

Date: _____

Current Affairs

Day: _____

Question no. 4

Introduction :-

Saudi Arabia and Iran are deemed as two most important middle eastern countries that are of immense importance to the world and particularly to Pakistan. Despite having similar ideologies of Islam, Iran and Saudi Arabia historically have been potential rivals of each other which not only impacted their region but had far reaching impacts all over the world. However, since the normalization of ties between Iran and Saudi Arabia mediated by China paved the way for a better future of the region with less flashpoints and prevailing peace. Amidst this, Pakistan has to remain wary of potential benefits as Pakistan would also have far reaching impacts of rapprochement between Iran and China!

Normalization of Ties Between Iran and Saudi :-

One of the most important events of 2023 has to be the normalization of ties between Iran and Saudi Arabia mediated by China on 10 March 2023 in Beijing, China.

Iran - Saudi Rivalry - A Bone of Contention for Peace in the world :-

Iran and Saudi Arabia have been potentially rivals of each other. However, their relationship took a downslide in 2016 when Saudi Arabia executed a Shia cleric which erupted huge protests in Iran. Iran, in reaction, stormed the embassy of Saudi in Tehran. The heightened tensions led Saudi to call its ambassador back and formally Iran and Saudi ties were cut off.

(a) Iran as revisionist state and Saudi as Status Quo :-

Iran and Saudi have been strategic rivals of each other where Saudi strives to maintain its hegemony and takes all possible measures to maintain its status quo. On the other hand, Iran has been a revisionist state who wants to acquire its glory and for that, Iran has been penetrating in Middle East through its proxies like those Yemen, Lebanon and Syria.

(b) Exploiting the Sectarian Ideologies :-

Both Iran and Saudi Arabia have exploited the sectarian ideologies to pursue geo-political interest. They supported religious ceremonies which itself was involved in hate speech literature across Middle East and Pakistan.

Restoration of Diplomatic Ties : Advent of a New Age

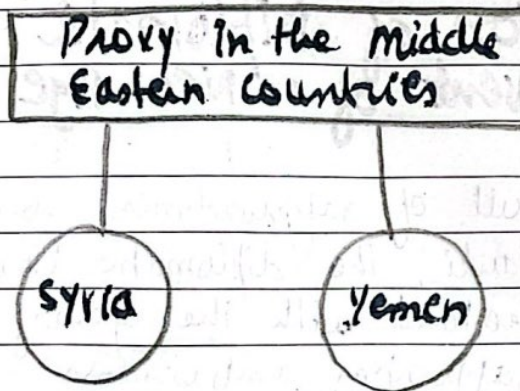
As the result of rapprochement between Iran and Saudi, the diplomatic ties formally have been restored with the opening of embassies, appointing ambassadors, foreign ministers meetings and invitation of head of states to visit each other country.

Restoration of Socio-Economic Relationship :-

Along with diplomatic ties, socio-economic relationship have also restored as ban over the restriction of pilgrimage was removed to visit each other holy place. Additionally, both the countries showed their resilience and zeal to revive the two decades old agreements that had been strained. Along with Saudi, other Middle Eastern countries have welcomed Iran to GCC.

Iran - Saudi Mediation and its implication on the Conflicts of Middle East

Iran and Saudi Arabia have both been involved in proxies in number of Middle Eastern countries which has potential to get resolved through the normalization of ties.



(1) Syria :-

Syria has been in conflict since 2016 when the civil war in Syria broke out displacing millions of people and killings of civilians. Proxy in Syria was fought where Saudi Arabia supported the rebels of Syria such as Free Syrian Army and Al-Nusra. Whereas Iran supported the government of Bashar al Assad. However, due to normalization of ties, Syria has witnessed decline in civil war and sectarian violence along with Assad invited in Arab League almost after a decade.

(2) Yemen :-

Other than Syria, Yemen has been the victim of deadliest proxy war in which Iran supported the Houthi rebels whereas Saudi supported the government of Abdrabbuh Mansur Hadi for their own interest. But the ongoing negotiations would help in diffusing conflict in Yemen. Already government and Houthi rebels announced ceasefire but also extended it till 2035.

Major Impacts of Rapprochement on Pakistan :-

Pakistan would not only have positive impacts of normalization of ties in internal dynamics but also in foreign policy of Pakistan.

(1) Impacts on the Internal Dynamics :-

Pakistan have been worst impacter of sectarian violence. There are series of sectarian militant groups working across Pakistan including Lashkar-e-Tangai, Sipah-e-Sahaba, Sipah-e-Muhammad etc. They are involved not only in producing sectarian hate literature but also in carrying out attacks through out Pakistan. The rapprochement would result in

decline of sectarian violence: as both the countries would not fuel up the violence. They would not support sectarian hate ideologies, would not provide them with funds and would diffuse sectarian hate literature. Thus, internal dynamics would have astounding positive change.

(2) Confusion of Foreign Policy would eventually subside :-

Pakistan foreign policy had always hung between USA and China rivalry and Iran - Saudi rivalry since four decades. Whether Pakistan should send its troop to Yemen antagonizing Iran or Pakistan should maintain its cordial relations with its immediate neighbour Iran and earn Saudi's grace. Both the countries are of immense importance to Pakistan causing unavoidable confusion as Pakistan had always maintained strategic partnership with Saudi whereas Iran and Pakistan also maintain cordial relation. Therefore, rapprochement between Iran and Saudi would lay the confusion to rest as Pakistan would not need to choose between both of its strategic partners.

(3) Positive Impacts of Rapprochement on Pakistan :-

Following are few another positive impacts of normalization of ties between Iran and Saudi Arabia on Pakistan :-

- (a) Saudi Arabia has officially become partner of CPEC and Iran as well. This will join Pakistan to both Iran and Saudi Arabia on the platform of CPEC.
- (b) Relationship of Middle East would not be good by cutting off Iran but by establishing relationship with Iran which would lead to a new era of coordination.
- (c) Pakistan would get opportunities to work on Iran-Pakistan gas pipeline with apparently reduced pressure from Saudi Arabia.
- (d) Defense relationship that Pakistan have with Saudi would also be established with Iran especially naval alliance.
- (e) Pakistan would also get opportunities to make Gwadar and Chabahar as sister ports.

Conclusion :-

Iran and Saudi Arabia have been strategic rivals of each other since a long history. This always led to the disruption of peace not only in Middle East but also in number of countries including Pakistan. Pakistan would have a strategic change in its internal politics but its foreign policy confusion would also be laid to rest. Therefore, the normalization of ties mediated by China has its impact far flung and in Pakistan.

Question no. 7

Introduction :-

Trade deficit refers to the phenomenon when the country is importing more goods and services than what it is exporting. There are twin major economic problems: Trade deficit and balance of payment crisis and Pakistan is going through both. More than 50% of trade deficit of Pakistan is because of the import of the hydrocarbon and energy sector remains the sector because of which Pakistan faces extreme trade deficit. Therefore, it would be suffice to say that Pakistan's socio-economic future is directly linked with reforms in the power sector.

The Plight of the Trade Deficit :-

Pakistan has faced economic crisis multiple times which have led Pakistan to go to IMF (International Monetary Fund) 23 times including the last economic package taken in 2023. Pakistan is facing two big problems of economy: Budget deficit and Balance of Payment crisis and under balance of payment crisis, the huge chunk is taken by trade deficit.

- Stats of the Trade Deficit as per State Bank of Pakistan :-

In FY 2021-2022, the total trade deficit was about \$44 bn with exports being \$36 bn and imports \$8 bn.

In FY 2020-2021, the trade deficit was about \$41 bn.

Since last decade, the average of Pakistan's trade deficit is around \$35 bn. and since 2000, there is exponential increase in trade deficit.

Reasons for Trade Deficit :-

There are two most important reasons for the exponential increase in the trade deficit of Pakistan.

(1) Weak Production :-

Weak production sector has forced Pakistan to import more and ~~export~~ export less. This has made Pakistan an import-based economy. Weak production in sectors such as

| | |
|--------------|-----------------|
| (a) Industry | (b) Agriculture |
| (c) Textile | (d) Livestock |

(2) Import of the Hydrocarbon :-

The another reason for the huge trade deficit is because of hydrocarbons. More than $\frac{1}{4}$ th of the total import is of hydrocarbon and more than 50% trade deficit is due to hydrocarbon.

Energy Crisis in Pakistan and Import of Hydrocarbon

Pakistan is an import-based economy and half of the chunk of import has been taken by hydrocarbons which reveals the crisis of energy as a looming shadow on the economy of Pakistan. 500000 barrel oil is needed regularly.

Maximum 33% of the electricity of Pakistan is produced, however, rest has to be imported which make hydrocarbon the 50% imports of the total import.

Import of Hydrocarbon in FY 2021 - 2022 :-

In the FY 2021 - 2022, Pakistan had to import \$23 bn worth of hydrocarbon because only 33% of electricity is produced in Pakistan and rest 60% electricity has to be produced by the imports of the hydrocarbons.

Reasons For Hydrocarbon Imports :-

Following are the required that has to be fulfilled and because of these, hydrocarbons have to be imported.

- (1) Transport sector
- (2) Industrial sector
- (3) Domestic requirements
- (4) Commercial requirements

All has the dire requirement of hydrocarbon which reveals the looming energy crisis in Pakistan. Therefore, reforms in the energy sector is directly linked with socio-economic future of Pakistan.

Recommendations for the Reforms in Energy Sector of Pakistan :-

Following reforms should be considered to revolutionize the energy sector of Pakistan because the future of socio-economic development of Pakistan is linked energy sector of Pakistan.

(1) Realizing the true Essence and Potential of CPEC :-

The China-Pakistan economic corridor is the largest foreign investment in the history of Pakistan. The BRI initially valued at \$46 bn, but now it is worth of \$62 bn as of 2017. The CPEC is observed to have invested \$ 33 bn in energy projects in Pakistan. It aims to add some 17,000 mw of electricity generation in the national grid of Pakistan. Therefore, Pakistan should realize the true potential of CPEC and get energy benefits from those projects.

(2) Less Expensive IPP Projects :-

Pakistan has very expensive projects and agreements with IPP which leads to

unprecedented increase in Electricity prices. Therefore, Pakistan needs to enter in less expensive agreements with IPP.

(3) Energy / Hydrocarbon Imports from other Countries :-

Other than Saudi Arabia and Middle East, Pakistan ought to enter in agreements of imports with other hydrocarbon producer countries including Iran and Central Asian countries and Caspian region.

Conclusion :-

Trade deficit is one of the major factor that leads Pakistan to get trapped in the vicious cycle of Balance of payment crisis. Among this trade deficit, 50% of the chunk is booked by the imports of the hydrocarbon which reveals the dire situation of trouble for the energy sector of Pakistan. Thus, if Pakistan makes investment and reforms in the energy sector of Pakistan, it would lead to the socio-economic development of Pakistan by reducing trade deficit and increasing production.

Question no. (9)

Introduction :-

Belt and Road Initiative program has been launched by China to strategically broaden its area of influence and exponentially increase its economy and hegemony in the world. China-Pakistan Economic Corridor is the flagship project of BRI which comprises of collection of infrastructural projects currently under construction throughout Pakistan. China Pakistan economic corridor has completed ten years since its inception and it has benefitted Pakistan immensely. However, there are some failures of CPEC that China and Pakistan could not address efficiently.

China-Pakistan Economic Corridor : A Flagship Project Under BRI :-

The China-Pakistan economic corridor, the largest foreign investment in the history of Pakistan, is the collection of infrastructural projects currently under construction throughout Pakistan. It is the part of the great BRI initiated and launched by Chinese government a decade ago and whose 10 years anniversary was celebrated in Beijing.

China where Pakistan's Prime Minister Nawaz Sharif gave speech and addressed the success stories of CPEC.

Project Intention of the CPEC :-

CPEC which was initially valued at \$46 bn is now worth of \$62 bn as of 2017. The project intention of CPEC is to rapidly upgrade Pakistan's important infrastructure and strengthen its economy by the construction of energy projects, special economic zones, sea ports and transportation networks.

Success Evaluation of CPEC :-

(1) Growth and Employment Opportunities :-

CPEC has facilitated the growth and employment opportunities in Pakistan through the development of energy project and 9 special economic zones. The Atama Iqbal economic zone Faisalabad will be the largest economic zone of Pakistan with more than 400 industries. The installation of local projects will result in decline in trade deficit and pave the way for growth and employment opportunities.

(2) Regional Connectivity :-

CPEC has transformed into a transit corridor as it has focused on many ways of regional connectivity including transport infrastructure, energy hubs, logistic hubs, trade and commerce and peace and development.

(3) Socio - Economic Development

CPEC has resulted in the socio-economic development of Pakistan as it focused on the core socio-economic problems of Pakistan. They revolutionized this by poverty alleviation, educational opportunities, medical treatment and water supply.

(4) The Development of Gwadar Port :-

Until CPEC, Gwadar was neglected port and its potential was not realized but CPEC has developed both the Gwadar port and city by the establishment of the sea port, special economic zone of Gwadar, underconstruction International airport and small dams along with coal projects and opening of Pakistan based universities.

(5) Enhance Security and stability of the region :-

CPEC has enhanced security and stability of the region by fostering good image of Pakistan. Pakistan under CPEC worked on its security vacuum and transportation projects helped Pakistan to get connected with Middle East, African countries and land-locked Central Asian Republics.

(6) Increased Diplomatic Status of Pakistan :-

Along with fostering stability in Pakistan and transforming Pakistan into a transit corridor, by being part of CPEC, Pakistan has increased its diplomatic status and maintained its good image in the world as a country who would strive for regional and global peace.

Failures of CPEC :-

Despite making a lot of efforts in CPEC, Pakistan and China has failed on various grounds or could not achieve its true potential as envisioned initially. Following are the failures of CPEC :-

(1) Failure to overcome the energy needs of the country :-

Although, Pakistan overcome its energy crisis to the extent that power cuts and issues of loadshedding was declined, however, Pakistan and China due to various factors could not utilize the full potential of energy projects and are still energy importers countries.

(2) Lack of favourable setting in SEZs :-

There is a lack of favourable doing-business setting surrounding SEZs leading to feeble backward integration into the local economy.

(3) Terrorism and Antagonism of India :-

Terrorism and antagonism of India which has tried every effort to thwart the success and goals of CPEC has put hindrances to pave the way of success for China. India has taken a traditional stance over CPEC, associating various claims and concerns of territorial disputes and security issues with the wide-scale developments. It is believed, according to research, that India has been sponsoring terrorist activities in Pakistan.

in order to disrupt the construction of CPEC.

(4) Inability to Address Security Issues :-

CPEC is a huge investment and its security must be ensured. However, Pakistan apparently failed to introduce reforms internally to avoid structural losses and benefits. Reforms were not taken to tackle the issue of production, export-import deficit and creating a conducive environment for investment amongst others.

(5) CPEC could not foster local people of Gwadar :-

Another important failure of CPEC was its inability to foster and integrate local people of Gwadar in the socio-economic development. Even though CPEC envisioned to transform Gwadar as a major sea route along with other economic opportunities, it could not prevail the socio-economic development in the local of Gwadar.

Conclusion :-

CPEC is the flagship project of BRI. comprises of collection of infrastructure projects currently under construction throughout the cities of Pakistan. It aims to strengthen Pakistan's economy, regional connectivity by transforming it into transit route. It was successful to many extent as more than 50 projects of CPEC have established in Pakistan. However, it could not protect itself from the potential failures.

(b) CPEC could not foster local people of Pakistan :-