

# Current affairs.

## Subjective Part - Part II

Q.1 Increasing capacity payments to IPPs has made electricity hyper expensive.

IPPs are Independent Power Producers. They help developing or underdeveloping state to meet their power need or electricity. They produce energy using Hydro Carbon. Different IPPs were installed in 1999, 2005, 2011 and 2014.

As population is increasing demand of electricity is also increasing, and the more the IPPs got installed. And Pakistan has to pay more money. OKAY IPPs are being installed, but why the price of electricity is being increased when we have enough IPPs to produce electricity. First of the major reasons for expensive electricity is the capacity payments made to IPPs.

Now what is capacity payments? Capacity payments are made to power plants that remain idle, receiving payments without generating a single unit of electricity due to faulty agreements. In summers, the demand is on the peak as in July 2023 it



was around 28,000 MW ~~which~~ while in winters it reduces by more than 50% as in January 2023 it was less than 14000 MW. The ~~the~~ agreements ~~of~~ with IPPs is being signed on the basis of maximum demand. In Summers Pakistan have to purchase the maximum demand while in winters it reduces. The state has to purchase this much electricity minimum. But if state does not purchase this much electricity, (the required volume) yet again it has to pay the price. Unprecedented increase in the capacity payment which is ~~is~~ currently more than 2.3 Trillion PKR. All the IPPs payment are being paid in Dollars. Rupees could be seen falling in comparison to dollars and are debt could be seen to the sky with wonderful colours. These Capacity payments are linked to dollar indexation which has increased due to the rupee's depreciation against dollar over the past year. Example could be seen a IPP was build for Rs 50 billion, has received Rs 700 billion in payments. Abdul Mahamud highlighted that IPPs are ~~are~~ receiving monthly capacity payments amounting.



to 150 billion, including payments to non operational and partially operational plants. If we have to continue these payments increase in electricity prices is important or the IPPs had to be shutdown. Electricity prices also link with like in petrol, diesel and infrastructure etc.

### Recommendations:

⇒ State should review Capacity Payment agreements. Where necessary we should shut down some IPPs and ask other IPPs to increase production. State should also review that core payments necessary and if they are set at appropriate levels.

⇒ State could invest in Demand Management. Measures could be taken to manage electricity demand more effectively. This could decrease demand and improve overall efficiency.

⇒ Regular Audits and Transparency: Ensure regular Audits and Transparency in the allocation and use of capacity payments. This can identify any inefficiencies.



or misuse of funds.

→ Government to invest in other ways of ~~electricity~~ electricity production from renewable sources. It could be done by shutting down some IPPs and investing that amount in these projects.

⇒ Government can invest in solar panels, like ~~for~~ recently Maryam Nawaz started a project to distribute solar ~~pan~~ panels. This project not of Maryam Nawaz but of ~~use~~ increasing use of solar panels could be more helpful. Even can take help from China in this project.



Q.3.

Student Protestors ended the long rule of autocratic Sheikh Hasina.

~~Bangladesh~~ Bangladesh known as first East Pakistan. Bangladesh achieved independence in 1971. Sheikh Hasina was Prime Minister of Bangladesh. Prior to her downfall, she had ruled Bangladesh 15 years. She was an autocratic leader.

What does an autocrat mean? It means who has absolute power or taking no account of other people's wishes or opinions.

People think that Sheikh Hasina's rule was coming to an end like a branch which was a breaking point but just need some put a single finger for weight bearing to break it. Now that ~~the~~ ~~the~~ that single finger to break the branch was students' widespread protests, which were other breaking points. The elections held in 2014, 2018 and one recently in which opposition was either boycotted or reduced to a hopeless minority. So people were getting impatient. Second reason was borrowing money from China and Japan. This led to major infrastructure projects.



and economic growth but recently inflation became a very significant issue, and the rate of growth declined. This was the background against which the current student rebellion took place. There was shrinkage in employment, and this why the quota in the civil service, reserved for so-called descendants of the liberation fighters actually became such an important issue to the student. Students started agitating. They came out in the streets, and the police behaved in high-handed manner and there were a number of deaths.

And we saw the widespread mass uprising against the government. Student Protestors ended the long rule of autocratic Sheikh Hasena this way. It was not only political but economical ~~of~~ earthquake in Bangladesh. This earthquake caused a uproar. ended autocratic rule, impacted Governance and democracy, also caused social tension. Possible fallout include change in political landscape. New political leaders and parties might emerge, which also carries the risk of new conflicts and power struggles. Impact on International Relations



The change in leadership might result in a shift in foreign policy and international relations, e.g. relation with India. Aid and investment can be affected. Donors and investors might reassess their engagement in Bangladesh. Empowerment of Civil Society is due to recent protest. Economy is also impacted as offices were barred and not working. Internet services were closed. This uproar drastically impacted Bangladesh. Sheikh Hasena fled to India, but Bangladesh might still suffer its impact.



Q.5.

The US-China rivalry is becoming more evident in the areas of trade and currency, which has important ramifications for the world economy. The US and China are engaged in a deeper strategic battle, as seen by their divergent approaches to the dollarization of international trade and their efforts to debollarize it.

The US dollar's supremacy in worldwide trade and banking stems from its historical strength and stability. Dollarization is characterized by the following: The US dollar is world's major reserve currency, which central banks hold and utilize in international transactions. About 60% of worldwide foreign exchange reserves are stored in dollars. International trade is done in dollars. Dollars are used to price many international commodities, including oil, gold, and other raw materials. This establishes the dollar as the default currency for global trade. And the US dollar is also widely used in global financial markets, accounting for a major share of global debt. This dominance offers the US significant influence in the global financial system.



China has been aggressively attempting to lessen its dependency on the US dollar, motivated by various factors. China seeks to protect itself from the economic and geopolitical pressures associated with dollar supremacy. By lessening its reliance on the dollar, China can gain greater control over its economic policies and reduce its exposure to US monetary policy and penalties. China has used BRI to encourage economic links and investments in variety of ~~both~~ countries, often encouraging transactions in Chinese yuan (RMB). This promotes Yuan as an alternative to the dollar. China has been attempting to internationalize the yuan by increasing its accessibility to global financial markets. This involves opening its financial markets to overseas investors and developing offshore yuan trading centres. China has signed a number of bilateral currency swap agreements with other countries, allowing them to trade in their respective currencies rather than dollars.



The competition between the US and China for currency domination has various implications. Geopolitical conflicts: The fight for currency dominance reflects deeper geopolitical conflicts. China's efforts to promote yuan might be viewed as a part of a larger strategy to strengthen its worldwide influence and ~~to~~ challenge US hegemony. As the yuan gains traction in international trade, global economic power may shift. However, any transformation would necessitate considerable changes in global financial infrastructure and trust in the yuan's stability. Currency conflicts can enhance volatility in international financial markets. As governments and businesses adjust to currency fluctuations, trade and investment patterns may be disrupted.

Despite China's attempts, various issues hamper the process of de-dollarization. The yuan cannot match the dollar's liquidity and depth in financial markets. To become a more viable alternative, the yuan must bridge the liquidity gap. The stability of the yuan as well as the transparency of China's financial systems, are critical for widespread foreign acceptance.



Challenges in these areas can undermine efforts to boost the yuan. Many countries and institutions may be hesitant to abandon the dollar due to existing economic linkages and financial infrastructure. The US-China struggle for currency domination is a complex and dynamic subject. These above were some of the different sides of US-China struggle for currency which I presented.

Q. 7.

The recent escalation of tensions between Iran and Israel following the assassination of Hamas leader Ismail Haniyeh is a significant event in an already volatile middle East. This situation represents bigger geopolitical and sectarian problems in the region. Impact of Ismail Haniyeh's killing is that Hamas may view Haniyeh's death as a serious provocation, leading to increasing retaliatory attacks against Israeli targets. This increases the likelihood of a larger confrontation involving Gaza and other regional actors. Iran, a major supporter of Hamas, may



view this as a direct strike on its regional strategic interests. This might enhance support for Hamas and other anti-Israel groups, as well as tensions with Israel via proxy engagement.

This could also lead to regional implications.

The assassination exacerbates pre-existing regional tensions, particularly those between Iran and Israel. The US and its allies may become involved in regional diplomatic or military posturing, either to assist Israel or to counter Iranian influence.

This could affect global oil markets and economic stability. The response of other Arab states is critical. Countries such as Saudi Arabia, which has its own tensions with Iran but has recently began normalization efforts with Israel, may confront internal and foreign pressures to handle the shifting situation.

Measures could be taken to reduce this tension. Direct conversations between major players, including Iran, Israel and ~~other~~ Palestinian factions, could help to deescalate tensions. Engaging neutral mediators or international organizations to



facilitate dialogue etc could be beneficial. The international community, especially the United Nations, the EU, and key countries, can use diplomatic pressure to prevent further escalation. Coordinated efforts to bring parties to the negotiation table and put restrictions on aggressive behavior could be beneficial. Progress in resolving the Israeli-Palestinian issue may serve to reduce

some of the tension. Re-engaging in negotiations regarding Iran's nuclear program could address one of the major sources of tension between Iran and Israel.

Strengthening regional alliances with both traditional opponents and new partners can help to stabilize the situation.

Investing in humanitarian relief and development initiatives in conflict zones, such as Gaza, can serve to reduce immediate tensions and create conducive conditions for peace. Efforts to restrict the flow of weaponry and support to militant groups can help lower the size and frequency of proxy conflicts. Agreements or international attempts to monitor and limit arms transfer may be useful. Understanding



Hello!

and addressing the underlying causes of militant activity, such as socioeconomic difficulties and political grievances, might help to reduce extremist appeal.

The rising tensions between Iran and Israel, particularly after the assassination of Ismail Haniyeh, highlight the complexities of Middle Eastern ~~geopolit~~ geopolitics. To reduce these tensions, a multidimensional approach that ~~is~~ includes diplomatic engagement, addressing key regional issues, encouraging cooperation and controlling proxy wars is required. While the situation remains precarious, focused efforts towards communication and collaboration can assist to reduce the risk of future escalation and contribute to long-term regional stability.