

Question No 3

Introduction

Since its independence, Pakistan has never witnessed economic stability. Although, there have some time periods where country witnessed stable economy; however, the said stability remained temporary.

Pakistan currently faces numerous economic issues including low economic growth, rising inflation, fiscal imbalance and external dependence. Although the political instability is also a reason behind these chronic economic problem, but actual cause of continuously facing these problems stem from structural flaws. In this regard, Pakistan's economic challenges are primarily the result of deep rooted structural problems that have persisted for decades, limiting the productivity, competitiveness and fiscal sustainability.

Understanding the Concept of Structural flaws:-

Structural flaws refers to long term weaknesses embedded in economy's composition and institution. Following are the main flaws that are hurdles in between economic prosperity of Pakistan.

1- Narrow tax base

All the developed economies in the world have strong tax collection on which the development depends -

However, Pakistan's tax base is too weak and narrow, which only collects taxes from salaried citizens but unable to do the same with elite class.

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2- Unproductive agriculture and Stagnant Industry

Pakistan's economy is heavily dependant on its

agricultural production - However, current status of

said department is that it can't even full fill the

needs of country itself - Moreover, industry sector

in Pakistan is either too weak or non-existent leading

to little exports and huge imports for the country.

3- Chronic Power Shortage

Pakistan has faced the energy crisis for

decades due to which both the agricultural

and industrial sectors are unable to operate

properly - Pakistan has added 8000 megawatts

to its grid under CPEC projects, but still

it faces electricity shortage in its cities

and villages - Moreover, high cost of electricity

restricts the industrial sector to operate

freely and benefit the country's economy.

4- Dependence on imports - fiscal deficits

Pakistan largely depends on imports of basic necessities and other goods from foreign countries. For example, regardless of being an agricultural country it imports sugar. Similarly, household items, groceries and other daily life items are imported causing huge fiscal deficit.

5- Poor human development

Pakistan is ranked 168th out of 193 countries on human development index. Due to uneducated and unskilled youth, it has to bear more burden. Furthermore, lacking employment opportunities leads to brain drain which is another factor that restricts its economic growth.

6- Technological backwardness

Pakistan also faces the technological backwardness. In the rural and backward areas of the country, there is no internet facility, which restricts its youth from online earning opportunities. Government offices still use old style working procedure, that is not only time consuming but also flawed. In this regard, Pakistan is unable to benefit from technological evolution and is still living in the stone age.

Causes of How structural flaws lead to economic instability

I- Fiscal weakness

The fiscal deficits forces the country to borrow more from foreign countries or international organizations causing debt trap which is difficult to leave and remain economically dependent.

II- Energy inefficiency

Energy shortage leads to high production costs. The local industries can't compete with the exported products both in quality and price ending putting an end to industrial growth.

III) Low productivity

Due to the low productivity, Pakistan faces problems like unemployment and increase in poverty.

As per the data of Pakistan Bureau of Statistics, more than 42% of Pakistan's population live below the line of poverty, meaning that they can't afford daily bread and butter.

Political economy as Secondary factor

While Political economy aggravates the problems, but still it is not the root cause.

Pakistan do had stable governments having 2/3 majority and complete independence of Policy making. However

2- they remained inefficient in solving economic problems of Pakistan. Rather, structural flaws forced them to obtain 8 more loans to run the economy. In this regard, it is evident that without addressing the base structure, political stability cannot ensure growth by itself.

Policy measures to correct structural flaws

I- Fiscal Reforms

Pakistan should construct policies and their effective implementation to broaden its tax base by bringing the elite sector into the net. In this context, it is essential to simplify tax system to make uneducated population of Pakistan understand the tax filing and improve FBR's capacity. Moreover, tax payer should be given subsidies to encourage informal sectors.

II- Industrial and Export reforms

Pakistan has to invest in its industrial growth by providing subsidized power, good working environment and skilled labour. Moreover, country should focus on its exports by diversifying ~~the~~ it to engineering goods, IT and better textile products. Moreover, the country needs to invest in small and medium enterprises to modify its industry.

3- Agricultural transformation

Agricultural sector of Pakistan faces the back lash due to poor irrigation system and poor quality of seeds which is ~~leading~~ making lands go barren. In this regard, ~~country~~ should address this issue by construction of dams to end water scarcity and provision of better seeds for more production of crops.

4- Energy sector reforms

Pakistan has to shift from non renewable energy sources to green revolution - ~~the~~ Govt can provide subsidies on solar panels to encourage its citizens towards solar electricity. Moreover, theft of electricity in rural areas and big cities should be monitored and these offenders should face the law to end power shortage.

5- Human Capital and innovation

Pakistan should invest in educational sector and vocational training of youth. Skilled youth can utilize online learning platforms and generate their own small and medium enterprises. ~~the~~ This step of ~~policy~~ will

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automatically decrease the unemployment rate and poverty; benefitting country's overall economy.

6- Institutional and market reforms

Pakistan should examine the underlying challenges that its market faces and reform the same accordingly. In doing so, country's has to shift towards digitalization - following the footsteps of developed economies. This process will increase the transparency and productivity, leading towards local production, stable stock exchange, enhanced trade and safe environment for foreign direct investment.

Conclusion

Keeping above in view, it is evident that Pakistan economic problems are deep rooted in structural flaws. However, Political instability further exaggerates the already existing problems. Nevertheless, country can improve its economic growth by effective policy making duly addressing the root of the issues and effective implementation of policy framework.

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Question No 4

Introduction

After 20 years of War on terror, US and NATO decided to withdraw from Afghanistan in August 2021.

The trained and equipped Afghan military couldn't resist against Taliban takeover and surrendered.

This led to return of Taliban in Afghanistan.

Pakistan on the other hand, having religious, ethnic and cultural commonalities tried to have good relations with newly formed government and it also mediated negotiation among them (US & Taliban). However, current relations have been tensed due to cross border terrorism through Afghanistan.

Historical background

During the Afghan jihad against Soviet invasion, Pakistan provided support to the jihadists by providing training and war equipment. Pakistan also recognized the Taliban government in the late 20th century and had good relations with Afghanistan. However, during the US War on Terror, Pakistan allied with US against Taliban terrorism. This led to tensions and anger between relations of Pakistan and Taliban. On the other hand, US also blames

Following are the reasons behind tensed relationship of Pakistan with Afghanistan.

1- Afghanistan used as launching pad by TTP.

Pakistan has witnessed ~~reval~~ in ~~its~~ military and increased in terrorist activities after Taliban took over.

TTP has been using Afghanistan as a launching pad to conduct attack on Pakistan military and civilians.

Moreover, BLA and other terrorists groups are also using Afghan territory to operate inside Pakistan. In this context, Afghanistan has become safe haven for terrorists.

2- No action against terrorist organizations by Afghan new government.

Taliban government has ideological brotherhood with TTP and are afraid of IS-K, due to which

they don't conduct any operation against them,

neither do they restrict ~~from~~ them cross border terrorism in Pakistan. Moreover, Afghan Taliban

deny the ~~presence~~ presence of such organizations regardless of the evidence shown by Pakistan. This

hypocrisy of Afghan Taliban has led to

take Pakistan to take strict action against

these terrorist groups inside Afghanistan.

3- Refugee and humanitarian Issues

Pakistan has hosted 1.7 million registered Afghan refugees and millions of other unregistered migrants. These illegal migrants are involved in terrorist activities inside Pakistan. Moreover, Pakistan's fragile economy does not allow it to further keep these migrant/refugees in Pakistan.

Due to which Pakistan government decided to send back these illegal migrant with immediate effect. However, Kabul whose also suffering from economic problems simply considered this step as an act of aggression from Pakistan. Pakistan, who has history long history of hosting highest number of Afghan refugees, now don't get any appreciation for its efforts. Rather, Afghan government started building flawed narrative that Pakistan has been treating Afghan refugees badly.

4- Economic and Trade relations

Bilateral trade has declined due to the cross border terrorism. Moreover, Afghan has become hurdle in the CASA-1000 project.

Passing through Wakhan corridor. Afghanistan is largely dependant on Pakistan due to its land locked geography and Pakistan has always given it a support for trade in using Pakistan's territory. However, due to the ~~the~~ increase in terrorist activities using Afghan territory, Pakistan ~~is~~ has decreased its trade relation with Afghanistan.

4- Impact on CPEC

Terrorist organization like BLA and BLF have started targeting CPEC infrastructure and Chinese nationals, slowing down the developments. Moreover, Pakistan has raised this issue with China ~~in~~ to put diplomatic pressure on Afghanistan. However, Afghanistan has not yet shown any improvement in the matter; neither ~~it~~ has taken any action against terrorists.

5- Recent Pak-Afghan War

~~Pakistan~~ Pakistan after following all diplomatic way to force Afghanistan in order to take action against terrorist organizations, has started targeting terrorists ~~inside~~ inside Afghanistan. ~~But~~ However, recent visit of Ameer Muttar, Afghan Foreign Minister to India allowed Afghanistan to

attack on Pakistan Army martyring 22 soldiers. Due to which, Pakistan directly attacked Afghan Taliban posts and TTP. Pakistan captured almost 19 Afghan posts giving clear message to them that either stop or face the military.

6- Agreement b/w Pakistan and Afghanistan

Due to the ceasefire requests by Afghan government, Pakistan agreed to long term agreement which was mediated by Turkey and Qatar and was signed in Doha. Pakistan also made it clear that Afghanistan should stop cross border terrorism otherwise agreement can't be long lasting.

7- Options with Pakistan

Pakistan can put pressure on Afghanistan by sending back the refugees, which it has already started.

However, any option lies with Pakistan is that it can show the evidence to UN, International organizations and regional countries i.e. China and Russia to put diplomatic pressure on Afghan government in order to conduct reasonable action against all the terrorist organizations operating in their territory.

8- Conclusion

Regardless of having religious & cultural differences, commonalities and Pakistan's continued support to Afghanistan rather Political or economic

Pak-Afghan relations remains tensed - Pakistan has been witnessing revival in terrorism affecting its economy. ~~Due~~ Due to which, it has no other option, ~~and~~ instead to take military actions and put diplomatic pressure on Afghanistan. However, it is necessary that Pakistan do it intelligently and not afford 2 war fronts ^{at both} with eastern and western borders.

07