

PLZ GIVE ATTEMPT

# POLITICAL INSTABILITY WEIGHS HEAVILY ON PAKISTAN'S ECONOMY

43/100

## 1- Introduction

**Thesis Statement:** Political stability of a country determines its economic growth. Pakistan is witnessing severe economic challenges due to recent political instability. However, political solutions of political problems can help in reducing political instability and increasing economic growth.

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## 2- How political instability has been a continuous challenge for Pakistan's economic growth

## 3- Recent rise in political instability of Pakistan

a- Change of government through vote of no confidence

b- Unconstitutional attempts of dissolving national and provincial assemblies

c- Paralysed State of Parliament

d- Punjab is facing worst political turmoil

e- Political victimization of parliamentarians

f- Assassination attempts of political and media personalities

g- Road politics by ousted political party

## 4- How political instability is weighing heavily on Pakistan's economy

a- Decline in remittances received by overseas Pakistanis

b- Narrative of corrupt leadership is causing decline in foreign investments

c- Road politics is effecting local businesses

d- Stagnation of developmental projects due to political instability

e- lack of trust by strategic partners due to political instability

f- various industries are closing production due to political and economical instability

5- How political instability can be reduced to increase economic stability

a- Early elections can help in restoring trust of public and investors in government

b- Political leaders must resolve political issue through political means

c- Constitutional recommendations shall be upheld in centre-province dealings

d- Developmental projects shall continue even after change of governments

e- Judiciary and establishment must play a role of mediators

6- Conclusion

"without political stability there can be no economic prosperity, that's the bottom line" (Ray Jovanovich, A retired CEO of Amundi Asia).

Political instability has been a continuous problem for Pakistan since its independence due to which the country has faced many economic challenges. With the change of government through vote of no confidence and unconstitutional attempts of dissolving national and provincial assemblies, the political instability has risen again. Paralyse state of parliament, the political terrorism in Punjab, political victimization of parliamentarians and assassination attempts of political and media personalities have worsened the situation. The political instability have has retarded the economic growth of country. Due to political instability, the foreign direct investment and remittances have declined. Political instability has negatively affected the local businesses, local industries and the developmental projects. There is a dire need to reduce political instability to increase economic stability. Easy elections, political solutions of political issues and mediatory role of establishment and judiciary can help in reducing political temperature. Reduced political interference in developmental projects and following constitutional recommendations to

in governing centre-province relations can contribute help in achieving political stability. Political stability of a country determines its economic growth. Pakistan is witnessing severe economic challenges due to recent rise in political instability. However, the political solutions of political problems can help in reducing political instability and increasing economic growth.

The history of Pakistan is marked with political instability. With the early demise of core leadership, the political structure of country was in tatters. The last decade of twentieth century was marked with high political instability due to which Pakistan suffered an economic default in July, 1998. By November 1998, official foreign exchange reserves had fallen to \$400 million. Currently, the country is facing similar political challenges and these is continuous decline in foreign exchange reserves. According to State Bank of Pakistan, Pakistan's foreign exchange reserves have fallen to \$4.3bn, its lowest level since February 2014. This economic downfall is triggered by many political reasons.

The prime reason of recent rise in political instability is due to the removal of government through vote of no confidence on April 10, 2022. The whole adventure

substantiating the motion of no-confidence created public unrest. The government led by Pakistan Democratic Movement, a coalition of thirteen parties, sets in on 11<sup>th</sup> April. Former Prime Minister developed a narrative that his removal from the office was supported by United States. The narrative of 'Abe we slaves' created public unrest and the political situation was worsened.

Before his removal from the office, the former Prime Minister attempted to dissolve the National Assembly to force new elections. However, his decision was declared null and void by apex court on 3<sup>rd</sup> April, 2022. Similarly, selection and removal of Chief Ministers of Punjab was accompanied by political drama. The brawl in Punjab Assembly caused the forces to enter the house and during these events, the then Speaker of Punjab Assembly was severely injured. The Punjab Dilemma continued for many months and on 15<sup>th</sup> January, 2023, the Punjab Assembly is officially dissolved.

The former Prime Minister, after his removal from office, advised his party members to resign from National Assembly. Total 123 resignations were received by Speaker of National Assembly out of which only 11 were accepted. Parliament without parliamentarians is just like a paralysed

body, unable to perform any function. Article 253 of Constitution allows a candidate to run elections on multiple constituencies.

The former Prime Minister competed elections on eight constituencies and won seven. He again had to leave six seats based on Article 253-b, thus again creating vacuum in the parliament.

In addition to paralysed state of Parliament, the Punjab Assembly face similar situation. Three Chief Ministers were changed and removed from their office during tenure of last months. Horse trading and disintegration within PTI complicated the situation. In December 2022, the Governor of Punjab, Baligh-ud-Rehman, unconstitutionally removed the Chief Ministers of Punjab. Although his decision was reversed by court, the whole procedure adversely affected political atmosphere of Punjab.

The ruling government is no less involved in creating political unrest. Political victimization of opposition leaders has become common practice by every government. The ruling government launched piles number of cases against former Prime Minister and his cabinet members especially. The most hyped reference against former PM was tosha-Khana reference. Similarly, many parliamentarians suffered the wrath of ruling coalition. The most notable

among the parliamentarians were Ali Wazir, Shehbaz Gill and Azam Swati. The shameful event of leaked videos during custody, as alleged by Azam Swati, raised many questions about the credibility of our law enforcement institutions and agencies.

In addition to the political victimization of parliamentarians, assassination attempts of political and media personalities worsened the situation. The target of these attempts were those who opined against the ruling coalition government. The assassination attempt of Foreign Prime Minister during his <sup>former</sup> 'Haqeeqi Azadi March' and planned murder of journalist and anchor person Ashraf Shafeef amplified political unrest.

Due to such unfortunate events, people came out on the roads. The ousted political party opted for road politics. The government tried to stop the protests forcefully which created more complication. On 25<sup>th</sup> May, when ousted political party tried to bring long march into the capital, the government used force against them. During the events of shelling at protesters, many people were killed and injured. Thus, the approach of road politics resulted in severe political instability in the country. This political instability is weighing heavily on Pakistan's economy.

Due to political instability in the country,

there is constant decline in remittance received by overseas Pakistanis. Due to change of government, the economic policies have changed. Moreover, the former Prime Minister was popular among overseas Pakistanis as he tried to give rights of vote to overseas Pakistanis. The ruling PDM government reversed the decision. According to State Bank of Pakistan, the remittances received by overseas Pakistanis have declined from \$3.11 Billion in April 2022 to \$2.10 Billion in November 2022. The effect of political instability does not remain confined to foreign overseas Pakistanis.

The narrative of corrupt leadership is causing decline in foreign direct investments. Political instability creates an atmosphere of unrest and economic instability in the country. Due to an atmosphere of unrest, the foreign investors hesitate to invest in the country. The lack of foreign direct investments create severe problems for third world countries like Pakistan. The foreign direct investment has declined from \$170.6 million in April, 2022 to \$81.8 million in December, 2022. ([www.finance.gov.pk](http://www.finance.gov.pk)).

In addition to decline in remittances and foreign direct investment, the policy of trade politics affect local businesses which in turn affect economic affairs of the state.



The protestor party selects places for protests which are economic hubs, usually the federal capital is hijacked. According to Special Assistant to Chief Minister, on information, Hassan Krawar, the TLP protests since 2017 caused around Rs 35 bn losses. Similarly, according to Express Tribune, PTI protests of 2014 caused Pakistan about Rs 547 billion. Hence, the political adventures come at the cost of economic losses.

The political instability not only affects the local businesses but it also affects developmental projects. Due to political instability, the development projects become stagnant - usually, the new government stops the initiatives taken by previous government for political point scoring. This is the prime reason why many projects are initiated by few of them are completed. According to Express Tribune, many federal government projects remain incomplete, especially in Sindh and Karachi, due to in the fiscal year 2021-22. Not only national level projects are affected but various international projects are also affected.

Due to political instability, there is a lack of trust by strategic partners. Pakistan is at the verge of technical default. Most of the expenses are met by the loans of friendly countries. No country wants

to help a state whose own leadership is not willing to do so. CPEC is one of the most important projects for future survival of Pakistan which is also affected by political instability. Prime Minister Shehbaz Shoukat blames that CPEC was ignored by previous governments due to which its progress is hampered. Similarly, every successive government blames its predecessor government but all the blame can't have directly effect economic growth of the country.

Not only strategic postures are affected but the international firms which are working in the country are also affected. Various industries are temporarily or permanently closing their production. This closure of industry results in the rise of unemployment. Approximately seven million people in the textile and textile-related industries have laid off due to low exports and the government's failure to end the economic crises. Similarly, Suzuki Motors and Indus Motors have closed their production temporarily. Hence, the politically induced economic crises results in many other socio-economic problems.

There is a dire need to reduce political instability. Early elections can help in restoring trust of public and

investors in the government. A new government with fresh mandate will have the space to take stern economic measures. Current coalition government is in no position to accept IMF conditions as it will destroy their political roots. This is one of the prime reason why reserves are falling with high speed. Also, coalition government is always a compromised government which hijacks the space for taking stern measures for economy. Hence, a fresh government can bring economic stability in the country.

In addition to early election, political leaders must resolve political issues through political means. Road is not the place to do political power shows. Politicians should take their issues to the Parliament as it is the only place where such issues can be resolved peacefully. Both the government and opposition should not take measures which can destroy the state ministry. In the battle between politicians, only public is affected. People should also refrain from becoming part of unconstitutional adventures. The solution of political problems lie in negotiations and diplomacy.

Political leaders must follow constitutional recommendations regarding centre-province dealings. Pakistan is facing severe political polarization because the central government is of PDM while in KP and Punjab, the

political party of former Prime Minister is in charge. This dilemma has strained centre-province relation. The Constitution of Pakistan clearly defines the role of centres and units in the federation of Pakistan. The constitution of Pakistan provides for the NFE award which can should be strictly followed in economic dealings of centre and province. Also, the developmental projects shall be made immune of governmental changes.

There is a need to understand that the developmental projects are for the development of state of Pakistan and not of any government. Political leaders shall not allow their political power lest to take over national interests. Development of CPEC Authority was a step towards immunizing CPEC from political fluctuations. Similarly, constitutional protection should be given to every development project so that the state develops and the resources of states don't go useless and wasted.

In order to reduce political polarization, judiciary and establishment must play a role of mediator. Although judiciary and establishment have their defined constitutional roles, yet both in Pakistan,

they have played a significant role in the political history of Pakistan. The purpose of intercession must be to promote democracy and resolve clashes between political segments.

In a nutshell, Pakistan is currently facing various economic challenges due to political instability. These challenges can be overcome by determination of political leaders and citizens of Pakistan. We should remember that this moment is hard but it will never remain same forever. It is rightly said that, "Every dark cloud has a silver lining!"