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Pakistan's Foreign Policy Towards Southeast Asia: Implications for Trade and Economic Development

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Key Points:

- Pakistan's interaction with great powers during the Cold War prevented it from joining a third-world regional organisation such as the Association of Southeast Asian Nations (ASEAN).
- Pakistan acts as a gateway to the landlocked South, West, and Central Asian countries, collectively comprising an enormous economic market of 2.38 billion people.
- Pakistan has a Preferential Trade Agreement (PTA) with Indonesia and a Free Trade Agreement (FTA) with Malaysia.
- In 2023, Pakistan's collective bilateral trade with Southeast Asian states, including Indonesia, Malaysia, Singapore, and Thailand, reached \$8.6 billion.

Introduction

The current debate on foreign policy surrounds the nexus of geography and economy. This intersection highlights the importance of neighbouring nations. At the same time, limiting the trade prospects within the specific geographic regions, including backyard, front yards, and corridors. This scenario represents Pakistan's present foreign policy, government's placing emphasis on geoeconomics and the relevance of Pakistan in it. Such discourse from the government side has aided in valuing Pakistan's geographic location. However, this has also created a perception that Pakistan's policy circles have undergone a cognitive slumber,

where policy options for economic cooperation with countries other than immediate neighbours have little space. Such attitudes have overshadowed the importance of other countries and regions, adding to an idle mentality where national policy takes clues from foreign development initiatives, such as the Belt and Road Initiative (BRI). Domestically, Pakistan has increasingly focused on geoeconomics as it is pivotal for economic progress in the National Security Policy (NSP) since the conception of the China-Pakistan Economic Corridor (CPEC) in 2015.¹ As a result, policy circles are romanticised with the economic corridors, compromising the scale of economic cooperation that could be achieved beyond immediate neighbours. An example of such significance lies in Southeast Asia, a region Pakistan cannot overlook, due to its big market, resources, and comparatively better working economies. With a population of 691 million people, making up 8.54 per cent of the world population, it collectively ranks as the fifth largest economy

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¹ National Security Division, *National Security Policy 2022-2026* (Islamabad: Government of Pakistan, 2022).

globally.² Southeast Asian countries offer palm oil, coal, petroleum, seafood, and electronics that Pakistan can tap into.³ Given these factors, it becomes relevant to discuss Pakistan's foreign policy concerning Southeast Asia, mainly existing trade and its future projection. For the sake of objective research, this paper discusses Pakistan's foreign policy towards Southeast Asian states. It would help to see the cumulative status of Pakistan's economic relations with Southeast Asian countries.

Pakistan's Foreign Policy towards Southeast Asia

Pakistan's interest in Southeast Asia predates the establishment of ASEAN, as it was among the first nations to establish diplomatic ties with the newly independent countries in the region. In 1954, Pakistan became a member of the Manila Pact, a defence treaty focused on Southeast Asia. This led to the creation of the Southeast Asia Treaty Organization (SEATO) with the United States (US) assistance. Notably, Pakistan was the sole non-Southeast Asian country to sign the Treaty, aligning itself with the Philippines and Thailand.⁴

Pakistan's foreign policy ever since its inception has oscillated between major powers like the US and Russia during the Cold War period and currently towards China.⁵ This dynamism has put unnecessary duress on crafting a foreign policy based on major powers' aspirations. This approach damaged Pakistan's reputation significantly as a rational actor in the comity of nations. In addition, it also creates stumbling blocks to membership in some regional organisations, such as the ASEAN. Since 1993, ASEAN has recognised Pakistan as a Sectoral Dialogue Partner (SDP).⁶ The feasibility study for a joint Free Trade Agreement (FTA) between Pakistan and ASEAN began in 2009. But since then, little progress has been made, and it seems to have vanished. For Pakistan to benefit economically from the region, it must achieve Full Dialogue Partner (FDP) status with ASEAN. The approval of each of the ten ASEAN member states is required to achieve the

FDP status with ASEAN.⁷ The Philippines, Vietnam, and Singapore have all opposed Pakistan's FDP status with ASEAN. According to the local official, Pakistan's policies towards China have caused Vietnam and the Philippines to oppose and block Pakistan's entry into ASEAN plus six (China, Japan, South Korea, India, Australia, and New Zealand).⁸ However, Pakistan continues to engage the ASEAN countries to get the full FDP status. In this regard, Pakistan's ASEAN membership was formalised by forming the ASEAN-Pakistan Joint Sectoral Cooperation Committee (APJSCC).⁹

The APJSCC has met six times thus far; the most recent one was in 2017. Both parties examined the ASEAN-Pakistan Sectoral Dialogue Relations in several areas during the sixth meeting of the APJSCC. Pakistan reaffirmed its desire for an ASEAN Full Dialogue Partnership. ASEAN proposed revising the Terms of Reference (TORs) for APJSCC and expanding the scope of collaborative efforts. On 18 September 2023, the seventh meeting of the ASEAN-Pakistan Joint Sectoral Cooperation Committee (AP-JSCC) was called to order at the ASEAN Secretariat in Jakarta by representative from ASEAN and Pakistan. Both parties committed to reviving their collaboration by strengthening it through cooperative endeavours that yield meaningful results. The meeting also deliberated on the progress of implementing the ASEAN-Pakistan Sectoral Dialogue Partnership.¹⁰

Genesis of ASEAN Regional Forum and Pakistan East Asia Policy

The ASEAN Regional Forum (ARF) was established in 1993 to promote positive communication and cooperation between ASEAN members and nations interested in the region's security. Pakistan joined the forum in 2004 and has been actively engaging ever since.¹¹ Pakistan has continuously participated in the forum's operations and positively impacted its goals and objectives. Former Foreign Minister Bilawal Bhutto Zardari headed the Pakistani delegation to the 29th ARF Ministerial Meeting, which took place in Phnom Penh, Cambodia, from 4 to 6 August 2022. The Foreign Minister took part in conversations about regional political and security issues. The purpose was

² "Population of South-Eastern Asia (2024)," *Worldometer*, March 22, 2024, https://www.worldometers.info/world-population/south-eastern-asia-population/#google_vignette; Hannah Denson, "The Parts within the Whole: Understanding Southeast Asia's Economies," *The Interpreter*, March 1, 2024, <https://www.lowyinstitute.org/the-interpreter/parts-within-whole-understanding-southeast-asia-s-economies>.

³ Denson, "The Parts within the Whole."

⁴ Ambassador Muhammad Hassan, "ASEAN and Pakistan: A Partnership for Peace and Prosperity" *Institute of Strategic Studies Islamabad*, July 7, 2023, <https://www.google.com/search?q=ASEAN>.

⁵ K. B. Sayeed, "Southeast Asia in Pakistan's Foreign Policy," *Pacific Affairs* 41, no. 2 (1968): 230–44, doi:10.2307/2754797.

⁶ ASEAN Main Portal, "Overview of ASEAN-Pakistan Sectoral Dialogue Cooperation," May 2023, <https://asean.org/wp-content/uploads/2023/06/overview-of-asean-pakistan-sectoral-dialogue-cooperation.pdf>.

⁷ News Desk, "Three Member States Blocking Pakistan's Entry to ASEAN: Ministry" *Business Recorder*, March 1, 2018, accessed December 26, 2023, <https://fp.brecorder.com/2018/03/20180301348058/>.

⁸ *Ibid.*

⁹ Ambassador Muhammad Hassan, "ASEAN and Pakistan: A Partnership for Peace and Prosperity."

¹⁰ "ASEAN, Pakistan Reinstantiate Sectoral Dialogue Partnership," *ASEAN Main Portal*, September 18, 2023, <https://asean.org/asean-pakistan-reinstantiate-sectoral-dialogue-partnership/>.

¹¹ Hassan, "ASEAN and Pakistan: A Partnership for Peace and Prosperity."

Pakistan's Trade with Southeast Asian Countries

to seek collaborative solutions to lingering political and security concerns through discourse and cooperation. Furthermore, On 8 June 2023, the resident Heads of the Mission of Southeast Asian countries had a roundtable discussion with Former Foreign Secretary Dr. Asad Majid Khan in Islamabad. The meeting took place as part of Pakistan's ongoing engagement with ASEAN.¹² Following its East Asia Vision, Pakistan's Foreign Secretary underlined Pakistan's commitment to strengthening the collaboration between Pakistan and Southeast Asian nations in all fields.

One cannot argue that policymakers were not aware of the importance of Southeast Asian countries. Therefore, Pakistan formally adopted Vision East Asia in October 2003 to connect itself strategically to East Asian regionalism and follow the lead of East Asian economies.¹³ Pakistan's Vision East Asia encompasses South East and North East Asia. The policy attempted to establish genuine partnerships with East Asia and Southeast Asian nations. The Look East policy aimed to establish institutional ties and strengthen ties with Southeast Asian states both individually and collectively in some areas. However, Pakistan still lags behind other regional countries like India and China in terms of cooperation with Southeast Asian countries. There is a need to overhaul Pakistan's Vision East Asia Policy to get better placed among other competing nations.¹⁴

Pakistan's political orientation in the aftermath of CPEC is a clear shift towards geoeconomics.¹⁵ Pakistan aim to serve as a hub for connection between South, West, and Central Asia. As a result, Pakistan now prioritises economic integration more in its transregional foreign policy. The corridor that connects Gwadar and Kashgar will likely lead to increased trade between the two areas. However, Pakistan may become a less desirable trade route, given the Southeast Asian nations' relations with China, particularly in light of the competing claims in the South China Sea. Pakistan may be viewed through a Chinese prism by Southeast Asian nations. Therefore, Pakistan should also incorporate maritime corridors in its approach to geoeconomics, connecting it to Southeast Asian states.

Pakistan can connect Southeast Asian states to the landlocked West, Central, and South Asia, collectively consisting of an economic market of 2.8 billion people. While Pakistan does not have collective Free trade Agreement (FTA) with ASEAN but has two trade agreements with Indonesia and Malaysia. The Pakistan-Indonesia Preferential Trade Agreement (PTA) was signed on 24 November 2005. Article 3 of the agreement stipulates that tariffs on specific products will be reduced and, where relevant, eliminated. Both countries will not implement border charges or fees on specified products under this agreement.¹⁶ Malaysia and Pakistan signed a FTA called the Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA) on 8 November 2007. The MPCEPA covers liberalising trade in goods and services, investment, bilateral technical cooperation, and capacity building in sanitary, intellectual property protection, construction, tourism, healthcare, and telecommunications.¹⁷

Pakistan's bilateral trade with major Southeast Asian countries fluctuated in the last four years, reaching \$8.6 billion in 2023. Pakistan's major exports to Indonesia include rice, alcohol 80 per cent (Alcohol by Volume ABV), and citrus. The main products Pakistan imports from Indonesia are palm oil, coal briquettes, and unprocessed artificial staple fibre, among others.¹⁸

During this period, Indonesia has remained Pakistan's biggest trading partner in Southeast Asia. The bilateral trade volume between Pakistan and Indonesia has increased from \$2152.53 million in Fiscal Year (FY) 2020 to \$4471 million in 2023, showing a significant increase. However, Pakistan has a huge deficit compared to Indonesia. In FY 2022, Pakistan's imports from Indonesia were valued at \$4,619.10 million, compared to its exports worth \$128 million during the same year.¹⁹ In FY 2023, though Indonesian imports slightly dropped to \$4,319 million, Pakistan's exports to Indonesia were still minimal, valued at \$152 million (see table 1.1).²⁰

¹² Embassy of the Islamic Republic of Pakistan, Jakarta "ASEAN," *Pakembjakarta*, accessed December 26, 2023, <https://www.pakembjakarta.com/concurrent-accreditation>.

¹³ Ahmad Rashid Malik, "The US Pivot to Asia: Recalibrating Pakistan's Vision East Asia," *Strategic Studies* 34, no. 4/1 (2014), http://www.issi.org.pk/wp-content/uploads/2015/12/Ahmad-Rashid-Malik_3435_SS_41_20142015.pdf.

¹⁴ Saman Rizwan, "Reviving Pakistan's Vision East Asia Policy," *Centre for Strategic and Contemporary Research*, October 29, 2020, <https://cscr.pk/explore/themes/trade-economics/reviving-pakistans-vision-east-asia-policy/>.

¹⁵ Amna Ejaz Rafi, "Entry of ASEAN's New Dialogue Partners: Status of Pakistan's Request," February 2022.

¹⁶ Government of Pakistan Ministry of Commerce, "Pakistan-Indonesia Preferential Trade Agreement (PTA)," November 25, 2005, <https://www.commerce.gov.pk/about-us/trade-agreements/>.

¹⁷ "Malaysia-Pakistan Closer Economic Partnership Agreement (MPCEPA)," January 1, 2008, <https://fta.miti.gov.my/index.php/pages/view/malaysia-pakistan>

¹⁸ "Indonesia (IDN) and Pakistan (PAK) Trade," *The Observatory of Economic Complexity*, March 21, 2024, <https://oec.world/en>.

¹⁹ Pakistan Bureau of Statistics (PBS), "Annual Analytical Report on External Trade Statistics of Pakistan," 2022, <https://www.pbs.gov.pk/publication/annual-analytical-report-external-trade-statistics-pakistan-2021-22>.

²⁰ Trade Development Authority of Pakistan (TDAP), "Annual Trade Reports," 2023, <https://tdap.gov.pk/annually-trade-reports/>; "Annual Analytical Report on External Trade Statistics of Pakistan" (Pakistan Bureau of Statistics, 2021), <https://www.pbs.gov.pk/publication/annual-analytical-report-external-trade-statistics-pakistan-fy-2020-21>.

Table 1.1

Pakistan-Indonesia Trade (value in Million USD)				
Fiscal Year	Exports	Imports	Bilateral Trade	Trade Deficit
2020	-	2152.53	2152.53	2152.53
2021	149	-	3330.69	3181.69
2022	128	4,619.10	4747.1	4619.10
2023	152	4319	4471	4319

*Pakistan's exports in 2020 and Imports in 2021 are not found in the official data.

*Data is collected and calculated by the authors.

Malaysia is another critical trade partner for Pakistan in Southeast Asia. The bilateral trade between the two has increased from \$1,171.2 million in 2020 to \$1,259 million in 2023. However, Pakistan's trade gap is wide despite increased exports to Malaysia. In FY 2022, Pakistan's exports to Malaysia stood at \$453.68 million, compared to \$238.39 million in 2021, showing an increase of 90.31 per cent.²¹ Pakistan imported goods from Malaysia worth \$1314.89 million in 2022, compared to \$1103.71 million in the previous year. In FY 2023, Pakistan's exports to Malaysia dropped to \$369 million, and imports decreased to \$890 million (see table 1.2).²² Pakistan exports various goods to Malaysia, including rice, corn, and house linens. Malaysia exports palm oil, petroleum gas, and margarine, among other things.²³

Table 1.2

Pakistan-Malaysia Trade (value in Million USD)				
Fiscal Year	Exports	Imports	Bilateral Trade	Trade Deficit
2020	269.5	943.26	1,212.76	943.26
2021	238.39	1103.71	1,342.1	1103.71
2022	453.68	1314.89	1,768.57	1314.89
2023	369	890	1,259	890

*Data is collected and calculated by the authors.

Pakistan's exports to Thailand increased from \$172 million in FY 2021 to \$369.55 million in FY 2022, a 114.45 per cent increase. However, a considerable amount of import inflows overshadowed the exports. Thailand's exports stood at \$1796.92 million in FY 2022, compared to \$1237.81 million in FY 2021.²⁴ In FY 2023, imports from Thailand decreased to \$1010 million, and exports to Thailand increased to \$912.8 million,

²¹ Pakistan Bureau of Statistics (PBS), "Annual Analytical Report on External Trade Statistics of Pakistan."; Ibid.; "Quarterly Review of Foreign Trade April-June, 2020" (Pakistan Bureau of Statistics, 2020), <https://www.pbs.gov.pk/publication/quarterly-review-foreign-trade-april-june-2020>.

²² Trade Development Authority of Pakistan (TDAP), "Annual Trade Reports."; "Annual Analytical Report on External Trade Statistics of Pakistan."

²³ "Pakistan (PAK) and Malaysia (MYS) Trade," *The Observatory of Economic Complexity*, March 21, 2024, <https://oec.world/en>.

²⁴ Pakistan Bureau of Statistics (PBS), "Annual Analytical Report on External Trade Statistics of Pakistan," 2022, <https://www.pbs.gov.pk/publication/annual-analytical-report-external-trade-statistics-pakistan-2021-22>.

showing a decrease in bilateral trade (see table 1.3).²⁵ The main goods that Pakistan exports to Thailand are mineral goods, animal goods, and textiles. At the same time, Pakistan's main imports from Thailand are transportation, machines, and chemical products.²⁶

Table 1.3

Pakistan-Thailand Trade (value in Million USD)				
Fiscal Year	Exports	Imports	Bilateral Trade	Trade Deficit
2020	153.2	846.78	999.98	846.78
2021	172	1237.81	1410.13	1237.81
2022	369.55	1796.92	2166.47	1796.92
2023	912.8	1010	1922.8	1010

*Pakistan's Fiscal Year 2019-2020 exports include only the first quarter.

*Data is collected and calculated by the authors

Pakistan imported goods from Singapore worth \$903.14 million in FY 2022, compared to \$559.05 million in FY 2021.²⁷ On the other hand, Pakistan exported goods to Singapore worth \$81 million in FY 2022, compared to \$82 million in FY 2021. In FY 2023, Singapore imports increased to \$965 million (see Table 1.4). The main products exported to Singapore are crude petroleum, alcohol greater than 80 per cent ABV, and refined petroleum. Imports from Singapore consist of scented mixtures and antiknock, a substance added to the fuel of an internal combustion engine to help prevent knocking.²⁸

Table 1.4

Pakistan-Singapore Trade (value in Million USD)				
Fiscal Year	Exports	Imports	Bilateral Trade	Trade Deficit
2020	-	630.77	630.77	630.77
2021	82	559.05	641.05	559.05
2022	81	903.14	984.14	903.14
2023	-	965	965	965

*Pakistan's exports in 2020 and 2023 are not included due to lack of data

*Data is collected and calculated by the authors

Overall, Pakistan's bilateral trade with major Southeast Asian countries is growing. However, Pakistan runs a huge trade deficit with each country, which does not benefit the economy from the bilateral trade with these countries. Pakistan's total trade with Southeast Asian countries stands at \$6.3 billion, compared to India's \$200

²⁵ Trade Development Authority of Pakistan (TDAP), "Annual Trade Reports."; "Quarterly Review of Foreign Trade April-June, 2023" (Pakistan Bureau of Statistics (PBS), June 2023), [chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.pbs.gov.pk/sites/default/files/external_trade/quarterly_review/Q4RFT%20APR-JUN%2C%202023%20UPDATED-\(Final\).pdf](chrome-extension://efaidnbmnnnibpcajpcglclefindmkaj/https://www.pbs.gov.pk/sites/default/files/external_trade/quarterly_review/Q4RFT%20APR-JUN%2C%202023%20UPDATED-(Final).pdf).

²⁶ "Pakistan (PAK) and Thailand (THA) Trade," *The Observatory of Economic Complexity*, March 21, 2024, <https://oec.world/en>.

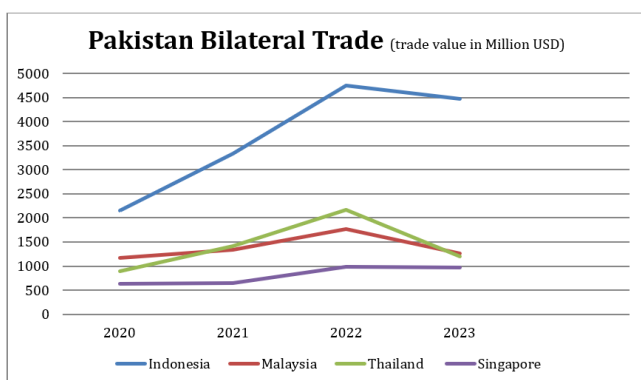
²⁷ Pakistan Bureau of Statistics (PBS), "Annual Analytical Report on External Trade Statistics of Pakistan."

²⁸ "Pakistan (PAK) and Singapore (SGP) Trade," *The Observatory of Economic Complexity*, March 21, 2024, <https://oec.world/en>.

billion and China's whopping \$731.9 billion trade with Southeast Asia.²⁹

The comparative analysis of the trend line high volume of trade with Indonesia and Malaysia corresponds to Pakistan's trade agreements with these countries, as shown in Table 1.5. On the other hand, low trade with Thailand and Singapore reflects the absence of any comprehensive bilateral trade regime that can complement bilateral trade, as shown in Table 1.5. In the same vein, political irks have impeded the progress of trade cooperation with the Philippines and Vietnam. It does not mean that Pakistan has no trade with Vietnam or the Philippines, but that fraction is significantly low. Therefore, those figures are not included in the table 1.5.

Table 1.5



*Data is collected and calculated by the authors

Recommendations

1. ASEAN has lifted its temporary ban on FDP status. Therefore, Pakistan, the oldest ASEAN SDP partner, should strive to obtain this status. Pakistan's former foreign secretary hosted all resident ASEAN heads of missions in June 2023, a welcoming step in this direction. Such efforts to foster understanding between Pakistan and Southeast Asian states should be more frequent.
2. Pakistan should enhance bilateral trade with individual Southeast Asian countries, especially the Philippines, Singapore, and Vietnam. It should sign a PTA or FTA with these countries to promote bilateral trade. PTAs with Indonesia and FTAs with Malaysia have significantly boosted bilateral trade. Indonesia is Pakistan's biggest trading partner among Southeast Asian states, with bilateral trade reaching \$4.47 billion in 2023.
3. To benefit from the ASEAN economic partnership, Pakistan must increase its exports

by giving subsidies to the export industry to balance the trade deficit with Indonesia, Malaysia, Thailand, and Singapore. For instance, in 2022, Pakistan imported goods from Singapore worth \$903.14 million compared to its exports of just \$81 million, showing a trade deficit of \$822.14 million. Pakistan should subsidise textiles, chemicals, and the food industry, which are mainly the needs of the Southeast Asian countries.

4. Pakistan should persuade ASEAN to invest in Special Economic Zones (SEZs) in CPEC and benefit from its abundant young workforce. Moreover, Pakistan's geographic location gives Southeast Asian countries access to critical regions of the world, such as Western China, Central Asia, and the Middle East, thus connecting Southeast Asia to those regions.
5. Vietnam and the Philippines' concerns could be addressed by balancing foreign policy between China and ASEAN countries. Pakistan must also seek more economic opportunities for its people to increase its presence in the region.

²⁹ Dr Mehmood UI Hassan Khan, "Pakistan-ASEAN Economic Integration: An Expert Opinion," *ANKASAM | Ankara Center for Crisis and Policy Studies*, July 5, 2021, <https://www.ankasam.org/pakistan-asean-economic-integration-an-expert-opinion/?lang=en>.