

Current Affairs.

Q. Six new members being added into ~~BRICS~~ BRICS. How do you see the geo-economic and political implication of the expansion? what are the possible hurdles in the way of the organization?

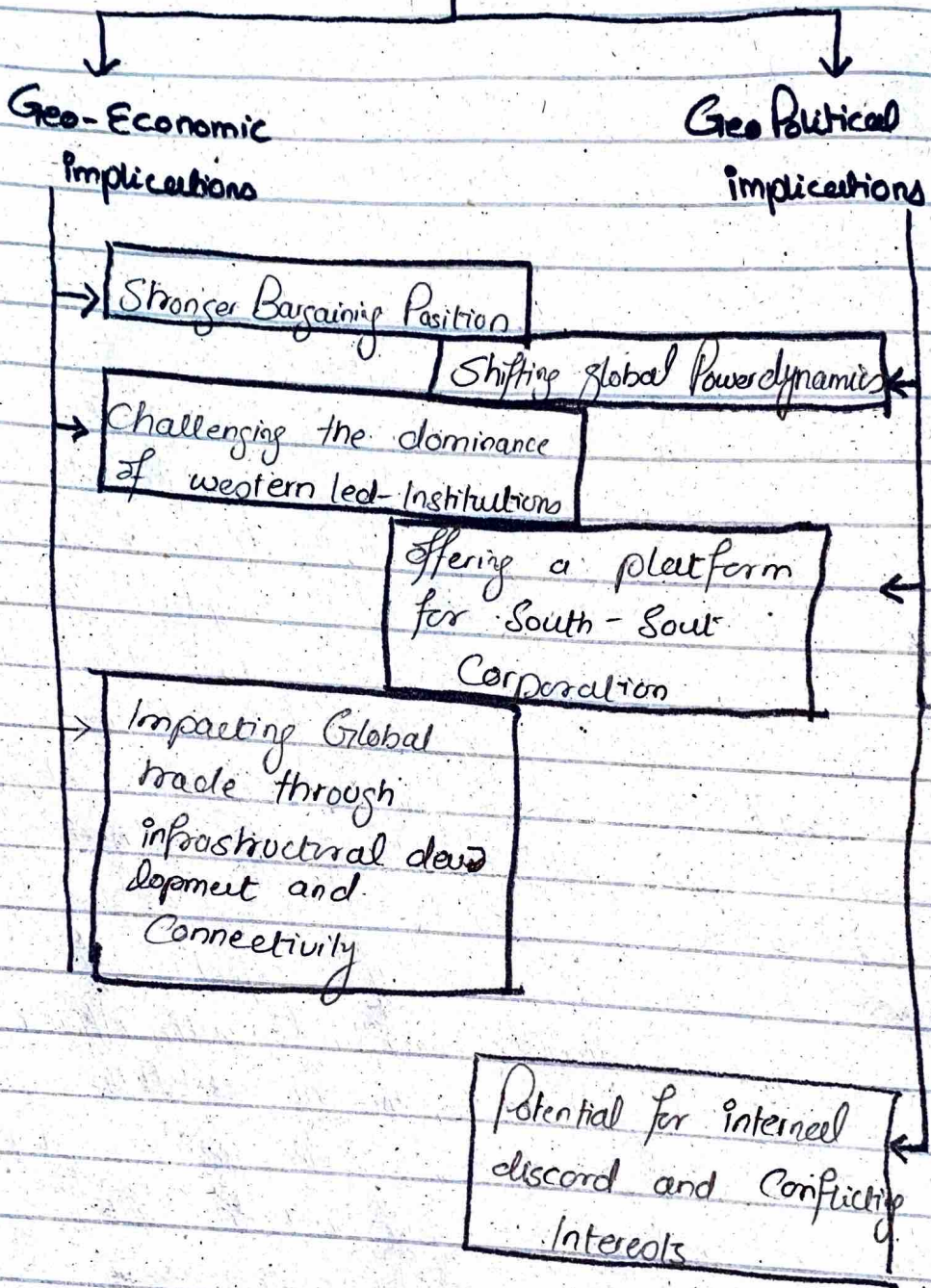
1. Introduction

Picture a Roman Empire at its peak, a powerful alliance stretching from Britannia to Mesopotamia. Now fast forwarding to 21st Century, to witness the rise of a new economic and political bloc - the expanded ~~BRICS~~ BRICS. With diverse nations, from the ancient sands of Egypt to the tech driven metropolises of China, BRICS promises to reshape the global landscape. But will it crumble under its own weight, like empires of the past, or forge a new path to prosperity?

The BRICS group formally comprising of Brazil, Russia, India, China and South Africa has now expanded with the addition of six new members - namely Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the UAE.

This expansion and rise of BRICS have a potential ~~of~~ for synergy and increased weight on ~~the~~ global stage due to its Geo-Economic and political implications. However the hurdles associated with the expansion also deserves careful consideration.

BRICS Expansion



2. The Geo-economic Implications of Expansion.

a. Stronger Bargaining Position due to increased market share.

The expansion of BRICS has granted it with a stronger bargaining position due to its increased market share. As of now BRICS represent around 36% of global GDP and 42% of the world's population according to the world bank. This ~~would~~ give BRICS nations a upper hand in international trade deals - evident by India's recent success in pushing for reforms in World Trade Organization's intellectual property rules. Furthermore the diversification also makes the group resilient to economic shocks due to the energy reserves of Argentina and Saudi Arabia coupled with Egypt's strategic location.

b. Challenging the dominance of western led-institutes.

The dominance of western led-institutes like the IMF and world bank has also been challenged by the expansion of BRICS.

The Expansion presents opportunities for greater financial cooperation potentially leading to reserve currency or changing of new development bank to BRICS development bank that would further increase the aspir line of aspiring countries to join ~~the~~ BRICS. This would ultimately result in a grave for western institutes and a new economic order.

c. Impacting Global Trade through Infrastructure Development and Connectivity.

The Expanded BRICS's Est collaboration on infrastructure and connectivity can significantly impact world trade and investment flows. According to the World Bank, by creating better infrastructure and connectivity between member countries, BRICS could boost intra-regional trade by estimated 30%. This would have significant impact on regional and global trade.

2. Geo-political Implications of the Expansion.

a. Shifting global power dynamics.

The rise of BRICS has the potential of shifting global power dynamics. This is being done by challenging the role of US and its allies and BRICS nations aspiring for a multipolar world. ~~With~~ This is evident from India's call for ~~the~~ UN Security Council permanent members expansion, China's attempt for creating economic might and BRICS collective criticism of US intervention in middle east. Furthermore with collecting ~~the~~ market clout the BRICS nations also have greater say in international organizations and security affairs. This all ~~is~~ has ~~been~~ been reducing US and its allies dominance in ~~most~~ ~~every~~ of world affairs.

b. BRICS offering a South-South Corporation.

The BRICS primary motive was to strengthen the voice of developing countries within global arena. BRICS expansion now offer a platform for South-South cooperation and on multiple issues such as climate change, Sustainable development and poverty reduction. This has been demonstrated by BRICS initiatives on renewable energy and disaster reliefs. This would foster a unity and solidarity among countries of a south and provides alternative for north-south cooperation.

c. Potential for internal discord and conflicting interests.

Despite the groups shared goal of diversifying global power, the expanded group contains diverse political and economic systems, including democracies, autocracies, and resource-rich economies. Thus finding a common ground on vital issues and a united front could be challenging. This diversity could potentially lead to internal discord and undermine the groups effectiveness.

4. Possible hurdles in the way of BRICS.

a. Internal Cohesion and governance.

Managing the interests of ten members with varying priorities and governance structure could be a complex task. Therefore it vital for the group to establish effective decision-making mechanism and ensuring

Collective action on key issues will be crucial for the group to prevent it from becoming disjointed and lose its influence.

b. External pressure and resistance to BRICS.

The rise of a powerful BRICS bloc could encounter resistance from established powers seeking to maintain their global dominance as evident from US measures to counter China's over trade and technology. Similar measures might also be taken from other western countries to ~~also~~ counter the group's influence.

c. Addressing domestic challenges:

The ~~the~~ group having diverse countries, face the problem of addressing domestic challenges. As Argentina's on going economic struggle and South Africa's social unrest. Each member of the group has different domestic challenges and failure to address these internal issues would eventually weaken the member and impede the overall progress of the expanded group.

d. Conclusion

The expansion of BRICS presents both opportunities and challenges for the global order in general and specifically for the group and its member countries. As the increased economic and political clout

of the group promises to shape the global dynamics and offer alternative pathways for collaboration and development.

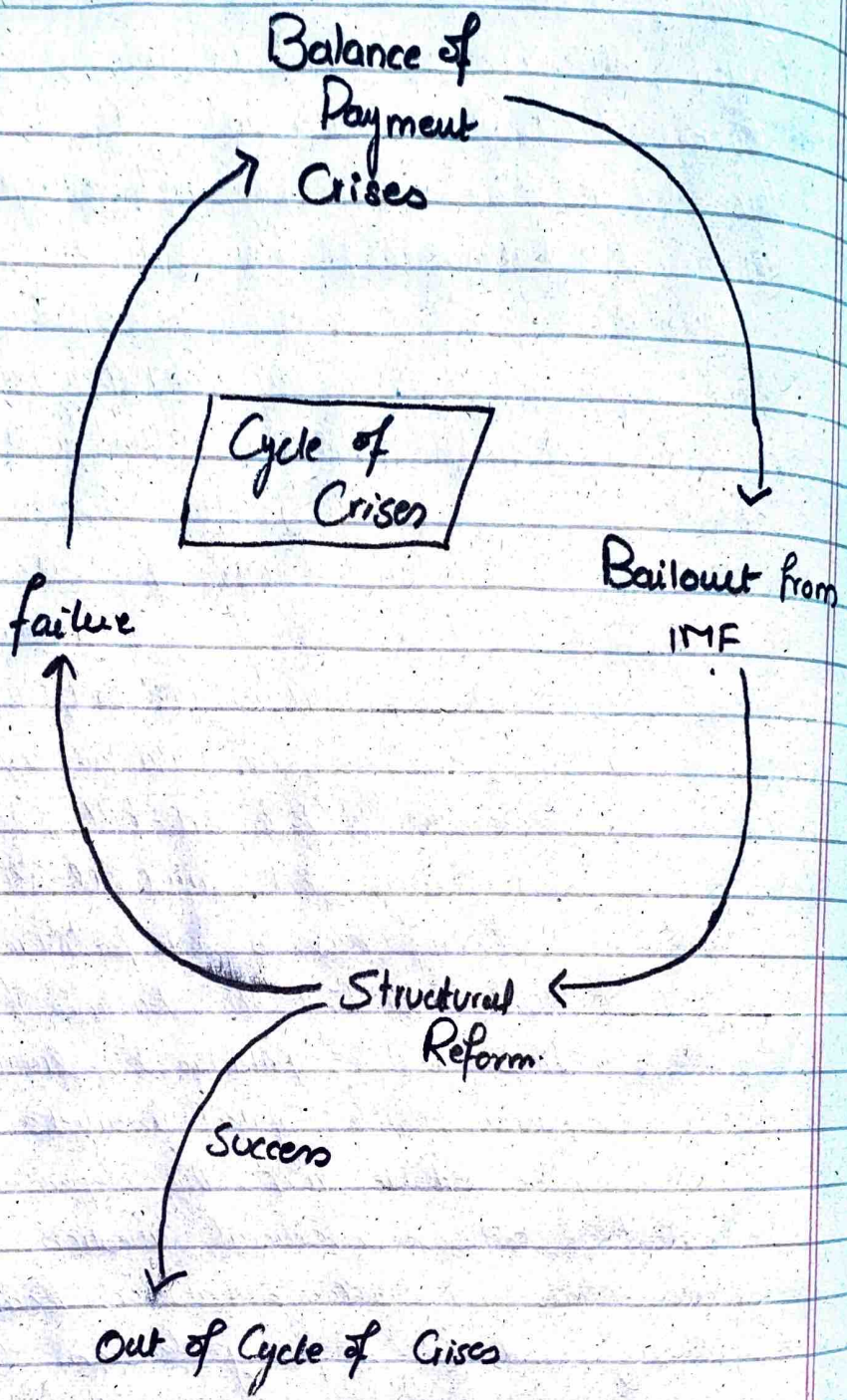
Internal cohesion, external pressure and domestic challenges of the member countries pose significant hurdles to the group's effectiveness. The success of the group will hinge on its effectiveness in its ability to overcome these obstacles, develop a shared vision, and leverage its collective power for the betterment of its members and the wider global community.

The BRICS expansion is a significant development to reshape the 21st century however the ultimate success would depend on ~~tackling~~ how the group tackles its the obstacles in its way.

Q3. Balance of Payment has repeatedly compelled Pakistan to approach the IMF for a bailout package. How do you see the role of IMF in the fiscal, monetary and foreign policy making of Pakistan?

1. Introduction

Since 1951, when Pakistan went to the International Lenders ^{for the first time} to lend relief in times of balance of payment crises. ~~Since~~ Since then ~~PA~~ Pakistan's economic dance with International Monetary Fund (IMF) has become a recurrent narrative seeking a total of 24 bailout packages. This has only been done in ~~Balance~~ wake of Balance of Payment Crises that is a chronic imbalance between inflows and outflows of foreign currency ~~in~~ in Pakistan mainly caused ~~to~~ due to high import bills, low export earnings, and structural issues. Therefore the country has to ask ~~for~~ international and private lenders to fund the balance of payment crises and as Pakistan has limited access to international capital markets the only option left is IMF. This dependence on IMF raises a crucial question; ~~of~~ How does IMF influence Pakistan's fiscal, monetary, and foreign policy decision.



2. The Balance of Payment Crises in Pakistan and its recurring nature.

Pakistan has throughout its history has faced balance of payment crises. This deficit mainly arises due to a deficit in the countries

Current account for instance in 2023 the country had a current account deficit of \$16.4 billion (State Bank of Pakistan). This deficit arises of several factors. First of all Pakistan has high import bills mainly due to its high dependence on imported energy, this is evident from FY2023 energy bill of \$26 billion. Secondly Pakistan had not diversified its export earning where the textiles forms nearly 20% of total export, so any disruption in textile industry drastically reduces the export earning. Thirdly Pakistan faces structural issues such as political instability, weak governance, and inefficient public spending this further exacerbates the economic woes of the country. Overall these factors generate a vicious cycle of eating into foreign reserves that triggers currency depreciation, fueling inflation and investment in the economy is discouraged and we face continuous balance of payment crises.

3. Why does Pakistan only go to IMF

3. Pakistan Dependence on IMF for lending

a. Limited access to international capital market.

Pakistan's access to international capital market has been on a straight decline.

As Pakistan's credit rating has been downgraded to B- by S&P Global rating (2023), and the ~~country~~ countries high to debt to ~~gross~~ GDP ratio of 85.8% (IMF, 2023) coupled

with political instability and weak governance makes the country ~~to~~ struggle to borrow from private lenders on favourable terms.

~~As~~ As a result Pakistan gets highly dependent on IMF for bailouts.

b. The Catalytic effect of IMF program.

The IMF program has a catalytic effect and acts as a seal of approval of loans from banks and country. When IMF bails out a country of its balance of payment crises other countries and banks feel confident in giving loans to the

country in crisis as they believe that if IMF has provided a ~~package~~ package the country will be able to repay. This is evident ~~is~~ from 2023 bailout package IMF granted Pakistan, as the package unlocked over \$8 billion additional financing (IMF, 2023). It is this catalytic effect that makes Pakistan dependent on IMF.

4. IMF's intervention in Pakistan's Policy Making.

a. IMF's intervention in Fiscal Policy. increasing living cost.

~~The~~ When IMF baits out a country, it provides the country with prescribed austerity measures so that the country is able to repay the international lender and never falls back into balance of Payment crises. Similarly in Pakistan IMF's prescribed fiscal measures intervene in the fiscal policy of the country such as reduction in fuel subsidies, and increase in GST.

Although these measures help a country get out of debt but it triggers domestic ~~economic~~ economic unrest as a decline in subsidies resulted in many manufacturing exporting firms loose competitive ness further ~~bringing in~~ enlarging the debt cycle and also the living cost of a poor person increases that they cannot afford.

b. Intervention in Monetary Policy reducing Investment

The IMF intervenes in monetary policy through prescribing a tighter monetary policy, with state bank of Pakistan raising interest rate to 17% in 2023 (IMF, 2023) to curb inflation in the country. However this rise in ~~in~~ interest rate also reduces the investment in the country as more people tend to save. Through this even if inflation decreases the earning opportunities of ~~people~~ Pakistanies also dropped.

C. IMF's indirect intervention in Foreign Policy.

The IMF does not directly influence the ~~country~~ Pakistan's foreign policy. However its emphasis on trade liberalization and economic reforms indirectly influence external relations. For instance, Pakistan's recent trade agreement with UAE is aligned with IMF's call for diversification and improved market access. Thus it is these calls that also influence a country's foreign relations.

5. Conclusion.

Pakistan's relation with IMF is like a double edged sword. As the Fund does provide financial assistance in the short term but the attached policy conditions comes with both benefits and drawbacks. As with the policy shifts a country like Pakistan can come out of short term disasters and bankruptcy however in the long term there are economic and social consequences. With frequently relying on IMF for bailout Pakistan will lose its policy autonomy that has been criticized for limiting the government's ability to implement policies tailored to specific needs. Secondly there are social cost of austerities and would also limit Pakistan's focus on long term

growth. It is therefore necessary for the country to diversify its approach to economic vulnerability, strengthen its export competitiveness, attract foreign direct investment, and diversify energy sources towards achieving a sustainable growth and reduce dependence on IMF for bailouts.

Q5 Problems in the power sector has resulted in unimaginably expensive electricity that has far reaching negative implication on the economy, social and political life of the country. Critically evaluate the statement and suggest workable recommendations.

~~But~~ Pakistan's electricity woes are undulatory severe, with skyrocketing increases in prices affecting every fabric of the nation. Despite the presence of ~~A/C~~ Air conditions people prefer ~~to~~ ~~st~~ not to turn them on in mid summers due to high electricity prices.

On Average the retail tariff on electricity has increased to PKR 31 per kilowatt-hour in July 2023 (NEPR, 2023). This extraordinary rise in the cost electricity is due to ~~some~~ grave structural issues, like ~~stagnant~~ circular debt, ~~over~~ reliance on expensive imported fuel and under investment in renewables. Although there have been attempts to mitigate the negative implication of this price hike, there still persists negative implications on the countries economic activity, social fabric and the political life.

Power Sector of Pakistan

Major problems

Circular Debt

Reliance
on Expensive
Imported Fuel

Underinvestment
in Renewables

Combined negative
implications of
the problem

Economic

Social

Political

- Industrial Slow down
- Job losses

- Education and health care disruption
- Environmental degradation

Public dissatisfaction and political instability

International image damage

2. The Power Sector of Pakistan.

In Pakistan the power generation heavily relies on fossil fuels accounting for almost 60% of the total power generation. In the fossil fuels coal is used by the least out and majorly furnace oil and liquefied natural gas is used, making Pakistan power sector vulnerable to global price fluctuations.

The rest of the power is generated through hydro projects contributing 27% and nuclear power generation accounts for 9% of the total power generation.

Despite Pakistan potential to generate an astonishing 47,000 MW Pakistan out of the hydro project Pakistan only produces around 7000 MW.

(World Bank, 2023) this highlights the underdevelopment and lost opportunities. And as other Renewables and nuclear only contributes 9% ; shows the missed potential for sustainable alternatives. Even on the fossil fuels side

we have coal but being a cheaper alternative to LNG and despite having great coal reserves little is done to utilize it.

This results in high generation cost, subsequently reflected in inflated prices that affects consumers, businesses and the entire nation.

3 The Power Problems of Pakistan's Power Sector

a) The Issue of Circular Debt increasing Cost of electricity.

The primary issue of Pakistan's Power Sector is of circular debt, that according to Institute of Policy studies report (2023) has exceeded \$50 billion. This debt trap in the power sector is due to low recovery rates, as the distribution companies face (Discoms) face electricity theft of around 30-35% and low collections leading to revenue shortfalls. Secondly the subsidies for certain sectors along inconsistent tariff setting across different consumer categories creates cost-recovery deficits and burden other consumers. Furthermore the inefficiencies in infrastructure and transmission lines leads to high costs further inflating costs.

b) Due to Reliance on Imported fuels, disruption in global markets causes price volatility in Power Sector.

Pakistan heavily relies on imported fuels for power generation. As for the FY2023 Pakistan import bill for LNG amounted \$13 billion (Ministry of Finance). As the price of LNG surged to record high in 2023, this directly translated to higher generation cost of electricity. This reliance on international energy markets exacerbates affordability concerns.

c. Under investment in Renewables.

Pakistan has the potential to fulfill for all its energy needs from different hydro projects on the Indus. However under investment in hydro projects resulted in a mere 7000 MW utilization. Overall Renewable energy accounts for 5.7% of the total capacity (IPS, 23). Thus this translates to dependence on expensive fossil fuels and hinders environmental sustainability.

4. The Negative Implication of Expensive electricity on Economic, Social, and Political life.

a. Economic Implication

(i) Industrial slowdown due to expensive electricity.

The high electricity costs translate into higher operational costs of businesses this eats into the profits and as a result industrial competitiveness is compromised.

As Pakistan largest export sector faces a 50% increase in electricity costs jeopardizes ~~the~~ its global competitiveness. hence foreign investment is discouraged and existing businesses shut down slowing down economic activity.

(ii) Job losses and poverty increases due to high electricity costs.

As electricity costs increases, we see an economic stall-down and reduced economic activity, increasing that results in job losses and a result ~~high~~ increase in poverty.

According to world bank (2023) report an estimated 40 million additional people might

fall into poverty due to rising energy costs.

b) Social Implication.

i) Electricity Costs disrupting Education and healthcare.

The skyrocketing increase in ~~set~~ electricity costs have disrupted educational and healthcare facilities. As due to the high cost of electricity ~~for~~ poor families have to choose between ~~educating~~ sending their children to school or paying electricity cost. As according to world bank Report (2023) high electricity costs could push an additional 1.5 million children out of school, exacerbating existing literacy rate to 62%. Furthermore high electricity bills add into cost of healthcare ~~at~~ ~~for~~ facilities increasing the burden on already burdened families.

ii) Environmental degradation. due to heavy reliance on fossil fuels

As Pakistan power sector heavily relies on burning of fossil fuels for generation of power. It has impacted ~~for~~ Pakistan's environment in badly through surge in air and water pollution. Pakistan now ranks among the top ten most polluted countries globally (IQAir, 2023).

c) Political Implications.

Public distress and political instability at coupled with international image damage.

The high electricity costs weaken public trust in the government and thus cause political instability. For instance, over 500,000 people participated in protests against rise in electricity tariffs across Pakistan (Human Rights Watch 2023) in September. Furthermore Pakistan's energy insecurity undermines its international image and would damage its image globally.

5. Workable Recommendation for the Power Sector.

a. Breaking the ~~Circular~~ Circular debt.

The power sector needs to come out of the vicious circular debt cycle in order to bring efficiencies in the sector. This can be done through improving revenue collection through smart meters, incentivize timely payments, and a crackdown on electricity theft. Furthermore the operational efficiency should be optimized through investment in transmission and distribution infrastructure.

b. Diversification of Energy mix

Pakistan should harness its vast hydropower potential, develop solar and wind farms through prioritizing renewable energy development and establishing favorable policies. Furthermore, investment should be done in energy storage to manage the intermittency of renewable energy sources and ensure grid stability.

c. Strengthening Governance and Transparency.

Pakistan shall strengthen its power Sector Governance and transparency through measures like enhancing the capacity of regulatory bodies like NEPRA.

Promote public participation and combat corruption as it would ensure efficient resource allocation and utilization.

6. Conclusion.

Tackling Pakistan's power crises is a complex challenge requiring bold vision, sustained commitment, and collaborative efforts. By addressing the root causes of circular debt, diversifying the energy mix, promoting efficiency, and implementing good governance practices, Pakistan can build a sustainable and affordable energy future. This will not only ensure energy security but also drive economic growth, improve social well-being and foster political stability.