



WEEKLY

# POLICY PULSE

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## OVERVIEW

This week's *Policy Pulse* highlights critical developments in governance, economy, security, and diplomacy, shaping Pakistan's trajectory. The 'Breathe Pakistan Climate Conference' convened experts to address the country's escalating climate vulnerabilities, emphasizing the urgency of climate financing and adaptation strategies. Meanwhile, Prime Minister Shehbaz Sharif's renewed call for global action on Kashmir reaffirmed Pakistan's diplomatic push for conflict resolution through international consensus. As regional tensions persist, such advocacy remains pivotal to Pakistan's foreign policy.

Pakistan's strategic partnership with China advanced with \$300 million worth of agreements in energy, IT, and counterterrorism, deepening cooperation under CPEC 2.0. Security concerns remained pressing as a terrorist plot in Chaman was foiled, reflecting the effectiveness of Pakistan's counterterrorism measures while underscoring ongoing threats along its borders. In a bid to modernize trade infrastructure, the government launched a comprehensive digitization plan for Pakistan's ports, aimed at enhancing efficiency, curbing corruption, and fostering economic growth.

Economic indicators offered a mixed outlook. Fitch Ratings acknowledged Pakistan's economic stabilization, citing inflation control and policy discipline, yet structural weaknesses persist, particularly in external financing and revenue generation. Policy Nuggets for this week stressed the need for tax compliance, digital financial integration, and security enhancements to sustain long-term economic and governance stability.

The Commonwealth Parliamentary Association (CPA) moot held at the Punjab assembly showed the desire and resolve of the participants to strengthen parliamentary democracy in the respective countries. IMF team visited Pakistan to review governance mechanism.

To sum up, Pakistan continues to balance economic recovery, security imperatives, and diplomatic engagements. While challenges persist, strategic policy measures and international cooperation signal resilience and a commitment to sustainable progress.

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## Environment

### Global Conference in Islamabad to Breathe new Life into Climate Action

With climate change posing an increasing threat to Pakistan, nearly one hundred experts from around the world will gather in Islamabad for a two-day conference aimed at raising awareness, driving action, and fostering a climate-resilient future. This global conference is part of the ‘Breathe Pakistan’ initiative, designed to promote collaboration on climate solutions and attract funding to combat environmental challenges.



### Analysis

Climate initiatives like ‘Breathe Pakistan’ are crucial for mitigating environmental risks, building resilience, and ensuring sustainable development. To address climate challenges, conferences and seminars should be held regularly to foster collaboration, educate communities, and to address multidimensional climate challenges effectively. Such platforms bring together policymakers, private sector leaders, and international experts, and carry potential to bridge governance gaps, unlock climate finance, and push for transboundary cooperation. The “Breathe Pakistan Climate Conference” is a necessary step in aligning Pakistan’s climate policies with regional and global frameworks. Similar initiatives should be introduced to impede adverse effects of environmental calamities.

### Way Forward

- Pakistan should develop comprehensive policies to address climate change; the focus now must be on executing these plans effectively.
- The National Adaptation Plan (NAP) should be implemented effectively and emphasized for compliance from all regions across the country.
- Continue raising awareness about climate change impacts and promoting sustainable practices among the public that can foster community involvement in climate action initiative.

## National Territory

### PM urges Global Action on Kashmir issue

Prime Minister Shehbaz Sharif urged global leaders to resolve the Kashmir conflict to ensure lasting peace in the region. In his message on Kashmir Solidarity Day, he emphasized that eternal peace and stability in South Asia requires the international community to urge India to grant the Kashmiri people the right to determine their own future. He stressed that true stability cannot be achieved by suppressing their legitimate aspirations. Referring to recent events in the Middle East, he highlighted the dangers of allowing long-standing disputes to persist.



PM has reaffirmed Pakistan's unwavering support for the Kashmiri people's struggle for self-determination, a commitment renewed annually on this occasion.

## Analysis

Prime Minister Shehbaz Sharif has recently emphasized the need for global intervention to address the Kashmir issue, advocating for the Kashmiri people's right to self-determination. Resolving the Kashmir conflict is essential for Pakistan India diplomatic relations and significant trade relations can be established between two countries that will benefit both states. A just and peaceful resolution will not only uphold the rights of the Kashmiri people but also reduce tensions between nuclear-armed neighbors, fostering cooperation and development.

## Way Forward

- Intensify efforts to highlight the Kashmir issue on global platforms, urging the international community to pressure India into allowing Kashmiris to determine their own future.
- Explore the possibility of involving neutral third parties to mediate and facilitate a peaceful resolution to the Kashmir dispute.
- Engage with neighboring countries to build a regional consensus on the importance of resolving the Kashmir issue for lasting peace in South Asia.

## International Relations

### Pakistan, China agree to boost Cooperation: Sign \$300m MoUs



Pakistan and China have reaffirmed their commitment to enhancing bilateral cooperation across various sectors, including counterterrorism, defense, agriculture, and information technology, emphasizing that any attempts to disrupt their partnership would not succeed. Additionally, Memorandums of Understanding (MoUs) exceeding \$300 million were signed in the energy, coal, and cement industries.

In a high-stakes diplomatic engagement, President Asif Ali Zardari held crucial talks with Chinese President Xi Jinping, Premier Li Qiang, and National People's Congress Standing Committee Chair Zhao Leji. According to Foreign Office, the discussions delved into strengthening bilateral ties and expanding cooperation, culminating in key agreements that underscore the enduring partnership between the two nations. Besides enhancing cooperation in IT and emerging areas like artificial intelligence, big data, and communication technology, the two sides agreed to expand cooperation in education, media, think tanks, youth, films, and television to strengthen the bond between the two peoples and enhance mutual learning between civilisations.

## Analysis

In recent meetings and interactions between leadership of both countries, Pakistan and China agree that their enduring partnership and iron-clad friendship have stood the test of changing global dynamics, going beyond mere geopolitical interests. They reaffirm their mutual understanding, unwavering support, and

commitment to deepening strategic trust and practical cooperation. China reiterates that its relationship with Pakistan remains a top priority in its foreign policy and holds special significance. Similarly, Pakistan emphasizes that its ties with China serve as the cornerstone of its foreign policy. China has expressed commitment for cooperation in combating terrorism, and Pakistan assured the security of Chinese personnel, projects, and institutions. President Zardari emphasized zero-tolerance policy on terrorism, vowing to hold accountable those responsible for attacks on Chinese nationals. He assured establishment of fool proof security arrangements for Chinese personnel working in Pakistan.

## Way Forward

- Implement stricter security protocols for Chinese nationals and projects, ensuring swift action against perpetrators.
- Expand collaboration under the China-Pakistan Economic Corridor (CPEC) by diversifying investments into AI, modern agriculture, and green energy.
- Leverage China's support in advocating for regional peace and stability.

## National Security

### Terrorist plot in Chaman foiled, weapons seized

Security forces thwarted a planned terrorist attack in the border town of Chaman seizing a substantial cache of weapons and ammunition. Security forces launched an operation in the Guldar Baghicha area of Chaman. During a raid on a hideout linked to a banned organization, authorities uncovered a significant stockpile of weapons and ammunition, including anti-personnel mines, rocket launchers, grenade launchers, primer cards, safety pins, and other explosives. Officials believe the cache was secretly stored by militants for future sabotage attempts. However, no arrests were made during the operation.



Chief Minister Balochistan Sarfraz Bugti praised the successful operation by security forces and intelligence agencies in Chaman, calling it a testament to the timely and effective strategy against terrorism.

### Analysis

Security agencies in Pakistan play a crucial role in maintaining peace and combating terrorism by ensuring national security, thwarting threats, and protecting citizens from extremist activities. Through intelligence gathering, counter-terrorism operations, and border surveillance, they dismantle terrorist networks and prevent attacks before they occur. Their efforts not only to safeguard critical infrastructure and foreign investments but also contribute to regional stability. By working in coordination with other allies and departments within the country, security forces remain at the forefront of defending the nation against evolving security challenges.

## Way Forward

- Invest in advanced surveillance technology, AI-driven threat detection, and cybersecurity measures.

- Provide specialized training in counterterrorism, cyber warfare, and urban security operations.
- Conduct joint exercises with international security forces to adopt global best practices.
- Conduct regular drills and simulations to prepare for emergency situations.

## Economy

### Govt launches comprehensive Ports' Digitisation plan



In a significant move to modernise its maritime sector, Pakistan has launched a series of digital reforms aimed at enhancing efficiency, transparency, and economic growth. Driven by the relentless efforts of the Task Force (TF) on Revamping Pakistan's Maritime Sector, these groundbreaking initiatives aim to revolutionize the nation's ports, transforming them into world-class hubs for global commerce.

Pakistan's maritime sector—anchored by strategic ports such as Karachi, Port Qasim, and Gwadar—is a vital artery of the national economy. Yet, for years, its true potential has been stifled by inefficiencies in port operations, outdated logistics, and a lack of transparency. Acknowledging these pressing challenges, Task Force has placed digitization at the heart of its bold strategy to rejuvenate and modernize the sector.

### Analysis

PCS is being developed to facilitate secure information exchange among stakeholders. The system will be rolled out in three phases: 1. Focuses on vessel management, vessel calls, and integration of stakeholders. 2. Enhances vessel operations and integrates external systems. 3. Expands services to terminal gate management, logistics appointment systems, and information exchange services.

The following are the modern port management services launched by the Government:

- Real-Time Integration of Terminal Operating Systems (TOS): To ensure seamless coordination, all TOS will be integrated in real-time with the PCS and customs.
- Digitisation of Financial Transactions: All trade-related financial transactions will now be conducted digitally through the Pakistan Single Window (PSW), enhancing transparency, and reducing corruption.
- Vessel Traffic Management System (VTMS): Ports are required to deploy nine core operations of vessel traffic management to monitor vessel traffic, enhance safety, and improve coordination within Pakistan's waters.
- Modernisation of Port Scanners: High-tech scanners, such as Non-Intrusive Inspection (NII) Scanners, will be deployed to improve cargo inspection, enhance security, and reduce clearance times.

These transformative measures mark a new era for Pakistan's maritime sector, enhancing efficiency, security, and global competitiveness.

### Way Forward

- Ensure uninterrupted real-time integration of Terminal Operating Systems (TOS) by investing in high-speed, secure digital networks.

- Expand and refine the Pakistan Single Window (PSW) to integrate more stakeholders, including international shipping lines, banks, and insurers.
- Establish cybersecurity protocols to safeguard digital transactions and prevent data breaches.

## **Fitch acknowledges Pakistan’s Economic recovery**

Fitch Ratings has acknowledged Pakistan’s progress in restoring economic stability and strengthening external buffers but cautioned that structural reforms and external financing remain key challenges. The Fitch representative stated that Pakistan has steadily progressed in restoring economic stability and strengthening its external reserves. The sharp decline in inflation reflects the waning impact of previous subsidy reforms and the stabilization of the exchange rate, reinforced by a firm monetary policy stance. This has, in turn, curbed domestic demand and reduced external financing pressures.



It mentioned the impact of stringent policy measures and acknowledged that economic activity is now reaping the benefits of stability and easing interest rates. As a result, the economy is poised for a 3% expansion in FY25, with real GDP expected to gain momentum. Notably, private sector credit growth turned positive in real terms in October 2024, marking a significant turnaround since June 2022. Meanwhile, strong remittance inflows, a surge in agricultural exports, and disciplined policy measures have propelled Pakistan’s current account into a surplus of approximately \$1.2 billion (over 0.5% of GDP) in the six months leading to December 2024, a remarkable shift from the deficit recorded in FY24.

## **Analysis**

Pakistan’s economic landscape is showing promising signs of recovery, driven by stabilizing macroeconomic policies, fiscal discipline, and structural reforms. Inflationary pressures have eased, the exchange rate has stabilized, and a disciplined monetary policy has helped control external financing needs. With rising remittances, a robust agricultural sector, and growing exports, the country’s current account has swung into surplus, strengthening economic resilience. Additionally, falling interest rates and improved investor confidence are fueling business activity, while positive credit growth in the private sector signals renewed economic momentum. As Pakistan continues this trajectory, the foundation for sustained growth, job creation, and long-term prosperity is steadily being laid.

## **Way Forward**

- Ensure compliance of taxation system for sustained growth of economy.
- Accelerate digital financial inclusion to increase transparency and boost financial sector efficiency.
- Continue reviewing and modifying monetary policy and fiscal policy to control interest, money supply and expenditures within economy.

# POLICY NUGGETS

Incident/News	Impact	Recommendation	Priority
Commonwealth parliamentary moot begins	Enhances Pakistan's legislative diplomacy and inter-parliamentary cooperation.	Utilize the platform to strengthen democratic institutions and governance reforms; foster knowledge exchange on best parliamentary practices to enhance legislative efficiency; advocate for Pakistan's economic and geopolitical interests through multilateral engagements.  <i>"Democracy is not just the right to vote, it is the right to live in dignity."</i> — Naomi Klein	High
PM Shehbaz leaves for UAE today to address WGS	Strengthens Pakistan's diplomatic and economic ties with the UAE and global stakeholders.	Leverage the World Government Summit (WGS) to attract investment in Pakistan's infrastructure and technology sectors; deepen economic cooperation with Gulf countries, focusing on trade, energy, and employment opportunities for Pakistani expatriates.  <i>"Economic diplomacy is the key to unlocking new opportunities for trade, investment, and development."</i> — Ban Ki-moon, Former UN Secretary-General	High
IMF team in Pakistan, reviewing governance mechanism	The IMF review will determine the future of economic policies and structural reforms.	Enhance transparency and accountability in fiscal management to meet IMF conditions; implement long-term governance reforms to ensure economic sustainability and reduce dependency on external lending; strengthen institutions to build investor confidence.  <i>"Good governance is the art of putting wise thought into prudent action in a way that advances the well-being of those governed."</i> — Diane Kalen-Sukra	Highest
9th multinational maritime exercise AMAN 2025 kicks off	Strengthens Pakistan's maritime security collaboration and diplomatic outreach.	Expand regional naval cooperation to enhance maritime security; modernize naval capabilities to address emerging threats; leverage the exercise for strategic partnerships in blue economy development.  <i>"A safe ocean is a prosperous ocean."</i> — António Guterres	High
Pakistan owes 92pc of external debt to three sources	Economic vulnerability due to heavy reliance on limited foreign lenders.	Diversify debt sources to reduce dependency on a few creditors; focus on export-led growth and FDI to ease external debt burden; introduce fiscal discipline to curb further borrowing.  <i>"Neither a borrower nor a lender be; for loan oft loses both itself and friend."</i> — William Shakespeare	Highest

Two security personnel martyred in South Waziristan	Persistent security threats continue to challenge national stability.	Strengthen counterterrorism operations through intelligence-sharing and enhanced border security; invest in socio-economic development in conflict-prone areas to undermine militant recruitment.  <i>"Security is not a product but a process." — Bruce Schneier</i>	Highest
After a gap of 30 years: Maryam to open Horse & Cattle Show on 9th	Revival of cultural and agricultural events can boost economic and tourism activities.	Promote agro-tourism to create rural employment and attract investment; establish permanent platforms for showcasing livestock and traditional industries.  <i>"A nation's culture resides in the hearts and in the soul of its people." — Mahatma Gandhi</i>	High
All provinces agree to impose agriculture tax: PM	Taxation of agriculture aims to improve revenue collection and fiscal equity.	Ensure progressive implementation of agriculture tax with safeguards for small farmers; integrate digital tracking to minimize tax evasion and optimize collection.  <i>"The tax which is taken from the farmer should help the farmer." — Franklin D. Roosevelt</i>	Highest



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