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Pakistan has been facing macro-economic challenges. It has reached 38% high inflation in May 2023 for the first time in 76 years. Trade deficit of Pakistan is one of the biggest challenges that Pakistan is facing. According to World Bank. In the year 2021-2022 our exports was 36bn\$ while our imports were 80bn\$. Thus, the Trade deficit was 44bn\$. Pakistan import more than it exports. There has been various reason behind this trade deficit. Some of them are enlisted below.

Massive imports of hydrocarbons:

Pakistan depend on hydrocarbons for its energy demands. In fiscal year 2022 we imported 30bn\$ hydrocarbons. This was imported mainly for the generation of electricity. Hydrocarbon accounts for more than 40% of our import.

Massive machinery:

Although import of machinery is beneficial for our economy however, in short-term it has incited trade deficit. We imported machinery for generation of electricity, CPEC projects, industrial machinery etc.

Pakistan is import based economy

Pakistan is an agrarian country. In order to meet demands of its population Pakistan import various products from other countries. In return,

it exports agrarian products which fall under raw material and are much in cheaper price than other industrial or ready-made materials. Our nationalization policy of 1970's greatly affected our production sector. As most of ^{our textile} industries shifted to Bangladesh. Higher production cost, load-shedding are all the factors that contributed to our economic problems.

Agriculture products decline:

Although Pakistan is an agricultural country. Even then with the passage of time ~~the~~ our agricultural is also obsolete and greatly affected. Our cotton export has become less than we now import 35% of cotton.

Population explosion:

Population of Pakistan is at exponential growth. 2023 survey shows that current population is 240 million. Increase in population means increase in demand of product. Thus, in order to meet demand government import products.

All these factors have contributed to balance of payment crisis. We pay in dollars. In 2021-2022 44 bn\$ shortfall was there. Although we have 31 bn\$ remittances but again, there is shortfall of 13 bn\$. In order to overcome the current account deficit we need loan, as we don't have any other option.

IMF loan:-

Pakistan heavily dependent on IMF loan and friendly net-states bailout package. Pakistan is a developing country. It face multifacet challenges. There is ^{Political} instability in Pakistan. As a result, few states are ready to help Pakistan in ² This situation, Pakistan has received it tranche from IMF in last year August.

Current government of Pakistan is involved in negotiation with the IMF team to receive \$1.1bn part of G-5's bailout package. Pakistan is facing balance of payment crisis. This \$1.1bn has been delayed since November.

In May, UAE, Saudi Arabia and China came to Pakistan's assistance to cover some of the funding deficit. There are increasing risk of Pakistan's default if it ^{do not} receive IMF tranche. Pakistan's government has completed all requirement to receive the critical bailout money.

Finance minister also shared that all international obligations have been addressed in time. Pakistan is making efforts to revive its IMF program. As it has adopted market based exchange, more taxation to generate revenue, the withdrawal of subsidies etc.

Especially after \$2 billion loan announced by Saudi Arabia Pakistan move closer to IMF loan. Pakistan's Prime Minister is optimistic that country will be able to finalize a critical loan deal with IMF. PM Shehbaz Sharif said, "we have every requirement of the

IMF. Some of those actions have been met after the board's approval. In order to receive tranche there is need to follow certain measures.

Policy options for Pakistan.

Pakistan needs to address its economic problem so that it would not default.

- 1) Pakistan need to acquire loan from bilateral donor or friendly states to meet its debt obligations.
- 2) Political instability is the major of all instability. Pakistan need to stabilize itself by electing a stable government would boost the confidence of IMF and other states so that they could give a loan to Pakistan.
- 3) On certain product, Pakistan need to impose protectionist measures for the short term so that it can reduce its current account deficit.
- 4) We have met conditionalities of IMF such as to increase petrol prices from 150 p/ltr to 225 in 2022. There was increase in diesel prices from 160 to 235 p/ltr. So, if we deal with IMF there is 70% inflation without IMF we would have to face 50% inflation. So, in order to pay off we must acquire loan.
- 5) There is need to bring reforms in production and IT sector.
- 6) We have flawed taxation system, there is need to document and tax

and track our economy.

7) Remittances is the largest stabilizer in the economy of Pakistan. We need to increase remittances further.

a) By regularizing non-registered money exchanges.

8) We need to increase our exports. We need to bring reforms in industries, agriculture.

9) Islamabad need to control outflux of dollar through smuggling.

10) Need to invest in Information technology (IT) e.g. oil export of Saudi Arabi is less than 2021 export earning of India in IT. Pakistan is lagging behind in it.

Thus, all these measures will help Pakistan to decrease inflation, current deficit amount, Balance payment of crisis and enhance confidence of IMF and friendly states to give loan. Investors will not be skeptical of Pakistan if it achieve stability in its economy. In the long term, it will also reduce Pakistan's dependency on loan.

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Introduction:

Due to NATO expansion in Eastern Europe. Russia feel threatened and not acceptable to Russia. Western influence in Ukraine is preventing Russia to exercise its military power on Ukraine. As a result, on Feb 24

24 Feb, 2022, Russia invaded Ukraine. Although it appears as war between two countries, however, USA ^{and its allies} are backing Ukraine against Russia. As a result of this war, Sanctions has been imposed on Russia which is the second largest exporter of oil & gas. Cutting the imports from Russia has caused price hike all over the world. There has been trickle down effect on every basic commodity. Everything got expensive in the world. Coal prices increased more than double. On the other hand, Ukraine is the 4th largest in the export of agricultural commodities. But due to war, there is unprecedented increase in destruction across the Ukraine. Pakistan becomes sandwich between great power rivalries. On one hand, there is Russia and on other there is USA and its allies that has severe implications on Pakistan.

Implications on Pakistan:

① High Inflation:

Due to Ukraine war, Pakistan is facing high inflation. Disruption in supplies of energy and gas has greatly affected Pakistan economically. In May, Pakistan has recorded 32% high inflation that has affected every sector of Pakistan. There is trickle down effect on

every commodity food, oil, medicine and other basic commodity prices skyrocketed. Leaving the population in miserable conditions. Hydrocarbon prices skyrocketed and disruption in supplies.

Due to sanctions on Russia, Pakistan faced disruption high prices in hydrocarbons. As close to Russian ~~banned~~ exports, exports are banned, Middle Eastern oil prices hike as it could not meet the demand of oil. We to. Our ^{hydrocarbon} import ~~depend~~ is worth 40%. We need hydrocarbons for our industries, factories, vehicles etc. Our already weak industrial sectors is burdened due to high prices of hydrocarbons.

Import of Agricultural products from Ukraine and Russia

Ongoing conflict has disrupted and led to food shortages in Pakistan. Especially the blockade of Ukrainian port by Russia has further exacerbated the situation as it had put pressure on Pakistan to find alternative options for its wheat import.

Diplomatic implications:-

Pakistan has been caught up in complex diplomatic situation. Pakistan has been ally of USA in the Cold War. However, in current global power politics, Pakistan wishes to maintain ties with both Russia and USA. However, with the prolong war, USA and West may demand

Pakistan alliance. Amidst caps, Pakistan don't want any camp politics. However, due to financial issues, dependence of military on USA, Pakistan will be pressurized to choose side.

Setback to Industry:

Apart from Pakistan dependency on wheat and agricultural products. Pakistan also depend on Ukraine for steel. Pakistan construction industry has also taken a hit back. Also, Pakistan imports export to Ukraine have ceased. that has harm local industries and the economy.

Policy options for Pakistan with Russia:

Both China and India remain be protected from ^{risk} oil prices. As if both imported oil and gas from Russia. Both don't face price hikes. Thus, Pakistan need to follow certain policy options with Russia in order to be safe from inflation.

- ① Pakistan needs to avoid ^{itself} Camp politics. It must remain neutral and maintain equilibrium between west and East. In order to develop its relations with Russia it need to exercise Great Caution and balance.
- ② It should asked China's assistance to enjoy close, multidimensional relations ~~but~~ with Russia on mutual goodwill and trust.
- ③ It need to consult on the ^{global} issue such as terrorism or of other ^{mutual}

interests.

(4) Without any reservations, it need to stream gas pipe pipeline with Russia and convey strong message to west that its engagement with Russia is not part of any camp politics rather it need to uplift its economy by meeting energy demands.

(5) Through SCO, Pakistan can improve its bilateral relations with Russia for socio-economic connection.

(6) By continuing engagement policy, Pakistan can reduce the false propaganda between that risk bilateral relations.

(7) There is need to facilitate movement of goods between both countries. This will develop commercial relation between both of them.

Thus, Pakistan need needs to focus on its long-term gain rather than short-term goals. And without engaging with Russia, Pakistan can't progress. Engagement with Russia help Pakistan economically, diplomatically on multilateral platforms, and meet energy demands.

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Introduction:

Pakistan and Iran face hurdles in bilateral relations. Iran was the first country that recognize Pakistan. Both came closer through Baghdad Pact. Iran's supported Pakistan in 1971 India-Pakistan war.

There was significant improvement through Regional Cooperation for Development (RCD). However, that organization dissolved. There has been always up and down in their bilateral relations. Both states have tried to improve their bilateral relations however, due to geo-political realities and securities challenge their bilateral engagement.

Opportunities and challenges:

- a) Iran is Skepticism towards Pakistan due to SA - Saudi - Arabia to an extent restricts the options for both countries. However, recently commitment to work towards bilateral trade, especially in agricultural sector.
- b) Tehran also show interest in CPEC intending to expand trade by improving railways and road connectivity. In 2016, Iranian President Hassan expressed the desire to join CPEC.
- c) Both have made significant efforts to prioritize economic engagement. However, economic engagement ~~bilateral~~ ^{hindered} primarily by the US pressure on Pakistan. The USA decision to withdraw from JCPOA and killing of General Solemani also adds tension in Pakistan-Iran ties as Pakistan faces dilemma as it can neither overtly side with USA or Iran as it would
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have far-reaching implications on Pakistan's security and economic growth.

d) Saudi Arabia has had great deal of influence in Pakistan for decades. Saudi Arabia support Pakistan financially. Any extended rift toward Iran affects Pakistan economically. In order to improve its bilateral

Pakistan needs to do following steps.

a) Engage Iran economically. It should export its product in Iran.

b) Pakistan needs to convey message to West it is the dire need for economic stability of Pakistan to engage with its potential neighbours.

c) It can engage with ~~Paste~~ Iran to meet its energy demands.

d) Engage with Iran on various ^{international} platforms to deal with non-traditional security threats.

e) Pakistan can play role in arbitration between West and Iran to open its door for engagement.