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Q6- Pakistan has been engulfed with economic crises, making it difficult for govt to take popular decisions for its public. Amongst these crises, energy has been a major setback to recovery of the economy. Traders have started a campaign ~~that~~ ^{with} demand for renegotiation with IPPs, stating the unrealistic agreements set by the govt of Pakistan. In addition, Line and other losses is a historical problem in already energy-deficient country. The huge imports and dependency on hydrocarbon fuels the issue further. This has severely affected industries, ~~and~~ ^{and} consumers, and govt, hindering Pakistan to grow. If these issues were not addressed, Pakistan's prosperity is unlikely.

IPPS

Structure of ~~Aggr~~ Agreements with IPPs:

History

Independent Power Producers (IPPs) are private entities introduced during the period of Benazir in 90s to address the energy concerns.

During the time period, IPPs have been negotiated many times until the recent govt. of Nawaz Sharif.

Agreement clause of capacity payment

It was agreed that these companies would provide Pakistan with electricity ~~on~~ from hydrocarbons. However, the clause of capacity payment raised questions on the agreement. The

govt would still have to pay the price of electricity produced regardless of its requirement. This means the govt. still paid even there was no electricity produced. This strained the economy especially in the current times with Pakistan on uncertain economic instabilities.

Recommendation including renegotiation with IPPs and ~~enhancement~~ of renewable energy resources:

This issue of IPPs was being raised by the traders due to huge losses and stagnating energy prices. The govt was pressurised to start negotiation process. Following recommendations can be made:

Firstly, a fresh deal of renegotiations with IPPs to be initiated. This would include removal of the agreement of capacity payments. The govt. would pay for the amount of electricity it requires. This would reduce unnecessary burden on the already depleted reserves of Pakistan. Secondly,

Secondly, the payment will be made in Rupees rather than dollars. This eliminates the exchange rate risk of dollar to PKR and maintains the dollar reserves with the state bank. Previously the payment was agreed on dollars.

Hence, a timely negotiation is urgent

with respect to the current conditions of Pakistan. It should be noted that the agreements for various IPPs still uphold till the 2nd decade of 21st Century.

Hydro Carbon's Dependency

Why are we importing so much of hydro Carbons

The reason for ^{inputs of} huge hydro carbon including oil, gas and coal is the huge demand for the production of electricity. The ongoing IPPs require hydrocarbon in the form of coal to produce electricity.

This has forced Pakistan into overdependency despite having a favourable environment for renewable energy production. In addition, Pakistan needs oil for Industrial, Commercial and domestic purposes.

The impact of overusage of hydro Carbons on economic Balance of Payment

Hydro Carbons constitutes to around 90% of trade imports ^{as of 2023}, making it one of the main reasons for Balance of payment Crises. Pakistan is already a debt-laden country with the recent \$7 billion loan deal with IMF. This loan is required to address BOP crises. Therefore, Pakistan's economic development has worsened with high inflation and rising unemployment.

Iran-Pakistan pipeline project, CPEC and renewable energy alternatives

Iran-Pakistan Pipeline:

The rising cost of energy must be addressed urgently if Pakistan really want a realistic progress. Firstly, the Iran-Pakistan gas pipeline and oil trade should be reviewed. Although the current geopolitical circumstances has made it nearly impossible, Pakistan can make a second attempt to request U.S oversee the trade sanctions on Iran with Pakistan as a special case of 'crises-exit strategy'. If India can trade oil, so can Pakistan. The

CPEC audits renewable energy projects

The CPEC proved successful in many renewable energy initiated. The successful solar energy project in Bahawalpur would provide around 250 MW. In Rawader, another solar energy project has been completed. Windmills in coastal areas of Sindh is proving fruitful as well. Agreements can be initiated on catalysing the completion of dams in progress and introduction of new dam projects.

This would reduce dependency of Pakistan on hydrocarbons. However, it should be noted that it is a long-term process which involves

the agreements with IPPs. Such agreement should align with the initiatives of renewable energy projects.

Losses in transmission and distribution

Causes of losses in transmission and distribution

Pakistan has a historical issue of huge losses while transmitting and distributing electricity. It has been reported that 17% of electricity is lost making it worst in South Asia. There are various reasons for such losses which are as follows:

Firstly, the current distribution and transmission lines are old and inefficient. There is a need of replacement of these lines. Secondly, there is huge theft of electricity. A rickety system is being used in commercial and residential areas with no strict accountability. Lastly, the govt offices and machineries are consuming high electricity with delayed payments. This has caused strain on the energy capacity of the country.

Recommendations on transmission and distribution efficiency enhancement

There are many measures that can be

taken to minimize the effects of this issue. Firstly, in Pakistan, ongoing privatisation of the distribution companies, such as WESCO, LESCO, etc should be prioritised with set standards for distribution and transmission. Secondly, strict accountability must be initiated against the kunda system. Lastly, govt offices should be made bound on timely payment and limited capacity of usage to be set.

Implication of massive energy prices

Industrial sector:

The govt. has removed any subsidies or relaxation on the hydrocarbon imports in line with IMF's policy. This has been further worsened by rise in taxes and the pursuit to increase tax to GDP. Since 2022, hundreds of industries have shutdown. This is due to rise in cost of production, making industry lose price competitiveness in international markets and faced reduced demand in local market. This has resulted in unemployment, loss of investor's confidence and loss of wealth.

Domestic sector:

The ongoing economic crisis has raised the pushed more people below poverty line. The loss of purchasing power, unemployment and rising energy prices has pushed people

towards crimes. Karachi has witnessed worsening street crimes in the recent years. People are not able to fulfill their basic needs dragging them down into poorer standards of living. There has been a brain drain as well with highest emigrants in the world from Pakistan as of 2023-24.

Conclusion

The rising energy crisis has pushed Pakistan further down the drain with projections from international organisations that Pakistan economic growth for 2024-25 will only rise be 1.1%. The predatory IPPs with huge imports of hydro-carbons and losses of TTT transmission and distribution lines must be addressed urgently to mitigate energy crises.

Q4. In 2023, Pakistan was on the verge of bankruptcy but IMF saved the catastrophic event with its bailout package of \$3 billion. It must be noted that the debts are meant to help countries get back on track. Unfortunately the cash-strapped Pakistan focused on short term popular developments rather than real long-term developmental. Learning from the past, Pakistan has to bring structural reforms in industry, agriculture, IT, power

sector and Tax system if it really wants a sustainable ^{its} economy back on track. If these areas are not addressed, historically, staying Pakistan would always struggle to showcase its *po acta* real development.

Information Technology Sectors

The issue of lagging with latest technologies:

Technological revolution of the world is fast-paced. The underlying issue is the late adjustment of Pakistan with rapid technological advancement. This has been the case with every other sector. For example, there have been reports of Pakistan lagging behind in one of the crucial segments of technology, i.e., data science. This has caused poor or uncompetitive data-driven decision. Pakistan

Therefore, Pakistan must establish latest training setups that update ~~with~~ with latest cutting-edge breakthroughs to ensure its alignment with the world. Initiatives like research and online training should be initiated. ~~to make~~ Moreover, international collaborations can be made.

For example, Pakistan, in line with SDG innovation and entrepreneurship, can work with UN to address the issue.

Delayed Digitalisation and the ~~need~~ urgency to it.

Digitalisation is more needed than ever. In

terms of corruption, Pakistan has ranked among the 'tops' in the world. This has increased inefficiency and loss of state's wealth. Digitalisation promotes transparency. Steps must be taken such as increased implementation within a set time framework, training & development with digitalisation process and updated technologies.

Impact on economy by IT reforms

The strict digitalisation process will speed up processes leading to efficiency and productivity. Corruption will be reduced while accountability will increase. The govt could make more insightful data driven decisions. The number of IT skilled workers will increase with rise in remote jobs and remittances. The efficiency in industry, agriculture, power and tax sector will increase leading to economic growth. These will be discussed individually with IT later.

Industry Sector

One-window operation

Industries often face a red-tapism in Pakistan. This discouraged many investors to invest in more welcoming countries. The

issue of corruption furthered worsens the issue leading to delays and inefficiencies. Hence, initiative, like SIFCs, are crucial to encourage investment. SIFC provide One-Window operation which avoids the investors go through the painful process of setting industries or its expansion.

Tech-related advancement in Industries

Industries must be bound to update with cutting edge technologies. For example, the manufacturing sector of the country should advance its supply chain operations through Business analytics, Business intelligence and Just-In-Time Inventory process. Upgradation of machineries and equipments would increase productivity and reduce cost. In addition, Pakistan should initiate projects and departments that overlook the tech deficiency and the need for advancement. Necessary facilitation should be provided to the industries to keep with latest developments.

Impacts on economy by industrial reforms

Such reforms would enable the industry to balance the energy crises and the risk of economic instability. Exports will increase due to high quality or price competitiveness.

New Jobs will be created as Industries setups expands with favorable circumstances. Money will flow into the economy and BOP will improve.

Agriculture Sector

Advanced farming methods

Pakistan's agriculture sector is in need of adopting to the advanced farming methods due to food security threats. Such methods include satellite imaging to gather data regarding the farms. Drones could be used to identify problems and address the issue. In addition, advanced genetically modified seeds and machinery should be facilitated by govt.

in The long line of middlemen

Arthi system must be brought under the scrutiny of govt as they exploit farmers by buying the crops at low prices. Agriculture banks should be enhanced to adopt the model of lending of arthis while excluding exploitative approach. The process of digitalisation and startups may ease the process of distribution. This would provide farmer with enough profit to work on advanced in farming sector.

Impact on economy from agriculture reforms

Agriculture constitutes to around 20% of Pakistan's export. A rise in productivity along with quality products would enhance international competitiveness. Farmers would earn enough profit to reinvest into advanced methods of farming.

Power Sector

IPPs and renegotiating terms

IPPs has been strongly straining Pakistan's economy. The capacity payment requires Pakistan to pay even if it didn't need electricity. Moreover, payment is made in dollars. Therefore, a more realistic negotiation should be put on table with elimination of capacity payment clause and payment in Rupees to be added in agreement.

Tilt towards renewable energy sector

Pakistan should shift towards the use of renewable energy sector. More CPFC projects with respect to renewable energy production should be initiated in hydro, solar and wind energy sources.

Impact on economy from ^{energy} agriculture reforms

A Energy Sector reforms are crucial due to the high energy prices. These measures would reduce cost of unnecessary energy making industries bear small incremental cost. There would be a reduction in hydrocarbons reducing strain on imports and relieving BOP crises. Industries will thrive, employment will increase and living standards will improve.

Tax system

Digitalsing tax collection system

Tax collection system should be digitalised. User-friendly websites should be made to encourage more people into tax brackets. Seamless tax payment system would ensure timely tax collection. Moreover, data of those not in the tax brackets can be identified and necessary action taken. For example, blocking their sim cards.

Tax negotiation

People usually show restraint in payment of taxes especially investors and traders. With ongoing economic crises, investors are already striving to survive. Therefore realistic investor

friendly tax policy model, should be made to encourage more people under the tax net.

Impact on economy from tax reforms

Rise in tax means fiscal surplus. The govt will manage to earn more than spend. This would help it channelise it into developmental projects and payment of the accumulated debt, hence, avoiding future budgets and better funds to introduce economic reforms and ensure effective implementation.

Conclusion

Pakistan is struggling to stabilise its economy. However, this has seemed difficult due to structural problems in Agricultural, IT, Industry, energy and tax sector leading to inefficiency and major setbacks to already struggling economy. Appropriate measure is urgent to truly transform Pakistan's economy.

Q2 - The world is already engulfed in geo-political conflicts with ongoing Russia-Ukraine War and Israel-Palestine War. At the same time China is increasing its narrative of claiming Taiwan as a part of China. US is on the other side opposing China's narrative. This ^{potential} conflict is deep rooted to the issue of South-China sea. This conflict must be avoided with as it would have devastating impact on international economy and heighten the risks of nuclear war.

Reasons of Potential Conflict between China and USA on Taiwan

The claim of South-China Sea by China

China claims that South China-sea is a part of its territory, and hence, it has should have a control over it. Many South-East coastal Asian and few East countries oppose this claim including America.

According to these countries the claim of sea water is upto few kilometers from the coastline as per international law. However, China pay no heed to it and assert its claim.

The significance of South China Sea
South-China sea is a major route of

Trade for China as well as America. Billions of dollars worth trade passes through it every day. This has led to militarisation of Straits and Islands by both China and America amidst the fear of conflict in Taiwan. China has built artificial Islands in the region while US has militarised Japanese Island and Strait of Hormuz.

QUAD group to oppose Chinese influence

QUAD group comprises of Japan, U.S, Australia and India to counter Chinese influence and hegemony in Indo-Pacific region. Japan feels threatened with expansionist policy of China while India dislikes hegemonic attitude of China. U.S and Australia wants to ensure security of their trade through these routes. An attack on Taiwan by China can generate a reaction from QUAD group leading to U.S-China conflict.

Why the conflict must be avoided
No trade security will be jeopardised.

The conflict between two economic super-powers will be recorded as the worst economic depression of the global history. Trade could potentially be halted due to the threat of trade security resulting

in various stable countries being engulfed in economic instability. Oil prices will sky rocket and famine may prevail. The huge economic dependency may lead to mass starvation and ~~the~~ ^{some} billions would be deprived of basic economic needs.

Heightens the Chances of nuclear war

With ongoing geopolitical conflicts in middle-East and Europe, Israel, and Iran and Russia are all on the verge of nuclear escalation. If a miscalculation arose it would lead to nuclear catastrophes globally. If China and U.S. went into war, nuclear blocs of Russia ^{from} and China may form against U.S. This would lead to chain of reaction resulting in nuclear world war.

How can these conflicts be avoided

Calculated approach towards diplomacy

U.S and China can take advantage of their bi-lateral trade to enhance diplomatic relation. A hotline should be established between the both similar to that of China U.S and Russia to avoid miscommunications, and miscalculated escalations. Trade should be channelled between both countries. Any future conflict in Taiwan may be avoided.