

Current Affairs

Part - II

Question no: 07

"One China and Two Systems Policy"

Introduction:

The issue of Taiwan has once again revived after US speaker of the lower house Mrs. Nancy Pelosi visit to Taiwan, followed by the telephonic conversation between the President of two countries. Increased military installments by China and USA around Taiwan is observed. USA presented its view of defending Taiwan.

1. Importance of Taiwan:

Taiwan is of immense significance for both USA and China due to its economic and geopolitical importance.

Followings are the key points;

- Taiwan is the largest producer and exporter of the semiconductor of the world.

- Both USA and China mostly depended for semiconductor on Taiwan
- Taiwan is the 17th largest economy of the world, that is interlinked with both China and USA.
- It is one of the largest ^{investing} ~~exporting~~ market for China.
- Geoeconomic significance lies in the fact that the Strait of Taiwan, is located in Taiwan, is one of the major trading route for New Zealand, Australia, China, and USA. Both the USA and China may surrounded this trade route.

2. "One China- Two political system" policy:

China claimed that all the territories within 9-Dash line, are either in South or East China sea, are territories of China. This claim of China has historical roots also.

On the other hand, there is an agreement between China and Taiwan

that in Taiwan one country but two political system will be followed to run the affairs of the state.

Under this agreement, two political systems are;

→ Communist party government

→ Western model of democracy

Main land of China or People Republic of China (PRC) will be run under the Communist party government while the Democratic Republic of China (DRC) - or the Taiwan will run under the Western model of democracy.

Under this agreement, both Taiwan has admitted the China's supremacy but with complete internal autonomy.

One China Principle and one China Policy:

The People's Republic of China follows the one China principle, a core belief that sees Taiwan as

an inalienable part of China, with its sole legitimate government in Beijing.

⇒ The US acknowledges this position but not necessarily its validity.

∴ US instead follows one China policy;

meaning thereby,

the people's republic of China was and is the only China, with no recognition for the Taiwan, as a ^{separate} sovereign entity.

At the same time, the US refuses to give in to the PRC's demands to recognise Chinese sovereignty over Taiwan.

2. US Policy on Taiwan:

Historically, US ^{stance was} defended Taiwan in case of China's attack on Taiwan, and under SEATO, extended support to contain China's expansion towards Taiwan.

But after the reproachment between China and USA, in 1970s, US tried to normalize relations by giving a policy. This policy was formulated after the historical paid

visit of Henry Kissinger to China back in 1972.

Key points of **Henry's policy** were;

- Engage China to contain USSR
- Best approach for China engagement
- is open up China through economic collaboration.

In 1979, US presented a changed Taiwan Policy in which;

- ↳ US accepted Taiwan as a breakaway region of China
- ↳ One country and two political systems will operate in Taiwan
- ↳ No unprovoked attacks are permissible. In either case, US would extend support to Taiwan.

Recently, US deal of 18Bn\$ defense deal with Taiwan under Trump leadership.

Biden also continued the Trump's policy.

In this way, the US has balanced its recognition of the People's Republic of China along with the concerns of Taiwan.

3. Impact on Taiwan:

- (i) In Taiwan, Democratic people's party (DPP) has become the most powerful political force in Taiwan catering to the pro-independence constituency in Taiwan.
- (ii) The DPP wants to expand its economic relations away from China.
- (iii) China considers Taiwan as a territory with high geopolitical significance as it is centrally located in the first island chain between Japan and South China Sea.

Throughout this region, the military outposts of the US are scattered. Therefore, it would be a significant breakthrough for China in case it takes Taiwan's control.

But, the chances of peaceful ramifications are very slim, tensions are happening in parallel with the Russia-Ukraine war.

Taiwan's government established an agency to revamp its reserve forces. It has also staged exercises to deter Beijing from contemplating an invasion.

Recommendations:

i) The Russian Ukraine war is being observed by the world and especially in China, so Beijing will analyze the consequences of the ongoing war before any action against Taiwan.

But the Chinese economy is far more strong than the Russian economy, hence that will also be taken into consideration.

Any escalation in the Taiwan Strait will affect the whole Indo-Pacific security and trade.

⇒ In this backdrop, a strong message to the adversary becomes essential. It may have reached a point where strategic ambiguity or may be losing its relevance to strategic clarity.

→ US-intervention in Taiwan should be stopped.

→ Complete internal autonomy policy should be continued.

→ The status-quo should be maintained at all cost.

Question # 08:

SIFC — chances of investment in Pakistan

Introduction:

SIFC, announced back in June 2023, is intended for both local and foreign investment in Pakistan. SIFC, being a centre for investment in diverse sectors, offers multiple opportunities for investors and Pakistan. However, there are several bottlenecks that hinder its effective execution. By applying stern positive measures, its effectiveness can be restored.

1. SIFC — investment in Agricultural sector:

Under the banner of SIFC, Pakistan offers tremendous opportunities in agricultural sectors for investment. One of the leading agricultural sectors in South Asia is in crop production, livestock, and fisheries.

For middle East and China, it is the need of an hour to invest in agricultural sector owing to the lack of resources for the former and huge population to the latter.

Along with this, Saudi Arabia, UAE, Qatar, Bahrain are also more interested to fulfill their nutritional needs.

Government of Pakistan has offered two patterns for investment in agricultural sector,

- acquire land on lease.
- Public private partnership, local farmers and investors would share.

(ii) Investment in Energy Sector:

Pakistan intends to attract investment in two major forms;

Foreign direct investment

Build operate model

Both China and KSA are making tremendous efforts to invest in dams, petrochemical complex and electricity.

generation

Resultantly, energy sector of Pakistan will revamp as it will decrease the cost of electricity. This, in turn, will revive the economy.

(c) Investment in minerals:

Pakistan is enriched with minerals, especially ⁱⁿ copper, in Reko diq (Balochistan). Investment in it will generate above 50 Billion dollars. Other reservoir is marble in Balochistan, with investment capacity of 20-30 Bn dollars. Chromite, in Waziristan, can generate upto 30 Bn \$.

Minerals can turn around the economy of Pakistan.

Under SIFC, other investment to be carried out is defence, industry, IT, real estate and communication sector.

2. Opportunities and prospects of SIFC:

(i) SIFC's mandate is far reaching, extending from agricultural and energy to telecommunication and infrastructure. It would be a proactive

stance towards attracting investment.

- (ii) Single window cooperation with GCC countries will ^{will} pave the way for investors to invest, thus attracting large foreign direct investment.
- (iii) SIFC also holds the authority to summon regulatory bodies and government representatives, in case of bureaucratic bottlenecks hinder investment operations.
- (iv) The involvement of Saudi Arabia, Qatar, and United Arab Emirates highlights a lack of confidence in Pakistan's political stability and However, the army's engagement in the SIFC could offer a sense of continuity of projects.
- (v) SIFC initiatives to have a trickle-down effect in each province, having thereby civil military ~~and~~ leadership affirm unity for progress and prosperity of province.

But, there are **certain hurdles** that impedes the investment such as;

(i) Low GDP growth. Currently, the GDP growth of Pakistan is less than 0.1%, which is the least turn over for investor.

For this sizeable investment with higher GDP growth rate is possible.

(ii) Secondly, the economic progress of Pakistan is not sustainable.

In 2022-23 fiscal year, GDP was less than 0.1%, and in the previous fiscal year (2021-22), GDP growth was 5.7%. Pakistan should focus on sustainable GDP growth rate.

Current political turmoil in Pakistan threatened the status quo. This needs to be stabilized by holding free and fair elections, and rule of law.

Question no. 06

Losses and Damages Fund:

Introduction:

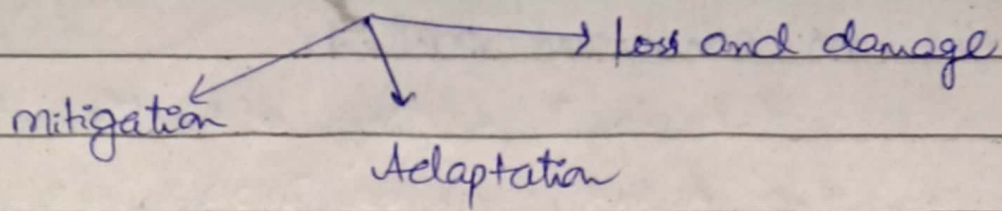
After negotiations at COP27, in Egypt in 2022, it was agreed that that loss and damage fund (LDF) must be provided to nations vulnerable to or impacted by climate change consequences. It was designed as a multilateral entity that will disburse money to recover from damages that poor countries have suffered due to climate change induced weather disasters and other impacts.

Need of the fund:

It recognises that the world has failed to prevent climate change from happening. The changing climate has impacted lives, livelihoods, biodiversity and cultural traditions.

1. Concept of loss and damage fund:

Three pillars which deals with climate change;



Loss and damage refer to the negative consequences that arise from the unavoidable risks of climate change, member countries of UNFCCC agreed to establish the loss and damage fund.

It was agreed to provide financial and technical assistance to economically developing nations that were incurring loss and damage due to climate change.

Problems and Concerns of LDF:

i) no commitments:

Developed countries, especially the United States, did not commit to being the main donors of the fund and remained referential to CDR.

ii) Size unknown:

The size of the fund is currently unknown because such a statement was withdrawn due to pressure from Great Britain.

(iii) no consensus reached:

The fourth meeting of the Transition committee ended in October 2023 and there was no clear consensus on the deployment of the LandD fund.

The main points of contention was the underlying principle of common but differentiated responsibility, and the eligibility of all developing countries to receive the funds.

No specific / devolution formula has been evolved to transfer the loss and damage funds among the small islands and developing countries.

Opportunities of its practical materialization

COP28:

(i) Ensures climate justice

The fund ensures climate justice to the vulnerable communities of small island nations and least developing countries, who have paid the price

without even polluting the environment.

(ii) Holistic coverage of losses due to climate change:

Loss and damage not only includes the economic losses but also the human casualties, and degradation of ecosystems coupled with cultural heritage. Hence, the fund will comprehensively cover all the losses due to climate change.

(iii) Shift of direction of climate finance:

Climate finance has till now focused only on mitigation and adaptation. The LDF draws the focus of climate finance towards reparations for the loss and damage.