

Economic, political and strategic benefits from integration

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1. Introduction

In an article I wrote some time back I had suggested that our efforts in trying to woo India to make SAARC functional are not bearing fruit. The likely benefits to accrue from economic integration of the region are enlarged markets leading to economies of scale, decline in average cost, prices, increasing incomes leading to increased prosperity in the region. But in spite of repeated efforts over the years we were unable to get the Indians to change their belligerent attitude and reciprocate our gestures. I, therefore, suggested that instead of going on pursuing eastward integration, why don't we change direction and integrate westwards. We have great market access which we have never pursued. We are very advantageously placed to access Afghanistan, Central Asian states, Russian Federation, China, Islamic Republic of Iran, Republic of Turkey, Indonesia, Malaysia, etc. Our access to such large markets can bring tremendous prosperity to Pakistan, while Indian access to the same prosperity is dependent on us.

Prime Minister Dr Muhathir Mohammad and President Erdogan's recent proposal of greater integration of Pakistan, Turkey and Malaysia is laden with such tremendous economic, strategic, social and political benefits. This is a cursory evaluation of this proposal, the technical details can be worked out in a separate study. I have also suggested including Afghanistan, Iran and Qatar. Following this brief introduction I go on to discuss the trade, economic and strategic potential of these economies briefly in section 2. Section 3 discusses the political, strategic, economic and social benefits that can accrue to the region, while Section 4 concludes the article.

2. Strategic, Trade and Economic Potential

A quick glance at imports and exports of the region brings out the trade potential between

these countries. With the prospect of peace agreement being signed by the Taleban and Trump we must prepare an economic development plan for Afghanistan. The countries under discussion have a lot to offer Afghanistan. Afghanistan can both give a lot to the region and take from the region. First and foremost, a lot of reconstruction and development work has to be undertaken in Afghanistan, which can, most ideally be done by these countries. Afghanistan's major export commodities include opium, fruits and nuts, handwoven carpets, wool, cotton, hides, precious and semi-precious gems. Imports include machinery, capital goods, food, textiles and petroleum products.

Pakistan's proximity to Afghanistan and its cordial ties with the Taleban have so far been used for the benefit of the US, why not extend these benefits to countries that have stood by us like Malaysia, Iran and Turkey. In 2018 Pakistan's imports comprised of machinery (14.5 percent); petroleum products (12.2 percent); chemicals (11.7 percent); crude petroleum (8.7 percent) and transport equipment (5.1 percent). While Pakistan exported knitwear (13.2 percent); apparel and clothing (11.3 percent); bedwear (10.4 percent); cotton fabrics (9.4 percent); rice (7.4 percent) and fruits, vegetables and related products (2.9 percent). It is rather disappointing to note that Pakistan still exports simple manufactured goods with low technological content, and as per Sir Hans Singer, the manufacturers of simple manufactured goods suffer the same disadvantages that accrue to exporters of agricultural products.

In fact, Pakistan's production and exchange pattern reinforces its colonial status even 72 years after gaining independence. Pakistan is rich in natural resources, but sells them in raw form without adding value to them. It even facilitates India to create wealth on its precious and semi precious stones, rock

salt, indigo, etc. The same colonial status can be gauged from our lack of success at institution building. We have, however, been successful at developing state of the art defense industry, including fighter airplanes, missiles and a professional and well trained armed forces. Pakistan is also the only nuclear power in this group.

Malaysia has come out of the colonial mode quite successfully, it has established good institutions, including educational institutions. As a result it has an educated and disciplined labour force and delivers good governance. Malaysia's level of development can be gauged from high technological content in its exports, which are mainly on account of electrical and electronics goods (36 percent), chemicals (7.1 percent), petroleum products (7.0 percent), liquefied natural gas (6 percent), and palm oil (5.1 percent). While it's main imports are electrical and electronic products (29.4 percent), chemicals (9.5 percent), petroleum products (9.3 percent) and machinery, appliances and parts (8.7 percent).

Colonial powers could not subdue Turkey for very long, it has thrown the colonial mantle, established its institutions with educated and qualified professionals and workers. Turkey is a well governed country, with very good educational institutions, professional armed forces and a state of the art armament industry. Turkey's major exports are cars (\$13.2B), gold (\$6.96B), trucks (\$5.04B), vehicle parts (\$4.64B) and jewelry (\$3.39B). While its major imports are cars (\$10.3B), refined petroleum (\$7.27B), gold (\$6.48B), vehicle parts (\$5.24B) and planes, helicopters, and spacecraft (\$4.23B).

The indomitable spirit of the Iranian leadership has managed to overcome the very many hurdles created by the west in the form of sanctions and continues to offer



strong leadership to oppressed Muslims all over the world. Oil and natural gas are Iran's most important exports, accounting for 82 percent of the country's export revenues. Other exports include chemicals, plastics, fruits, ceramic products and metals. While it's major imports are machinery, cereals, iron and steel and chemicals.

Qatar is a small country which has done well due to dynamic leadership, which has reversed the resource curse into a resource blessing. Country's top exports are petroleum gas (\$25.5B), crude petroleum (\$13.4B), refined petroleum (\$6.34B), ethylene polymers (\$2.04B) and raw aluminum (\$1.06B). Qatar's main imports are transport equipment and parts (19 percent); nuclear reactors, boilers, machinery and mechanical appliances and parts (15 percent); base metals and articles (11 percent) and electrical machinery, equipment and parts (10.7 percent).

3. Political, Strategic and Economic Benefits from Integration

There are tremendous political, economic and strategic opportunities from greater integration of these countries. In Section 2 I discussed the strengths and weaknesses of individual countries. Pakistan being the only nuclear power in the group can offer a nuclear umbrella to the countries in the group, which in the present times will give a sense of security. In the present global environment rich countries facing the capitalist crisis are knocking down one resource rich country after another under pretexts like the presence of terrorists, Weapons of Mass Destruction, etc. Greater strategic and military integration between countries in the group will bolster their defenses. Pakistani and Turkish armaments, air crafts, etc will strengthen the region and provide a boost to these industries.

Pakistan has a lot to gain from President Erdogan's dual citizenship offer for Turkish and Pakistani citizens. Turkey has some of the best education institutions in the region and greater interaction between academics of the two countries will be mutually beneficial. Similarly, greater academic exchanges between these countries will promote scholarship for our mutual benefit. And although we keep taking a great deal of pride in disclosing how successful

role models benefited from copying our institutions, time has now come to learn from these early learners. A small country like Qatar can be a role model for a much larger and more powerful country like Pakistan in conducting itself as a sovereign country and delivering good governance.

Afghanistan stands to gain tremendously from Pakistan, Iran, Turkey and Malaysian efforts towards building the infrastructure of war torn Afghanistan. These countries especially Malaysia and Turkey can also take the lead to develop social capital through building educational institutions in Afghanistan. Civil society and people to people exchanges between these countries can promote political and social cohesion in the region. Countries like Turkey and Malaysia can play an important role in establishing Afghanistan's pharmaceutical industry that can convert the opium into (pain killer) drugs. Afghanistan and Pakistan's mineral resources can be added value by manufacturing gems and jewelry for which the Turkish gem industry can play an important role. While Turkey and Pakistan can play an important role in developing Afghanistan's Air Force and defense capability.

Malaysian petroleum products, palm oil, chemicals, etc, can meet the needs of the region and offer an alternative to the palm oil it is exporting to India. Similarly, Iran and Qatar's gas and petroleum products can find a market in these countries. Turkey's cars and trucks will also find a market in these countries, which can through scale economies bring tremendous benefits to Turkey and the region. Afghanistan, Iran and Pakistan's fruit processing industry like fruit juices, preserves, jams and jellies have a big potential which these countries can export to each other and to vast Russian, Chinese and Central Asian markets. Moreover, fruits, dry fruits and carpets from Pakistan, Iran and Afghanistan can find an attractive market in these countries and beyond. Turkey and Malaysia can meet some of the demand for machinery, cars, trucks and chemicals in these countries, which will be increased due to reconstruction and development of Afghanistan.

4. Conclusion and Policy Recommendations
Even if some of the suggestions given in the present article involve trade diversion

instead of trade creation it will still be a worthwhile proposition, in view of the prevailing situation where countries want to dictate policies if they are buying your products or employing your labour. My reference is to the Indian threat to stop importing palm oil from Malaysia due to Prime Minister Dr Muhathir Mohammad's honest and bold stance on Kashmir. And Saudi Arabia's threat to send back Pakistani labour if Pakistan attended the Malaysian summit. Such trade diversion will ensure greater economic security for countries that trade with each other but do not belong to the same strategic camp. It will also confer greater sovereignty in running the affairs of the country.

In this article I have thrown light on the economic, political, strategic and social benefits that can accrue to Pakistan, Afghanistan, Iran, Turkey, Malaysia and Qatar on account of greater integration. Other countries like Indonesia, Sri Lanka, Nepal, etc can join later through mutual consent. China and the Russian Federation would also be welcome through mutual interest.

Moreover, barter trade or trade in local currencies will be a way out of the many problems including scarcity of hard currency. I have learnt that the Islamic Republic of Iran and the Russian Federation are expanding their economic relations successfully using barter trade/local currency. We can also use barter or trade in local currencies to ease the foreign currency scarcity.

With Taleban-Trump agreement on Afghanistan the prospect of a Taleban led government appears possible, which is bound to be fiercely independent. Remaining countries in the group led by President Erdogan, Ayatollah Khamenei, Prime Minister Dr Muhathir Muhammad and Sheikh Tamim bin Hamad Al Thani are sovereign rulers who take their own decisions. Will Pakistani leadership of whichever dispensation or party be comfortable in such a gathering? Will GOP be able to conduct itself respectably or behave like an immature school boy trying to bunk a class, in this case a regional summit? Will Pakistani leadership feel the vibes and start conducting itself more independently or the only way out for independence lovers would be through the dual citizenship offer of President Erdogan?