Q.3

1 - Introduction

Pakistan economy is under the malaise of successive administration failure to reform the structure of economy, which has resulted into low growth, high debt and massive revenue losses. The economy structure has prevented privatisation, low government foot print and propotional taxation. This has led to low productivity and capital flight to nation's which offer high return, vibrant private sector and low tax rates. Hence, if Pakistan want to resolve its long standing issues it must privatize its loss making sector's, low government footprint, low tax slab, so that Pakistan can transition to sustainable equitable economic trajectory.

2 - Structural Flawed in Pakistan Economy

2.1 - High Government Footprint

The government foot print in Pakistan economy is very high. As per the

Pakistan Institute of Development Economics (PIDE) the government foot print is close to 70%. This hight print is throttling growth.

2.2- Consumption Growth Model

Similarly, Pakistan economy is a consumption economy as it produces less and consume more. As per the State Bank Governor Report 2024-25 the consumption growth model is leading to balance of payment crisis and high dependency on import. This has not only led to loss of foreign exchange but also consumer preferences

2.3- Dependence on Import

Pakistan dependence on imports and in particular luxury import has led to loss of foreign exchange earning. The petrolium import bill and food items is causing high consumption leading to productive economic stagnation

2.4- high borrowing From Bank

The government high reliance

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on banking sector for finances has led to private sector crowding out effect. Pakistan private sector credit to GDP ratio has fallen to mere 14% (Monthly Economic outlook Report / Ministry of finance). This low credit to private sector shows that private sector is not able to grow due to credit unavailability. As government borrows massively from the banks.

2.5 - Privatisation a Distant dream

The government failure to privatize low making state owned Enterprises (SOEs) has led to massive loss of revenue. SOEs like PIA, Steel Mills, Pakistan Railways are bleeding money rendering Rs 800 Billion loss to economy as per ministry of finance

2.6 - Regressive taxation

The government reliance over regressive taxation measures has led to closure of various multi national cooperations. For instance, Gul Ahmed, Proctar Gamble, Careem etc decision to close operations in Pakistan is ought to 58% tax on returns. Hence, leading to loss of resources and jobs.

2.7 – Protection to incompetitive sectors

The government protection to incompetitive sectors like sugar and wheat has led to various crisis. The 2025 wheat crisis where by sugar import and earlier export with subsidy led to sugar hike and massive increase in price. Hence government must liberalize such sectors so that cartelization and monopoly of sugar barons can be broken.

2.8 – Failure to resolve Distribution system of energy sector

Pakistan offer highest energy prices. The high tarrif rate is due to successive administration failure to reform the distribution side. As per NEPRA, 17% losses are occurring due to dilapidated distribution sector.

2.9 - Failure to reform NFC

The National Finance commission (NFC) award is in deadlock. The 7th Award passed in 2015 but due to political difference and award nature of rigidity has led to continuation of 7th Award. Hence, efforts must be made to change the award framework and add new indicators to make it more effective, transparent and equitable.

3 - Policy measure to solve structural challenges

3.1 - Reduce Government Print.

The state must reduce its footprint and leave the economy to private sector. It must play an oversight regulatory role and must not be in the business of economy. By giving private sector the lead will lead to more economic growth. As evident by India successfull liberalization plan of 1991.

3.2 - Adopt Investment Growth Model

Pakistan must create an environment of investment friendly rules and incentives. Currently, Pakistan investment GDP ratio is hovering below 20%. (SBP Governor Report 2024-25). Hence, by giving incentives in tax breaks. this can lead to higher investment opportunities.

3.3- Low borrowing culture from Banks.

The successive administration reliance on borrowing for covering fiscal deficit has crowd out private sector. The government must put a ceiling to its borrowing endeavors. So that other sectors can borrow and invest in the economy

3.4 - Privatize loss making SOEs

The government must privatize loss making SOEs like PIA, steel mills and Railways. The privatization can be an incremental stage but with a time bound mechanism to avert social unrest

3.5 - Lower Regressive taxation

The punitive tax culture and high incidence of tax rates on cooperation and on salaried class has led to loss of human capital and flight. Pakistan must remove supertax and other value added tax so that a breathing equalize space can be given to private sector.

3.6 - Remove subsidies to incompetitive sector.

Similarly, subsidies to incompetitive sectors like automobile and sugar should be remove. The National Tarriff policy of 2025-2030 envisages end of value added tax on automobile sector. Such priscription should be included in other sectors like wheat and sugar.

3.7 - Focus on Energy Distribution

Pakistan has substantial generation capacity. However, succession government failure to focus on distribution side has led to loss of energy and added high cost. Hence, efforts must be made on solving distribution puzzle

3.8- End culture of Preferential treatment

Preferential treatment to sector likes like Sugar, wheat and elite preferences has led to high losses. By liberalizing these sectors and putting them to market which can lower price and more market opportunities

4- Conclusion.

The flaws in Pakistan economy due to structural weaknesses The structure is resisting privatization, reforms and progressive taxation Resultantly, investment has fallen, debt has risen and low growth is the new normal. Hence, Pakistan must privatize, and unshakkle private sector and reduce government foot print which can lead to sustainable growth

Q.4

1- Introduction

Taliban 2.0 return has brought instability, insecurity and regional imbalance in the region. The regime support to transnational terrorist groups has made Pakistan security at peril. The high incidence of attack on Pakistan from terrorist operating from Afghanistan has led to high tension between both nations on borders. Moreover, Afghan terrorist in the disguise of refugees has made the security problem in Pakistan worse. And the change of regional alignment and Afghan Taliban closeness to India has made insecurity in Pakistan. Hence, it is imperative that Afghan Taliban address Pakistan's legitimate security concern and end their support to terrorist otherwise, the region will plunge into another proxy war which will have profound implication on the globe

2- Overview of post 2021 Pak-Afghan Relation

Eversince, the Taliban 2.0 returned to power they have failed to clamp down on terrorist groups like Tahreek Taliban Pakistan TTP, Jaish-ul-Adal, ETIM etc. Despite, giving assurances to the international community that Afghan soil will not be used as a launch pad of terrorism against any state. In 2024 more than 1000 attacks were reported in Pakistan. Likewise, terrorism has surged to 91% in Khyber Pakhtunkhaw and Balochistan shows that Afghan Taliban returned has manifolded security issues in Pakistan. whereby, relations between both states has gone to lowest ebb.

3- How border issues have worsend bilateral ties.

3.1- Afghan government refusal to accept 'Durand Line'

The Afghan regime refusal to accept 'Durand Line' as an international border has made border fencing a difficult task. Acting foreign Minister Muttaqi statement on not accepting Durand Line as an international border shows their disregard for international treaties & norms

3.2 - Afghan regime support to Terrorist housing near border

The Afghan regime support to terrrrist housed near Durand line has made unease for Pakistan. These terrorist infiltration into Pakistan via porous border has made insecurity in Pakistan

3.3 - Pakistan Earlier Rehabilitation of TTP near border

Similarly, earlier government decision to rehabilitate TTP near border has made the terrorist group emboldened. This policy backfired as Afghan Taliban who brokered the agreement has violated this agreement by supporting TTP in its operation against Pakistan

3.4 - Presence of terrorist in Afghanistan

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As per the UN security council Monitoring Report more than 6000 TTP fighters are present near villages adjacent or close to border. There presence has made security a serious issue in Pakistan

4- Refugee issue a bone of Contentions.

4.1- Terrorist in Refugees disguise

Pakistan currently house a more than a million Afghan Refugees. But in refugees disguise many Afghans are conducting terrorist activities. As per ISPR 23 Afghan terrorist have done terrorism activities in Pakistan

4.2 - Refugees connection with TTP

Pakistan intelligence agencies and Law enforcement agencies (LEAs) have reported potential nexus in between Afghan refugee and TTPs. Thus refugees provide operational vital intelligence against Pakistan state

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4.3- Thriving Illicit Economy

The illicit economy is thriving in Balochistan and KPK tribal areas. The proliferation of drug culture and untaxed goods is leading to repercussion for the economy.

4.4- Decision to Expell illegal Afghan

The government decision to expell illegal Afghan's has made ~~a~~ vital point. Where by, aliens will not be tolerated in Pakistan soil. Islamabad adopted this approach to build pressure on Afghan Taliban who are failing to clampdown on their brethren TTP.

5- Regional realignments influencing bilateral ties.

5.1- The India factor

The recent Afghan acting foreign minister visit to India show that India is spreading tenticles in Afghanistan with an objective to

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destabilise Pakistan. The reopening of Indian embassy in Afghanistan signal that both nations are treading on the path to destabalize Pakistan.

5.2 - US interest in Bagram

The US resurgent interest in Afghanistan Bagram base shows that Washington aims to hold strategic interest in both central and south Asia and into Middle East as well. This changing dynamic make the geopolitical calculus uneasy for Pakistan. As US presence may jeorpardise Pak-china relations.

5.3 - ~~Soviet~~ Russia recognition of the regime

Russia recognition of Afghan regime shows that the Moscow has strategic interest in Afghanistan. As it want to expand its sphere of influence. This recognition has given impetus to Afghan Taliban to carry on their support to various terrorist groups.

5.4- China Interest in Afghan Minerals

Similarly, china interest in Afghan rare earth mineral shows that Beijing limited engagement with Afghan Taliban are transactional. Moreover, its insistance on Afghan Taliban to clamp down on ETIM terrorist group reinforces Pakistan viewpoint that Afghan Taliban are complicit in terrorist activities.

5- Conclusion

The return of Taliban 2.0 manifest that the relations have gone to lowest ebb, owing to Afghan Taliban refusal to clamp down on TTP. This will have regional as well as global ramifications as Afghan soil will become a training hub for terrorism Hence, it is incumbent on Afghan Taliban to honor the Doha commitment and address Pakistan legitimate security concerns. Otherwise, the relations will become fraught with possibility of proxy war

Q5

1- Introduction

Pakistan-United States (US) relationship historically have been marred with convergence of interest and mutual distrust. The previous Biden Administration maintained limited engagement with Pakistan. However, under President Trump administration relations have become warm. with convergence of interest over mineral, rare earth metals, Bitcoin and Trump Gaza Peace Plan. However, one can can concur that relationship between both nations will remain transactional ought to unpredictable President Trump nature.

2- Changing dynamics Pak-US relation amid global powershift

2.1- Security cooperation

Pakistan has emerged as an reliable security partner. The previous CENTCOM Chief refered Pakistan as a fabulous partner against terrorism. Moreover, President Trump in his inaugral address thank Pakistan on bringing to justice the mastermin of Kabul bomb blast during American forces evacuation from Afghanin

2.2 - Economic partnership

Pakistan has gotten the lowest tarrif in the south Asian region due to it's better economic diplomacy whereas on India US imposed 50% tarriff.

2.3 - Shift to minerals and Mines.

Similarly, minerals and rare earth mineral advances is emerging as a new field. The US increased Strategic interest in this sector shows that both nation will benifit from this partnership.

2.4) Increased Military to Military Contact

Pakistan win over India in the May 2025 standoff shows that

Pakistan is an equal regional stabilizer. With President Trump pronouncement of Indian 7 Jet losses shows Islamabad military capability. This has led to Field Marshal visit and meeting with President Trump.

3- The case for transactional cooperation

3.1- Engagement driven by immediate need

The current engagement is more of an immediate US need. The Israel-Iran conflict and Pakistan role played into deescalation. Moreover, India failure to deter Pakistan in May 2025 shows that US is reassessing it geopolitical bets. Moreover, US desire to invest in Pakistan mineral sector shows that need of US are immediate and short term.

3.2- Trump unpredictable Nature

The unpredictable nature of President Trump shows that policy are emotive. His dismissive assertion and rebuke over Ukranian President Zelenskyy in a media meeting shows Trump unpredictable nature

3.3- Absence of institutionalized framework

Though US has shown interest over Pakistan mineral, Bitcoin and AI sector. But institutionaly framework are absent. NO G2G framework is established. This shows relations are purely transactional.

3.4- Gaining support for Gaza peace plan

The US administration want support over ~~the~~ its proposed one sided Israel favor Gaza peace plan. Though Islamabad has endorsed it with apprehensions over some clauses. President Trump want to present the case that all muslim countries back his plan including the only nuclear power country that is Pakistan

4- conclusion

Pak-US relation historically have been marred with mutual cooperation and mutual distrust. The recent thaw in relations shows that relation have once again bristen up. However, it is important to consider that it will remain transaction and limited only to scope of security, mineral or Bitcoin.

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