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Question: 3

State owned enterprises have ...?

State owned enterprises (SOE) are the enterprises owned and managed by the state. SOE's have been a huge and persistent burden on the budgetary economy of Pakistan due to multiple reasons. They also enjoy protectionist status against private enterprises in the market. Over the history there have been various examples where SOE's are inefficient and redundant but state keeps subsidizing them on cost of expenditure. Privatization is an effective solution of these liable entities.

- Reasons to Privatize SOE's:-

Following are the multiple reasons due to which SOE's should be privatized:-

1) Lack of innovation:-

State owned enterprises are under the protection of government and the state, and their management is also similar to a government institution. This leads to lack of competition

and SOE's donot try to bring innovation in there work, production or services. SOE's have support from the state thereby they donot work to bring betterment in there service delivery. PIA is the biggest example of lack of innovation by an SOE which led to its dysfunctioning. PIA was once a leading global airline, but once it was nation-alised, its services started declining and there was no update in there services.

2) **Subsidy on cost of government & public expenditure:-**

SOE's get subsidies by the government to maintain there functioning as they themselves are not capable of meeting there expenditure let alone earn some profit. SOE's are provided with subsidies because they are in loss and there functioning could not be possible without bail-outs. These subsidies are provided after cutting government and public expenditure. PIA gets a \$40 Million annual subsidy from the government.

National steel mill Karachi is another example from many subsidized SOEs of Pakistan. The steel mill is closed since 2016, but its employees get salaries. It has been a liability to the state.

3) Missmanagement and underutilization of resources:-

As SOE are protected from the market competition, they do not work for improvement. The management goes on without any evaluation and becomes redundant with time. Many SOEs have recruited more employees than needed, due to political influences. This constraints the budget of an entity and the crowding of employees makes work inefficient. On the other hand the resources are not utilized to its full capacity destroying the potential increase. PIA had employed several hundred extra employees which was further burden on a already liable entity. Under-utilization of resources is done in the power sector, where IPP's have higher deals

and potential to produce electricity but as our need fluctuates, so the state has done a full capacity payment deals with IPP's which is a deal of loss.

- Strategies to Privatize SOE:-

There are multiple ways through which SOE's are to be privatized to decrease the losses:-

1) Re-evaluating assets:-

The assets of the enterprise should be re-evaluated by the concerned departments to get the right value. For example, PIA was considered to get re-evaluated by civil aviation authority. Only the evaluators of the field know the value of permits PIA has for busiest International airports like Heathrow airport etc. So, the value of the PIA plus permits etc all should be included in its collective value and then it should be privatised. Same should be done to all other SOE's which are to be privatised.

2) Public-Private Partnerships:-

Privatization should be done through public-private partnerships. Some departments can be handed over to private sector to get restructured and reformed while other departments can be handled by public sector. A collaboration can lead to innovation and growth.

3) Privatize in steps:-

Privatization can also be done in steps, an abrupt change can lead to discontentment and rejection. Slow and gradual processes can be more effective and easy to implement.

4) Take help from experts:-

To implement privatization assistance from experts should be taken. They can make the process of privatization easier and productive.

5) Stakeholder involvement:-

All the stakeholders should be involved in the decision making as to ease the process. Participation should be maximum to gain insights of every department.

Question:-4

Russia-China growing economic, -?

- Russia-China Alliance:-

Russia-China alliance is an effort to potentially challenge the US-led world order. US has been leading the world from past few decades but now China with the help of its allies has become the challenger of this dominance.

• Economic collaboration:-

China has become the largest importer of Russian oil and gas especially after the sanctions by Europe. It is to help Russian economy escape any crisis. On the other hand Russia has become the major importer of Chinese technologies specially chips. Russia imported chips from Germany, Japan and South Korea but after the Russian-Ukrainian war these countries did not export chips to China. Russia-Ukraine war has been a major game changer in this aspect, after the war the economic collaboration has increased between the two countries as Russia faces sanctions and

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is in general facing challenges by US and its allies.

• Strategic Collaboration:-

Strategic collaboration between the two countries have increased as Russia has become the major provider and exporter of strategic weapons to China. China has expansion ideas in South China sea along with security issues. China has been developing in defence but its defence has been better ever since it has acquired Russian weapon and defense instruments. China has acquired, Russian S-400, one of the best air defence system in the world, along with 5th generation fighter aircrafts i.e SU-35. China & Russia alliance in strategic domain is to balance QUAD and AUKUS and the US dominance in these oceans.

• Geo-political Collaboration:-

BRICS⁺ is the example of Russia-China geo-political collaborations. They have working for de-dollarization and to balance the US-led world order. The

diplomatic ties of the 2 countries have ^{been} getting better with time. Both the countries coordinate in International institutions to expand their influence and equilibize the US led western influence. Both the countries have never gone against each other in UN security council since Russian Federation was made. Aside from these, Belt & Road Initiative (BRI) is also supported by Russia, as Russia is also a beneficiary of it.

• Analysis:-

Russia - China has been growing its collaboration in all spectrums. It is to potentially challenge the US-led world order. US has been dominating the world since WW2 ended, now China has been the biggest challenger to this hegemony. China is expanding economically and wants to gain dominance on the south-China sea and counter US ^{allies} in pacific. Russia on the other hand faces sanctions due to ukrainian war. US has one objective to contain China and is also

against Russia due to Ukrainian war. Russia & China are united in fighting against the dominance of US, as US is the joint enemy of both and US is the leader of the Western & European bloc. US influences all the countries of West, so it is important to counter US, and have a power balancer in global south to counter the global north influence in the south.