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Date: 08-08-2023

Q#03: Balance of payment crisis has become increasingly severe that has adverse implications on the economy of Pakistan. Critically evaluate the chances of a bailout deal with IMF. Also recommend other policy options for Islamabad to follow.

Introduction Answer #03

To begin with, it is crystal clear that Pakistan has been facing worst crisis on economic front. Balance of payment is the major issue which will have crippling effect on economy of Pakistan, if it is not averted. The looming crisis of default are also because of balance of payment crisis. However, it can be averted with timely deal with International Monetary fund. The Fund of IMF can help Pakistan avert the looming default for the time being. Moreover, Pakistan has options to raise funds through bonds and seeking funding from other organizations and friendly countries. However, it is discussed whether IMF would give bail Pakistan or not. According to the situation, it looks that IMF will bail out Pakistan.

2- Balance of payment crisis and adverse implications on Pakistan Economy

Pakistan, if defaults on its promises, it will create adverse implication on economy of Pakistan. Pakistan has already been facing neck-breaking inflation for months, which is more than 40%. The balance of payment crisis has already increased the rate of dollar, Pakistan rupee has depreciated at historic low level. Pakistan has been facing pressure on current account front as well as fiscal front.

2.1) Neck-breaking inflation

Balance of payment crisis has triggered the record inflation in the country. It is more than 40% for past few months.

2.2) Depreciation of rupee

Pakistan rupee has reached historic low level. It is also because of balance of payment crisis.



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2.3) Current Account Deficit

Moreover, Pakistan has seen high increase in import bill. It has compelled government to put ban on imports in order to reduce the current account deficit. Ban on imports has affected several industries. Several industries have even left the country because of ban on imports.

2.4) Fiscal Deficit

Lastly, balance of payment crisis has also triggered the fiscal account deficit. The difference in income and expenses has led to this. Because of balance of payment crisis, there is little confidence among investors, leading to the decrease in foreign direct investment.

3) Critical Evolution of IMF Bail out Chances

Pakistan and IMF have a history of strained relationship. Not even single IMF programme has been able to complete in the country. It is

both blame each other. Pakistan blames IMF for hard plans, difficult to fulfill. While, IMF blames Pakistan for not fulfilling the plan completely. However, this time, IMF is being tough on Pakistan because West does not need Pakistan in Afghanistan anymore. Moreover, IMF is also blaming political instability in Pakistan.

3.1) There are high chances that IMF will bail out Pakistan

These are likely chances that IMF will bail out Pakistan. It is because Pakistan government has assured leading institution that it would fulfill the conditionalities of the deal. And the manifestation of this is evident from price hike in petroleum products and other essential products.

3.2) Pakistan has no other option but to capitulate. Pakistan has no better option than the IMF for getting dollars and averting looming crisis of default and avoiding balance of

payment crisis. IMF will also believe Pakistan. It has also demanded to take pre-deal measures for securing the deal. These conditionalities have been agreed and implemented by Pakistan.

4. Other policy options for Islamabad

Islamabad must keep the ban on imports continue until the deal is secured. Islamabad should also approach other lending institutions like ADB and friendly countries.

4.1) Ban on imports should be maintained until the deal is secured

Although, it is extremely crippling for Pakistan's economy. However, there is no other option but to continue ban on imports. It would help saving dollars and paying for extremely important deals.

4.2) Approach other institutions and friendly countries
Pakistan should approach other

leading institutions like Asian Development Bank and World Bank. Islamabad should also seek bailout from friendly countries to avert looming crisis of default.

5) Conclusion

In a nutshell, Islamabad will most certainly be able to secure the IMF deal. It is because Pakistan does not have better option, but to approach IMF. Moreover, Pakistan should try and improve the engine of growth in order to avert such crisis again. Islamabad can also approach other leading institutions and friendly countries for help.

39: 17: 36

Q#05 :- How do you see the increasing rapprochement between Kingdom of Saudi Arabia and Iran? Also analyze its socio-political implications in the Middle East and Pakistan. What measures would you recommend for Islamabad to follow

Answer # 05.

1 - Introduction

The rapprochement between the two power houses in Middle East is great for cooperation for the Middle East region and other regions also. The KSA - Iran deal will change the chessboard of Middle East in terms of socio-political implications. It is even evident from the closeness of the two countries that secret games of diplomacy has been ignored and cooperation, liberal approach to peace has been adopted. Pakistan had been in dilemma of choice to either choose KSA or Iran. However, this dilemma of Pakistan is over. Now Pakistan can seek cooperation with both countries without any caution.

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2) KSA - Iran closeness: Peace for Middle East and other regions like South Asia

The closeness between two arch rival is great for Middle East and other regions. It would be sigh of relief for the countries like Pakistan.

2.1) Peace in Middle East and end of proxy wars

Hopefully, the closeness between KSA and Iran would establish lasting peace in Middle East. Because most of the instability has been intensified because of rivalry of these two countries. However, it would be sigh of relief in Yemen, Syria, Iraq and other countries. These countries have also bore the brunt of rivalry of these two countries.

2.3) Economic activity would increase in the region

It would also improve the economic activity in

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The region which is evident from the fact that the two countries have resumed previous trade regimes.

3.3) Peaceful trade along Strait of Hormuz

The peace between the two states also suggests that there would be peace along the strait of Hormuz. States would not have to worry about safety.

3.4) Energy Market : Stability

There would be no more illegal trade of oil if the two countries decide to work on this front. It would bring stability in the region.

3.5) Set-back for Israel

The leaders of Israel have already reacted that the deal is failure of their diplomacy. It is because peace among Muslim Ummah means any future step against Israel in Jerusalem.

4.1) Socio-Political implications on Middle East and Pakistan

It would increase cooperations in energy sector, culture, religion and most probably for the interests of Muslim Ummah. It would also be unlikely chances of increase in sectarian crisis and terrorism in Middle East as well as Pakistan.

4.1) Cooperation in energy Pakistan can now without any hesitation complete Iran-Pakistan gas pipeline. It would also increase cooperation in Middle East on energy front, bringing stability in the market.

4.2) Cooperation in culture and religion

All countries in Middle East can increase cooperation on cultural and religious front. It would increase ties among Muslim Ummah. Pakistan can also benefit from this because Pakistan's citizens reside in both countries.

4.3) Protecting interests of Muslim Ummah

The unity of these two countries would be instrumental for the unity of Muslim Ummah. The two countries' cooperation would benefit all countries in Middle East and Muslim countries in other regions.

4.4) Likely reduction in Sectarian Crisis and Terrorism

Both countries have been responsible for exporting sectarianism, as reported by media. It would put an end on the sectarian crisis. Moreover, the two countries supported proxy groups in past. However, their unity would also put an end on this. Pakistan will also benefit in the same way.

5) Measure for Islamabad in context of KSA-Iran deal

Pakistan is finally out of dilemma of balancing the relations between two states.

However, now Islamabad should focus on building coalition with the two states. Iran-Pipeline should be completed from Pakistan and it should be made functional. Furthermore, Islamabad should increase cultural ties with both states. Pakistan should also play a role of keeping the two states together. Moreover, Pakistan should also increase trade volume with immediate neighbour (Iran). Lastly Pakistan should play role to help Iran get off the sanctions imposed by the United States of America.

6) Conclusion

The peace between USA-Iran is welcome deal for not only Middle East. It will also have positive repercussions for Pakistan and other regions. It will be better in strategic context as well as economic context. The liberal approach adopted by the two states will help the region come out of shocks of proxy war between the two countries. Lastly, it has changed the socio-

political chessboard of the whole Asia. Most of all, this deal is a sigh of relief for Pakistan. As Pakistan has been spared from the choice of choosing only one at least from the Middle East. However, Islamabad remains in worry on global level. When it comes to the choice of China (who has massively invested through CPEC) and the United States of America (which controls the leading institution and provides Pakistan, the offense technology).

37:46.97

Q#07:- Critically evaluate the implications of Ukrainian war on Pakistan. What options do you see for Islamabad to follow in its relations with Russia

Answer # 07

1- Introduction

February 24 marked the beginning of Ukrainian war when Russian troops entered in the territory of Ukraine. The war came as a shock for

the whole world. This war has two-fold implications on Pakistan. First implication on Pakistan is on strategic context and second implication is on economic front. It has changed the socio-political scenario of the whole world. As West is committed to contain Russia. While Russia is committed to stop the expansion of NATO eastwards.

2) Critical evaluation of Ukrainian war's implication on Pakistan

This war has triggered the shocks on economic front. It has increased inflation in the whole world. Moreover, it has also changed the political scenario. Now states like Pakistan are being forced to condemn Russia for its actions in Ukraine.

2.1) Economic implications on Islamabad

Pakistan has witnessed the historic inflation due to this conflict. Inflation has crossed 40%, which is highest in the state's history. This conflict has disrupted the global trade. As Ukraine

is one of the exporters of essential items for the world. Moreover, Russia is an energy exporter for Pakistan. Islamabad buys some energy chunk from Russia, which has been stopped due to the conflict.

a) Global inflation and Pakistan
Pakistan has been badly affected by the Ukrainian war. As the global inflation has spiked, Pakistan is facing difficulty in paying for expensive products. (Pakistan was already facing balance of payment crisis) however, this conflict intensified the situation for Pakistan.

b) Disruption in global trade: Ukraine being the exporter of essential items

This conflict has disrupted global trade. It has created difficulty in movement of goods. Pakistan is also facing the issue of getting goods on time. Moreover, Ukraine was one of the exporters of essential items for the world. However, the conflict has stopped the export of essential items. Pakistan also imported

certain essential items from Ukraine. However, this war has stopped regular flow of goods. It has triggered spike in the prices of essential items.

c) Energy import from Russia decreased, leading to increase in the prices

Pakistan also imported some chunk of energy from Russia. However, this was stopped due to the sanctions imposed upon Russia. Pakistan had to move to other countries. Until that time, Pakistan witnessed the increase in prices.

3) Implications for Islamabad on Strategic front

Islamabad has always managed to take a balancing approach. Sometimes, it succeeded and sometimes, it failed to maintain balancing act. However, this time Pakistan was formally asked to condemn Russia through diplomatic channels. Pakistan Prime Minister's presence in Russia on 24 February

complicated the situation further for Pakistan.

3.1) Dilemma of "Balancing Act"

Pakistan was involved in dilemma of balancing act when the conflict began. Pakistan was asked to condemn Russia on multiple occasions. It was asked to choose either ally of Beijing or West, which controls leading institutions.

3.2) Challenge to foreign Policy of Pakistan

Pakistan wants to keep good relations with the whole world. However, the closeness of Pakistan with China naturally pushes it to keep good relations with Russia also. However, West, led by the United States of America controls leading institution. So Pakistan needs to maintain neutral policy at this time. It is difficult for Pakistan's foreign policy makers. # Thus, it is a challenge for Pakistan's foreign policy.

3.3) Pakistan's quest for economic sustainability

Pakistan faces dilemma of maintaining normal ties with West in the wake of Russo-Ukraine war. If Pakistan is buying Russian oil, it is west which is being antagonized. If it is choosing West over Sino-Russia, it is undermining CPEC. Pakistan's quest for economic sustainability is at the stake due to this conflict.

4) Options to follow with context to Pakistan's relations with Russia

At this time, Pakistan cannot afford to openly keep warm relations with Russia. However, Pakistan can keep the act of neutrality at this time by informing the world that Pakistan does not want to be party to any conflict.

4.1) Avoid "Real-politik" in relation with Russia
Pakistan should avoid traditional

power politics with Russia in terms of bloc politics. However, Pakistan should have same socio-cultural ties with Russia. It is because Russia is a Veto power in UN and founding member of SCO and key state in NSG group.

4.2) Involved in secret diplomacy and assure Russia
Pakistan should secretly approach Moscow and inform it that Pakistan will keep supporting Russia. However, Pakistan also cannot antagonize West at this time.

4.3) Increase economic relations
Pakistan should find more avenues of cooperation with Russia, in order to increase cooperation between the two states. Increase in trade volume will naturally increase cooperation.

5) Conclusion
Pakistan is facing challenges on economic front as well as strategic front due to the conflict.
Pakistan is again involved in dilemmas of 'choosing one'.

However, Pakistan needs to maintain neutrality at this time. Lastly, Pakistan should cautiously keep any development in relations with Russia.

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Q#06:- Being the immediate neighbor it is important for Pakistan to keep good relations with Iran. Critically evaluate the hurdles and identify opportunities for Islamabad and Tehran to establish comprehensive engagement with each other.

1) Introduction

Pakistan and Iran share long border and both states have maintained to keep cordial ties. However, the relations can be improved in many areas. There are various opportunities as well as hurdles. However, both countries can come closer, if they cooperate in economic means.

cultural means as well as strategic means. A close glance of the convergences and divergence can prove that there are ~~ten~~ few hurdles while more convergences or opportunities.

2) Hurdles and Divergence of interest between two countries' relations

There are various hurdles to the relations between Pakistan and Iran. They are as follows:

2.1) Sectarianism and Revisionist nature of Iran

Iran is generally blamed by some sections of Pakistan's society that Iran exports the sectarianism. There were some evidences of this argument also when some teachers on Pakistan - Iran border area were propagating their scheme of Islam. This seems to be one of hurdles and divergence between the two state's relations.

2.2) Divergent policy on Afghan issue

Iran follows different policy in Afghan issue than Pakistan. Iran does not support Taliban, as they are blamed by Tehran that they are generally involved in oppression against Shia population. However, Pakistan continues to support Taliban on various fronts.

It is also a hurdle and divergence of interest in relations of the two states.

2.3) Proxies of Iran

Iran is also blamed for sponsoring proxy war and supporting some wings of terrorist organizations. These proxies have also conducted attacks against Pakistan. So, it is another divergence of interest.

2.4) India-Iran nexus

Pakistan is also worried about the nexus of India and Iran.

As India uses Iranian border for sending raw agents to

Pakistan. Kulbhushen Yadav is evidence of this claim. Moreover,

India was also establishing the Chah-bahar port near Zohidan.

It is few miles away from Gwadar port. It would

have undermined CPEC. So, Indian closeness with Iran is also a matter of worry for Pakistan.

2.5) Sanctions on Iran and its antagonistic relations with the USA

After the withdrawal of the USA from JCPOA, (Joint-Comprehensive Plan of Action) Pakistan and other countries were compelled to cut ties with Iran. Same happened when the USA imposed sanctions on Iran. This is yet another hurdle in relations between the two states.

2.6) Iran-KSA relations

The relations between two countries were not well. It was dilemma for Pakistan to choose either Iran or KSA. The example of this can be found when KSA asked Pakistan for troops in Yemen against Iran.

3) Opportunities or Convergence of interests between the two States

There are various convergences and opportunities which can further improve relations between

two countries. They are defined below.

4.1) Convergence in trade

The two countries can improve trade by involving in the barter system despite the sanctions on Iran.

4.2) Cultural roots : an opportunity

Both states enjoy cultural ties. So many Pakistanis reside in Iran and various Pakistanis in Pakistan love Iran because of sect: Shia. It is another opportunity which can help two states improve ties.

4.3) Religion : Islam and OIC

There is similarity in the two countries. Pakistan and Iran have always tried to work for the interests of Muslim Ummah. Religion and OIC is a strong unifying bond between the two states.

4.4) RSA - Iran deal mediated by Beijing

The deal between RSA and

Iran has come as a blessing for Pakistan. As Pakistan has to no more try 'balancing act' in relations between the two countries: KSA and Iran. Moreover, it is more important that China is getting closer to Iran which will improve the standing of Pakistan - Iran and China on international arena.

4.5) Pak-Iran gas pipeline and Energy rich Tehran.

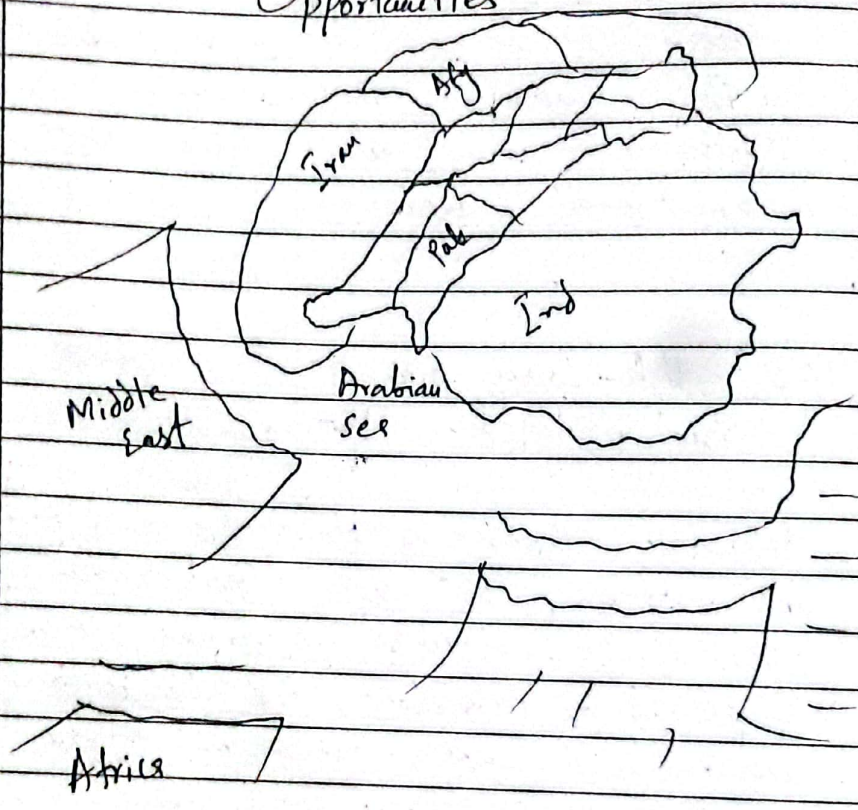
Pakistan should complete gas pipeline in order to get gas from Iran. It would decrease the expenses of Pakistan. As Pakistan currently buy gas from Qatar. Qatar is away as compared to Iran. It would save Pakistan's transportation cost and Pakistan can uplift its people by providing cheap gas.

4.6) Cooperation through ECO

The two countries are also members of ECO (Economic Cooperation Organization). This organization is also an opportunity and convergence of

interest. As the two countries along with other member states sign Free Trade Agreements.

Opportunities



1. Trade
2. Culture
3. Religion
4. KSA - Iran
5. Iran - Pipeline gas
6. ECO

5 - Conclusion

There are more opportunities than the challenges to the relations of two states.

The hurdles can even be eliminated with the more cooperation. Specifically, through the ECO and involvement of China in the equation in Middle East. Lastly, the KSA-Iran deal will be blessing which will improve ties of the Pakistan and Iran.

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