

Current Affair

Date: _____

Question no. 2

Privatization is inevitable as state owned enterprises have been a huge burden for the budgetary economy of Pakistan. Analyze the statement and give recommendations.

I. Introduction:

State owned enterprises have remained a persistent burden on Pakistan's budgetary economy for decades. Despite repeated reform attempts, most SOEs continue to incur heavy losses, drain public finances, and undermine economic efficiency. According to the ministry of finance and World Bank assessments, losses of major SOEs amount to hundreds of billions of rupees annually, contributing directly to fiscal deficit and public debt. In this context, privatization emerges not as an ideological choice but as an economic necessity to restore fiscal discipline, improve service delivery, and ensure sustained growth.

Date: _____

II. Understanding the fiscal burden of state owned enterprises

Chronic fiscal losses eroding the national exchequer

Most Pakistani SOEs operate at a loss due to inefficiency, overstaffing, and poor governance. Pakistan international airlines, Pakistan Steel mills, and power distribution companies consistently rely on government bailouts. The economic survey of Pakistan highlights that SOEs losses significantly widen the budget deficit every year.

Dependence on government subsidies and guarantees

SOEs survive largely on subsidies, sovereign guarantees, and state backed borrowing. The International Monetary Fund (IMF) has repeatedly pointed out that these transfers crowd out development spending on health, education, and infrastructure.

Date: _____

Inefficient management of political interference

Appointments based on political considerations rather than merit weaken institutional performance. Dawn and Express Tribune analyses frequently note that political interference prevents professional decision making and accountability within SOEs.

III Microeconomic consequences of SOEs losses

Rising fiscal deficit and public debt

Loss making SOEs increases government borrowing, which raises public debt. According to IMF country reports, Pakistan debt sustainability risks are directly linked to unchecked SOEs losses.

Inflationary pressure through deficit financing

Government borrowing to finance SOEs

Date: _____

losses often leads to monetary expansion. This fuels inflation, which disproportionately affects low income households.

Reduce investors confidence and slower growth

Persistent inefficiencies slower domestic and foreign investment. The Economist observes that Pakistan's weak state sector governance undermines its growth potential.

IV Why Pakistan becomes inevitable

Fiscal relief and reduction in budgetary pressure

Privatization reduces the need for subsidies and bailouts. World Bank studies shows that countries that privatized loss making enterprises improved fiscal space for social and development spending.

Date: _____

Improved efficiency and service delivery

Private ownership incentivizes efficiency, cost control, and innovation. Experiences from telecom and banking sector reforms in Pakistan demonstrate better performance after privatization.

Limiting political interference in commercial activities

Privatization separates business decisions from political interests. This enhances transparency and accountability, as noted by policy papers from IPRI and international governance expert.

II. Counter arguments and critical concerns over privatization

Fear of job loss and social backlash

Opponents argue that privatization leads to unemployment. However, gradual and regulated privatization with retraining

Date: _____

programs can mitigate these risks.

Risk of monopoly and elite capture

Poorly designed privatization may create private monopolies. The failure of the earlier privatization efforts shows that the need for strong regulatory framework rather than abandonment of reforms.

Public distrust due to past mismanagement.

Past non transparent privatization deals have damaged public trust. Analyst emphasized that governance reforms must accompany privatization to ensure credibility.

VI. Policy recommendation for effective privatization

Adopt a phased and sector

Date: _____

Specific privatization strategy

Not all SOEs require immediate sale.

Strategic entities may undergo restructuring before partial privatization to maximize value and efficiency.

Strengthen regulatory institutions before privatization

Independent regulators may be empowered to prevent monopolistic practices and protect consumers. This is essential for utilities and infrastructure sector.

Ensure transparency and accountability in privatization process.

Open bidding, parliamentary oversight, and public disclosure can restore confidence.

The Asian Development Bank stresses transparency as a key success factor.

Protect workers through social safety nets

Voluntary separation schemes, retraining, and absorption into private sector

Date: _____

should accompany privatization to reduce social costs.

Link privatization with broader SOE governance reform

Privatization should be a part of a comprehensive reform agenda including performance contracts, professional boards, and financial audits

VII. Conclusion:

Privatization in Pakistan is not a matter of preference but a fiscal and economic necessity driven by the unsustainable burden of state owned enterprises (SOEs). Persistent losses, debt servicing, and repeated bailouts have weakened the budgetary economy and constrained development spending. While privatization carries risks, these can be managed through transparency, regulation, and social protection. Ultimately, a careful

Date: _____

planned privatization strategy, supported by institutional reforms, offers Pakistan a viable path towards fiscal stability, economic efficiency, and long term growth.

Question no. 5

Pakistan KSA defence pact would have far reaching geopolitical achievement for both countries and economic opportunities for Pakistan.

I. Introduction:

Pakistan and Saudi Arabia share a long standing relationship based on mutual trust, religious affinity, and strategic cooperation. Over the decades defence collaboration has remained a backbone of bilateral ties. A formalized Pakistan KSA defence pact would not only deepen military cooperation but also generate far reaching geopolitical dividends for both states. For Pakistan,

Date: _____

such a pact carries significant economic opportunities through defense exports, investments, employments, generations, and enhanced regional relevance.

II. Strategic foundation of Pakistan KSA defense cooperation

Historical defense collaboration
strengthening mutual trust

Pakistan has provided military training, advisory support, and security assistance to Saudi Arabia since the 1960s. This history has built confidence and institutional familiarity between the armed forces of both countries.

Shared security concerns in a
volatile middle east

Both countries face threats from terrorism, regional instability, and non state actors. Defense cooperation enables coordinated response to common

Date: _____

security challenges.

III. Geopolitical achievement of a formal defense pact

Enhanced strategic depth for Saudi Arabia

Pakistan professional military capabilities provide Saudi Arabia with credible deterrence and operational support. This strengthens Riyadh's security posture in an unstable regional environment.

Increased regional relevance of Pakistan

A defense pact elevates Pakistan's status as a key security partner in the middle East. This enhances Islamabad's diplomatic leverage in global regional forums.

Balancing regional power rivalries

Date: _____

Pakistan KSA defense cooperation contribute to balance in the gulf region without direct military confrontation. It allows both states to safeguard interests amid Iran Saudi and great power rivalries.

Strengthening the Muslim world security architecture

The pact reinforces collective security among Muslim countries. Analyst argues that Pakistan's military professionalism adds credibility to Islamic security initiatives.

IV Economic opportunities for Pakistan

Expansion of defense export and joint production

Pakistan's growing defense industry can benefit from Saudi demand for military equipments. Joint production arrangements can boost exports and foreign exchange earnings.

Date: _____

Increased Saudi investment in Pakistan's economy

Defense cooperation often leads to broader strategic investments. Saudi Arabia has already shown interest in Pakistan's energy, mining, and infrastructure sectors.

Employment generation and skill development

Joint military projects and defense industrial cooperation create skilled jobs. This contributes to human capital development in Pakistan.

Boost to foreign exchange reserves

Defense contracts, remittances, and investments linked with the pact can help ease Pakistan's balance of payments pressure.

Date: _____

V. Strategic spillover benefits beyond defense

Strengthened energy security cooperation

Closer strategic ties facilitate favourable energy supply arrangements. Saudi oil support during economic crisis reflects this strategic spillover between both countries.

Enhanced diplomatic support on international platforms

Saudi's influence in the Muslim world and global institutions can support Pakistan on issues like Kashmir and financial diplomacy. It can engage India and Pakistan strategic ties if implemented effectively. between India and Pakistan.

Stability of Pakistan's workforce in the Kingdom of Saudi Arabia

Date: _____

A strong defense relationship ensures protection of Pakistani expatriate interests. This safeguards remittance flows which are vital for Pakistan economy.

VI. Challenges and limitations

Risk of regional entanglements

Over commitment in Middle Eastern rivalries could complicate Pakistan's balanced foreign policy. Strategic neutrality must be carefully maintained by Pakistan.

Managing relations with Iran and other regional actors

Pakistan must ensure that defense cooperation with Saudi Arabia does not undermine its relations with neighboring Iran.

Date: _____

Domestic political and public sensitivities

Public perception and parliamentary oversight are essentials to maintain national consensus on external military commitments. Political parties often reflect public sentiments to gain legitimacy, which can limit diplomatic flexibility.

VII. Policy recommendations for both countries

Adopt a clearly defined and transparent defense framework

The pact should clearly outline the scope of cooperation to avoid ambiguity and misperceptions.

Link defense cooperation with economic and industrial collaboration

Pakistan should negotiate joint ventures in defense manufacturing and technology transfer.

Date: _____

Maintain strategic balance in Middle East diplomacy

Pakistan must continue its policy of neutrality while engaging constructively with all regional actors.

Institutionalize parliamentary oversight and public communication

Transparent decision making will enhance legitimacy and public trust in defense agreements.

VIII Conclusion:

A Pakistan-KSA defense pact has the potential to deliver far reaching geopolitical gains and substantial economic benefits. For Saudi Arabia, it enhances security and strategic depth, while for Pakistan it offers diplomatic leverage, defense exports, investments inflows, and economic stability. However, success of such a pact depends on prudent diplomacy, strategic balance, and transparent governance. If managed wisely the defense

Date: _____

partnership can evolved into a comprehensive strategic and economic alliance that serves the long term interests of both countries.

Date: _____

Question no. 8

I. Introduction:

The Gaza peace plan proposed after the recent Israel Gaza conflict aims to achieve a ceasefire, humanitarian relief and a political roadmap, for post conflict governance. The plan has been presented as a mechanism to stop violence and stabilize the region. However, deep mistrust between the parties, unresolved political disputes, and regional rivalries cast serious doubts on its effectiveness. For Pakistan, the Gaza peace plan raises important diplomatic, moral, and strategic considerations that requires careful policy calibration.

II. Key features of Gaza peace plan

Ceasefire and hostage exchange as the core pillar

The plan prioritize an immediate ceasefire coupled with the release of hostages and detainees. This step is intended to reduce civilian casualties

Date: _____

and create space for negotiations.

Humanitarian pauses are designed to allow aid delivery to Gaza's devastated population. However, ceasefires without political guarantees have historically remained fragile.

Humanitarian assistance and reconstruction framework

A major component of the plan focuses on large scale humanitarian aid and post war reconstruction.

International organizations and donor states are expected to play a central role in rebuilding Gaza's infrastructure. While this addresses urgent needs, reconstruction without political clarity risks repeating cycles of destruction. Past experiences show that aid alone cannot ensure lasting peace.

Date: _____

Proposed governance arrangements for Gaza

The plan suggests transitional governance mechanism involving regional or international oversight. This is meant to prevent power vacuums and ensure stability.

However, exclusion of Key Palestinian actors weakens local legitimacy.

Governance imposed without Palestine consensus is unlikely to succeed.

III. Critical evaluation of Gaza peace plan

Lack of Palestinian political consensus

One of the biggest weaknesses of the plan is the absence of a unified Palestinian voice. Divisions between Palestinians factions undermines negotiations credibility. Without internal reconciliation, any agreement lacks durability. This internal fragmentation reduces the

Date: _____

chances of long term peace.

Israeli security centric approach
limiting peace prospects

The plan largely prioritize Israeli security concerns over Palestinian political rights. Issues such as cooperation, settlements, and resistance. Sustainable peace requires addressing root causes rather than symptoms of the problem.

Absence of a clear pathway to
a two state solution

The peace plan avoids firm commitments to a two state solution. This ambiguity weakens its international legitimacy and Palestinian acceptance. Historical peace initiatives failed when final status issues were postponed indefinitely. Without a political horizon ceasefire remains a temporary solution.

Date: _____

IV. Policy of Islamabad regarding the Gaza peace plan

Principled support for Palestinian rights

Pakistan has consistently supported the Palestinian cause based on international law and moral principles. Islamabad emphasized the right to self determination and an independent Palestinian state. It has called for an 'immediate ceasefire' and humanitarian access. This stance aligns with Pakistan's long standing foreign policy.

Diplomatic engagement through multilateral forums

Pakistan has raised Gaza's issue at United Nations (UN) forum and the Organization of Islamic cooperation. It advocates collective pressure on Israel to comply with international humanitarian law. Islamabad avoids unilateral consensus. This enhance

Date: _____

Pakistan's moral credibility.

V. Possible fallouts of Pakistan's policy

Strengthened Pakistan's moral and diplomatic standing

Pakistan's clear stance enhances its image as a principled muslim state. It reinforces solidarity with the Muslim world and domestic public opinion.

This moral positioning strengthens Pakistan's soft power. It also aligns Pakistan with international human rights discourse.

Limited direct strategic costs

Pakistan does not maintain diplomatic relations with Israel. Therefore, policy fallout in bilateral terms remains limited. However, Pakistan must balance relations with western allies who support Israel. Careful diplomatic language helps manage this challenges.

Date: _____

Domestic political and social implications

Public support for Palestinian strengthens internal political consensus. However, prolonged regional instability can fuel emotional polarization. Responsible state messaging is required to avoid radicalization. Balanced diplomacy ensures internal stability.

VII. Conclusion:

The Gaza peace plan offers limited prospects of short term de escalation but lacks the structural depth required for lasting peace. Its failure to address Palestinian political rights, unity, and statehood undermines long term success. Pakistan's policy remains consistent with its principled support for Palestine and international law. While this stance brings moral and diplomatic gains Islamabad must continue balanced diplomacy to safeguard its broader foreign policy interests.

Date: _____

Question no. 7

I. Introduction:

The trade war between United States and China has gradually transformed from tariff disputes into a strategic competition over critical technologies and issues of resources. The United States has increasingly used advanced semiconductor technology and export controls as a tool of economic statecraft. In response, China has leveraged its dominance in rare earth metals to counterbalance US pressure. This reciprocal weaponization of supply chains signals a prolonged and complex trade conflict with far reaching global consequences.

II. Chips as a strategic weapon in US economic policy

A. Semiconductor as the backbone of modern economics

B. Export controls and technology denial strategy

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III. Rare earth metals as China's counter strategy

A. China's dominance in rare earth supply chains

B. Resource nationalism and economic security

IV. Critical Evaluation of the future trade war

A. Escalation from trade disputes to economic warfare

B. Fragmentation of global supply chains

C. Limits of economic coercion

V. Global and strategic implication

A. Impact on developing and third party economics

Date: _____

B. Shift towards strategic economy

VI. Prospects for cooperation or containment

A. Competition with limited cooperation
as the likely future

VII. Conclusion: