

# Measuring the Economic Security of Pakistan: A South Asian Perspective

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### Abstract

*This policy paper measures the economic security of Pakistan from South Asian perspective. Economic security is measured using Anglo Saxon Approach as well as Asiatic Approach for the years 2018 and 2022 (Pre and Post Covid 19), for South Asian countries focusing on Pakistan. The Anglo Saxon approach (Individual level) introduced by the International Labor Organization (ILO) revealed that Pakistan is on third rank in South Asia followed by India and Sri Lanka while globally Pakistan ranks 84. Anglo Saxon approach reveals that Pakistan position is weak and there is much needed to be done for economic security. The Asiatic Approach (Macro level) compared the South Asian countries in terms of commercial, financial and social security, and showed that Pakistan's position is not satisfactory. GDP per capita is low, inflation rate is high in both 2018 and 2022, as compared to other countries in terms of financial security, the percentage of debt to GDP ratio was high (87 per cent). Moreover, the percentage of fiscal debts was even higher in case of Pakistan. Similarly, the commercial and social security comparison is also not satisfactory and it's concluded that in terms of overall economic security, Pakistan is placed at third position after India and Bangladesh. The analysis concludes that the economic security of Pakistan is very weak and economic interventions such as structural reforms and macroeconomic transformation is required to bring the economy back on the path of sustainable development to ensure human security.*

**Key Words:** National Security, Economic Security, Commercial Security, Financial Security, Social Security, South Asia, Pakistan

**“National security is no longer only the strengthening of armed forces, it now incorporates other important issues like climate change, food security, economy security and poverty alleviation.”** (Prime Minister, Islamabad Security Dialogue March 2021)

## 1. Introduction

Global economic race unveils more and more demand for security throughout the South and North. Security is a matter of great value for any state because it is responsible for providing complete harmony to its people. There is no consensus on a single definition. Despite the broadening (and deepening) academic definition of national security, human-centric aspects are still underrepresented in governments’ approaches to protect national security. Since the end of the Cold War, scholars have expanded the scope of security to better account for globalization and wider trends following the end of the bipolar struggle for power. National Security has become associated with preventing disruptive effects on society, economic performance or critical processes, such as democratic decision-making processes.

According to the modern definition of security, it is the absence of threats such as national and economic security (Ken Booth 2005). Considering the historical perspective until now, no single state has felt complete secure from the other state. This term further evolved to understand national security, which is about a nation trying to defend its population and interests against external and internal threats and violence. Earlier, this concept was strictly confined to military security but later caught the attention of scholars of different domains because national security is an abstract concept. Its’ definition changes in various perspectives (Anwar and Rafique 2012). However, many scholars still associate national security with military security. However, the balance between the domestic and foreign policies, including the arms, diplomacy, information, and economic growth, is required (Buzan 1991).

The world has changed in ways never before imagined. New threats are emerging to challenge our sense of safety and security. People across the globe have reported that their standard of living is getting worse, even though for many this is at odds with the evidence. Those benefiting from some of the highest levels of good health, wealth, and education outcomes have greater anxiety than 10 years ago. There is an unprecedented disconnect between development and security. Strong association between declining levels of trust and feelings of insecurity. People with higher levels of perceived human insecurity are three times less likely to find others trustworthy. Addressing these threats will require policy makers to consider protection, empowerment, and solidarity alongside one another so that human security and other priorities work together (UNDP Report 2022).

Economic security is a tool of national security of any country and needs special attention by the state. It is important for all states because damage to any aspect of the economic security can appear as a threat to a state's social and political environment. It is usually defined as a state's ability to protect its interest against any possible threat (Dent 2001).

South Asian region shares common economic ailments along with unique strengths of each country. Chronic mis-governance and total administrative apathy towards the development

needs of marginalized communities have resulted in serious human security deficit in the region. There is an emergent consciousness and collective determination in South Asia that the shift towards region's nontraditional security environment will certainly have a spillover effect in traditional security areas. At the same time, there is optimism in South Asian policy corridors that if these nontraditional challenges begin to be effectively addressed today, before they have a chance to evolve into the "hot button" traditional security threats of tomorrow, they may inspire solutions and innovative pathways for tackling some of the region's long-standing traditional security problems.

In a context of globalization and further economic integration in recent decades, the relationship between the economy and national security has become increasingly interlinked. These connections represent both opportunities and potential threats for the country's national security. Geostrategic and interconnected nature of the Pakistan Economy creates vulnerabilities from potential internal and external threats. In recognition of this, Economic Security has emerged as an important strategic priority for the Pakistan Government. There is need for assessments of the potential risks to national security that may emerge as a result of such economic activities.

Analyzing the overall security of Pakistan, the country holds a very strong position in the global security in terms of its strategic location. National Security Policy of Pakistan (2022) has a distinctive feature of maintaining difference between the traditional and non-traditional security, which allows it to include human security and the well-being of citizens as a focal point. In Pakistan's national security policy (2022), economic security was given the foremost priority among all the themes (Pathania and South 2022). There is a shift from Geopolitics to Geo-economics. Comprehensive security is impossible to achieve without non-traditional aspects of security; including economic security, climate security, food security. Pakistan always believed in certain principles when it comes to strengthening its economic security. These principles include connectivity, development of partnerships, socioeconomic uplift, and building peace across the borders, especially with the neighboring countries. However, over the past 15 years, India and Afghanistan have frequently piloted misinformation campaigns against Pakistan to serve their own national interests. War on Terror (WoT) has also been one of the prime reasons for Pakistan's fractured economic security threatening the national security, human security, development, and employment sector.

Economic security has certain pillars such as commercial security, financial security and socio economic security, and Pakistan, considering its economic interests, has reintroduced the element of connectivity among the regions as a part of its foreign policy. The element of prosperity is linked with the connectivity to explore the various international markets and build Pakistan's image as an economic leader. Earlier, it was overwhelmingly considered as a security-centric state. Supporting the connection between Afghanistan and CPEC is expected to provide Pakistan with a lot of regional connectivity and economic growth and reduce poverty (Berver and Bertoncelj 2016).



Considering the national security and economic security strategies of Pakistan, the economic security position of Pakistan is still not clear in many ways. While comparing it with other Asian countries, its position is unclear and so are its deficiencies. Hence the areas for improvement also remain unidentifiable. The purpose or aim of this research is to consider the position of Pakistan in terms of its economic security nationally, and in comparison to other Asian countries.

### ***1.2. Significance of the Study***

The porous borders between South Asian states not only pose traditional threats via transitional terrorism and criminal activity but exponentially increase the pandemic risks. All these factors make economic security vital for sustainability and economic cooperation above the historical baggage of regional politics and traditional security conflicts. Several challenges, such as the WoT, political instability, unemployment rate, socioeconomic inequality, corruption, and ownership have direct impact on the economy of country. It is essential to understand Pakistan's current economic security as mostly it has been growth without development. The objective of this paper is to measure economic security at the individual level and the macroeconomic level. Furthermore, it will help to compare Pakistan's economic security with other South Asian countries and provide insights on the areas of improvement for sustainable growth.

## **2. Literature Review**

Economic security has been defined both on an individual as well as at macro-level as a whole. This section provides a brief literature on economic security.

### ***2.1. State or country level***

The analysis of the economic security of a region is complex, multifaceted and has many features. Therefore, the use of a multifactorial approach to assessing economic security is justified. Assessment of the economic security of a region is possible provided that formal approaches are used, using specific indicators. The practical implementation of the analytical and regulatory components of the process of ensuring the economic security of each region require an economic assessment on the basis of and in comparison with thresholds. In order to control the level of economic security at regional level in order to develop preventive measures for expected threats, it is necessary to carry out a continuous study of regional economic situation on chosen system indicators (Harkava et al 2021)

The concept of economic security got attention after the Cold War. However, there has always been a strong relation between economy and the national security ever since the emergence of the concept of nation state. Aristotle and Plato, observed a pertinent impact of peace and war on a nation and its consequences on the economy. According to Mercantilists, economic security is important for any state's national security and must be kept on priority (Munteanu and Tamošiūnienė 2015).

During the 20th and 21st centuries, economic security was defined with several varying perspectives that covered within itself the state's interests, the possibility for self-development,

and threats to stability. However, nearly all of them imply that security is largely dependent upon necessities, resources, and a positive environment to prosper. According to Lippmann (1962), economic security is to avoid war in any possible situation and not to sacrifice essential resources. These definitions and explanations show that economic security has evolved with the passage of time.

At institutional level, economic security is considered a complex socioeconomic category influenced by internal and external threats to the economy and the changing environment of material production. For a country, it is considered the foundation for its national security. To ensure a country's security, state is required to work in close and have a robust collaboration with the economists of the state (Litvinenko 2013). However, there is no such concept as absolute economic security for a state when it does not have any internal or external threats. Major factors describing the economic security of any country are; its geographical location, socioeconomic status, natural resources, and the quality of its administration. Some countries like USA, Russia, China, and Japan have strong economic security encompassing all identified factors (Grigoreva and Fesina 2014). However, all countries vary from one another because of the nature of the state and their economic conditions.

Economics and security are two dynamic aspects of policy-making which must be studied collectively; however, the nexus between the two remained unexplored in certain areas. Mastanduno (1998) suggested that military security was always considered as 'high politics' whereas economic stability was considered as a '*low priority*'. As globalization paced conceptual linkages between the two were found strongly correlated. Economic stability is the foundation for military power as it allows governments to allocate specific economic resources for military purposes and there is reduction in unemployment. The argument of "Guns vs Butter" has changed to "Guns yield Butter" (Williams 2019). Conversely, declining economic growth leads to weak security. It shows there is a direct relation between economy and security, and countries use both of them alternatively to promote military and economic goals (Taylor and Luckham, 2020).

Butorin, Tkachenko, and Shippilov (2007) applied methodological approach to define the value of normalized threshold levels of private indicators of state's economic security. Comparison was made of the actual values of indicators with the threshold values of those states. This helped to draw indication about the evolution of economic security for individual components at the international level and comparison. To illustrate Russia's standing in global economy, geographical location, natural resources, financial capacity, GDP, foreign trade, and quality of life were used as indicators (Ekaterina Grigoreva and Garifova 2015). The paper explores the methods of measuring economic security by exploring the sensitivity to growth, financial markets and even geopolitical developments in the world. Gus'kova and Neretina (2015) analyze the methodology of theoretical analysis of Economic Security Index (ESI), assessing data for analytical purposes, describing properties and analyzing behavior under different scenarios. These approaches capture the dynamics within countries' economic securities as well as allow comparison with years of national policies and international economies. This



allows to see how critical changes in price dynamics affect countries' levels of economic security.

Greer (2021) examines the relationship between economic and political security in Western Europe. The focus is a review of two episodes that reveal issues for European economic security planning: the 1973 Arab oil embargo and the Urengoi trade sanctions dispute. The author argues that a nation's economic security can be measured by the extent to which Gross Domestic Product fluctuates with external changes, while reducing import dependence is a policy choice characteristic of the US perspective on economic security.

Taking into account the current economic situation, it is necessary to provide economic security for small and medium-sized businesses. The effectiveness of state support measures to maintain the economic security of SMEs was assessed in the context of COVID-19. Data analysis showed that the state's activities did not fully meet the needs of these organizations. In order to effectively assist them, it is necessary to develop a new strategy for helping small businesses, which should be based on further development of small business clusters (Suglobov et al 2021).

## 2.2. *Individualistic level*

At individual level economic security has been defined as *'the degree to which individuals are protected against hardship causing economic losses (Munteanu et al 2015)*. However, this definition is considered generic in its translation for various domains. In economic literature, three approaches approached of assessing economic security have been found, which include weight index of multiple measures (Osberg and Sharpe 2005), resource adequacy (Lusardi and Mitchell 2011), and income or expenditure volatility (Jacob S. Hacker et al. 2014). The Economic Security Index is based on these three approaches and extended to household income variability. However, the dominant belief about economic security is that economic stability either stabilizes or worsens an individual's life. There is a growing body of theoretical and empirical literature that has demonstrated that economic security links with individual well-being, labor market behavior, saving aspirations, and political instability (Miron-Shatz 2009; Stephens, 2001; Nichols 2008 and Jacob S. Hacker et al. 2014).

Economic insecurity is another important dimension that was identified by the American people during economic decline. Factors of massive medical out-of-pocket expenses (MOOP) spending shocks and capability of the household to suffer because of the liquid financial wealth to be spent on these economic events are responsible for this decline. The survey-based research indicates that these factors are beyond an individual's control capacity (Hacker et al. 2014). Economic Security Index for 2009-10 was developed using American National Election Study data and it was found reasonable to assume that median American families suffer income loss of 25 percent or more. Furthermore the study find it challenging to manage their household needs. The findings also suggest that 25 percent of income loss is very reasonable. (Jacob S. Hacker, Rehm, and Schlesinger 2013).

Income drop is directly associated with the economic security. However, it is not similar to it. For example, non-discretionary spending such as rent, food and mortgage spending has a severe

impact on economic security and cannot be borne along with the income fluctuations. There are various reasons for this impact. First of all, non-discretionary spending means spending due to which lower income will be considered as worsened economic security. Secondly, discretionary spending such travelling, automobile and spending on restaurant etc. does not pose such a risk for economic security as the former does (Collins et al. 2008). In discretionary expenditure, medical expenses are considered at the top. According to a report by the National Academy of Sciences (NAS), medical expenses must be considered while assessing economic security; the reason is that the money spent on medical expenses reduces the amount of money for other purposes (Burtless and Siegel 2004). Medical costs have been rising over time and this is due to increase in elderly populations and increased demand for high-quality medical services, both inpatient and outpatient (Burtless and Siegel 2004). Income level is a determinant of whether the drop in income will have an impact on household income. If the family has more than one source of income, it can reduce the impact of non-discretionary expenses. This is because some people may give a portion of their own money and reduce the amount spent on food and fuel. The survey does not explain what determines if it poses a hardship or not, but depending on household characteristics and access to public or private transfers can determine if it poses a hardship or not (Stephens 2001).

Asghar and Salman (2018) analyzed the impact of credit on productivity in agriculture. The findings reveal that the production of the borrowers increased after utilizing the credit because of the use of quality farming inputs. The results concludes that if financial constraints are removed then production increases which further can reduce food insecurity by ensuring the availability of food for everyone.

Human development has expanded greatly in the last fifty years, with life expectancy and literacy rates rising across much of the world. In many developing countries, however, growth rates have declined in recent years and may drop further with the impact of climate change. This paper first examines economic models of human development and climate change, drawing, where possible, on the situation in Pakistan. An approach to coping with climate change based on new perspectives in behavioral and development economics, and on the likely consequences of global warming for Pakistan (Gowday and Salman 2007).

ESI is a new method of income measurement which incorporates all the resources and services that a household has in possession. It not only measures income but also tries to assess the economic security of an individual along with his or her families. The ESI has been created as per the needs of today's society and was mainly developed due to growing disparities among people.

### **3. Approaches to quantifying the Economic Security**

The concept of economic security is a very broad term that comes under the umbrella of national security. It includes many securities such as economic, social, political, demographic, and many others. Broadly it is analyzed on three main levels. They are;

- Individual-level (micro-level)

- Meso level (enterprise or branch of the economy)
- Country-level (Macro level)

**The micro-level approach**, also known as the Anglo-Saxon approach, uses the concepts of changes and transformation that occur in the international market and the domestic market; it raises new and important issues for the economic security at an individual level. In such case the individual economic security is defined by Mark Rupert as "stable incomes and other sources to maintain a standard of living in the present and the foreseeable future which means: continuous solvency, predictable cash-flow, efficient use of human capital" (Rupert 2007; Corneliu Munteanu 2015).

**A macro-level approach** is known as the Asiatic approach (macroeconomic), where economic security is defined as the "economic security of one or another system is meant the sub-system status which provided the ability to achieve the purpose of the whole system." While some economists define economic security as "a situation when state institutions ensure the safeguarding of national interests protection, development of social-oriented state and sufficient military potential." (Corneliu Munteanu 2015)

### 3.1. Data and Methodology

#### 3.1.1. Data

The study used both micro and macro-level approaches to quantify the economic security of the South Asian countries using the data from International Labor Organization (ILO) and World Development Indicator (WDI). In the macro-level approach particularly, the study used two different economic indicators for 2018 and 2022, while considering COVID-19. Moreover two different years identified were to capture the real economic security pre and post COVID-19 pandemic.

#### 3.1.2. Anglo-Saxon Approach-Individual Economic Security

After the cold war, economic security studies mainly used this approach to assess the economic security of a country, and this approach is based on the report of the ILO, which launched the method of calculating the economic security index (ESI) where seven different dimensions of the individual economic security were identified that makeup the socioeconomic security. Each of these seven dimensions is quantified based on other variables, which gives the ESI for individuals. The formula for quantifying the ESI is as follows;

$$ESI = LMSI + EPSI + JSI + SSI + WSI + 2 \times RSI + 2 \times ISI \quad (i)$$

Where:

*ESI* – Economic Security Index

*LMSI* – Labor Market Security Index

*EPSI* – Employment Security Index

*JSI* – Job Security Index

**SSI** – Skill Reproduction Security Index

**WSI** – Wage Security Index

**RSI** – Representation Security Index

**ISI** – Income Security Index

The two indexes, i.e., income security index and representation security index are given double shares. ISI is given the double share in the sense that wage/income is an elementary and core component for survival, while RSI is of paramount importance for vulnerable people.

### ***3.1.3. Asiatic Approach-Macroeconomic Security***

The Asiatic approach used the key macroeconomic variables and their variability over time to assess the macroeconomic security of the country. The indicators include economic growth, inflation rate, trade, unemployment rate, life expectancy, debt and budget deficit, etc. These indicators are categorized by different forms of security, such as commercial security, financial security, and social security.

The assessment of macroeconomic security starts with economic growth and inflation rate in the country. Gross Domestic Product (GDP) measures the final value of goods and services in a given year, while inflation is a general increase in the overall level of prices. Secondly, the commercial security which measures the level of trade such as exports, imports, total trade, and the ratio of export and import. Thirdly, the financial security, which counts the country level percentage of debt to GDP and percentage of deficit to GDP. Fourthly, the social security, which is assessed by the common masses of the economy. The variables included in the social security are the unemployment rate, life expectancy, expenses on education, and research and development expenditure of the country. The model of the Asiatic approach is represented by the following figure 1.

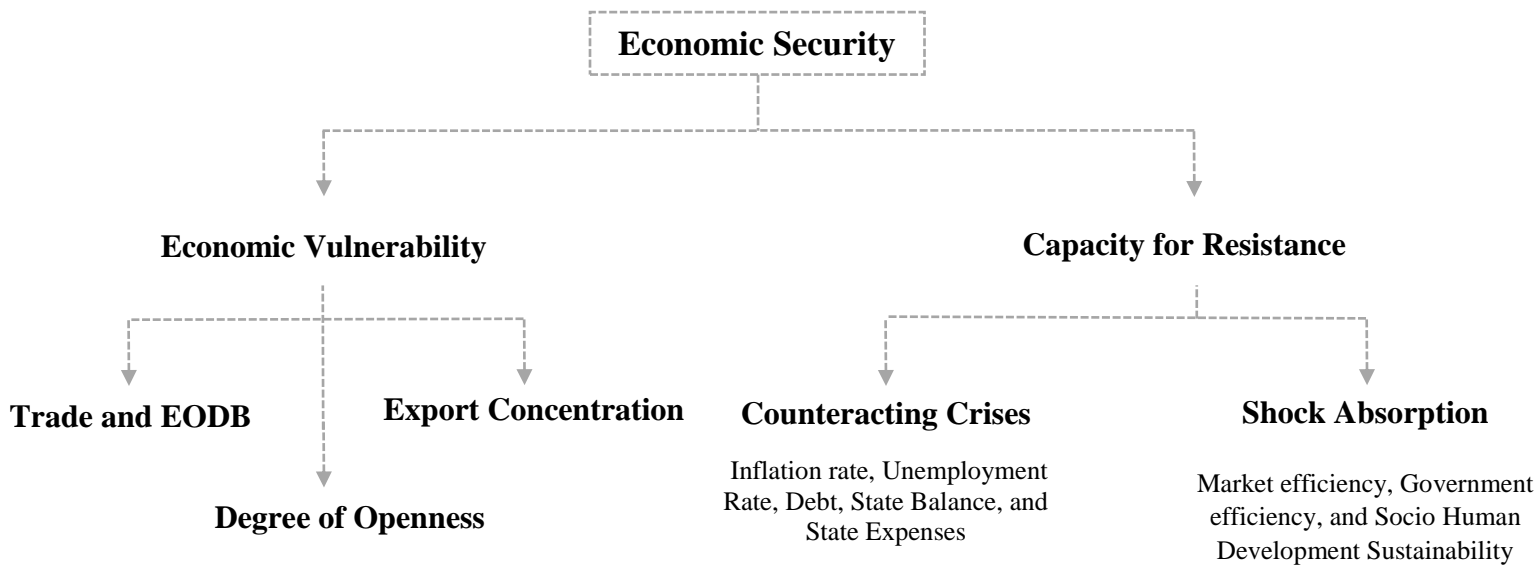


Figure 1. Conceptual Framework

## 4. Result Analysis

### 4.1. Anglo Saxon Approach Results

Table 1 shows the results of the individual economics security index results for the Asian countries where the data was taken from the ILO report, which represents 90 per cent of the world population. The economic security for the individual was divided into four categories. First is pacesetters, where the countries are institutionally and policy-wise doing better. Second is the pragmatists, where the countries are doing well, but some political institutions are less active. The third is the conventional states with apparently good policies and institutions but do not give good results. The last category is much to be done where the states do not perform well.

Table 1 further shows the position of the South Asian countries in the world and within South Asia. Sri Lanka placed at the rank 62 globally with the first position in South Asia, while India placed at 74 in the world in second in South Asia<sup>1</sup>. Pakistan was at third position in South Asia and 84 globally. Similarly for the other two countries. Considering the categories by ILO, there is much to be done in these countries.

<sup>1</sup> The economic indicators for Afghanistan and Bhutan were not available.



**Table 1. Economic Security Index for South Asian Countries**

Country	LMS I	EPSI	JSI	SSI	WSI	RSI	ISI	ESI	Place in World and (Asia)	Category of economic security
Bangladesh	0.268	0.117	0.201	0.091	0.395	0.189	0.365	0.07	88 (4)	Much to be done
India	0.443	0.415	0.41	0.29	0.416	0.396	0.288	0.246	74 (2)	Much to be done
Pakistan	0.236	0.27	0.416	0.155	0.306	0.256	0.36	0.136	84 (3)	Much to be done
Nepal	0.295	0.114	0.126	0.132	0.138	0.289	0.34	0.051	90 (5)	Much to be done
Sri Lanka	0.418	0.487	0.326	0.472	0.307	0.441	0.502	0.33	62 (1)	Much to be done

*Source: International Labor Organization*

## 4.2. Macroeconomic Approach Results

### 4.2.1. For the year 2018 results

Macroeconomic indicators play a key role in influencing the economic security over time. The evaluation of the key indicators, gives an insight into the country and its vulnerability to the national economy. Table 2 shows the results for the South Asian countries and their position in terms of economic security. The tables show the Data for 2018, where different sections formed in terms of securities such as commercial security, financial security, and socioeconomic security. One of the most key performance indicators is the economic growth (GDP), which measures the final value of goods and services. The results for the year 2018 show the economic growth of GDP per capita for the South Asian countries, where Sri Lanka has the highest GDP per capita, followed by India and Pakistan. Considering the critical value for these countries, Nepal and Bangladesh lie below the critical value, which means that these two countries have to struggle with the GDP per capita economic growth. Inflation also plays an important role in a country's vulnerability. The inflation in Bangladesh is the highest among the South Asian countries. The inflation value in 2018 was about 5.6 per cent which is very high compared to the critical value.

The commercial security, measured by the imports and exports of the countries, show that Pakistan is exporting 8.97 per cent of its total GDP, which is very low compared to the critical value of the export. Rest of the countries are far better than Pakistan. Comparing the import as a percentage of GDP in South Asia, Pakistan's imports were low in 2018, compared to the other countries. Pakistan's total import as a percentage of GDP is about 20.07 per cent which is low compared to India and Bangladesh, i.e., 23.66 per cent and 23.44 per cent, respectively. Similarly, the ratio of export to imports is also very low compared to the rest of the South Asian countries.

In terms of financial security, Pakistan is performing very poorly compared to the other countries. The total national debt as a percentage of the GDP is about 86%, which is the highest



among all the countries. Similarly, the percentage of budget deficit placed in the financial security section in the macroeconomic approach is also very poor in case of Pakistan. The percentage of a budget deficit is 6.42 per cent in case of Pakistan. Comparing this value with the rest of the countries is very high. Financial security in Pakistan was very poor compared to the South Asian countries.

Considering the social security, Pakistan is placed second in terms of unemployment which is 4.08 per cent, while the highest unemployment rate was recorded for India, which is 5.33 per cent. Life expectancy, education, and R&D expenditures were also part of the social security. Comparing the life expectancy of the given countries, Pakistan has the lowest life expectancy rate, which is 67 years at the time of birth, while the highest among the South Asian countries was 76 years. Education expenditure as a percentage of GDP is almost the same for Pakistan and India, 2.8 per cent, while Nepal is at the top of it, i.e., 4.4 per cent. India has the highest share of R&D expenditure as a percentage of GDP, while Pakistan is placed second, having 0.23 percent of the total GDP share.

**Table 2. Evaluation of Main Economic Indicators for 2018**

Indicator	Critical Value	Value				
		Bangladesh	India	Pakistan	Nepal	Sri Lanka
GDP/Cap (\$)	1502.89	1498.39	1915.4	1502.89	1021.3	4157.28
Inflation Rate	3.83	5.6	3.7373	2.46	4.36	3.83
<b>Commercial Security</b>						
% of export in GDP	14.8	14.8	19.94	8.97	7.82	23.04
% of Import in GDP	23.66	23.44	23.66	20.07	40.63	30.47
Ease of Doing Business	--	168 <sup>th</sup>	63 <sup>rd</sup>	108 <sup>th</sup>	94 <sup>th</sup>	105 <sup>th</sup>
Trade % of GDP	43.6	38.24	43.6	29.04	48.45	53.51
Export/Import	63.13	63.13	84.29	44.7	19.24	75.61
<b>Financial Security</b>						
% of Gross State Debt in GDP	70.78	28.1	70.78	86	30.4	83.7
% of Budget Deficit in GDP	5.32	4.77	3.39	6.42	5.83	5.32
<b>Social Security</b>						
Unemployment Rate	4.32	4.41	5.33	4.08	3.193	4.32
Life Expectancy (Year)	70.48	72.32	69.42	67.11	70.478	76.81
Education Expenses % of GDP	2.8	1.99	2.8	2.8	4.4	2.14
% of R&D expenses in GDP	0.23	n/a	0.65	0.23	n/a	0.13

*Source: Author's calculations based on the official websites of the South Asian Countries and WDI*

#### 4.2.2. For the year 2022 results

Table 3 provides the details of the macroeconomic security level of the South Asian countries for the year 2022. The main reason behind this was the COVID-19 to assess the economic security of these countries. Generally, the overall level of indicators was not performing to its fullest capacity because of the disruption of economic activities around the globe. Considering the GDP per capita for these countries is in decline in 2022 compared to 2018. GDP per capita for Pakistan was \$1190, which is the lowest among the South Asian countries. Similarly, in terms of inflation rate in these countries, Pakistan recorded the second highest inflation rate in

South Asia, which is 13.90 percent. It was mainly because of the high import bill, Russo-Ukraine conflict and increase in the international price of fuels

The percentage of export in GDP will also remain low in 2022. Pakistan placed on number 3<sup>rd</sup> in the Asian countries as it recorded 10.12 per cent of the total exports. Sri Lanka remains at the top of the list, having 21.83 per cent of exports, following India having 18.43 per cent overall. The percentage of imported goods and services is relatively high compared to 2018 in the case of Pakistan, which is recorded as 20.32 per cent, but it is low from the critical value. Comparing the total trade and export to import ratio was also very poor in case of Pakistan as compared to the other countries. The percentage of total trade to GDP is lowest for Pakistan, which is 30.44 per cent, while the highest was Sri Lanka having 50.89 per cent of the total GDP. Overall the commercial security for Pakistan remained very poor for Pakistan and it was placed at 3<sup>rd</sup> position as compared to the other South Asian countries.

Considering the financial security, the percentage of gross state debt in GDP remained highest for Sri Lanka (107.16 percent) because of the crisis, followed by India (89.6 percent) and Pakistan secured its 3<sup>rd</sup> position (74 percent). India was in on second position, having 89.60 per cent of total debts to GDP. Similarly, numbers in the budget deficit were also not showing a good condition. Pakistan recorded 6.08 per cent budget deficit which is less than in the case of India, having 6.71 per cent. Financially South Asian countries are not secure.

The unemployment rate, which was considered one of the key indicators for socioeconomic security, shows an increase in case of Pakistan as compared to the rest of the countries. The unemployment rate recorded for Pakistan was about 6.30 per cent, while the highest was 7.97 percent for India. Life expectancy did not change much for these countries compared to the previous year. Education expenses share of GDP for Pakistan remained the lowest among the Asian countries, which was just 1.77 per cent, while the highest was recorded for Bangladesh as 11.84 per cent.

**Table 3. Evaluation of Main Economic Indicators for 2022**

Indicator	Values					
	Critical Value	Bangladesh	India	Pakistan	Nepal	Sri Lanka
GDP/Cap (\$)	1643.67	2122	2191	1190	1236	3,830
Inflation Rate	4.09	5.6	5.4	13.80	6.5	17.61
<b>Commercial Security</b>						
% of export in GDP	11.99	15.32	18.43	10.12	7.81	21.83
% of Import in GDP	19.21	21.44	20.96	20.32	36.83	29.06
Ease of Doing Business	--	168th	63 <sup>rd</sup>	108 <sup>th</sup>	94th	105 <sup>th</sup>
Trade % of GDP	37.87	42.09	39.39	30.44	44.64	50.89
Export/Import	0.62	0.65	0.97	0.57	0.20	0.72
<b>Financial Security</b>						
% of Gross State Debt in GDP	37.7	35.10	89.6	74	47.24	107.16
% of Budget Deficit in GDP	8.04	6.1	6.71	6.08	4.23	12.20
<b>Social Security</b>						
Unemployment Rate	5.41	6.00	7.97	6.30	3.60	5.1
Life Expectancy (Years)	71.07	72.87	69.89	67.43	71.07	77.14
Education Expenses % of GDP	4.4	11.90	3.1	1.77	4.00	3.10
% of R&D expenses in GDP	n/a	n/a	n/a	n/a	n/a	n/a

**Source:** Author's calculations based on the official websites of the South Asian countries and WDI<sup>2</sup>

## 5. Conclusion

Economic security plays an important role in the development of a country's economy in many dimensions, such as financial, commercial, and socioeconomic security. On individual level economic security, Pakistan is placed third in South Asia and 84<sup>th</sup> globally. Comparing it with South Asia, Sri Lanka is placed first while India is second in the rank of economic security index. This shows that this region has much to do with the institutional work to strengthen and sustain the economy overall.

Considering the macroeconomic approach where different economic security sections were measured through different indicators, performance of the considered countries was not satisfactory as the economic growth in these countries is not sustainable. Pakistan, in particular, was not performing well from an economic growth perspective. Commercial security is also vulnerable for the South Asian countries as most countries have overall severe problems with trade. Pakistan, in particular, was experiencing a very alarming situation in exports. The exports were usually less than the imports in years 2018 and 2022, which creates problem of current account deficits. In the case of financial security, South Asian countries were countering the serious problem of debts and budget deficits, and they are not secure in terms of this dimension. Pakistan's economy has a considerable amount of debt, making it financially insecure among the South Asian countries. Similarly, the socioeconomic security of Pakistan was not very well, and these indicators show the vulnerability of the individual level of living. To conclude,

<sup>2</sup> The numbers are based on April, 2022 which can be varied.

Pakistan is placed third in the South Asian countries, and it needs robust policy measures to have strong economic security.

### **5.1 Policy Recommendations**

Based on the analysis, following recommendations are proposed:

- There is a need to identify the reasons for low national income. In particular, the focus should be on export-led economy. There is also a need to attract foreign exchange so that the payment of imports is being done and the large account deficit abated.
- Pakistan needs to develop its agriculture sector so that the 50 per cent of workforce affiliated with agriculture are at par with the services sector. This is essential to eradicate the inequality in workforce.
- The political parties need to have consensus on certain fundamentals of economy. An ‘Economic Security Council’ having representation from all political parties should be constituted. The Council should take the decisions related to economic policy.
- The country needs to focus on Capital Account Liberalization and use it judiciously keeping the productivity mantra in mind. Projects of a particular variety should be initiated. Capital accounts are not used for speculative measures.
- Pakistan needs to bring in investments. For that there has to be credibility in policies, besides, Pakistan needs to develop its dispute resolution capability. These elements are a must to win over the investors’ confidence.
- The economy needs to be re-structured on an exports-led growth (rather than import-substitution). The resource mobilization needs to be enhanced by improving tax to GDP ratio.
- Saving culture needs to be promoted to finance the domestic investment. Significant investments on human capital are indispensable for increase in labor productivity.
- Fiscal debt is a serious problem. It is recommended that tax reforms are needed to increase the tax base to cater to the fiscal imbalances in the economy.
- In the long term, Pakistan should focus on correcting export fundamentals. Business should be incentivized as the exports are not enough to enter the market. Exports can be made competitive through structural reforms as well as tariff rationalization.

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