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14/11/2025 Day: Friday

2. Can Pakistan achieve economic stability without foreign loans?

Outline

1) Introduction

i) Pakistan's dependency on IMF – a historical view

ii) The real purpose of foreign loans in comparison to those taken by Pakistan

iii) Thesis Statement: Despite taking several foreign loans, Pakistan failed to achieve economic stability in long-term. Although several challenges persist, the country can stabalise its economy without loans by initiating various reforms.

2) How can Pakistan Achieve Economic Stability Without Foreign Loans

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i) Reforming education to increase skilled labour force

a) Rise in productivity, triggering economic growth

b) Boost in innovation and expansion in Research and development

ii) Increase in Foreign Direct Investment to improve Balance of Payment

a) Increase in employement and reduction in poverty rate

b) Greater exports improve Balance of Trade

iii) Promoting cutting-edge technology to maintain competetiveness

a) Digitalisation promotes transparency

and reduces red-tapism.

b) Cost-efficiency and product quality prevails

iv) Establishing strong Justice system in Pakistan to enhance accountability

a) Law and order paves way towards economic stability

b) make those responsible accountable for negligence and fraud

3.) **What challenges have driven Pakistan towards foreign loans dependency**

i) Lack of political will to achieve real economic growth

a) Short term economic reforms for political gains induced foreign borrowing

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b) Elite capture on political positions

ii) Security threats disrupt economic system

a) increases risk of investment

b) disrupts trade and tourism

iii) Technological gap prevents potential economic prosperity

a) Technological disparity deprived a major proportion of population from its utilization

b) Many businesses face cost-competition, resulting in their closure

iv) Free-trade policies threaten the existence of local industries

a) Free trade may cause Balance of

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payment deficit

b) Unemployement and investment outflow due to closure of local businesses.

4) **How positive measures addresses the challenges to pave way towards loan-free economic system.**

5) **Conclusion**

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The Essay

Since its independence, Pakistan has taken its 25th loan from IMF (International Monetary Fund) as of 2025. This ~~raise~~ several questions on the actual purpose of foreign loans. Historically, IMF was formed under Brettonwood agreement to assist countries out of their economic crises after World War II. Now, these countries have gained exponentically in terms of their economic growth. However, Pakistan is consistently resorting to loans to avert economic crises.but with no sustainable economic recovery. Loan indeed gives countries a short-term economic traction, but they cannot provide sustainable economic stability. For Pakistan to achieve meaningful growth, it must initiate reforms in education, attract Foreign Direct Investment (FDI), promote technological progress and strengthen its Judiciary. Many challenges persist to drive out Pakistan from debt crises such as weak political will, security threats, technological disparity and trade liberalization. They can be effectively addressed through the above-mentioned reforms. Therefore, Pakistan can achieve economic stability without foreign loans

The first and the most significant path towards economic stability is consistent education reforms. Education is ~~the backbone of sustainable~~ economic growth. Thus, it must be constantly updated with changing circumstances. This adaptibility will equip labour with the latest skills and ideas. This will enhances the productivity level, boosting the Gross Domestic Product (GDP) of the country. For instance, Institute of Business Administration, Karachi (IBA) is set to create its own Data Science Department. This move came after the prevailing importance of data analytics. Thereby, it sets to equip its student with changing market demands. Moreover, effective educational reforms increase innovation and research and development. This would enhance country's economic competetiveness both locally and internationally. As a result, exports and investment will rise, contributing to economy. Although a long-term investment, educational reforms can empancipate Pakistan from dependency on foreign loan.

Foreign Direct Investments (FDI) are also effective in reducing Pakistan's reliance on International Lending Institutions and countries for loan. FDIs are the flow of investment into the country from outside. It raises the total capital available in the country, causing Balance of Payment Surplus. These investment are responsible for creating employement and reducing poverty. For example, China-Pakistan Economic Corridor (CPEC) pledges to invest $60 billion in Pakistan ~~which~~ in Special Economic Zones, agriculture, livestock, infrastructure and energy. This would create jobs for thousands and

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reduce the poverty. In addition, rising investments creates more industries. This increase the ~~more~~ exports of value-added products that generate greater income, boosting economy. Therefore, investment is a smart alternative to foreign loans.

In the era of ~~constant~~ exponential technological advancement, Pakistan needs to adapt rapidly to new technologies in order to pave way towards economic development. Technology promotes transparency and efficiency if inculcated in Institutional frameworks of state's administration. Hence, digitalization will reduce red-tapism, which promotes investment both locally and internationally. Ease of doing business will improve, and businesses will grow and develop without unneccessary state hurdles. For instance, digitisation process of land record in Balochistan will increase real estate development in the province. Furthermore, private businesses will prosper by increase in demand of their goods and services. This is because technology creates efficiency in cost and enhances quality in goods and services. Toyota's Just in Time (JIT) inventory system in Japan ensure cost reduction and reliable car production. Therefore, in order to compete globally and achieve economic prosperity, it is crucial to adapt consitently to latest technologies.

In conclusion, Pakistan can attain stable economic conditions without resorting to foreign loans. The first and foremost step towards economic self-sufficiency is educational reforms. Not only will it contribute to economy through productivity but also from innovation and research and development. Rather than external finance through loan, FDIs must

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be boosted to meet the financial needs of Pakistan. It will create jobs and improve Balance of Payment through value-added exports. Technological revolution and advancement should bound the country to adapt constantly. This will create a more seamless digitization system and strengthen local industries. In addition, Law and order is a crucial factor in ensuring accountability and reducing risk of investment. However, many challenges persist that risk long-term economic dependency on loans. Elite capture and weak political will has formulated short-term economic policies. Moreover, security threats discourages FDIs, trade and tourism. The issue of technological gap prevents the country from reachings its true potential and risks driving many out of business. Finally, trade liberalization threatens FDIs, employement and Balance of payment in developing countries like Pakistan. It must be noted

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that true reforms in education, technology, investment and Judiciary will automatically address the challenges aforementioned.

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