

Question no 6

Ans

Introduction

The 2022-2023 Pakistani economic crisis is an ongoing economic crisis and part of 2022-2023 political unrest in Pakistan. It has caused severe economic challenges for months due to which food, gas, and oil prices have risen.

According to Indian strategic affairs specialist Sushant Sareen,

Pakistan has doubled its debt roughly every five years over last 25 year period. Starting from debt of 3.06 bn at ^{General} Musharraf regime in 1999, the debt has stood at Rs 62.5 bn at time of Imran Khan government in 2022. Economically country is grappling with severe inflation, declining currency, and low foreign reserves.

Impacts of economic Crisis on Pakistan

1) Threat to internal security:

The economic crisis in Pakistan will provide a fertile ground for terrorism and radicalism to flourish. It will also embolden the military of Pakistan.

2) Increased unemployment

As the economic crisis continues to worsen, thousands of Pakistanis are losing their jobs.

Pakistan's unemployment rate reaches its highest point; More than one million jobs have been lost in recent months due to economic slowdown. As Pakistan grapples with its most severe financial crisis to date, youth unemployment has hit the historic high.

Cause of Current economic meltdown:

Some of the major reasons for 2022-2023 current situation in Pakistan are:

1) 2022 floods

The floods in Pakistan in 2022 cost the nation an unprecedented \$ 8.3 bn dollar in damages, destroyed essential infrastructure, uprooted 80 mn people and reduced domestic output.

2) Local problems.

According to analysts, Pakistan's distribution challenges are more of a concern than its insufficient supply levels, which have led to shortage and prices increased.

3) IMF Role and other international Institutions

Low ranking by international rating agencies and grey listing of Pakistan in FATF kept

foreign investors away.

In October 2022, Pakistan has been removed from grey list after four years.

The state Bank of Pakistan data suggests that in past 10 years, FDI inflows into Pakistan never exceeded 1% of the GDP.

The vicious cycle of seeking fresh loans and repaying old ones had led Pakistan into the notorious 'debt trap.'

4) Trade deficit

Pakistan has been struggling with trade deficit.

In Feb 2022, ADB reported that Pakistan has one of the lowest trade-to-GDP ratio in the world.

5) Increased ^{global} Oil prices : Inflation!

in Pakistan touched its highest level in November 2021. This is primarily because of global rise in crude oil prices.

Current Economic Crises in Pakistan:

The Pakistani economy is in dire situation as explained below.

- High Inflation: Pakistan experienced a high inflation in 2022, of about 24.5%. The percentage was about 29% higher than in 2021.

- High Indebtedness: Pakistan has long struggled with a number of issues; its current condition is not new. Due to it, Pakistan is heavily indebted to friendly countries and IMF.

- Food Crisis: The cost of ^hperishable foods _{wheat in} has increased by over 56%. Cost of Pakistan has been rising to uncomfortable proportions.

- Rising Terrorism: In Pakistan, the effort to split Pakistan into two countries, Terrorist groups increased their activities here which led to economic crisis in Pakistan.

Measures to resolve core issues

1) Increase foreign reserves

The government can take steps to increase foreign reserves, such as encouraging foreign investment and reducing trade deficit.

2) Addressing energy crises

Pakistan has been facing energy crises for a long time, the government needs to take steps to address this by investing in renewable energy, reducing subsidies and encouraging the private sector investment in the energy sector.

3) Trade and export promotion:

The government can encourage the exports by providing incentives

to exporters + and creating a more conducive environment for trade.

4) Monetary policy:

The central bank can use monetary policy tools, such as raising interest rates, to control inflation and stabilize the currency.

5) Implementing structural reforms

This can include measures to improve the business climate, such as reducing bureaucracy, streamlining regulations, and creating a more level playing field for businesses. This would encourage more foreign investment and help to increase the economic growth.

6) Fiscal consolidation:

This would involve reducing the budget deficit.

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and increasing taxes, cutting the government spending, and implementing austerity measures.

Conclusion:

It is difficult to estimate exact time it will take for Pakistan to overcome its economic crisis, it depends on the effectiveness of measures taken, external factors such as the global economic conditions, and the country's political stability. It's a gradual process and it may take several years for the country to return to a stable economic state.