

Q no 1) what major economic challenges are being faced by Pakistan? what recommendations do you suggest to deal with these issues?

Ans- Introduction.

Pakistan <sup>has</sup> ~~has~~ <sup>been</sup> facing serious challenges since its inception, but economic challenge to country is prominent one. However, several steps took by ~~more~~ different regimes but economic scarcity in country could not meet <sup>economic</sup> the needs of country. Currently, there are various challenges to country like Budget deficit, trade deficit, and political instability that has downsized country's growing economy. <sup>However,</sup> This challenge can be addressed by ~~steps~~ steps like liberalization of trade, indigenization of hydrocarbons and ameliorating products.

Challenges being faced by Pakistan.

- 1) Budget deficit:- when the outflow of ~~when~~ when the expenditures are more and revenue generation is less this gap is termed as budget deficit. Pakistan's annual budget deficit is \$18 billion and monthly it is approx. \$2 billion according to economic survey of Pakistan. Moreover, governments often access to IMF and ADB ~~for~~ taking loans to meet budget deficit. Furthermore, as such institutes provide loans these institutes provide policies to control country's internal economy. Finally, Pakistan's budget deficit is responsible for economic scarcity in the country.

2) Trade Deficit:- An other challenge to economy is trade deficit, when import is more than export then this gap is termed as trade deficit. However, Pakistan's annual trade deficit is \$44 billions according to (FY-2022-23). This gap has emerged because Pakistan's total external ~~trade~~ <sup>import</sup> amounts for more than \$80 billions and out of which Pakistan exports only \$36 billion. In year 2021, the trade deficit was \$41 billion and average of last ten years is \$25 billion, according to economic survey of Pakistan. Moreover, Pakistan imports Hydrocarbons which is almost 25% of its total trade, and Pakistan imports raw material for industrial growth, and also imports spare parts of automobiles from different countries. All these importing materials have always been imported in dollars and sold in Pakistani rupee within the country. This act has devaluated Pakistan's rupee as compare to dollar.

3) Declining Agricultural Capacities:- Pakistan being an agricultural country in the region has an immense importance. Its agricultural sector contributes for 20% of its total GDP and 36% of country's employment. Pakistan remained a major exporter of agricultural products to other countries like China, Sri Lanka, and European union - However,

Exponential increment in population of country has declined its agricultural capacities. The total product of wheat, sugarcane, Rice and cotton has not remained enough to meet the needs of increased population. Moreover, due to increased population Government of country has to import agricultural products from other Asian and central Asian countries. Secondly, the outdated infrastructure of canals and shortage of water supply have mitigated the total average product of Agricultural sector.

4) Industrial discontentment in the country:- Pakistan is not termed as a semi-industrial country by World Bank. Pakistan has been facing shortage of energy due to which several industries of country have been closed. Industrial sector contributed 19% of total GDP in FY-2023 while it contributed 22.5% in FY-2022 and 28% in FY-2021, according to World Bank calculations. Hence this rapid decline in sector has brutally affected our economy.

5) Political instability:- As far as Pakistan's economy is concerned, political instability since its inception has caused economic scarcity. Pakistan being a democratic country has failed to deliver democratic practices successfully. Since

2018 elections Country has been facing various of political parties. Some of these parties were ~~blaming~~ the then head of Government involvement in corrupt practices. However, international investors then requested Country to keep smooth running of Government for effective investment. Similarly, in 2008 when Country's GDP had been gradually growing some political parties started "Jalss" against the Government and overthrown the Government by vote of no confidence. Defining this whole scenario means that, foreign investors always prefer a country where Government and opposition have a strong consensus. Unfortunately, Pakistan's politics has <sup>remained</sup> unable to create a space for foreign investors within the country.

### Recommendations:-

1) Balance of payment <sup>crises</sup> deficit:- Balance of payment deficit includes Budget deficit and trade deficit. Pakistan should liberalize the trade and ensure the investors in case of doing business. Secondly, Pakistan should pay heed to newly emerging economic blocs like BRICS, ASEAN, and SCO. Thirdly, Government should provide a uniformed platform to foreign investors like it has recently provided namely special <sup>investment</sup> facilitation council (SIFC). Moreover, looking towards improving revenue collection and lowering expenditures, Government should take austerity measures. Secondly, Government should take <sup>foreign</sup> loans and utilize these in proper way because senior economist suggests that ~~too~~ loans are not bad for any country, If these loans are being utilized in

developed of that country.

① Indigenization of Hydrocarbons: Imparting hydrocarbons amounts for 25% of total trade of Pakistan. However, Pakistan has access of natural resources and mixed energy resources like coal, natural gas, and crude oil etc. being extracted from different areas of country including Sindh, and Balochistan. For instance, Gas is being extracted from Sui and Coal in Hafeezpur. Their coal mine. Their coal mine comprises of about 175 billions tons of coal which is the biggest over coal mine in South Asian region. However, Pakistan is ~~not~~ generating 1320 MW electricity from coal mine. Governments along with CPEC authorities should focus on indigenization of <sup>Hydrocarbons</sup> coal to mitigate its impact. In this way, country's economy can get a gradual growth.

② ~~Shift~~ <sup>Shift</sup> ~~Renewable~~ <sup>Renewable</sup> ~~energy resources~~

③ By boosting up agricultural sector:-  
Agricultural sector is a significant one through which we can boost our export system. In earlier times Pakistan was considered as a major exporter but now our agricultural sector is going back. Government should talk to foreign and local agricultural investor. Secondly, ~~the~~ ruling class needs to allocate budget for ~~infra~~ <sup>infra</sup> ~~propr~~ infrastructure of canals and to ensure possible supply of water. Thirdly, Government should provide ~~new~~ <sup>modern</sup> technologies and methods to our farmer who are still cultivating their crops ~~in~~ <sup>in</sup> conventional methods. This move would increase ~~quantity~~ <sup>quantity</sup> of any crop per acre and ~~if these~~ <sup>if these</sup> ~~world~~ <sup>world</sup> methods would increase our agricultural

Political stability:- For a smooth <sup>and stable</sup> economy it is necessary to ensure political stability within the country. Countries like India, Bangladesh and even Sri Lanka has stabilized their political behaviours and undoubtedly these countries are rising economically. Establishment of Pakistan should cooperate with politicians and ensure ~~them~~ their political grooming. This move would definitely ensure the smooth and stabilized economy as other countries did in past and now their economies are developed.

Conclusion:- In conclusion, Pakistan's economy has faced all the above mentioned challenges. Therefore Government of Pakistan ~~must~~ must address these challenges and ensure the smooth running of economy within country.