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MOCK EXAMS

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QUESTION # 03

ANSWER

INTRODUCTION:

The damage on the economy of Pakistan created by the Balance of Payment crisis is unimaginable. Balance of payment crisis ~~is~~ occurs in any country which ~~there is~~ is imbalance of all monetary transactions from in and out of country. Throughout history 76 years, Pakistan is facing worst economic crisis of all time with the GDP growth of only 0.3pc and record high inflation of 38pc in may 2023 (Pakistan Economic Council, 2023). Its implication can be seen declining amount of dollars in the state bank of Pakistan with around \$3B. The economy ~~is~~ is at the verge of collapse with increasing threat of current account deficit. The agriculture, trade, businesses and industries are affected the most due to the adverse implications of Balance of payment crisis. The only ~~is~~ ray of hope the state sees is the bailout deal with the IMF, which is due to expire in the end of June 2023. The BOP crisis has kept the jugular of the economy of Pakistan, which can only be turned over with the deal with International monetary fund.

BAILLOUT DEAL WITH IMF:

Considering the ongoing crisis of Pakistan in the domains of economy, politics, climate change and, peace and prosperity. It is difficult for the limping government to get out of the abyss without any support. IMF being the world large multilateral funding organisation have always taken Pakistan from looming crisis, But addressing the turmoil the country faces nowadays, it seems difficult for Pakistan to make a deal with IMF and support its economy. Some of the reasons are mentioned below:

→ NO LONGER WESTERN ALLY:

Pakistan has been a close ally of western countries, especially US, during Russian invasion and war on terror in Afghanistan. After the evolving geopolitics of Afghanistan, western countries shows ~~no~~ longer interest in partnership with Pakistan. It is left alone to deal with Afghan Taliban. Eventhough, Pakistan look up to ~~the~~ western countries whenever it gets trouble and they helped ^{in past years} too. But the current situation ~~with~~ rising bipolar world and increasing tensions between US and China, west has tilted its direction to Pakistan's eastern neighbor. Rising economy of India seems perfectly align to the vision for west for the counteraction of to counter China. Thus, it is difficult for the country to make a deal with IMF without western support.

→ ECONOMIC COLLAPSE:

The economy of Pakistan is at the verge to collapse due to poor policies, decreasing exports, total dependence on imports, climate disasters and political crisis. It is obvious that whenever any lender lends loan, it ask for the capability of the country for repayment. In this context, Pakistan's image is poor and fade. The country's GDP growth declines from 6pc to 0.3pc in one year. Pakistan is an agricultural country, but recent floods and heavy rainfall, the yield and crops were damaged. ~~and~~ It is largest exporter of agricultural crops but due to ~~the~~ disasters, Pakistan is itself importing daily life commodities. The foreign reserves have declined to \$3B from \$22B in just one year. The poor ~~po~~ and short term economic policies have made difficult for Pakistan to ensure IMF for repayment.

→ EXPANDORY BUDGET:

Pakistan announced its budget for FY 2024 of around 14.3 trillion rupees, which has increased from previous years. However, Pakistan has announced about 50pc of its total budget for debt repayment. IMF have some concerns on the expandatory budget announced in June, 2023. Pakistan allocated around 30pc on defence and 30pc on the salaries and pensions of government employees. With the 35pc increase of salaries from Grade 1-16 and 30pc increase for Grade 17-20 government employees. It is difficult for the country to ensure the multilateral funding lender to complete bailout deal initiated in 2018.

POLITICAL CRISIS:

Amidst the economic collapse, the political parties of the country are enraged with anger and taking over each others. With the spend of 1 year, the damage caused by the political mayhem of Pakistan on international platforms is unprecedented. Lack of tolerance and table talks failure have engraved the seed of resentment in the people of Pakistan. Several demonstrations and 9 may attack ~~of~~, verbal confrontations from either side, constitutional war has indented the possible talks with IMF. This can be illustrated by the recent statement given by IMF, ~~where~~ in which officials asked Pakistan's government to resolve its political crisis according to constitution and rule of law.

POLICIES TO FOLLOW:→ ENSURANCE WITH LONG-TERM POLICIES:

The long debated topic of long-term policies and reforms in the field of economy, trade, agriculture, politics is the only solution for the damage created for the Pakistan. The economy should follow international standard, export based economy, tax reforms and disaster management to avert the possible damage to infra-structure, agriculture, developmental projects etc. Pakistan should focus on more applicable reforms and long-term policies to float its economy.

POLITICAL PEACE

Pakistan should follow the real essence of democracy and end political confrontation through peace talks and work for the progress of country.

The menace created by the political and constitutional war between political parties is unprecedented.

Recurrent emergencies, change of government, social media war created a worse situation for ~~to~~ foreign investors, businessmen, companies to invest in the country and flourish its economy.

QUESTION # 05

ANSWER:

INTRODUCTION:

The increasing rapprochement between kingdom of Saudi Arabia and Iran brokered by China is positive progress for the world peace and progress. The ending of conflict since 2016 due to increasing tensions in both countries because of murder of a journalist. After which both countries ended its diplomatic relations, economic trade and also shutted down their embassies in either country. The increasing peaceful talks between both countries could bring an end to middle-east crisis and can help world economy to flourish. The rising economy of China leverage it to involve in geopolitics ~~after~~ to address its growing impact on the countries. It is a threat to the hegemony of west especially United States, which has stronghold in middle-east. This could lead to rising conflict between US and China along with peace in middle east.

SOCIO-POLITICAL IMPLICATIONS:

The peace talks between KSA & Iran, which were brought up by the involvement of China has several socio-political implications in Middle-east and Pakistan, some are mentioned below:

→ RISING CHINA'S HOLD:

Keeping the idea of both regions i.e. Middle east and Pakistan, the role of China is rising day by day. The ~~initiative~~ Belt and Road initiative of China to connect China with gulf countries, it was necessary to bring peace in both regions. China keeps an eye to the peace and prosperity for its country, for which it also initiated diplomatic and political relations with the countries along with financial assistance.

China has ^{links} deals with Iran and Pakistan in various fields like economy, trade, infrastructure, energy supplies and many more.

→ THREAT FOR ISRAEL:

As soon as the deal was announced between KSA and Iran to open their embassies in both countries and start diplomatic ties. Israel faced threat to its sovereignty, which can be demonstrated by the statement given by the foreign minister of Israel:

"The deal between KSA and Iran is a slap to foreign policy of Israel.

Many muslims countries have denied the existence of Israel as separate state. But due to the alliance of Israel with USA, many countries instated diplomatic ties with it. This gave perception of growing Israel as powerful state in middle east, ~~where many~~ But this peace deal could bring some thaw to the rise of Israel.

→ PEACE FOR MUSLIM WORLD:

The unending tensions between Shiites of Iran and Sunnies of KSA have brought conflict between Muslim Ummah. This was seeming to a never ending war as none of both countries want to set back and have peace in middle east. With the

involvement of third part (China). It helped both countries to end their religious and ethnic conflicts and start diplomatic neutral relations with each other. This step could help the muslim community to rise and have powerful ~~impact~~ and influence in world economy and politics.

RECOMMENDED MEASURES:

→ DIPLOMATIC TIES:

This peace step taken by both countries could help Islamabad to strengthen diplomatic ties with both countries. As both countries were muslim states, Iran being Pakistan's neighbour and KSA being the friendly state, it was difficult for the country to take stand for any one country.

The recent deal between Iran and Pakistan for economic trade and diplomatic ties is good initiative for the country. Government should further strengthen its ties with both countries on neutral ideology and work ahead for betterment of country.

→ ECONOMIC FAVOURS

After the pandemic of COVID-19, world is facing global economic downturn. This is seen with rising energy crisis, oil price hikes, unemployment rise and increase inflation. Pakistan should focus on ~~getting good~~ having good economic relation with USA (largest ^{oil} energy exporter) and Iran. Pakistan export hydrocarbons for the production of energy, industries and household needs. The positive relations with both countries could help Pakistan to get oil and gas from middle-eastern countries on cheap rates.

QUESTION # 06

ANSWER:

INTRODUCTION:

Iran is an immediate neighbour of Pakistan. Past few decades, when Pakistan was ally of western world in war of terror initiated in Afghanistan, it was obliged to run along the footsteps of the United States government. Due to sanctions on Iran by west for nuclear programs and man destruction weapons, it ~~was~~ is difficult for Pakistan to hold positive economic ties with the neighbouring country. There are many hurdles between both countries in making good relations with each other. These obstacles are hindering the progress of both countries. The economic, social and political conflicts between both countries created a unfortunate situation for Pakistan and Iran to hold strong ties and good relations. With the declining hold of west of middle-east and Pakistan, there are many opportunities for both countries to get advantage of it and work for their progress.

HURDLES IN KEEPING GOOD

RELATIONS:

→ SANCTIONS ON IRAN:

The rising interest of Iran to make nuclear weapons was a threat for the west. Due to which Iran faces many sanctions and have damaged its economic stability. The economic isolation for Iran is a big hurdle for the Pakistan to make good relations with it. Iran was close importer of LNG since ages, but after imposition of sanctions on Iran, Pakistan cannot get full favours of Iran's cheap products and services. Recent growing relations between both countries could bring positive impact on economy of both countries. Foreign Minister of Pakistan Mr. Bilawal Bhutto initiated a trade deal with Iran, in which it will provide 100 megawatts of energy daily to Gawadar port. Although, there are many hurdles for progression between both countries, but Pakistan and Iran are paving path for better relations in future.

→ CONFLICT OF IRAN WITH WEST:

Iran is involved with un-ending conflict with the west, where the west keeps on checking Iran for possible ^{success of} nuclear programme and Iran trying hard to sustain its sovereignty by becoming a nuclear state. Although, a deal was successful with both the regions for an end of nuclear programme and end of sanctions in return. But the rage and conflict between west and Iran is never-ending chaos. This is major hurdle of Pakistan to have good relation with Iran and the west at the same time.

OPPORTUNITIES FOR POSITIVE

ENGAGEMENT:

→ CLOSE NEIGHBORING COUNTRIES:

The first and foremost opportunity for both countries that they share a long close border with each other. This can provide various advantages for both countries. Pakistan and Iran are both muslim states, they can establish good relations with each other as muslim neighbour and avoid any form of

third party involvement in cross-border trade. The bilateral good ties can bring positive impact on both economies. The trade cross-border trade through both countries with cheap low taxation and easy access is a great opportunity for Tehran and Islamabad to establish comprehensive engagement with each other.

→ PEACE TALKS WITH KSA:

The recent peace deal between Kingdom of Saudi Arabia and Iran can establish a path for Pakistan to initiate good relations with Iran. Peace in Middle-eastern region can have impacts on Pakistan in the fields of politics, economy and social domains. Pakistan is the larger contributor in the CPEC (China-Pakistan Economic Corridor) a part of Belt and Road Initiative by China, which include many countries of Middle east and south east. Pakistan and Iran are among those countries that could get bilateral benefits from China. Peace in middle-east can help Pakistan and Iran to initiate good relations with other fast growing economies like KSA & China.

QUESTION # 07

ANSWER

INTRODUCTION:

Russia-Ukraine War has badly impacted Pakistan. With the rise of conflict between the both countries, it held bound Pakistan to grow its diplomatic and economic ties with the countries. Although, Pakistan is taking neutral stand on the Ukraine issue and also getting an advantage from ~~the~~ western sanctions imposed on Russia in the form of ^{getting} cheap oil imports.

But the negative implication of Russia-Ukraine war superseded the positive impacts. The Global economic downturn and rise of energy prices, it is very difficult for the Pakistan to sustain its economy amid the other issues. This can be evaluated by the pending of bailout deal between Pakistan and IMF past few years. Due to which Pakistan is facing huge economic crisis.

→ ECONOMIC IMPLICATIONS:

Russian invasion of Ukraine have badly impacted the Global economy. The sanctions imposed on Russia have diverted the export of Russia to central Asian and Southern Asian countries which include India, China and Pakistan. ~~This~~ Due to huge losses of in Russia and Ukraine, the price-hike of oil, gas and hydrocarbons through Pakistan to get over-priced energy hydrocarbons. Pakistan's energy is overly dependent on import of hydrocarbons from foreign countries. ~~#~~ With limping economy of Pakistan it gets difficult for the state to pay huge prices for hydrocarbons.

→ POLITICAL IMPLICATIONS:

The tensions between the Russia and the West creates an unfavourable situation of Pakistan's foreign policy to take a neutral stand. On one side where Pakistan is in dire need of the west for successful deal with IMF, the economic crisis of Pakistan also pushed it to get benefit from the cheap exports of Russia amid western sanctions. The first session of oil imports from Russia was successful carried on Karachi port on 14 June 2023, which is clearly a positive impact

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on Pakistan's crisis, which was keeping its jugular for several months. But this will not last longer, as the rising conflict between Russia and Ukraine get toughened, west will push Pakistan to take a side. ~~and~~

OPTIONS TO FOLLOW IN RELATIONS

WITH RUSSIA:

→ CONTINUOUS BILATERAL TALKS:

Pakistan should focus on ~~initial~~ continuing bilateral talks with Russia, so that it could harbour its fruits later on. Russia could provide with low price hydrocarbons, oil and gas supplies to sustain its economy. It will be great opportunity for the Pakistan's state to get an advantage of ~~the~~ good relations and continuous diplomatic ties.

→ PEACE NEGOTIATIONS:

The foremost option Pakistan should go to have a good relations with Russia is to backer peace negotiations between Russia and NATO, so that the conflict should be subverted. This will bring positive image of Pakistan foreign policy on International platform and help it to make good diplomatic ties with both the countries later on.

→ NEUTRAL STAND:

Pakistan should continue to have neutral policy in Russian-Ukraine war and do not repeat history. The damage caused by the previous alliance with the ~~one~~ ^{western} side have in war on terror and Afghan invasion have greatly impacted the stability of Pakistan and indentified the sovereignty of state. Pakistan should learn from the horrors of past and avoid taking a stand for one party. Instead, it should have neutral talks with both the regions.