

QNO.1

The socio-economic future of Pakistan is directly linked with reforms in the power sector. Analyze.

1. Introduction:

Despite over 75 years of independence, Pakistan's economy is still depended upon bilateral and multilateral organizations for economic recovery. Facing a circular debt of over \$2.6 trillion in October 2023, Pakistan negotiated a deal with IMF for the 23rd time. The power sector crisis of Pakistan consumes most of the annual budget's inflows and debt repayment. The long awaited reforms in the power sector of Pakistan will not only give some breathing space to the debt repayment but also also some expansion in public sector development projects leading to socio-economic growth.

2. Ills of the power sector and Circular Debt:

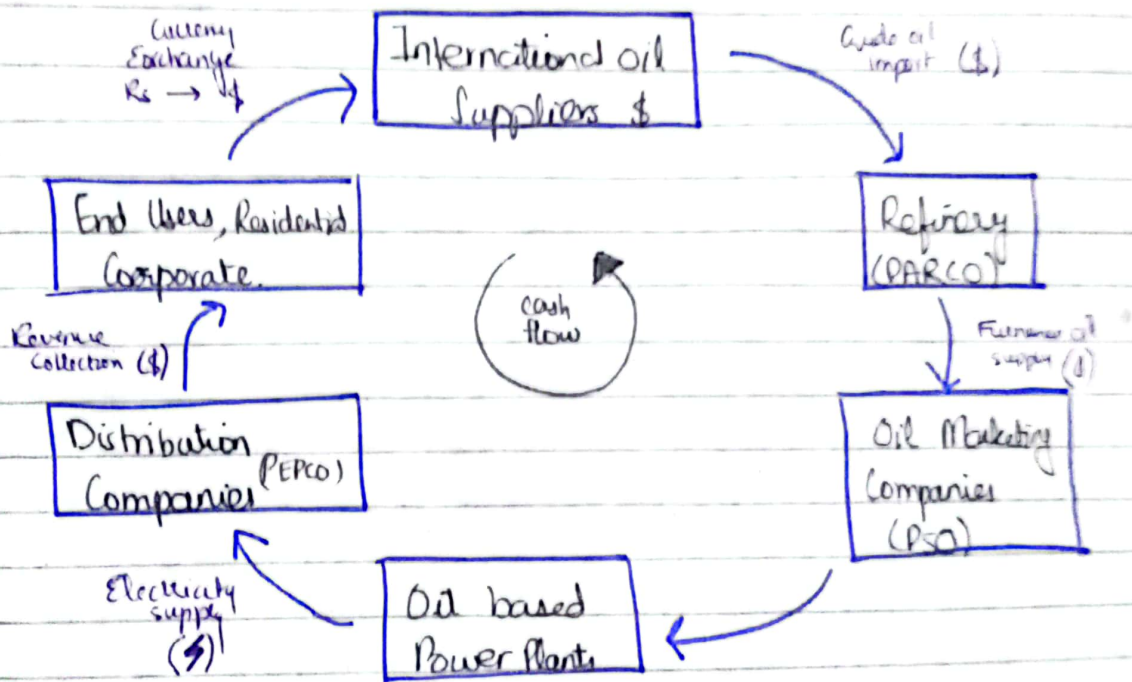
1) Transmission Losses - Mismanagement:

Despite the total installed capacity of 40,000 MW+ the transmission capacity is limited to 23,000 MW. The peak demand witnessed during 2021-22 was around 28500 MW+, the difference led to loadshedding and tariffs on electricity prices.

Distribution losses of almost 17% contributed to the shortfall of energy. The mismanagement of power industry presents a poor image of the country's economic management as well. Discos (FESCO, KESCO) delay in privatization has added fuel to fire.

2): Accumulation of Circular debt:

The circular debt is a public debt which is accumulated by the unpaid government subsidies bought upon the debt servicing and distribution losses."



3): Expensive Energy production:

The crude oil imported from international oil suppliers faces exchange rate changes and variation in market trends. Rupee devaluation has further worsen the situation. Imported raw material converting into electricity part

burden on the consumer end and ultimately the government is trapped in a debt cycle with no escape.

4) Diminishing Natural reserves / Overexploited:

The last time significant energy reserves were discovered in Balochistan and Sindh was in 1950's. Ever since the government has exhausted its natural resources with latest researches claiming depletion. This leaves energy production depended upon imported raw material.

5) Lack of Dams and low capacity for generation

Dam construction in Pakistan has faced controversial delay followed by successive governments leading to only a handful of dams operational today. Hydro-production incapacity and hydro-politics has left Pakistan from utilizing a eco-friendly alternative.

3- Reforms in Power sector and Socio-economic development of Pakistan:

Recommended Reforms:

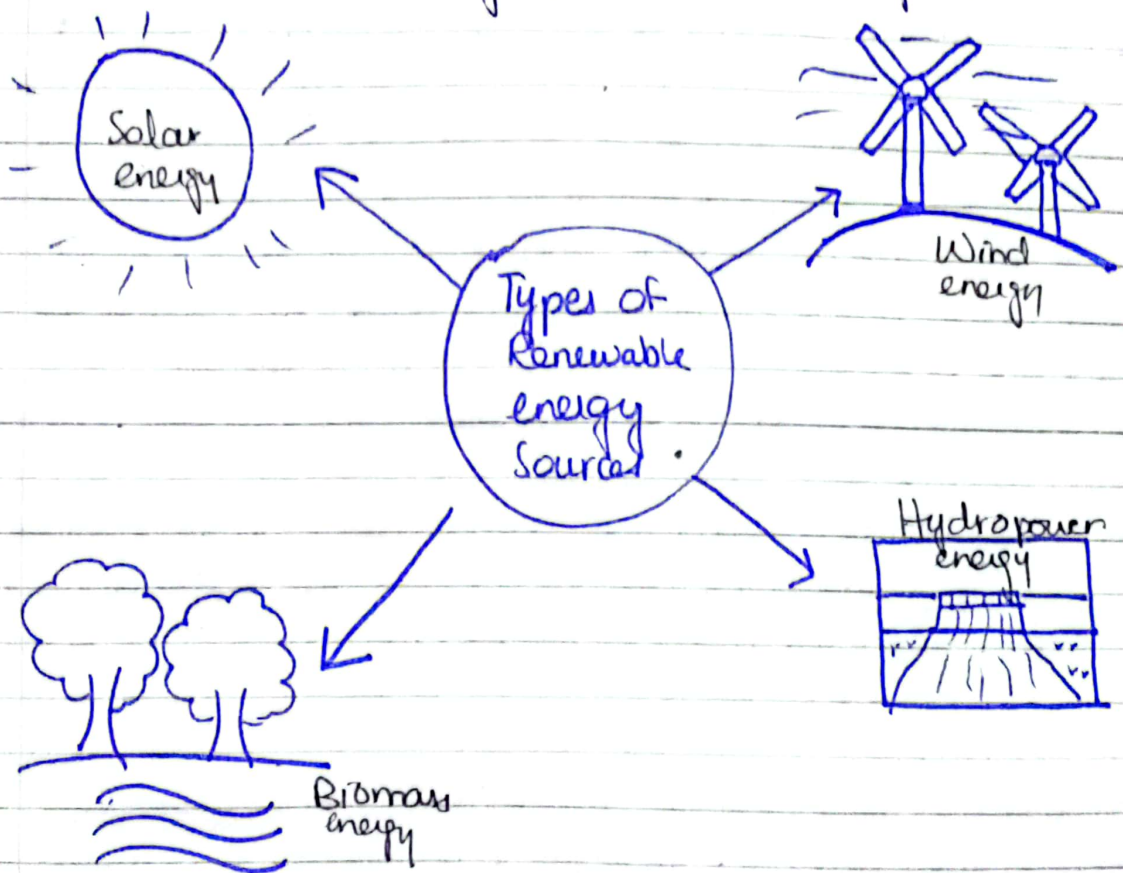
① Swift Governance and policy reforms:

The red-tapism and bureaucratic delays has added to the power sector crisis and needs to be reforms. Power sector should be addressed swiftly so that

it doesn't further add to the cost.

2) Shift towards Clean Energy:

Pakistan should explore other renewable options for energy production provided its vast ecosystem and natural resource abundance. This will also help in reducing the burden on economy and invest in other socially productive projects.



3) Deregulation of Distribution companies:

The administrative operations and the operational activities of the distribution firms should be deregulated and should be allowed to work independently from government's regulation.

4) Privatization of Discos or Public-Private Partnership.

Loss making Discos should be privatized to reduce burden on state. It will not only optimize the process but also leave room for other socio-economic indicators to be measured effectively. Public-Private partnership can also be encouraged to make public a part of this process.

5) Renegotiation of trade tariffs:

It is very common recently that the crude oil import agreements or the LNG import agreements have been broken over the changing exchange rate. The government should renegotiate the trade tariffs and consider the changing geopolitics to prevent such shortfalls.

6) Carbon trading and energy agreements with friendly states:

Since Pakistan's carbon footprint is negligible, it can attract investments through carbon trading. Energy agreements with states i.e. (CARs and Russia etc) will be economically viable.

7) Liberalization of Energy Market:

The energy market should be liberalized with minimum to no government regulation to tap into maximum advantage from

projects like TAPI, CPEC etc.

8) Implementation of Reforms for modernization:

The world is moving forward fast in modernization - Technology has been revolutionizing the world with the advent of AI. Pakistan should spend more on 'Research and Development' to find new efficient and effective energy alternatives.

4) Conclusion:

Pakistan is a country with the potential of becoming 10th biggest economy in the world by 2030. However given the current socio-economic turmoil, that seems impossible. A very big contributor to this turmoil is power sector. Reforms in energy sector will not only bring the country out of troubled water but also put it on socio-economic development. It will create new efficient and cheaper energy alternatives, reduce cost of living, inflation and provide for public sector development funding.

QNO.2:

What is "One China and Two system policy"?
How US policy towards Taiwan is hurting it? What could be its possible implications?
Give recommendations:

Background:

China on its long struggle towards freedom encountered many ups and downs. In 1940s when freedom marches were held in the country, two segments emerged. In 1949, the Mainland China was ruled by Communist leader Mao Zedong while the Nationalist leader Kuomintang leader, Sun Yat Sen ran to the Island Nation, Taiwan and formed a government. At first Taiwan was recognized by UN and USA as legitimate government but later followed by Pakistan's negotiation efforts in 1970's, USA recognized China as the true representative. Hence USA and China has always had a clash of opinion when it comes to Taiwan. The 2022 US speaker Nancy Pelosi visit took the relations to the darkest end. However, the 2024 elections in Taiwan will determine the fate of the country, region and the emerging world order.

One China Two System Policy:

"One China Two System Policy is a constitutional principle developed by Deng Xiaoping for the administrative regions of Hong Kong and Macau in order to be governed by the People's Republic of China (PRC)."

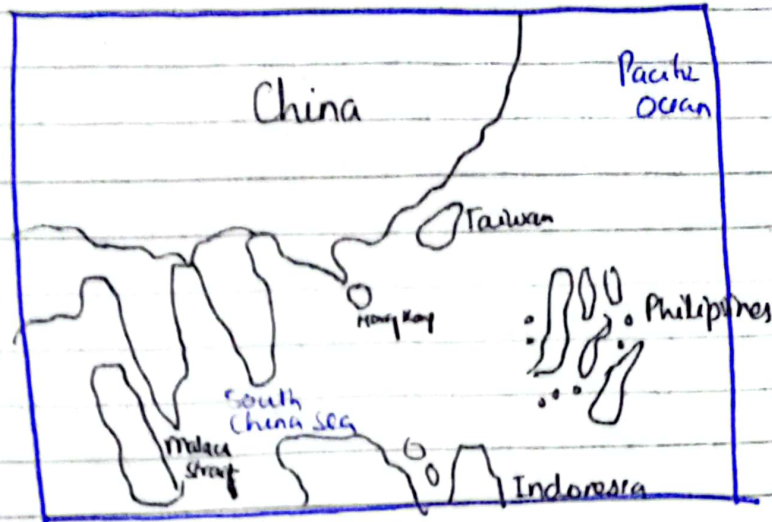
Background:

The idea of "One Country, two systems" originated in 1973, when Deng Xiaoping proposed Taiwan to keep its ^{own} social, economic system, government and military in return of acknowledging it as part of Mainland China, Taiwan rejected this option.

Later, Hong Kong, which was to be freed in 1997, was proposed this idea to join mainland China and keep its own system intact. Through careful consideration on both side, the idea of "Gradual liberalization" for Hong Kong was proposed.

This was done in the hope that like Macau and Hong Kong, someday Taiwan will be a part of Mainland China too. Later fallout with Hong Kong over Political leader (Chinese) controversy and America's growing influence in the region.

and Taiwan led to a sense of Alienation among the Nation.



US Policy towards Taiwan: Drawback/Implication

1) Advocate of democracy / Liberalization.

USA advocates that Taiwan should be an independent state from China and practice democracy. The stalemate in negotiation between China and Taiwan because of USA is hurting its democratic efforts and further delaying peace process.

2) South China sea dynamics.

The growing military influence of USA in South China sea with the help of India, Australia (AUKUS) etc has led China to increase its military might as well leading to a potential confrontational threat.

3): Containment of China policy:

Reason

In order to contain China in the region, USA is trying to win allies to oppose its dominance. It's backing of Taiwan is a part of this policy.

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4): Control in the Indo Pacific region:

USA wants to control the Pacific region against the growing Chinese influence. The island nation of Taiwan serves as a perfect pawn with its own military might.

5): Election 2024 - ^{Potential} Political unrest in Taiwan:

The divided government formed as a result of Taiwanese election 2024 will hurt the government's agenda as the winner party (DPP) has a separatist agenda.

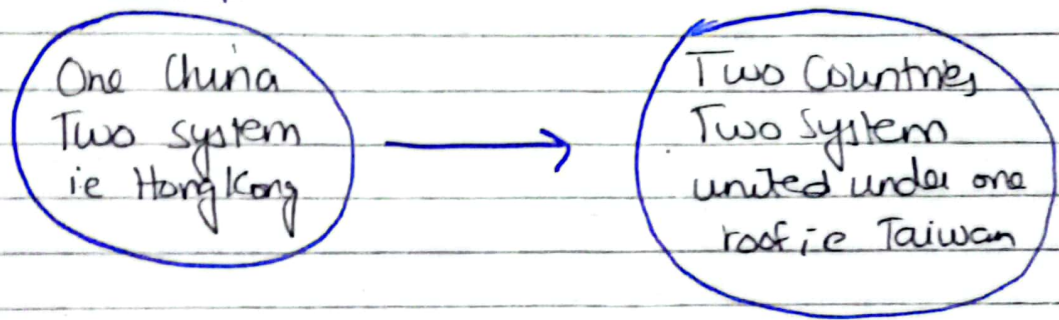
6): Nuclear threat / war:

In a conventional warfare, China will easily defeat USA but the Nuclear deterrence threat of USA will keep the threat of war afloat. Hence USA provocation of China over Taiwan will lead to destruction for not only two global powers, Taiwan but also for the whole world.

Recommendations:

1). A Chinese Commonwealth - A win-win situation:

As suggested by a former Singapore foreign minister, China and Taiwan can form a commonwealth in which both countries will operate independently and meet once a year under one roof to decide upon important matters.
Example Switzerland.



2). Macau - a case study:

Macau, after the colonial powers were defeated had a chance to be a part of China but it operated independently till 1999. A good example for Taiwan to show China's openness to negotiations.

3). Taiwan renegotiation with China.

Singaporean government suggested Taiwan to negotiate with China as early as possible as "status quo is a ticking timebomb".

4) New government Coalition in Taiwan.

Following the 2024 election, the new coalition with majority,

DPP = majority → Separatist

KMT = minority → ~~Pro Chinese~~ Reform

TPP = 20% votes → moderate

Should negotiate a settlement with China while maintaining ties with USA.

Conclusion:

China is standing at crossroad with its confrontation with ~~then~~ USA and see as a global Superpower. The issue of Taiwan is likely to decide the fate of the Nation and future geopolitics.
