalry with major economies like the United States, and sparked the development of alternative financial institutions like the Asian Infrastructure Investment Bank (AIIB) and the New Development Bank (NDB).

Alymenko and Bhatti analysed China's changing geo-economic tactics and their effects on important regions including Southeast Asia, Africa, and Europe in the context of international relations. They emphasise how China has increased its political clout and gained access to vital resources and markets by using financial inducements and investments.

Furthermore, the writers discussed the risks and difficulties brought on by China's ascent, including its state-centric economic structure, issues with accessibility to markets and proprietary rights, and future geopolitical conflicts. They contend that while China's economic strength has positive effects for the country's economy, it also has to be managed carefully to prevent more geopolitical tensions and the breakdown of the global economic order.

Lastly, Alymenko and Bhatti claim that the development of China has profoundly altered the geo-economic environment, necessitating an intricate relationship between economics and geopolitics on the part of policymakers. They highlight the significance of comprehending China's geo-economic objectives and their ramifications for trade, global governance, and international relations.

In the article –Geopolitics and Geo-economics in the Emerging World Order,” the author Naghmana A. Hashmi emphasises the increasingly significant role of geo-economics as a useful and preferable tool for attaining geopolitical and geostrategic objectives. It highlights the interconnectedness of sovereign states and the growing significance of economic power in this globalised world. It focuses on how nations have used economic pressure, including targeted sanctions, to promote geopolitical objectives, especially the USA. As seen by China's economic diplomacy in areas like Latin America, Africa, and Asia, economic collaboration and indirect influence (soft power) are presented as essential for accomplishing geopolitical goals. Moreover, it points out the power shift from the Atlantic to the Pacific and the potential of China to surpass the United States of America as the largest national economy by 2030. It asserts that a nation's geopolitical power will increasingly depend on factors such as its financial stability, innovation, and

technological development. Additionally, the author contends that the geo-economic strategy adopted by China puts the West's preeminent political and governance paradigms under threat. An alternative to neo-liberalism and liberal democracy is shown in China's emphasis on a multi-polar world and the balance of power among regional blocs. The Belt and Road Initiative is referred to be the main pillar of China's geo-economic strategy, fostering alliances, political harmony, and economic ties through significant infrastructural development. The article makes the case that the switch from geopolitics to geo-economics signifies a change in strategies for advancing national interests. It explores if China's geo-economic strategy would be successful or if the reliance on military force would recur.

In "From Geopolitics to Geo-economics: Pakistan the Avoiding US-China Rivalry," Abu Hurrairah discusses Pakistan's efforts to develop itself as a hub of tech-based collaboration while avoiding great-power competition and analyses the repercussions of this policy change. Introduced in January 2021, Pakistan's National Security Policy (NSP) indicated a substantial change in the state's orientation from geopolitics to geo-economics. The aim of the policy was to place an emphasis on regional ties and industrialisation rather than only on counterterrorism initiatives. In addition, it addresses Pakistan's economic relations to China and the United States, the possibilities for diversification in a number of industries, and the difficulties Pakistan confronts in putting its economic reforms into practise.

The transition in Pakistan's National Security Policy from geopolitics to geo-economics shows a greater focus on regional ties and industrialisation. Pakistan strives to avoid great-power competition while fostering economic growth by concentrating on tech-

based cooperation and broadening its trade alliances. Nevertheless, issues including the unwillingness to accept non-Chinese investments, the requirement for a business-friendly environment, and different economic barriers must be resolved if these policies are to be successfully implemented. In order to attract investment and realise its policy goals, Pakistan will need to successfully traverse these difficulties and quicken its economic transformation. It also has to avoid great-power conflicts and use its geopolitical position to influence international affairs.

Naeem ul Haq (2017), in his book, “Looking Back: How Pakistan became an Asian Tiger in 2050,” provides an economic analysis of development in context of Pakistan within the framework of complexity as an approach. The book is written on a theoretical basis and has a futuristic perspective. The book also offers criticism of existing development theories and aid. He suggests that governance systems, institutional structures, and culture are intertwined using the newly developed complexity theory. Moreover, he added that macroeconomics and microeconomics are fundamentally unsuitable for producing insightful policy analyses and suggestions. Hence, complexity analysis is presented as an alternative tool for development economics.

In the article titled “Beware of Geo-Economics,” the author argues that a new economic order is shaping the world, where economic power will be used as tool to coerce and subdue other states. Geo-economic tactics will be applied by states to achieve their strategic and political objectives and economically strong nations will prosper in future (Jaspal, 2019).

This detailed review of previously available literature shows a lack of data on geo-economics in context of Pakistan and more specifically China Pakistan Economic Corridor.

## **Chapter 2**

### **Economic Rise and Shifting Patterns from Geopolitics to Geo-Economics in Asia**

#### **2.1 Introduction**

This chapter discusses the concept of Asian Century and the economic rise of the Asian countries such as Japan, Malaysia, Singapore, China and India, etcetera. It covers all the



relevant factors that have and continue to contribute to the economic rise and sustenance of the Asian states. Furthermore, this chapter analyses the shifting patterns from geopolitics to geo-economics in Asia.

## **2.2 The Asian Century**

The term “Asian Century” refers to the assigned role that Asia will perceptibly play in shaping and reshaping the global affairs because of the economic surge and demographic patterns. It is defined as “when the economies of Asian nations will be greater than the sum of the rest of the world's economies” (Relocate Magazine, 2019).

George Yeo, former Foreign Minister of Singapore stated:

“Asians are discovering their own history and finding inspiration for the future in it.”

This concept has gained importance due to the rise of East Asian countries, China and now India as the world's fast-growing economies. The East Asian states are at the center of global politics and, as experts predict, the future belongs to these nations because of their economic growth and geographical location. The “Asian Economic Zone,” which includes countries of ASEAN, constitutes 50% of the Asia's total GDP and more than two-thirds of the world economic growth. According to World Economic Forum, only \$1 trillion would be contributed by western states in middle class consumption between the period of 2015 to 2030, out of the total \$30 trillion and rest would come from Asia (WEF, 2019).

There are three distinct phases in Asia's resurgence and rise. The first phase is the one during which raised as an economic power particularly in 1980s. In 1978, Deng Xiaping introduced robust and revolutionary economic reforms which resulted in China's emergence as the world fastest-growing economy. The second phase is the one when Japan and the "Asian Tiger Economies" (South Korea, Taiwan, Singapore and Hong Kong) re-emerged and revolutionized their economies in the 1990s. Lastly, the third phase is from 1990 to 2000s when India, Indonesia, Vietnam, Philippine showed an overwhelming economic growth. Asian Development Bank report (2011) states that, "Asia is experiencing a historic transformation; if the recent economic growth trajectory maintained, the per capita income would be higher in PPP terms than Europe by 2050. It would add approximately 52\$ by 2050 which is double to the total of global GDP, Asia would restore the economic hegemony it had prior to the industrial revolution, which had lasted for around 200 years" (ADB Report, 2011). Earlier, during 1800s, more than one-half of global income was contributed by Asia specifically the sub-continent. However, it declined by 1960s due to exploitation of resources by European colonial powers (Nayyar, 2019).

Asia being fragmented and divided during 18<sup>th</sup> and 19<sup>th</sup> century due to European colonialism, steadily regaining its past's glory after end of cold war where it was epicenter of opportunities and resources.

Consequently, it can be said that the contemporary world is living in the Asian century because

–In terms of Purchasing Power Parity (PPP), Asia has a larger economic system than either Europe or North America, and it is home to more than half of the world's population” (Khanna, 2019).

### **2.3 Factors behind the Economic Rise of Asia**

Governments contributed significantly to Asia's economic progress during the past 50 years, either as a leader, catalyst, or supporter.

–The key to Asia's developmental success has been its ability to handle the embryonic relationship between markets and governments, striking the correct balance in each of their changing respective responsibilities” (Nayyar, 2019).

The emergence of Asia also shows the beginning of shift in global economic power balance and the gradual political decline of dominance of West. Future economic and political conditions will be somewhat shaped by how Asia exploits its resources, opportunities, and difficulties.

Even though, Asia achieved economic progress and growth in the 2<sup>nd</sup> decade of the 21st century, its journey was begun about half a century ago. Since then, an extensive amount of literature has been written about spectacular economic emergence of Asia by scholars and experts. However, there are number of scholars and writers<sup>3</sup> who who were of the view that following the conclusion of World War II, the Asian nations were dependent on western nations for economic aid and assistance and unable to achieve the economic progress and growth on their own. What has practically happened was astonishing and unbelievable. But the revival of the East Asian economies, the economic growth and

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<sup>3</sup> Christine Legards, Deepak Nayyar, Thomas Smith, Andrew Bloomenthal etcetera

development on their own after the introduction of robust and rigorous economic policy reforms astonished the world.

## **2.4 Economic Rise of Japan**

With its remarkable economic recovery from the rubble of Second World War, Japan surprised the world. Japan's economic progress and revival from the ashes of Second World War is known as "Japanese Miracle." Various factors contributed to economic development of Japan, partly it was due to the economic by the United States and policy reforms by incumbent governments also played a prominent role in it.

US carried out various economic reforms in Japan to save it from the influence of communist ideology of Soviet Union in the initial years after WW II. Land reforms in order to abolish feudalism, agricultural land expansion, giving farmer ownership of lands, democratization of labor and increasing wages are many of the reforms that helped to improve the work conditions of the labors (Vittorio, 2012). Due to these reforms Japan's economy set on path of development in faster way.

Furthermore, the ability of Japan's nation to learn technology and skills from other nations such as US, Australia, UK etc and effectively use of that acquired knowledge also contributed to its economic growth.

–Japan advanced the technological industrial tools and the improvement in one industry impacted the growth and development of other industry which led to high production and maximum economic growth" (Smith, 1988).

## **2.5 Economic Rise of Asian Tigers**

The high growth economies of Singapore, Hong Kong, Taiwan and South Korea are known as “Asian Tigers.” Since 1960, the four Asian Tigers maintained high economic growth that is mainly fueled by “rapid industrialization, export-oriented policies, an educated populace, incentives to attract foreign investors, investment in human capital and macroeconomic stability through robust economic policies” (Mughal, 2019). Macroeconomic management and factor accumulation are the two main growth strategies along with others, which caused the ‘Asian Miracle,’ according to a World Bank Study. Due to these revolutionary policies World Bank named these states as “Asian Tigers.”

### **2.5.1 Singapore**

After getting independence from Malaysia in 1965, Singapore pursued national economic policies and developed the Economic Development Board which boosted manufacturing sector of country. Industrial zones were established and tax incentives were offered by the state to attract foreign investment. As a result, Singapore became a high income economy with a GDP of US \$ 396.99 billion and a gross national income of US \$72,794 dollar per capita as of 2021 with a GDP growth rate of 7.6%.” (World Bank Report, 2021).

### **2.5.2 South Korea**

South Korea started as an agricultural based economy in 1960s and its GDP was comparable to poorest states of Asia and Africa during that period. But it attained phenomenal economic growth in the successive decades due to its policies. These include

–policies aimed at innovation, economic liberalization and conducive business environment to attract investors” (Santacreu, 2018).

Resultantly, South Korea emerged as the 10<sup>th</sup> largest economy in the world and had a total GDP US \$2.2 trillion (World Bank, 2020).

### **2.5.3 Hong Kong**

China under its administration made Hong Kong a special administrative region (SAR) which give it freedom over all its affairs except Defense. Hong Kong’s economic era began during 1960s. Economy was boosted with its expanded textile manufacturing and refurbished construction industry. Hong Kong created an attractive business environment in East Asia for investors and became the 3<sup>rd</sup> largest recipient of foreign direct investment (FDI) in the world.

According to IMF reports, Hong Kong achieved huge economic growth with a GDP of \$340 billion as of December 2020 with a growth rate of 2.9% .

### **2.5.4 Taiwan**

Taiwan experienced bitter relations with China, despite that; the country has thrived in the last forty years. According to official World Bank data, the GDP of Taiwan was worth 668.50 billion US dollars in 2020, coming out as one of the strongest economies of Asia. Due to Taiwan's unfavourable land-to-population ratio, capital deficit, lack of natural resources, and a government with a poor reputation, economists were fairly pessimistic about its economic status during the 1940s and the early 1950s. The economic boom in 1960s and for many decades after was due to robust land reforms, which generated a remarkable growth in agricultural sector.

The Taiwanese government allocated land to the lower classes from the aristocracy. Consequently, Taiwan's agricultural sector got a boost, enabling the government to concentrate on other sectors like education and industrial sector. Economic assistance from the US reduced the cost of industrial manufacturing, which led to rapid export development (Britannica, 2021).

## **2.6 Economic Rise of the Asian Tiger Cub Economies**

The term 'Cub of Economies' refers to the developing countries of Southeast Asia. It includes Indonesia, Philippines, Thailand, Vietnam and Malaysia. The fast development was supplemented by a wave of huge investment from the developed countries of Asia including China, India, Japan and South Korea.

### **2.6.1 Vietnam**

Vietnam is also one of Asia's fastest-growing economies in PPP terms since last two decades. According to World Bank report, it has a GDP of \$362.64B for 2021, a 5.65% increase from 2020. Vietnam was among the poorest economies of the region during 1980s. Its economy underwent a major transformation in 1986, when its government introduced a number of economic reforms based on the socialist-oriented market economy. Prior to the mid-1980s it had a highly centralized economy, but now it transitioned to a mixed economy.

The major factors that attributed to the economic development of Vietnam are trade liberalization that supplemented manufacturing growth, domestic reforms, market-oriented policies, development of the private sector and huge investments in human development and skills building (Vanham, 2018).

### **2.6.2 Malaysia**

According to a World Bank report, the Malaysian economy, with a GDP of \$372.70 billion US dollars in 2021, is the 25th most competitive in the world. Its GDP accounts for 0.03 percent of the world's economy.

Malaysia has initially agriculture and commodity-based economy which it now successfully transformed into the one that plays host to robust manufacturing and services sectors. Trade openness and investments played a pivotal role in its economic growth

### **2.6.3 Indonesia**

Indonesia is an emerging market economy with a 16<sup>th</sup> highest GDP of \$1.119 trillion in the world (World Bank, 2021). Historically, Indonesia's economy was mostly dependent on agriculture but it became more diversified with time. Indonesia is a major producer of Palm oil in the world, and it also has a well-developed automotive industry and is ranked as 17<sup>th</sup> largest motor vehicle producer in the world.

Economic stability over rapid economic growth has always been preferred by Indonesia. It adopted "stability-first" policy since last two decades, which reduces the current account deficit, stops external borrowing, and maintains foreign exchange reserves considerably above the required standards.

Despite, facing many ups and downs in its economic journey, Indonesia consistently pursued policies which kept current account deficit in control and restrained external debt. All these policies resulted in positive and rapid economic development and growth of the country.



#### **2.6.4 The Philippines**

Another country in the East Asia Pacific area that has made significant economic improvement is the Philippines. It has been one of the most dynamic economies in the region. The Philippines were far behind and its economic growth was stagnant from 1980 to 2010. But, from 2010-2019 its average annual growth increased to 6.4%, which was an average of 4.5% from 2000-2009 (World Bank, 2022). More development has been accomplished in the last 20 years than in the 50 years before that.

Philippines introduced structural and administrative reforms during 1970s that resulted in rapid economic growth. It includes eradication of the financial privileges to certain people, strengthened local administrative setup to decentralize power, introduced public policies which helped to eliminate poverty and unemployment, invested in human development and labor-intensive infrastructure projects and training programs for worker to develop their skills (Timberman, 2019)..

#### **2.6.5 Thailand**

In the past forty years, Thailand has made impressive economic growth, going from a low-income to an upper-income economy in less than a generation. It has a highly export-oriented economy and two-thirds of its GDP derive from exports. Thailand's GDP in 2021 was estimated to be valued \$505.98 billion US dollars as per the World Bank data. The economic growth of Thailand was facilitated by maintaining a higher productivity level, investments in upgrading labour skills, luring foreign direct investment, and relaxed economic policies.

## 2.7 Economic Rise of China

The economic rise of China has surprised the economists and policy experts. China's economy is currently larger than that of the US in PPP terms, accounting for 19% of global production in 2018–2019, more than twice the 7% recorded in 2000 (Marelli, Sinnorelli, 2011). China's tremendous economic achievement has been acknowledged by not only the Asian states but also the European states, as well as by international agencies such as World Bank and International Monetary Fund.

China's economic resurgence starts with the Communist Revolution of 1949, which was led under the leadership of Mao Zedong. After the revolution, the first thing the leadership of China did was to deal political and economic issues of China. In 1978, Deng Xiaping introduced hard and revolutionary reforms which brought a tectonic shift. Deng began to tighten the Communist party's hold on political power while moving cautiously towards economic liberalism. Held a strong check and balance over economic policies and maintained political stability for 3 decades. In 1982, Chinese government gave huge public subsidies and resources in order to enhance capitalist growth by abolishing the system of free education and health (Petras, 2012).

Reforms were introduced in five main area which included Agricultural sector (1978-1984) that lead to increase growth in the primary sector;<sup>4</sup> industrial sector (1985-1988), which attracted labor and increased productivity; from (1988-91, 1992-1997) economy was the main focus during these two periods. During last phase, from 1998-2013, openness was introduced in the Chinese economy, especially after 2001, after China's

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<sup>4</sup> "Primary sector extracts resources from the earth such as mineral and productivity such as food. It includes agriculture, forestry, hunting, grazing and fishing."

induction into the World Trade Organization. The recent Chinese economic “miracle” was significantly influenced by increased trade openness. Moreover, a key factor in China's economic development was the country's shifting trade balance, which saw imports decline and exports rise. (Marelli, Sinnorelli, 2011).

## **2.8 Economic Rise of India**

Owing to its economic success, India has the third-largest economy in the world by purchasing power parity (PPP), and it has the fifth-largest nominal GDP in the world. (IMF Report, 2022).

After its inception in 1947, India introduced some major reforms that transformed its standing at the regional and global level. During the initial few decades, Indian economic were based on socialist contours. Later on, in 1980s, India's shift towards the liberalization policies from restrictive and socialist-based policies brought economic growth and prosperity.

In 1980s, with the adaptation of industrial policy by government, a huge shift came in the economic policy. License Raj<sup>5</sup> was revoked as part of the industrial strategy, and the government allowed foreign technology investment in all state-controlled businesses, which contributed to the country's transition to the modern, open economy it has today (Perryer, 2019). Several factors can be attributed to the economic growth of India. Firstly, India fully utilized its huge population's skills and innovative capabilities. It has the 52<sup>nd</sup>

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<sup>5</sup> “The term "License Raj" refers to the rules and related bureaucracy that had to be followed in order to establish and operate Indian enterprises in India between 1951 and 1991. Obtaining licenses were necessary to start new companies, for producing new products or expanding production capabilities. It was a decision by the Nehru Administration to have a planned economy where all aspects of economy would be controlled by the government.”

spot on Global Innovative Index in 2019 which consolidated economic stability of the state. Secondly, India introduced such reforms and policies in its country that prioritized growth and development of economic activities. It provided safe and peaceful environment to investors which is shown by its place at 65<sup>th</sup> position at World Bank Ease of Doing Business Ranking.

## **2.9 Economic Rise of Bangladesh**

After its independence, Bangladesh was among the poorest nations in the world due to which United States National Security Adviser Henry Kissinger referred it as “basket case.”<sup>6</sup> The economy of the newly independent, war-torn nation had faces numerous challenges to progress. In 1980s, the privatization of state-owned enterprises began in Bangladesh.

Bangladesh has 5% of a GDP growth rate since 2000 and there were other economic indicators which show improved economic growth of the country. According to the Bangladesh Bureau of Statistics, 49% of the population of Bangladesh lived below the poverty level in 2000, which dropped to 31.5% by 2010.

Bangladesh had a GDP of \$102.4 billion dollars in 2009, which increased to \$416.26 billion US dollars in 2021, according to official data from the World Bank. Since 2009, Bangladesh has the same government which kept the economy relatively stable. Foreign direct investment increased in Bangladesh because of infrastructural development and political stability. Global companies like Amazon, Alibaba etc are expanding their businesses in Bangladesh. Over the past ten years, Bangladesh has received \$3.61 billion

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<sup>6</sup> “The term basket case refers to a state that is in an economic crisis and is less likely to stand on its feet.”

on average in foreign direct investment per year; in 2019 alone, the Foreign Direct Investment reached an amount of \$3.89 billion dollars (Bangladesh Bank).

Bangladesh expanded its economy numerous times over the past 50 years while maintaining a focus on macroeconomic stability as the foundation of a responsible economy. It has an effective budgetary management which deserves to be recognized and appreciated. The fiscal deficit has been decreased to less than 5% of its GDP (Mumtaz, 2022).

The key drivers of Bangladesh's economy are agriculture, industrial development, the rise of the service sector, export revenue from ready-made clothing, and remittances from abroad.

## **2.10 Conclusion**

From above discussion, it can be concluded that Asia has changed significantly over the past forty years, going from being the world's poorest continent in the 1960s to a dominant and prosperous region of the world. In 1820s Asia was a great strategic, political and economic significance and in the decades to come, and most likely by 2050 Asia re-emerge as the giant it used to be (Nayyar, 2019). Asia is experiencing changing pattern from geopolitics to geo economics with the economic rise of its various states particularly in Southeast Asia and East Asian region.

## **Chapter 3**

### **Pakistan's Policy Transition from Geopolitics to Geo-Economics after China**

#### **Pakistan Economic Corridor CPEC**

##### **3.1 Introduction**

This chapter discusses in its policy approach and which factors dominant it since its inception in 1947. Furthermore, it discusses the shifting policy dynamics from geopolitics to geo-economics in Pakistan, particularly after the launch of China Pakistan Economic Corridor (CPEC) in 2015.

##### **3.2 Historical Background of Geopolitics in Pakistan**

Since its inception in 1947, Pakistan's policy architecture was overshadowed and guided by its animosity with India mainly because of the issue of Kashmir (Paul, 2014). Furthermore, Pakistan also failed to maintain stable and favourable relations with its

neighboring states specially India, Iran and Afghanistan. This situation deeply affected the state and instead of becoming a welfare state, Pakistan had to become a security state.<sup>7</sup> As a result, huge amount of resources were consumed for security purposes which impacted other sectors like health, education etc.

After independence, Pakistan had socio-economic, political and administrative challenges to face. To overcome these challenges and hurdles, Pakistan first and foremost, prioritized to establish friendly and stable relations with its neighbor states such as India and China and extra-territorial states like USA and USSR. The Soviet Union was much closer companion to Pakistan comparatively to USA in context of geopolitics (Mahmood, 2020).

Unfortunately, due to ideological differences<sup>8</sup> with USSR the then Prime Minister Liaquat Ali Khan preferred to visit USA and decided to not avail the invitation to visit USSR (Rizvi, 1993). Therefore, religion impacted the foreign policy approach of the state and Pakistan preferred to join US led capitalist bloc.

Furthermore, Kashmir's occupation by India was another reason for Pakistan to seek support; and considered US as the best possible option. In 1949, Objective Resolution was introduced which impacted and changed the very nature of Pakistan's policy approach. A religious tone was added to the policy architecture that affected the geopolitical strategy of the state for decades.

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<sup>7</sup> "Security state term refers to the condition in which a state prioritizes its security over all other things."

<sup>8</sup> "USSR was a communist state and there is an inherent non-compatibility of Islam with the Soviet's ideology of Marxism-Leninism"

–Such a formal connection between Islam and Pakistan naturally exist; however, it was the later use of religion for political and strategic goals that, tragically, emerged as the central element in Pakistan's Islamic narrative.” (Lodhi et.al, 2011).

Islam has always been used as a tool to achieve political gains on many occasions. In Kashmir operations of 1948-74, Pakistan Army exploited the concept of jihad to encourage the people of tribal belt to fight in Kashmir. For example, during the 1974-48 Kashmir operation, the concept of jihad was utilized by Pakistan Arms forces to mobilize people from the tribal belt. Furthermore, religious scholars were asked by government to issue a –Fatwa”<sup>9</sup> to support the fighters in Kashmir (Covasjee, Dawn, 2003). Thus, from the very beginning, Islam was consistently used by both civil and military leaderships for political and strategic interests.

After Prime Minister Liaquat Ali Khan’s visit to USA, Pakistan became a US ally to get its economic and security requirement fulfilled. Pakistan joined the security Pacts SEATO and CENTO<sup>10</sup> (Japbeen, 2010).

Pak-US relations remained good till mid 60s. It was adversely affected when US backed off from its promise to help Pakistan resolve the Kashmir dispute after the Sino-India war 1962. Military sanctions were imposed on Pakistan by US during the critical time of Pak-India war. Due to 1965’s Pak-India war, the geopolitical strategy took a new turn. United States suspension of military assistance to Pakistan during war severally affected

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<sup>9</sup> “Fatwa is a religious decree issued by religious scholars on a specific topic and issue.”

<sup>10</sup> SEATO and CENTO were defense agreements led by USA to oppose the spread of communism in Asia. SEATO was signed in 1954 while CENTO which was originally called as Baghdad pact, was signed in 1955.



Pakistan and generated a concept that the United States was not a trustworthy ally (Javaid, 2014). The war proved that:

–America was not a friend but a master could not be trusted anymore.” (Khan, 1967: p.133).

This was the time; Pakistan initiated stable and long-term relations with China. There was a border war between Sino-India in 1962 and US Support to India, brought Pakistan and China closer. Furthermore, china supported Pakistan and provided it with necessary aid during 1965’s war. This further cemented and strengthened Pakistan-China relations (Zeb, 2012).

Moreover, things took another turn with Soviet’s invasion of Afghanistan in 1979. The geopolitical scenario of Pakistan changed to a new and different phase. General Zia ul Haq was the President at that time and geopolitics of 1980s era, was completely defined and dedicated to the war in Afghanistan. During Gen. Zia’s rule,

–Pakistan became a staging ground for the war against the Soviet Union, which was characterized as Jihad. With assistance from the international community, Zia’s government in Pakistan actively promoted a dangerous strain of Islamist doctrine. In addition, Zia also made Pakistan more accessible to volunteers who took part in the Jihad in Afghanistan from all over the world. Hence, Pakistan became the epicenter of a global Jihad movement.” (Haider, 2011).

Afghanistan’s invasion by USSR was consequential for Pakistan as it became a source for an influx of Afghan Mujahideen which were aided by United States of America, Saudi Arabia and other NATO allies as a result of the civil strife in Afghanistan

(Mahmood, 2020). During 1980s, Pakistan attention diverted on Afghan war, instead of it focusing on its economic development and utilization of its strategic location for geo-economic (Zeb, 2012). Even the issue of Kashmir and rivalry with India was sidelined. Thus, Pakistan became an epicenter for religious extremism and militancy. In addition to destroying Pakistan's economy, this religious militancy also tore apart the country's social structure.

The incident of 9/11 had not only affected global world order, it also impacted the geopolitical strategy of Pakistan. US along with the NATO allied powers invaded Afghanistan. Afghanistan was then ruled by Taliban and they were alleged the ones to have harbored the 9/11 attack's perpetrators.

Therefore, US demanded Pakistan to ally itself with Washington in war against the Taliban. Consequently, President Musharraf allied Pakistan with US to fight war. Resultantly, Pakistan had to face severe blows to its economic growth and stability. Thousands of lives were lost and billions of dollars wasted (Yousaf, 2017).

As Musharraf's dictatorship ended, and with completion of first civilian rule (2008-2013), Pakistan's geostrategic and geo-economic significance increased significantly after the China Pakistan Economic Corridor (CPEC) was inaugurated. CPEC is one of the main corridor of China's Belt Road initiative which aims at connecting China with Asia, Europe and Africa. In addition, launch of CPEC project not only

–created deep cracks in the Pak-US relations; but Pakistan has also emerged as a major player in the region for China to achieve its geo-economic and geostrategic objectives (Siddique, 2019).”

### **3.3 Belt Road Initiative (BRI) and China Pakistan Economic Corridor (CPEC)**

China's Belt Road Initiative (BRI), a mega developmental project, was promulgated by Xi Jinping in 2013. It focuses on the economic integration and connectivity among the Eurasian states. One of the six corridors included in the Belt Road Initiative is the Pakistan Economic Corridor (CPEC). BRI and CPEC have paved a path for the regional states for future collaboration and prosperity among them. Several studies have found that BRI and CPEC have enormous future potential. In addition to assisting in providing the necessary resources, infrastructure, and chances for employment, it also complements the United Nation's efforts under the umbrella of Sustainable Development Goals. It has numerous over-lapping areas like infrastructural development, employment, business, livelihood, etc. Hence, the Belt and Road Initiative BRI of China is also supported by the United Nations. Various meetings of BRI have also been attended by United Nation's Secretary General António Guterres (Ramay, 2020).

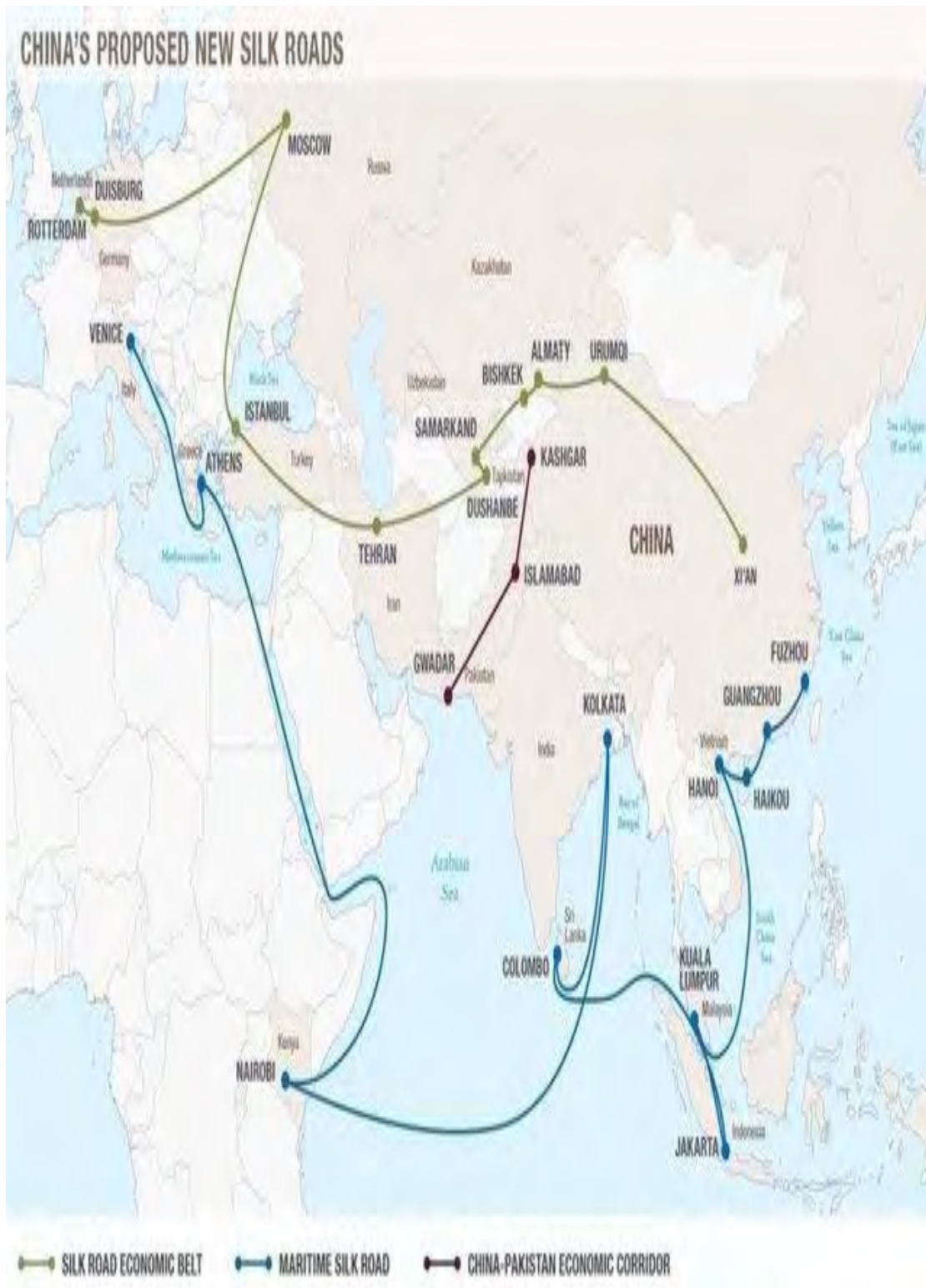


Figure:1 Map of One Belt One Road Initiative, later named as the Belt and Road Initiative (Source: Council on Foreign Relations)

During his visit to Pakistan in April 2015, Chinese President Xi Jinping unveiled the Belt and Road Initiative's (BRI) major project, the China-Pakistan Economic Corridor (CPEC). Initially, it was worth \$46 billion dollars but later investment in more projects increased its worth. China Pakistan Economic Corridor (CPEC) was inaugurated with numerous objectives that mainly include connecting the Gwadar port which located in Balochistan, which is a province of Pakistan, with the Chinese city of Kashghar, located in region of Xinjiang through networks of roads and rail link.

Initially, the China Pakistan Economic Corridor plan consisted of 51 projects totaling \$46 billion and three routes, which were to be developed in four phases and finished in 15 years. Later, several other projects were added to CPEC, increasing its value to \$51.5 billion. Currently, about 67 projects will be under the patronage of CPEC which will be completed in three phases in a course of 15 years. A Joint Cooperation Committee oversees the institutional structure and framework for the CPEC projects (CPEC official website). Details of the phases of CPEC are as follow;

### **3.3.1 First Phase: 2015-2019 (Short Term Projects)**

The initial phase of CPEC concentrated on removing economic bottlenecks in the development process. This included Pakistan's poor infrastructure of transportation and the starving energy sector. In this phase a lot of substantial work and projects have been completed with a total investment of \$25 billion. 1,544 kilometers of new roads were constructed and additional of 1,456 kilometers of roads are under development in the transportation sector. With the construction of these new roads logistical costs reduce and a productive environment to businesses across Pakistan prevails.

5320 MW of electricity was added to the national grid and 7 more energy projects (having 2844 MW production capacity) are under fast-track development in the energy. 820 km long cross border optical fiber project, linking Khunjrab to Rawalpindi, which improve internet connectivity in the region has also been completed during this phase. A significant progress in the development of Gwadar port has also been achieved as it is one of the main projects of CPEC.

Overall, the projects during the 1<sup>st</sup> phase of developed the energy and transportation sector by improving the local infrastructure and power supply. 75000 direct jobs were created during this phase (Dawn News, 2021).

Khalid Mansoor, former Special Assistant for China Pakistan Economic Corridor (CPEC) said that,

“over \$25 billion in foreign investment has been realised in the first phase of the project.” (Berecorder, 2022).

### **3.3.2 Second Phase: 2019-2025 (Medium-Term Projects)**

It is the most significant phase for CPEC projects. Socio-economic development, more industrialization, blue economy (maintaining and sustaining oceanic resources), agriculture, and tourism activity will be focused during the second phase of CPEC. In 2018, Framework agreements were signed on Industrial cooperation with agriculture and socio-economic development.

Special Economic Zones (SEZ) which would be build across the country during second phase of CPEC. These Special Economic Zones (SEZ) are the backbone of CPEC. It will facilitate industrialization, large scale manufacturing and will help to attract huge foreign

investment into Pakistan. The ground breaking of first SEZ, Allama Iqbal Industrial City, took place in Faisalabad on 3<sup>rd</sup> January 2020. Faisalabad is one of the famous an industrial city of Pakistan, known for its contribution in the textile sector. (Pak Observer, 2020).

In second phase, 27 projects in the area of health, poverty alleviation, education, water supply and agriculture have been identified, out which 17 will be completed on priority basis (CPEC official website).

### **3.3.3 Third Phase: 2025-2030 (Long term Projects)**

By 2030, the 3<sup>rd</sup> phase of CPEC is expected to be fully completed, with a system in place to promote sustainable economic growth. In addition to providing China and Pakistan with economic, commercial, and investment benefits, the completion of CPEC will also link various areas of Asia, Africa, and Europe, fostering international economic cooperation. Additionally, South Asia will develop into a significant worldwide economic region (CPEC official website).

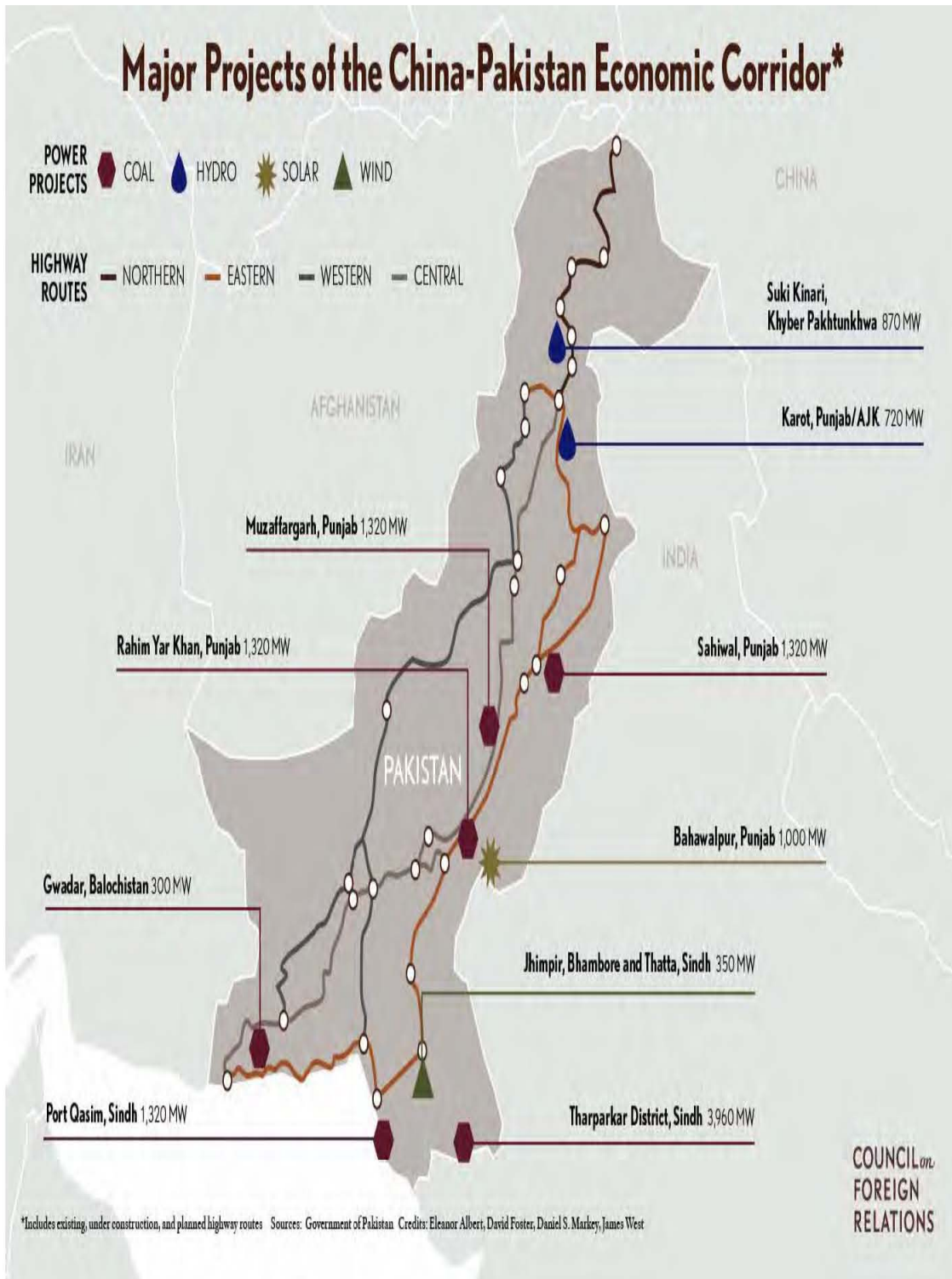


Figure: 2 Major Energy Projects and Road Networks of CPEC (Council on Foreign Relation)



### **3.4 Geostrategic and Geo-Economic Significance of China Pakistan Economic Corridor CPEC**

The China Pakistan Economic Corridor was primarily launched by China with two main aims; geo-economic and geostrategic (Nichols, 2017). From a geo-economic standpoint, the Belt and Road Initiative (BRI) is viewed as China's long-term plan to safeguard its national interests and secure a dominating position in 20th-century Asian affairs (Vihma, 2017). Primarily, CPEC concerns Pakistan in geographical terms, it is Chinese investments which enable the infrastructural development. Through CPEC, Beijing wants to establish an economic corridor that not only increase strategic relevance of China in region but also wants to establish stability, peace and economic integration in Asia (Faisal, 2018). Therefore, it's critical to realise how it benefits China in order to fully understand the rationale behind the massive CPEC project. Due to Pakistan's geographic position, CPEC is undoubtedly the most significant part of the BRI.

Due to its significant geographical position in the region, Pakistan has remarkable geostrategic worth.<sup>11</sup> A state can have both opportunities and risks as due to its geographical location. A state's geographical location plays a decisive role in defining its role in the international world system and can make it beneficial and valuable for other states in sphere of politics, social and economics. Geographically, Pakistan has an ideal location. It is positioned at the intersection of West Asia, Central Asia, and South Asia. It shares borders with China, Afghanistan, India, and Iran, four significant Asian nations. These four nations are one of the most significant participants in world affairs. Pakistan is most strategically located country from China, and Central Asia's standpoint. Due this

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<sup>11</sup> "the usefulness of state by its geographical position determines its geostrategic worth."

geostrategic position of Pakistan, China compelled to invest in Pakistan and launched China Pakistan Economic Corridor (CPEC).

The geostrategic importance of China Pakistan Economic Corridor (CPEC) is very significant in the context that it also redefines the geostrategic position of China, particularly in Asia. China can have access to Arabian Sea through it. China get linked to largest hydrocarbon exporting states like Iraq, Iran, Kuwait and Saudi Arabia through CPEC by Gwadar port. (Faisal, 2018).

China can overcome its dependence on Strait of Malacca by utilizing geostrategic position of CPEC. Strait of Malacca is the most important choke points in the South China and more than 60% of the oil supply from the Middle East passes through it (Habibi, YueZhu, 2020). Developing Gwadar Port provides China an alternative route for the import and export of goods and oil from Europe, Middle East and Africa because the communication lines of China through Strait of Malacca have various security repercussions and these sea' lines highly vulnerable to attacks from pirates, the presence of US naval forces in the Indian Ocean and threats from India (Shen, 2019).



Figure: 3 CPEC Routes comparative to the Strait of Malacca route (Source: Daily Times)

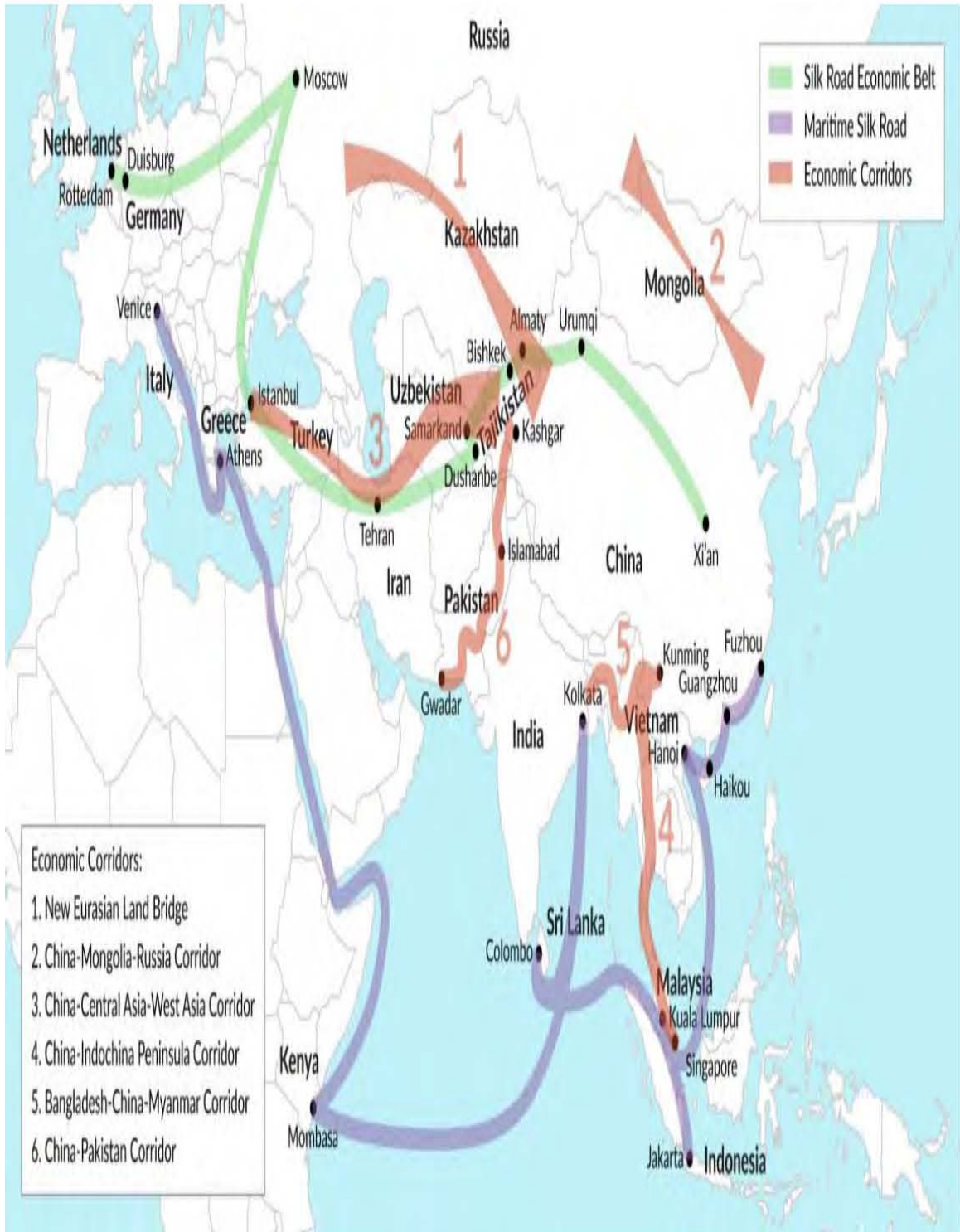


Figure: 4 Position of Gwadar within the BRI (Source: Geopolitical Intelligence Services, 2017)

Another geostrategic advantage of CPEC for China is the development of its eastern region which has 29 percent of its total population and comprises 65-75% of its total land mass. The eastern region of China contributes 5% to its total trade. China also have separatist elements in its province of Xinjiang. Various militant and separatist groups are active there who have links with Turkistan Islamic Party (Duchatel, 2019). These hostile groups cause unrest and terrorism in China. China seeks to bring development and change in the socio-economic condition of the province through CPEC to eliminate these separatist elements.

Furthermore, Pakistan's geostrategic location provides routes to links it with Central Asian Republican states<sup>12</sup> (Rauf et.al, 2018). Cars are landlocked states due to which they are facing various socio-economic problems and are seeking partners for trade and cooperation. Pakistan is a suitable choice in this regard as CARs have abundant of natural resources and Pakistan can use it for its energy demands (ICG Report, 2018). With CPEC, both regions have an opportunity to collaborate with one another in economic domain, deepen their bonds and address their respective financial and energy shortages. CPEC is also a great opportunity for Central Asian Republics for exports of their goods to the world.

Moreover, the CARs can utilize Gwadar port and its logistical routes that can provide them access to the sea. Furthermore, the CARs can also get advantage from Gwadar for export purposes, as well as from commerce and transit routes through Pakistan to obtain

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<sup>12</sup> "Central Asian Republics which include Kazakhstan, Tajikistan, Kyrgyzstan, Turkmenistan, and Uzbekistan."

access to markets in the Middle East and Europe. Gwadar will get positive impact of this, and can emerge as the most vital and significant ports in the Arabian Sea.

–Pakistan has also intention to link the Gwadar port to Central Asia through Gwadar-Termez Motorway spanning over Uzbekistan, Afghanistan, Turkmenistan and Tajikistan, with the Peshawar-Kabul motorway”(Munir, 2018).

Consequently, there is a win-win situation for both Pakistan and CARs provided by CPEC for economic integration and cooperation.

Besides CPEC’s significance for China and BRI project, it is also seen as a “game changer” for Pakistan. More than \$60 billion dollar investment in various projects under CPEC brings a great opportunity for economic development and prosperity for a developing and resource-constrained state like Pakistan.

CPEC has potential to revitalize Pakistan’s economy and its various sectors agriculture, industrial modernization, trade, revenue generation, foreign direct investment, employment opportunities and development of real estate. The demand for construction materials like steel, cement, bricks, and other building and road materials has already surged significantly as a result of the ongoing mega projects under CPEC.

The current gains of CPEC can be used to qualify these projections. CPEC-related interventions already have greatly benefited Pakistan. According to Chinese Embassy figures, 75,000 jobs have been created under CPEC for Pakistanis (China Embassy 2019). Pakistan managed the load-shedding and energy shortage with the help of CPEC as it added new infrastructure to the energy sector, tackled the old, out-dated and aging

energy plants which in turn contributed to control the annual loss of US\$4 to \$5 billion dollars (Vision 2025, 2015).

Pakistan's Transport infrastructure was also in a dire need for rehabilitation. Transport infrastructure has a vital role in industrial development and trade enhancement. There was a 4 to 6 per cent loss to national GDP due to bad infrastructure (Vision 2025, Pakistan). CPEC contributed to overcome problems of connectivity and constructed new infrastructure.

From CPEC investments, more than 100 small and medium businesses also got benefitted (CPEC Official Website). The GDP growth rate touched to 5.8 percent rate in 2018 due to CPEC related interventions (Pakistan Economic Survey, 2018-19).

–Beijing helps Islamabad maintain the power struggle with its far more powerful eastern neighbour by providing geo-economic backing for Pakistan.” (Small, 2015).

Consequently, India gets distracted from China and instead of directly contesting and confronting Chinese military and political moves, it divert considerable resources towards the Pakistan. As a result, China has more time to bolster its position in South Asia at the cost of its most likely long-term adversary; India. (Wigell, et al. 2019: p, 50-51).

### **3.5 Pakistan's Policy Transition from Geopolitics to Geo-Economics after CPEC**

Pakistanis blessed with a geostrategic position on the world map. It offers direct access to the Arabian Sea's warm waters and it has the shortest route to the Indian Ocean for

landlocked states Central Asian Republics CARs. Pakistan not only has a significant geo-economic location to offer to its valued investors, it has regional connectivity, a huge consumer market and a skilled and youthful population. To fully avail the advantages of its geostrategic location, Pakistan is shifting its focus from geopolitics to geo-economics. It will help Pakistan to enhance connectivity and pave the way for an all-encompassing development. Pakistan's civil-military leadership's initiatives can be seen as a reflection of this desired economic strategy of inclusive development and progress.

—The policy-makers in Islamabad have realised that in order to maximise the advantages of its shift strategy, it needs capitalise on the alliances it has built with other countries over the course of its diplomatic history and strengthen them even more” (Korybko, 2021).

In 2017, the then Prime Minister of Pakistan, Nawaz Shareef, addressed the high-level plenary session of BRI in Beijing where he said:

—geo-economics should take precedence over geopolitics.”

He further added,

—We are not determined to merely benefit from the geography of the state for economic prosperity; we are also trying to build a peaceful, connected and caring neighborhood. Moreover, other states should also be included in CPEC for an enhanced economic development and regional connectivity” (Dawn, 2017).



The China Pakistan Economic Corridor CPEC has ability to act as a bridge among the Asian states for trade and investment which will strengthen economic integrity among these states and further create a peaceful environment in Asia.

Pakistani leadership repeatedly signaled a policy shift from “geopolitics to geo-economics” recently. The term “geo-economics” has been repeatedly used by Pakistani officials during 2021. During his visit to Sri Lanka in 2021, the then Prime Minister Imran Khan promoted the China Pakistan Economic Corridor (CPEC) and proposed exploring the possibility of connecting Sri Lanka with the Central Asian region through it (Daily FT, 2021).

In 2018, Imran Khan at the occasion of Investment Forum Saudi Arabia stated,

“Pakistan has a huge opportunity in the form of as it gives us access to China which is one of the biggest markets. Because of CPEC, we are developing Special Economic Zones which invite investments across the globe. China is a substantial market, and the CPEC route would link it with Pakistan, which is positioned in a crucial part of the world” (CPEC official site).

In February 2022, Pakistan announced its National Security Policy (NSP) 2022-2026.

“The NSP tries to recognize both “traditional and non-traditional security aspects” or threats (as the military calls them). The “economic security” has been placed at the core of “comprehensive national security” that any environment-savvy policy framework would do” (Express Tribune, 2022).

There is currently a global trend of strategic shift geo-economics. The Belt and Road Initiative BRI of China is a prominent instance of changing global trend towards geo-economics. The idea of regional connectivity and economic integration is gaining significance among policy makers not only in Pakistan but also in other states of the region, including China, Middle Eastern and Central Asian Republics after the inauguration of CPEC as has enormous opportunities to exploit geo-economic potentials of the country. The idea of connectivity is viewed as a remedy to all economic and geographic problems of Pakistan by many in the state's policy circles. They believe that there is a dire need for a shift in policy that will maximise the benefits of the emerging geo-economic world order (Rana, 2018).

Asad Umer, Minister for Planning and Development and Special Initiatives-Pakistan says that

–CPEC is being developed in a way that it will not only serve as a catalyst for our economic progress but will also serve as a foundation for regional integration and socioeconomic development. The core of the project will remain geo-economic, but contiguous regions of East Asia, the Gulf, Central Asia and South Asia would also experience a transformation as a result of its implementation.” He adds that –Pakistan envisions that CPEC would serve as a tool for regional integration, linking regional economies via its borders and establishing Pakistan as a hub for both regional and global commerce” (CPEC official site).

Moreover, scholars believe that Pakistan's foreign policy has undergone a significant change since joining China's Belt Road Initiative. The economic model of Pakistan has

traditionally been foreign-aid dependent. CPEC in this regard is a great opportunity for Pakistan which provide it an alternative economic model which mainly focus on foreign investment (Siddiqui, 2018). In March 2021, the then Foreign Minister of Pakistan, Shah Mehmood Qureshi while addressing Pakistan-Hungary Dialogue in Islamabad, explained:

–this shift to geo-economics should be based on a new economic security paradigm.‘ Peace, partnerships for development, and connectivity are the three main cornerstones of our new economic security paradigm” (Dawn, 2021).

He further said:

–Strengthening Pakistan's commercial and economic ties with our partners is a priority for my government. The new Pakistan’s main focus is shift from geopolitics to geo-economic.”

In the same month, Army Chief General Bajwa, at the first Islamabad Security Dialogue (ISD) also stated:

–Currently, demographics, the economy, and technology are currently the main forces influencing global development. The security and collaboration of the economy, however, remain key issues for this notion. The contemporary concept of national security... is not solely a function of armed forces anymore. In the era of globalisation, knowledge, and connectivity; national security has evolved into an all-encompassing concept in which, in addition to numerous components of national power, global and regional contexts also play a significant role” (Dawn, 2021).

Consequently, a new policy approach is replacing the old and traditional Indian-centric one in order to attract more investment and to boost foreign capital influx from various states, including China, Middle Eastern countries, and Central Asian Republics.

Previously, Pakistan was always discussed in terms of security but after the inauguration of CPEC, it's discussed in terms of trade, economic integration and opportunities (Abbasi, 2016).

As Pakistan's geographical location can act as a bridge to connect various parts of the region i.e Middle East, central Asia and South Asia, can be leveraged to further its economic goals (Malik, 2019). That is why; CPEC is considered as a flagship project of BRI as it links various regions and strengthen economic integrity. CPEC is instrumental in transformation of Pakistan's policy outlook towards geo-economics from geopolitics.

Conversely, there are other scholars who believe that Pakistan's policy approach is still dominated by geopolitics. Although, after China Pakistan Economic Corridor (CPEC), there is discussion about policy shift from geopolitics to geo-economics, in policy circles of Islamabad but this policy transition still needs a clear direction (Rana, 2019).

According to Farhan Hanif Siddiqui (2018), Pakistan's relations with its neighboring states like Iran, Afghanistan, and India are troublesome and bitter due to many reasons like border issues, terrorism and militancy across borders, divergent strategic and political interests in region. All this issues cause a instability in Pakistan which further leads to weak and fragile economy because of that a robust change in policy approach from geopolitics to geo-economics is difficult.

Pakistan has likely to face many challenges for its pivot toward geo-economics. The Kashmir dispute with India, problems across Afghanistan and the emerging Sino-US neo-Cold War are amongst a few geopolitical realities, from which Pakistan cannot turn a blind eye. The issues need to be handled by policy makers while transitioning towards new policies and setting new priorities.

Hence, it would not be easy to replace geo-economics with geopolitics in near future for Pakistan as it is restrained by various internal and external challenges. According to security analyst Muhammad Amir Rana (2020), there is nothing significant change in Pakistan's geostrategic approach as it is still struggling to adjust its geopolitical objectives. The shift towards geo-economics should be evident through better economic relations with its neighboring states like Afghanistan, India and Iran.

–Fixing economic ills through geostrategic approach cannot be termed as a doctrinal shift” (Rana, 2020).

There is a third perspective regarding to Pakistan's shift towards geo-economics besides these two schools of thought. There are scholars and experts who believe that both geopolitics and geo-economics go hand in hand. According to ex-ambassador Maleeha Lodhi,

–both geopolitical and geo-economic strategies and instruments co-exist and are deployed by countries depending on the nature of the challenge at hand” (Arab News, 2021).

Although, Pakistan realized the importance geo-economics to achieve geostrategic objectives but geopolitics remains the most important aspect of Pakistan's foreign policy due to its regional realities.

Former foreign Secretary, Aizaz Ahmad Chaudhary, also emphasized on this that,

–when talking about policy shift towards geo-economics in context of Pakistan, geo-politics cannot be irrelevant. A move towards geo-economics should, therefore, not be a shift, but a change of emphasis, within the overall construct of comprehensive national security” (Dawn, 2021).

Therefore, to achieve foreign policy objectives, Pakistan has realized that geo-economics has a significant role but

–the shift in Pakistan's foreign policy approach doesn't make geopolitics less important. Rather, it strengthens Pakistan's capability to defend its national interest from all kinds of conventional and non-conventional threats” (Javid, 2016).

### **3.6 Conclusion**

Foreign aid has always been a major component of Pakistan's economic landscape. China Pakistan Economic Corridor CPEC provides a great opportunity for Pakistan to pivot from this model and bring economic stability in the country. But, there are still various geopolitical impediments in this transition towards geo-economics. From the above discussion, we conclude that there are policy makers who believe that CPEC can be a significant towards Pakistan's policy transition towards geo-economics. Then, there are

other experts who believe that although CPEC is a great opportunity for Pakistan, the shift towards geo-economics from geopolitics isn't possible due to several impediments. Beside these, there another group of scholars who believe that geo-economics and geopolitics cannot be separated and both goes hand in hand and Pakistan has to follow both for its prosperity and development.

## **Chapter 4**

### **Hurdles and Challenges to Pakistan's Policy Shift from Geopolitics to Geo-Economics**

#### **4.1 Introduction**

This chapter discusses the challenges and hurdles that impedes Pakistan's shift from geopolitics to geo-economics. Pakistan failed to unlock its full geo-economic potential due to numerous hurdles and factors at domestic, regional and international level. All those hurdles that Pakistan faces in its transition to geo-economics are covered in this chapter.

#### **4.2 Domestic Challenges**

Pakistan's transition from geopolitics to geo-economics has been hampered by the following internal hurdles.

##### **4.2.1 Economic Woes of Pakistan**

As the global world order is evolving from uni-polarity (a single hegemonic power dominates the international world system) to multi polarity (an international world system where multi powers exist and there is an equal distribution of power among those powers), competition among states will be focused more in the economic domain rather than military.



Previously, competitions were in military domain among various but now, in the future, economy will be in the main domain of confrontation and competition, where states will use their economic might and strength to achieve their objectives (Burdett, 1994).

Geo-economics is successfully pursued not just by major powers of the world but by developing states too. The most vital requirement to pursue geo-economic policy is strong and a stable domestic economy. Pakistan's macroeconomics is facing dire crisis since decades. Although, Pakistan's GDP per capita was highest as compared to India, Bangladesh and Vietnam at the turn of the century but two decades later, Pakistan is ranked at the bottom among these states (USIP Report, 2020). Pakistan has failed to achieve a sustainable and stable economic growth and its economic crisis are getting worse.

–Dwindling foreign exchange reserves, high inflation, low exports, fiscal and current account deficits” (The Diplomat, 2019).

These economic crisis have further sharpened by the COVID-19 pandemic. Consequently, Pakistan's pivot from geopolitics to geo-economics has been severely hampered by this deteriorating and weak economic situation.

Geo-economic instruments like transport agreements, trade pacts and tariff policies should be leveraged by Pakistan to get more products out to more markets but Pakistan's low contribution to world manufacturing export, lack of human development and declining level of saving and investment gravely damaging the country's geo-economic activities.

As geo economics is any state's economic ability to coerce other states through economic tactics like custom controls, sanctions, aid suspension and freezing assets, Pakistan is currently unable to utilize these tactics and geo-economic instruments due to its deteriorating and weak economy.

#### **4.2.2 Governance Crisis**

Needless to say, there exist a direct relation between a state's policy formulation and issues of governance. (Governance is the use of authority and power; economic, political, administrative to manage a state's resources and affairs). A state's domestic and foreign policy orientation is always impacted by its security challenges, rigorous policy implementation and formulation and political stability and good governance.

Since its inception Pakistan is fixing its governance issues. Inter provincial rivalries, internal and external security challenges, poor law and order situation and governance crisis are the hurdles that not only stagnated the growth and development of economy of the state; they also impacted domestic and foreign policies of Pakistan. Even the China Pakistan Economic Corridor, which considers as a game changer for the economy of Pakistan and considers to be a pivotal opportunity to embark Pakistan on path of geo-economics is hindered by internal governance issues.

Since its inauguration, CPEC has been carried forward provincially and regionally by the Federal government of Pakistan. Ministry of Planning, Development and Reform has negotiated various aspects of CPEC with the provincial governments. After the 18<sup>th</sup> Amendment of constitution of Pakistan, provinces empowered legislatively and administratively, so Balochistan and Khyber Pakhtunkhwa registered their concern about

the administration and supervision of projects that fall under provincial jurisdiction. Thus, such legalities created a rift between centre and provinces and centre-province relations raised governance issues.

Another governance challenge was related to decision and demarcation of geographical location of Special Economic Zones under CPEC. It initiated a heated debate between the provincial, local and regional stakeholders. Some political parties and interest groups of Khyber Pakhtunkhwa labeled the project as “Punjab’s project” and tried to invoke ethnic biases. Likewise, certain nationalist forces from Balochistan raised their concerns about CPEC that it is going to exploit and suck the natural resources of the province.

Furthermore, Pakistan ranked 138 of 167 countries in governance according to the Legatum Institute’s Prosperity Index( Legatum Institute, 2021). Existence of massive corruption, weak institutional set-up, poor law and order situation and lack of accountability not only aggravated governance crisis but it also discouraged the foreign investors to invest in Pakistan, which therefore hurt economy of the country. Pakistan also ranked very low (-1.14) on quality of governance, which is lower than the average rankings of South Asia according to the World Bank’s World Governance Indicators 2011 (World Bank 2013).

Moreover, to understand how governance crisis hinder Pakistan’s shift to geo-economics is through effectiveness and efficiency. Efficiency and effectiveness in governance means

“the manner in which the state functions, specifically its ability to mobilize its resources and revenue to maximize end results” (Benmessaoud, et al, 2013, p123).

Pakistan has not been able to utilize effectively and efficiently manage its natural resources and geostrategic location to achieve its national interests. Thus, governance crisis of the country has restrained Pakistan from unlocking its geo-economic potential to the fullest.

#### **4.2.3 Political Instability**

Political stability is defined as “a government’s ability to implement policies and laws consistently over time without a sudden change in them due to conflicts or rampant competition between various political parties” (Claude, 1975). One of the main features of political stability is the length of tenure of the national leader of a state. Economic growth a state is negatively impacted by political instability and irregular change in governments and short term of national leadership in the office (Jones and Benjamin, 2005). Eight governments have been in power in Pakistan from 2002 to 2018, with an average of two years in power. This political instability led to inconsistency in implementation of policies as every government has its own policy priorities. Foreign direct investment is needed to strengthen a weak and fragile economy of a country but due to lack of political stability, short term and inconsistent policies; foreign investors hesitate to invest in Pakistan which deeply impacted its geo-economic activities.

#### **4.3 Regional Challenges**

Pakistan’s transition from geopolitics to geo-economics is also hampered by certain hurdles at Regional level.

### 4.3.1 India

India's hegemonic politics is another hindrance for Pakistan. Since inception India has created grave foreign and security challenges. India always opposed and tried to isolate Pakistan at every regional and international forum. In this regard, Muhammad Amir Rana; a political and security analyst, Director of Pakistan Institute for Peace Studies (PIPS) mentioned that

–India attempts to oust Pakistan from South Asian geo-economics and geopolitics through the Bay of Bengal Initiative for Multi-Sectoral Technical and Economic Cooperation (BIMSTEC), which is basically projected as a substitute for SAARC.” (Dawn, 2019).

As Pakistan and India are both nuclear state and a direct military conflict is not an option as it could lead to a nuclear catastrophe. So according to scholars, confrontation is more likely in economic domain.

–India has been struggling to intimidate Pakistan militarily, but always unsuccessful, therefore it from now onward it prefers using geo-economics tactics to damage Pakistan economically. It is making partnerships, developing new trade channels to Afghanistan to undermine Pakistan's trade and devising conspiracies against the China-Pakistan Economic Corridor” (Jaspal, 2019).

India is also posing security challenges to CEPC in Balochistan by assisting and financing insurgent and separatist groups in the province. Kulbhushan Jadhav, a former Indian Navy officer, who was arrested in March 2016 from Balochistan province of Pakistan on charges of espionage confessed his involvement in financing insurgents to sabotage and disrupt CPEC projects in the province (Dawn. 2017).

Since June 2018, Financial Action Task Force (FATF is an inter-governmental organization that sets standards and their effective implementation to combat terror financing and money laundering that threatens the integrity of international financial system) put Pakistan on the grey list of countries. The nations that are placed on the “grey list” are those whose domestic legal systems are deemed insufficient to combat the problems of money laundering and terrorism funding. India had a significant role in Pakistan inclusion to the “grey list.” India has been propagating against Pakistan that it is financing that militants to conduct terrorist activities in India and Kashmir. Pakistan's then Federal Minister Asad Umar said:

“India is attempting to have Pakistan placed on the “blacklist” by lobbying” (The News, 2019).

So, India is hindering Pakistan's geo-economic policies and it pose serious and security and economic challenges. To sum up, it is important to note that although Pakistan has the ability to thwart India's geostrategic ambitions but still it is too weak and vulnerable in geo-economic domain.

#### **4.3.2 Afghanistan**

Since 1979, Afghanistan has been a war-torn and it brought not only security challenges for Pakistan but also created geopolitical and geo-economic problems. The precarious security situation in Afghanistan does not present an encouraging picture for Pakistan either. As the atrocities of Taliban increase in Afghanistan, the security situation in Pakistan deteriorates as well, that would put Pakistan's grand geo-economic plan at a risk.

The strained relations between Pakistan and Afghanistan have always been hurdle for Pakistan to exploit geo-economic potential through economic connectivity.

CPEC which is the flagship project of BRI can only be smoothly completed if there is peace and stability in Afghanistan. Afghanistan's relations with India pose a great threat to the economic integration and connectivity of the region. Many Afghan official and Ashraf Ghani, the former president of Afghanistan, himself repeatedly stated that

–Unless Islamabad permits unrestricted trade between Afghanistan and India through its borders, Pakistan would not be granted access to Central Asia. Consequently, the relationship between India and Pakistan directly affects connectivity projects” (The News, 2018).

Robust economic progress cannot be possible for Pakistan unless there is an end to the political turmoil and an improved security situation in Afghanistan.

#### **4.4 International Challenges**

##### **4.4.1 Saudi-Iran Proxy Rivalry**

Since several decades, Saudi Arabia and Iran has been engaged in proxy wars in the region. Both states are competing to establish their hegemony in the Middle Eastern theater. Pakistan is one of those states that are affected by the rivalry between Iran and Saudi Arabia. Although, Pakistan tried to keep a balance and a pragmatic policy towards both states but things didn't go well all the time and it becomes difficult for Pakistan to maintain a balance between both.

Saudi Arabia has always played a significant role in supporting Pakistan's fragile economy. It is one of the biggest trading partners of Pakistan and there was a 3.3 billion US dollars bilateral trade in the year 2018-2019 between the two states. Furthermore, in 2018 Saudi Arab gave a 6 billion dollars rescue package to ease Pakistan's economic crisis and also announced to invest 120 billion dollars in Pakistan's energy sector and to install an oil refinery in Gwadar (Reuter, 2019).

But scholars are of the view that Saudi Arabia's investment in Pakistan has geostrategic objectives instead of geo-economic. Saudi Arab's plans to setup oil refinery in Gwadar raised concerns of Iran as well as China. China is concerned that this could fuel Saudi-Iran proxy war in Balochistan which is a serious threat to CPEC in long run (Arhama Siddiq, 2019).

Moreover, Iran perceives Saudi Arab's investment in Balochistan as Pak-Saudi nexus to harm its interests in the region. In 2019, 27 Iranian Revolutionary guards and 13 others were died in attack, claimed by Jaish al-Adl (a Sunni terrorist group in Balochistan). Iran pointed out this attack as evidence of Pak-Saudi nexus, and accused Pakistan of letting its territory to be used against Iran (Michaël Tanchum, 2019). Iran's Major General Qasem Soleimani, commander of the Islamic Revolutionary Guard Corps' Quds Force, who was killed in January 2020 by US in Iraq, also gave a stern warning to Pakistan on Saudi Arab's actions in Balochistan, stating that,

–Pakistan must fully understand that the presence of terrorists supported by Saudi Arabia on its land is generating problems for all of its neighbours.” (Press TV, 2019).



Hence, it can be pertinent to say that the rivalry between Iran and Saudi Arabia has not only created serious security challenges for Pakistan but it also has severe repercussions to its geo-economic activities.

#### **4.4.2 US-China Rivalry**

China's rise as economic giant is considered as a threat by the United States to its global dominance and is embroiled in an escalating competition with China. China has alarmed US with its increasing global share and economic rise. According to Sakib Sherani (a former member of the Prime Minister's Economic Advisory Council, and ex-principal economic adviser to the Ministry of Finance),

–these include the acquisition of high end technological capability, a challenge to the international ‘rules-based’ order set up by the US to ensure its continued global hegemonic dominance, building of maritime power, and last but not least, the projection of soft power via the Belt and Road Initiative (BRI).”

US strategic planners in the security establishment have to upend traditional thinking on how to counter China's rise as it crossed many “Red Flags.”

As CPEC is considered as a “flagship” project of BRI, US tried to wean Pakistan away from CPEC. In November 2019, Ambassador Alice Wells in a forceful critique of CPEC stated,

–After four years of CPEC, Pakistanis are starting to doubt the agreements that their previous administration made with Communist China as well as what Pakistan actually stands to benefit from them” (Alice Well, 2019).

Furthermore, Pakistan was urged to “rethink its participation in CPEC” by Ambassador Alice in a speech on January 22, 2020 at Islamabad (Dawn, 2020).

In conclusion, the rivalry between US and China will persist and going to intensify in future. As Pakistan’s interests are attached to both of them it can neither leave neither US nor China. It will be a great challenge for Pakistan to maintain a balance between US and China to pursue its geo-economic aims.

#### **4.5 Conclusion**

Concluding the chapter, it can be argued that although Pakistan is determined to shift its policy from geopolitics to geo-economics; it has to face great challenges. CPEC has enhanced Pakistan’s geo-strategic and geo-economic importance by manifolds and it has the potential to embark the country towards prosperity and development. However, Pakistan needs to solve its internal and external challenges to materialize its policy shift from geopolitics to geo-economics

## CONCLUSION

The research concludes that there is an economical, political and strategically shift of the global balance of power towards in the 21st century. Asian states, particularly East and Southeast Asian are on path of prosperity and achieved remarkable economic growth. Asia started its journey to move on the path of economic progress in the years following the end of World War II. Starting with Japan, other states like South Korea, Indonesia, Malaysia, Philippines, Thailand, Singapore, Hong Kong, Taiwan, China and India played a prominent role in making the 21<sup>st</sup> century as an –Asian Century. Scholars and experts have predicted that for the next several decades, Asia is going to be the epicenter of global economic development and growth.

Resultantly, not only Asia's economic significance has been increased by manifolds; it also changed the strategic pattern in the region. The concept of geo-economics has got prominence in region, as it is the use of economic power to achieve political ends. Economic tools of power are increasingly used by states of the region to achieve their political and strategic goals.

In Asia, geo-economics gained significance particularly after the emergence of China as an economic giant. China is most prominent of the states that use economic power to achieve its political objectives. The Belt and Road Initiative is a China which is a geo-economic mega project, aimed at connecting the regions of Eurasia and Africa, is the foremost and best example of this trend. China Pakistan Economic Corridor CPEC lies at the heart of this grand strategy both strategically and geographically.

With China's emergence as a geo-economic power in the region and playing a decisive role in marking the 21<sup>st</sup> century as "Asian Century," the significance of Pakistan also increased as its part of China's grand strategy of BRI. Through the China Pakistan Economic Corridor (CPEC) in 2015, Pakistan formally became the part of China's ambitious BRI project. China Pakistan Economic Corridor provides Pakistan a significant opportunity to utilize its geostrategic location for geo-economic purposes. The \$62 billion huge investment of China in Pakistan under CPEC can revitalize Pakistan's economy and there is a significant shift towards geo-economics in the policy circles of Islamabad after CPEC. Scholars are of the view that although after CPEC, Pakistan has started to look the region through geo-economic lens, there are various hurdles and impediments, both domestic and external that hinders its transition towards geo-economics. Moreover, the research found out that there are also other policy experts and scholars who are of the opinion that Pakistan cannot completely shifts its policy approach towards geo-economics and geopolitics is still relevant. They both go hand in hand due to the regional realities of region in context of Pakistan. Hence, if Pakistan wants to utilize its geostrategic position in the region for geo-economic purposes and to shift its policy approach towards geo-economics, it needs to solve its internal and external issues, set a clear policy direction and requires a strong political will.

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