

QUESTION No # 01

Discuss the economic cost of Political instability in Pakistan. Give Practical solutions for the Pakistan to overcome its economic woes.

⇒ INTRODUCTION:

Political instability in Pakistan has been a persistent challenge that has profound economic repercussions on the country. Political stability and economic growth go hand in hand. In a delicate scheme of things, their relationship is such that in the absence of former, the latter dies away. The relationship between Political stability and economic growth has always remained a core of Policy-making in almost every country. The frequent changes in governments, institutional weakening, bad governance, law and Order deterioration and other manifestations of Political instability creates an environment of uncertainty and hindered economic growth. The economic cost of political instability in Pakistan are multifaceted, impacting investment, trade, government policies, and overall economic development. In order to address these challenges and pave way for sustainable economic growth. Pakistan must implement practical measures to overcome its economic woes. By focusing on

strengthening political institutions, promoting good governance, investing in infrastructure, diversifying the economy, enhancing investors confidence, addressing corruption

⇒ ECONOMIC COST OF POLITICAL INSTABILITY IN PAKISTAN:

South Asia's Economic outlook showed that Pakistan's economy is expected to grow by 2.3% in FY 24/25. Right after inception Pakistan faced several issues, with the worst being political instability. The stability under the leadership of Quaid-e-Azam and Liaquat Ali Khan didn't last long and from 1951-58, the inconsistent period of prime minister began with Khawaja Nazimuddin and ended with Malik Feroz Khan Noon. These were the days when Pakistan was also going through constitutional crisis.

With the beginning of the stable military government of Ayub Khan, Pakistan's economy grew at the highest rate. However, in 1970, Pakistan experienced a period of highest political instability which resulted in high economic

loss for the country because of the separation of East Pakistan. The lost period of 90's is a sad metaphor for Pakistan's economic condition because of Political instability. Following are some key points highlighting the economic costs of Political instability in Pakistan.

* Reduced Investment:

Political instability creates an environment of uncertainty and risk, deterring both domestic and foreign investors from committing capital to long-term projects. This leads to a lack of investment in key sectors of the economy, hindering growth and job creation.

* Impact on Trade and Revenue:

Political instability can disrupt trade relations and agreements, leading to uncertainties in export and import. This can result in decreased revenue for the government affecting budgetary planning and the ability to fund essential services and infrastructure projects.

* Inconsistent Policies:

Frequent changes in government and leadership can lead to inconsistent policy decisions, especially

in areas such as taxation, regulation and investment incentives. This lack of Policy continuity can create confusion among businesses and investors, hampering long-term planning and growth strategies.

* Increased Borrowing and Debt:

Political instability can lead to economic crisis that government intervention, often in the form of borrowing or seeking financial assistance from international organizations. This can result in a higher debt burden for the country, leading to long-term financial challenges and constraints on future economic growth.

* Economic Crisis due to security Aidden Foreign Policy:

Pakistan's Foreign policy always revolved around defence and security due to its strategic location and neighbouring arch rival country. Pakistan in compaision to Bangladesh, is economically weak because Bangladesh, a nascent country focused on technological developments. However, Pakistan has now rethought and developed its Foreign Policy to foster economic growth

* Brain Drain and Talent Flight.

Political instability contributes to brain drain as skilled professionals seek opportunities abroad in search of better prospects and security. This exodus of talent deprives Pakistan of critical human capital, impeding innovation, technological advancement, and sustainable development efforts.

* Lack of Investor Confidence and Remittances.

Political instability creates an environment of uncertainty where investors are hesitant to commit capital to long term projects. As investors are risk-averse by nature and prefer stable and predictable environments for their investments.

Remittances from overseas Pakistanis play a crucial role in supporting the country's economy by providing a stable source of foreign exchange and supporting household incomes. Pakistan is heavily dependent on remittances, and any disruptions in remittances inflows can have adverse effects on country's balance of payments, exchange rates, and overall economic stability.

PRACTICAL MEASURES TO OVERCOME ECONOMIC

WOES:

Addressing the economic woes stemming from political instability in Pakistan requires a combination of political and economic measures. Here are some political measures that can help alleviate economic challenges.

* Strengthening Political Stability:

Ensuring political stability through effective governance, rule of law, and institutional reforms can create a conducive environment for economic growth. Political leaders should avoid frequent political changes and should prioritize stability and work towards consensus-building to reduce uncertainty and attract investments.

* Policy consistency:

Implementing consistent and transparent economic policies is crucial for fostering investor confidence and promoting long-term economic growth. Political leaders should avoid frequent policy changes and provide a predictable regulatory environment for businesses.

* Fight Corruption:

Corruption undermines economic development and erodes public trust in institutions. Political measures to combat corruption, enhance transparency, and strengthen accountability can improve the business environment, attract investments, and promote

economic efficiency.

Investments in Infrastructure:

Political leaders should prioritize investments in infrastructure development to enhance connectivity, facilitate trade and boost economic productivity.

Infrastructure projects can create jobs, stimulate economic activity, and attract private sector investment

* Engage stakeholders

Political stability and economic prosperity requires the engagement of various stakeholders including business, civil society and international partners. Political leaders should foster dialogue and collaboration among stakeholders to address economic challenges collectively.

* Investment in Education and Human Capital:

Investing in education and skills development is imperative to mitigate brain drain and enhance human capital. Reforming the education system, promoting vocational training and incentivizing research and development can cultivate a skilled workforce essential for economic diversification and innovation.

* Charter of Economy:

A "Charter of Economy" can serve as a comprehensive framework to address economic challenges resulting from political instability in Pakistan. This charter would outline a set of agreed-upon

principle, policies, and strategies aimed at promoting economic stability, growth, and development. By bringing together political parties, policymakers, and stakeholders, a Charter of Economy can provide a roadmap for addressing economic woes and fostering a conducive environment for sustainable economic progress.

⇒ CONCLUSION:

In conclusion, addressing the economic costs of political instability in Pakistan requires a multifaceted approach that combines political stability, policy consistency, good governance, infrastructure development, and anti-corruption measure. By implementing a Charter of Economy that outlines agreed-upon principles and strategies, Pakistan can pave the way for sustainable economic growth, attract investment, create jobs and improve the overall well-being of its citizens. Collaboration among political leaders, policymakers and stakeholders is essential to navigate challenges, mitigate the impact of political instability, and build a resilient economy for future.