

# Q: Transforming Economy: Challenges and Opportunities

## Outlines:

Plz set the tone here

(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 heavily dependent on raw materials

At the end of essay do not use paragraphs

and industry rather than modern technology. Book is in Pakistan's economy

• Book: Structural issues of Pakistan's economy according to the book

Issues in Pakistan economy.

(b) flawed taxation system

lowest tax-to-GDP ratio according

to IMF; lowest

(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.



(b) ~~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 industry

Ex: Beautiful areas of Northern areas, Baluchistan, and availability of ~~sub~~ Bridle of the Civilisation

(e) ~~is~~ A Member of ~~the~~ different Bi-lateral and multi-lateral economic forum

Ex: Member of Economic Cooperation of Organisation

Ex: South Asia Economic Member of SAAR

(V)

~~to~~ Suggesting ~~for~~ ~~to~~

minimize the challenges to reap

the opportunities for transforming

the economy.

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(4)

(a) Revive the economic structure  
of Pakistan

Recommendation from "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:



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In the 21st century, the economic condition of a country determines its geopolitical importance. Pakistan is not an exception in the geopolitical arena over 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 hamper 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 ~~on~~ a devastation impacts on economy. ~~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 of Pakistan reaps the tourist and multi-national 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 economic transformation.

Pakistan's economic landscape is facing severe economic crunches. According to the state bank of Pakistan, the ~~FY 2023~~ budget of FY 2024-23 was estimated around 18 trillion PKR. However, the collected amount was short fall to meet the government's expenditure because it was 13 trillion PKR. Therefore, Pakistan extends its hand toward the international



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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, in 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 industry 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,  
~~Rate~~ According to the IMF report,  
tax-to-GDP ratio of Pakistan is  
around 8%. ~~which~~ considers  
very low for a developing country.  
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 2022-23 import deficit was around \$ 2.7 billion. This high import deficit devalued the currency and shrunked the foreign reserves. Consequently, it made Pakistan's economy on the ~~ground~~ foreign aid dependent.

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



~~of~~ ~~the~~ ~~loss~~ ~~in~~ ~~the~~ ~~economy~~ ~~due~~  
 the outdated machinery, high  
 electricity Cost and to 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 contributes 38-42% of GDP,  
 yet the ~~human~~ almost 76-70% of the  
 human capitals is engaged with these  
 & two sectors.

Moreover, Pakistan's economic  
 progress is very slow due to investment  
 in the state owned 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  
 Ishaq, these amount will boost  
 up the human capital development  
 if Pakistan ~~can~~ channelises this  
 amount to the education and to the



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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 affairs of the ~~the~~ affected region. For example, domestic investors do not agree to invest in terrorist hotspot region, for instance, Ex-ATM region and Baluchistan. Similarly, foreign investors hesitate to invest in 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.

U can link both paragraphs

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, 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.



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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 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. 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 on a right way.

Additionally, Pakistan is the member of bi-lateral and multi-lateral economic forum which can direct Pakistan on a progressive way. These ~~an~~ 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~~ 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 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 nations 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 of Pakistan and attract the foreign investors to invest in the Pakistan's agriculture, industry and industrial sector. Furthermore, reducing terrorism will uplift the progressive growth of the CPEC and SIFC. Therefore, elimination of terrorism will bring 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. However, 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.