

Date: / / 20

41063-MOS-83

M T W T F S S

PAKISTAN AFFAIRS

Q.NO. 8 TECHNOLOGICAL INNOVATION
DRIVER OF ECONOMIC GROWTH. EXAMINE PAKISTAN'S
POTENTIAL.

INTRODUCTION:

Technology led innovation has proven to lead way for world economies in the 21st Century. Pakistan—a developing country stuck in a recurring cycles of bad economy, dwindling exports and structural bottlenecks—has the ability to leverage its technology sector progress to turn itself into a technology led exports powerhouse. Recent data shows Pakistan's ICT led exports have crossed \$2.85 bln with surplus from services sector. This gives Pakistan an opportunity to rapidly increase exports by fiscal easing, lowering taxes, incentivising investments in ICT sector, removing bottlenecks, lowering energy Price and increasing spending on human development. This is critical for Pakistan's technology led development.

i) Human Capital and Skill Development

a- Human Development:

Currently Pakistan ranks 168 / 193 in the UNDP Human Development Index ranking. Government need to increase its spending on human development and creating skillful resource.

b- AI and Specialized Skills Trainings:

Government is providing tech based skills trainings to the younger population using Digital Skills NAVTC and TEVTA. Google scholarships have also been provided to young Pakistanis.

c- Literacy and Tech Education:

Pakistan holds third largest english speaking resource in the world. Just by increasing spending on literacy, education and basic digital literacy, Pakistan has the Potential to lead the turn around and produce Economic miracle.

ii) Facilitating Investors and Startups:

a- Initiating Tax Holiday Schemes:

The new

investors should be given a 5 or 10 year tax holiday and facilitated in setting up their offices, getting basic amenities and everything allied.

b. Competitive Energy: The tech and export sector should be provided energy at regional comparable rates so their investments can be attracted.

c. Lowering Corporate Taxes: The corporate taxes in Pakistan are among the highest with lesser to no facilitation by governments. The rates should be brought down to reasonable levels to make Pakistan attractive for investment.

d. Ending Dual Taxation:

The dual taxation should be ended at all level and taxes should be deduced at the source only. Paying multiple taxes and non-cooperation by FBR and courts makes the foreign investors discouraged from investing in Pakistan.

iii) Facilitating the Skilled workforce:

~~By Reducing Taxes:~~

With taxes rising upto 40% on source income of high earners, Pakistan becomes an unattractive option for the high skilled workforce. With the freelance visas of many countries, they choose to leave Pakistan. Thus, rather than killing the ~~egg~~ gold egg laying ~~chicken~~, the government should facilitate it like the rest of the world, increase facilities, ease red tapism and reduce taxes.

iv) Institutional Reforms:

a. Reforming Tax collection Institutes:

Tax collection institutes act as blackmailers and as coercive factor currently with their unprofessional attitude and no regards towards the high tax payers. This disrespect can not be tolerated by any respectable person or a small startup. World is providing much better initiatives including India, Bangladesh, Philippines and

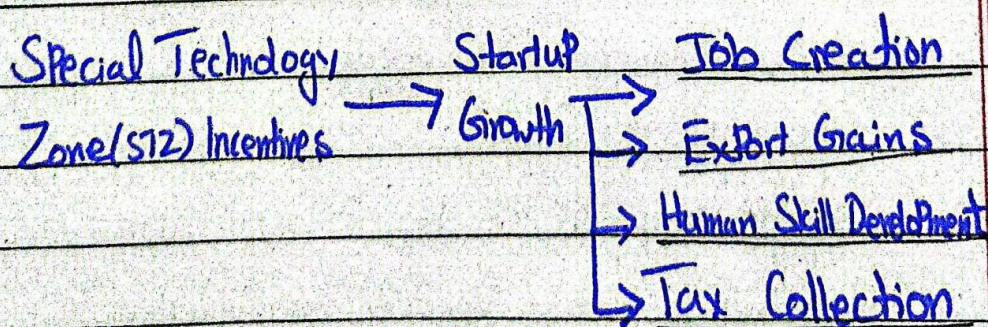
Vietnam. This behaviour of the institutes need to be toned down and ease should be provided to taxpayers to make Pakistan attractive.

b. One Window Facility:

A comprehensive one window facility is needed to be developed that covers all the 34 federal and provincial agencies dealing with the business. Current facilities are not enough and need to be reformed.

c. Tech Zones and Incentives:

The tech zones offer tax breaks and 100% profit repatriation but the ease of doing business should be also improved with providing more facilities to the investors.



v- Structural Reforms:

a. Ease of Doing Business:

Improving the ease of doing business so setting up and running a company is not difficult for companies.

b. Structural Easing and Connectivity:

The connectivity is lifeline of the IT based companies and messing with the connectivity should be made illegal for these companies. 5G needs to be rolled out and structural easing is requires with faster internet speed, lesser firewall role etc -

c. Digital Infrastructure:

50% of Population has access to the internet. Its scale, speed and connectivity is needed to be increased and more investments are needed in developing the digital infrastructure rapidly.

Pakistan's Path to technology-led innovation and creating an economic miracle is possible but need extensive reforms and constant oversight. Pakistan has the Potential

to easily grow its exports (PI bond)
by many folds in a few years by
institutional overhauls, digital literacy,
investor friendly policies and inclusive economic
growth.

Q NO. 5

Undermining of Federal Cohesion in Pakistan

Introduction

Pakistan federal structure was designed to accommodate ethnic, linguistic and regional diversity yet the problems between federation and provinces have existed from the Partition in 1947. Political exclusion, uneven economic development, centralization of power and not respecting provincial identities were major reasons for the strain and even threatened national unity — as seen in 1971 with Partition of Bangladesh and Balochistan unrest. In the present context, the relations

can be improved by transferring Power to real People representatives, fiscal easing, economic development and governance overhaul. Understanding the challenges and act accordingly is key to the sustained federal stability.

A. Political Factors Undermining Federal Cohesion:

i) Centralization of Power:

With strong center and weak Provinces the Provinces feel alienated and remorse developed in People.

ii) Ethnic and Provincial Politics:

There is no single federal Party in Pakistan and all the Parties represents their Provinces i.e PTI (KPK), PML-N and PTI (Punjab), PPP (Sindh) and Coalition in Baluchistan. The Provincial and ethnic Politics hurt the federal cohesion.

iii) Exclusion of Small Provinces:

Small Provinces

feel alienated like Balochistan which is the largest Province with respect to area but has smallest representation in the national assembly which makes the people and province resent the federation because of this political alienation.

iv) Military Interventions:

Pakistan's

34+ year under direct/indirect and hybrid regimes made the Pakistan's political institutions weaker and thus the whole provinces-federation setup got affected due to it.

B. ECONOMIC FACTORS UNDERMINING FEDERAL COHESION :

1) Inter-Province Development Disparities:

The development disparities are concerning and equal development should be done in low developed provinces such as Balochistan, ex-FATA and interior Sindh. 70+ year of negligence

is not factored in the 18th Amendment. Center need to Prioritize the less developed areas rather than spending solely on Punjab due to which Punjab has been developed so much that it contributes to ~53% of GDP while Balochistan contribution is < 4% of GDP. (Pakistan Economic Survey).

ii). NFC award disputes:

NFC

criteria are often causes of disputes among Provinces and cause strain over center-Province relation where center is accused of siding with bigger Provinces and Preferring Population over other criteria to benefit Punjab. More funds should be directed to areas where people are living below poverty line. This will help improving center-Provinces relation.

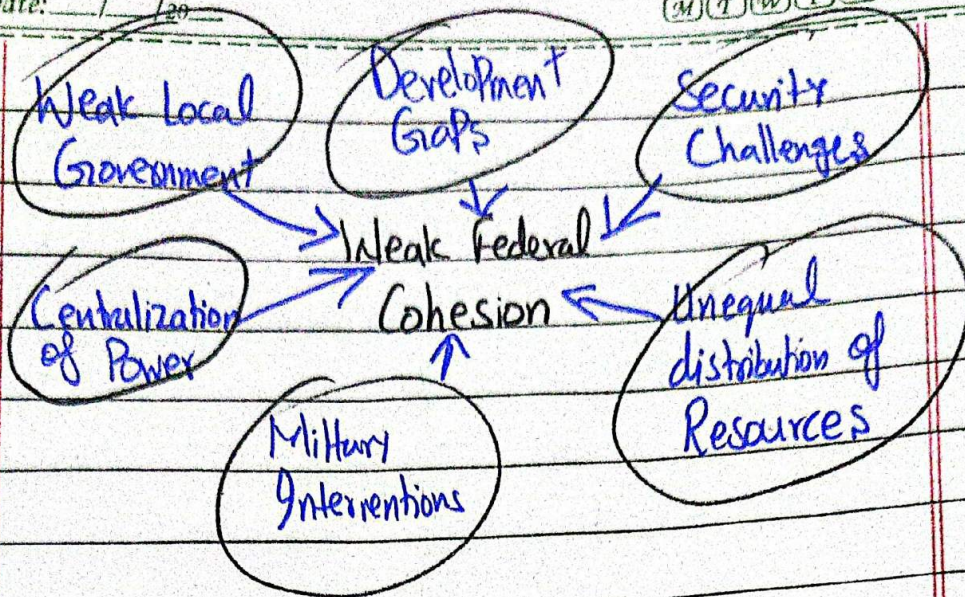
iii). Development Gaps =

The development difference between Provinces is astounding and it makes the

economy and lives in Poor Provinces difficult. The multi-dimensional poverty in Punjab is 31% while in Balochistan is at 71% (UNDP Pakistan). This unequal distribution of resources and injustice create tension in center-province relation and hurts the federation.

iv) Resources Exploitation:

The resources exploitation of Provinces is a concern i.e the coal plant was built at Sahiwal while the coal is mined at Thar (Sindh) and imported from Torkham border (KPK) so most viable would have been either KPK or Sindh but it was developed inside the Province of ruling Party. Similarly, Balochistan which produces the most gas, benefits the least from it as Balochistan gas was used to run industry inside Punjab. The most economic viable option would have been to create industry inside Balochistan rather than laying Pipelines.



C. Way Forward & Conclusion

i) Regulated NFC Awards:

More share to backward Provinces and divisions based on poverty, backwardness and more federal PSDP funds for poverty hit areas.

ii) Political Representation:

Respecting people's wishes and letting their representatives stay in power and serve their people.

iii) Decentralization of Government and New Provinces:

Local governments should be made effective starting from federal territory so provinces can follow and new provinces are needed on base of need and not on the basis of ethnicity or language.

iv) Strengthening Federalism:

The talks of reducing provinces shares should be stopped and more power and support should

be given to the Provinces.

Pakistan's past is evident that the federation can't sustain by centralization of Power but only by giving Power to the local Representatives and by following model of inclusive development and long periods of Political stability.

Q No 4 Pakistan's Internal Political Instability

Introduction :

Political instability has been a repeating factor inside Pakistan with its 33 PMs since 1947 and no PM able to complete tenure until 2013 (National Assembly Records). Pakistan was ruled by military for ~ 34 years due to which the long term stability never existed in Pakistan and until now, Person based Politics continues in Pakistan rather than Party based. Understanding the causes of this instability and studying its impacts on national

Security and foreign Policy is crucial to plan effectively going ahead.

A STRUCTURAL CAUSES OF POLITICAL INSTABILITY:

1. Civil-Military Power Tussle:

With ~34 year of military rule (SIPRI) and being a hybrid democracy, there is a constant fight for more Powers between civilians and powerful establishment in Pakistan which leads to Political instability.

2. Weak and undemocratic Political Parties:

The Parties are weak and Politics of Power remains in few families leading to dynastic Politics in Pakistan where Parties become undemocratic and are ruled by a few faces.

3. Non-Continuity of Government:

No government was able to complete term until 2013

and we saw 33 PMs change since 1947. This hurt the Political institutions and raised short-term Policy making Practice.

4. Judicial - Executive Tensions:

Judicial executive tensions started from the malvi Tamrazdin case, Persisted in Bhutto era and also in the Nawaz's terms when Kakar formula ended it. These tensions are still underway in shape of recently Passed 27th Amendment and doesn't seem to end which ~~is~~ has and will keep on having a negative impact on the Political stability.

5. Economic & Social Drivers:

Weak economy and regional Politics are other causes of Political instability. The IMF strict conditions agitate the Poors and Protests give space to undemocratic forces to gain Power.

B. IMPACT ON NATIONAL SECURITY

a) Internal Security Challenges:

TLP, BLA,

TTP, Sindhu desh, Pakhtunistan and many other such organizations only exist and are able to survive due to the weak Internal Politics and Political Parties inability to show Performance to the masses. Terrorism surge in the Political vacuum (Global Terrorism Index).

b) Governance Gaps:

Instability

Weakens the law and order and create governance gaps. Pakistan slipped to 130/142 countries in rule of law index (World Justice Report).

c) Capital and Human Resource Outflow:

Political

Instability causes a major brain drain to developed countries and with them, all the opportunities of investments and their contributions to

local economy flies and as well.
Foreign investors also avoid the
countries with Political instability.

C. IMPACTS ON FOREIGN POLICY:

A. Weakened Position of Power:

In foreign
Policy negotiations, Political instability
weakens the negotiation position
of a country and give the
other, rival country an opportunity to
exploit this weakness.

B. Inconsistent Policies:

With internal
instabilities, the Policies also keep
changing and so do the representatives.
It hurts the country's cause
and disrupt the foreign engagements
and agreements (Foreign Office Pakistan).

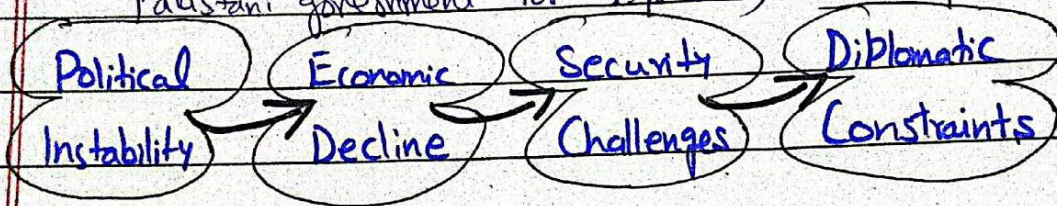
C. Reduced Investor's confidence:

The
confidence of investors reduces

which also hurts the country's FDI and economic development.

d. External Dependence for Support:

With chaos and instability, the governments look for external supports which often come with strings attached. Recent UAE acquisition of shares in Fauji Foundation subsidiaries is one such example where UAE converted its \$1 bln funds (that it gave to Pakistani government for liquidity) into equity.



Pakistan's Political instability is deeply rooted due to its institutional imbalance, federation weak relation with Provinces, weak Political Parties, weak economy and governance. It also affects the foreign engagement of Pakistan and its geopolitical stature as national security is inseparable from the internal Political stability. Thus Pakistan will continue to pay a high price both at home and abroad without Political stability and institutional reforms.