

## Q: Transforming Economy: Challenges and Opportunities

### Outlines:

(I) Introduction

(II) Overview of the Economic Condition of Pakistan

(III) Understanding the challenges to the economic transformation of Pakistan:

(a) Impacts of the Colonial legacy on the economic structure of Pakistan

~~Arguments~~ Pakistan economic structure is still relying over raw materials and industry, rather than modern technology. Book Issue in Pakistan's economy  
• Book: Structural Issues in Pakistan's economy according to the book  
Issues in Pakistan economy.

(b) flawed taxation System

Lowest  
~~6%~~ tax-to-GDP ratio according to IMF; lowest

Date: \_\_\_\_\_

(2)

### (c) High imports deficit

State Bank of Pakistan Report:  
\$2.7 billion dollar import deficit.

### (d) Problems in the two

Important pillar of the Economy

Ex. a) Industrial Problems

b) Agricultural problems

### (e) High Expenditure of the

State own enterprises

As per Pakistan bureau of statistic  
Report around 6% of GDP invest  
in SOEs.

### (f) Prompt terrorism

• Hinderance in the way of  
SIFCs and CPEC projects.

## (III) Understanding Opportunities in Pakistan for transforming the Economy:

(a) Geo-economic importance of  
the strategic location of Pakistan

Evidence: The interest of big  
Power in Pakistan.

1. Big Powers are ready to invest  
in Pakistan.

Date: \_\_\_\_\_

(a) Enormous(b) Having Enormous human Capital

As per the latest Population Survey of Pakistan, it has 64% Youth.

Population

(c) Having abundant ~~Res~~ natural Resources

Ex: water, oil, Gas, Coal and platinum, Gold etc.

(d) Opportunities for boosting tourist industryEx: Beautiful areas of Northern areas, Baluchistan, and ~~availability~~ availability of ~~sub~~ Bridle of the Civilisation(e) ~~with~~ A member of different Bi-lateral and multi-lateral economic forum

Ex: Member of Economic Cooperation of Organisation

Ex: South Asia ~~Regional~~ Member of SAAR

(V)

Suggestions for how to ~~rep~~minimize the Challenges to reapthe opportunities for transformingthe economy.

Date: \_\_\_\_\_

(4)

(a) Revive the economic structure  
of Pakistan

Recommendation from of "why nations  
fail" book

(b) ~~Import~~ investment in the  
human capital development

(c) Reducing terrorism to  
impetus the transforming  
pace of the economy

\* Boosting tourist industry

\* Ensuring safe and CPEC.

(VI) Conclusion:

Date: \_\_\_\_\_

(3)

In the 21st Century, the economic condition of a country determines its geopolitical importance. Pakistan is not remain influential in the geopolitical arena since a long time. The incentives reasons behind it are the challenges to the economic transformation of Pakistan. These challenges include the flawed taxation system, and negative effects of colonial legacy hampered the economic growth. Furthermore, high import deficit and structural problems in economy ~~are~~ introduced twin deficit to economic condition. Moreover, ~~the~~ menace of terrorism and high expenditure of SOEs have a devastation impacts on economy. However, there are several opportunities that can transform <sup>the</sup> economy of Pakistan at a right track: it includes Pakistan's geo strategic importance and enormous human capital. Besides that, Pakistan has

abundant of natural resources. Furthermore, it will give momentum to the economic revolution if Pakistan reaps its tourist and multi-lateral economic forum advantages. "In a nutshell, Pakistan has several opportunities for transforming the economic condition, but it also faces severe challenges. Therefore, Pakistan needs to adopt some strategic measures so that it will minimize the challenges in the way of the economic transformation".

Pakistan's economic landscape is facing severe economic crunches. According to the state bank of Pakistan, the ~~FY 2024-23~~ budget of FY 2024-23 was estimated around 18 trillion PKR. However, the collected amount was short fall to meet the government expenditure because it was 13 trillion PKR. Therefore, Pakistan extends its hand toward the international

Date: \_\_\_\_\_

(7)

Lenders. It reflects the unstable conditions of the Pakistan's economy.

There are several incentive factors behind the fragile condition of Pakistan. Some of them are given below.

Firstly, Pakistan's economy is grappling with repercussion of colonial legacy in the economic structure. The colonial economic structure was based on the raw materials and on the industries of the first industrial revolution. However, after 1947, no leader in the history of Pakistan has tried to re-structure the Pakistan's economy. Therefore, it is still relying on the raw materials and the outdated industrial set-up. According to the book "Issues in Pakistan's economy", Pakistan's economy will not

gain momentum to transform until ~~it~~ and unless it ~~does~~ restructures with modern economic model.

Moreover, Pakistan's economic transformation faces the resistance of the flawed taxation system of Pakistan. ~~It~~ it has low capacity and narrow tax base. Therefore, ~~it~~ Pakistan's economy is struggling with the budget deficit. ~~Most~~ ~~of~~ The minimum tax-to-GDP ratio for a developing country is ~~also~~ around 23%. However, ~~Per~~ According to the IMF report, tax-to-GDP ratio of Pakistan is around 8.9%, which considers very low for a developing economy. Therefore, the flawed taxation system hinders the way of the economic transformation of Pakistan.

Adding to the same side of the debate, ~~high~~ Pakistan's high



import and low export slows down the transformation pace of the economy. To create high surplus value, it is crucial to minimize the import and maximize the export. However, as per the statistics of the state bank of Pakistan, the FY 2024-23 import deficit was around \$ 2.7 billion. This high import deficit devalued the currency and shranked the foreign reserves. Consequently, it made Pakistan's economy on the ~~aid~~ foreign aid dependent.

Additionally, Pakistan's economic growth rate is severely affected due ~~from~~ the fragile conditions of the two important economic pillars. Firstly, ~~the~~ the industrial sector of Pakistan is badly impacted & due to the absence of academia link with industry. Similarly, industrial sector contributes

very test in economy due to the outdated machinery, high electricity cost and unskilled labour.

Secondly, the agricultural sector of Pakistan is deteriorating over the time. According to the book issues in Pakistan's economy, these two sectors contribute 38-42% of GDP, yet the ~~more~~ almost 65-70% of the human capitals are engaged with these two sectors.

Moreover, Pakistan's economic progress is very slow due to investment in the state own enterprises (SOEs).

Despite to contribute in the GDP, according to the Pakistan's Bureau of Statistics, it consumes 6% of the GDP every year. According to the Ex-Finance Minister, Miftah Ismail, these amount will boost up the human capital development if Pakistan channelises this amount to the education and to the

Date: \_\_\_\_\_

(11)

health sector. In other words, the over expenditures on the SOEs have severely impacts the economy in the short run and ~~as well as~~ in the long run as well.

Lastly, the resurgence of terrorism has directly and indirectly hit the economic growth of the country. It directly threat to the human capital and domestic business affair of the ~~the~~ effect region. For example, domestic businessmen do not agree to invest in the terrorist hotspot region, for instance Ex. FATA region and Baluchistan. Secondly, foreign investors hesitate to invest such a country. For example, SIFC did deliver as ~~the~~ per expectation due to terrorism. Similarly, the low progressive growth of CPEC is due to prompt attacks on Chinese officials. In a nutshell, terrorism repel foreign and domestic investors

from investment.

However, the light still exists at the other end of tunnel. There are several opportunities exist for ~~the~~ the economic transformation. Some of them are given below.

Firstly, the geo-strategic importance of Pakistan provides opportunities for the economic growth. Two main powers, America and China, will never hesitate to ~~invest~~ invest in Pakistan. For example, ~~in~~ historically, America ~~always~~ always used the land of Pakistan for maintaining power in South Asia. In return, Pakistan had got enough financial assistance. Similarly, Pakistan is very important for the China Belt Road initiative. Therefore, Pakistan needs to balance these two power so that it will assist the economic transformation of Pakistan.

The

It

pe

s

Moreover, another opportunity for the transformation of the economic growth exists in the form of human capital. ~~whether~~ whether it's developed ~~de~~ economy or developing economy, it needs sufficient human capital, ~~and~~ then, the growth of their economy depends on the is human capital development. However, Pakistan has sufficient human capital resources.

As per the latest population survey report, the youth comprises almost 65% of the population. Therefore, on the above assumption, it provides an opportunity for revolutionising the economic growth of Pakistan.

Additionally, Pakistan's natural resources can flourish the economic landscape of Pakistan. ~~Pakistan's~~ ~~for example~~ natural resources play a crucial role in the economic development of a country, for example Saudi Arabia and other oil rich

Countries. Similarly, Pakistan has 5th largest coal reserves in the world. Furthermore, the reserves of gas in Sui, Baluchistan is the prominent ~~one~~ energy resource example. Furthermore, South Waziristan and Northern areas have sufficient amount of cobalt and platinum and the list is very long. ~~These~~ Utilising these resources will push the economic condition of Pakistan at a right way.

Additionally, Pakistan is the member of bi-lateral and multi-lateral economic forum which can direct Pakistan at a progressive way. These ~~are~~ agreements and institution can contribute in Pakistan economy. For example, Economic Cooperation Organisation (ECO) ensures a free border trade agreement with neighbor countries. Further, it can help Pakistan to ensure its access

to CARs. Moreover, Bi-lateral trade agreement with China, Afghanistan and ~~Russia~~ will Bangladesh make the economy of Pakistan at a right track.

Therefore, it is the need of hour to ~~en~~ adopt some strategic measures which can minimize the challenges and can magnify the opportunities. Some of them are given below.

Firstly, to multiply the economic growth, Pakistan needs to revise its economic structure. According to the book "Why nation fail", a strong economic model always relies on multiple economic pillars. Therefore, Pakistan needs to multiply its own economic pillar, such as ~~imported oriented~~ adding ~~into~~ the pillar of import, IT and value added product production.

These things will direct the economic growth at a progressive path.

Furthermore, investment in the human capital development will revive the economic growth in a long run. It makes a productive and more health population. In other words, The outcomes of the developed human's capital are profound on the every aspect of life, ~~however~~, especially on the economic transformation. Making the population well educated and facilitate them healthwise will support the economic growth. For example, well-educated and healthy people can contribute in the economy, while, in the form diaspora, it will challenge ~~foreign~~ the economic growth. Thus, the human Capital development will uplift the economic progress.

Additionally, Reducing the menace of terrorism will provide a conducive



environment for the economic growth.

The sufficient natural resource and the tourist spots will attract foreign people. This will help for promoting soft image, and it will attract the foreign investors to invest in the Pakistan's agriculture, natural resources and industrial sector. Furthermore, reducing terrorism will uplift the progressive growth of the CPEC and SIFC. Therefore, elimination of terrorism will spring out the economic progress of Pakistan.

To summarise, Pakistan's economic transformation is the need of hour. However, it ~~faces~~ its economic landscape is facing through a turmoil of problems. so that it resists in the way of Pakistan's economic transformation. ~~to~~ Nevertheless, the light still exists on the other side of tunnel. There are several opportunities in the economic landscape

that will lead the way of economic transformation of Pakistan.