WEEKLY

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OVERVIEW

The Policy Pulse on the period under review, analyses the shifts and events navigating complex economic, political, and social currents in Pakistan. With the advent of a new US administration Pakistan has to grapple with misconceptions and misinformation that can undermine the US-Pakistan relations. Pakistan aptly corrected the skewed statement of US counterterrorism spokesperson to reaffirms its commitment to counterterrorism, highlighting its substantial contributions despite lacking formal treaty alliances with key partners.

Pakistan, that has been steadfast on its unwavering support to Palestine cause, expressed support for the Gaza ceasefire, advocating for a lasting resolution to the Israel-Palestine conflict. On the economic front, Saudi interest in investing in Pakistan's mining sector, particularly the Reko Diq mine, signifies potential foreign investment and economic diversification. However, the World Economic Forum's 2025 Global Risks Report warns of economic vulnerabilities like inflation and debt, coupled with climate change impacts, political instability, and technological disruptions.

Security issues persisted, particularly in KP and Balochistan. Nevertheless, the security agencies seem to have made successful efforts to target and neutralize terrorists in a planned and sustained manner. It is evident from the inauguration of Gwadar Airport which will not only contribute to peace and stability in Balochistan but also enhance regional connectivity and trade opportunities.

"Policy Nuggets" highlight key developments: digital foreign direct investment implementation, the opening of a new Gwadar airport, and the launch of Pakistan's first indigenous observation satellite, all of which present unique opportunities alongside security concerns and the need for improved tax administration. These diverse issues emphasize the need for robust policy responses to bolster economic resilience, promote sustainable development, and ensure national security.

Inside This Issue

National Security

Pakistan's Role in Anti-Terrorism 'Too Big for Labels': FO

The Foreign Office (FO) issued a statement emphasizing that Pakistan's contributions to supporting U.S. counter-terrorism efforts and fostering regional stability go beyond simplistic labels. The spokesperson noted that, while Pakistan has not been part of any formal treaty alliance with the United States, it was designated a major non-NATO ally in 2004. However, Pakistan's significant contributions to regional peace, security, and the fight against terrorism cannot be fully encapsulated by technical or legal designations.

The FO spokesperson made these remarks in response to statements by John Kirby, the White House National Security Communications Adviser, during a briefing in Washington, where he highlighted the absence of a formal defense agreement between the U.S. and Pakistan.

Analysis

Actions speak louder than words. Pakistan’s substantial contribution to the War on Terror as a major non-NATO ally cannot be ignored. In the process, Pakistan has endured colossal casualties and incurred enormous financial losses. The close cooperation between the intelligence agencies and law enforcement agencies (LEAs) of both countries is well-documented.

The Foreign Office's response and reiteration of Pakistan's contributions may have a sobering effect on John Kirby. While his statement might have stemmed from a lack of proper understanding of the relationship, it also serves as a lesson for Pakistan to pursue formal agreements when dealing with the United States.

Way Forward

- Pakistan should resort to pro-active diplomacy to befriend the new US regime under the President Trump.
- The need for joint counterterrorism efforts in the region should be highlighted.
- Maintain active engagement with neighboring countries for joint counter-terrorism efforts.

International Affairs

Pakistan welcomes Gaza ceasefire deal

Pakistan expressed its support for the Gaza ceasefire agreement and urged its prompt and complete implementation. It is anticipated that the truce will pave the way for a permanent ceasefire and facilitate an increase in humanitarian aid. The excessive use of force by Israeli occupation forces has resulted in unparalleled destruction, claiming countless lives, devastating property, and displacing hundreds of thousands of innocent Palestinian civilians.

Foreign office issued statement that Pakistan reaffirms its commitment to a just, comprehensive, and lasting resolution of the Palestinian issue, advocating for the establishment of an independent State of Palestine along the pre-June 1967 borders, with Al-Quds Al-Sharif as its capital. Following 15 months of Israeli aggression that claimed thousands of Palestinian lives and heightened tensions across the Middle East, a ceasefire and hostage release agreement was announced. The agreement stipulates an initial six-week ceasefire, accompanied by the phased withdrawal of Israeli forces from the Gaza Strip.

Analysis

Despite celebrations in Gaza and Israel following the agreement, Israeli forces intensified their attacks after the announcement, breaching the agreement. Intense Israeli airstrikes, particularly targeting Gaza City, claimed the lives of 32 people on the same day when ceasefire pact was announced. The bombardment persisted on next day, demolishing houses in Rafah in the south, Nuseirat in the center, including areas in northern Gaza. However, mediators were seeking to persuade both sides to suspend hostilities ahead of the ceasefire going into effect.

Way Forward

- Actively advocate for a cessation of hostilities through diplomatic channels, urging all parties to adhere to ceasefire agreements.
- Put regional and international efforts aimed at achieving a long-term resolution to the conflict.
- Keep raising concerns as a Muslim nation in support of Gaza and Palestine on media, international forums and important platforms.

President Trump offers a taste of things to come

US President Donald Trump unveils plan to deploy troops on Mexican border, deport millions of undocumented migrants on the occasion of oath taking ceremony as US president. He also expressed intention to exit Paris Climate accord, end birthright citizenship, and recognition of only two genders officially. In his inaugural address as the 47th President of the United States, Trump declared the beginning of a "golden age" presenting himself as a divinely chosen savior of the nation.

President Trump announced that he will immediately begin the overhaul of our trade system to protect American workers and families. Instead of taxing our citizens to enrich other countries, we will tariff and tax foreign countries to enrich our citizens.

Analysis

President Trump's tariff and strict import policies are likely to have significant effects on U.S. trade with China and other countries. The imposition of tariffs on Chinese goods aims to reduce the trade deficit; however, it could lead to retaliatory measures, escalating trade tensions and making U.S. exports less competitive in the Chinese market. For other countries, these policies may incentivize them to renegotiate trade agreements or shift their supply chains to avoid tariffs, potentially altering global trade dynamics. While these measures could encourage domestic production and protect certain industries, they might also increase costs for American businesses and consumers, ultimately reshaping international trade and US relationship with trading partners.

Way Forward

- Proactively engage in diplomatic dialogues to negotiate favorable terms with U.S under existing trade agreements and explore the possibility of new agreements in Trump Era-II.
- Pakistan can maximize its exports under the U.S. Generalized System of Preferences (GSP) by ensuring compliance with eligibility criteria and addressing any areas of concern raised by the U.S.
- Pakistan should ensure its export products meet international quality and safety standards to enhance their competitiveness in the U.S. market.

Foreign Direct Investment

Saudi minister confirms Manara Minerals looking at investing in Reko Diq mine

Saudi Arabia Mining Minister Bandar Alkhorayef stated that Saudi mining company Manara Minerals is looking at investing in Pakistan's Reko Diq mine. He further stated that Saudi Development Fund could contribute over $100 million to Pakistan's mining infrastructure. Pakistan's Petroleum Minister expressed gratitude on Saudi Arabia's investment interest in Pakistan.

Analysis

For Pakistan, this investment promises economic growth by unlocking the potential of its vast gold and copper reserves, boosting exports, creating jobs, and modernizing its mining sector with advanced technology. It also strengthens Pakistan's bilateral ties with Saudi Arabia while diversifying its economy

beyond agriculture and textiles. For Saudi Arabia, this aligns with Vision 2030 by supporting economic diversification and reducing reliance on oil revenues. It provides access to valuable resources, enhances geostrategic influence in South Asia, and offers lucrative returns on investment in a critical regional ally. However, both nations must proceed cautiously, ensuring transparent agreements, sustainable practices, and equitable benefit-sharing to avoid potential disputes or environmental concerns.

Way Forward

- Ensure consistent and investor-friendly policies, minimizing political and economic instability to build KSA confidence.

- Leverage diplomatic relations to encourage mutual trust and promote investment agreements with countries like Saudi Arabia.
- Develop trust of provincial government of Balochistan and authorities in investment agreement toa void any undesirable future incidents.

International Relations

WEF highlights four key risks to Pakistan’s economy

The World Economic Forum's (WEF) Global Risks Report 2025 identifies four major risks confronting Pakistan: economic vulnerabilities, climate-related disasters, political instability, and technological disruptions. The Global Risks Report 2025, released by the World Economic Forum (WEF), presents a cautiously optimistic outlook for Pakistan as part of its annual global risk assessment.

The report draws insights from over 900 experts worldwide and 11,000 experts through the Executive Opinion Survey globally. In Pakistan, Mishal Pakistan conducted an extensive Executive Opinion Survey (EOS) between February and June 2024, reflecting the perspectives of the country's business leaders.

WEF report cautions that inflation, currency depreciation, and escalating debt obligations could undermine Pakistan’s economic stability, eroding investor confidence and hindering growth potential. Despite these challenges, Pakistan has demonstrated notable resilience in recent years, navigating its economic hurdles with determination. However, the nation remains highly vulnerable to climate risks, grappling with recurring floods, heatwaves, and water shortages that jeopardize food security, infrastructure, and livelihoods.

Analysis

Pakistan's risks outlined in the World Economic Forum's Global Risks Report 2025 highlight a complex interplay of economic, environmental, and systemic challenges. On the economic front, inflation, currency depreciation, and rising debt burdens threaten to erode investor confidence and stall growth, underscoring the need for fiscal discipline and structural reforms. Climate vulnerability remains a pressing concern, with recurring floods, heatwaves, and water scarcity posing severe risks to food security, infrastructure, and livelihoods.

These environmental challenges exacerbate existing socio-economic vulnerabilities, demanding robust climate adaptation strategies. While Pakistan’s resilience in managing past crises is commendable, the cumulative impact of these risks underscores the urgency for long-term, integrated policy measures to safeguard economic stability, strengthen climate resilience, and address systemic vulnerabilities.

Way Forward

- Promote climate-smart agriculture to counteract the effects of heatwaves and water shortages.

- Strengthen supply chains and storage facilities to minimize food waste and ensure distribution during crises.
- Foster technological innovation to address economic vulnerabilities, such as introducing digital financial services to boost financial inclusion.
- Implement fiscal reforms to manage debt effectively and enhance revenue collection.

Industry

NIPA, PASC collaborate to drive industrial investment growth in Pakistan

The National Institute of Public Administration (NIPA) and Pakistan Administrative Staff College (PASC), the key institutions responsible for training Pakistan's civil service officers, have launched an initiative aimed at boosting industrial investment in Pakistan especially in Punjab. This collaboration leverages the Punjab government's "Business Facilitation Centers" as a model project to shape future policies and investment facilitation initiatives. By integrating these centers into their training programs, the partnership equips officers with the skills needed to drive industrial transformation.

As part of NIPA's Mid-Career Management Course (MCMC), officers are collaborating in research groups to identify practical strategies for boosting industrial investment in Punjab. Their efforts aim to establish a joint working group, including the Chairman of the Punjab Board of Investment and the Secretary of the Special Investment Facilitation Council (SIFC), to develop actionable plans for attracting both local and foreign investment to the province.

Analysis

NIPA and PASC can play a pivotal role in boosting industrialization by proposing an effective action plan and additionally by equipping the workforce with relevant skills, fostering innovation, and bridging the gap between academia and industry needs. By forming a working group comprising industry experts, educators, policymakers, and technologists, the institute can develop highly effective plans. Such collaborative efforts ensure the alignment of training programs with current industrial demands, promote technology transfer, and encourage entrepreneurship, ultimately creating a skilled workforce that drives industrial growth and competitiveness in the country.

Way Forward

- Introduce recognition programs and incentives for trainee officers who are contributing to industrial growth programmes in NIPA and PASC.
- Encourage public-private partnerships to bring in expertise, technology, and investment to complement institutional efforts.
- Ensure coordination between federal, provincial, and local governments to avoid policy overlaps or contradictions, fostering smoother implementation of partnership initiatives.

POLICY NUGGETS

Incident/News	Impact	Recommendation	Priority
Cop injured in Bannu police check post attack	Persistent militancy threats in KP	Strengthen intelligence-sharing networks between provincial and federal authorities; deploy advanced surveillance and security technologies in sensitive areas to prevent future attacks. *"An ounce of prevention is worth a pound of cure." — Benjamin Franklin*	Highest
Pakistan's first indigenous observation satellite launched	Boosts technological and defense capacity	Establish public-private partnerships to maximize the satellite's potential in agriculture, disaster management, and urban planning; collaborate with international space agencies for knowledge-sharing and technical support. *"Space exploration is a tool for national development. By leveraging satellite technology, we can address critical challenges in agriculture, disaster management, and urban planning, leading to sustainable development."* — Dr. Mazlan Othman, Former Director of the United Nations Office for Outer Space Affairs	High
33,522 tax cases involving Rs4.7tr pending in courts	Significant revenue tied up in litigation	Expedite the resolution of pending tax cases by increasing the capacity of tax tribunals and courts; implement alternative dispute resolution mechanisms to settle tax disputes more efficiently. *"In matters of truth and justice, there is no difference between large and small problems, for issues concerning the treatment of people are all the same." — Albert Einstein*	High
Govt promises cheapest electricity in the region	Potential for economic competitiveness	Prioritize renewable energy projects to reduce long-term costs and reliance on imports; enhance transparency in energy pricing to maintain public trust; expand public-private partnerships to accelerate the adoption of energy-efficient infrastructure. *"Energy is the lifeblood of modern civilization." — Vaclav Smil*	High
Pakistan secures first longer-term World Bank Country Partnership	Boost for development financing	Align development projects with SDGs to ensure long-term sustainability; build capacity within government institutions to effectively manage and monitor World Bank-funded projects. *"The best investment is in the tools of one's own trade." — Benjamin Franklin*	Highest

AI initiatives to boost economic activity, says minister	Potential for technological advancement	Develop a national AI strategy focusing on key sectors such as manufacturing, healthcare, and agriculture; invest in education and training programs to build a skilled workforce capable of leveraging AI technologies. *"Artificial intelligence is transforming every walk of life. Nations that invest in AI today will lead the global economy tomorrow."* — Sundar Pichai, CEO of Google	High
Pakistan first country to implement digital FDI: PM	Enhanced transparency and efficiency in foreign investments.	Strengthen cybersecurity measures to protect digital FDI systems; develop investor-friendly policies to ensure smooth implementation; promote digital literacy among relevant stakeholders to maximize the benefits of digital FDI. *"Technology is best when it brings people together."* – Matt Mullenweg, founder of WordPress	Highest
First flight lands at new Gwadar airport	Boost to regional connectivity and trade opportunities.	Expedite infrastructure development in Gwadar to support increased trade and tourism; establish international partnerships to enhance airport operations and capacity; promote Gwadar as a global hub for logistics and commerce. *"Enhancing connectivity and trade through strategic projects like Gwadar Airport can transform regional economies and position countries as global trade hubs."* — Christine Lagarde, Former MD, IMF	High
Ministries directed to prioritise objectives in line with 'Uraan'	Enhanced coordination for economic reform and sustainable development.	Monitor ministries' progress through transparent reporting systems; align 'Uraan' goals with UN Sustainable Development Goals to ensure coherence; allocate resources effectively to high-impact sectors. "*Plans are nothing; planning is everything."* – Dwight D. Eisenhower	Highest

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