

KARACHI: Joe Biden's presidency is set to change much about the US foreign policy, but the new administration is unlikely to shift its stance on economic relations with Pakistan, experts said on Wednesday.

With the Biden's inauguration, experts see no significant change in the US policy towards Pakistan. Pakistan is seen in the US from the AFPAK (an abbreviation that referred to the Obama administration's Afghanistan-Pakistan strategy), Indo-Pak and China Pakistan Economic Corridor (CPEC) lenses in which the US policy has been transactional in nature.

Ehsan A Mallik, CEO at The Pakistan Business Council (PBC), said Pakistan has not had a standing independent of the role it plays (or can play) to advance the US interest in the region. Currently the US priority was to counter the growing influence of China and for this, within the Indo-Pacific Alliance, the US is partnering India, he said.

"This is unlikely to change. Depending on the US policy on withdrawal of troops from Afghanistan, there could be some leverage for Pakistan. If the Biden administration moves on restoring the JCPOA [The Joint Comprehensive Plan of Action] with Iran, there could be an opportunity for Pakistan to trade," Malik said.

The PBC's CEO also stated that whilst Chinese investment was primarily led by its public sector, "the US leaves it to the private sector to choose where it invests". Government guarantees could facilitate investment but it was Pakistan's investment fundamentals that will influence the decision, Malik said.

He believes Issues such as ease and cost of doing business and enforcement of intellectual property rights are major determinants (and constraints) in the investment decision which Pakistan needs to address.

"A country which is unable to attract local investment (other than in guaranteed-return or protected sectors), cannot realistically hope to attract foreign investment, other than in the quick and high payback consumer products sector. This is also a reason why there is hardly any Chinese private sector investment here," Malik added.

For a more preferential trade deal with the US, Pakistan, as other aspiring countries, he said, would likely need to meet a number of demanding objectives. "These are likely to cover labour and human rights, child labour, religious freedom, combating bribery and corruption, climate change, transparency in taxation and currency movement," Malik said.

"Trade deals per se are not likely to be a particularly high US priority. President Biden believes that prior to entering into further trade deals, the USA needs to improve its ability to compete. He has spoken of creating 10 million new domestic jobs in environmentally friendly sectors," the PBC chief said.

He said the USA was Pakistan's largest export destination and nearly 80 percent of its exports were textile products, "yet we rank 7th, with a meagre 2.8 percent of USA's total textile imports, while 32 of the top 50 textile items that USA imports are made from man-made fibres in which Pakistan has less than 1 percent share. Also, most countries ahead of

Pakistan in the US textiles import league did not enjoy more favourable market access than Pakistan, he said.

“Thus, Pakistan needs to address productivity and broaden its product range rather than relying on more liberal market access. Of course, a limited preferential trade agreement covering (mainly) textiles and rice from Pakistan in exchange for cotton and soybean from the USA would help close the competitive gap created by low productivity but it would reduce the incentive to improve it. A wider Free Trade Agreement is not in Pakistan's interest due to its weak agriculture sector,” Malik noted.

“That said, the Biden administration's return to the Paris Accord, rejoining the world community, especially the WHO, recognising the need to overcome the pandemic and revive its economy will have positive impact the world over,” he said and added that Pakistan's exports should benefit from revival of retail demand. Malik said that specifically on the vaccine, as no one was safe until everyone was safe, the Biden government was likely to expedite the sharing of the vaccines developed by US companies.

Yaseen Anwar, the former central bank's governor also doesn't see any material change towards Pakistan economically or politically other than a softening of the rhetoric and some semblance of continuity as opposed to a transactional approach.

“Rather than use economic weapons towards Pakistan to stall CPEC, I believe the US will try and be a player in providing some support to counter China's huge economic program under CPEC. Not taking this approach may weaken US influence on the backdrop of the past 4 years of negative rhetoric that had not achieved positive results. Thus I see some stability but no material change in policy as the underlying feature remains opposed to CPEC,” Anwar said.

“The IMF program is currently in suspension and should resume under the agreement. I do not see any change in the program's conditions with the new US administration,” Anwar added.