

Name: Zarafshan Zahir  
Batch: OB-59 (Islamabad)  
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Part - II

Q.no. 5

Ans:

## US-CHINA RIVALRY TURNING INTO A CURRENCY WAR

The US-China rivalry in the domain of international finance is turning into a currency war where US is trying to keep the dominance of dollar in world economy and China is pushing for the de-dollarization efforts. China is promoting the Chinese Yuan (renminbi). This would challenge the long rule of dollar and would consequently shake the US hegemony. China is showing efforts in this regards where it is promoting de-dollarization move by various programs such as BRI, CBDC etc. The currency war would bring global economic stability, would push for a multipolar world and would reduce US influence on world politics and world finance.

# US DOLLAR DOMINANCE AND ITS STRATEGIC IMPORTANCE

The US Dollar has been the world's default <sup>currency</sup> ~~economy~~ since the Bretton Woods Agreement in 1944. This dollarization effect made way for the US to stand as a world power. US-dollar serves as the world's primary currency and has been used for international trade, global exchange ~~and~~ investments and foreign exchange reserves. The dollar's dominance has given US immense advantages.

## → POLITICAL LEVERAGE

The dollar dominance has given the US political leverage in terms of it sanctioning nations that go against what US wishes. For example US has sanctioned Russia on terms of the Ukraine war and similarly Iran on its works on nuclear power program. Pakistan, too, has witnessed being sanctioned by the US when it became a nuclear power in the late 20th-century.

## → GLOBAL INFLUENCE

The US can influence global monetary policy and maintain economic stability. Due to this dollar dominance, it gets the perks of being a dictator in world economies.

## → ECONOMIC POWER

The high demand of dollar as it is the primary currency in the world benefits US in many ways. The key economic benefits for the US is its ability to borrow at lower costs because the demand for dollar-dominated assets is high.

## CHINA'S DE-DOLLARIZATION EFFORTS

China's efforts to reduce dollar dependence is multi-faceted. The efforts reflect its broader ambition to reshape the global financial system.

## → PROMOTION OF YUAN

China has been working on increasing the international use of Yuan. It is doing bilateral trade in Yuan instead of dollar. It is also swapping lines with other central banks promoting trade in the local currency. Projects like BRI also serves as a platform for expanding yuan's influence in participating countries.

## → DIGITAL CURRENCY DEVELOPMENT

China is working on developing a digital yuan. This could lead to the cross-border transaction without the need for US currency.

## → DIVERSIFICATION OF RESERVES

China is on the mission of increasing its foreign reserves outside the US dollars. It is increasing its reserves of gold and other currencies. This will make China less dependent on US dollars and would be free of the fear of sanctions or financial instability.

## → COLLABORATION WITH OTHER COUNTRIES

China is seeking partnership of other countries who wish to de-dollarize their finances. Countries such as Russia, Iran and members of BRICS+ have already joined hands with China in their quest to free the global finances from the hegemony of US dollar.

## IMPLICATIONS OF CURRENCY WAR

The currency war originating from US-China rivalry has many impacts. Some are discussed below.

## → GLOBAL ECONOMIC STABILITY

A shift from dollar could lead to increased volatility in global markets. If multiple currencies compete for the

role of reserve currency, it could result in fluctuations in exchange rates, impacting international trade and investment.

### → EROSION OF US INFLUENCE

A successful de-dollarization campaign can weaken US influence on world economy and world politics. Countries would have freedom in pursuing independent economic policies, potentially diminishing US power of sanctioning other countries.

### → PUSH TOWARDS MULTIPOLAR WORLD ECONOMY

The domination of multiple currencies could see the world moving towards multipolar economy. For instance, Yuan would operate in Asia, Euro in Europe and in this rise in regional economic blocs with their own dominant economies is seen.

### → TECHNOLOGICAL INNOVATION

With digital currencies, particularly the CBDCs, international payments could be revolutionized. It could reduce transaction costs and increase financial inclusion, but also challenging the current dollar dominated system.

## CONCLUSION:

The US-China rivalry is indeed shaping into an intensifying currency war, with US trying to maintain the dollar's global supremacy and China seeking to de-dollarize international trade. China has made multiple strides in the promotion of yuan and the digitization of yuan. The outcome of this rivalry will have profound implications for global economic stability and balance of power in international finance.

Q.no. 7

Ans.

## RISING TENSIONS IN THE MIDDLE EAST FOLLOWING THE KILLING OF ISMAEL HANIYEH.

The tension between Iran and Israel has been a longstanding issue of the region. It is marked by proxy conflicts, deep-seated hostilities and ideological differences. The recent killing of Hamas leader Ismael Haniyeh has fueled the situation to further extents. This incident represents a significant escalation in a already volatile region which could lead to a war-like situation. The rising tensions must be handled well by mediation of friendly countries.

## CURRENT EVOLVING SITUATION

The killing of Hamas leader in Gaza in times of already rising hostilities towards Israel has added fuel to the decades old bitter relations of Gaza and Israel.

### → ESCALATION OF HOSTILITIES

The killing of Ismael Haniyeh, if Israel accepts the responsibility of killing Haniyeh, could potentially provoke a strong reaction from Hamas and its supporters particularly Gaza. This could lead to retaliatory attacks both within Israel and other regions where Iran-backed groups operate. Furthermore, Iran can also increase its support to Hezbollah in Lebanon and other militias operating in Syria and Iraq. This could further destabilize these regions and increase the likelihood of a broader regional conflict.

### → INCREASE IN PROXY WARS

Iran and Israel have already been involved in the proxy wars. However the current heated situation can increase these wars. Iran can back and fund military groups operating in the region

such as Hezbollah and Houthis. In turn of this Israel would also start military operations to counter the threat. The current situation can see escalation of the proxy wars with more severe and frequent clashes.

## → IMPACT ON THE PALESTINE-ISRAEL CONFLICT

The killing of the high profile Palestinian leader could inflame the tensions in occupied territories. It could further worsen the already worse situation in the Gaza. This could derail any ongoing peace efforts and further complicate the Israel-Palestine conflict.

## POSSIBLE PATHS TO REDUCE THE GROWING TENSIONS

The growing tensions in the Middle East due to the killing of high-profile Palestinian leader Ismail Haniyeh can be reduce if the following measures are taken.

### → THIRD-PARTY MEDIATORS CAN NEGOTIATE BETWEEN IRAN AND ISRAEL

Given the lack of direct diplomatic relations between Iran and Israel, third-party mediators, like Russia, Qatar, EU countries could play a crucial role



in controlling the heated situation. This backchannel negotiations could help in managing the crisis.

### → INTERNATIONAL PRESSURE:

The international community can put pressure on both Israel and Iran to exercise restraint. The US could influence over Israel to prevent further escalation, while Russia and China could do the same with Iran.

### → UNDERLYING ISSUES SUCH AS THE ISRAEL-PALESTINE MUST BE ADDRESSED

The tension between Israel and Iran is due to the basic cause of Israel-Palestine Conflict. Such issues need to be discussed to pave way for a peaceful situation in the future.

### CONCLUSION

The situation in the Middle East is highly complex and any escalation between Iran and Israel has the potential to turn into a larger regional conflict. To reduce tensions, a multi-faceted approach involving diplomatic efforts, international pressure, solution to Israel-Palestinian conflict is essential.

Q.no. 8

Ans.

## PROBLEMS POSED TO PAKISTAN'S INTEGRITY DUE TO AFGHANISTAN'S SUPPORT TO T.T.P

Relations between Pakistan and Afghanistan have been <sup>on a</sup> rocky path since decades. The tensions, however, reached to new heights when Afghan government fell to Taliban in August 2021. Pakistan, has since been accusing Afghanistan for providing safe havens to the banned Pakistani military organization - TTP.

### CRITICAL EVALUATION OF THE SITUATION

#### → HISTORICAL CONTEXT AND TRUST DEFICIT

Afghanistan and Pakistan have issues regarding the borderline since a long time. All the issues are related to the root cause of Durand Line. This mistrust has been exacerbated by Afghanistan's accusation that Pakistan harbours militant groups that threaten its stability. As a result, Pakistan accuses Afghanistan of providing hide outs to the TTP, which has carried out numerous attacks within Pakistan.

#### → TTP'S PRESENCE IN AFGHANISTAN

The TTP is a Pakistani militant group that found refuge in Afghanistan after Pak Army launched an operation in 2014 against

militant groups in the tribal areas. With the Taliban's return to power in Afghanistan, TTP has reportedly found safe havens in Afghanistan and has started their terrorist activities in Pakistan.

### → IMPACT ON PAKISTAN'S SECURITY

With the resurgence of the militant group, threat to Pakistan's security has been increased. The banned organization has carried out attacks in Pakistan particularly in KPK and Balochistan regions.

### POSSIBLE RECOMMENDATIONS.

#### → ENHANCED DIPLOMATIC TALKS

Pakistan and Afghanistan must delve into diplomatic engagement over their concerns. Problems are solved once they are discussed. Joint delegations must be set-up to discuss border management and security issues. Involving neutral parties in discussion such as Russia, China would give more fruitful results.

#### → TARGETED MILITARY ACTION AGAINST TTP

If the bilateral discussion through regional powers do not

show success then Pakistan must consider limited, targeted military operations to neutralize TTP leaders and camps in Afghanistan. This however should be a last solution to the Islamabad-Kabul tensions.

### → LEVERAGING INTERNATIONAL PRESSURE

Pakistan could work with international partners like the US and UN to put pressure on Afghanistan to take action against TTP. This can involve sanctions or conditional aid tied to counter-terrorism measures.

### → STRENGTHENING INTERNAL SECURITY

Pakistan should continue and intensify the counterterrorism operations within its borders to dismantle any remaining TTP networks.

### CONCLUSION:

The Pakistan-Afghanistan tensions are multi-dimensional. The issues start from the basic problem of Durand Line. These problems have now included the militancy as well. Several methods, if applied can lessen the heated situation between the two neighbouring countries.