

GEOPOLITICS AND ECONOMICS: THE DYNAMICS OF PAK-US RELATIONS (2001 TO 2020)

Muhammad Irfan,

PhD Scholar (Political Science), The Islamia University of Bahawalpur

Dr. Ahsan Riaz

(Assistant Professor, Department of Political Science, The Islamia University of Bahawalpur)

Abstract

This study explores the intricate interplay of geopolitics and economics in shaping Pak-US relations from 2001 to 2020, a period marked by critical global and regional developments. Following the events of 9/11, Pakistan emerged as a key ally in the US-led War on Terror, positioning itself at the intersection of strategic military interests and economic engagements. The research examines the dynamics of this partnership, focusing on how security-driven cooperation influenced economic policies, aid inflows, trade patterns, and Pakistan's broader economic landscape. Using a qualitative methodology, the study draws on primary and secondary sources, including government records, policy papers, and scholarly analyses, to understand the bilateral relationship. The findings indicate that while US financial assistance during this period significantly supported Pakistan's economy, it also fostered a pattern of aid dependency, exacerbating structural economic challenges. Trade relations remained asymmetric, with limited diversification and barriers to market access for Pakistani exports. Additionally, conditionalities attached to US aid often curtailed Pakistan's economic sovereignty, impacting domestic governance and policy frameworks. The study also considers the shifting geopolitical context during the era, including the rise of China and Pakistan's strategic pivot towards regional partners, which began to reshape the traditional parameters of Pak-US economic ties. The research underscores the need for Pakistan to transition from a dependency-driven relationship to one rooted in equitable trade and investment. By doing so, Pakistan can better align its economic goals with its geopolitical realities, ensuring a more sustainable and balanced partnership with the United States.

Keywords: Pak-US relations, War on Terror, geopolitics, economic dependency, foreign aid, trade imbalances, regional partnerships, qualitative analysis.

Introduction

The economic relationship between Pakistan and the United States has evolved significantly over the decades, often mirroring the shifting geopolitical priorities of both nations. From the Cold War to the post-9/11 era, economic ties have been deeply influenced by strategic considerations, with periods of intensified cooperation followed by phases of strained engagement. These relations have been characterized by financial assistance, trade, and investment, each playing a critical role in shaping Pakistan's economic trajectory and its broader foreign policy framework Zaidi et al, (2022).

During the early years of Pakistan's independence, the United States emerged as a major economic partner, providing substantial aid to support infrastructure development and economic stabilization. This partnership was rooted in shared strategic interests during the Cold War, with Pakistan aligning itself with the Western bloc. The US aid, though critical for Pakistan's nascent economy, also created a dependency that would later become a recurring theme in their bilateral relations. Ali & Anwar (2023).

The post 9/11 era for Pakistan was marked as a front line soldier against terrorism for US, and a new period for economic and strategic cooperation too. Pakistan got financial assistance from US in the name of counter terrorism, it was through military and economic package. This financial aid was for short time economic relief, also making arrangements for the protection from roots of

terrorism, and planting roots for long term arrangements to avoid such situations. In a longer term this aid influenced Pakistan's domestic policies including political and financial decisions and also raised concerns about the governance in the state. Kux, D. (2001).

Financial aid did not prove a source for long term and smooth relations for both the countries. Trade relations remained underdeveloped as compared to the inflow of financial aid. The United States remained a constant and largest supporter to defeat terrorism from world, and Pakistan largest partner for anti-terrorism activities. But there was impact on trade of textiles and agricultural products. Pakistan had limited access of trading in US markets, and lack of bilateral trade. However, trade imbalances persist, with limited market access for Pakistani goods in the US and a lack of diversification in bilateral trade. US investment was invested with a focus on energy and services, leaving vast areas of Pakistan's economy underexplored Hashmi, T. (2013). Trough China-Pakistan Economic Corridor (CPEC), the strategic relations among China, Pakistan and US are getting complicated. As china is a potential candidate of super powers race and has good relations with Pakistan. After CPEC Pakistan and China have many common interests for socioeconomic development and relationship. Pakistan is rethinking to change the relationship with US and its neighboring countries for survival and growth. There is working on strategic alliances. There are alliances for economic and trade development as well as for lobbying on regional matters. Jia, C. (2017).

Pakistan is need of a long term relation and strategic partnership as regional and global level to find out longer term relations with developing and developed countries. Pakistan should come out of aid dependency to get economic sustainability and collaboration. This will be to strengthen and evaluate the relation of countries and economic empowerment. This will be a strategic alignment and mutually beneficial for all partners. Pakistan may enhance relationship with neighbors and super powes at the same time by strong planning. Hassan, & Jamil (2024)

Objective of the Study

To highlight the complex relationship of geopolitics and economics in shaping Pak-US relations from particularly 2001 to 2020

To explore the Pak-US relations and its economic implications on Pakistan

Geopolitics and Economics: The Dynamics of Pak-US Relations (2001 to 2020)

The decade of 2001 to 2020 was an era of transformational change for the relations of US and Pakistan as there was an intersection of geopolitics and economics. Terrorist attacks on September 11, 2001, Pakistan got a central place on the 'war of terror' to get the economic and political benefits. This partnership driven by security perspectives and collaboration of society, military and economic relations. Roy, & Khalid, (2019)



Source: <https://www.britannica.com/place/United-States>

Geopolitical Alignment and Strategic Cooperation

After 9/11 attacks the scope and focus of united states have focus on global terrorism instead of a country of state. The relations of Pakistan and other countries became a debatable topic. Pakistan became the world leading country in the Asia and other countries. This era was known as a strategic development era for Pakistan, Afghanistan, China and Pakistan. This period was considered as the period of collaboration and the terrorism defeating era. This was also to utilize a billion of dollars in name of peace and peace building. There was a Coalition Support Fund (CSF) to reimburse expenses incurred during military operations against terrorist networks Khan, S. (2018).



Source: <https://www.worldatlas.com/upload/1c/76/b0/pk-01.jpg>

Economic Assistance and Dependency

The US and Pakistan had positive relations and financial aid from US to Pakistan, and played a dual role for combating terrorism. Pakistan army got criticism on this support and people were not in favor of this support. This external support was not helpful to change the minds of Pakistani nation for US and non muslims. Anwar, & Michaelowa (2006).

US aid came with many conditions that were not communicated to the common people as they were. This aid was conditional to the policies, governance and priorities of the country. This also caused tensions among different religious and political parties to develop policies and economic growth in the country. This was also conditioned to the domestic and social development of the country. This economic assistance was short-term and reactive, it covered the crises for a short time and remained issues unsolved Kundi, M. A. (2007).

In this era the trade between US and Pakistan were short term and resulted as an economic benefit of US not of both the countries. The Pakistan and US remained trading partners in this era which did not have more long lasting impacts on the nations. This is imbalance of economic

stability in Pakistan. Pakistan was unable to get longer term and unconditional support from US to maintain antiterrorism initiatives. Kronstadt et al, (2005)

China is dominating economic power with remarkable growth in the country, the China-Pakistan Economic Corridor (CPEC) emerged as a leading economic opportunity for the coming years and is in the eyes of whole world. This will also Pakistan, china and US relations for economic and social development and growth. The US, in turn, began to recalibrate its approach, balancing its strategic interests in South Asia with growing concerns over China's influence. This shift introduced new complexities into Pak-US relations, as both nations sought to navigate a changing geopolitical landscape while maintaining areas of mutual interest. Khan (2020)

US Relation after 9/11

After 9/11, Pakistan emerged as a key ally of the United States in its Global War on Terror. The U.S. sought Pakistan's strategic cooperation due to its geographical proximity to Afghanistan and its influence over the Taliban. In return, Pakistan received substantial financial aid and military assistance. President Pervez Musharraf pledged full support to the U.S., which included granting logistical access, intelligence sharing, and operations against extremist groups within Pakistan's borders. This cooperation helped the U.S. overthrow the Taliban regime in Afghanistan and launch a broader campaign against Al-Qaeda. Ul Amin et al, (2020)

However, the relationship between the two nations remained fraught with challenges. The U.S. often criticized Pakistan for its alleged "double game," accusing it of harboring militant groups like the Haqqani Network while claiming to fight terrorism. This mistrust deepened following events such as the discovery of Osama bin Laden in Abbottabad in 2011. Marwan & Jan (2017)

On the other hand, Pakistan felt its sacrifices in the War on Terror, including thousands of civilian and military casualties, were underappreciated. Over time, the relationship became more transactional, with Pakistan seeking economic aid and the U.S. prioritizing counterterrorism objectives, leaving their partnership strained and marred by mutual suspicions. Fair (2009)

USAID- for Education

The most critical ongoing development endeavor in Pakistan, according to USAID, is reforming the country's educational system. A five-year school reform initiative was funded with more than \$100 million in July 2002. Working with Pakistan's Ministry of Education, USAID is working to strengthen (1) policy and planning, (2) teacher training, (3) adult and youth literacy programmes (4) partnership creation and building between the private and public sectors. Projects funded by USAID include initiatives aimed at enhancing teacher preparation and developing educational materials, as well as constructing and equipping schools in federally administered tribal areas, bringing Pakistani educators to the United States for training, and promoting democratic values among students and teachers. In order to achieve their goals, these significant efforts must be executed across the country and stress local solutions rather than imposing impractical or culturally insensitive solutions from outside of the country. The existing levels of US aid allocation for educational reforms look to be insufficient and may need to be quadrupled, at the very least. Zia et al, (2021)

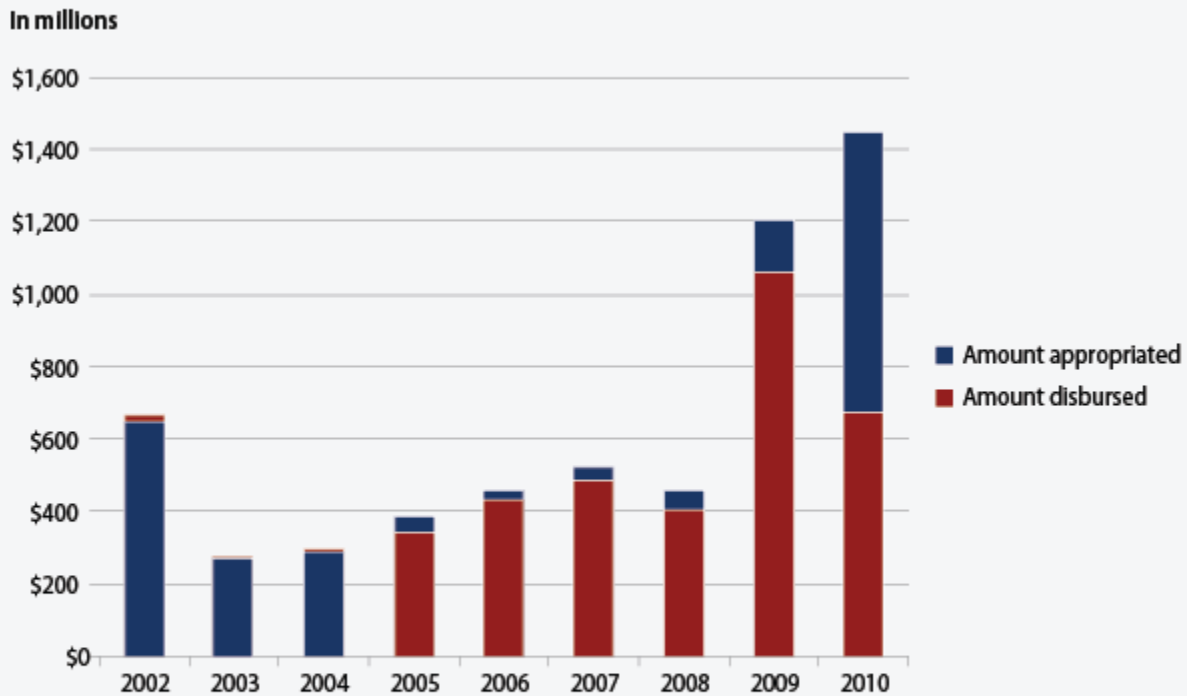
Moreover The United States' skepticism of Pakistan's bureaucracy is justified, given the difficulties already recognized with Pakistan's leadership. Alternative mechanisms for enacting educational reform have been sought in the United States, including nongovernmental organizations (NGOs). An unquestioning reliance in non-governmental organizations (NGOs) is also a problem because many are themselves the result of a self-serving and elitist system.

Bangladesh's grass-roots NGOs have a better sense of public duty, and Pakistan should be encouraged to follow suit. Civil society is Pakistan's second-most important institution to establish after education. The United States should assist Pakistan in doing so. Educator salaries in Pakistan have been raised, new schools have been opened, and the curriculum has been modernized, according to Pakistan's education minister. The government has substantially increased the budget of his ministry. According to the money allocated to him by the government, he would be able to introduce science topics and English language instruction into madrassah curriculum, set up computer labs in schools, and otherwise improve their physical infrastructure. For the time being, the madrasahs are reluctant to embrace such government interference in order to reform them. Such approaches, however, may actually reinforce the madrasahs rather than reforming them. Reform will only provide them with a short-term boost in funding. If public education is improved and expanded, madrasah schools will eventually go out of business. Bailouts should be avoided in favor of a more gradual integration into the mainstream educational system.

Humanitarian and Development Assistance

U.S. donations to Pakistan amounted for just over 11 percent of the total recorded U.S. aid to Pakistan prior to 2007. A total of 11 US taxpayer dollars have been used to fund Pakistani corruption. The funds primarily assist elections while also supporting early childhood development, basic health care, food relief, and democracy and government. Unless there are extraordinary circumstances, all transfers to the Pakistani military are routed through USAID (such as the Pakistani earthquake of 2005).

FIGURE 2
U.S. economic assistance disbursed to Pakistan, 2002-2010



Note: All figures subject to rounding. Economic assistance includes Economic Support Funds, Child Health and Survival / Global Health and Child Safety, Democracy Assistance, Human Rights and Democracy Funds, and Food Aid accounts, and some other State Department programs. Not included: Counternarcotics, Law Enforcement, Nonproliferation, or International Disaster Assistance / Migration and Refugee Assistance accounts.

Source: Congressional Research Service (appropriated funds) <http://www.fas.org/sgp/crs/row/pakaid.pdf>, <http://www.fas.org/sgp/crs/row/RL33498.pdf>; USAID Greenbook (FY2002-FY2009 disbursed funds); Center for Global Development (FY2010 disbursed funds).

Reference: <https://www.americanprogress.org/article/the-limits-of-u-s-assistance-to-pakistan/>

An \$750 million development strategy for Pakistan's frontier region has just been launched by the United States, which supports the Pakistani federal budget for a \$9 billion initiative for the sustainable development of tribal areas. In order to effectively and long-term fight violent extremism, the inhabitants of tribal areas need a greater link to their central government. Plans to improve planning and coordination between civilian and security agencies, as well as strengthen the capacity of tribal area authorities to organize and manage development aid programmes, are the goals of this strategy. Yaqoob & Sattar (2021)

In addition, the plan aims to improve security in the tribal areas, which is essential for a successful development strategy. With the help of the Pakistani government, we've been able to expand and improve the capacities of three law enforcement agencies that have long had a presence in the tribal areas and are largely made up of ethnic Pashtuns recruited from within those areas. These aspects of U.S. assistance to Pakistan are, in my opinion, critical to the fight against terrorism's victorious outcome. It is these forces that are waging war in parts of the

Northwest Frontier Province like Swat against the Taliban, al-Qaeda and other violent extremist groups.

Literature Review

Pakistan and U.S. relations are dependent on economic aid, military help, diplomatic support, and war and terror for the strategic partnership and relationship. This relation was more crucial during cold war and anti-terrorism war. These relations were for sustainability of Pakistan and US relations. After all the support and aid there is relation of mistrust. As Pakistan people think, they are not in priority of government when they take such decisions. It also influenced Pakistani foreign policies and relations with other countries. There were more people centric partnership, and sustainable development to counter terrorism from the world. Khan, (2019)

In Donald Trump's era, US aggressive military policies were not in favor of China. It was not a war in battle field but a war known as cold war, through trade, exports and strategic partnerships with the countries which are not a good friends list of china. All this significantly disrupted the delicate "cold peace" across the Taiwan Strait. There are relation with Taiwan, implementation of tariffs, and strengthening the relations with Taipei. All this resulted in the enhanced sale of arms and diplomatic engagements. As a response china increased military exercises, cross state tensions. US policies disturb the balance of power in the region and also challenged the fragile balance of relations. Hu, (2018)

In Donald Trump government, US had a cold war with china, it was in kind of imposing more strict tariffs, trade barriers, to cause an economic imbalance in the region and try to leave china alone in the world. There were trade practices to harm Chinese customers globally. There was intellectual property theft that caused unfair trade practices. US intended to reduce the trade surplus of china that's why develop strategic relations with the main trading partners of china. On the Chinese side, this trade war opened avenues to explore more countries and partners to grab business. But, in real this cold war did not prove beneficial for US too as it was prolonged and world knew the intension of America behind this cold war. Hughes, (2005)

China respond to this cold war very wisely. China's policy response to the U.S.-China trade war had been multifaceted. These policies had focus on both short-term countermeasures such as maintain domestic market and arrangements to maintain existing contracts and partners. There were also longer term arrangements like searching new markets, flexibility to investors, and above all reduce dependency on the American markets and products. China started to invest in technology, innovation and approaching space to stand for the future cold wars. China also search regions and routs to minimize barriers of supply chain to cut cost and fatigue. China took initiative like increasing the domestic consumption along global trade and it was named as *dual circulation strategy*. There was some impact on the chinse economy and its vulnerability was minimized up to some level. Liu et al, (2018)

China and U.S. relations had transitional change from the cooperative markets to the more competitive and extensive markets leaving impact on the world and trade among regions. This relation was initially a relation of interdependence, interaction and coordination for economic growth of both the countries. This relation was turned to the economic liberalization. However, China's domestic and international policies, including technological ambitions, modernization, and influence on international markets. This transitional change was helpful for promotion of technology, innovation, climate change and sustainable development. Zhao, (2008)

In *China-US Trade War and Trade Talk* (2020), M. Yu examines the world largest economies and their trade conflict between US and China. This was to analyze economies, analyzing its origins, evolution, and outcomes. This book explores the strategic, political and economic trade war to create structural trade imbalances, the innovative and technological competition. There were also some economic models introduced. Yu analyzed the impact of imposed tariffs, countermeasures, and economic debates, showing the broader implications. Global trade systems and economic governance was judged by author. Yu, (2020)

Pakistan and U.S. trade and its discussion has focus on addressing trade imbalances enhancing access to markets, and enhancing the economic coordination to strengthen bilateral relations. As U.S. remained among largest trading partners of Pakistan. It was great partners for textiles and apparel industries and dominating Pakistani exports. This article discusses the frequency of trade, and the diversified trade portfolios. It was to reduce barriers to the Pakistani goods and services. The talks also explores prevailing opportunities for U.S. have financial resources for the Pakistan's energy sector, innovative technology, and upgraded agricultural sectors, with discussion on intellectual property rights. There was compliance with international trade norms and compliances. Kronstadt et al, (2005)

The relation of Pakistan and U.S. are embellished with the economic relations. There was a mix of mix of financial aid, economics laws, trade and contracts, and strategic interests. This is often influenced by geopolitical considerations and regional boundaries. The US remained major trading partner and left significant impact as a source of foreign direct investment (FDI) in Pakistan. There is investment for the sectors including agriculture, services and energy sectors. This relation was mainly dependent on financial aid by America, strategic alignment with regional partners and growing investment-based partnership. There were multiple challenges including trade imbalances, lack of diversified sectors of exports, and influencing both relations underscore the need for more consistent economic engagement. Khan, (2020)

The relations of Pakistan and US are related to trade, investment, sustainable development, financial aid for education and health, critical components of agriculture, textile and garments, and energy sector. Pakistan invest in textile while US invest in energy and technology sectors, and infrastructure development. Both the countries supported The U.S. is a major destination for Pakistani exports, primarily textiles, while American companies invest in Pakistan's energy, agriculture, and technology sectors. This relationship had a lot of challenges including imbalance economies, lack of trade diversification, and instability in Pakistan economy. Hartpence, (2011)

Conclusion

The dynamics of Pak-US relations from 2001 to 2020 highlight the intricate interplay between geopolitics and economics. While the partnership brought significant benefits, particularly in terms of financial aid and strategic collaboration, it also exposed inherent vulnerabilities and imbalances. Moving forward, both nations face the challenge of transitioning to a more balanced and sustainable relationship, one that emphasizes equitable trade, investment, and mutual respect for economic sovereignty. Such realignment is essential for addressing the evolving challenges of a multipolar world while ensuring that the bilateral relationship continues to serve the long-term interests of both Pakistan and the United States.

References

- Ali, I., & Anwar, M. F. (2023). Pak-US Relations: An Overview in Historical Perspective (1947-2021). *Pakistan Journal of Humanities and Social Sciences*, 11(4), 4659-4673.
- Anwar, M., & Michaelowa, K. (2006). The political economy of US aid to Pakistan. *Review of Development Economics*, 10(2), 195-209.
- Fair, C. C. (2009). Pakistan's own war on terror: What the Pakistani public thinks. *Journal of International Affairs*, 63(1), 39-55.
- Fair, C., Johnson, T., Richerme, P., & O'Donnell, J. (2015). What faculty want librarians to know.
- Hartpence, M. (2011). The economic dimension of Sino-Pakistani relations: An overview. *Journal of Contemporary China*, 20(71), 581-599.
- Hashmi, T. (2013). The destiny of Pakistan and Pak-US relationship. *Journal of South Asian Studies*, 1(1), 10-34.
- Hassan, F., & Jamil, T. (2024). Pakistan-US relations: examining sustainable bilateral cooperation via civil society collaboration. *Liberal Arts and Social Sciences International Journal (LASSIJ)*, 8(2), 83-101.
- <https://www.americanprogress.org/article/the-limits-of-u-s-assistance-to-pakistan/>
- <https://www.britannica.com/place/United-States>
- <https://www.worldatlas.com/upload/1c/76/b0/pk-01.jpg>
- Hu, W. (2018). Trump's China policy and its implications for the "cold peace" across the
- Hughes, N. C. (2005). A trade war with China?. *Foreign Affairs*, 94-106.
- Imran Wakil, D. G. M., & Shabbir, N. (2021). Pak-US bilateral relations under Bush administration. *Pakistan Journal of International Affairs*, 4(2).
- Jia, C. (2017). New trends of US policy toward South Asia: challenges to CPEC. *IPRI Journal*, 1(1), 95-121.
- Khan, H. U. (2020). China, the emerging economic power: options and repercussions for Pak-US relations. *International Politics*, 1-26.
- Khan, H. U. (2020). China, the emerging economic power: options and repercussions for Pak-US relations. *International Politics*, 1-26.
- Khan, M. (2019). Pakistan-US Relations. *Strategic Studies*, 39(4), 55-72.
- Khan, M. (2019). Pakistan-US Relations. *Strategic Studies*, 39(4), 55-72.
- Khan, S. (2018). What Is the CSF and Why It Serves US Interests in Afghanistan.
- Kronstadt, K. A., & Foreign Affairs, Defense, and Trade Division. (2005, April).
- Kronstadt, K. A., & Foreign Affairs, Defense, and Trade Division. (2005, April). Pakistan-US relations. Congressional Research Service, the Library of Congress.
- Kundi, M. A. (2007). Politics of American aid: The case of Pakistan. *Asian affairs*, 29(2), 22-39.
- Kux, D. (2001). *The United States and Pakistan, 1947-2000: Disenchanted Allies*. Woodrow Wilson Center Press.
- Kux, D. (2001). *The United States and Pakistan, 1947-2000: Disenchanted Allies*. Woodrow Wilson Center Press.
- Liu, T., & Woo, W. T. (2018). Understanding the US-China trade war. *China Economic Journal*, 11(3), 319-340.

- Marwan, A. H., & Jan, F. (2017). Representation of Osama bin Laden in the Pakistani, British and American Media: A Case Study of the Abbottabad Operation. *PUTAJ-Humanities and Social Sciences*, 24(2), 51-51.
- Roy, M. I., & Khalid, F. (2019). The Dynamics of Pakistan-US Relations (2001-2019):(American Apprehension in Indian Ocean). *Journal of Indian Studies*, 5(02), 213-230.
- ul Amin, R., Awan, G. M., & Mahmood, A. (2020). PAK–US Relations: Paradoxes & Enigmas during War on Terror. *sjesr*, 3(3), 408-414.
- Yaqoob, S., & Sattar, N. (2021). Aid and irritants in Pak-US relations in the wake of 9/11 incident. *Liberal Arts and Social Sciences International Journal (LASSIJ)*, 5(1), 266-278.
- Yu, M. (2020). *China-US trade war and trade talk*. Berlin, Germany: Springer.
- Zaidi, S. M. S., & Ahmad, A. (2022). From friend to foe: Post-9/11 Pakistan–US relations; a realist perspective. *Asian Journal of Comparative Politics*, 7(4), 727-743.
- Zhao, S. (2008). China-US Relations Transformed. *Perspectives and strategic*.
- Zia, S., Siddique, S., Hussain, S., Bano, T., & Shahzad, M. (2021). USAID: Investing in Primary Education for the Sustainable Development of Pakistan. *European Journal of Sustainable Development Research*, 5(4), em0169.