Patterns of Global Political Interaction: A Case Study of Pakistan

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Abstract:
From the past few years, International Political Economy has become the area of interest for the researchers of many different disciplines. Social Scientists from different areas of study such as economics, international relations, political science and sociology have been working hard to outline the patterns of interaction of countries within the context of international political economy. This article tries to examine the patterns of interaction of Pakistan with reference to the prevailing scenario of international political economy. The analysis would include the policy measures that Pakistan has adopted in the recent years and strategic moves that Pakistan has been playing in response to the major events in global political economic scenario.

Key words: International Political Economy, Policy Measures, Economics, International Relations, Patterns of Interaction
1. INTRODUCTION

Global or International political economy is a swiftly growing field of social sciences that attempts to study and understand the prevailing global problems using a combination of inter-related theoretical perspectives and highly progressive usage of analytical tools (Cohn, 2012). ‘Creative destruction’ is the base process which the study of global political economy utilizes and was first formulated by Joseph Schumpeter (Gilpin, 2011). Study of GPE has gained pace because fields in economics and politics have broken away into different emerging fields of study. This has been also true in general for subjects in social sciences. The nature of these problems has been such that to understand them one requires a greater understanding of the co-relation between these interdisciplinary points of views. Global Political economy problems in research are positioned in such a manner that they would actually break the subject boundaries and as a result, would have a view outside the conventional realm (O’Hara, 2006).

The problems in this subject are varying at the same time inter-related. The traditional set of global political economy problems focus on international trade, international finance, hegemony and the science of multinationals (Ravenhill, 2014). This problem set in the recent years have been expanded as scholars have tended to develop a new global political economy that is narrowly focused on the problems of state nations and which doesn’t solely focus on issues of economic policy. The development of a newer research paradigm under the umbrella of Global Political Economy is under process which would trend the conceivable limits of International Economics and politics (Beck, 2005).

The current state of the world affairs makes it difficult for the world to survive without a global political economy. Since economies have increased their openness to the outside world and their mutual interaction is of utmost important, as it
is the headwork for applied policy analysis and the theoretical research in the subject. A nation may take a political measure that can affect money flow and international trade which can then disturb the global equilibrium in which new entrepreneurs are inducted and political choices are made (Levy, 2005). Without taking these important effects and influences into account, one cannot consider important questions of international politics or international economics.

The alarming fact is that many nationalist economists are still ignoring the importance of this new field of study. Economists, by default, are only interested in their state economics yet political scientists are only interested in the policies for their allocated geographical territories. The seemingly missing point here is the interactive nature of association between different states and markets that are a characteristic of political economy (O’Brien & Williams, 2013). This wall was very formidable during the 2nd World war and pre – era to it. Only during the Cold War, the importance of global political economy emerged. However, there were some notable exceptions such as the economists like Kindleberger and Waltzes who attempted to integrate economies even during the Cold War (Kindleberger, 2005).

This study shall be done with the purpose to analyze Pakistani policies within the context of changing global political economy scenario. The study would encompass how and what the economy is doing in terms of policy to align with the global political economy.

2. LITERATURE REVIEW

Since this is an emerging field, therefore, very less work has been done in Pakistan over this. However, a lot of work in this respect has been done in other countries. Research that has been done in Pakistan has been limited to foreign aid (Hegemony) and financial crisis (Globalization).
Anwar & Michaelowa (2006) has studied in-depth how the political economy of financial institutions lending to Pakistan has evolved in the recent past and how they will affect the policy making in Pakistan. In his research, he has also studied that which institutions are interested in lending money to bureaucratic institutions and which aren’t.

Iqbal & Zahid (1998) in their research has looked into how Pakistan as a political economy is evolving and what are the political and economic factors that are stopping its growth as a political economy. They have also studied the external factors which are stopping this growth. According to the researchers, corruption has been the main source which has stopped Pakistan from playing its active role in the global political economy.

Enders & Sandler (2005) in their work have described the importance of Pakistan with reference to political economy of terrorism. Pakistan has had indirect involvements in most of the terrorist activities conducted against US. However, the alliance of Pakistan with NATO Forces and the bold step of authorities to curb down the pressure groups helped Pakistan to reinstate on its previous position in the Global Political Economy.

Anwar & Michaelowa (2006) in their study try to examine the politico-economic reasons behind the aids extended by the United States to Pakistan. Using the approach outlined by Lahiri, Raimondos-Moller & Mayer, they have tried to make an in-depth analysis of aid-related political decision making. Their study tries to testify the assertion that whether lobbying power has any significant impact on foreign aid allocation between the two competing recipients or not.

Using the data of aids received by Pakistan and India and with the help of Time Series Analysis, the authors have concluded that lobbying indeed have a significant impact on the amount of aids received by a country. It was also observed that the amount of aids are also proportional to the business
interests, however, these are comparatively smaller than the impact created by lobbying.

Yusuf (2008) studied the recession and its impact on the Pakistani economy and political setup. He argued what the real problems of Pakistan are in his book. He has also the certain dip in economy to the political instability. McCartney (2004) looks at the industrial political economy within the perspective of textile industry. He argues that how the textile industry has failed in the mission of its exports, providing employment and how the competitors have cashed on in the gaps that Pakistani textile industry have provided.

A recent study of Taj, Nouman & Gul (2015) is imperative in this regard as they have tried to dig deep into patterns of interaction of Pakistan with respect to the international political economy. The study revolves around the Pak-US relationship and tracks the behavior of Pakistan in terms of policy measures to maintain her relationship with US. It is pointed out that the aids that have been extended by US to Pakistan have negative impacts rather than being productive for her.

Soon after its independence, Pakistan seek strong bilateral relationships with the major stakeholder of this world i.e. the United States of America. However, due to the asymmetry of the relationships between the two countries, US took advantage of the alliance of Pakistan’s army for the pursuit of its interest in South Asian region (Taj, Nouman & Gul, 2015).

All these studies have lacked the focus on policy making from the macroeconomic perspective and our study would be hitting that dot.
3. GLOBAL POLITICAL ECONOMY

3.1 Advent of Global Political Economy
The barriers that led to isolation of international economics and politics cleared in the 1970’s during the Soviet invasion of Afghanistan (Hilali, 2005). There was a series of dramatic events in the greater context and showed to everyone that international economics and international politics cannot be studied in isolation and there is a need to study these subjects in association, hence leading to the emergence of global political economy studies (Thompson, 2002). The major events that were solely responsible for the organization of this research area are the oil embargoes of 1970 and the dissolving of Bretton Woods Monetary system. These events let to a need for scholars and social scientists to study both politics and economics together (McGrew, 1992). There were many problems which were forecasted with solutions only to result from a combined study of both these subjects. The formation of Organization of Petroleum Exporting Countries (OPEC) and the Arab oil embargo in 1973 showed at least five key dimensions of this emerging subject (Kearney, 1995). These dimensions are given as:

- It depicted the influence and power in foreign policy of economic tools. After the emergence of OPEC, no state can now dare to not take into consideration the economic retaliation as an answer to an isolated political decision.
- East versus West was not always the main concern for international economy - Politics was indeed the real political economy and one cannot ignore the political and economic problems in North – South. This point had more emphasis on Soviet Union’s current interests at that time and an access to warm waters.
- The oil embargoes certainly revealed the interdependencies of complex nature between domestic politics, international politics and domestic economics.
The critical role of MNC’s in international politics and economics was questioned. This was specifically true for MNC’s that are US based. The critical view is the fact that these MNC’s are more inclined towards their home – based countries. The role of these MNC’s such as Shell and Steel Companies have been long questioned as their role in international political economies. Their political allegiances have been proven to be vague in most cases. The main question was whether these oil based economies were acting as pure actors of economic rearguard, were they the advocates of their host nations or were they playing part on OPEC?

Oil embargo stimulated the shifting of balance of international payments and this was actually the start of a centralized global system of finance and economy. This would not only lead to an international yet a global system which should be beyond the discretion of individual nations and this would lead to a global problem and not an isolated political and economic problems.

Bretton Woods was a highly specialized monetary system, prevalent in the 1970’s, which had to break down due to these embargoes and this led to the development of the subject as a very individual subject for study (Garber, 1993). Bretton Woods’s system was looked as a set of corporate economic governance rules for different organizations so US hegemony can be maintained and American supremacy could prevail. The Bretton Woods system consisted of three main institutions which were World Bank, IMF and GATT depended for central leadership role on US. Richard Nixon, the US president in 1971, however, eliminated the association between gold and US dollar, which was the foundation stone of the Bretton Woods Economic System (Eichengreen, 1993).

The Presidential action changed the future of World economy and the fixed exchange rate system that was at the heart of World Economy soon collapsed, as a result. This policy showed that the US placed its domestic economic and political
problems ahead of the responsibilities that Bretton Woods Economic System placed on it. This failure of hegemony had both political and economic consequence. The scholars who were studying this had to agree to the fact that geographical boundaries were not a solution and the situation can only be explained by a holistic view.

The Imperious Economy by David Calleo (1982) has been a classic study of this period of hegemony. The Bretton Woods system on separate individualistic economic and political factors was destructed by the decline of hegemony and the rise of OPEC. Several other factors that raised the importance of global political economy were the shaking of communist regimes, debt crisis of third world countries, rise of NICS, the expansion of European Union and the financial breakdown of some important economies. A wide range of issues won't have the discrimination between politics and economies in domestic and international perspective. The complex structure of world required an advent of new studies, befittingly, Global political economy.

3.2 Trends in International Political Economy
The trend in the perspective of global political economy reflects the problem set that is under consideration. It refers to the set of global problems that cannot be analyzed till international politics or economics is studied in isolation (Strubbs & Underhill, 1994). The problems are consistent with the expanding domain of global political economy. There are six subjects that have dominated the major studies i.e. International trade, International finance, north – south Relations, the study of MNC’s, the problem of hegemony and the challenges of globalization.

3.3 International Trade
There is a contrast view in which the subjects of economics and politics approach the frameworks of international trade. The
main is that markets are defined by exchange and their linkages whereas state’s views are persistent with its geographical limits and physical constitution in form of the population (Smith & White, 1992). Markets are boundary less and are fully permeable, thus, making them global entities and encompassing state boundaries. Political scrutiny only creeps in when there is inter-continental trade or trade between different geographies. Politics consider this type of trade between two countries as fundamentally different from domestic trade, whereas, economic analysis makes no such comparison, since according to it; it’s merely an exchange of services or goods, in return for money. The global trade thus raises questions about the economic and military conditions of the nations involved in trade (Milner, 1999).

### 3.4 International Finance

The areas of International Finance encompass the foreign exchanges, capital movements throughout the world, structure of institutions and exchange rates policy. To better understand these types of issues, there are three examples of illustrations. The first example deals with the political implications of handling technical matters such as the presence of international economic institutions such as the World Bank in the economy (Frieden & Lake, 2002). The second example understands how the development of a single currency i.e. the Euro affects the Global Political and Economic scenario. The reasons for the formation of this currency are more political than economic. The final examples discusses of how to handle international crisis in finance. The global financial system was created right after the breaking of Bretton Woods system and there were different other factors such as end of Cold war, technological changes and financial deregulation. This resulted in a global structure that is prevalent over the regulatory authorities beyond the geographical state territories (Germain, 1997).
3.5 Hegemony
This was the most important trend of global political economy in the post-Cold War era. This theory talks about how a hegemonic state behaves and what its real motives are. The formation of hegemon is based on nine states which are responsible of providing public goods to the international economic system (Overbeek, 2002). This dependence on hegemony is indeed a strategy to extend or strengthen the position of hegemon.

3.6 North – South Relationships
Once international relations were coupled with international trade and finance, the global and political economy provided the platform for the relationships between different countries. This means that this subject would evolve into its own and will not be limited to the traditional questions of International Relations. This led to the concept of North – South economy as opposed to the ‘East – West’ concept which symbolized US and its allies, and their arch – rival i.e. the Soviet Union. In the current context, the North represents countries which are industrialized whereas the South represents the under – developed or developing nations (Doty, 199). This demarcation is regardless of the physical location of these countries on the map.

3.7 Multinational Corporations
The business models and practices of MNC’s and TNE’s have been of immense importance and fascinating appeal to researches of Global Political Economies. At first, they were assumed to be important remains of Western Cold War Elements. They were thought to be agents resident in unstable economies that would revolt and act, on the advices of their western masters (Eden, 1991). This lead to a widespread belief the these companies were actually looking after their home country interests in the resident countries and their presence in
countries such as Pakistan was seen as a national threat in the era of nationalization during the peak time of Cold War.

3.8 Globalization
The Global Political economy is governed by the recent trends of globalization i.e. a process through which everything is gaining global stature. This has helped in the study of IPE to transcend the realm of international relations and has become a distinct academic area of study. The area focuses on the study of global markets and the expansion in goods are services being offered. These questions pertain to different subjects in life e.g. Marketing management is now being studied as International Marketing Management. The advantages of Globalization have long lasting results and thus, companies are looking to go global even at the stake of larger expenses and cut – throat competition. Hence, the interaction of these companies is of prime importance to researchers.

4. CASE STUDY OF PAKISTAN

It is an admitted fact that Pakistan enjoys an important geo-strategic position from multi-dimensional perspectives. Its location is not only important from the perspective of international politics but also important from economic and strategic view point. It has been evident from the activities of past few decades in the territorial boundaries of Pakistan that it has been of prime interest for all the world leaders. Interventions of all the great powers have been witnessed by Pakistan. Moreover, the importance of its geo-strategic location increased significantly during the times of cold war (Malik, 1996).

The inevitable strategic importance of Pakistan is due to many different factors like proximity of great powers, transit economy, a link between Muslim countries and china’s link to Middle East. Therefore, making it impossible to neglect the geo-
strategic importance of Pakistan. Not only Pakistan plays an important role in world politics, but an extended analysis of its exquisite geographic location also reveals its importance with reference to the International Political Economy.

International Political economy has been a burning issue for the researchers from the past few years, however, very few researches are available in this regard with reference to Pakistan. Despite of having significantly important geo-strategic location, Pakistan’s role has never been discussed extensively with reference to the international political economy. Let us now analyze the strategic moves of Pakistan with reference to the changes in the global political economy in the recent years.

4.1 Changes in Global Political Economic Scenario and Pakistan’s Strategic Moves

The global political economy has faced two major upside downs that brought significant changes in the prevailing situations at that time. These two major events can be referred to as the advent of cold war and US attacks 9/11 (Waltz, 2000) (Andreas, 2004). Both the events proved to be a major shock to the global political economy and brought significant structural changes in the model of international political economy.

Researches show that these events had a cobweb like effect and countries all around the world altered their policies commensurately to cope up with the drastic change initiated by these event. Although, these events happened at different points on time, however, Pakistan has been lucky enough to have brilliant strategists as the head of state at the time of happening of these events. Let us discuss the strategic moves taken by Pakistan in each event individually.

Cold war is referred to as the period during 1947-1991 when the western bloc and eastern bloc were standing against each other as foes without initiating any large scale wars. Although, there were some proxy wars in Korea, Afghanistan
and Vietnam going on which were supported by each bloc to show the agitation against the other bloc, however, the history witnesses no direct involvement of both the parties, thereby calling it a cold war (LaFeber, 2008).

The time period of Cold war has its own importance in shaping the global political economy. This was the time when bipolarity had some serious impacts on the international economy. The international trade had started deviating from the gravity model. The self-proclaimed peacekeeping institution United Nations had already came into existence, but was unable to resolve the skirmishes between the eastern and western bloc. The reason behind the failure of UN to resolve the cold war was that the majority of US allies with voting rights were inside UN. Quasi-states having the rights to vote increased the powers of Western bloc significantly at the international forum of UN, thereby elongating the cold war (Gaddis, 1987).

During the times of cold war, Pakistan played its role beautifully in the scenario of global political economy. The think tank of Pakistan decided to join the Commonwealth of Nations as it was crucial for this newly born state. On the other hand, the higher authorities of Pakistan were constantly trying to build long term relationships with the Eastern bloc, nevertheless, they did not succeed until Jawaherlal Nehru from India announced to pay state visit to US. Just as the news echoed internationally, Russia extended its invitation for an official visit to the Prime Minister of Pakistan (Kaushik, 1971).

The Foreign office of Pakistan, being aware of the economic turmoil prevalent soon after its independence, tried to hatch all the possible eggs at their disposal. It was the dire need of the newly born state to interact agilely with the global political economy, for which the foreign office also declared that “Pakistan would accept aid from any source”. Although, in the very beginning, the eastern bloc was not very responsive to Pakistan, but with the passage of time and for its vested
interest, eastern bloc realized the importance of Pakistan and started paving paths for long term relationships. This helped Pakistan to enjoy the politico-economic benefits from both the blocs and Pakistan started becoming prominent on the stage of global political economy.

However, things got worse for Pakistan with the end of Cold-war, because of internal factors like instability in law and order situation and economic downturn. With the dispersion of USSR, the diplomatic relationships of Pak-Russia were already gone haywire. On the other hand, the mysterious deaths of Zia and U.S. Ambassador deteriorated the bilateral relationships of Pak-US as well, thereby leaving Pakistan in astray (Kronstadt, 2009).

The internal political and economic conditions of Pakistan were deteriorating, as the two most influential political parties were playing musical chair in that decade. US imposed economic embargo on Pakistan, which proved to be a major economic shock for Pakistan. Pakistan had lost its position in the arena of Global Political Economy.

By the end of 20th Century, Military dictatorship took over the government by dissolving the national assembly, which proved to be a blessing in disguise later on. The US attacks of 9/11 is considered as another major event that shook the global political economy at large. The military leader of Pakistan was wise enough to grab this golden opportunity to regain its old position in international political economy. Pakistan made its alliance with US against war on terror, because of which not only the imposed embargo was ended but heavy grants were also made to Pakistan by U.S, thereby helping Pakistan to improve its economic conditions. The economy started to rise again and the period of 2002-2007 is termed as the period of rapid growth of Pakistan.
4.2 Strategic Intent of Pakistan

It is evident in the pages of history that Pakistan’s strategic moves with reference to the alterations in the global political economic scenario has been commensurate and in accordance with the needs of time. Shifting our analysis towards the strategic intent of Pakistan helps us to deduce few important facts.

Firstly, the establishment of Pakistan has recognized the geo-strategic importance of Pakistan and is trying to capture its benefits. The emphasis is being laid on developing strong multilateral relationships with the major role players of global political economy. This is evident from project like development of Pak-China Economic Corridor (Gawadar Port), which will expand trade routes between Middle East, Africa and China. Another example that clearly outlines the strategic intent of Pakistan is the recent inauguration of Pak-China Friendship tunnels (Kumar, 2007) (Taj, Nouman & Gul, 2015).

Apart from this, Pakistan has reportedly increased its trade with BRIC countries to become an active participant in the global political economy. The recent trade surge of 21% between India and Pakistan is sufficient to justify the clear future vision and impeccable strategic intent of Pakistan (Tribune, 2013).
4.3 Recent Policy Measures of Pakistan

Pakistan has been trying to interact tactfully in the dynamic environment of the global political economy. In this regard, Pakistan declared its three years Strategic Trade Policy (2012-2015) to interact in the global arena of political economy. The strategic trade policy of Pakistan focused on building improved trade relationships with the growing economies. Gawadar was declared special economic zone and barriers to trade are imposed wisely to gain larger share in the international market.

The prevailing international political economic system is multipolar i.e. having more than four centers of power. Therefore, the establishment of Pakistan has been trying hard to cope with the prevalent international political economic system. The global financial crisis had a significant impact on the FDI inflows of Pakistan, nonetheless, the situation has started improving from last year i.e. from 2014. The military operation namely ‘Zarb-e-Azb’ and measures to improve the internal political and economic situations of Pakistan is expected to bring hefty inflows of FDI in the near future.

Except for the Fiscal policy, the other policy measures of Pakistan are in alignment with the prevailing scenario of the global political economic scenario. This claim is easy to prove with the help of the highlights of economic survey of Pakistan. For instance, the foreign exchange reserves rose to $17.8 Bn, Pakistan’s exports to EU reached $7.54 Bn and current account deficit decreased by 53.5%. All of these figures can be considered as an evidence that Pakistan is trying move in accordance with the prevailing scenario of International Political Economy (Ministry of Finance, 2014).

5. CONCLUSION

The above discussion is meant to focus on the patterns of interaction of Pakistan in the prevailing international political
economic scenario. The above mentioned facts and figures are evidencing the commensuration of the strategic moves of Pakistan. Although, political and economic instability have been prevailing internally, nevertheless, Pakistan has been quite successful in shaping its policies in accordance with the alterations in the global political economy.

The think tank of Pakistan has realized the fact that its bilateral relationships with powerful countries depend largely on the economic linkages. It is the economic interdependence that has been shaping the bilateral relationship between two countries in the recent years. With the advent of globalization, countries have started focusing on specialization, which in turn has increased the economic interdependence.

Considering the situation of political economy on global canvas, the strategic intent of Pakistan seems quite plausible. Pakistan focuses on reaping benefits from the Multipolarity in the global arena. This is why Pakistan is trying to focus on improving its bilateral relationship with the future economic leaders of the world.

Pakistan has been interacting with the global political economy as a centrist. With moderate political views, Pakistan has the advantage to enjoy healthy bilateral relationships with most of the world, India being an only exception. However, considering the importance of trade with India, Pakistan has improved its trade relationships with India as well in the past few years. This goes to show that Pakistan is trying to be apolitical when it comes about enjoying the benefits from global political economy.

Indeed, it can be referred to as the best policy for interaction with the world leaders as well as the emerging economies. Being a developing economy, Pakistan cannot afford disturbances in its bilateral relationships with any country. Therefore, centrist approach is quite plausible for Pakistan in view of the prevailing trends of international Political economy.
With centrist approach, the patterns of interaction of Pakistan with the international political economy has been commensurate. This commensuration of Pakistan’s strategic moves in response to the alterations of Global Political Economy is evident from the hefty generous grants provided to Pakistan by US, IMF and WB. Despite having an alarming debt burden, Pakistan has received two-fold aids and grants from different sources. This imply that Pakistan has been interacting commensurately with the global political economy.

However, the internal factors of Pakistan such as militant forces, political and economic instability and lack of good governance are barriers to her growth. Not only these factors are impeding the growth of Pakistan, but also eliminating the chances of her to secure a prominent position in the global political economy.

6. RECOMMENDATIONS

After going through all the above mentioned facts and figures and after analyzing the overall situation critically, following set of recommendations are proposed by the author to overcome the shortcomings that Pakistan has been facing:

- Structural changes are required to overcome the weaknesses in the system. These structural changes will not only eliminate the weaknesses in the system, but will also bring improvements in accordance with the prevalent era of rapid globalization.
- Economic and political stability is currently the uttermost need of Pakistan. Without having internal stability, Pakistan can never achieve a prominent position on the stage of international political economy. In order to reap the benefits in future, Pakistan has to eliminate the internal instability at every cost.
- Fiscal policy should be properly aligned with the other economic policies, so that the all the pillars of country are moving in the same direction, along the same lines.
- Pakistan should declare its stance clearly over the issue of Kashmir. This would help determine the diplomats a particular direction in which to proceed in order to resolve the issue. Invitations for negotiations at international forums can be extended to India to reach to a final conclusion for this issue.
- Elimination of pressure groups from the country by way of speeding up the military operations against them.
- With the help of the elements of Propaganda, Pakistan should try to give a nudge to the outside world, i.e. to improve its reputation as a growing economy rather than a terrorist country.

The above set of recommendations are proposed by the authors after careful examination of the facts and figures. If these set of recommendations are adopted by Pakistan with utter sincerity, it would certainly be helpful for Pakistan to achieve a better position in International Arena. Although, precondition of good governance seem relatively scare, but there still exists chances for improvement if the focus is laid on it sincerely.

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