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Current Affairs

PART-II

Q no. 2

Chance of Investment in Pak

**Out**  
**Introduction**

SIFC known as Special Investment Facilitation Council is overlooking the investment prospects of foreign direct investment from our brotherly Islamic countries from middle east and from China.

**Expecting Huge Investment**

As SIFC is expecting huge FDI which needs to be assessed based on the commitments from the interested parties and other stakeholders.



## Measure of Investment

The measure for investment by a certain party / stakeholder / investor depends upon a number of factors such as,

### Return on Investment

Every investment is based on certain future prospects and proceeds from such investments which are expected in future.

### Evaluation of Entity

When an investment takes place in a certain entity then its on the basis of its evaluation which is performed by experts who are investment advisors and consultants who make a feasibility report of the company's future prospects and current situation.

### Valuation

The valuation of any company is also done by financial valuers who are professionals in their



field and provide the true value of company at which it needs to be bought considering factors such as company's assets, profits, operating expenses, cashflows, equity statement and other factors, like market dynamics etc.

## Risk with Foreign Investment

When we expect an FDI then the investor has a lot of options, the world is open for him, being a foreign investor he can invest anywhere in the world and will view alternatives available to him in other states and nations. This is a very high and serious risk which can reduce the chances of investment.

## My Opinion on Chances

### Friendly nations

As China and middle east are our friends and have always helped Pakistan in its bad



times. But this time we are not asking for any aid or loan. We are asking them to invest in our economy.

## Dire need of Dollars

As Pakistan's foreign reserves are declining and we are in dire need of foreign exchange to stabilize our economy.

Our friends and enemies both are aware of this situation.

Therefore this might lose us to have a better negotiation power due to being in need.

## Exploitation

It's a universal fact that when you are in trouble both friends and enemies see it as an opportunity to encash.

So we cannot expect better from even our friends as it's said,

**"There are no friends internationally everyone is with their interests"**



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So this would be of no surprise to me that if we receive foreign investment it might come with exploitation taking undue favours from US.

## Post Example of PTCL

We also have one such example of PTCL in which when Etisalat took over PTCL it was a profitable entity and even Etisalat was standup on its feet and trained by the professionals from PTCL providing their technical expertise.

When govt. decided to privatize a major share of PTCL then it was bought with huge subsidies to be given by the govt on annual basis and even the money which was agreed around \$1 Billion was not a foreign direct investment but was paid in installments and by mortgaging PTCL assets to local banks which ultimately lead to the death of the purpose



of investment that was foreign direct investment.

## Currently needs strict measures

Currently in this phase of privatization by SIFC we need to take proper consideration that all the purposes are met. No advantage of any loophole is being taken so that strict measures need to be taken to ensure the transparency of the deal.

Moreover foreign direct investment is the main purpose and it should not be compromised.

## Airports, PIA, and other entities

As on SIFC list PIA is on number one to be privatized so its expected that huge foreign direct investment will come. As PIA is a very good entity from investor point



view and it has some management problems which can be solved when the entity is in private hands and they can take bold decisions like firing of unnecessary staff. Overemployed areas need to be reduced of the burden on PIA's accounts.

Corruption and malpractices will also be reduced.

## Airports

Next in line of privatization are airports which are also a very lucrative investment.

## Conclusion

If everything is executed properly there are huge chances of foreign direct investment although it has some risks involved as well but the benefits are way more as it can help our economy grow and can also increase the efficiency of the currently over-occupied organizations being privatized.



## Q.no. 3

Pakistan economy is unable to survive without IMF

### Introduction

Pakistan is a debt-ridden country. Being in debt from decades. Every government be it civilian or military has contributed towards the debts of Pakistan. Being in debt for so long has lead to accumulation of a very high amount of debt on Pakistan's treasury. On top of it interest also applies on this loan which leads to continuously increasing and we are in such a situation that even to give back the interest on the debt we need to take more debt which has lead us in a debt trap.



## Pakistan and IMF

The love and hate relation between IMF and Pakistan is very long.

As when Pakistan is in a financial crisis then IMF becomes our love as we need money for our survival. Then we remember IMF. But once IMF bailout package is received and now we need to implement upon the conditions of the loan so the hate relationship continues to start and politicians start blaming IMF for everything. For all the strict measures they need to take.

## Loan comes with condition

As all the friendly nations backed out to support Pakistan in the recent economic downturn and everyone required IMF validation to provide Pakistan with the loan. So when it comes to IMF loans come with conditions as very loan giver needs to make sure that he will get his money



back. So IMF agreement consists of the terms to generate revenue so that Pakistanis are able to return the loan. As no one helps Pakistan without IMF validation and without enrolling into IMF program. So IMF is necessary for the survival of Pakistan's economy.

## Objectives never fulfilled

The poor economic situation is due to the facts that despite being enrolled in IMF program for several times, Pakistan has never met the objectives and conditions laid out in IMF bailout packages. This is the reason that every now and then Pakistan needs to go to IMF for bailout packages.



# Implications of Bailout Packages.

There are several implications of bailout packages.

- As we need to increase the burden of taxes on our own people.
- This reduces the purchasing power of the people.
- This reduced purchasing power and more taxes leads to things becoming expensive which ultimately leads to inflation.
- When inflation hits interest rates are increased.

Increase in interest rates leads to expensive borrowing abilities of the people.

- Expensive borrowing reduced purchasing power of people slows down the economy.
- Businesses become difficult to survive as borrowing has become extremely difficult. Which leads to shut down of the businesses.



- When businesses are on a negative track this leads to negative GDP growth.
- Ultimately we will not meet our revenue objectives and will not be able to pay back our debts.
- As circulation of money in the market is reduced.

## Recommendations

As we are in a debt-trap so we need to implement some steps to revive our economy as well as address the main issues which are influencing our economy.

The main issue is of dollars as we don't have enough foreign exchange reserves to support our imports, so we need to address that.

### Dollar Smuggling

We need to stop all of the illegal smuggling of dollars



by tourists through our porous borders. We need to have strict control over outflow of foreign exchange specially on our Afghan border as they are in dire need of dollars and by giving better exchange rate they are leading people to smuggle dollars to Afghanistan.

## Support inflow of dollars by Remittances

We need to support our foreign Pakistanis who send remittances to Pakistan, and give them lucrative benefits in return so that they are promoted to send more and more money back home.

They should be given benefits like the ones who send above a certain amount of dollars say \$100,000 in a year he will get the benefits like express checkouts at airports. Preferential treatment at government offices. Their special cards should be made and categories be



made so more you send home more benefits you enjoy. Tax benefits to be given to them and tax exemption to be given to them, so that they are encouraged to send money home.

## IT companies and organizations

New kind of Dollar and foreign currency accounts need to be introduced for companies.

Such accounts should not have any limitations to send money abroad, they should be kept in the form of a escrow accounts so they can transfer money anywhere in the world for any payments around the world.

\$30,000 limit on individuals should not apply on them and they don't need a Letter of Credit from banks and can simply by one click and through online modes can move their money in and out anywhere. This will encourage



IT companies and import and export organizations to open such accounts instead of keeping their money overseas in foreign countries accounts as they need to do a payment they can do so instantly, but if they take all that money into Pakistan they cannot take them out.

If such step is taken organizations will happily put their money in local banks foreign currency accounts and Pakistan will be in a win-win situation as such amounts never arrived into Pakistan because Pakistan so Pakistan can now boost it as their reserves.

## Conclusion

If above recommendations are implemented Pakistan will never knock on IMF door to support it for a shortage of foreign reserves to support its imports.



## Qns.5

# Israel- Hamas War Global Expansion

## Introduction

Israel and Hamas war started in last year October when Hamas launched a massive attack on Israel. Its roots back to 1940s and 1950s when Israel was made and Jews were settled in Palestine after Britain won the World War-II and with the support of its allies and defeating the other group it established a country in a Muslim country named Palestine for Jews as Israel. Since then a lot of wars has taken place between Muslim countries and Israel with western support has inflicted heavy bombardments on Palestine.



## Chances of Expansion into whole region

There are chances of expansion of Israel-Hamas war into the whole region. As we have seen this in past as well.

When Arab-Israel war took place in 1960s although arabs were badly defeated by Israel but still we cannot rule out the chances of expansion of the war into the whole region.

## Hezbollah and Iran

As Hezbollah being in power in Lebanon is anti-Israel and has deep sentiments against Israel and has the support of Iran. Iran and Israel are having a cold war previously since long after the change of Government in Iran towards an Islamic movement in Iran and the concept of Supreme Leader called Ayatollah Khomeini emerged



after Iran's change of Power and becoming a deep and pure Islamic Shia state.

## Iran attack by drones

In this situation Iran has even attacked Israel with hundreds of drones attacking Israel and giving them a surprise. Moreover Hezbollah who is also supported by Iran also joined hands with Iran in this matter and both attacked on Israel.

Resultantly Israel threatened to take revenge and attacked on Iran as well. In this attack by Iran Iranian drones were shot down by Jordan which also lead to escalation of tensions between Iran and Jordan as well.

Iran gave warning to Jordan that if it did anything to stop its attack on Israel it will be considered an ally of Israel and an enemy.



## High Chances

As in Arab - Israel war whole muslim world supported Arabs, even Pakistani Flying Jets attacked on Israel and hit targets very well.

So seeing the current situation we can infer that multiple countries like Iran, Hezbollah, Hamas, Jordan, Israel are already involved and Western powers like USA, Canada, Britain and other are supporting Israel, So this leads to higher chances of not only a regional but a global power politics struggle as well as all powers of the world are eyeing on it.

## Impact on global Power Politics

This issue has high impact on global power politics. As Palestine and Masjid e Aqsa is considered a holy place for Muslims, Christians and Jews as well. So it involves more than 80% of world population. Their emotions are attached to the



same place.

## Global Politics and allies

There are different blocks in different regions of the world in Europe and America the main block is of NATO and most of the power lies with this block in this region.

In Asia China is a big power as well as Russia both are in close contact and are trying to overpower USA in global arena. Pakistan has close ties with Palestine, Iran, China and USA as well. So China also has ties with Iran and Muslim world. Russia also provided support to Iran. Iran is supporting Arab countries surrounding Israel and also Yemen in Arab as well. All of these are linked to each other.

This resultantly can make two power blocks one is of western countries i.e. Europe and USA and some allies like India is of Israel.



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and second block is of Iran, Arab world excluding some nations like Jordan and others include in this block will be China, Russia, Pakistan and other Muslim countries around the world.

So Hamas-Israel war in a broader prospect is the power politics of the different blocks of the world.