

Current affairs Mock Test

Q: 2 (Any)

1. Introduction:

The Taiwan has become the global flashpoint of conflict between the United States and China, two superpowers with differing geopolitical and ideological stances. China regards Taiwan as an integral part of its territory, while United States maintains a stance of strategic ambiguity. The potential conflict over Taiwan threatens the risks of military confrontation, global economic disruption, diplomatic fallout and regional instability. However, cooperative and diplomatic measures should be taken to resolve the conflict.

2. Historical Background of the Taiwan Issue:

(a) China's Claim on Taiwan

Taiwan was claimed by the People's Republic of China (PRC) after the Chinese Civil War.

In 1949, the PRC insists on Taiwan as an integral part of its territory, basing its claim on "One China Policy," which means there is only one sovereign state under the name China.

(b) US Involvement in Taiwan

The US has historically played a protective role for Taiwan, initially recognizing as the legitimate government of China until the normalization of relations with the PRC in 1979. Since then the US has maintained a policy of "strategic ambiguity," supporting Taiwan's security while acknowledging the PRC's stance under the "One China principle."

3. Reasons Why Taiwan is a conflict between USA and China

(a) Geopolitical Interests:

Taiwan is strategically located in the Western Pacific, and its control is crucial for China's influence in the region. For the U.S., Taiwan serves as a key component in its "First Island Chain" strategy to contain China's expansion in the Asia-Pacific.

China's Perspective:

"China's sovereignty and territorial integrity cannot be infringed, and safeguarding national sovereignty is where China's core interests lie!"

- Xi Jinping, Chinese President

American Perspective:

"We do not seek conflict with China, but we will compete vigorously and defend our values and interests."

- Joe Biden, American President

(b) Ideological Differences:

Taiwan represents a democratic governance that sharply contrasts with PRC's one party system, making it symbolically significant for the U.S. in promoting democracy in the region. The ideological clash reinforces U.S. support for Taiwan as a counter-weight to China's authoritarian model.

(c) Economic Interests and Technology:

Taiwan is a global leader in semiconductor manufacturing, producing more than 60% of the world's semiconductors. Given the importance of semiconductors in global supply, both U.S. and China see control or influence over Taiwan as economically critical.

Both China and the U.S. need Taiwan for different reasons, yet these economic dependencies could make conflict inevitable unless managed

Carefully."

-Graham Allison, Political Scientist

4. How Taiwan is a Risk of Potential Conflict Between China and USA

(a) Military Confrontation

Any military conflict over Taiwan could escalate into a broader regional war, involving U.S. allies like Japan and South Korea and potentially destabilizing the entire Asia-Pacific region. Both the U.S. and China possess advanced military capabilities, raising the stakes for any direct conflict.

(b) Global Economic Disruptions

A conflict would disrupt global trade routes in South China Sea and affect the production and supply of semiconductors, impacting industries world wide. The economic impact would be severe, potentially leading to

a global recession due to Taiwan's role in technology manufacturing.

(c) Diplomatic Fallout and Regional Instability:

A conflict over Taiwan would strain U.S. relations with China and other nations, creating global alliances and counter-alliances reminiscent of the Cold War era. This would increase militarization of the Asia-Pacific region and make long-term peace and cooperation difficult to achieve.

5. Diplomatic Pathways to avoid Conflict:

(a) Dialogue and Confidence-Building measures

There is a need to develop high-level dialogue between the U.S. and China, particularly through diplomatic channels such as the United Nations or regional organizations, could help

build mutual trust.

Ban Ki-moon, former UN Secretary-General said:-

"Dialogue and diplomacy are the only sustainable ways to ensure peace between great powers."

(b) Reaffirmation of Strategic Ambiguity

The U.S. could reinforce its stance on strategic ambiguity while emphasizing peaceful relations, also making it clear it does not support unilateral changes to Taiwan's status. Such a stance could dissuade the Taiwan from pursuing formal independence which is a red line for China.

"Taiwan must not be a pawn in the chess game of international politics."

- Lee Teng Hui, former President of Taiwan

(c) Cooperative framework for Trade and Technology

Creating a cooperative framework in technology and trade involving the U.S., China and Taiwan could reduce economic dependency on one another, which would further deescalate the conflict in the region and beyond.

6. Role of Multi lateral Institutions:

(a) Involvement of the United Nations:

The UN could play a neutral role in mediating tensions over Taiwan.

China holds a permanent seat in the UN Security Council, the United Nations broader membership could support a diplomatic approach to the Taiwan issue.

(b) Support from ASEAN and Regional Players:

ASEAN countries such as Japan, South Korea and Australia could act as regional mediators to promote dialogue and discourage escalation.

Regional organisations could facilitate a framework for peaceful coexistence, ensuring that the Taiwan issue does not turn into Asia-Pacific arms race.

7. Conclusion:

The Taiwan issue exemplifies the broader competition between U.S and China, driven by ideological, economic, and geopolitical factors. However, a military conflict over Taiwan would have disastrous consequences, not only for Asia-Pacific region but for global stability. To avoid escalation, the U.S and China must pursue diplomatic channels, enhance strategic communication, and consider multilateral cooperation that prioritizes regional stability. By adopting confidence-building measures, both countries can manage their competition over Taiwan and coexist peacefully.

Q.4 (Ans)

1. Introduction:

The economic revival of Pakistan is indeed a challenging task, necessitating far-reaching structural reforms in various sectors. This approach is essential to address the deep-seated inefficiencies, increase productivity, and promote sustainable growth. A comprehensive reform in industry, agriculture, information technology (IT), power and the tax system are fundamental to achieving economic stability and growth.

2. Industrial Sector Reforms:

(a) Enhancing Competitiveness:

Pakistan's Industrial sector suffers from low productivity and competitiveness on a global scale. Reforming this sector entails modernizing industrial practices, incentivizing innovation and promoting exports. For instance, Textiles make up around 60% of Pakistan's exports, indicating a lack of diversification. Reforms aimed at

boosting high-value manufacturing (e.g., automobiles, electronics) could significantly expand Pakistan's export portfolio and stabilize foreign exchange reserves.

(b) Encouraging Small and Medium Enterprises (SMEs):

SMEs form the backbone of Pakistan's economy but face numerous barriers, including limited access to finance and technology. For example, SMEs contribute around 40% to Pakistan's GDP and employ nearly 80% of the non-agricultural workforce and (only 6% credit is extended to SMEs). Reforms in SME financing and regulatory ease could tap into this growth potential, furthering bolstering employment and economic stability.

(C) Contribution to GDP.

The industrial sector contributes approximately 20.9% of Pakistan's GDP, yet it underperforms compared to regional economies like India (26.3%) and Bangladesh (27%). This underperformance is largely due to inefficiencies in production, energy shortages and regulatory constraints.

3. Agricultural Sector Reforms:

(a) Modernization and Efficiency:

Pakistan's agricultural sector, contributing around 24% of GDP, is plagued by outdated practices, water inefficiencies and land fragmentation. For instance, Pakistan's crop yields are among the lowest globally, the average wheat yield is around 2.8 tons per hectare in Pakistan, while China achieves up to 5.5 tons per hectare. Closing this yield gap through technological adoption, irrigation efficiency and improved seeds could greatly increase agricultural output. Moreover, Agricultural consumes

about 93% of Pakistan's freshwater resources, yet inefficient irrigation methods waste up to 60% of water. Introducing modern irrigation systems, drip irrigation, could conserve water and ensure more sustainable use.

(b) Diversification and Value Addition
Moving beyond traditional cash crops to diversified agricultural products with a focus on value-added goods, such as processed food, could enhance the sector's contribution to exports.

(c) Food Security and Safety:
Despite being an agrarian economy, Pakistan faces severe food security issues, with nearly 17% of the population experiencing food insecurity. Structural reforms to create efficient supply chains can reduce post-harvest losses, reducing reliance on imports and stabilizing prices.

4. Information and Technology (IT) Sector Reforms:

(a) IT Export Potential:

Pakistan's IT exports reached approximately \$9.6 billion in FY2023, yet this is a fraction of the potential, as countries like India report over \$150 billion in IT exports annually. Expanding digital infrastructure and fostering an enabling environment in IT exports for startups could increase Pakistan's IT exports, with projections estimating a potential of \$5 billion by 2025.

(b) Digital Literacy and Workforce

Only about 25% of Pakistan's population has access to the internet, limiting digital literacy and workforce potential in the IT sector. Increasing internet accessibility and digital training programs could create a skilled IT workforce and attract foreign investment.

(c) Startup Ecosystem:

The nascent startup ecosystem in Pakistan has attracted ~~has~~ only \$884 million in investment in 2023, compared to India's \$44 billion. Facilitating venture capital, easing regulatory processes, and providing government support for incubators can attract global investors, catalyzing growth in the IT sector.

V. Power Sector Reforms:

(a) Circular Debt:

The Power sector's circular debt has surpassed PK\$ 2.8 trillion in 2024, due to inefficiencies, high transmission losses and under-collection of revenue. Reforms to reduce this debt through efficient billing, reducing subsidies, and cutting losses could enhance fiscal stability and attract investment.

(b) Transmission losses:

Pakistan's transmission and distribution losses are around 17.8% higher than the global average of 8-10%. Comprehensive reforms are needed, measures such as modernizing the grid, reducing transmission and distribution losses and enforcing billing discipline are crucial.

(c) Transitioning to Renewable Energy:

Reliance on imported fuel has contributed to Pakistan's fiscal burden. Pakistan aims to achieve 30% renewable energy by 2030, yet currently, only about 5% of electricity comes from renewable sources. By investing more in renewable energy sources, such as hydro, wind, solar, Pakistan can reduce dependence on imported energy, enhance sustainability, and reduce the cost of electricity, which will support industrial competitiveness.

6. Tax System Reforms:

(a) Tax to GDP Ratio:

Pakistan's tax to GDP ratio stands at around 9.2, one of the lowest in the region compared to India's 12% and Bangladesh's 10.7%. Expanding the tax base to include the informal economy, which accounts for 37% of GDP, could increase revenue by an estimated PKR 1.5 trillion.

(b) Direct Vs Indirect Taxation:

Pakistan relies heavily on indirect taxation (over 60% of total revenue), placing a disproportionate burden on lower-income groups. Shifting to a more progressive tax system, with increased direct taxes, could promote equity and reduce income disparity.

(c) Tax Compliance:

Out of a population of 241 million, only about 3.5 million file tax returns. Simplifying tax filing procedures, incentivizing compliance through digital systems could improve taxation.

7. Conclusion:

For Pakistan's economy to experience a genuine turnaround, piecemeal solutions are inadequate. Comprehensive structural reforms in the industrial, agricultural, IT, power and tax sectors are necessary to create a stable and resilient economy. Such reforms will improve productivity, attract foreign and domestic investments, foster job creation, and establish a more equitable economic framework. Only through these structural adjustments can Pakistan hope to achieve sustainable economic growth and elevate the living standards of its people.