



## Pakistan – Saudi Arabia Relations: A Study of Economic Ties (2000-2022)

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### Abstract

*This study examines the economic dimensions of Pakistan-Saudi Arabian ties from 2000 to 2022, focusing on bilateral trade, financial assistance, foreign investment, labour migration, and remittances. It assesses the strategic significance of the Gulf region for Pakistan and examines the impact of political changes on economic collaboration. The research, utilizing a qualitative methodology based on Liberalism Theory, suggests that economic participation has been cyclical, driven more by immediate crises and political alignment than by long-term strategic planning. Saudi Arabia has sponsored millions of Pakistani workers and provided essential financial assistance; nonetheless, the connection remains predominantly unstructured and underexploited for long-term investment and diverse trade. The document delineates policy conflicts, missed opportunities, and institutional deficiencies that obstruct enhanced economic integration. To enhance strong and balanced economic cooperation between the two nations, it concludes by advocating for institutionalized collaboration, trade diversification, skilled labour exports, and policy continuity.*

### Keywords

Pakistan-Saudi Arabian Ties, Economic Dimensions, Bilateral Trade, Financial Assistance, Foreign Investment, Labour Migration.

### Introduction

Since the inception of diplomatic relations in 1947, Pakistan and Saudi Arabia have sustained a strong and diverse partnership. This cooperation is founded on shared religious, cultural, and economic interests, with both states typically supporting one other in international forums. In September 1947, Saudi Arabia formalized diplomatic relations with Pakistan, emerging as one of the initial countries to acknowledge the nation. The connection was fortified in 1951 with the signing of a Treaty of Friendship, which formalized cooperation in various domains, including economic aid and defence. This distinctive connection possesses untapped potential that will benefit both countries if thoroughly examined. Saudi Arabia hosts millions of Pakistani labourers, who provide a substantial source of international remittances. Both nations seek to establish a robust, comprehensive partnership that will facilitate future development. The strong friendship is further demonstrated by the regular high-level official meetings. Pakistan offers Saudi Arabia numerous opportunities, including talented professionals in specialized fields such as IT, medicine, engineering, and academia, due to its burgeoning youth demographic. Saudi investment in both the public and commercial sectors is essential for Pakistan's accelerated expansion and development (Siddiqi, R. A. (2019).

The relationship between Pakistan and Saudi Arabia commenced in the initial years following Pakistan's independence, as the Kingdom was among the first to acknowledge Pakistan and establish diplomatic ties. The connection has evolved over the years due to military cooperation, oil supply agreements, and financial support during crises, and aligned perspectives on regional and international matters.

Collaboration strengthened relations in the 1970s and 1980s, when both countries allied with the United States in opposing Soviet expansionism during the Afghan Jihad. During pivotal events such as the 1998 nuclear tests, the 1965 and 1971 conflicts with India, and several economic crises, Saudi Arabia supported Pakistan. This assistance typically manifests as oil on postponed payments, balance-of-payment support, or financial aid. Nonetheless, the alliance has had challenges; divergences of opinion have emerged about issues such as the conflict in Yemen and the formation of the Islamic Military Alliance (Qureshi 2019).

Due to enhanced trade, investment, labor migration, and remittance flows, economic cooperation has significantly advanced since 2000 and has largely remained stable despite intermittent political disputes.

The cornerstone of relations between Saudi Arabia and Pakistan is economic cooperation. Saudi Arabia has consistently served as a reliable economic partner for Pakistan, providing oil, financial support, investment, and employment opportunities for millions of Pakistani people. A primary source of foreign cash for Saudi Arabia is remittances from the Pakistani diaspora residing there, which aids in offsetting trade and financial imbalances.

Conversely, Saudi Arabia perceives Pakistan as an essential regional ally, a significant consumer market, and a strategic companion in South Asia. The Kingdom has shown increased interest in investing in Pakistani industries such as mining, energy, and infrastructure as part of its strategy to diversify its economy beyond oil under the Vision 2030 initiative.

Consistent diplomatic engagements and senior-level visits have aimed to enhance economic collaboration via trade agreements, investment assurances, and memoranda of understanding. This partnership benefits both parties and has geopolitical implications for Pakistan's internal economic stability and regional connections.

Saudi Arabia and Pakistan, as members of the OIC, UN, and WTO, share religious principles, possess historical business connections, and are geographically proximate. Saudi Arabia and Pakistan maintain strong economic, strategic, and political ties. Pakistan cannot disregard Saudi Arabia's substantial financial assistance through oil, mosque construction, and educational institutions. The social and financial aid provided to victims of the 2010 and 2011 floods, the 1998 nuclear test, the 2005 earthquake, and the 1965 and 1971 conflicts (Raza, 2018).

Saudi Arabia is Pakistan's primary petroleum supplier, having consistently provided free and discounted oil, particularly during the conflicts of 1965 and 1971, as well as the 1998 nuclear test. The two nations have strong military ties through knowledge exchange, significant assistance, and training for their defense forces. Saudi Arabia has supported Pakistan about the Kashmir dispute in the OIC and the UN, among other international forums.

In 2014, the Nawaz administration introduced a substantial credit package amounting to 1.5 billion, appearing to have unequivocal backing from Saudi Arabia. Subsequently, as Pakistan refused to endorse Saudi Arabia's military intervention in Yemen the next year, relations deteriorated. The Pakistani military high command responded twice to alleviate Saudi concerns and maintained communication with Saudi decision-makers. The Pakistani military fully endorsed Saudi initiatives to establish an Islamic Military Counterterrorism Coalition (IMCTC) and acquiesced to Saudi demands for the coalition to be led by former Army Chief General Raheel Sharif. The military's decision to deploy additional Pakistani troops to the Kingdom, ostensibly under the 1982 agreement to reinforce the existing contingent of 1,600 troops, subsequently confirmed this apparent support. Despite the reduction in tension from these measures, the relationship remained unsatisfactory.

The reconfiguration of the bilateral relationship between the two states to emphasize its economic dimensions has been the foundation of this new cooperation. Khan secured a \$6 billion aid package from Saudi Arabia for Pakistan, quadrupling the amount the Kingdom had contributed in 2014. This gift has been exceptionally beneficial in offering respite during Pakistan's current economic turmoil. It includes a one-year deferred payment arrangement of up to \$3 billion for oil imports and \$3 billion for balance of payments assistance.

It is noteworthy that Saudi Arabia has chosen to enhance its influence in Pakistan by constructing a \$10 billion oil refinery in the strategically important coastal town of Gwadar in the southwest. The port of Gwadar in China has developed as a component of the China-Pakistan Economic Corridor. This project might significantly alter the energy and security landscape in the region. Moreover, the Saudi contingent has committed to supporting power generation initiatives and expressed interest in the mining, construction, petrochemical, and agricultural sectors. Forming a coordinating committee to oversee the actual execution of these initiatives is an essential measure in formalizing this relationship.

Significant alterations occurred in the political economy of Saudi Arabia and Pakistan between 2000 and 2002. Pakistan has seen multiple economic crises, transitions between military and civilian governments, and shifts in its foreign policy objectives over this period. Saudi Arabia's focus is on internal changes led by Crown Prince Mohammad bin Salman, fluctuating oil prices, and regional stability post-9/11.

This study is essential for assessing the progression of the economic relations between the two nations during the last 22 years. Considering regional and international developments such as the China-Pakistan Economic Corridor (CPEC), the Iran-Saudi rivalry, and Pakistan's diplomatic balancing between the Gulf and global powers like China and the United States, it provides a comprehensive analysis of the evolving dynamics of bilateral economic cooperation.

In light of the evolving global scene, both nations seek to re-evaluate their diplomatic and economic strategies, rendering this study especially relevant.

### **Statement of the Problem**

Notwithstanding the enduring geopolitical, religious, and cultural connections between Pakistan and Saudi Arabia, the characteristics and scope of their economic partnership from 2000 to 2022 remain insufficiently examined and frequently misconstrued. Although both nations have participated in substantial financial collaboration, encompassing bilateral commerce, investment commitments, assistance initiatives, and labor migration, these engagements have not reliably resulted in lasting or institutionalized economic structures. Periodic variations in global oil prices, political instability in Pakistan, changing geopolitical alignments, and the development of Saudi internal policies—such as Vision 2030—have all led to erratic economic activity.

### **Research Objectives**

- 1) To examine the evolution of economic relations between Saudi Arabia from 2000-2022.
- 2) To Analyse key components of economic ties, including aid, trade, investments and remittances.
- 3) To assess the impact of Saudi economic assistance and labour migration on Pakistan economy.

### **Research Question**

- 1) How has the Pakistan-Saudi Arabia economic relations evolved between 2000-2022?
- 2) What are the main components of their economic ties, including trade, aid, investment, and remittances?
- 3) How the Saudi financial assistance and labour migration impacted Pakistan's economy?

### **Research Methodology**

#### **Research Design**

This study employs a qualitative research method to analyse and assess Pakistan's economic relations with Saudi Arabia from 2000 to 2022. The qualitative method is employed to thoroughly understand complex political-economic connections by focusing on meanings, attitudes, and contextual elements that quantitative data alone cannot adequately convey. This approach effectively analyses the nuances of bilateral economic cooperation shaped by strategic, institutional, and geopolitical influences.

#### **Research Approach**

The study utilizes an interpretive qualitative technique to elucidate how various stakeholders such as governments, legislators, and economic institutions perceive and influence the economic relations between Pakistan and Saudi Arabia. To comprehend the evolving dynamics of economic relationships, policy papers, governmental declarations, historical occurrences, and expert interviews are meticulously analysed.

### **Data Collection Method**

The research employs secondary data sources, including the following, to provide a comprehensive historical and analytical context:

Documents and communications between Pakistan's Ministry of Foreign Affairs and Saudi Arabia's Ministry of Economy.

International agencies such as the World Bank, IMF, and UNCTAD produce and maintain databases on trade, remittances, and aid flows.

Literature, scientific journal articles, and prior research on the bilateral relationship between Saudi Arabia and Pakistan.

News and policy analysis from credible domestic and international media sources.

This supplemental data will be utilized to map trade volume patterns, financial aid, investment behaviour, and labor mobility.

### **Data Analysis**

Thematic analysis are take place.

### **Historical and Political Context of Pakistan –Saudi Arabia of Economic Ties**

This section analyzes the political causes and historical events that have influenced the economic contacts between Pakistan and Saudi Arabia, providing essential context for understanding their bilateral economic connections from 2000 to 2022.

### **An Overview of Bilateral Relations from 1947 to 1999.**

Since 1947, Pakistan and Saudi Arabia have maintained a bilateral relationship marked by strong cultural, religious, and geopolitical ties. Saudi Arabia was among the initial states to recognize Pakistan, establishing a foundation for cooperation rooted in shared Islamic values and goals.

This alliance was strengthened throughout the subsequent decades through many types of collaboration:

Saudi Arabia provided Pakistan with significant financial assistance during the 1970s and 1980s, encompassing funds for infrastructure initiatives and disaster relief efforts. As Pakistani soldiers taught Saudi forces and participated in joint operations, military engagement expanded.

**1998–1999:** Saudi Arabia generously supplied 50,000 daily free crude oil cargoes, worth at over \$2 billion, to assist Pakistan in mitigating the effects of international sanctions imposed following Pakistan's nuclear tests in May 1998.

### **The Significance of the Strategic Gulf to Pakistan**

The Gulf, especially Saudi Arabia, holds strategic importance for Pakistan for several reasons.

### **Economic Dependency:**

Approximately 30% of Pakistan's oil requirements are fulfilled by Saudi Arabia, a major provider of fuel imports. Pakistan saw its association with Saudi Arabia as a means to enhance its influence within the Muslim world and to counteract its regional adversaries. A significant portion of Pakistan's foreign exchange revenue is derived from remittances provided by Pakistani workers in Saudi Arabia.

### **Religious and cultural connections:**

The presence of Saudi Arabia's two most sacred sites and a common Islamic heritage foster a profound spiritual affiliation that influences public opinion and diplomatic relations.

### **Political Developments Affecting Economic Cooperation from 2000 to 2022.**

The economic connections between Pakistan and Saudi Arabia were influenced by political changes from 2000 to 2022 in many ways:

### **2001–2008:**

Following the 9/11 attacks, Pakistan's relationship with Saudi Arabia evolved, contingent upon its support for the US-led War on Terror. Despite ongoing collaboration, bilateral activities encountered increased challenges due to regional security dynamics.

**In 2014,** Saudi Arabia provided Pakistan with \$1.5 billion in financial assistance to facilitate economic reform and enhance its foreign exchange reserves.

**In 2018,** Saudi Arabia extended a \$6 billion aid package to Pakistan during Prime Minister Imran Khan's administration, comprising \$3 billion in foreign exchange and \$3 billion in oil deliveries to settle outstanding obligations.

**In 2019,** Crown Prince Muhammad bin Salman declared \$20 billion in investment initiatives concentrated on energy, petrochemicals, and mining during his visit to Pakistan.

**In 2020**, Saudi Arabia retracted a \$1 billion loan and ceased oil supplies on postponed payments due to escalating tensions following Pakistan's criticism of the Organization of Islamic Cooperation (OIC) for its inaction regarding the Kashmir issue.

**In 2022**, During his visit to Saudi Arabia, Prime Minister Shehbaz Sharif reaffirmed commitments to enhance cooperation in the mining, industrial, and investment sectors.

**2023-2024:**

Despite Pakistan's economic challenges, Saudi Arabia persists in offering financial assistance by prolonging the duration of a \$3 billion deposit with Pakistan for one extra year.

These occurrences underscore the interrelation between political advancements and economic collaboration, illustrating the strategic profundity and resilience of the Pakistan-Saudi Arabia alliance.

**Economic Ties between Pakistan and Saudi Arabia (2000-2022)**

**Commodities, Volume, and Trends in Bilateral Trade**

Between 2000 and 2022, Pakistan and Saudi Arabia maintained a robust commercial alliance characterized by significant oil and agricultural trade. Bilateral trade between Saudi Arabia and Pakistan is anticipated to exceed \$3.5 billion in 2022, owing to substantial oil imports from Saudi Arabia to Pakistan.

Saudi Arabia served as Pakistan's principal provider of petrochemicals, refined petroleum products, and crude oil. Conversely, Saudi Arabia imported textiles, wheat, meat, and fruits from Pakistan. In 2022, white crystalline cane sugar and fresh dates constituted Pakistan's principal exports to Saudi Arabia.

**Financial Assistance and Aid from Saudi Arabia to Pakistan**

Pakistan has significantly benefited from Saudi Arabia's financial support, especially during challenging periods. In December 2021, the State Bank of Pakistan acquired \$3 billion from Saudi Arabia to augment its foreign reserves. Commencing in March 2022, Pakistan will benefit from a Saudi oil facility that will allocate \$100 million for fuel acquisitions.

Saudi Arabia earlier pledged to bolster Pakistan's economic stability by offering a \$7.5 billion package during the PML-N administration (2013–2018).

**International Direct Investment in Saudi Arabia**

Throughout the years, Saudi Arabia's direct foreign investment in Pakistan has fluctuated. In 2022, Saudi Arabia attracted 540.546 million SAR in net foreign direct investment (FDI), marking a significant increase compared to previous years. Saudi Arabia's growing interest in Pakistan's mining, infrastructure, and energy sectors is seen in the investment.

In his 2019 visit to Pakistan, Saudi Crown Prince Muhammad bin Salman pledged to invest \$20 billion, focusing on mining, petrochemicals, and energy development.

**Collaborative enterprises and economic accords**

Economic partnerships and collaborative ventures have enhanced the fortification of bilateral relations. In 2019, many Memorandums of Understanding (MoUs) were established, facilitating collaborative ventures in agricultural, energy, and infrastructure development. The objective of these treaties is to foster reciprocal economic advancement by leveraging Saudi Arabia's investment potential and Pakistan's strategic geopolitical location.

**The functions of the joint ministerial committees between Saudi Arabia and Pakistan**

The Joint Ministerial Commission has significantly facilitated the creation of official trade relations between Saudi Arabia and Pakistan. The JMC has convened several meetings to address matters including trade, investment, and labor after its original mandate to oversee and advance bilateral agreements. During the 11th JMC conference in January 2018, Pakistan underscored the importance of labor cooperation by advocating for an increased quota for workers in Saudi Arabia's construction and service industries.

The Joint Ministerial Committee (JMC) established foundational agreements on cultural exchange, security cooperation, aviation services, extradition, political consultations, scientific and technological collaboration, and the prevention of double taxation, therefore reinforcing bilateral relations.

This chapter analyzes the intricate economic relationship between Saudi Arabia and Pakistan from 2000 to 2022, highlighting the institutional mechanisms, trade dynamics, financial assistance, investment flows, and joint ventures that have shaped their bilateral economic interactions.

## **Labor Migration and Remittances in Pakistan Saudi Economic Relation**

### **The Pakistani Labor Force Presently in Saudi Arabia**

Saudi Arabia has historically been the predominant supplier of labor migrants to Pakistan. The Bureau of Emigration and Overseas Employment (BEOE) anticipates that Saudi Arabia will accommodate almost fifty percent of the 427,000 Pakistani workers projected to leave the country in 2023.

Pakistani laborers in Saudi Arabia engage in several professions, including construction, engineering, domestic services, and healthcare administration, among others. The migration of skilled workers is more significant in accordance with Saudi Arabia's Vision 2030 program, which aims to diversify the economy and diminish the country's dependence on oil.

### **The Economic Impact of Remittances on Pakistani Society**

One of Saudi Arabia's principal sources of foreign income has been the remittances sent by Pakistani workers to their families in Pakistan. In 2022, the Gulf Cooperation Council (GCC) countries comprised about 54% of Pakistan's total remittance inflows, with Saudi Arabia contributing 6.67 billion of these remittances.

These remittances have been essential to Pakistan's economic stability, import finance, and the financial assistance necessary to maintain a balance of payments. They significantly influence society by combating poverty and improving the lives of recipient families.

### **Amendments to Administrative Regulations Affecting the Saudi Labor Market**

Pakistani laborers are affected by recent adjustments to the labor system implemented by Saudi Arabia. Launched in 2021, the Labor Reform Initiative (LRI) seeks to enhance labor mobility and reduce dependence on the traditional "kafal" sponsorship system.

Reforms aimed at enhancing workers' rights, augmenting protections, and bolstering the competitiveness and inclusiveness of the labor market are expected to be implemented between 2024 and 2025. These developments may benefit Pakistani workers by providing more job autonomy and legal safeguards.

However, challenges persist, particularly the necessity for skill enhancement to meet the evolving employment demands of the Saudi labor market. The collaboration between Saudi Arabia and Pakistan is crucial for surmounting these challenges and optimizing the benefits of labor mobility for both countries.

This chapter underscores the significance of labor migration and remittances in Pakistan-Saudi economic relations, highlighting the necessity for flexible policies to sustain and enhance this crucial dimension of their bilateral ties.

### **Geopolitical and Strategic Influence on Economics Ties of Pakistan-Saudi Arabia**

This section examines the influence of geopolitical and strategic variables on Pakistan's economic relations with Saudi Arabia from 2000 to 2022. While economic cooperation constitutes the primary basis of bilateral relations, these ties have not evolved in isolation; regional political dynamics involving Iran, the Gulf Cooperation Council (GCC), and Afghanistan, alongside fluctuations in global oil prices, Saudi economic policy (notably Vision 2030), and US foreign policy strategies, significantly impact their development. Moreover, the cultural and religious connections between the two nations have both bolstered and impeded their economic interests.

### **Vision for the Saudi Economy the Influence of the 2030s on Global Oil Prices**

#### **Fluctuations in Global Oil Prices**

Given that Saudi Arabia's economy predominantly depends on oil, global oil prices substantially influence its ability to offer financial aid and engage in external projects. The many fluctuations in oil prices from 2000 to 2022 directly influenced Saudi Arabia's ability to extend economic assistance to Pakistan.

**In mid-2008**, the price of a barrel of crude oil exceeded \$140. Saudi Arabia alleviated Pakistan's balance of payments challenges during this era by providing deferred oil payment arrangements.

**2014–2016 Oil Crash:** In early 2016, the price of a barrel of oil fell below \$30. Consequently, Saudi Arabia reduced its financial aid budget and discretionary foreign investments, especially in Pakistan.

**In April 2020**, the COVID-19 pandemic precipitated a fall in global demand, resulting in oil prices plummeting to negative levels for the first time in history. This constrained Saudi Arabia's financial resources and temporarily suspended several planned projects in Pakistan.

### **The Vision for 2030**

Saudi Arabia has undertaken a significant initiative to diversify its economy beyond oil, exemplified by the 2016 proclamation of Vision 2030. The below points delineate the notable alterations in Pakistan-Saudi economic relations resulting from the plan:

Saudi Arabia's Vision 2030 advocates for investments in renewable energy, tourism, and technology. The majority of Saudi investments have shifted to more stable or diverse markets, like as India and Egypt, despite Pakistan's anticipation that initiatives like Gwadar will attract foreign direct investment.

During his 2019 visit to Pakistan, Crown Prince Mohammed bin Salman pledged \$20 billion in projects, which including a \$10 billion oil refinery in Gwadar. By 2022, the refinery project was suspended owing to regional concerns over Iran and political instability in Pakistan.

Minimizing Saudi Arabia's dependence on foreign labor is an objective of Vision 2030, which may impact future remittances from Pakistan.

### **The Impact of American Influence on Saudi-Pakistan Relations**

The relationship between Pakistan and Saudi Arabia has been profoundly influenced by the United States, a vital ally to both nations, particularly in strategic and economic domains.

### **Post-9/11 Terrorism Conflict**

Following the 9/11 attacks, Pakistan emerged as the principal partner of the United States in the War on Terror. In response to analogous security apprehensions, Saudi Arabia increased its economic assistance to Pakistan.

**From 2001 to 2008**, Saudi Arabia provided around \$300 million yearly in financial assistance, along with support for oil infrastructure.

### **Strains in relations between the United States and Iran**

Tensions in the region escalated following the United States' withdrawal from the Iran nuclear agreement in 2018 and the imposition of sanctions.

Saudi Arabia hesitated to endorse countries, such as Pakistan, who maintained friendly or neutral ties with Iran, in alignment with US objectives.

### **Redirecting American Focus to the Indo-Pacific**

As US geopolitical priorities shifted from South Asia to the Indo-Pacific, Saudi Arabia began to recalibrate its relationships, prioritizing economic pragmatism above political alignment.

### **Afghanistan, the Gulf Cooperation Council (GCC), and Iran in regional geopolitics**

### **The Saudi Triangle, comprising Pakistan and Iran**

Pakistan has endeavoured to maintain a balance between its relationships with Saudi Arabia and Iran, frequently under criticism from both parties.

Occasionally, Saudi Arabia has linked Pakistan's economic aid to its geopolitical stance. For example, relations were strained and financial assistance was briefly diminished due to Pakistan's reluctance to participate in the Saudi-led conflict in Yemen in 2015.

### **Diversifications inside the GCC**

The Gulf Cooperation Council possesses considerable political and economic influence. Pakistan's relationship with Saudi Arabia was influenced by its ties with Qatar, especially during the GCC crisis in 2017.

In light of Pakistan's neutrality in the intra-GCC crisis, Saudi Arabia reassessed several key economic commitments from 2017 to 2021.

### **Saudi Arabia and Pakistan supported the U.S. military intervention in Afghanistan post-2001.**

Following the Taliban's ascension to power in August 2021, both countries expressed their apprehensions, albeit through divergent approaches. Saudi Arabia was apprehensive of Pakistan's request for diplomatic recognition. The inconsistency undermined Saudi Arabia's economic confidence in Pakistan's regional strategic objectives.

### **Cultural and Religious Considerations in Contrast to Economic Prioritization**

Despite Saudi Arabia's ownership of the two holiest mosques, Pakistan and Saudi Arabia maintain religious and cultural links.

Labor migration agreements, energy subsidies, and debt rollovers were frequently arranged using religious diplomacy.

### **Hajj Quota: Soft Power.**

Given that Pakistan possesses one of the greatest Hajj quotas, relationships have consistently been cultivated through religious exchanges. These symbolic aspects were often advantageous in discussions around finances.

### **The Constraints of Religious Diplomacy**

However, with the implementation of Vision 2030, economic pragmatism began to supersede religious considerations in Saudi Arabia.

From 2018 to 2021, Saudi economic assistance transitioned from steadfast religious camaraderie to political alignment and governmental stability.

The economic links between Saudi Arabia and Pakistan were reinforced within broader geopolitical and strategic contexts from 2000 to 2022. The realities of the global oil market, regional tensions, and Saudi Arabia's economic transformation under Vision 2030 have altered the boundaries of bilateral economic interaction, even as political goodwill and religious connections have historically upheld the cooperation. A more robust and progressive economic alliance requires recalibration grounded in shared economic interests, institutional collaboration, and regional stability as both nations navigate evolving geopolitical dynamics.

### **Analysis and findings**

#### **Patterns and Phases of Economic Collaboration**

Between 2000 and 2022, three distinct phases of economic cooperation between Pakistan and Saudi Arabia may be identified, influenced by shifting geopolitics, governmental transitions, and national interests.

#### **The primary objectives of Phase 1 (2000–2010) are strategic stability and moderate development.**

This era is distinguished by the persistence and enhancement of traditional energy-focused collaboration. Saudi Arabia offered concessional oil to Pakistan under the Musharraf government to alleviate the country's growing energy crisis. Pakistan's yearly trade volume amounts to \$3–4 billion, including imports of petrochemicals and crude oil, and exports of food products, cereals, and textiles. No notable new joint enterprises were established, and institutional collaboration remained inadequate despite continued economic cooperation. In 2009, remittances exceeding \$1.9 billion from over 1.5 million Pakistani workers in Saudi Arabia significantly bolstered Pakistan's foreign exchange reserves.

#### **Phase 2: Economic Diplomacy Driven by Crisis, 2011–2018.**

The second phase was characterized by tense economic ties due to Pakistan's financial constraints and escalating need for external assistance. Saudi Arabia significantly contributed to stabilizing Pakistan's currency reserves under Nawaz Sharif's administration by offering \$1.5 billion in assistance amidst the nation's economic crisis in 2014.

During this period, sectarian politics and security increasingly influenced choices on bilateral trade. For example, relations were temporarily strained and many economic transactions were deferred in 2015 because of Pakistan's neutral stance on the Yemen crisis. Nonetheless, the assurance of power and infrastructure, along with Saudi oil subsidies, persisted.

#### **Phase Three (2019–2022) Conceptualized Economic Engagement and Vision 2030**

In February 2019, a pivotal moment occurred when Saudi Crown Prince Mohammed bin Salman visited Pakistan and pledged \$20 billion in investments, which included a \$10 billion oil refinery in Gwadar. This was a deliberate action towards enduring economic integration. Initiatives pertaining to Saudi Vision 2030, aimed at reducing dependence on oil and diversifying the economy. In 2021, Saudi Arabia underscored the importance of the alliance by reinstating a suspended \$3.2 billion oil payment facility and putting \$3 billion into Pakistan's state bank.

#### **Economic Assistance and Diplomatic Relations**

The financial assistance between Saudi Arabia and Pakistan has consistently served as an indicator of their diplomatic relations, reflecting either amicability or discord.

Saudi Arabia reinforced its support following Imran Khan's election by providing \$6 billion in assistance, comprising oil credits and cash deposits, to aid Pakistan in addressing its balance of payments challenges.

**2005–2006:** Saudi Arabia enhanced goodwill following Pakistan's Kashmir earthquake by offering \$147 million in relief and rehabilitation assistance.



In 2020, Saudi Arabia demanded the prompt return of a \$1 billion loan and temporarily halted oil credits following public criticism of the OIC by Pakistan's foreign minister, Shah Mahmood Qureshi, about its inaction on Kashmir. This illustrated the potential impact of diplomatic rhetoric on economic networks.

**2015 Yemen Conflict:** Despite subsequent improvements in relations, Riyadh faced strategic concerns because to Pakistan's parliamentary refusal to join the Saudi-led coalition in Yemen, which impeded some investment inflows.

### **Obstacles and Missed Opportunities**

Despite the enduring relationship between Saudi Arabia and Pakistan, certain persistent issues have impeded optimal economic collaboration:

#### **i. Addressing discrepancies and administrative delays.**

The Gwadar oil refinery project, announced in 2019, is one of the most documented missed opportunities. The execution was hindered by political turmoil in Pakistan, formal agreements, legal impediments, and ambiguous incentives. The project had not commenced by 2022.

#### **ii. An Over dependence on conventional industries**

The economic relationship has been primarily characterized by labor migration and oil commerce. There has been limited diversification into sectors such as technology, tourism, and agriculture. This over-reliance renders economic cooperation vulnerable to fluctuations in energy prices and labor market rules.

#### **iii. Challenges Pertaining to Migration and Labor Rights**

Pakistani laborers in Saudi Arabia have consistently expressed their discontent with their remuneration, living conditions, and the fulfillment of their contracts. The government of Pakistan has been hesitant to engage in negotiations for enhanced bilateral labor rights, notwithstanding the seemingly positive labor reforms proposed in Vision 2030.

#### **iv. Ignored industrial and financial affiliations.**

Due to Pakistan's fragile institutional framework, erratic energy supply, and political instability, Saudi investments have seldom been allocated to the development of the country's SMEs, startups, or industrial sectors.

### **Policy Shifts From 2000 to 2022**

#### **Saudi Arabia's Vision 2030**

Commencing in 2016, this progressive economic program sought to diversify the Kingdom's economy. The situation in Pakistan demonstrates advantages from:

Exporting proficient and semi-proficient labor for industries like as healthcare, information technology, and construction.

Attracting mining, infrastructure, and renewable energy initiatives from Saudi Arabia.

#### **Pakistan's Strategic Transition: SIFC and CPEC**

In 2023, Pakistan formed the Special Investment Facilitation Council (SIFC) to accelerate the approval process for international investments. This discovery will continue to influence policy approaches to historical delays beyond 2022.

Pakistan, via the CPEC, sought Gulf collaboration and aimed for diversification outside China. Nonetheless, Saudi Arabia's participation in CPEC has been limited by bureaucratic barriers, policy discrepancies, and regional security issues.

**Institutionalization,** Initiatives such as the Pakistan-Saudi Arabia Joint Ministerial Commission (JMC) aimed to codify bilateral communication; nevertheless, their effectiveness was constrained by infrequent occurrences.

This chapter examines the evolution of economic collaboration between Saudi Arabia and Pakistan, highlighting structural obstacles, assessing political alignment, and focusing on phases of involvement. Genuine progress necessitates stable policies, enhanced institutions, and a transition towards varied, mutually advantageous economic initiatives, notwithstanding both nations' persistent readiness to enhance their connections.

### **Conclusion**

This study examined the economic aspects of the connection between Saudi Arabia and Pakistan from 2000 to 2022. Substantial alterations in geopolitics, shifts in leadership, and evolving domestic and global economic challenges all impacted the bilateral relationship throughout this period. This thesis elucidates the multifaceted aspects of economic cooperation between the two nations via a

comprehensive analysis of historical patterns, policy changes, and institutional frameworks.

The study elucidates that the economic interactions between Pakistan and Saudi Arabia are both reactive and cyclical. Economic aid, labor collaboration, and trade pacts have consistently been linked to political alignment and diplomatic favor. Saudi Arabia has consistently provided Pakistan with financial support during economic crises, including a \$1.5 billion commitment in 2014 and a \$6 billion rescue package in 2018. This indicates a tendency of strategic economic diplomacy rather than enduring, dedicated developmental relationships.

The bilateral trade relationship has remained stable and unaltered. Commerce remained focused on Pakistani textile and food exports, with Saudi Arabian oil acquisitions, with an annual trade volume seldom exceeding \$5 billion. Notwithstanding many high-level diplomatic visits and Memoranda of Understanding (MoUs), including Crown Prince Mohammed bin Salman's 2019 visit, significant investment projects like as the Gwadar oil refinery have faced recurrent delays due to infrastructure, political, and bureaucratic obstacles.

This study also established the basis of the economic connection labor migration and remittances. As of 2022, over 2.5 million Pakistani migrants were worked in Saudi Arabia, with the Kingdom's remittances exceeding \$5 billion yearly, serving as a significant source of foreign money for Pakistan. Pakistan must implement robust measures to tackle the concerns associated with Saudi labor policy reforms under Vision 2030, which aim to reduce reliance on foreign workers through skill development, diplomatic engagement, and revised labor export legislation.

The Joint Ministerial Commission (JMC) and other institutional frameworks for economic collaboration have been intermittently underutilized. Joint ventures and economic integration have progressed slowly on both sides due to insufficient meetings, inadequate follow-up, and ineffective interagency collaboration.

The missed opportunities to expand economic collaboration into non-traditional areas such as manufacturing, tourism, renewable energy, and technology emerged as a substantial issue. Notwithstanding robust political commitment, enhanced economic engagement was impeded by Pakistan's internal political volatility, absence of continuous policy oversight, and adverse investment environment.

The economic relations between Saudi Arabia and Pakistan have been consistent and enduring; nonetheless, they have not evolved into comprehensive, diversified, and strategic collaboration. Substantial economic potential is there, particularly with Saudi Vision 2030 and Pakistan's progress in investment facilitation; nevertheless, sustained policy, institutional development, proactive diplomacy, and mutual strategic clarity are essential to actualize this potential. To ensure that both nations benefit from a just and lasting economic partnership in a multipolar world, future engagement must encompass human capital development, sectorial diversification, and collaborative economic planning, alongside reactive assistance diplomacy

### **Recommendation**

**Initiate Bilateral Economic Collaboration and Arrange Periodic Sessions of the Joint Ministerial Commission (JMC):** To guarantee continuity and accountability, the Pakistan–Saudi Arabia Joint Ministerial Commission should convene on a defined annual schedule with specific agendas, follow-ups, and implementation dates.

**Establish a Bilateral Economic Coordination Office:** Both governments should establish a permanent economic coordination body to oversee advancements in trade, investment, and labour collaboration.

**Broaden Non-Oil Trade and Diversify the Trade and Investment Portfolio:** By promoting pharmaceuticals, information technology services, surgical instruments, and food processing products, Pakistan may expand its export base beyond rice and textiles.

**Encourage Sector-Specific Investments:** In accordance with Vision 2030 and Pakistan's economic objectives, the country should offer Saudi investors targeted incentives in infrastructure, mining, renewable energy, and tourism.

**Revitalize and Implement Inactive Projects:** To restore investor confidence, prominent investment initiatives like as the \$10 billion oil refinery in Gwadar must be reassessed with streamlined bureaucratic procedures, tax incentives, and security guarantees.

**Formulate Focused Labour Export Policies:** Pakistan ought to equip its workforce in sectors such as IT, construction, healthcare, finance, and hospitality to align its labour export strategies with Saudi Arabia's Vision 2030.

**Establish Labour Protection Mechanisms:** Bilateral agreements should integrate more comprehensive legal frameworks for labour rights, remuneration protection, and dispute resolution mechanisms.

**Utilize Remittance Channels:** To reduce transaction costs and enhance financial inclusion in Pakistan, initiatives should be implemented to legalize and digitize remittance flows.

**Mitigate Political Instability:** Pakistan's recurrent policy shifts and governmental transitions impede sustained foreign economic engagement. Political volatility must be excluded from long-term economic strategies.

**Improve Interagency Coordination:** Enhanced collaboration across Pakistan's ministries of foreign affairs, energy, finance, and commerce will ensure more efficient implementation of bilateral economic initiatives.

**Promote Engagement of Academic and Civil Society Establish Collaborative Research Platforms:** Academics from both countries should collaborate on topics pertaining to trade, finance, energy, and migration.

**Promote Interpersonal Exchange:** corporate forums, cultural events, and scholarships may all foster lasting goodwill and comprehension between citizens and business proprietors.

**Utilize Geopolitical Alignments Strategically align Saudi Vision 2030 with CPEC:** By utilizing Gwadar as a conduit to China and Central Asia, Pakistan might attract Saudi Arabian investment in ports, logistics, and transit trade within the framework of the China-Pakistan Economic Corridor (CPEC).

**Engage in Multilateral Forums:** Enhanced economic and diplomatic alignment can be achieved by collaborative participation in OIC, GCC observer arrangements, and Islamic Development Bank (IsDB) initiatives.

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