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The Economic Security of Pakistan

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ABSTRACT

Pakistan has been facing a severe economic crisis since 2023. The crisis is the result mainly of high inflation, debt both internal and external and interest payment. The research article focuses on the economic security and the repercussions of these crises on security by examining the economic situation of 2023. The economic security of Pakistan is under jeopardy because of the crisis which is the result of low foreign exchange reserves, inconsistent policies, internal chaos and corruption. The study focuses on Economic security in Pakistan is under threat due to inconsistent policies, depletion of foreign exchange reserves, and mistrust from international financial institutions. The research underscores the need for diversifying the economy, targeted assistance to vulnerable groups, and the implementation of policies focused on recovery and stability. Moreover, it stresses the importance of efficient economic and security management and the urgency of addressing corruption and nepotism. Without addressing these issues, Pakistan's national security remains precarious. The article concludes by echoing the World Bank's call for sustained reforms to steer the country towards economic recovery, securing the future of Pakistan's citizens.

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INTRODUCTION

Pakistan is among the 25 countries with the lowest human development in the world. The country's current socio-economic situation has multiple causes, including overall poor economic management, and corruption (Anees & Tiezzi, 2023). On May 5, 2023, a meeting was held between the esteemed government officials to reflect on the crisis and to map out the progress so far. The delegation of a meeting composed of world-renowned investment companies led by Imran Zaidi of JP Morgan Dubai on Friday met Minister for Finance and Revenue Senator Mohammad Ishaq Dar. Special Assistant to the Prime Minister on Finance Tariq Bajwa, SAPM on Revenue Tariq Pasha, Secretary Finance, and senior officers from the Finance Division attended the meeting, said a press release (Renowned Investment Companies' Delegation Meets Ishaq Dar, 2023). The officials had a comprehensive discussion on Pakistan's economic situation, the International Monetary Fund programme, market perception and outlook, as well as external account situations (Renowned Investment Companies' Delegation Meets Ishaq Dar, 2023). Minister for Finance and Revenue Ishaq Dar also acknowledged the efforts of the government to overcome the crisis. Ishaq Dar regarding the country's present economic standing said in the meeting that despite the challenging economic situation, the government was steering the economy towards stability and growth (Renowned Investment Companies' Delegation Meets Ishaq Dar, 2023).

Reflecting upon Dar's statement it is inferred that the policy steps are being taken by the government to overcome the crisis. However, a loophole is identified as we notice there has been little on near to know focus on the economic security of the country in the times of crisis. The focus of

this article therefore is to shed light on how the present economic crisis has impacted the economic security of the country. The reason behind this is highlighted in the importance of economic security for a country. For any state, country, or nation its Economic security is a cornerstone of well-being (A New Global Deal Must Promote Economic Security | DISD, 2021). This is so because In today's world, a nation cannot ensure national security until and unless it ensures human security (Ahmad & Salik, 2022) and economic security is one of the most crucial elements of human security. Moreover, it is very crucial for the government of Pakistan to focus on economic security because for achieving economic and human security, it is important to have external financial viability (Salik & Nigar, 2022) which in the case of Pakistan is alarmingly at a high risk. Therefore, the paper will also present some policy recommendations for maintaining economic security in the times of crisis.

CURRENT ECONOMIC SITUATION OF PAKISTAN AND ITS CONSEQUENCES

Prior to delving into the impact of the economic crisis on our economic security, it is pertinent to understand the current situation of the economic crisis in Pakistan. According to journalist Hina Anwar, Pakistan's economy has been plagued by structural inflation, with the Consumer Price Index (CPI) averaging around 25% while reaching 27.26% in August 2022, the highest level in 49 years (Anwar, 2023). The region of Asia suffers from multiple threats including terrorism, political instability, civil-military musical chairs, nuclear proliferation etc. All these threats impact the overall economic stability of states in the region. Pakistan being a region in midst of external threats from her neighboring countries and herself being weak internally from core is no exception. Pakistan has a history of

economic downfalls with 2008 and presently 2023 being the years unluckiest for the country's economy. Since the year 2000, the world has seen two major commodity super-cycles, and in both instances, Pakistan's economy was trapped in a low growth-high inflation cycle. The first one was in FY08 and the latest in FY23 (Hafeez, 2023). With the worst ever economic crisis the unemployment rate skyrocketed. According to the Pakistani English Daily, more than 2,50,000 people have lost their jobs since August 2022. Some even claimed the figure is above ten lakhs (Kumar, 2023). Moreover, according to reports from last month April 2023, Pakistan has been at the risk of default due to its massive external debt obligations. This burden has been exacerbated by the derailment of the \$6.5 billion International Monetary Fund (IMF) program Pakistan entered in 2019, as the international lender is unsatisfied with Pakistan's commitment to reform and ability to arrange for funds to meet external financing requirements. Troublingly, Pakistan's official foreign exchange reserves are hovering around \$4 billion, which is insufficient to finance even a one-month of the country's import bill (Rana, 2023).

The mistrust on the IMF's part, inconsistent policies, depletion in foreign exchange reserves has given rise to high inflation, unemployment, loss of jobs resulting into the present economic crisis which gets worsened due to poor economic decision making from government's part. With slowing activity, the lower middle-income poverty rate is expected to increase to 37.2 percent in FY23 (Pakistan Development Update April 2023: Press Release, 2023).

According to the State Bank of Pakistan on May 5, 2023, the interbank closing exchange rate for US Dollar to Pakistani Rupee (USD

to PKR) is Rs. 283.59. Meanwhile, the interbank closing exchange rate for British Pound (GBP) to Pakistani Rupee (PKR) is Rs. 357.41. Similarly, Saudi Riyal (SAR) closed at Rs. 75.62 against Pakistani Rupee (PKR) on 5 May 2023. Dirham (AED) also closed at Rs. 77.22 against PKR. Further, Euro (EUR) to Pakistan Rupee (PKR) at the closing of the interbank market was Rs. 312.71 as per the State Bank of Pakistan (Gulrez, 2023). This infers an alarming state of the country as the exchange rate is getting low. In Economy, a low exchange rate indicates the sign of a country's financial position getting weaker. Apart from exchange rates, Pakistan's GDP is in critical condition. Pakistan's current GDP, per capita income, and GDP growth are the lowest in its neighborhood; only war-torn Afghanistan's economy is weaker. Likewise, its unemployment and inflation rates are one of the highest in the region (Anees & Tiezzi, 2023). Pakistan, moreover, is crushing under the burden of high external debts that are yet to be paid. From April 2023 to June 2026, Pakistan needs to repay \$77.5 billion in external debt. For a \$350 billion economy, this is a hefty burden. The major repayments in the next three years are to Chinese financial institutions, private creditors and Saudi Arabia (Rana, 2023). Pakistan's inability to pay debt is very predictable and highly certain. The nuclear-armed Pakistan with a population of nearly 230 million people may be unable to meet its external debt obligations — which will trigger a sovereign default (Rana, 2023).

In short, in FY 2023 Pakistan faces increasing debt and rapidly eroding foreign exchange reserves (Pakistan Development Update April 2023: Press Release, 2023). Furthermore, Rising macro risks and tighter global liquidity conditions curtailed Pakistan's access to international capital markets (Pakistan Development Update April 2023: Press Release, 2023).

ECONOMIC SECURITY

Economic Security refers to the economic capacity of an individual or community (Mahmood, 2022). Economic insecurity is a threat to achieving the Sustainable Development Goals and carries considerable personal and social costs. Both the experience of economic loss and its prospect impose material hardship and lead to poorer health. Economic insecurity affects people's productivity as well as their ability to invest in their children's education and health. At the same time, the cost to individuals and households of essential services, particularly health care, is a major cause of insecurity (Jiménez, 2021).

Condition of Pakistan's economic security:

The present economic crisis has a threatening impact on the security sector of Pakistan especially the human security element and amongst the human security elements, economic security is one of the most negatively impacted areas. In the light of Pakistan's current economic situation, the country is highly insecure economically because Pakistan's economy has a considerable amount of debt, making it financially insecure among the South Asian countries (Salman & Ali, 2022).

Pakistan has been placed 161st position out of 185 countries in 2022 (Anees & Tiezzi, 2023) on the human development index (HDI). The HDI measures a country's achievements from three dimensions i.e. health, knowledge, and standards of living (Anees & Tiezzi, 2023). Pakistan being on 161st position means that the country is among 25 countries with the lowest human development in the world (Anees & Tiezzi, 2023) this further emphasizes the negative impact of the crisis on the economic security of Pakistan.

Economic Security for any country is a crucial and pertinently important tool for its

national security. It is so because damage to any aspect of economic security can appear as a threat to a state's social and political environment (Salman & Ali, 2022). Analyzing the case of Pakistan, its geostrategic location, internal policy loopholes and current overall financial crisis makes the Pakistan's Economy vulnerable from potential internal and external threats. In recognition of this, Economic Security has emerged as an important strategic priority for the Pakistan Government (Salman & Ali, 2022).

On individual level economic security, Pakistan is placed third in South Asia and 84th globally (Salman & Ali, 2022). This ranking emphasizes the need of working on strengthening economic institutions pertinently. Moreover, from a commercial point of view, the commercial security which is an important aspect of economic security, Pakistan has been experiencing a very alarming situation in exports. The exports were usually less than the imports in 2018 and 2022, which creates a problem of current account deficits (Salman & Ali, 2022). Talking about Financial security, another key aspect of economic security, South Asian countries have been suffering from serious problems of debts and budget deficits (Salman & Ali, 2022) marking them to be critically insecure. In Pakistan's case the security situation from the dimension of financial security is even alarming as Pakistan's economy has a considerable amount of debt, making it financially insecure among the South Asian countries (Salman & Ali, 2022).

The deteriorating economic conditions of Pakistan is adversely impacting all segments of life for a layman as the local population suffers from food shortage, inability to meet basic needs, unemployment, unstable income, threat of

losing job or place of living, lack of healthcare facilities and reduction to access to credits (Qureshi & Shah, 2019). All these factors add to the fuel in fire and make the country economically insecure because such conditions have given rise to social unrest in an already socially unsafe environment. Dr Moonis Ahmar rightly puts in: The 220 million people of Pakistan would have been prosperous and secure if the country's gross domestic product (GDP) had been \$6 trillion; exports \$800 billion per annum; foreign exchange reserves \$1 trillion and per capita income \$30,000. The economic vibrancy of Pakistan would have taken care of its human security predicament by ensuring 100% literacy and the availability of quality healthcare, public transport, housing, clean and safe drinking water. Alas, that is not the case; and despite decades of claims, Pakistan's economic predicament reflects the degeneration of its national security (Ahmar, 2022).

RECOMMENDATIONS

Pakistan is on the brink of economic collapse which has been adversely impacting the economic security of the country (Khan, 2022). It is very pertinent and highly crucial to maintain economic security during these times of crisis. Some of the recommendations and policy measures for this purpose are given below.

First, Diversification of the economy is the need of the hour. The World Trade Organization defines the diversification of the economy as the shift toward a more varied structure of domestic production and trade with a view to increasing productivity, creating jobs and providing the base for sustained poverty-reducing growth (ECONOMIC DIVERSIFICATION: LESSONS FROM PRACTICE, n.d.). Diversification of the economy would play a key role in boosting the country's economy and simultaneously

ensuring stability. This is so because a diversified economy opens the doors for providing the goods and services a growing community needs. The greater the needs, the greater the opportunities to fulfill them (Hales, 2016).

Second, provision of targeted assistance to vulnerable groups will play a crucial role in providing safety to the people. It has been well researched that economic insecurity is higher among people with lower levels of education and lower incomes as well as among younger adults, racial and ethnic minorities, and heads of single-parent households (Hacker and others, 2014; Hacker, 2018). About half of large income losses from year to year are triggered by changes in employment status, family structure and health status (Jiménez, 2021). And in the case of Pakistan where the lower middle-income poverty rate is expected to increase to 37.2 percent in FY23 (Pakistan Development Update April 2023: Press Release, 2023) vulnerable groups are in dire need of such assistance.

Third, it is pertinent to design and implement with the goal of economic recovery and focusing on security and stability. According to Dr Moonis Ahmar, merely arguing that geo-economics will shape Pakistan's national security in the days to come does not make sense. Those who are a part of the VVIP culture and have nothing to do with the plight of the common person cannot transform Pakistan from a debt-ridden, economically and politically fragile state to a vibrant, secure and prosperous country (Ahmar, 2022).

Fourth, it is highly important for the policies to be focused on serving the common people. In case of Pakistan's policy making realm Pakistan decision making is elite centric and is controlled by elite families who are eager to maintain the status quo

leading to disenfranchisement (Ahmad & Salik, 2022).

Last, it is high time for economists and security analysts to be efficient and effective in their work. Dr Moonis Ahmar rightly puts it that there is no shortcut to having a functional and viable national security policy unless the country is in safe hands. Economic and security managers must be efficient, competent and honest with clarity and vision to pull the country from the vicious cycle of crises. Unless there is a serious crackdown on incompetence, corruption and nepotism, which is a major reason for augmenting the economic crisis, 220 million people of Pakistan will not feel secure. When they are hand to mouth and buried under the tsunami of poverty and price hike, the outcome is a compromise on the country's national security (Ahmar, 2022).

CONCLUSION

Economy is a backbone for any country's survival and security. The reason why Pakistan is at the brink of default and suffering from security threats is because of its crippling economy. Without economic security Pakistan's survival is at risk. According to Nejjy Benhasine, the World Bank's Country Director for Pakistan:

"The resolution of Pakistan's economic crisis requires a commitment to sustained macro-fiscal and structural reforms," This is needed both to unlock fresh financing and avoid a balance of payments crisis and lay the foundation for a recovery of private investor confidence and higher growth over the medium term" (Pakistan Development Update April 2023: Press Release, 2023).

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