

Essay

Pakistan's Economic Future: Can The Country Achieve Sustainable Growth?

Outline

I. Introduction

Pakistan's economic journey has been unconvincing thus far. Multiple hurdles have impeded its economic growth. However, many economists argue that the country has entered a phase of economic stability and is hinting at a prospective sustainable economic growth.

II. Factors That Threaten the Future of Sustainable Economic Growth in Pakistan

A. The unpalatable economic history of Pakistan

- Low GDP growth

B. Industrial stagnation and agricultural decline

- Agrarian country, ^{agriculture} contributing to only 19% of GDP (PBS)

c. The vicious cycle of loans and the subsequent debt trap

- Public debt of PKR 67.5 trillion (FD)

III. Pakistan's upward Trajectory in Sustainable Economic Growth

A. Positive results in balance of payment in the past few months.

- Trade surplus of \$ 729 million in November (FD)

B. Pakistan's shift from geostrategic to geoeconomic

- Pakistan Security Report (2023)

c. The future belongs to Information Technology and Pakistan is working on it.

- Newly announced jobs in IT sector.

D. Rising literacy rate and burgeoning services

- Literacy rate: 11% in 1951, 62% in 2024 (PBS)

E. Remittances: the Bright side of Pakistani diaspora

• 3 billion in December 2024 (SBP)

F. CPEC: Gateway for Future FDI

• Australian companies in Pakistan after CPEC

G. Pakistan's agricultural and industrial recovery

• Comeback in textile: hit

26-month high in August 2024
(\$1.6 billion)

~~Reversal of depreciating rupee~~

IV. Precautionary Measures That Ensure the Sustainable Economic Growth

A. Focusing on growth and not just economic stability

B. Political stability: Panacea to all ills of Pakistan

~~Pakistan~~

V. Conclusion

The debate on the future of Pakistan's economy has engaged the policy makers and economists alike. Pakistan's economic journey has been unconvincing thus far. Multiple hurdles have impeded its economic growth. However, many economists argue that the country has entered a phase of economic stability hinting at a prospective sustainable economic growth. The hurdles that threaten the possibility of a sustainable growth of Pakistan's economy include its unpromising economic history, industrial stagnation and agricultural decline, and the vicious cycle of loans and the subsequent debt trap. Nonetheless, many other factors supersede these events and pose a promising future of Pakistan's economy. The positive balance of payment results of past few months, the country's shift from geostrategic to geoeconomic policies and increasing investment in information ^{technology} sector present an upward trajectory in sustainable economic growth. Additionally, rising literacy rate and increasing influx of remittances solidify the growth. The correlation of China-Pakistan

Economic Corridor (CPEC) and Foreign Direct Investment (FDI) further substantiate the growth. Finally, Pakistan's comeback in agriculture is also an aiding factory in the country's economic struggles. Despite these positive trends, few measures need to be taken in order to consolidate the sustainability of the growth. The focus of those responsible must be on growth and not merely stability which is a temporary relief. Also, political stability is imperative to guarantee that the growth remains positive. The future of Pakistan's economy is, thus, bright with promises of sustainable economic growth.

Of the factors that question the future of Pakistan's economy include the unpalatable economic history of Pakistan. Pakistan has, from the very beginning struggled with its economy. With limited infrastructure and resources, the country began its journey from scratch. Only when it had begun to grow roots, the country was vivasected into two leaving the economy divided. From then on, the growth in economy has

been unsteady with various episodes of economic challenges. Moreover, the Gross Domestic product of the country has barely been satisfactory exacerbated by unstable government and constant regime changes. The years of 2012 and 2022 saw the worst performances of the country's economy with the GDP growth rates receding to negative. Instances like these make the future of economy appear dark.

Besides the unpromising economic history of Pakistan, industrial stagnation and agriculture decline also negate the country's prosperity. As an agrarian country, the agriculture of Pakistan barely contributes to the Gross Domestic Product (GDP) at 19 per cent. The share of this sector must have been significantly higher given the potential of the country in this sector. Moreover, the industry of the South Asian state is also at a standstill. Growth of Pakistani industry remains an elusive dream. Following

Industrialization, the exports of most countries rely on their industries. However, the industrial sector of Pakistan has shown limited progress, questioning any sustainable growth in near-future.

Finally, the vicious cycle of loan-seeking prevent a plummeting growth of Pakistan's economy. Ever since the first loan of the country from International Monetary Fund in 1958, Pakistan has not stopped in approaching 'the lender of the last resort.' Trapped in this unending cycle, the public debt of Pakistan stand at 67.5 trillion rupees as of December 2024 (Finance Division).

Such high debt require more loans and the state thus engages in more loans both domestically and internationally. In such a scenario, it seems improbable

for Pakistan to shift towards growth. Economic growth and that too sustainable one is long long journey. It requires a strong foundation as well as a sustainable superstructure. For the time being, few argue that such a growth is

an elusive dream.

Despite these challenges, various trends present a counter narrative. Pakistan's economic future is on the positive side of the spectrum. Firstly, past few months have witnessed a trade surplus. The country has, for the first time in years shown positive results in this area. For instance, in the month of November in 2024, the trade surplus was \$729 million, according to Finance Division. A growth of this kind may seem negligible to many, yet economists such as Sohail Habib argue that the economic growth of the country seems to enter a sustainable phase. For a country that has struggled in high trade deficits, a surplus is not an ordinary phenomenon. The economic domain of Pakistan sees growth and promises for a future of similar events. Thus, trade surplus in perpetually deflated economy is a good omen for Pakistan's economy.

In the same vein, Pakistan's shift from geostrategic to geoeconomic in its international and national policies is a silver lining in the gloomy picture of the country's economy. The Pakistan Security Report, 2023 iterated the paradigm shift. For years, Pakistan has been engrossed in strategic conflicts whether of the state's own or of international interest. For those, Pakistan paid a hefty cost. A report by National Counter Terrorism Authority revealed that from 2001 to 2022, Pakistan lost more than 35 trillion rupees. A loss of such nature that too to a struggling economy made economic downfall inevitable. However, the shift now shows the signs of growth and prosperity. The decision, indeed, is a positive initiative towards a prosperous Pakistan. Thus, the decision to shift from strategic to economic policies in state matters ensures growth and stability for times to come.

To add on to the hopes of sustainable

economic growth, the rising literacy rate of Pakistan is a testimony to its prosperity. Literacy rate is directly related to economic growth as it contributes to the services sector, a domain that contributes to economic growth. The literacy rate of Pakistan was 11 percent in 1951, and today it is 62 percent, says a report of Pakistan Bureau of statistics. When the literacy rate rises, the public becomes more aware and this ignites a cycle of more literacy. Subsequently, these educated citizens, are contributing to the prosperity of Pakistan.

Building on this are the remittances that the country has been receiving. The influx of the money from foreign states eases in the ills of the country's economy. Often correlated to brain drain and devaluing the country of indigenous skills, the bright side of Pakistani diaspora is that they send back international currency that the country badly needs.

The remittances add on to the current Account Deficit and relieve the ailing economy. In December 2024 alone, Pakistan received \$3 billion in remittances with majority coming from the Gulf countries. Such reception of foreign currency consolidate the upward trajectory of Pakistan's economic trajectory.

Finally, the comeback in the agricultural sector promises to reinforce the growth of the country's economy. The agricultural of Pakistan had long been moth-eaten. With few hopes in the sector, agriculture was thought to eventually die off and move away from the frame of country's economy. However, even most critical economist like Khuram Hussain have shown hope and belief in agriculture of Pakistan. The reason being the recovery of textiles in Pakistan - a forte deeply embedded in both agriculture and industry. In August 2024, the textile export accounted for \$1.6

billion of the exports. This increase was a 26-month high. Thus the revival of agriculture and industry as manifested by the increase in textile export contends that Pakistan can achieve sustainable economic growth.

Despite these glad tidings, precautionary measures still need to be taken in order to ensure that the economic growth persists sustainably. Firstly, the attitude of the policy makers and all other stake holders must be such that they aim at economic growth and not just economic stability. The current economic stability keeps the morale of these stakeholders high; however, this should not be taken as an excuse to settle down and stop working on the system as has been witnessed in the past. Secondly, political stability is a pre-condition for any form of prosperity for any state. Engulfed in perpetual political interregna, sustainable economic growth will be too difficult to maintain. Thus, although the future of Pakistan's

economy is bright, the need for political and legislative improvement is inevitably present.

To conclude, Pakistan's economic future is highly debated among various schools of thought. While few contend that certain challenges make sustainable growth improbable, many others believe that the country can achieve sustainable economic growth. Pakistan has shown a positive performance in its trade, policies and services. The influx of international currency through remittances further reinforces the possibility of economic growth. Moreover, the increasing attraction of Foreign Direct Investment (FDI) through initiatives like CPEC, growth becomes even more probable. Finally, the revival of Pakistan's agriculture and industry as evidenced through its increasing textile export further push the country towards economic prosperity. Nonetheless, Pakistan still needs to improve its legislative and political decisions so that that the country's

economic sustainability becomes guaranteed.

Thus, the economic future of Pakistan is bright, and it can achieve sustainable growth.