

Q:2

Six new members added to BRICS.

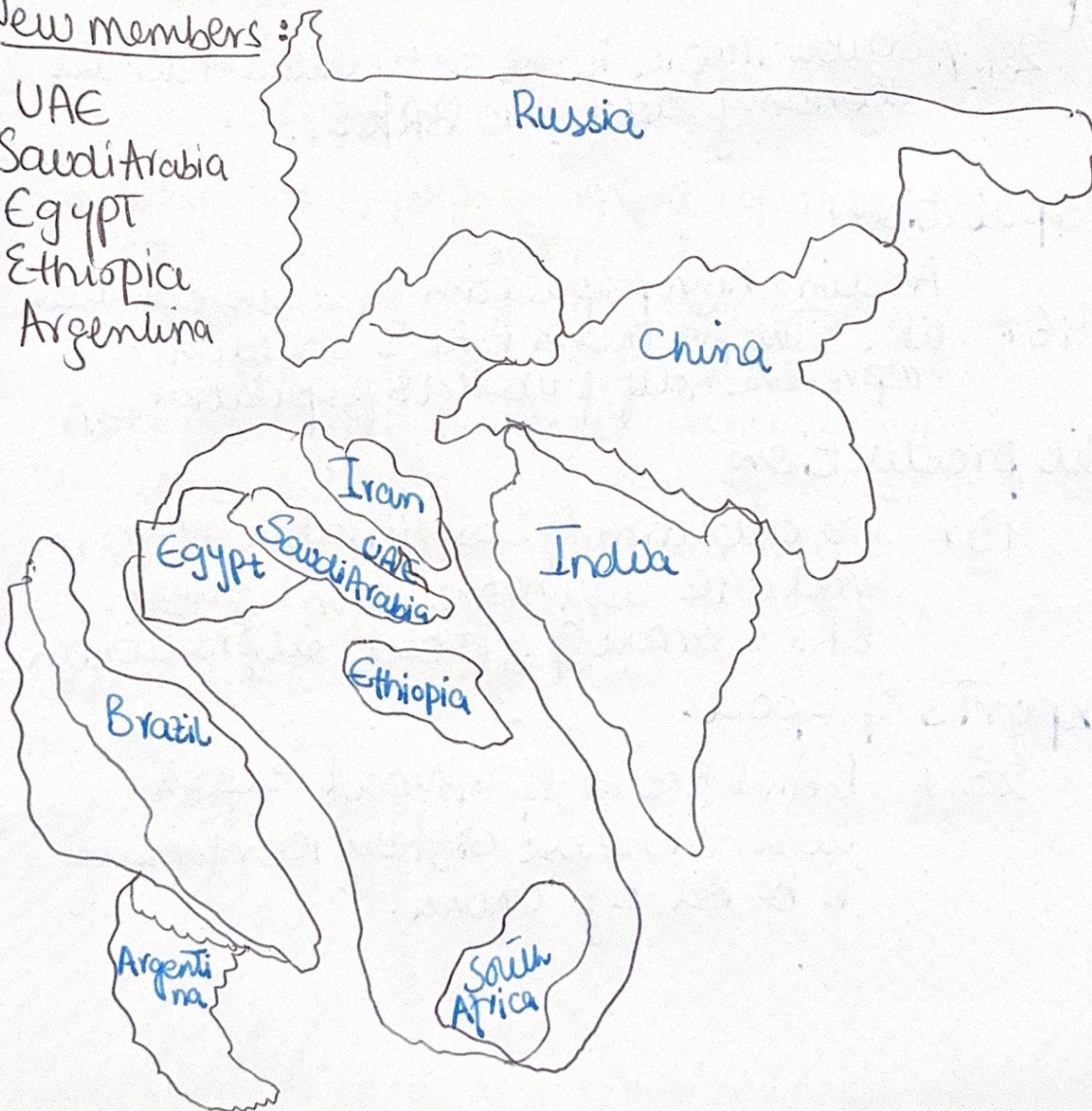
How do you see geoeconomics & geopolitical implication of expansion? What are the possible hurdles in the way of the organization?

Introduction

The BRICS bloc of leading emerging economies made a major decision in expanding its reach and influence by adding 6 more countries - Argentina, Egypt, Ethiopia, Iran, Saudi Arabia, and the United Arab Emirates. This takes the total number of nations within the grouping to 11.

New members:

- UAE
- Saudi Arabia
- Egypt
- Ethiopia
- Argentina



Geo-economic, Geopolitical and Geostrategic implications  
The expansion of BRICS has clear geo-economic and geostrategic and geopolitical implications as the latest addition will push some BRICS nations to think about their geo-spatial politics and push China and USA to beef up the existing policies.

①

Bloc now represents a larger share of world's population and economy.

Share of Global

(i) GDP

29%. Saudi Arabia is the only trillion dollars economy added to BRICS.

(ii) Population

46%. Adding high population growth countries like Ethiopia means BRICS could soon represent half of world's population.

(iii) Oil production

43%. The addition of Saudi Arabia, Iran and UAE will more than double BRICS share of global oil production.

(iv) Exports of Goods

25%. BRICS share of Global exports will increase slightly, continuing to be led by China.

## ② BRICS expansion push for MULTIPOLARITY towards GLOBAL SOUTH:

Multipolarity is clearly the new Buzzword in geopolitics and geoeconomics, as states within the GLOBAL SOUTH seek an alternative path to development are not dictated by the WEST.

The Expansion brings Muslim and Arab voices to the bloc and is a strong signal that the old international order - led by US and Europe - that has been in vogue since World War II is undergoing seismic changes.

## ③ BRICS expansion opens up new avenues for Trade & minerals:

A larger BRICS will see an increase in investment in projects and places that non-partner countries would avoid. IRAN is a good example. The country has significant amounts of critical minerals, including the largest Zinc reserves, and second largest copper deposits in Sarchemeh mine. However, IRAN has been unable to mobilize investment to increase production due to rigid economic sanctions.

④ BRICS expansion will open up new avenues for oil and gas trade :-

With the addition of Saudi Arabia, UAE and IRAN, this expanded group would include three of the world's largest oil exporters and would continue to include 42% of global oil supply. As energy sanctions have become more prevalent, a growing number of bilateral energy deals are being settled in other currencies such as such as Chinese renminbi or Indian rupees.

⑤ BRICS is calling for an end of dollar-dependency

Led by China and strongly supported by Brazil, the BRICS are striving towards a paradigm shift in the global currency hierarchy that is dominated by the

US-Dollar, which the BRICS see as a major road block for their economic capacity to act. In this vein, China has doubled down on its global swap line network in renminbi while pushing its digital currency also, the e-yo e-yuan.

⑥ BRICS is now a powerful voice for reform of arrangements for Global governance and a powerful actor in the arrangements: Having expansion sends a massive powerful message to G7, the Global north, to Washington. Two of the three largest economies of the world could by trading with each other within the BRICS without US dollar, that would be cause of concern.

⑦ BRICS benefit to Iran due to trading regime outside of dollar dominance: Iran would not be be politically isolated as the US sanctions made it so. BRICS have given an economic lifeline due to increased bilateral trade.

⑧ BRICS has created opportunities for nations to trade more easily that has enhanced utility of their respective countries. The use of unilateral sanctions against countries and the use of US dollar in global trade is something BRICS has vocally challenged.

⑨ BRICS has assured the centrality of geo-economics will uplift its members.

Sustained economic growth merged with economic integration is the surest path that will uplift BRICS members's economic status.

It will counter austere conditionalities on developing countries, that has hampered their economic development.

⑩ BRIC would pave out the way for South Africa in terms of its food security:-

South Africa is a continent of ~~30~~ 350 million hectares land, but using only 10 million hectares due to lack of technical support and access to finances. Africa could be a bread basket for the world.

⑪ BRICS has new members<sup>on the wish list</sup>, which wished to be added in the intergovernmental organization.

According to Reuters, 40 countries have expressed interest in joining BRICS.

This include

- Algeria
- Cuba
- Indonesia
- Palestine
- Vietnam
- Pakistan

One thing is certain, it will soon need new Acronyms.

⑫ BRICS expansion will impact global energy security:-

The addition of Argentina will strengthen the bloc's lithium supply. BRICS will also seek to increase public and private partnerships investments in critical mineral supply chains among allies. Saudi Arabia has made \$2.6 billion deal to buy a 10 percent stake in Brazil's largest mining company. The partnership is key for Saudi Arabia to reach its goal of building 500,000 electric vehicles annually by 2030 through targeted investments.

### Concluding paragraph :-

⑬ Challenges to BRICS due expansion:-

BRICS is relatively a young group; there are wide disparities in size, outlook and perception to its members about a multipolar world and restructuring of global organs of power. The group has so far taken a non-confrontational stance and stayed away from the rivalry b/w the west and China - Iran - Russia axis. Making the group too big would make decision making more complicated and time consuming. Expansion should be gradual and based on how the new countries would contribute to mutual complementarities, strengthening and long term functioning of group without deep ideological

Q3: Balance of payment crisis has repeatedly compelled Pakistan to approach IMF for a bailout package. How do you see the role of IMF in fiscal, monetary and foreign policymaking of Introduction Pakistan?

The IMF approved a \$3 bn bailout programme for Pakistan, which included the immediate disbursement of \$1.2 bn to help stabilize the South Asian country's economy. The release of funds comes amid longstanding fears the country would default, providing much needed relief to the incumbent government. However, the agreement with the international lender also means strict conditions when it comes to spending and structural reforms that are likely to further increase economic hardship for many common people.

① The need of IMF bailout package

Pakistan's economy has been in dire straits, hit by a balance of payment crisis as it is tempted to service high level of external debt and crushing inflation. According to analysts, the country needs at least \$20 bn in the next two years to payback foreign loan with interest.



② Five major issues to be addressed by government of Pakistan in wake of fiscal policy making through IMF bailout packages.

Five major issues are + Political

- (i) Political instability, polarization and election
- (ii) Precarious economic situation
- (iii) Flood recovery
- (iv) Mounting insecurity due to terrorism
- (v) Civil military relations.

### (i) Political instability, Polarization and Election:-

Politics will likely consume much of Pakistan's time and attention in 2023. The country's turn to political instability last spring did not end with a dramatic no-confidence vote in parliament. Staging a series of large rallies across the country through the year. For politics-obsessed Pakistan, the biggest question remains who will win the next general election.

### (ii) A Precarious economic situation

Pakistan's economy has been in crisis for months, predating the summer's catastrophic floods. Inflation is backbreaching, the rupee's value has fallen sharply, and its foreign reserves have now dropped to the precariously low level of \$4.3 billion, enough to cover only one

months worth of imports, raising the possibility of default. Pakistan must reportedly pay back \$73 billion by 2025; it won't be able to do so without debt restructuring.

### (iii) Flood recovery

A monsoon on steroids - directly linked to climate change - caused a summer of flooding in Pakistan so catastrophic that it has repeatedly been described as biblical. More than four months after the worst of the flooding, nearly 90,000 people are still displaced from their homes, and the floodwater is still standing in some areas.

### (iv) Mourning insecurity due to Terrorism

The Pakistani Taliban or TTP is responsible for killing tens of thousands of Pakistan. The group engaged in at least 150 attacks in Pakistan last year, mostly in the Northwest. - left unchecked, it could morph into significant crisis.

### (v) Civil Military relations

The military solidified its control over all manner of policy behind the scenes. PMI-N was eager to take place as the military ally and the head of civilian government. Bajula once left saying the army would no longer be involved in political matters; few in Pakistan

believe him. With politics set to dominate the agenda this year and an election imminent, Munir has a chance to show the country whether he will follow in his predecessor's footsteps, or chart a new course for civil-military relations in Pakistan. Pakistan's history indicates the former.

§ Role of IMF in making fiscal policies through bailout packages:

### Indicators of Pakistan Fiscal policies

- (1) Political instability, polarization and election
- (2) Precarious economic situation
- (3) Flood recovery
- (4) Mounting Insecurity due to Terrorism
- (5) Civil-Military relations.

③ Role of IMF in making monetary policies of Pakistan through IMF bailout Packages :

Indicators of Pakistan Monetary policies

- (1) Strengthening macroeconomic sustainability and laying the conditions for balanced growth.
- (2) Planned fiscal consolidation
- (3) Cost reducing reforms in energy sector
- (4) Complete the return to market-determined exchange rate
- (5) Pursue state owned enterprise
- (6) Governance reforms to attract investments
- (7) Support Job creation
- (8) Strengthen social assistance.

(i) Macroeconomic sustainability

- to lower inflation towards its target.
- to respond resolutely if new term price pressures reemerge.
- to build financial sector resilience
- to improve business environment -

## (ii) fiscal consolidation

- To reduce public debt.
- To protect development needs.
- To achieve a primary surplus of at least 0.4% of GDP in FY24.
- To expand tax base.

## (iii) Cost reduction in energy sector

- to protect vulnerable customers.
- - b tackle cost side pressures.
- To bring private sector participation.
- to reduce the incentives for captive power.

## (iv) Returning to market-determined exchange rate

- to sustainably alleviate external pressures and rebuild reserves.
- to strengthen the transparency and efficiency of market.
- to refrain from administrative reforms to influence the rupee.

## (v) Pursue Sustained State-owned Enterprise

- to improve the business environment.
- to create jobs.
- to strengthen governance.

## (vi) Government reforms to attract investments

- to deepen cooperation with international partners.
- to accelerate the engagement with multilateral and bilateral partners.
- to support authorities policies.

## (vii) Support Job creation

- to select state-owned enterprises
- to manage asset under the ownership of newly created sovereign wealth fund.
- to ~~cross~~ ensure public access to asset declarations from cabinet members.
- to lower inflation.

## (viii) Strengthen social assistance

- to protect the vulnerable.
- to improve the unconditioned cash transfers
- to increase enrollment into conditioned cash transfers programs supporting children education and health -

## ④ Role of IMF in Foreign policy making of Pakistan :-

Indicators of Pakistan Foreign Policy through IMF amid Pak Struggle with Economic challenges :-

- i) Pak - China cooperation expansion
- ii) Pakistan committed to fostering global economic ties to uplift economy.
- iii) Pakistan met with head of IMF in Paris hoping to unlock \$6 B deal to avoid default

i) Pakistan China talks to expand cooperation

Pakistan secured a ~~\$3 billion loan program~~ billions of dollars in power plants in Pakistan as part of BRI and extended loans to the country

- (ii) Pakistan committed to foster global economic tie to uplift economy
  - diplomatic relation with Saudi Arabia
  - relation with Turkey -
  - relation with Russia
  - relation with China .

To redesign the nature of Bilateral relations with

(i) United States

(ii) China

(iii) Afghanistan and Central

Asia republics

(iv) Gulf States

(v) South Asia

(i) United States :-

- Economic, military and humanitarian assistance
- Foreign direct investment in energy transmission and distribution.
- Strengthening the capacity of research organisation.

(ii) China :-

- Completion of ongoing projects under CPEC.
- Revise free trade agreement with China.
- Intensive efforts to attract Chinese companies.
- Pakistani professionals should be attached with Chinese companies to better understand market conditions, standards & requirements.



(iii) Pakistan meet with head of IMF in Paris ~~top~~ — and unlocked 5 Bn deal to avoid economy to default.

Pakistan relation with IMF, successfully unlocked 6 Bn deal and saved the country from default.

### Goal for setting future economic relationships

The primary should be to maximize the opportunities <sup>goal</sup> offered by globalization and financial integration for the benefit of majority of Pakistanis.

The major goals would be

- (i) To double country's per capita income and reduce poverty level within the next 10-12 yrs.
- (ii) To increase the world market share in exports of merchandise goods.
- (iii) To attract foreign direct investments
- (iv) To promote transfer of technology to Pakistan companies
- (v) To train and supply the type of workers required by deficient countries

(i) Afghanistan and Central Asia Republics:-

- To promote further trade and tariff rate.
- To provide access to sea.
- to liberalise the transport
- facilitate exports of mining sectors.
- promote investment opportunities in construction

(ii) Gulf States

- labour force expansion
- strengthen economic ties in the form of trade flow.
- to attract investments
- to supply skilled and semi skilled labour force.

(iii) South Asia

- Goods, services, capital investment and skilled labour flow freely -
- Reduce asymmetry in power relationships.
- responsibilities, responses and behaviour must commensurate with its size and status.

Conclusion

Unless we remove the inbuilt disdain for anything foreign, including overseas Pakistanis we would become more insular and disconnected from tide of progress that is

benefiting other emerging countries. We should have South Korea, China, Indonesia, Malaysia and Vietnam as role models to follow rather than drift towards the closed economies of world.