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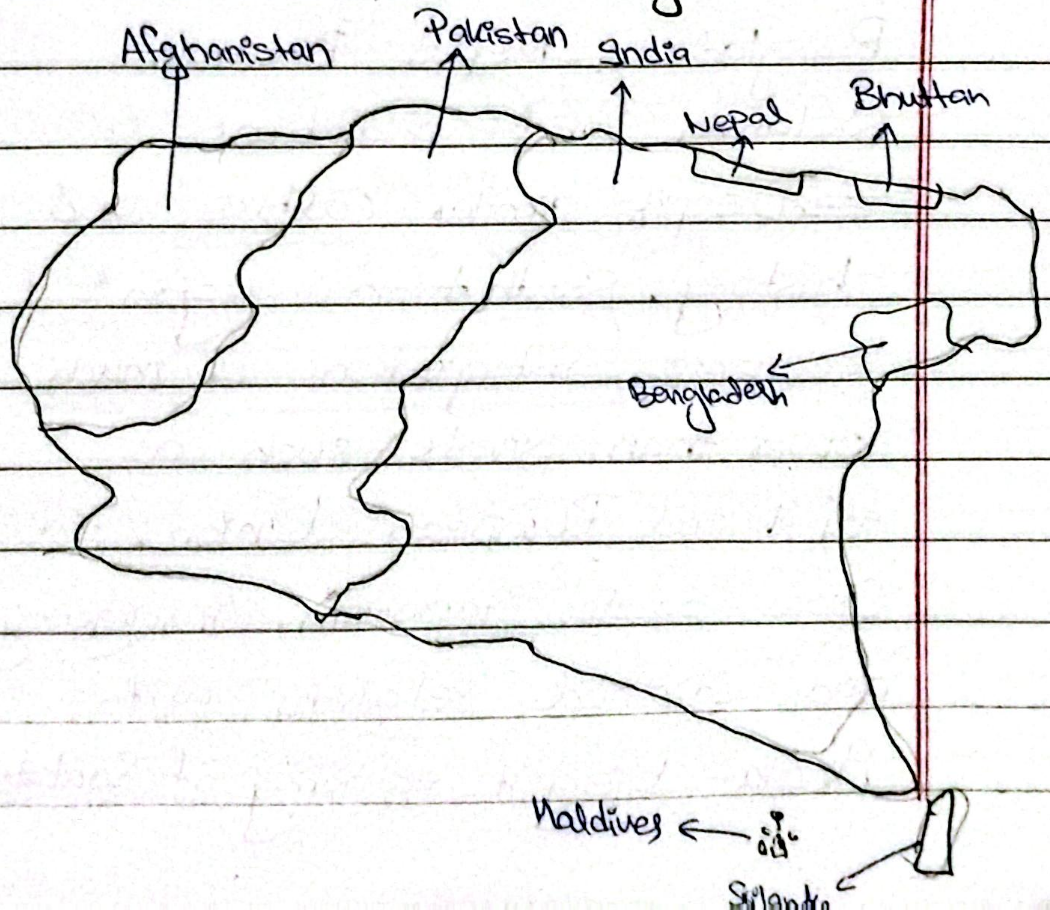
Regional trade Integration is considered a key driver of economic growth. Analyze Pakistan's trade relations with its neighbors (India, Afghanistan, Iran, China). What opportunities and challenges exist for Pakistan in enhancing regional Trade?

> Not trading with your neighbor doesn't Make Sense
> — FM Aurangzeb



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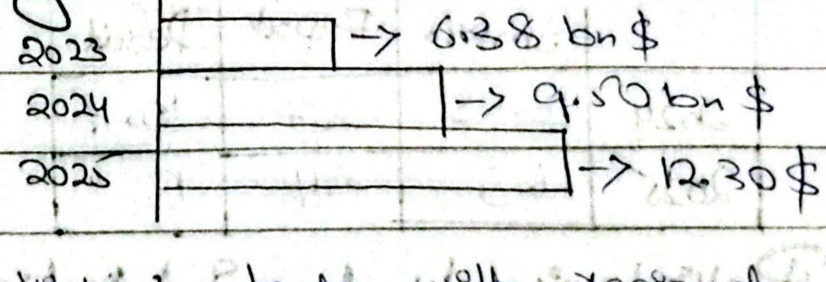
Pakistan, a country in Southasia, once considered to be one of the fastest growing economies is now facing persistent economic challenges. Sharing borders with four countries and arabian sea, Pakistan faces significant hurdles including its rivalry with India and cross-border terrorism curtailing its economic progress. Pakistan has a total of 9 regional partners including India, China, Afghanistan, Bangladesh, Nepal, Bhuttan, Srilanka and maldives. ~~de~~ Despite similar culture and history, South Asian region's economic integration is much lower than rivals such as ASEAN and European Union. Cross border terrorism, insurgency and strained relations with India- biggest economy of SoutAsia are some of the main hurdles to economic integration. furthermore effectiveness of ~~ASE~~ SAARC (South Asian Association for Regional Cooperation) has been reduced primarily due to strained Pakistan-India relations and India's hegemoghic ambitions. Despite the challenges. significant opportunities exist which can only be effective after reducing tensions and encouraging ~~this~~ mutual trust.

Pakistan's trade relations with its Neighbors:-

Pakistan's Fiscal Deficit with regional countries



Pakistan's trade with regional countries is not even close to potential trade; yet significant Defcit persistently derails its

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economic projection.

> Failure to integrate into regional value chains keeps Pakistan in low productivity sector.
>
> — Dr Ishrat Hussain.

Pakistan's trade Integration with China.

China is the largest trade Partner of Pakistan and a long term investor. CPEC Project solely account to $62B investment. However, despite good amount of Trade, Pakistan's trade deficit with China is significat.

	Import	Export	Deficit
2024	13.5	2.7	10.7
2025	16.3	2.4	13

Pakistan's trade Integratin with India

India is an historical rival of Pakistan having critical

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relations since Partition. According to world Bank report, Trade Potential between Pakistan and India account to $37 Billion however only $2B is being utilized. Furthermore, trade have been ~~curtail~~ stoped further primarily after India's revocation of Article 370, water crises and India's hegemonic ambitions.

Pakistan's trade integration with Iran:

Despite having close relations and mutual understanding, trade is ~~often~~ informal.

Due to U.S's Sanctions on Iran and any state pursuing trade integration with Iran, Pakistan hesitates to start projects.

Pakistan's trade Integration with Afghanistan.

Trade with Afghanistan is often curtailed primarily due to terrorism and militant attack

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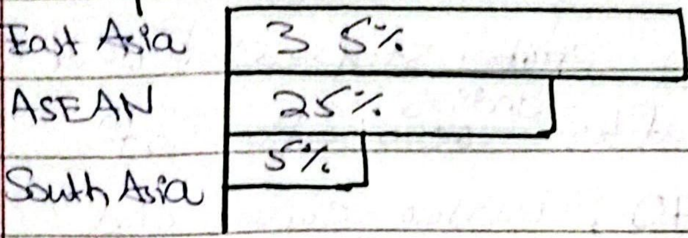
on infrastructure. However, informal economy significantly contribute in the livelihoods of border communities.

Asian Development Bank Report



Intra-Regional Trade

Intra-Regional trade in South Asia accounts to only 5%, far from the rival regions such as Eas Asia and South East Asia.

Challenges impacting the trajectory of Regional Integration for Pakistan

- Geopolitical tensions
- Security Fragility
- Absence of regional value chains
- Project Paralysis
- Infrastructure and logistic gaps

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(a) Geopolitical tensions:-

Historical rivalry on Kashmir limit diplomatic cooperation and bilateral trade talks. SAARC's role has been minimized, primarily ~~on~~ because of the issue of unwillingness of cooperation between Pakistan and India. The trade between both countries was stood at $2.6 Billion in 2013-14, however, it now accounts to only $320 million.

(b) Security Fragility

Economic projects ~~are~~ ~~not~~ face resistance from terrorism and insurgency. Pipeline Projects such as TAPI (Tajikistan, Afghanistan Pakistan, India) faces delays and inaction of Afghan's government.

(c) Absence of Regional value chains:-

Pakistan's trades in low value goods such as textile, rice, cement ~~limits~~ ~~the~~ lack of diversity and mutual trade Agreements limits economic integration

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(d) Project Paralysis

Multiple project including India – Pakistan Iran pipeline and Tajikistan – Afghanistan – Pakistan – India faced delays due to regional instability.

(e) Infrastructural and logistic Gaps

Absence of Multimodel logistics corridors and digital tracking System. delays shipments and increase costs. According to logistics Performance Index Report, Pakistan stands at 89th, & Bangladesh at 88th while India at 38th

Logistics Performance Index Report 2023

Pakistan → 89th

India → 38th

Bangladesh → 88th

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Opportunities exists for Pakistan in enhancing regional Trade

- leveraging SAARC
- SCO Integration
- Climate cooperation
- Operationalizing Multimodel corridors
- Digitalize Cross border Trade System

(a) leveraging SAARC Platform for regional integration

SAARC is being undermined due to Political conflicts but working on Mutual trust and norms can reduce the likelyhood of conflict.

(b) Integrating through SCO Platform

SCO Provides significant opportunities specifically for Pakistan and India if both states cooperate on economic and anti terror projects

(c) climate cooperation Project

South Asia is the Most vulnerable region to climate change, and climate integration can significantly enhance

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mutual trust.

(d) Operationalizing multimodal Corridors

Inviting ~~states~~ neighbours to projects like CPEC can increase trade integration and interdependence

(e) Digitalizing Cross border Trade system

leveraging technology can significantly reduce bureaucratic projects and delays. and foster ~~more~~ trade with neighboring countries

Conclusion:

Despite challenges including strained Pakistan-India relations and terrorism, opportunities exist through climate cooperation and leveraging regional platforms. Pakistan can integrate with its neighbours through economic projects and harnessing culture and norms. South Asian regional integration is increasingly linked to its security paradigm but economic cooperation can foster trust and interdependence