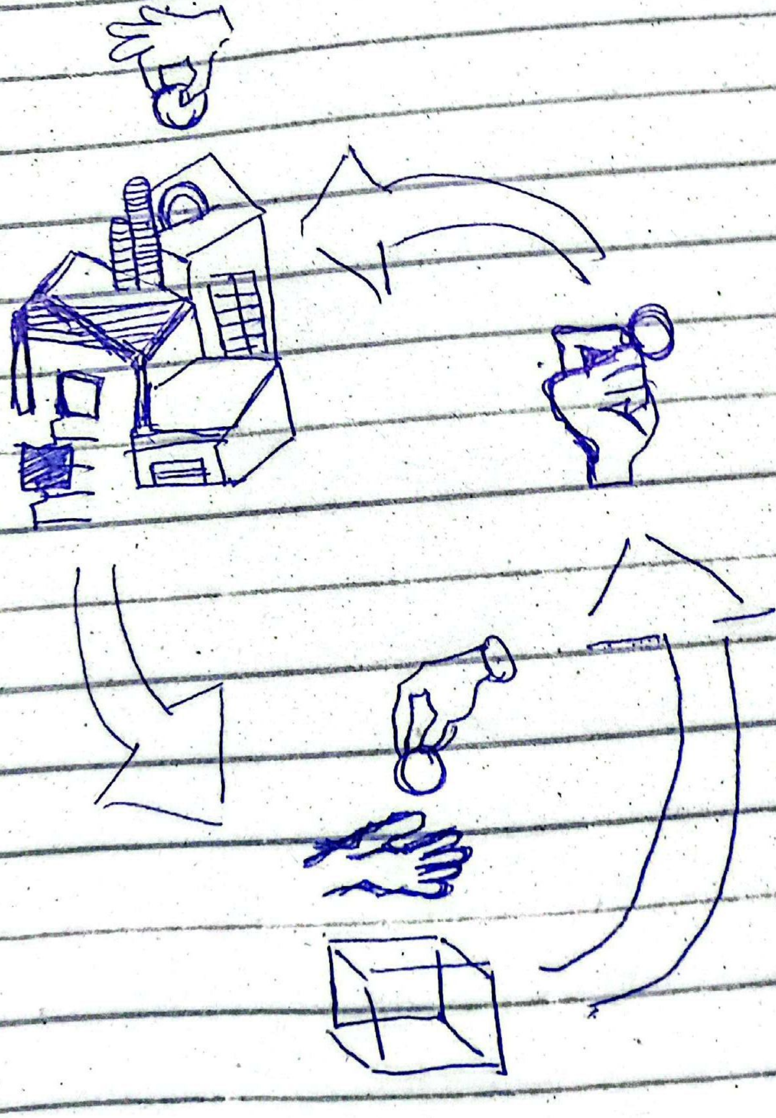
ANo # 08

Economic challanges of Pakistan

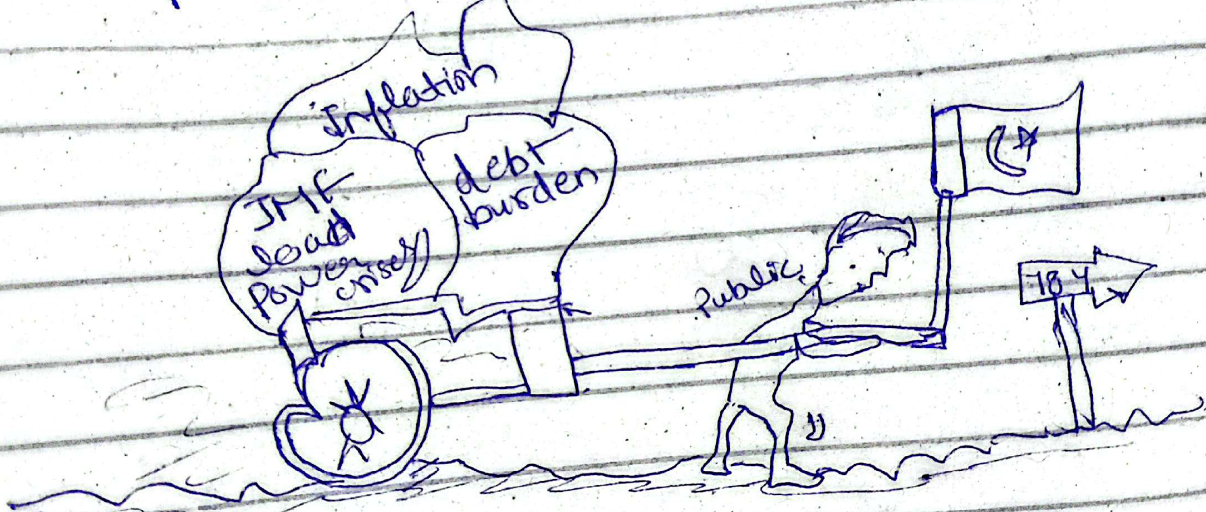
Economy: A economy is a complex system of consumers, business, and governments that produce, consume and distribute goods, and services, combining to fulfill the needs of those living and operating within it



e.g. Economy

Current Economy Su

Pakistan's macroeconomic indicators point a picture of structural weakness and over dependence on external support. Despite a modest agriculture ~~reform~~ land, Industrial and service sectors remain underperforming due to energy crises and poor governace & the inflationary trend driven by currency depreciation and imported inputs, continue to erade purchasing power.



As date of 2025, Pakistan's economy Presents a picture of stabilization and persistent structural stress, the country continues to grapple with the trade deficit in widening new fiscal year and an

the

accumulating debt mountain that consumes a vast portion of the federal budget

Challanges and structural flaws

1- Trade Deficit

After a period of import compression in FY24, the trade deficit has began to widen again in the first half of the fiscal year (2026)
Pakistan's trade deficit has been increasing driven by significant rise in imports while exports have declined.
Pakistan trade deficit stood at $3.34 billion, a 46% increase from the previous period

2- Debt Burden

Debt burden is the weight of a country's total debt obligations, both domestic and external.
Pakistan has large growing debt burden. Public debt was 80.6 trillion PKR, a 13% increase from the previous fiscal year.

3- Inflation
26% in FY24, projected 12-16% 50% in food inflation 2023 crushed houshold budget with wheat and sugar prices doubling. Core inflation remains sticky due to high energy prices and supply chain disruption.

Root Causes of Crisis

Pakistan's crisis is deeply embedded in structural inefficiencies across revenu collection, energy pricing, export and institutional stability.

(i) Fiscal Imbalance

Low tax compliance and a narrow tax base force that put government to rely heavily on indirect taxation, deeping inequality.

- Tax to GDP ratio (9.5%) is among the world's lowest due evasion and untaxed

- only 2.3 million tax filers in a population of 240 million.
- Indirect taxes (60%) disproportionally burden the poor.

(ii) Debt Trap

Pakistan's rising dept servicing eats of most of its revenues, leaving little room for social and infrastructure development without debt restructing the country risks spiraling into a sovereign default.

- Debt servicing ($9.8 Trillion) consuming 75% of tax revenu.
- CPEC obligation ($30 B) add to repayment pressure.

(iii) Export stagnation

While regional peers like Bangla-desh have expended export, while Pakistan stuck due to over reliance on textiles and investment value added sectors. The ban on capital goods imports in 2022 slowed industrial productivity unblocking IT and mineral exports could diversify the economy and trade deficit.

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Pakistan is 136th in the overall Prosperity Index Rating

• **Imports and Reserves**

Government money spent on subsidies and uncontrolled imports used up the country's necessary foreign cash. Reserves dropped less than $3 billion, which was enough to cover only three weeks of import.

Structural Flaws of Recurring Fragility of Pakistan's Economy

The economy of Pakistan is facing a severe crisis because it is highly unstable. It consistanty pendulam beteen good

Why the Economy is so fragile

The main problems causing the instability are

1- Debt creating Government business-es:

The government owns certain companies (called state-owned Enterprises, or SOEs) that constantly lose money. This forces the government to pomp up in huge amount of money (subsidies), increasing the country's debt. for example (PIA) alone owes over Rs. 800 billion. This massive burden hurts the already country's weak economy. The unmanagable debt payments are also the big issue. The country pay huge amount just to serve or pay the interest on its existing debt.

2- Low tax collection

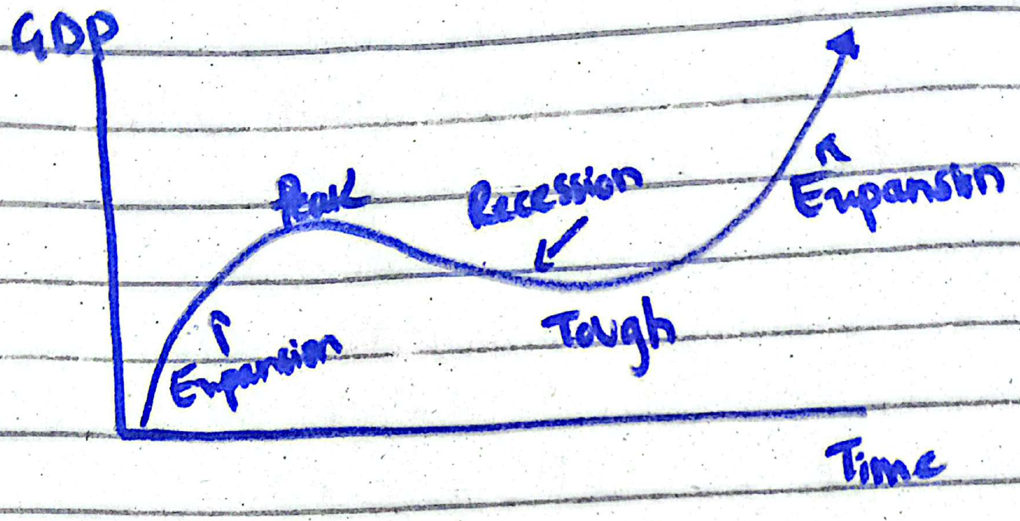
The system for collecting text is very poor.

3- Untaxed Businesses

A wide range of businesses and sectors are not paying taxes

4- Power company payments

The government has to make large sustaiable payments to private powergenerators.



Economic Cycle

Broken Revenue Structure

The most critical structural flaw is how the government collects money. It is not just about collecting tax less, but who is taxed.

- The tax burden falls on very small number of people (mostly salaried employees and the industrial sector). Large profitable sectors like agriculture, retail, and real estate are often untaxed and under-taxed

- Instead of taxing income (direct tax), the government relies on indirect taxes (taxes on goods like fuel and food). This hurts the poor more than the rich.

Black Hole of state owned Enterprises

The public sector government owned businesses has become a massive drain on resources rather than a rely on source of profit.

> **Zoombie Compines** Pakistan state owned compnies PIA and Pakistan steel mills are technically bankrupt but are kept alive by bailouts)

Energy Sector Crisis

The energy sector is structurall designed to lose money due to bad contracts and inefficiency.

- **Capacity payments**
  The government signed contracts with Independent Power Producers (IPPs) where they must pay for electricity capacity even if they even use the electricity.

Pragmatic remedial Measures

- Privatization of debt-producing SOEs and Boosting Investor confidence
- seeking debt restructuring with the sustainable paying options.
- Provision of adequate support to young entrepreneurs for import substitution and export competitive-ness.
- Invest in green energy (renewable energy) and finish regional energy sharing projects.
- Give proper support to young entrepreneurs they can make products at home (reduce imports) and sell them abroad).

Conclusion

Pakistan has been facing an extreme & economic downturn for the past years, mainly in the form of currency devaluation, excessive inflation and extreme low foreign exchange reserves. This fragility has led to recent severe issues like losing over 30% of the currency's value and crippling inflation. To break the cycle and achieve lasting smooth economy growth, and stable progress, urgent reforms are needed. These must include selling off loss-making state business, restructuring the national debt, fundamentally reforming the tax system and support enterpreneurs to setup a business.

Qno #04

Pakistan Affairs

27th Amendment

Introduction

The 27th Amendment, passed into law in 2023, has really changed the face of Pakistan's constitutional framework. This has created a dilemma regarding the concept of trichotomy of power, which involves the division of powers among the legislative, executive and judicial branches of the state. It has changed the trichotomy of power.

Background

The 27th Amendment was brought in for various reasons, which include judicial reforms and check and balance system between different institutions. This Amendment has amended Articles 175A, 179, 193, 200, 204, 209, 210 and 212-A of the constitution 1973, and repealed the Article 08 of the act, namely (the [illegible] Amendment) Act 2018. The changes by the Amendment have evoked dissusion relating to their very consequences on the governance structure in Pakistan.

27th Amendment

↓

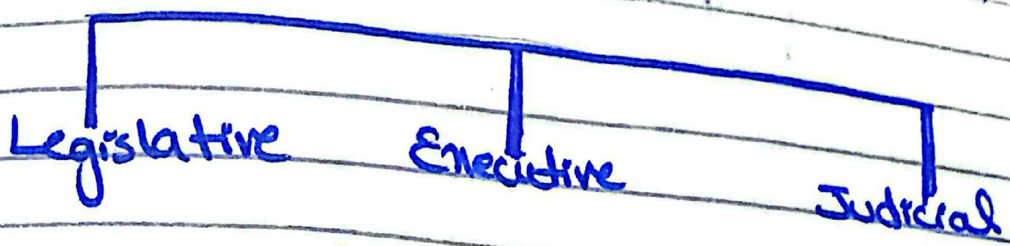
Amends
(Articles 175, 179, 193, 200, 204, 209, 210, 212A), 243)

↓

Repeals Article 8
of 25 Amendment Act
2018

The Trichotomy of Power in Pakistan

The trichotomy of power refers to the separation of powers among the legislative, executive, and judicial branches of government. In Pakistan, the trichotomy of power is designed to ensure that no one branch of government has too much power each power branch checks and balance the others and



- **Legislative Branch:** The Legislative branch is composed of the National Assembly and the senate, is responsible for making law.
- **Executive Branch:** The executive branch, headed by Prime Minister, is responsible for enforcing laws.
- **Judicial Branch:** The judicial branch composed of the Supreme court and High courts, responsible for interpreting law.

Key Proposals on the 27th Constitutional Amendment

The 27th Amendment is described as a sweeping restructuring of Pakistan's judicial, financial and administrative systems. It includes a series of constitutional changes that altered the balance of federation and the provinces.

27th

- Strengthens Executive
- Legislative oversight
  - Affects accountibility
- Judicial reforms
  - Appointment
  - tenure

- A new court could be created at the federal level to handle the constitutional matters.
  It would limit the supreme Court power and can create jurisdictional overlap.

- The Amendment seeks to bringback the system of executive magistrates, effectively giving administrative officers judicial powers that were previously abolished.

- The federal government would gain authority to transfer judges of High courts.

- The Amendment proposes to

adjustment to how the chiefs of armed forces would appointed

Impact of 27th Amendment

The 27th Amendment has affected the trichotomy of power of the Prime Minister and the executive branch. The proposed Amendment is far-reaching package designed to enact profound structural changes across Pakistan's judiciary, financial distribution model.

• Removal of NFC Award Protection

The government reportedly seeks to remove the constitutional protection given to the provisional share in the National Finance Award (NFC). The provision, which guarantees provinces a minimum share of federal revenues, is a cornerstone of provisional autonomy established under previous amendments.

• Reversal of 18 Amendment (Schedule II, III).

The draft seeks to revert the subjects of education and population planning back to the federal government's control.

Authority over Armed forces

Amendments are proposed to Article 243, which places the command of the Armed forces under the authority of the federal (civilian) government.

Chief Election Commission Appointment

The Amendment modifies the Article 213 to revise the process for the appoint of the chief Election Commission aiming to resolve persistent appointment deadlock.

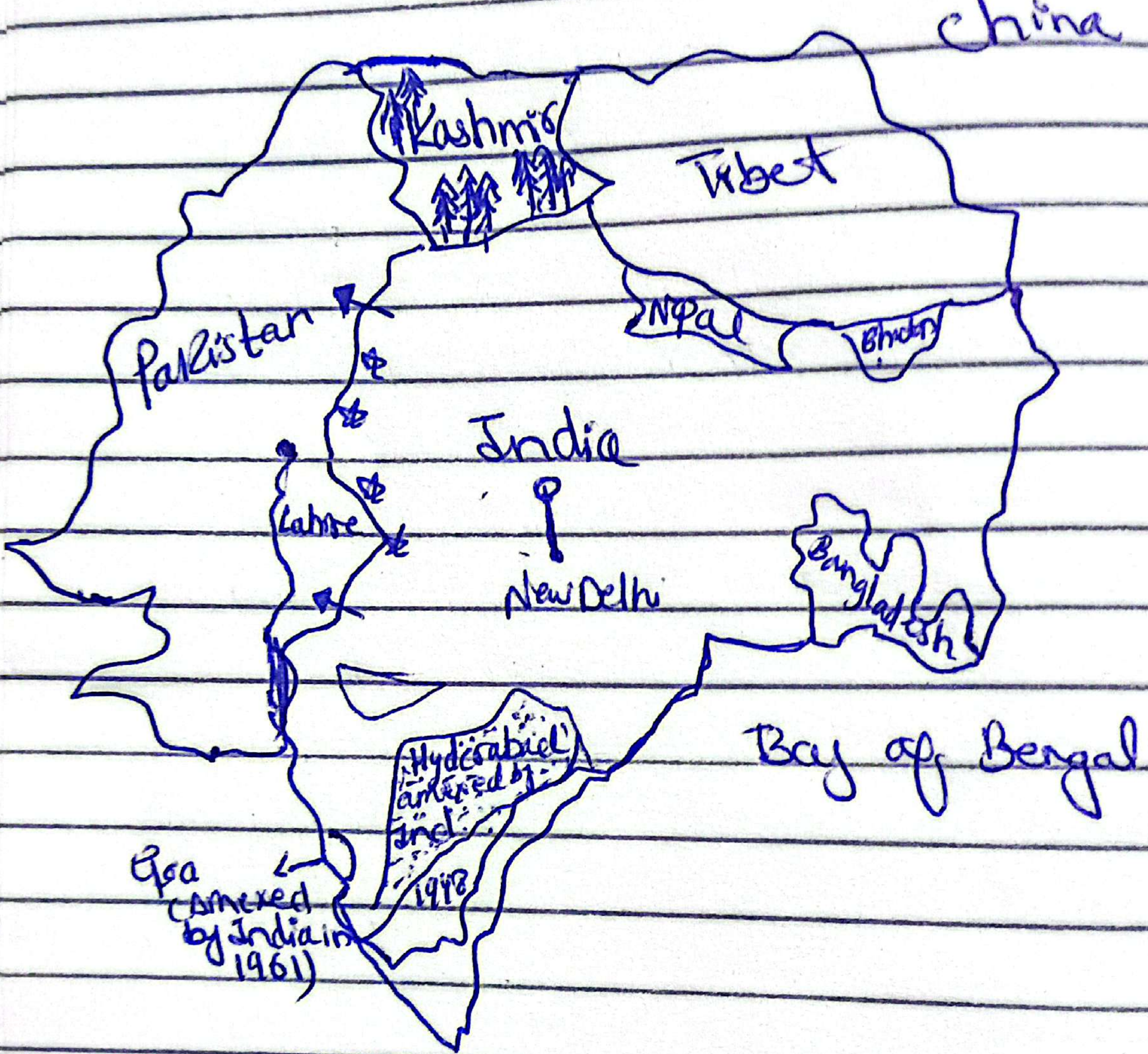
Judicial Restructuring and Constitutional Court (Article 191A and New Article).

The Amendment ~~proposed~~ calls for the abolition of Article 191A and the introduction of new Article to establish a constitutional court. This would change the judicial landscape.

Amendment to 200A also include changes regarding transfer of judges.

Pakistan and India Relations

Qno#02



Map: India and Pakistan

1947 - Partition .

On 14 August 1947, Pakistan emerged an an independent state for Muslims under the Two Nation theory.

The partition led to one of the largest emigrations in the world history with communel riots and massacres across both sides.

Pakistan faced severe administrative, refugee, and security challanges from day ONE as well as an hostile relationship from Indian leadership.

Major Issues between India and Pakistan

1- Kashmir Dispute

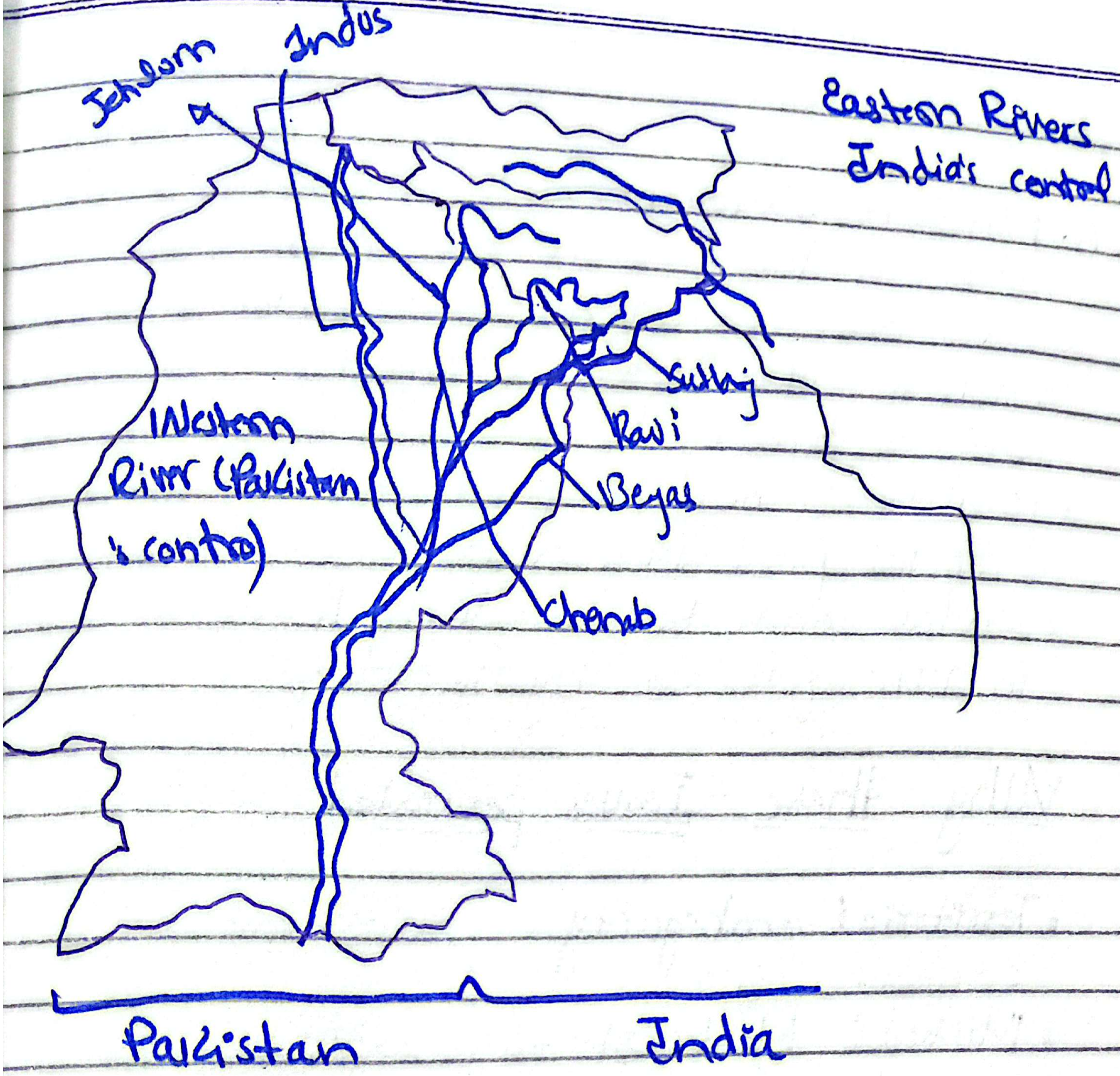
The core issue feuling decades of tension beginning from 1947 partition and multiple wars over territorial claims. Disagreement on unmandated plebiscite and each side claim the region continue to strain relations.

2- Cross border Terrorism
India repeatedly accuses Pakistan based militant groups such as Lashkar-Taiba and Jaish-e-Muhammad of orchestoring attacks on Indian soil like
- 1989 Plane Hijack
- 2001 Parliement attack
- 2008 Mumbai attack
- 2025 Phalgam attack.

Pakistan consistenly denies direct state involment while India blames Pakistan's Intelligence service.

3- Military Escalations and Proxy Operations
Recent deep escalation after the 22 April 2025, Pahalgam attack, India launched "Operation sandoor" missiles strikes across the which Pakistan retaliated with "operation Bunyan-um-Marsoos".

4- Water dispute and Indus water treaty
Indus water Treaty was signed in 1960 with the assistance of World Bank



IWT: Division of Rivers

→ India suspend the treaty in April 2025, citing security concerns

5. Sichen Glacier standoff
Since 1984, India has maintained control over the sichen glacier and Saltoro Ridge, a point veiwed by Pakistan as un-necessary and costly military ~~operation~~ occupation violating the

shimla agreement.

6- Nuclear Deterence
Both countries are nuclear armed states have engaged in repeated military Mobilization and war threats.
- Pakistan's nuclear program accelated post 1971 war
- India conducted nuclear tests in 1998 followed by Pakistan.

Why these Issues persisted

- Territorial ambiguity e.g. Kashmir, Siachen, GB.
- Mutual Mistrust ~~due~~ like conflicting narrative on terrorism
- Domestic politics in both country political leaders misuse and expoliate the India-Pakistan rift to gain benefits

WAY FARWORD

Resumption of Comprehensive diaglogue
- Restablish direct talks between India and Pakistan focusing on all key disputes

including Kashmir, ~~Kashn~~ Siachin, ~~[illegible]~~ and water sharing issues.

- Create a conducive environment for talks by lowering mobility of military and reducing border tension.

International Mediation

- Bring neutral international organization OR third party to mediate to facilitate discussion.
- Internal pressure on both countries to compromize on Kashmir and counter-terrorism efforts.
- Implement third-party monitoring for disputed areas like Kashmir to ensure peace and prevent violations of Human Rights.

Confidence building measures on Nuclear and Military Issues.

- Revive Nuclear No first use agreement to enhance deterance without escalation
- Introduce hotline communication to military commander to prevent misunderstanding and crisis.
- Mutual military disengagment in territories like Siachen

and Kashmir.

Economic Cooperation

- Establish bilateral trade agreement and economic cooperation that can act as CBM such as cooperation on energy resources or technology exchange.
- Promote regional integration through platforms like SAARC

Conclusion

In conclusion, the complexity of Indo-Pak relations is tragedy of Proximity: cultural and economic potential is continously stifle by a history that started with violence and evolved through territorial disputes, Ideological divergence and a nuclear rivalry

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