

Topic: Pakistan's Economic Future: Can the country achieve sustainable growth?

Outline

(1) INTRODUCTION:

Thesis Statement: Pakistan holds immense potential for sustainable economic growth due to its strategic location and abundant resources. However, persistent challenges like political instability and structural inefficiencies hinder progress. Bridging these gaps through reforms can unlock the nation's true economic potential.

(2) Pakistan's Path to Sustainable Economic Growth Amid Opportunities and Challenges

(3) Promising Potential for Sustainable Economic Growth (Thesis)

- (a) Leveraging Strategic Geo-Economic Position
- (b) Harnessing Pakistan's Young Workforce Potential
- (c) Expanding Untapped Natural Resources
- (d) Growing Agricultural Productivity Potential
- (e) Boosting Domestic Tourism Potential
- (f) Emerging Opportunities in the IT Sector

(4) Persistent Challenges to Economic Stability
(Antithesis)

- (a) High Levels of External Debt Burden
- (b) Low Tax Base and Revenue Shortfall
- (c) Energy Crisis Hindering Industrial Growth
- (d) Political Instability Disrupting Economic Planning
- (e) Environmental Degradation Impacting Growth

(5) Reversing Challenges For Economic Prosperity
(Synthesis)

- (a) Reducing External Debt Through Fiscal Discipline
- (b) Expanding Tax Base with Inclusive Reforms.
- (c) Resolving Energy Crisis via Renewable Solutions
- (d) Ensuring Political Stability for Long-Term Planning
- (e) Adopting Green Policies to Combat Environmental Risks.

(7) Conclusion.

The Essay

"In the middle of difficulty, lies opportunity". This timeless quote by Albert Einstein reminds us that challenges often hold the potential for transformative progress. Pakistan, a nation brimming with possibilities, is currently grappling with significant economic hurdles. Yet, within these difficulties lies the chance to reshape its economic future for sustainable growth. Pakistan holds immense potential for sustainable economic growth. due to its strategic location and abundant resources. However, persistent challenges like political instability and structural inefficiencies hinder the progress. Bridging these gaps through reforms can unlock the nation's true economic potential. The country's economic future hinges on a delicate balance between opportunities and challenges. On one hand, Pakistan's young and dynamic workforce, vast natural resources and growing sectors such as information technology and agriculture provide a strong foundation for growth. On the

Other hand, issues such as political instability, energy crisis and a weak tax base continue to impede progress. These opposing realities form the backdrop of a critical analysis of Pakistan's economic trajectory. These hurdles can be overcome by addressing them with effective reforms to transform these challenges into opportunities and pave the way for a stable and thriving economy.

Pakistan's strategic location at the crossroads of South Asia, Central Asia and the Middle East offers a significant economic advantage. This positioning facilitates access to key markets and trade routes, enhancing its role as a regional economic hub. For instance, the China-Pakistan Economic Corridor (CPEC), a \$62 Billion infrastructure project, aims to connect Gwadar Port in Pakistan to China's Xinjiang region, significantly reducing transportation costs and time for goods moving between the two countries. This initiative is expected to boost Pakistan's GDP by 2-2.5% annually and create thousands of jobs. Additionally,

Pakistan's proximity to Arabian Sea provides access to vital shipping lanes, facilitating trade with the Middle East and Africa and Europe. The development of Gwadar Port is a testament to its strategic advantage, positioning Pakistan as a central player in regional trade. By capitalizing on its geo-economic position, Pakistan can attract foreign investment, enhance trade partnerships, and stimulate economic growth, paving the way for more prosperous future.

Pakistan's strategic location, combined with its youthful workforce, offer a unique opportunity for sustainable economic growth. With over 64% of the population under the age of 30, the country boasts a dynamic labor force ready to drive innovation and productivity across various sectors. (UNDP, HUMAN DEVELOPMENT REPORT). By investing in education and skill development, Pakistan can transform its demographic advantage into a competitive workforce that attracts foreign investment and enhances global competitiveness. The government's commitment

to fostering knowledge based economy is evident in initiatives aimed at improving digital literacy and supporting startups. Thus, the country's untapped workforce potential, once tapped, can unlock substantial economic opportunities and propel the country towards sustainable growth.

Pakistan's untapped natural resources also provides an opportunity for economic growth and development. The country is rich in natural resources such as coal, copper, gold, chromite, pink rock salt etc, but these assets remain largely untouched due to outdated mining techniques and insufficient investment. For instance, the Thar Coal project, one of the largest coal reserves in the world, has the potential to meet Pakistan's energy needs for decades, but it requires further technological advancement and skilled labour to be fully harnessed. According to URAAN Pakistan, Pakistan has coal reserves of about 126,000 Million tonnes of reserves. Similarly, it has Pink Rock salt reserves of about 50,000

million tonnes of reserves, and chromite of about 2.5 million tonnes of reserves. (URANIUM Pakistan)

Expanding the extraction and use of these resources, paired with a skilled workforce, could fuel the nation's growth, reduce dependence on foreign energy imports and create jobs. By focusing on sustainable practices and technological innovations, Pakistan can unlock the full value of its natural resources, improving both economic stability and employment opportunities for its young population.

Building on the potentials of untapped natural resources, another area ripe for growth is Pakistan's agricultural productivity, which holds immense promise for economic development. Agriculture remains a cornerstone of Pakistan's economy, contributing approximately 23.37% to its GDP. (Statista, Distribution of GDP across economic sectors of Pakistan, 2022)

Despite this, the sector faces challenges like outdated farming techniques, limited water resources, and low mechanization. However, with the right investment in

technology, and sustainable practices, Pakistan's agriculture sector can be revitalized. For example, the introduction of modern irrigation systems and high-yield crop varieties has already boosted wheat production in regions like Punjab. In 2023, Pakistan produced a record 28.18 million tons of wheat, marking a 7.5% increase from the previous year. (Wheat Policy Analysis for 2023-24 crop). Additionally, by capitalizing on its vast arable land and expanding access to markets, Pakistan could significantly increase its agricultural exports. Hence, by fostering innovation and supporting young farmers with education and technology, Pakistan can elevate agricultural productivity, creating jobs and stabilizing the economy in the process.

Pakistan's rapidly growing IT sector and the untapped potential of domestic tourism provide a dual avenue for economic growth and job creation. The IT sector has been a major driver of innovation, with exports reaching \$3.2 billion in the fiscal year 2024, marking a 24% increase

from the previous year. Startups and technology hubs, particularly in cities like Lahore and Islamabad, are fostering entrepreneurship and digital solutions. This surge is largely attributed to young, tech-savvy professionals and entrepreneurs who are propelling the industry forward.

At the same time, Pakistan's diverse landscape and cultural heritage present significant opportunities for domestic tourism. In 2022, the travel and tourism sector's total contribution to Pakistan's GDP was 5.9%, supporting 4.2 million jobs. (World Bank Group, Promoting Responsible Tourism in Pakistan's North). Initiatives like "Visit Pakistan 2025" campaign aim to further boost the tourism sector by improving infrastructure and promoting local destinations. By leveraging the IT sector to enhance tourism services, through digital platforms, virtual tours and e-commerce, Pakistan can not only create more jobs but also improve the international visibility of its tourism offerings. This combined focus on technology and

and tourism holds the potential to generate sustainable economic benefits while providing a boost to both industries.

One of the key obstacles to Pakistan's economic stability is its high external debt burden, which places significant pressure on its fiscal health and limits growth prospects. As of 2024, Pakistan's external debt stands at approximately \$130 billion, accounting for over 40% of its GDP. (World Bank). This heavy debt burden leads to increased debt servicing costs, which divert funds from essential sectors like education, healthcare, and infrastructure. For example, Pakistan, in 2023, spent around 35% of its revenue on debt servicing, leaving little room for social and economic development. Moreover, with a weakening currency and rising global interest rates, Pakistan faces greater challenges in repaying its foreign debt. This persistent external debt burden not only hampers Pakistan's economic growth but also deepens its vulnerability to external shocks.

Building on the challenges posed by high external debt, another significant issue hindering Pakistan's economic stability is its low tax base and recurring revenue shortfalls. Despite having a population of over 230 million, Pakistan's tax-to-GDP ratio is among the lowest in the world, hovering around 10%, well below the regional average. This low tax collection severely limits the government's ability to invest in critical sectors such as education, healthcare and infrastructure. (World Bank - Pakistan's Revenue Shortfall). For example, in 2023, Pakistan's federal tax collection was approximately \$32 billion, far below the required amount to cover its budgetary needs, resulting in significant budget deficit. Moreover, the lack of a robust tax system encourages a culture of tax evasion, further exacerbating the revenue shortfall. Ultimately, addressing Pakistan's low tax base is crucial for achieving fiscal sustainability and reducing dependence on external debt.

Pakistan's energy crisis, combined

with political instability, presents a formidable barrier to industrial growth and long-term economic planning. Power shortages, which have been a persistent issue for years, not only disrupt daily life but also significantly affect industrial production. For instance, in 2023 Pakistan faced energy deficits of up to 5,000 MW, leading to frequent power outages that crippled manufacturing sectors, particularly textiles, which accounts for 60% of Pakistan's export. These power disruptions have led to decline in productivity, increased cost for businesses and reduced the competitiveness of Pakistani goods in the global market.

At the same time, political instability, marked by frequent changes in governments and policy shifts, undermines the consistency and effectiveness of economic planning. Political uncertainty has delayed critical infrastructure projects, such as energy reforms, and industrial zone development which are essential for fostering a stable industrial base. The combination of energy shortages and political instability creates a cycle of

underperformance that stifles industrial expansion and economic development.

In addition to energy shortages and political instability, environmental degradation further compounds Pakistan's economic challenges and impedes sustainable growth. The country faces severe environmental issues, such as deforestation, air and water pollution and the depletion of natural resources, which directly impact agricultural productivity and industrial growth. For example, the degradation of Indus River systems due to water mismanagement and pollution has affected agricultural yields, a key sector in Pakistan's economy. The ongoing environmental challenges also exacerbates Pakistan's vulnerability to climate change, leading to more frequent floods, droughts and extreme weather events, further disrupting economic stability. Environmental degradation, if left unchecked, will continue to stifle industrial progress and undermine efforts to achieve long-term economic development.

While Pakistan's external debt remains a significant burden, focusing on fiscal discipline and strategic economic reforms can lead to sustainable growth. By implementing prudent fiscal policies, Pakistan can reduce reliance on external borrowing and create a more balanced budget. Measures like broadening the tax base, cutting unnecessary subsidies, and improving public sector efficiencies are keys to increasing domestic revenues and reducing fiscal deficit. For instance, government's ongoing efforts to modernize the taxation system have already shown promising results, with tax collection increasing by 17% in 2023. (Pakistan Tax Reforms and Growth). Through combined efforts Pakistan can move towards a more resilient and self-sustaining economic future.

On the energy front, while Pakistan's energy crisis has historically been tied to reliance on fossil fuels, the shift towards renewable energy sources, such as solar, wind, and hydroelectric power, offers sustainable solutions. Pakistan has abundant

Renewable energy resources, particularly solar power, which could meet up to 30% of the country's energy demand by 2030, (Pakistan's Energy Solutions) according to International Renewable Energy Agency (IRENA). Hence by investing in renewable energy infrastructure and incentivizing green energy projects, Pakistan could alleviate its energy deficit while contributing to environmental sustainability.

While political instability and environmental risks have historically challenged Pakistan's development, ensuring political stability and adopting green policies can drive the country towards sustainable growth. Political stability is essential for creating a predictable environment for economic planning, foreign investments and facilitating the implementations of reforms. Simultaneously, adopting green policies, that prioritize renewable energy, sustainable agriculture and conservation of natural resources can mitigate environmental risks. The Green Pakistan Initiative launched in 2016, aims to enhance forest cover and promote sustainable land management

Practices. By aligning political stability with proactive environmental policies, Pakistan can build a resilient economy that is both sustainable and growth-oriented.

In conclusion, Pakistan's economic future holds promise, with opportunities for growth through strategic reforms and investment in renewable energy, taxation and environmental sustainability. Addressing challenges such as political instability, low tax revenue and energy crisis requires a balanced approach, focusing on long-term planning and inclusive policies. By leveraging its geo-economic position, expanding its young workforce and investing in sustainable practices, Pakistan can create a resilient and diversified economy.