



Gulf-Asia Programme

# Gulf-Pakistan Relations – From Ideological Affinity to the Era of Pragmatism

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## Summary

- Pakistan and the Gulf countries have historically maintained close ties defined by three key elements. The first is an economic relationship, including the presence of a large Pakistani workforce whose remittances serve as a critical foreign exchange source for Pakistan. The second is a military and intelligence cooperation relationship that also includes training and security partnership. The third, is the political relationship, based on shared membership of the Islamic community, which underpins the first two elements.
- In recent years, however, Pakistan is struggling to come to terms with the reality that new leadership in some of the Gulf Cooperation Council (GCC) countries, especially Saudi Arabia and the UAE, relies less on ideological or emotional sentiments of the past and stresses more on pragmatic policies that promote their national interests.
- Pakistan's weakening economy, chronic political instability and internal security challenges coupled with the rise of a new more pragmatic, less ideological, Gulf leadership has changed the dynamics. Moreover, changing geopolitics marked by the rise of India and China, has had an impact on how Gulf countries view South Asia.
- While large numbers of Pakistani troops were stationed in some Gulf countries, such as Saudi Arabia, in the past, that commitment seems to have ended. Pakistan's inability to actively deploy troops in the Yemen conflict led to misunderstandings with major GCC countries.
- Apart from historical and above identified factors, this Insight points that Pakistan's perennial political and economic instability, its perceived association with extremist Islamism, and differences between its military and civilian leaders, as well as the confrontation among politicians, has also been a contributory factor in diminution of once flourishing ties. Gulf countries have been asked to take sides and play a role in Pakistan's domestic conflicts, which they are reluctant to do.
- Further, Pakistan watches every incremental step in GCC-India relations with serious concern and tends to see it as Pakistan's loss. In reality, the GCC countries do not subscribe to Pakistan's India-centric foreign and security policies.

- Looking forward, this Insight argues that the challenge for Pakistan is to reconcile with India's rise, accept the expanding Gulf-India ties as an economic reality, and still maintain Pakistan's unique relationship with the Gulf countries by tapping into their priorities.
- It also points out that the GCC countries can continue to build upon their historical bonds with Pakistan while pursuing their differently defined economic and security interests.
- The return to power of the Taliban in Afghanistan offers both a challenge and an opportunity for Gulf-Pakistan relations.
- Other opportunities include the China-Pakistan Economic Corridor, and Pakistan's plans to privatise its state-owned enterprises, which it hopes to offer first to Gulf investors.
- The favourable disposition towards the Gulf of the current Pakistani military and civilian leaders and their stated desire to eliminate violent extremist groups while stabilising Pakistan's economy and polity also creates a path for expanded relations

## The Issue

After emerging as an independent state from the partition of British India in 1947, Pakistan's leaders have long sought security and economic support in bonds with the Muslim Ummah. Pakistan's relations with the Gulf countries, too, were initially presented to the Pakistani public as a hedge against Western abandonment in conflicts with India. The Gulf states, too, looked upon Pakistan as a source of training and personnel for their police and armed forces.

In the last decade or so, however, there has been a reorientation in the policies followed by the Gulf countries, especially Saudi Arabia and the UAE. These countries are less ideological and more pragmatic in their foreign, economic and security policies. This, along with other factors like India's robust diplomatic role in championing BRICS and the Global South, have resulted in stronger economic and strategic relations between the Gulf countries and India. Although initially viewed as troubling by Pakistan, this reorientation has not diminished close ties between Pakistan and the GCC countries.

For Pakistan, the Gulf countries remain its friends of last resort. The 2022 American withdrawal from Afghanistan has led Pakistan to turn ever more to China and the Gulf countries as a source of investment. Pakistani workers in the Gulf region have been a major source of foreign currency remittances since the 1970s.

While Pakistan remains heavily dependent on the Gulf countries on the economic front, there has been a change over the last few decades in how these countries view their economic and security ties with Pakistan. But recalibration of relations has not diminished Pakistan's significance as a partner for Gulf countries. Pakistanis remain an important part of the workforce in all GCC member states and exchanges of high-level visits occurs frequently.

While the nature of relations between Pakistan and the Gulf countries have evolved over eight decades, the warmth between the peoples and governments has been consistent over the decades.

### Early Decades: 1947-1970

Pakistan's relations with the Gulf countries are rooted in history, geography and culture. They are strengthened by strong political, economic and security bonds. Pakistan's coast sits along the Arabian Sea which merges with the Gulf of Oman; the province of Balochistan is a few hundred kilometers from the Strait of Hormuz.

From 1947, Pakistan and her leaders have consistently championed causes of the greater Muslim world and combined it with the desire to be seen as one of the leaders of the Muslim Ummah. The desire of Pakistan's leaders for ties with other Muslim countries can be traced back to the views of the Indian Muslims in the pre-partition era. The loss of political power to the British, and the rise of democratic nationalism as the ideology of anti-colonialism, led India's Muslims to reinforce their ties with the larger Muslim world outside India.

Pakistan's founding leaders saw the creation of Pakistan as "a necessary milestone on the journey towards the ultimate goal of universal Muslim solidarity."<sup>1</sup> Within a few years of independence, Pakistan signed Treaties of Friendship with Iran (1950), Iraq (1950), Syria (1950), Turkey (1951), Egypt (1951), Saudi Arabia (1951), Yemen (1952), and Lebanon (1953).<sup>2</sup> Pakistan was vocal in its support of Arab and Muslim causes, from the decolonization process to Palestinian self-determination.

Pakistani efforts on behalf of Indonesia (1948), Algeria (1948-49), Tunisia (1948-49), Morocco (1948-1956), and Eritrea (1960-1991) were significant and initially led to close ties between these countries and Pakistan. Pakistan pleaded in the United Nations for a united Libya and proposed a greater Somaliland comprising Italian, French and British Somaliland, and parts of Ethiopia.<sup>3</sup> Pakistan also championed the cause of Algerian, Tunisian, and Moroccan independence in the face of French objections.<sup>4</sup>

It was as a vocal champion of the Palestine cause that Pakistan tried hardest to establish its credentials as a leading Muslim country. Soon after becoming a member of the United Nations in 1947, Pakistan took up the cause of Palestine.<sup>5</sup> Pakistan's close ties with the United States and Britain during the 1950s-1960s adversely affected Pakistani attempts to build ties with left-wing nationalist Arab states.

Pakistan's decision to join the British-led Baghdad Pact (comprising Turkey, Iraq, Britain, Pakistan, and Iran) in 1954, was described even by conservative Saudi Arabia as "a stab in the heart of the Arab and Muslim states" and the Saudis urged Pakistan to drop its membership of the Pact and return to the right path.<sup>6</sup> But Pakistan close ties with the West were also useful in later years.

Pakistan's championing of the Palestine cause was appreciated by the Arab countries.<sup>7</sup> Saudi Arabia saw Pakistan as a critical partner in its own efforts to foster Islamic unity especially against the threat of communism. Saudi Arabia's King Saud Ibn Abdul Aziz was one of Pakistan's first high-profile foreign visitors when he came to Pakistan in April 1954 for a ten-day visit.<sup>8</sup> Pakistan was also one of the first foreign countries to be visited by Faisal ibn Abdul Aziz after he became King. For its part, Pakistan has acknowledged Saudi Arabia's special position in its foreign policy, as the site of the two holiest cities of Islam, giving it an important role in Pakistan's direction and policies.<sup>9</sup>

### 1970s to 1990s

The independence of Bahrain, Qatar and the UAE in 1971 coincided with Pakistan's loss of its erstwhile eastern wing, which became Bangladesh. Insecurity that followed military defeat, and with little else to build relations, led Pakistan to emphasize the commonality of Islam as the basis of relations with the newly emergent Gulf countries. Saudi Arabia and the newly emerging oil-rich Gulf countries became major economic, political, and security allies of Pakistan in the years following the country's bifurcation.

Pakistan needed resources and capital, which the Gulf countries were able to provide, while Pakistan's manpower became an important factor in the economic boom that followed independence of the Gulf countries. Many Gulf rulers built their palaces in Pakistan and traveled to the country frequently, especially for falcon hunting. Pakistan hosted the second Islamic Summit in Lahore in 1974 and played a leading role in the emergence of the Organization of Islamic Countries (which later became the Organization for Islamic Cooperation).

During Saudi Arabia's King Khalid's six-day visit to Pakistan in October 1976, Islam was referred to as the "indissoluble bond of unfailing strength and indestructible solidarity" between Pakistan and Saudi Arabia. The two countries also offered support for each other's national independence and integrity. King Khalid called for a settlement of the Kashmir dispute according to the United Nations resolutions while Pakistan's prime minister demanded Israeli withdrawal from the occupied Arab territories and the restitution of Palestinian national rights.<sup>10</sup>

Since 1972, the Gulf states have frequently provided Pakistan with loans and short-term emergency aid. Interest-free and soft loans, as well as deposits with Pakistan's Central Bank from Saudi Arabia and the UAE have often helped meet Pakistan's balance of payments deficits.<sup>11</sup> The Gulf countries also invested in both agriculture and industry in Pakistan.<sup>12</sup> During 1974-1975, Pakistan received balance-of-payments support of \$770 million in addition to \$391 million in support for specific projects.<sup>13</sup> In 1976, another \$500 million came in assistance from the Gulf states.

From the 1970s and into the 1990s, several mosques and religious institutions were built and run with support from Saudi Arabia and other countries of the Gulf. The International Islamic University in Islamabad was funded by a \$10 million grant from the Saudis. The University is located close to the Faisal Mosque, the largest mosque in South Asia, named after King Faisal of Saudi Arabia, who provided the funding for the project. In 1977 Lyallpur, the third largest city in Pakistani Punjab, was renamed Faisalabad in honor of King Faisal.

Pakistani workers became a significant factor in Pakistan's relations with the Gulf countries. By the 1980s the single largest source of Pakistan's foreign exchange was the remittances sent by the one million Pakistanis working in the Gulf region – 500,000 Pakistanis in Saudi Arabia alone – sending around \$3 billion annually.<sup>14</sup> Migration from Pakistan to GCC countries reached its peak between 1970 and mid-1980s. It slowed in the 1990s but bounced back again in 2000s. Half of the Pakistani workers in the Gulf are unskilled while skilled workers constitute 36 percent of the Pakistani workforce in the region.<sup>15</sup>

Pakistan's ability to export manpower to the Middle East has made remittances an important source of foreign exchange and its importance has grown in recent years. In the 1970s and early 1980s, remittances grew rapidly to about 9 percent of GDP (about \$3 billion).<sup>16</sup> The construction boom in the Gulf region that needed Pakistan's unskilled workers lasted for a decade and a half (1975-90). During this 15-year period, Pakistanis working in the Middle East



remitted \$40 billion to their homeland. This money helped meet the gap between national savings and investment and helped improve the living standards of the unskilled and rural poor.<sup>17</sup>

Strategic ties have been a key element in Pakistan's relations, especially with Saudi Arabia and the UAE, but also with other Gulf countries. Saudi Arabia provided concessional loans to Pakistan to help bolster its military, going back to the late 1970s. In many cases Saudi Arabia agreed to be the guarantor whenever Pakistan purchased military hardware from the United States. It helped that both Saudi Arabia and Pakistan were American allies and the equipment being purchased was invariably American made. Pakistan paid back by providing military personnel.

As early as the 1960s, Pakistan had assisted the Royal Saudi Air Force in deterring South Yemeni raids into the Kingdom's southern border. During the 1970s and 1980s, approximately 15,000-20,000 Pakistani troops were stationed in the kingdom, some in Saudi military uniforms.<sup>18</sup> Pakistani pilots routinely participated in air defence operations in Saudi Arabia during that time. During the Iran-Iraq conflict (1980-88) Pakistan stationed around 10,000 Pakistani troops in Saudi Arabia in return for \$1 billion in assistance.<sup>19</sup>

Under a series of military protocols with Saudi Arabia, Oman, UAE, and Kuwait, Pakistan has provided training facilities in Pakistani defence institutions for members of the armed forces of these countries.<sup>20</sup> But the presence of troops and military advisers has significantly declined after the 1990s. In 2018, the National Assembly of Pakistan was told that 1,671 Pakistani armed forces men have been stationed in Saudi Arabia, 629 in Qatar, and only 66 in the UAE.<sup>21</sup> Oman and Bahrain have recruited manpower from Pakistan's Balochistan region and hired Pakistani army officers for middle and junior ranks in their army and police forces.

The anti-Soviet Afghan jihad during the 1980s helped expand Pakistan's Pan-Islamic commitment. Pakistan benefited from enormous aid, both military and economic, which flowed in both from the West as well as from the Gulf countries.<sup>22</sup> The funding of the anti-Soviet Afghan jihad by the Gulf countries, and the attempts to attack the 'soft Soviet underbelly' by spreading Islamist radicalism into Soviet Central Asia, was in tune with Pakistan's alignment with the Middle East, as opposed to South Asia.

The Afghan jihad (1979-1992), and Pakistan's subsequent support for Islamist militants in Indian-controlled Jammu and Kashmir, transformed Pakistan internally. Islamist groups with ties to the Muslim Brotherhood and other Islamist political movements gained prominence as did sectarian Shia entities backed by Iran. Pakistan witnessed proxy competition between pro-Iran and pro-Arab militant and political factions, which worsened after the suspension of American aid to Pakistan in 1990 over Pakistan's nuclear programme.

During the 1991 war caused by Iraq's occupation of Kuwait, Pakistan's government sided with its GCC allies, but they were surprised by massive rallies and other expressions of public support for Saddam Hussein. While Prime Minister Nawaz Sharif supported the Security Council resolutions on Iraq, and Pakistan sent 11,000 troops to Saudi Arabia, Pakistan's Army Chief, General Aslam Beg, made public statements indicating his support for Saddam Hussein's Iraq.<sup>23</sup>

One lasting impact of this internal development was the drastic reduction in the number of Pakistani workers in Kuwait.<sup>24</sup> Saudi Arabia and the UAE continued to see Pakistan as a critical ally. Both countries tried to help Pakistan navigate the crisis in Afghanistan after the fall of Afghanistan's Soviet-installed regime that culminated in the rise to power of the Taliban. Investments by Saudi and Emirati companies in Pakistan also expanded, primarily in banking and telecommunications. Bank Alfalah, that entered Pakistan in 1997, is today one of the largest private banks in the country.

## The New Millenium

Until 2000, Pakistan's relations with Gulf countries had been based on cooperation in the realms of politics, security and the economy. But Pakistan's weakening economy, chronic political instability and internal security challenges coupled with the rise of a new more pragmatic, less ideological, Gulf leadership has changed the dynamics. Moreover, changing geopolitics marked by the rise of India and China, has had an impact on how Gulf countries view South Asia.

In the aftermath of the 9/11 terrorist attacks in the United States, Pakistan and the Gulf states enhanced cooperation in the field of counterterrorism. This involved Intelligence exchanges and programmes to deradicalize Islamist militants operating in Pakistan and Afghanistan. Under the government of President General Pervez Musharraf, Pakistan also invited Gulf companies to buy state-owned assets which were being put up for privatization.

While the intelligence cooperation fared well, the investment component of the relationship ran into many difficulties. Gulf businessmen have found that Pakistan's government is not always able to deliver on its promises to investors. The country's bureaucracy and judiciary are not supportive of foreign investors and many investments in Pakistan have run into disputes or difficulties. A prominent example of this phenomenon is the case of Etisalat, a UAE-based telecommunications company, which in 2006 acquired 26 percent of the shares in the government-owned Pakistan Telecommunications Limited (PTCL).

After the initial deal, a valuation dispute arose between the government of Pakistan and Etisalat about how much Etisalat needed to pay for its shares. Etisalat had agreed to pay \$2.6 billion for a 26 percent stake in PTCL, of which \$1.8 billion was paid upfront. The payment schedule for the rest of the money had assumed that over 3,000 firms and subsidiaries would be folded into PTCL. Almost a decade later, by 2015, Pakistani authorities had failed to merge all PTCL assets into the company's balance sheet. Etisalat refused to pay the remaining balance until that was done, and the issue was finally resolved in 2021.<sup>25</sup>

Gulf companies' investments in other capital-intensive sectors faced similar challenges. In 2013, Tuwairqi Steel Mills Limited (TSML), a joint venture between Saudi Arabian and South Korean companies, offered to set up Pakistan's largest steel complex with an annual capacity of 1.28 million tons. But the project had to suspend production within six months as the government of Pakistan refused to provide feedstock gas at a discounted rate to the steel mill. In 2015, the government of Saudi Arabia offered cheaper gas to the company if it moved its factory to Saudi Arabia. This led the company to lay-off its employees as there was no resolution of the issue of gas supply with Pakistan.<sup>26</sup>

Commercial deals going sour are not the only problem inhibiting Gulf countries' investments in Pakistan. The Pakistan government has also dragged its feet on a Free Trade Agreement (FTA) with GCC countries that it has promised to sign for two decades. In 2004, a Framework Agreement on Economic Cooperation between Pakistan and the GCC States was signed to start FTA negotiations. Almost two decades later, hurdles remain, and a FTA is yet to be finalized.

Gulf countries import 90 percent of their agricultural and dairy needs and have shown interest in entering the food, textile, and agricultural sectors of Pakistan.<sup>27</sup> In 2009, GCC businesses signed memoranda of understanding to the tune of \$30 billion from the GCC in Pakistan's livestock, agriculture, and dairy sectors. More recently, in October 2024, Saudi companies signed 27 MoUs worth \$2.3 billion.<sup>28</sup> So far, domestic political and security challenges have prevented these desires from becoming reality.

Pakistan continues to eye large-scale investment from the Gulf countries but is unable to attract investment because it cannot resolve its long-standing infrastructure, energy and security situation. The government of Pakistan promises but has been unable to deliver on the special economic zones or tax incentives for foreign companies. On the export side, most Pakistani exporters of agricultural products are unable to compete with their Indian counterparts on cost and logistics. The two sides have not been able to agree on an efficient mechanism for dispute resolution.

Just like in investment, Pakistan must also deal with several challenges in the field of trade as well. While Pakistan remains critically dependent on trade with Gulf countries, it has not been able to expand exports, and bilateral trade comprises primarily of oil imports. For instance, in 2007-08, 13 percent of Pakistan's total imports came from Saudi Arabia, 9 percent from the UAE, and 7 percent from Kuwait.<sup>29</sup> These imports consisted of oil and petroleum products. In many instances, Pakistan has not been able to settle payments for its oil imports in time. Saudi Arabia and the UAE

have, on several occasions, helped Pakistan in averting a liquidity crisis by providing oil worth billions of dollars on deferred payments.<sup>30</sup>

Pakistan's desire to remain the principal supplier of manpower to the Gulf countries has also run into problems as the region's requirement for skilled workers has increased, along with workforce diversification in the unskilled workforce sector, thus reducing Pakistan's relevance. Pakistan has also failed to invest in its human capital over the years while other countries across Asia have improved literacy rates and produced an educated white-collar workforce better suited to Gulf economies offering jobs in the financial sector, tourism and information technology.

Concerns about the influence of radical Islamists and political extremists in Pakistan are also dampening recruitment of workers from Pakistan. Yet, remittances continue to contribute far more in foreign exchange to Pakistan's economy than foreign direct investment.<sup>31</sup> As of 2022, Saudi Arabia hosts 2.1 million and the UAE around 1.27 million Pakistanis, the two largest Pakistani expatriate communities in the world.

In 2014, inflow from the Gulf stood at 61 percent of its total earnings from remittances.<sup>32</sup> By 2018, the share of GCC in Pakistan's inward remittances had declined to 55 percent. In 2019, although the amount of Pakistan's remittances from the Gulf reached \$11.74 billion, its share in total remittances hovered around 50 percent of the total remittance inflows into the country.<sup>33</sup>

### Change in Aid and Security Policies

After decades of providing generous economic aid, Saudi Arabia and the UAE have repeatedly conveyed to Pakistan's leaders that they must put their house in order to attract investments. Since Pakistan's April 2008 balance of payments crisis, Riyadh and Abu Dhabi have linked their bilateral contributions towards Pakistan's economy to economic reform programmes of the International Monetary Fund (IMF). This happened again in 2018 when the government of Prime Minister Imran Khan approached the IMF for Pakistan's 23rd loan since 1959 and sought loans from China, Saudi Arabia and the UAE.

Saudi Arabia and the UAE have often provided Pakistan loans or temporarily placed money in Pakistan's Central Bank to strengthen its foreign exchange reserves. In 2018, Saudi Arabia agreed to deposit \$3 billion for a period of one year as balance of payment support. Riyadh also agreed to a one-year deferred payment facility for import of oil.<sup>34</sup> The UAE offered Pakistan an additional \$3 billion in loan and a similar amount was pledged by Qatar in 2018-19.<sup>35</sup> But each of the pledges dove-tailed with IMF conditionalities for economic liberalization.

Just as time and circumstances have transformed the economic relationship between the GCC states and Pakistan, there has also been a major change in the security relationship. Although Pakistan's leaders and public continue to embrace the Gulf countries as ideal and dependable allies, they are reluctant to commit militarily to combating evolving threats in the Gulf region. Pakistan is also concerned by the expanding ties between India and the Gulf countries.

The drift in security ties became apparent when, in April 2015, Saudi Arabia approached Islamabad for Pakistani warplanes, warships and soldiers to assist in the conflict and join the Saudi-led military coalition that began conducting air strikes against Houthi forces in Yemen.<sup>36</sup> Instead of agreeing to the request from a country that has long supported Pakistan, including in its defence purchases and its economic crises, the government preferred to prevaricate and chose to seek the cover of Parliament to turn down the Saudi request.

After five days of a joint parliamentary session, Pakistani lawmakers passed a resolution that proposed Pakistan "should maintain neutrality in the conflict so as to be able to play a proactive diplomatic role to end the crisis."<sup>37</sup> Similarly, when in December 2015, Saudi Arabia announced the formation of a 34-member Islamic Military Alliance (IMA) to combat terrorism, the Saudis expected Pakistan would join the grouping but Pakistan did not.<sup>38</sup>

The Pakistani refusal to join the war in Yemen and the resolution passed by the Pakistani parliament underlined the point that Saudi Arabia and the UAE cannot expect unconditional Pakistani support for their regional strategic goals.<sup>39</sup> "The vague and contradictory stands of Pakistan and Turkey are an absolute proof that Arab security — from Libya to Yemen — is the responsibility of none but Arab countries," the UAE's then Minister of State for Foreign Affairs, Dr Anwar Mohammed Gargash, declared at the time.



He also warned Pakistan of having to pay a “heavy price” for taking on what he called an “ambiguous stand.” According to Dr Gargash, Pakistan needed to take a clear position “in favour of its strategic relations” with the GCC countries.<sup>40</sup>

In addition to looking for more reliable defence partners, the two countries that had consistently been close to Pakistan also now felt free to develop ties with India, which is seen by Pakistan as a permanent threat.

As if to calm things, a year and a half later, Pakistan approved the appointment of former army chief, General Raheel Sharif, to lead the Islamic Military Alliance.<sup>41</sup> This decision was opposed by the opposition Pakistan Tehreek-e-Insaf (PTI) party, led by Imran Khan, “saying it could widen the Sunni-Shiite divide in Pakistan and upset Iran, its majority-Shiite neighbour to the west.” Khan insisted on a “policy of impartiality as far as conflicts in the Middle East and Muslim world are concerned.”<sup>42</sup> This foreshadowed the stresses that were later to appear, once Khan was elected Prime Minister.

Furthermore, a series of missteps by Pakistan diminished the intensity of relations, especially between the UAE and Pakistan. In a terror attack in Kandahar on an orphanage, in January 2017, five Emirati diplomats who were on a humanitarian mission in Afghanistan were killed. The UAE’s ambassador to Afghanistan Juma al-Kaabi was wounded and later died of his injuries. Although the UAE avoided attributing blame, Kandahar’s police chief Abdul Razeq accused Pakistan’s intelligence services and the Haqqani network, a militant group linked to the Taliban, for the attack.<sup>43</sup>

In the summer of 2017, Pakistan’s leaders publicly expressed their interest in helping resolve the diplomatic crisis between Saudi Arabia, the UAE and Qatar. The Gulf countries reportedly advised the Pakistani prime minister to “not meddle in internal matters of the Gulf countries.”<sup>44</sup> After Imran Khan’s election as Prime Minister in July 2018, Saudi Crown Prince Mohammed bin Salman Al-Saud and UAE President Mohammed bin Zayed Al-Nahyan made extra efforts to bring ties with Pakistan on an even keel. But Imran Khan sought to build closer relations with Turkey and Iran than with the GCC countries.

At one point, Khan threatened to create an alternative to the Organization of Islamic Cooperation (OIC) in partnership with Turkey’s President Recep Teyyip Erdogan and Malaysia’s Prime Minister Mahathir Mohammed. Khan’s Foreign Minister, Shah Mehmood Qureshi, brought disagreements between Riyadh and Islamabad out in the open by issuing an ultimatum demanding that the Saudis call a meeting of the OIC on the Kashmir issue.

Pakistan’s Army Chief, Qamar Javed Bajwa, engaged directly with Saudi leaders to defuse the situation. Subsequently, however, relations returned to a state of normal diplomacy. Pakistan’s leaders have, since then, continued to meet with leaders of the Gulf countries and, in case of Saudi Arabia, repeatedly “reiterated Pakistan’s commitment to the protection of Saudi Arabia’s territorial integrity.”<sup>45</sup> Pakistan’s military leaders continue to see the Gulf countries as important security partners but the nature and depth of that partnership has changed significantly over the years.

In this backdrop, Imran Khan and his followers do not see Saudi Arabia’s Crown Prince Mohammed bin Salman as an ally in their Islamist Neo-Ottoman fantasy world, which they hope to create with China’s help. The Saudis now oppose the Islamist ‘Muslim Brotherhood’, maintain good relations with India, and are not willing to engage in knee-jerk opposition of Israel. This upsets Imran Khan as much as it offends Erdogan. Khan engaged with the Kingdom because of Pakistan’s transactional needs, just as he temporarily took off his anti-American cloak to befriend President Donald Trump. But in his heart, and that of most of his supporters, lies the desire for a make-believe global order in which China dominates the world but allows Muslims to remain ascendant in their heartland.

The new Pakistani government has a favourable disposition towards the Gulf countries. The current Pakistani military and civilian leaders have stressed their desire to eliminate violent extremist groups while stabilising Pakistan’s economy and polity. This could offer a path for better relations in the years ahead.

## Moving forward

Pakistan’s relations with the Gulf countries have been strong over the last eight decades, but they still fall short of Pakistan’s expectations. Some Pakistani leaders still seek support in resolving disputes with India (including Kashmir) on Pakistan’s terms and want Pakistan to be accorded a special position as the Muslim world’s sole nuclear weapons power.

But given Pakistan’s inability to overcome its economic difficulties and its unwillingness to embrace the security priorities of Gulf states, they may be seeking something that is almost impossible to attain.

Pakistan remains significant for the Gulf countries due to its geostrategic location, large workforce, being the only Muslim nuclear power, and centuries of religious and cultural affinity. But the economic, political and security underpinnings of

Gulf-Pakistan relations are very different in 2024 than they were, say, in 1974. Most significantly, the GCC countries do not necessarily subscribe to Pakistan's India-centric foreign and security policies nor are they willing to support Pakistan's stand on Kashmir as they did in the past. Islamabad must understand and internalise this shift even if it is unable to publicly acknowledge it.

Pakistan must recognize the primacy of economics, and the importance of, what Dr Narayanappa Janardhan describes as, several Cs – capital, commerce, collaboration, connectivity, and climate – in relations between nations.<sup>46</sup> These factors have led to the Gulf countries being increasingly engaged with India.<sup>47</sup>

Pakistan could continue to watch every incremental step in GCC-India relations with serious concern and see it as Pakistan's loss. Or it could reconcile with India's rise, accept the expanding Gulf-India ties as an economic reality, and still maintain Pakistan's unique relationship with the Gulf countries. The GCC countries can continue to build upon their historical bonds with Pakistan while pursuing their differently defined economic and security interests.

There are signs that pragmatism is setting in and over the last two years, multiple investment projects have been negotiated between Gulf countries and Pakistan. An important development was the signing of a preliminary free trade agreement between Pakistan and the GCC in October 2023.<sup>48</sup> In June 2023, Pakistan established a Special Investment Facilitation Council (SIFC), a civil-military hybrid forum, to fast-track decision making and promote investment from foreign nations, especially historical allies like those in the Gulf.<sup>49</sup>

Security cooperation remains a consideration. For instance, in August 2022, Pakistan signed an agreement with Qatar to provide 4,500 troops for security of the FIFA World Cup that was held in November in the Gulf Arab country.<sup>50</sup>

In January 2023, Saudi Arabia's Crown Prince Mohammed bin Salman asked Saudi Fund for Development to conduct a study to explore increasing the Kingdom's assistance and investments in Pakistan. The Fund offers soft loans and grants to developing countries often to bolster allies. The current study's aims were to assess the impact of increasing the Kingdom's deposit in Pakistan's central bank from \$3 billion to \$5 billion. The study would also assess plans to increase investments in Pakistan to \$10 billion.<sup>51</sup>

Thirteen months later in April 2024, Saudi Arabia's foreign minister announced after a visit to Pakistan and meeting with his Pakistani counterpart Ishaq Dar, that the Kingdom aims to move forward quickly on expediting the pledged investment of \$5 billion. The 34 memoranda of understanding (MoUs) signed were worth \$2.8 billion. By December 2024, seven out of these 34 MoUs had been actualized into agreements worth \$560 million.<sup>52</sup>

In July 2023, UAE-based AD Ports Group signed a 50-year concession agreement with Karachi Port Trust to operate Karachi Gateway Terminal Limited. As per the agreement, the UAE based group would also invest \$220 million to build infrastructure within the first 10 years of the deal. Further, two UAE-based groups, AD Ports Group and Kaheel Terminals, would jointly operate and develop berths 6 through 9 at Karachi Ports' East Wharf.<sup>53</sup> Nine months later, in February 2024, UAE's AD Ports Group signed a 25-year concession agreement with Karachi Port Trust to develop, operate and manage the bulk and general cargo terminal berths 11 to 17 at Karachi Port's East Wharf.<sup>54</sup>

In May 2024, soon after a meeting between Sheikh Mohammed Bin Zayed, President of the UAE, and Shahbaz Sharif, Prime Minister of Pakistan, it was announced that the UAE committed to investing \$10 billion in Pakistan.<sup>55</sup> Pakistan's plans to privatise its state-owned enterprises, which it hopes to offer first to Gulf investors, are a major opportunity for investment. For it to materialize, however, Pakistan would have to create an investor-friendly environment and ensure that contracts are upheld.

However, the fact that trade and investment are now the focus of Pakistan's discussions with the Gulf countries represents a positive paradigm shift. Economic cooperation would be a sound basis for future relations, replacing the previous focus on ideological affinity and geopolitical considerations.

There could also be a convergence of economic interests with geopolitical developments. The return to power of the Taliban in Afghanistan offers both a challenge and an opportunity for Gulf-Pakistan relations. Pakistan could serve as the crossroads of trade with Central Asia via Afghanistan. There is already some talk of UAE investment in a rail link between Uzbekistan and Pakistan, through Afghanistan, as an alternative to the existing railways through Herat in Afghanistan to Iranian ports. Other opportunities include the China-Pakistan Economic Corridor (CPEC) and the India Middle East Europe Corridor, which could both be accessible to all countries of South Asia once India-Pakistan ties improve.

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