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Cash-Strapped Pakistan Determined to Combat COVID-19
By Mohsin Saleem Ullah, LLM. Candidate 2020, March 13, 2020

Since the coronavirus outbreak in China and an increased number of those affected has been reported in the neighboring countries of Pakistan and Iran, Pakistan has put in efforts to curb the reported COVID-19 cases by sealing off its border. Such stringent measures has further jolted Pakistan's economic stability, especially since the economy is already strangled nearly to its death by hefty debts and bailout packages from international lenders. International economic assessors, such as the Asian Development Bank (ADB), reported Pakistan's economy may suffer a loss between $16.387 million to $4.95 billion. According to the estimates made by the United Nations, the virus could cause international tourism to plunge to 3% globally and it may wipe off the country's efforts to attract tourism.

As stock prices hit their lowest, virus concerns are freezing up economic activities across the world. This has forced the New York Federal Reserve to inject $1.5 trillion into the American financial market to prevent a repeat of the 2008 credit crunch. But in light of the current shutdown, cash strapped Pakistan's GDP will lose 1.57%. Additionally, there is fear that 0.9 million people may lose their employment. In the worst-case scenario, a country mainly based on its agricultural and mining export will suffer a $21.7 million blow.

With the rise of coronavirus and the scaling up of uncertainties in Pakistan, which has concrete trade and production ties with China, the estimated losses may be further aggravated. Ongoing projects under the banner of the Pakistan China Economic Corridor (CPEC) would now take longer to complete, after the Chinese workers would be quarantined for at least 14 days before their entry to Pakistan. This indefinite delay is yet to bring an additional burden and expense to the country, especially during this hard time. Pakistan received a fresh grant of $6 billion from the International Monetary Fund to combat the economic challenges. Additionally, countries such as China, Saudi Arabia, and UAE relieved Pakistan with deferred oil payments and interest-free loans to raise Pakistan's registered currency reserves which dropped to an alarming level of $8 billion. This could have bankrupted the country.

However, with prevailing uncertainties in the market, Pakistan's government has asked the State Bank of Pakistan to ease out the interest rate, and financial institutions are instructed to control the inflation that would encourage investors to do business. Prime Minister Imran Khan's economic strategies have proven helpful in the present situation, after the country geared up to boost its textile exports to EU countries, while China's manufacturing industry is partially shut down. Besides EU's preferential trade status, Pakistan has succeeded to grab more orders than usual due to its free-floating exchange rate and increasing discount rate introduced in 2019.

Hopes are high that Pakistan may sustain through the economic challenges, though there are much left to be alleviated. Therefore, the country should have back up plans and a responsive attitude to the situation changing with each hour.