

FOREIGN AID: ROAD TO STABILITY OR RECIPE FOR DISASTER?

Outline

I: INTRODUCTION

II: MANIFESTATION OF FOREIGN AID AS ROAD TO STABILITY:

- ① Improved infrastructure strengthening connectivity & public services
↳ BRI: CPEC Project
- ② Surge in exports due to financial support of foreign investors
↳ Non-Textile Trade 2022-23: 11 US billion dollars to 146 US dollars
- ③ Strengthening logistics, IT parks and installation of foreign machineries
↳ Hitecison Port 1 billion US dollars

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- ④ Boosting IT and Technological sectors and increasing capacity from external tools
↳ Special Technological Economic Zones
- ⑤ Increasing defence capacity and equipping forces with modern instruments of war
↳ US Aid to Ukraine against Russia
- ⑥ Integration in global market and enhancing global competition
↳ Pakistan trade with US & China;
Ministry of Commerce

III CHALLENGES POSED TO COUNTRIES DUE TO EXTERNAL AIDS:

- ① IMF - Surcharge Policy decoupling economic growth
↳ Syndicate Project

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② External aid hampers long-term progress and growth of a country
↳ Malaysia Meat Crises: Case Study

③ Compromised diplomacy and external pressure weakens states' autonomy
↳ War on Terror: US-Pak: With Us or Against Us

④ Marginalization of local industries and lack of competition in adopting global standards.
↳ SMEDA: Marginalized SMEs in Pakistan; 7-8% of GDP funding

⑤ Soaring inflation rate due to reliance on foreign markets

↳ Supply-Chain disruption in 2022-23 due to global market disturbance.

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- ⑥ Increased elite capture and class gap in societies due to concentrated distribution
↳ World Economic Forum: 40% gap increased in 9 years between upper and middle classes of Palestinian.

IV: REMEDIES FOR FOREIGN AID-INDUCED DISASTERS TO ENSURE SUSTAINABLE ~~ECONOMIC GROWTH~~ AND LONG-TERM GROWTH:

- ① Empowering local industries and SMEs by subsidization
- ② Installation of modern tools and integration with AI & Technology
- ③ Encouraging entrepreneurs and venture investment
- ④ Leveraging exports over imports to reduce fissure of fiscal deficit

(5) Creation of renewable energy ensuring everlasting progress

(6) Promotion of gender parity to integrate ^{the} growth with more competition

V: CONCLUSION

$$2 + 2 = 5$$

Two plus two equals to five, equation still remains relevant in modern era. Countries around the world interact and build relationship based on their interests. Similarly, every country looks forward to build more and more diplomatic ties with other countries to achieve their

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goals. Moreover, they invest in other countries and in return, they avail their goals. Subsequently, undeveloped countries encourage such foreign investments by incentivizing them with multiple options to align with their interests. External aids help countries in various ways, yet they include multifaceted challenges. These challenges can be addressed and solved by taking timely and calculated measures.

Foreign investments increases connectivity and public services of a country. They invest and build highways, roads and strengthen mobility among the people. It is core interest of most of the nations to increase connectivity

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in a country. Chinese BRI Project CPEC is an evidence of such progress. It pledged to invest billions of dollars to build and construct roads, infrastructure and increase connectivity between the regions. In short, it provides the opportunity of close increasing public services and connectivity.

External aids do not only strengthen public services it also provides the opportunities by supporting a country to increase its exports. Rise in exports is major factor to stabilize an economy of a country. It reduces the burden of an economy. Pakistan rem-textile trade in 2022 to 2023 saw a significant surge. It

proves the argument that foreign investments increase the capacity of an economy to flourish its exports. It was a historical rise in Pakistan exports of non-textiles. Finally, external aids provide the chance to boost exports as well.

External investments strengthen logistics, Information Technology (IT) parks and installation of foreign machineries. They provide a tremendous support to the country by increasing the capacity of IT and technology sectors. Hutchison Port investment shows a strategic advantage of Pakistan from foreign investment. It allows the state to strengthen logistics and IT infrastructure.

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In short, foreign investments do not only strengthen logistics and IT progress but, they also boost capacity of IT and logistic sectors.

Strengthening of sectoral capacity such as IT and Technology is possible due to foreign investment. Installation of machineries and tools does not only guarantee stability of a country. There is need for trained and skillful people as well. Special Technological zones in Pakistan create a huge opportunity for jobs and annual benefits of 350 million dollars of US. It can be stated that they also play a pivotal role in capacity building of

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sectors in a country.

External aids also strengthen the defence capacity of a country. Defence strength directly affects the strength of a country. US aid to Ukraine against Russia is a clear manifestation of the above argument. No state can survive without a strong defence force. US aid helped Ukraine and Ukraine survived and stopped the further mobility of Russian forces. In short, foreign investment do not only strengthen the defence forces but also back an economy to integrate in global market.

Integrating in global market enhanced global competition due to external

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support. In modern days, countries cannot survive in isolation. Foreign platforms and countries support small countries to integrate in global market. Pakistan experienced a spike in exports with USA and China in the year of 2022. The solid report of Ministry of Commerce proves the power of foreign supports enhancing the exports of a country. Thus, foreign aid is inevitable for stability a country.

Foreign investments in return decouple a state's economy by various policies. Small economies barely stabilize, yet extra burden of foreign platform makes them

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further vulnerable. IMF Surchage Policy is a glaring example. It conditionalizes the support taken by a country. The conditions are mostly unbearable for such economies.

Finally, foreign investment do not only change states in return, but also hamper long-term progress of a state.

External aids hamper the growth and long-term progress of a country. They provide support for the time being. In return, countries struggle back to stabilize. Long-term progress, in fact, ensures the real progress of a country. Malaysia Meat Crisis is an example of short-term advantage from external investors. Later, the

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country was in crisis to fulfill the demand of meat. Finally, external support weakens the stability of a country.

Foreign aid compromises and puts pressure to align with their interests which weakens the autonomy of a state. Sovereignty of a state is most important part of national security. In this regard, US proposed Pakistan with undeniable orders to accompany in War on Terror against Taliban. It proves vulnerability of a state diplomacy. In short, it cripples a nation sometimes beyond its capacity to align with their interests by compromising own sovereignty.

External investors do not only compromise a nation's sovereignty but they also marginalize the local industries and small & Medium size businesses. They flourish their own products and business forshadow the local markets which cannot fulfil global or international standards. Besides 35% contribution of SMEs in Pakistan get 7-8% of support in return. It shows compulsion of a state which cannot perform and practice full authority. Thus, external investment forshadow domestic markets and businesses which hampers state stability.

Foreign markets are sole factors contributing in

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soaring inflation rate. Weak economies rely mostly on foreign markets. Any disruption in foreign markets directly hit the inflation rate which increases social tensions.

In 2022-23 supply chain disturbance led to 38% inflation rate and 48% food inflation. Weak states are vulnerable to external markets ups and downs.

Finally, external markets hamper the growth and stability of a country by impacting the inflation rate.

Inflation do not only contribute in instability of a country but also increased elite capture and huge gap between classes due to concentrated wealth

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distribution of foreign investment. Countries like Pakistan revival lies upon the support of external platforms and countries. Unfair distributed led to a huge gap between elite and middle classes.

World Economic Forum Report is a grave example of elite capture challenging fair distributing. Thus, foreign support leads to class gap also which makes a nation's stability a day dream.

A country can be stabilized by foreign aids when local industries and domestic SMEs are empowered. They play a key role in filling the gap of the needs of people.

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It increases smooth and economic access to markets and boosts the purchasing power of people. A nation can be stabilized for a long-term if local industries and SMEs are empowered. In short, stability without local industries is impossible for a country.

Artificial Intelligence (AI) and technology integration and installation is a key factor in bringing stability in modern days. They ensure efficiency and effectiveness. They are reliable in public services. Their installation guarantee growth and prosperity. Finally, a long-term stability can be achieved

by the installation of modern tools and integration of AI and Technology.

Modern tools installations do not only ensure a sustainable growth of a country but also encouraging entrepreneurs and venture investments. They explore new markets and pull work force for new jobs. Their role is significant for dependent countries to ensure the growth. Finally, it is important for countries to ensure entrepreneurs' and venture capital promotion for a rapid prosperity and progress of a country.

Leveraging exports over imports plays a

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pivotal role in strengthening the country. Exports' leverage provides an opportunity to local and national products to capture global markets. In return, it boosts foreign reserves and stabilizes a nation's economy. Thus, leveraging exports over imports do not stabilize a state but also renewable energy consumption.

Shifting to renewable energy consumption leads to an ever-lasting growth. They contribute to a country in various ways such as; they can be reproduced, no environmental tensions and ^{ensure} sustainable growth. Modern political era needs this shift to reduce

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environmental catastrophes which in return cripple the countries. In short, renewable energy consumption is a core factor in a country's progress.

Promotion of gender parity in markets and their integration in growth will increase competition. It helps in vast labour force and more skillful employees. Increase in competition contributes to quality in services and products. In small countries it plays a crucial role to stabilize them. Thus, female participation and inclusion exacerbate the growth of a weak country.

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To make a long story short, foreign investments play a crucial role in stabilizing and exacerbating the growth of a country. They are the backbone in various ways in backing dependent countries. Growth of such countries can be observed in their infrastructure, connectivity and modern tools' installation. However, in return external support has backfired and weakened countries also. There is a dire need to deal posed catastrophes of foreign aids and ensure smooth and sustainable growth and prosperity for undeveloped countries.