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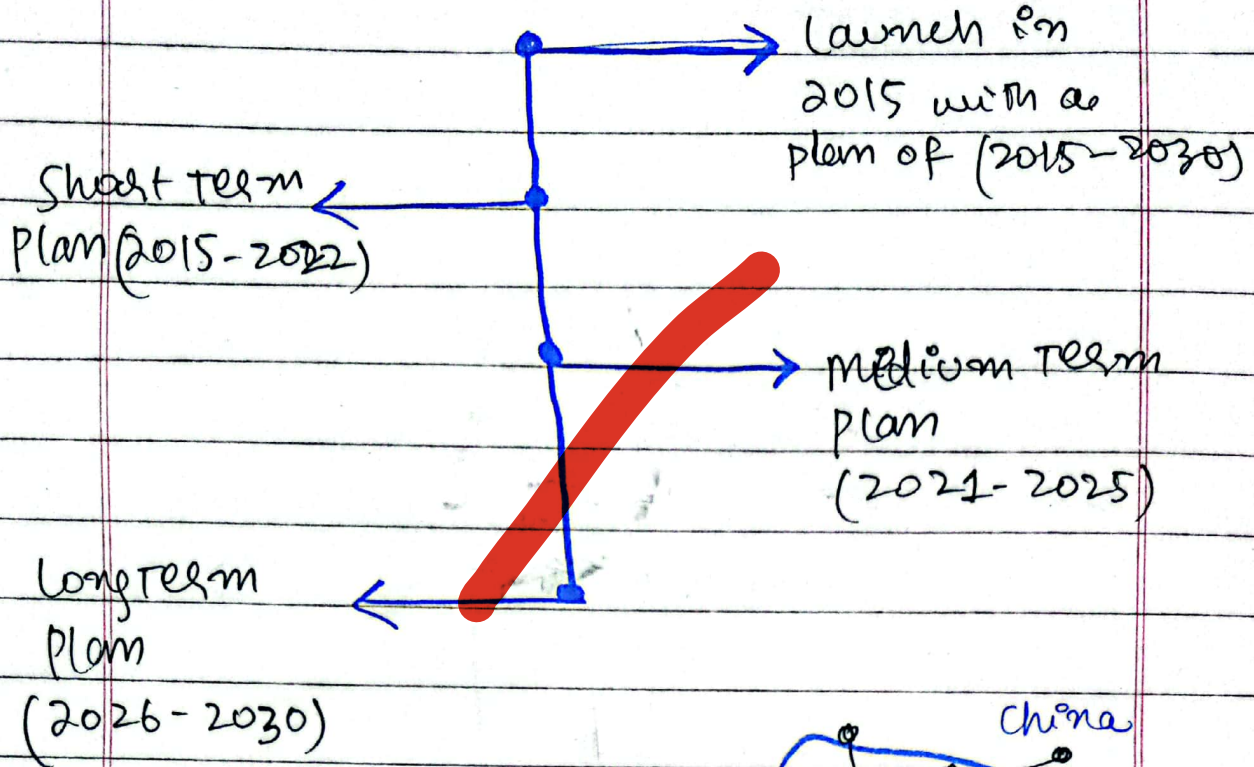
Introduction:

11/20

CPEC was launched in Pakistan in 2015 with an ambition to bring economic prosperity, FDI, employment opportunities and infrastructure development in the country. However, the current reality of the CPEC is quite gloomy. CPEC is unable to deliver its promises because of the numerous reasons including mad administration, security threats to CPEC sites, debt-trapped economy of Pakistan and tax exemption policy agreements with China. To invigorate the potential of the CPEC, Pakistan need to curtail the threat of security challenges, invest in human capital, and design policy framework that promote growth in the economic sector of the country.

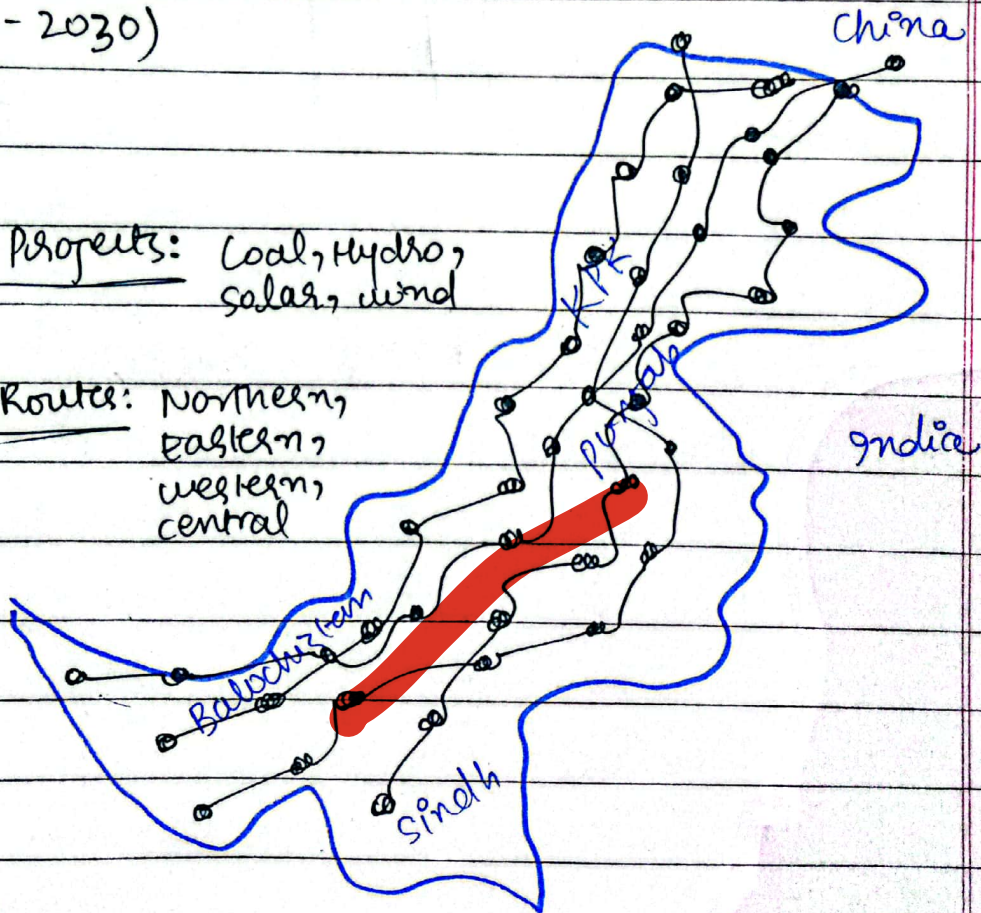
# Timeline of the CPEC:

11/2020



Power Projects: Coal, Hydro, solar, wind

Highway Routes: Northern, Eastern, western, central



Special Economic zones

## Reasons to Analyze the Lack of delivery of CPEC Promises:

There are number of reasons responsible for the inability of CPEC to deliver its promises in Pakistan. Most of the reasons are due to the mismanagement of Pakistan instead of Chinese government.

### (i) Negligence and Maladministration:

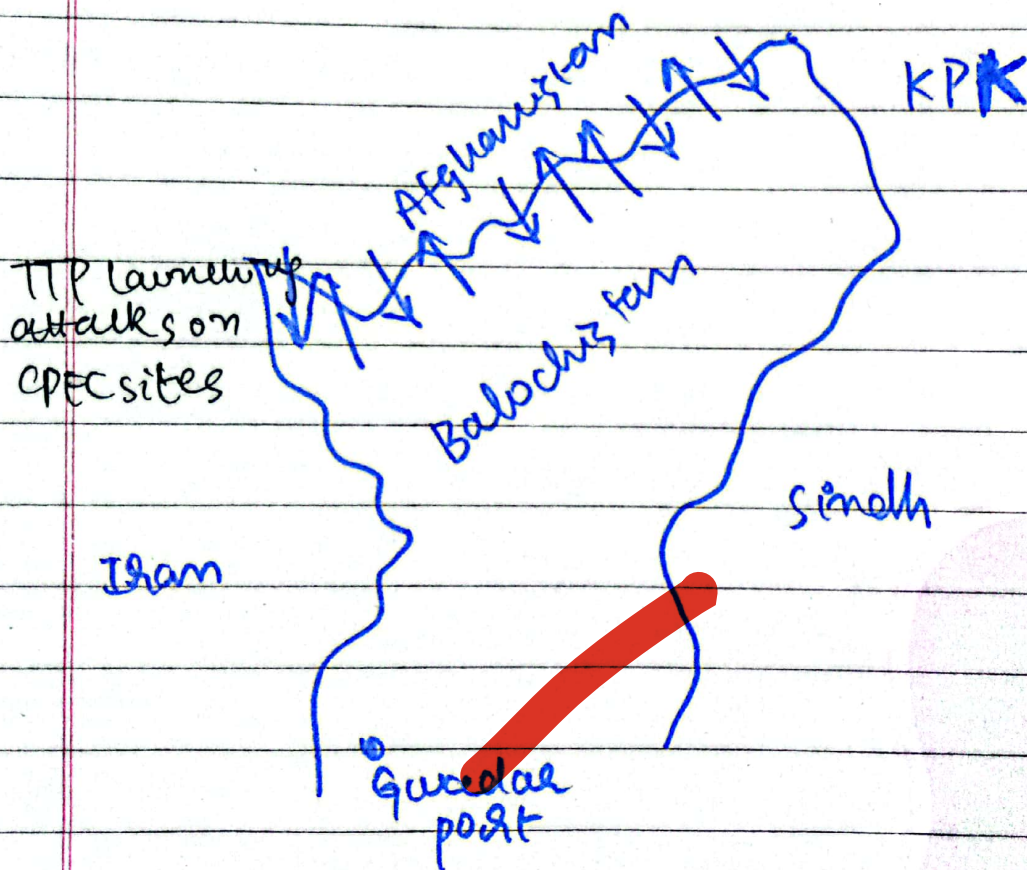
One of the major reason behind the CPEC failure is the negligence and maladministration on the part of Pakistan's government.

The infrastructure gap, corruption, and mismanagement are the major culprits behind this failure.

### (ii) Security Threats to CPEC sites in Pakistan:

Another reason is the issue of security to CPEC sites in Pakistan. The province of

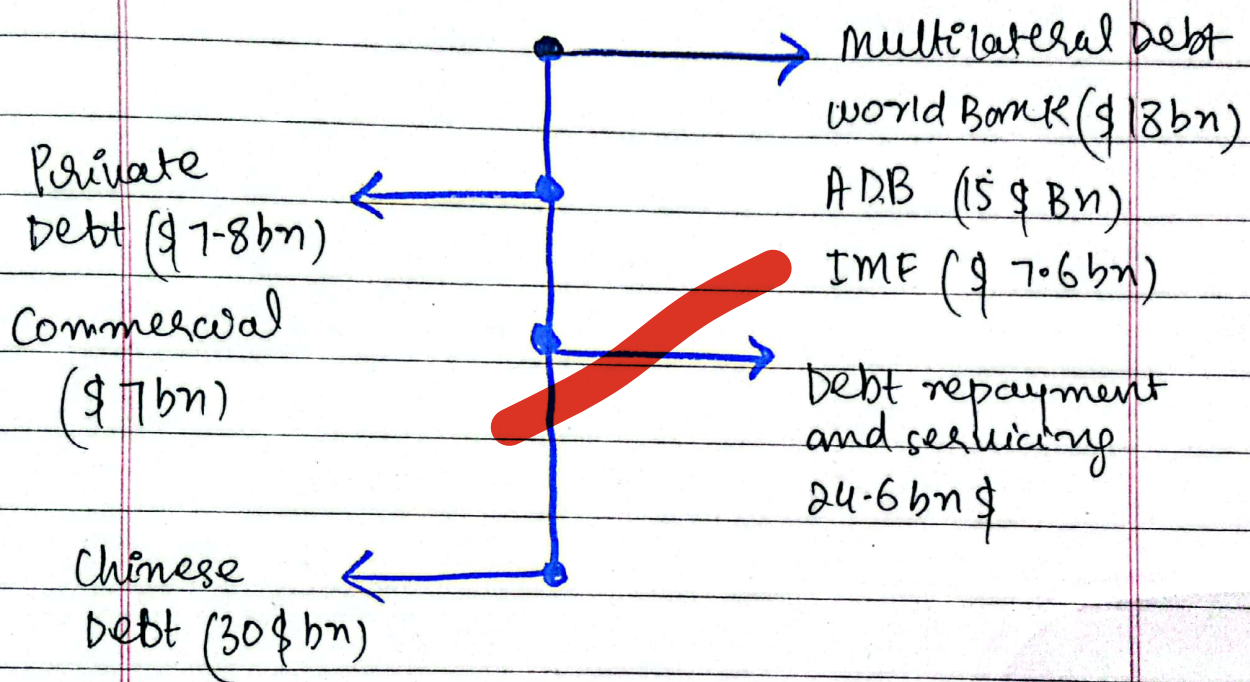
Balochistan is quite under-developed because of which the security apparatus in the region is not fully operational. It is observed that in 2024 around 20-30 attacks were observed on CPEC sites in which Chinese engineers lost their lives.



### (iii) Debt Trapped Economy of Pakistan:

Another reason behind the CPEC failure in Pakistan is

The debt trapped economy of the Pakistan due to which Pakistan is unable to give salaries to the workers that are working on CPEC site.



#### (iv) Lack of Human Capital in Pakistan:

CPEC remained fail in generating millions of jobs in Pakistan. As the people of Balochistan have become minority in the country and the Chinese labor is working

on the CPEC sites that further makes it miserable. The reason behind this mishap is the lack of trained and qualified human capital in Pakistan.

### (v) Tax Exemption Policy Agreements with China:

Pakistan signed IPPs with China that are scam. Moreover, Pakistan signed tax exemption policy agreements along with duty free import. Chinese government is exporting its material for the use at CPEC sites that left the industry of Pakistan lingering.

### (vi) Political Instability in Pakistan:

Another reason responsible for the CPEC failure is the political instability in the country. Due to frequent

changes in the Pakistan government  
the process of CPEC <sup>11/220</sup> has become  
complicated. When government  
changes, the policies of the  
government also changes with it  
that impacts the agreements signed  
with the government.

## Solutions to Materialize the Potential of CPEC:

The potential of CPEC can still be  
materialized in Pakistan.

### (i) Investing in Human Capital to Create Job Opportunities:

There is a need to invest in  
the human capital to create  
job opportunities in Pakistan.  
It is the need of the hour to  
address the miseries of people  
of Balochistan and Gawadar.

Pakistan need to provide the  
resources to people of Pakistan  
like the government of Singapore.

provided.

## (ii) Addressing Security Challenges:

Pakistan need to address the security challenges on the Afghanistan border and in Gaudar. By revising the security policy, the potential of CPFC can be revitalized.

## (iii) Bringing Political Stability in the Country:

There is a need to bring political stability in the country. By fulfilling the democratic requirements and commitment to the state's prosperity, Pakistan can fulfil its agreement with the Chinese government.

## (iv) Policy Framework to Promote Economic Growth



Pakistan need to analyze its economic profile and the debt trapped economy. There is a need to revise the economic framework so that country can make progress. By enabling the ease of doing business environment, Pakistan can attract investment in the CPFC region.

### (V) Enhancing share of Exports to China instead of Importing duty free:

Pakistan need to enhance the share of exports to China instead of signing tax exempt agreements with Chinese. There is a need to enhance exports to Chinese government to make the economy of Pakistan stable.

### Conclusion:

In conclusion, Pakistan

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needs to address the challenges lies at its side that includes the shortcomings in the Pakistan's policies and negligence on the part of Pakistan's government so that the full potential of CPFC must be materialized. Pakistan need to revisit its security policy and economic framework to bear the fruit of CPFC project.

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## TEST-05

QNO 1:

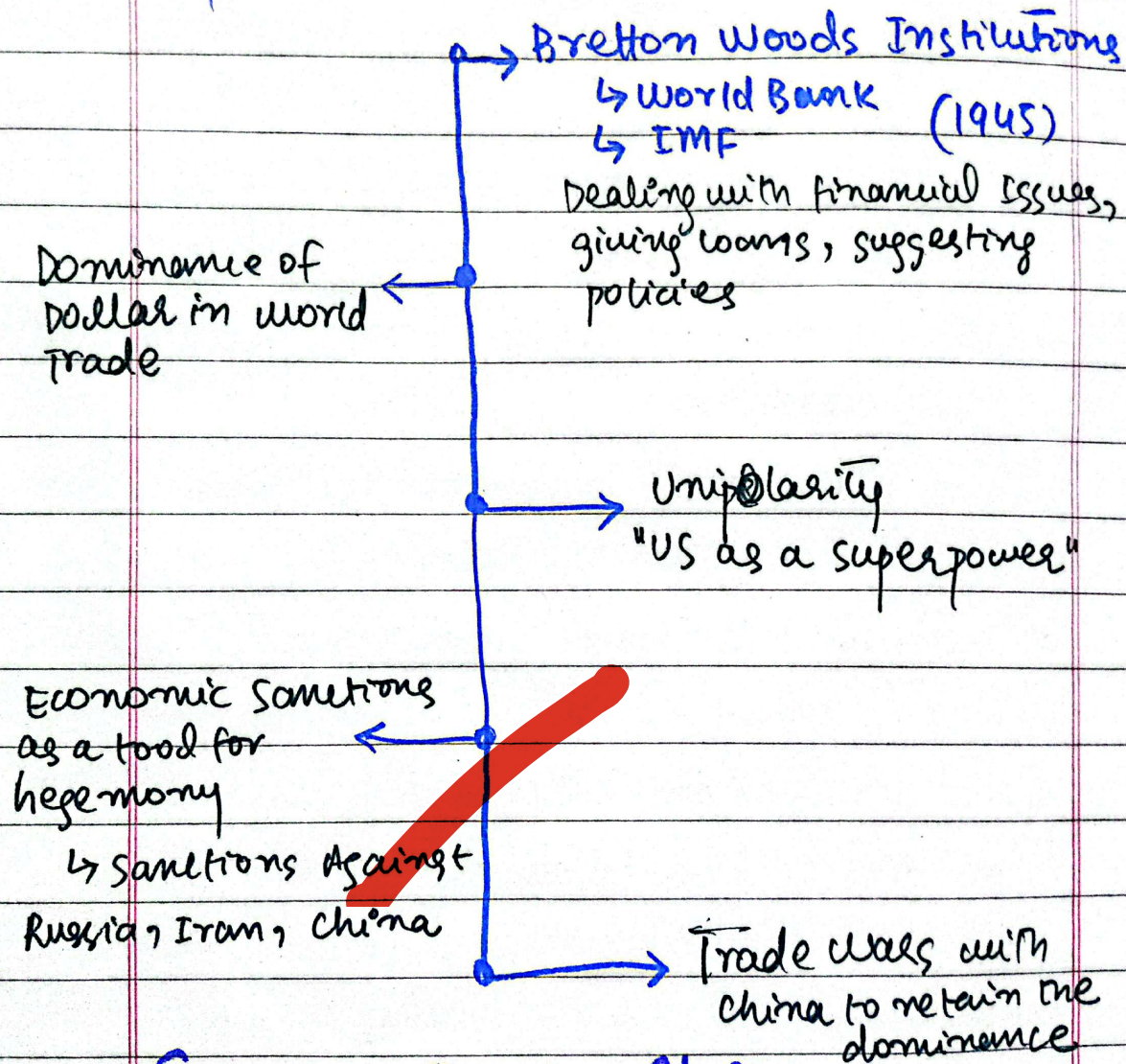
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Introduction:

In 2024, Russia and China marked the 75th Anniversary of their bilateral diplomatic relationships. Both countries signed "No Limit Partnership" Pact that shows their cooperation in political, economic, diplomatic, strategic, and military domains. The growing popularity of SCO, BRICS+ and commitment of both countries to establish alternative financial institutions are challenging the US led world order. Both countries are committed to address the grievances of Global South by challenging the US dollar dominance in trade. Despite posing challenges, it is difficult to shift unipolarity towards multipolarity in coming decade.

# Overview of the the US-led World Order:

The US-led world order is based on the dominance of the Western countries and Global North especially the US in the world dynamics.



## Growing Russia-China Cooperation:

The growing cooperation of Russia and China is posing threat to the US-led unipolar world order. Russia and China are cooperating in number of fields including political, economic, diplomatic, military, and technological. Details are given below:

### (i) Economic Partnership:

China and Russia are cooperating with each other economically.

China is supporting the economy of Russia by importing energy after the US sanctions on Russia over the Russia-Ukraine war.

Bilateral Trade = \$ 240.1 Billion

Trade in Yuan = \$ 188 Billion

Exports by China = military optics,

Industrial inputs,

Drones, and

Satellite technology

to support Russia.

Source: "Al Jazeera"  
2024

## (ii) Political Collaboration:

In past few years, the political collaboration of both countries has increased on international level and bilaterally. The cooperation of both countries' president shows their close relationships. Moreover, both countries support communism.

"Unity makes it possible to move mountains."

(President Vladimir Putin)

## (iii) Diplomatic Cooperation:

The diplomatic cooperation of both countries is increasing as China supports Russia's right to defend itself against the increasing influence on the basis of NATO expansion. China is providing weapons to Russia. Both

countries signed the "No Limits Partnership" Pact in 2022.

#### (iv) Technological and Military Ventures:

China is developing AI technology with the help of Russia. As the US has imposed restrictions on the export of microchips to China and Russia, both countries are collaborating in this domain. Moreover, both countries are cooperating militarily. The live fire maritime drills in South China Sea and Joint Long Range Bomber patrols are examples.

### Challenging the US-led World Order:

The China-Russia cooperation in various domains is posing a threat to the US-led world order by shifting it

towards multipolarity.

(i) Challenging the Influence of the US in the Middle East:

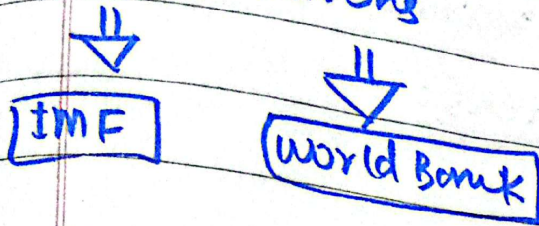
The diplomatic cooperation of China and Russia impacting the influence of the US in the Middle East. The Saudi-Iran detente is an example. The deal was brokered by the Chinese. Moreover, the inability of the US to control Gaza war is another example.

(ii) Establishing the Alternatives Financial Institutions to Challenge Bretton Woods Institutions:

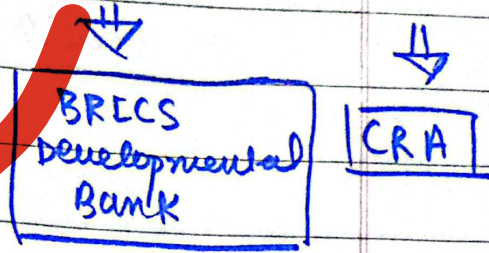
China and Russia are planning to establish alternative financial institutions to challenge the US led world order.



### Bretton Woods Institutions

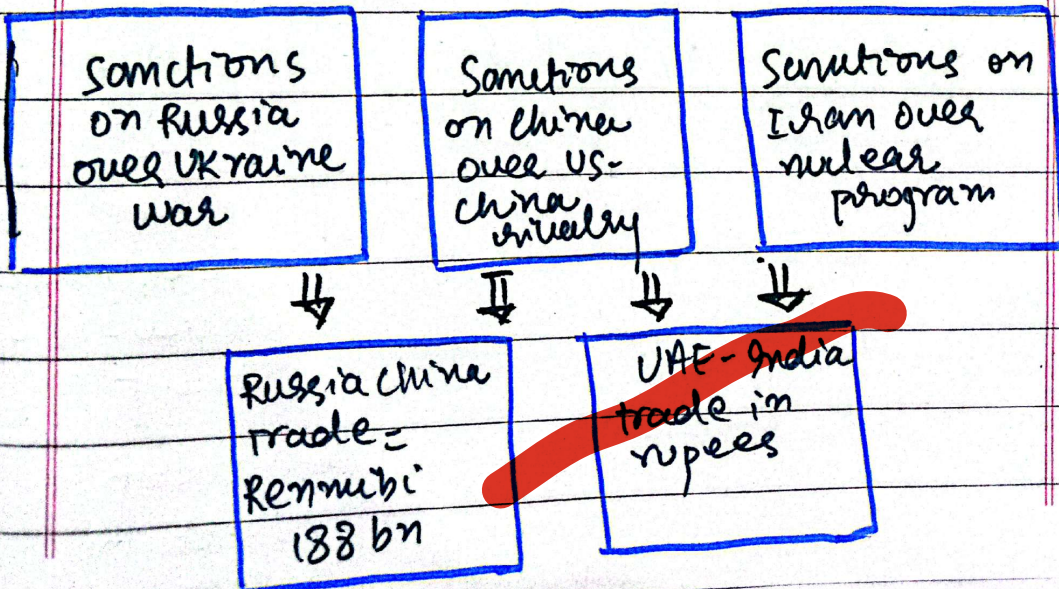


### Alternative Financial Institutions



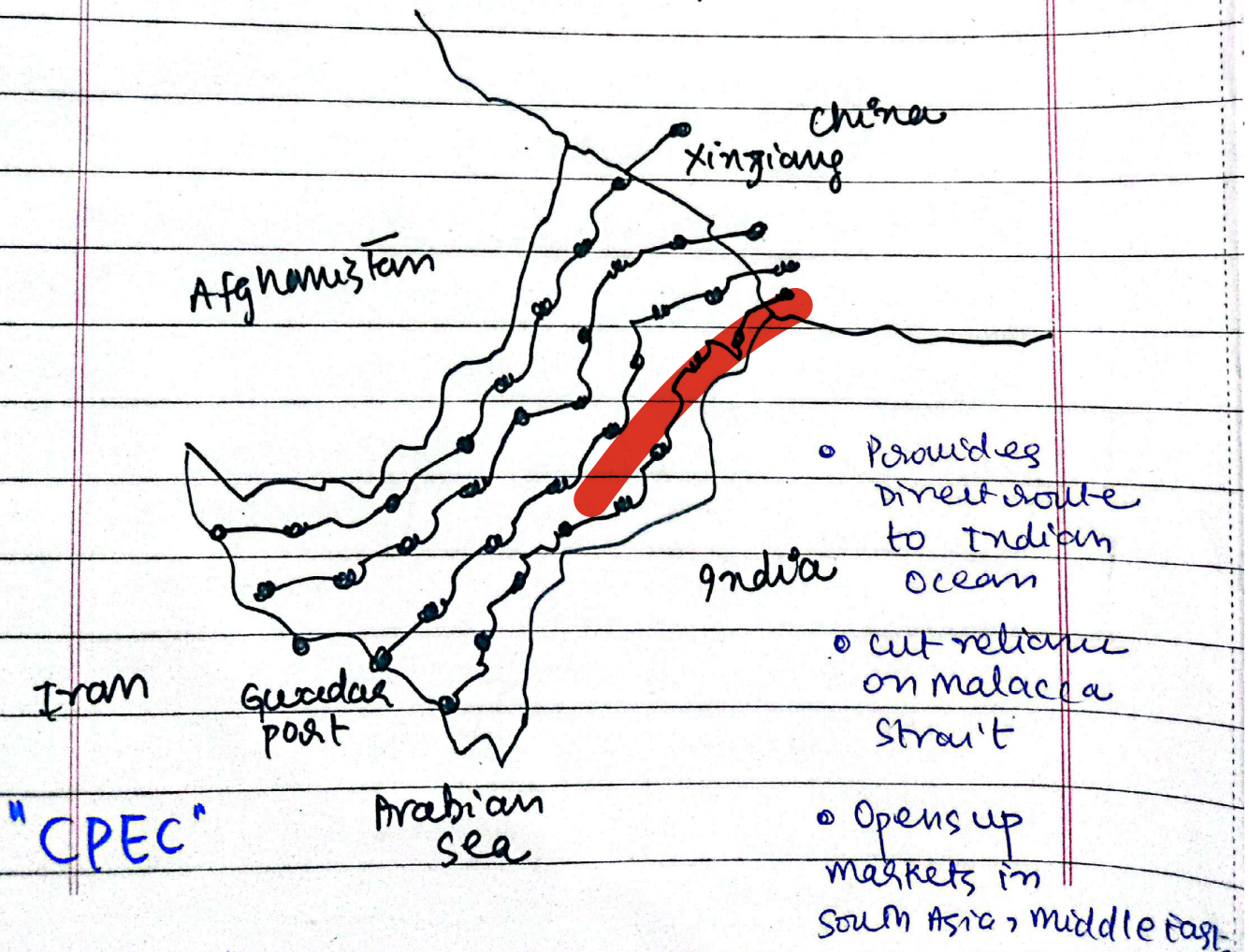
### (iii) Introducing local currencies to challenge the US dollar dominance:

China and Russia are trading in their local currencies to challenge the dominance of the US dollar. It will weaken the US power to put economic sanctions on the developing countries.



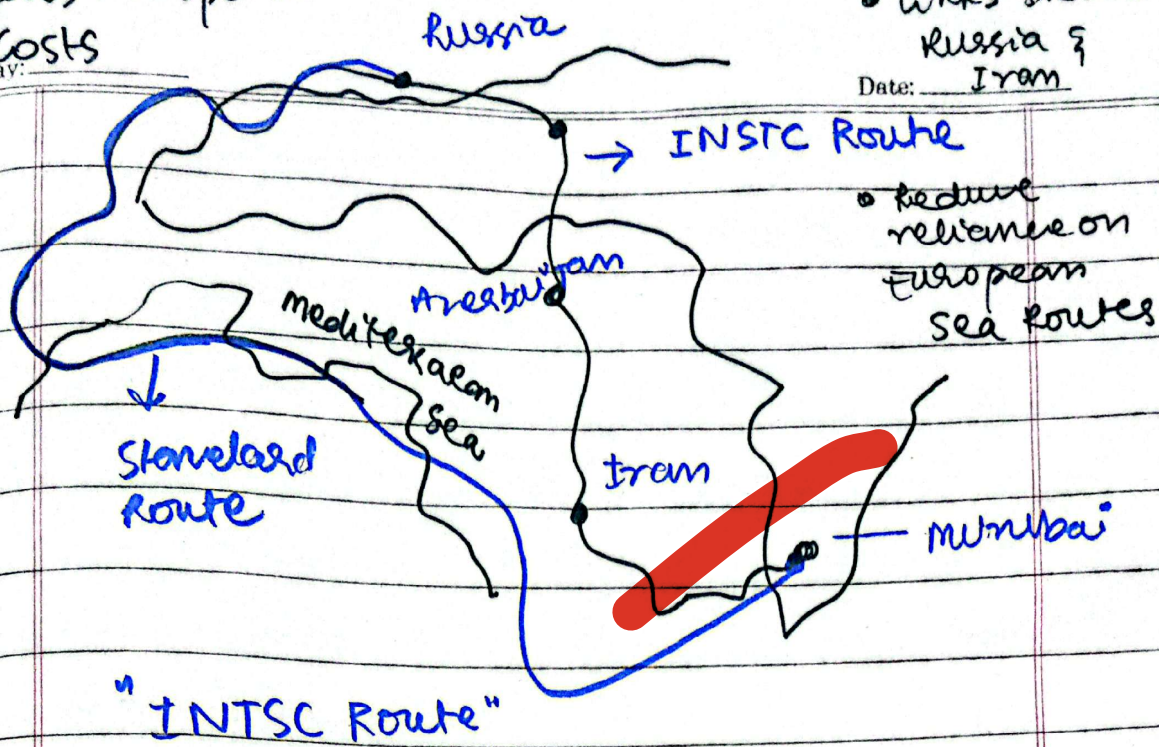
### (iv) Exploring Alternative Trade Routes to Eliminate Western Trade Barriers:

China and Russia are exploring alternative trade routes to cut reliance on the western dominated trade routes that will eliminate the trade barriers and strength their economies. BRI, CPEC and INSTC are examples.



Costs transportation  
Costs  
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Links India  
Russia &  
Iran  
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~~Concl~~

## Critical Analysis:

Although, China and Russia are challenging the US led world order by creating alternatives but still both countries are facing number of challenges. The fall of Syria regime is an example. Moreover, the institutional shortcomings of the BRICS+ also showed that it is challenging to replace Bretton woods institutions!

## Conclusion:

In conclusion, the US is a superpower and the influence of US is embraced by both the Global South and Global North. China is emerging globally but still faces some issues in its country. Moreover, the routes introduced by China are facing some issues. China and Russia can lead world towards multipolarity and multilateralism by overcoming issues at domestic level.

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## QNO6:

### Introduction:

11/20

Since the inception of Pakistan in 1947, the economy of country is facing numerous internal and external challenges that needs urgent structural reforms to end this boom and bust cycle. Currently, Pakistan is dependent on IMF, FDI is declining and issues of Debt and subsidy are increasing. To correct the indicators of economy, Pakistan is in need to bring structural reforms by seeing exports, tax reforms, debt restructuring, attracting FDI and strengthening SOE's. By bringing structural reforms, Pakistan can put its economy on the right track that will stabilize Pakistan and reduce its dependency on loans and debts.

## Economic Profile of Pakistan: An Overview:

According to Pakistan Economic Survey 2023-2024, Pakistan is facing reverse growth after dependency on external borrowings, debts, and loans. The GDP growth rate of Pakistan is standing at 2.4% with inflation at 26%.

GDP Growth Rate	2.4%
Inflation	26%
Remittances	23.8%
Tax to GDP Ratio	10pc
Budget Deficit	6.5%
Imports	43.4%
Exports	25.7%
Trade Deficit	17.7%

### Reasons Responsible for the Current Boom and Bust Cycle in Pakistan's Economy:

### (i) IMF Dependency:

Pakistan approached IMF for 24<sup>TH</sup> time to get loan in order to support its economy. The constant dependency of Pakistan on IMF program is one of the reasons responsible for the boom and bust cycle.

### (ii) Declining FDI:

The foreign direct investment in Pakistan is constantly declining. Pakistan is unable to attract FDI in SEZs and tourism sector. Moreover, EPPs and lack of investment in Rikodig is another reason responsible for boom and bust cycle.

### (iii) Taxation Issues:

The inability of the government to document the undocumented economy is another reason responsible for the boom and bust cycle.

### Revenue Collection

⇓

Direct taxes
48.7%

⇓

Indirect taxes	
Income tax	17%
Sales tax	15%
Custom Duty	5%
GST	18%

"Pakistan Economic Survey 2024"

### (iv) Debt and Subsidy Issues:

Pakistan's economy is constantly dependent on debts and giving subsidies to the unproductive sectors of the country that is resulting in boom and bust cycles of economy in Pakistan.



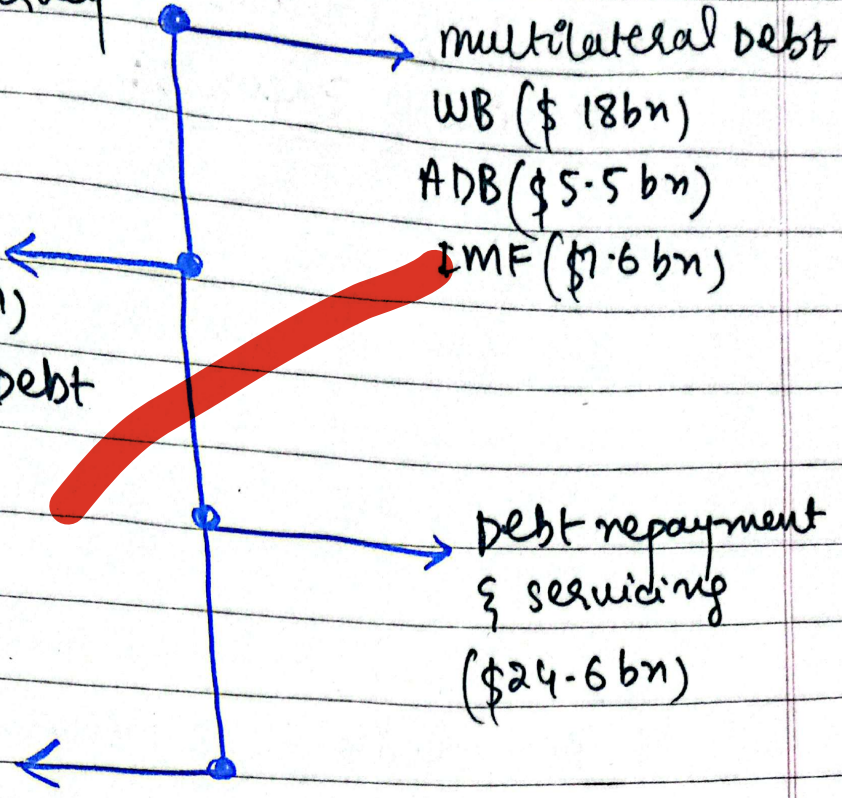
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Source: Pakistan Economic Survey 2024 "

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private debt (\$ 7.8 bn)

commercial debt (\$ 7 bn)

Chinese debt (\$ 30 bn)



## Structural Reforms to Address the Boom and Bust Cycle of Economy:

Pakistan need structural reforms to address the boom and bust cycle of economy that is constantly putting the economy of Pakistan at the verge of default. Some of the reforms are given below

## (i) Curbing Imports and Reviewing Exports:

The first structural reform is that Pakistan must curb imports and review exports to end the boom and bust cycle of the economy.

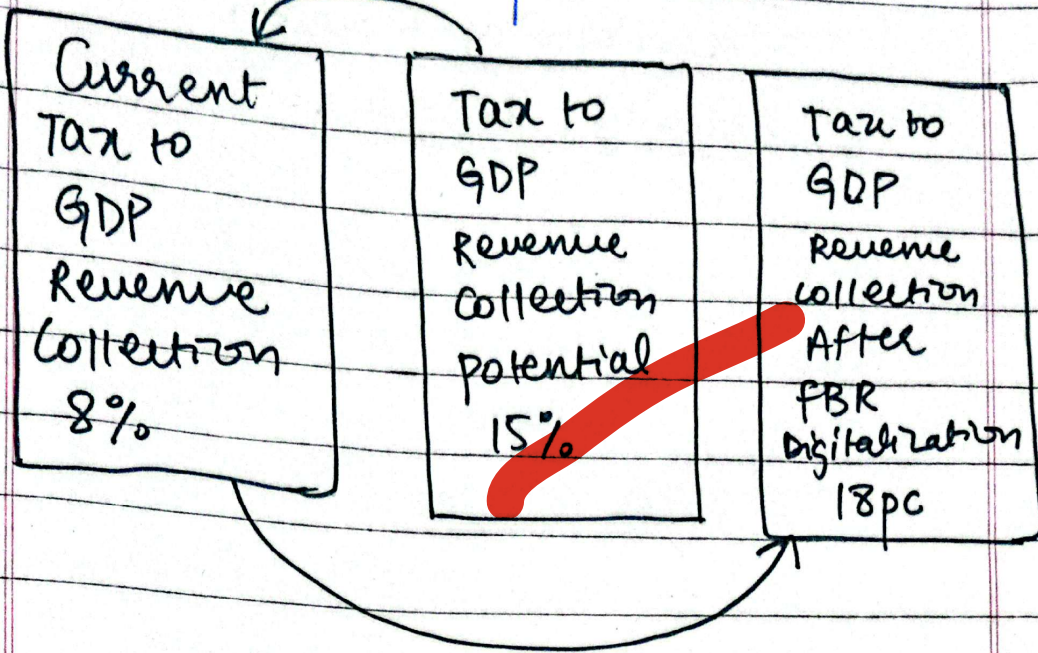
Rice Exports	\$ 3.9 billion
IT Potential	\$ 250 billion
Freelancing	\$ 400 million

Source = PBS

## (ii) Tax Reforms:

Pakistan must introduce tax reforms in country by simplifying the tax collection process that will become easier for the people to understand. It is the need of hour to digitalize the FBR to collect revenue to support

## The economy of Pakistan.



### (iii) Debt Restructuring and Management:

Pakistan must restructure debt by engaging in bilateral talks with international creditors to extend repayments terms or reduce interest rates. Pakistan must explore alternative options including green bonds, sovereign wealth funds and bilateral loans from friendly nations.

#### (iv) Attracting FDI and Strengthening Foreign Exchange Reserves:

Pakistan needs to attract FDI in its special economic zones in order to its reliance on international borrowings and increase foreign exchange reserves. It will prepare Pakistan to face external shocks. China attracted FDI in SEZs worth \$ 186 bn. Pakistan must attract FDI in (SEZs), renewable energy, and IT sector to stabilize its economy.

#### (v) Privatization of State-Owned Enterprises:

The SOE's cost Pakistan around 500 billion rupees in loss that is responsible for

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The boom and bust cycle of economy. These SOE's include Pakistan steel mills and PIA. Pakistan must take initiative to privatize it to overcome the boom and bust cycle of economy.

### (vi) Promoting Skilled Labor Outflow:

Pakistan must promote the outflow of the skilled labor to generate revenue at home. The remittances that was sent home this year stands at \$150 bn. In India, the outflow of skilled labor has cut its reliance on the foreign loans. The skilled labor is serving on top positions and generating remittances for home country to support the economy.

## Conclusion :

Pakistan must introduce the structural reforms in its economy in the form of reforming tax system to generate revenue, curbing imports, reining exports, and promoting the outflow of skilled labor to cut its reliance on foreign debt. By attracting FDI, Pakistan can increase its foreign exchange reserves that will ultimately support economy from getting default and promote economic growth.