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Current Affairs Mock

Q1. Russia-China growing economic, strategic, and geo-political collaboration is an effort to potentially challenge the U.S-led world order. Discuss.

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Answer

1. Introduction

The Russia-China partnership has evolved into a multidimensional collaboration encompassing economic, strategic, and geopolitical domains. Despite historic Sino-Soviet split during the cold war, today the alliance is focused on counterbalancing the U.S-led unipolar world order. The partnership reflects shared objective of undermining Western hegemony to promote a multipolar global system. As the partnership stregthens, the threat posed to U.S and its allies increases.

2: Dimensions of Russia-China Collaboration

i) Economic Cooperation

a) Energy Trade

Russia has become the leading supplier of energy to China. Russia's exports to China of oil and natural gas have been in a consistent uptrend, especially since Western-led sanctions were imposed on Russia because of the Ukraine war in 2022. In 2023, Russia supplied over 20% of China's crude oil imports.

b) Bilateral Trade Growth and Yuan Payments

In 2023, trade between Russia and China reached $200bn. The trade figure exceeded the set targets ahead of schedule. Moreover, the use of Chinese yuan in Russia-China trade has increased significantly. This has reduced Russia's dependency on U.S dollar and is posing a challenge to global financial order.

ii) Strategic Alliance

Military Coordination | Arms Trade | Nuclear coordination

Russia-China military coordination and collaboration has increased over the last few years. Joint military drills like the Vostok-2022 along with multiple naval exercises reflects growing defense ties. Russia also supplies advanced military technology to China which enhances its strategic capabilities. Moreover, strategic dialogues indicate mutual commitment to balance U.S nuclear deterrence.

iii) Geopolitical Alignment

- **Multipolar Advocacy** → Both nations advocate for multipolar order at BRICS, SCO, UN.
- **Opposition to NATO** → Russia opposes NATO's expansion, China resists alliances in Indo-Pacific (AUKUS, QUAD)
- **Strategic Goals in Eurasia** → China's BRI and Russia's EAEU to limit Western influence.

3. Factors Driving Russia-China Collaboration

i) Shared Ideological Goals

Russia and China both resist Western liberal democracy model. Both countries have put in efforts to promote alternatives rooted in state sovereignty and non-interference. Moreover, Chinese President Xi Jinping and Russian President Vladimir Putin, are both autocrats which understand the need to counter American political thought to preserve their own power.

ii) U.S Containment Policies

U.S dominated world order has allowed U.S to counter China and Russia's influence using containment tools. The perceived threats from U.S policies such as sanctions on Russia and trade wars with China, have strengthened mutual support. Moreover, alliance building within Indo-Pacific by U.S to reduce China's regional influence has pushed China to strengthen ties with Russia.

iii) Economic Complementarity

Russia's vast energy resources complement well with China's technological and manufacturing capabilities. This situation creates mutual dependencies allowing a beneficial relationship for both.

iv) Overuse of Sanctions

The regular and often biased usage of Western sanctions has acted as a catalyst in driving Russia and China closer to counter U.S influence. Western sanctions on Russia post-2014 Crimea annexation and economic decoupling with China post-Covid have deepened bilateral ties among Russia and China.

4. Implications of Growing Russia-China Partnership for US-led World Order

i) Undermining Dollar Hegemony

Increased trade between Russia and China in local currencies has reduced dependency on U.S dollar. Moreover, the establishment of alternative payment systems (e.g., China's CIPS) pose a challenge to dollar's dominance and U.S control of Global financial order.

ii) Increasing Strategic Rivalry

Russia's assertiveness and aggression in Ukraine ⊕ China's activities in Taiwan and the South China Sea

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Directly challenge U.S global influence and perception.

iii) Emerging Global Divisions

Creation of parallel global institutions like the Asian Infrastructure Investment Bank (AIIB) has created alternatives to Western institutions. Moreover, The expansion of BRICS and growing influence of SCO, further polarise international politics. Alternative institutes automatically reduce U.S influence in the global arena which has so far preserved US-led world order.

iv) Shifting Alliances

Increased Russia-China collaboration and influence has changed alliance dynamics in Asia and Africa. Countries are now moving to neutrality, shifting focus to regional partnerships, or aligning with alternative power centers. Certain traditional U.S allies like Pakistan are now also aligned with China due to BRI. Moreover, recent international atmosphere has pushed U.S foe's such as North Korea and Iran closer to Russia and China. The shifting alliances have been in favour of Russia and China and have thus threatened to weaken U.S led world order strategically.

5. Conclusion

The Russia-China partnership is indeed a response to US-led world order, with the goal of achieving a multipolar global order. Although asymmetry in power and divergent regional interests may pose certain challenges to Russia and China, their cooperation and growing influence poses a serious threat to American hegemony. The U.S and its allies would require proper strategic recalibration to shape future geopolitics. At present, Russia-China's economic, strategic, and geo-political efforts continue to undermine US-led world order and the resilience of the relationship would determine future world order outlook.

Q2: **SOE's have been a huge burden on the budgetary economy of Pakistan. Why and how these enterprises should be privatised?**

Answer

1: Introduction

State-owned enterprises (SOEs) in Pakistan and their potential privatisation has been a widely debated topic. SOEs largely increased post-Nationalisation policy introduced by Bhutto in 1972. However, the policy failed to deliver positively and since that time, Pakistan's

SOEs have been a significant drain on the country's budgetary resources. The losses have exceeded PKR 600bn/year, contributing to fiscal imbalances, economic inefficiencies, resulting in reduced growth. Continuous losses have limited Pakistan's ability to allocate resources to sectors like health and education. Thus, the agenda of privatization is presented which is considered to be the only viable solution which could improve efficiency, reduce losses, and revive the economy.

2. Reasons Why SOEs are a Burden on Pakistan's Economy

i) Chronic Financial Losses

SOEs like Pakistan Steel Mills (PSM), Pakistan International Airlines (PIA), and Pakistan Railways incur massive annual losses. The financial losses have been increasing on a yearly basis and are covered through loan-funded budgets which increase fiscal pressure. The amounts have become so significant that PIA alone crossed cumulative losses of PKR 400bn in 2023.

ii) Operational Inefficiency

SOEs are incurring massive losses because they are operating in a highly inefficient manner. The lack of innovation within SOEs along with serious overstaffing issues and bureaucratic hurdles make the operations financially unfeasible. As per studies conducted by private consulting firms, labour productivity in SOEs within Pakistan is on average 30-40% lower than private firms. All these problems culminate into high inefficiency levels, eventually leading to a financial burden on the economy.

iii) Political Interference

The overstaffing within SOEs which leads to inefficiency is primarily a political problem within Pakistan. Appointments are often based on political affiliations while merit is overlooked. Consequently, the operational and financial autonomy of the enterprises is undermined and achieving efficiency remains a far fetched dream.

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iv) Debt Accumulation and Resource Misallocation

Due to the inefficiencies and persistent financial losses, SOEs accumulate debts to fund the operations. The debts are ultimately paid by the government, which worsens fiscal deficit. In 2023, SOEs liabilities reached PKR 2trillion, requiring multiple bailouts. Funds spent on these loss-making SOEs reduces public investment in other essential services, leading to reduced socio-economic development.

3. Reasons Why Privatisation of SOEs is the Optimal Solution

i) Reduce Fiscal Consolidation

Privatisation of SOEs would reduce the fiscal burden as the subsidies and bailouts for inefficient enterprises would be eliminated. The reduced fiscal consolidation would save billions of rupees annually. In addition, the saved funds could be redirected to underfunded crucial sectors like health, education, and infrastructure.

ii) Increase Efficiency, Innovation, and Revenue Generation

Private sector ownership would allow the introduction of modern management practices that would allow higher efficiency levels. Private sector is more prone to innovation due to better adoption of technology. Due to profit incentive, resource management would be more optimised allowing improved performance. In exchange, the proceeds from privatisation can be used to reduce debt or finance other key development projects.

iii) Attracting Foreign Direct Investment

Pakistan is currently facing a serious fiscal deficit. The best way to bridge the fiscal deficit is through foreign direct investment (FDI). Privatisation is a way through which FDI can be attracted as it signals economic reforms. Attracting foreign investors through privatisation pathway would boost confidence in Pakistan's economy.

iv) Improving Service Delivery

Despite the government handling major losses caused by SOEs, no positive impact on service delivery is observed. Privatisation can help improve service delivery without any financial burden, illustrating a win-win scenario. Private firms focus on profitability which is achieved through customer satisfaction. Resultantly, the quality of goods and service would be improved.

4: Ways in Which Privatisation Should be Carried Out

i) Transparent Process with Accountability Mechanism

The Government of Pakistan should ensure a transparent privatisation process to avoid allegations of corruption. Past privatisation process have been criticised due to alleged undervaluation of assets. Privatisation within Pakistan is often viewed as selling national assets for ulterior motives due to lack of transparency and accountability. Thus, a transparent open bidding process based on valuations by third-party should be conducted.

ii) Sector-Wise Prioritisation

A methodological plan should be drafted to ensure efficient privatisation process. The government should first start with PIA as it has cumulative losses of PKR 600b and because airlines have higher potential to attract investors. Privatisation of British Airways and Air India yielded highly positive results and should be incorporated when Pakistan plans the privatisation process. Sectors such as banking, energy, and telecom are also lucrative for investors and should be prioritised first.

iii) Encouraging Stakeholder Engagement and Involving Public-Private Partnerships (PPPs)

Addressing resistance from labour

unions, political interest groups and other stakeholders should be focused upon to ensure smooth privatisation process. Involving private investors in the management and operations of SOEs through PPP models would allow a smooth transition. Potential resistance could be addressed by offering retraining programs, severance packages, and job creation initiatives as per agreement with private investors.

iv) Gradual Implementation with Policy Consistency

Start with non-strategic SOEs which can yield maximum economic benefit

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Build public and investor confidence through partnership with global institutions

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Maintain consistency in privatisation policies across different political administrations.

5. Conclusion

The persistent financial losses and

inefficiencies of Pakistan's SOEs signal for urgent reforms. Privatisation offers a viable pathway to reduce fiscal burden, enhance efficiency, and stimulate economic growth. The success of the process depends on transparent actions, strong regulatory framework, political will, and consistent implementation. Through a well-planned approach, Pakistan can turn its loss-making SOEs into engines of growth.

Q3. Dollar and SWIFT being used as a weapon by U.S against the countries of Global South. Critically evaluate how BRICS+ could counter this to get rid of the western exploitation on a permanent basis.

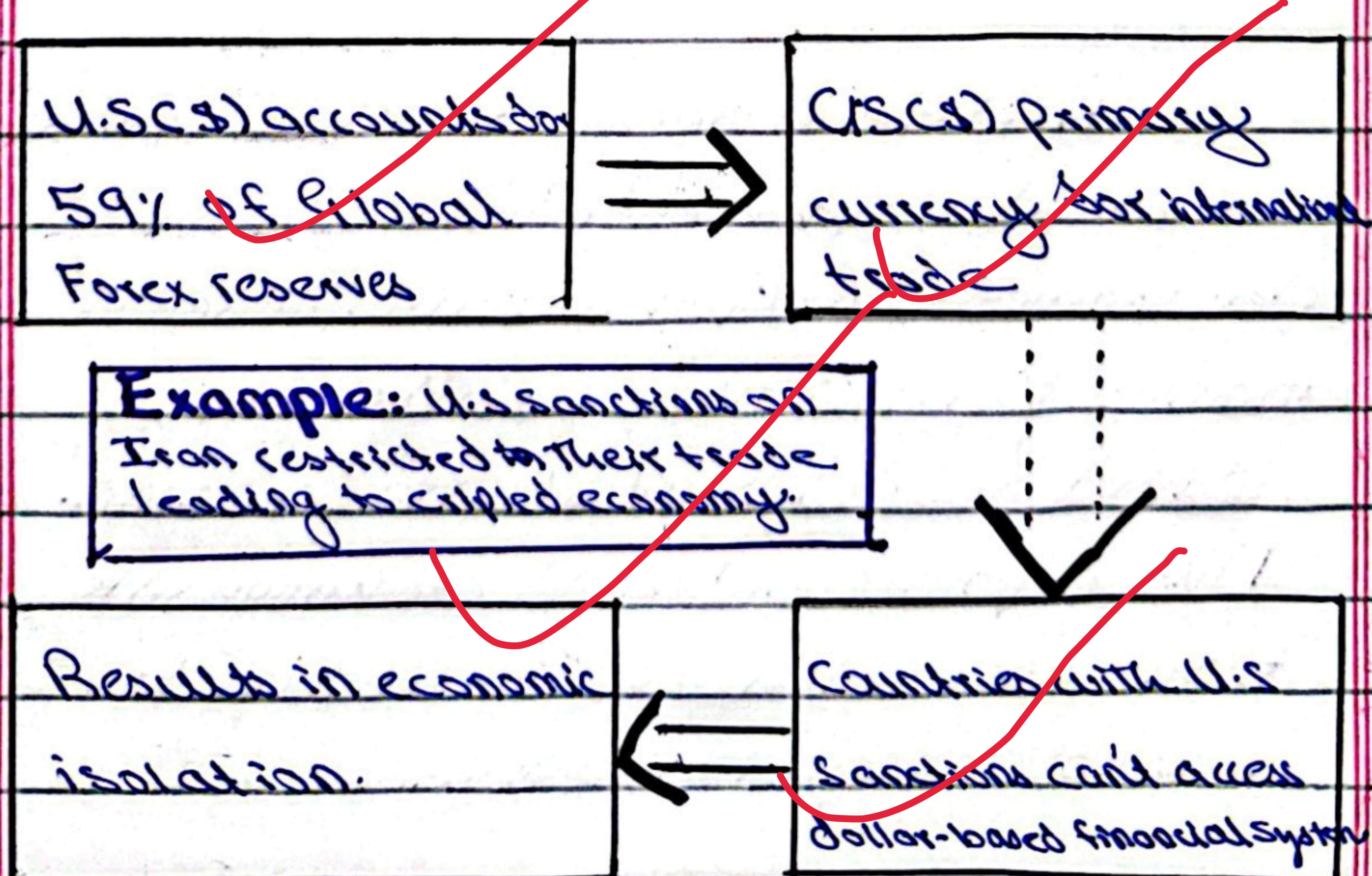
Answer

1. Introduction

The dominance of the US dollar in global trade and reliance on the SWIFT (Society for Worldwide Interbank Financial Telecommunication) system for international transactions provides U.S disproportionate power to impose economic sanctions and influence global finance. U.S has often targeted the global south by these measures and the global south has been seeking alternatives to reduce dependency on these Western-dominated structures. BRICS+, an expansion of BRICS: Brazil, Russia, India, China, and South Africa, is emerging as a potential challenger. BRICS+ aims to reduce the exploitation by promoting financial independence through an alternative framework adoption.

2. Dollar and SWIFT as Instruments of Exploitation

i) Dominance of The Dollar



ii) SWIFT as a Political Tool

SWIFT has been used to disconnect sanctioned countries from global financial system, which exacerbates their economic challenges.

Russia's Removal From SWIFT (2022) → Post-US sanctions, Russia's removal from SWIFT disrupted its financial transactions and access to funds

Provided biased usage of SWIFT, The system is seen as a tool of Western hegemony, serving U.S interests.

iii) Detrimental Impact on Global South

Restricted access to global financial markets disrupts economic growth and development in Global South. Moreover, many global south countries are reliant on debts which are in dollars. This exposes countries to exchange rate risks and external shocks leading to severe economic impacts.

3. Role of BRICS+ in Countering Dollar and SWIFT Dominance

i) Alternative Financial Systems

De-dollarisation Initiatives ⇒ BRICS+ member advocate for bilateral trade in local currencies.

Example: India-Russia energy trade is being conducted using ruppees and rubles over dollar.

BRICS Currency Proposal ⇒ Potential BRICS digital currency could reduce dollar dependency significantly.

Example: China's digital yuan is a model that could be utilised for creating such a currency.

ii) Alternative to SWIFT

Russia's SPFS and China's CIPS aim at providing alternatives to SWIFT. If these systems are integrated within SWIFT, it could form a strong network for global transactions, reducing dependency and importance of the SWIFT system.

iii) Development Banks

Stregthening New Development Bank

NDB

- Established by BRICS
- The NDB offers loans in local currencies unlike other global institutions like the World Bank
- Focused on reducing dollar dependency
- Expanding membership and capital will enhance its role in financing development project in the Global South

iv) Expanding BRICS+ Membership

Incorporating countries like Saudi Arabia, UAE, Egypt, and Argentina into BRICS+ would increase blocs economic weight, allowing increased bargaining power. At present, BRICS+ has surpassed G7, accounting for 32% of global GDP.

4. Challenges to BRICS+ Initiatives

i) Divergent Interests of Member States

BRICS+ countries are a group of diverse countries with different economic conditions, cultures and political systems. These countries have differing economic and geopolitical priorities with the only uniting factor being resistance to U.S led world-order and institutions to protect Global South. The lack of consensus on key issues due to different interests could limit its potential.

ii) U.S Resistance Towards Change

U.S retains its hegemony and power through the very institutions that BRICS+ aims to challenge. Thus U.S resistance through utilization of allies and sanctions with trade wars with BRICS+ members could have a damaging impact on member states.

iii) Institutional Limitations

The New Development Bank and alternative payment systems are still in developing stages. For complete adoption and overhaul of current system, significant investment and serious political will is required. Although China and Russia are increasingly focused on competing with Western systems, The process requires more time and increased contribution by other member states, especially India.

5. Conclusion

The US dollar and SWIFT system have long been utilised as tools of exploitation, limiting Global South's economic sovereignty. BRICS+ offers a strong alternative, by advocating for financial autonomy, trade in local currencies, and strong institutions for member states. Realising the vision would require cooperation, consensus, and strong will to compete with external resistance. BRICS+ has the potential to achieve a multipolar economic order which would reduce dominance of West and empower The Global South.

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Q4: COP 29 Summit ended in Baku. Critically evaluate its failures and commitments.

(Detailed Outline)

1: Introduction
- 29th United Nations Climate Change Conference (COP 29). Held in Baku, Azerbaijan.

2. Key Commitments at COP 29
i) Climate Finance:
- Developed nations to mobilise at least $300bn annually by 2035.
- Assist developing countries in fighting and adapting to climate change.
- Figure is three times previous target but fell short of $1.3 trillion annually demanded by developing nations.

ii) Carbon Markets:
- Finalised guidelines under A-6 of Paris Agreement.
- Established framework for international carbon credit trading.
- Focus on enhancing voluntary carbon market

3. Failures and Criticisms
i) Insufficient Climate Finance: Developing

countries demanded $1.3 trillion annually but received only $300bn commitment.

- No clear roadmap for mobilising funds

ii) **Gender Considerations:**

- Cop29 failed to address disproportionate impact of climate change on women and girls.
- Absence of gender-responsive climate finance

iii) **Fossil Fuel Phase-out (No Consensus):**

- No consensus on phasing out fossil-fuels
- Reducing greenhouse gas commitment ignored

iv) **Minimal support for small-scale Farmers**

- Only 14% of global climate finance for small-scale farmers
- Weakened chance to achieve agricultural resilience

4. **Conclusion**

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