

Pakistan Economic Fragility: Causes, Impacts and Solutions:

outline

(i) Introduction

- (a) Definition of economy
- (b) Basic characteristic of prosperous economy
- (c) Thesis statement

(ii) History of Pakistan Economic Trajectory

(iii) Causes of Pakistan economic fragilities

3.0 I Undefined path-way: Discontinuity of Different Economic models

- (a) Capitalist in embryonic phase
- (c) Socialist in 1970s
- (d) Shariats economy in 1980s

3.1 II Overdependence on Agriculture and lack of diversification

- (a) 24.3% contributes to GDP
- (b) Industry: 18.4 - 20.8% to GDP

3.1 III Reliance on Imports and Trade deficit

- (a) Total import value 2024-25: 34 billions US dollar
- (b) Total export value 2024-25: 32.84 billion US dollar

3.1 IV Regressive Tax policies: lack implementation of tax policies.

- (a) Total tax revenue is 9-10% of the GDP
- (b)

3.1 V Debt Dependency and fiscal imbalance

3.vi Unsafe Business environment deterring inflow of foreign direct investment

(a) Political instability

(b) Prevailing terrorism

well crafted phrases good

3.vii Energy Crisis And structural bottleneck

(a) K-electric monoplies and burden on electricity consumer

3.viii. Unyielding Stateown Enterprises

(a) PIA and K Electric, DISCOs.

(b) Pakistan Steel mills

3. ix Lack of Institutional effectiveness to ensure financial transparency

(a) Transparency International corruption perception Index

(b) Panama paper leak 2017

3. x Climate Vulnerability and demographic pressure.

(a) population growth rate 2.53%

(b) 30billion lose in 2022 ~~PL~~ ✓

IV) Impacts of Economic Fragility on Pakistan

4. i Increase dependency on Foreign Aectors

4. ii Inflation ~~raise~~

4. iii Skyrocketing Unemployment

4.IV Surge ~~in~~ Brain-Drain

4.V Deprived ~~of~~ the technological advancement

(5.) ~~Solutions to mend Pakistan's economy~~
how pakistan's economy can be pushed on the path of growth

(5.I) Tax Reforms: Broaden tax base

(5.II) Export diversification and industrial policy

(5.III) Energy Reforms and Circular debt management

(5.IV) Climate resilience and Agricultural reforms

(6) Conclusion

Essay.

Economy for a state is like a tier for a vehicle. Without tiers, vehicle can be started, consume energy, but it can not be moved. For a country to be shined internally and have value globally, flourished economy is prerequisite. Economy is refers to the management of limited resources in a situation of unlimited desires in a way to ensure equal and equitable disbursement of the benefits without that economy turns into fragilities. Pakistan's economy has been in a state of fragility since its birth. There are various causes behind this fragility. These causes include undefined economic path-way, over dependence on agriculture and lack of diversification, reliance on imports and trade deficit. Besides it also include, regressive tax policies and lax implementation of policies, debt dependency and fiscal imbalance. These altogether have severe repercussions for Pakistan. These repercussions entail increases dependency on foreign factors, raises in inflation, enhances in unemployment, surges in brain-drain and it also deprives state of technological advancement. Yet, history reminds that crises, no matter how acute, also carry within them the seeds of reforms - thus demanding a blueprint of solutions for Pakistan's

beleaguered economy. This blue-print of stations encompass Tax reforms by broadening tax base, export diversification, energy reforms and circular debt management. and last but not least is Climate resilient agricultural reforms. Thus, Pakistan has been facing economic fragilities since its inception. There are multiple causes for these fragilities and that fragilities have severe implication for its demanding structural reforms.

Much like a bumpy road, Pakistan's economic history is full of ups-and-downs. Different economic models have been experienced. unfortunately, none has stand-tall like those of peer countries.

The funding father of the country Muhammed Ali Jinnah envisaged capitalist model for Pakistan to make it shine on the international stage. However, his capitalist model was morphed into socialist model in 1970s that proven as a disaster for the country. Not enough, it was again turned to a new model, known as Islamic economic model that also did not produce any rep for society, reversing all the trajectory that had been achieved in socialist model. Continuing with experiences, Islamic economic model also did not last for long, faced collapsed in 1990s and country was redirected back.

once again to capitalism and that, is still continue. Thus, Pakistan's economic history has experienced all the prevailing economic models and none has produced a desired results, making the economy more fragile.

There are multiple factors responsible for the Pakistan's economic precarity. The below are the factors that together have served as perfect-storm for Pakistan's economy.

The first and the foremost factor is undefined economic pathway that has already explained in economic history paragraph. This undefined and inconsistent approaches to economy have not only resulted in reversion of the hard-gained some achievements, but have also made the whole economic sector vulnerable to external economic volatilities. For Pakistan's economy consistency has become a pipe dream, making economy of Pakistan more unstable and weak. Further, more it has caused Pakistan to approach foreign actors for loans and grants. Unlike pakistan undefined-path way those states that followed a single model without disruption, inspite having hurdles, have made their ways in economy. Pakistan's neighbouring state India's economic trajectory is case on the point. There

For undefined pathway and discontinuity of different economic models is a reason for Pakistan's economic fragilities.

In addition to undefined economic-path way, overdependency on agriculture is another factor responsible for Pakistan's economic breakability. The economies that deeply reliance on a single sector always becomes vulnerable to multiple factors. Pakistan's dependency on agriculture sector make its whole economy vulnerable to climate-driven disasters.

Furthermore, it also half way for diversification. Unlike this, the economies that diversified production based are more resilient both to changes and climate-change driven events. Apart from this, the recent demands of the international market have been changed. New sectors have been gaining valuable grounds like IT services and information technologies. According to Pakistan's Economic Survey of 2024-2025 Pakistan's agriculture sector make 23.31% of its GDP and implies more than 40% of the total labor force. In contrast to this, the industrial sector contributes only 16% to the GDP. Henceforth, over-reliance on agriculture sector and lack of diversified production based flimness Pakistan's economy.

try to build stronger narrative over this

Apart from this, reliance over import is another factor responsible for Pakistan's economic fragili

avoid writing in such passive style

lity. imported goods are imported by the entity or country who benefits by the entity or country who export that. Pakistan's economy in one hand, who is rely on import, and on the other hand, what it imports to global market are less valuable, making all the trade activities more disadvantageous rather than beneficial. The economy that becomes more dependent on import always loss its economic credibility. further more, it also leads to budget deficit, dragging pakistan in a perpetual cycle of foreign borrowings. As a result, balance of payment crisis becomes a rate for a state like for pakistan. According to pakistan's bureau of statistic, the total import value of pakistan stands in \$56.3 billions while, its export count for a meager amount only 32.24 billion, leading to trade deficit of more than \$23.7 billions. Thus, pakistan's over reliance on import rather than export is another factor for its economic insubstantialities.

furthermore, regressive tax policies are another factor, contributing in making pakistan's economy more fragile. Pakistan's tax policies are mostly regressive in nature, treating all equally. This regressive policies always pull-burden on low-income and salaried class. This also provide safe escapism for affluent class, leading to increased in inequality.

-ties. Apart from this issue, palestine's tax based are the lowest as compared to other South-Asian countries. This again provide safe heaven to affluent class and burden the ordinary citizens, leaving most of the businesses out of tax regimes. According to the state-Bank of palestine, tax-to-GDP ratio stands on 10%, making the lowest amongs neighbouring states. Hence, regressive tax regimes are one of the factor making palestine's economy more fragile.

Also, palestine's addiction to debt has turned the economy into a house of cards, collapsing at the slightest tremors of the global markets or domestic instability. This addiction to debt not only erases foreign investors interests but it also deprive palestine of large-sum of its annual budget. It has become like a morphin for the country. Although it gives timely and short term relieve to state, it also drags country in a perpetual cycle of dependency. According to the report compiled by IMF, palestine's external debt stood at \$130 billion, while servicing alone devoured more than 50% of federal revenue, leaving very little for social development. Thus, debt addiction crapples palestine's economy.

Apart from this, unsafe business environment also helps in making palestine's economy

Weeken for a business to be prosperous and expanded it requires safe and secure environment. Foreign investors always prefer those nation for investment that are safe. In Pakistan, most of the foreign businesses or investment projects are either facing terrorist threats or legal uncertainties. These threats and legal uncertainties do not only erode foreign direct investment but it also discourage domestic lenders to invest in a country, leading to the out-flow of large sum of capital from the country. The same is the case with political instability. The prevalence of terrorism in Balochistan and Kpk and unended political instability are cases on the point. They are various foreign backed investment projects that have been not completed because of terrorism and political instability. CPEC truly back this arguments. Hence, insecure and business unfriendly environment deter economic progress.

The above all paragraphs explained the causes of economic fragility. The below paragraphs will throw lights on the impacts of economic fragility.

Economic fragility further increases political dependency on foreign lenders. Although, foreign loans and grants provide short term relief, it inflicts great

harm in longer term. This then turns in a vicious cycle, leading to perpetuating states' dependency. Furthermore, every state's economic management demands unique policy approach because of their demographic composition. In this situation, what foreign lenders do whether they help or not? The answers are big Nos. They even dictate states' economic decisions, compromising the overall strategic autonomy and sovereignty of a state. IMF's stranglehold condition in Pakistan's case is case on the point, showing how states are being dictated by foreign-lenders. Hence, economic brittleness deepens dependency on foreign lenders.

Moreover, inflation and poverty also raise as a result of economic weakness. When the economy is fragile, state becomes more dependent on foreign states. This + leaves state either with no or very little choice to uplift people from poverty or control inflation. Besides, weak economies are mostly import-driven. This dependence on import makes inflation control as an issue of International market rather than domestic market, leaving state with no control to ensure low inflation ratio. Consequently, dragging more and more people into poverty. According to state Bank of Pakistan more than 45% of Pakistan's population live ^{below} poverty lines.

Furthermore, fragile economy is also results in increased unemployment. This increase in unemployment then also have severe impacts on society. Youth becomes easy prey to terrorist and extremist groups, posing unimaginable threat to countries' national security. Also, it makes youth bulge as a bomb and relativity rarer than assets, deprived state of contribution of large proportion of the youth. According world-bank's recent review report, one out fourth graduates secure employment in Palestine after graduation. This then results in large number of brain-drain.

Brain-drain increased when states economy became fragile. Brain-drain refers to the migration of skilled labor forced from mother state to develop states. It happens when skilled people in a state either face lack of matching opportunity or threats to their future. This migration often consisting of Doctors, engineers, IT experts and professionals of other fields. This start a perpetual cycle of force. On one hand, fragile economy force skilled labor to leave the state and on the other hand, state become deprived of force that could help.

contribute the most. According to a research compiled by the International Labor Organization, Pakistan has faced the migration of more than 3 million people in the last three years, making it one of the ~~eight~~ country facing largest brain-drain issue. Thus, brain-drain is a direct consequence of low economic progress.

The above paragraphs illustrated in detail the impacts of economic fragility, the below are the solutions to mend Pakistan's economy.

Tax reform is the ~~the~~ crucial solution to mend Pakistan's economy. Tax refers to an obligatory amount decided by state to be paid by its citizen, most of the state rely on tax revenues. The more a state collect, the develop its economy. Pakistan is facing multifaceted issues in tax administration. Its most of the laws are regressive in nature, burdening the low-income class and providing safe-heaven to affluent class. Besides, Pakistan also have the lowest tax-to-GDP rate in the region. Pakistan, therefore, needs to reform its tax sector by making laws based on equity not equality. It also needs to digitalize the sector that could prevent administrative manipulations which are the main factors halting ways.

to tax base, widening. Hence, to arrest the peril of economic fragility, Pakistan need to reform its tax sector.

In addition to tax reforms, diversification export based production is the need of an hours. Demands of the international market has changed, states have transformed from ordinary production practices. New production sectors have included. The states that still rely on ordinary practices are more prone to market volatilities and climate-changes. Thus, they need to diversify their production base. Pakistan is largely relies on a textile and agricultural production, making it more vulnerable to climate driven changes. Pakistan need to follow the feet-print of regional peers, particularly India. Half of the Indian GDP is made of its IT related goods and services. Thus, Pakistan need to diversify its production base, shifting from textile to IT, and digital services.

Lastly, Pakistan need to reform its agricultural sector. Until, Pakistan reformed and strengthen the sector on which it depends the most, it can not transform the other sectors. Climate change has

became a sword of damocles, hanging over it, particularly impacting its agricultural sector the most. Therefore, Pakistan need to reform its agricultural sectors by; making climate resilient infrastructures, investing in technology and bringing advance practices. By doing this Pakistan would not secure its agriculture production but also secure the career of more than 60% of its labor force. Apart, Pakistan also needs to invest on technological advancement. Hence, Pakistan need to prioritise reforms in agricultural sectors.

To conclude the discourse, Pakistan's economy has been remained fragile since its inception, even though it has witnessed some uplifting movement. There are various factors responsible for this fragility. Some of the factors are: undefined economic-path, over reliance on agricultural sector, narrow production base, ineffective tax system and increasing burden of foreign debt. These all together have severe repercussion for Pakistan. That consequences consisting of low economic progress, high inflation rate, increase poverty and stagnating of brain-drain. Therefore, as a proverb goes, there is never too-late to re-start,

with meager since reforms pakistan covered almost the part of economic fragilities. These reforms entail diversification of its production bases, making agricultural sector more prone to external vulnerabilities, redistancing its tax system and ensuring business friendly environment. Policy maker or those in power corridors needs to understand and acknowledge the fact that for pakistan to be called a true nation, it requires to make economic headways. When economy starts flourishing, all the other issues start taking back-seat and paves way for national integration.

(The End)