

Q. No. 3 What measures would you suggest to improve the economy of Pakistan particularly in the areas of debt reduction and enhance export capacity? (CSS 2016)

1) Introduction:

Pakistan's economy is in doldrums. It is grappling with high inflation, more expenditure, depreciated currency and colossal foreign debts. This condition of the economy can be improved in area of debt reduction through some policy measures. The soaring national debts can be tackled through broadening tax base, negotiating with lender agencies, introducing economic reforms, documenting informal economy and others. Similarly, through some pragmatic steps, the export capacity can be enhanced. It includes value addition of products, capacity building of production sector, introduction of entrepreneurship and several others. In brief, the economy of Pakistan can be improved through some policy measures in areas of debt reduction and enhance export capacity.

2) Current status of economy in Pakistan:

The current status of Pakistan's economy is rather cumbersome. Colossal foreign debts such as from the IMF and friendly countries, artificially adjusted foreign reserves, skyrocketing inflation, budget deficit, trade imbalance, low investment, depreciated currency,

~~and~~ prevailing circular debt and energy shortage. These conditions paint a gloomy picture of the country's economy. Therefore, some doable initiatives are indispensable to steel the nation out of this perfect economic storm.

3) Measures to improve Pakistan's economy in area of debt reduction:

a) Negotiation with lender agencies:

When Pakistan faces economic crunch, the country seeks the help of financial institutions of the world like World Bank, the IMF or goes for the assistance of friendly countries like Saudi Arabia, the UAE, China and Qatar.

Nevertheless, the lender agencies - IMF and World Bank - attaches some conditions to lending countries as security measures. Those conditions create economic pain like inflation. Therefore, Pakistan needs to negotiate with lender agencies over their conditions and some relaxation to gather economic momentum.

b) Structural economic reforms:

Pakistan's economic governance is in abysmal condition. It needs complete overhaul. According to Dr. Ishrat Hussain, unless Pakistan carries out structural economic reforms, the

of economic governance of the country will remain in abysmal condition. (Book: Governing the Ungovernable). The country needs to carry out some painful reforms in order to remedy the ailing economy. Taxation, documentation of economy, digitalization and creation of small and medium enterprises are need of the day. This can help reduce debts in the long run.



c) Broaden tax base:

Unless Pakistan broadens its tax base, the economy of the country will not improve. Bringing all sectors in the tax net will increase national revenue that can help reduce debt and reliance on lender agencies. According to S. Akber & Zaidi, a renowned Pakistani economist, Pakistan's economy can only improve when the government leave no stone unturned in expanding the national tax base (Article for Daily Dawn: "The IMF as saviour?"). Thus, broadening the tax base can facilitate the country to reduce debts.

d) Documentation of informal sectors/economy:

There are a number of economic entities, activities and agencies which are not documented. They evade taxes. Bringing

informal sectors in national taxation net can help increase national revenue. Smuggling and other illicit means are used to bolster informal economy which creates more economic pain. Therefore, documenting informal economy can be helpful to reduce the country's debts.

e) Formal channalization of remittances:

Remittances add to national economy approximately **27 billion** dollar for fiscal year 2023 and **31.3 billion** in 2022. If remittances are received through formal channel of government it not only improves the volume of remittances, but it also helps meet the foreign reserves balance. Thus, Pakistan does not need to lend from world financial institutes provided that remittances are formally received. It thus helps reduce national debt.

b) Inviting foreign direct investment:

Foreign Direct Investment can give a life-saving medicine to Pakistan's ailing economy. Recently formed **Special Investment Facilitation Council** is aimed to invite more investment in the country. China has already invested a large volume of about more than 60 billion dollar under the CPEC, but SIFC initiative can

bring more investment. Saudi Arabia pledged to invest 25 billion dollar under SIFC initiative. Similarly, there are other Gulf countries which are willing to bring approximately 100 billion dollar investment in the country. Thus, it can reduce Pakistan's foreign debt.

4) Measures to improve Pakistan's economy in area of enhancing export capacity:

a) Value-addition of products:

In this competitive world, value-addition of products is *sin qua non* to bolster export. In international markets, a variety of products come from different countries. Only those products receive the attentions of consumers which are value-added. The current status of products in the country has discouraged export. Therefore, for enhancing export capacity, it is indispensable to produce value-added products.

b) Capacity building of production sectors:

Without capacity building of production sectors like industry and agriculture, Pakistan's export will not improve. Generation of more products along with value-addition can revolutionize the country's export. Recently agriculture sector is contributing 21 per cent to national GDP, but it can improve with capacity building. Thus, sectoral capacity building can improve Pakistan's economy as it bolsters export of the country in the long run.

c) Small-and-medium (~~SME~~) Enterprises (SME):

The export of the country can be enhanced through small and medium enterprises. Major economies of the world like the US, China and Japan have aggrandized small and medium enterprises which have enhanced their exports. As Ishrat Hussain writes in the book "Evening the Ungovernable" that small-and-medium enterprises can greatly facilitate the local investors to participate in economic activities, it thereby eggs on export of the country.

d) Introducing technology:

In this digital world, technology can also help increase exports of the country. Technology not only boost the efficacy of different sectors, but it also augments exports through facilitating producing new products and tech parts in the country. For example, recently India has become the fifth largest economy of the world only because of technology. If Pakistan introduces technology in its different sectors, it can enhance the export capacity of the country.

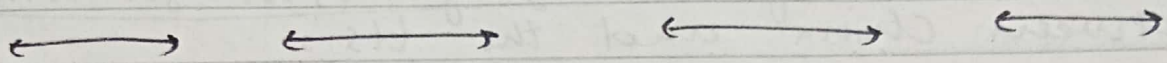
e) Regional connectivity and commercial intercourse:

Under its new geoeconomic vision, Pakistan is committed to regional connectivity, mutual trade, infrastructure development and commercial intercourse with regional countries. It can greatly help Pakistan to harness its geo potentials of its geostrategic location and the CPEC projects. According to Aizaz Ahmed Chaudary, former foreign secretary secretary of Pakistan, geoeconomic policy of Pakistan

can uplift the country's export as it takes regional countries into account. However, improved relations is necessary to cultivate trade ties.

5) Conclusion:

In conclusion, the economy of Pakistan is in abysmal condition. Therefore, a number of measures are needed to improve the economy particularly the areas of debt reduction and enhance export capacity.



Q. No. 7 : Examine the emerging strategic competition between the US and China and its impacts on global order? (CSS 2016)

1) Introduction:

The US and China at daggers drawn over a number of geostrategic, geoeconomic and geopolitical issues. The emerging strategic competition has reached at a dangerous pace. Both superpowers are competing to modernize their military, increase influence at maritime belt, advance in technology, create alliances, increase the sphere of geopolitical influence and others. This emerging strategic competition can affect the global order in various ways. Global institutions, strategic stability, trade, power equation, technological development, model of development and other areas of global order will face the onslaught of great power rivalry.

2) Great power rivalry — China vs the US

The deteriorating relations between the US and China has set the stage for great

Power rivalry. Both countries are competing to wield influence in global economic, political, ideological and technological structure. The fundamental of this competition is that the US wants to protect its architected liberal world order and to be the only global super power while china is competing to have space in existing world order or completely reshape it. Thus, it has resulted in great power rivalry.

3) The contours of emerging strategic competition between china and the US:

a) Military modernization:

The US and china are competing to modernize their respective military. Developing military capability equips them to wield more influence through hard power. Use of Artificial Intelligence and computing in military by both powers have increased tensions. It can result in war if there is any strategic miscalculation.

b) Technological advancement:

Technological advancement is another contour of the US - china emerging strategic competition. Both powers have been in quest to have upper hand in technological domain. Technological supremacy — 5G, Artificial Intelligence, and cybersecurity — is the most critical domain of both powers' competition. Recently, it has resulted in "chip war" as the US is trying to control china's access to semiconductors.

c) Maritime domination:

Another emerging strategic competition contour between the US and China is the efforts to dominate maritime belt. As per Sea Power theory, any state controls sea can control the world. Therefore, the US and China are struggling to have dominant position at maritime sphere. It can be seen in the US' "Indo-Pacific policy" which encompasses alliances such as Quad and AUKUS to contain China. On the other hand, China by its policy of "String of Pearls" or "One Belt, One Road" initiatives.

d) Shifting power equation:

The US has long been the hegemonic power of the world. However, rising China seems to be a counterweight to the US existing power position. The rise of China can shift global power equation. It can be seen in emerging bloc politics between both powerful countries at the recent times. The world is rapidly being divided between the US and China, so a bloc politics or bipolar power structure will be the new norm of existing geopolitical structure.

e) Offering different "Model of Development" — Washington consensus vs Beijing consensus:

As the US and China are competing in different domains, both powerful countries are offering different models of development. The US has long endorsed and developed the Washington consensus policy of free trade, openness and dollar in international trade. However, Beijing consensus allows for alternative to dollar

and different economic development methods. In brief, both super-powers are extending different model of development and competing in this area.

4) The impacts on global order of emerging the US - China strategic competition:

a) Polarization of global institutions:

The UN, IMF and World Bank are the bedrock of existing global order. Growing US - China strategic competition can create division in global political, diplomatic and financial institutions. Polarization of global institutions can create challenges for global multilateralism, and globalism. As a consequence, nationalism will supersede globalism in international politics.

b) Acceleration of the phenomenon of regionalism and deglobalization:

Globalization is the lifeblood of existing world order. Neoliberal economic order and multilateralism in diplomatic realms have been made possible through globalization. However, growing trade war and economic decoupling of the US and China can arrest the tides of globalization and ~~spin~~ spin out the wheels of regionalism. It can be seen in growing importance of SCO and BRICS at the recent times.

c) Death-Knell to economic interdependency:

With deglobalization, economic interdependency also meets a death-knell owing to growing strategic competition between the US and China.

As free trade and economic interdependency is one of the pillars of existing world order, the US-China competition will erode this norms.

e) Erodes rule-based international system:

The existing world order is erected on the footing of ruled-based internationalism. However, global norms, principles, international law and agreements will receive a powerful blow if the US and China do not see eye to eye over them. The growing strategic competition can erode the rule-based international system.

b) Ideological fissure:

As the world order is based on liberalism, the growing power struggle between the US and China can create ideological fissure in international system. With fall of USSR and communism, Fukuyama prompted to proclaim the victory of liberalism in a research article "End of History". However, "socialism with Chinese characteristics" has gained currency in international political economy at present. Thus, growing strategic competition can challenge the existing international system through creating ideological division in the world.

5) Conclusion:

It has been noted that China and the US are at loggerhead over a host of issue. The emerging strategic competition between both powers can deeply impact the existing world order in various ways. Therefore, diplomatic engagement can build trust to remove irritants in their bilateral relations.