

Q) Pakistan is experiencing severe economic challenges reflecting long-standing structural weaknesses, low confidence, protracted policy and political uncertainty. Explain.

1) Introduction:

It is an established axiom that economy is the backbone of any thriving nation, functioning as a sturdy defense to multitude of challenges faced by a country. Pakistan, however, since its inception, is grappled with severe economic challenges that continue to plague the country hitherto. Some of the factors that have had a dire impact on the economy of Pakistan are as follows:

2) Structural Weaknesses:

2.1) Energy Crisis:

The energy sector of Pakistan has long suffered from inefficiencies, high transmission losses, and inadequate investment in the energy infrastructure. This energy crisis leads to frequent power outages and price volatility, hindering industrial productivity which in turn

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exacerbates the economic crisis.

2.2) Tax Collection and Narrow Tax Base:

Pakistan faces challenges in tax collection, with a large informal sector and low tax compliance. The narrow tax base limits the government's revenue generation capacity, making it challenging to fund essential public services and development projects.

2.3) Low Human Capital:

Despite having a sizable population, Pakistan's human capital is hindered by inadequate investments in education and health care. The lack of skilled workers and a healthy labor force limits economic productivity and innovation.

2.4) Agriculture Dependency:

Pakistan's economy heavily relies on the agriculture sector, which is ~~is~~ vulnerable to climate change, water scarcity, and market fluctuations. Over dependence on agriculture makes the economy susceptible to shocks in this sector.

3) Low Confidence and Investment:

3.1) Security Concerns:

Security concerns are one of the, if not the foremost, important hurdles to a thriving and prosperous Pakistan. The ongoing security challenges, including terrorism and regional instability, pose risks to business operations and deter foreign investment.

Example of the severe nature of Security Concerns

The Peshawar mosque attack, which is considered to be the most deadliest attack after APS, is a manifestation of these militant activities. This attack was executed in a mosque when a suicide bomber blew himself up, claiming lives of as many as 84 people, while more than 200 were left injured.

3.2) Policy Reversals:

The business policies, established by the government, are marred with inconsistencies, abrupt changes, and even reversal of the policy altogether. In this - a precarious

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ambience, businessmen are deterred from investing.

3.3) Economy susceptible to broad-range of External factors:

The economy of Pakistan is vulnerable to external shocks, such as fluctuations in global commodity prices, international trade dynamic, and geopolitical tensions. These external factors can erode investor confidence

4) Protracted Policy and Political uncertainty:

4.1) Political Instability:

Frequent changes in government, weak governance and political uncertainty have induced an unstable business environment, leading to reduced investor confidence and reluctance to invest in long-term projects. This, in turn, recedes the already dwindling economy of the country.

Example:

A quintessential example of political instability

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is the current political crisis that ushered when a coalition of 11 political parties ousted prime minister Imran Khan, plunging the country in a deep rooted political and economic predicament that is perpetuating hitherto.

4.2) Fiscal Challenge :

Pakistan faces significant fiscal deficits, increasing public debt, and challenges in managing public finances effectively. This weak fiscal position limits the government's ability to invest in infrastructure and social development projects.

4.3) Instable Monetary Policy :

The state Bank of Pakistan faces challenges in implementing effective monetary policies to control inflation and stabilize the currency, which impacts overall economic stability. Hence there is a dire need to introduce and implement policies that ensure and support economic growth.

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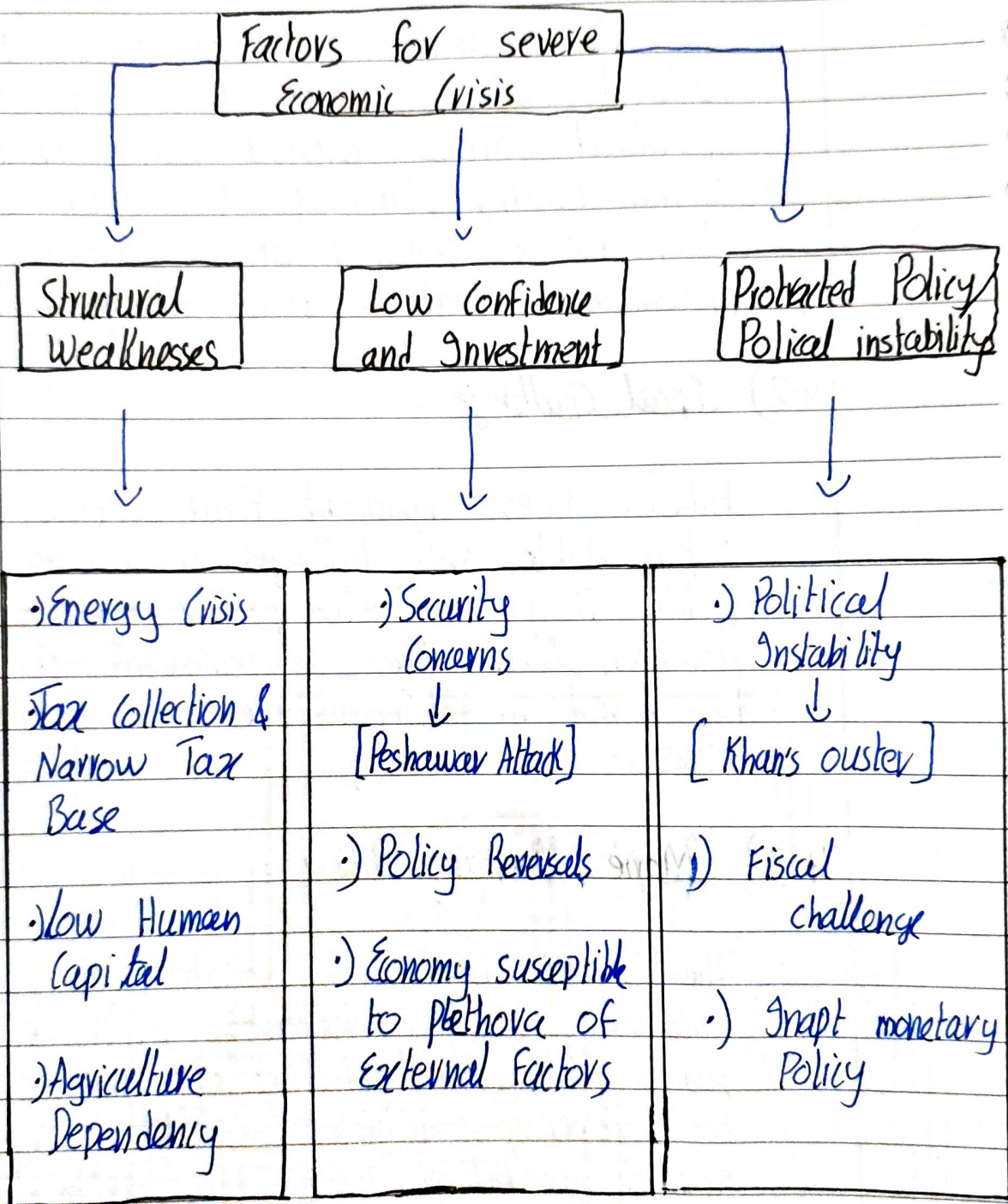


Fig 1: Economic Challenges overview

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5) Conclusion :

The causes, of the severe ongoing economic challenges, embodied in this answer is only the tip of iceberg. There are countless other factors that contributed to the contemporary crisis. There is no single panacea that can navigate the, nearly default, country to thriving hub of economic excellence. However, with meticulous planning and implementing robust measures, the shipwrecked country can still be steered to safer shores.

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