

Title: Economic woes of Pakistan and <sup>the</sup> role of Pakistani diaspora

### 1) Introduction

### 2) The current economic situation of Pakistan

### 3) Economic woes of Pakistan: (reasons)

- i) Sluggish GDP growth of the country
- ii) High interest payments of the energy sector.
- iii) Sky-high external debt on the economy.
- iv) Heavy taxes on state institutions and general public.
- v) High inflation

### 4) Role of Pakistani Diaspora:

- i) Reducing economic burden by sending remittances
- ii) Promoting exports of the country by buying local products.



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c-Starting investment in the country.

#### 5) Recommendations to overcome economic woes in the country:

- i) Enhance exports by improving quality of national products.
- ii) Privatization of state-owned enterprises (SOEs) and DISCOs.
- iii) Strengthen ties with other nations to attract foreign direct investment.
- iv) Renegotiation of contracts with power producers.

#### 6) Conclusion



Money is the ~~system~~ that grease that keeps the system going.

The money generated and owned by a country is the actual point which makes the system going. A country cannot continue to grow or provide any service to its citizens if it does not have the resources. Thus, the economy of a country is its resource-driver. The economy provides path to a country's security and stability.

But unfortunately, Pakistan is grappled with the challenge of economic instability. There are various deficiencies that are responsible for economic death in the country.

These include the sluggish GDP growth, high circular debts, heavy taxes on public and institutions and high inflation to name a few. They lead to various problem ranging from unemployment to deterioration of international ties. Pakistani diaspora, or



the Pakistani origin overseas can mitigate the crisis on Pakistan's economy. They can play a part in stabilizing the nation by remittances, purchasing local produces to enhance exports and investing in the host country. Moreover, the internal conditions of the country need to be prioritized by privatization of companies and enhancing export of Pakistan. In a nutshell, Pakistan is facing serious economic woes leading to devastation in ~~its~~ every sector. Pakistani diaspora can play crucial role to overcome the crisis by contributing in the economy.

~~The~~ At present, Pakistan is experiencing a worst economic decline in South Asia. Among <sup>some</sup> the other South Asian nations, such as Bangladesh <sup>and</sup> India notably, Pakistan is in the most ~~di~~ perilous situation. It is among the most indebted nations in the region. The



social indicators such as Human development index, unemployment rate, Inflation and many such indicators present a grim picture; directly pointing to the economic woes of the country. Every sector whether political, social or cultural is polluted due to the trickle-down impact of the economic sector's challenges. confronted by Pakistan

As the country is facing economic crisis, the foremost challenge in this way is the sluggish GDP growth of the country. The gross domestic product (GDP) is the indicator of growth, production and sustainability of a nation. But Pakistan's slow and steady growth rate indicates that the country does not have enough money to keep the system working. This <sup>choice</sup> ~~leads~~ <sup>is</sup> a jampack to the agricultural and manufacturing sectors responsible for production. Ultimately, it



hinders the progress in its services and departments, which are the prime movers of economy. According to the Finance Division of Pakistan, FY 2024 Gross Domestic Product (GDP) growth rate of Pakistan is 2%. Thus, it highlights the economic deadlock in the country.

Besides, stunted GDP growth rate, the interest payments of energy sector also add to the burden on <sup>the</sup> economy. The power generation agreements with power producers, done in past were misleading and wrongly identified. This poses a challenge as the rates of electricity generation, their purchasing costs and interest were fixed, which now leads to mounting interest payments. This <sup>has</sup> burdened the country and growth is negligible in front of such huge payment rates. World <sup>Bank</sup> has reported that Pakistan made a second largest interest pay-



ments in the region. This indicates the economic crippling of the nation, as interest payments are skyrocketing.

Moreover, the nation is caught in the vicious cycle of sky-high external debt. This debt burden ~~is~~ poses threat to the nation as this debt <sup>in form of loans</sup> from different organizations i.e. the International Monetary Fund (IMF), World Bank, and developed nations such as China and United States keeps on increasing to meet the day-to-day needs of the country. Now with every passing day, it is burgeoning as the GDP growth rate is not favourable to the return of these loans, and the interest rate on it also ~~decreases~~ multiplies. Pakistani economist Jawad Saleem claims in his article that external debt in Pakistan has reached over \$130 bn, which is more like a



death trap instead of debt trap. Therefore, the crisis exacerbates in the economic area due to <sup>pounding</sup> external debt on the country.

Furthermore, heavy taxes on institutions and general public are ~~for~~ another barrier to economic stability in Pakistan. In order to ~~make~~ <sup>run</sup> the engine of economy, 2% GDP is not enough. This forces the government and authorities to pose heavy taxes to meet their needs. Taxation is not only limited to any particular sector but has plagued services, domestic commodities, power and <sup>every</sup> other ~~at~~ department. This tax-to-GDP ratio ~~is~~ creates an alarming situation for ~~a~~ defaulting the country. The Finance Ministry <sup>states</sup> ~~accounts~~ <sup>that</sup> for sales tax evasion alone accounts for 50% of estimated Rs 7 trillion tax leakage. This presents the grim picture of country's eco-



mic woes.

Additionally, high inflation rate in Pakistan is also a threat.

The general public, already suffering dearth of resources, unemployment and opportunities, bears the brunt.

of high inflation. This is due to the various factors including tax evasion, debt burden, interest payments that the economic giants fail to lessen the inflation rate in the country. This ultimately weakens the internal conditions and external outlook of the country.

The inflation in the country in the previous months remained at a heightened 11.5%. This figure keeps on increasing every month. This indicates the ineffective economic <sup>system.</sup> mechanism in the country.

During the period of intense economic downfall, Pakistani diaspora can play a crucial role. They <sup>are</sup> the Pakistani foreign immigrants & surviving



in different nations. ~~for~~ They can reduce the economic burden on Pakistan by sending remittances. These remittances could lessen poverty and procure resources for the country, as their families could spend that money and benefit the economy. That income in the form of taxes and spending becomes part of valuable asset for the nation ~~to~~ that could relieve the economic woes prevalent in the country.

In addition to this, this foreign lot can help in enhancing exports of the country. They can purchase Pakistani origin products in their currencies, <sup>which</sup> would ~~would~~ help the country thrive. The economic gains through this buying and selling are diverse. This would lead to the international marketing as well as ~~dis~~ promotion of Pakistan's national products.

Ultimately, it would pay<sup>ve</sup> way for more exports of national products which would benefit the



## economy of Pakistan

Correspondingly, the investments in the form of various programs and start-ups from Pakistani diaspora can also help the country.

These people can invest in their host country by launching multiple projects, scholarship <sup>programs</sup> and start-ups to facilitate the youth in reducing the economic burden on Pakistan. They would engage youth of the country, as well as the investment could derive opportunities for economic handling. In this way, the country can generate more income <sup>necessary</sup> for stabilizing the economy.

In order to overcome the economic woes, enhancing exports is a critical step. But the most important step in this regard is to improve the quality of national product. This factor would ultimately increase its yield and demand which would be favourable for the



economic prosperity in the country. The fiscal policies of the country merely depend on imports and exports. More exports means more foreign investment and income in the country, and which would prove beneficial for economy. According to recent reports, Pakistan is the 9<sup>th</sup> largest producer of rice in the world. Pakistani rice earned \$3.4 billion~~to~~ in foreign exchange in international market in FY 2023-24. Thus, the country needs to enhance exports from the developed world to strengthen its economy.

Another recommended step is the immediate privatization of government-owned distribution companies (DISCOs) and other entities. It is the need of the hour as the privatization promises the solution to rampant electricity theft and other operational inefficiencies in the system. It provides increased



efficiency and reduced costs. The Pakistan Steel Mills and PIA are among those which need to be privatized as these state-owned enterprises are a huge burden on economy in terms of more expenditure and below par functioning, <sup>costing</sup> generating more than generating revenue. Therefore, it is the ultimate need to privatize these entities to reduce ~~the~~ economic vulnerability in the country.

Strengthening international ties with developed nations is equally important. This factor would prove beneficial for foreign direct investment in the country. This step would enhance economic value of the country and would save it from economic woes. Mr. Javed Iqbal points out that the announcement by CEO of Pakistan Suzuki, Hiroshi Kawamura, regarding the export of vehicles to Bangladesh and



Afghanistan through SIFC is a major breakthrough in our economic revival. Such steps ensure strengthening of ties, both political and economical and thus boost trade among nations and neighbours such as Pakistan with Afghanistan, India, China and others.

Identically, Renegotiation of contracts with power producers is also crucial. This is vital as those ~~who~~ which do not produce power should be called off. As the agreements of purchasing power and generating power are not modified according to the demand of time, they pose a huge threat on the economy, with trillions of Rupees and dollars indebted on governments' side. According to current reports, at least 4 of these IPPs had not generated any electricity at all in the previous year. Despite this lack of production, agreements were still reached that included



capacity payments for those non-producing IPPs, amounting around 72 billion rupees. So, such agreements need to be renegotiated in order to bring sustainability and reduce debt on the country.

To sum it up, Pakistan's <sup>economy</sup> is grappled in severe economic woes, which can be stabilized by the efforts of Pakistani diaspora and government as well. The country faces extreme burden of external debt, taxes and interest payments.

The GDP also presents a grim outlook, with exacerbating inflation and unemployment rates.

Pakistani diaspora can contribute by sending remittances, enhancing exports and investments that can prove to be a turnover for the country. Along with these efforts, some instrumental steps regarding the improvement in the quality of national produce,



strengthening international ties and privatization of state-owned enterprises, are the need of the hour. They would pave way for economic prosperity and boosting the social indicators of Pakistan.



