

# Current Affairs

Date: \_\_\_\_\_

Q 2

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## Introduction

Electricity costs have become hyper expensive due to increasing capacity payments to Independent Power Producers (IPP). IPPs were established in 1980s in order to meet the increasing electricity demand in the country. These producers have now become a burden on the national exchequer as they are continuously making losses and, therefore, demand capacity payments from the distributor that is WAPDA <sup>and</sup> then government. Increasing capacity payments can be attributed to number of factors including higher costs of imported fossil fuels used in production, corruption within IPPs and mismanagement of their resources, and distribution and recovery losses by the WAPDA. The capacity payments account for more than a billion US dollars and, therefore, heavily affect the economic situation of the already struggling economy.

## Factors Responsible for higher Capacity payments

i- High cost of imported fossil

## Fuels

One reason behind higher capacity payments is higher costs of imported fossil fuels. Under petrodollar agreement between the US and Saudi Arabia, the world's oil and gas trade was to be made in US dollars. When Pakistani rupee devalues against dollar for any reason, the costs of fossil fuels automatically increase despite being same in the international market. Pakistan's economy is facing critical time with all time high political instability and, therefore, economic slow down. Amid this slow down, the rupee has devalued against dollar and, thus, capacity payments have increased due to increase in production cost of IPPs.

## Corruption and mismanagement

Another reason behind higher capacity payments due to is corruption within IPPs. According to 'The Pakistan Development Review', IPPs are alleged to have indulged in corruption by colluding with WAPDA by making very expensive electricity contracts. There is plundering of state resources combinedly by the IPPs and

WAPDA, the power distributor. Additionally, employees of IPPs and WAPDA involve in corruption. For example, employees on key positions hire more than required workers based on relations or on some other ground disregarding the costs. Therefore, corruption remains a big challenge causing capacity payments to rise.

### Distribution and recovery losses

The losses do not only incur by IPPs but at distribution level much loss is incurred too. If there were no losses by distributor and the payment for the produced electricity was ensured, WAPDA would itself have been sufficient to pay out to IPPs. But it is not the case, the electricity produced by IPPs is not effectively distributed. People use illegal means to steal electricity and hence contribute to inefficiency of the distributor. Moreover, people who use electricity by legal means, are not enforced to pay their bills timely. This is again because lower level

accept bribes and delay the payments. These two - distribution losses and inefficient recovery - ~~to~~ ~~diminish~~ ~~the~~ WAPDA capacity to pay IPP. Rather it itself incurs losses due to mismanagement. Combined, these factors increased the capacity payments to IPP and thus sky-rocketed the electricity prices.

### Recommendations

#### Reduce dependance on imported fossil fuels

Burden of heavy capacity payments can be reduced by decreasing the reliance on imported fossil fuels. Government should negotiate CLM on production of electricity using imported oil under phase - I of CPEC, as the second phase is expected to start. For this government should shift its resources to local fossil fuel reserves like coal, Thimpir and others and use locally produced fossil fuels to produce electricity.

#### Controlling corruption, and distribution and recovery losses

Government should use sealed wires in order to avoid distribution losses. This will enable government to prevent illegal connections. Moreover, government must use trackers on various location/intervals to check for line losses, if anything unusual observed, effective and strict action be taken. For recovery, the government must initiate legal action against non-paying customers. Additionally, continuous monitoring of work employee ratio and expert evaluations by conducting meetings with high level staff of IPPs and WAPDA should be implemented to prevent over-employment.

### Shifting on renewable sources of production

The problem of higher capacity payment and resulting higher electricity cost can be lessened or even eliminated by adoption of renewable sources of energy production. These include, solar energy which is one of the most common and cheapest sources of energy. Despite its higher initial cost, solar energy is the best alternative

option for cheaper energy production. Second is wind energy. Pakistan can avoid capacity payments problem by shifting to wind energy. Wind turbines can be installed in windy areas and very cheap energy production can be achieved. Moreover, tidal, hydroenergy and bioenergy can be adopted to <sup>achieve</sup> avoid capacity payments and cheaper energy production in the long run.

### Conclusion

Pakistan is facing higher capacity payments which have increased the costs of electricity too much. Capacity payments are higher due to production of energy ~~is~~ using expensive imported fossil fuels. It is also due to corruption in IPPs and WAPDA and due to distribution and recovery losses. This problem can, however, be solved by shifting production to using cheaper local fossil fuels, adopting strict distribution mechanisms and ensuring recovery of bills, and shifting to renewable sources of energy production like solar, wind, tidal and others.

Q 5  
Ans 2

## Introduction

Tension between the US and China has aggravated, as some major developments in recent global politics have happened. The war, now, is shaped so that US wants to continue the dollarization of the global markets and trade while China wants dedollarization. The war seems to last longer, but increasing Chinese influence and its economic might have posed survival threat to dollarization. The end of petrodollar agreement and its non-renewal, expansion of BRICS and expected 'Conference of the Future' (COTF) which calls China 'A Nexus of Evil', show the intensity and curiosity on both sides to maintain their position.

## Threats to dollarization

### i- Expansion of BRICS

BRICS, an acronym for Brazil, Russia, India, China and South Africa, is an organization which aims to promote trade in local currencies of the countries rather than in dollars. This organization is a big and powerful alliance against the US hegemony.

in global trade. Recently, Saudi Arabia, Iran, Egypt, Ethiopia and the UAE have also joined it. India and China, the world's most populous countries and China also being economic might, Russia being the second greatest military might and second largest exporter of hydrocarbons, and Iran and Saudi Arabia being the leading hydrocarbon producers and exporters evidence the strategic and political importance of BRICS. China has made agreements with various countries to continue trade in their local currencies and Chinese Yuan. Considering this development Chinese side of de-dollarization seems heavier.

### End of petrodollar agreement

In the post world war era, the US has enjoyed so much dividends from petrodollar agreement that no other country in the world has in any agreement. Petrodollar was an agreement between the US and Saudi Arabia to trade oil in the US dollars. It was signed in 1973 for 50 years. As the agreement comes to an end, Saudi Arabia does not



intend to sign it again. In today's scientific and industrial era, the use and demand for hydrocarbons have increased and oil its trade accounts as major component of global trade. Not carrying out transactions in dollar would heavily affect its dominance in the global market and, therefore, dollar might see its decline. Moreover, Saudi Arabia

### China's growing influence in the Middle East

Another reason for increasing concerns for US of detollarization is China's growing influence in the Middle Eastern countries. Traditionally, Saudi Arabia has remained great ally and friend of the US, but China, now, is playing smartly to turn least its its favor. Iran-Saudi deal and new Hamas and Gaza peace talk in Beijing show the Chinese greater interest in the oil and gas rich region. By Saudi Arabia-Iran deal, China, would have chance to buy cheaper hydrocarbons in their local currency while Saudi Arabia will find a customer alternative to the US. This is what has made Saudi-

Arabia to join BRICS and not to resign the petrodollar agreement. Therefore, China's influence in the Middle East is a big challenge to successful survival of dollarization of global markets.

### Efforts by the US to continue dollarization

The United States is not passive on these global political developments. It is trying to resign the petrodollar agreement for another 50 years through diplomacy, it has called upon Conference of the Future (COTF) in which it will discuss reforms in the UN so that it may get the countries on board. It might try to extend veto power to some major countries of the world to get their support in return and also to portray itself as respectful to all. On the other hand, it has called China and its allies as an axis of evil. Which shows its frustration and concerns for the Chinese growing influence in the global politics and economy.

## Conclusion

There is no doubt in <sup>the</sup> fact that US-China rivalry is shaping into increasing currency war where US wants the continuation of dollarization of international trade while China wants to dedollarize it. In this regard, China seems to be in strong position as it has united major countries against dollarization through platform of BRICS, it has managed to influence the otherwise friends of US, like Saudi Arabia, by giving them chance to <sup>turn</sup> trade ~~with~~ from US. Moreover, the end of petrodollar agreement seems to greatly affect the dollar domination. US, on the other hand, is trying to maintain position by negotiating with friends and by suggesting some reforms in UN and by increasing its NATO allies. Considering both sides, it can be concluded that this currency war might end up with dedollarization of global market sooner or later.

Q7

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## Introduction

Killing of <sup>19</sup>Ismael Haniyeh in capital of Iran has increased the tensions between Iran and Israel. It shows and raises concern over the security of Iran, on the one hand, and depicts Israel's brazen behavior on the other hand, which does not respect the territorial integrity of a country. Both these reasons encourage Iran to respond to Israel ~~with~~ in the same way. However, if there is any attack from Iran and then again from Israel, a full scale war in the Middle East could happen. Therefore, there is need for global community to play their role in it.

## Evolution of situation and chances of war

Back in October 2023, Israel launched full scale war on Hamas and Gaza, traditionally considered proxies of Iran. By now, more 40,000 people including women and children have been killed. Initially, the conflict remained confined to Gaza and West Bank areas represented by Hamas and

and Al-Fatah, but gradually, it began to expand. With Israel killing high profile officials of Iran. Iran responded with attack on Israel but no casualties were reported. In last weeks, Israel attacked leader of Hamas, who was attending some conference in Tehran, and killed him. Iran, considering this against international laws, threatens to respond to Israel. Israel is a major non-NATO ally of the US. With full military and moral support from it while Iran has been close friend of Russia. If Iran attacks and there is likely attack from Israel, this would technically be a war between two great powers of the world. Which could lead to third world war. Therefore, any slight miscalculation on the part of <sup>either</sup> any of the state could take the world into a place of destruction.

### Ways to reduce tension

Global community must engage in war in the Middle East to prevent any escalation. For this the first priority should be the Palestinian's right to statehood. Because,

until they are provided with their ancestral territory, the war would not end as they will not shun their demand.

The global community must also stop Israel from blunders it has been making in Gaza and West Bank. Killing of all Hamas representatives would never end the issue, rather by doing this Israel has deprived itself of the people who could sit on the table to represent Gaza and West Bank and negotiate workable solution. Moreover, Israel must respect the international laws and avoid direct confrontation with other countries as it would lead to escalation of war. For what happened in Iran, Israel should be held accountable and agreement of peace be made in this regard.

### Conclusion

To conclude, Iran-Israel war could escalate and result in even world war. These tensions increased after Israel attacked Gaza in October 2023. Since then, various events of confrontation between Israel and Iran have taken place. With killing of Israel

Since in Yehnan, tensions have reached all time high, increasing the chances of a full scale war in the Middle East. To prevent this global community must intervene and ensure the Palestinians right to statehood and make peace agreements on any escalation in future.

Q 8

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## Introduction

Tensions between Pakistan and Afghanistan persist due to safe havens provided to TTP in Afghanistan. The issue remains a "apple of discord" between the countries and various talks and negotiations are initiated by Pakistan time and again. There is, however, need for serious and responsible actions from both sides to promote friendly relations.

## Critical evaluation

TTP is a terrorist group which operates in Pakistan from Kabul and destabilizes the situation. It carries out various terrorist attacks by killing innocent civilians and armed personnel inside Pakistan. Claimed to be financed by India, TTP is said to be the network of terrorists who work as proxy against Pakistan. Recently, it has conducted attacks in KPK and Balochistan especially on bordering areas and have killed armed personnel. Presence of these terrorist group not only



puts the civilians at risk but also affects governance and economic stability within the country. In bombing attacks in KPK and Balochistan some 50 people were killed in September 2023. These attacks have become norm as TTP has got strengthened after fall of Kabul in the hands of Taliban. If operating in similar way, TTP can prove to be a major challenge to sovereignty of Pakistan and safety of its people.

### Recommendations

i- Do more stronger fencing of border

To prevent operation of banned TTP from Kabul in Pakistan, Pakistan must fence the Pak-Afghan border more effectively in order to stop the penetration of terrorists inside Pakistan. For now, due to porous border, terrorists easily get inside Pakistan and carry out their terrorist activities. Fencing Durand line would significantly reduce their ability to destabilize Pakistan due to their inability to get in.

## ii - Negotiations with Taliban government

Pakistan must continue its efforts to better relations with Taliban who are current de-facto rulers of Afghanistan. An example of this is Doha meeting held in July this year. In this meeting Pakistan's defense minister Khwaja Asif explained the gravity of the issue to Taliban and emphasized on the need to collectively combatting TTP. Such meetings and inter-governmental dialogues must be held and agreements must be acted upon.

## Effective Implementation of 'Azm-e-Istehkam' operation

To ensure elimination of TTP from Pakistan, operation Azm-e-Istehkam must be effectively implemented. Historically, Pakistan has conducted various operations against TTP and other terrorists groups. Operation Enduring Freedom, Operation Rah-e-Nijat and Zarb-e-Ahzaab are few examples. But these have produced little results. Azm-e-Istehkam also faces some resistance from civilians residing in operation areas,

from political parties and the opposition. The government must take them in confidence and explain the essence of operation to them before implementing it in order to ensure its success.

### Conclusion

Pak-Afghan tensions continue to exist due to safe heavens ~~pro~~ to TTP in Afghanistan. Operation of TTP from Afghanistan has created various issues and destabilized economic and political situations in Pakistan besides human losses and worsened security situations. Take-over of Taliban of Afghanistan, existence of porous border and India's vision to destabilize Pakistan are the reasons behind operations of TTP. To prevent its operation inside Pakistan, fencing border should be made. Pakistan should continue effective talks with Taliban and effectively implement 'Azm-e-Istahkam' operation. TTP has caused huge economic, security and human losses to Pakistan, but with these strategies Pakistan can stop TTP's operations and better its relations with Afghanistan.