Question

The current economic challenge in Pakistan are challenges of Political economy or the deep rooted in structural flawed in our economy. Take one side and sugest measures to address it.

Answer

Introduction: Pakistan has no plan of ~~de~~ economy, it has only plans of priorities which only flourish farms and dazzle exports (Umer Masood - Dawn)

Pakistan has been facing issue of stiangant economy for many years, main issues are structural flaws in economic policy. For example according Economic Survey of Pakistan 2024-2025 GDP growth was only 2.68%. There are many

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some structural flaws are given below:-

Economic challenges of Pakistan are due to following structural flaws and uneffective policies

1- Pakistan has been doing more imports than exports

For healthy economy number of exports should be more than imports. But in Pakistan there are more imports.

Example According Economic Survey of Pakistan 2024-25

| Imports | Exports |
| --- | --- |
| 48.6 trn Rs | 27.3 trn Rs |

Hence it put more burden on economy and results in trade deficiet which has become economic challenge for Pakistan

2- Informal Eocnmy has become an challenge for Pakistan

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It is only due to structural flaw of undocumentation of small business and home businesses like sports and sometimes partial documentation of industries like sugar and tabbaco et.c.

**Reference** According to PBS 35% economy is not registered.
Following sectors add to informal economy

- Transport → 12%
- Manufacture → 20.6%
- Whole sale → 30.2%

**Source PBS**

3- Another structural flaw is Tax evasion which leads less revenue generation and becomes economic burden

→ FBR has not enough record of taxpayers in return they do evasion which results less revenue as compared to target

Finance Division → FY25 target was 13.3 trn Pkr but FBR could only collect 11 trn Pkr

4- Pakistan has uneffective Policies towards state owned enterprisis which result in structural flaws and increase economic challenges.

Pakistan has many enterprises which do not pay back as country is paying to them. Pakistan annually spend 1.6 tn dollars on them.

Individually

→ Pakistan pay to → National Highway Authority annually → 60 bn dollars

Similary between 2007 and 2016 when

→ Pakistan steel mill was closed then was paying annually ⟹ 100 billion dollars

5- Pakistan is not interested in climate change management so it becomes structural flaw and Hinders economy.

Pakistan has faced many floods but it is only due to poor measures and response. According to world bank Pakistan lost 30 billion dollars in 2022 Floods.

6-Last deep rooted structural flaw is high energy prices which lead to Industries close and becomes challenge to economy of Pakistan. Pakistan has 29% expensive energy than Bangladesh and India. Between 2010 and 2016 35% omega Industry has been closed and 80% cottage small industries was closed. Source (All Pakistan textile association)

Again in 2025 Faisalabad has become barren now more industries have been closed

| | | |
|---|---|---|
| Nishat | Lawrence | Yahma |
| Kohenoor | Toyta | UBER |

Source Dawn

## Measures / Solutions

**1-Pakistan should reduce sales tax to boost up local Manufacturing:-**

Pakistan has 17% salestax it should reduce to 13% as in neighbours (India and Bangladesh)

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and it will boost local raw material production and reduce dependence on import.

**2- Pakistan should use technology to register informal businesses also or to check Real Industrial Production**

Pakistan should use track and trace system to known the real entry and exit of industries and should document all businesses using AI and advanced technology. For example Denmark citizens even does not deal in cash, only digitally do to keep record to state.

**3 → FBR should not provide tax exemptions and concessions to elite class**

FBR should make strict laws to omit tax exemptions and concessions to elite only should introduce e-filling tax return form or online form which would contain all details of tax payer through out year

**4-Pakistan should privitize state owned enterprisis to reduce burden on economy**

It will save 1.6 trillion Pkr which could spend on health and education

**Case study** when in ninties or around 2,000 era PTCL and some banks were privitized and tax wers increased.

**5-Pakistan should use mitigatory measures to deal with climate and change and minimize economic loss.**

Pakistan should use early warning systems to predict climate change conditions

China also uses this advanced system to evacuate risky areas and prevent economic loss

## 6-Pakistan should give subsidies on electricity to industries to foster economy

Pakistan should give electricity at low prices because china, veitnam and Bangaladesh are also providing special subsidy to industries

Moreover by giving free electricity under CPEC II 2400 industries will establish to grow economy.

**Conclusion:**- Pakistan has deep rooted Structure flaws such as more imports, informal economy, tax evasion, state owned enterprisis, climatic factors and high energy prices. So state should take given above measures because Ronald Reagon said

**If I submit economy with respect to government in phrase "If it moves tax it, if it keeps moving regulate it and if it stops moving subsidise it."**