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Part-II

Q #4

Introduction

The global economy is facing innumerable number of challenges for instance, high inflation, low growth, massive unemployment etc. All of these challenges has exacerbated uncertainty in the global economy. Moreover, the Russia-Ukraine war has given impetus to already present fragile economy. Consequently, this global financial super cycle has brought havoc as well as opportunities for Asian economies and in particular for Pakistan. Furthermore, it is now imperative for Pakistan to adopt prudent economic policy which ^{will} set it toward a path of growth, progress and prosperity.

Why a global financial super cycle

① Post Pandemic

The COVID-19 had devastated the global economy. As almost all demand stopped due to large scale lock-down. Big economies like USA, China, India experienced slow to negative growth. It is estimated that USA lost 8% of its GDP. But after ward when demand peaked. This led to increase in prices.

of all sorts of product.

(2) Russia-Ukraine war

Russia-Ukraine war manifested the global financial crisis. As major European states import oil and gas and other items from Russia but when ban/blockade was imposed the energy market increased its prices. As Europe was now searching for other market. This led to highest inflation in Europe i.e 7% in April 2023.

(3) Soaring Energy prices

Russia was the major energy provider to European countries. But, due to war European in particular western nations are searching for other energy market in particular Middle East. The demand of EU nations are high and MENA region could not cater that demand which led to increase in price.

For example in July 2020 \$23/barrel and now it is \$127/barrel in 2023. Thus demand has increased price.

(4) Low confidence in dollar

US being the world leader is under unsurmountable challenge. It is facing tremendous debt, unemployment and low growth. This has led to low confidence over dollar hegemony. US has a debt of \$32 trillion. The debt ceiling has reached 127 basis point. This has led to speculation

that \$ is not a trusty currency

(5) Fuel Prices

The increase in energy in particular fuel has led to unprecedented increase in inflation. As all things are connected to transportation of good. Thus, when it increases the price also increases of that good.

(6) US vs China

China is emerging as a new player in US led order. It has shown unparalleled growth. US now in an effort to contain china has led to slow to low global development. As both nations do ~~atrocious~~ trade. This confrontation is leading to super commodity cycle. As world is now again being divided into block politics which will hamper global economic gains.

Implication over Pakistan

(1) Inflation:

The super commodity cycle has wreaked havoc on Pakistan economy. The CPI has touched 31.5% (year-year) 2023. This has added a new lower middle class. As per BISP, Pakistani are receiving Rs 37,000 per month which translate into \$ 0.73 a day.

(2) Low growth:

Pakistan has experienced growth in the

last year of 6.1%; this year the growth is 0.25% (Economic Survey 2023). This low growth has led to a commodity super cycle in Pakistan.

(3) Increase in debt

The super commodity cycle has increased the level of debt to a dangerous level. For instance, Pakistan total debt in 2008 was \$6 trillion which has increased to \$53 trillion in 2023.

(4) Falling reserve

Pakistan reserve are fallen to a dangerous level currently the reserve stand at \$70 Billion, of which \$4 Billion are owned by SBP, while the rest are foreign. This cycle has depreciated Pakistan currency to an all time low against \$.

(5) Declining Export

The super commodity cycle has severely dented the export market of Pakistan. For instance major sectors like textile, automobile, small & medium are experiencing negative growth.

(6) Unemployment

This commodity super cycle has compounded unemployment in Pakistan. Like, Pakistan current labour force is 72 million of which 4.9 million are unemployed.

Policy Recommendation

- ① Is advised to invest more in social welfare, i.e. BISP, Ehsas
- ② Find and explore new markets for instance Brazil, and other North American state
- ③ Increase regional trade for instance, complete Iran-Gas Pipe line.
- ④ Explore new avenues of trade in CPEC
- ⑤ Increase Export base of Pakistan by incentivizing various sector of textile, tourism etc
- ⑥ Document informal segment of economy.
- ⑦ adopt tight monetary policy, in term of exchange rate
- ⑧ Make claim for climate refinancing from the developed world
- ⑨ Disincentivize loss making state owned enterprises
- ⑩ Remove subsidies which directly benefit the state
- ⑪ Revamp and restructure the tax department of Pakistan
- ⑫ Restructure various sector of Economy by operating them on Public Private Partnership.

Conclusion

In conclusion, it can be said

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that global economy is under a weather but it is also providing an opportunity in disguise to set our goal and target. Moreover, Pakistan has the problem of economic mismanagement but the earlier stated policy can allay some of the problems which it is facing today.

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Introduction

The Russia-Ukraine war has risen number of questions over the global order. As west adamant desire on controlling Moscow has led to a crisis which is turning ^{itself} to be a humanitarian catastrophe. Moreover, the war ^{is} now shaping to be the survival game for western power or its eventual death. So, it is imperative to understand that this war might reshape or could give the world a new world order.

Historical background

The cold war ended with the USSR demise in 1991. From 1991 till today the world is liberal and unipolar. It was thought that the

part is part and world will move on
too a period of stability and growth.
But west insistence in containing
Moscow made things worse.

① Assurance to Gorbachev

Secretary of state James Baker in 1990
gave assurance to Gorbachev that
NATO will not expand into Eastern Europe.
He famously said 'not an inch eastward'⁹
But it was never regarded/upheld by west.

② Admission of Eastern European nations into NATO

Nato admitted Eastern European
countries in 1999 and 2004. This
was a severe blow to Russian
influence and created mistrust among
the west and Russia.

③ Georgian Crisis 2008

The Georgian crisis was a water
shed moment for the west. As Russia
by force reversed the Georgian
desire to NATO. However, it led to
a realization of resilient bear.

④ Crimea 2014

Ukraine desire to join NATO and EU
led to a furious response from Moscow.
As Moscow annexed part of Ukraine
Crimea into its own territory by
holding plebiscite.

Is western led order in decline?

① Sanction on Russia not affecting it much:

(a) Russia diversifying its energy market toward other nations in particular China, India and is offering at a cheap rate

(b) Russia doing trade other than \$ currencies. Thus, undermining the order.

(c) Moscow is still part of BRICS^c which is the 2nd largest economic platform

② West is failing to win the war

(a) Russia has gained Donetsk, Luhansk or almost 27% of Ukrainian territory.

(b) Ukrainians and allied forces are unable to win back Russian controlled area of Ukraine

③ How long will US finance the war

(a) As per John Meirshmiere, USA and its allies will not be able to finance war for long. As USA itself is under unprecedented economic crisis. Moreover whole of Europe is feeling the brunt of war.

(b) The US will shift ^{soon} toward East China ^{Asia}

to contain China

④ The Question of China

(a) China is amassing its activities in East Asia. As US is occupied in the Europe. This gives an opportunity for China to shape regional order.

(b) China is ensuring economic co-dependency of Moscow by buying their oil and exporting them R & D.

⑤ West Economic decline and New Economies emerging

(a) West is in economic decline as Russia-Ukraine conflict exacerbated energy prices. This led to unprecedented inflation in Europe.

(b) New economies are emerging, which require new rules of the game to be set, which don't favour us exclusively.

If the Liberal Order prevailed

① Triumph of the west

(a) If Ukraine win the war it will severely blow the Putin regime and his desire for greater Russia.

(b) Euro Asia will be under the influence of west and its allies.

② A defeat for china

① Russia defeat will directly challenge the aspiration of rising china.

② China will then be severely contained by us and its allies which will lead to a new cold war.

③ Eastern Europe as a whole in Nato

① Europe as a whole will then be a bulk work of us.

② Nato will be the ultimate security provider to whole of Europe.

④ Global dominance of us

① ^{winning the} Ukraine war will again give impetus to \$

② us will again become the global police man and its hegemony will be beyond all nations.

⑤ Economic stability

① The west will ensure an economic stable environ in the near future.

② Moscow will be cut down to size and ensuring that Europe remain peaceful.

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Conclusion

Hence, it can be said that whether Russia win the war or the West win it. It will surely undermine the world order. But if as discussed above if Ukraine triumph then it will solidify the US led order. But it will all depend on the war outcome.

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Introduction

Pakistan is facing unprecedented level of water scarcity coupled with repeated flood. This two situation has wreaked havoc on Pakistan economy, infrastructure. Moreover, it has resulted into massive poverty, unemployment. However, it gives Islamabad to correct its direction and do policy implementation, which can help solve it both of the crisis.

Flood situation in Pakistan

Pakistan has faced repeated floods. These floods are mostly associated to climate change and govt. less priority to this sector. Some of the floods are fresh for example 2010 flood and 2022 flood recent.

① Economic Impact of 2022 floods

The 2022 flood devastated Pak economically. It incurred \$30B loss to GDP.

② Agricultural loss

Pakistan lost a wide sector of agriculture. As 24 million hectare of standing crops were destroyed.

Infrastructure

Pakistan lost a wide range of infrastructure to floods. Numerous small dams were destroyed, road network submerged in floods.

Factors led to flood

① Climate change

Pakistan is one of the most climate vulnerable country. The accelerated melting of glaciers contributed to such floods. More over irregular monsoon spells made it worse.

② Low govt. response

Successive govt. have not paid much attention to this sector. It has resulted into various repeated floods in Pakistan.

③ Not investing in small and medium dam

The low response and priority in developing dams has led to flood situation. India has developed 2570 dam in 50 year. Similarly China has developed 7000 plus dams.

④ Outdated canal and barrages

Pakistan has not invested heavily in canal and barrage network. It still is operating its operation on colonial barrages.

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⑤ India Factor

As per Indus water treaty, India was given Eastern while Pakistan was given with western rivers. India illegal development of canal & barrages & dam has given it a control to release flood in Pakistan.

Water Scarcity

Pakistan is blessed with river, glacier but due to its ^{govt.} mismanagement the country is facing severe water scarcity as per UN. Similarly by 2025 Pakistan will be a severe water stressed nation.

Factors led to water scarcity

① Climate change

As stated earlier, Pak is experiencing climate change. The repeated heat waves in most of the country and rapid melting of glacier has made it more likely to be a water stressed nation.

② High Population

Pakistan population is reaching toward a dangerous level. As 2023 census reveal 246m people. This is 40m increased people from last year census in 2017. Hence it will decrease demand of water in Pakistan.

③ Miss management of water

In Pakistan, water administrative board are inefficient. As decade old pipeline have not been repaired and maintained. More over Karachi the economic hub of Pakistan is facing water insecurity

④ Uncontrolled urbanisation

Pakistan is experiencing urbanization at a ^{snowball} pace. This will ultimately increase water demand in a water stressed country. More over exploitation of resource will become more rampant.

⑤ Pumping more ground water

As Pakistan is going through a severe water crisis. The extraction of ground water is happening at a faster pace. This is disturbing the ground water table level and will disturb the flow of water.

Solution to both Flood and water scarcity

- ① Improve the existing irrigation system in Pakistan. For instance adopt drip & sprinkle irrigation technique in agricultural sector.

- ② Construction of short or medium dams in KPK, Balochistan Punjab and GB
- ③ Develop and invest in new canal like Thal canal and develop extensive barrage network
- ④ Develop and invest environmental Policy, focus on afforestation technique
- ⑤ Do awareness through 'water campaign'
- ⑥ Invest more in disaster preparedness by empowering NDMA, DDMA
- ⑦ Seek international investment from multilateral institution on the basis of Build-operate-transfer mechanism
- ⑧ Increase the demand of water in Pakistan as Pakistan mostly lose water to Arabian sea
- ⑨ National consensus should be developed to tackle this issue.

Conclusion

In conclusion, it can be said that Pakistan is going through

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Immense water issue as stated above. But, it also provide Pakistan with opportunities to do something about it. If the govt. of Pakistan take the policy consideration state above seriously. Pakistan will get out of the crisis which is it facing today.