

# Pak-Affairs

Date: \_\_\_\_\_

Q2

Ans:-

## Introduction

Pakistan is facing number challenges of economic challenges. These challenges include fiscal and current account deficits, dwindling foreign reserves, depreciating currency which makes imports costlier, highest ever inflation, increasing unemployment and poverty and pulling out of international investors from Pakistani markets. Given these challenges, Pakistan remains very vulnerable country and has been dragged in high payments on debts it has received in order to escape default. The country remains on the verge of economic depression and heavily relies on loans and assistance from friendly nations, and from international donors.

## Major economic challenges

### i- Fiscal deficit keeps increasing

Over the last few years, Pakistan's fiscal deficit is continuously increasing. Fiscal deficit is a condition when government's expenditures are higher than its revenues. According to budget 2024-25, about one third ( $\frac{1}{3}$ ) of the total

expenditure needs to be financed through external or other sources as revenues account only for two thirds of the expenditure. To end fill this gap, government often looks for external support in the form of loans which further create trouble for the country in the form of heavy loan repayments and interest payments there on. Therefore, another big problem arises which is debt servicing - the payments made to the lenders. Almost half of the current year's budget is expected to be paid out as debt servicing. When such a big amount is paid out, and when only half of the budget remains for the country to run, there are consequences of this too. Government could not continue development projects, it could not invest in new technology and infrastructure, therefore, the situation would further worsen. ~~ther~~ To conclude, fiscal deficit is the biggest economic challenge for Pakistan as it gives rise to various other problems.

**Dwindling foreign reserves and currency devaluation**

Another major problem

for Pakistan's economy is dwindling foreign reserves which put negative pressure on value of PKR and, therefore, the rupee devalues. Pakistan is primarily an import based economy as its imports amount significantly higher than its exports. Therefore, not having enough reserves means demanding more of foreign currency for rupee. It increases the supply of rupee in international market and puts negative impact on value of rupee. Resultantly, the imports become more expensive without any increase in their prices in international market. Since imports become costlier, there is general rise in the prices of commodities and energy products what is called **inflation**. It is again a big challenge for the country. Due to increasing inflation, the life of people have become miserable. and According to World Bank almost 40% of Pakistan's population is below poverty line, which is quite alarming. In a nutshell low foreign reserves and currency depreciation is major economic challenge and it gives rise to inflation and poverty.

### iii Pulling out of international investors and decreased FDI.

Yet another big economic challenge to Pakistan is withdrawal of international investors from the market and decrease in FDI. For the economic prosperity of a country like Pakistan, it is very important to attract international investors in order to boost the economy. Unfortunately, here the case is otherwise. Rather than attracting government has investors & are detaching which directly economic activities within the country, its employment and resource inflow. This is partly due to political instability within the country which creates doubts about the future economic conditions of the country and <sup>about</sup> government's policy on trade and investment, and partly due to security issues in Pakistan. One way or another, decrease in foreign investment is a big economic challenge for Pakistan.

### Recommendations

i- Bringing the unregistered economy under tax net.

Bringing the unregistered economy under tax net can reduce

Fiscal deficit. Since the un-registered economy accounts for more than half of the total economy, it means, revenues can be increased more than double. If the revenue collection increases, deficit would turn into surplus and government could easily finance its projects, maintain its operations and pay out the loans. To register the economy government should provide tax exemptions on registering new businesses and it should introduce a user friendly system of filing tax returns. Thus it will be able to register much of the unregistered economy and could avoid fiscal deficit.

Moreover, registering economy would enable the government's reliance on loans and, therefore, it could maintain foreign reserves and could stabilize the currency as the inflow of dollars would be controlled due to not taking loans, which puts pressure on rupee to devalue.

## ii- Investing in IT industry

Pakistan's economy has traditionally been an agriculture

economy. Recent climatic changes due to global warming have affected its economy seriously. It has resulted in billions of dollars economic losses. Thus, to diversify its portfolio and to decrease dependence on agriculture and other traditional ways of economic production, it should promote IT industry and invest in it. This would decrease economic dependence on traditional economic factors and would also make the country competitive in global market.

### iii- Investing in human capital

Pakistan must invest in its human capital in order to avoid economic challenges. In today's technological era, the countries who have invested in their human capital have developed drastically. Japan, for example, a war torn country in 1945, is the third big economy in the world as of now. This is because they focused on their human capital and produced quality individuals. Pakistan has approximately 60% of <sup>voters</sup> population investing in their quality education and technical

skills development would not only eliminate current challenges but would also ensure sustainable economic growth and development.

### Conclusion

To conclude, there are many big challenges faced by Pakistan which need have affected the life of its citizen and have hampered the country's economic growth and sustainability. Fiscal deficit, decreasing FDI, decreasing foreign reserves, depreciating currency and rising costs of living are few major problems. However, these can be resolved by bringing the unregistered economy under tax net, promoting and investing in IT sector and investing in human capital to produce highly skilled citizens.

Q#3

Ans:-

### Introduction

With its diversified nature and a shared vision of prosperity, CPEC Phase-II, which introduces five corridors: Corridor of Information, Corridor of Job Creation, Innovation, Green Energy and Inclusive Regional Development, is something beyond traditional infrastructure projects. Phase-II of CPEC aims to continue investment in transport and energy sectors which were initiated under Phase-I of CPEC. Moreover, it is planned to develop nine special economic zones (SEZs). CPEC is part of China's Belt and Road Initiative (BRI) which is a flagship project with six big projects including CPEC.

### CPEC's ~~Phase II~~ strategic diversification beyond traditional infrastructure projects

The introduction of five new corridors makes CPEC a very diversified project and its widespread benefits beyond infrastructure. Corridor of information aims to increase the bilateral relations between Pakistan and China and increase coordination in communication technology. Corridor of job creation



aims at increasing the employment... opportunities for both Pakistan as well as China. CPEC has created various jobs in Pakistan ranging from high profile engineers to daily wage earning labor. A recent report by Iqbal police informed that 1500 police personnel are being recruited, while thousands of individuals are already providing their services under CPEC. Another Corridor is Corridor of <sup>green energy</sup> Innovation which aims primarily at innovation of energy generation by shifting to renewable energy sources. For this, clean energy power plants have already been installed having capacity of 2000 mega watt. The total clean energy projects to be installed under CPEC would have total capacity of 10000 mega watt, moreover, which comes under 'Corridor of Green Energy'. For 'Corridor of innovation' special economic zones (SEZs) would be established where more than 2400 industries would be installed. Out of which 100 would be installed at Allams Iqbal economic zone in Faisalabad. The last of five corridors is

### Inclusive Regional Development.

This is the part of CPEC which primarily focuses on connectivity to achieve collective development through increased and easier access to markets and with lower transportation costs. This involves development of Gwadar port, network of railways and network of highways and motorways. Which would connect South Asian and Middle East regions.

**Conclusion:** ~~Moreover,~~ <sup>To conclude</sup> CPEC is a flagship project beyond infrastructure as it will increase Chinese trade with Middle East countries. For Pakistan, it would make central Asian countries dependent on Pakistan. Therefore, CPEC is Pakistan and China's commitment to shared vision for prosperous future rather than a mere traditional infrastructure project.

Q4

Ans:-

## Introduction

Congress ministries of 1937 paved ways for separate state for the Muslims of sub-continent. General elections for provinces were held in British India in 1937 in which Muslim League could not form government in most provinces whereas Indian National Congress secured ministries in 7 out of 11 provinces. The reason behind Muslims League's not good performance can be attributed to the fact that some of Muslims had, till then, believed in co-existence. When the INC won elections and formed ministries, they started suppressing the Muslims using every possible means. Sayed Muhammad Mehdi of Pripur published a report in which he highlighted the cruelties of Congress over Muslims.

## Pakistan Resolution 1940

Now that Congress had formed ministries and had started ruling over Muslims too. They left no stone unturned in order to oppress Muslims.

When, in 1939, congress ministers resigned from ministries, Quaid-e-Azam called upon Muslims to celebrate 'Day of Deliverance'. Immediately afterwards, in March 1940, Pakistan resolution was passed which demanded for separate state for the Muslims.

### Results of 1946 Elections

After witnessing the congress cruelties in 1937 elections, Muslims had realized that separate homeland for the Muslims of sub-continent was the only workable solution and <sup>their</sup> destiny. In 1946 elections, Muslim League won approximately 90% of their seats. This showed that Muslim League was the only party which represented Muslims in India. Muslim League formed government in Bengal, Smolh and coalition government in Punjab. These election results and events during and after congress ministries made Britishers realize that Muslims and Hindus could never live together. Therefore, they separated India into two states one being India and the other

Being Pakistan

## Conclusion

Formation of congress ministries in provincial elections of 1937 contributed significantly towards creation of separate state for the Muslims. The activities of congress ministries and biasness against Muslims united Muslims on the platform of Muslim League. It was re-elected in Pakistan Resolution of 1940 and then in provincial elections in 1946. Results of 1946 elections made it clear that Muslims had fully understood the 'Two Nation Theory' therefore, congress ministries of 1937 were major reason which led to creation of a separate state in sub-continent.

Q8

Ans:-

## Introduction

The demographic indicators indicate that the notions of fiscal responsibility and social expectation are growing. Demographic indicators are such indicators that represent people's population size, their perception about social structure, dependance and independence, mortality and fertility rates and life expectancy. The formation of these indicators in recent time indicate that people are more concerned about fiscal responsibility and social expectation.

## Population: Age and Marriage

Pakistan's per year increase in population in 2001 was more than three percent which has gone below two percent as of 2024. This means, people have become responsible citizens who understand the roles and responsibilities. With this has increased people's expectations about getting married and career selection. They expect the government to

to own the fiscal responsibility. That is, to show responsible behavior and let no stone unturned in fixing the fiscal problems. Moreover, there are social expectations that government must play its role in eradicating the social evils and ills like corruption and poverty etc.

### Conclusion

Fiscal responsibility and social expectations ideas seem to be growing as indicated by demographic indicators. There are growing concerns over the management of resources and fiscal consolidation.

Young, adults and senior citizens seem to render the government responsible for its actions and fiscal problems. They believe government should not only own the fiscal responsibility and <sup>recognize</sup> meet social expectations but also should take corrective measures in bettering fiscal problems and meet social expectations.