

CURRENT AFFAIRS

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MOCK

QUESTION No. 3

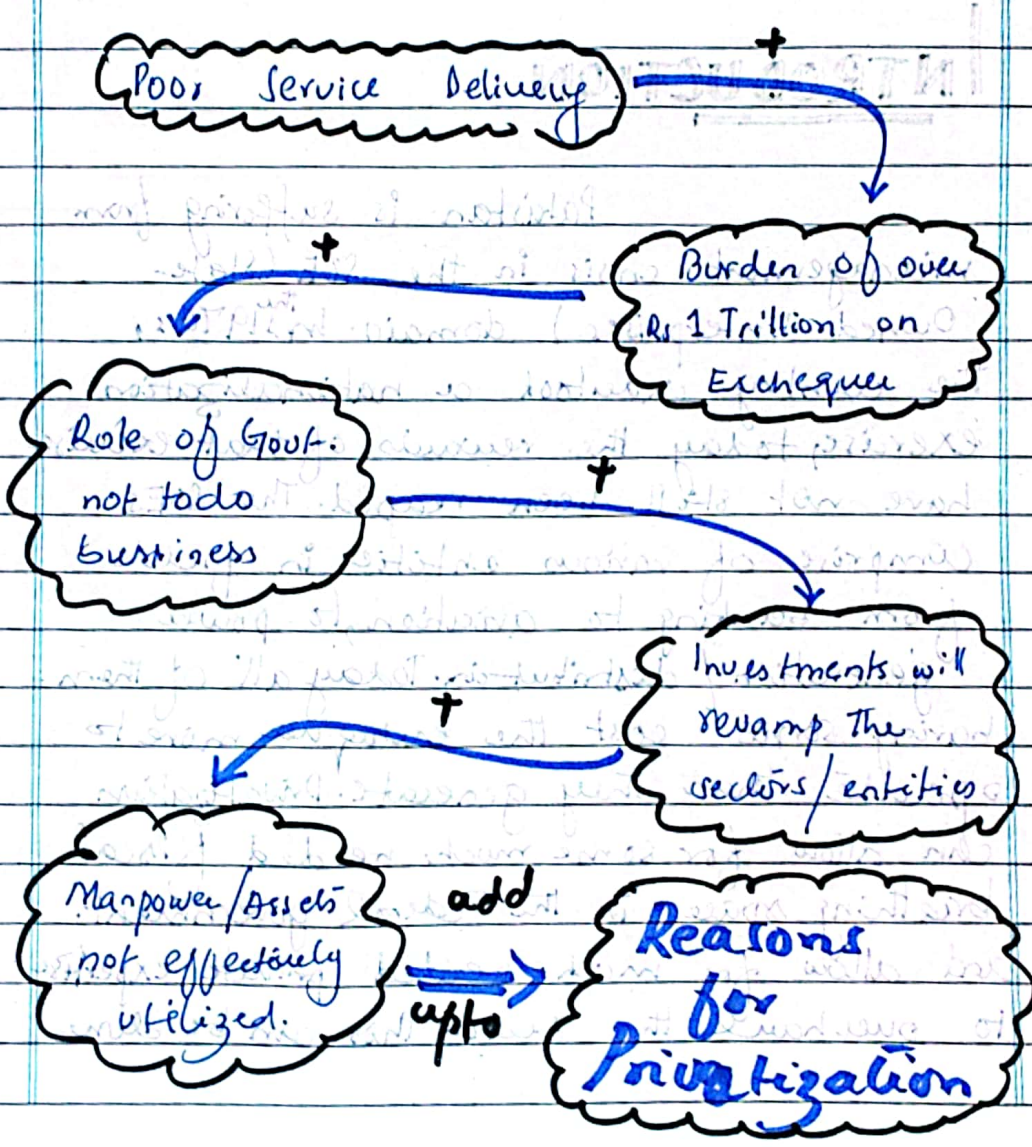
State owned privatized?

INTRODUCTION

Pakistan is suffering from management crisis in the SOE (State-Owned Enterprises) domain. In ^{the} 1970s, the country undertook a nationalization exercise, today the rewards of that exercise have not still been reaped. The SOEs comprise of various entities in fields from banking to aviation, to power generation/distribution. Today all of them bearing some cost the exchequer more to operate than they generate. Privatization can allow for some much needed fiscal breathing space in the Federal government and allow for much-needed private expertise to overhaul the sector. This can be done

through various methods such as debt-equity swaps and government to government contracts.

SOEs AND PRIVATIZATION - THE BIG WHY?



Poor Service Delivery On Part of SOEs

Service delivery is what sets any company apart. Today, Pakistan has a private sector that provides everything the state does but with much better performance.

“DISCO's poor performance has led people to offload themselves and get into solar energy. Today, solar has eaten away 12% of market share of the market?”

Burden on the Exchequer

The operating and maintainance costs of these entities is so high, that the government has decided to keep them closed rather than operate them.

"Pakistan Steel Mills O&M costs have forced the government to keep it closed rather than operate it."

Similarly, the Federal government also budgeted over Rs. 800 Billion as O&M and Non-lending expenditures related to the SOE in this year's budget.

Governments role not to do business

Ever since neo-liberal economics have taken a hold after the turn of the millennium, the role of the government has shifted drastically. This can be summed up in the Finance Minister's words

"The role of government is not to do business; rather its role is to provide an environment conducive to the private sector to grow and flourish."

(FM on Assembly floor during Budget session)

Manpower and Assets are not being effectively Utilized

The SOEs in their respective domain have virtually no competition. This brings an attitude of complacency within an organization.

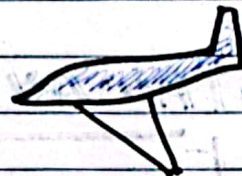
Manpower and assets are thus not effectively utilized and overstaffing is a common practice.

Manpower Comparisons



Global Average:

1 Aircraft = 50-70
Employees.



PIA

1 Aircraft = 355
Employees

Lack of Fiscal Space means No Upgradation

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The Federal government owns the SOEs. The fiscal year it recorded a deficit of close to Rs. 8 Trillion with deficit like these, the Federal government is unable to maintain and service these SOEs.

By privatization, much needed investment can flow through and lead to upgradation and better functioning. Sothra Punjab invited Rs. 36 Billion in machinery orders through privatization of solid waste management.

PATHWAYS FOR SUCCESSFUL EXECUTION OF PRIVATIZATIONS

Employing the PTCL Model

PTCL was initially a SOE, but during the early 2000s, it was decided that it would be privatized. The following was done.

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Initial Tranche

Less than 50% stake sold to Etislat

Second Phase

Govt sells 14% stake again to Etislat

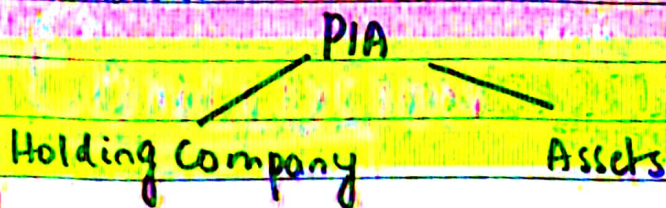
Third Phase

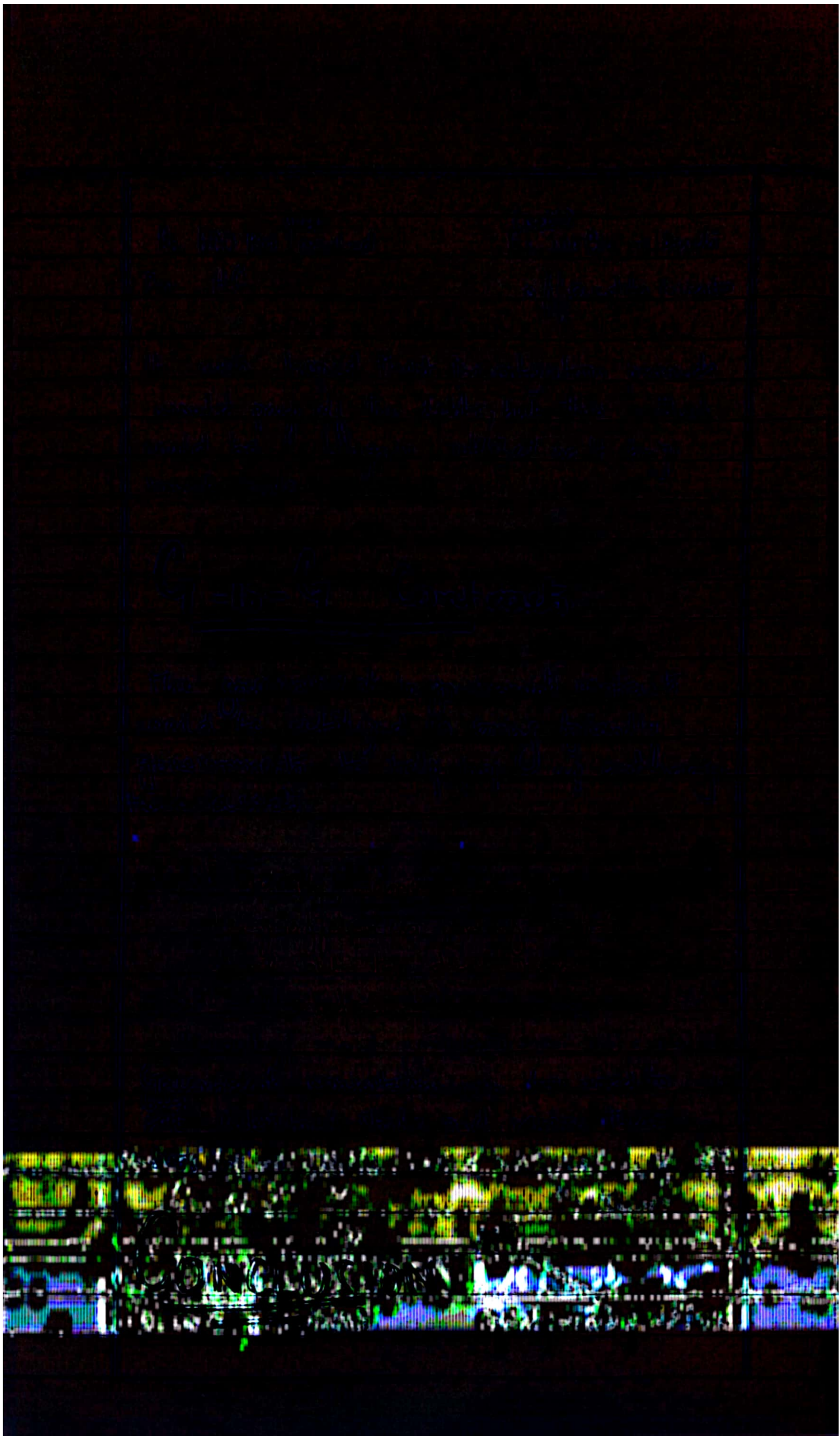
Govt sells another 20% to Etislat
to minority shareholder of
16%

(PTCL website)

Revamping the PIA methodology

PIA's current liabilities goes above Rs. 835 Billion. The methodology that followed was debt was parked in separate holding company and assets in another thereby offering the assets to the private sector.





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SOEs have become a painful issue for Pakistan because the country has failed to privatize them on a number of occasions. There are a number of reasons for its failure but today, the only way forward is privatization and nothing else. Sustainable economy requires ^{one} us to offload businesses and bring the private sector in to run them.

QUESTION No. 8

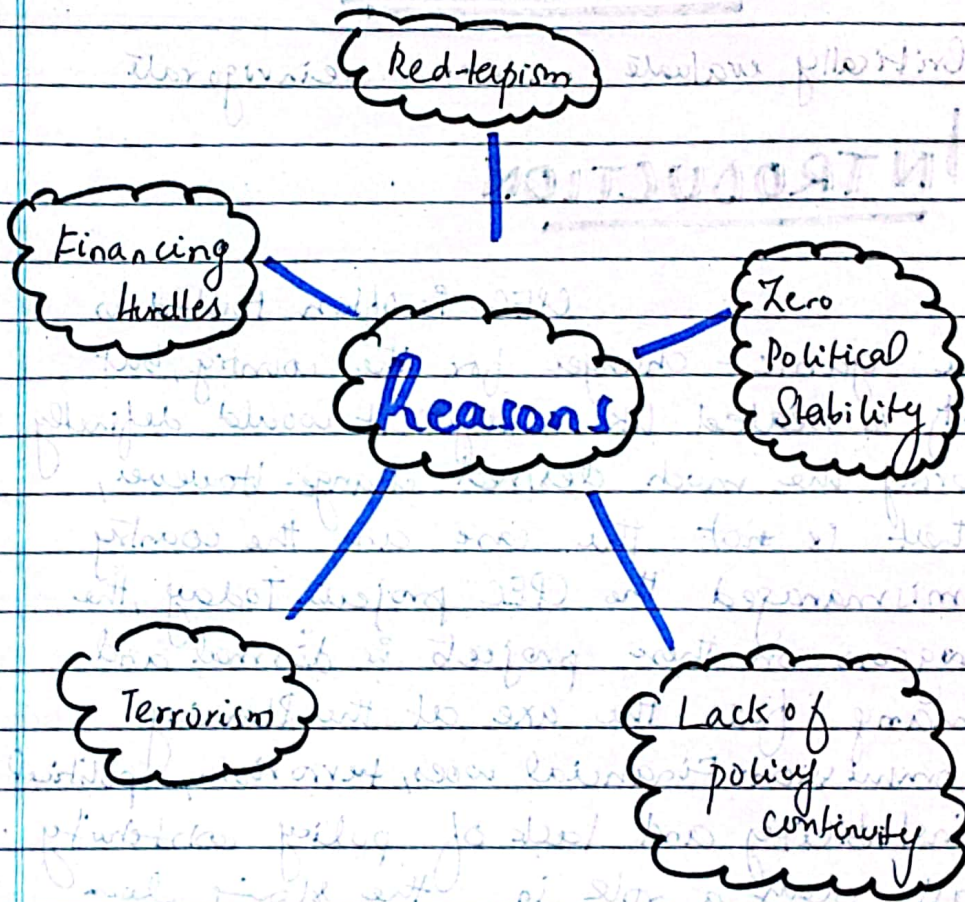
Critically evaluate ~~the~~ ^{the} ~~country's~~ ^{country's} ~~ability~~ ^{ability} to reinvigorate

INTRODUCTION

CPEC is often touted as a game-changer for the country, but if it is treated like maybe it would definitely bring the much desired change. However, that is not the case and the country mismanaged the CPEC projects. Today, the progress on these projects is dismal and many face the axe at the Planning Commission. Financial woes, terrorism, political instability and lack of policy continuity all play a role in the slowing down

of these projects. The way forward requires prudent thinking, re-evaluating the country's need both in planning and finance, lastly the most important thing is political stability for the viable completion of all projects.

CPEC PROJECTS AND THEIR MISMANAGEMENT



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Bureaucratic Hurdles and Red-tapism

The archaic bureaucratic practices have led to the slowing down of these projects. The slow and cumbersome process of preparing a case for the projects weighed heavily on investors, who chose it was better to go else where.

“Kohala Dam (funded under CPEC) letter of financing was withdrawn by the Chinese government after a failure in and inter-departmental dispute over land acquisition stalled the process for over 2 years.”

Financing Woes at the Centre on zero fiscal space

The Federal government has extremely

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Limited fiscal space available for developmental works. The deficit this year crossed over Rs. 8 Trillion that was filled by foreign / local borrowing.

“ PSDP budget was increased to ^{over} Rs. 700 Billion; only to be slashed due to the lack of fiscal space.”

Terrorism and Security Concerns

This year (2024-25) remained the worst for foreign workers in Pakistan. Multiple attacks by the TTP and BLA have completely disrupted the progress on CPEC projects.

“ Over 15 Chinese workers were killed in various attacks.

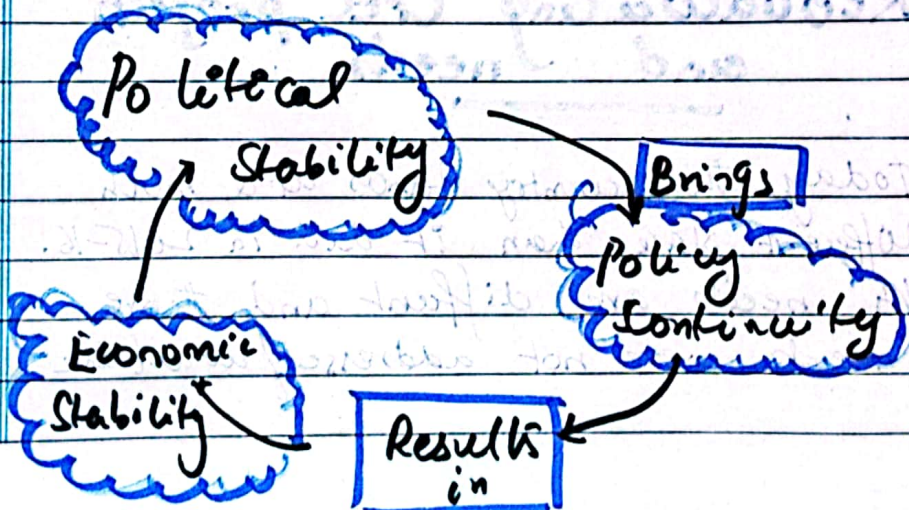
Throughout the country; prompting the ^{Chinese} Ambassador to express extreme dissatisfaction.”

Lack of Policy Continuity

This is one of the most chronic issues Pakistan faces; The lack of policy continuity erodes investor confidence and thereby reducing the amount of FDI (Foreign Directed Investment).

• The lack of policy continuity leaves the investors in a limbo as their capital eventually becomes locked; they prefer to move their capital elsewhere and invest in stable countries."

No sign of Political Stability



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Over this course of 2 years (2022-2024), the country has seen some of the worst political crises to ever emerge. Governments came and went and the country plunged into despair.

(e. without political stability, there was no coherent direction of policy, resulting in piecemeal measures undertaken by the government. Ultimately, that impacted investor confidence and overall progression CPEC Projects.

PROPOSALS TO PULL CPEC OUT OF THIS QUAGMIRE.

Reevaluating CPEC projects and needs

Today, the country stands at a much different place than it did in 2015-16. Its needs are different and those needs were not addressed/available

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at that time Pakistan must reevaluate future developmental needs to cut back at the slow progress and revitalize CPEC.

Today, Pakistan has surplus electricity capacity; however, the transmission infrastructure is severely lacking. Such shifts can be utilized to reevaluate future needs.

Bringing Political Stability

The government and opposition need to work to come to consensus regarding CPEC and their progress. If the politicization continues the ultimate loser would be country as national interests would be sidelined for party interests.

A charter of economy can be the best solution to avoid politicization of future/present development projects and may also chart the course.

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for the economic future.

Removing the Tentacles of Terrorism

Terrorism has become a major problem for the success of CPEC projects. With attacks on Chinese workers as the main hurdle for efficient completion.

Joint collaboration on terrorism by both China and Pakistan can ensure that these nefarious structures get dismantled once and for all.

CONCLUSION

The future of CPEC lies in the country's hands. Beijing can only provide financial or technical support

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the execution part has to be done by Islamabad. This can only be achieved through consensus within the country on CPEC and the economic, strategic and political paths. The country needs to take

QUESTION No. 6

Islamabad - kabal recommendat^m.

INTRODUCTION

The tensions between Kabul and Islamabad have risen to an all-time high. To the extent that Pakistan allegedly conducted airstrikes on TTP camps in Patakia. This has given the whole conflict a new dimension. Though the country has also chosen to adopt diplomatic pressure through friendly countries, nothing much has come out of it, as the attacks continue and are no where near in sight of stopping. This region has seen

tremendous bloodshed over the course of 40 years. Today, it is more than ever important to change the course of history and stop the violence. This can be done in multiple ways such as using back channel diplomacy, increasing trade and developing Ex-FATA areas so that militancy doesn't take hold.

CURRENT SITUATION ON THE WESTERN FRONT



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TTP and terror Groups are actively being supported in AFG

TTP and other terror groups are being actively supported by IEA men on the ground. The leadership might denounce the attacks but ultimately, it's the foot soldiers who actively support the skirmishes.

"DG I&PR reported that during all border incursions by the TTP, heavy fire was also being drawn by the Afghan posts on the other side. Through this coordination, they attempt to get back to cross."

Pakistan conducted airstrikes against targets in AFG

Pakistan, in 2024, conducted 3 airstrikes against various targets of the TTP and other

terror groups. Before, there was no such reaction from the Pakistan. However, this time things have changed.

After 16 soldiers were martyred in combat on the Af-Pak border, the country retaliated by bombing TTP training camps on the other side of the border.

Intermittent closure of border

Pakistan has also found a way to pressure the Afghan Taliban to take action. It has started closing down the border crossings at Torkham, Chaman, and others in retaliation of the brazen attacks being conducted by the TTP.

Closure of Border might work

in the short-term, but hurts overall relations in the long-term as trade dependencies shift from Pakistan to other regional countries.

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CPEC Projects Suffer the most due to security situation

The Chinese have numerous expressed concern over their citizens safety. Behind closed doors, they have also criticized the handling of the situation.

CPEC progress has slowed down to a standstill after 16 Chinese workers in the entire year were looked in various attacks.

No sight of resolution of Conflict

This year was the deadliest for the security of the state. Over the course of a year, the security forces conducted

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more than 11000 IBOs and lost 685 soldiers and officers in the process. However the situation on the Western front has still not stabilized. Despite numerous operations, the porous border allows easy infiltration and egress from Pakistan.

Number of IBOs Soldiers Lost

11000 + 685

~ 20 IBOs/day

(ISPR)

WAY FORWARD TO ESCAPE THIS QUAGMIRE

Developing Enhanced Diplomatic Relations

The Foreign office needs to set up and develop its own wing that fully focuses on Afghanistan. Pakistan, needs to develop

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an Afghan centric policy that will allow it to see through the Afghan lens

Afghan policy can be spearheaded by people belonging to the Tribal who understand the concept of Pashtoonwali and social dynamics of Tribal culture.

(Ambassador Lounge)

Reviving Border Markets and Enhancing Trade

• 'The enemy of my enemy is my friend'

India has superbly positioned in the midst of this conflict and increased its trade volume with Afghanistan. Trade dependency gives one actor massive leverage over the other.

Revival of Trade and Border Markets is a must, so as to counter Indian Economic Influence in Afghanistan and

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to allow for the positioning of
Pakistan.

Developing Ex-FATA so that miscreants don't get a foot hold.

After the 18th Amendment and 9th NFC award FATA was given 3% share to rapidly develop it. However, today that development is not widespread. It is high time that development priorities be realigned and re-examined to ensure the people do not get exploited by nefarious entities. Increasing the development shall ensure socio-economic uplift that would prevent the spread of vile propaganda.

CONCLUSION

Ab-Pak relations have never been this low. However, there is always

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Light at the end of the tunnel and through prudent thinking and realignment of strategic priorities, the continuous bloodshed may one day ~~over~~ for all cease to exist. This requires reconciliation through diplomacy, trade and development. Only then can a lasting solution be achieved.

QUESTION No. 5

Dollar and Swift basis.

INTRODUCTION

BRICS was formed with a goal to unite the global south and create a mechanism that enable peace and prosperity throughout the global South. Fast forward to today, it has grown in size and western analysts have started to link it with the EU and as an attempt to overthrow the hegemony and supremacy of the US dollar. However as the Chair of the 16th BRICS Summit in Kazan, Vladimir

Potkin pointed out
"we (BRICS) have no intention of
creating a parallel system to the
dollar right now."

But western sanctions on its members have
created a sense of urgency and some mechanism
have been put forward. To this, they would
require building the institutions and the
currency; only then can they alleviate the risks.

COUNTERING WESTERN EXPLOITATION BY BRICS

Step 1

Phase 1

Increasing
Barter Trade

Trading in
Mutual
Currencies

Relaxing
Customs
Requirements

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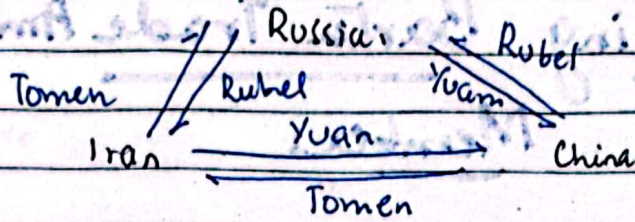
Increasing Barter Trade Among Members

BRICS+ members include some of the highest earning nations in the world. The best way to bypass the US dollar and SWIFT is to revert back to basics.

BRICS+ members must start barter trade and increase the volume between them. This one of the most basic and important as it will enable mutual cooperation and remove trade barriers.

Trading in Mutual Currencies

The next thing BRICS+ member need to do is mutual currency swap (trade) to ensure members have each others currencies to facilitate mutual trade and dues settlement. Already, a lot of countries have started pursuing this method as shown below:-



Simplifying Trade between Members

The BRICS+ members should also simplify trade rules for one another. First of all, mutual trade rules can set after which these rules can be put up to the BRICS forum. As the BRICS+ forum is in its infancy, allowing members to simplify trade between themselves will allow greater cooperation and dependence on one another.

Step 2

Phase II

Developing Parallel Finance Institutions

Developing mbridge

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Developing Parallel Institutions

Once the basic groundwork has been completed only then can it be institutionalized, by harmonizing trade among partners it would be only (to) wise to then proceed establishing the parallel financial institution.

Parallel Financial Institutions, such as loan/lending agencies, banks insurance can only be made once there is sufficient trade volume between partners.

Adoption of Cbridge by Members

Cbridge is payment settlement forum developed by the Chinese central Bank. Currently, it is in its testing phases and has been launched on a trial basis. 5 countries have partnered with China to test and recommend new measures to

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improve its performance

After the parallel institutions are set up, adoption of mBridge can easily be integrated as those institutions would have already been integrated in member trade.

Step 3

Phase III

Development of Single Currency

Development (Single) Economic Zone

Development of Single Currency

The Euro wasn't created in a day and one day would the BRICS currency

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it would require the parallel institutions to be set up that could administer the financial policies as laid out in the BRICS forum.

Single Currency Unions require significant cooperation between members and their volumes must also match the demand of the Union.

Development of Economic Union

To ensure complete survival and self-reliance, independence from the western economic. The BRICS+ countries must commit themselves to the creation of single economic union. There would be significant hurdles that would need to be crossed/solved before any progress could take place.

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The European Economic Union was the result of a series of negotiations that lasted decades. For BRICST, to achieve it must streamline barrier in trade beyond to swiftly free itself from the west's Economic system.

CONCLUSION

The western financial system has a complete hold over the entire world. If the BRICST countries wish to challenge it, they must start thinking prudently about the future and start taking steps that allow it to plan for the future ahead of time. By increasing cooperation, and mutual trade the atmosphere and condition would be ripe to plant the seeds for tomorrow.