



Q

Critically evaluate the reasons for global financial super cycle and their implications on Pakistan. What possible recommendations would you suggest to Islamabad?

Answer 1-

Introduction

"The world is a global village."

(-Thomas Friedman)

Global financial supercycle has changed the shape of the globe. In fact, several factors became force behind this cycle. Resultantly, Pakistan is also revolving in supercycle. Therefore, some recommendations be adopted by Pakistan to maintain its position.

2. Global financial super cycle: an Overview

"In a globalized world, historically and geographically world is in connection."

(Thomas Friedman, the world is flat, 2005)

Global financial supercycle has impacted both poles of the globe. In fact, Europe and America have also suffered.

"The West has been revolving in a super cycle since the last few decades."

(A.I. Jazoom, 2020)

America

(3 decades)

Europe

(4 decades)

Global Financial

Super Cycle

Pacific, ASEAN

Assem

(3 decades)



Hence, global financial cycle has impact on the globe.

3. Reasons behind global financial super cycle

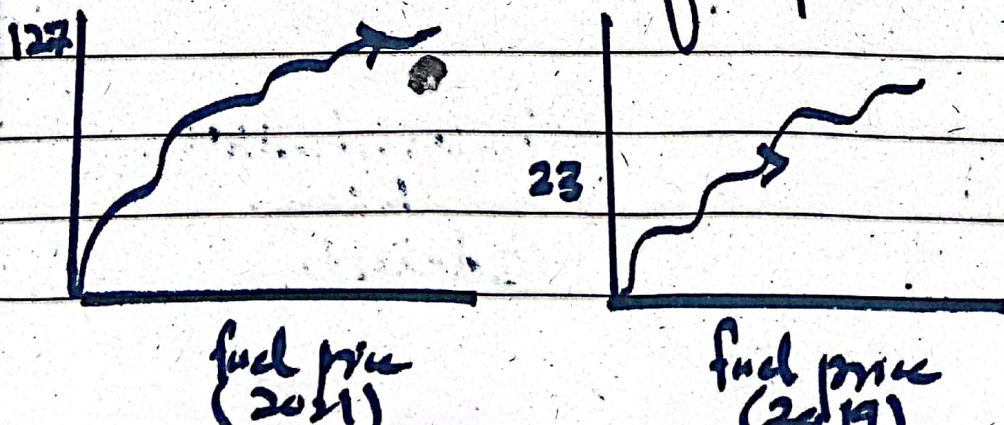
Following are main reasons:

a) COVID-19 Pandemic: global crisis

COVID-19 impacted the whole world. In fact, prices were reduced due to border closures, but later prices were reached at hike.

"After reopening of borders, price of fuel reached at 127 per barrel."

(CNN, fuel prices, 2021)



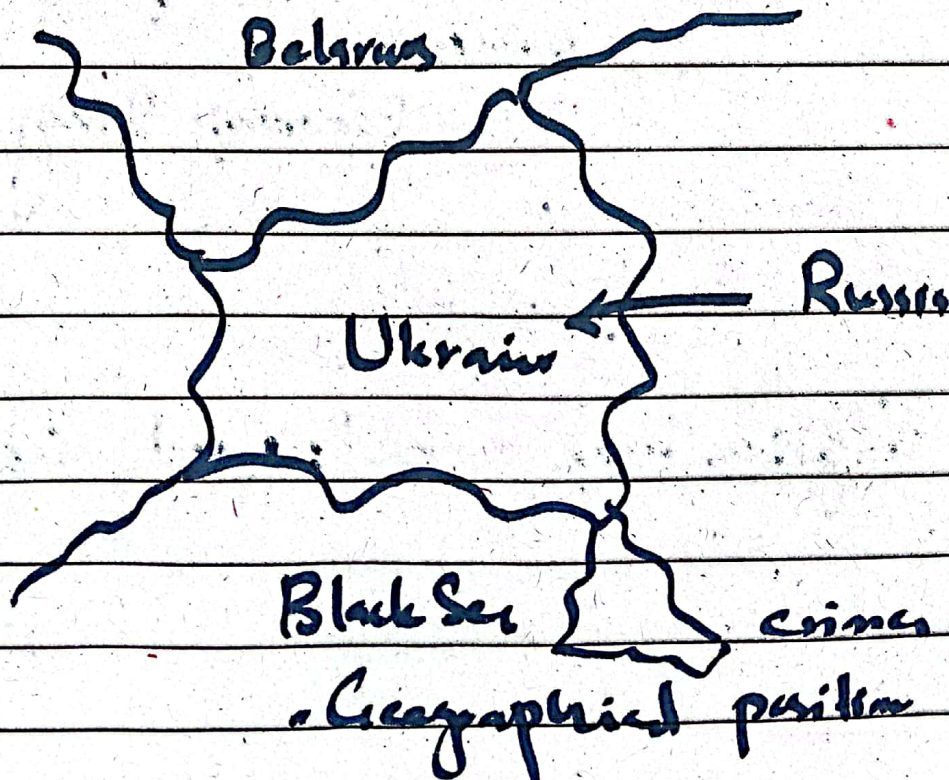
Hence, COVID-19 became a great cause of global financial cycle.

b) Russian - Ukraine war : global world order

Moreover, Russia-Ukraine war also became a major cause of global financial super cycle. The west imposed sanction on Russian products and energy

"Russia is the world's largest energy producer and exporter."

(-Al. Jazouari, 2022)





Therefore, Russia - Ukraine war also led to global financial super cycle.

4. What are implications on Pakistan?

Following are implications:

a) International fuel price in hike reached at peak. Resultantly, Pakistan's energy need is affected.

"Pakistan produced 60pc of energy from global sources."

(- Economic Survey, 2022)

Therefore, energy needs of Pakistan are badly affected.

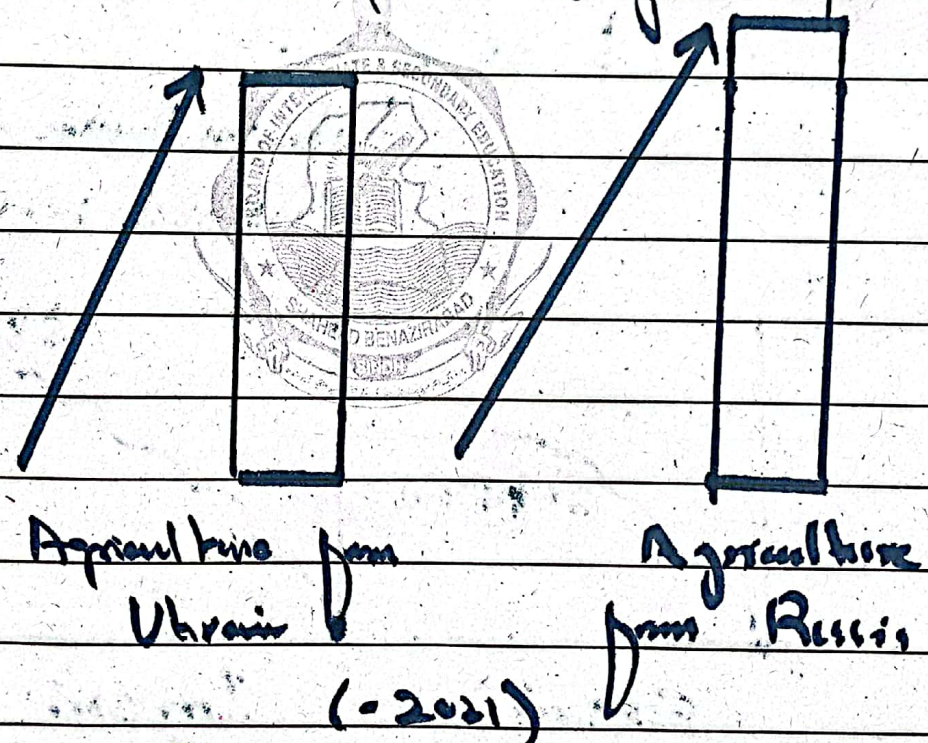
b) Agriculture need: food insecurity. Moreover, Pakistan also suffer in agricultural products.



Pakistan purchases its wheat requirement from Russia and the Ukraine.

1) About \$ 711 millions of agronomy trade from Ukraine and \$ 800 millions of trade from Russia is recorded in the year 2021.

(- The Irrigation Department)



Hence, Pakistan's agriculture need is affected.

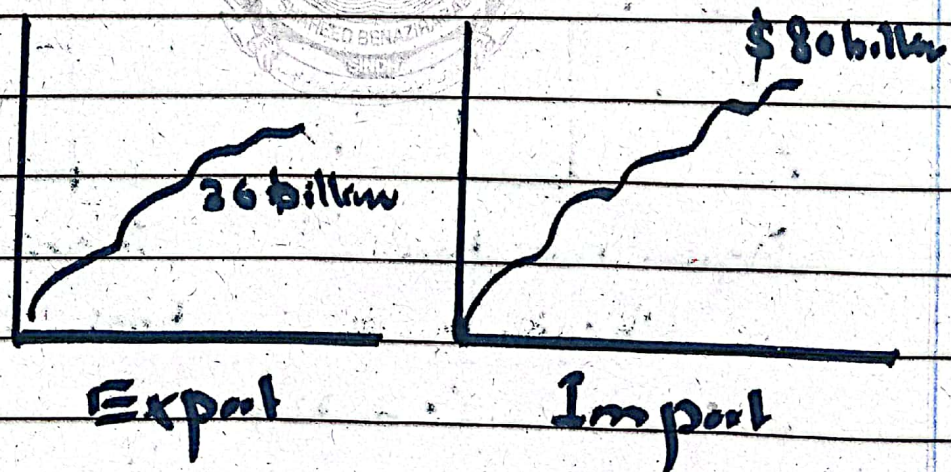
c) Trade deficit: threat to economy



Further, Pakistan's trade is affected due to global financial supercycle. Due to Sanction on Russia, Pakistan had a challenge of long route, too.

"In fiscal year 2022, Pakistan's import was of \$ 80 billion and export was of \$ 36 billion."

(- Pakistan Bureau of Statistics, 2022)



Hence, trade deficit is also the major challenge to Pakistan's economy.

5- Suggestive recommendations for Pakistan

Following are suggestive recommendations:

a) To reform agriculture sector
Pakistan needs to reform its agriculture. Pakistan is an agriculture country.

"Pakistan's 18% of GDP is dependent on its agriculture."

Moreover, (Irrigation Department)

"By improving its agriculture sector, Pakistan can increase 24% of GDP."

(- Pakistan Bureau of Statistics 2022)

Therefore, Pakistan needs to reform its agriculture sector.

b) To reform energy sector



Along with agriculture sector, Pakistan also reform its energy sector. About trade deficit is due to imported energy generation.

"About 25% of trade deficit is due to imported hydrocarbon."
(Economic Survey 2012)

Moreover,

"Pakistan can produce 6.0% of its energy from renewable sources."

(- The World Bank, 2011)

Therefore, Pakistan should reform its energy sector as well.

c) To reform industrial sector
Moreover, Pakistan should also reform its industrial sector. Pakistan's industries



are going to decline since
few years.

"About 120 industries were
closed in the last
year."

(- Economic Survey, 2019)

Therefore, Pakistan should focus on
industrialization to improve its
trade quality.

6. Criticism on global financial supercycle

The North of the
globe has broken the
leg of the South
of the globe.

(- Fitch, S.P. Modys)

Global financial supercycle
has mainly affected developing
world. Poor economic growth
and global pressure cycle made
them suffered.

"Sri Lanka has defaulted,
Egypt is under-
default and Pakistan
is on the verge
of default."

(Toqeer Hussain)

Therefore, global financial super
cycle has imbalanced the world
order.

7- Conclusion

"Global financial commodity
cycle has push
world into the
crisis."

(AI-Jazera, 2009)

Global financial super cycle
has changed the world order.

Several factors push the global
financial cycle. Resultantly, Pakistan
is also impacted badly. Therefore,
some recommendations must be
followed to maintain its position.