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PAKISTAN'S ECONOMY – REASONS AND CONSEQUENCES OF SLOW-MOTION GROWTH

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Abstract. Immediate causes of Pakistan's economy lagging behind the economies of neighboring countries, such as Bangladesh, India, and China, in the first quarter of the current century lie in a mixture of internal and external circumstances. Primarily, it is the state's involvement in the "war on terror" that unfolded after the events of September 11, 2001, as well as exogenous natural shocks and financial policy with a built-in dependence on external sources of credit. The deep underlying factors of slower growth include the fundamental immutability of the social structure, the dominance of conservative capitalism, the seizure of the state by elites, which seek short term enrichment, the transformation of Pakistan into a kind of "rentier state". Nevertheless, the country has certain potential for development. Firstly, a huge young population, which allows for the use of the so-called demographic dividend. Secondly, the state's favorable geographical location that may help Pakistan to become a bridge between Central and East Asia, on the one hand, and the Near and Middle East, on the other. This advantage has already been partially realized through the implementation of the China Pakistan Economic Corridor (CPEC) investment project. Thirdly, Pakistan's natural resources are not sufficiently explored and deposits of not only oil, natural gas, and coal, but also metal ores and rare earth minerals can be discovered. In the middle term, Pakistan may embark on the path of accelerating economic growth and become – among other achievements – one of Russia's important partners in Asia.

Keywords: Pakistan, economic lagging behind, Bangladesh, India, China, perspectives.

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ЭКОНОМИКА ПАКИСТАНА – ПРИЧИНЫ И ПОСЛЕДСТВИЯ ЗАМЕДЛЕННОГО РОСТА

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Аннотация. Непосредственными причинами произошедшего в первой четверти нынешнего столетия отставания Пакистана по макроэкономическим показателям от соседних государств, таких как Бангладеш, Индия и Китай, стали обстоятельства внутреннего и внешнего характера. Прежде всего это втянутость государства в "войну с террором" после событий 11 сентября 2001 г., а также экзогенные природные шоки и финансовая политика со встроенной зависимостью от внешних источников кредитования. К глубинным факторам неровного роста с понижательным трендом относятся принципиальная неизменность социальной структуры общества, господство капитализма консервативного типа, захват государственной машины элитой, преследующей цели обогащения, превращение Пакистана в своего рода "нацию-рантье". Тем не менее определенные перспективы у страны имеются (связаны они в первую очередь с огромным молодым населением), и она может в среднесрочной перспективе повысить темпы экономического роста и стать одним из важных партнеров России в Азии.

Ключевые слова: Пакистан, экономическое отставание, Бангладеш, Индия, Китай, перспективы.

INTRODUCTION

The economies of individual countries are quite rarely a subject of extensive consideration, specifically when it concerns an Asian state – small in terms of economic parameters – located on the periphery of the turbulent processes that have engulfed the world. However, it cannot be stated that the world powers, including Russia, are indifferent to Pakistan's fate since it is inextricably linked to Afghanistan's development trajectory and, indirectly, to the situation in Central Asia. Besides, the Islamic Republic of Pakistan (IRP) is one of the largest countries in terms of population (almost 250 million people, 5th place in the world), with an increasing outflow of people not only to the Middle East but also to Europe and America. The enormous young population is both an advantage and a challenge for a country currently experiencing severe economic and political crises.

The article attempts to review the history of economic processes in Pakistan, identify the immediate causes and underlying factors of its slow growth rates that explain its economy's lag compared to the national economies of neighboring countries, and assess the prospects for the country's future development.

HISTORY OF UPS AND DOWNS

Pakistan's economy is not unique in evolving through spurts of ups and downs, but it stands as a prime example of this type of evolution. This is evident when tracing the history of its economic processes over decades, although not always precisely tied to specific timeframes [1]. Beginning from an exceptionally low base as a backward agrarian borderland of colonial India, Pakistan started to develop rapidly around the 1940s-1950s, fueled by rising world prices for agricultural raw materials (such as raw cotton and jute) following the outbreak of the Korean War in the summer of 1950. The substantial increase in export earnings was channeled into the construction of industrial plants. The Pakistan Industrial Development Corporation, established for this purpose, sold functioning factories – mainly in textiles at favorable prices – to privileged private companies. These companies were mostly founded by merchants and traders from Bombay (now Mumbai) and Gujarat, who had relocated to the new country after the partition of India in 1947. In addition to industry, they took over foreign trade. The upper bourgeoisie that formed during this period took full advantage of its position during the so-called decade of development (1959–1969) under the civil/military regime of Field Marshal M. Ayub Khan. The first half of this decade witnessed consistently high growth in the gross domestic product (GDP) (Figure 1).

However, this economic recovery did not translate into improved living standards for the population, which was one of the reasons for growing discontent. This discontent intensified after the failed war with India in 1965 and eventually led to the victory of the Awami League (People's League), which favored autonomy up to secession, in the first general election in

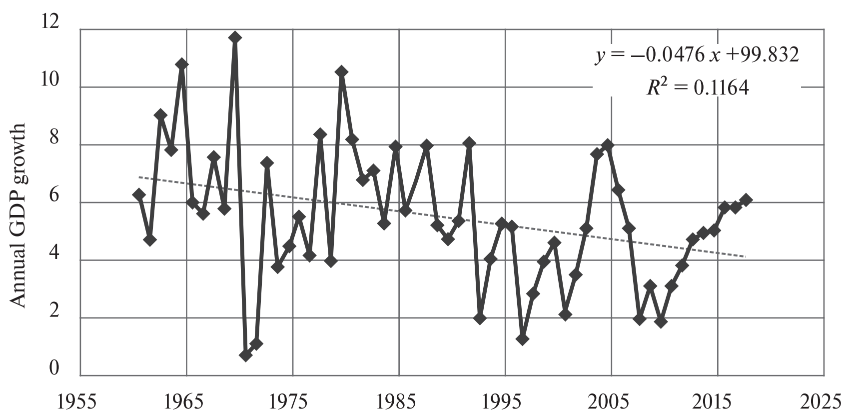

Figure 1. Annual GDP growth rates in Pakistan, 1960–2018, %

Source: [2, p. 105].

East Pakistan (Bengal) in December 1970. The post-election crisis and the bloody suppression of supporters of an independent East Bengal by the Pakistani military culminated in a war with India at the end of 1971. This resulted in the complete defeat of the Pakistani army and the formation of the independent state of Bangladesh. According to World Bank calculations, GDP growth rates fell to a minimum during this crisis period and struggled to recover during the tenure of Bhutto’s civilian government.

In addition to unfavorable weather conditions, the low growth rates in the 1970s were also due to a change in the economic model. Bhutto dealt a significant blow to the “foreign” big bourgeoisie that had moved into the country by nationalizing much of their industrial and financial assets. The new military administration that replaced him in 1977, led by General Zia-ul-Haq, gradually regained the trust of the bourgeois elite, among which groups of “national” businessmen, mainly Punjabi and partly Pashtun, emerged as prominent.

The 1980s were, on the whole, no less favorable from a macroeconomic perspective than the first half of the 1960s. However, external funds, apart from the Green Revolution in the agricultural sector, proved to be the engine of growth. Pakistan’s involvement in the Afghan war enabled it to receive military and economic aid worth about $5 billion. The Pakistani war machine managed an even greater flow of funds by arming and training Afghan opposition fighters in the war against the government in Kabul. Billions of dollars had a corrosive effect on the country’s state and political system, plaguing it with pervasive corruption and increasing revenues from smuggling goods, weapons, and drugs.

The negative phenomena generated by the “Afghan syndrome” affected economic development in the 1990s. Additionally, the withdrawal of Soviet troops from Afghanistan and the collapse of the USSR significantly reduced US interest in Pakistan. Moreover, Pakistan’s alignment with China against India, its support for Islamists in Kashmir, and the country’s military nuclear program caused discontent in Washington. The channels of grants and concessional support dried up, though the dependence on them remained. Economic growth in the 1990s generally declined compared to the previous decade.

The first half of the 2000s was a fertile period for Islamabad, which, after the 1999 coup, found itself again under direct military control. Participation in the joint war with the USA against the Afghan Taliban had a direct impact on GDP growth, which at that time reached its peak of 7–8 percent (Figure 1). However, the economic progress during that period was largely artificial and was based, like in the 1980s, on foreign loans and increased military expenditure. When the costs were reduced in connection with the US plans for withdrawal from Afghanistan, the economic growth returned to a sluggish pace. Additionally, the civilian government of the Pakistan People’s Party, founded by Bhutto and later led for a long time by his daughter Benazir (twice prime minister, assassinated in late 2007 by Islamists), replaced the military government, pursued a policy of “home front tightening” from 2008–2013, encouraging the development of the backward regions of rural Sindh, southern Punjab, Balochistan, and Khyber Pakhtunkhwa (until 2010 known as the North-West Frontier Province).

Five years later, following the country’s first-ever regular election in 2013, which was won by the Pakistan Muslim League headed by wealthy Punjabi businessman Nawaz Sharif, the country experienced an economic upswing largely due to increased Chinese investment under the Agreement on the China-Pakistan Economic Corridor, and owing to stable local exchange rate policy.

The exchange rate favorable for imports is known to be detrimental to exports; its growth rate, particularly used in the export of manufactured goods, declined, sometimes even becoming negative in subsequent years. Therefore, it is not surprising that another decline in the GDP growth curve occurred after 2018, which is not reflected in the provided chart (Figure 1).

Before discussing this downturn, it is worth noting the general downward trend characteristic of the development of Pakistan’s economy over the past six decades. This trend is visibly apparent even "by sight" and would be even more pronounced if the dynamics of the last five fiscal years (2019–2023, July to June) were considered. In 2019, the growth was 3.1%, according to the Pakistani Ministry of Finance; in the following year, due to the coronavirus pandemic, the GDP fell by 0.9%, followed by two years of a "rebound" to values of about 6% per year, and a new descent to just 0.3% in 2023 [source 1, *Statistical Annexure*, p. 3].

CONTINUOS LAGGING BEHIND

This subtitle primarily refers to Pakistan's lag relative to its regional neighbors. Interestingly, although the World Bank classifies Pakistan as part of South Asia, India excluded Pakistan from this category after 2016. Indian Prime Minister Modi's refusal to attend the South Asian Association for Regional Cooperation (SAARC) summit in Islamabad that year effectively "buried" the organization, founded in 1985, on hold indefinitely. Another significant blow to regional unity was India's decision in August 2019 to abolish the special legal status of Jammu and Kashmir, the only Indian state with a Muslim majority, replacing it with two union territories – Jammu and Kashmir, and the Tibeto-Buddhist Ladakh. This move provoked a sharp response from Islamabad and undermined the détente that had been emerging earlier that year, following a skirmish involving military aircraft from both countries over Pakistan [source 2, pp. 184-185].

Given these circumstances and possibly other considerations, the International Monetary Fund reclassified Pakistan from South Asia to a larger group that includes countries from the Middle East and North Africa, alongside Afghanistan. The Asian Development Bank (ADB), headquartered in Manila, categorizes a region in Central and West Asia that includes Pakistan and Afghanistan as representatives of the western part of Asia (the ADB includes the republics of the South Caucasus in Central Asia). However, according to the World Bank's classification, Pakistan still belongs to South Asia.

This categorization seems logical, considering that Pakistan's economy type, employment structure, and general level of socio-economic development – as well as its cultural and historical ties – are comparable to those of India (especially North India) and Bangladesh. The World Bank also includes Afghanistan in South Asia; while Afghanistan's comparison with the "high-mountain/borderline" Nepal seems more significant and logical, Pakistan should be compared with India and Bangladesh. The development trajectory of India invites comparisons with the rise of China, which, due to its close economic ties with both India and Pakistan, can be considered part of the larger Southern-Eastern Asian region.

At the end of the 20th century, Pakistan was ahead of India and Bangladesh in terms of per capita gross national product. In 1998, Pakistan's per capita GNP was $480, compared to Bangladesh's $350, and India's $430. Interestingly, China's (excluding Hong Kong) per capita GNP was $750 at the time. Meanwhile, Pakistan's GNP ($62 billion) was almost one and a half times that of Bangladesh and ranked 44th in the world. India's GNP was $421 billion (11th position in the ranking), which was more than twice as small as China's GNP ($929 billion, 7th position) [source 3, pp. 230-231].

Taking the end of the last century as a benchmark, it is evident how significant the changes have been in the first decades of this century (see the table). From 2000–2020, Pakistan completely lost its earlier advantages, falling behind Ban-

Table. Dynamics of change in macroeconomic parameters

	GDP, billion USD			GDP per capita, USD		
	2000	2010	2020	2000	2010	2020
Pakistan	79	175	257	576	1017	1233
Bangladesh	46	115	329	355	775	1966
India	477	1670	2665	468	1473	1963
China	1445	6061	14724	957	4531	10434

Data borrowed from: [source 4].

gladesh in terms of aggregate and per capita gross domestic product (GDP) growth at current market prices, with a slightly lesser lag behind India and a significantly greater lag behind China.

As the table indicates, Pakistan's economy grew by approximately 222% between 2000 and 2010 (averaging 8% annually)[1], with a growth of 147% (4% annually) from 2010 to 2020. In contrast, Bangladesh's economy expanded faster, with GDP increasing by 250% (10% annually) in the first period, and by 286% (11% annually) from 2010 to 2020. Bangladesh's GDP growth, even across decades, contrasts with the rise of the Indian economy, which grew by more than 350% (13% annually) between 2000 and 2010 and at an average rate of 5% annually from 2010 to 2020 (163% growth over 10 years). The economy of the PRC also grew quite unevenly across the decades, generally outperforming India's growth rates by about twice. China's GDP grew by 419% (15% annually) between 2000 and 2010 and by 243% (9% annually) between 2010 and 2020. However, it is necessary to take into account the conventionality of calculations based on the Asian Development Bank's data, which do not take into account the inflation of the local currency, the depreciation of its exchange rate against the US dollar (except for China), and the devaluation of the dollar itself (by 50% over 20 years).

It is also significant that 2020 was the year of the coronavirus pandemic, which led to reductions in Pakistan's and India's GDPs (by 0.9% and 7.3%, respectively) and a decline in Bangladesh's economic growth rate to 5.2% and China's to 2.3%. It should be noted that after the decline in economic macro-indicators in India and Pakistan, their "rebound" amounted to almost 10% and 6%, respectively. According to the World Bank, Pakistan's GDP reached $375 billion in 2022, with Bangladesh and India recording figures of $460 billion and $3,389 billion, respectively [source 5].

When analyzing the per capita income (domestic product value) shown in the table, some evident contrasting changes in the position of Pakistan and its neighbors become apparent. In 2000, Pakistan had a higher rate than India (by 23%) and notably higher than Bangladesh (by 62%). Ten years later, India surpassed Pakistan by 45%, although Bangladesh's figure was still a quarter lower. After another decade, Pakistan's lag became much more noticeable, trailing about 60% behind both Bangladesh and India. According to the World Bank's 2022 data, Pakistan's per capita GDP amounted to $1,592; Bangladesh's was $2,688, and India's was $2,391 [source 5]. The fact that East Bengal's income level now exceeds India's – a province once considered hopelessly lagging and extremely overpopulated – and its confident outpacing of Pakistan in both per-capita and total GDP, can be considered quite a sensation (some reasons for this are given in [4]).

IMMEDIATE CAUSES OF THE DOWNWARD SLIDE

Some of the factors underlying the decline in the growth rate of Pakistan's economy have been noted above. To reiterate, Pakistan's participation in the "war on terror" had a major negative impact. By siding with the USA and NATO in the autumn of 2001, assisting in the capture and detention of Islamist radicals, mostly Arabs and Afghans, the country's military authorities received substantial compensation. The anti-Taliban operations in Afghanistan cost the American treasury $2.3 trillion from 2001 to 2022, according to some later calculations [source 6]. Some of this money went to Pakistan, which was designated the "main US partner outside NATO" in 2004. The benefits and subsidies contributed to an increase in economic growth but also brought significant costs, primarily an increase in allocations for security purposes and increased corruption among the military, who took key positions in all important state institutions during the years of President General Musharraf's rule (1999–2008) [5].

In addition, it is necessary to mention losses among the armed forces, paramilitary troops, and police, as well as increased expenditure on counter-terrorist operations, which did not cease until 2015. Significant funds were spent not only on fighting terrorism on the outskirts of the country and in Afghanistan but also on supporting militant activities in the Kashmir Valley, the "heartland" of the then Indian state of Jammu and Kashmir,

[1] Average annual rates are calculated using the source [3].

which activity was of a terrorist nature, though deemed insurgent by Islamabad. The two-front war affected the quality of development and prevented the creation of the foundations for steady economic growth. Notably, the export potential of the Pakistani industry did not increase significantly despite the large quotas for preferential import of goods provided by the EU and the USA.

The natural disasters that struck the country proved to be serious external shocks. The devastating drought of 2000–2002 was followed by an earthquake in 2005 that affected mainly the Pakistani-controlled areas of Jammu and Kashmir. An unprecedented flood occurred in 2010, followed by a series of floods of the Indus River and its tributaries. Another terrible flood took place in the summer of 2022. According to official estimates, it affected 33 million people in almost a third of the country's flat land [source 1, pp. 281-283]. The increasing frequency of natural disasters confirms that Pakistan is one of the countries most vulnerable to global climate change.

The direct causes of an endogenous nature, not exogenous, include the financial policy of the state. Extensive recourse to external borrowing is a traditional feature of the Pakistani state dating back to the 1960s when the Paris Club for Assistance to Pakistan was set up [6]. Since the late 1980s, Pakistan has been heavily reliant on external loans, primarily stabilization loans, within the framework of the Washington Consensus and specifically IMF programs. In total, Islamabad has resorted to loans from this organization 22 times [7]. In the current century, the largest grants were represented by the stabilization programs established in 2014 and 2019 for the amounts of \$6.6 billion and \$6.0 billion (according to other sources – \$6.5 billion), respectively [source 7].

The first of these programs, aimed at keeping Pakistan's economy afloat, was duly implemented and contributed to certain results in the monetary/financial fields. The second program – an "extended credit facility" – was designed for three years, but the IMF issued only half of the scheduled amount and stopped disbursing new tranches from autumn 2021. The reason was Pakistan's failure to meet its commitments toward improving the system of tax collection and other budget revenues, along with the persistence of the current balance of payments deficit. Islamabad's attempts under two prime ministers, Imran Khan and Shehbaz Sharif, to get the credit line unfrozen did not yield results until the end of June 2023. The IMF's eventual agreement to provide the "bankruptcy-saving" \$3 billion was welcomed with relief in Pakistan, although the country's dependence on the IMF and other external creditors is heavily criticized [source 8].

The informed Pakistani public is aware that the international creditors' claims are largely justified. The ruling circles' habit of relying on borrowed funds slows down and delays the necessary reforms in the field of tax and social policy. Without addressing the latter, as it is directly correlated with the underlying factors of sluggish economic growth, it is necessary to note that the state's reliance on borrowing, both external and internal, appears as the main and immediate cause of the severe crisis faced by Pakistan's economy from 2019 to 2023.

In addition to the aforementioned slowdown in GDP growth, the crisis manifested itself in several ways: the rupee depreciated by about one and a half times to 300 rupees per dollar; the State Bank's foreign exchange reserves dwindled to a minimum of between 3 to 5 billion dollars at times; there was a rapid increase in government spending on servicing the national debt, which now exceeds 80 percent of GDP; and foreign debt nearly doubled in the last recessionary years, reaching more than 120 billion dollars.

This situation naturally pertains to the state of affairs at the level of government and business. As for the country's residents, especially urban dwellers, they have faced accelerating inflation, with dramatic surges in the prices of food items like flour, sugar, and vegetable oil, as well as petrol and other fuels. The repeated increases in electricity tariffs have further burdened both the population and the economy. Inflation became particularly severe in the fiscal years 2022–2023, approaching 30% on an annualized basis and peaking at 40% on a monthly basis [8].

UNDERLYING FACTORS

It can be assumed that the problems faced by the Pakistani economy stem from social factors, namely the essentially unchanged, strictly pyramidal structure of society. The power-holding elite is primarily composed of representatives from the traditional landed aristocracy. The ownership of land and the dependence of peasants on landlords are fundamental characteristics of Pakistani society. The state's attempts to carry out land reforms have largely failed. The reforms of 1959 and 1972 somewhat reduced the extent of large and extra-large land holdings but did not significantly alter the essence of the prevailing agrarian relations [9].

Moreover, land ownership has become a fetish for any elite, regardless of the group's origin. The military corporation that established itself as a dominant force in the state after the coups of 1958, 1977, and 1999 is characterized by a mixed composition. Many of its current and retired military leaders are examples of social ascendency. However, regardless of the backgrounds of these top military officers, ownership of land and other immovable properties becomes a desirable part of their rewards for service. The fixation on land and real estate also distinguishes entrepreneurs who seek to safeguard or, tentatively speaking, "bury" their capital "in the ground." This leads to the predominance of conservative, rent-seeking capitalism [10].

Comparing the Pakistani state system with the Indian one, some authors of Pakistani origin describe it as proto-bourgeois [11]. Although it is difficult to fully agree with this characterization, it does contain some elements of truth. A primary goal of Pakistani elite groups is to protect their income from the reach of the state, which seeks to claim a portion through the tax code. According to an analysis of tax evasion mechanisms by Ahmed, one of the top officials of the country's tax service, each elite group (he identifies six such groups) has its own concerns about potential state actions and, leveraging its control, seeks to minimize payments to the treasury [12]. Enrichment by withholding funds from public use has thus become a characteristic behavior of the elites. This author's analysis confirms the findings of many other studies that reveal the insignificant number of wealthy Pakistanis who pay taxes. The usurpation of the state by the elite (landowners, bureaucracy, especially the military bureaucracy, wealthy entrepreneurs, and traders) explains the low rate of current budget revenues (7–9 percent of GDP), which impacts both the growth rate of the economy and the welfare of the population at large. Notably, Miftah Ismail, who briefly held the post of Minister of Finance of Pakistan in 2022, referred to his country as a "republic of 1%" [13].

Another aspect of conservative/oligarchic capitalism is the intense exploitation of unfree, forced labor. Labor owners do not receive sufficient income for the use of their resources; they are underpaid and forced into the informal business sector, where the classical laws of capitalist exploitation do not apply. The Factories Act, passed under the British in 1934, applies to large registered enterprises. Although establishments with more than 10 employees are considered large, many such enterprises remain unregistered. The industrial census has long been a rarity, and official statistics no longer allow for the comparison of the dynamics of investments, production volumes, and labor productivity as in previous times. The labor movement experienced a surge in the late 1960s and early 1970s. In the 1980s, the military authorities under Zia-ul-Haq brutally suppressed workers' demonstrations and drove some of the skilled labor force out of the country. The majority of wage laborers are employed outside the factory sector, and the ruling circles do their best not to invest in human capital [14]. The undocumented economy encompasses not only manufacturing industries but also mining (insignificant in scope), construction, trade, and personal services.

Naturally, the vast sphere of the black, shadow economy remains undocumented. According to some estimates, the revenues concealed from paying taxes and generated through violations of criminal laws (criminal proceeds) reach 50–75% of the GDP [15]. When these are considered, the income inequality in Pakistan, as estimated by the Gini coefficient at 30–32 percent, is closer to

50, which parallels the disparity observed in some Tropical African states[2].

According to the latest data from the World Bank pertaining to 2018, 4.9% of the Pakistani population lives below the extreme poverty line of $2.15 per day (on a purchasing-power basis as registered in 2017); 39.8% live below the poverty threshold for *lower-middle-income* countries ($3.65 per day); and 84.5% live below the poverty line for *upper-middle-income* countries ($6.85) [source 5]. In other words, only 15% of Pakistanis are not considered impoverished. Although this situation is similar to that in Bangladesh and India, the discontent among Pakistani residents seems more pronounced due to the country's openness to the world, influenced by its geographical location and recent migration history.

The desire to emigrate is one of the most prevalent sentiments recently, especially among young people, including women, who lack education and job prospects. In 2023 alone, according to official data, over 800,000 people left the country, four times more than in the previous year [17]. The number of Pakistanis living abroad, estimated to be at least 12–15 million, is increasing rapidly. Remittances from those working abroad have consequently grown. They amounted to $3–5 billion a year at the beginning of the century and now reach $20–25 billion. This total does not include transfers through unofficial channels such as receipts (hundi) and verbal assurances (hawala). Thus, living off foreign earnings has become commonplace not only for the state but also for society, turning Pakistan into an extreme rent-seeker (rentier country).

Meanwhile, the total number of migrants is relatively small compared to the overall population. Pakistan's population is growing at an exceptionally rapid rate. According to the latest digital census held in March-May 2023, the annual population increment rate is 2.55%. The proportion of Pakistanis living abroad relative to the overall population of 240 million is about 5–6%; most of them are young working people who support their families, averaging five members, with money transfers. The inflow of money increases domestic demand and pressures imports, trapping the country in a "vicious circle" of payment deficits for day-to-day operations.

Another vicious circle is the uneven development across regions. In addition to Karachi, the central and northeastern regions of Punjab province have taken the lead. Incidentally, the majority of emigrants originate from these areas. The socio-economic advancement of Punjab, centered in Lahore, and urban Sindh (Karachi) accentuates the contrast with other parts of the country and serves as a backdrop for internal political conflicts.

CONCLUSION

Despite the bleak outlook of Pakistan's slow economic growth, the country undoubtedly holds potential. Its main asset is its young population (median age 24), which is becoming increasingly educated and mobile. The growing public awareness of the problems and threats faced by society is also significant. In addition to the press, which is relatively free yet aware of the limits of this freedom, the forces seeking to reform various aspects of society, its economy, and politics include the influential judicial community and professionals engaged in diverse scientific, technical, and socio-political fields.

Another advantage for the country lies in its geopolitical position. Pakistan occupies a unique and pivotal position on the world map in the current context of intersectoral location and new opportunities in the transport and communications sectors. It simultaneously marks the eastern boundary of the Greater Near and Middle East and serves as an entrance gate from East Asia to the Persian Gulf and the Red Sea along the edge of South Asia. Its transit nature has been appreciated by Beijing and served as the basis for one of the most successful projects under the Chinese Belt and Road Initiative (BRI). No other project initiated by China under the BRI has progressed as far as the one with Pakistan. The parties have already built a new deep-water port in Gwadar at the entrance to the Strait of Hormuz, 100 kilometers from the Iranian border. Total Chinese investment in various energy and infrastructure

[2] Although the "tax-dodging" wealth of Pakistanis has slightly decreased over the last period, the rich own over $11 billion worth of real estate, i.e. 3–4% of the country's GDP, at least in three cities – Dubai, London and Singapore [16].

projects in Pakistan has exceeded $25 billion within 10 years and is projected to grow to at least $30–35 billion by 2030. This could position Pakistan as a "window" to the Indian Ocean and the Persian Gulf zone not only for China but also for the land-locked Central Asian republics.

Pakistan is also optimistic about its plans for cooperation with petrodollar-rich Gulf and Arabian states. Islamabad is prepared to grant certain concessions to Saudi Arabia, the UAE, Bahrain, and Qatar for the development of its southern coastal areas. Plans include using undeveloped areas for the creation of model agricultural farms, constructing a major oil refinery complex, prospecting for valuable minerals including rare earth elements, and developing already discovered copper and gold deposits.

Russia has recently become prominent in Pakistani foreign economic relations. In 2015, an agreement was concluded for the construction of a $2.5 billion LNG pipeline from Karachi to Lahore; the prospects of further cooperation between the two countries in the energy sector and Russia's involvement in mineral prospecting and development are being discussed. Considerable opportunities are also opening up in the sphere of cultural and humanitarian cooperation, given the positive experience accumulated over more than 75 years of diplomatic relations between the countries, particularly in collaboration in human resource training for fundamental sectors of the Pakistani industry. Looking ahead, Pakistan could be considered one of the cornerstone countries for Russia's interactions with Asia.

It is quite possible that the slow pace of Pakistan's economic growth will give way to higher development rates in the next quarter of the 21st century. Naturally, this requires overcoming some political obstacles rooted in the social sphere, as discussed earlier. While not expecting dramatic changes, one can hope for gradual positive developments that will lead to progress in public health and education, especially for women, and in breakthrough areas of science and technology.

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