



Foreign Aid: A Double-Edged Sword – A Case Study of Community Development in Pakistan

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ABSTRACT

This study explores how donor countries strategically utilize foreign aid as a soft power instrument to impact Pakistan's domestic and foreign policies, as well as the socio-economic and political outcomes. Using a qualitative case study approach or thematic analysis, it analyzes aid patterns from the U.S., China, and multilateral organizations, highlighting their geopolitical and economic motives. While aid supports education, healthcare, infrastructure, and community development, it often leads to dependency and policy compromises. The study concludes that Pakistan must reduce reliance on conditional aid, diversify security and economic partnerships, and prioritize trade and self-sustaining initiatives to achieve long-term growth and community resilience.

1. Introduction

Foreign aid has long been a pillar of international development, often portrayed as a tool for addressing socio-economic challenges in developing nations (Burnside & Dollar, 2000). However, beyond its humanitarian and developmental aims, foreign aid functions as a key instrument of soft power, enabling donor countries to shape political, economic, and social outcomes in recipient states (Nye, 1990).

Pakistan, strategically positioned in South Asia, has been a consistent recipient of foreign aid due to its geopolitical significance. Major donors, including the United States, China, the International Monetary Fund (IMF), and the World Bank, have played a critical role in shaping Pakistan's economic and security landscape (Rizvi, 2014). While aid has contributed to healthcare, education, infrastructure, and rural development, it has also raised concerns about external influence over Pakistan's policy autonomy and sovereignty (Malik, 2015).

Problem Statement

Foreign aid often acts as a vehicle for advancing the geopolitical and economic objectives of donor nations (Alesina & Dollar, 2000). For Pakistan, dependence on foreign aid has created vulnerabilities, subjecting the nation to external influences that manifest through conditionalities, political alignments, and economic interventions (Rehman, 2018). These factors make foreign aid a double-edged sword – while providing essential support, it simultaneously restricts Pakistan's policy autonomy and development trajectory (Ahmed, 2020).

Objective

This study critically examines how foreign aid operates as a double-edged sword in Pakistan's context. It explores the strategic motivations behind donor assistance and assesses the socio-political and economic consequences for Pakistan.

Research Question

- How have donor countries strategically used foreign aid as a soft power tool to advance their interests and exert influence in Pakistan?
- How can Pakistan navigate the complexities of foreign aid to maintain strategic autonomy while securing necessary assistance?

II. Literature Review

1. Conceptual Framework

Foreign aid is often viewed as a mechanism to address humanitarian needs and foster development. However, it is increasingly utilized as a tool of soft power. Soft power, as conceptualized by Joseph Nye, refers to the ability to shape the actions of others through attraction rather than coercion, often leveraging cultural diplomacy, political values, and foreign policies. Foreign aid's ability to shape governance structures, political landscapes, and development priorities in recipient countries underscores its role as a key tool of soft power, as seen in Pakistan (Wilson, 2008). Countries like the United States and China have strategically used foreign aid not only for development and stability but also to secure geopolitical advantages, creating dependency and steering policy outcomes that align with their interests (Lancaster, 2007).

2. Theoretical Perspectives: Dependency and Modernization

Theories like Dependency Theory and Modernization Theory give us ways to understand the effects of foreign aid. Dependency Theory says that constant reliance on aid leads to subordination

(Dos Santos, 1970), while Modernization Theory sees aid as a way to push development forward, driving progress (Rostow, 1960). These theories highlight the dual nature of foreign aid: fostering development, but risking creating a cycle of dependency that limits sovereignty and long-term growth.

3. Conditionalities, and Strategic Influence

Donors often give aid with certain conditions, influencing how local development projects are carried out, which projects are chosen, and even the governance structures that manage these efforts (Wilson, 2008). The conditions highlight how aid can be a double-edged sword. For example, USAID-funded education programs in Pakistan have introduced curriculum reforms aligned with Western standards, sometimes clashing with local cultural values (Ahmed, 2020). Similarly, international donors prioritize global health concerns like polio eradication over critical local issues such as malnutrition and maternal health (Wolf, 2020). Additionally, U.S. military aid is often linked to counterterrorism efforts, intelligence sharing, and strategic operations, sometimes compromising Pakistan's sovereignty (Malik, 2015).

III. Findings and Analysis

1. Mapping Donor Motivations

1.1. USA: Geopolitical and Security Objectives

The U.S. has historically leveraged foreign aid as a strategic tool to secure Pakistan's cooperation on geopolitical fronts. Between 1951 and 2011, Pakistan received over \$67 billion in aid (adjusted to 2011 dollars), while in 2022 alone, it received approximately \$190 million (U.S. Department of State, 2022). While this aid is often framed as support for development, stability, and counterterrorism, it primarily serves U.S. geopolitical interests, frequently at the expense of Pakistan's sovereignty.

1.1.1. Military Aid: Prioritization Over Development

The amount allocated for actual community development is often minuscule compared to military or political aid, and the long-term benefits for local communities remain questionable. Military assistance has been central to U.S.-Pakistan relations, particularly in counterterrorism operations. The Coalition Support Funds (CSF) provided \$14.6 billion (2002–2018), mainly for logistical support in Afghanistan, while over \$4 billion was allocated under the Foreign Military Financing (FMF) program for defense equipment like F-16 fighter jets and guided munitions (Haider, 2020). Training programs such as International Military Education and Training (IMET) further strengthened Pakistan's defense capabilities, but these initiatives aligned more with U.S. regional security interests than Pakistan's strategic needs (Cohen, 2021).

However, U.S. military aid often came with conditions that undermined Pakistan's autonomy. For instance, in 2008, additional funding was tied to counterterrorism operations along the western border. The Abbottabad raid (2011), in which U.S. forces eliminated Osama bin Laden without Pakistan's knowledge, exemplified the transactional nature of this relationship, eroding trust between the two nations. From 2004 to 2018, U.S. drone strikes have killed over 3,800 people, civilians included, which exacerbates public resentment and strained ties between both countries (Bureau of Investigative Journalism, 2020). A Pew Research Center survey from 2017 found that 61% of Pakistanis view the U.S. as an adversary, highlighting deep-seated mistrust.

1.2. Economic Aid: Conditionality and Dependency

Beyond military assistance, U.S. economic aid has been marked by stringent conditions, which often conflict with Pakistan's internal priorities. The Kerry-Lugar-Berman Act (2009) pledged \$7.5 billion over five years for infrastructure, education, and healthcare. However, those funds were conditional on Pakistan implementing governance and security reforms, limiting its policy autonomy (Haider, 2020).

1.2.1. Education Aid: Limited Long-Term Effectiveness

U.S. aid in the education sector has expanded literacy programs, especially in rural areas, but often promotes Western educational models, which faced resistance from local communities. The Annual Status of Education Report (ASER) 2023 reveals that 26 million children (ages 5-16) remain out of school, with girls being disproportionately affected. This underlines the limited effectiveness of foreign aid in addressing systemic issues within Pakistan's education system.

1.2.2. Health Aid: Misalignment with Local Needs

Similarly, U.S. health assistance through the Global Health Initiative (GHI) prioritized global concerns like polio eradication and HIV/AIDS, while critical local health issues, such as malnutrition and maternal mortality, received less attention. Pakistan's maternal mortality rate in 2020 stood at 140 deaths per 100,000 live births, significantly above the global average (UNICEF, 2020), highlighting a misalignment between donor priorities and Pakistan's urgent healthcare needs.

1.2.3. Economic Assistance: Short-Term Relief, Long-Term Dependence

Economic aid often provides temporary relief without fostering sustainable growth. Following the 2010 floods, which displaced over 20 million people, the U.S. provided \$280 million for reconstruction (2011). While helpful in the short term, this aid failed to strengthen long-term economic resilience.

Although U.S. foreign aid has been marketed as a means of promoting community development in Pakistan i.e. for infrastructure, education, and health, but frequently accompanied by stringent conditions that are difficult for Pakistan to meet. For instance, the U.S. has conditioned aid on the implementation of reforms in sectors like governance, security, and anti-terrorism, which often conflict with Pakistan's internal political realities (Haider, 2020). The amount allocated for actual community development is often minuscule compared to military or political aid, and the long-term benefits for local communities remain questionable. In many cases, these community development initiatives appear more as a façade for advancing U.S. strategic interests rather than a genuine effort to uplift the Pakistani populace.

Between 2002 and 2019, \$12 billion was allocated through the Economic Support Fund (ESF) to promote economic stability. However, much of it was tied to IMF-backed austerity measures, exacerbating economic instability and public discontent. The political nature of this aid became evident after the Abbottabad raid, when U.S. officials threatened to cut financial assistance, reinforcing the perception that aid was more a tool of political leverage than genuine economic support.

1.3 Cultural and Ideological Soft Power

U.S. foreign aid extends beyond economics and military support, shaping Pakistan's socio-political landscape through education, media, and cultural diplomacy. While these initiatives aim

to foster pro-American sentiment and democratic values, they are often perceived as cultural imperialism rather than genuine partnership.

1.3.1 Educational Exchange and Cultural Diplomacy

One of the most significant cultural diplomacy initiatives is the Fulbright Program, which has awarded over 5,000 scholarships to Pakistani students for advanced studies in the U.S. (U.S. Embassy Islamabad, 2021). By offering exposure to Western education and values, the program seeks to strengthen people-to-people ties and position the U.S. as a champion of democratic ideals.

These initiatives serve as vehicles for ideological influence, subtly promoting Western ideals that sometimes conflict with Pakistan's Islamic and cultural traditions.

1.3.2 Promotion of Western Social Norms and Resistance in Pakistan

Several U.S.-funded initiatives on gender equality and women's rights have faced resistance from conservative segments of Pakistani society. In 2017, religious groups denounced U.S.-sponsored workshops on women's empowerment, perceiving them as an attempt to undermine Pakistan's cultural values (Ali, 2017). Similarly, in 2020, the U.S. Congress allocated \$25 million for democracy and women's rights, expanding it to \$200 million in 2023 (Business Standard, 2020). While these efforts advocate LGBTQ+ rights, secular governance, and liberal social norms, they are often viewed as imposing Western ideals rather than fostering organic social change.

1.3.3 Media and Counter-Extremism Campaigns: Perception vs. Reality

The U.S. has also employed media as a tool of influence, particularly through counter-extremism campaigns. One such initiative, the "Shared Values" campaign (2015), sought to counter radical ideologies via social media. However, this campaign failed to gain traction and was widely perceived as an insincere attempt to whitewash U.S. foreign policy failures, particularly in the Muslim world.

Many Pakistanis perceive these efforts as attempts of cultural imperialism, where financial assistance are weaponized to reshape societal norms and align Pakistan with Western strategic objective.

The layers of U.S. aid—military, economic, and cultural—focus on short-term goals and strategic leverage, which perpetuates a cycle of dependency, prevent Pakistan from achieving true self-sufficiency.

2. Multilateral Organizations: Governance and Structural Reform Agendas

Multilateral organizations like International Monetary Fund (IMF) and the World Bank have played a critical role in shaping Pakistan's economy by providing vital supports during crises. However, the conditionalities attach to this aid often undermine Pakistan's fiscal sovereignty and socio-economic stability, demonstrating how foreign aid can function both as a lifeline and a shackle.

2.1 IMF: Structural Adjustments at a High Cost

IMF has been a recurring lifeline for Pakistan, with the country entering into 23 IMF programs since 1958. These programs are often tied to structural reforms aimed at stabilizing economy. For example, the \$3 billion Stand-By Arrangement in 2023 mandating a market-based exchange rate, withdrawal of energy subsidies, and imposition of Rs. 170 billion in new taxes. While these measures were intended to stabilize Pakistan's balance of payments and address fiscal deficits,

they triggered inflation that peaked at 38% in May 2023—one of the highest rates in South Asia (Pakistan Bureau of Statistics, 2023).

Additionally, debt servicing consumed 42% of Pakistan's federal budget in FY 2022-23, severely limiting public investment in critical areas like education and healthcare (Ministry of Finance, 2023). This fiscal austerity not only destabilized Pakistan's economy but also disproportionately affected the poorest segments of society, entrenching the cycle of dependency on foreign financial aid.

2.2 Political Leverage Through Financial Assistance

The United States, as the largest shareholder in the IMF (16.5% voting power), has often influenced the Fund's programs to align with its strategic interests. For instance, during the War on Terror, Pakistan received \$8 billion in IMF loans alongside \$33 billion in U.S. aid, demonstrating a convergence of economic and geopolitical objectives (Congressional Research Service, 2022). In 2022, when U.S.-Pakistan relations soured, the IMF delayed a bailout package, showcasing how financial aid can be weaponized to exert political pressure (Reuters, 2022). This interaction between the IMF and the U.S. reflects a pattern where political objectives often dictate the flow of financial assistance, further compounding Pakistan's economic vulnerability and dependence on external forces.

2.3 The World Bank: Reforming Governance or Deepening Dependency?

The World Bank's influence in Pakistan is exercised primarily through conditional project financing. For example, the World Bank's Energy Sector Reforms Program required the withdrawal of energy subsidies, which led to inflationary pressures and public discontent. Between 1991 and 2022, Pakistan privatized 167 state-owned enterprises (SOEs), including PTCL and energy utilities, under IMF and World Bank programs. These privatizations prioritized international stakeholders over national interests, leaving citizens to face rising utility costs and diminishing access to essential services.

While privatization may offer short-term financial relief, it has perpetuated a cycle of external control over critical national assets, undermining the state's capacity to provide basic services and thwarting long-term development goals.

2.4 Countering China's Influence

The World Bank's infrastructure financing often serves as a counterbalance to China's growing economic footprint in Pakistan through the China-Pakistan Economic Corridor (CPEC). While Pakistan-China bilateral trade reached \$14 billion in 2022, the World Bank committed over \$3 billion to projects like the Dasu Hydropower Plant, aiming to maintain Western influence in Pakistan's economic landscape (Pakistan Bureau of Statistics, 2023). These interventions reflect the strategic priorities of the World Bank's largest shareholders, particularly the United States, which holds 15.58% of the voting power (World Bank, 2023).

However, this financial assistance often comes with conditions that require Pakistan to align its policies with Western economic frameworks, such as increasing its tax-to-GDP ratio, which remains one of the lowest globally at 9.2% (World Bank, 2022). While such goals aim to improve fiscal sustainability, their implementation has disproportionately burdened the poor, exacerbating inequality, and fueling social unrest, thereby deepening Pakistan's reliance on foreign aid.

2.5 Socio-Economic Impact of Austerity

Cuts in public spending that these multilateral programs mandate have profound socio-economic consequences. Education and healthcare, which receive just 2.4% and 1.2% of GDP respectively, remain grossly underfunded—well below global averages (World Bank, 2022). The global average for education spending is about 4.6% of GDP, and for healthcare, it's nearly 5.9% (OECD, 2020). This chronic underinvestment perpetuates low literacy rates, inadequate healthcare, and high poverty levels, that undermines long-term development prospects. According to the Pakistan Social and Living Standards Measurement (PSLM) survey, literacy rate in Pakistan remains at only 59%, one of lowest in South Asia (PSLM, 2021).

Community development programs—the cornerstone of sustainable growth—suffers significantly due to these austerity measures, especially in rural and marginalized areas, where essential services like local infrastructure projects, vocational training, and social safety nets often being the first to compromise. For instance, the Pakistan Poverty Alleviation Fund (PPAF), which supports rural development projects, faced a 20% budget cut in 2023 (PPAF, 2023), influenced by the IMF's lending conditions. As a result, grassroots development initiatives that are crucial for empowering communities and addressing local challenges, they're hindered. This exacerbates poverty, leaving communities relying on limited, often conditional, foreign aid.

Pakistan's recurring dependence on IMF assistance—approximately every 4.5 years—underscores its entrenched vulnerability. The need for frequent bailouts reflect underlying structural economic weaknesses, highlighting the limitations of foreign aid as a sustainable solution to Pakistan's financial woes. In 2022, Pakistan's external debt stood at \$130.2 billion, with over 40% of it attributed to IMF loans (State Bank of Pakistan, 2022). The privatization of critical infrastructure, often benefiting multinational corporations more than local stakeholders, has led to higher service costs. For example, the sale of energy companies resulted in a 30% increase in electricity tariffs in 2022 (International Energy Agency, 2022), further burdening the lower-income population.

Moreover, the conditions tied to foreign aid reinforce a cycle of dependency, limiting Pakistan's policy autonomy. The World Bank's 2022 report highlights that social welfare programs in Pakistan remain severely underfunded, with only 0.4% of GDP allocated to social protection, far below the global average of 1.6% (World Bank, 2022). This continued dependence on foreign aid constrains Pakistan's ability to implement reforms that address its unique challenges, particularly in community development. Without the freedom to pursue independent development policies, Pakistan's efforts to reduce poverty and improve community-based outcomes remain hindered.

3. China's Foreign Aid to Pakistan: Economic Dependence and Strategic Leverage

China's foreign aid to Pakistan, particularly through the China-Pakistan Economic Corridor (CPEC), has significantly impacted Pakistan's infrastructure and economic development. However, they also raise concerns about economic dependency and strategic leverage (Brookings, 2020).

3.1. CPEC: Strategic Economic Investment with Long-Term Consequences

At the forefront of China's aid is CPEC, a multi-billion-dollar initiative, originally valued at \$62 billion but later estimated at around \$50 billion due to delays and renegotiations (CSIS, 2024), encompasses large-scale infrastructure projects, including highways, railways, energy plants, and the development of Gwadar Port (Pakistan Planning Commission, 2023). These projects have played a crucial role in addressing Pakistan's power shortages, transport inefficiencies, and overall economic growth.

A significant portion of CPEC's investments is directed toward community development projects, which aim to uplift rural and underdeveloped areas, creating jobs, improve access to basic services like healthcare and education, and reduce regional disparities. However, the full impact of these community-focused efforts is still under scrutiny as they prioritized industrial growth over grassroots development. Despite their potential to support local communities, the vast majority of these projects are implemented by Chinese contractors, meaning a large proportion of the economic benefits flow back to China. Estimates suggest that over 75% of CPEC-related contracts were awarded to Chinese firms, limiting the direct economic benefits for Pakistan (International Growth Centre, 2024). This dynamic reinforces Pakistan's dependency on China for the execution, operation, and maintenance of these projects, raising questions about the long-term sustainability of the developmental outcomes.

3.2. Trade Imbalance: A Growing Dependency

Trade between Pakistan and China has expanded significantly, yet it remains heavily skewed in China's favor. In FY 2023-24, Pakistan's exports to China stood at \$3.14 billion, whereas imports reached \$17.75 billion, creating a trade deficit of \$14.61 billion (State Bank of Pakistan, 2024). The import of Chinese machinery, electronics, and industrial goods has strengthened Pakistan's industrial base but has also created a reliance on Chinese imports for critical sectors, limiting Pakistan's self-sufficiency in manufacturing (Pakistan Bureau of Statistics, 2024). A persistent trade deficit weakens local industries and heightens Pakistan's reliance on Chinese goods, particularly machinery, electronics, and industrial products (Trading Economics, 2025).

3.3. Debt Trap and Financial Autonomy

A major concern in China-Pakistan relations is the rising debt burden due to Chinese loans. As of December 2023, Pakistan's total external debt had reached \$126.3 billion, with \$27.2 billion owed to China, including loans from Chinese banks and state-owned institutions (IMF, 2024). Approximately 74% of CPEC funding consists of loans rather than grants, raising Pakistan's financial obligations (Asian Development Bank, 2024).

While some loans have concessional terms, repayment risks persist, especially if Pakistan's economic growth does not meet projected expectations. The State Bank of Pakistan warns that nearly 30% of Pakistan's total external debt repayments in 2024 will be directed toward servicing Chinese loans, raising concerns over debt sustainability (SBP, 2024). Failure to generate sufficient revenue from CPEC projects could lead to debt restructuring or additional borrowing, increasing Pakistan's dependence on China. Despite the economic benefits of China's aid, over-reliance on Beijing carries several risks, including long-term financial instability and strategic vulnerabilities (SIFC, 2024). If global economic conditions shift or China reduces its financial support, Pakistan could face severe economic and strategic vulnerabilities (Brookings, 2023).

3.4. Military Assistance and Geopolitical Leverage

Beyond economic aid, China is Pakistan's largest defense supplier, providing J-10C fighter jets, Type 054A frigates, VT-4 tanks, and missile technology (SIPRI, 2024). Between 2017 and 2023, China accounted for approximately 74% of Pakistan's total arms imports, reinforcing military dependence (Stockholm International Peace Research Institute, 2024).

While this cooperation strengthens Pakistan's security posture, it also deepens strategic reliance on Beijing. China's increasing role in Pakistan's defense sector grants it leverage over Pakistan's foreign policy, particularly concerning India, the United States, and broader South Asian geopolitics (Lowy Institute, 2024). Additionally, China's deep involvement in Pakistan's defense

and economy may limit the country's foreign policy flexibility, restricting Pakistan's ability to balance relations with other global powers (Brookings, 2020).

3.5. Soft Power Strategy: Cultural Diplomacy and Education

China has actively used soft power initiatives to deepen its influence in Pakistan. Programs such as Confucius Institutes and the China Scholarship Council (CSC) have expanded educational and cultural ties. As of 2023, over 28,000 Pakistani students were enrolled in Chinese universities, making Pakistan one of the largest sources of international students in China (Higher Education Commission of Pakistan, 2024). While these exchanges promote bilateral goodwill and knowledge transfer, they also increase Pakistan's reliance on China for higher education and professional training. This shift could potentially reduce Pakistan's engagement with Western academic institutions and shape its intellectual landscape toward Chinese influence (Merics, 2024).

The absence of political conditionality in China's aid, in contrast to the strict reforms often demanded by Western institutions like the IMF and World Bank, presents both advantages and disadvantages. While China's aid avoids governance reforms or economic restructuring, it risks perpetuating a status quo that prioritizes Chinese strategic interests over Pakistan's long-term sustainability.

Summary of Findings:

The research reveals how foreign aid from the U.S., China, and multilateral organizations like the IMF and the World Bank has been strategically used to influence Pakistan's policies. The U.S. has used aid to advance its geopolitical interests, especially during War on Terror, often limiting Pakistan's sovereignty. China has deepened economic ties through the China-Pakistan Economic Corridor (CPEC), fostering economic dependency, while multilateral institutions have conditioned aid on fiscal and governance reforms, affecting Pakistan's policy autonomy.

Foreign aid, particularly in community development, often conflicts with Pakistan's national interests. While aid can address issues like infrastructure, health, and education, the conditions attached to it prioritize donor interests over local needs, leading to projects that doesn't always align with community development goals, undermining local initiatives and sustainable development, as Pakistan's development is steered by external agendas.

IV. Implications for Policy

4.1 Leveraging Maritime Dominance: Economic and Geopolitical Imperatives

Pakistan's geostrategic location along Arabian Sea, near the Strait of Hormuz, provides significant leverage in global trade, as 80% of global trade and 21 million barrels of oil pass daily through the Indian Ocean (United Nations Conference on Trade and Development [UNCTAD], 2022). Pakistan can capitalize on its position to enhance both its economic standing and geopolitical influence by strengthening its maritime dominance.

Gwadar Port and Maritime Security: Cornerstones of Economic Independence

Central to this strategy is the development of Gwadar Port, 120 nautical miles from the Strait of Hormuz. Under the China-Pakistan Economic Corridor (CPEC), Gwadar is expected to handle 400 million tons of cargo annually by 2030, reducing Pakistan's reliance on traditional trade routes and boosting trade volume and foreign direct investment (FDI) in sectors like textiles, agriculture, which will pave the way for community development projects. The development of Gwadar Port must integrate local workforce training programs and SME incentives for ensuring that the economic gains directly benefit local communities rather than primarily serving the foreign

investors. Failure to localize benefits may replicate past economic models where large-scale infrastructure projects failed to uplift grassroots communities. Pakistan can adopt successful models of Singapore, which generated \$200 billion in maritime trade revenues in 2022 (Singapore Port Authority, 2022), and Sri Lanka's Colombo Port, which handled over 6.5 million TEUs annually (Sri Lanka Ports Authority, 2021), Pakistan can position Gwadar as a key player in global supply chains, reinforcing economic autonomy.

With 95% of Pakistan's trade reliant on maritime routes (Pakistan Maritime Security Agency, 2023), strengthening naval defense is essential. Pakistan allocates only 4% of its defense budget to the navy, compared to India's 14% (SIPRI, 2021). Modernization can enhance naval capabilities, reduce foreign defense reliance, and increase appeal to investors.

Strategic Partnerships and Expanding the Blue Economy

Pakistan should develop partnerships with countries like Japan and South Korea, which depend on the Strait of Hormuz for over 85% of their oil imports (IEA, 2022). Collaboration in counter-piracy, naval security, and disaster management can strengthen relationships while building self-reliance in defense. Regional alliances with Iran, Türkiye, Saudi Arabia, and the UAE (Global Times, 2024) can balance Western naval influence, further enhancing Pakistan's role in securing maritime trade routes. Pakistan should continue on the road of acquiring eight Hangor-class submarines from China (Xinhua News, 2024), joint development of MILGEM/Babur-class corvettes with Türkiye (Defense Turkey, 2024), and the introduction of Jinnah-class frigates, Pakistan's first indigenously designed warships (Defense Turkey, 2024).

Expanding its Exclusive Economic Zone (EEZ), covering 290,000 square kilometers (Pakistan Marine Academy, 2023), offers vast potential in deep-sea fishing, offshore oil exploration, and maritime trade. Upgrading Karachi Shipyard & Engineering Works (KSEW) and expanding the commercial fleet, currently at only 11 vessels, could save up to \$5 billion annually in freight payments (Pakistan National Shipping Corporation, 2024), contributing to economic independence.

Engaging in regional collaborations through organizations such as the Indian Ocean Rim Association (IORA) will further bolster Pakistan's role in regional maritime security and trade, providing opportunities for shared resources and collective action, and reinforcing its position as a leader in regional and global maritime trade.

4.2. Diversifying Security Alliances to Minimize Dependency

To enhance strategic autonomy and reduce reliance on conditional foreign aid, Pakistan must adopt a multi-faceted approach to diversifying its security alliances while prioritizing self-sufficiency in defense production.

Deepening Regional Defense Partnerships

Pakistan must further solidify its strategic relationship with China by expanding co-production initiatives, such as the JF-17 program, which has produced over 150 aircraft for the Pakistan Air Force (IISS, 2023). Expanding joint research and development into advanced defense technologies, including drone warfare, electronic warfare systems, and AI-driven military projects, will reinforce Pakistan's military capabilities. China has already transferred Wing Loong II armed drones to Pakistan, enhancing its aerial strike capability (Global Times, 2022). Deeper collaboration in these areas will reinforce Pakistan's military capabilities while maintaining strategic independence.

Beyond China, Pakistan should enhance security cooperation with Iran, particularly in areas of border security, counterterrorism, and intelligence sharing. Despite historical tensions, structured military diplomacy with Iran can lead to formal defense agreements that serve mutual security interests. Collaborative efforts in border surveillance and counterinsurgency operations will strengthen regional stability and reduce reliance on non-regional allies.

Additionally, engagement with Central Asian republics, including Kazakhstan, Uzbekistan, and Tajikistan, should be expanded through defense cooperation frameworks. Strengthening ties with these nations through military training exchanges, joint counterinsurgency operations, and regional security initiatives will establish Pakistan as a key player in Central Asia, securing long-term strategic and economic benefits.

Expanding Non-Regional Defense Partnerships

Pakistan must actively seek to deepen its defense collaboration with Turkey, which has emerged as a significant player in the defense industry at global level. In 2018, Pakistan signed a \$1.5 billion contract with Turkey for four MILGEM-class corvettes, strengthening its naval capabilities (Defense News, 2018). Long-term agreements in aerospace technology and missile defense systems will provide Pakistan with access to advanced military capabilities and foster indigenous defense production given Turkey's successful model of self-reliance in defense manufacturing

Similarly, strengthening relations with Russia is essential for diversifying Pakistan's military procurement strategy. In 2019, Pakistan received four Mi-35M attack helicopters as part of a \$153 million defense deal, marking a shift in military relations with Russia (The Diplomat, 2019). Institutionalizing military-to-military engagements, including joint military exercises like "Druzhba" and intelligence-sharing initiatives, will further solidify this strategic relationship and ensure a broader range of defense options.

Reducing Reliance on Foreign Aid-Linked Arms Purchases

A critical aspect of Pakistan's defense strategy should be increasing investments in indigenous weapons systems, promoting technology transfers, and encouraging private-sector involvement in military manufacturing which will establish a self-sufficient defense industry. Pakistan Ordnance Factories (POF) and Heavy Industries Taxila (HIT) have played a big part in domestic military production, making Al-Khalid tanks, small arms, and artillery systems (CSCR, 2023).

In 2022, Pakistan set aside \$1.53 billion for defense procurement, with a noticeable shift toward homegrown production (SIPRI, 2022). By diversifying suppliers and focusing on independent procurement, Pakistan can meet its defense needs without being influenced by external political pressures.

Strengthening both regional and non-regional alliances, while pushing for self-sufficiency in defense production, will make sure the country's security is managed on its own terms and maintain strategic autonomy.

4.3. Shifting from Aid to Trade: Enhancing Sustainable Development

Pakistan is placing more importance on trade, investment, and regional cooperation to strengthen its economic resilience, aiming to reduce dependency on Western aid.

Enhancing Economic Independence Through Trade and Investment

A trade-driven approach is essential for economic self-sufficiency. Expanding trade agreements, diversifying key sectors, and investing in infrastructure will reduce dependence on conditional aid.

Pakistan benefits significantly from trade agreements like the EU's Generalized System of Preferences Plus (GSP+), which provided tariff-free access to European markets for over 6,200 products, boosting textile exports by 5.8% in 2020 (€6.5 billion) (European Commission, 2020). Strengthening GSP+ ties and negotiating similar agreements with Japan, South Korea, and Canada could expand market access. Likewise, the China-Pakistan Free Trade Agreement (CPFTA) increased exports to China by 11.5% in 2020, demonstrating the potential of Free Trade Agreements (China-Pakistan FTA, 2020). Expanding FTAs with the UAE, UK, and Central Asian states can enhance industrial growth and attract Foreign Direct Investment (FDI).

Sectoral diversification is key. Agriculture, employing over 40% of the workforce, saw a 14.2% rise in exports to China in 2020 due to trade agreements (China-Pakistan FTA, 2020). Integrating trade with community development by investing in rural agribusiness, small-scale food processing, and farmer cooperatives can enhance livelihoods and boost exports. Encouraging small and medium enterprises (SMEs) in agriculture and textiles will strengthen local supply chains, ensuring that trade benefits communities at all levels. Similarly, IT sector exports reached \$1.2 billion in 2020, reflecting Pakistan's digital trade potential (Pakistan IT Industry Report, 2020). Expanding e-commerce and digital trade initiatives in rural areas can create jobs and bridge the urban-rural economic divide.

Investment in infrastructure is crucial for long-term economic gains. Revenue-sharing agreements for Gwadar under China's Belt and Road Initiative (BRI), alongside public-private partnerships, could generate billions in trade revenue, reducing reliance on external financial aid (China-Pakistan Economic Corridor Authority, 2020). However, trade-focused infrastructure should also prioritize social benefits, such as community transport networks, local business hubs, and skills training programs for youth in industrial zones.

With maritime trade projected to account for over 80% of global trade by 2050 (World Bank, 2020), Pakistan must strengthen regional economic ties with Central Asia and the Middle East to maximize its geographical advantage. Trade agreements should include social clauses that ensure fair labor conditions, skill development programs, and reinvestment of trade revenue into local development projects.

Diversifying Development Partnerships for Sustainable Growth

Pakistan must seek alternative development financing to avoid geopolitical constraints like emerging economies like China, Turkey, and GCC states provide financial support without conditional reforms. China's \$62 billion CPEC investments in infrastructure and trade connectivity exemplify economic collaboration (CPEC, 2021). Turkey's Pakistan-Turkey Business Council (2020) promotes joint ventures in construction, education, and healthcare (Anadolu Agency, 2020). The GCC states, particularly Saudi Arabia, UAE, and Qatar, have invested in energy and real estate, with Saudi Arabia's \$3 billion loan in 2018 supporting financial stability (Arab News, 2020).

Preference should be given to Alternative financial institutions such as New Development Bank (NDB) and Asian Infrastructure Investment Bank (AIIB) offer funding options with fewer conditions. AIIB's \$1.8 billion loan for the Suki Kinari Hydropower Project (2020) and NDB's \$250 million investment in Karachi's water supply system provide critical infrastructure financing without restrictive policy demands (AIIB, 2021; NDB, 2021).

Domestic resource mobilization is vital. Improving tax collection could increase government revenues by up to 10% of GDP (World Bank, 2020), allowing Pakistan to fund its own

development initiatives. Business-friendly reforms will further strengthen private sector investment.

Regional economic integration presents untapped potential. Strengthening trade with India, Afghanistan, and Iran under agreements like SAFTA will enhance market access, reduce trade barriers, and promote economic self-reliance. By ensuring that the benefits of economic growth are equitably distributed, these social development projects play a critical role in fostering long-term, inclusive development.

Conclusion

To break free from this cycle of dependency, the research suggests that Pakistan should explore diversified partnerships that go beyond traditional donor-recipient relationships. By emphasizing public-private partnerships, strengthening local capacities, and diversifying economic relations—particularly with regional neighbors—Pakistan can mitigate the geopolitical pressures associated with foreign aid. A critical shift from aid to trade, alongside the development of indigenous industries and the strategic use of its maritime significance, could provide the foundation for a more resilient and self-sustaining future.

In the long term, community development should be driven by local needs and aspirations rather than external priorities by refocusing on local ownership and ensuring that development projects are aligned with the country's socio-cultural context.

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