

Strategic Importance of Smaller South Asian (SSA) States: Revisiting Pakistan's Regional Approach

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Abstract

This article examines the growing strategic significance of the Smaller South Asian (SSA) states including Sri Lanka, Nepal, Bhutan and Maldives in the backdrop of Sino-Indian competition for influence over South Asia. It is argued that the SSA states have attained autonomy by not formally joining any bloc — India or China while at the same time these states are receiving economic benefits from both sides. This article also delves into Pakistan's South Asia policy by examining Pakistan's relationship with the SSA states. Moreover, the article identifies potential areas of cooperation with the SSA states. This article proposes that Pakistan needs to shift its diplomatic focus from geopolitics to geo-economics in South Asia. This could be achieved if Pakistan re-evaluates its regional approach by increasing engagement with the SSA states.

Keywords: Smaller South Asia (SSA) States, SAARC, Sino-Indian Competition, Trade, Regional Integration, Pakistan.

Introduction

South Asia holds a prominent strategic position in the world due to a number of factors including the emergence of fastest growing economies in the region — a sizeable human resource, abundant natural resources, and cultural diversity. The region has relatively easier access to major global trade and shipping lanes and enjoys strategic proximity with various key regions including Central Asia, East Asia, and the Middle

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East.¹ The region is home to one fourth of the entire global population with more than 2 billion people residing in this part of the world.² The modern nation states of South Asia include India, Pakistan, Bangladesh, Sri Lanka, Maldives, Bhutan and Nepal.³ Afghanistan is also sometimes included in South Asia, however, keeping the scope of this study in view, the definition of South Asia is only kept limited to the aforementioned states, excluding Afghanistan.

The presence of nuclear weapons in the region adds another layer of complexity as it makes South Asia the only region of the world where two nuclear powers share borders namely India and Pakistan. Moreover, a third nuclear power, China, also shares borders with India and Pakistan. The strategic significance of South Asia in the global geopolitics cannot be underestimated since the global powers i.e. the United States (U.S.) and China also have strategic interests and competition in the region.

The geopolitical landscape of South Asia is often viewed through the neo-realist lens of a strategic competition between the two regional powers — India and Pakistan.⁴ Moreover, as the economic footprint of China is becoming more pronounced in the region, a significant portion of discourse on the regional order of South Asia is often dominated by a perceived strategic competition between China and India. However, such debates have a binary focus which is often influenced by the Cold War dynamics of a bipolar world order.⁵ Such views tend to discount the role of relatively smaller states of the region by expecting them to either balance between two competing great powers or to bandwagon with the most powerful one. However, in the case of South Asia, it could be observed that the smaller South Asian (SSA) states — namely, Nepal, Sri

¹ Sandeep Singh and Amanpreet Kaur, "Understanding South Asia in International Politics," *The Indian Journal of Political Science* 76, no. 4 (October-December 2015): 1041-1046, <https://www.jstor.org/stable/26575654>

² "Population of Southern Asia (2024)," Worldometer: Real Time World Statistics, <https://www.worldometers.info/world-population/southern-asia-population/#:~:text=The%20current%20population%20of%20Southern,among%20subregions%20ranked%20by%20Population>

³ Singh and Kaur, "Understanding South Asia," 1042.

⁴ T.V. Paul, "When Balance of Power Meets Globalization: China, India, and the Small States of South Asia," *Politics* 39, no. 1 (2019): 50-51, <https://doi.org/10.1177/0263395718779930>

⁵ Paul, "When Balance of Power Meets Globalisation," 51-52.

Lanka and Maldives have maintained autonomy by avoiding entering into regional military alliances, while simultaneously securing economic benefits from two powerful states i.e. India and China.⁶

On the other hand, globalisation has also brought about key changes in the international geopolitics as manifested in economic integration and complex interdependence among various global states. These trends of globalization are also evident in South Asia where extra-regional trade linkages have deepened over the years.⁷ However, regional economic and security integration needs to be further strengthened in South Asia.

The ongoing economic competition between India and China over SSA states presents a strategic opportunity for Pakistan. This paper argues that for Pakistan to maintain relevance and growth in the region and beyond, it must shift the focus of its foreign policy from the strategic competition with India to engage more deeply with the smaller states of South Asia. Pakistan could diversify its interests and regional outlook beyond its historical rivalry with India. Moreover, Pakistan could also bolster its regional standing and unlock new avenues of economic and diplomatic influence by improving trade, political dialogue, and multilateral cooperation with the SSA states.

Understanding Smaller States in International System

Classifying states as ‘small’ or ‘micro’ states essentially undermines the principle of equality between sovereign states established by the United Nations. However, such categorisation is important to understand the inter-state relations and dynamics. There is no standard definition of ‘small’ states and different institutions use different criteria to define and categorise small states.⁸ Some of the most commonly used quantitative indicators for

⁶ Paul, “When Balance of Power Meets Globalization,” 51-52.

⁷ World Bank, “Deepening Linkages Between South Asia and Southeast Asia,” June 23, 2022, [https://www.worldbank.org/en/region/sar/publication/deepening-linkages-between-south-asia-and-southeast-asia#:~:text=BARRIERS%20TO%20INTERREGIONAL%20TRADE,from%20South%20Asia%20\(2.8%25\)](https://www.worldbank.org/en/region/sar/publication/deepening-linkages-between-south-asia-and-southeast-asia#:~:text=BARRIERS%20TO%20INTERREGIONAL%20TRADE,from%20South%20Asia%20(2.8%25)).

⁸ Amalendu Misra, “An Introduction to the ‘Small’ and ‘Micro’ States of South Asia,” *Contemporary South Asia* 13, no. 2 (2004): 127–131, <https://doi.org/10.1080/0958493042000242918>.

defining 'small' states include population size, physical area and size of the economy of a state. By these indicators Maldives, Bhutan and Nepal can be categorized as the SSA states. Sri Lanka is not categorised in this work as a small states, however, if qualitative indicators are also used along with the quantitative ones, Sri Lanka could also be categorized as a small state. Such a criteria could be observed in the work of Koehane.⁹

There are three distinct categories of states in the international system, namely system-determining states, system-affection states and system-ineffectual states.¹⁰ These categories are defined based on the capacity of states to shape or influence international system. System determining states are the states that have the capacity to shape and set international rules, norms and institutions. The U.S. and China could be regarded as the most suitable examples of system determining states in the current geo-political landscape. System affection states are defined as the states that do not have the capacity to shape the overarching international system but wield significant influence within their own spheres of influence or regions. Saudi Arabia, Brazil, and Russia could be regarded as apt examples of system affection states. Lastly, system ineffectual states are the states that lack the ability to influence or shape the global or even regional international system due to the limited military, political and economic power at their disposal. Small South Asian (SSA) states including Bhutan, Nepal, Maldives, and Sri Lanka could be regarded as examples of system ineffectual states in the region. Keeping in view the qualitative and quantitative criteria of defining small states, this paper defines Bhutan, Nepal, Maldives, and Sri Lanka as SSA states.

Sino-India Competition and the SSA States

The increasing economic and diplomatic footprint of China in South Asia has ushered in a new era of an unannounced competition for influence between India and China. SSA states have become the focus of this competition between India and China. Under Belt and Road Initiative (BRI), China has announced to invest more than US\$100 billion in South Asian states including Pakistan, Afghanistan, Maldives, Nepal,

⁹ Robert Keohane, "Lilliputians' Dilemmas: Small States in International Politics," *International Organization* 23, no. 2 (1969): 291-310.

¹⁰ Robert Keohane, "Lilliputians' Dilemmas: Small States in International Politics," *International Organization* 23, no. 2 (1969): 291-310.

Bangladesh, and Sri Lanka.¹¹ In Sri Lanka, China has invested in some key projects including Hambantota Port and Colombo Port City. Between 2006 and 2019, China had invested a total of around US\$12.1 billion in infrastructure projects in Sri Lanka.¹² On the other hand, in Maldives, China has made key investments in infrastructure and development projects such as expansion of Velana International Airport and the US\$200 million China-Maldives Friendship Bridge.¹³ Similarly, China's investments in Nepal have also surged steadily since 2008 with Nepal officially joining BRI in 2017. One of the key connectivity projects of China in Nepal is Kathmandu-Kerung railway with an estimated worth of US \$8 billion.¹⁴

On the other hand, India has also been engaging in multiple efforts to counter China's influence over the SSA states. The largest aid recipient of India in the region is Bhutan, as India allocated US\$394.6 million out of its total US\$1.2 billion development aid budget for 2019-20.¹⁵ In Nepal, India has invested over US\$317 million in multiple infrastructure, education and health projects.¹⁶ Similarly, India also invests regularly in Sri Lanka. In 2022, India extended a credit line of US\$1 billion to Sri Lanka in order to address its economic crisis at the time.¹⁷ India and Maldives have close historical relations. India has invested in a host of development and infrastructure projects in Maldives including airports at Hanimaadhoo and Gan Island and

¹¹ Abbas, "Pakistan's South Asia Policy."

¹² Chulanee Attanayake, "Unveiling Sri Lanka's Agency: Empowering Infrastructural Transformation in China-Sri Lanka Relations," *Journal of Contemporary East Asia Studies* 12, no. 1 (2023): 59-86, <https://doi.org/10.1080/24761028.2023.2280479>

¹³ Rhea Basarkar, "The Maldives Is Moving Toward China. Here's What You Need to Know," *Council on Foreign Relations*, May 2, 2024, <https://www.cfr.org/in-brief/maldives-moving-toward-china-heres-what-know>.

¹⁴ Shubheksha Acharya, "Economic Implications of Nepal's Involvement in China's BRI," *Nepal Institute for International Cooperation and Engagement (NIICE)*, June 18, 2024, <https://www.niice.org.np>

¹⁵ "India-Bhutan Relationship: Scaling New Heights," *Indian Ministry of Commerce and Industry*, August 24, 2019, <https://indbiz.gov.in/india-bhutan-relationship-scaling-new-heights/>

¹⁶ E. Johny, "Foreign Policy Strategies of Nepal between China and India: Bandwagon or Hedging," *International Politics* (2024), <https://doi.org/10.1057/s41311-024-00560-1>.

¹⁷ "India Extends US\$1bn Credit Line for Sri Lanka by a Year," *Al Jazeera*, May 9, 2023, <https://www.aljazeera.com/news/2023/5/9/india-extends-1bn-credit-line-for-sri-lanka-by-a-year>.

the Greater Male Connectivity Project. More than 70 per cent of defence training requirements of the Maldivian National Defence Force (MNDF) are provided by India.¹⁸

Indian and Chinese investments in the SSA states indicate a pattern of geo-economic competition between China and India for strategic influence over these states. This competition is further compounded by the global power competition between the U.S. and China. The U.S. perceives the rise of China as a threat to its position as the sole superpower and has thus forged a strategic partnership with India in hope to raise it as a counterbalance to China.

Pakistan and the SSA States

The SSA states namely Sri Lanka, Nepal, Bhutan and Maldives have their own distinct socio-political, economic and cultural realities. These individual realities play a key role in defining their interests and relations with the outside world. Therefore, Pakistan's existing relations with each of these states need to be analysed individually rather than a generalised approach. Such an analysis not only helps in understanding the existing dynamics of Pakistan's relationship with these states but also identifies areas with the greater potential for cooperation.

Sri Lanka

Sri Lanka is an island state of South Asia, located in the Indian Ocean. The country has an approximate population of 22 million people, with a 70 per cent majority of Buddhists.¹⁹ Pakistan and Sri Lanka have held a historically cordial and stable relationship.²⁰ Both countries have maintained a steady cultural and diplomatic relationship for the past 75

¹⁸ "India-Maldives Bilateral Relations: Tourism, Trade, Defence, Security, Health," *India Today*, January 8, 2024, <https://www.indiatoday.in/india/story/india-maldives-lakshadweep-row-bilateral-relations-tourism-trade-defence-security-health-2485888-2024-01-08>

¹⁹

²⁰ Riaz Khokhar and Asma Khalid, "Reviewing Pakistan-Sri Lanka Relations," *Stimson Center*, March 22, 2021, <https://www.stimson.org/2021/reviewing-pakistan-sri-lanka-relations/>

years. Sri Lanka and Pakistan were both members of non-aligned movement (NAM) and both have also supported each other in sports, especially cricket, during times of crises.²¹ On different occasions, both countries have also held common views on various issues in the United Nations. Pakistan and Sri Lanka have also maintained close cultural exchanges. Pakistan is home to key sites of ancient Gandhara civilisation which offer significant relics and architecture related to Buddhist heritage. People of Sri Lanka not only visit Pakistan for religious tourism but the state of Sri Lanka regularly borrows religious relics from Pakistan and holds an exhibition on “Gandhara Art of Pakistan” every year.²²

Over the years, Sri Lanka has had some share in Pakistan’s imports and exports, however, massive improvements are still needed to bring the bilateral trade to the full potential. Pakistan and Sri Lanka signed a Free Trade Agreement in 2005 aimed at enhancing economic cooperation amongst the two states.²³ According to the latest trade figures given in the Figure no. 3, Pakistan has a trade surplus with Sri Lanka with Pakistan’s exports standing at around US\$417 million as compared to Sri Lanka’s exports of only US\$96 million. However, it is important to note that several challenges exist in the bilateral trade of Sri Lanka and Pakistan including non-tariff Barriers (NTBs), lack of effective trade dispute mechanisms, and absence of direct trade routes.²⁴ Moreover, there are several sectors of trade that can be improved such as increased export of Pakistan’s pharmaceutical, fabrics, and leather products to Sri Lanka. Similarly, Pakistan’s demand of ceramics, construction materials, rubber-based products, cosmetics and agricultural products can easily be met by Sri Lanka.²⁵

²¹ Khokhar and Khalid, “Reviewing Pakistan-Sri Lanka Relations.”

²² Khokhar and Khalid, “Reviewing Pakistan-Sri Lanka Relations.”

²³ Kunwar Khuldune Shahid, “Are Pakistan-Sri Lanka Ties Emerging From India’s Shadow?” *The Diplomat*, July 30, 2021, <https://thediplomat.com/2021/07/are-pakistan-sri-lanka-ties-emerging-from-indias-shadow/>

²⁴ “Pak-Sri Lanka Trade Dispute Unresolved,” *Express Tribune*, September 17, 2024, <https://tribune.com.pk/story/2496714/pak-sri-lanka-trade-dispute-unresolved>.

²⁵ “Need Stressed to Boost Sri Lanka-Pakistan Trade,” *Business Recorder*, November 12, 2023, <https://www.brecorder.com/news/40272818>

Maldives

Maldives is an archipelago South Asian state with a Muslim majority population of approximately 528 thousand people.²⁶ Maldives is situated at a strategic location in Indian Ocean with proximity to key maritime chokepoint, i.e., the Strait of Malacca. Pakistan and Maldives have had friendly relations for decades as exemplified by their multiple Memoranda of Understanding (MoU) signed in 2013, 2015, and 2017. Moreover, both countries also reached six bilateral agreements on tourism, sports, health, and education in 2017.²⁷ However, trade between both countries remains negligible with the share of imports and exports below 1 per cent. Although Pakistan has the potential to meet almost all the import needs of Maldives, absence of direct shipping routes is biggest hurdle in establishing stable trade relations between Pakistan and Maldives.²⁸

In the recent years, Maldives diplomatic approach towards India has also undergone unprecedented shift with a political campaign of “India Out” becoming popular in Maldives. Under this campaign, Maldives not only rejected the defence, economic, and political involvement of India, but also increased its partnership with China.²⁹ Although Maldives has now restored its traditional ties with India, the “India Out” campaign and growing partnership with China indicates an underlying desire in Maldives to seek alternative partnerships in the region. Pakistan could offer a viable alternative to Maldives by building sustainable economic, defence, cultural and diplomatic ties with Maldives. Under the Pakistan Technical Assistance Programme (PTAP), Pakistan offers education opportunities to limited students from Maldives. However, student exchange programs could be made more effective by offering students from Pakistan to visit Maldives’ educational institutes and by inviting an increased number of Maldivian students to study in Pakistan in diverse

²⁶ Worldometers, “Maldives Population,” <https://www.worldometers.info/world-population/maldives-population/>

²⁷ Sania Zahra, “Pakistan and Maldives Relations: Future Prospects,” *South Asia Journal*, July 31, 2024, <https://southasiajournal.net/pakistan-and-maldives-relations-future-prospects/>

²⁸ Zahra, “Pakistan and Maldives Relations: Future Prospects.”

²⁹ Ahmed Naish, “Maldives Completes U-Turn From ‘India Out’ to ‘Closest Ally,’” *The Diplomat*, August 14, 2024, <https://thediplomat.com/2024/08/maldives-completes-u-turn-from-india-out-to-closest-ally/>

fields and institutions.³⁰ Both countries could cooperate in tourism sector by offering joint tourist visits. Climate change is another important issue for both Maldives and Pakistan. Cooperation and collaboration on tackling the impacts of climate change could further strengthen bilateral ties. Moreover, both countries could also collaborate in the field of maritime security by holding joint naval drills. Pakistan and Maldives could also sign a Free Trade Agreement (FTA) to facilitate better trade relations.

Nepal

Nepal is a landlocked Himalayan state of South Asia. The country has a population of around 30 million people and it is surrounded by India on three sides and China on one side. Pakistan and Nepal established diplomatic relations in 1960 and both sides have had various diplomatic, political, and economic engagements at various levels over the years.³¹ Both sides have signed multiple MOUs, agreements and joint strategies on trade, commerce, diplomacy, agriculture, health, education, and culture.

Pakistan and Nepal have had a historically close relationship that also features the establishment of the monumental Joint Economic Commission (JEC) in 1983. The commission has held six meetings since its inception, the latest was held in 2013.³² However, to effectively identify emerging areas of cooperation and address challenges, there is a need to increase the frequency of this meeting and hold it on an annual basis. Cooperation between Pakistan and Nepal also culminated in the establishment of a Joint Business Council (JBC). JBC was established in November 1994 by Federation of Nepalese Chamber of Commerce and Industries (FNCCI) in collaboration with Federation of Pakistan Chambers of Commerce and Industry (FPCCI).³³ However, several challenges and hurdles exist in bilateral trade and cooperation between

³⁰ Sandaleen Qaiser, "Pakistan's Bilateral Trade with Smaller South Asian States," *Focus*, October 2023, 8-9, <https://irs.org.pk/Focus/FOct23.pdf>

³¹ Muhammad Usman Askari and Muhammad Faisal, "Pakistan-Nepal Economic Relations: A Prologue from Past to Present," *Journal of Indian Studies* 10, no. 1 (January-June 2024): 103-120, https://pu.edu.pk/images/journal/indianStudies/PDF/7_v10_1_24.pdf

³² Askari and Faisal, "Pakistan-Nepal Economic Relations," 106-107.

³³ Askari and Faisal, "Pakistan-Nepal Economic Relations," 106-107.

Pakistan and Nepal. These challenges include Nepal's overwhelming economic reliance on India, and ineffective SAPTA framework. However, one of the biggest challenges is the absence of a direct trade route between Pakistan and Nepal. Since Nepal is a landlocked state, direct and easy access of Pakistan to Nepal is hindered by the Indian involvement.³⁴ However, with China's enhanced political and economic influence in Nepal, Pakistan could explore alternative connectivity routes through China. There is also a need to revitalize air transit routes between Nepal and Pakistan. China could be engaged by both states to facilitate better trade relations between both the sides. Moreover, adventure tourism also holds a great potential for cooperation between Nepal and Pakistan.

Bhutan

Bhutan is a small landlocked Himalayan state with an estimated population of around 700 thousand people. It is a Buddhist majority state and it shares borders with India and China. Currently, Bhutan does not have any diplomatic relations with China and it is the only SSA state that has not formally joined China's BRI. Bhutan shares a historic relationship with India and it has largely remained dependent on India in diplomatic, economic, and security domains.³⁵ Pakistan and Bhutan established formal diplomatic ties in 1988, however, both countries still do not have resident ambassadors.³⁶

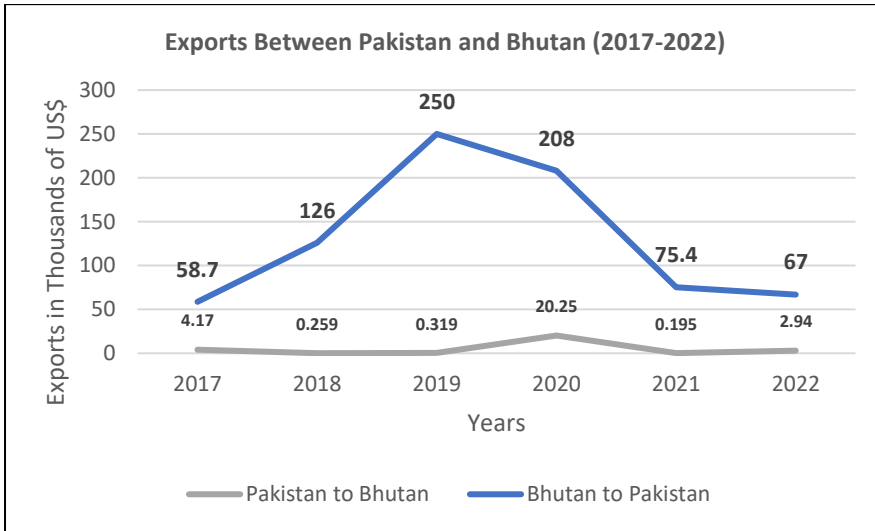
³⁴ Qaiser, "Pakistan's Bilateral Trade with Smaller South Asian States," 6-8.

³⁵ Shibani Mehta, "On Thin Ice: Bhutan's Diplomatic Challenge Amid the India-China Border Dispute," *Carnegie Endowment for International Peace*, April 23, 2024, <https://carnegieendowment.org/posts/2024/04/on-thin-ice-bhutans-diplomatic-challenge-amid-the-india-china-border-dispute?lang=en>

³⁶ Ministry of Foreign Affairs of Bhutan, "Bhutan-Pakistan Relations," <https://www.mfa.gov.bt/rbedhaka/bhutan-pakistan-relations/#:~:text=Bhutan%20and%20Pakistan%20established%20diplomatic,non-resident%20Ambassador%20to%20Bhutan>

Graph no. 1

**Exports between Pakistan and Bhutan
(2017-2022)**



Source: Prepared with data taken from OEC, <https://oec.world/en>

As depicted in the *Graph No. 1*, a small volume of trade exists between Pakistan and Bhutan and that has also followed a downward trend in the recent time. Imports from Bhutan to Pakistan are relatively higher than the exports from Pakistan to Bhutan. Goods imported from Bhutan include medicinal plants, fruits and paper products. On the other hand, Pakistan currently exports a small volume of mechanical tools, tea, and some vegetables.³⁷ It is important to note that Bhutan offers an untapped potential of collaboration in energy sector, especially in the field of hydropower. Bhutan is the only South Asian country that has energy surplus. The country has huge untapped reserves of hydropower resources with an estimated potential hydropower output of 30,000 megawatts

³⁷ Qaiser, “Pakistan’s Bilateral Trade with Smaller South Asian States,” 10-11.

(MW).³⁸ However, only about five per cent of these reserves have so far been developed. ³⁹ This could be a mutually beneficial area of collaboration for Pakistan as public and private investments in the energy sector of Bhutan can not only generate profits but also help in exchange of knowledge, skills and capacity. Moreover, cultural exchange and religious tourism could also be a significant area of collaboration between both countries as Pakistan is home to key religious sites related to Buddhist history.

Opportunities for Pakistan

Strategic competition of the U.S. and China in South Asia has enhanced geo-economic opportunities for all South Asian states including Pakistan. Pakistan is the second largest country of South Asia in terms of its population, area and economy. The country's location is central to its significance in the region. It is situated at an intersection of several key regions including the landlocked Central Asia and the resource rich Middle East. Therefore, Pakistan could serve as a crucial gateway for facilitating trade and connectivity across various regions.⁴⁰ However, Pakistan has been facing the challenges of terrorism, economic fragility and political instability over the decades, compelling the country to adopt an inward-looking approach. Since independence, Pakistan has been facing the challenge of having a hostile neighbour in the East and a volatile border in the West. As a result of this, the foreign policy approach of Pakistan has largely been dominated by its security imperatives. However, with the changing geopolitical and economic dynamics of the region, Pakistan also needs to shift its political, economic, and diplomatic approach in the region.

Pakistan could truly achieve the goal it stated in NSP of shifting its diplomatic focus from geo-politics to geo-economics by building renewed economic and diplomatic partnerships in the region.⁴¹ Historically, Pakistan's trade with South Asian states has remained miniscule. Pakistan's most recent

³⁸ Asian Development Bank, "Bhutan's Hydropower Sector: 12 Things to Know," <https://www.adb.org/features/bhutan-s-hydropower-sector-12-things-know>

³⁹ Asian Development Bank, "Bhutan's Hydropower Sector: 12 Things to Know," <https://www.adb.org/features/bhutan-s-hydropower-sector-12-things-know>

⁴⁰ Masood et al., "Trade Potential of Pakistan with the South Asian Countries," 46.

⁴¹ National Security Division, "*National Security Policy of Pakistan 2022-2026*," VI.

import and export data for the year 2022-23 clearly shows that a negligible amount of trade exists between Pakistan and South Asian countries with Afghanistan having the biggest share in total import and export of Pakistan in 2022-23 as shown in the *Table no. 1*. It can be observed that the individual share of South Asian countries in the import and export of Pakistan is insignificant as a percentage of the total imports and exports of Pakistan.

Table no. 1

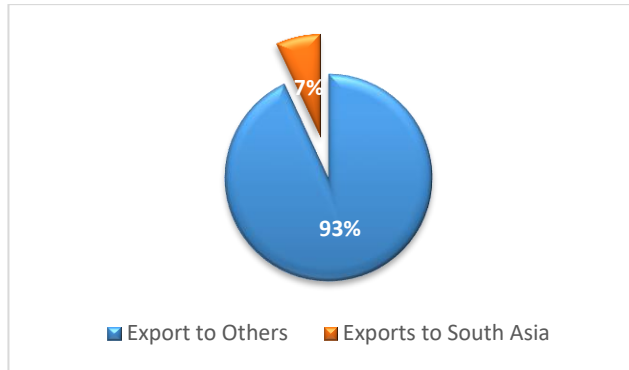
**Pakistan's Import and Export with South Asian Countries
(2022-23)**

Reporting Country	South Asian Countries	Export (US\$ Million)	Import (US\$ Million)
Pakistan	India	18.1	653
Pakistan	Afghanistan	975	847
Pakistan	Bangladesh	839	74
Pakistan	Sri Lanka	417	96.2
Pakistan	Maldives	9.73	0.145
Pakistan	Nepal	4.05	2.7
Pakistan	Bhutan	0.0029	0.075
Pakistan	Total	2262.88	1673.12

Source: Prepared with the data from OEC, <https://oec.world/en>

Figure no. 1

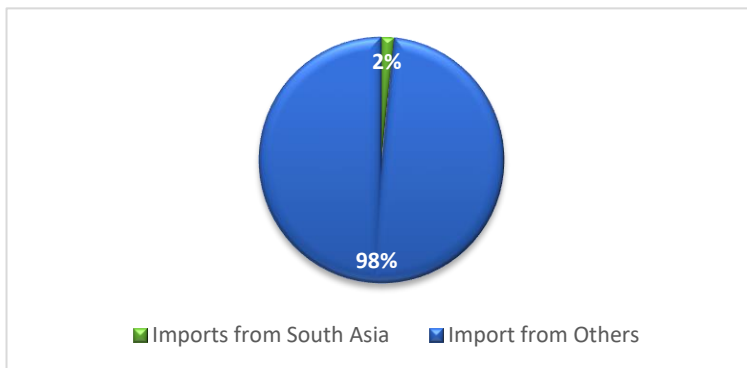
**Share of South Asia in Total Exports of Pakistan
(2022-23)**



Source: Prepared by the author based on the data available at OEC, <https://oec.world/en>

Figure no. 2

**Share of South Asia in Total Imports of Pakistan
(2022-23)**

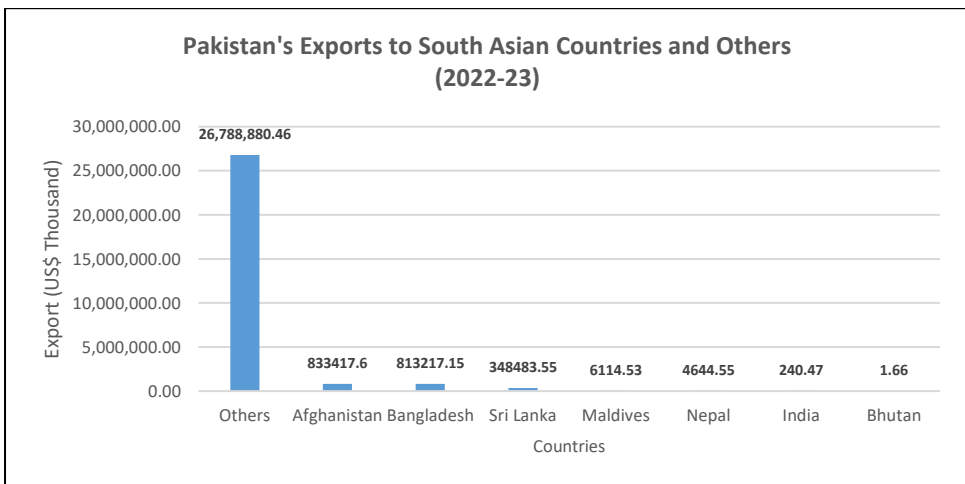


Source: Prepared by the author based on the data available at OEC, <https://oec.world/en>

Figure no. 3 shows that the biggest share in exports of Pakistan in South Asia is of Afghanistan followed by Bangladesh. Similarly, Figure no. 4 shows that the biggest share in imports of Pakistan is also of Afghanistan followed by India. On the other hand, the share of India in exports of Pakistan is close to zero. However, the most important detail to note is the negligible share of SSA states in the total imports and exports of Pakistan with Sri Lanka having some share, while the share of Nepal, Bhutan and Maldives being almost zero. As mentioned above, these states have mostly remained under the influence of India. Therefore, Pakistan could not develop institutional frameworks with these states that could facilitate a sustainable growth in bilateral trade. However, with the ingress of China in the region, the position of these states has become central to the geopolitical landscape of South Asia.

Figure no. 3

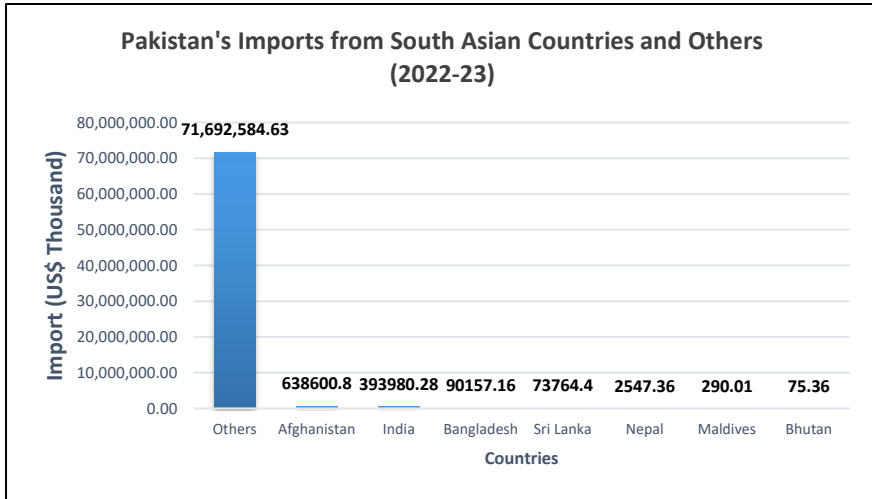
**Pakistan’s Exports to South Asian Countries and Others
(2022-23)**



Source: Prepared by the author based on the data available at OEC, <https://oec.world/en>

Figure no. 4

**Pakistan’s Imports from South Asian Countries and Others
(2022-23)**



Source: Prepared by the author based on the data available at OEC, <https://oec.world/en>

The SSA states offer the most lucrative avenues of investments and cooperation for Pakistan. Although these small states may not possess significant economic size, their unique strategic locations and growing role in the Sino-Indian economic competition make them key participants in South Asian geopolitics. The geographical locations of these small states play an important role in their strategic significance. For instance, Sri Lanka is situated at a critical location in the Indian Ocean, which makes it a focus of maritime interests of both China and India. This can be observed by the massive investments of both India and China in Sri Lanka. Similarly, Maldives, an archipelago state of Indian Ocean, has extensive maritime borders in the Indian Ocean. It has also become a centre of power rivalry between India and China. Bhutan and Nepal are landlocked countries. However, both countries have close proximity with India and China which makes them important to both states.

Pakistan's relations with the SSA states have largely remained influenced by the traditional strategic competition with India. As a result of this, Pakistan has remained the least integrated country in the region. Geographical barrier between Pakistan and the SSA states is one of the key factors for lack of integration, Indian dominance has also been a key cause. However, as these states gain certain degree of autonomy in the backdrop of Sino-Indian competition, a window of opportunity has emerged for Pakistan to re-evaluate its relations with these states that go beyond its traditional security lens. Pakistan can create mutually beneficial partnerships with these South Asian states by increasing its economic and diplomatic ties and offering mutual incentives. Moreover, Pakistan could also bolster its regional standing and unlock new avenues of economic and diplomatic influence in the region by improving trade, political dialogue and multilateral cooperation with SSA.

National Security Policy of Pakistan and the SSA States

The behaviour of SSA states seems to defy the underlying assumption of structural theories, especially neorealism, which suggests that small states do not have any power or influence in terms of their relationship with powerful states. Most of the SSA states have been able to maintain autonomy by not joining any military coalitions with China or India, however, at the same time these states have also been able to acquire substantial investment from both sides.⁴² The trends of economic interdependence and globalisation have kept the competition between India and China limited, which in turn has offered the opportunity to the SSA states to acquire economic benefits from both sides while avoiding joining either in any military coalitions. Therefore, it could be argued that the diplomatic position and relevance of the SSA states is only going to grow in the future. Pakistan, being a significant state of South Asia in terms of its geostrategic location and material resources, could enhance its diplomatic and economic standing in the region by increasing its engagement with the SSA states. Increased economic and diplomatic relations with the SSA states is also in line with stated goals of Pakistan's National Security Policy (NSP) 2022-2026.

⁴² Paul, "When Balance of Power Meets Globalisation," 51-63.

In 2022, Pakistan published its first ever official national security policy. The document not only defines Pakistan's national security, it also outlines the policy goals to be achieved in pursuit of country's national security interests. The policy envisions a "citizen-centric Comprehensive National Security" approach for Pakistan with "economic security" at its core. NSP states,

"The policy places economic security at the core of comprehensive national security, emphasising a geo-economic vision to supplement the focus on geo-strategy... Pakistan's location at the cross-roads of historic confluence and regional flashpoints provide unique opportunities amidst global competition for power."⁴³

The NSP also states that Pakistan seeks "a peaceful neighbourhood based on mutual co-existence, regional connectivity and shared prosperity."⁴⁴ Therefore, it could be argued that Pakistan aims to move the focus of its national security outlook away from geo-strategy to geo-economic. To achieve this goal, Pakistan also aims to position itself in the middle of regional and global trade by leveraging its location. Moreover, NSP also identifies that a contest for resources and influence is emerging out of great power competition and "regional pivots."⁴⁵ The policy document further states that "economic diplomacy in Pakistan's context requires leveraging political relations for economic gains while building new economic partnerships."⁴⁶ The document then outlines Pakistan's relations and interests with prominent regional and extra-regional states. However, it fails to mention SSA states. As discussed above, economic and diplomatic significance of the SSA states has increased considerably owing to the perceived competition between India and China. Therefore, for Pakistan, building new partnerships and increasing engagement with SSA states could serve as a key "regional pivot" to move away from a geo-strategic competition with India to the vision of geo-economics.

⁴³ National Security Division, *National Security Policy of Pakistan 2022-2026* (Islamabad: National Security Division, 2022), VI, <https://static.theprint.in/wp-content/uploads/2022/01/NSP.pdf>

⁴⁴ National Security Division, *National Security Policy of Pakistan 2022-2026*, 06.

⁴⁵ National Security Division, *National Security Policy of Pakistan 2022-2026*, 34.

⁴⁶ National Security Division, *National Security Policy of Pakistan 2022-2026*, 34.

Conclusion

Pakistan's engagement with SSA states offers a viable opportunity to enhance its strategic relevance economic cooperation in the region. The changing geopolitical dynamics of South Asia necessitate a shift in the policy approach of Pakistan towards South Asia. Pakistan remains the least integrated country of South Asia in terms of its inter-regional trade and collaboration with SSA states. Traditionally, inter-regional trade between Pakistan and SSA states has been restricted due to significant influence of India over these states. Pakistan has not been able to benefit from any economic activity under the SAARC framework, while India has built considerable ties and interdependency with the SSA states, both within and beyond the SAARC framework. However, with the growing diplomatic influence and investments of China in the region, an unannounced competition has emerged between China and India over SSA states. This presents a strategic opportunity for Pakistan to enhance its engagement with SSA states by establishing relevant structural frameworks of cooperation. This could not only revitalise Pakistan's relevance and growth in the region, but would also help achieve the stated goal of Pakistan's NSP. As envisioned in NSP, the diplomatic focus of Pakistan has shifted from geo-politics to geo-economics. Therefore, increased engagement with the SSA states would serve this purpose. This policy shift of Pakistan may also align with the need of the SSA states for an alternative to the dominance of India in the region, especially in the context of Sino-Indian competition.

Recommendations

In order to achieve increased engagement with the SSA states, Pakistan would need to adopt following policy measures:

- Trade and collaboration under SAARC and SAPTA framework has practically become ineffective due to dysfunctional SAARC. Therefore, Pakistan needs to establish bilateral structural frameworks of cooperation with SSA states to increase trade and collaborations. BRI could offer one such alternative forum of cooperation and collaboration for Pakistan and SSA states.

- Establishment of direct trade routes (land, maritime and air) is of key importance for increased engagement with SSA states. No geographical or technical barriers exist for establishment of Pakistan's direct maritime trade with Sri Lanka and Maldives. On the other hand, physical barriers exist in establishment of trade routes with Nepal and Bhutan. However, with careful diplomatic efforts and involvement of other regional parties such as Bangladesh and China could be constructive in establishment of trade routes with Nepal and Bhutan.
- Pakistan should offer increased scholarships for students from SSA states and efforts should be made to create similar opportunities for Pakistan's academia in these states. This would help in increasing mutual exchange of culture, skill and knowledge.
- Pakistan should sign Free Trade Agreements (FTA) with these SSA states and effective dispute resolution mechanisms should be installed for the existing trade mechanisms. Moreover, there is also a need to review and remove NTBs and bureaucratic hurdles in order to facilitate smooth trade with SSA states.