

# Pakistan's Economic future: Can the country achieve Sustainable growth?

## Outline:

### 1. Introduction:

**Thesis statement:** Undoubtedly, Pakistan cannot achieve sustainable growth in the future. There are numerous reasons contributing to lack of sustainable economic growth. These factors include political instability, balance of payment crisis, trade deficit, dependency on international loan, agricultural issues and setback to foreign direct investment. Therefore, these factors clearly indicate that Pakistan cannot achieve economic growth.

### 2. Pakistan cannot achieve sustainable growth in the future:

(Thesis)

2.1 Political instability

"Pakistan: A Hard Country" Anatol Livan

2.2 Balance of Payment crisis

Pakistan Economic Survey 2024

2.3 Trade deficit

A case study of Afghan transit

2.4 Dependency on international loan

International Crisis Group Report (ICG)

2.5 Threats to foreign installations

A case in point: CPEC Phase-2

2.6 Energy crisis in Pakistan

IPRI Report "Energy Crisis and its impacts"

2.7 Agricultural issues

PES 2024

2.8 Setback to foreign investments

A case in point: SIFC

### 3. Pakistan can achieve sustainable economic growth: (Anti-thesis)

3.1 Barter trade can help Pakistan to improve the economy

A case in point: Pak-Afghan and Iran Barter Trade

3.2 Direct Foreign investment under SIFC can boost the economic growth

3.3 China-Pakistan Economic Corridors can change the current economic crisis

### 4. Pakistan's Economic growth depends on tremendous reforms in the economy: (Synthesis)

4.1 Pakistan can gain from barter trade under the membership of BRICS

4.2 SIFC needs structural reforms so as to facilitate the investors

4.3 CPEC Phase-2 is the victim of political instability

### 5. Conclusion

William James, an author of "A Brief History of Pakistan" explored at the end chapters of his book. Pakistan is a land of enormous natural resources such as gas, gold, coal and diamond. Also, it has the largest irrigation system which supports agricultural activities. Pakistan is also famous for textile industry which annually contributes in the growth of economy. Although, having such enormous resources the country has been experiencing economic crisis. According to William James, Pakistan lacks proper policy to utilise its own natural resources. Consequently, the has been struggling to achieve sustainable growth. Undoubtedly, same is the case with current economic growth of Pakistan. Pakistan is unable to achieve sustainable economic growth due to numerous reasons. These reasons include political instability, balance of payment crisis and trade deficit. Besides, dependency on international loan, threats to foreign installations, energy crisis and agricultural issues. These all issues contribute to economic crisis. Pakistan needs to bring enormous reforms in the economic sector such as reforms in SIFIC, CPEC's security and reforms in relations with other states. Thus, Pakistan can achieve sustainable economic growth in the future.

To begin with political instability, Pakistan has been facing political instability at home. Pakistan has experienced division among its people in 1971. Political instability harms foreign investment and progress in the economy. An author

of **"Pakistan: A Hard Country"** **Anatol Liven** truly explored that political instability in Pakistan is cause of every evil. Political instability limits the growth of economy. Pakistan's current political landscape shows that achieving sustainable growth is difficult. According to **Pakistan's Ministry of Economics** recent political chaos in the country brought **3 billion Pakistani Rupees** loss only in one day. Truly, **Anatol** said, **"Political stability and Economic stability go hand in hand"**. Therefore, Pakistan cannot achieve sustainable growth due to political instability.

Balance of payment is the another issue of Pakistan's sustainable growth. Pakistan is one of the developing countries. It depends on foreign multinational companies. These multi-national companies (MNCs) such as telecommunication, energy and transportation companies have been in agreement with Pakistan. Pakistan pays for the services of multi-national companies. Pakistan always faces balance of payment crisis due to enormous imports and shortage of dollar. **Pakistan's Economic Survey of 2024** clearly ascribed that Pakistan's failure to achieve sustainable economic growth is linked with balance of payment crisis. Thus, Pakistan cannot achieve sustainable economic growth.

Similarly, Pakistan has been facing enormous trade deficit. Pakistan shares borders with India, Iran, Afghanistan and China. These borders in fact can boost the export of Pakistani goods. Pakistan's chaotic relations with India, Iran and Afghanistan have

resulted in sanctions on trade. Pakistan has sanctioned **Afghan Transit Trade (ATT)** which impacted on its exports too. Pakistan's import level is higher than export. According to **Pakistan's Ministry of Economics** Pakistan imported **70%** goods and exported **30%**. This is the real factor which has pushed Pakistan into trade deficit. Sustainable growth is impossible without enormous exports. Trade deficit is the factor which has been harming Pakistan. To achieve sustainable growth, in nutshell, trade deficit stops Pakistan's sustainable economic growth.

Moreover, Pakistan is one of underdeveloped nations. Pakistan has profound dependence on international loans. Pakistan gets loan from IMF and WB. It also gets loans from UAE, China and Oman. IMF is the only support of Pakistan for economic recoveries. According to **International Crisis Group (ICG)** IMF's **Structural Adjustment Policy (SAPs)** is a challenge for Pakistan's economic growth. IMF's list of reforms always lead Pakistan into chaos. Especially, **IMF's Article 2-7** requires every state to pay the loan with interest. Pakistan's dependency on international loans has resulted in economic crisis. Pakistan's dependency on international loans has weakened the approach of achieving sustainable growth. In short, Pakistan's dependency on international debt harms the economic growth.

Pakistan is a country which hosts numerous economic foreign installations. Foreign installations includes projects of **Reko-diq** and **CPEC**. These projects enormously contribute to boost the

economy of Pakistan. CPEC's seaports, special economic zones, airports and workers security has been impacting the economic growth. According to **Chinese authorities** the phase-2 of CPEC must have completed in 2023 but it failed. Terrorist groups such as BIA, Majeed Group and TTP have been targeting foreign installations, along with workers. Consequently, threats to foreign installations resulted in slow down of economic growth. Pakistan is unable to completely eliminate the threats to CPEC. Thus, threats to foreign installations spoils Pakistan capability to achieve sustainable economic growth.

Additionally, energy crisis is also one of the factors behind Pakistan's failure to achieve sustainable growth. Pakistan has enormous dependency on imported hydrocarbons. Pakistan imports hydrocarbon from KSA, Oman, Russia and UAE. The shortage of hydrocarbon in international markets often causes energy crisis in Pakistan. Energy crisis such as long hours loadshedding impacts agricultural and industrial productions. According to **Islamabad Policy Research Institution Report "Energy Crisis and its Impacts"** Pakistan has experienced 60% slow down of production in the textile industry. Therefore, energy crisis in Pakistan stops sustainable growth.

Pakistan has agriculture based economy, the agricultural issues harms Pakistan's sustainable economic growth. Pakistan agriculture sector faces energy crisis, limited skilled workers and water issues. According to **Pakistan Economic Survey 2024** agriculture sector

34%. contributes to the GDP. Issues such as lack of skilled labours, water issue and energy crisis have harmed the economic growth of Pakistan. Energy crisis limits the agriculture production, because of long loadshedding workers fail to irrigate the farms. Thus, Pakistan cannot achieve sustainable economic growth due to agricultural issues.

Besides, setback to foreign investments has harmed Pakistan's economic growth. Pakistan's civil-military leadership announced SIFC in 2023. The aim was based on achieving US\$ 100 billion till 2030. According to Pakistan's Ministry of Economics, the investors from GCC and China have been facing transaction, investment and trust building issues. These issues have led setback to foreign investments. This is an opportunity under SIFC to boost its economy. But now it seems there is setback in the foreign investments in Pakistan. Thus, Pakistan cannot achieve sustainable economic growth.

Contrarily, the other school of thought urges that Pakistan can achieve sustainable economic growth.

Barter trade can boost the economic growth in Pakistan. Barter trade has not only increase the import but also export. Pakistan signed **Barter Trade Agreement in 2023** with China, Russia, Iran and Afghanistan. Consequently, Pakistan's economy in 2023 experienced tremendous growth. Pakistan can achieve its sustainable economic growth using the option of barter trade. Thus, Pakistan can achieve sustainable economic growth.

Direct Foreign Investment under (SIFC) can boost the economic growth of Pakistan. SIFC provides investment opportunities to investors in agriculture, defence, technology and mining sectors. The investment will not only benefit the investors but also boost the economic growth of Pakistan. For instance, investment in the agricultural sector create jobs, provide skill to labours and contribute to the economy of Pakistan. Thus, through SIFC, Pakistan can achieve sustainable growth.

Besides, CPEC has the capability to boost the economic growth of Pakistan. CPEC is a game changer project for Pakistan. The extension of CPEC can help Pakistan's economy. The extension of CPEC to Central Asian Regions can eliminate the energy crisis, create jobs so on and so forth. Thus, Pakistan can achieve sustainable economic growth.

Reality is different from the critics stance. Pakistan can only gain from barter trade under the membership of BRICS. BRICS provides tremendous access to international markets. Pakistan after becoming the member of BRICS can utilise barter trade in international market. Consequently, the barter trade will reduce Pakistan's dependency on dollar. It will also boost the economic growth such as import and export. Thus, barter trade only benefit Pakistan under the membership of BRICS rather than bilateral agreements.



Furthermore, SIFC needs numerous reforms so as to facilitate the investors. Investors often face transactions and security threats. These both contribute to setback to foreign direct investments. Pakistan still has to do more in order to achieve foreign investments. Making the transaction process easy and providing security to the investors are the most important aspects. Without such reforms SIFC will not fully boost the economy of Pakistan. Thus, the economic growth of Pakistan link with reforms in SIFC.

CPEC is the victim of political instability. CPEC has been facing security threats, political instability further harms the project. Its first-phase completed timely but the 2-phase has suffered tremendously. For instance, M1-Railways supposed to be completed in 2024. But the Chinese ~~was~~ announced the suspension of the project because of Pakistan's political instability. CPEC will never boost the economy of Pakistan until complete political instability is not achieved. Thus, CPEC depends on the political landscape of Pakistan.

To sum up the entire discussion, Pakistan is one of the developing nations. It has tremendous natural resources. The proper utilization of Pakistan's natural resources can boost its sustainable economic growth. Pakistan's all stakeholders must eliminate political instability,

threats to economic projects, design tremendous trade diplomacy and unity. without unity among political leaders, masses and institutions, the dream of Pakistan's economic growth is impossible. The current condition of Pakistan's economy predicts the economic crisis of economy. Therefore, keeping the current conditions of economy before human rights, Pakistan can not achieve sustainable economic growth.

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