

Date: 29.10.24

Current Affairs Mock (5)

Question 2:

1. Introduction

The conflict of Taiwan primarily exists between Mainland China (People's Republic of China) against Taiwan, which is governed by Republic of China (ROC). The conflict emerged during the Chinese Civil War (1927-1949) between Communist Party of China (CPC) and the Nationalist Kuomintang (KMT). CPC emerged victorious in the war by 1949 and KMT-led ROC retreated to Taiwan. The United States formally acknowledged PRC as the sole government of "One China" in 1979, shifting diplomatic recognition from ROC (Taiwan) to mainland China. However, the U.S. also maintained relations with Taiwan and provides support under Taiwan Relations Act (1979). This act guarantees that the U.S. will provide Taiwan with defensive arms and maintain

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The capacity to resist any force that threatens Taiwan's security. Provided China's increasing assertiveness within the region, especially under President Xi Jinping, and China's ambitions of a Greater China which is unified, Taiwan acts as a hotspot of contention.

2. Reasons Why Taiwan Could Become a Source of Conflict Between US-China

2.1 China's Growing Assertiveness

China's foreign policy for majority duration, post-WWII, has remained subtle. However, provided China's growing economic strength and influence within the region, China under the leadership of President Xi Jinping have adopted a relatively aggressive foreign policy stance. China's regular military drills within the South China Sea and across areas near Taiwan's territory, signify that China is

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exhibiting strength.

2.2 U.S Aim of Maintaining Hegemony, Alliances, and World Order

U.S became an extremely dominant force after the end of WW2 in 1945.

However, U.S hegemony emerged post-Soviet collapse in 1991. The world

order became unipolar and the exertion of U.S influence across all regions grew.

However, since China was admitted into the World Trade Organization

(WTO), its economic growth has been unparalleled. U.S despite its neo-liberal

policies aims to contain China. U.S

strength and influence is based on its

alliance system and collective security guarantee. Although U.S has not directly

guaranteed Taiwan security protection

yet the 1979 act, raises expectations

of U.S to defend allies in case of threat,

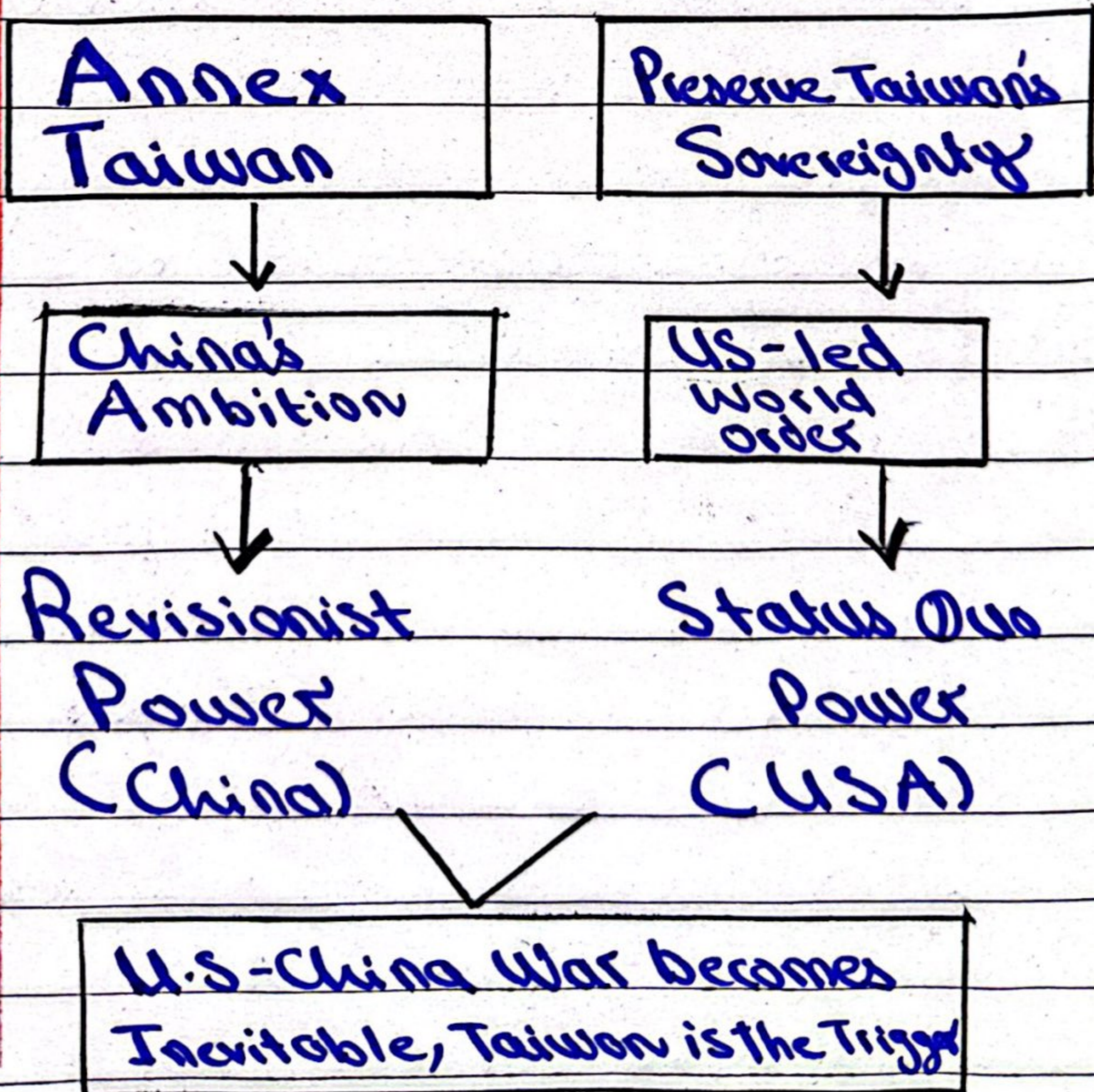
which potentially draws U.S in the

China-Taiwan conflict.

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2.3 Taiwan: Potential US-China Conflict - A Thucydides Trap Trigger

Taiwan is part of China's Greater China vision. Post-WW2, US-led world order through UN Charter is based on preserving territorial sovereignty. As China grows, its intention to revise the world order increases which is a direct trigger of a Thucydides Trap.



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2.4 Taiwan - Point of Geopolitical Hegemony

Taiwan is strategically located in The South China Sea, and control over Taiwan would directly extend China's influence in The region. China aims to establish regional hegemony similar to U.S post-WWII ~~to~~ which it did in The Western hemisphere. Contrarily Taiwan challenges U.S dominance, influence, and pledges ^{with} to other Asia-Pacific Regions.

2.5 Semiconductors and Technological Dominance

- Tech Race
- Taiwan accounts for 60% of global semiconductor output and 92% of advanced chips, U.S relies 56% of its semiconductors on Taiwan
 - Advanced semiconductors are critical for military development and AI.
 - Control over Taiwan would give China a strategic advantage in The tech-race

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3. Reasons Why US-China Must Avoid The Conflict

3.1 Risk of Nuclear War and Global Destruction

The potential destruction estimated by usage of one nuclear weapon amounts to ten times more damage when compared to the Allied aerial bombing in the entire WWII. Both US and China are nuclear powers and a direct military confrontation between them could escalate into a nuclear conflict leading to global destruction, massive loss of life, environmental disaster, and long-term global instability.

3.2 Global Economic Interdependence

In today's globalized economies, dependency on China's manufacturing is essential for the entire world. China accounts for nearly 28% of global manufacturing output. A war between US and China over Taiwan

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would not only disrupt the Asia-Pacific region but rather entire global supply chains. Consequently, global inflation, shortage of essential goods, and economic recession would damage economies far beyond their borders.

3.3 Loss of Global Hegemony for the U.S or China's Regional Hegemony

In the nuclear age there would be no clear victor but if U.S were to lose a conflict with China over Taiwan, it would severely damage its global standing as a superpower. Conversely, if China loses the conflict, its ambition to become dominant power in Asia-Pacific and a economic superpower by 2050 would be shattered. A war over Taiwan could set China back decades, weakening its position both regionally and globally.

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4. How US and China Can Avoid a Conflict over Taiwan

4.1 International Diplomacy Through Multilateral Organizations

UN, WTO,
World Bank



- i) Dialogue and diplomatic engagement between: US, China, and Taiwan
- ii) Multilateral diplomacy to mediate tensions through confidence-building measures
- iii) Promote peaceful resolutions in accordance to International Law

UNSC and G20



- Facilitate dialogue to prevent escalation

ASEAN



- Maintain peace in The Asia-Pacific region

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4.2 Peacefully Negotiating Taiwan's Sovereignty

U.S and China could negotiate an agreement that allows China to recognise Taiwan's sovereignty, allowing it to exist as an independent state. The agreement would require a carefully balanced diplomatic approach, where China is provided certain economic and diplomatic incentives and guaranteed Taiwan's non-militarised stance, in exchange for respecting Taiwan's autonomy.

4.3 U.S Policy Shift: Reducing Containment and Assertion in The Indo-Pacific

U.S could de-escalate the situation by adopting a less assertive stance in Indo-Pacific region, particularly military containment of China. By drawing back of agreements like AUKUS, U.S could

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China more strategic space in the region, and reduce tensions. This would not be appeasement without consequences but rather a strategy of peaceful mutual coexistence. China would be able to establish regional political and economic dominance without interference, in exchange for military control and respect of territorial sovereignty as per the UN Charter Article 42.

5. Conclusion

Taiwan poses a potential trigger for direct confrontation between revisionist China and status quo power, U.S. China's growing assertiveness and ambitions of regional hegemony and contained by U.S. led alliance system within the region. A potential conflict could trigger a nuclear war, destabilise global economy, and result in unwanted consequences for at least one of the parties. Through diplomacy, mutual agreement, respect of international law, and regard to MAD deterrence, an agreement over Taiwan can be sought to avert a US-China conflict triggered by Taiwan situation.

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Question 4:

1. Introduction

In the past few years, Pakistan's economy has destabilised. Pakistan's public debt surged over 90% of GDP (2023), circular debt crossed PKR 2.5 trillion, contributions from agriculture to GDP remain at only 19%, and the I.T sector, despite significant potential, contributes less than 1% to GDP. The turnaround of Pakistan's economy requires comprehensive structural reforms in industry, agriculture, I.T, power sector. Taxation system of Pakistan needs to be revolutionarized, provided that Pakistan's debt dependency to fulfill its expenses exists because of a failed tax system. Although, other factors like political instability, short-term policies, over dependence on international monetary organisations, and import-based economic setup, exist, still an economic boom through targetted structural reforms with strict implementation can

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be achieved.

2. Necessary Comprehensive Structural Reforms to Transform Pakistan's Economy

2.1 Industrial Sector Reforms

The industrial sector in Pakistan suffers from outdated technologies, low productivity and inefficient resource allocation. Pakistan's lack of diversification in industrial output, over-reliance on textile exports, and incompetiveness, has lowered Pakistan's growth-potential.

Consequently, Pakistan's export-to-GDP stands only at 7.5% as compared to India which has maintained 19% - 20%.

Thus, Pakistan needs to undertake industrial reforms urgently to maintain competitiveness.

a) Modernisation and Technology Upgrades

Investment in modern technology and automation is essential to increase

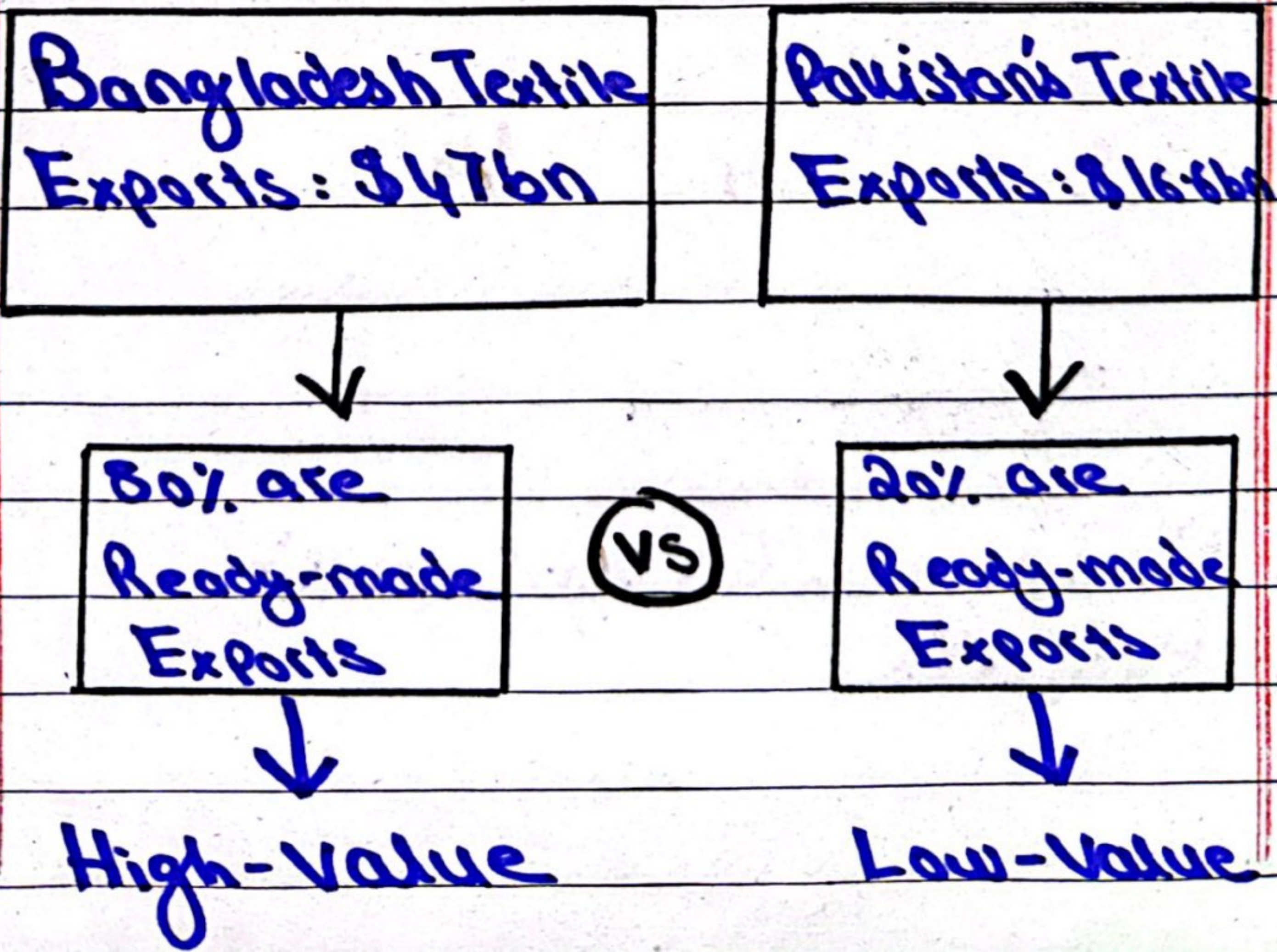
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productivity, reach required efficiency levels, and maintain standardisation.

Moreover, technological advancements would allow Pakistan to meet global demands and regulations, allowing increase in exports.

b) Industrial Diversification

Pakistan's industrial sector must be encouraged to allow diversification in hightech and value-added industries. This would allow new avenues for growth to open and would reduce reliance on low-value exports, allowing improved utilisation of resources.



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2.2 Agricultural Sector Reforms

The Agricultural sector employs approximately 40% of Pakistan's labour force. However, the sector contributes only 19% to GDP. The sector remains highly inefficient, with outdated farming techniques, low yields, poor water management, and lack of research. Urgent reforms are required to attain effective contribution to Pakistan's economy.

a) Modern Irrigation Systems

Provided Pakistan's dismal water availability situation, the government needs to launch impactful schemes which ensure efficient water management.

Practices such as drip irrigation are crucial to conserve water and enhance crop yield.

b) Research and Development Projects

Pakistan's government needs to invest heavily into agriculture research.

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facilities to produce new seeds varieties which can boost productivity, especially in face of climate change. At present, India and Bangladesh both rank above Pakistan in per yield productivity. India through agricultural reforms and introduction of high-yield varieties has achieved significant increase in agricultural output. This has allowed India to self-sustain, reducing dependence on agricultural imports.

2.3 Information Technology (IT) Reforms

The IT sector in Pakistan holds immense potential. However, Pakistan has not tapped the potential and the sector has contributed only \$3.2 bn in IT exports in 2023. In contrast, India has retained its position as a leader of global IT exports which reached \$194 bn in 2023. Pakistan's potential remains underutilized due

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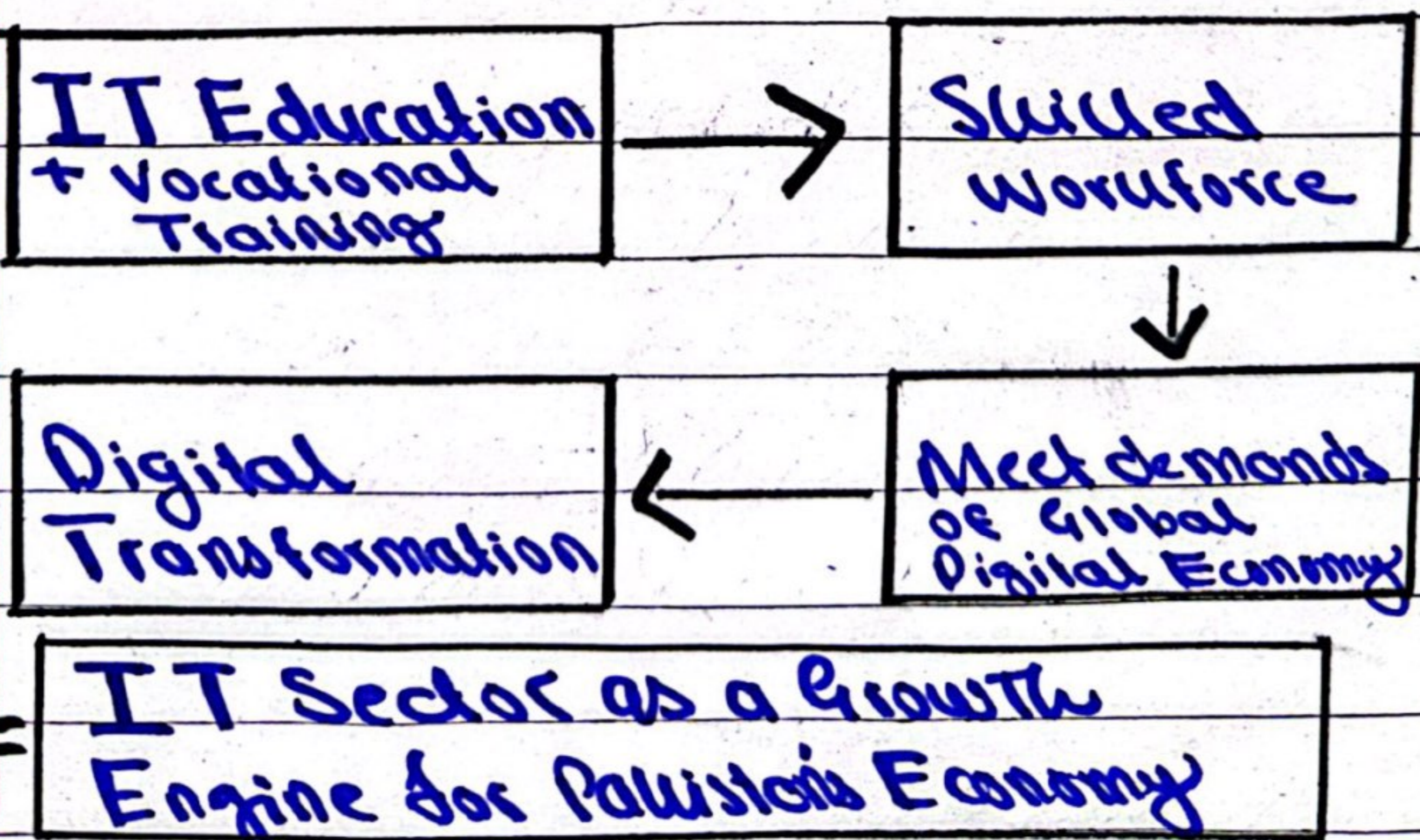
to inadequate infrastructure, low digital literacy, and low FDI investment.

To stimulate Pakistan's economy towards growth, urgent reforms need to be implemented within the IT industry.

a) Strengthening Digital Infrastructure

Pakistan's reforms should focus on developing digital infrastructure to support the IT sector. This requires expanding internet access and improving connectivity. Under the reforms, unnecessary disruptions should be completely avoided. Facilitation through a vast coverage of internet should be maintained to spur growth of the IT sector.

b) Skilled Workforce Development



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c) Promoting Start-up Culture and Innovation Hubs

Reforms towards the IT sector should have a progressive approach which promotes a entrepreneurship environment within the sector. The reforms should provide tax incentives, access to venture capital, and incubation centers. A similar approach to India's "Start-up India" should be adopted which focused on simplifying regulations and providing funding opportunities for emerging tech companies.

2.4 Power Sector Reforms

Pakistan's power sector has been plagued by inefficiency, circular debt, transmission losses, unproductive IPP contracts, and energy shortages. These issues have culminated into troublesome levels of debt and have hindered industrial productivity and growth.

a) Energy Mix Diversification

Moving towards renewable energy.

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Sources like solar and wind is critical. Pakistan's overreliance on hydrocarbons which are imported, have caused economic inefficiency, foreign reserves shortfall, balance of payment crisis, and still has failed to effectively address energy shortfall.

b) Reforming IPP Contracts

→ Overcapacity Installation:

Installed: 45,885, Average Capacity is 21,566 MW (47%)

Negative Impact of IPPs

→ Dollar-based payments leading to PAB devaluation

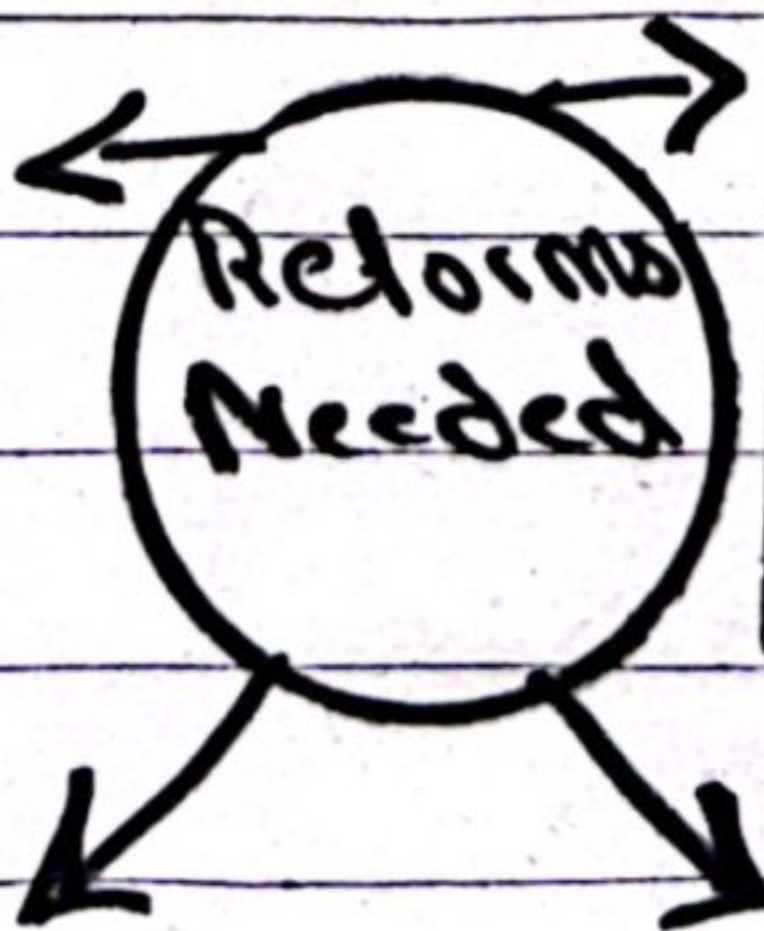
→ Imported Fuel Dependency:

62% power plants are Thermal and 65% fuel utilised is imported

→ PAB 2.635 trillion unpaid
Circular debt (2024)

Renegotiate PPA's

Diversification of Energy Mix with IPPs



Strengthen Regulatory Framework

Implement Energy Efficient Measures

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2.5 Tax System Reforms

Pakistan's tax-to-GDP ratio remains abysmally low, around 9-10%, ~~for~~ structural inefficiencies and widespread tax evasion. Pakistan's public debt has reached 90%, (IMF upper-limit recommended is 60%), because of low tax collection. In 2023, Pakistan's salaried class tax contribution stood at Rs. 367.8bn against Textile exporters who filed exports at \$16.5bn and contributed only Rs. 276.5bn.

a) Broadening The Tax Base:

Expanding The tax base by bringing The informal sector which accounts for nearly 60% of The economy, is essential. The informal economy remains untaxed and The restricted tax net provides revenue well below demands.

b) Simplify Tax Procedures

Tax laws should be simplified and The capacity of The Federal Board of

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Revenue (FBR) should be conducted to improve tax compliance and reduce evasion. Countries like Malaysia and Indonesia have strengthened their economy by reforming the tax systems by implementing transparent procedures, allowing increased tax revenue.

3. Conclusion

The turnaround of Pakistan's economy requires a holistic approach that addresses structural inefficiencies in key industries. Reforms in the industrial, agriculture, IT, and Power sectors along with a robust tax system are essential for sustainable economic growth. Policy-makers within Pakistan must prioritise structural reforms at the highest level to ensure a more resilient and dynamic economy capable of competing on the global stage.

Question 6

Answer

1. Introduction

The rising cost of electricity in Pakistan has increased significantly due to increasing capacity payments to Independent Power Plants (ITPPs).

Since 1990, the cost of electricity has risen by 530%. Capacity payments are fixed payments made to power producers to ensure their plants remain operational to generate electricity regardless

Of whether that power is actually used. Due to this arrangement the financial burden on Pakistan's power sector has been immense leading to hyper-expensive electricity and contributing to debt crisis.

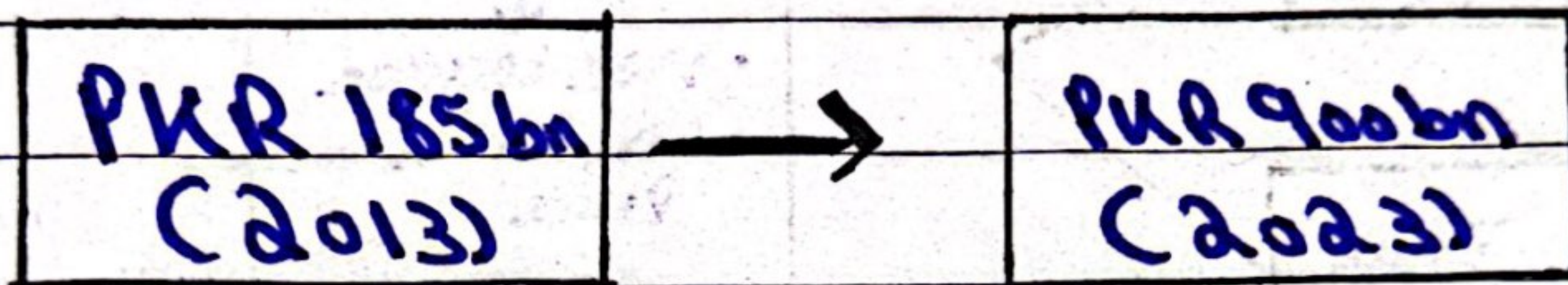
2. Capacity Payments and Their Impact on Electricity Payments

a) Capacity Payment in Pakistan - Historical Overview

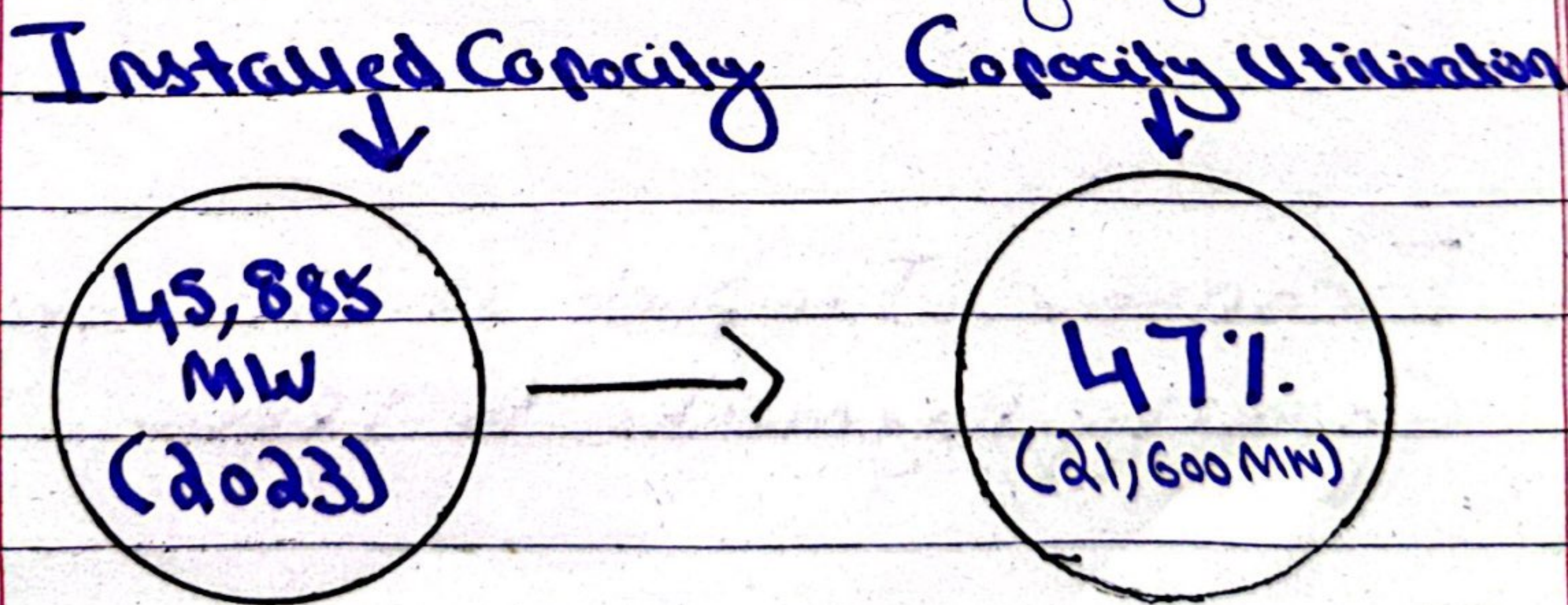
Under U.S Secretary of Energy the Private Power Policy (1991) was introduced in Pakistan. Under the policy Hazel O'Leary (Secretary) along with American business executives brokered IPP deals with 16 contracts worth \$1bn. It was agreed that the investors would be provided a dollar based internal rate of return of 15% - 18% over the next 25-30 years. The IPPs were to be paid in two parts: capacity payments and energy payment. The capacity payment would reimburse IPPs for all fixed

Costs of power plant including debt servicing (80:20 debt-equity ratio) and provided return on top of that. This implied that WAPDA, PESCO, NESC become contractually liable to pay the debt and capacity payments.

b) Unsustainable Scale of Capacity Payments



Capacity payments have risen drastically over the last ¹⁰ years to TPPs. Data indicates a 386% increase. The currency devaluation, new contract signing, and underutilisation have contributed to the rising payments.



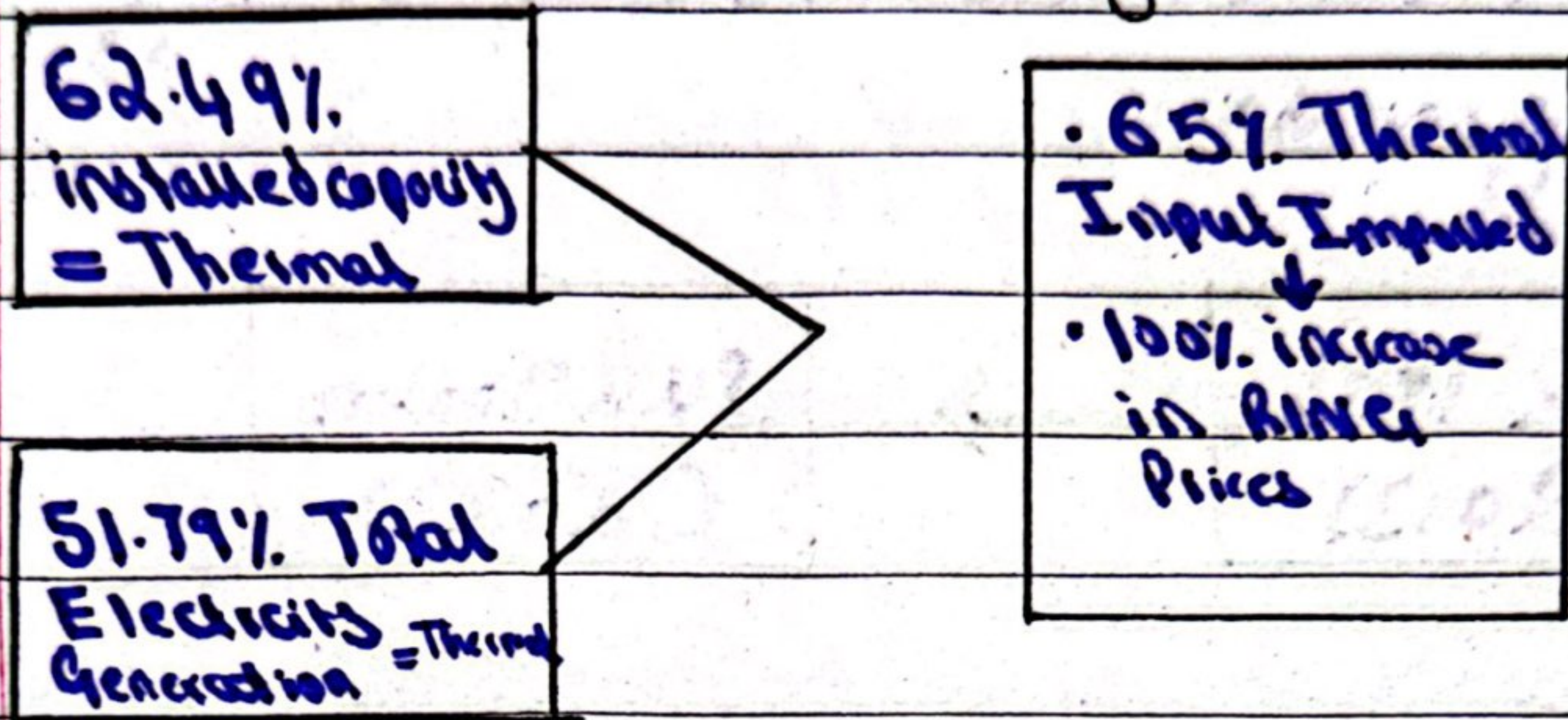
Pakistan's utilization of generated electricity remains around 47% which indicates that

4 Significant portions of capacity payments
are going towards idle plants which further
inflates the cost.

c) Pakistan's Thermal Dependent Energy

Mix:

Thermal Dependency Dilemma



Pakistan's TPPs led to the energy mix shift from cheap hydro-power to thermal based power plants which was cheaper for TPPs to setup, despite low efficiency and higher cost of production.

3. Economic Impact of Increasing Capacity Payments to TPPs

a) Increased Cost to Consumers:

Increasing capacity payments due to dollar devaluation has made cost of

Electricity The highest in the region. This has directly impacted consumers as their household electricity bills have inflated. Moreover, due to increased prices, the production cost of industries has increased significantly leading to inflation. Moreover, the government's fiscal deficit has expanded significantly leading to rising public debt.

b) Circular Debt Crisis:

The power sector's circular debt reached PKR 2.635 trillion in January 2024, which was largely driven by the rising burden of capacity payments. The debt includes the unpaid due to power producers, fuel suppliers. The government is attempting to accumulate the payments by increasing tariffs leading to increased economic burden on the public.

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c) Burden on Industrial sector

Increases in electricity prices have raised cost of production for industrial sector of Pakistan. Higher cost of production has reduced competitiveness in textile and manufacturing. Moreover, frequent load shedding has disrupted industrial operations leading to reduced productivity and loss of export orders, especially in energy-intensive industries. Industries retain high-levels of efficiency when their capacity utilization surpasses a certain percentage. Due to ~~to~~ disruptions, the industrial sector of Pakistan is unable to maintain, resulting in serious economic losses.

d) Inefficiencies in Agricultural Sector

Irrigation systems, especially modern pumps, rely on electricity for usage. Disruptions in electricity supply has resulted in lower agricultural yields

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and inefficiency in water management. Moreover, profitability in major crops has reduced due to higher bills of electricity. Farmers are now considering to shift from major crops to value-added crops. Although that is a positive sign but it could lead to food shortages across Pakistan and increase import-dependency.

e) Declining Services Sector

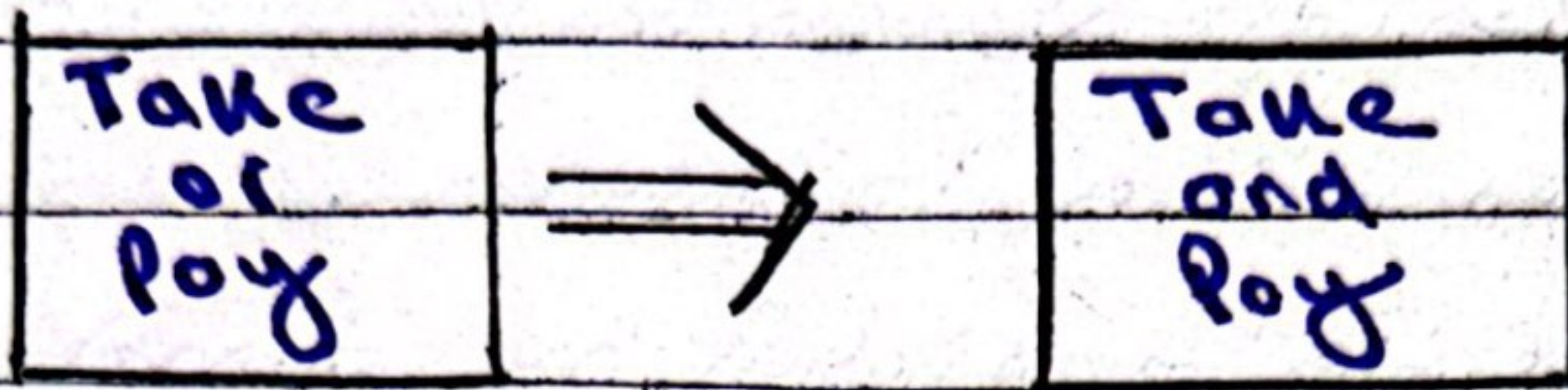
Banks, Hospitals, and IT Services are also negatively affected by inconsistent power supply and increased operational costs due to increased prices, which directly hampers service delivery and economic stability. Moreover, Pakistan aims to achieve digital transformation, raising IT sector exports from \$3.2bn to \$10-15bn. However, without constant electricity supply such targets would not be achieved.

4. Recommendation for Addressing
The Impact of Increasing Capacity
Payments and Reducing Electricity

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Costs

a) Renegotiating Power Purchase Agreements (PPAs):



The current contracts are based on Take or Pay where the government is obligated to pay for total capacity regardless of utilization. Moving towards Take and Pay would allow transitioning to actual capacity utilization of electricity payments which will reduce unnecessary capacity payments.

b) Incentivising Efficiency and Penalising low-Performance:

Contract with IPPs should include performance-based provisions which incentivise efficient plant operation and impose penalties on unnecessary inefficiencies. This would ensure that the plants operate at optimal level.

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to reduce overall costs.

c) Long-Term Financial Planning and Regulatory Reforms:

The main regulator, National Electric Power Regulatory Authority (NERA) should be empowered to enforce more stringent regulations on IPPs.

This regulation includes:

- | |
|--|
| <ul style="list-style-type: none"> i) Better Oversight on Contract Renegotiation ii) Transparent Pricing |
|--|

d) Managing Circular Debt Effectively:

A comprehensive strategy is required to address the circular debt crisis. The strategy should focus on improving bill collection, reducing 18% transmission line loss, and reducing subsidies. Reducing circular debt burden would allow ensured payments to existing IPP contracts and further debt accumulation would be prevented.

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5. Conclusion

The rising capacity payments to IPPs have crippled Pakistan's economy and industries as energy prices have soared to unsustainable levels. The financial burden exerted by the inefficient IPP contracts, underutilised power plants, reliance on ^{imported} hydro-carbons, has led to high energy tariffs and growing circular debt crisis. Addressing the issue requires a multifaceted approach including renegotiation of contracts, diversification of electricity production mix, and comprehensive regulatory reforms. Through these reforms Pakistan can move towards an efficient future.

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Question 7

1. Introduction

The ongoing conflict between Israel and Gaza, especially the hostilities that commenced on October 7, 2023, has attracted significant international attention. The question raised among numerous scholars, legal experts, and world leaders revolve around the possibility of Israel's military operations in Gaza constituting war crimes under international law. The International Court of Justice (ICJ) and United Nations (UN) have called for increased legal and diplomatic interventions but none have materialised. The United States has come under serious criticism for its supportive stance towards Israel in terms of political, military, and diplomatic support. Despite Israel's war crimes in Gaza, the blind eye passed by the U.S. has and will further compromise its

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relations with the Arab world which are now questioning the U.S. led rules-based order, the hypocrisy of international organisations, and the weakness of international law.

2. The War Crimes by Israel in Gaza

Under international humanitarian law, war crimes are defined as grave breaches of the Geneva Conventions, which regulate the conduct of the armed conflict. The Geneva Convention is focused on protecting civilians, prisoners of war, and other non-combatants. As per Article 8 of the Rome Statute of the International Criminal Court (ICC), war crimes include:

- ① Targeting non-combatants and civilians
- ② Deliberately and unnecessarily destroying civilian infrastructure
- ③ Disproportionate use of force.

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2.1 Events that Prove Israel's Action in Gaza is a Classical Example of War Crimes

- ① Mass Civilian Casualties due to Aerial Bombing: 43,000+
- ② Widespread destruction of Critical Infrastructure: Schools, Hospitals etc
- ③ Blockade of Essential Supplies such as food, water, and medicine

The UN and Human Rights Watch along with Amnesty International have classified Israel's actions as disproportionate use of force in Gaza. Moreover, the blockade of Gaza since 2007, violates international humanitarian principles.

3. The Failed Role of ICJ

The International Court of Justice (ICJ) is the judicial organ of UN.

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Unlike the ICC, ICJ does not have a direct criminal jurisdiction. However, it deals with disputes among states and offers advisory opinions. Recently, in 2023, South Africa brought a case against Israel in ICJ which focused on accusations related to genocide in Gaza, involving principles established in Genocide Convention (1948).

2.1 ICJ's Historical Stance on Palestine

• 2004, ICJ ruled that the Israeli Separation barrier was illegal under International law



• Violated Palestinian's right to self-determination
• Resulted in unlawful confiscation of Palestinian land



• Dismantle The wall
• Israel to pay reparation to Palestine



⇒ Israel + US ignored the ruling

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2.2 Current ICJ Stance

In the present context, ICJ has not issued a direct ruling on the 2023 conflict. South Africa's case ruling is also pending at the moment. ICJ has reiterated on its past decision at the moment.

2.3 ICJ's Weak Authority

Although, it was proven and ruled in 2007 that Israel was in breach of international law it was not implemented. If ICJ rules that Israel has been committing genocide in Gaza since October 7, 2023, the absence of ICJ's enforcement mechanism undermines its ruling. The reliance on UNSC resolutions remains limited provided US veto history.

3. The Response from United States

The U.S has remained Israel's staunchest ally. In the current conflict, the Biden administration reaffirmed Israel's right to self-defense under

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Article 57, following October 7, 2023, attacks by Hamas, The US has provided military aid and diplomatic backing to Israel, by vetoing 4 UN resolutions on Gaza conflict in UNSC.

The veto power of U.S in UNSC has been a crucial instrument in shielding Israel from international sanctions or criminal accountability.

3.1 Geopolitical Repercussions of U.S Support for Israel in the Arab World

Arab states have expressed outrage at The U.S for backing Israel's genocidal campaign in Gaza, leading to severe diplomatic strains. Traditional U.S allies in The Middle East such as Saudi Arabia and Egypt have condemned Israel's action and have demanded for immediate ceasefire.

The public narrative within the Arab world towards U.S has also

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become highly hostile. The issue of Palestinian state resonates with the Arab world and U.S. inaction in holding Israel accountable, risks undermining American influence in the region and opening doors to China and Russia. The sustainability of Abraham Accords also remains questionable provided U.S. unreserved support for Israel.

4. Impact on Israel's Relations with the Arab World

4.1 End to Saudi Arabia Talks

Israel in recent years had made strides in building formal relations with several Arab states through the Abraham Accords. However, provided Israel's war crimes in Gaza, Saudi Arabia has paused all normalisation talks with Israel. Saudi Arabia has publicly condemned Israel's actions and demanded an immediate ceasefire.

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4.2

Withdrawal of Peace Treaties with Israel - Potential Risk

There has been a rising tide of public anger within Arab states, pressuring governments to condemn Israel's war crimes and to take a more assertive stance. Egypt and Jordan, the first two Arab states to sign peace treaties, have condemned strikes by Israel. This threatens the peace process between Israel and the Arab world.

4.3

Destabilising Middle East

Provided the current situation and hatred towards Israel within the Arab world, it is believed that continued Israeli genocidal campaign in Gaza would destabilise the region further. The actions of Israel which constitute war crimes have led to a surge of support for Axis of Resistance. The situation at hand amplifies

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The divide between pro-Western Arab governments and their populations. The sympathy for the Palestinian cause and continued Israeli aggression, indicates a rift that was spreading across Middle East with further destabilization.

5. Conclusion

The Gaza conflict has exposed a critical fault line in International law, particularly in relation to war crimes, weak role of ICJ, and growing divide between U.S.-Arab relations.

Israel's war crimes classify as a violation of international humanitarian law but ICJ retains its role as an advisory council. The U.S. continued support for Israel remains a point of divergence with the Arab world. The conflict stands as a testament to the fragility of International law, biased US approach, and lack of enforcement mechanisms.