

## Pakistan's Economic Relations with the United States: Dependency, Challenges, and Policy Constraints

**Ambreen Aman<sup>\*1</sup>, Abdul Qayoom Sohoo<sup>2</sup>**

<sup>1\*</sup>Assistant Professor, Political Science, Government Shahbaz Sharif Associate College for Women, Jamkey Cheema, Punjab, Pakistan.

<sup>2</sup>Global Engagement Division, Higher Education Commission, Islamabad, Pakistan.

**Corresponding author:** [ambreenaman092@gmail.com](mailto:ambreenaman092@gmail.com)

**ORCID No:** <https://orcid.org/0009-0003-0463-4625>

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*The economic connection between Pakistan and the United States is the focus of this research. It points out the reliance of Pakistan, main problems, and restrictions of policies. It also depicts how the economic consequences have been affected by aid conditionality, structural adjustment programs, and geopolitical factors such as Pakistan's proximity to China and strategic location. The research adopts a qualitative approach and is guided by the theories of dependency and political economy. The findings suggest that US aid has been a blessing in the growing economy but it has also been very unpredictable and linked to the US strategic interests thus limiting Pakistan's autonomy in policy making. The research has emphasized the need for economic diversification, strengthening of institutions, and strategic diplomacy as the ways to maximize US aid and investment, reduce dependency, and thus lay the foundation for sustainable economic growth in Pakistan.*



## 1. Introduction

The economic relations between Pakistan (Pak) and the United States (US) have been built along the lines of the geopolitical framework, which mainly was the cause of the strategic and security factors rather than the continuous economic cooperation (Naseem & Yan, 2024). After the Cold War, when Pakistan was on the US side, the economic ties generally went the way of the geopolitical importance resulting in the delivery of sporadic development aid instead of long-term partnerships (Riedel, 2012; World Bank, 2024). The US has remained an important source of financial assistance, trade concessions, and political influence, while for Pakistan, the economic implications of the relationship have been inconsistent and confined to a specific structure.

The economic ties between Pakistan and the US have been largely based on foreign aid and security-related support, while developmental partnerships, which included trade integration and industrial upgrading, were of lesser importance. Such a condition has resulted in economic dependency, fiscal vulnerability, and a lack of policy independence. Moreover, a continual reliance on external financing has eventually resulted in a diminished domestic revenue base in Pakistan, and consequently, a heavy reliance on international financial institutions which have been under the influence of the US policy (Lecture, 2002; World Bank, 2024).

Over the past few years, the idea of economic interaction between Pakistan and the United States has been complicated due to the global economic shocks, the changes in the geopolitical priorities, and the increased competition among great powers. The economic recovery after the COVID-19 and tightening of financial conditions across the world and recurrent balance-of-payments crisis have raised the dependency of Pakistan on external financing, which supports structural vulnerabilities in its economic relationship with the US and US-influenced international financial institutions (IMF, 2023; World Bank, 2024). As the United States still stresses on governance reforms, fiscal discipline, and market liberalization as an implication of engaging in economic cooperation, Pakistan has been grappling with constant issues associated with poor institutional capacity, limited export diversification, and political instability (Siddiqui et al., 2023). Such dynamics have increased arguments on whether the US economic engagement is contributing to the sustainable development or cycles of dependency and limited policy autonomy.

At the same time, the rebalancing of the economic patterns across the world, particularly the emergence of China and the China-Pakistan Economic Corridor (CPEC) functioning, has transformed the strategic calculus of Pakistan in relation to the United States. According to recent research, the increasing economic relations with China have offered Pakistan alternative avenues of investment, infrastructure building, and funding sources, which decreased but did not eradicate the reliance on Western aid and conditional funds (Naseem & Yan, 2024; Khan and Bukhari, 2024). Nevertheless, observers note that external partnership diversification would not work unless it is accompanied by internal institutional change, export-oriented economic policies, and consistent economic diplomacy (UNCTAD, 2022; Siddiqui et al., 2023). It is against this background that considering Pakistan-US economic relations in the framework of the dependency theory and political economy is



imperative in helping us understand the interaction of external pressures, strategic interests and domestic constraints and how they combine to influence Pakistan economic policy decisions in a fast-changing international order.

In simple terms, the author evaluates the economic relations between Pakistan and the US. The study talks about the shift of cooperation to a conditional engagement. In addition, it speaks of the aid conditions, the political powers that shaped the relationship, and the involvement of structural adjustments. It also puts Pakistan's situation in a comparative viewpoint and examines how the shifting of global alignments—particularly, the ascent of China and the China-Pakistan Economic Corridor (CPEC)—are altering the economic arena between the two nations. The study is directed towards providing suggestions for Pakistan's policy which would reduce reliance and establish a fairer economic relationship.

## 2. Literature Review

The extensive literature that describes the economic prospects of Pakistan and the United States of America (USA) has been formed through different disciplines such as political economy, development economics, and international relations. Scholars generally agree that the economic engagement between the two countries has been mainly influenced by the geographic and political factors, especially the security concerns, instead of market forces. However, there is still a dispute between the academics about the degree and nature of the development in this relationship, and the share of external factors versus internal limitations that influence the economic performance of Pakistan.

The earlier studies have indicated that the economic interactions between Pakistan and the US during the Cold War were primarily influenced by strategic considerations. Ul-Haq (1994) and Kux (2001) claim that US economic assistance in the 1950s and 1960s not only supported Pakistan's industrialization but also led to the building of infrastructure. These authors, however, while considering the aid a stimulant of development, do recognize that it was a part of the political maneuvering of alliance, which restricted Pakistan's freedom of action in terms of policy. In contrast, the viewpoint of dependency theorists claim that this period marked the beginning of a long-lasting and the strongest reliance on foreign assistance. Such a dependence made it difficult for Pakistan to tap its own internal resources and at the same time, it also undermined the establishment of strong national institutions (Zaidi, 2005).

The debate over the conditionality of aid and structural adjustments has been a subject of considerable literature. The International Monetary Fund (IMF) and World Bank—which are primarily influenced by the US—are at the center of this discussion. Stiglitz and Pike (2004) and Chang (2009) argue that development under state leadership was delayed due to the restructuring of the economy according to the principles of austerity and liberalization. They think that the adjustment cycles were a continuous hindrance to the growth of the manufacturing and social sectors in Pakistan. Nevertheless, the majority of economic theories still argue that Pakistan's persistent macroeconomic problems are mainly due to governance issues, political instability, and inconsistent reform implementation rather than to conditionality itself (IMF, 2023).

The security-economy connection is one of the main pillars of the argument. Numerous proofs exist to confirm that the US economic aid provision was not a steady flow but rather a series of extreme ups and downs, which were closely linked to the so-called strategic moments or events such as the Afghan jihad and the war on terror and then the sudden cut-off when geopolitical priorities changed (Riedel, 2012; Kronstadt, 2006). Moreover, the economic cooperation that was securitized and distrustful to investors, and thereby preventing the long-term planning, has been indicated as one of the more serious obstacles to this ontology. This means that the different commentators have different opinions about the main reason behind this volatility. For example, some of them point to Pakistan's military and foreign policy intrigues as the root cause for their preference of the security sectors over the economics ones (Rashid, 2008).

Viewing the entire problem through a lens of comparison clarifies things further. The scholars researching East Asia and newly emerging economies argue that in the case of the US-supported nations the best exemplars are South Korea and Taiwan, which made great use of their strong institutions, market-oriented policies, and selective import protection to catch outside assistance (Amsden, 1989; Wade, 2018). In this light, the literature suggests that one does not have to develop a dependent relationship with the outside; it is the domestic capacity and policy coordination that will ultimately decide the relationship. If this view is applied to Pakistan, it would mean that the country's internal constraints are being pointed out at the same time that the imbalances in the Pak-US relationship are being recognized.

One of the recent studies was the research on the changing of global alignments and the situation of China, especially considering the latter's increasing economic influence in Pakistan. The CPEC was claimed to be one of the decisive factors in the external linking diversification of Pakistan and the reduction of its reliance on the West for support (Small, 2014). However, certain analysts have cautioned that if the latter were to emerge as the new dependency, the problem would still be there as long as no reforms are implemented in the domestic front (UNCTAD, 2022).

In conclusion, the literature supports a common opinion that the structural imbalances and the strategic aspect of conditioning are the factors determining Pak-US economic relations, however, there are diverging views regarding the extent to which external pressures or domestic policy failures are the main cause of the situation. The current study contributes to the existing literature by combining political economy analysis and comparative insights for the purpose of re-evaluating the policy options of Pakistan in the context of a new global order.

### 3. Material and Methods

The researchers employed a qualitative-dominant mixed-methods research design to investigate the characteristics and changes of the economic ties between Pakistan and the USA. The predominant method in the study is qualitative evaluation to highlight the major economic trends. The secondary data sources are the main resources for the study and consist of the official reports of international financial institutions, government publications, policy documents, trade statistics, and an extensive review of the academic literature, which were the principal sources for the study.



Theoretical framework consists of the application of dependency theory and political economy analysis. Dependency theory is applied to reveal the international economic system's setup in which Pakistan is totally dependent on the donor countries and international organizations for its economic and political decisions due to the different conditions placed on it. Political economy analysis is concerned about how security factor works in favor of the economic relationship and the policy making in Pak-US relations. According to critics, Pakistan did not properly negotiate and did not understand its own economic limits. They stress the need for a comprehensive plan which entails structural reforms, right policies, and feasible choices.

#### 4. Results and Discussion

##### 4.1 Shift from Cooperation to Conditional Engagement

###### 4.1.1 Early Economic Cooperation

In the 1950s and 1960s, Pakistan positioned itself as a key ally of the US by entering into security pacts such as Southeast Asia Treaty Organization (SEATO) and Central Treaty Organization (CENTO). The American economic aid was at this time a crucial factor in the country's high growth rates which were often referred to as the "Decade of Development" due to the US great role in the modernization of agriculture, development of infrastructure, and early industrialization (Haq, 1994). However, even in this period, assistance was more of a strategy than a means to economic growth. The economic aid was contingent on Pakistan's aligning with US regional and global objectives, and thus, less freedom in deciding economic policies was one of the consequences (Rashid, 2008).

###### 4.1.2 Transition to conditionality

In the late 1980s and up until the 1990s, the two countries' relationship underwent a significant change. The Pressler Amendment, which placed sanctions on Pakistan because of its nuclear program, resulted in a complete halt of US aid and revealed the economic structures vulnerability that were heavily dependent on foreign aid (Kux, 2001). The economic relationship was revived after 9/11 but even then, it was accompanied with very strict preconditions related to the fight against terrorism. The assistance that came after 2001 was no longer primarily aimed at development but rather at military aspects, while the economic aid was increasingly directed towards the establishment of good governance, fiscal discipline and regulatory reform indeed. This switch to the donor-recipient dynamic was not a partnership based on shared economic interests but it became institutionalized instead (Riedel, 2012).

##### 4.2 Aid Conditionality and Economic Dependency

###### 4.2.1 Structural Adjustment Programs

One of the key mechanisms that allowed the US to assert its economic influence over Pakistan was that the latter turned to the IMF and the World Bank for help. The relationship between Pakistan and these two financial institutions dates back to the late 1980s when the country started participating in IMF-supported programs and has since then, with varying structuring, focused on austerity, privatization, and trade liberalization, (IMF, 2023)

undergone ten more cycles of similar programs. The critics, however, argued that the programs aimed to restore the macroeconomic indicators of the pre-adjustment period but rather strangled the growth of industries and social investments. The liberalization of the domestic market came a bit too early for the local industries while the next generation was being punished because the government had drastically cut public spending on health, education, and infrastructure (Chang, 2009; Stiglitz & Pike, 2004). Although the aim of the structural adjustments was to foster sustainable growth, they instead relegated the country to a perpetual cycle of debt dependence.

#### 4.2.2 Sovereignty and Policy Autonomy Concerns

Conditionality of aid has invariably highlighted the issue of economic sovereignty in Pakistan. The country has, over time, absorbed the foreign conditions' influence in the making of its own policies on taxation, energy prices, and the exchange rate (Zaidi, 2005). The gradual withdrawal of policy independence limited the area of Pakistan's long-term project that could be developed according to its needs.

**Figure No 1: Aid Conditionality and the Cycle of Economic Dependency in Pakistan (developed by the author, based on IMF, 2023; Stiglitz & Pike, 2004).**



The initial illustration depicts the part which the gradual imposition of aid conditionality through IMF and World Bank structural adjustment programs played in the establishment of an economically dependent loop in Pakistan. The nation slides into multilateral assistance whenever there are external economic shocks, and that is along with strict policy conditions that aim at austerity and liberalization. Even though in the short term such actions might positively reflect in the macroeconomic indicators they in fact, through social investment cutbacks and the diminishing of the domestic market, severely undermine the country's capacity for long-term development. Slowly, the loss of policy independence and the persistent structural weaknesses make the country more dependent on foreign funding and hence the cycle of dependence on external funding gets repeated (Chang, 2009; IMF, 2023; Stiglitz & Pike, 2004; Zaidi, 2005).

Furthermore, dependence on foreign funds limited the government to carry out only superficial reforms as it received less encouragement for doing such tough reforms as tax collection improvement and export competitiveness raising. Consequently, the country



continued to experience its structural weaknesses, which, in turn, made it more aid-dependent.

### 4.3 Political Economy of Pak-US Economic Relations

#### 4.3.1 Security–Economy Linkage

Fair (2015) analyses that the economic ties between Pakistan and the US have been influenced by the close connection between security cooperation and economic assistance. This relationship has been reflected in aid which has, in turn, been characterized by large increases, during the times when the interests of both countries were aligned, such as the case with the Afghan jihad and the subsequent post-9/11 War on Terror, while it has changed in times of divergence in strategic interests between the two countries. The security issue of the day warped the economic priorities. Economic stabilization and support for the coalition were the main focuses, which eventually led to a situation where the long run investments in productivity and industrial capacity were the least attended to. Consequently, the economic engagement was not only sporadic but also superficial in terms of development (Hussain, 2012).

#### 4.3.2 Sanctions, Suspensions, and Uncertainty

The US sanctions and aid cut-off led to a drastic uncertainty in the economic environment of Pakistan. Investors' perception was negatively affected by the continuous interruptions, and the technologies and financial resources were made less accessible. The sporadic nature of US engagement is in a striking contradiction with the uninterrupted assistance that has been provided to other US allies in East Asia.

### 4.4 Comparative Perspective

#### 4.4.1 Pakistan Vs Other US Partner States

The comparison reveals that South Korea, Taiwan, and eventually Vietnam became the principal winners of the US involvement in the area. These countries, through very good domestic institutions and well-planned industrial policies, got support from outside (Wade, 2018). In contrast, Pakistan relied on aid not trade as the main source for its economic growth. Poor institutional capacity, political turmoil, and erratic policies confined Pakistan to use the US for structural change only.

#### 4.4.2 Lessons from Emerging Economies

Emerging markets have demonstrated that the backing of the global giants is the most efficient when local regulations match the national ones. The strength of the recipient country in negotiations is a very crucial element. Countries that are attempting to transition their economies lessened their dependence on foreign assistance. This has been a major source of their increased power with the external partners (Chang, 2009). The case of Pakistan is a warning story, that of the partners losing power when the country's economic and institutional strength is weak.



#### 4.5 Challenges and Risks for Pakistan

##### 4.5 Volatility of US Assistance

The economic assistance from the USA to Pakistan has been very unpredictable and has varied with the changes in political and strategic scenarios. This unpredictability hampers the process of budget planning and increases the susceptibility of the economy (Haqqani, 2013; World Bank, 2025).

##### 4.5.2 Trade Imbalance and Limited Diversification

Pakistani exports to the United States are still largely made up of low-value textiles and apparel, and this situation keeps the potential for growth low (UNCTAD, 2022). Dependence on a narrow range of exports exposes Pakistan to market shocks and at the same time limits its foreign exchange earnings.

##### 4.5.3 Strategic Trust Deficit

According to Burki (2011), the economic cooperation remains significantly impacted by the mutual mistrust between the two countries. Pakistan considers that the US is merely getting involved with them for trading reasons, whereas the US is skeptical about Pakistan's being a close ally. The uncertainty keeps the two nations from increasing their commercial ties and more (Kronstadt, 2006).

#### 4.6 Impact of Changing Global Alignments

##### 4.6.1 Rise of China and CPEC

The construction of the CPEC has turned China into the leading economic partner of Pakistan, and at the same time, it has provided the country with an alternative source for investment and infrastructure development. The major area of funding for the Chinese government is the projects of connection and power, which in fact leads to the lessening of the Western aid use, as Small (2014) pointed out. This shift in the flow of capital has made the competition between the two powers quite intense. Economic partnership becomes more and more difficult as US policy makers consider Pakistan more and more as a pawn in the US-China chess game.

##### 4.6.2 US Response and Economic Recalibration

The US adopted the paths of personal investments and reforms (USAID, 2023). Support related to climate issues was provided as well. However, the participation was still too little and scattered to be a meaningful factor.

##### 4.6.3 Geopolitical dynamics, US economic conditionality, and China's influence on Pakistan

Pakistan's geographical position is a crucial factor that highly influences its trade relations with the US. The nation lies at the intersection of three continents—South Asia, Central Asia, and the Middle East. Also, it shares borders with Afghanistan, India, and Iran. Besides, it is the front-line state in the US's security strategy. This situation, thus, turns Pakistan into a very significant partner for the US in the latter's pursuit of regional objectives. Conversely, this strategic value has not been a factor ensuring that economic support would



be stable and predictable. In fact, the US-Pakistan economic relations have been mostly conditional on security cooperation which has thereby revealed the country's role as a geopolitical asset and not of a partner for sustainable economic development (Hanif, 2013; Sattar, 2017).

The link between security collaboration and financial assistance was very conspicuous during the Afghan jihad of the 1980s and the post-9/11 War on Terror when US aid witnessed an impressive surge. Nevertheless, every time Pakistan's strategic interests diverged from those of Washington, the economic support was either cut back or entirely halted, leading to the oscillation of uncertainty and volatility in the investment and development assistance. Sheikh and Ahmad (2022) say that the imposition of sanctions, aid suspensions, and conditionalities severely restricted Pakistan's policy independence and forced the country to make modifications in its taxation, energy pricing, and trade liberalization in accordance with the external demands. This has resulted in an increased economic dependency of Pakistan on the external forces rather than change in the economy structure.

The last 30 years have been quite a journey for the US and Pakistan as their economic relationship became more complex with the rise of China and the CPEC. The US has slowly viewed Pakistan as a partner that is under China's sway in the region, even though the latter's support has been crucial in enhancing the former's economic alternatives. Small (2014) argues that a US trust deficit has gradually developed between the two countries and, therefore, the United States has been hesitant to give economic aid, providing it conditionally and sporadically.

To a large extent, other US allies such as South Korea, Taiwan, and Vietnam received help that was backed by good local institutions and effective industrial policies (Amsden, 1989; Wade, 2018). Pakistan's role as a frontline state in the geopolitical scenario, overlapped with China's growing dominance, often granted the country a security umbrella in the short run but not in long run economically developed. India was supported through assistance rather than trade, had low institutional capacity, and suffered from inconsistencies in the policy which signaled that one could go either way with the strategic importance: Pakistan is still the US ally but its economic growth is still being channeled through foreign aid (Chang, 2009; Salim, Ullah & Kaleem, 2020).

Pakistan's geopolitical location and China's rising influence have been the main reasons why the US saw Pakistan as a security ally but at the same time did not let the country take advantage of the situation for uninterrupted economic growth. Emerging market economies have illustrated that the alignment of domestic policies, reduced aid dependence, and astute management of several external alliances are the prerequisites for the transformation of geopolitical leverage into sustainable economic gains.

#### 4.7 Discussion

The connection between the economy of Pakistan and the US has been affected by the ups and downs through a variety of reasons such as strategic, geopolitical, and economic, which mostly have had a negative impact and led to a complicated and uneven engagement. The current study indicates that the aid conditionality and the IMF and World Bank structural

adjustment programs have put Pakistan in a cycle of economic dependence. The main purpose of these programs was to control the macroeconomic indicators and to allow liberalization; however, the critics have pointed out the negative effects on the government which are the loss of policy autonomy, not investing in social infrastructure, and finally making the country depend on external financing more than ever (Stiglitz, 2002; Chang, 2007; Zaidi, 2015). The foreign aid conditions restricted Pakistan's design and execution potentials in developing policies that would suit local needs, thus revealing the trade-off between gaining short-term governmental support and losing sovereignty in the long run.

The strong connection between security and economy has been one of the main causes of the unstable and inconsistent nature of US economic involvement. When there was a perfect alignment of strategic interests, for example, in the 1980s Afghan jihad and the post-9/11 War on Terror, US military and economic support to Pakistan, which was principally aimed at defense, stabilization, and coalition politics, skyrocketed (Kronstadt, 2019). Yet these periods of massive aid were often closely followed by severe cuts, sanctions, or reductions when the political and strategic priorities ceased to coincide, which ultimately led to investor uncertainty and discouraged the continuation of industrial and infrastructural development. The US had to back its East Asian allies like South Korea and Taiwan through thick and thin, which thereby indirectly pushed the industries and economies to always be of high quality, export-oriented (Amsden, 1989; Wade, 2004).

The geopolitical situation of Pakistan is a crucial factor that not only contributes to but also makes these challenges more difficult to tackle. The positioning of the country on the borders of Afghanistan, India, Iran, and China, while during the same period it is a target for foreign powers competing for influence, makes it strategically important. China's rise and the creation of the CPEC have not only reduced but also left Pakistan partially dependent on the US thus, already opened up new routes for trade and alliances. US financial support and investment have traditionally been conditioned on the level of strategic alignment, while Chinese investments are mostly seen as long-term infrastructure and connectivity projects thereby reflecting Beijing's interest in gaining regional power and having stable bilateral relations (Hurley, Morris, & Portelance, 2018). The interaction between the twins has certainly opened up, on the one hand, the positive and, on the other hand, the negative situations for Pakistan. The Chinese involvement, if at all, would be such that Pakistan would not be forced to accept the US deal on even worse terms than previously. However, it is a perilous matter to lay so much reliance on a single ally. Economic and political power might become lessened as a result. The similarity with the situation of the other American partners provides important lessons. The aid effectiveness is mainly dependent on the side of government that is good governance and the consistency of policies.

For instance, South Korea, Taiwan, and Vietnam have developed their industrial capacity, created export markets, and enjoyed stable governance along with aligned development strategies, thus taking advantage of foreign aid (Amsden, 1989; Wade, 2004). Conversely, the country made up of Pakistan has had a poor institutional structure, political turmoil, and mixed policy approaches which have all together been the barriers to its economic development through foreign aid. This leads to the wider insight that the success of



foreign assistance is not only dependent on the external partners' willingness to provide but also on the recipient's internal capacity to process and gain from such support.

The reliance of Pakistan's economy on the USA can be attributed to multiple reasons among which, the attachments to the aid given, economic priorities linked to security, and the country's geostrategic location which has made its structural weaknesses even more pronounced. The rise of China as a super power has opened a new perspective which can be skillfully used to reduce the dependence on US aid. Still, major economic benefits require Pakistan to first reinforce its local institutions, then expand its trade and investment partners and at the same time, position itself wisely within the global political landscape by balancing US interests and making the most of the emerging regional opportunities.

## 5. Conclusion

The economic connections between Pakistan and the United States have been shaped by a mixture of strategic, political, and economic factors. As a result, Pakistan has increasingly depended on US assistance during the years, which in most cases has been conditional and related to security issues rather than long-term development. This has led to the continuation of economic dependency cycles and the reduction of policy autonomy, thus limiting public investment in health, education, and infrastructure.

Pakistan's location in the world geo-strategically and its borders with Afghanistan, India, Iran, and China have made it a powerful ally for the US, and at the same time, this has caused the country to experience varying economic aid as a result of shifting strategic priorities. Unlike other US partner countries like South Korea and Taiwan, Pakistan has not been able to convert the aid into industrialization and export-led growth owing to weak institutions, political instability, and inconsistent policies. China's growth and initiatives like CPEC provide Pakistan with new economic opportunities. Moreover, they somewhat decrease Pakistan's dependence on the US. To get the most benefit, Pakistan needs to strengthen its domestic systems. Moreover, it must be very cautious in choosing trade and investment partners as well as in implementing long-term policies. If the policies are aligned with the interests of the world powers, then only sustainable growth can be achieved. In this way, foreign assistance will not be a lost resource anymore but will turn into effective development. Furthermore, it will guarantee that the nation does not get stuck in a never-ending cycle of dependence.

### 5.1 Recommendations

- It is essential for Pakistan to initiate a multi-faceted strategy to achieve economic stability.
- The most crucial factors are local capability, different partnerships, and close ties with the US.
- The urgency to transform the economy has come about by focusing on agriculture, production, renewables, and technology.
- Subsidies and skills transfer for Small and Medium Enterprises will lead to creation and manufacturing.

- The US will see investment in a positive light if Pakistan proves fiscal transparency and implements reforms that are relevant to the situation.
- Economic diplomacy will be the channel through which the US and Pakistan will be able to communicate their intentions and hence the ties between them will be strengthened.
- By focusing on energy, infrastructure, and IT the US may be lured to invest in the country.
- Through signing of mutually beneficial aid agreements, continuous US support is still very much possible.
- A stronger connection is established by getting involved in USAID projects and creating public-private partnerships.
- An effective tax collection is a necessary condition for the strengthening of local institutions.
- Good governance marked by transparency is one of the important conditions for aid effectiveness, getting good results, and thus.
- The strategic geographical location of Pakistan could be one of the factors that would lead the US to invest more.
- It would be critical to maintain good ties with China and other Great Powers.

By the use of these methods, aid from abroad can be converted to development instrument. There will be greater financial inflows and sustainable economic growth will be promoted.

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