

Q3

Pakistan and the IMF

1) Introduction

Pakistan struggles to function without IMF bailouts due to low tax collection, inefficient production, low FDI, low exports, and poor budget allocation. The implications are poor fiscal discipline, rising debt servicing costs, crowding out of other investment and a decrease in economic sovereignty.

Pakistan can improve by boosting tax collection, increasing exports, shifting to efficient production methods, and promoting sustainable fuel sources to lower the import bill.

2) Reasons Pakistan's Economy

Struggles without IMF

2.1) Poor tax collection

The tax collection in Pakistan

is quite, with around 40% not paying full taxes. Most tax evaders are large firms which would add significant funds to the government reserves. The low volume of government revenue necessitates the borrowing of loans to fulfill obligations.

2.2) Inefficient Production Methods

Pakistan's main agricultural sector uses highly inefficient production methods. For example, Cotton crop uses 95% Indus water and contributes 3% to the GDP.

- SBP & IRSA

Such inefficient production uses a lot of funds but contributes little to national kitty.

2.3) Low FDI

Foreign investment is wanting due to poor property laws, security concerns and issues related

to dollar repatriation. This means foreign reserves are low and the economy does not fulfill its potential.

2.4) Unfavourable Budget Allocation

The budget allocates little funds to necessary sectors such as health and education. This year, allocation to education was reduced to 1.7:1 from 2:1.

~ MoF

By not developing the nation's human capital and diverting funds to other areas, the government sabotages the economy's potential.

3) Implications of Bailout Packages

3.1) Breeds Low Fiscal Discipline

When poor economic planning is always bailed out, there is no incentive to change the methods.

3.2) Reduces Economic Sovereignty

With each bailout, Pakistan has to agree to IMF conditions on areas such as tax, price levels, subsidies, etc. The independent decision making authority of the government is compromised.

3.3) Rising Debt Servicing Costs

The increase in debt servicing costs have risen to around 50% of the GDP. Such a high chunk, crowds out other investments in other sectors.

4) Recommendations

4.1) Boosting Tax Collection

By continuing on the current path of the FBR, Pakistan can boost tax collection. The methods such as SIM blocking and higher fees for non-filers promote proper taxation.

4.2) Promote sustainable energy to reduce Import Bill

By promoting indigenous and sustainable energy source, Pakistan can reduce its import burden.

The fossil fuels e.g. oil, LNGs, coal take a huge chunk of the total bill.

4.3) Promote Exporting Sectors

Exporting sectors are a great way to earn funds.

Recently, the IT and knowledge-based imports contributed 40% to total exports.

5) Conclusion

The Pakistan economy suffers from low taxes, inefficient production and poor budget allocation. The bailouts promote indiscipline, raise costs, and crowd out investment while costing economic sovereignty. But the situation can be improved with raising collection, promoting exports and sustainable energy.

Q4.

China's US Playbook

1) Introduction

China is operating similar to the US by exerting its influence using investments and trade, projections of military might, utilisation of diplomatic clout in global conflicts, and creating regional organisations to challenge the US-led ones. China may be able to be a better mediator due to its neutrality as being a historically isolated nation, its promotion of the views of the developing world, and by not using international organisations such as the UN as blackmail tools.

2) China's Expansion

2.1) Expanding Influence using Investments and Loans

China's Belt and Road Initiative

(BRI) has expanded Chinese influence from Africa, Europe, Asia and South America. Moreover, China offers several loans to developing nations as an alternative to IMF loans.

2.2) Projection of Military Might

Similar to the US, China has begun exerting military weight in the South China Sea to protect its interests, especially against Taiwan with "punishment drills" and the Philippines with naval intimidation.

2.3) Utilisation of Diplomatic

Clout in Global Conflicts

China has begun to involve itself in global conflicts, rivaling the West. Examples are the mediation of Iran-Saudia Reapproachment

3) China as a Better Mediator

3.1) Relative Neutrality

China has been a historically isolated nation thus not involved in many past conflicts, which begets a certain neutrality. Moreover, China does not have unconditional allies like Israel as the US does, allowing it more independence in mediation.

3.2) Not using International Organisations as Blackmail Tools

China does not have dominance in any international organisations yet. The US on the other hand uses the UN as a tool of blackmail. For example, US Act binds the US to defund the UN and related bodies if a Palestinian state is established.

3.3) Voice of the Developed World

The developed world which has been ignored by the West looks towards China to voice its collective

interests, such as calls for a Gaza ceasefire at the start of the war.

4) Conclusion

China is playing the US's game and using its investments, military might, and diplomatic clout to expand its influence. China would make a better mediator due to its relative neutrality, value of the opinions of the ignored developed world, and not using organisations for development as blackmailing tools



Q5

Israel - Hamas War

1) Introduction

The chances of the Israel - Hamas war expanding are high as a small-scale war with Hezbollah in the north rapidly rises, ~~the~~ and ~~tensions~~ tensions with Iran rise after strikes on its personnel. Moreover, the Houthis rebels in the Red Sea continue to disrupt trade and the Egyptian army raises its presence at the southern border. The war would result in further alienation and animosity between Arab states and the West while diverting US attention from Ukraine and Taiwan. Moreover, the Western neoliberal rules-based order would lose credibility.

2) Chances of Expansion of War

2.1) Conflict with Hezbollah

Since Oct 7th, tensions among

Israel and Hezbollah in Lebanon have been rising. Recently, Israel attacked targets within Lebanon and Hezbollah, the known Iranian proxy, retaliated heavily. Northern towns in Israel have also been evacuated.

2.2) Tensions with Iran

Tensions between Iran and Israel threaten to boil over. Israel has targeted IRGC personnel in Syria and killed Qassem Soleimani, a senior officer. Several strongly worded statements from Iran were followed by a launch of 200 missiles, drones, and barrages towards Israel.

2.3) Israeli Refusal to a Ceasefire

Israel's continuous refusal to pull out of Gaza and ~~its~~ lower the humanitarian cost of the war ~~has~~ threatens to prolong the war. The recent Biden ceasefire proposal was not well received in Israel as

Ministers Ben-Gurion and Smotritch threaten to resign and Netanyahu refuses to pull out of Gaza.

3) Chances the War May End

3.1) Internal Israeli Politics

Netanyahu and his government have received immense criticism from the opposition party for prolonging the war.

3.2) Protests for Hostages

Several protests in Israel for the hostages criticism Netanyahu has not done enough to bring the hostages back. The current proposal calls for the return of all hostages and Netanyahu may be forced to accept it for his political career and pressure from the US.

4) Implications for Global Politics

4.1) Alienation and Antagonisation of Arab-Muslim World

The US and its allies threaten

to seriously sabotage their relations with the Arab-Muslim nations due to their inaction against Gaza.

4.2) Diverting US Attention from the South China Sea and Ukraine

The US is engaged at three fronts and if the Israel war expands than US capacity would be stretched too thin. The feeling of abandonment by Ukraine would reflect badly on US relations.

Also, lack of US capacity could embolden Russia and China to challenge the US in their respective war fronts.

4.3) Loss of Credibility of the rules-based Neoliberal world order

The inaction and defence of Israel by the US and its allies challenges the notion of the US spreading a rules-based neoliberal order. It may impact future US relations.

5) Conclusion

The threat of expansion of the Israel war is heightened due to clashes with Hezbollah, tensions with Iran, and Israeli refusal to accept the ceasefire. But rays of hope emerge in the form of internal criticism of Netanyahu's policies from the opposition party and protests by Israelis focusing on bringing the hostages back. An expansion of the war would worsen relations between the West and Arab-Muslim states, embolden Russia and China in Ukraine and Taiwan, respectively, and impact the perception of a rules-based neoliberal order.



Q7

Insurgency in Pakistan

1) Introduction

In Pakistan, insurgency has risen due to economic woes, feelings of deprivation among locals, the arrival of the Taliban in Afghanistan, and the utilisation of the Gaza war for radicalisation. The impact on Pak-Afghan relations has been negative from shutting down of trade, rising economic disenfranchisement, and the deportation of Afghans. Moreover, it has fostered mistrust among the two governments. The relations can be improved by engaging in negotiations, reopening of trade, and recognising the Taliban government to begin collaboration with them.

2) Reasons of Revival of Insurgency

21) Rising economic woes

The worsening economic situation in

Pakistan provides the perfect breeding ground for radicalisation. The situation is particularly worse in Balochistan and southern KP, Waziristan

2.2) Sense of Deprivation among locals

A sense of deprivation can be used as a radicalising tool by ~~anti~~ anti-state actors to attract individuals towards extremist causes and promote anti-state rhetoric. The phenomena can be seen in the Balochistan Liberation Army (BLA) which has increased its attacks.

2.3) Arrival of Taliban Government

Insurgency peaked with the arrival of the Taliban as anti-state actors ~~was~~ found safe haven across the border. Moreover the mistrust between Pakistan and the Taliban lessen chances of collaboration.

usual economic activities. through a traditionally porous border. Notably, the Chaman border protests by Afghan traders displayed the frustration of ordinary folk.

3.3) Deportation of Afghans

From November 2023, the Pakistani government began to mass deport Afghans who did not have appropriate documentation.

The sudden exodus bred feelings of resentment and betrayal among the Afghan populace and put sudden economic pressure on the new Taliban government.

3.4) Promotes Mistrust

The mistrust between the two governments has badly impacted collaborative efforts with dealing with insurgents.

2.4) Use of the Gaza War as a Radicalising Element

In recent months, the feeling of anger, indignation and frustration over the lack of action against the Gaza war has been used as a radicalising element by local insurgent groups.

3) Impact on AF-PAK Relations

3.1) Halting of Trade

As clashes from cross-border insurgents rose, Pakistan closed its borders with Afghanistan, namely **Torkham** and **Chaman**. When trade reopened, several checks were introduced which led to several Afghan traders not being able to trade in Pakistan.

3.2) Worsening Economic Disenfranchisement

As more checks have been introduced and borders were closed, regular citizens from both countries faced difficulties in carrying out their

4) Steps to Improve Relations

4.1) Reopening of Trade

A reopening of trade would reduce the animosity between the two states, lessen economic hardship of locals and show a sign of good will.

4.2) Negotiations and Talks

A retry at negotiations with the Taliban should be pursued before any harsh efforts. The talks can be beneficial with having a mediator like China

4.3) Recognising the Taliban Government

Pakistan can only truly collaborate with the Taliban after recognising their sovereignty in Afghanistan. The recognition would allow the states to collaborate and hold each other accountable. This path has already been explored once by the Pakistani government in Swat in 2009.

5) Conclusion

The insurgency has risen due to economic strife, deprivation, the arrival of the Taliban government, and the use of the Gaza war as a radicalising element. It has negatively impacted Pak-Afghan relations with rising mistrust, the halting of trade, deportation of Afghans, and the economic disenfranchisement of ordinary citizens. The relations can be improved by reopening trade and recognising the Taliban government to truly collaborate with them on insurgency. A new round of negotiations with mediators would improve relations.

