

Pakistan Affairs. (Mock-4)

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Part-II (Q3)

The current economic challenges of Pakistan are challenges of Political Economy or the issues are deep rooted in structural flaws in our Economy. Take a side and suggest policy measures to address these challenges?

Introduction to Current Economic Challenges:

The current economic challenges to which Pakistan is exposed have their roots in unequal distribution of resources at the time of Partition followed by political polarization, lack of political will, political instability, systematic flaws. Now, Pakistan is trapped ~~poor~~ badly in vicious cycle of economic decline. Therefore, Political economy and structural flaws are intertwined and are collectively

contributing to economic instability.
However, structural flaws are
so deep rooted that even Political
will alone can not overcome
them.

Structural Flaws: Root of Economic Decline

By structural Flaws, systematic
and structural issues are being referred
to. Weak economy of Pakistan is
the result of poor system,
improper administration and lack of
Human Development.

1) Narrow Tax Base: Weak Economy

Pakistan's economy heavily depends
on tax collection. However, the issue
lies in that tax is collected from
very few people, posing whole burden
on some factions ~~the~~ exempting others.
This narrow tax base not only
cause economic decline due to less
tax collection but also over
burdenize tax payers, further worsening
the situation.

2) Informal Economy evading Tax:

In addition to narrow Tax base, informal economy of Pakistan evades tax easily. This is because of lack of proper documentation of informal economy. For instance, Agriculture contributes to around 23% of GDP of Pakistan but do not contribute proportionally to taxation. Similarly, small-level retailers and shopkeepers economic sources are not being registered properly posing a burden to already weak economy.

add proper source against your stats.... also, use marker for references....

3) Lack of Digitisation of Economy:

Pakistan also lack digitisation of economy which also equips many to evade tax with false information regarding income. Multiple ^{large scale} Business owners easily evade tax due to lack of proper record, documentation and digitisation of income sources. This is also another cause of economic decline.

4) Property Tax Evasion owing to weak check and Balance

Owing to incapacitated regulatory bodies and undocumented economy, property tax is ~~largely~~ evaded by property dealers as well as investors which could otherwise have benefitted the economy.

5) Red Tapestry : Declining Trade

Long, unnecessary formalities discourages traders to trade with Pakistan, resulting in poor economy.

minimum description under a heading should be 5 lines....

6) Unnecessary Subsidies burden economy.

Though subsidies ~~are~~ ought to provide ease of business and living, It also poses burden on economy. Unthoughtful subsidies ~~also~~ are also more deleterious to economy than the benefit they provide.

7) Lack of Policies to attract Foreign Investment.

Pakistan lack a proper system and policies that could build the trust of ~~Foreign~~ investors on Pakistan. Moreover, lack in ~~center~~ facilitating Foreign

Investments could be a factor contributing to economic decline.

8) State Owned loss making Enterprises

Loss making State owned enterprises are also over-burdening economy. Since, Expenses of SOEs are borne by government and profits are not generated. SOEs are in loss mainly due to lack of accountability, overemployment, old infrastructure and poor administration.

9) Inefficient Use of govt Public Infrastructure:

Public Infrastructure like schools, hospitals are not fully used.

This causes burden on economy without producing any productive results.

10) Poor Weak policies on Investment:

Government has not focused on policies related to Investment. This has caused investors to divert in real estate rather than investing in any production which could have provided

employment opportunities as well as contributed positively to economy.

Therefore, Structural flaws including undocumented, informal economy, loss making SOEs, narrow tax base, unnecessary subsidies, lack of mechanism to attract foreign and domestic investment, Red Tape procedures ~~are~~ all collectively exacerbate economic challenges.

Policy measures For Economic Revival:

Multiple policy measures and structural reforms are needed to overcome the economic challenges faced by Pakistan.

1) Policy For ease of business:

Government machinery could attract foreign investors and traders to involve in business with Pakistan by building their trust, ensuring their safety and making procedures easier for them. To deal with this, Pakistan is already considering a facilitation centre.

that will attract foreign investment.

This will ultimately increase the inflows in the form of FDI and also provide employment opportunities to locals, strengthening the economy of the country.

2) Encouraging investors to invest in Business:

Government could encourage domestic investors to invest in production business instead of real estate and property.

Investing in property makes the economy stagnant while ~~same~~ investment when done in any business provides masses employment opportunity and increases exports.

This not only reduce poverty, inflation at grass root level but also become a source of improving current account balance by increasing exports.

3) Widen Tax base by documentation:

Tax is one of the major source of revenue generation. Therefore, Pakistan can significantly increase its revenue by documenting and engaging informal economy in taxation system. This will

automatically ~~maximise~~ improve economy

4) Imposing higher taxes on Property:

Imposing higher tax on property could not only generate revenue but also discourage investors to spend on real estate. This will direct investment to productive businesses which would sustainably revive economy.

5) Digitising Economy:

Digitising economy will include all income sources in Tax base.

Moreover, It will also reduce corruption, tax evasion. It will ultimately improve tax collection, revenue generation and economic revival.

6) Structural reforms of SOEs:

SOEs reforms including reducing unnecessary employees, renovating infrastructure, implementing pro-market policies could significantly improve SOEs productivity. This will result in transition of SOEs from burden to revenue generating institutions.

7) Privatisation of loss making SOEs

Loss making SOEs privatisation will reduce burden on economy and increase revenue generated by privatisation which could be utilised by government in human and infrastructure development.

Conclusion:

Political instability, terrorism badly impact foreign investment. In addition to this, informal undocumented economy, loss-making SOEs, tax evasion, narrow tax base, red tape procedures — result in economic decline.

However, these issues could be addressed by adopting policies to attract foreign investment, encourage domestic investors to invest in business, efficient use of Public property can improve economic conditions to large extent. Structural reforms of SOEs, privatising loss making SOEs and digitising economy can increase revenue generation and provide employment opportunities, thereby strengthening economy.

improve the references and the paper presentation part.

(Q5)

Assess the ^ochanging dynamic of Pakistan-US relations in the context of strategic realignments and global power shifts after new governments in both the countries. Do you think, the nature of relationship is strategic partnership or transactional cooperation? Discuss.

start with the summary of the answer as introduction.....

Changing Dynamic of Pak-US relations:

Since the beginning of Pakistan, Pakistan and US relations have changed dynamics continuously. With changing world order and power centres, ~~US~~ is changing alignments continuously to maximize its own benefits and security.

New Governments in Pak and US:

Trump's ~~government~~ and Sharif's government in US and Pakistan have changed the alliances significantly. Relations with each other ~~and~~ other countries are evolving fastly in 21st century.

Pakistan-USA relations from pages of History:

Many analysts ~~divide~~ ^{define} Pakistan and US relations in terms of marriages at and divorces, the time of converging interests and divorces in times of diverging interests. From history, it is evident that US ~~has~~ ^{has} always strengthened ties with Pakistan to fulfill its own national interests.

1) Afghan Jihad: Cold War

US strengthened ties with Pakistan during Afghan Jihad and formed an ~~alliance~~ ^{alliance} with Pakistan to ~~support~~ ^{support} Afghans against the USSR—the perpetrator of communism and enemy of USA.

2) Sanctions on Pakistan Nuclear Program.

US shifted its alignment to oppose nuclear program of Pakistan by imposing ~~sanctions~~ ^{sanctions}. This shows that US ~~formed~~ ^{formed} bonds with Pakistan only to fulfill its own interest.

3) War on Terror Post 9/11

After tragic incident of terrorist

attack on Twin Towers of World Trade Center and Pentagon.
US again forced Pakistan to align with US interests.
It used Pakistan's air bases ~~human resource~~ against Afghan ~~Talibans~~ which posed a huge cost to Pakistan and still Pakistan is paying the cost in the form of militant groups and hostile behaviour of neighbouring country - Afghanistan.

4) US strikes on Pakistan to recover Bin Laden:

US strikes on Pakistan and accusations on Pakistan to hide Bin Laden ~~shows~~ how US ~~has~~ always prioritized its national interests and do not form any strategic partnerships.

All these events from history shows that US aligns itself not with ~~partners~~ but with its national interests. It has never formed ^{long-term} strategic partnership with Pakistan.

Its behaviour ^{has} revealed that It continuously evolve its relations on basis of interests.

US-Pakistan Relations : Transactional Cooperation

US realignment with Pakistan in 2025 is also of transactional nature rather than a strategic partnership. US - the superpower - has tried to maintain its relevance in all regions of world especially in Asia - highly populated and energy rich region. Moreover, the emerging competitor of US - China - is also in Asian region. This also keeps US interested in this region. Shift in Washington posture is mainly due to its economic & hegemonic interests.

1) US Economic Interest: Minerals.

US - rich and powerful economy - has its interests in minerals and rare earth metals of Pakistan.

These minerals hold great importance in 21st century because of their high demand to be used in latest technology including solar panels, electric vehicles, Artificial

Intelligence. Owing to these interests, US is improving its posture toward Pakistan which could be visibly seen by Trump's behaviour on International Forums.

2) US diversifying its Supply Chain of minerals:

US wants to diversify its supply chain of minerals and rare earth metals by strengthening bonds with Pakistan. Therefore, any blockade on existing supply chain will not impact US economy.

Pakistan should also utilize this opportunity to develop technology and train Pakistani mannes.

in that technology.

3) US ties with Pakistan to counter influence of China in region:

By forming alliance with Pakistan, US wants to

maintain its presence in Asian region and to reduce influence of China in the region.

Asian region holds importance
in terms of Human resources
and rich mineral & energy
resources.

4) To counter Chinese String of Pearls:

US is increasing its presence
in Asian region to counter
"String of Pearls" ~~the~~ geo-military
strategy of China which could
potentially block US connectivity
with the world.

5) US to counter CPEC of China:

CPEC intends to connect
whole world to China
except North America. Chinese
influence on World's economy
is a direct threat to
American hegemony. This is
also another reason US is
strengthening its ties with
Pakistan.

Conclusion:

US-Pakistan changing relations are clearly short-term economic interest based. Therefore, It ~~would be~~ ~~assumed~~ shows that US-Pakistan recent strengthened ties are just transactional cooperation and not long term ~~all~~ encompassing Strategic Partnership. So, Pakistan, unlike US, should try to maximize its benefits by negotiation with US especially in technology transfer related to Minerals.