

ENG ESSAY (TEST #4).

FULL MARK.

"PAKISTAN'S ECONOMIC . . .
. . . GROWTH?"

OUTLINE:

1. INTRODUCTION:

- Attention grabber.
- Background information.
- Thesis statement: Pakistan is a young and developing country. If Pakistan makes some important changes to the economic system and uses its resources wisely, can achieve sustainable growth.

2. OVERVIEW OF PAKISTAN'S ECONOMIC SYSTEM:

- 2.1. Based on capitalist system.
- 2.2. Dependency on loans and remittances.

3. ISSUES IN THE ECONOMIC SYSTEM OF PAKISTAN:

- 3.1. Consumption based economy.

3.2. Stuck in a debt trap.

3.3. Victims of the Tunis economic problem.

(Balance of payment crises and budget deficit).

4. WAYS TO ACHIEVE SUSTAINABLE GROWTH:

4.1. Becoming a production based economy.

4.2. Curbing the issue of trade deficit.

4.3. Increasing the tax base.

4.4. Privatization of companies (SOE) that are a burden on economy.

4.5. Attracting foreign direct investment (FDI).

4.6. Ending the issue of energy sector.

4.7. Using resources wisely.

5. CONCLUSION.

5.1. Summary of key points.

5.2. Final thoughts.

5.3. Closing statement.

ESSAY:

According to the world bank, the total size of the economy of the United States is 26 trillion dollars and the internal and external debt is 33 trillion dollars, exceeding the overall economy of the country. Despite these figures the United States of America not only achieved sustainable growth but is also the world's super power leading in military and economy. If the US can achieve sustainable growth despite having trillions of dollars as loan why cannot Pakistan. Since the inception of Pakistan on 14th August 1947, the country is struggling in different sectors most importantly, the economic sector. Nehru was of the view that Pakistan is not economically self sufficient and will bankrupt within 3 months, this rhetoric of India is proved wronged. Pakistan is a developing country. If Pakistan makes some important changes in the economic system

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and uses its resources wisely can achieve sustainable growth. By taking certain measures the future of Pakistan's economy can turn out to be very different from its past.

To begin with, the Pakistan's economy is based on the system of the West. ^{Firstly,} Pakistan is part of the western bloc from the very beginning and that is why the system implemented in Pakistan is the econ capitalist system. In the capitalist system the individual owns the means of production and as a result the poor becomes poorer and the rich becomes richer. There are certain loopholes that come along with the capitalist system, if these loopholes are curbed the future can turn out to be very bright for Pakistan. Secondly, the economic system of Pakistan is based on loans and remittances. Since the birth of Pakistan, she is surviving on loans. The total loans only from America from 1948 - 2024 surpasses 70

billion dollars. The recent loan of 7 billion dollars from the IMF was like oxygen for Pakistan. Remittances also play a huge role for Pakistan's economy as only in the December of 2024 the remittances surpassed 3 billion dollars according to the SIFC (Special Investment Facilitation Centre). This tells that loans and remittances are the basis of economy of Pakistan.

This was a brief overview of the economy of Pakistan, not coming towards the issues in the economic system of Pakistan.

First and foremost, the biggest issue facing the economy of Pakistan is that it is consumption based and not production based. Firstly, this issue was not present from the birth of Pakistan. Pakistan used to be one of the biggest rice producing countries along with producing fruits like mangoes and apples. But this has changed

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because of some internal and external issues. Natural hazards like droughts and floods have changed the agriculture framework of Pakistan. Secondly, the dependency of Pakistan on foreign imports have destroyed the economic structure of Pakistan. Pakistan used to be an Agrarian country with, agriculture giving employment to 60% of the population and contributing to 30% of the GDP (Gross domestic product). Presently, even to fulfill the needs of rice, Pakistan imports.

Secondly, Pakistan is stuck in a debt trap. Firstly, because of the lack of political stability, Pakistan faces the issue of circular debt trap. In which new loans are acquired to fulfill previous loan agreements. Whenever a new government comes into power, the first thing they do is acquire loan from the foreign powers to give back the loans taken by the previous governments.

Secondly, to fulfill the needs of the people and complete projects, the government needs loans. As Pakistan is the 5th most populated country in the world with over 240 million population according to the Pakistan's bureau of statistics.

Thirdly, Pakistan is one of the most badly affected victims of the twin economic problems.

Firstly, Budget deficit is when the expenditure of a country surpasses its collection. According to the economic survey of Pakistan, the average budget deficit of Pakistan was for the last 10 years was 4 trillion dollars, and the average budget deficit of the last 20 years was 3 trillion dollars. According to the finance division of Pakistan the total collection was 9.2 trillion dollars, in the years 2023-24 and the expenditure was 9.2 trillion dollars. Secondly, the balance of payment crisis is another issue that is slowly and gradually

destroying the economy of Pakistan. As discussed - that to fulfill needs of the population, Pakistan has to import goods and services. This import comes at a cost, and has to be repaid. The exports of Pakistan are very less as compared to the imports. Most of the imports, according to the IMF, 60% of the imports are of hydrocarbons to fulfill the needs of the energy sector. 70% of the electricity produced in Pakistan is based on imported hydrocarbons. New policies must be implemented by the government to curb the twin economic problems.

Discussed above were some of the issues faced by the economy of Pakistan. Further on ways to achieve sustainable growth will be discussed.

Firstly, Pakistan needs to become a production based economy. The main asset of Pakistan was the agriculture sector of Pakistan. But

because of the lack of proper attention towards this sector, it is declining. Pakistan's economy was based on agriculture but now it fails to fulfill the needs of the population of Pakistan. Rice is imported from China and in the beginning of the 21st century, Pakistan was the 4th largest rice producing country in the world according to the World Bank. Special attention must be given by the government to the agriculture sector to make it self sufficient again, this can be done by taking new initiatives like the 'Fissan card'. This not only will encourage the long dead agriculture sector of Pakistan but will also contribute in making the economy, production based again. By investing in the agriculture sector exports will also rise. In addition, other industries must be established in Pakistan, so that Pakistan gets self dependent and not on imports of other countries.

Secondly, to achieve sustainable growth, Pakistan needs to curb the issue of trade deficit.

Trade is one of the most important factors contributing to the economy of a country. As the world is getting interconnected, the reliance on each other is increasing day by day. Corona virus is a good example in this regard. As the virus struck the world, the trade stopped because of which many countries faced difficulties. Taiwan was the sole provider of semi conductor chips that are used in almost all the electrical appliances globally.

As the trade stopped because of the corona virus, the whole world came to know the importance of globalization. Pakistan's sports sector is one of the best sports goods producing sectors worldwide. In the world cup of 2018, the footballs that were used, were manufactured by Pakistan. By paying attention towards such sectors and increasing their export,

Pakistan can achieve the status of an important country and can curb the issue of trade deficit.

Thirdly, to achieve sustainable growth, Pakistan needs to increase its tax base. As Pakistan is a victim of budget deficit where the expenditure is more. This issue can be solved by increasing collection that will result in proper tax sustainable growth.

Firstly, the tax collection system of Pakistan needs to be properly documented. Most of the businesses and industries including the real estate, gold and textile industry exempt paying tax as it is not properly documented.

The property shown is less while the selling of files is more. In the same manner the gold shown in the official documents is less and sold is more. The tax is payed only on the sold gold. Proper computerized documentation is very important to increase the tax collection. Secondly,

The tax base is very low. Only 50% of the population pays tax. Most of them being the corporate workers and the middle class. Whenever the government increases the tax, the pressure is felt by the middle class. The government needs to implement equal taxes on all sectors and bring those businesses within the tax bracket that are not paying tax. This will not only increase the tax collection but also will not put any burden on the corporate workers.

Fourthly, there are many companies that are a burden on the economy of Pakistan. Organizations like the PIA (Pakistan International Airlines) and the NHA (National Highway Authority) are a burden on the economy and constantly making loss. Out of 212 state owned enterprises, 86 are the one that meet the criteria of

being privatized. The government should evaluate the proper value of such enterprises and put these SOEs to auction and sell to the nearest bid. K-electric was a state owned enterprise. But it was privatized in 2020. Not only the burden was lifted from the economy but K-electric is doing better as compared to all the other electricity enterprises like PESCO and IESCO. The loss that was faced reduced from 38.1 to 18.1 according to the Pakistan Bureau of Statistics. If more SOEs are privatized, significant amount of burden will be lifted from the economy. The same money used to run these enterprises will be used for purposes related to the growth of the country. If done properly can lead to sustainable growth of the country's economy and people.

Fifthly, the attraction of FDI (foreign direct investment) is very important for the growth of the economy of a country. Investments from other countries or individuals contribute to the economy of a country, making it stronger.

Finally, CPEC (China Pakistan economic corridor) when completed will make Pakistan as the transit of economic activities around the world. Such investments from foreign countries leads to the progress of infrastructure and the economy of Pakistan.

The special economic zones that are to be built in the 2nd phase of the CPEC will increase the potential of Pakistan.

Secondly, foreign investments like that of Apple or Mercedes, will also contribute in the growth of Pakistan's economy. These foreign investments needs to attracting by displaying a good image of Pakistan in the world politics. By increasing the FDIs, the image

of Pakistan will become better and will be good for the economy.

Sixth, is addressing the energy issues of the government by Pakistan by the government. The energy sector is the worst hit on the economy, responsible for the import of billions of dollars of hydrocarbon. Firstly, load shedding is still an issue in Pakistan but an old rhetoric in other countries. In rural areas the electricity shortages ranges from 3-10 hours while in the urban areas the load shedding is between 5-6 hours. The total electricity shortage of Pakistan is about 7000 Mega watt according to the IMF. This is because of the lack of proper infrastructure and not being able to fulfill energy needs. Secondly, Pakistan imports uses 588000 barrels of oil per day, out of

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There 83000 are produced locally while all the other 500000 are imported which is a huge burden on the economy. In addition to this almost about 70% of the gas is imported and only 30% is produced locally. Most of the coal used in Pakistan are also imported. This makes it evident that fulfilling the energy needs of Pakistan lays a great burden on the economy of Pakistan. If the issues related to the energy sector are addressed by the government, the economy could flourish. According to the IMF, Pakistan is producing the 3rd most expensive electricity in the world and the most expensive in Asia. This issue can only be resolved if the government put emphasis on local energy production and stops the reliance on imported hydrocarbons to produce electricity.

Seventh, way to achieve sustainable economic growth is by using the resources of Pakistan wisely. Pakistan is the hub of many natural resources, the Britishers used to call the subcontinent, "the bird made of gold". God has gifted Pakistan with abundant resources but because of many other issues faced by Pakistan like corruption, political instability, insurgency and polarization, Pakistan never had been able to take full advantage of these resources. Recently according to the Hindustan Times a reserve of 27 lakh tons was discovered but the case in point is whether if the government will benefit from this reserve or not. Balochistan and KPK are filled with natural resources but only if the government benefits from them will contribute to the economy of Pakistan.

In a nutshell, Pakistan is a country with great potential and resources. If the resources are used wisely and the compulsory needed changes are made to the economic system of Pakistan, the country can achieve sustainable growth. Pakistan needs to get out of the twin economic problem. In addition to this, it should work on becoming a production based economy, increasing trade, increasing the tax base of the country, privatizing the enterprises that are a burden on the economy, attract foreign direct investment, address the issues related to the energy sector and use resource wisely. By working on all the issues that contribute to the stagnation of the economy, Pakistan can only become a country economically strong and achieve a sustainable growth level so that it can compete with the world powers.