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OVERVIEW

The latest edition of *Policy Pulse* offers actionable insights for policymakers, emphasizing strategic planning and international collaboration to achieve long-term economic stability and development. Prime Minister Shehbaz Sharif’s visit to Uzbekistan aims to strengthen trade and investment ties, with agreements in agriculture, technology, and regional connectivity. Simultaneously, Pakistan’s negotiations with Russia to revive Pakistan Steel Mills highlight efforts to modernize the industrial sector, leveraging Russian expertise to reduce import dependency and stimulate growth. These initiatives reflect Pakistan’s strategy to enhance international partnerships and drive sustainable development.

Pakistan and the UAE have formalized agreements to boost collaboration in banking, mining, and infrastructure, with the Uzbekistan-Afghanistan-Pakistan Railway Line project poised to enhance regional connectivity. The IMF’s call for stringent climate adaptation plans emphasizes the need for flood-resistant housing, renewable energy investments, and stricter regulations on construction in ecologically sensitive areas. These measures aim to address Pakistan’s vulnerability to extreme weather events and align with global sustainability goals. In the industrial sector, Kasur’s leather industry sees growth opportunities with Bangladesh, though challenges like outdated processing techniques and inconsistent quality standards must be addressed.

The government’s Ramazan relief package seeks to alleviate inflationary pressures on vulnerable populations, stressing the need for transparent distribution mechanisms. The Policy Nuggets section highlights critical issues: strengthening counter-terrorism efforts after a Bajaur attack, ensuring transparent relief distribution, advancing Pakistan’s space ambitions with China, and balancing energy exploration in North Waziristan with environmental safeguards. It also calls for reforming the Pak PWD instead of outright closure and adopting Azerbaijan’s service model to improve public service delivery.

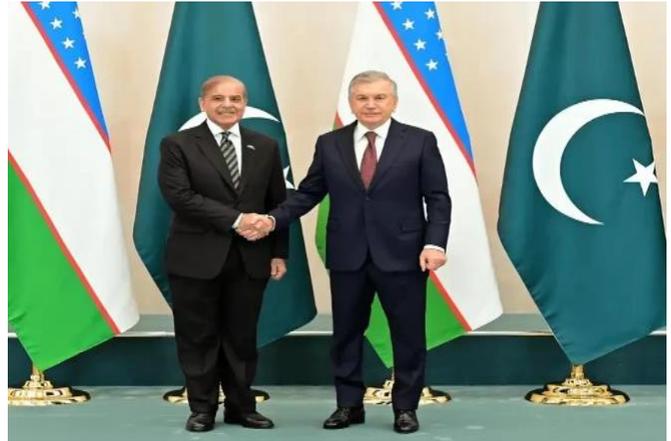
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PM Shehbaz in Uzbekistan to Boost Trade and Investment

After visiting Azerbaijan, Prime Minister Shehbaz Sharif traveled to Tashkent for an official two-day visit aimed at strengthening bilateral ties and trade relations with Uzbekistan. Upon his arrival, Uzbekistan's Prime Minister, Abdulla Nigmatovich Aripov, welcomed him. A contingent of the Uzbek armed forces presented a ceremonial salute to Pakistan's Prime Minister.

PM Shehbaz expressed his admiration for Uzbekistan, calling it the "jewel of Central Asia" that showcases a rich history through the splendor of its ancient cities, enduring artistry, and breathtaking architecture.



He further stated that he looks forward to meaningful engagements to strengthen the shared commitment to friendship, trade, investment, and mutually beneficial cooperation.

Analysis

Trade between Pakistan and Uzbekistan has witnessed remarkable growth in recent years, surging from \$27 million in 2019-20 to \$126 million in 2022-23. In February this year, Uzbek Ambassador Tukhtayev met with the Quetta Chamber of Commerce and Industry, emphasizing that Uzbek investors are eager to explore opportunities in Pakistan, particularly in Balochistan.

The Prime Minister's visit is expected to further strengthen Pakistan-Uzbekistan relations through agreements spanning key sectors such as agriculture, regional connectivity, technology, and education. These developments will not only reinforce diplomatic ties but also deepen the strategic partnership between the two nations.

Moreover, Pakistan and Uzbekistan are set to formalize multiple bilateral agreements and Memorandums of Understanding (MoUs), paving the way for enhanced cooperation. A pivotal moment of the trip will be the Prime Minister's address at the Pakistan-Uzbekistan Business Forum, where prominent entrepreneurs from both countries will engage in B2B meetings to foster trade expansion and economic synergy.

Way Forward

- Develop and implement Preferential Trade Agreements (PTAs) to reduce tariffs and trade barriers.
- Simplify customs procedures and establish dedicated trade facilitation centers for smoother export and import processes.
- Encourage and promote Uzbek investment through agreements in sectors such as agriculture, technology, textiles, and pharmaceuticals.

Foreign Direct Investment

Pakistan, Russia in Talks for New Steel Mill

The government is negotiating with Russia to develop a state-of-the-art steel mill on the premises of the defunct Pakistan Steel Mills (PSM). In this regard, the Minister for Industries and Production is scheduled to visit Moscow next week. Additionally, a Russian delegation is set to visit Pakistan to explore opportunities for trade and investment.



Analysis

Established with Soviet support in the 1970s, Pakistan Steel Mills (PSM) has remained inactive since June 2015, becoming a significant financial burden on the state. The government has now decided to dismantle the existing structure, allocating 700 acres to the Sindh government for the construction of a cutting-edge steel mill, while the remaining land will be repurposed for an industrial park. At the same time, comprehensive reforms are underway to revitalize the industrial sector and drive economic growth.

Russia is a global leader in steel production, known for its advanced metallurgical technology and expertise in developing efficient, high-capacity steel mills. Leveraging Russia's experience could help Pakistan modernize its steel industry, enhance production efficiency, and reduce reliance on imports.

Way Forward

- Deliberate how the new steel mill will impact employment, local industries, and Pakistan's overall economy, including potential reductions in steel import costs.
- Partner with Russian metallurgical firms for technology transfer in advanced steel production techniques.
- Facilitate collaboration between Pakistani and Russian universities and research institutions in metallurgy and promote joint research on energy-efficient and environmentally friendly steel production.

Diplomatic Relations

Multiple accords to boost economic ties with UAE



Pakistan and the United Arab Emirates (UAE) have formalized several agreements and memorandums of understanding (MoUs) to enhance collaboration across key sectors such as banking, mining, infrastructure, and railways. These agreements were signed during the first official visit of UAE Crown Prince Sheikh Khaled bin Mohamed bin Zayed Al Nahyan to Pakistan.

During discussions, Sheikh Khaled and Prime Minister Shehbaz explored ways to elevate Pakistan-UAE relations from a strong political alliance to a dynamic and mutually beneficial economic partnership. PM highlighted the strategic importance of the Uzbekistan-Afghanistan-Pakistan Railway Line project, emphasizing that its completion would significantly enhance regional connectivity and boost the economic potential of both Gwadar and Abu Dhabi ports.

Analysis

Pakistan and UAE have immense potential for expanding their partnership beyond traditional sectors. Strengthening economic cooperation can unlock opportunities in trade, energy, technology, and infrastructure development. UAE agreements of investment in Pakistan's banking, mining, and logistics

sectors can drive economic growth, while Pakistan's skilled workforce and agricultural exports can contribute to the UAE food security and labor market. Collaborative projects such as the Uzbekistan-Afghanistan-Pakistan Railway Line and the development of Gwadar Port can enhance regional connectivity, benefiting both nations. By leveraging each other's strengths, Pakistan and the UAE can forge a robust, future-focused economic alliance.

Way Forward

- Develop and facilitate preferential trade agreements to boost exports, particularly in textiles, agriculture, and pharmaceuticals.
- Attract UAE investment in renewable energy projects, including solar and wind farms, to reduce reliance on fossil fuels.
- Fast-track the Uzbekistan-Afghanistan-Pakistan Railway Line with UAE support and expertise to improve trade routes.

Environment

IMF calls for strict climate adaptation plans



The International Monetary Fund (IMF) has called on Pakistan to prioritize climate adaptation strategies at both federal and provincial levels to strengthen resilience against natural disasters caused by extreme weather, such as floods and droughts. A four-member technical mission from IMF held discussions with federal and provincial governments to prepare local government over \$1 billion additional financing for climate resilience.

The delegation has proposed strict regulations to prohibit construction near rivers, streams, and forests, along with initiatives to promote energy-efficient buildings in both urban and rural regions. The need to restrict construction in ecologically sensitive areas was highlighted. The delegation also emphasized the importance of maximizing natural light and ventilation in new construction projects.

Analysis

The Resilience and Sustainability Facility (RSF) program can play a vital role in this effort by providing long-term, low-cost financing to support Pakistan’s climate adaptation and mitigation initiatives. Through RSF, Pakistan can implement policies for sustainable urban planning, disaster risk management, and renewable energy projects, ensuring economic stability while reducing environmental risks.

Addressing climate challenges is crucial for Pakistan, as the country is highly vulnerable to extreme weather events such as floods, droughts, and heatwaves, which threaten livelihoods, food security, and economic stability. Strengthening climate resilience is essential to safeguarding infrastructure, agriculture, and communities from these recurring disasters.

Way Forward

- Develop flood-resistant housing and upgrade drainage systems in vulnerable areas.
- Strengthen river embankments and construct reservoirs to mitigate water-related disasters.
- Secure RSF funding to invest in renewable energy, disaster management, and climate adaptation projects.
- Prohibit construction near waterways, forests, and flood-prone areas to reduce disaster risks.

Industry

Kasur’s leather industry hopes for business opportunities with Bangladesh

With the strengthening of direct trade ties between Pakistan and Bangladesh following political developments in Dhaka, Kasur’s leather industry, which is one of the largest in Pakistan, sees promising growth opportunities. Recently, during a visit to Kasur, Bangladesh High Commissioner Muhammad Iqbal Hussain met with local leather manufacturers and traders, who expressed optimism about expanding business with Bangladesh. He also toured tanneries in the Dingar, Niaznagar, and Iqbalnagar areas, exploring avenues for deeper trade collaboration between the two nations.



However, he noted that achieving the desired level of trade would take time, as traders from both countries had not engaged in direct market visits since 2000. He emphasized that a gradual process was necessary to gain a comprehensive understanding of each other’s market demands within a global trade framework.

Analysis

Pakistan’s leather industry, particularly in hubs like Kasur, holds significant potential to expand its trade with Bangladesh. With Bangladesh emerging as a global leader in garment manufacturing, there is a growing demand for high-quality leather for footwear, apparel, and accessories. Pakistan, as a major leather producer, can position itself as a key supplier to Bangladesh’s prosperous textile and fashion sectors. However, challenges such as outdated processing techniques, inconsistent quality standards,

and limited market access need to be addressed. Strengthening direct trade channels, ensuring compliance with international quality benchmarks, and fostering business-to-business (B2B) engagements can help Pakistan tap into Bangladesh’s expanding market.

Additionally, investment in eco-friendly tanning processes can enhance Pakistan’s competitiveness, as Bangladesh increasingly prioritizes sustainable sourcing. If both nations streamline trade policies and logistical frameworks, Pakistan’s leather industry can secure a strong foothold in Bangladesh’s supply chain, driving mutual economic growth.

Way Forward

- Organize trade delegations and business expos in both countries to establish direct market linkages.
- Adopt modern tanning techniques to meet Bangladesh’s demand for high-quality, eco-friendly leather.
- Negotiate a Pakistan-Bangladesh Leather Trade Agreement to reduce tariffs and non-tariff barriers.



Incident/News	Impact	Recommendation	Priority
Policeman martyred in Bajaur attack	Highlights persistent security threats and challenges in counterterrorism efforts.	Strengthen intelligence-sharing and preemptive action against terrorist networks; invest in community policing and local engagement to counter radicalization. <i>"The best way to prevent terrorism is to stop it before it happens." — George W. Bush</i>	Highest
PM rolls out Ramazan relief package worth Rs20bn	Provides essential support to vulnerable populations amid inflationary pressures.	Ensure transparent distribution to prevent mismanagement; integrate digital monitoring systems for real-time tracking of relief disbursement. <i>"A nation should not be judged by how it treats its highest citizens, but its lowest ones." – Nelson Mandela</i>	Highest

China to train, take Pakistani astronauts into space	Advances Pakistan's space ambitions and strengthens technological collaboration with China.	Develop a structured roadmap for indigenous space research and development; establish dedicated space science programs in local universities to build a skilled workforce. <i>"Space exploration is a force of nature unto itself that no other force in society can rival." — Neil deGrasse Tyson</i>	High
Agreement signed for oil and gas exploration in North Waziristan	Unlocks potential for energy self-sufficiency but raises security and environmental concerns.	Conduct rigorous environmental assessments to prevent ecological damage; ensure local employment opportunities and revenue-sharing for community development. <i>"Energy is the lifeblood of modern civilization." — Daniel Yergin</i>	High
NA panel to ask PM to review decision on Pak PWD closure	Raises administrative concerns over restructuring governance institutions.	Conduct a comprehensive impact assessment before closure; reform PWD instead of outright dismantling by improving efficiency and transparency. <i>"Reform is usually possible only once a sense of crisis takes hold." — Paul Krugman</i>	High
PM to initiate pilot project based on Azerbaijan service model	Signals a potential shift towards digitization and efficiency in public service delivery.	Prioritize pilot projects in key sectors to assess feasibility; engage local IT and service providers to ensure customized solutions for Pakistan's needs. <i>"Innovation distinguishes between a leader and a follower." — Steve Jobs</i>	High
Inflation drops to lowest in nearly a decade	Reflects betterment in economy with positive impacts on livelihoods.	Implement prudent monetary policy to maintain balance between money supply and economic growth. <i>"Inflation is always and everywhere a monetary phenomenon." — Milton Friedman</i>	High
Free solar panel scheme formally launched in Punjab	Reduces energy costs for households while promoting renewable energy adoption.	Expand the program to rural and underserved areas to maximize energy access; ensure transparent allocation and financing mechanisms to prevent misuse; integrate net metering incentives to encourage households to contribute excess energy to the grid. <i>"The use of solar energy has not been opened up because the oil industry does not own the sun." — Ralph Nader</i>	Highest
FIFA lifts suspension on Pakistan Football	Restores Pakistan's participation in international football, offering	Ensure long-term structural reforms within the PFF to prevent future suspensions; enhance youth development programs and domestic football	High

Federation after constitutional amendments	opportunities for player development and global recognition.	infrastructure to strengthen the national team's competitiveness. <i>"Success is no accident. It is hard work, perseverance, learning, studying, sacrifice, and most of all, love of what you are doing." – Pelé</i>	
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