

Pakistan

Background: The Indus Valley civilization, one of the oldest in the world and dating back at least 5,000 years, spread over much of what is presently Pakistan. During the second millennium B.C., remnants of this culture fused with the migrating Indo-Aryan peoples. The area underwent successive invasions in subsequent centuries from the Persians, Greeks, Scythians, Arabs (who brought Islam), Afghans, and Turks. The Mughal Empire flourished in the 16th and 17th centuries; the British came to dominate the region in the 18th century. The separation in 1947 of British India into the Muslim state of Pakistan (with West and East sections) and largely Hindu India was never satisfactorily resolved, and India and Pakistan fought two wars and a limited conflict - in 1947-48, 1965, and 1999 respectively - over the disputed Kashmir territory. A third war between these countries in 1971 - in which India capitalized on Islamabad's marginalization of Bengalis in Pakistani politics - resulted in East Pakistan becoming the separate nation of Bangladesh. In response to Indian nuclear weapons testing, Pakistan conducted its own tests in mid-1998. India-Pakistan relations improved in the mid-2000s but have been rocky since the November 2008 Mumbai attacks and have been further strained by attacks in India by militants suspected of being backed by Pakistan. Nawaz SHARIF took office as prime minister in 2013, marking the first time in Pakistani history that a democratically elected government completed a full term and transitioned to a successive democratically elected government. Following a series of bomb and suicide attacks by the Tehrik-e Pakistan Taliban (TTP) begun in 2007, the Pakistan Government and TTP representatives agreed to a cease-fire in early 2014. However, by mid-year 2014 the talks collapsed and the TTP resumed attack plotting against Pakistani targets.



Basic Facts

Population	199,085,847 ^[11] (6th)
Area	881,913 km ² ^[a] (36th)
currency	Pakistani rupee (Rs) (PKR)
GDP (Nominal)	\$270.961 billion ^[14] (42nd)
Export Volume	\$ 22,089,018
Import Volume	\$ 43,989,645
Export to OIC Member States	\$ 5,807,210
Import from OIC Member States	\$ 15,947,016

Economy - overview: Decades of internal political disputes and low levels of foreign investment have led to slow growth and underdevelopment in Pakistan. Pakistan has a large English-speaking population. Nevertheless, a challenging security environment, electricity shortages, and a burdensome investment climate have deterred investors. Agriculture accounts for more than one-fourth of output and two-fifths of employment. Textiles and apparel account for most of Pakistan's export earnings, and Pakistan's failure to diversify its exports has left the country vulnerable to shifts in world demand. Pakistan's GDP growth has gradually increased since 2012. Official unemployment was 6.5% in 2015, but this fails to capture the true picture, because much of the economy is informal and underemployment remains high. Human development continues to lag behind most of the region.

In coordination with the International Monetary Fund (IMF), Pakistan embarked on an economic reform program in 2013. While the reform process has been mixed, and issues like privatization of state-owned enterprises remain unresolved, Pakistan has restored macroeconomic stability, improved its credit rating, and boosted growth. The Pakistani rupee, after heavy depreciation, remained relatively stable against the US dollar in 2014-15. Remittances from overseas workers, averaging more than \$1.5 billion a month, are a key revenue source for Pakistan, partly compensating for a lack of foreign investment and a slowdown in portfolio investment. Falling global oil prices in 2015 contributed to a narrowing current account deficit and lower inflation, despite weak export performance. Pakistan's program with the IMF – a three-year, \$6.7 billion Extended Fund Facility focusing on reducing energy shortages, stabilizing public finances, expanding revenue, and improving the

external balance – is slated to conclude in September 2016. While passing most quantitative targets, Pakistan has missed targets on structural reforms and performance criteria throughout the program.

Pakistan remains stuck in a low-income, low-growth trap, with growth averaging about 3.5% per year from 2008 to 2013. Pakistan must address long-standing issues related to government revenues, with the tax base being narrow at 11% of GDP. Given demographic challenges, Pakistan's leadership will be pressed to implement economic reforms, promote further development of the energy sector, and attract foreign investment to support sufficient economic growth necessary to employ its growing and rapidly urbanizing population, much of which is under the age of 25. Other long-term challenges include expanding investment in education and healthcare, adapting to the effects of climate change and natural disasters, improving the country's business climate, and reducing dependence on foreign donors. Pakistan and China are implementing the "China-Pakistan Economic Corridor", a \$46 billion investment program targeted towards the energy sector and other infrastructure project that Islamabad and Beijing had agreed on in early 2014.