

**THE IMPACT OF POLITICAL INSTABILITY ON EXTERNAL ECONOMIC GROWTH
OF PAKISTAN FROM 2018 - 2023**



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SUPERVISOR CERTIFICATE

This is to certify that the thesis entitled "The Impact of Political Instability on External Economic Growth of Pakistan from 2018 - 2023" is the original work submitted by Ms. Sehra Jalil, a student of MS in Political Science in the Department of Politics and International Relations, Faculty of Social Sciences. This research work has been successfully done under my guidance and supervision. She has fulfilled all the requirements for the award of the MS degree ordinance at the University. It is important to certify that this thesis has not been submitted for the attainment of any Degree, Diploma, Associateship, or Fellowship from any other university.

DECLARATION

By submitting this dissertation, I declare that this thesis entitled **“THE IMPACT OF POLITICAL INSTABILITY ON EXTERNAL ECONOMIC GROWTH OF PAKISTAN FROM 2018 – 2023”** is my original work. This research work was completed under the supervision of Dr. Noor Fatima and submitted to the Department of International Relations as satisfying the requirements for the degree of master’s in international relations. I have properly referenced and cited the sources of information in my thesis. This dissertation has not been submitted before for any degree.

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DEDICATION

This research work is wholeheartedly dedicated to my respected parents and family. I dedicate this research to my Father for being a great mentor who worked hard for my better education and life. I also dedicate this work to my loving mother for being a source of motivation for me. Her motherly care as a single parent during my difficult time motivated me to complete my thesis. I would also like to dedicate this dissertation to my loving husband for being supportive during this whole journey. Lastly, I would like to thank my supportive supervisor Dr. Noor Fatima. She gave me unconditional support and her words of encouragement helped me to complete my research work.

List of Abbreviations

PTI – Pakistan Tehreek-e-Insaf

PDM – Pakistan Democratic Movement

FDI – Foreign Direct Investment

CPEC – China-Pakistan Economic Corridor

GDP – Gross Domestic Product

IMF – International Monetary Fund

PPP – Pakistan People's Party

PML-N – Pakistan Muslim League-Nawaz

STEM – Science, Technology, Engineering, and Mathematics

ICT – Information and Communication Technology

NSI – National System of Innovation

GARCH – Generalized Autoregressive Conditional Heteroskedasticity

ARCH – Autoregressive Conditional Heteroskedasticity

OLS – Ordinary Least Squares

GMM – Generalized Method of Moments

Abstract

This research investigates the impact of political instability on Pakistan's external economic growth from 2018 to 2023, focusing on factors such as foreign direct investment (FDI), exports, and trade relations. Political instability during this period, including the ouster of the Pakistan Tehreek-e-Insaf (PTI) government and widespread protests, created an environment of uncertainty that hindered economic progress. The study analyzes the effect of leadership changes, inconsistent policies, and governance challenges on investor confidence and economic activities, especially in key sectors like agriculture and textiles. Using a qualitative methodology, the research emphasizes the importance of political stability in fostering sustainable economic growth and restoring Pakistan's international economic engagement.

1 Chapter 1

2 Introduction

2.1 Background

Economists across the globe recognize political stability as a serious issue that can harm economic performance of a country. It leads to suboptimal economic strategies as due to unstable political conditions policy makers focus on short term solutions. This results in frequent policy changes, increasing uncertainty and have negative impact on the overall economy. Having such consequences for economic performance it is surprising to see common political instability across countries over time. It is measured by the number of times a cabinet changes, where a new leadership is appointed or at least half of the cabinet is filled by new representatives. It is a global phenomenon though it significantly varies by region (Aisen & veiga, 2011).

Across many countries over time political instability has drawn keen attention due to its negative effects on the economic performance. Economists across the globe have documented its impact on major economic variables such as GDP growth, inflation and private investment. Alesina et al. (1996) found that countries with frequent change of governments experienced low GDP growth. Jong-a-Pin (2009) in his research study showed that higher political instability hampers economic growth, while Alesina and perotti (1996) showed that political instability creates uncertainty which reduces investment. Aisen and Veiga (2006) showed the link of political instability and rising inflation which are driven by short term policies instead of long term economic planning.

Throughout human history political stability has not been common and even democratic regimes have been fragile. Irrespective of the government type when a country does not involve in conflicts and radical changes in politics, its citizens can focus on productive activities like saving, working and making investments. Various studies on corruption have revealed that political stability and long-standing democracy are the major factors in reducing corruption in a country. Some people believe that political stability can prevent change and lower public motivation which holds back creativity and innovation. As change involves risks, it is crucial for development and progress in areas like business, politics and culture. If there is no competition for power stability can result in restrictions on freedom of speech, religion and access to information. This will lead

to abuse of power and corruption as leaders do not real challenges to their authority (Hussain, 2014).

Economic growth has been a major concern for less developed countries but with limited success in several cases. Economic and political development are linked closely. Stable economic growth is possible with political and legal order and on the other hand economic development can help to stabilize a political system. However economic development alone is not enough to ensure the survival of a regime (Berg-Schlosser & Siegler, 1990). (Asteriou & Siriopoulos 2000) analyzed experimentally the relationship between stock advertise improvement, financial development and political insecurity in Greece. They measured socio politically instability by creating an index that track various types of political violence using time series data. The major advantage of analyzing political instability in a case study framework with time series data compared to the widely used cross country empirical studies are : 1. A detailed and careful examination of the rules and historical features of a specific country, 2. Using a time series data with best and highest quality measures. 3. A detailed analysis of the dynamic development of economy. The results showed that a strong inverse relationship between unstable socio-political conditions and the general index of the Athens Stock exchange. This is in line with theory that unstable socio-political conditions have negative affect on economic growth as in the case of Greece.

Social and political instability has negative impacts on economic growth as it creates an environment of uncertainty and disruption. When social and political instability is high it leads to frequent changes in the policies of government and civil unrest which can disrupt supply chains and production processes. Such uncertainty makes the businesses and investors cautious of making investments as they cannot predict future economic conditions and policy directions. Further they can delay or reduce investments in physical capital such as technology, machinery and infrastructure which are crucial for long term economic growth. Additionally high level of social and political instability can also lead to costs for security and insurance which further discourages investors and slow down economic activities. Hence a political and social environment is essential for fostering a conducive atmosphere for economic development and growth.

On the other hand, the second perspective suggests a more complex relationship between social and political instability and economic growth. The supporters of this view argue that economic growth can either exacerbate or minimize social and political insecurity which depends

on the context. Rapid economic growth often brings about structural changes such as industrialization, urbanization and shifts in employment dynamics. These changes negatively affect existing political alliances and power balances which potentially increases social and political instability as different groups compete for influence and resources. While economic growth can also reduce social and political instability if it improves living standards, creates employment opportunities and reduce poverty and inequality. As with people's economic conditions improving their social and political tensions can also decrease which leads to a stable environment. Hence the relationship between social and political instability is bidirectional and dynamic with each influencing the other in different ways depending on the specific context and circumstances. (Campos & Nugent 2002).

Periods and regions with a high likelihood of government changes experience significantly lower economic growth. This negative effect on growth is evident regardless of whether the government changes involve substantial ideological shifts or irregular transfers of powers. The disturbance caused by frequent government turnovers creates an uncertain environment which discourages investment and economic activities. Investors in this scenario are less likely to invest resources in such unstable conditions which leads to slower economic development and growth. The low economic growth does not always increase the likelihood of government changes in the same period. This shows that while political instability can hinder economic growth the reverse is not always true. Economic growth alone does not seem to initiate political instability. This means that other factors such as social tensions, governance quality and external influences which might play more significant roles in causing collapse of governments. It has been also found that the type of government whether it be authoritarian or democratic does not significantly affect economic growth. This challenges the notion that democracies inherently foster better economic outcomes as compared to authoritarian regimes. This suggests that stability and effectiveness of governance might be more crucial than the regime type itself.

Once a country experience frequent changes in government it becomes more prone to additional collapses in future. This can create a vicious cycle where political instability brings more instability which further hampers economic growth. Public trust is eroded in governance and institutions due to this continuous uncertainty and disruption making it difficult to implement long-term economic policies and reforms. This persistent instability can also discourage foreign

investment which exacerbate the economic challenges faced by the country. For achieving sustainable economic growth and development breaking this cycle of instability is crucial (Alesina et al, 1996).

The political landscape in post-independent sub-Saharan Africa has observed sudden and violent changes in government. This political instability has hindered economic growth when considering the role of exports. In fact, political instability might have more significant impact on the exports than on overall GDP growth. It has been found that political instability negatively affects export growth. The political instability has a more detrimental effect on exports than on overall GDP. It is because a stable political environment is crucial for maintaining competitiveness in international markets. Political upheavals and frequent coups create uncertainty which makes it difficult for countries to sustain consistent export performance. This instability can disturb production, hinder long term planning and prevent foreign investment. All of these are essential for a robust export sector. As political instability negatively impacts overall economic growth, its effect on exports is even more pronounced which highlights the importance of political stability for successful export promotion strategies (Fosu, 2003).

In Africa investors surveys shows that factors like investment restrictions, macroeconomic instability, political instability and corruption have negative impact on foreign direct investment. By improving policies and institutions countries with small geographies and poor natural resources attract FDI. For example, alleviating corruption from the level seen in Nigeria to that in South Africa has a similar positive effect on FDI as increasing the share of fuels and minerals in total exports by about 35 %. This shows that even without rich natural resources countries can attract significant FDI by creating a stable and transparent environment for the investors (Asiedu, 2006)

In many Third World countries political instability is common. These countries have huge potential for tourist attraction due to scenic beauty, ecotourism potential and adventure tourism. Tourism can be significant but seasonal in these countries with periods of high and low activity. It is also unpredictable in these countries due to dependence on the preference of visitors and can be easily affected by political issues. Political instability affect tourism due to these main types of problems: 1. Instability in the neighboring country which disrupts travel routes to create a perception that the whole region has security issues. 2. Internal conflicts can also discourage tourist from visits and stay. 3. The anti-government groups can target tourist to embarrass the government

and gain media attention. Finally, the development of tourism can also sometimes lead to political instability. Stringent steps should be taken to maintain stability in these countries so that tourism can continue to thrive despite political challenges. The causes of instability should be understood, and ways should be found to address them effectively (Richter 1992).

Political unrest can severely impact tourism in any country which is a vital economic sector in many countries. Political instability is manifested through conflicts, protests and frequent government changes. Disruption of travel routes and negative perception results from political instability which leads to decline of the tourism sector by reducing the influx of tourists. This effects the local economy and employment also. Policy makers should understand these dynamics which are crucial for developing effective tourism strategies that can withstand political turbulence (Issa& Altinay, 2006).

In Pakistan economic issues are attributed solely to economic factors and political factors are overlooked. However, research have proved that country's development is highly unstable particularly during periods of political turmoil, which has spanned nearly half of the Pakistan's history. The data from 1971 to 2008 was analyzed using Ordinary Least Squares (OLS) regression technique. It was aimed to examine the extent to which political instability has hindered economic development in Pakistan. A political instability index was created using seven different variable specific to Pakistan. Principal Component Technique was utilized. For measuring economic development generally used economic variables were utilized. It was found that there is negative relationship between political instability and economic development in Pakistan. This means that period of instability and political unrest have significantly halted the country's economic growth. It also highlights the importance of considering political factors when analyzing economic problems and development patterns in the country (Gill, 2010).

Since gaining independence in 1960 the Central African Republic has faced frequent social unrest and political instability including army rebellions, military coups and long labor disputes. These issues in addition to poor economic management and weak governance have hindered the development of the country in spite of having rich natural resources. This has led to worsening social and economic conditions. Poor revenue performance has led to domestic wage and external debt arrears and basic social services have declined. Irregular wage payments to military personnel and civil employees have caused prolonged labor strikes and army rebellions. Empirically it has

been found that a low domestic revenue to GDP ratio and adverse trade conditions substantially increase the likelihood of a coup. Poor revenue performance weakens the government's capacity to pay wages and provide necessary social services which lead to public frustration and triggering political instability. This cycle of political unrest and weak revenue has severely affected the country's economic growth and stability (Mercereau, 2004).

The theoretical relationship between uncertainty and investment over the long term is ambiguous with various factors affecting the outcome. Empirical studies have indicated a negative correlation between political instability and investment levels. A major limitation of these studies is their failure to discover the causal link and its direction between investment and political instability. This gap has been filled by examining whether there is a causal and negative long-term relationship between these variables. Interestingly the results show a causal link from political instability to investment but contrary to expectations this relationship is positive and specifically pronounced in low-income countries (Campos & Nugent, 2003).

Political instability impact on the savings rate of Sub-Saharan Africa was studied using four equation model. It was found that political instability negatively affects the savings rate by reducing economic growth and investment. These badly effects on the savings rate occur immediately and also with a delay. It was also found that economic growth contributes to stabilize the political system. Economic factors solely cannot completely explain the development process in less developed countries. Political instability plays a vital role and its negative impacts on the saving rate show the importance of considering political factors in economic analyses (Gyimah-Brempong & Traynor, 1996).

2.2 Rationale of the study

Long term economic planning and sustainable development has been hindered political instability in Pakistan as it is a recurring obstacle. Since its creation in 1947 frequent shifts in government coupled with military coups and political unrest have resulted an atmosphere of uncertainty. This discourages both foreign and domestic investors from committing to long term investments as they fear sudden changes in policy and leadership due to which economic growth often remains fragile and inconsistent. The period from 2018 to 2023 shows how political turmoil can impact economic stability. Imran Khan's government faced different challenges which

ultimately led to his removal from the office through a no confidence vote in 2022. This led to widespread political protests extending the country's political divide. Amidst these events allegations of economic mismanagement further deteriorated the situation with the major sectors like agriculture, services and manufacturing suffering from the inconsistent policies and poor governance. Such instability in Pakistan not only disturb immediate economic activities but also longer-term strategic planning. Initiatives that often require steady government support such as infrastructure development, education reforms and poverty alleviation get delayed or abandoned due to sudden leadership change.

Studying the period from 2018 to 2023 is vital as it includes the major global event like COVID-19 pandemic which deteriorated Pakistan's economic vulnerabilities. Political instability during that time not only damaged the country's internal economy but also negatively impacted external trade, foreign direct investment and relations with global economic partners. Governance issues and inconsistent policies weakened Pakistan's ability to capitalize on international opportunities. This study seeks to understand the effect of political instability on economic performance and will hopefully provide strategies for creating a more stable and growth friendly environment which is crucial for investors, policy maker and all the stakeholders aiming for sustainable economic development in Pakistan.

2.3 Statement of the Problem

This research study aims to address how political instability in Pakistan from 2018 -2023 has effected the country's external economic growth. During the study Imran Khan's government was ousted followed by widespread protests and global challenges like COVID-19 pandemic occurred. These factors had consequences such as inconsistent economic policies, disrupted trade, weakened investor confidence and low foreign direct investment. The study is exploring the extent to which political instability deterred Pakistan's ability to engage with international markets and leverage global economic opportunities thus affecting its external economic growth.

2.4 Objectives of the study

The study objectives are:

1. To explore the impacts of political instability on external economic growth of Pakistan from 2018 to 2023
2. To identify the strategies which trigger political stability
3. To analyze the importance of political stability in sustainable external economic growth.

2.5 Research Questions

1. How does political instability affect Pakistan's economic development?
2. What steps can be taken to ensure stability and boost economic development?
3. How does maintaining stability contribute to achieving sustainable development goals?

2.6 Significance of the Study

The study provides vital insights into how the political instability from 2018- 2023 has affected Pakistan's external economic growth, including foreign direct investment, trade and international relations. By analyzing the impact of regular political disruptions and governance challenges during the study period, the research stresses the importance of stable political environments for fostering investor confidence and sustaining external economic activities. The findings of this study will be valuable for economic planners, policy makers and international investors in understanding the close link between political instability and economic performance. In addition the study also offers practical strategies for creating a more conducive environment for sustainable economic growth which will be helpful for future decision making and policy development in Pakistan.

2.7 Delimitations of the study

This research is limited to examining the impact of political instability on external economic growth of Pakistan for the period 2018-2023. It particularly focused on how political events and

instability during this period impacted foreign direct investment trade relations and exports. It excludes broader internal economic factors such as inflation, domestic consumption and poverty levels. It is also delimited to secondary data collection relying on existing reports, literature and media sources and does not engage in primary data collection through interviews or surveys. Further this study does not aim to cover all aspects of Pakistan's economic and political situation and also does not delve into the effects of internal political factors such as governance quality or electoral processes. The research is limited to the external economic perspective and does not explore in depth comparisons with other countries. Given the limited access to real time data and evolving nature of political events the study only focuses only on the most prominent and documented cases of political instability affecting Pakistan's external economy within specified time period.

2.8 Literature review

Roe and Siegel in their research article provided compelling evidence that political instability plays a pivotal role in hindering financial development. The authors argued that political instability should be added to the list of major factors of financial development across the globe. The study highlighted how inequality effecting conditions, particularly in non-democratic countries create bottlenecks for international organizations in their efforts to promote financial development. They used a robust methodology including country fixed effect regression and instrumental model inspired by Engerman and Sokoloff's work demonstrating that political instability significantly affects financial development outcomes across different nations and time periods.

They utilized widely recognized measures of national political instability and two indices based on managerial perceptions of political instability. Their findings were consistent across multiple measures of both political instability and financial development which provided comprehensive understanding of the relationship between these factors. Their work emphasized the importance of political economy explanation for financial development apart from conventional focus on institutions alone. The findings suggested that political instability rising from deep-seated economic inequality should be addressed to foster financial development in many parts of the world Roe and Siegel (2011).

In their research article Ingram, Tabari and Watthanakhomprathip explored the relationship between political instability, tourism consumer behavior and destination image using Thailand as a case study. Using cross sectional and qualitative methods they compared the perceptions of tourists who had and had not visited the country. The findings showed that destination image though subjective played a significant role in shaping consumer behavior. Despite political instability in different time periods Thailand has remained a popular tourist destination due to its strong image reaffirmed by both groups of respondents. The study implied that while political instability can temporarily impact tourism revenues the impact may be alleviated if the destination's perceived image remains robust and the instability is of short span. The authors stressed on the practical need for destination managers to collaborate with governments to ensure political stability (Ingram et al, 2013).

In their paper Deaton and Lipka identified seven of the most food insecure countries in the developing world based on Food and Agriculture Organization (FAO) data. These countries were within the quartile with the highest prevalence of undernourishment and had also experienced the greatest rise in undernourishment over the last five-year period. It was found that political instability exacerbates food insecurity in these countries which has been shown through a series of figures and graphs. They also showed the relative standing of these countries and highlighted the importance of political factors in addressing food insecurity challenges in developing countries (Deaton & Lipka, 2015).

(Tabassam et al, 2016) examined the political instability and Pakistan's economy and its variance over the past 22 year using annual down. The data was broken down into smaller quarterly periods aimed to observe the short-term effects. The four main indicators of political instability in the study were: terrorism, elections, changes in government or regimes and strikes. ARCH and GARCH models were used that helped measure the impact of uncertainty. The results from the GARCH model showed that among all the factors only terrorism had a significant negative impact on economic growth. While it was also revealed that election and changes in government (regimes) also had negative impact on economic stability leading to an unpredictable economy.

Conventionally it is believed that slow economic growth increases the chances of political instability and fast growth reduces it. But it has been rigorously analyzed

and previous studies have revealed mixed evidence. The results of research conducted by (Brandit & Ulfelder, 2011) showed that during slow growth among democratic countries civil protests and coups increases, but the relationship between political instability and economic growth is complex. Notably, the risk of civil war, violence and coups in dictatorships and democratic transitions is higher during times of rapid growth. They also declared GDP as a poor predictor of political instability which indicated that the impact of economic growth on political instability is less straightforward than generally believed.

(Williams, 2017) studied the relationship between foreign direct investment (FDI) and economic growth. This study also explored various dimensions of political instability showing that political instability affects FDI and growth differently. He also found that these effects were not consistent in Sub-Saharan Africa (a region where high levels of political instability prevail). This indicated that the dynamics of political instability and its influence on FDI and growth were not unique to the region.

(Tang & Abosedra, 2014) investigated the effects of political instability, tourism and energy consumption on economic growth in 24 Middle Eastern and North African countries from 2001-2009 within neoclassical growth framework. They used both static panel data and the dynamic generalized method of moments estimator. The results revealed that tourism and energy consumption significantly drove economic growth in the North African countries, which supported the tourism led and energy led growth hypothesis. The study also showed political instability hampering economic growth. The research recommended that policies promoting tourism and energy consumption along with efforts to decrease political instability can stimulate economic development in the region.

The study of (Polachek & Sevastianova, 2012) showed that wars usually slow down economies. Using data from Correlates of War they found that civil wars reduce annual growth by 0.01 – 0.13 percentage points. They also estimated that high intensity inter-state wars can also cut growth by 0.18-2.77 percentage points. Low intensity conflicts had a much smaller effect and might even slightly boost growth. They also found that negative impact of conflict on economic growth was more pronounced in autocratic, low income and particularly in African countries.

(Sidamor, 2016) investigated the economic impact of political instability in North African and Arab countries focusing the political transitions of the Arab Spring. They highlighted the

consequences of prolonged instability leading to economic slowdowns, reduced foreign investment and weak financial systems in countries like Libya, Egypt and Tunisia. Using World Bank data, the study showed the negative impacts of political instability on economic growth and stressed that political instability is vital for sustainable growth. They recommended that addressing inequality, improving governance and restoring investor confidence as key steps for economic recovery and sustainable development in the region.

(Umar & Abu, 2016) in Nigeria studied the connection between defense spending, political instability and economic growth. They showed that the level of threats to stability and costs of defending against them are important. Their key variables included: GDP, defense expenditures, arms imports and political instability. Toda-Yamamoto version of the Granger causality test was used in the analysis. The results showed that political instability and defense expenditures had an impact on the economic growth in Nigeria.

Kijkul in his research explored the relationship between economic growth and political instability in Thailand from 1976-2010. The results show negative relationship where political instability slow down economic growth and poor economic growth can lead to more political instability. Through principal components method a socio-political instability (SPI) index was created and used in the study. The results showed that during the study period the impact of political instability on economic growth in Thailand was not significant (Kijkul, 2013).

Meierreks and Gries (2013) examined the causal relationship between economic growth and terrorism using panel data of 160 countries from 1970 to 2007. The results revealed that the relationship between economic growth and terrorism varies over time and across different regions. They attributed the temporal variations to changes in geographical and ideological patterns of terrorism following the cold war. The differences in causal mechanisms across countries are linked to various country-specific factors such as level of political and economic development, culture affiliations, intensity and persistence of terrorist activities and political instability. The country's resilience to terrorism is influenced by these factors. During the cold war economic growth influenced terrorism in politically unstable Latin American countries with intermediate development and significant terrorist activity. Contrarily in the post-cold war era, terrorism negatively impacted economic growth in African and Islamic countries characterized by low political openness, high political instability and intense terrorism activity.

Ismail and Rashid (2014) explored the causal relationship between corruption and political instability in Pakistan both directly and indirectly through judicial inefficiency. They used the Toda-Yamamoto Granger causality test. The results indicated an absence of a direct causal link between political instability and corruption. However, corruption and political instability influence each other indirectly via judicial inefficiency.

(Salti, 2012) investigated the economic consequences of political instability in Lebanon from 2005 to 2010. It identified that the assassination of Hariri in 2005 and July 2006 war badly affected most of the economic sectors. Though there were other periods of instability, but they did not show significant impacts on various economic sectors. Particularly the construction sector remained unaffected by political turmoil during the study period. Contrarily bank deposits exhibited a delayed response to violent political events with a trend of depositors shifting their funds from Lebanese Liras to US dollars following political tremors. Deposits have constantly increased since June 2008 particularly in local currency driven by factors enhancing confidence in the Lebanese banking system rather than interest rate hikes. In addition, imports showed a rapid upward trend exports varied around a constant mean with neither series reflecting political incidents. The flow of passengers through Beirut's airport also increased steadily with departures slightly outstripping influx indicating net emigration. These results show that political instability did not significantly harm the Lebanese economy. Further analysis showed that apparent resilience of individual sectors to daily political fluctuations conceals a significant economist cost.

(Touny, 2016) empirically investigated the direct and interactive effects of corruption and political instability on foreign direct investment inflows in Middle Eastern countries. He used a panel dynamic ordinary least square procedure. The result of study indicated that the impact of corruption on FDI inflows is mixed and contingent on the country's level of political instability. Particularly corruption negatively effects FDI inflows in countries with high political instability. It has positive impact in countries with comparatively low political instability. This suggest that in politically unstable countries corruption daunts FDI inflows. In stable countries corruption might attract FDI.

The research conducted by (Nadeem, 2015) explored the relationship between foreign direct investment, gross domestic product foreign currency corporate credit rating, trade openness

and regime tolerance in Pakistan. He used time series data from 1972 to 2012. Augmented Dickey-Fuller (ADF) test was used to determine the integration order of the data.

The results showed that the data was integrated at an order. Autoregressive Distributed Lag (ARDL) model was also used to test the relationship between trade openness and regime durability. The results revealed that currency exchange rates, trade openness and FDI positively effect GDP. Foreign currency corporate credit rating negatively impacts Foreign direct investment in Pakistan. The results of multivariate Granger causality showed a bidirectional causal relationship between GDP and FDI, credit rating, exchange rate and regime duration in the long run. The study recommended that differences policies need to be implemented at various time frames to increase FDI in Pakistan.

(Ayeche & Hammas, 2016) studied the economic conditions in Arab countries, attributing them to factors including political crises and socio-economic vulnerabilities. They found that political changes mostly led to reduced production, deteriorating macroeconomic balances, economic corruption, increased poverty and higher unemployment rates. Further the spread of terrorism substantially contributes to political instability in these region. Terrorism and political instability are interlinked with terrorism often creating political disorder though not always systematically.

The effects of political instability and pro-business market reforms on national system of innovation (NSI) across various developing and developed nations were examined. The study indicated the NSIs are more likely to flourish in politically stable developed nations and struggle in historically unstable nations. Pro-business market reforms have been recognized as valuable for enhancing economic development in less developed countries. Their impact on a country's innovativeness has been remained unexplored. The research found that political instability strongly influences inputs to NSIs. Though pro-business market reforms showed a negative direct impact on NSIs they also demonstrate a substantial moderating effect that mitigates the adverse effects of political instability, particularly in developing countries with lagging science and technology sectors (Allard, Martinez, & Williams, 2012).

Aurore in his research explored the potential impact of foreign aid on political instability within dictatorial regimes. A theoretical model of a contested dictatorship receiving aid flows revealing that aid can increase political stability by influencing the resources available to insurgents and elite. On the other hand, aid may also reduce government accountability by reducing reliance on tax revenues. OLS fixed effects and GMM system was used in the study. The results indicated that aid flows can reduce political instability in contested dictatorship particularly in autocracies. The results were robust across various econometric methods and measures of political instability. The study also supported the theoretical predication that IMF interventions might also inadvertently enhance regime stability if the ruling elite is highly corrupt (Aurore, 2013).

2.9 Research gap

There is extensive literature available linking political instability to different economic indicators, a significant gap exists in the specific analysis of how political instability has impacted the external economic growth of Pakistan for the study period 2018-2023. The existing literature including studies by (Roe and Siegel, 2011), (Ingram et al, 2013) and (Tabassam et al, 2016) focuses on the broader relationship between political instability and economic development, tourism and internal economic factors such as inflation and poverty. These studies mostly analyze long term or historical patterns without specifically focusing on the short-term impact of political events on key external economic drivers like foreign direct investment and exports.

Research studies such as (Williams, 2017) and (Polachek & Sevastianova 2012) explore the relationship between political instability and FDI in different regions including Sub-Saharan Africa other countries going through wars. There is limited work on how political instability in developing countries like Pakistan has influenced trade relations and FDI post- 2018. Further various studies also do not capture the dynamic and rapidly evolving political landscape of Pakistan and its short-term impacts on external economic factors. This study will try to fill these gaps by concentrating specifically on the period 2018-2023 in Pakistan. It will provide a more gritty understanding of the direct and indirect effects of political instability on external economic growth using a qualitative approach to supplement existing quantitative studies.

2.10 Research Methodology

Research methodology serves as foundational framework for a study which guides its overall design and approach. In this study a qualitative methodology has been employed which is known for its detailed and descriptive nature (Neuman, 2014). This research is both descriptive and explorative which aims to provide in-depth insights through comprehensive descriptions. Data was gathered from secondary sources which included books, research articles, online articles, websites, research thesis and official statements from different leaders which were accessible through libraries and the internet. This approach ensured a rich and thorough understanding of the research topic.

2.10.1 Research Design

The research design followed a qualitative methodology which focused on the use of descriptive exploratory and analytical approaches to investigate the subject matter in depth. Data collection and analysis primarily involved secondary sources which allowed for a comprehensive understanding and detailed examination of the relevant issues of the study. This method facilitated a comprehensive exploration of the topic by leveraging existing literature, research and other secondary data on the study. The analysis delved into different facets of the subject, which carefully addressed all aspects and dimensions to provide an understanding of the core issues. The study critically synthesized information to elaborate on the questions and developed well-rounded insights into the key themes of the study.

2.10.2 Data analysis

The data analysis in this study utilized a content analysis approach which is widely recognized research technique for systematically examining textual data. This method allowed us to decode meaning from various forms of communication such as transcripts from documents and media coverage. By categorizing and coding of the text data the content analysis approach facilitated identification of key themes, trends and patterns within the data. This is a flexible method that can

be applied to different types of qualitative data. This also offers a structured way to explore the material deeply and uncover the underlying commonalities or messages in the data.

After careful coding and categorization, the analysis revealed patterns that offered new perspective and added depth to the interpretation of the data. The outcome of this analysis will hopefully serve as the foundation for drawing conclusions, supporting objectives and provide a comprehensive understanding of the topic.

2.11 Ethical considerations

The research adhered strictly to the ethical principles by ensuring academic integrity at every single stage of the process. All sources have been appropriately cited and due credit has been given to original authors of the referenced material. Efforts were also made to eliminate any form of biases in the selection and interpretation of the content and its analysis. It was also ensured that the data and information used were aligned with the research objectives rather than any personal preference. Each step of the research process was guided by these ethical standards which contributed to a fair and impartial examination of the subject matter.

2.11.1 Theoretical framework

The theoretical framework for this study is grounded in W.W Rostow's stage of Economic growth which outlines a linear path of development that different countries typically follow to achieve moder economic development. Rostow's model provides a lens to explore Pakistan's economic growth trajectory, particularly in the light of external forces and domestic issues like political instability. Pakistan's journey through these different stages has been impacted by various economic and political challenges and this model helps conceptualize the broader impact of the political instability on external economic growth for the study period which is 2018-2023. Pakistan's political landscape has experienced substantial instability which has greatly influenced its capacity to sustain the momentum needed for external economic growth. This research assessed whether the political challenges during this period have halted Pakistan's progress through the stages affecting its ability to attract foreign investment and stimulate industrial growth.

In Rostow's model Pakistan can be seen oscillating between the preconditions to take-off and take off stages. Industrialization and manufacturing being to take the shape and foreign trade becomes critical. Political instability from 2018 onwards including changes in government, policy shifts and civil unrest disrupted this phase of government. For example, trade agreements, economic reforms and foreign investments which are key in the take off stage may have been stalled or reversed due to lack of a conducive political environment. Investors confidence was weakened by this confidence which led to reduced foreign direct investment which negatively affected external economic growth. The theoretical framework examined whether Pakistan's political instability has delayed its take-off stage affecting external economic relations and the national economic indicators.

Moving into Rostow's drive to maturity stage political stability is significant for long term economic growth, technological advancement and diversification of industries. Pakistan's political instability during the 2018-2023 likely hampered the drive to maturity. As regular policy changes and the instability made it difficult for the industries to flourish and for the economy to gain footing in the international market. This stage requires sustained economic policies, stable governance and investment in technology and all of which compromised when political conditions are unstable. The lack of stable governance structures may have barred Pakistan from completely leveraging technological advances or expanding its industrial base which are necessary for external economic growth in globalized economy.

Rostow's final stage "the age of high mass consumption" represents a developed economy with a strong capitalist system, high standard of living and mass production. Pakistan's political turbulence may have pushed this stage further out or reach. As the instability has likely weakened economic reforms aimed at enhancing productivity, improving trade relations and enhancing exports. This research investigated whether political instability in Pakistan has not only delayed the country's entry into this stage but also weakened its economic growth potential in external markets. By analyzing the connection of political events and economic data from 2018 to 2023 this research highlighted the key role that stable government plays in fostering long term external economic growth.

2.11.2 Organization of the study

Chapter 1 of the study will serve as introduction which will lay the foundation for understanding the significance of the political stability and its direct impact on Pakistan's external economic growth. This chapter will examine how political instability can influence key areas such as foreign direct investment, exports and overall market environment of the country. **Chapter 2** will focus on the events and circumstance leading up to the study period of 2018-2023. The historical context will help us to understand the pre-existing political and economic landscape, identify key political shifts, economic policies and global events that shaped Pakistan's journey.

The **3rd Chapter** will address the major research questions delving into specific impacts of political instability on the external economic growth. The analysis in **Chapter 4** will include data interpretation and discussion offering an in-depth examination of the results. **Chapter 5** will finalize the thesis by summarizing the research results and focusing the key role political instability plays in enhancing external economic growth. This last chapter will provide key insights for researchers and policy makers demonstrating the long-term importance of stable government for fostering a strong and resilient economy.

3 Chapter 2

4 Political and Economic conditions of Pakistan prior to 2018

4.1 Political scenario

For the third time in Pakistan's 70-year history a parliament completed its full five-year tenure in 2018. It was second time in row that there was a transfer of power between elected civilian governments. Since the party formation in 1988 it was for the first time that the PML-N (Pakistan Muslim League Nawaz) government completed its tenure in the federal office. As Pakistan was heading towards general elections the political environment was uncertain as according to pre poll surveys PML-N and Pakistan Tehreek-e-Insaf were the main competitors. PML-N was still seen as the favorites to win the elections despite being weakened by judicial investigation and removal of Nawaz Sharif from office and his imprisonment. Due to defections and pressures from judiciary the party faced internal issues which caused the supporters to suspect that institutions were deliberately weakening the party probably with military involvement.

On the other hand, PTI gained support as compared to previous elections significantly due to opportunistic political representatives who joined the party after Nawaz Sharif disqualification in 2017. Though there were extensive accusations that the military was backing PTI the party won the election with a narrow margin, securing less than 32 % vote. The election results of 2013 had already solidified PTI's standing it emerged as the second most influential political party in Pakistan after PML-N. The government formed by PTI had many allies from different provinces led by experienced politicians. These allies had joined the government with an aim to serve their regions by completing different flagship projects promised with the people of their constituencies during the election campaigns.

Another significant event was of Asia Bibi was acquitted by the Supreme court of Pakistan due to lack of evidence. She was a Christian woman who had spent eight years on a death row after being charged with blasphemy in 2009. A partial suspension of military aid to Pakistan was announced by Trump administration in January 2018, following the new US policy on Pakistan. It was cited that Pakistan's inadequate support in combatting militants fighting US forces in Afghanistan. Relations between the two countries remained strained throughout that year. it was a

major challenge for the new government to normalize the ties United States as cutting down the aid was a big shock to the economy of Pakistan (Corsi, 2018).

There were widespread allegation of rigging and unfairness in the general elections of Pakistan in 2018 from almost all political parties participating in the elections. In spite of all these concerns the political parties allowed PTI to form government showing a commitment to democratic processes. This showed a high level of maturity among the political leaders and a belief in the importance of maintaining democracy in Pakistan. This significant moment in Pakistani politics was attributed to several factors such as the rise of social media which played a key role in political socialization empowering citizens at the grass root level. Concurrently print and electronic media played a pivotal role in raising awareness and informing the public. Another positive development was the participation of youth and woman in the political process. This wider engagement strengthened democratic institutions by ensuring a more diverse range of voices are heard and represented. But the future of Pakistan's democracy depends on ensuring fair and transparent elections. If electoral process is believed to be compromised public trust in democracy and its institutions will disrupt (Islam et al, 2019).

In Pakistan's government structure parliament plays a pivotal role as a watchdog which ensures that no single entity hold absolute power. Though it doesn't directly govern parliament checks on the executive, legislative and administrative branches through its committees and procedures. This system works within the boundaries set by the constitution of Pakistan and the country's federal structure. This grants parliament a substantial authority and influence across various domains. The 14th National Assembly stood out for its productivity as compared to previous assemblies. It worked actively towards creating a more conducive and collaborative environment between the ruling parties and the opposition fostering a healthier democratic process. This progress was remarkable particularly considering Pakistan's history of experimenting with different political systems (Pasha, 2023).

4.2 Foreign policy

Pakistan has been going through complex world of international relations which has been marked by persistent challenges. The PML-N government during it stint from 2003-2018 found itself struggling with a variety of these issues both on international and domestic fronts. Internally the

government was battling political instability, a volatile security situation and constant tug of war between civilian and military leadership. These internal challenges were intensified by external pressures rising from the fragile situation in neighboring Afghanistan, the crisis in middle east and the magnificent but demanding China-Pakistan Economic Corridor Project. These complex challenges had significant consequences for Pakistan's relations with other nations. The relationship with Gulf countries witnessed a period of strain and the implementation of the major CPEC project faced delays in execution. Further an environment of mistrust and doubt characterized Pakistan's relationship with both United States and India.

PML-N government tried its best and experienced a mixed results of successes and failures in addressing these complex issues. Fundamentals problems remained unresolved though some progress was made in certain areas. For building a robust and effective foreign policy Pakistan needs to take key steps among which national consensus on foreign policy objective is of utmost importance (Ali et al, 2023).

The PML-N government during its tenure 2013 – 2018 achieved remarkable milestones in foreign policy. It strengthened the economic ties with China through the launch and rapid execution of the China-Pakistan Economic Corridor (CPEC) which attracted \$ 46.6 billion in investments and positioned Pakistan centrally in China's Belt and Road initiative. The government also strengthened its relations with Central Asian countries by hosting 13th ECO summit in Islamabad in 2017. Pakistan was formally admitted to the Shanghai Cooperation Organization (SCO) which marked a diplomatic breakthrough which enhanced its global standing. Relations with Russia also saw significant improvement with mutual understanding on various issues and annual joint military exercises. Despite regional turbulence PML-N underwired ties with traditional Middle Eastern allies demonstrating a balanced and proactive foreign policy approach. The government also strengthened its engagement with Europe, US and Far East. Generalized system of Preferences Plus status was secured from the European Union in 2014. This facilitated trade and increased Pakistan's exports to the European Union by nearly 40% over four years. On international stage Pakistan maintained a leading role in joint forums increasing its profile at the World Trade Organization and UNCTAD (Dastgir-Khan, 2018).

4.3 Civil military relations

During civil rule there has been ongoing conflict between civilian and military leadership. This has resulted in unfulfilled promises to the masses in Pakistan and worsening issues for them. Many analyst believe that the current democratic set up concentrate more on appearances than on real substance. Most of the people have perception that military secretly works to undermine civilian government if they do follow the military interest.

The relationship between civilian and military become strained during the 2013-2018 period and it is generally believed that these tension led to sit-ins by the Pakistan Tehreek – Insaf and protests by Tehreek -i-Labbaik. The election results of 2018 were also disputed. Apart from these views it is generally believed that military has often intervened in civilian matters to hold corrupt civilians accountable (Mahmood et al, 2021).

Most of the analyst believe that as per the indicators the economy of Pakistan was on right track and the local masses were very much satisfied with the economic conditions prevailing in the country. The Nawaz Sharif led government in 2013-2018 was the best one in the history as it curbed the loadshedding, improved trade ties with different countries, control inflation and vanished extremism and violence in the country. The circumstances in the later period of the government revealed that Nawaz Sharif was not allowed to complete the tenure as prime minister and faced many allegations. Still the PML-N supporters believe that it was the military which intervened and remove Nawaz Sharif from the office. It is important to note here that despite his best performance there were rumors about the conflict between PML-N government and military on CPEC. While others say that Imran Khan was being launched by the military as a new opponent of PML-N and Pakistan People's Party (PPP).

The PML-N government however continued its government by appointing Shahid Khaqan Abbasi as the prime minister and did not disturbed the democratic process. Despite improvement in socio economic indicators the clash between civilian and military government harmed the country as the collaboration of civil and military weakened, and the local masses also felt discouraged as they believed that it was the right time to continue the democratic process.

Pakistan's civil military relations have often been marked by military interventions and tension between two powers. During the Nawaz led government in 2013-2018 events and policies

such as Musharraf trial, Panama papers and the emergence of movements like Tehreek-e- Labbaik Pakistan (TLP) and the Pashtun Tahaffuz Movement (PTM) emerged. The key event was the trial of former military dictator Pervez Musharraf. PML-N government to prosecute Musharraf for high treason strained the relationship with military. The civilian government attempted to assert its authority, but the trial led to increasing friction between the elected regime and military. During this period Nawaz Sharif was disqualified on Panama papers scandal and subsequent court ruling. This further exacerbated tensions with accusations that military was behind in pushing for Nawaz Sharif's removal from the office.

The role of military was strengthened by the National action plan after the 2014 Army Public School attack. This led to the establishment of military courts. The lines between civilian and military authority were further blurred by these developments. Both military and civilian leadership during this period engaged in public and behind the scenes maneuvers to gain control over key areas of policy making and governance. Military retained gaining significant influence over national security and foreign policy. The movements of TLP and PTM during the 2013-2018 period are seen by some as tools for weakening civilian authority in the country. These further worsened the already strained civil military relations. Nawaz Sharif government seek to strengthen civilian supremacy it faced significant challenged from military. The military continued to influence over Pakistan's political landscape through different tactics which led to weaking of the democratic process in Pakistan. This also increased the institutional conflict in Pakistan which has long term impact on the internal stability and economy of Pakistan. The credibility of the institutions has also been affected after these events and there is rising polarization among the masses (Zahid & Usman Khan, 2023).

One group of people support military interference in civilian matters and while other supporting the democratic process are against this intervention. For the democracy to flourish the civil and military leadership should have cordial relations and both should respect each other authority and domain. Influencing the civilian government by the military not only disturb democracy but also the economic conditions badly as previous researches have shown the political stability is key in achieving economic stability in a country. The constant civilian military conflict is hurting Pakistan's economy and internal stability. The local masses also do not believe in

electoral politics and continuous intervention of military in democratic institution is leading to distrust among the public.

4.4 Countering terrorism

After the 2013 general elections PML -N came to power with a mandate to address national issues among which the rise of violent extremism and terrorism was the major one. The new government faced significant challenges due to the worsening security situation in Pakistan which had been badly affected by terrorism, religious militancy and violent extremism for many years. To tackle these threats effectively the PML-N government implemented a series of counter terrorism and extremism measures. These efforts were not conducted in isolation but with the cooperation of opposition parties particularly PPP which had emerged as the second largest party in the 2013 elections. The role of PPP was key to the success of these interventions. This bipartisan collaboration on national security issues was significant in the history of Pakistan as Pakistan was in dire need to counter terrorism and extremism.

Syed Khurshid Shah was the leader of PPP in the parliament who played a vital role in ensuring smooth implementation of the PML-N government anti-terrorism activities. PPP is traditionally positioned as a rival party however PPP recognized the gravity of terrorism threat and extended its cooperation to the ruling government of PML-N on this burning issue. The formulation and execution of policies that tackled religious militancy head on was allowed by this collaboration. Though the PML-N government led the charge the role of PPP in parliamentary support ensured that key measures such as military operations and intelligence reforms were not hindered by the political disagreements. This bipartisan approach was pivotal to Pakistan's ability to curtail the influence of extremist groups and restore law and order in the country. The policies focused on several key areas such as including military operations in conflict regions, intelligence reforms and legislations aimed at combatting terrorism and extremism. The induction of the National Action Plan (NAP) was a significant development during this period. This was a comprehensive strategy designed to target extremism and terrorism in all its forms. Another important document which guided the government's actions in this domain was the National Internal Security Policy (NISP). These policies laid the foundation for a robust national response to extremism by focusing on military legal and social measures to counter terrorism. Military

operation such as Zarb-e-Azb and Radd-ul-Fassad were launched during this period to eradicate terrorists' strongholds. These operation were particularly conducted in tribal regions and urban centers where extremist elements had taken root.

The implementation of these military operations would not have been possible without backing of political oppositions. PPP role here as instrumental in ensuring these oppositions had political legitimacy. PPP support was significantly important in ensuring that controversial measures such as establishment of military courts for trial of terrorism related offenses were passed through parliament. The party had reservations about certain aspects of these policies, but it ultimately recognized the need for extraordinary measures for combatting terrorism threats. PPP raised critical questions about the long-term effectiveness of military solutions to counter terrorism and the need for a more holistic approach.

Though military operations were important in rooting out terrorist networks, PPP argued for the importance of addressing the root causes of extremism. How to best deal with terrorism this perspective helped shaped the national debate. PPP advocated for policies that included education reform, social development and efforts to promote religious tolerance as a part of a long-term strategy to prevent the resurgence of extremist ideologies (Gohar et al, 2022).

In a nutshell PML-N government policies to counter terrorism during 2013-2018 were marked by significant political and military efforts to curb the spread of extremism and terrorism in the country. The government was able to execute military operations and implement legal reforms which was greatly facilitated by the support of PPP. PML-N took the lead in the formulation and enacting these policies the bipartisan nature of the response ensured that Pakistan's counter-terrorism efforts had the necessary political support to succeed. The period from 2013 to 2018 saw substantial progress in Pakistan's fight against terrorism. By this end of this tenure the military operations have been almost completed and security situations in conflict zones improved significantly.

Particularly the urban areas had been cleaned of terrorist which enable the businesses to flourish, this also increased the investors confidence. Here we can say that at the time of transfer of Power to PTI government in 2018 Pakistan was not facing any major challenges of terrorism and extremism.

4.5 Economic conditions

Before the 2018 elections Pakistan economic situation was marked by both growth and challenges. Pakistan was experiencing a moderate GDP growth which was primarily driven by an increase in consumption and infrastructure investments. Under the China-Pakistan Economic Corridor the major projects were launched by attracting foreign investment from China which boosted sectors such as construction, energy and transport. There was rising import demands during this period of growth which caused a significant increase in trade deficit. Though there was improvement in infrastructure, but the benefits were unevenly distributed. Some major sectors of economy such as agriculture and manufacturing were lagging behind.

A major concern for Pakistan before the 2018 elections was fiscal deficit. The government was struggling to generate sufficient revenue which resulted in a growing reliance on external borrowing to finance both development projects and to cover the fiscal gap. Most of the borrowing was short term and linked to rising interest rates the public debt levels soared. Further currency devaluation and inflationary pressures began to hurt the purchasing power of citizens which affected the cost of living. Though tax reforms had been introduced the tax-to GDP ratio was low which limited the government's capacity to fund essential services and investments in key sectors like education and health.

The current account deficit widened due to which the balance of payments crisis worsened during this period. Pakistan relied heavily on imports and with stagnant export growth resulted in a record trade deficit. Historically exports particularly in textiles had been a strong sector which struggled due to increasing competition from neighboring countries and also a lack of competitiveness. The foreign exchange reserves were drained by rising import bill which were largely driven by energy imports and consumer goods. These were forcing the country to seek financial assistance from International Monetary Fund (IMF) and bilateral loans from friendly countries. Persistent issues in Pakistan's economic landscape were unemployment and inequality. Urban centers benefited from infrastructure development and foreign investment rural areas and small towns lagged behind. This contributed to regional disparities, job creation in manufacturing and agriculture became slow and inflation badly affected household budget (Asian Development Bank, 2018).

5 Chapter 3

6 Political Instability and Pakistan's External Economic Growth

Since its creation in 1947 political instability has been a defining characteristic of Pakistan's political landscape. This has impacted several aspects of Pakistan's economic performance. Particularly external economic growth. There have been frequent changes in government, military dictatorships, intervention of military in civilian governments and prolonged periods of political unrest have created an unpredictable environment for foreign investors and international trade partners. This fragile environment has undermined investor confidence which has resulted in a reduction in foreign direct investment. This is critical for sustaining external economic growth. Political instability has also resulted in policy uncertainty where frequent changes in leadership have disturbed the long-term economic planning and weakened the enforcement of trade agreements which has further hampered Pakistan's ability to engage effectively in global markets.

Political instability has also affected Pakistan's trade balance and export capacity. Major sectors such as agriculture and textiles which are vital for Pakistan's export revenue have been negatively affected by inconsistent government policies and lack of support for industry development. It has also affected relationship with international institutions like International Monetary Fund (IMF) and World Bank. As frequent political changes have disrupted the ongoing negotiations and economic programs. Due to this Pakistan has struggled to maintain steady economic growth and grow its global trade footprint.

It is important to explore the effect of different forms of political instability on inflation and economic growth. Particularly the case of Pakistan is of utmost importance as there has been often political instability since its creation. The quantitative studies conducted in other countries have revealed useful results. A study has been conducted by analyzing quantitative data for multiple countries over time through fixed effects regression. The study initially focused on whether there is a direct connection between these economic indicators and political instability. This research also investigated the direction of cause and effect between these variables. The results revealed that peaceful unrest leads to slower economic growth and rise in inflation. Surprisingly coups are linked to lower inflation. It was also found that high inflation can reduce the chances of a coup which suggests a complex interaction between these factors. The results also showed that slow

economic growth tends to be linked with higher levels of violent unrest and an increased probability of coups or government changes. But it is unclear whether economic problems lead to political instability or if political instability slows down economic growth. This makes it difficult to determine which causes the other. However, the evidence drawn from research suggests a strong connection between the two. However, the researchers have concluded that political instability often causes poor economic conditions rather than other way round. This against the belief that poor financial conditions are what primarily drive instability and unrest. Rather it suggests that political issues like coups, protests and government instability can be the root cause of inflation and slower economic growth in many cases (Gasirowski,1998).

6.1 Military Coups and Pakistan's economy

Pakistan's economic performance has been constantly affected by the political instability. Frequent changes in government have experienced by the country in addition to military coups, and civil unrest which have significantly contributed to economic uncertainty and stagnation. The military coups of 1958, 1977 and 1999 had significant economic consequences which disrupted the long-term economic policies and shifted the country's focus away from growth toward maintaining political control. These military coups similar to research results did not always lead to higher inflation but they destabilized the economy which affected investor confidence and slowed down growth.

In 1970s the relationship between political instability and decline of economy became evident. Political instability culminated in the 1977 coup which was led by General Zia-ul-Haq. Before the coup there had been widespread protests against the government of PPP. This resulted in slower economic growth, rising inflation as the PPP government faced rising food prices and supply chain disruptions. The protests were driven by economic dissatisfaction and political discontent. This political instability at that time diverted the attention away from economic reforms and led to stagnation of economy. Under PPP government the constitution of 1973 had been completed and executed. It was the first democratic government which had been brought to power by majority of the population and PPP had immense support from the general public. But the political unrest causing rallies against the government and coup by the military put an end to

Bhutto's regime. This led to discontinuation of the economic policies of Bhutto government. Land reforms and nationalization were the major initiatives of PPP government.

6.2 Unstable civil governments in 1990s

The country's experience with political instability and inflation during the 90s aligns with Gasiorowski's study. During this decade Pakistan faced a series of unstable civilian government. PML-N and PP alternating power amidst corruption scandals and mismanagement in economy. This period experienced high inflation largely driven by fiscal deficits and poor monetary policies which coincided with protests and political instability. Foreign investment was deterred by uncertain political conditions followed by increased unemployment which led to slower economic growth. The president had the power to dissolve the assemblies which was used by the then presidents. As elections were held for alternating government formation this also led to huge cost for conducting elections. Both PPP and PML -N were unable to work on long term economic goals. The political instability led to worsening of the economic conditions. There were accusations of corruption on both parties which also lowered the public trust in the government. Many politicians were imprisoned on the charges of corruption.

GDP growth rate also dropped to around 4 % and Pakistan struggled with substantial external and fiscal deficits. Though there were attempts of deregulation and privatization, but these were not successful in stabilization of the economy. Pakistan foreign debt also increased significantly which further strained its economy. This decade has been declared as "lost decade" as Pakistan faced political instability and economic difficulties. The people had been using their right of vote, but the unstable government were unable to put the country in the path of development as assemblies were dissolved early and the assemblies could not complete their five years tenure. The hostility among the two rival parties i.e. PPP and PML-N also was at its peak and there was no other party in these years which could emerge as leading one in the assembly. Democratic process has been disturbed by sudden changes of government which resulted in worsening of economic indicators in Pakistan. Lastly the PML-N government had come into power after securing two third majority in the parliament and it was being expected that the new government will now easily formulate policies with such majority which would lead to stable economy. But the civil military

relations led another coup in October 1999. General Musharraf came into power as military dictator and put an end to another democratic government.

6.3 Musharraf regime & war on terror

In early 2000s the relationship between slow economic growth and violent unrest is evident. Particularly during the war on terror led by US. Pakistan had to align itself with the international anti-terrorism efforts. The country experienced a rise in violent extremism and political instability. Economic activities were disrupted due to terror attacks and military operations particularly in Khyber Pakhtunkhwa and Baluchistan. This instability slowed down economic growth as foreign investors were reluctant because of the security situation and significant financial resources were diverted to military operations.

During Musharraf rule the country experienced a notable economic growth stability. Per year the average GDP growth rate was 6.3 %. Significant improvement in per capita income was also observed. Several economic reforms like privatization, deregulation and liberalization were implemented which attracted foreign investment and boosted the economic activity. Unemployment rates also declined, and poverty rate decreased to 15 %.

The economic growth during this period was not without challenges. The economy during this phase was significantly dependent on foreign aid and remittances making it vulnerable to global economic shifts. Though the growth figures were impressive it was questioned for sustainability which was accompanied by increasing income inequality and regional inequalities. The long-term economic planning was also hindered as Musharraf policies were controversial as he joined war on terrorism resulting in uncertain scenario for the investors. The significant economic growth under Musharraf regime was obscured by the need for more inclusive and sustainable growth policies.

The economic success under Musharraf regime is attributed to the foreign aid for participation in war on terror. The civil unrest also increased in the country and events of terrorism also increased which made Pakistan insecure for the investors. In short run the economic indicators seemed improving, but the economists were forecasting worse economic situations after the cease of foreign aid.

6.4 Return of Democracy 2008-2013

After the assassination of Benazir Bhutto in December 2007, Pakistan People's Party formed the government with allies after winning the greatest number of seats in the national assembly. During this period Pakistan faced significant political instability which had great impact on the country's economic conditions. The political climate was volatile characterized by tensions between civilian government and military. Economic indicators also worsened with inflation, unemployment, rising debt level and the economic growth remained sluggish. An uncertain environment was created by this instability making it difficult for the government to implement long term economic policies.

The global financial crisis of 2008 added to this misery which hit Pakistan's economy hard. There was a significant decrease in GDP growth rate from 4.8 % in 2007 to 1.7 % in 2008. Inflation also spiked and reached over 20 % in 2008-2009. Government revenues dwindled as a result fiscal deficit widened. It was inevitable to turn to the International Monetary Fund (IMF) for a bailout package in 2008 to stabilize the economy. The IMF conditions were tough and politically unpopular as it included austerity measures such as reducing subsidies and increasing taxes. This led to further unrest. The rising global fuel and food prices and domestic supply chain disruptions led to persistent problem of inflation during the PPP tenure. Public was discontented with these economic issues and protests were held which increased political instability in the country. Another significant factor which contributed to political instability and economic decline was the energy crisis during this tenure. Severe electricity shortages were faced by the local population with daily power outages lasting for several hours across the country.

Industries were crippled by energy crises particularly manufacturing which resulted in job losses and economic growth slowed down. The government was unable to resolve energy crisis which led to widespread public dissatisfaction and protest which further undermined the confidence in PPP's ability to govern in an effective way. The economy was stagnant due to lack of foreign investment coupled with dwindling domestic production. The government tried to introduce reforms and attract foreign direct investment but political instability, corruption scandals and lack of continuity in policies dissuaded investors. Political tensions remained high throughout PPP's tenure particularly with judiciary and military.

In 2012 Yousaf Raza Gillani was dismissed by the Supreme court due to contempt of court case related to the reopening of corruption cases against the then President Asif Ali Zardari which highlighted the institutional clash. The government was unable to implement consistent economic policies as political instability diverted attention from economic governance and frequent change in leadership. The relation between civil government and military were also strained over security and foreign policy issues such as the handling of US raid that killed Osama Bin Laden in 2011. This led to an unstable political environment which had negative impact on investor confidence and economic stability.

6.5 Achieving Political Stability and Economic Growth

Several key challenges must be addressed that have hindered its development by Pakistan to achieve political stability and attain economic growth. The first step in this regard is strengthening democratic institutions which should be independent, strong and functional. This includes strengthening judiciary, parliamentary bodies and election commission to prevent the kind of political crises that have damaged Pakistan's democratic history. Election is the flagship activity in the democratic system. By holding fair and transparent elections by the election commission and a smooth transition of power between governments can reduce the unrest and protests that often follow disputed elections as we have seen in the past. A well-functioning democracy would also increase confidence in governance system which will reduce the need for military interventions.

6.5.1 Governance and accountability

Reforms in governance and accountability are of significant importance. Public trust in civilian governments have been eroded by accusations of corruption and mismanagement. Stringent anticorruption measures and accountability of political leaders for their actions would go a long way in restoring public confidence on the civilian government. The public will also support the civilian government and abstain from any protests and rallies. National Accountability Bureau and anti-corruption institutions should operate impartially and independently at all levels of government. Government can improve its credibility both at domestically and internationally by

curbing corruption which is crucial to attract foreign investments and ensure consistent implementation of long-term economic policies.

Economic reforms should also be among the top priorities of Pakistan to gain political stability. One of the major factors which have contributed to the political instability in Pakistan has been the poor economic conditions which included inflation, unemployment and stagnant growth. Planning and execution of sound economic policies such that they promote sustainable growth, poverty alleviation and employment generation will reduce social pressure that often led to political instability. The government can improve industrialization and improve agricultural sector through targeted investments which can create jobs and increase productivity particularly in rural areas where poverty is prevalent. Further the government should focus on improving the competitiveness of sectors like textiles and agriculture which would help stabilize the trade balance which will make Pakistan less dependent on foreign aid and borrowings.

6.5.2 Social Development

For achieving long term political stability social development is equally critical. The instability often arises from societal divisions based on class, religion or ethnicity which are worsened by lack of education and economic opportunities. To reduce inequality and foster a more cohesive society investment in education, healthcare and social services would be greatly helpful. Education in particular plays a pivotal role in empowering citizens and promoting democratic values among the masses. Improving literacy rates and provision of vocational training can help Pakistan equip with the skills needed for a modern economy. This will reduce unemployment which is a potential for unrest. Economic dissatisfaction can be prevented by social development policies that address inequalities and provision of safety net for the most vulnerable segment of the society.

6.5.3 Dealing with energy crisis

Energy crisis should be addressed which has plagued the economy of Pakistan for decades and is essential for economic growth and political stability. Energy shortages have crippled the industries and have also fueled public dissatisfaction with the government which has led to protests and unrest. The government should invest in long term solutions including renewable energy

sources. Dependence on imported fuel can be reduced by diversifying the energy supply and improving infrastructure which will also ensure a stable energy supply for businesses and households. A reliable energy infrastructure will attract foreign investment and support economic growth which would contribute to political stability.

6.5.4 Civil -Military relations

A recalibration is required for civil-military relationship in Pakistan to ensure that the military remains within its constitutional role and abstain from interfering in civilian governance. A stable political environment is dependent on the civilian government maintaining control over national security and foreign policy decisions without the interference of military. For achieving this it is important to improve civil-military relations through dialogue and institutional reforms that should clearly define the roles and responsibilities of each institution. The capacity of civil governments should be strengthened to govern effectively. Military should focus on its core duties of protecting the boundaries of the country. A clear separation of powers between civilian government and military will hopefully prevent future coups and political instability leading to creating a more conducive political environment and economic growth.

6.5.5 Regional stability

Pakistan's economic development heavily depends on the regional stability. Its geopolitical location and engagement in regional conflicts had a significant impact on its domestic stability and economy. Pakistan must foster peaceful relations with its neighboring countries to achieve political stability particularly Afghanistan and India. Pakistan should be more focused in diplomatic dialogue to resolve long standing Kashmir conflict. This would reduce military expenditures and will also improve trade and economic cooperation in the region. Initiatives like China-Pakistan economic corridor (CPEC) will result in new economic opportunities. This will foster development and reduce internal political pressures that arise from economic stagnation.

6.5.6 Engagement with International Financial Institutions

Pakistan has been engaged with International financial institutions IMF and World Bank for many years which should be managed carefully. It has been necessary to gain financial assistance from these institutions to stabilize Pakistan's economy in financial crisis. However, dependence on loans often comes with tough conditions that can lead to political instability. In the past we have seen that austerity measure demanded by IMF have led to public discontent and protests. For achieving political stability, Pakistan must work toward reducing its dependency on external financial aid by developing its internal revenue. This is achievable through tax reforms that widen the tax net and reduce tax evasion. It should be ensured that government has enough resources to invest in social services, infrastructure and economic development without depending on external loans.

6.6 Political Stability and Sustainable Development

Political stability is a vital factor for sustainable development in any country. In case of Pakistan, it is particularly important due to its complex socio-economic challenges. Sustainable development encompasses economic growth, environmental protection and social inclusion which requires a stable political environment. Here long-term policies can be formulated and implemented effectively. Political stability in Pakistan would provide an important foundation for consistent policy formulation which will reduce the frequent disruptions caused by government changes, political unrest and military interventions. A stable government can better concentrate on development goals, allocate different resources efficiently and ensure that development interventions are completed within the deadlines thus driving sustainable growth.

6.6.1 Economic growth

The most important direct benefits of political stability in Pakistan is the enhancement of economic growth. Investors' confidence improves leading to increased foreign direct investment when political conditions are stable. It is more likely for the investors to commit long term capital

to infrastructure projects, industrial ventures and other economic activities when foresee a secure political environment. Here political instability has often led to capital flight and decreased investment, achieving stability would likely inverse this trend attracting both local and international investors. This investment is important for job creation, economic expansion and development of key sectors such as manufacturing, services and agriculture. All of these are essential components of sustainable development.

6.6.2 Social inclusion

The role of political stability in fostering social inclusion and decreasing poverty is of significant importance in the case of Pakistan. Sustainable development does not just involve economic growth, but it also ensures that the benefits of growth are equally distributed across the society. A conducive political environment enables the government to execute social policies which are aimed at reducing inequality, improving access to education and healthcare and providing social safety nets for the vulnerable segment of the society. In a stable political environment, the government can develop and execute long term poverty alleviation interventions without the reis of abruptly policy shifts or discontinuation due to political turmoil. These programs are essential for lifting people out of poverty and ensure that all citizens have equal opportunity to benefit from economic growth.

6.6.3 Environmental conservation

For addressing environmental challenges political stability is required in Pakistan. Pakistan's future prosperity is at significant risk due to environmental degradation including water scarcity, deforestation and pollution. A stable government can prioritize environmental conservation by enacting and executing regulations that promote sustainable resource management and decrease environmental damage. Environmental policies are continuous in a politically stable country ensuring long term interventions such as reforestation or clean energy projects can be implemented successfully and monitored over the time. Further a stable political environment raises cooperation with international partners on environmental issues which will allow Pakistan to access global resources and expertise in addressing environmental challenges.

6.6.4 Governance and institutional effectiveness

Political stability is also important for improving governance and institutional effectiveness in Pakistan. The backbone of sustainable development are strong institutions as they ensure the rule of law , protect property rights and provide necessary public services. Political stability enables the government to empower institutions such as judiciary, civil services and regulatory bodies. This ensure that they function independently and effectively. Corruption is reduced by stable government which is a significant barrier to development in case of Pakistan. Public resources are used efficiently by promoting transparency, accountability and good governance. Development projects are also implemented without mismanagement and delays.

The effective implementation of economic requires a stable political environment. For a long period of time Pakistan has struggled with structural economic problems such as narrow tax base, inefficient public enterprises and heavy reliance on external loans. Tackling these issues requires comprehensive and politically difficult reforms such as tax reforms, deregulation and privatization. In a politically stable environment, the government can undertake these reforms with confidence as it knows that they will have the time and mandate as support. Stability also decreases the probability of public backlash or opposition from vested interest which can disrupt reform efforts. Successful economic reforms are critical for gaining long-term fiscal sustainability, resilience to external shocks and economic diversification. All of these components of sustainable development.

6.6.5 Human capital

Pakistan's long-term growth and development is dependent on development of human capital which is possible in a political stable set up. A politically stable country can focus on improving the quality of healthcare and education which ensures that the workforce is well-equipped to meet the demands of a modern economy. Investment in education particularly in science and technology is critical for competitiveness and innovation in the global market. Similarly, improvement in healthcare outcome increase labor productivity and decrease the economic burden of diseases. In a political stable setup, the government can execute

comprehensive education and health reforms, develop infrastructure and ensure that these services reach all segments of the population thus laying a base for sustained human development.

6.6.6 Global economy

Political stability also increases Pakistan's capacity to integrate into the global economy. Countries to achieve sustainable development in the modern world require to engage in international trade, attract foreign investment and participate in global governance. Stable political conditions make Pakistan a more attractive partner for other countries and international organizations. Stability fosters reliability and trust which are pivotal for entering into trade agreements, securing development aid and attracting multinational corporations. By increasing its global integration Pakistan can get benefit from technology transfer, access to new markets and international financial support. All of these are critical for achieving sustainable development goals.

6.6.7 National Security

For maintaining national security political stability is necessary which is prerequisite for sustainable development. Pakistan has faced various security challenges including terrorism, border conflicts and insurgency all of which have paved the way for political instability. A stable political environment can better manage these security problems by fostering a unified national response. Stability also allows for consistent foreign policy and defense which reduces the risk of sudden increase in conflicts that could derail development efforts. Pakistan needs to ensure national security after which political stability creates a safe environment for economic activities social development and environmental protection to prosper.

7 Chapter 4

8 Analysis and Discussion

Political instability is one of the major global issues in the world. This is particularly affecting the world's poorest and most unstable countries adding to their miseries. This instability obstructs their development and makes it difficult for these countries to progress. Stable political environment is important for maintaining united society and ensuring the government retains its legitimacy. Lack of political stability in these countries leads to stagnant growth and underdevelopment. Political stability is of high significance for social cohesion and thriving economy and rule of law. In a politically stable society economy can grow and society can jointly address common challenges. The process of nation-building and state-building is directly impacted by political stability which are essential for long-term success of any nation. The efficient functioning of the government also depends on political stability. In a stable system the government can operate effectively and make decisions that are useful for the entire country. The stability allows for planning and execution of policies that promote economic growth, national security and social welfare. The government may struggle to function without political stability which can lead to inefficiencies and lack of progress.

Political instability also significantly affects foreign diplomacy and international trade. Investors are reluctant to invest their money in those countries with uncertain leadership with the fear that their investments may not be safe. Their reluctance shackles economic growth and development as foreign investment is key for building infrastructure and employment generation (Imran, 2023).

8.1 PTI Government Challenges and Military Relations

The analysis of the research conducted by (Akram, 2023) discusses political instability in Pakistan from 2018 to the ouster of PTI government. The focus has been on the governance challenges faced by Pakistan. The examination of key indicators such as protests, opposition movements, main political scandals and the evolving relationship between PTI government and military establishment the researcher aimed to understand the root causes contributing to the political instability in the country. Pakistan Democratic Movement (PDM) frequent protests which

consistently called for the resignation of Prime Minister Imran Khan emerged as major factor for political unrest. These protests manifested widespread dissatisfaction with the government's handling of economy and highlighted the deep-rooted public discontent within different segments of Pakistani society.

The analysis of political scandals during the PTI government also increased the instability. It has been found that these scandals have led to public distrust and have become rallying points for opposition movements. The accusations of corruption and mismanagement have not only fueled protests but have also weakened the PTI's government legitimacy. This underscores the complex relationship between governance, public perception and political stability. The recurring theme of financial mismanagement particularly in handling of fiscal policies point to one of the major sources of instability. As the economic conditions directly impact the well-being of citizens and impact their political sentiments.

The analysis further revealed tension risen due to different views on key issues particularly in the areas of international relations and fiscal administration. Military is traditionally powerful and influential institution in Pakistan. It appears to have diverged from the PTI government on several fronts which created a complex dynamic that contributed to political uncertainty in the country.

It has been suggested that ongoing instability has hindered economic development, strained international relations and compromised security. These consequences are interlinked as poor economic conditions lead to public discontent and protests. This in turn can exacerbate tension with the political institutions and military. It has been also found that there is need for a stable and cohesive governance structure that can address these interconnected challenges effectively.

Pakistan Tehreek -e-Insaf has gained power in the 2018 elections and formed government in Sindh, Punjab and federal level. In KPK it had been ruling since 2013 already and formed another government in 2018. The massive success of PTI has been attributed to popularity of its charismatic leader Imran Khan and his agenda of vanishing corruption and putting the economy in right track by avoiding financial aid from international financial institutions and developed countries.

The above analysis showed that PTI government was unable to manage the economy effectively and its relationship with both political parties and army became bitter with the passage of time. This led to ouster of the prime minister in April 2022. It has been widely believed that army establishment has been behind the support of Imran Khan and has been facilitating the party to win in the elections. However, the cordial relations between PTI and army were strained with the passage of time and the army establishment no longer supported PTI against the opposition parties. The opposition parties had formed PDM which included all the major political parties of Pakistan. They became successful in vote of no confidence against the then Prime Minister Imran Khan.

One of the major mistake which is often neglected by analysts with regards to PTI failure was its commitment and ability to maintain good relations with other democratic parties in the parliament. Even the allies who were with the PTI in the federal and provincial assemblies became unhappy with the PTI as the government did not fulfill its promises it had done with the allies. The unity in democratic system is of utmost importance as we have seen that 2008-2013 and 2013-2018 both PML -N and PPP in spite of rivalry worked together on national issues. They became successful in ending terrorism and extremism after making tough decisions. The is approach of PTI was one of the major reasons of political instability during 2018-2023 which also had negative effects on the economy also. It has been also observed that in past political instability has occurred due to civil-military relations becoming worse. Similar situation happened during this period and PTI was unable to maintain good relationships with military. it is important to note here that PTI should have learned from the past history and should have come up with a strategy that it could complete its tenure with military establishment on its side.

8.2 Pakistan's Foreign Policy and Economy

The qualitative investigation by (Aslam et al, 2022) offered an in-depth analysis of Imran Khan's leadership in directing Pakistan's foreign policy challenges since he sworn in as Prime minister in August 2018. They emphasized Imran Khan's transition from a former cricket player to political leader. They highlighted Khan's role in addressing complex regional issues. Particularly the situations after the withdrawal of U.S. troops in Afghanistan. The geopolitical landscape of South Asia had greatly been impacted by this withdrawal. This necessitated a delicate

balance in Pakistan's relationships with both Afghanistan and United States. They highlighted Khan's strategic approach which focused on maintaining Pakistan's involvement in regional diplomacy while addressing the broader implications of this shift of power in Afghanistan.

The investigation reveals that PTI government has sought to navigate these priorities through diplomatic channels rather than military intervention. This is particularly evident in handling of the ongoing conflict with India over Kashmir where diplomatic efforts have been favored over more aggressive military strategies. The research suggested that shift in focus towards diplomacy is a significant departure from Pakistan's historically more militarized approach to its foreign relations which reflected a strategic realignment under Khan's leadership. Khan's government has taken a role of mediator in complex relationships among different countries seeking to decrease tensions and promote stability in the region. These diplomatic efforts were part of Pakistan's broader strategy to asset its impact in regional geopolitics by positioning itself as a major player in conflict resolution. Pakistan faced challenges in these endeavors, particularly given the embedded interests and historical hostilities among these nations. Pakistan failed to meet China's expectation during the PTI government. Pakistan was successful in maintaining diplomatic ties but was unable to fully leverage these relationships has limited its geopolitical influence.

The content analysis of this study has revealed a detailed picture of Imran Khan's foreign policy strategy which was marked by a focus on diplomacy and strategic balancing in a complex regional environment. Though PTI government had made significant steps in addressing foreign policy challenges particularly through its efforts to mediate regional conflicts and maintained key alliances. It has also discussed the areas where Pakistan fell short in this period particularly fully leveraging its relationship with China. It has provided a comprehensive understanding of the strengths and weaknesses of PTI's foreign policy approach by offering valuable insights into the evolving dynamics of Pakistan's role in regional and global geopolitics.

During the tenure of PTI from 2018-2022 April the foreign policy focused on strengthening relationships with major allies and steering regional complexities. The main goal in this period was to enhance ties with China through China- Pakistan Economic Corridor (CPEC). CEPEC was declared pivotal for Pakistan's infrastructure development and economic growth. Imran Khan also wanted to maintain a balanced relationships with United States supporting for a partnership based on mutual benefits rather than never ending dependency on United States. By facilitating peace

talks his administration worked to rebuild trust with U.S (Ayres, 2018). It also focused on improving relationships with neighboring countries. Khan's government wanted to build peace ties with India which have remained tensed due to Kashmir issue. Khan also pushed for peace and stability in Afghanistan by suggesting that the region could benefit from open borders like the European Union. The longstanding support for Palestine was continued by Khan. He strongly criticized Israeli action in Gaza and refused to normalize ties with Israel till the Palestinian issue was resolved (Al Jazeera, 2022).

8.3 Reforms under PTI government

To stabilize Pakistan's economy Imran Khan introduced various reforms. The major focus was on tackling corruption which as viewed as a major hurdle to economic development. Stringent steps were taken by his administration to boost tax collection and lower the fiscal deficit aimed to strengthen Pakistan's economic conditions. In addition, Khan's government prioritized social initiatives and infrastructure development. The Sehat Sahulat Program was designed to offer healthcare services to the underprivileged segment of society. To improve living standards and support economic growth these efforts were part of a broader strategy (The News, 2020). Efforts were also made to increase exports and boost foreign investment. The key initiative in this matter was "Made in Pakistan" campaign. This was aimed to reduce Pakistan's dependency on imported goods and encourage domestic production. This campaign sought to raise local industries and stimulate self- sufficiency within Pakistan's economy.

8.4 Covid-19 Pandemic

The Covid-19 pandemic was also a significant event of the study period which affected the economic conditions across the globe and particularly Pakistan. Pakistan approach in handling Covid-19 pandemic acknowledged and appreciated worldwide. Though initially as a safety measure lock down was conducted across the country but after some time the government keeping in view the vulnerability of the economy and financial conditions of the people came up with a new approach of smart lock down in which partial lockdown was observed in the country. Thus, it ensured that business and transactions are conducted, and these processes do not cease during the

pandemic. The health system also functioned effectively, and it was ensured that risk is decreased, and people also engage in economic activities. PTI government also initiated fund raising campaigns for the poor segment of the society to support them in these harsh times. The Pakistani population like always contributed in a generous way. Covid -19 caused immense health losses and also triggered widespread economic disruptions across the globe. Globalization which is praised for its ability to foster business, trade and social connectivity also play a major role in spreading of the virus rapidly across different countries. Starting from China the pandemic reached Pakistan and it was alarming situation for Pakistan.

Covid-19 pandemic led to various economic shocks which included demographic, socio-psychological and financial hits. This resulted in reduced government revenues and increased spending as well as interruptions to supply and demand chains. During the pandemic people behavior also changed drastically which led to further economic consequences. Due to lockdown and restrictions business activities across the globe slowed down or came to pause. This also led to collapse in revenue across many industries. This behavioral shift due to uncertainty and fear play an important role in the economic slowdown as consumers and businesses likewise pulled back on investment and spending.

Capital markets including stock and equity markets were also significantly impacted by the pandemic. Worldwide financial markets experienced a deep decline in performance as investors lost confidence in economic stability. The decreasing activity in these markets not only hurt large corporation but also impacted smaller investor and general public. As many people's saving and investments were bound to the performance of these markets. The instability in global markets highlights the vulnerability of economies to large scale disruptions like pandemics.

In countries like Pakistan where poverty rates are high and it is a significant issue, the economic downturn worsened living conditions for millions. All the key socio-economic indicators deteriorated which weakened the country's economic development due to pandemic. Businesses were struggling to survive; unemployment was on rise and poverty was deepening showing how vulnerable economies are when they are faced with global crisis of pandemic. Pakistan was already facing tough economic situation with new government in place and Covid-19 pandemic was a great threat to its economy. Though it had a significant negative impact on the economy of

Pakistan, but key measures of the government saved Pakistan from big losses which could have affected the local population badly (Kasper et al, 2020).

8.5 Defaulting economy

(Mufti, 2023) has discussed the year 2022 in detail discussing the challenges faced by Pakistan with respect to political instability and economic issues. The year 2022 was the most chaotic year in the history of Pakistan with respect to political instability. In the start of the year Pakistan was on the verge of default with poor financial conditions prevailing in the country. This has lowered the confidence of investors and the general public. Foreign exchange reserves of Pakistan were rapidly depleting. This has put an immense pressure on the country's financial system. Inflation was also rising causing a widespread economic distress. The life of ordinary citizen became difficult with rising prices of essential goods and the financial situation was worsening. The government was struggling to manage fiscal deficit. The risky state of the economy left Pakistan vulnerable to external shocks and it was on cards that the year would become an exceptionally challenging year for Pakistan.

8.6 Flood disaster

With the arrival of monsoon season the situation deteriorated further. Devastating floods affected millions of Pakistanis. These floods were one of the worst in the country's history which displaced countless families and destroyed infrastructure, agriculture productions and homes. An estimated 33 million people were directly impacted with many losing their livelihoods and homes. The humanitarian crisis coupled with poor economic conditions put a great of pressure on the government adding to the economic challenges. Relief efforts were hindered by the lack of funds and the losses caused a severe blow to Pakistan's economy. This was particularly evident in agriculture sector which is a critical part of Pakistan's economy.

8.7 Vote of no-confidence

As the country was passing through economic and environmental crises the political landscape also became extremely unstable. All the opposition parties uniting themselves formed

Pakistan Democratic movement (PDM) and launched a campaign to oust Prime Minister Imran Khan. This opposition movement led to a no-confidence movement vote against Imran Khan setting off a series of political crunches. The no-confidence vote exposed the fragility of Pakistan's political institutions and also showed the deep divisions between ruling party and opposition. widespread uncertainty was caused this political crisis which further damaged the investors confidence and contributed to the country's economic woes.

8.8 Military influence

The key revelation in of the year 2022 was the continued intervention of military in Pakistan's politics. Over the decades' as discussed military has been interfering in Pakistan's politics often coming out during the times of political instability. The military influence was again visible in 2022 interfering in political affairs behind the scenes. This interference fueled further divisions among political parties and questions were raised about the balance of power between civilian and military leadership in Pakistan. The military's role in Pakistan's politics has remained a controversial issue with many viewing this interference as a major hurdle to true democratic governance.

8.9 Judicial activism

A significant role was also played by judiciary in unfolding political crises. A prominent feature of the year 2022 was the judicial activism. The courts were taking an active role in setting political disputes. This also increased judicial involvement also exposed the weaknesses of Pakistan's political parties. They were unable to resolve their differences through parliamentary means. The courts had to intervene frequently, though some viewed this as a necessary check on political power some other criticized it as overreach. The role of judiciary in shaping political outcome further complicated the already fragile political landscape in Pakistan.

8.10 National Security

Pakistan's national security also came under severe threat as the political and economic crisis deepened. Pakistan internal stability became at risk due to religious extremist groups operating

from Afghanistan. The Taliban's resurrection in Afghanistan bolstered these extremist elements leading to an increase in violent attacks within Pakistan.

This resurrection of extremist activity put additional stretch on the country's security forces, which were already stretched thin by ongoing political and economic crunches. The threat posed by these groups emphasized the broader regional security challenges that Pakistan faces, particularly with its fragile neighbor Afghanistan. In this situation dealing with political instability and economic conditions became more challenging. Pakistan had to be stabilized internally and deal with external challenges also and at the same time the economy was deteriorating.

It was a storm for Pakistan in 2022 with floods, political instability and increasing security risks all adding to the dilemmas for the country. Such a combination of crises not only strained the resilience of the country's institutions but also reveal long-standing rooted problems. Such a situation was that of the political history of Pakistan, where governance relied heavily on the army, and a degree of the courts was involved in determining the course of politics. However, in the process, the economic effects of these crises along with the catastrophic results of the disasters reached a point where the country was almost on its knees.

It was clearly evident that Pakistan needed to stabilize the boisterous environment while dealing with other issues that made things more complicated by the end of the year 2022. Inflation was still the order of the day with foreign reserves still very precarious and economic activity remained restrained. The political straighten could not be understood since there was no way out of the deep political cleavages exhibited among the political parties. The increasing risk posed by such extremist groups made an already threatening situation worse. There was the need for political action, military oppression and mobilization of the civil society to face the challenges of Pakistan and begin to heal towards normality in the nation, which is, literally speaking recovery from the upset.

8.11 Economic Growth and Political Stability

(Hussain & Kumar, 2023) emphasized on the critical importance of political instability for the economic growth and prosperity of a country. For economic development in developing

countries like Pakistan political instability has significant consequences. Arab movement was initially seen as a movement to strengthen democracy in the Arab world, but it led to widespread instability and unrest in the Middle East. The negative effects of Arab Spring revealed how political instability can destabilize economies, create chaos and slowing down the progress. Similarly in case of Pakistan which is a practicing democracy has gone through similar periods of political unrest, rallies particularly under the PDM government that took office in April 2022 after the exit of Prime Minister Imran Khan. Political crises after the no-confidence momentarily obstructed Pakistan's economic progress making a strong case for the need of political stability.

For the economic development of any country political stability is the basic requirement. Stability allows for a conducive environment where businesses can flourish, investments can increase and opportunities for employment can also be provided. Politically uncertain conditions discourages both foreign and local investors who are reluctant to invest in the country fearing loss to unstable environment. The political instability from 2018-2023 had made it difficult for the governments to focus on long term economic planning which has resulted in a lack of progress in key sectors such as infrastructure education and healthcare. Without political instability these key sectors which are essential for sustainable development are neglected and economic progress cease to happen.

8.12 Vote of no-confidence and the instability

The situation in Pakistan after the oust of Imran Khan's government showed a damaging impact of political turmoil. Political parties were more focused on their internal rivalries, egos and self-interests than focusing on development progress of the country. They should have worked mutually on development and progress of the country, but they engaged in blame games and allegations, which also distracted the public from real issues which needed to be addressed. Lack of unity and collaboration within the political parties significantly harmed the country's economy. Political tension continues to rise, and, in this situation, it became increasingly difficult for the government to implement policies that could lead to economy recovery and growth.

Political parties engaged in their own power struggles and the general public faced severe difficulties. The unemployment rates become much higher, inflation also was on the peak and foreign direct investment also decreased. The general public who were looking at the government

to solve these problems were left to deal with the consequences of stalled progress. The political instability during this period not only affected the economy in the short run but has long-term consequences that could take decades to recover from. The damages which are caused by political instability are not easily fixed and the loss in terms of development, opportunities and public trust may last for generations.

It is the responsibility of the political parties that they should focus on development of the country, and it is only possible through unit on national affairs which are of utmost importance. Political leadership should realize this and refrain from self interest and power struggles which have undermined Pakistan's development.

9 Chapter 5

10 Conclusion and Recommendations

10.1 Conclusion

Pakistan's political instability between 2018 and 2023 affected the external economics affecting Pakistan which gives a perfect explanation of how political instabilities can affect the economic growth. Conflict between the civil and the military authorities as well as internal vortex within the political system smoothened investors' confidence and hampered critical policies which played a very big role in the growth of the economy. The no confidence motion which removed Imran khan's government in April 2022 marked the end of Pakistan's terrible, unstable, and disastrous performance on economic and political grounds. Social unrest in the form of politico-demonstrations, political embarrassments, and the general loss of confidence in most political structures was rife during this period, warranting further worsening of the standards of living.

The PTI government which assumed power in 2018 by securing massive public mandate similarly received severe challenges to deal with the economic, problems. Stake attempts to do away with corruption, cut its dependence on foreign aid as well as enhance it economic growth failed to deal with Pakistan ever-burning structural ailments. This was labelled by high fiscal deficits, poor governance and high levels of borrowing from the external market. High level

corruption decision making processes in the areas of financial and foreign policy left the government unable to engender sustainable long-term reform across the areas that most are elemental to growth including infrastructure, education, and health facilities. The other major reason that led to political instabilities during this period was civil-military relations.

The military organization that wielded a lot of power in the past was supportive of Imran Khan at the beginning, but over the time, they began to drift apart over issues pertaining to governance and policies both domestic and foreign as well as economic. Such a strained relationship along with the opposition like the Pakistan Democratic Movement (PDM) made Political instability which further damage the economy. Here, political instability significantly affected the foreign investment that is central to development of economic systems. Due to political instabilities that came about through leadership changes and unwritten policies from the new government, investors never invested in the country, and this led to stagnation of important aspects in the society such as infrastructure and employment.

During this time frame we saw a decrease, in investment (FDI) showcasing the wide-ranging economic effects of political instability. Furthermore, Pakistan's efforts to address its foreign policy dilemmas – in relation to China and the United States – were impeded by turmoil result in further economic and diplomatic isolation, for the country.

During a time of uncertainty and upheaval the COVID19 outbreak worsened the turmoil. While the PTI administrations actions, like enforcing targeted lockdown measures were commended for their attempt to address both health and economic issues initially the lasting impact of the exposed vulnerabilities, in Pakistan's structure.

The situation was worsened by business closures, job losses and reduced government revenues which pushed millions of people into poverty and further strained the government's ability to implement effective recovery measures. The economic misery caused by the pandemic intensified the negative effects of political instability which made the recovery even more difficult for the government.

National disasters of 2022 in the form of devastating floods further increased the vulnerability of Pakistan's economy to external shocks. Millions of people were displaced, and agriculture production was severely affected which was a significant blow the economy. This

worsened the already poor financial conditions. Lack of resources and political enmity hindered government's swift response. Government was ineffective to manage these crisis effectively which highlighted the need for long term disaster preparedness and cohesive governance structure.

A critical turning point in Pakistan's political landscape was vote of no-confidence that led to Imran Khan's ouster in 2022. The subsequent power struggle between political parties intensified economic crisis. As political leaders focused more on securing power than keeping focus on addressing economic challenges. Unemployment increased, inflation soared, and foreign exchange reserves depleted rapidly which affected the general populace living conditions. The government was unable to implement coherent economic policies during the study period which significantly slowed down the country's growth trajectory.

The broader implication of this period of political instability is that, without a stable and cohesive governance structure, Pakistan's economic growth will remain hindered. This instability has not only inflicted short-term economic damage but has also led to long-term challenges, including public distrust in political institutions and a diminished capacity to carry out essential reforms. The economic and political crises experienced during this time serve as a clear reminder of how crucial political stability is for sustained economic growth and development in Pakistan.

10.2 Recommendation

Fostering Political Stability through Institutional Reforms:

A stable political environment is crucial for economic growth. Pakistan should prioritize institutional reforms that enhance transparency, accountability, and collaboration among political parties. By creating a platform for dialogue and consensus-building among different factions, the likelihood of power struggles can be minimized, allowing the government to concentrate on long-term economic planning and policy execution.

Strengthening Governance and Civil-Military Relations:

It is essential to clearly define the roles of civilian governments and the military to ensure effective governance. Establishing a cooperative relationship between political leaders and the military can help mitigate the risk of political interventions that have historically disrupted democracy. Implementing reforms to limit military involvement in political matters will foster a more stable and predictable political landscape.

Enhancing Foreign Policy through Strategic Partnerships:

Pakistan should aim to strengthen its ties with key allies, especially China and the United States. Utilizing initiatives like the China-Pakistan Economic Corridor (CPEC) can significantly enhance infrastructure development and economic growth. Furthermore, Pakistan needs to reevaluate its diplomatic strategies to establish itself as a vital player in regional stability and conflict resolution, which can attract foreign investments and improve trade relations.

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7. Fostering Collaboration among Political Parties:

Political parties in Pakistan need to put national interests ahead of their own rivalries. By adopting a collaborative approach to governance, where parties unite on crucial national issues such as economic recovery, health, and infrastructure development, the country can tackle its challenges more effectively. Reflecting on past instances of cooperation between opposing parties, like during the anti-terrorism initiatives from 2008 to 2018, can offer valuable insights for future governance.

8. Establishing a Long-Term Economic Vision:

Pakistan requires a well-defined, long-term economic vision that goes beyond political cycles. Forming an independent economic council made up of experts from diverse sectors can help outline a sustainable development roadmap, ensuring that economic reforms are carried out regardless of political shifts. This vision should emphasize critical areas such as industrialization, digital transformation, and the development of human capital.

9. Rebuilding Public Trust in Government Institutions:

Restoring public trust is essential for both political stability and economic recovery. Political leaders must focus on transparency and accountability in their governance. Involving the public through town halls, consultations, and other participatory methods can help close the gap between government institutions and citizens, making sure that government policies align with the needs and aspirations of the populace.

10. Strengthening Judicial Independence and Reforms:

This work also underscores the importance of an autonomous judiciary that is required to embed political stability in order to entrench the primacy of the sheer rule of law. Changes should be made tailed at minimization of political influence on the judiciary to avoid biased outcomes in the course of delivering justice. From the stabilization perspective, a powerful judiciary in political-legal systems means it will be able to prevent political motives from eroding democracy in risk moments.

11. Enhancing Political Accountability and Electoral Reforms:

Election accountability is crucial as it makes politicians act as keeners to citizens in all that they do to safeguard against corruption. This kind of reforms should be implemented to reduce the chances of political leaders embezzling funds through policies such as better implementation of the anti-corruption laws and better manner in which funds are channeled in the government. Moreover, measures are required to be taken for electoral reforms with a view to improving the freedom of different elections and enhancing free and fair electoral conduct, controlling election related conflicts and increasing political activism of the prospective groups and minorities.

12. Promoting Decentralization and Local Governance:

There is need to decentralize governance so that local governments can competently handle the necessary resources and services. The situation at the central level influenced by building a system of local governance structures, which will enable local leaders to solve the problems of the population according to the characteristics of each city. This is on the grounds that decentralization has an impact of enhancing political participation which if enhanced may reduce drastic political changes since a broad range of people in the society will be involved in the political processes.

13. Building Economic Diplomacy for Trade and Investment:

Pakistan needs to pay more heed to Economic diplomacy in an attempt to gain trade and investment partners from all around the globe. This also includes expanding the list of its clients and relations to countries of the second circle or to the rising behemoths in South and South-East Asia. Having good trade policies and economic special zones can be used to entice foreign Investors and to open up more export led markets.

14 .Enhancing Human Capital through Education and Skills Development:

In this way, Pakistan needs to develop its human asset. Making more accessible and effective good quality education and skill developmental programs will enable youths and in turn increase their productivity and innovativeness in the job market. However, focus on vocational

education training, – STEM and ICT readiness will develop a competent workforce for the global economy.

15. Developing Infrastructure for Sustainable Growth:

Investment in and development of infrastructure such as; transport, energy as well as information and technology are central in a country's economic development. Fiscal policy that Pakistan needs is to develop infrastructure in the form of trade enablers, productivity enhancing, and bringing the rural connective with the urban centers. To overcome the financial constraints, it is possible to apply such a funding model as public-private partnerships (PPPs) that has to guarantee the stability and sustainability of the large-scale infrastructure.

16. Expanding Regional Integration and Cooperation:

Pakistan must pay particular attention to regional cooperation and integration more specifically in South Asian as well as in Central Asian region to uplift trade, security and cooperation. Better relations with the neighboring countries and regional associations and organizations such as SAARC shall bring in new sources of revenue and better trade relations with less or no restrictions and will help to promote a political stability within the area.

17. Promoting Innovation and Digital Transformation:

This study demonstrates that adopting the digital economy can be useful for Pakistan in terms of modernizing the economy of the country and enhancing the efficiency of governance. Through provision of adequate digital resources and encouraging innovation based on technologies, the national government shall be able to improve productivity in agriculture, manufacturing as well as in the service sectors. This will also improve government deliveries, reduce corruption and guarantee more accountability through embracing electronic governance solutions.

18. Addressing the Energy Crisis for Economic Stability:

Energy crisis has been Pakistan's biggest hurdle to growth that seems to have persisted till the present time. In its endeavour to fix this problem, the government should consider employing other renewable energy resources like the solar, wind and hydropower, in their energy

mix in order to cut down on power generated from imported fuel. Reform of the energy sector is also necessary to enhance the performance, eliminate waste, and introduce modern technologies that would allow creating sufficient and irreversible energy potential for industries and households.

19. Promoting Political Literacy and Civic Engagement:

Closely connected with needs for effective political socialization as a process, the question of political literacy or political enlightenment of the population is needed to support the processes of a healthy democracy. The roles of the political literacy, the encouragement of the civil society and educational institutions in promoting governmental policies should be defined. Such enables people to gain freedoms and fully discharge their responsibilities hence support the processes leading to political stability so that the outcome reflects the population's desire.

With such expanded recommendations, the Government of Pakistan can reign political instability, economic stagnation, and social inequality taking over the Country. The execution of such strategies will not only serve a very significant purpose of influencing political stability within the best interest of the global economy but also enhance long-run economic development for the inclusion of all.

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