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Foreign Aid: Road to Stability or Recipe for Disaster?

Outline

1. **Introduction:**

– "In the modern era, nations rises and falls not by great army but by the economic status of the nation"

– Thesis Statement:

Foreign Aid is a recipe for disaster because it causes dependency syndrome, withdraws focus from effective taxation reforms, development in industrial system, development in agriculture sector, Loans and debt servicing burden on the economy. It is also a road to stability on temporary basis with certain limitations.

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2- Foreign Aid : Recipe for Disaster :

a - Foreign Aid causes dependency syndrome which is a recipe for disaster.
Case in point: Dependency syndrome of Pakistan due to consective programs of IMF.

b- Foreign Aid withdraws focus of a country from the effective taxation reforms which is a recipe for disaster.
Case in Point: No effective taxation reforms by General Zia ul Haq in 1980s due to the foreign aids.

c- Foreign Aid deviates focus from the industralization which is a recipe for disaster.
case in point: Weak and incompetent industrial framework ~~of~~ Pakistan is due to long lasting dependence on foreign aids.

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d- Foreign Aids impedes the agricultural development which is a reciepe for disaster.
Case in point: Decline in the agricultural share in GDP from 53% to 20% in Pakistan due to consective foreign aids.

e- Foreign Aid increases loan and debt servicing burden on a country which is a reciepe for disaster

3- Foreign Aid: Temporary Road to Stability:

a- Foreign Aid fills the gap between saving and investment.

b- Foreign Aid helps in the balance of payment crisis.

c- Foreign Aid supports developmental processes and projects

d- Foreign Aid fulfils the budget crisis-

4. Conclusion:

The Essay

In the modern era nations rise and fall not by the great army but by the economic status of the nation. Economy of the country has very importance in the internal and external affairs. It is a modern tool of warfare. Foreign aids are a great influencer of economy. Some consider it positive while other consider it negative. Actually the foreign aids cause the dependency syndrome of economic system. It makes the economic system as handicap. The country never focuses on the economic system development when it gets foreign loans. Continuosly getting foreign loans withdraws the focus of the country from

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effective taxation reforms which is a reciepe for disaster. The foreign aids fulfil the revenue demand of a country on temporary basis and this discourages the struggle for the reforms in the taxation policy. Foreign aid deviate the focus of the country from the industralization. Industralization is the main pillor of economy. If industialization is discouraged the economy faces serious consequences. Pakistan is a developing country. The continuous foreign aids have discouraged the reforms and development in the agricultural sector. Foreign aid also increases loans and debt servicing burden on a country. All the consequences of the foreign aid is a reciepe for disaster because it causes dependency syndrome, withdraws focus from effective taxation reforms, development in industrial system, development in agriculture sector, loans and debt servicing burden on economy. It also provides temporary stability with certain limitations.

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Foreign aid causes a serious economic condition which is dependency syndrome. This syndrome makes the economic abilities handicap and make it dependent on other sources. A country in dependency syndrome never focuses on revenue generation on its own but expects others to provide them foreign aids, as long the foreign aids are coming, the country enjoys but when the foreign aids stop, the economic crisis begins. Hence foreign aid is a recipe for disaster. Pakistan has always recieved foreign aids in 1980s for Afghan war and in 2000 for war on Terror. These aids have made Pakistan too much dependant on foreign aid. So Pakistan has faced the dependency syndrome. due to which it is faced with the economic struggle now.

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Foreign aids the country's focus from the effective taxation reforms because the country never need reforms if it is not faced with revenue problems. In Pakistan, the regime of General zia ul Haq was involved in the Afghan war due to which the country was provided with foreign aids from Gulf countries and US. These aids led to the temporary economic stability to a country so no effective reforms ~~waer~~ were made in the taxation. As the war ended in 1990, the foreign aids stoped and the country was faced with serious economic crisis. Hence the foreign aids are the recipe for disaster.

Foreign aids also demotivate the industralization sector because the country

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is using the alternative source of revenue generation. ~~for~~ a ~~count~~ This leads to the deviation of the government from the incentives to be given to industries so as to increase the production and exports. ~~So~~ Therefore the industrial development stops or slows down which leads to the serious consequences in future. The weak and incompetent industrial framework of Pakistan is due to long lasting dependence on foreign aids. Pakistan has recieved the IMF loans for about 26 times upto now.

Foreign aid also impedes the development of agricutural sector. Agriculture is one of the main sources of revenue generation and increasing exports. The foreign aid is the easy and quick alternative for the revenue problems due to which the importance of agriculture never remains the same. The focus on the agriculture decreases. The incentives and subsidies are not given which leads to decrease in the production and exports. As long the foreign aid persists the country enjoys but when foreign aid stops, a great economic break down evolves which is difficult to overcome. In 1980s the share of agriculture in the GDP was 53% but not it is 19-20% as per economic survey - 2024-25. This decline in production is the practical manifistation of the dependence on foreign aids. Hence foreign aid is a recipe for disaster.

Foreign Aids also cause a serious problem of loan and debt servicing burden. Because the foreign aids are not free

It has to be repaid with interest which is a burden on the economy. For the short time it relieves the deficit but in future it become a burden on economy. So foreign aid is a recipe for disaster.

On the other hand foreign aid also gives a temporary relief to economy with certain limitations. If the foreign aids are used well on developmental projects without corruption, it can benefit economy. It fills the gap between saving and investment. It helps the country to continue the economic progression even in difficult situations.

Foreign Aid also helps the country in balance of payment crisis. It provides the foreign currency directly which is a big economic relief. The country then easily pays the money for exports and imports even at trade deficit.

If the foreign aids are invested in developmental projects it cause decrease in unemployment and inflation. It become a source of income for future.

Foreign aids also provide direct money which helps in payment of bills. If the country's collection system is not efficient it will face the budget crisis and would never pay the bills. The foreign aids provide direct money to be paid for bills.

In a nutshell, the foreign aid has both positive and negative outcomes but the negative outcomes always overweights

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the positive outcomes. Hence the foreign aid is a recipe for disaster not a road to stability.

In conclusion, the foreign aid is the recipe for disaster because it causes dependency syndrome, withdraws focus from effective taxation reforms, development in industrial sector, development in agriculture sector, loans and debt servicing burden on economy. It can also give the benefits but on temporary basis and in long term it always causes the serious outcomes. Once a country traps in the trap of foreign loans, debt servicing and weak economic framework, it become very difficult and time consuming for the country to come out of such crisis. Pakistan is a practical example of this trap.