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SECTION - II

QUESTION: 02

- Critically Taiwan is a potential conflict between China and U.S.A. Critically evaluate the reasons and why and how the two countries must avoid the conflict.

Taiwan officially known as the Republic of China, is an Island separated from China by the 'Strait of Taiwan'. Since 1949, it has independently been governed from the mainland of China.

The People's Republic of China, views Taiwan as a renegade province, and vows to unify Taiwan with the mainland. Taiwan on the other hand has its own democratically elected government, that possesses differing views on the Island's status and relationship to the PRC.

Beijing asserts the 'One China Policy' stating that Taiwan is part of China.

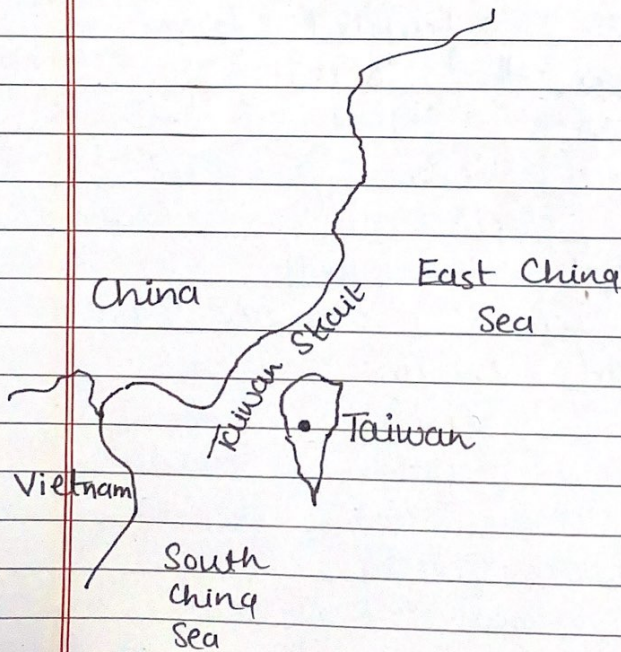
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Chinese President Xi Jinping states that the 1992 Consensus reflects an agreement that, "two sides of the strait belong to one China and would work together to seek national reunification".

China advocates for 'One China, two systems' policy for Taiwan as well as it previously advocated for Hongkong.



China also rejects the participation of Taiwan as a member of the United Nations agencies and other international organizations that limit membership to states.

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Taiwan as a potential Conflict between China and U.S.A :

China views Taiwan as an inseparable part of its territory, for it, Taiwan is a matter of national pride and territorial integrity. While U.S officially adheres to One China Policy, it maintains strong unofficial relationship with Taiwan under the Taiwan Relations Act, 1979 which commits the U.S to 'make available defense articles to Taiwan, to maintain its security and defense'. This support makes it clear that the U.S would oppose any oppression or show of force from PRC.

Geostategic importance:

Taiwan lies at a geostategically important position. Its close to the key U.S allies in the region. Control over Taiwan by China would alter the regional geodynamics, and support of U.S also signals the heavy presence of U.S defense systems and navy in the region.

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is maintaining control over South-China sea, and Asia-Pacific.

Military Tensions:

Both the major powers have escalated their military presence in the Taiwan Strait. China's military exercises near Taiwan, and U.S. frequent patrolling signifies the potential of a direct conflict between China and U.S. over Taiwan.

Taiwan's technology industry:

Taiwan is the world leading exporter and manufacturer of semi-conductor chips. Both the United States and China heavily rely on its exports. Disruption in Taiwan's economy would cause disruption in global economy. This is also one of the significant reasons for the rift in U.S - China relations.

Why must the two countries avoid the conflict:

The two countries must avoid the tensions from escalating due to the following

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Reasons:

- Military and Human costs
- Risk of Nuclear Escalation
- Regional Instability
- Long-term diplomatic fallout
- Global economy impact

Global Economy Impact:

Taiwan being a leading semiconductor micro-chips, a conflict would impact Taiwan's industries and hence, the global economy would be impacted as U.S and China are its leading importers.

Risk of Nuclear Escalation:

Both U.S and China are nuclear powers and there is a risk that conventional war would result into a nuclear escalation.

Regional Instability:

U.S-China war over Taiwan would make the entire Asia-Pacific region unstable, as trade routes would be affected drawing neighbouring nations and allies into the conflict.

How to avoid conflict:

Major powers U.S and China

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could avoid the conflict through strategic diplomacy, military restraint and co-operative measures. Following are some effective approaches:

Open Communication Channels:
Establishing direct and reliable direct communication between U.S and Chinese military and diplomatic officials is essential. These lines of communication can help manage crises, prevent miscalculations and reduce risk of accidental escalation in Taiwan Strait.

Promoting Multilateral dialogue:
Creating framework for multilateral dialogue involving Taiwan, the U.S and China, and other regional stakeholders, such as Japan and ASEAN members could help address the underlying security concerns, build confidence and promote regional stability.

Reaffirming the Status Quo:
The U.S and China could work to support Taiwan's current ambiguous status, discouraging any unilateral moves

like a declaration by Taiwan by China. stability likelihood

Conclusion:
In conclusion U.S and would be reaching a regional stability trade. By engagement protocols w organizations escalation cooperation.

Q4 The transition economy is statement. The revival sector hinge comprehensive across cities industry, a and the Each sector challenges targeted & hinder ec stability.

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Conflict through
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like a declaration of independence
by Taiwan, or a forced reunification
by China. This helps maintain
stability and reduces the
likelihood of provocative actions.

Channels:
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Conclusion:
In conclusion, a conflict between
U.S and China over Taiwan
would be disastrous, with far
reaching consequences for
regional stability and global
trade. By prioritizing diplomatic
engagement, and crisis management
protocols while involving regional
organizations can help prevent
escalation fostering multilateral
cooperation.

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Q4 The turnaround for Pakistan's
economy is not possible ... the
statement.

The revival of Pakistan's economical
sector hinges on implementing
comprehensive structural reforms
across critical sectors, including
industry, agriculture, IT, power
and the Tax system.
Each sector faces distinct
challenges that without
targetted reforms, continue to
hinder economic growth and
stability.

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Pakistan's Industrial Sectors

Pakistan's Industrial Sector faces a range of structural challenges that limit its growth and competitiveness.

- Energy shortages:
Frequent power outages and inconsistent gas supply disrupt production, leading to increased costs and lowered productivity. High energy costs also make Pakistan's industries less competitive globally.

- Outdated technology and lack of skilled labour:
Many Pakistani industries rely on outdated machinery and processes, resulting in the production of low quality products. Another issue is the unskilled labour. The work force lacks essential technical and vocational training.

- Insufficient export diversification:
Pakistan's industrial exports are heavily concentrated in textiles, with minimal diversification into other high-level goods like engineering products and chemicals. This over-reliance makes the

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economy vulnerable to fluctuations in the global trends, and demands.

Structural reforms for industrial sector:

Following are some of the structural reforms necessary for industrial sector of Pakistan:

Energy sector reforms:

Ensuring reliable and affordable power by investing in energy infrastructure, particularly renewable energy sources. Streamlining energy distributions will help operate industries efficiently.

Technological innovation and skill development:

Research and development funds to be established will foster innovation. Subsidies and incentives like low-interest loans can encourage industrialists for technological upgradation.

Investing in Technical and Vocational training will address the skill-gap. Partnerships with private sectors or public-private partnerships can help equip work force with necessary skills.

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Export diversification:

Providing export incentives for value added products to reduce dependence on low-value exports, and to attract industrialists to diversify their approach and invest in tech, IT sector products to fulfil global demand.

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Pakistan's agricultural sector:

Pakistan's agriculture sector faces multifaceted challenges that impact productivity, profitability and sustainability. Here are the primary problems and their structural reforms that will impact the overall economic state of the country.

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Water scarcity and inefficient irrigation:

Pakistan's agriculture is highly dependent upon water-intensive crops like cotton, sugarcane, yet water scarcity is a growing issue with outdated irrigation methods leading to wastage.

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Water management reforms include drip and sprinkler irrigation to optimize water usage, while promoting crop rotation and intensive crops in acid areas can help address the issue.

Inadequate storage and post harvest infrastructure.

Insufficient storage facilities such as cold storage and silos, in rural areas lead to significant agricultural losses particularly for perishable products.

Structural reforms:

Building subsidized storage facilities like cold-storages and silos, while encouraging public-private partnerships to develop post-harvest processing facilities improving farmer's income and reducing waste.

Weak agricultural research and development (R and D):

There is limited research on crop varieties, pest control, and modern farming techniques, which hampers agricultural innovation.

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Structural reforms:

Funding for research institutes, focus on developing high-yield, disease-resistant crop varieties, and pest control methods.

Pakistan's IT Sector:

Pakistan's IT sector faces several challenges that limit its growth potential and competitiveness. There are a few key problems that affect the overall economy of the country, with the structural reforms that can aid in productivity.

Brain drain and talent retention issues:

Skilled IT professionals often seek better opportunities abroad due to limited local prospects contributing to brain drain.

Structural reforms:

Creating attractive job opportunities with attractive salaries and career growth prospects within Pakistan's IT sector can help deal with the brain drain of skilled professionals.

Moreover, establishing incubators and accelerators to support

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local entrepreneurship encouraging talented individuals to build careers and business domestically.

Weak International market

Presence and branding:

Pakistan's IT sector lacks a strong global brand, making it challenging to attract international clients and compete with established outsourcing destinations.

Structural reforms:

Launching a national branding campaign to promote Pakistan's IT capabilities internationally while engaging with trade organizations and participating with global companies in IT exhibits can help increase the visibility of Pakistan's IT sector.

Regulatory Issues:

Complex issues, high taxes, and inconsistent policies create barriers for IT companies and hinder their growth.

Structural reforms:

Streamlining regulatory processes

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while reducing red tape by implementing digital registration systems will simplify compliance requirements. Tax incentives can be offered to ease policies and create an IT friendly environment for tech companies to work in Pakistani tech industry.

Power Sector:

Pakistan's power sector is plagued by inefficiencies, high production costs and frequent shortages which strain industries and households alike. Comprehensive reforms like reducing power theft, shifting towards renewable energy, privatization of the parts of sector to improve efficiency.

Tax System Overhaul:

Pakistan's low-tax-to-GDP ratio and narrow tax base reflect systematic issues in the system, including tax evasion and a heavy reliance on indirect taxes. Reforms are needed to broaden the tax base, enhance compliance and reduce dependence on indirect taxes that disproportionately affect lower-

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income households - streamlining the tax system and enforcing compliance can improve government revenue allowing for investment in infrastructure, healthcare, economy and education.

The turnaround of Pakistan's economy and the need for structural reforms:

Revitalizing Pakistan's economy requires comprehensive reforms in the industrial sector, agriculture sector, Information Technology sector, energy sector, and tax sector, as each plays a crucial role in driving sustainable growth. By modernizing the industrial sector through technology upgrade, skill development and export diversification Pakistan can boost productivity and compete globally. In agriculture investing in efficient irrigation system, high-quality seeds, and mechanization will improve yields and ensure food security. The IT sector offers immense potential for job creation and foreign exchange earnings. Reforming the tax and energy sectors are the needs of now.

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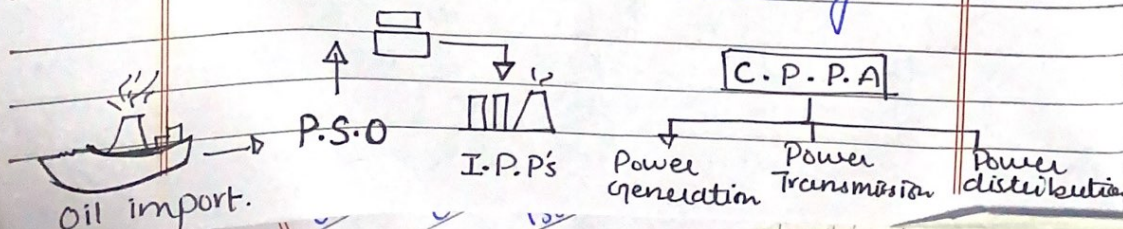
These structural reforms will help increase government revenue, enabling greater investments and attract F.D.I while also improving the condition of inflation. Together these structural reforms can transform Pakistan's economy, fostering growth, stability and higher living standards.

QUESTION : 06

Q Expansive agreements with IPP's...
recommendations

'Problems in the power sector of Pakistan'

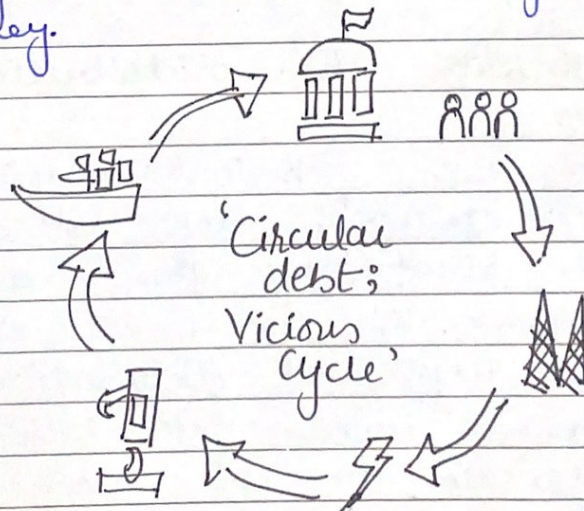
The high electricity costs in Pakistan's driven by expansive agreements with the IPPs: Independent Power Producers, an over-reliance on hydro-carbons and significant transmission and distribution losses have severely impacted industrial competitiveness, domestic affordability, and overall economic stability.



Expansive IPP's Agreement:

Long-term contracts with IPPs often include high capacity payments, which oblige the government to pay for electricity generation capacity regardless of actual demand. This creates a financial burden, especially when electricity usage is low, leading to higher consumer prices to cover these fixed costs.

This also creates circular debt; a vicious cycle where everyone ~~own~~ owes everyone money.



When DISCOs, domestic power distributors cannot recollect their complete expenses due to subsidy of government, electricity theft and line losses, it leads to circular debt and other major issues in the industrial sector.

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Dependency on Hydrocarbons:

A significant portion of Pakistan's electricity is generated from imported fuels, which exposes the sector to volatile international oil and gas prices. As the international trade is in dollars, it translates to an expensive amount compared to the Rupee. Fluctuating fuel prices are passed on to consumers, resulting in unpredictable and frequently rising electricity prices.

Transmission and distribution losses:

Line losses, technical inefficiencies and electricity theft contribute to substantial power wastages, increasing the cost of electricity. High theft and distribution losses necessitate price hikes to compensate for lost revenues, further raising electricity tariffs for consumers.

Recommendations:

Renegotiate IPP agreements:

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renegotiating terms with IPPs to reduce capacity charges and align costs with actual demand.

Shifting to flexible performance-based agreements would lessen the financial burden.

Diversify energy resources:

To reduce reliance on costly hydrocarbons, Pakistan should invest in renewable energy sources such as wind, solar and hydropower. These alternatives are cost-effective in the long-term and can stabilize electricity prices.

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Upgrade Transmission and distribution infrastructure:

Investing in modern efficient T&D infrastructure can significantly reduce line losses. Implementing advanced metering systems and improving grid management will enhance efficiency and minimize losses.

Enhance regulatory oversight:

Strengthening regulatory framework and introducing stringent measures to curb electricity theft can improve revenue collection and discourage losses. Regular audits

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and performance based penalties for distribution companies can bring accountability.

Conclusion:

Addressing the structural issues in Pakistan's power sector by renegotiating terms with the IPPs, diversifying energy sources, upgrading theft and distribution infrastructure, and promoting energy efficiency can stabilize electricity prices. These reforms will reduce the financial burden on industries and household alike, fostering sustainable growth of the economy.