

## Part - II

(Q. 2)

### Introduction

Economic crisis are prevailing all around the world. The world's largest economy the USA is also facing the economic crisis. The debt on US economy is about \$31 trillion. This whopping amount of debt is shaking the economy of USA. Every country has certain amount of debt on its economy to run the state. In recent, many banks of USA are bankrupted. Important amongst is the silicon valley bank. Many small banks are shut down due to economic crisis. Millions of people lost their jobs due to such crisis. Every crisis has some roots, similarly the USA economic crisis also has some important reasons behind it.

### More expenditures than earning

Although USA is the biggest economy of the world. But for now it is facing mounting debt crisis. The reason behind is that USA spends more on defence, budget, infrastructure, energy and other sectors, but the earning is low as compared to the expenditures. Every country is wanting its hegemony in the world and USA is already a super power, trying its best in

maintaining its hegemonic conduct. China its biggest economic rival is leading in many areas due its cheap production cost. Moreover, USA is the only country in the world which spends a huge amount on defence almost \$560 billion. In the race of being the hegemon of the world, it spends a lot on different sectors.

### Sanctions on Russia

One of the <sup>reason of</sup> economic crisis of the world is the sanctions on Russia due to Ukrainian war. All the Western countries fulfill their energy demand of almost 80% from Russia and middle east countries. But due to sanction imposed by Western countries on Russia, they are facing a high inflation in energy as well as other sector. This global inflation has hitted every part of the world either developed or developing. In this way, due to increased price of imported hydrocarbon, USA is facing the mounting debt crisis to run its economy effectively.

### Rivalry with China: Global competition

China is on the roads of becoming the global leader. China is making advancement in every aspect either economic, strategic and diplomatic. All these fears from china, pressurizing the USA to do more

and more in every sector. Chinese products are more cheap than American. Most of the production industries have settled into China because of low production cost and more benefits. In this way, USA has lost a plenty of vendors and industrialist into the country due to high taxes and cost product.

### Wars with Countries

In past, USA has fought many wars which were very expensive. In War on Terror, USA spent a lot, a huge portion of its economy to combat terrorism but failed in Afghanistan after the take over of Taliban into Afghanistan. Similarly, in past, USA imposed war on Iraq, although it was fought on useless grounds but it burdened the US economy. USA gained nothing but lost many thing such as heavy economy.

### Mistrust among masses

Donald Trump, American's president policy of "America first" created a distrust in the country and in the world. His aggratavist behavior caused many damages to the US economy. Due to rivalry, he imposed restrictions on Chinese product and in retaliation also faced taxes and levies from China. Moreover, the exports were lessened because of more taxes imposed by China, so the USA masses become

anxious and this created a sense of mistrust among masses.

## Implications

If the world's largest economy got default, it may create impacts all over the world.

As many countries are dependent on the trade rules of USA such as trade in dollars, so the default of USA would affect the world badly. IMF and WB are the Bretton Wood institutes, which are highly dependent on US quota. So the demise of largest economy of the world would also impact these institutions which ultimately has impacts on other countries.

The global hegemony of the USA will be diminished. It will no longer be the super power. It may lose powers in the world and over other non-governmental institutions. Some other countries like China, Japan and India are now leading the country after USA. So, the USA will be on back and China will be on front.

## Recommended policy for USA

Every year congress of American government fixes the budget of country. So the power lies in the

hand of legislature. Legislature should make such plans for the economy to overcome the mounting debt of country. There should be a balance between expenditures and earnings. The sanctions on Russia should have an alternative way to halt the global inflation.

## Conclusion

USA the largest and biggest economy of the world should take some precise measures to stabilize its economy. Foreign investment should be increased so as to maintain the economy's balance. Some extremist policies should be neutralize. Taxes and cost production should be low so as to gain the benefits from more and foreign businesses. Sincere efforts are necessary on state level to curb this looming crisis.

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## Introduction

Saudia Arabia and Iran have remained the long time rivals after the ideology difference of shiite and suni muslims. But now both the countries are on the road of rapprochement. Both countries are making diplomatic ties in ideological and strategic aspects. This coupling will bring prosperity and a sense

unification in the region. This tie between two countries will be beneficial for neighbouring countries. The masses of two countries develop a sense of confidence in each other. This rapprochement will bring fruits in near future. Both the countries can make progress by leaps and bounds instead of wasting their resources on defence and combating each others proxies.

## Implications of rapprochement on Middle East

Iran and Saudia Arabia are both Muslim countries with shiite and suni majority respectively. There is a sectarian divide between both countries but tolerating and respecting each others ideology they can develop diplomatic relation in social as well as economical sectors.

### More peace than ever before

By establishing the diplomatic relations with each other, both countries will be at peace and do not make efforts in against of each other. They do not sponsor proxies in each others country and then spent most of their resources on the well-being of people. So, the peace in the region will establish by the cordial relations between two countries.

## Coordination among masses

As both countries have strong religious sects, the coordination among the masses of both the countries can be developed through arising a sense of respect for each others ideology. Through this coordination they can make progress in trade and other sectors.

The friendly relations among masses will lead the two countries to be establish more diplomatic relations for long time. The social media has spread many false news about both countries and people of both countries do not trust each other. Through sincere efforts this problem can be mitigated.

## Stumbling economy to the sturdy economy

Saudia Arabia has a strong economy of \$1 trillion but the economy of Iran is stumbling due to the sanctions imposed by USA. Moreover, it is not the part of any major global institution and thus remained at back doors. Due to the diplomatic relations between both the countries, they can provide advantage to each other through bilateral trade and social coordination. As both the countries are rich in oil reserves these can earn a lot from purchasing the hydrocarbon to the other countries especially West by making strong the Arab nations.

## Implications on Pakistan

Pakistan is the neighbour country of Iran and has close diplomatic relations with Saudi Arabia. As Pakistan have both suni and shiite population, it cannot support any country. Both the countries are religiously important for the people of Pakistan. Due to the rapprochement between Iran and Saudi Arabia, Pakistan will get more benefit.

The dilemma of choosing one country for Pakistan will be solved through the cordial relations between them. Due to the stability in Iran, the condition and living of people will become better, which benefits Pakistan. As Pakistan shares border with Iran and many terrorist group came from Iran which cause terror in the country. Now, these terrorist attacks and group will be lesser.

Pakistan has long diplomatic and religious relations with Saudi Arabia. Many gulf countries are under the influence of Saudi Arabia. So with this approach Pakistan can develop good relations with other Gulf countries. Many Pakistani people go in Middle east countries for earning, because of good relation the masses of Pakistan will be treated good.



## Conclusion

Saudia Arabia and Iran developed diplomatic ties as china played a role of mediator between two Gulf states. Both the countries are establishing and correcting their relations with each other. This move is thought to be a beneficial step towards the betterment of Middle East region. The strong relations among Gulf states will lessen the impacts of foreign actors. There is a hope that this effort will bring fruits.