

Evaluation of Implementation Strategies of Economic Security in Pakistan

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Abstract:

In 2022, Pakistan introduced its first National Security Policy (2022-2026), which shifted focus from geo-strategy to geo-economy, positioning economic security as the cornerstone of national stability. The policy identifies key challenges, including external imbalances and economic inequalities, and aims to address them through a comprehensive approach. Key focus areas include promoting sustainable growth through higher savings and industrial development, improving fiscal management, enhancing energy security, and fostering technological innovation. The paper also emphasizes the need for an industrial policy, consistent governance, increased investment in research and development (R&D), and specialized vocational training. Furthermore, strengthening regional trade relations, improving law and order, and diversifying energy sources are critical for Pakistan's economic security. By addressing these areas, Pakistan aims to enhance industrial competitiveness, increase foreign investment, and secure long-term economic growth. The paper concludes with strategic recommendations for policy continuity, fiscal discipline, and investment in human capital to create a resilient and diversified economy.

Key words:

National Security Policy, Economic Security, Fiscal Management, Industrial Policy, Innovation and Technology.

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Introduction

After thorough deliberations and consultations spanning seven years, Pakistan's first National Security Policy (2022-2026) was released in 2022. The policy rightly emphasized the shift in focus from geo-strategy to geo-economy. It was appropriately highlighted in the new doctrine that Economic Security is the lynchpin of our comprehensive national security, and increasing the size of the pie will lead to a greater allocation of resources toward traditional security (defense) and human security. In turn, these two subsets will feed back into Economic Security in a cyclical manner.

According to the doctrine, Pakistan is facing three challenges in the economic sphere: external imbalance, vertical inequalities, and horizontal inequalities. Economic security will be bolstered by overcoming these challenges through a well-coordinated approach. The focus areas of the policy are described in some detail below:

Firstly, achieving higher sustainable growth by raising saving rates, developing financial markets, and promoting agricultural and industrial growth.

Secondly, enhancing trade, investment, and connectivity by utilizing the full value of our geographical location.

Thirdly, fiscal management lies at the heart of our financial problems. To overcome the issue in fiscal management and bring down the level of public debt, revenue will be increased through tax reforms and expenditure will be reduced through efficient use of resources.

Fourthly, for enhancing energy security, the energy mix will be improved, and a market-based energy system will be promoted.

Fifthly, education, technology, and innovation are vital components of our national development. By equipping our youth with cutting-edge skills, we will be able to compete in the fast-changing world.

Lastly, we need not only skilled labor within the country but also to train our labor for global markets. The well-educated diaspora can earn greater dividends for our country.



Statement of the Problem

Pakistan's economic journey over the last 75 years has been speculative, commonplace, and, in many ways, tragic. The National Security Policy of Pakistan rightly shifted the focus from the traditional security paradigm to economic security and stability of the state. However, after its formulation and adoption, the economy is still in troubled waters. Therefore, in this study, the implementation of the proposed policy measures will be analyzed to identify the issues that hinder their successful implementation, and appropriate measures will be suggested to overcome these challenges.

Scope of the Study

During this study, the focus remained on the four dimensions of Pakistan's economy: Industrial Production, Technology and Goods Production, Export Promotion, and Reducing External Dependence. Critical issues like economic vulnerability, fiscal deficit, debt burden, energy shortages, and low human capital were evaluated in light of various frameworks and analyses provided in the TORs. Based on the issues identified, mitigation strategies were devised to diversify industries, reform the energy sector, and ensure fiscal discipline.

Scope Limitation:

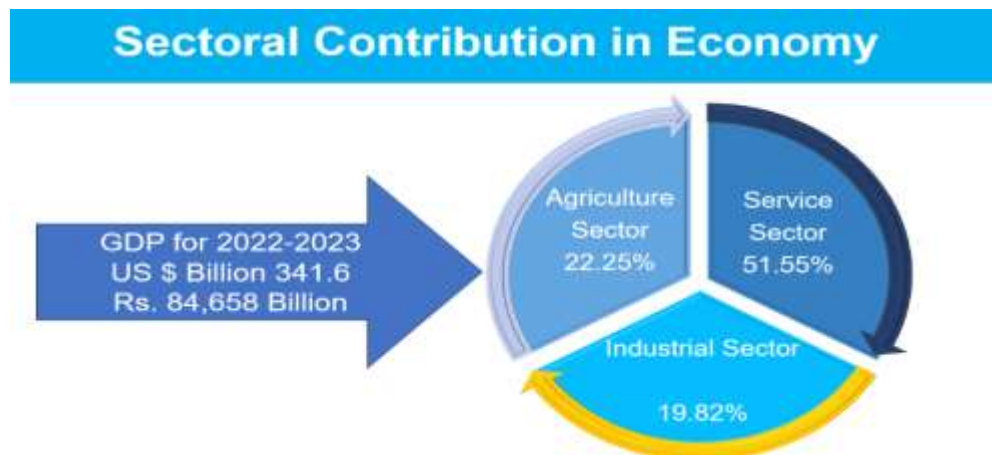
Though we were assigned the task of evaluating the implementation strategies, we either did not have access to them, or they were non-existent in codified form. Therefore, the major available policy documents were analyzed. Furthermore, the study was restricted to the four dimensions provided in the TORs.

Research Methodology

The study is qualitative in nature, and the data used is secondary. The documents consulted for data and information are the Economic Survey of Pakistan (2022-23), Annual Report of the State Bank of Pakistan, Vision 2025, National Electric Policy 2022, National Energy Efficiency & Conservation Policy 2023, National Transport Policy 2018, and the research work of eminent economists like S. Akbar Zaidi, Ishrat Hussain, and Shahid Barki. The policy documents related to Industrial Production, Technology and Goods Production, Export Promotion, and alternative sources of energy were thoroughly scrutinized. The research tools applied for issue identification were Situational Analysis, Critical Analysis, Stakeholder Analysis, SWOT Analysis, and Gap Analysis.

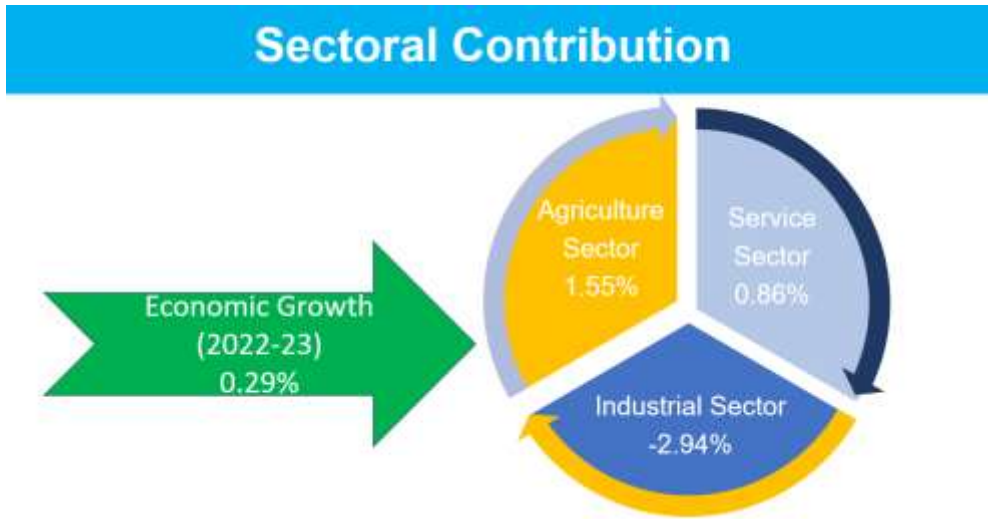
Sectoral Contributions in the Economy:

At the outset, it is appropriate to examine the structure of Pakistan's economy and its major segments. The size of Pakistan's GDP in real terms is \$466 billion and Rs. [amount]. The three major sectors of our economy are agriculture, manufacturing, and services. The table below provides a clear overview of their contributions to the GDP:



Sectoral Contributions to GDP:

As shown in the previous section, the three main sectors of our economy are Agriculture, Industry, and Services. Their contributions to GDP growth in the year 2022-23 are given in the pie chart below:



Budgetary Analysis:

The fiscal deficit has consistently plagued our economy due to higher expenditure and low tax collection. The table below clearly shows this mismatch:

Consolidated Fiscal Indicators

billion Rupees; percent

	Values	
	FY22	FY23
1. Total revenue (a+b)	8,035	9,634
(a) Tax revenue	6,755	7,819
Federal	6,143	7,169
Provincial	612	650
(b) Non-Tax	1,280	1,815
Federal	1,152	1,649
Provincial	128	166

2. Total expenditure (a+b+c)	13,295	16,155
(a) Current expenditure	11,521	14,583
Mark-up payments	3,182	5,831
Defence	1,412	1,586
Non-markup	8,339	8,752
(b) Development expenditure & net lending	1,657	1,953
(c) Statistical discrepancy	116	-381
3. Overall budget balance	-5,260	-6,521
percent of GDP	-7.9	-7.7
4. Primary balance	-2,077	-690
percent of GDP	-3.1	-0.8
5. Revenue balance	-3,486	-4,950
percent of GDP	-5.2	-5.8
6. Financing (a+b)	5,260	6,521
(a) External (Net)	1,178	-680
(b) Domestic (Net)	4,081	7,201
Non-Bank	981	3,673
Bank	3,101	3,529

Source: Ministry of Finance

The fiscal deficit is haunting our economy consistently because of higher expenditure and low tax collection. The table below clearly shows this mismatch:

Current Account Deficit/ Trade Deficit

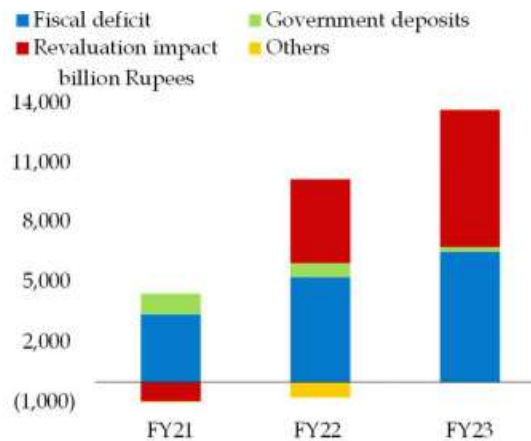
Pakistan has trade relations with different countries around the world and being the member of WTO, the trade transactions are considerably liberalized across our borders. Our exports are witnessing a decline and our import bill is rising. The tables below depict this situation:

Pakistan Imports - Historical Data		
Year	Billions of US \$	% of GDP
2022	\$82.28B	21.85%
2021	\$62.66B	17.99%
2020	\$52.33B	17.42%
2019	\$62.62B	19.51%
2018	\$67.82B	19.04%
2017	\$58.51B	17.25%
2016	\$50.07B	15.96%
2015	\$46.13B	17.05%
2014	\$45.59B	18.66%
2013	\$46.37B	20.06%
2012	\$45.79B	20.41%
2011	\$40.52B	18.97%
2010	\$34.29B	19.35%

Pakistan Exports - Historical Data		
Year	Billions of US \$	% of GDP
2022	\$39.42B	10.47%
2021	\$31.55B	9.06%
2020	\$27.94B	9.30%
2019	\$30.14B	9.39%
2018	\$30.56B	8.58%
2017	\$27.89B	8.22%
2016	\$27.40B	8.74%
2015	\$28.69B	10.60%
2014	\$29.92B	12.24%
2013	\$30.70B	13.28%
2012	\$27.82B	12.40%
2011	\$29.83B	13.97%
2010	\$23.95B	13.52%

Debt Trap:

The economy mired in long cycles of trade deficit and fiscal deficit and the resultant current account deficit and perennial fiscal deficit is doomed to land us in debt trap. The debt is mounting exponentially due to borrowing and exchange rate fluctuations. The worsening situation is depicted in the given table:



Sources: State Bank of Pakistan and Ministry of Finance

Inflationary Trend:

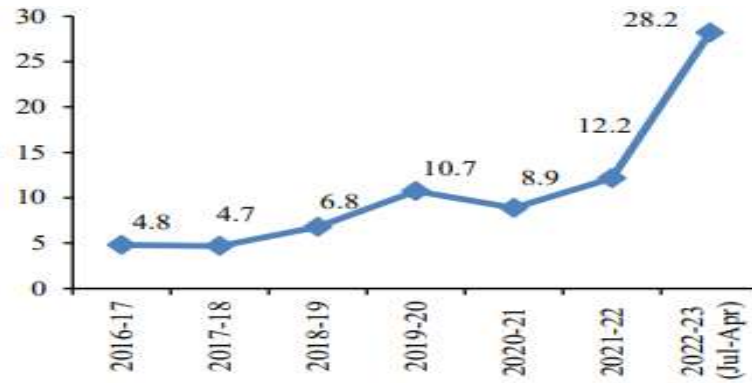
As expected, the poor economic performance and the worsening economic indicators have resulted in a crisis like situation. The CPI in Pakistan has remained very high for the last two to three years and this exorbitantly high inflation has devastating consequences for the lower and lower middle class of the society. This alarming trend of inflation is shown in the graph below:

Critical Analysis of existing policies pertaining to Industrial Production, Technology

and Production of goods, export promotion and reducing external dependence.

For the sake of this study, the policies

pertaining to the above four dimensions of economy have been critically evaluated.



Source: Pakistan Bureau of Statistic

Critical Analysis of Policies

A critical analysis of policies related to Industrial Production, Technology and Goods Production, Export Promotion, and Reducing Dependencies on Oil Imports was carried out, with the details shared below:

A. Policy for Industrial Production:

Pakistan, after experiencing industrialization in the first two decades, moved towards nationalization of industries. However, from the early 1990s, the journey towards privatization and trade liberalization was undertaken, similar to other developing countries. Despite this, privatization and liberalization did not provide a conducive environment for the private sector to invest in industry. Since 2010, Pakistan has been on a journey of deindustrialization. Due to declining exports, there has been a realization in power corridors that the country needs a comprehensive industrial policy. This was also highlighted in *Vision 2025*, which stated that a well-defined industrial policy would be prepared. However, no such document has yet been produced. There is still debate about whether such a document is needed, and if so, what its contours should be, given the worsening situation. Currently, the industry is facing allocative inefficiency, as the manufacturing sector caters only to domestic needs behind the high wall of tariffs. The rising

cost of energy, the unstable exchange rate, and unskilled labor are factors that hinder the necessary investment in export-oriented industries.

2. Critique of National Science, Technology, and Innovation Policy 2022

The vision of this policy is national transformation through science, technology, and innovation. The mission set for the policy is to make technology and innovation the central pillars of sustainable socio-economic development, with the following objectives:

i. Enhancing the role of science and innovation in the sustainable development of society by introducing technological tools and enhancing R&D and capacity building in colleges, universities, and industries to improve their yields in line with international standards. The government is making maximum efforts to achieve the desired results. Without adopting international trends and modern IT-based techniques, progress is far behind.

ii. Adopting a 21st-century approach to science, technology, and innovation for governance and introducing smart cities to enhance effectiveness. The importance of scientific advice to the government in both policy and science is gaining increasing prominence worldwide. Many countries have established extended scientific advisory systems to integrate science, technology, and innovation into all government departments. In Japan, the Council for Science, Technology, and Innovation was established through an act of parliament in 2001. In Pakistan, there are 80 science and technology organizations, with many more sub-organizations in the country. However, the provision of adequate human and financial resources is still a question mark.

iii. Invigorating human resources to meet the knowledge requirements through innovation. The STI policy follows a comprehensive science, technology, and innovation agenda, which requires a full complement of human capital, or knowledge workers, to move forward. The OECD's *Future of Education and Skills 2030* project proposes an OECD learning compass to describe three kinds of skills: cognitive and meta-cognitive skills, social and emotional skills, and practical and physical skills. Scientists, technologists, researchers, businessmen, and technology managers are the basic stakeholders who can play an essential role in enhancing this desired situation. This policy is intended to be applied in schools, where the teaching of scientific methods will help students become informed decision-makers in their future. The prosperity of countries nowadays depends greatly on their human capital and the learning opportunities provided to citizens throughout their lives. The Programme for International Student Assessment (PISA) was initiated by the Organisation for Economic Co-operation and Development (OECD) to produce comparable data on education policy and outcomes

across countries. Countries generally monitor student learning to gauge the performance of their education systems and to assess how well their education systems prepare students to meet future challenges. Human capital produced at the school, college, or university level serves as an input resource for existing industrial and economic sectors. Researchers inspire many of the ideas, aspirations, and actions that contribute to the vitality of society and its capacity for creativity in this dynamic world. Science, technology, and innovation are the engines of welfare and development in a knowledge-based economy.

iv. Transforming knowledge into products. The modern global economy is continuously evolving due to the emergence of disruptive technologies, shorter product life cycles, and the rising frequency of new product development. The existing innovation ecosystem of the country needs strengthening through the upgrading of infrastructure, development of specialized human resources, and the promotion of a culture of innovation in both industry and academia, as outlined in the policy.

v. Focusing on emerging and frontier technologies to achieve national socio-economic goals, such as green technologies, biotechnology, nanotechnology, and intelligent vehicles. The formation of research groups, similar to the invention of the transistor, is supported. There is an increasing trend and support for scientists and researchers from both the same and different disciplines working together to create new knowledge in specialized interdisciplinary fields. Creating a civil-military R&D interface, like those in the United States, France, Britain, and China, can boost output. Countries that have established mechanisms for civil-military R&D collaboration have been successful in creating a synergistic effect on the development of technologies for both civil and defense purposes. Key areas of focus include artificial intelligence, the Internet of Things, 3D printing, augmented/virtual reality, smart robotics, blockchain, materials, big data/data mining, green technologies, and space technologies.

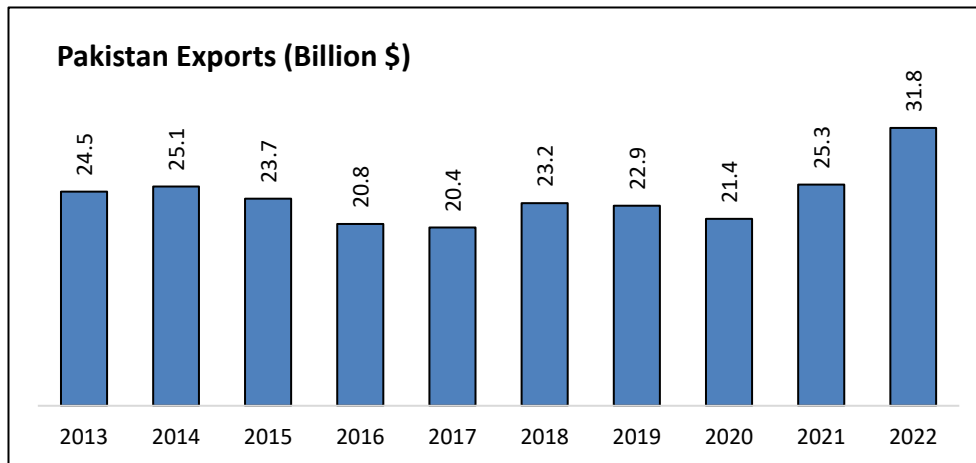
vi. Revitalizing science diplomacy to safeguard national scientific, societal, and diplomatic interests with other countries. Science diplomacy refers to the use of collaboration between countries and regions in the field of science.

vii. Ensuring the implementation of the policy through mechanisms like steering committees and advisory boards, with effective coordination among them. A steering committee, chaired by the Federal Minister for Science and Technology, and including representatives from various stakeholders in both the federal and provincial governments, has been constituted to ensure the policy is implemented in its true sense.

EXPORT PROMOTION

Pakistan's export performance has remained weak over the past two decades. The manufacturing sector of Pakistan consists of Large Scale Manufacturing, Small & Medium Scale Manufacturing, and Slaughtering. The manufacturing sector constituted around 12 percent of the country's GDP in 2021-22, which has remained almost stagnant for the past decade. Furthermore, exports have stagnated, primarily in low-value, low-tech, and traditional commodity products, which have inhibited export value growth. With the economy's GDP growth being import-based and consumption-led, this predicament has led to a persistent widening of the current account deficit.

The share of Pakistan's manufacturing sector has remained stagnant at around 12 percent of GDP for the past decade due to structural bottlenecks, high costs of doing business, energy supply constraints, limited access to credit—especially for SMEs—lack of sophisticated or latest technology, an unskilled workforce, low investment in research and development, low product and market diversification, absence of a dynamic industrial vision and policy, an unfair competitive environment involving government interference in business, smuggling threatening legitimate businesses, and low product quality in comparison to international standards. The overall political and macroeconomic environment, along with infrastructure deficits, are additional contributing factors to the sluggish growth of the sector. Pakistan's exports for the financial year 2022-2023 were \$31.8 billion, while imports for the same period were high at \$80.1 billion, resulting in a gap of \$50 billion between imports and exports.



Foreign Direct Investment (FDI), remittances, and exports are three key avenues that hold the solution to the country's economic woes, with exports standing out among these as a key factor in addressing concerns. Pakistan's growth model must be reoriented toward export-led growth in order to tackle the chronic boom-and-bust cycles and provide a stable macroeconomic environment, which will, in turn, foster an environment conducive to FDI. According to global research, 60 percent of the countries that experienced Total Factor Productivity (TFP) growth of more than 3 percent grew at 8 percent or more. On the other hand, lower TFP growth rates were associated with lower GDP growth rates. In the case of Pakistan, the average TFP growth has been 1.5 percent. To improve production and, consequently, exports, Pakistan must enhance its Total Factor Productivity.

Challenges Affecting Pakistan's Export Growth:

i. **High Cost of Doing Business:** The cost of setting up new businesses and running existing facilities has increased in Pakistan, particularly over the last ten years. Exporters in Pakistan face intense competition from countries like Bangladesh, India, and Vietnam. This trend is supported by the latest statistics released by the World Bank (Figure 2). It can be observed that, despite having higher levels, businesses in Pakistan and Turkey have seen no major relief, unlike most of their peers and competitors, where the cost of doing business has substantially reduced in recent years. In Pakistan, this cost is mainly associated with higher inflation and interest rates in recent years, as well as the adverse security situation in the country. Moreover, the rising energy prices in Pakistan over the past ten years have also contributed to the increase in the cost of doing business.

ii. **Availability of Electricity:** Frequent electricity outages have been another important structural obstacle to promoting exports from Pakistan over the last decade. Compared to its peers and competitors, these outages have translated into substantial output losses for various sectors of Pakistan's economy, including the export sector. Although government efforts to ensure an uninterrupted electricity supply to the industrial sector have led to modest improvements in recent years, there is still significant room for progress. Power projects under the China-Pakistan Economic Corridor (CPEC) will further help reduce Pakistan's energy woes in the coming years, which will help restore the country's export competitiveness.

iii. **Lack of Women's Participation in the Labor Force:** Over the past decade, the role of female participation in the labor market has significantly increased worldwide. Particularly in low- and middle-income economies, their participation in the manufacturing sector plays an important role in supporting firms by increasing the labor pool, which also helps achieve potential levels of manufacturing capacity. Pakistan, despite having half of its

working-age population consisting of females, has the lowest female participation rate in the labor force compared to regional and other peer countries.

iv. Lack of Foreign Direct Investment (FDI) and Technological Advancement: Pakistan, with its high ratio of young population, tends to have a lower level of savings compared to overall investments in the economy. To finance this gap, the country consistently depends on external financial flows to avoid pressures in the external sector. FDI inflows are generally considered one of the most stable sources of external financing. Uninterrupted FDI flows, particularly in value-added sectors, help improve export revenues through technological transfers and advancements in labor skills. Pakistan is considerably lagging behind its peers and competitors in attracting FDI flows. Additionally, the overall environment in the country has not been conducive enough to attract FDI inflows into exportable sectors. This is despite the presence of sizable setups providing opportunities for economies of scale amid rising domestic demand from the growing middle class. Sectors such as leather and its products, pharmaceuticals, sports goods, transportation, dairy, and textiles have potential for attracting foreign investment to boost the country's exports.

v. Meager Spending on Education and Research: In this era of globalization, countries with a skilled and educated labor force perform better in terms of competitiveness than those with a large proportion of unskilled labor and lower education levels. The experience of East Asian economies is a relevant example. In this regard, Pakistan is even behind its regional competitors. For instance, in the last decade, the average public spending on education in South Asian countries stood at 3.1 percent of GDP, compared to 2.4 percent in Pakistan. Similarly, countries that have successfully transitioned from low-income to middle- or high-income economies, such as most East Asian countries, invested heavily in research and development. As a result, they achieved high and sustainable economic growth and generated higher levels of high-value-added exportable surpluses with economies of scale. With an average of 0.3 percent of GDP, Pakistan's research and development expenditure is considerably low compared to regional and other peer countries. Specifically, according to the latest figures, South Asian countries, on average, spend 0.7 percent, while low- and middle-income economies spend 1.3 percent of GDP on research and development (Source: WDI-World Bank).

vi. High Tariffs on Imports: While higher tariff rates could help curb unnecessary imports, tariffs on imported raw materials could impact the country's export performance. With the increasing importance of global value chains at different stages of production, the share of exports made up of imported inputs has also increased, and Pakistan is no exception. Estimates

suggest that around 20 percent to 30 percent of imported inputs are used at different stages of production in Pakistan, despite the significant importance of imported inputs in production.

vii. **Market Diversification:** According to the IMF's direction of trade statistics, Pakistan has slightly diversified its destinations over the last decade. The prominence of the US and European markets in Pakistan's exports has reduced. However, Pakistan still appears to be under-exporting to large and fast-growing emerging economies worldwide. Specifically, Pakistan's exports to Germany, Japan, Hong Kong, Brazil, Russia, and India are below what could be expected based on their share in world imports. Besides the US and European markets, with which the country is currently trading under the GSP-Plus status, Pakistan also trades heavily with members of the Gulf Cooperation Council (GCC).

viii. **Product Diversification:** Similar to diversification in export markets, product diversification is helpful in reducing the vulnerability of the country's export portfolio to extreme volatility in export prices. Pakistan's product diversification is better than Bangladesh's, but it lags behind other regional economies and competitors. In fact, the number of exported items by Pakistan has actually decreased during the last five years, while its competitors have shown expansion. However, as mentioned earlier, the real problem arises from Pakistan's chronic reliance on resource-based exports. The availability of cotton, rice, and hides and skins largely determines the country's export growth in a given year. In the case of textile exports, the country's major export, Pakistan could also take advantage of this potential opportunity through timely investments in increasing its educated and skilled labor force, which will be capable of meeting new challenges.

ix. **Access to Finance:** Financial inclusion in Pakistan is rudimentary compared to countries that have enacted export-led growth models. Even the country's regional competitors have performed better in most areas related to access to finance.

Sectoral Strategy/Prime Focus of Government

The government's prime focus is on SME development, workforce skill development, technology upgradation, industrial infrastructure development/establishment of SEZs, facilitating innovation, enhancing the competitiveness of locally manufactured products in international markets, encouraging foreign direct investment (FDI), promoting exports through new/better market access, competitive incentives, and facilitating G2G, B2C, and C2C interactions.

The aim is to boost productivity, earnings potential, and competitiveness by focusing on five foundations of productivity, namely:

- i. Investing in Science, Research, and Innovation;
- ii. Skill development;
- iii. Upgrading infrastructure;
- iv. Improving the business environment, including reducing the cost of doing business;
- v. Creating better job opportunities.

4. Policy Initiatives for Reducing Dependencies on Oil

The Pakistani economy has several external dependencies, such as trade, remittances, external loans, foreign investment, and foreign aid. While some of these dependencies are beneficial for the economy, others, such as the imbalance in trade and debt payments, are responsible for the current economic challenges. While all of these factors require detailed discussion, we will confine ourselves to the import of oil, which constitutes a major component of our import bill.

Pakistan imports petroleum and petroleum products mostly from Middle Eastern countries. Currently, the total need for oil consumption in the country is 19 million tons, of which 80% is imported. For the financial year 2022-23, the oil import bill was \$17.014 billion, which constitutes 20.67% of the total \$82.28 billion import bill. Pakistan primarily imports crude oil from the UAE (56%), Saudi Arabia (34%), and Kuwait (4%). It imports refined petroleum products from the UAE (52%), Kuwait (17%), and Oman (6.6%). Last year, Pakistan imported 154,000 bpd of crude oil from Russia.

Traditionally, Pakistan has been dependent on Saudi Arabia and the UAE for its oil imports. Since Pakistan is a net importer of petroleum products, it can save foreign exchange by importing petroleum products at lower prices and refining crude oil at domestic refineries. The data further shows that Pakistan has placed all its eggs in a single basket, importing oil from just three Middle Eastern countries. There is a dire need for diversification to minimize the security risk to our economy. Transportation uses 59%, electricity uses 32%, and industry uses 8% of petroleum products. Pakistan often buys from these countries due to deferred payment terms and trade relations.

Impact on the Economy:

a. **Loss of Foreign Reserves:** Pakistan has to spend around one-third of its budget on importing petroleum products, which is the largest chunk of the budgetary allocation. The expenditure over the last three years is as follows:

b. Rising Oil Prices and Inflation: Rising prices of petroleum impact the economy at both macro and micro levels, causing inflation and unemployment. The oil price fluctuations have a decisive impact on the economic development of the country, causing price increases and negatively affecting economic growth in both the long and short term. Rising inflation in commodities, as petroleum is used in manufacturing and transportation, affects almost all products.

c. Impact on Developmental Programs: The huge expenditure on the petroleum import bill directly hits the Public Sector Development Program (PSDP). Development expenditure gets cut with every rise in petroleum product prices. Furthermore, the costs of projects also increase due to the rising market prices of materials and equipment.

d. Geopolitical Threats: The Middle East has been a flashpoint between major powers, with local rivalries that could result in the disruption of oil transportation. Any such disruption would severely impact our economy. Such an exorbitant loss of foreign reserves is neither bearable nor sustainable. Therefore, strategies to manage the issue in light of the policies are required.

Strategies to Manage the Issue in Light of the Policies

Decreasing Dependency on Fuel:

- 1. Exploring Other Petroleum Markets:** To safeguard our economy from external geopolitical shocks, Pakistan must search for other potential suppliers of oil outside the Middle East. Russia has already been approached for the supply of its cheap crude oil, which is encouraging. It would be better if a proper agreement is signed for long-term supply. Iran is another viable option, where oil can be pumped through a pipeline. Additionally, Indonesia, Brunei, Algeria, and the Central Asian states could be other possible contenders. Malaysia can also provide petroleum products. However, if the option is confined to Russia only, the country may face risks from US sanctions, compatibility issues with Russian crude and our refineries, higher transportation costs, and delayed payment issues.
- 2. Exploration:** Focus on indigenous onshore and offshore energy exploration. A few years ago, exploration was conducted in the southern region of Khyber Pakhtunkhwa, with encouraging results in discovering oil and gas in several areas. There is a need for further extensive exploration in this area, as well as in the newly merged districts and Balochistan. In the coming years, the demand for oil and gas will increase, which will exert further pressure on our economy if not properly managed. Law and order issues in the past have hindered exploration missions in the tribal belt, an

area expected to be rich in oil and gas. Although law and order is still not ideal, providing full security to companies exploring in these areas could yield positive results in a short time.

3. **Transport Sector:**

The transport sector consumes about 60% of imported oil. Therefore, necessary steps should be taken to reduce consumption by implementing the national transport policy and National Electric Policy, which include:

a. Shift from Private Transport to Public Transport and Road Freight to Rail Freight:

The National Transport Policy aims to overhaul rail, air, trucking, mass transit, pipeline networks, urban transport, and maritime businesses in an integrated manner to meet the challenges of the growing population and developing national economy. An increased focus will be placed on providing public transport services and integrating them with other modes. For freight, the predominant use of road transport will be gradually shifted to rail and pipelines, with better integration of agriculture and industry to rail stations, dry ports, and pipelines. Rural roads will remain vital for providing accessibility to local communities and public services, while urban roads will be designed to support efficient urban transport.

b. Import and Use of Energy-Efficient Vehicles:

The transport sector consumes a significant portion of imported oil. While the world is moving towards electric, hybrid, and hydrogen-driven vehicles, we lag far behind. Second-hand vehicles are often imported, which have already completed their specified lifespan. These vehicles are highly inefficient in fuel consumption. Section 5.3 (Transport Sector) of NEEC deals with the import and use of electric and hybrid vehicles and the mandatory certification for their use on roads. However, this is not being selectively implemented. The need of the day is to strictly enforce this section regarding the import of vehicles and issuance of road permits.

Power Sector:

The power sector uses 32% of the total fuel consumption. To mitigate the present situation, the following strategies are suggested:

a. Subsidize Alternative Means of Electricity Generation, such as Solar and Wind:

The world is rapidly moving towards clean alternative energy sources. Maximum efforts should be made to transform our economy into a green economy. Investors should be encouraged with tax exemptions and subsidies

to invest in solar and wind energy sources. Companies with expertise should be invited to establish factories manufacturing solar panels and wind turbines in the country. The newly established Economic Zones under CPEC can be an option to attract foreign investors and companies.

b. Establish Coal Power Plants Running on Local Coal:

Some regions of the country are rich in coal. Local coal-based electricity plants should be set up to produce cheaper electricity for industries. However, all environmental protocols should be followed while establishing these plants (Section 5.1.6 of NEEC).

c. Timely Completion of Mega Power Projects:

Currently, Pakistan is building several major hydroelectric projects. The cheap electricity generated from these, coupled with skilled labor, can bring about an industrial revolution in the country. Maximum efforts should be made to complete these projects on time. Local disruptions and agitations have been observed, so all stakeholders should be engaged and made to realize the importance of these projects for the country's economy. If completed on time, they will play a crucial role in our economic security and development.

Stakeholders Analysis

Analysis of the stakeholders have been carried out in the given chart on next page.



SWOT Analysis

SWOT analysis of three institutions i.e Ministry Industries and Production(table-1), M/o Science and Technology (Table-2) and Trade Development Authority (Table-3) has been carried out in the below tables

SWOT of Ministry of Industry and production

<p>Strengths</p> <ol style="list-style-type: none"> 1. Policy formulation Body 2. Strong organizational structure with 26 attached bodies 3. Low cost of production 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Bureaucratic hurdles 2. Inefficiencies in industrial revival of the country 3. Lack of innovation and unskilled labour
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Huge opportunity to utilize the youth bulge 2. Establishment and promotion of Knowledge based and value added industry 3. Industrial diversification to cater for the diversified need of the global market 4. Establishment of Small and medium size enterprises 	<p>Threats</p> <ol style="list-style-type: none"> 1. Increasing competition at global level. 2. Political Instability 3. Frequent policy Changes 4. Brain drain from the country

Table 01

SWOT Analysis of Ministry of Science and Technology

<p>Strength</p> <ol style="list-style-type: none"> 1. Strong organizational structure with 17 attached formation 2. Policy making and strategic planning 3. Government backing 4. Strong Liaison/link with universities and students 	<p>Weaknesses</p> <ol style="list-style-type: none"> 1. Bureaucratic hurdles 2. Brain Drain 3. Low utilization of the capabilities of the graduates 4. Weak coordination with industries
<p>Opportunities</p> <ol style="list-style-type: none"> 1. Optimum utilization of the science graduates 2. Technology transfer 3. Guiding and facilitating industry on shifting to knowledge based products 	<p>Threats</p> <ol style="list-style-type: none"> 1. Political instability 2. Lagging behind in technological fields as compared to the regional countries 3. Lack of consistent budgetary allocation

Table -2

SWOT of Trade Development Authority of Pakistan

Strengths	Weaknesses
1. Strong Organizational Structure 2. Government Support 3. Strong Resource Network in form of Pakistan embassies 4. Strong market knowledge Guidance to the businessmen	1. Failure in export promotion 2. Bureaucratic way of doing business 3. Weak connections with the businessmen 4. Low profile/ Non activism
Opportunities	Threats
1. Harnessing huge export opportunities 2. Signing of free trade agreements with regional and friendly countries 3. Guiding the exporters for value addition of their products 4. Export Diversification	1. increasing competitive global market 2. Security situation in the country 3. Political Instability in the country 4. Fluctuating nature of the Global market in wake of Ukraine war.

Table -3

Comparison with two developed and two developing countries.

Comparison of Pakistan with developed countries like South Korea and Singapore and developing countries like Bangladesh and Vietnam shows that the country is lagging behind on all critical socio economic indicators. Details is as follow

TABLE NO. 1:-

Shows Socio Economic Indicators of Pakistan

Socio-Economic Indicators of Pakistan	
Socio-economic Indicators	Rate/Numbers/Amount
Population	241.49 Millions (2.4%)
GDP Size	US \$ Billions 341.6 Rs. 84,658 Billions
GDP Growth Rate (2023)	0.29%
Per Capita Income	\$1597
Population Blow Poverty Line	95 Millions
HDI Ranking	161 out of 192
Literacy	62.8 %
Female literacy	48%
Unemployment rate	6.3%
Without access to Sanitation	79 Millions
Population without Access to clean drinking water	21.7 Millions
Infant mortality	55.77 deaths/ 1000 live births
Maternal Mortality	186/100,1000

TABLE NO. 2:-
Shows Socio Economic Indicators of South Korea

Comparative Analysis with South Korea	
Socio-economic Indicators	Rate/Numbers/Amount
population	51.78 Millions
GDP Size	\$ 1.84 Trillion
GDP Growth Rate	2.6%
Per Capita Income	\$ 35,600
Population Blow Poverty Line	14.4%
HDI Ranking	17 out of 192
Literacy	98.2%
Female literacy	98.1%
Unemployment rate	3.2%
Without access to Sanitation	79 Millions
Without Access to clean drinking water	0%
Infant mortality	1.7 deaths/ 1000 live births
Maternal Mortality	1.7 deaths/ 100,000

TABLE NO. 3:-
Shows Socio Economic Indicators of Singapore

Comparative Analysis with Singapore	
Socio-economic Indicators	Rate/Numbers/Amount
population	5.70 Million
GDP Size	\$ 597 Billion
GDP Growth Rate	3.8%
Per Capita Income	\$ 104998
Population Blow Poverty Line	0%
HDI Ranking	09 out of 192
Literacy	96.8%
Female literacy	97.2%
Unemployment rate	2,1%
Without access to Sanitation	0%
Without Access to clean drinking water	0%
Infant mortality	2.4 deaths/ 1000 live births
Maternal Mortality	8 deaths/ 100,000

TABLE NO. 4:-
Shows Socio Economic Indicators Of Bangladesh

Comparative Analysis with Bangladesh

Socio-economic Indicators	Rate/Numbers/Amount
population	165.16
GDP Size	446,35 Billion \$
GDP Growth Rate	7.2%
Per Capita Income	2,621 \$
Population Blow Poverty Line	18.7%
HDI Ranking	129/192
Literacy	74.70
Female literacy	71.3%
Unemployment rate	4.7%
Without access to Sanitation	31,3%
Without Access to clean drinking water	14,1%
Infant mortality	28.2/1000
Maternal Mortality	165/100,000

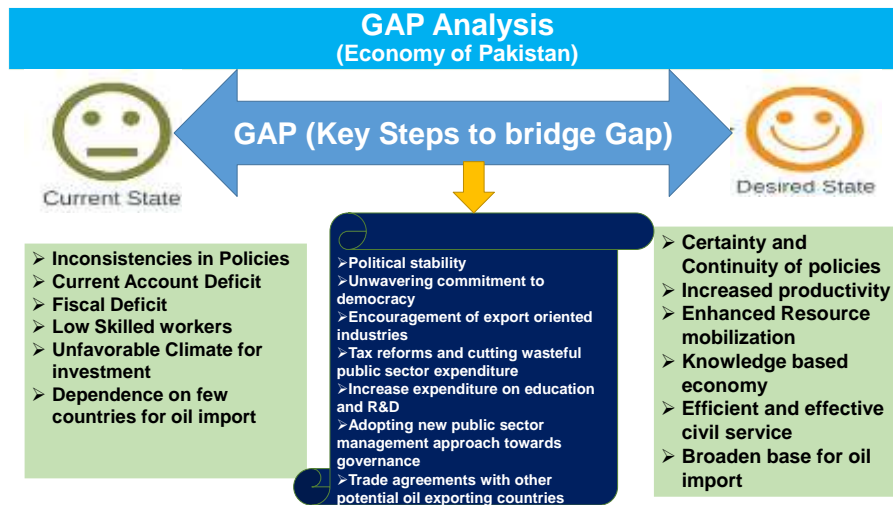
TABLE NO. 5:-
Shows Socio Economic Indicators Of Vietnam

Comparative Analysis with Vietnam

Socio-economic Indicators	Rate/Numbers/Amount
population	229.018 million
GDP Size	US 1.12 Trillion
GDP Growth Rate	5.34%
Per Capita Income	US \$ 4920
Population Blow Poverty Line	21.9%
HDI Ranking	161 out of 192
Literacy	60.3%
Female literacy	48.7%
Unemployment rate	6.3%
Without access to Sanitation	79 Millions
Without Access to clean drinking water	22% Millions
Infant mortality	60.1% deaths/ 1000 live births
Maternal Mortality	186 deaths/ 100,000

GAP ANALYSIS:

Gap analysis of Pakistan economy has been carried out in the table given below.



Issues and Challenges:

The issues and challenges faced by Pakistan's economy are as follows:

Dependencies on Oil Imports

1. Dependency on a few countries for oil imports
2. Energy-inefficient, old vehicles
3. Air pollution
4. Subsidy on petroleum products
5. Volatile oil prices

Industries

1. Shortage of skilled and qualified labor
2. Poor and obsolete infrastructure
3. Taxation and tariffs
4. Law and order situation
5. Energy/power crises

Export Promotion

1. Complex export procedures
2. Poor industrial base
3. Trade barriers imposed by developed countries
4. Low-quality products
5. Exchange rate fluctuations

Technology and Good Production

1. Lack of IT experts
2. Broadband connectivity issues
3. Lack of research and development culture
4. Brain drain
5. Lack of government support

Conclusion

In light of the above discussion, the following three conclusions can be drawn. After a decade of industrialization, followed by nationalization, deregulation, and export orientation, we moved toward privatization and liberalization in the early 1990s—partly due to our own initiatives and partly because of the WTO regimen. As a result, our industrial productivity declined in the subsequent decades, with a gradual decline in exports from 2010 onward.

The major reason for this decline is the failure to increase the competitiveness of our export industry, particularly textiles, as well as low investment in the manufacturing sector, higher energy costs, and low human capital. The government also failed to provide the necessary stewardship to attract investment in export-oriented industries. We still lack a well-documented industrial policy, and in a literal sense, we are in a phase of deindustrialization, without fully exploiting our industrial base.

Now, should we reverse course or move forward toward the services sector for economic development? Though our terms of reference (TORs) are specifically focused on increasing productivity, a cursory look at the performance of various sectors reveals that we can harness the potential of services in this post-industrial era. Our banking sector, tourism industry, and telecom and IT sectors can help improve our situation.

The economic journey of Pakistan over the last 75 years has been spectacular yet commonplace, and, in many ways, tragic. As shown in socio-economic indicators, despite maintaining a growth rate above 6% consistently in some decades, the results were not translated into the well-being and development of the general population. Therefore, the prosperous periods were short-lived because no investment was made in human capital to make economic progress sustainable.

Recommendations

1. The first recommendation is to have a well-documented policy for the industrial sector.
2. The second policy recommendation is to ensure fiscal discipline in the public sector.
3. Consistency in Government Policies:
Frequent changes in policies, often stemming from political rivalries, have inflicted significant harm on Pakistan. With each change in government, the policies of the previous administration are typically reversed. This unstable policy environment creates an inhospitable atmosphere for foreign investment and industrial development. Over the past few years, we've witnessed policy adjustments across various sectors, from trade

and export-import to fiscal matters, often without meaningful input from key stakeholders. Consequently, both investors and industrialists are leaving the country, and Pakistan finds itself struggling to compete on the global stage, even with nations ranked much lower in the region. It is imperative for policymakers, especially those in the political arena, to recognize the adverse consequences of such short-term thinking. To foster economic growth and ensure the country's stability, it is crucial that Pakistan adopts enduring, long-term, and investor-friendly policies to attract investment for the revival of economic growth.

4. **Increase investment in Research and Development:**
The government needs to invest heavily in R&D to promote innovation and create a knowledge-based economy. This innovation can lead to the creation of cutting-edge products and services, enhancing the country's global competitiveness. Countries that invest more in R&D are leading the world, as their products are more value-added and sophisticated compared to others. The government should, therefore, take all stakeholders on board and establish liaison with universities and other research institutes for this purpose. Furthermore, these entities should be linked with industries for mass production of their products. Another area where the government should intervene is Artificial Intelligence, both for economic and other purposes.
5. **Special vocational training and language programs for the youth:**
It has been observed that many Pakistani expatriates working in foreign countries are unskilled, limiting their employment options to manual labor. Moreover, they lack proficiency in English or the native language of the country they work in. These workers earn less compared to Indian and Bangladeshi workers, who are generally more skilled and proficient in English. Therefore, it is necessary for the government to arrange special vocational or skill development programs for Pakistani workers. Periodic language courses should also be offered to improve their job prospects in foreign markets, leading to higher remittances and enhanced economic security for Pakistan.
6. **Efforts for Regional Trade:**
The government should renew its efforts to normalize relations with all its neighbors, treating trade as a top priority. The China-Pakistan Economic Corridor (CPEC), along with trade corridors to Central Asian countries, could be a real game-changer.
7. **Improving Law and Order Situation:**

Peace is essential for the progress and development of a country. Pakistan has been in a war-like situation since the Afghan War. However, the last two decades have been devastating for the economy due to terrorism and violence. The loss to the economy has been in the billions. Investors and

industrialists have shifted to safer locations like Dubai and other Middle Eastern countries. Industrial plants have been closed, and workers have become unemployed. Now that the U.S. has left Afghanistan, the government must seize this opportunity to establish rule of law and good governance, while also attracting foreign investors and entrepreneurs by offering incentives and facilities.

8. Pakistan should diversify its oil import options by approaching other countries like Russia, Iran, and even Indonesia and Malaysia. The current limited options of importing all its oil from three Middle Eastern countries—Saudi Arabia, UAE, and Kuwait—make Pakistan vulnerable to external shocks. The region is already volatile, and further local and global conflicts could increase the risks. Any disruption in hydrocarbon transportation lanes would have a devastating impact on Pakistan's economy. To safeguard the economy from such eventualities, it is recommended that Pakistan expand its oil import options. Countries like Russia have already been selling crude to Pakistan at lower prices, and similar agreements could be made with Indonesia, Iran, and Central Asian states.
9. We must explore alternative methods of energy production. Renewable energy sources like solar and wind should be prioritized. Industries should be established within the country. Investors should be encouraged through subsidies and tax exemptions to set up their factories in Pakistan. Incentives should also be provided to consumers for installing solar and wind energy systems.
10. Focus on Tourism and the IT Sector to fully utilize the opportunities offered by these two sectors.

Logical Framework for Implementation of Two Policy Recommendations:

1. The first and foremost important policy recommendation is to have a well-documented policy for the industrial sector. It should be formulated by taking all stakeholders on board. Without stewardship from the state, in the form of a well-documented policy, our economic ills will hardly be addressed. Below is the logical framework for this policy recommendation:

Overall Objective	Logic	Indicators	Mean of verification	Assumptions
Specific Objective	Enhancing Industrial Productivity	Increase in share of Industry in GDP and Exports	GDP Growth	Low productivity
Outputs	Greater productions of goods for export	<ul style="list-style-type: none"> • Increase in numbers of industrial units • Increase in exports 	KPIs for industrial performance	Non-competitive exports
Activities	<ul style="list-style-type: none"> • Ensuring market competition • Enforcement of contracts • Protection and subsidies on the basis of performance 	Increase rate of employment By industry	Changing Job market dynamics	Inefficient industrial sector
Inputs	<ul style="list-style-type: none"> • Good economic governance • Skilled Labor • Labor Laws 	Sound Macroeconomic policy	Enactment of relevant laws and their implementation	Government stewardship

Our second policy recommendation pertains to ensuring fiscal discipline, as most of the financial challenges emanate from fiscal indiscipline. In simple terms, we need to increase our revenues and curtail wasteful expenditure; however, this is easier said than done. A framework for implementing this policy recommendation is provided below:

Overall Objective	Logic	Indicators	an of verification	Assumptions
Specific Objective	Sound fiscal discipline	Controlling budget deficit	<ul style="list-style-type: none"> • Economic survey • SBP reports 	<ul style="list-style-type: none"> • Budget deficit is ruining public finances
Outputs	Bridging the gap between expenditure and revenue	<ul style="list-style-type: none"> • Increased Revenue • Decrease expenditure 	Certification of Accounts	Prodigal use of public finances
Activities	<ul style="list-style-type: none"> • Doing away with wasteful public sector expenditure • Enhancing tax revenue 	<ul style="list-style-type: none"> • Civil Service Reforms • Marketisation • Privatization 	<ul style="list-style-type: none"> • Performance Auditing 	<ul style="list-style-type: none"> • Government is acting like employe nt Bureau
Inputs	<ul style="list-style-type: none"> • Efficient utilization of public resources • Pension Bill 	<ul style="list-style-type: none"> • Decrease in salary bill • Decrease in pension bill • Increase in taxes 	Privatization and marketization policies implementation	Uneconomical, inefficient and ineffective use of public resources

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