

Date _____

Q6. Introduction

Pakistan is in a state of economic turmoil at present. The financial year 2022-23 has been one of the worst in its economic history and the start to FY 23-24 does not present a picture of hope. According to the State Bank of Pakistan, the country's foreign exchange reserves at present are less than \$ billion USD. Moreover, the inflation is soaring high at all time peaks. The Economic Survey of Pakistan quotes that average inflation of FY 22-23 remained at 28.2%. The reasons for this quagmire are not just the present day politico-economic crises that Pakistan confronts, but there are deep-rooted systemic faults in our economic framework due to which we see this economic conundrum. Moreover, to address the economic issues it is important that swift actions must be taken. These include not only short term agendas but an overhauling of the entire economic system that has failed to reap any fruitful results. If structural reforms are not taken, the economy of Pakistan will continue to cripple.

Causes of current economic meltdown

i) Political instability in the country:

Pakistan is suffering from serious political and governance crisis at present. The lack of stability in the government setup inevitably reflects on the country's economic and social outlook. Those at the helm of affairs need to make effective policy decisions to mend our economic faults. However, at present the people and the business communities seem to lack confidence in the system. Another consequence of this is that investors do not trust to direct their investments in the economy if they view the system is not intact. Furthermore, the lenders abroad do not take national guarantee as sufficient to grant loans to the country. IMF asked Pakistan to secure funds from UAE, Saudi and China to release the bailout package. Other than this, a weak nervous system of the country is not able to make the decisions that will run the economy in the smooth manner.

ii) Economy based on borrowed funds:

Date _____

Pakistan went to IMF for the first time in 1958 and since then we have taken 23 IMF packages. The economy of Pakistan has historically and presently been driven by local and foreign loans and grants. Our current foreign debt is about \$139 billion according to SBP. Just in the fiscal year 22-23, we had foreign funding increase of 71% as compared to last year, according to economic survey of Pakistan. There are several issues with this debt-centred economy. Firstly, Pakistan has gotten itself into a vicious debt trap. That is, it needs to take more loans in order to pay back the previous ones. In case it does not do that it risks default situation. The scale of loans is so vast that even if Pakistan restructures its economy and moves in the right direction it will need a decade or so to lay off the burden of debts. Secondly, the use of debts to drive economy means that we get temporary growth but once the volume of these starts to decrease we fall into an economic crisis once again. Thirdly, the conditions associated with these debts are not easy to fulfil. The hefty interest rates, combined with

Date _____

the devaluation of our currency, means that the volume of loans will automatically increase and we need to pay a lot more than we had initially taken.

iii) The implications of IMF deal :

IMF has granted Pakistan a stand by agreement of \$6 billion. Although this saved us from the imminent risk of default but the conditions associated with it have added to our economic and social problems. Due to IMF deal, additional taxes have been added. The import restrictions are let go off. Subsidies have been removed. Interest rates have been kept high. All of these measures result in inflation and unemployment in the country. The currency continues to get devalued. The trade deficit will increase. Our current situation is such that although IMF deal is necessary for us but it is also adding to the economic issues of the country.

iv) Import driven economy :

In the FY 22-23 we imported \$46 billion worth of imports whereas our exports

Date _____

were just \$21 billion. This trade deficit results in economy being moribund. The dollars reserves of our country continue to deplete and we face a severe balance of payment crisis where inflows in the country are greater than the outflows. We import a large quantity of items, but even among them the imports especially of fuels are shrinking our economy. As the global energy prices are increasing, we as importers of energy fuels suffer greater. Other than this our export base is weak. The manufacturing sector declined further in the previous financial year. Moreover, we do not export a large variety of value added items. Even in service industry our exports are limited. India exports \$194 billion in IT as per its ministry of electronic compared to the meagre \$1.94 billion we export. Hence, this imbalance between imports and exports also derails our economy.

v) Expenditures more than revenues :

Another critical problem with our economy is that we spend more even though we have

Date _____

less resources. Our fiscal deficit last year was ~~₹ 4.1 billion~~ 4.1 billion rupees according to the finance division. This hefty fiscal deficit is a result of excessive amount of expenditures that the state has. The state owned enterprises are one of the reason that expenditures are high but the productivity and revenue is low. Moreover, the government does not collect enough taxes to boost its revenue. For for long our tax net is very narrow. Many large commercial sectors and ~~small~~ ~~§~~ businesses have been exempt from taxes. There is increased amount of tax theft as well. Moreover a large umbrella of population is not registered within the tax bracket. Therefore, government has difficult time maintaining its budget ~~of~~ requirements and balancing revenues and expenditures.

Measures to address the core issues

Although our economy is suffering greatly but it is not a novel problem that does not have a solution. We have many a examples from history and other nations who transformed their

Date _____

economies while having even less resources than us. The post WWII Japan, China of today, India post 1990's - all of these were in economic turmoil before they took major policy decisions to transform their economies. Pakistan also can learn from these and it needs to take short and long term measures to heal its economy. These can include:

- i) Short-term: Loans are required to ventilate economy
In the short term we need funding to ventilate our moribund economy. We need to increase our foreign reserves and increase the dollar inflow in the country. This will help to stabilise our currency and also allow businesses to have confidence to spend in the system. Moreover, we need loans to pay off our past loans and also to drive our state, which needs money to fulfil its expenses. However, these loans need to be utilised with a focused approach and along with these the loans need to be viewed from perspective that they provide us short term respite so that we can carry out structural reforms to

Date _____

transform our economy.

ii) Increase the domestic productivity :

It is of utmost importance that we improve our local productivity to maintain and boost our economy. We need to revive our manufacturing sector. We need to make policy decisions to increase our exports and also diversify the items that we are exporting. Moreover, we need to provide incentives to people to invest in productive sectors of economy rather than stagnant sectors. A great part of boosting domestic productivity is to improve our human capital and to make a skilled workforce so they can contribute to boost our economy. Until or unless we do not solve our balance of payment crisis by increasing ~~export~~ exports and reducing imports we will suffer.

iii) Ensure political stability in the country:

The political and governance issues need to be resolved. The constitutional crisis related to new elections and the mandate of caretaker government, need to be addressed

Date _____

as soon as possible. Only a government that has legitimacy will have a mandate and clout to make strong policy decisions to reform the economy. Moreover, a stable government will help to gain the interest of foreign and local investors to invest in our economy.

IV) Incentives to boost the service sector:

Pakistan has > 60% population which is under 30 years of age, according to Pakistan Bureau of Statistics. Pakistan can utilise this young workforce to boost its service sector. India has transformed its economy by increasing IT and services related exports. Pakistan can also do the same by giving incentives to boost the service sector and by capacity building of its human resource to contribute to the exports of services industry to aid our economy.

V) Curtail expenditures and improve revenues:

Another important measure to heal the ailing economy is to control our expenses. Pakistan needs to privatise the state owned

Date _____

enterprise which are a burden to the national exchequer. Moreover, it should limit its spending in the unproductive components of the state machinery. Austerity measures need to be taken to limit spending on foreign reserves on import of luxury items. Apart from this, the government needs to focus on broadening its tax net. Instead of ~~already~~ increasing taxes for the current taxpayers, the government needs to bring in commercial entities who do not pay taxes into its tax umbrella. Moreover, strict action needs to be taken against those who evade taxes.

Conclusion

The economy of Pakistan faces serious problems in the present times. It has suffered gravely especially in the last year. The causes of which have been political instability, global economic changes and long term structural flaws. However, these issues also give Pakistan an opportunity to rethink its economic strategy and implement appropriate measures to

Date _____

transform the economy. These include short term mitigation with foreign funding and in the long term fixing the systemic flaw. Only then can our economy move in the right direction.

Q5. Introduction

According to the digital census conducted this year, Pakistan's population has reached to 241.49 billion. It is already the 5th most populous nation of the world. It has one of the fastest population growth rates, 2.55%, in the world (Pakistan Bureau of Statistics). If the population continues to grow at this rate, Pakistan will have a population of 403 billion by 2050 according to a UN report. This exponential rise in population will eventually result in country facing a severe scarcity of resources in the near future. The already suffering economy will not be able to ^{sustain} the pressure added on by the increase in population. Apart from the severe economic implication, a plethora of social issues will also arise. This would include rising poverty, crime, unemployment and deteriorating

Date _____

living conditions etc.

Malthusian theory for population growth

According to the Malthusian theory, the population grows in terms of geometric progression whereas the resource of a country grow in arithmetic progression. The consequence of this is that over time the population exceeds beyond the ability of a country to sustain it with its resources. We can witness this in Pakistan as well.

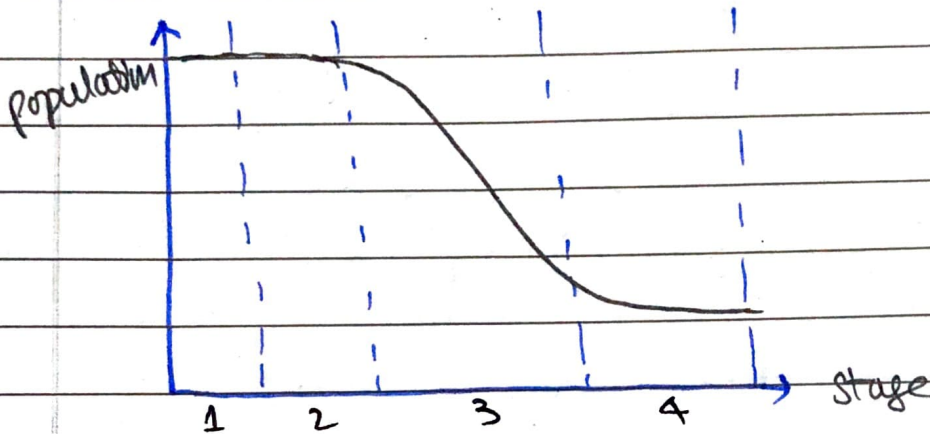
Although Pakistan's population continues to grow the resources are not increasing at pace with it. Due to which the poverty, economic inequality, starvation and unemployment has risen across the country.

Demographic transition model of population

The demographic transition model theory posits that the country's population growth pattern is based on its level of technological development. The pre-industrial societies have low technology and hence, birth and death rates are high so overall population

Date _____

population is high, but as countries move towards industrialisation the death rates and birth rates fall and the population decreases.



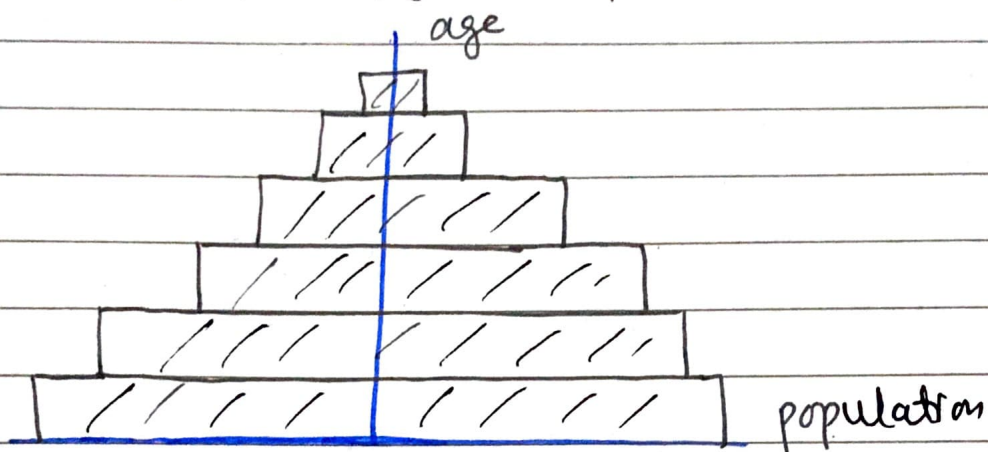
- 1: high birth rates, high death rates
- 2: high birth rates, low death rates
- 3: low birth rates, low death rates
- 4: Decreasing levels of birth and death rates

Based on this model we see that Pakistan is still at the stages where birth rates are quite high and death rates, although less than before are still high. So overall the population continues to increase in Pakistan. As a country with low level of technology and less industrialisation it can be the expected result and to change its demographical situation it needs

Date _____

to industrialize itself.

The demographic pyramid of Pakistan



The pyramid represents the population growth pattern in Pakistan. As the population continues to grow we have a broad base that is a high number of children and young people. As per Pakistan Bureau of Statistics, $> 60\%$ of our population is under 30. The pattern of demography reflected above shows that a country has very high birth rates. Compared to this countries who have low birth rates and a stagnant population, these demographic shape is more like a box with equal rows across the pyramid. The growth of population can be attributed to factors

Date _____

such lack of awareness about family ~~pa~~ planning, lack of access/resources for family planning, religious reservations, governments inability to ~~ent~~ adopt population control policies, high infant mortality rates and viewing of children as an economic asset.

Effects of growing population on social climate

i) Poverty: Pakistan is a country which is suffering from economic crises, as the population increases more people will suffer from poverty. It has one of the highest poverty rates in the region. As people fight to grasp the resources, poverty will be a natural outcome.

ii) Unemployment: According to the Pakistan Social and Living Standards Measurement Survey 2019-2020 about 17% of our workforce are unemployed. This is because the country's institutions have less jobs to offer than the number of people competing for it. As the population will increase there will be ~~an~~ a greater squeeze. Already the economic turmoil has seen many lay

offs and the imbalance between demand and supply of workforce will further aggravate the situation.

iii) Increase in crime: As the struggle for resources increases, crime becomes an inevitable outcome. If the country can not sustain its citizens with legitimate means, people will resort to illegal means or they will try to grab other's share for themselves. Pakistan already suffers from increased crime rates. As per CPLC, there were more than 60,000 incidents of street crime in Karachi in the first 9 months of 2023. One of the reasons being increase in population and increased struggle for resources.

iv) Social unrest: As more people fight for scant resources, it is difficult to maintain an order in the society. Moreover, there is an unplanned growth across the country with several slums and illegal settlements arising. These factors will result in confrontations between the state and its people and

cause social unrest.

v) Hunger and starvation: A byproduct of poverty is also hunger and starvation. In the recent month owing to the crippling economic conditions of the people, many have resorted to dire steps such as suicide to escape the fate of hunger and starvation. Hence, as population will rise, more will be the people confronting this issue.

Effects of growing population on economic climate

i) Mismatch of demand and supply in the economy:
Increase in population means that there is more demand in the country, whereas the current situation of the economy is such that it can not supply enough and cater for the demands of the people. The consequence is that eventually economy will also suffer due to the unsustainable population growth.

ii) Impact on agriculture: Pakistan used to be an exporter of wheat. However, due to

Date _____

The increased population and hence the increased consumption, Pakistan now has to resort to importing wheat. Moreover, the recent Russia-Ukraine war impacted global food prices. The effects of which trickled to Pakistan too. If population was controlled in Pakistan, it could have sufficed with its own resources without the need to import.

iii) Rising imports: The growth of population reflects on the increase in imports of the country. Since country lacks in many resources it has to import from other nations. Pakistan is the 3rd largest importer of tea in the world. This shows that as the numbers increase so will the numbers of our imports.

iv) Potential human resource: Not all is bleak with the increase in numbers. A large, young population can also serve to be a great resource than just a burden. China can be taken

Date _____

as an example. It utilized its human resource to boost its manufacturing sector. Such was its success that many foreign investors setup their plant in China for production to benefit from its vast workforce. Likewise if Pakistan uses its workforce and builds their capacity, it can strengthen its economy. It can boost its manufacturing and services sector. Moreover, in the present globalised world a skilled labor can itself be an export. Hence, if utilized properly a large workforce can also boost the economy.

Conclusion

Therefore, it can be concluded that Pakistan is one of the fastest growing countries of the world and soon it will takeover Indonesia to be the 4th most populous country. The increase in population can several socio-economic issues. It propagates a struggle for the limited resources and hence results in poverty, hunger and starvation. Moreover, it can impact the demand and supply chain of the economy. If Pakistan has to

Date _____

move forward. It needs to take measures to limit its population so that its resources can sustain the population.

Q7. Introduction :

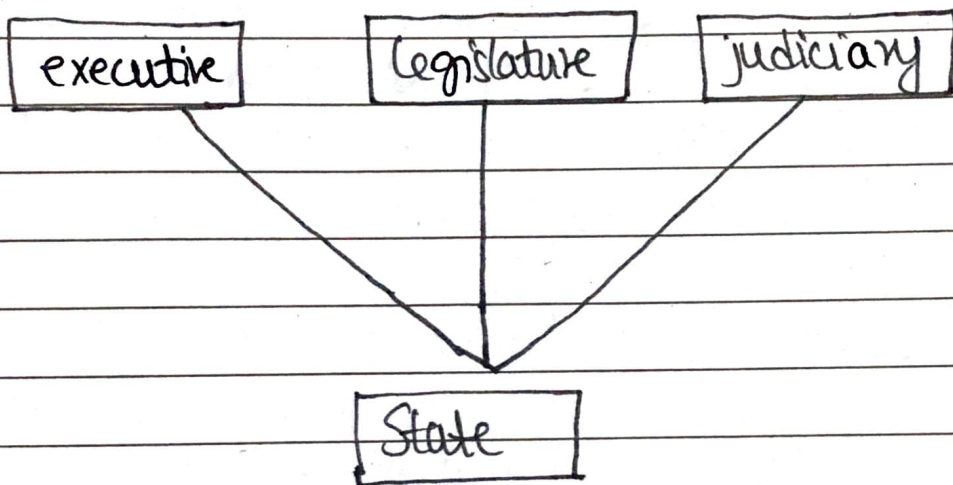
After the end of 5th year term, 2023 was supposed to be the year of elections for Pakistan. However, the events at the start of March 2022 resulted in a change of government. Following that Pakistan has witnessed both a constitutional crisis as well as display of poor political governance. The two issues are interconnected and interlinked. Poor political governance indicates that the rule of law and constitution is not implemented and enforced in the country. Moreover, a constitutional crisis affects the legitimacy of the government and hence, it manifests as the government not being able to ~~perform~~ function properly and enforce its writ.

Theory of Separation of powers and the present day crisis

Montesquieu famously expounded the

Date _____

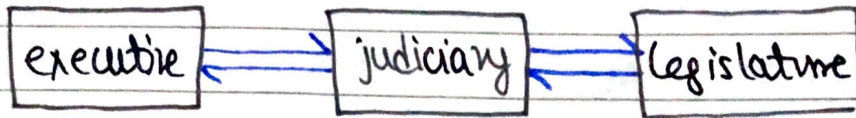
the theory of separation of powers. He suggested the the three components of the state : legislative, executive and the judiciary, be independent of each other. Although each of these keeps a system of checks and balances to avoid giving anyone absolute power, yet each performs its function free of interference from other.



However, in view of the current state of affairs of Pakistan we have witnessed that both judiciary and executive and ~~leg~~ legislature have encroached upon each other's domain. Although, there is certain intermingling and fusion of powers in the parliamentary form of government, what we see today in Pakistan is that judiciary and the executive have come at crossheads over the

Date _____

constitutional matters which has created a state of crisis.



The Lahore High Court had instructed the government to conduct elections in the KP and Punjab assemblies. However, it was unable to do so. Moreover, after the dissolution of the National Assembly, article 224 of the constitution requires that elections need to be conducted within the 90 day time period. Yet this again seems to be a distant possibility because before the government was dissolved, the Council of Common Interest ~~was~~ decided to conduct fresh delimitation process based on the digital census of 2023. In doing so, the Election Commission of Pakistan will not be able to carry out the elections within the time period stipulated in the constitution.

Poor political governance leading to constitutional crisis

Date _____

The government had taken several missteps that lead to constitutional crisis. Firstly, the orders of the apex court and high courts were not implemented regarding the elections of provincial assemblies. This led to a constitutional deadlock. Moreover, the government had made hasty legislations many of which were regarded by the judicial reforms a constitutional ultra vires. The recent incident of the President stating to not have given assent to certain bills also created a constitutional crisis. As per constitution, president is obligated to approve the bill by 10 days or send it for reconsideration with recommendations to the parliament. However, the state did not follow the due process which further deepened the constitutional pitfall. Moreover, the government had been unable to cope with the economic and political pressures that has further displayed lack of governance and has in turn aggravated the constitutional crisis.

Constitutional crisis aggravating poor governance
Due to the present constitutional crisis and lack of a mandated government by the people,

Date _____

The governance issues have further increased. At present the caretaker government is at the helm of affairs. However, it is working to resolve some major issues such as economy and social unrest, of which the constitution does not give the mandate. Due to this effective legislation can not be conducted to deal with critical issues such as solving the economic conundrum of the country. Moreover, the constitution is the basis of any government's machinery. Justice should not only be done but seen to be done. However, the tussle between state institutions at present times has led to a crisis situation and has affected the ability of the government to run the state of affairs smoothly.

Conclusion

Hence it can be concluded that poor political governance and constitutional crisis deeply impact each other. Constitutional crisis weakens the legitimacy of government and its ability to enforce its will and poor governance lead to unsuccessful implementation

of the constitution that leads to a constitutional crisis. Therefore, both the state executive and judiciary needs to be at the same page to avoid hindrances to the running of the state.

Q8. Introduction

After the takeover of Afghanistan by the Taliban government in 2021, the world has been sceptical regarding the future of Afghanistan and the legitimacy of the Taliban government. The concerns regarding the security of the region and instances of human rights violation in the country has discouraged many international leaders to acknowledge the government of Afghanistan. Even Pakistan who have had bitter-sweet ties with the neighbour's leader, has avoided to officially resume diplomatic relations with the neighbour. China, however, has taken the first step to recognise the Taliban government and has sent its ambassador there. China pursues a policy of soft diplomacy and geo-economic strategy in order to develop relations with the other countries.

Date _____

Afghanistan's geo-strategic importance

Afghanistan has historically been a place of geo-strategic importance. It has a 2600km border with Afghanistan. It connects with China's Xinjiang province, Tajikistan and Pakistan. Over years, Pakistan has considered Afghanistan as an ally based on historical, cultural, religious and geostrategic depth. Afghanistan is an important player in the region because stability in Afghanistan allows China to have a safe transit to Pakistan and Central Asian Republics (CARs). Afghanistan is at the centre of China's Belt and Road initiative. China seeks to connect regions of Central and South Asia to Middle, Europe and Africa. If Afghanistan remains ^{east} peaceful then it can play a major role to boost China's economic corridor. There could be an easy transit to Pakistan's Gawadar port through which China and CARs seek to access sea trade routes.

China's influence in the region

China is on the path to revive its old

Date _____

silk route trade and with that it seeks to counter the global north and USA by being an economic super power. China has spread a wide network of economic trawls and corridors ~~into~~ in order to strengthen its trade and explore new markets for its products. Although it has economic perspectives in mind, it also seeks to gain diplomatic clout in the world politics. China already played a key role in the middle east to mend ties between Saudi and Iran. US, which previously was considered to be a diplomatic mastermind could not achieve that. Moreover, US abandoned Afghanistan after years of war on terror. This left Afghanistan economically, politically and socially crippled. However, as China seeks to fulfil that diplomatic vacuum, it will surely be boasting about its diplomatic prowess to the world.

Western world's hesitancy towards Afghanistan

The takeover by Taliban government was faced with serious criticisms. Many see this as a threat to the security of the region and resurgence of banned outfits who are

Date _____

supposed to have safe havens in Afghanistan. Moreover Afghan governments ban on female education as well as subduing them in economical arena, has made the world renouncing its government. Such security and human rights violations in ~~Afghanistan~~ concerns in Afghanistan has resulted in it being diplomatically isolated.

Sign for other countries to establish ties with Afghanistan

With the diplomatic commencement by China, the world might take notice of the future trajectory of Afghanistan's progress. China has taken a step forward because it considers Afghanistan vital to its global economic policy. Moreover, presence of China in the region will also ensure that Taliban government pursue a policy of peace and economic development instead of supporting any non-state actors. If China is successful in its diplomatic mission it will convey a message to the world that soft diplomacy can be utilised to transform the mindset of nation. Moreover, since China is one of

Date _____

global superpowers many countries may follow its lead to reestablish ties with Afghanistan. Pakistan can also be swayed to resume diplomatic missions. However, first the issue of cross border terrorism, border skirmishes and mutual trust need to be addressed.

Conclusion

Therefore, it can be concluded that China's diplomatic presence in ~~the~~ Afghanistan is more related to its economic policies since Afghanistan is an important country in its trade routes. This also allows China to show ~~its~~ its diplomatic strength to the world. But on the other end of the spectrum many countries can take it as a sign to resume diplomatic relations with Afghanistan because it may also be a key to partake in China's economic world order.