Pakistan Affairs - Test 4
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16 / 11 / 2025 Day: Sunday

Q2- Question #2

Ans. **Introduction**

Inflation and unemployement are prominent economic issues of Pakistan. Root causes of these issues include BOP (Balance of Payment) deficit, Climate change, Foreign Direct Investments (FDIs) outflow, unskilled labour, lack of value-added exports, energy crises and currency instability. Poor governance has exacerbated these challenges through corruption, red tapism and myopic civil servants. Additionally, shift in policy making has worsened it further through changes in fiscal policies, foreign policies and security approach.

Root causes of inflation and unemployement in Pakistan

Balance of payment deficit through excessive imports:

___/___/202 Day:___

BOP deficit creates an excess in total imports, causing outflow of money from the country. Consequently, the money circulation in the economy decreases. This causes unemployement as demand slows down. Moreover, expensive raw materials such as hydro-carbon increase the total price causing inflation.

Lack of value-added exports causes inflation:

Pakistan lacks sufficient capacity to add-value to goods and earn more through exports. Hence, the unskilled labour remains unemployed. Moreover, exports sent by Pakistan are imported again at higher prices, causing inflation. For instance, Bangladesh uses Pakistan's cotton to export processed goods internationally.

Uncertain currency value creates

___/___/202 Day:___

ambiguity among manufacturers:

Although Pakistan currency is stable currently, it created various challenges for producers. Devaluation of currency makes imported raw material expensive, which is shifted to end consumer. Moreover, rise in price discourages demand according to Law of Demand, creating unemployment.

Energy crises decreases export competetiveness:

Pakistan produces the most expensive energy in the South Asia. Import of expensive hydrocarbons and capacity payment to Independent Power Producers (IPP) worsen this issue. Ultimately, the cost of energy is passed on consumer. Countries like Bangladesh and Vietnam gains price advantage, reducing exports. Hence, it creates both inflation and unemployment.

Climate change has resulted in huge economic loss:

Climate Change especially in the form of massive floods caused huge losses to Pakistan in 2010, 2022, and 2025. It causes disruption in transport, destruction of agriculture, lesser energy supply and loss of human life. This automatically increase inflation because of supplychain and production losses. The floods of 2022 pushed Pakistan's inflation to as high as 38%.

Lack of sufficient skilled labour force:

Pakistan is in education crises. It fails to create skilled and up-to-date work force. Literacy rate ~~was~~ is only 64%. This discourages investors, produce low quality goods, increases cost per unit of good and causes firm to loose competetive edge. These factor actively contribute in inflation and unemployment.

Role of poor governance in inflation and unemployment.

Corruption deters long-term investments:

Corruption prevents sustainable investment into the country. Investment creates job, improve economic conditions and reduces long-term cost. However, corruption creates hurdle for investors, increasing their risk and cost of investment. Therefore, people are demotivated to invest.

Red-tapism - Arch-nemesis to 'ease in doing business':

Redtapism delays process for the investors. They have to go through long processes to register a company, secure Intellectual Property Rights, undertake contracts, etc. Hence inefficiency persists raising the cost of doing business. This raises the price of ~~to~~ products, causing inflation.

Role of Policy inconsistency in Inflation and unemployment

Seasonal shift in economic policies increases risk to investor.

Pakistan is engulfed in political instability, causing frequent shift in economic policies. These policies create difficulties for business by ~~increase~~ decreasing the 'ease to business', inconsistent Taxation policies and international incompeteliveness. This raise business cost and causes investment outflow, causing unemployment and inflation.

Shift in posture to security policy ~~a~~ decrease investor's confidence:

___/___/202 Day:______

Pakistan is engulfed in crises & terrorism. Each government has experimented both the use of force and negotiation. This has created ambiguity among businesses regarding their safety, supply chain disruption and risk to investment. Hence, investors are discouraged to invest their capital, leading to job losses and import burden.

Conclusion

Pakistan has faced the chronic issue of unemployment and inflation. This is due to loss of investment through high energy cost, expensive inputs, unprocessed exports, climate-induced disasters, and lack of skilled labour. Poor governance and policy inconsistency made the issue worse due to corruption, redtapism, and inconsistent security and economic policies.

Q3. Question #3

Ans. **Introduction**

Pakistan is facing severe energy crises since its inception. However, there are hopes in addressing this issue by resorting to alternative and renewable energy sources. This will lower cost of business, boosts domestic demand, reduces import bills, increase export competetiveness, encourage investment, showcase climate responsibility, minimises risk of energy depletion and create avenues for tourism. Hence, Pakistan will successfully solve energy challenges and pave a sustainable path to development.

Role of alternative and renewable energy sources in addressing country's energy challenges and achieve sustainable development

___/___/202 Day:______

Renewable energy effectively address the concept of limited energy sources:

Renewable energy effectively solves the challenge of scarce resources for long-term energy plan. Hence, Pakistan could reduce the risk of severe energy shortages in the resources of non-renewable energy such as oil, gas, and coal. This encourage investment, as the country's energy plans ~~has~~ create confidence for long-term safer investments.

Renewable energy will significantly threshes import bills:

Pakistan's import bill is majorly magnified by huge import in hydro-carbon for energy purposes. This cause Balance of Trade deficit and forces countries into debts. Hence, a reduction on imported hydro carbons improves the Balance of payment and help

___/___/202 Day:______

the country to 'emancipate' itself from foreign debt.

Reduce in cost of product as energy products get cheaper.

Shift towards alternative cheaper and renewable sources reduces cost of production, transport, storage and sale. According to law of demand low prices creates more demand. Hence, profitability of businesses increase.

Rise in domestic demand and savings as less income is spent on energy bills.

A cheaper energy alternative boosts domestic demand. This is because less income is spent to cover energy bills. Rise in demand increases employement, generate profits and contribute to economic growth.

___/___/202   Day:______

Lower cost of production raises international competetiveness of businesses.

Lower energy cost to businesses reduces cost of production. Pakistan can effectively compete in products like textile and cotton ~~with~~ on international market against competitors from Vietnam and India. BOP. surplus results due to exports, inducing economic growth.

Flow of investment into the country creates economic development.

Sufficiency and low cost in energy creates ideal grounds for both foreign and local investors to invest their capital. This results in better quality products and up-skill of workers due to transfer of technology, innovation, research and development and training on international standards. This will create high quality

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labour force and increases employment ~~output~~. output.

Showcases Pakistan's role in climate responsibility and efforts for sustainable development:

Climate is declared as a global emergency. The year 2024 was considered the hottest and is said to have surpassed 1.5% pre-industrial carbon content. Pakistan can use renewable energy shift as energy diplomacy to secure funds and support for its climate vulnerability. Moreover, it gives the country an edge in negotiating the fragile Indus Water Treaty.

Tourism due to country's clean environment:

Clean environment is a major

__/__/202   Day:____

factor for tourism. This is because tourists seek refreshment and peace of mind. Hence, there will be an overall rise in tourism. This will boosts Pakistan's soft image globally, increase employment, generate revenue for the country and exposes society to positive diversity, resulting in economic and social development.

Conclusion

A major shift towards cheaper alternative and renewable resources will solve ~~all~~ one of the major issue of Pakistan: energy crises. It will create avenues for sustainable energy supply, lesser cost of production for businesses, rising ~~imports~~ exports, falling exports, better purchasing power parity, inflow in investment and a surge in tourism. Moreover, it may result in Pakistan's climate leadership globally.