

03

Introduction

The balance of payment crisis has, indeed, become increasingly severe for Pakistan's ~~economy~~. As a result of this, the country's economy is in dire straits and is quite nearly close to a default. It is only through a pragmatic and well-thought out approach that the current crisis could be tackled. A deal with IMF is also contingent on the approach taken. Thus, policy-makers in Islamabad must explore their policy options thoroughly before implementing a workable plan to solve the crisis the country finds itself in the midst of.

Adverse implications on the economy due to the balance of payment crisis

i) Devaluation of the Rupee against the dollar

As a result of the balance of

Payment crisis, the value of the Pakistani Rupee against the dollar has gone significantly down.

ii) Record high Inflation in the Country

As a result of the current crisis the country is experiencing an inflation rate of more than 35%. This is the highest rate of inflation experienced ^{after} ~~the~~ 60 years in the country.

iii) Low investment levels

As ~~due~~ ^{due} to the balance of payment crisis, interest of investors in the country is rapidly eroding. Foreign investors are not looking to invest in the businesses of Pakistan due to uncertain returns.

The Chances of a bailout deal with IMF

i) Structural reforms recommended by the IMF

The IMF has made the release of the last tranche of the loan stipulated for Pakistan

Incumbent on Pakistan's economic performance. As such it wants Pakistan to undertake serious structural reforms.

(iii) Tightening fiscal and monetary policy

The IMF wants Pakistan to reduce government spending and increase taxes. At the same time, it wants it to increase the interest rates and reduce money supply.

(iii) Expectations with regard to the budget

The IMF is also concerned about the allocations made in the budget prepared by the policy-makers of the country. The IMF would approve of a contractionary budget, with spendings on major areas of the country considerably curtailed.

Critical Analysis - Chances of a bailout deal with IMF

Given the factors previously mentioned with regard to a bailout deal with IMF, it is clear that an IMF deal comes at a heavy price. A bailout deal with IMF would only be successful if the IMF is satisfied that the conditions proposed by it are met. If it feels that Pakistan is not doing enough to bring forth the structural reforms needed, chances are that IMF would not release the last tranche of \$1 billion which the country needs to rehabilitate its ailing economy. While Pakistan has done well on some fronts or others, such as raising taxes, it needs to put in more efforts

↳ We bring in friendly countries such as China, Saudi Arabia, UAE, etc to provide it with loan

Policy options for Islamabad to follow:

i) Undertaking the severe measures recommended by IMF
Islamabad could begin with implementing the severe structural reforms that IMF has recommended in order to prevent the country from defaulting on its loans.

ii) Adopting austerity measures
Austerity measures could be adopted to rein in unnecessary spending by the government.

iii) Improving the balance of payments by focusing on exports
more investment could be directed towards the export based industries (EBI) of the country. This will help improve the balance of trade of the country. This in turn would have a positive impact on the Balance of payment of the country.

(iv) Approaching friendly countries to invest in Pakistan

Pakistan could make use of the cordial relationship it has with the countries in its neighbourhood such as China, Iran, etc, and also beyond such as Saudi Arabia and UAE, etc. This will help Pakistan present itself as a country serious about improving its economic conditions.

Conclusion

Pakistan is a resilient country. Thus, it has the potential to manage its balance of payment crisis and even secure a bailout deal with the IMF. This, however, can be properly done if Pakistan gets its priorities right. For this purpose, the policy makers of the country must formulate and implement effective policies. It is only through an understanding of the nature of the crisis that Pakistan could be brought out of its economic troubles.

Q.4

Introduction

The Loss and Damage Fund³ initiative was taken by the COP27 in Sharm-El-Sheikh, Egypt. The initiative to establish this Fund was a big achievement for the Group of 77 and China. The Loss and Damage Fund will address ^{the} losses and damages in developing countries which are vulnerable to the adverse impacts of climate change. The developing countries were desirous of such a Fund for the past 30 years.

The Role Played by Islamabad in the establishment of this fund

Islamabad as chair of the Group of the 77 and China, demonstrated support for the establishment of ^{the} Fund.

at COP27 in Sharm el Sheikh, Pakistan did so by adopting the following measures:

(i) Placing the establishment of the Fund in COP27 on the Agenda of the Conference

Pakistan played a critical role in placing the Fund on the agenda of the Conference. It did so in order to highlight the importance of such a Fund for the developing countries.

(ii) Pushing for a consensus agreement

Pakistan encouraged the participating countries at the conference to reach an agreement regarding the establishment of the Loss and Damage Fund. It presented a strong case for how the Fund would benefit not only the developing countries but also the world at large.

to invest friendly

The benefits of the Fund for Pakistan:

i) Recovery of losses through the Fund

Recently, Pakistan faced catastrophic floods, which resulted in losses and damages of over US \$ 30 billion. Through the Fund, Pakistan is hopeful of being recompensated.

ii) Logistical support through the Fund

As Pakistan is one of the most climate vulnerable countries in the world, the logistical support which would be provided to it through the Fund would be invaluable.

iii) Bridging a gap in the climate finance architecture

The Fund will play an important role in bridging the gap which is present

is not only Pakistan's but
also the entire world's
climate finance architecture.

Conclusion

Pakistan played a major role in pushing for the establishment of the 'Damage and Loss Fund' by COP27. It adopted a collaborative and reconciliatory approach towards this initiative. It also appreciated the developed countries for recognizing the need for establishing a 'Fund for Loss and Damage' to address the issues which emerge as a result of climate-induced disasters.

Introduction

The relationship between Pakistan and Iran has mostly been a cordial one with a few ups and downs. It is, indeed, important for Pakistan to maintain good relations with Iran, as it is its immediate neighbour. Iran was the first country to recognise Pakistan at the time of its creation in 1947. Moreover, the two countries share religious ties as well, as both possess Muslim populations. As such it is essential that Pakistan maintains good relations with Iran.

The hurdles for Islamabad and Tehran

↓

Security Issues

Both Pakistan and Iran are threatened by the terrorist groups operating in Afghanistan, Myanmar,

Investment friendly
Pakistan in
the Taliban-led government in Afghanistan
is a cause of concern for both.

(ii) The Gas-pipeline Issue
The planned gas-pipeline between Pakistan and Iran was initiated in 1990 and till date it has not been completed. This is a major cause for frustration between the two countries.

(iii) Balochistan separatist movement
Pakistan is suspicious that Iran is harboring Baloch separatist. This is a major cause of concern for Pakistan and is straining the Pak-Iran relationship.

(iv) Saudi-Arabia's influence on Pakistan

Iran is of the opinion that Pakistan is heavily dependent on Saudi Arabia for financial assistance as such the country does what Saudi Arabia tells it to do. This is a cause of concern for Iran.

○ Opportunities for Islamabad and Tehran to establish comprehensive engagement:

i) Working towards building trade with each other.

Pakistan and Iran have the potential for a good trading relationship. Pakistan is Iran's third largest importer.

ii) Completion of the Gas-pipeline

The completion of the gas pipe will between the two countries would open doors for further collaboration between them.

iii) Supporting each other in religious / Islamic Summits.

As Pakistan and Iran are Muslim majority countries they would do well to support each other during different Islamic Summits.

(iv) Forging educational and social ties with each other

Student Exchange programs and other social initiative can be taken by the two countries to strengthen their relationships and put their differences aside.

Conclusion

Pakistan and Iran must maintain their relationship, as both the countries are set to benefit from it mutually. The close proximity of the two countries allow them to explore many uncharted avenues. Moreover their collective role in tackling the Taliban-led government in Afghanistan is exceedingly important. Thus, there is plenty of room for collaboration between the two countries.

Q8

Introduction

There are several factors that determine the strength and weakness of an organization. These factors include the durability of an organization, the circumstances which led to the creation of the organization, the role played by the members of the organization and the manner in which the organization has addressed the issues it was initially designed to handle/address. If the SAARC is taken as a case in point there are several factors which determine its strengths and weaknesses.

Factors which determine SAARC's strength

1. It is a strong regional organization for the South Asian countries.

The South Asian Association for Regional Cooperation

provides a valuable outlet to the South Asian countries towards this concern

(ii) The organization has been successful in addressing the security, political and economic issues of its members.

Its members are contented with the progress of the organization on various fronts.

(iii) The organization has survived the test of time.

The organization was made in 1985. As of ~~yet~~ ^{yet} it has not been scrapped, which goes on to prove the ~~the~~ relevance of the organization.

(iv) The members of SAARC have faith in its utility.

The South Asian members of the organization believe that it is a useful organization which is making ~~the~~ ^{progress} towards resolving important issues.

(iv) Factors

Factors which determine SAARC's weaknesses:-

i) The organization's failure in achieving its goals.

There are several issues in the area of politics, economics and society with regard to which the organization has not been successful.

ii) The organization is not taken seriously by the international community.

The international community unfortunately does not take this organization seriously. It is more concerned about organizations such as SCO etc which threaten the western organizations.

iii) There is lack of investment in the organization.

The SAARC need substantial valuable funds to operate and serve its members.

(iv)

Engine

(iv)

There is a lack of interest in the organisation

There is a need to build interest in the working of SARC which is currently lacking.

Conclusion

Though the South Asian Association for regional cooperation has remained an important organisation not only for the South Asian countries but also for other countries of the world, this organisation has a long way to go. Proper restructuring of its internal workings is required to ensure that the organisation performs the duties it has been designed to perform.