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Q) Why Pakistan Previous Loan Programe EFF (Extended Fund Facility) 22nd Program 2019 was not completed.

The EFF was approved by the Executive board on July 3, 2019 for SDR 4268 million (about US$6 billion at the time of approval, or 210 percent of quota. This is Pakistan's 13th IMF Programe

While IMF executive board discussion on ~~IMF~~ Pakistan are as follows.

"Pakistan's economy has been buffeted by adverse external conditions, due to spillovers from the war in Ukraine, and domestic challenges, including from accomodative policies that resulted in uneven and unbalanced growth. Steadfast implementation of corrective policies and reforms remain essential to regain macroeconomic stability, address imbalances & lay the foundation for inclusive and sustainable growth."

Reasons for Failure of EFF Programe:-

Because Pakistan did not fulfill the

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EFF's conditions, IMF suspended the facility in November 2022 after releasing one third of the loan.

- Imran Khan's government failed to implement reforms, including among others slashing subsidies on a range of essential goods largely consumed by the middle class.

There are some reasons that IMF listed for the Failure of EFF Programe.

- The IMF said the misaligned economic policies including large fiscal deficits.
- Loose monetary policy and defence of an overvalued exchange rate had fueled consumption and short term growth, steadily eroded macroeconomic buffers, increased external and public debt and depleted international reserves.
- Long standing structural weaknesses had remained including a narrow tax base and weak tax administration.
- A difficult business environment, in-efficient and loss making SOEs,

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and low-labour productivity amid a large informal economy.

All this was against the overarching program objectives including.

1) A decisive fiscal consolidation, supported by comprehensive efforts to drastically improve revenue mobilization. (By 4-5 percentage points of GDP)
2) Allowing the exchange rate to be flexible and market determined, supported by appropriate monetary policy and a strengthened and independent central bank.
3) Energy sector reforms to eliminate large fiscal costs.
4) A scale up of social spending.
5) Structural reforms (mainly in the areas of SOE performance, governance, and business climate).

Question 02:-

Explain South Asian Trade (Status / Stats)
Pak & India bilateral trade
(Focus on trade barriers).

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South Asia trade has seen impressive economic growth in recent years. It's econonomy grew an average of 6.7% every year between 2010 & 2018, as twice as fast as the global average of 3 percent.

- Most of this growth has been driven by India, where urbanization and a booming tech sector has made the country fastest growing large economy in the world.
- Bangladesh has developed domestic industries like textile industry to achieve similarly strong growth.
- Pakistan, India and Bangladesh have greater economies as compared to other South Asian Countries.
- Pakistan's total export to Asian countries is 10.05% of total export in 2019. The greater share of Pakistani Export in South Asian countries goes to Afghanistan (14.48%) followed by Bangladesh (8.42%) India (5.35%) & Siri Lanka (3.51%)
- Pakistan has a minimal share of

exports to other countries like Nepal, Maldives and Bhutan.

- Ironically, with India, Pakistan's export is just 0.27% of its total export to South Asia. While on the other hand Pakistan's largest import partner in South Asia was India

Pakistan and India bilateral trade:-

- Pakistan has consistently faced a trade deficit with India. While Pakistan's exports increased from $84 million in 2003 to $312 million in 2015.
- Imports increased by 639% from $226 million in 2003 to $1,669 million in 2015.
- The trade deficit however improved in 2015 when it was $1.36 billion, down from $1.71 billion in 2014.
- Pakistan follows a negative list ~~as~~ with India whereas India follows a Non-Least Developed countries (NLDC) ~~and~~ sensitive list under SAFTA.
- While the granting of MFN status to India will replace Pakistan's

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Negative list with Pakistan's SAFTA sensitive list and a maximum tarrif of 5% would be applied on imports from India.

- According to estimates, bilateral trade between Pakistan and India for the period from April 22 - Dec 2022 was estimated $1.35 billion."
- There is one more important point that trade between Pakistan and India has been carrying on via third country specially UAE.
- ~~The most~~ While it is more beneficial to carry out trade between both countries via Wahgah border.
- The most important point is to reduce tension between both countries to resume bilateral trade between two countries more easily.

TRADE BARIERS :-

Pakistan and India are the two most

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and largest economies in the south Asian region. Both have a great potential for intra-regional trade. But these both countries neither fall in the category of top ten trading partners of each other.

- While india and Pakistan obstacles & trade barriers consist of both tariff and non-tariff barriers including, but not limited to
- Strict quality standards.
- Sensitive Lists (Goods on which no terrif concessions are granted)
- Lengthy procedures and waiting periods at the border, strict visa policies. etc.
- Lack of proper infrastructure such as roads, dry ports and rail cargo stations to facilitate trade.
- These factors combined increase the relative cost of trade

For example :- Goods often wait several days at the border check posts before they are cleared. If goods are perishables, they are essentialy destroyed before getting to the market.