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GK: Current Affairs

Part ii

Q3:

Ans →

Balance of payment is the total sum of inflow of money with respect to some or outflow of money from a country at a given time. However, Pakistan is the midst of economic crisis and wants bailout package from the IMF which seems impossible now. But some reformations can open the flow of money from IMF and other lenders.

Chances of bailout deal with Pakistan.

As of Indian media Pakistan is a cash-starved country, but the statement proved to be true when State Bank of Pakistan tweeted and shared some statistics. SBP announced that the decrease in deficit was 16.55% and the deficit was \$0.29 bn as of start of the year. Current forex reserves are enough for only one month of import.

It is important to mention that IMF is clear-cut in its policies regarding

Pakistan. Bailout from IMF is under progress. It is the 9th review of Extended Fund Facility. IMF wants some reforms from Pakistani government to implement, such as increase in additional taxes, target of FBR. Still be increased from Rs 21 billion, Petroleum development levy should move further from Rs 50 per liter to 60-70 per liter. Another important demand of the IMF is to liberalize the trade and open borders for trade, and reduce trade barriers. Reduce subsidies, Privatization of State owned enterprises which are facing financial problem. However, Pakistan has increased its tax collection for FBR, PDL will increase and SOE are privatized as well, such as PtCL. But still IMF is delaying the final tranche of \$1.2 bn which will open way for Pakistan to borrow money from other friendly countries.

Policy options for Islamabad to follow:

Islamabad is currently following all the demands of IMF. However, IMF is of view that "Do more". Keeping "Do more" in mind Islamabad should follow IMF demands but not those which

compromise our national interests.

Islamabad should follow standard adjustment programme: Privatization of SOE, liberalization in trade, open the imports and let the Rupee float freely, market will decide its real value. Furthermore, to allure IMF, Pakistan shall support Ukraine and criticize Russia for its invasion. Moreover, austerity measures needs to be followed: Less

retail to government ~~employees~~ employees, reduce their salaries and stop funding government programs that are meant for society like austerity measures are implemented to avoid debt crises.

Therefore, implement social safety nets for the vulnerable segments of society during economic challenges and tax the rich and upper-middle class.

Thus, Pakistan is facing severe BoP and the threat of default still looms over our head.

Pakistan also faced and facing without deal to release but due to political instability, IMF backs off. Moreover, Islamabad policies for restructuring loan is a mammoth task and a comprehensive assessment of its economic situation is needed.

Thus will address the underlying causes of BoP and ensure sustainable economic growth.

Q4

Ans.

According to United Nation Environmental Programme, Loss and Damage Fund aims to provide financial assistance to nations most vulnerable and impacted by the effects of climate change.

This was coined in COP 27 in Sharm el Sheikh, Egypt, 2022.

This means that the world will support the affected financially.

UNEP shows that more than \$300bn are required per year by 2030, because due to climate change, the world is witnessing severe climate patterns.

Pakistan, last year witnessed severe floodings and Pak is responsible for less than 1 percent of global emissions. This is why Loss and Damage Fund is established to help those countries that contribute less into global emissions but hit hard by climate change.

So, the main aim of Loss and Damage Fund recognises these injustices and aim to help developing nations deal with the unavoidable impacts of climate change.

The role of Islamabad:

The current Prime Minister of Pakistan said that the

Pakistan led efforts for climate loss and damage fund, now the world should deliver it.

Pakistan along with 184 African, ~~countries~~ groups, Asian and Latin American states, used to push the controversial fund that was discussed in Paris climate agreement. Moreover, COP 27 provided Pakistan a platform to discuss her plight with the world after devastating floodings of 2022. Pakistan also raise some funds in a conference jointly held by the UN and Pakistan. As per Reuters, \$9bn was committed by international donors to help Pakistan to recover from ruinous floods of 2020.

Pakistan's help through loss and damage fund:

Ministry of Foreign Affairs of Pakistan posted that they welcomed the historic decision of COP 27 to establish the loss and damage Fund.

Pakistan, due to flood and other natural calamities, resulted in \$80bn.

Pakistan can utilize the loss and damage fund in many ways. However, the primary goal of this fund is to assist the deprived country and compensate them financially for

~~that~~ what they are not responsible  
off. Pakistan can use it for rebuilding  
the infrastructure that has been damaged  
due to the flood and restore  
the ecosystem. Furthermore, capacity  
building of the concerned authorities  
and the vulnerable people to enhance  
their ability to assess, manage and  
respond to the loss. This also  
include the forming of National  
Disaster and management authority  
and also the provincial Disaster  
management authority. Another  
important step that is can  
be done through loss and  
damage fund is Risk Reduction  
and Adaptation measures. The  
Fund can support Pakistan to  
install early warning systems, risk  
reduction and adaptation strategies  
to minimize the impacts.

In conclusion, loss and Damage  
Fund is a phenomenal initiative  
taken by world's leaders to  
assist countries like Pakistan  
in severe conditions due  
to climate change. Moreover,  
Pakistan can get benefit from  
it and compensate itself and  
also prepare itself for future  
climate driven activities.

Q5  
Ans)

Saudi Arabia and Iran normalised ties with the sponsored initiative of China and both of the countries appears aimed to reduce tensions across the middle east and it will further stabilize the situation with Pakistan. On June 6, Iran opens its embassy in Saudi Arabia as well. The rapprochement between Saudi Arabia and Iran is a good holding for the middle east.

Socio-political implications on Middle East:

There are huge socio-political implication of the rapprochement.

These two are involved in middle eastern crises. They have proxies in all of the region. For instance, in Yemen the situation is serene. Houthi rebel and KSA swapped prisoners and agreed to the truce.

As far as Lebanon is concerned, the role of Iranian proxies are prevalent. In 2017 Lebanon's PM resigned while he was in USA and he blamed Iran led Hezbollah for it.

In terms of Iraq, we see that during Saddam's reign tenure, Iran had little influence but since his demise the vacuum was

been filled by Iran. Iran regularly funds Iraq, politicians and their military as well. However, the lobby of USA has become more strong in Iraq in previous years and the Iraqis are more inclined towards USA

Iran - USA rapprochement and Pakistan:  
According to an article published in (ISSI.org), it mentioned that Pakistan was the first to accept this move. Pakistan believes that this normalization will definitely contribute to peace in the world and in Pakistan. Pakistan's previous 2 Heads of government as that time tried to broker a deal but failed. Pakistan was trading terms with Iran and now due to ~~successful~~ successful rapprochement the opportunities will grow. Moreover, the (BRI) Belt and Road initiative will help both along with Pakistan. In terms of security, now Pakistan can share intelligence information among the three and can counter the threat of ISIS, Al Qaeda. And this will all lessen sectarian tensions and foster greater harmony.

Recommendations to follow:

Iran's rapprochement is undoubtably a blessing for Pakistan. Pakistan should to resume the Pak-Iran gas



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Pipeline and also indulge in trade with USA. Pakistan should further reinforced the two to do trade and negotiations on serious matters. Moreover, it is in favour of Pakistan to continue this supportive role and contribute to a peaceful middle east.

In conclusion, the rapprochement between USA and Iran is a commendable act by choice. This rapprochement helps in releasing the tension in middle East and Pakistan's Furthermore, Pakistan can benefit from the rapprochement in socially and militarily as well. This rapprochement is in favour of all and if continues a peaceful region will prevail.

Q6. Undoubtedly, Pakistan needs to maintain good relations with Iran. Pakistan and Iran share 559 miles of border. On both side of the border, there cross-border trade is flourishing and the natives benefit from it. However there are some hindrances in Pak-Iran trade and relation.

Hindrance:

There are many hindrances in the relation of Pakistan and Iran. US sanctions on Iran proved costly for Pakistan to maintain good

relation and conduct cross-border open trade. Due to the international sanctions, Pakistan and Iran relations remain dire.

Secession divide is a well known bone of contention. Both of the states have secession issues and these issues sometimes strains the bilateral relations.

If we see, border security challenges are there. Both of the states witness terrorism, smuggling and illegal activities across the borders. However, the relations come to a stand still when Pakistan arrested Kulbusham Yaku near Iran border. But later, the situation normalized.

opportunities For Both:

In term of opportunities, there are plethora of opportunities there.

Both of the countries should improve the trade regime. According to Trading Economics, Pakistan-Iran trade volume exceeds \$2 bn in 2023.

Iran is rich in gas.

Pakistan can get the most out of it by restarting the Pak-Iran gas pipeline. It would discharge 40 bn cubic metres of gas per year to Pakistan which will solve the shortage of gas.

Pak and Iran are geographically placed in a war zone, to thrive

in this region both should join hands and share intelligence with each other. moreover, conducting counterterrorism operation, and coordinating border security, they can effectively address the security threats and contribute to regional stability.

lastly, both Iran and Pakistan have rich cultural heritage, they can attract tourists and by doing so they can boost their bilateral relations.

In conclusion, ties with Iran are important. Although Pak-Iran have hurdles in bilateral relation yet there is a place for opportunity to maintain peace and indulge in trade to improve bilateral relations and promote comprehensive relationship.