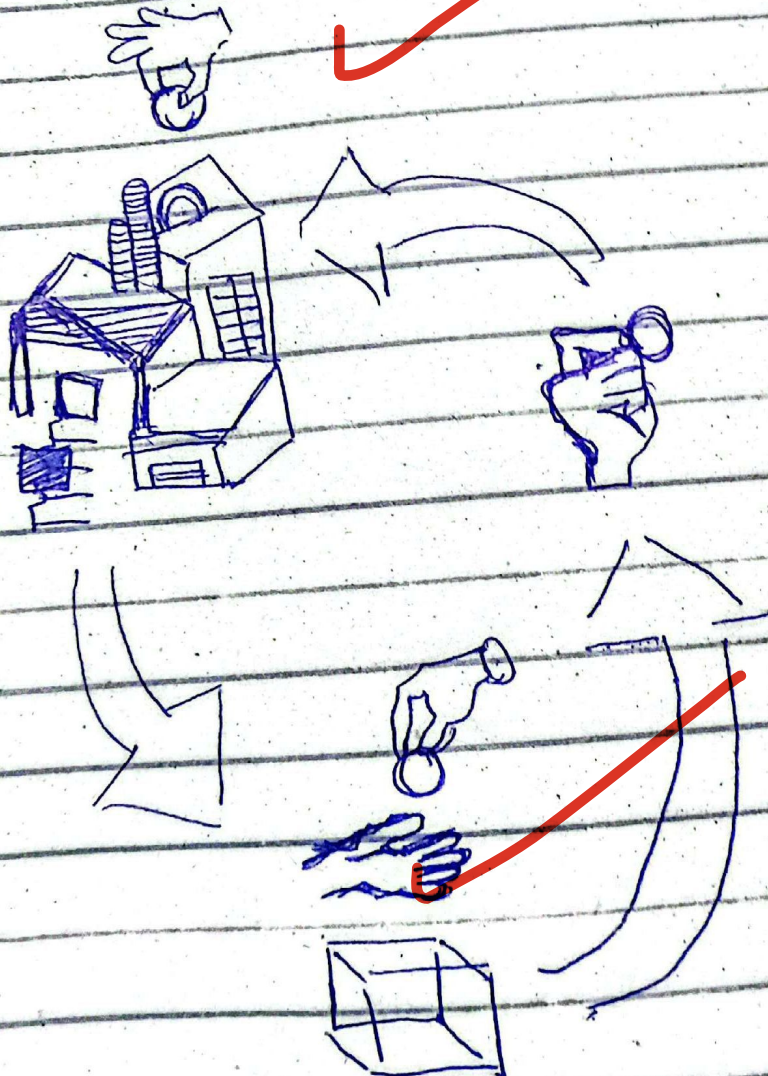


Economic challenges of Pakistan

start with the summary of the answer as introduction.....

Economy:

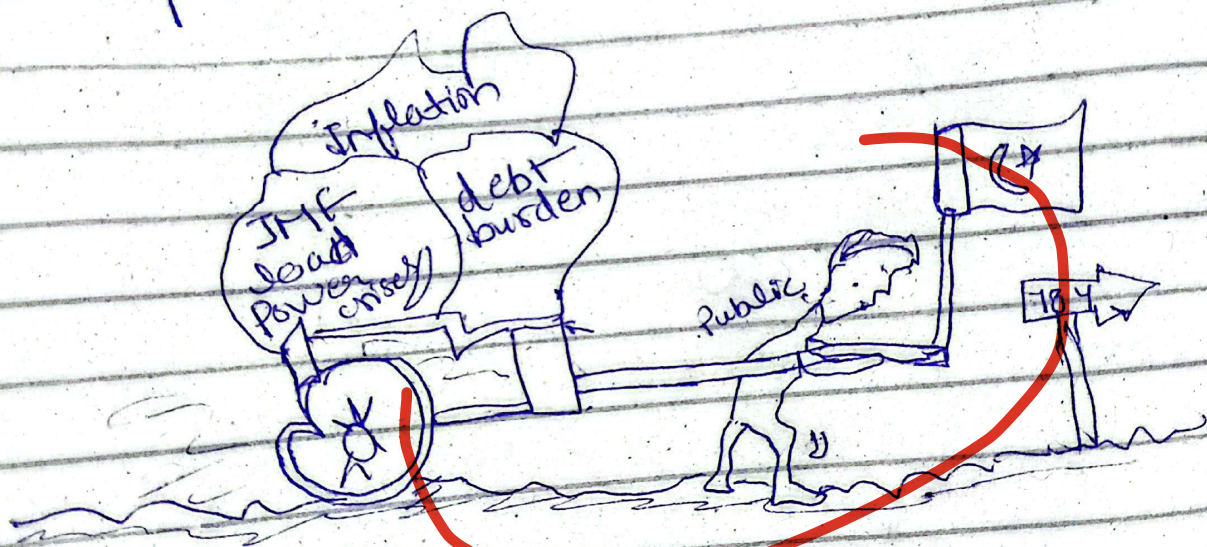
A economy is a complex system of consumers, business, and governments that produce, consume and distribute goods, and services combining to fulfill the needs of those living and operating within it



e.g. Economy

Current Economy Summary

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 under^{Per}performing due to energy crises and ~~poor~~ poor governance. The inflationary trend driven by currency depreciation and imported inputs, continue to erode purchasing power.



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

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

Challenges 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 20.6 trillion PKR, a 13% increase from the previous fiscal year.

add source against your stats. also use marker to mention them....

3- Inflation
26% in FY24, projected 12-16%
Food inflation 50% in
2023 crushed household 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 revenue 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, deepening
inequality.

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

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

(ii) Debt Trap

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

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

(iii) Export Stagnation

While regional peers like Bangladesh have expanded 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.

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 consistently ~~pendulum~~ between good

Why the Economy is so fragile

The main problems causing the instability are

1. Debt creating Government business -Cs:

The government owns certain companies (called state-owned enterprises, or SOEs) that constantly lose money.

This forces the government to pump 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 unmanageable 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 tax is very poor.

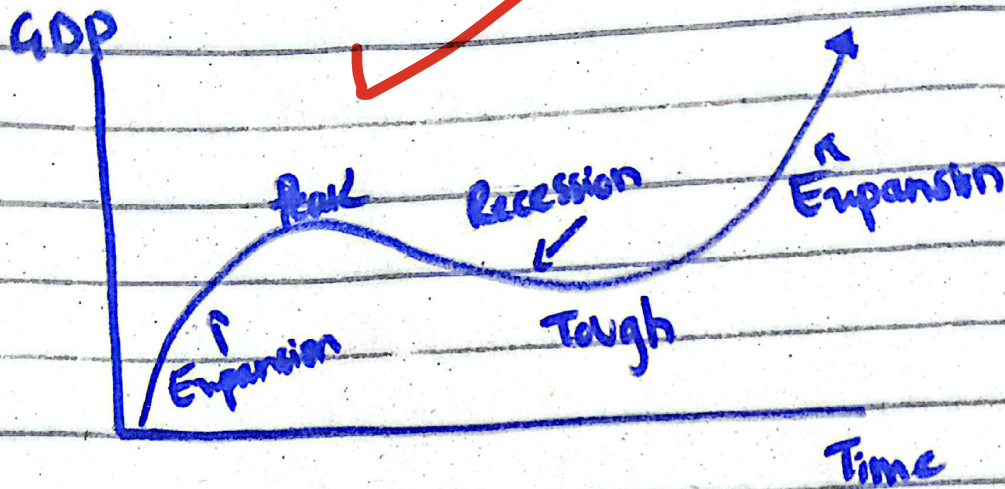
minimum description under a heading should be 5 lines

3. Untaxed Businesses

A wide range of businesses and sectors are not paying taxes

4- Power company payments

The government has to make large sustainable payments to private power generators.



Economic Cycle

Broken Revenue Structure

The most critical structural flaw is how the government collects money. It is not just about collecting tax dues, 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 real source of profit.

Zombie Pakistan state owned Companies companies PIA and Pakistan steel mills are technically bankrupt but are kept alive by bailouts.

Energy Sector Crisis

The energy sector is structurally 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 don't 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 competitiveness.
- Invest in green energy (renewable energies) 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 enormous
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 businesses
, restructuring the national
debt, fundamentally reforming
the tax system and
support entrepreneurs to setup
a business.

Q No #104

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. ~~In the previous framework~~ 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
Amendment) Act 2018. The changes
by the Amendment have
evoked discussion 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 B
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 and each power branch checks and balance the others



- **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 in 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 accountability

- 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.

attempt this part by giving subheadings.....

- The Amendment seeks to bring back 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 ~~opposedly~~ 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 appointment of the chief Election Commission aiming to resolve persistent appointment deadlock.

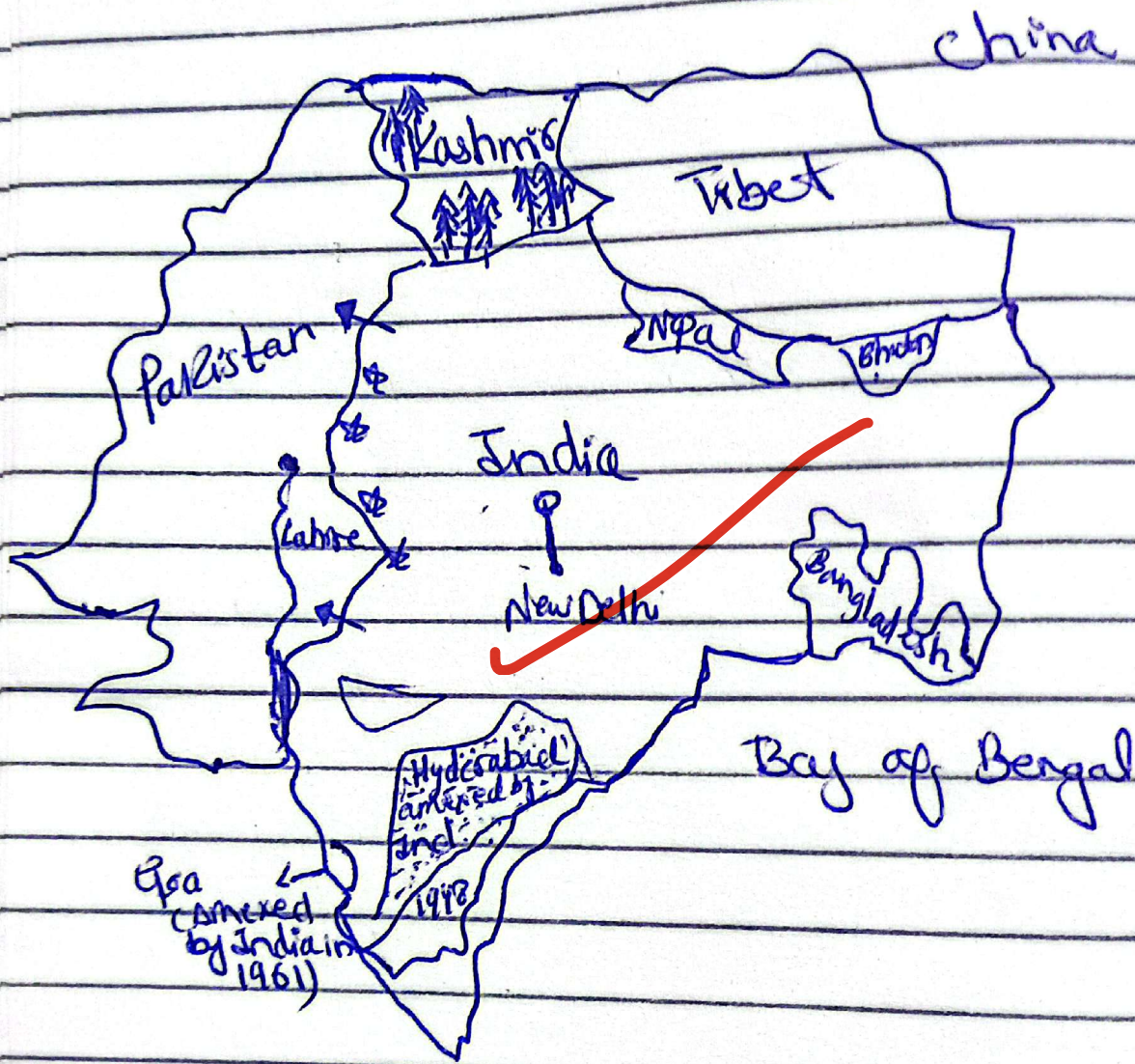
• Judicial Restructuring and Constitutional Court (Article 191A and New Article).

The Amendment 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.

add a few more arguments in this part.....

Pakistan and India Relations



Map of India and Pakistan

1947 - Partition

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

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

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

Major Issues between India and Pakistan

1. Kashmir Dispute

The core issue fueling decades of tensions 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 Jash-e-Muhammad - Tarba and attacks on Indian soil like

- 1989 Plane Hijack

- 2001 Parliament attack

- 2008 Mumbai attack

- 2025 Pahalgam attack

Pakistan consistently denies direct state involvement while

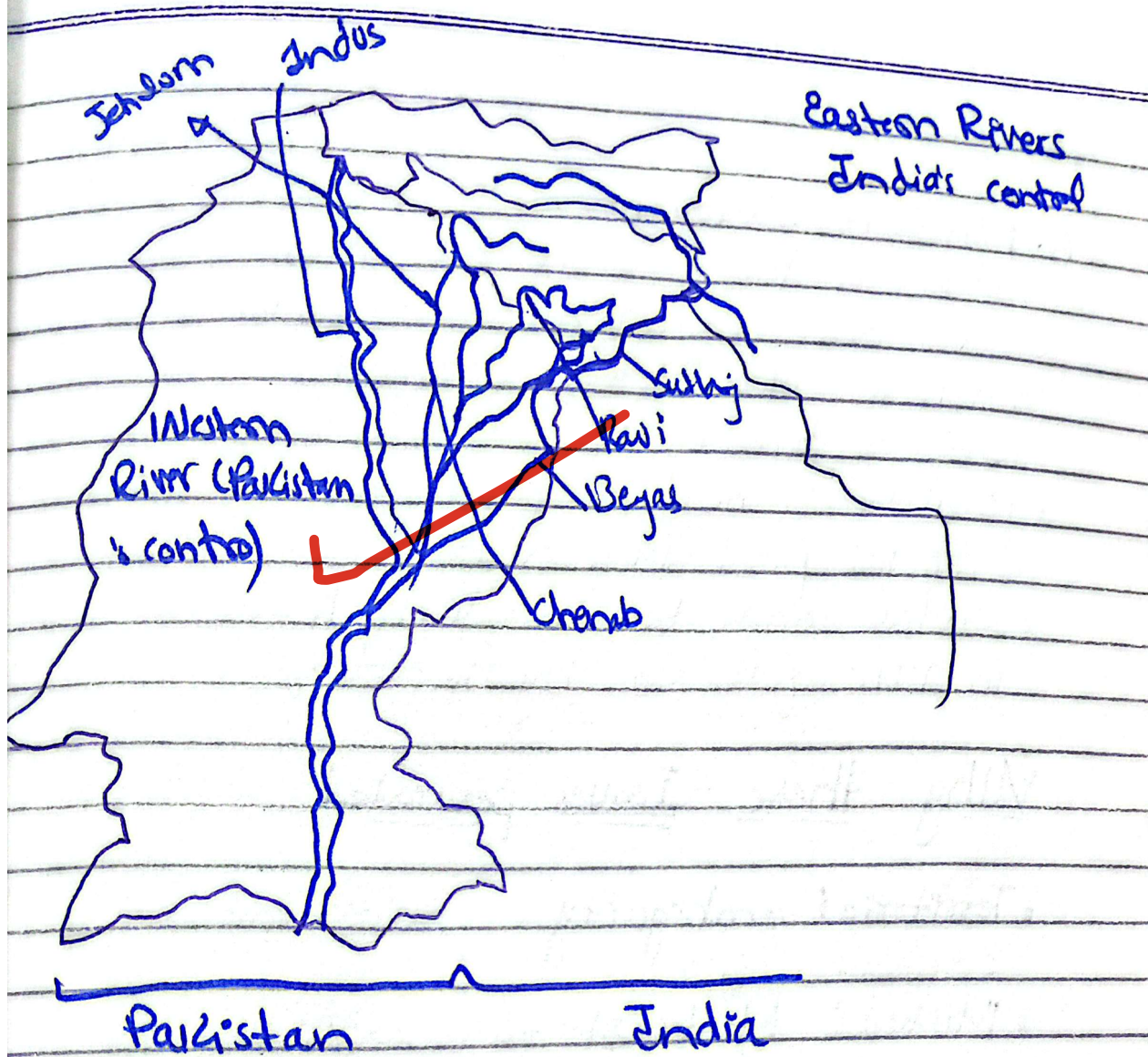
India blames Pakistan's Intelligence service.

3- Military Escalations and Proxy Operations

Recent deep escalation after the 22 April 2025, Pahalgam attack, India launched "Operation Sandhu" missile strikes across the which Pakistan retaliated with "Operation Bujangam - Marsoos".

4- Water dispute and Indus water treaty

Indus Water Treaty was signed in 1960 with the assistance of World Bank



IAWT: Division of Rivers

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

5. Sichen Glacier stand off

Since 1984, India has maintained control over the Sichen glacier and Saltoro Ridge, a point viewed by Pakistan as an unnecessary and costly military operation violating the

simila agreement.

6- Nuclear Deterrence

Both countries are nuclear armed states have engaged in repeated military Mobilization and war threats.

- Pakistan's nuclear program accelerated 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 like conflicting narrative on terrorism
- Domestic politics in both countries political leaders misuse and enpaliat the India-Pakistan rift to gain benefits

WAY FORWARD

Resumption of Comprehensive dialogue

- Reestablish direct talks between India and Pakistan focusing on all key disputes

including Kashmir, Kashmir Siachen,
~~on~~ 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 compromise 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 deterrence without escalation.
- Introduce hot-line communication to military commander to prevent misunderstanding and crisis.
- Mutual military disengagement 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

09

Conclusion

In conclusion, the complexity of Indo-Pak relations is a tragedy of proximity; cultural and economic potential is continuously stifled by a history that started with violence and evolved through territorial disputes, ideological divergence and a nuclear rivalry.

