**The geopolitics and economy of South Asia**

**The history of the economic progress of Pakistan and India can be divided into two distinct periods.**

India and Pakistan gained indepen­dence in 1947 and inherited an almost similar economic legacy of underin­vestment and neglect, and ranked among the world’s poorest nations. Paki­stan was not given its full share of wealth and resources, therefore, had relatively more problems. Out of 921 industrial units in undivided India, Pakistan re­ceived only 34. Soon after in­dependence, Pakistan was strug­gling with economic challenges. On January 5, 1948, LIFE magazine reported that Pakistan’s economy was on the verge of collapse. Contrary to the above assess­ments, during the first four decades of its independence; Pakistan’s economy wit­nessed an average growth rate of 6 per­cent, while India lagged behind with only a 4 percent average growth rate.

However, with the end of the Cold War, the situation reversed. India surpassed Pakistan in economic growth rate and became one of the fastest-growing econ­omies in the world in the past three de­cades. Today, India is the 5th largest economy in the world. In 1970, Paki­stan’s GDP per capita was $226 vs. In­dia’s $112, whereas, in 2022, Pakistan stands at $1400 vs. $2490 of India. The foreign reserves of India are $554 billion vs. Pakistan’s at $8 billion. The history of the economic progress of Pakistan and India can be divided into two distinct pe­riods, i.e., from 1947 to 1990 and 1991 to 2023. It will be very interesting to as­sess the impact of changing global order and strategic realignments vis-à-vis the economic growth of both Pakistan and India in this period.

[Caretaker KP CM summons first cabinet session](https://www.nation.com.pk/16-Feb-2023/caretaker-kp-cm-summons-first-cabinet-session)

Soon after independence, Pakistan joined the ‘US Camp’ by becoming a member of CENTO and SEATO. De­spite initial economic hardships, Paki­stan’s economy saw an upward trajec­tory that can be contributed to the flow of financial aid, especially from the US, West and Gulf countries, coupled with better governance. 1958 to 1963 saw major economic growth, which led to infrastructure building, dams, canal systems, power stations, industrial­ization and land/ agricultural reforms. Pakistan achieved an economic growth rate of almost 10 percent during this period. Although, two wars with India, the separation of East Pakistan coupled with the ‘nationalization’ of industries, impacted negatively on the economic growth of Pakistan during the 1970s; Pakistan started recovering from its weak economic performance from the 1980s onwards. This is the time when Pakistan was the front-line state sup­porting Afghan Jehad with the full sup­port of the Americans.

[Two killed as blast hits Jaffar Express](https://www.nation.com.pk/16-Feb-2023/two-killed-as-blast-hits-jaffar-express)

In economic terms, Pakistan’s recovery could be attributed to the denationaliza­tion of industries in 1977 and increased remittances from the Middle East. The completion of the Tarbela Dam gave a boom to the agricultural sector. During the Soviet invasion of Afghanistan, the US and the West provided direct financial as­sistance to Pakistan as an ally; therefore, till the late 1980s, Pakistan managed to maintain a uniform upward growth.

With the end of the Cold War (the early 1990s), things started to change, resulting in a downward trend in Pakistan’s econ­omy. During the 1990s, under ‘democrat­ic rule’, Pakistan became the ‘most sanc­tioned ally’ of the United States and the economic situation was further aggravat­ed post the nuclear explosions of 1998. However, geopolitics took another turn after the incident of 9/11. Pakistan was termed a non-NATO ally by the US in its Global War on Terror (GWOT). Interest­ingly, Pakistan’s economy showed an up­ward trend for a short period of time be­tween 2003-2006 with an average growth rate of more than 6 percent. As soon as Pakistan’s relevance to the US vis-à-vis Afghanistan diminished, Pakistan wit­nessed a deteriorating security situation, especially in FATA and Swat, and a rise in militancy which restricted foreign invest­ment, resultantly FDI decrease. This de­terioration of the economy became more prominent once the US left Afghanistan which continues even today.

[Imran Khan likely to appear before LHC today](https://www.nation.com.pk/16-Feb-2023/bail-plea-imran-khan-likely-to-appear-before-lhc-by-12-30pm)

Like Pakistan, India’s economic growth can also be divided into two phases, 1947-1990 and 1990 to date. During the period of the Cold War, India was pro­claimed to be one of the leading coun­tries of the Non-Aligned Movement but realistically, India remained in the ‘Sovi­et Camp’. In this period, the Indian gov­ernment adopted an economic model whereby it implemented a protection­ist trading strategy and licence regime, which constrained economic growth. During this time, India’s average eco­nomic growth rate was around 3-4 percent. High levels of regulation and protection for the industrial sector, in­efficient agriculture, and low trade ra­tios all contributed to a slow-performing Indian economy. Before 1990, the main sources of capital inflows to India mostly consisted of foreign aid from the US and Russia, commercial borrowings and re­mittances. India faced a serious balance of payment crisis in the 1990s and ap­proached IMF for a bailout.

[Govt devising strategy to mitigate adverse impacts of climate change](https://www.nation.com.pk/16-Feb-2023/govt-devising-strategy-to-mitigate-adverse-impacts-of-climate-change)

Interestingly, as soon as the Cold War ended, India abandoned the centralized economic policy in favour of opening up to the US and West at large for greater political and economic gains. Indian eco­nomic reforms included Liberalization, Privatization and Globalization (LPG). Indian export/ import diversified its outreach to almost all parts of the world. India liberalized trade, lowered tariffs, deregulated industries, abridged con­trols on foreign trade and investment, and privatized state-owned enterprises, thus, making it convenient for local com­panies to grow, which led to more for­eign investment. Reforms were success­ful because they opened new markets for Indian businesses, increased their competitiveness, and ultimately result­ed in a higher rate of economic growth for India as a whole. The result of India’s outward-oriented policy and integration into the global economy proved fruitful and aided the country’s accelerated eco­nomic growth which continues to date. It is important to note that the same India which performed below par vis-à-vis its economic potential in the first 40 years, started performing better as soon as it got a favourable geopolitical wind.

[AJK PM urges world to take notice of India’s violations of UN resolutions, rights treaties](https://www.nation.com.pk/16-Feb-2023/ajk-pm-urges-world-to-take-notice-of-india-s-violations-of-un-resolutions-rights-treaties)

India enjoyed uninterrupted democ­racy for 75 years, whereas Pakistan wit­nessed a turbulent political period where military and civilian rule changed hands many times. However, Pakistan’s eco­nomic growth always remained encour­aging during the periods (irrespective of the type of regime) when it was geopoliti­cally relevant to the US/ West during the Cold War and later as well. In other words, the economic growth of Pakistan was al­ways less dependent upon indigenous re­forms, measures, policies, capacities, etc., and relied primarily upon external mon­etary support, which was available dur­ing periods of SEATO, CENTO, Afghan Je­had, US GWOT, etc. These were the times when Pakistan was positively relevant to the US/ West in the global order. India, at the same time, despite its ‘democrat­ic’ credentials kept struggling in econom­ic terms. The situation did not change un­til the early 1990s.

However, as soon as the Cold War end­ed and the US changed its strategic prior­ities ‘suddenly’ finding a new ‘democrat­ic’ ally in South Asia, the Indian economy started showing signs of recovery and openness. Indian nuclear explosions of 1998 and later entry into the Nuclear Suppliers Group, etc were not meant for Pakistan but primarily to announce In­dia’s arrival against China in the evolving global order as the ‘net security provid­er’ on behalf of the US. Is it a coincidence that as soon as India became positive­ly relevant to the US, its economy start­ed showing trends of upward growth? It also implies that Indian economic trajec­tories, like Pakistan’s or any other devel­oping country, remain largely dependent upon its strategic alignment or relevance to the world’s leading superpower.

Notwithstanding the above, India was able to develop relatively robust domes­tic state institutions due to its continued democratic dispensation for 75 years. As a result, the Indian economy showed a very quick recovery as soon as it re­ceived a favourable geopolitical environ­ment. Contrarily, Pakistan could not de­velop strong state institutions due to the turbulent political dispensation. As a re­sult, Pakistan could not fully convert the relatively favourable geopolitical envi­ronment of the Cold War into a more ro­bust and sustainable economic model. In fact, the contemporary unfavourable geopolitical environment has really ex­posed domestic institutional inadequa­cies resulting in weak governance, so­cio-economic fragility, unbridled media, weak civil-military relations, etc.

Therefore, Pakistan must focus on building institutions if it wants to sustain itself through this difficult time of history where the leading superpower (US) has different strategic priorities in South Asia. Pakistan must recognize its immense geopolitical and economic potential while safeguarding its key national interests to wade through these tough times without inflicting major self-harm. Learning les­sons from the past, state institutions like the military, bureaucracy and judiciary, etc apart from other important institu­tions need to be working in their respec­tive spheres and in harmony for achieving the socioeconomic well-being of a com­mon Pakistani. Moreover, Pakistan’s po­litico-military leadership must continue to discover and explore geopolitical and geo-economic avenues to remain posi­tively relevant to contemporary world powers in an era of changing global order.

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