

Q5)

The US China rivalry is heating up in multiple areas, from geo-strategic to economic areas.

One such aspect is the Dollar's hegemony on the world.

The USD is the currency of choice for 55% of global reserves and over 70% of global trade according to the IMF.

China is seeking to lower the USD's dominance in an increasingly multipolar world in a variety of ways.

1) The US World Order

The US global order began post WW2 with the Bretton Wood Conference in 1945. This established the U.S. dollar as

the reserve currency of the world. Despite the end of the gold standard in the early 1970s the U.S. as the strongest economic power maintained its influence.

2 Unipolar World Shifts to Multi polarity

While the U.S. became the sole super power post 1991, China's miraculous rise has redefined the contours of global power. While Deng Xiaoping said "To bide your time and wait", Xi Jinping has chosen to exercise China's military and economic might post 2012. China with the 2nd largest economy and population has grown increasingly capable in technology and aims to outpace the U.S. in innovation.

3 How China is Rolling Back U.S. \$ Hegemony

a) International Development

China has expanded her influence throughout the world through the BRI, OBOR, and flag ship projects such as CPEC. From Africa to Pakistan and South East Asia China invests to increase soft power and influence. China aims to develop the infrastructure that centers around trade to and from China that can be denominated in Renmbi.

b) Multi lateral Initiatives

i) BRICS+

The extension of BRICS to run as a institution for the global South has expanded China's interest

by working with like minded States to achieve their aims. Central to BRICS is the desire for Multi Currency international trade to rival the Dollar.

The addition of Arab States such as the U.A.E / K.S.A alongside African such as Ethiopia highlights the Global South approach.

ii) SCO

The Shanghai Co-operation Organization is another element that seems to foster greater Central Asian Co-operation and Commitment. China and Russia have used the platform to extend their economic objectives of ending Dollar hegemony through the promotion of regional trade among members.

iii) AIIB

China has also constructed organizations as answers to the Bretton Wood System.

The Asian Infrastructure and Investment Bank is China's response to the WB and ADB. This developmental arm can be used to further the Renmbi's influence.

c) Bi-lateral Arrangements

China is also utilizing bilateral ties and trade to extend the anti-dollar approach.

Most notably with Russia post Ukraine 2022. Given sanctions, trade with Russia is occurring through local currencies with local payment banking channels that are alternatives to SWIFT.

China is also encouraging partners such as Pakistan,

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Indonesia and Arab States to be more open to the idea of strengthening yuan trade.

4) Why Does China Seem to Dislodge the Dollar

a) To Pre-empt U.S Sanctions

China - US rivalry is heating up in various domains.

As the U.S becomes more hostile to Chinese trade

China seeks to insulate itself from the threat of sanctions. It also seeks to enable China to counteract

U.S pressure campaigns by limiting US economic arm twisting.

b) To enable trade with Strategic Partners Under Sanctions.

U.S. Sanctions on States that resist U.S. hegemony Complicate Chinese trade ties. It also limits the influence China may gain. Thus to engage in trade with States such as Iran and Russia, China needs to develop alternatives to the U.S. Dollar.

c) End U.S. Hegemony.

Charles De Gaulle, former President of France called the U.S. Dollar "America's exorbitant privilege". It allows the U.S. to print money, sustain BoP deficits while not suffering from inflation. If China is to become a world power and protect her interests

the U.S "exorbitant privilege" will have to go. China will struggle to compete with a nation that can simply print money. Over 5 trillion USD was printed for stimulus in the Covid Pandemic alone.

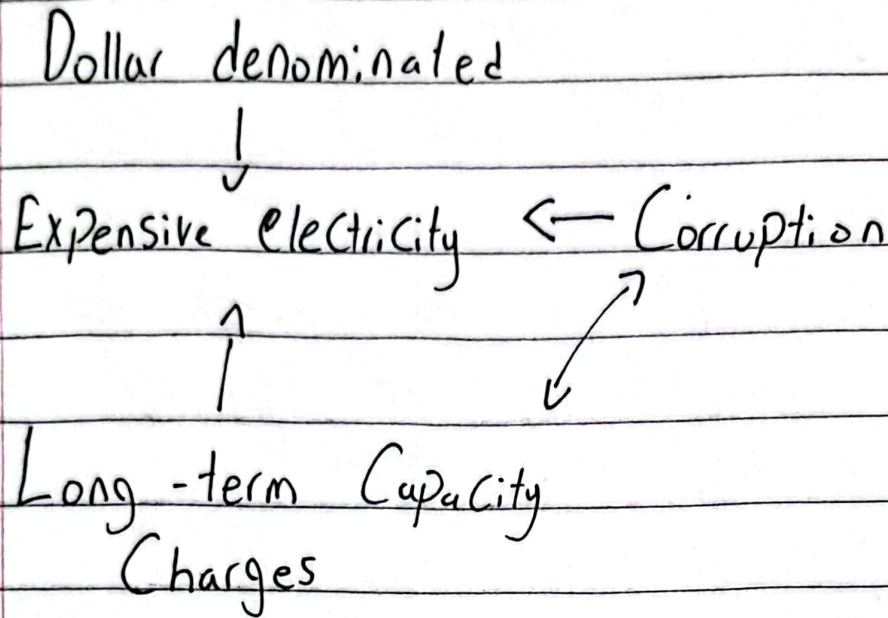
Conclusion.

The US Dollars hegemony is a wall standing between those who desire to change the status quo. Thus greater multipolarity will likely produce a world of multi-currencies. China aims to shape this movement in order to protect and promote her own economic and strategic interests. Developing nations such as Pakistan can benefit from these shifts by lowering the pain of U.S sanctions, reducing BoP pressures and benefitting from new trade opportunities.

Q2)

Independent Power Producers or IPPs are a fixture key component of Pakistan's internal energy production, responsible for over 70% of internal energy production. IPPs grew in number post the World Bank sponsored reforms of the 1990s to spur private investment. However since then, Pakistan has stumbled into an energy crisis where our energy rates are 3x that of regional neighbours (residential). This has been a result of a flawed IPP negotiation process alongside ineptitude in government.

1) Poor IPP negotiated terms



2) Dollar Denomination of Rates

Most of our IPP deals have been pegged to the U.S.D. While the PNR is exposed to fluctuations, a higher profit % but based in PNR - USD index mix would have been more appropriate and less open to fluctuations. According to Khurram Hussain of Dawn, since 2019 a rise in energy rates is nearly

100% Correlated with PNR depreciation.

ii) Long-term Capacity Charges.

HuB power Plant, Created in the 1990s is still being paid Capacity Payments according to Ishrat Hussain in 2024. Capacity Payments have more than paid of the equity invested and is thus only increasing profits to the owners for no real purpose. Pakistan cannot afford such long Capacity Charge timelines even if our risk-profile is higher

iii) Corruption

The IPP arrangements primarily involving 40 odd families with access to power corridors have clearly abused

the System to Create favourable terms or to fund Useless projects. For example the Sahiwal Coal power plant Situated 1000 km from Port does Not Make economic Sense. Thus it is Mostly Closed.

2 Institutional and Government Factors Contributing to Energy Crisis.

Poor transmission →
Corruption in DISCOs →
Inefficiency in DISCOs →
No Checks and Balances →
Short termism →

High Energy Rates

i) Poor transmission.

Over 15% of energy, around 700 billion PKR is lost to theft per annum. Moreover our antiquated transmission

lines are only Capable to handling 23,000 MW of electricity, while our Capacity is over 40,000 MW. Thus we are paying for Capacity the System cannot bear

ii) Corruption in DISCOS

Prime Minister Shebaz

Sharif called out 'Mega Corruption in the Energy Sector' in August 2024.

Rotten State owned DISCOS

with political appointees as directors is evident. Many

directors have no experience in energy related matters.

Posts are occupied for

wealth generation. Fake Circuit

Breaker Orders by LESCO

to blacklisted firms Cost

1 Billion PKR in July 2024.

iii) Inefficiency in DISCOs

Due to being Political Posts, directors have overstuffed organizations providing excess jobs to unqualified staff. This has led to inefficiency which further increases DISCO losses and final energy rates

iiii) No Checks and Balances

Without institutionalized merit based institutions and procedures Pakistan cannot effectively negotiate energy deals and IPP arrangements. CPPA and energy regulators must come under greater scrutiny which is thus far lacking.

V) Short termism for Quick Solutions and FDI

Pakistan's politics are punctuated by short term solutions to long term problems. Expensive fossil fuel IPPs instead of opting for local coal and indigenous sources have led the energy market to be more exposed to commodity fluctuations. Moreover despite having more capacity Pakistan is aiming to attract even more investment to meet dollar shortages through FDI.

3) Solutions to the Crises

a) Re-negotiation of terms.

In 2019-2022 many IPP agreements were ~~were~~ switched to PKR with higher rates of return. Moreover efforts are under way

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to Convert imported Coal Plants to local thar Coal. More renegotiation of terms in IPPs run by local investors should be pursued to lower the burden

b) Promotion of Roof top Solar.

Roof top Solar provides a No - investment, flexible arrangement for the government that taps into local Savings rather than government revenue. Promoting individual Solar provides one of the Cheapest Solutions as local Solar investors do not demand dollar denominated returns. Moreover it extends electrification to meet local, area wise energy needs through existing infrastructure.

C) Privatization of DISCOS and transmission Network

Through bringing in the private sector the government can root out politicization, inefficiency from the system. Moreover limited government resources will not need to be expended. Through calculated privatization of transmission line blocks, the government could reduce theft and improve distribution.

D) Eliminate One-Buyer Program and Provincialize Energy.

In order to boost efficiency and end market distortions, the NEPRA one buyer mode should be ended for favour of a more market orientated system. Government owned dams and plants

Should also be able to extend greater benefits of efficiency and responsibility to the provinces.

CONCLUSION

The TPP deals are home to inefficiency and outright negligence and corruption in certain projects. However the TPP issue is a reflection of the government's failure to establish institutions to properly police and manage energy deals. The government must thus encourage greater private sector involvement within a framework to work towards efficiency and the national interest. Greater provincialization will also give more responsibility and benefit to provinces for

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Running Government owned
Power plants effectively.

Q7)

Since the events of October 7th 2023 the Middle East has been home to excessive destabilization and greater power politics within the region's Security Paradigm. The April drone attack by Iran and the Israel killing of Haniyeh in August 2024 have punctuated the region with unprecedented violations of sovereignty and deterrence break-down. However post assassination of Haniyeh the region is closest to war, necessitating diplomatic efforts to avoid a regional confrontation that will drag the great powers into conflict.

D) The evolving Situation in the Middle East

a) Israel's increasing irrationality and Rogue actions

Israel under Netanyahu is increasingly becoming more irrational. All efforts undertaken by it to sabotage the peace deal and through the assassination of Haniya, destabilize the region.

Arab States, Iran, and the Great powers including the U.S are increasingly becoming tired with Israel's posturing. Netanyahu's campaign to salvage his political career is increasingly becoming evident, even acting against Israel's interests.

b) Iranian Deterrence Failure and the Need to Respond.

By assassinating Haniyeh Israel disregarded Iranian Sovereignty and deterrence.

Iran in order to preserve its deterrence and dissuade such brazen attacks must respond in kind to maintain its power position.

Iran also has the right under international law to respond. There are fears that it will not be a limited, pre-informed strike as it was in April.

c) Arab League increasing Disapproval of Israel

In July, the Arab League de-listed Hezbollah as a terrorist group with

the Vice Chair saying the label "No longer applied".

This even before Hanigah's assassination signified how

K.S.A and the GCC is

increasingly growing tired of Israel's posturing. The Arab

States have been economically damaged by Houthi activities

in the Red Sea and fear

further regional conflict through the antagonization of Iran.

2) Solutions to the Crisis

a) Great Power Involvement

i) U.S Restraining Israel

Despite the power of the Israel lobby, Israel's actions

in the Middle East has

harmed U.S interests. It

has also set the stage

for the proliferation of

aimed against the U.S.

It has also complicated rapprochement with the Arab Nations, specifically K.S.A. The U.S. for her own, and the regions interest must stop arms sales to Israel and provide Israeli leadership with a concrete deadline to avert an Iranian response

ii) China and Russia to Deter Iran

China and Russia must also use diplomacy to avert an Iranian response.

Russia has already sent high level delegations to urge Tehran to "exercise restraint." China similarly is seen as a neutral party that can pressure Iran to wait.

However this shall be contingent on the U.S. ability to restrain Israel and come up with a ceasefire. A mission Secretary Blinken has been tasked with.

iii) China on Palestinian Organizations

After the conclusion of the Unity deal between Fatah and Hamas China has more leverage to dissuade a Hamas response.

The Netanyahu policy is to provoke a reaction to extend the war. Thus Chinese influence could prevent retaliation that would play into Israel's hands.

b) More Forceful Arab Stance.

The GCC and Arab States have thus far been reticent to openly criticize Israeli policy in destabilization.

The Arab League and OIC must take a more forceful stand against Israeli actions while at the same time working with Iran to restrain her response. This would pressurize the U.S. to further demand Israeli acceptance of a workable cease fire deal.

Pakistan should also play a role in co-operating, and liaising between the Arab and Iranian sides to prevent escalation.

c) Political Shake - UP In Israel

The U.S. must work with other partners within Israel to orchestrate an ouster of the Likud government under Netanyahu who is increasingly unpopular. Netanyahu prioritizes his political aims over the security of the region increasing the chance of war.

Conclusion

In order to stave off a escalation the great powers must work together to bring Israel to a cease fire and prevent an Iranian response. The Muslim world and Pakistan must further criticize Israel's destabilization through the OIC and work to prevent Iranian

Escalation that could prevent a cease fire and negatively affect the region's interests.

Q8)

Since the Taliban takeover in 2021, the TTP has re-grouped, launching fervent attacks against the Pakistani State. Despite Taliban guarantees in Doha, the UN estimates over 7000 TTP militants are receiving arms, safe haven, and support in Afghanistan. Even more worrying is the links with Al Qaida who the UN 2023 report alleges are training TTP militants. Despite Pakistan's efforts the Taliban have refused to budge necessitating new actions and policy to rid the region of terrorism.

1) Current Situation

a) Continued Taliban Support

The Taliban is continuing to shelter TTP militants across the borders, refusing to even acknowledge the fact of the matter. This complicates diplomacy for Pakistan

b) Attacks Continue

Pakistan has conducted over 10,000 operations this year ~~along~~ alone against terrorists in Pakistan. Over 300 lives have been lost with the majority, over 85% occurring in KPK and Balochistan according to the DG ISPR in June 2024.

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c) Internal Afghan Dynamics Remains dependent on TTP Support

The Taliban is currently motivated to establish stability and root out IS-K from their borders.

The Taliban fears that any efforts taken against the TTP may provoke another civil war. Thus the Taliban has permitted their operations to ensure their own stability at Pakistan's expense.

2) Solutions

a) Engagement with SCO China, Russia, Iran.

The SCO with its RATS counter terrorism division is the best method through which this central

Asian issue can be resolved.
Pakistan needs to convince
Russia and Iran to look
beyond IS-K. Convincing
these two major players is
necessary to limit TTP presence.
Pakistan should also ask
China to make further
investment in Afghanistan
contingent on actions against
the TTP.

b) Tackling the Socio - Economic Dimension in Pakistan

In order to prevent TTP
resurgence it is necessary
to limit their support and
movement in tribal areas

"The Guerrilla should swim
through the current of
the people as a fish"
- Mao Zedong.

This quote by Mao Zedong highlights the success of any Guerrilla Movement. Mao encouraged eliminating support amongst the people as a method of tackling terrorism and asymmetric warfare.

c) Improving Local Policing in Tribal Areas

Senior politicians of the Tribal belt have complained of the insecurity due to the lack of police presence. Instead of the armed forces, a strong police presence comprised of locals is necessary to restore trust and order in communities. Only then can gains made by kinetic action be maintained.

D) Improving Legal System and Court action

Operation 'Azme Istihkam' outlined the need for specialized courts to deal with terrorist cases. Often local judges fear passing judgement considering the risks involved. Thus an independent, anonymous system of trial will have to be enacted to avoid terrorists going free.

E) Revitalizing the People and acting against Propoganda

Pakistan needs to create a targetted campaign to prevent TTP propoganda from spreading and building a strong counter narrative. Labelling them as 'Fitnah al Khwarij' can be seen

as the first step that has to be built on highlighting their brutality to win "The Hearts and Minds" of People.

Conclusion

Pakistan should thus create a multi-pronged strategy against terrorism centered on multi-lateral engagement, local socio-economic development and strengthening the system of law and order.

Additionally building a narrative that can counter terrorism will also help convince more people of the state's good intentions.