

"Economic Challenges to Pakistan and way Forward"

1. Introduction

2. On Going Economic Problem in Pakistan

- (a) Rapid depletion of foreign exchange reserves.
- (b) Imports exceeds exports
- (c) Blooming internal and external debt
- (d) Continuous production cuts in industrial sectors

3. Causes Behind Worst Economic Crisis

- (a) Political instability in the country
- (b) Russian-Ukraine war and global economic crisis.
- (c) Covid-19 and its perpetual effects on economy.
- (d) Bad government policies and loss of state owned enterprises.
- (e) Climate change and floods

4. Solution to tackle with economic crisis

(i) Short term solutions

- (a) Talks with IMF for next tranche
- (b) Demand to restructure loan policies
- (c) Help from friendly countries to recover
- (d) Ban on import for short time

(ii) Long term solutions

- (a) Political stability in the country
- (b) Boost export over imports to overcome fiscal and external deficit.
- (c) Resolve security issues and bilaterals ties with all countries

5. Conclusion

Fifth largest population in the world bestowed with around ~~2~~ two-third the 64% of population below the age of 30 years and enrich with natural resources country Pakistan is looking for foreign economic assistance to run its state affairs. The historic and drastic economic crisis of Pakistan has put its future at risk and led the country to a direction where there are less chances to safeguard the country from economic collapse. Economy is the backbone of any state to run its affairs. It is the blood in the veins of nation, strength in the human muscles, based for brutal wars and motive for government to rule. In marathon of economy developed economies are mover, developing economies are follower and underdeveloped have no say in the scheme. Where as the economy of Pakistan is concerned. It is agonizingly experiencing economic default; foreign exchange reserves are reducing with each passing day, import is exceeding export, blooming internal and external debt, and continuous production cuts in industrial sectors have placed the country at crossroad.

At present the problem of economic crisis has pushed the country into quagmire. where the

Foreign exchange reserves of state bank of Pakistan^{NC} at historical low, in digits \$4.301 billion that are not more than ~~for~~ half of month import goods. Foreign exchange can include banknotes, deposits, bonds, treasury bills and other government securities. These assets ~~se~~ ensures that central government has backup fund if their national currency rapidly devalues or becomes entirely insolvent. Historic low assets of country have created trust deficit in investor which is catalyzing economic crisis.

In the same manner shortage of dollar and exceeding imports over exports have proved a major stumbling block in economic prosperity. According to world bank report Pakistan exports goods and services as percentage of GDP is 9.5% and imports goods and services as percentage of GDP is 16.63% that is negative trade of balance. More expenditures than earning of the country is putting its efforts in declining of forex reserves that is perpetually burden on economy.

Blooming internal and external debt has also never allowed the economy of Pakistan flourish. Just 11 years after independence, Pakistan first entered an IMF programme in 1958 and keeps going to

IMF again and again and it has since gone back to the lender another 22 times. It is not only IMF but there are also other institutions and stakeholders who put their efforts for economic stability of Pakistan but misuse of loans by wrong policies and corruption lead the country towards more problems rather than to improvement.

Likewise the continuous production cuts in industrial sectors and shut down of industrial sectors have further added fuel to the fire. Due to shortage of dollar and slightly born on imports of raw material of industrial products have blocked the circulation of money that is the cause of unemployment of thousands of peoples and it created economic chaos in the country.

In order to treat an ailment one has to go to the root causes of this awful situation. Since the inception of Pakistan political instability in the country has extremely damaged the economic outlook of country. The crisis took its extreme position at the end of General Pervez Musharraf rule. None of subsequent government could be called stable nor election that happened since then were accepted with controversy. Election of 2013 resulted largest ever sit-in in the history of Pakistan. later

Panama case resulted the ouster of Nian Muhammad Nawaz Sharif and 2018 election were declared rigged by opposition alliance, the Pakistan Democratic Alliance. Resultantly political instability continued and the recent change of government of Imran Khan through vote of confidence and chicken and egg analogy of most populated province Punjab and Khyber Pakhtunkhwa elections further made situation worse. So political instability in the country has left left no any door open for business community and investors to invest to boost the economy of country.

Similarly, Russian-Ukraine war since February 2022 has left no stone unturned to catalyze the global economic crisis. Russia and Ukraine are important agricultural supplier in the global food chain are off the market due to ~~war~~ ongoing war between them. Russian blockade of Ukraine ports has prevented Ukraine wheat and other essential exports from reaching several countries. Pakistan has also been compelled to find out alternative wheat supplier. Ukraine and Russia was the main supplier of wheat exporting. In 2020-2021 Ukraine supplied 1.2 megatonne ~~is~~ and Russia supplied 0.92 megatonne wheat to Pakistan. On the other hand surge

in LNG rate as the global supply chain is threatened with disruption has caused immediate issue for Pakistan. LNG companies have backed out of their contracts with Pakistan to exploit lucrative European market. Pakistan is now compelled to purchase expensive LNG and other fossil fuels such as oil and coal which had put detrimental effect to Pakistan as its forex reserves are declined at historical low value.

In the same manner the Covid-19 pandemic sent shock waves through the world economy and triggered the largest economic crisis in more than century; the stock markets dropped, factories were shut down, global trade and supply chain was severely disrupted, airports were deserted and shops remained closed to contain the pandemic outbreak. This complete lock down situation led to numerous business closures and unprecedented job losses in developed, developing, and underdeveloping countries. Developed countries like USA had registered 35 million job loss in the first two months, and developing countries like Pakistan registered record job losses in the country that led country on the brink of financial crisis.

However, the economic crisis

Having complex challenges with no easy solution in sight is one of the root causes to weakening the economy of country. The challenges includes weakened political leadership, poor overall performance of state institution with huge losses, poor public services, massive poverty, burgeoning population, rampant urbanization, bad governance, impacts of continuing conflict with India and Afghanistan, increased military and corruption allegation on the government stake holders have engulf the whole economy economic system in chaos.

Similarly, climate change that is potential driver of change in sustainable food and energy production. It directly and indirectly affected food and energy security which is direct effect in economy. Pakistan has faced overwhelming losses in the past due to floods that negatively impacted infrastructure and agricultural sector in Pakistan. In 2010 alone, those losses exceeded \$9.6 billion. In recent year, 2022 flood has shown bright vulnerability of Pakistan to climate change. Despite contribution in less than 2% of global greenhouse gas emission the Post Disaster Needs Assessment (PDNA) shows that one-third of country was under water, and 33 million

peoples affected and nearly 8 million peoples reportedly displaced with more than \$30 billion in damages and economic losses. that exceeded the damage of 200 Flood. It further accelerated the economic crisis of Pakistan.

The present situation needs urgent remedial measures as it has capped the climax. So for urgent remedial measures the start from are the need of the hour. firstly, to revive the talks with IMF for next tranche by ensuring them the use of loan will be with proper policies. Secondly, request all the donors and stake holders to restructure loan policies so that the burden of repayment of loan could reduce. Thirdly, ask for help ^{from} ~~from~~ friendly countries in this critical situation to overcome the economic outlook of country. Fourthly help domestic industries to boost production which will in ~~infelow~~ inflow of dollar in the country and reduce the outflow. It will help to make the currency strong. ~~but it is only for short term solution~~ ~~to~~ long term solution

Political stability and economic growth are interconnected with each other that help in economic growth and development of country, encourage foreign investment to accelerate industrial sector. For political stability

the Allied government and opposition party should resolve the issue in parliament or through dialogues. Politicians should prefer national interests over self interests. Although peaceful protests are allowed in democracy for political parties and the people to express their sentiments and issues but they should not look for opportunity to destabilize the sitting government by exploiting people's sentiments on various issues on the pretext of declaring election as rigged. Exploiting the weakness of government to get people support to launch lengthy and violent protest will lead the country toward unstable situation. Government and opposition should hold discussion in parliament and top leaders of all political parties should aim to agree that from now on for the sake of political stability of the country, economic progress, social cohesion to present a united front to face problems. They should also agree that in future the opposition parties will perform their duties but not try to dislodge any sitting government before completion of its tenure. All the parties also vow that continuity will be maintained in the economic policies by every government.

Similarly to overcome fiscal and trade external deficit government should engage policy makers to devise a strategy to expand exports

through diversification. Agricultural sector which is one of largest sectors in economic contribution. Majority of population directly or indirectly depend of this sector and contributes around about 21% of (GDP) and amounts for half of employed labour force. Industrial sector contributes around 19.11% of GDP specially the textile industry which plays vital role in the economy. ~~It is~~ IT sector which can shape the future of Pakistan is one of area that offers immense growth potential. IT services exports have seen phenomenal growth rising from just \$800 million in 2013 to more than 2.6 billion in fiscal year 2022. Its exports could reach to \$8.5 billion within next ten years which can achieve sooner with the help of government support by supplying skilled developed programs in collaboration with the private sector. ~~To~~ attract foreign direct investment in IT sector the central bank must remove the barriers that hinder the mobility of capital and address concerns that are frequently raised by startups. So by facilitating public will market power protection, assets, skills and social services there is a glimmer of hope for government to overcome fiscal and external deficit.

In addition to mentioned

previous solution it is essential to
maintain peace and order in the country
as that is unavoidable to resolve.
The internal and external security issues
are major obstacle ~~to~~ in economic
outlook. Govt should speedup intelligence
based operation for those who
are not willing for table talks such
as TTP and should resume dialogues
with Baloch & rebels to resolve
issues through peaceful manner without
compromising the integrity of Pakistan.
The External security issues are also
major hindrance in economic growth.
such as Pakistan-India dispute on
Kashmir issue and Pak-Afghanistan
issues. These issues should be solve
through regional organization. ~~as~~
SAARC group and SCO should play
it role to resolve security issue
in region to resumes export and
import. India can be prove as
coblent for economy of Pakistan
if both countries revives its trade.

It can be concluded that
economy is the backbone of any
country to run its state affairs.
So to tackle with severe economic
crisis of Pakistan national consensus
among all parties is the need of
the hour. Either it is government
or opposition parties all have to
prefer national interests over
their personal interests. Initially
the short term solutions will

Sustain economy and it will open doors for long term solution for formation of policies to collect more revenue by sustaining agricultural, industrial and service sectors to boost export. However the security issues are the major stumbling block behind it. Balance ties using soft power with governmental and non. using soft power will let the government to use its essential time for economic stability of country.