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Essay:- Pakistan's ~~financial~~ crisis as an opportunity for reforms

Outline

(1) Introduction

Thesis Statement:- Pakistan faces one of the worst economic crisis in its history. The financial problems of the country are grave and a serious challenge to the nation. However, these tough circumstances may be present a once-in-a-lifetime opportunity for long-due reforms in Pakistan and hence may prove as a turning point in ~~the~~ the nation's history.

(2) How economic crisis can be cashed as an opportunity to carry out reforms

(3) Economic crisis of Pakistan

- a. Shortage of dollars
- b. Country at brink of default
- c. Declining exports
- d. Ballooning inflation
- e. Contracting economy

Day: _____
Date: _____ / _____ / 2022
(4) Why economic crisis is an opportunity for reforms

can ~~may~~ provide the impetus

- a. External (IMF) pressure
- b. Implementation of reforms will demonstrate Pakistan as a responsible country

- c. Crisis has pushed all stakeholders to strive for consensus on reforms

~~d. Effect of crisis has hit every segment of the society~~

e. True nations emerge stronger from crisis. Examples

- f. In hard times flaws are easy to observe and rectify

- g. Severe economic crisis: do or die opportunity

(5) Way forward

- a. Realization of, and grasping the opportunity

- b. Treating economy as an existential issue

- c. Rectification of structural flaws

- d. Long term economic program

- e. Ensuring active and effective implementation of reforms

(6) Conclusion

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"With a history of resilience in the face of adversity, Pakistan has the ability to bounce back given implementation of robust structural and macroeconomic reforms." These words of Yong Ye, the ADB Country Director for Pakistan provide both a hope and a pathway to end the current economic crisis faced by Pakistan. There is a grave need to, first of all, acknowledge and recognize the various dimensions of the existing economic crisis. Furthermore, ~~we~~^{one} needs to look deeply so as to why this economic crisis presents a unique reform opportunity. The long-missing impetus may be the pressure exerted by external stakeholders like the IMF. A broad consensus of implementing reforms can also easily be forged amongst stakeholders as the current economic meltdown has spared no single entity. The role of ~~our~~ policy-makers in this scenario might be a do-or-die decision. This opportunity must be fully realized with suitable actions taken in the future to ensure economic prosperity. These grave financial problems ~~may~~^{can} trigger a series of reforms and hence prove a game-changer in the context of our nation.

Adequate understanding of the matter is crucial in this scenario. One needs to comprehend that how exactly can this crisis be converted into opportunity. In this regard, nothing much beyond foresight and commitment to the motherland is needed. The latter provides hope and instills a new vigor and energy within one to combat any crisis or calamity that is caused threatens this very nation. As regards to the foresight, it is an extremely critical trait needed at this point in time. Short-term, cosmetic fixing of the crisis would actually deepen it and henceforth it may resurface in the near future. With long-term planning aimed on structural reforms, the old ailments of Pakistan's economic system can be cured.

The economic crisis of Pakistan is reflected by the dwindling dollar resources left in the country. Fast decline of these reserves exhibit the country's ailing economy. According to State Bank of Pakistan, the country's reserves were a mere \$2.92 billion in February 2023. This is the lowest value of reserves since February 2014, signifying the recent economic decline and its growth-reversing.

implications.

For the first time in its 76 years history, Pakistan faces an acute default risk. The default is expected to occur on the scheduled repayments of external debts. Pakistan's debts are of considerable size compared to its GDP. According to the United States Institute of Peace (USIP), Pakistan faces the burden of paying \$77.5 billion of external debt between April 2023 and April 2026. This large amount due may trigger a default in Pakistan.

Exports of Pakistan have continued to fall for a considerable time period now, but the decline has been exacerbated by the prevailing crisis. The shutdown of industries and closure of businesses have had a catastrophic effect on the country's exports. The World Bank reports that Pakistan's total exports in 2022 are only 10.5% of its GDP; they were 13.3% of the GDP in 2013. These figures prove that economic crisis is both manifested and worsened by Pakistan's shrinking exports.

Adding to the crisis is sky-rocketing inflation. Due to inflation, survival of masses is becoming increasingly difficult. Monthly inflation in May 2023 was recorded at an all-time high of 38%, according to Trading Economics. A number of factors contribute to this inflation, and this inflation makes each and every inhabitant of the land bear the brunt of an economic meltdown.

All the factors manifesting and deepening the economic crisis add together to cause contraction of Pakistan's economy. This means that the Gross Domestic Product (GDP) will decline for the first time in the nation's history. According to Fitch Solutions Report 2023, Pakistan's GDP will contract by 0.8% in FY23-24. Contraction of economy for the first time depicts how serious and grave is the issue.

Despite arguably the worst economic crisis of Pakistan's history, all is not lost. In fact, the grave challenges might cause the initiation of long-awaited reforms in the country. Vital in this regard is pressure from external sources, such as the IMF. IMF has pressed hard on

Pakistan to implement an 'economic reform program' as mentioned on the IMF website (Press Release 23/261). All future aid from the IMF has been linked to this reform program. This might turn out to be a blessing in disguise for Pakistan.

In addition to external pressures, Pakistan's own image and credibility requires it to ensure planning and implementation of reforms. In this tough time, the country's credit rating can only increase if tough policy decisions are taken. Moody's has not placed Pakistan on B level since 1994 and continuously stresses the need to ensure reforms.

Furthermore, the crisis Pakistan faces is so broad that it has affected people and entities across the board. All stakeholders have realized and comprehended the need for economic rehabilitation. The relevant policymakers have a chance of a lifetime to push them to consensus over wider-scale policy reforms. This opportunity is rare in polarized and segmented nations like Pakistan and hence must be utilized to the fullest extent.

Luckily, Pakistan has the examples of quite a few countries in the light of which this crisis can be dealt. The similarity of the crisis indicates that solution may also be the same and Pakistan may benefit from their experience. India's example readily comes to the mind; a country at brink of default in 1991 became a global economic giant in 2023, merely due to steadfast economic reforms. These stories can serve as source of inspiration and role-models for this resilient nation.

Further, in times of crisis, many otherwise hidden errors and loopholes emerge and exhibit themselves. Since understanding the problem is half the solution, these errors can then be studied and explored in detail to rectify them. For example, the issue of IPPs, otherwise in obscurity, has been in the limelight for quite a while now. This has also prompted some past governments to consider the agreements with IPPs, potentially saving lot of resources. In this way, other flaws may also be observed and corrected as the finding is easier in this period of crisis.

All the previously discussed areas highlight that this crisis is a do-or-die situation for Pakistan. If it succeeds in turning this challenge into an opportunity, unprecedented economic boom is likely to rejuvenate and rehabilitate the crisis-ridden nation. This do-or-die situation demands the very best out of every individual and entity, for it might be the turning point in Pakistan's history.

Understanding this crisis and realizing this opportunity, ~~the~~ ^{series} need of remedial and preventive actions need to be executed. Firstly, this opportunity must be realized and accepted. Instead of panicking in the face of challenge, ~~the~~ Pakistan needs to stand firm and analyse the situation to find it as a unique opportunity. Sun Tzu's saying must be remembered: "Victory comes from finding opportunities in problems."

Secondly, Pakistan needs to consider economy as an existential issue rather than a secondary ailment. A nation cannot survive in today's modern world without a strong economy, as highlighted by the collapse of USSR in 1991. Numerous international

observers like United States Institute of Peace (USIP) and DW have already termed Pakistan's economic crisis as an existential threat. ~~If we do~~ The situation demands an immense dedication, military-like vigilance and utmost commitment in order to be resolved.

Thirdly, deep rooted structural flaws need to be eliminated from the core. Some of these flaws ~~include~~ include narrow industrial and export base, large Governmental indulgence in business and policy instability. All of these issues have repeatedly been highlighted by numerous international agencies. It is the urgent need of hour to eliminate them by making better policies.

Fourthly, long term economic planning is certainly needed to steer Pakistan's economy out of crisis. Election - centric, populist and short term economic goals have resulted ^{caused} to the economic structure to shatter from its very core. This broken structure can not be recovered by mere cosmetic work. Long-term economic plans and vision need to be worked out to ensure a stability of policy

that shall, in return, initiate the rehabilitation process of Pakistan's ill economic conditions.

Lastly, all the policies made on paper must effectively and actively translate in on-ground actions. Mere paperwork will be of no use unless practical implementation of reforms is also ensured. Cohesive and coordinated steps bear fruit, like it is evident in the case of Pakistan's counter-terrorism success. Parallels from the terrorism crisis might be drawn and task forces might ^{may} be created to supervise and manage the implementation of economic reforms.

To conclude, Pakistan's economic crisis is unprecedented and unparalleled in the country's history. However, one can also view this crisis as a unique opportunity to ~~tempt~~ devise and implement certain structural reforms in the country. The economic crisis is highlighted by shortage of dollars, predictions of default, declining exports, ballooning inflation and contraction of the economy. However, this crisis is also the right time for Pakistan to pursue reforms as a combination of factors like mounting external pressure, issue of national credibility, unique case

of consensus among stakeholders and a realization of the urgency of this issue have pushed Pakistan to its have created a pro-reform environment like never before. By realizing this opportunity, treating economy as an existential issue, mending ~~the~~ structural flaws, creating long term economic plans and ensuring effective implementation of reforms Pakistan can make the most out of this opportunity and re-emerge as a global significant economy.

(~2000 words)