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MOCK EXAM

"PART-II"

QUESTION NO:- 3

Economic Challenges of Pakistan: Structural weaknesses or Political Economy Issue?

Pakistan is currently facing serious economic challenges, including high inflation, fiscal deficits, energy shortages, trade imbalance, and declining foreign reserves. While political instability exacerbates these issues, the root causes are structural issues/weaknesses in the economy. As the World Bank (2023) notes, "Pakistan's growth potential is constrained by low productivity and weak structural foundations".

1. Structural Weaknesses in Pakistan's Economy :

① Narrow Tax Base and Fiscal Imbalance :

Pakistan's tax to GDP ratio remains around 12%, one of the lowest globally, with over-reliance on indirect taxes. IMF reports highlight that, "without broadening the tax base, fiscal deficits ^{will} ~~not~~ remain chronic" (IMF 2022).

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Date: / /

Even recently in 2025 IMF suggested the reshaping of economic frameworks as the bottom line in improving Pakistan's economy.

② Energy Sector inefficiency:

Chronic load shedding and high cost of electricity reduce industrial output. With ever increasing population is ever increasing energy demands with stagnation of available resources thereby hindering the efficiency of Energy Sector.

Furthermore, Transmission and distribution loss exceeds 20% reflecting technical weaknesses and governance issues, including theft and mismanagement. The government spends nearly 1% of GDP on energy subsidies yet the sector remains financially unviable.

③ Dependence on Agriculture and Limited Industrialization:

Agriculture contributes ~18% to GDP but remains low tech and rain-fed. Moreover keeping in view the hefty climate change, it is certainly not a good option to rely entirely on Agriculture. For example in 2025, monsoon floods inflicted total economic damages of around Rs. 409 billion (~US 1.4 billion Dollars ~0.33% GDP). On the other hand Industrial sector lacks diversification remaining overly dependent on textiles and low-value

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Date: / /

manufacturing. The industrial sectors share in GDP has been shrinking. For example, the share fell from 26% in 1996 to about 18% in 2023, highlighting its decline.

④ Trade and External Imbalances:

Exports stagnate at ~\$38-40 billion, while imports exceed \$70 billion, creating persistent trade deficits. Heavy dependence on foreign borrowing makes Pakistan vulnerable to external shocks. As former Finance Minister Shaukat Tarin remarked, "We're borrowing to pay debt; this is unsustainable".

ii) Role of Political Economy:

Political instability, inconsistent reforms and populist policies exacerbate structural weaknesses. Weak institutions and corruption reduce the effectiveness of economic policies, discouraging investment. Thus, political instability is a quagmire creating a debt trap.

While political factors worsen economic conditions, structural flaws - low productivity, low energy, narrow tax base, energy inefficiency, and debt dependency - are the primary causes.

iii) Policy measures for Sustainable Economic Stability:

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① Tax Reforms:

Flawed Tax system results into less collection only 9% to GDP, thus it's important to Broaden the tax base, reduce exemptions, Shift towards direct taxation, and improve compliance. Track and Trade system and point of sale system may also be introduced to improve the flawed tax system.

② Industrial Diversification:

It's necessary to promote high-value manufacturing, IT and export oriented SMEs to reduce reliance on textiles.

③ Energy Sector Modernisation:

It is need of the time to invest in renewable energy and address circular debt through transparent, performance-based mechanisms.

④ Debt and Fiscal Management:

It's important for Pakistan to acquire loans on easier terms and conditions. The state is in persistent budget deficit, To pay off the interest over the loans, government has to acquire more loan. In 2024-2025:

9 billion PKR loan was paid, 14 billion \$ loan was paid off to External sources thereby creating budget deficit, for which another 15 billion dollar loan was acquired.

Thus long term loan with suitable terms and conditions is the only solution available. YOUSAF PAPER

2

Date: / /

⑤ Privitization:-

Doing this would save 1.6 billion PKR and it would be spent on necessary sectors.

For example: Every sector privatized in 1990's had generated more profit, for e.g. MCB generated 300% profit. This is a necessary step which can escalate the economic conditions.

CONCLUSION:-

Pakistan's economic crises are primarily structural, though political instability amplifies the problem. Sustainable growth requires structural reforms, fiscal discipline, industrial diversification, and strengthened institutions. As Amran Qureshi (CPEC Policy Report, 2023) states, "without addressing structural deficiencies, temporary fixes like borrowing or subsidies can't secure long term economic stability".

QUESTION NO:-5

Assessment of Pakistan-US Relations in 2025: Strategic Realignments and Global Power Shifts

The bilateral relationship between Pakistan and the United States have evolved significantly in 2025, influenced by leadership changes in both nations and shifting global power dynamics, especially US-China competition and the Afghan stabilization process. While the relationship remains strategic, mutual interests and pragmatic considerations dominate.

Strategic Realignments :

A) U.S Policy Shift :

With the re-election of Donald Trump in 2024, U.S foreign policy has emphasized pragmatic, interest-based engagement rather than ideological alignment. The focus areas include: trade and investment, energy security, and regional stability, particularly in South Asia. This reflects a broader global shift where U.S seeks alternative sources of critical minerals

Date: / /

and counters China's growing influence in the region.

B) Pakistan's Foreign policy Adjustments:

Pakistan has a rational Foreign policy. Pakistan has maintained strong ties with China while re-engaging with the US for economy and security cooperation. Military led diplomacy has gained prominence, exemplified by hosting the Central and South Asia Chiefs of Defence Staff Conference in July 2025. Pakistan positions itself as a regional security partner balancing ties between major powers to maximize strategic and economic gains.

II) Nature of Pakistan-US Relations

A) Transactional Cooperation:

(i) Economic Engagement:

In July 2025, Pakistan and US signed a trade agreement aimed at reducing tariffs and facilitating US investment in Pakistan oil sector (in contrast to imposing 30% tariffs on Indian's import to Russian oil).

(ii) Energy and Minerals:

Pakistan signed an MOU with U.S Strategic Metals to collaborate on critical and rare earth minerals, ensuring mutual

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economic benefits.

(iii) Counter terrorism:

Pakistan handed over ISIS-Khorasan operative Sharifullah to the U.S., demonstrating cooperation in security and counter-terrorism efforts.

B) Strategic partnership elements:

(i) Regional Security Cooperation:

Pakistan participates in joint initiatives with the US and Central Asian partners, strengthening regional stability.

(ii) Diplomatic engagements:

High level meetings between Pakistani military officials and U.S. leadership indicates sustained strategic dialogue.

While some elements suggest a Strategic Partnership, most engagements are driven by immediate economic and security interests, reflecting a transactional nature. Security and regional cooperation are the only elements reflecting long-term strategic alignment.

iii- Implications for Pakistan:

Date: / /

① Economic:

Access to U.S trade and investment can support growth, but heavy reliance risks economic vulnerability.

② Security:

Cooperation enhances Pakistan's regional counterterrorism capacity and positions it as a security partner.

③ Global Strategy:

Balancing relations with China and U.S is important to ensure strategic autonomy while maximizing the benefits.

CONCLUSION:

Pakistan-US relations in 2025 are best described as pragmatic and interest driven, blending transactional cooperation with selective strategic partnership elements. While Pakistan benefits economically and secures a role in regional security, the relationship remains dependent on mutual convenience rather than deep strategic alignment.

QUESTION NO:- 7

Is Pakistan in V-20 due to Climate change or Hazardous Developmental Model?

INTRODUCTION:

Pakistan is among the top 20 most vulnerable countries to climate change even though it contributes 40.1% total greenhouse gases emissions, facing floods, droughts, heatwaves, and glacier melting. The question arises whether this vulnerability is primarily due to global climate change or Pakistan's environmentally hazardous developmental model. It is safe to say that Pakistan's developmental approach, rather than climate change alone is the principal driver of this vulnerability.

Hazardous Developmental Model as Primary Cause

① Unplanned Urbanization:

Rapid, unregulated urbanization encroaches on flood plains and wetlands, increasing exposure to floods. Similarly by not keeping a check on housing schemes, millions of women

Date: / /

properties of people are subjected to the catastrophes caused by floods. For example:- The Park view society in Lahore faced the wrath destroying properties of residents. Similarly, the 2022 and 2023 floods also caused extensive urban damage in Sindh and KPK, worsened by blocked drainage systems.

② Deforestation and Environmental Degradation.

Deforestation for agriculture, timber and urban expansion reduces flood buffers and exacerbates soil erosions. Pakistan loses about 20% forests annually (sourced by Dawn) thereby imparting negative effects on the environment.

③ Industrial pollution and Resource Mismanagement:

Unregulated industrial discharge contaminates rivers, aggravating water scarcity and public health crisis. Similarly industrial smoke further worsens air quality and it's evident from the worst smog in Lahore during winters as it's industrially populous area. On the other hand, over-extraction of the groundwater in Punjab and Sindh has lowered water tables, worsening the drought vulnerability.

④ Poor Disaster Preparedness:

Weak urban planning, inadequate early

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warning systems, and lack of infrastructure resilience amplify the impact of climate events.

- While climate change triggers extreme events, Pakistan's developmental choices amplify their intensity and impact. Therefore, the hazardous developmental model is the key driver placing Pakistan in the v-20 category.

Recommendations to Mitigate Environmental Risks:

① Sustainable Development Practices:

The environmental impact assessments should be enforced, ecosystem restoration should be prioritized. Heavy fine should be imposed on unnecessary deforestation; Moreover, strict action must be taken against Timber Mafia only then it'd be possible to achieve the objective of Sustainable Development Goals.

② Climate-Resilient Infrastructure:

It is need of the time to transform the engineering practices into building climate resilient infrastructure. The housing societies must be stopped from encroaching putting millions of lives at risk. Moreover, since Pakistan's economy is agrarian, so

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Date: / /

climate resilient crops should be used to reduce the disaster impact and AI driven satellites should be used in monitoring the crops.

③ Reforestation and Resource Management:

The initiatives like: Clean Green Pakistan should be encouraged to promote Reforestation which is crucial to mitigate the climate change, alongside this, the ground water extraction should also be regulated to prevent drought.

④ Strengthen Governance and Awareness:

Environmental laws should be enforced, Public awareness campaigns must be conducted to preserve the natural resources. Similarly, it is equally crucial to integrate climate risk management into national planning.

⑤ Regional and International cooperation:

Developed countries having Advanced technology to counter climate risks should share their early warning systems with the neighbouring countries. Moreover, AI based technology should be expanded worldwide to counter the wrath of climate induced Disasters.

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Date: ___/___/___

CONCLUSION:

While climate contributes to extreme weather events, Pakistan's environmentally hazardous developmental model is the primary factor behind its inclusion in V-20. Reforming developmental practices, improving governance, and enhancing climate resilience are crucial to reduce vulnerability and build a sustainable future.

Date: / /

QUESTION No:-6

Role of Ideology in Pakistan's Nation-Building Progress

INTRODUCTION:

Ideology has been the cornerstone of Pakistan's creation and continues to influence its nation building trajectory. The foundation of Pakistan was rooted in the Two-nation Theory which argued that Muslims of the Indian subcontinent constituted a distinct nation with their own ideology (religious, cultural, and political identity). Quaid-e-Azam Muhammad Ali Jinnah visioned Pakistan where Islamic principles would guide governance but democracy, pluralism, and minority rights would be safeguarded.

As Quaid-e-Azam said,

"Pakistan isn't going to be a theocracy. It's going to be a democratic state where religion will be safeguarded."

Ideology thus functioned both as a mobilizing force during the freedom struggle and a framework for political and social governance post-independence.

i- Ideology as a unifying Force:

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① The two-nation Theory and Muslim Identity:

Ideology helped forge a common identity among Muslims in British India, creating solidarity across linguistically, ethnically, and culturally diverse groups. Quaid-Azam emphasized that Pakistan should protect religious freedom:

"You're free; you are free to go to your temples, you're free to go to your mosques... You may belong to any religion, caste or creed... that has nothing to do with the business of the State"

This vision reinforced the idea of a modern, pluralistic, Islamic State, not merely a religious theocracy.

② Ideology in Constitutional foundations:

- The Objectives Resolution of 1949 institutionalized ideology by declaring that sovereignty belongs to Allah alone but it is exercised through democratic institutions. Ideology guided early policy making, education reforms, and legal frameworks, ensuring that governance was rooted in Islamic ethics while promoting social justice.

ii) Evolution of Ideological Interpretation over time:

Date: / /

① Early Years (1947-1958)

Ideology was largely interpreted as a guiding principle for unity, democracy and modernization. Focus was on integrating diverse ethnic groups while maintaining Muslim identity as the basis of statehood.

② Military and Authoritarian Periods (1958-1971)

During Ayub Khan's Era, Ideology was often used to justify centralization and authoritarianism, diverging from Jinnah's vision of democracy.

③ Islamization under Zia-ul-Haq (1977-1988)

Ideology became formalized through laws, education, and governance, emphasizing Islamic identity over pluralism. Shariah based legal reforms reflected selective interpretation, often sidelining Quid's inclusive principles.

④ Post 1990's to present

Ideology is debated in political and social discourse in terms of democracy, minority rights, and educational policies. Pakistan's ideological contours now aim to balance Islamic values with modern governance.

- Ideology served as both legitimizing tool for governance and a unifying identity marker. Over time, political factors have

Date: / /

have selectively interpreted ideology to suit governance models, sometimes undermining Jinnah's vision of pluralism, minority protection, and democratic governance. Despite deviations, Quaid-e-Azam's speeches and writings consistently emphasize a Pakistan rooted in justice, democracy, and respect for all citizens.

Conclusion:

Ideology has been central to Pakistan's nation building, providing a moral, political, and social compass. Its interpretation however has evolved from unifying identity to selective political application under authoritarian regimes. Moving forward, Pakistan's nation building requires a return to Quaid-e-Azam's vision: a state guided by Islamic ethics but firmly rooted in pluralism, democracy, and social justice, ensuring both national cohesion and individual freedoms.

