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Mock Exam - 4 - PAK AFFAIRS

Q2) Introduction

On 14th of August, 1947, Pakistan, an independent muslim nation was founded by the help of a few astonishing visionaries, Muhammad Ali Jinnah and Allama Iqbal. These individuals considered independence an absolute necessity for the growth and development of muslims. However, soon after the division of the Indian sub-continent, Pakistan began to face serious issues in ~~pitfalls~~ elements that make up a sound state system. These included economic welfare, security, social welfare and sound governance.

Reason for ~~his~~ unfair these weak foundations for the new nation was the unfair divide in assets between India and Pakistan. Radcliffe award of 1947 further aided the Indian nation and was discriminatory towards Pakistan by dividing territories in an extremely unjust way. So, from a broad perspective, Pakistan has been economically weak since its birth. Radcliffe award allocating important agricultural areas like that of Gujardapur and Ferozpur to India, disrupting trade routes between Pakistan and its natural markets hindering economic development and water disputes which posed great threat to Pakistan's agriculture, which was (and remains) the backbone of its economy.

Since its inception, Pakistan has faced persistent economic challenges, which have only been exacerbated over time by a range of issues. Trade deficits, energy crisis, unemployment, inflation, political instability, and security concerns have all compounded the nation's economic fragility, creating a cycle of difficulty that has yet to be broken.

Trade deficit: The unseen anchor weighing down Pakistan's Economy

Pakistan has been facing persistently higher trade deficit since long and this unseen anchor has deteriorated Pakistan's ~~eco~~ economy in an unprecedented way.

~~The~~ Trade deficit is basically the difference between imports and exports.

$$\text{Trade Deficit} = \text{Imports} - \text{Exports} \text{.})$$

When imports exceed exports, the result is a trade deficit.

	<u>Fiscal Year</u>	<u>Trade Deficit</u>
a)	2022 - 2023 →	44 billion dollars Imports = 80 billion Exports 36 billion = 80 - 36 = 44
b)	2023 - 2024 →	Well above 44 billion dollars
c)	2021 - 2022 →	Deficit of 40 billion dollars

source :- State bank of Pakistan
Economic division of Pakistan

In the last 5 years, the average trade deficit was well above 40 forty billion dollars. In the last 10 fiscal years, the average trade deficit was well above 35 ~~billion~~ thirty-five billion dollars. And in the last 20 fiscal years, the trade deficit was well above 25 billion dollars.

The figures further prove that Pakistan's economy is persistently weakening as trade deficit average has been increasing gradually. ^{Some of the many} ~~the~~ reasons for trade deficit are many;

Reasons for trade deficit

Massive imports of hydrocarbons:-

Hydrocarbon is the largest importing product of Pakistan since day one. Hydrocarbon import is more than 50% of overall trade deficit and more than 25% of overall import. The reason for this high number of hydrocarbon import in Pakistan is because the capacity of producing hydrocarbons is low in Pakistan but consumption is extremely high. Approximately one billion cubic feet of gas was consumed per day by Pakistan out of which 36% was locally produced and the rest was imported in the form of LNG.

Declining Industrial sector

Since 2022, more than two-hundred industries closed down in Pakistan. Textile industries which are a backbone for Pakistan's industrial sector completely or partially closed

shut down, some examples include, Nishat, Lawrence pur, and Kohinoor. Automobile industries like, Suzuki, Indus, Honda, MG, either completely or partially closed down their units. This results in an increasing trade deficit. Persistently high load shedding, ratio of taxes especially GST has been higher in Pakistan, and lack of doing business in Pakistan further exacerbate to the decline of industrial sectors.

Population rise

Unprecedented increase of population resulted in the increase of import resulting in more trade deficit. In 1998 census conducted by Pakistan Bureau of Statistics (PBS) ~~stated~~, reported, total population of Pakistan was ~~the~~ ^{one} hundred and forty million but in 2023 it reached to almost two hundred and fifty million. This leads to increase of demand of products. The local production sector is unable to meet the demands. Resultantly there has been an unparalleled increase in the imports that has caused more trade deficit.

Energy Crisis :- An overlooked evil deteriorating Pakistan's Economy

Pakistan's policy makers have usually overlooked upon energy crisis as a threat to Pakistan's economy and focused on other issues. However, energy crisis has impacted Pakistan's economy tremendously in various ways. Energy crisis

pose an array of implications. Firstly, ~~the~~ industrial sector is hit in major way. The cost ^{per unit} of electricity in Pakistan is 29% higher than in India and Bangladesh. This has led to around two hundred industries closing down in Pakistan since the last 3 years. Agricultural industry which has been the backbone of Pakistan's economy has faced major set back due to energy crisis. More than 30% of agriculture is based on tubewells, which are powered by electricity. Greater loadshedding creates greater setback as prices of agricultural produced products rise, giving birth to greater inflation. ~~This also~~ Energy crisis also aids the increasing balance of payment crisis which further puts pressure on dollar reserves. leading to the government to acquire loans from IMF to stabilize the dollar reserves.

Political Instability

Pakistan, since its inception, has been in political turmoil. Facing various martial laws to ~~multiple~~ being ruled by approximately twenty nine prime ministers and thirteen presidents. This high number has led to instability in Pakistan political system. ~~is various~~ A country which is perceived to be politically unstable is bound to face economical issues. Pakistan - Muhammad Amir Rana reports in Dawn news: Pakistan ranks 27th on the Fragile States index, with poor economical, social and political indicators. And has gone

down by five points in 2024 as compared to 2023. The link between economy and politics is such that, if political instability prevails, sound development policies cannot be formed leading to economic crisis. Foreign investors do not invest in countries which is politically ~~instable~~ unstable.

Inflation :- A serious threat to Pakistani economy.

High inflation ~~rate~~ erodes purchasing power, increases cost of living, and creates economic instability, affecting both consumers and businesses. Pakistan has been facing higher inflation rates. As per Pakistan ~~Bank~~ Bureau of statistics reported, the year 2023 Pakistan faced the highest ever price hike since independence. The sensitive price index was 49.8% in March, whereas consumer price index was 37% in July, 2023.

Security Issues :- A threat for all foundations.

Ongoing security issues impact business operations, discourage investments, and lead to higher costs for maintaining security measures, all factors leading to economic instability. Pakistan has been facing security issues for a long period of time. ~~Recently, Chinese~~ ~~nationals~~ China holds a major importance in Pakistan's development as Chinese nationals come to Pakistan with the vision of strengthening ties between both countries.

with the help of development projects, however, there have been multiple attacks targeting Chinese nationals and interests in Pakistan.

Fig: Flow of events in which security issues were faced by Chinese nationals

2017 -> Kidnapping in Balochistan

Two Chinese nationals were abducted

2018 - Suicide bombing in Balochistan

Suicide bomber targeted a convoy of Chinese engineers

2019 - Attack on a Hotel in Gawadar

2021 - Karimabad Attack

injured several Chinese nationals

2022 - University Attack

Attack on van carrying Chinese nationals

Strategies for sustainable economic growth and development:

Sustainable economic development and growth is only possible when the ~~above~~ economic challenges mentioned above are dealt with.

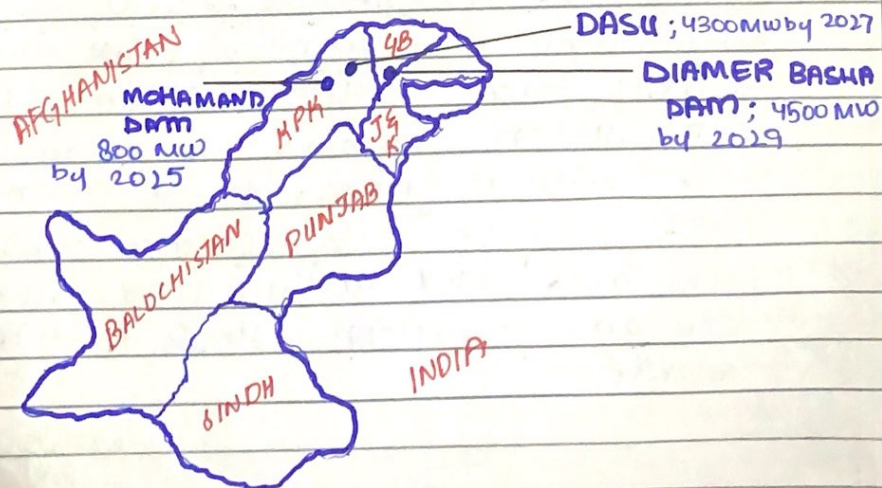
Solution for Trade deficit

Firstly, Impose higher taxes on the import of foreign products. This would discourage the import of foreign goods and result in decrease of imports which would result in decline in trade deficit. ^{secondly,} Industrial reforms like bailout of packages, providing electricity on subsidies rate, uninterrupted and toll

Free import of raw materials and ~~int~~ attracting foreign investors. Lastly, adoption of protectionist measures can greatly evade the rise in trade deficit further eliminating this phenomenon that poses as an economic challenge.

Solution for Energy Crisis

Installing local and cheaper electricity projects in Pakistan would definitely mitigate the ~~cost of~~ high cost of electricity that is due to imports. Pakistan has been making efforts to develop infrastructure and form energy policies to combat energy crisis. In 2020, Energy policy 2030 was launched, this will focus on indigenization of electricity generation. Meaning by 2030, Pakistan would not be making a single watt by imports, only locally. Various local hydel projects have been developing that would provide sufficient amount of energy by specific years.



Solutions for inflation

Bring dollars to the country can definitely remove Pakistan out of the shadows of inflation.

② more loans → Increase in remittances →
↑ foreign investors → ↑ exports

Controlling outflux of dollars by placing protectionist measures. Using other currencies such as Yuan to purchase goods for e.g. Pakistan purchased oil from Russia via Yuan. These strategies can mitigate the effects of inflation and improve economy.

Solution for political instability and security issues.

Addressing political instability and security issues in tandem is crucial for fostering economic development and growth. Key solution such as promotion of rule of law, decentralization can strengthen democratic institutions. Comprehensive security reforms can be implemented such as strengthening security forces by investing in modernizing police and military forces. Counter terrorism and rehabilitation programs can de-radicalize these militant groups. Special economic zones can be established in conflict prone areas and lastly, good governance and anti-corruption efforts must be made.

Critical Analysis

Pakistan's economy has long struggled with multifaceted challenges that impede sustainable growth and development. Challenges such as trade deficits, high inflation, energy crisis, political instability and security concerns. Addressing governance and security issues is crucial for long term economic stability with sustainable strategies being incorporated can maximize growth.

Conclusion

Addressing Pakistan's economic challenges requires a holistic approach, focusing on diversification, governance and security. Sustainable strategies are vital to foster long-term stability, growth, and prosperity.

Q5)

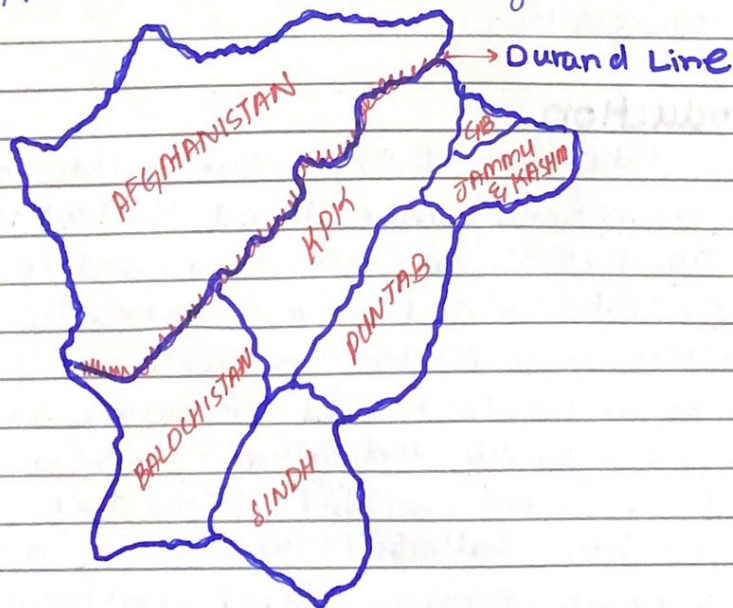
Introduction

Pakistan and Afghanistan relations since the beginning have faced fluctuations. Pakistan has always looked forward to close, fraternal and good-neighbourly relations with Afghanistan, with which it shares multiple ties of geography and history, ethnicity, and culture. Unfortunately, relations were clouded at the start as the Afghan challenged the validity of the 1893 Anglo-Afghan Treaty establishing **Durand Line** as boundary between Afghanistan and British India. This issue is still

evident to this day. On 30 September 1947, Afghanistan voted against Pakistan's admission into the United Nations. Graciously, it withdrew its negative vote twenty days later but this did set a negative perception between the two.

Since then, many issues have come up; ~~to~~ Baluchistan issue, NWFP issue, ~~a~~ refugee issue, jihad initiative, and geostrategic issues, which has deteriorated the relations of the two neighbouring nations.

Despite Afghanistan playing an important role in de-stabilizing the relation between the two, however, Pakistan's certain policies and decisions formed by various political rulers has stem the violence that overwhelmingly affects its two border regions.



Nation of Pakistan considering Afghan war as a curse rather than a miracle.

After 9/11, U.S. took serious actions and fought a war on terror.

U.S. demanded the support of Pakistan against the militant groups residing in Afghanistan. Pakistan had no choice as U.S. president, George W. Bush stated:

"You are either with us, or you are with the terrorists".

So, to protect its foreign or global prestige Pakistan provided logistic support to U.S. on war on terror. Shamsi air base, NATO supply route was provided to the U.S. military to reach Afghanistan. Former allies turned rivals as sense of false brotherhood was perceived by Afghan nationals as from a broad perspective Pakistan's policies against considered Afghan nationals as terrorists.

Various factors contribute to the context regarding Afghan war being a curse for Pakistan, for example, production of local weapons in Pakistan; extremism, global jihad narrative and drug smuggling. Pakistan's efforts to reconsider this narrative has never been a talk of the table and Pakistan's foreign affair institutions ^{are} showing no flexibility towards this narrative of curse, afflicting the relation between the two nations. General Asim Munir on August 14th, 2024 stated "labelled organizations in Afghanistan as 'Fitna-al-Khawarij'". Pakistan is going

more for a holistic approach in bringing them down but linking religion to militancy is not always an option.

In an alternative perspective, war on terror proposed as a miracle for Pakistan. Firstly, Pakistan announced Jihad and countered many times greater enemy expansion in 1979. Pakistan started Secondly, Pakistan started joint operation with CIA, named "operation cyclone". Pakistan managed to get acceptance from America and western block of durand line as an international border in 1981. Thirdly, American aid to counter Soviet union ~~was~~ posed beneficial ~~from pak~~ for Pakistan. Pakistan's economy was growing during war on terror. Western block and American block were supporting this cause → approximately 3.4 billion dollars from U.S was received. Fourthly, Pakistan maintained its national prestige and lastly, completion of nuclear project during war on terror

Pakistan is not recognizing taliban. why Pakistan should.

Pakistan is not recognizing the taliban regime despite ~~UN has~~ taliban regime has brought stability in Afghanistan after four decades of vigorous war. UN has titled this situation as "transition from insurgency to government authority". Various policies laid by Pakistan have been criticized as unfair

for several reasons. **Selective engagement;** Critics argue that Pakistan's engagement with the Taliban, while not formally recognizing their regime, has led to selective and inconsistent policies that undermine regional stability and contradict broader international norms. **Human rights concerns;** By not recognizing the Taliban regime, Pakistan is seen as indirectly endorsing the human rights violation and restrictive policies imposed by the Taliban, without actively addressing these issues. **Pakistan is influenced by major powers;** Pakistan says it will recognize Taliban regime once major powers of the world recognize them, this contradicts the thought of Pakistan considering Afghanistan a brother as it is indirectly going against its neighbour and supporting powers in the far continents of the world.

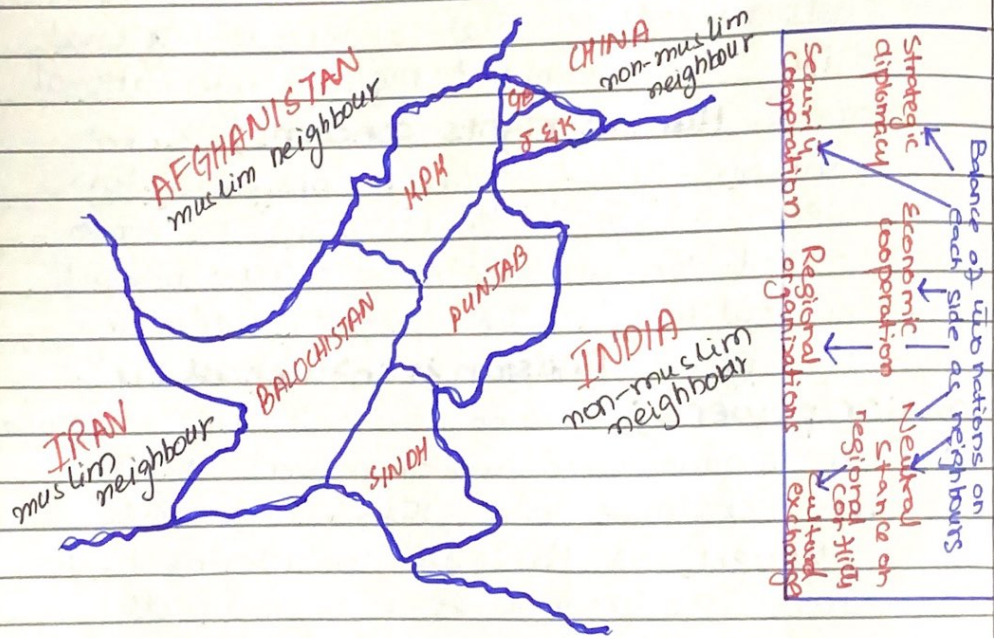
Why Pakistan should recognize Taliban regime

Diplomatic challenges :- Pakistan should recognize the Taliban regime due to western border and strategic depth of Pakistan and Afghanistan.

It will pose as a favourable warfare technique to counter Indian covert war technique. Secondly Furthermore, recognition is necessary due to Pashtoon wali culture for the respect of Pashtun brothers.

To Recognition is important to establish an

Islamic brotherhood and neighborhood as people of Afghanistan have supported us against India in the past
To create balance



Lastly, we should recognize them as we did in history. In 1996, we recognized them before why not now. We faced peaceful border situation in 1996. Afghanistan taliban also discouraged nationalist militants against Pakistan.

Security Challenges:- 0.7 billion U.S dollars was spent on fencing durand line but constant issues are evident.

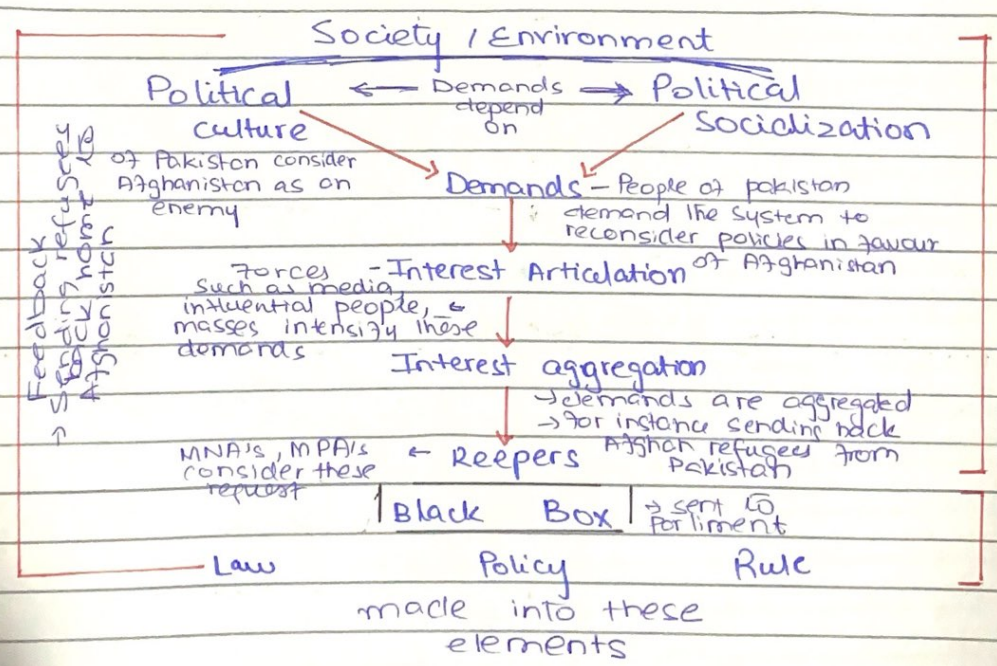
The reason for this is that it is an irregular passage with mountaneous areas and deep vallies. So spending millions to fence durand line is not a favourable approach and this can be sorted out by

recognizing taliban regime.

Humanitarian challenges.

Pakistan is supporting their refugees and immigrants on humanitarian basis. It is the only country that is hosting these people. It burdens Pakistan's health facilities, socio-cultural fabric and infrastructure. By recognizing the taliban regime peace can be established and the Afghanistan refugees can go back to their respective country and live in peace.

Pakistan's political development model has labelled Afghanistan as an enemy state.



Critical analysis:-

Pakistan's involvement in Afghan affairs, particularly its support

For the Taliban in earlier decades, has contributed to instability along its border regions. While Pakistan has made efforts to curb this violence through military operation such as "Azm-e-Istehkam" and border fencing, the continued unrest reflects the unintended consequences of its strategic decisions.

Conclusion

Sustainable peace will require a reassessment of its regional policies, stronger border management, and diplomatic efforts to stabilize its relationship with Afghanistan.