

||| SUBJECTIVE PART |||

PART II

QUESTION 2

1. Introduction

Pakistan's commercial state-owned Enterprises (SOEs) have become a budget burden by government providing repetitive subsidies, grants, loans and guarantees. That makes privatization hard to word for countless SOEs. However, it is possible when selective, sequenced and regulated measures are taken instead of a blanket fire-sale

2. Explaining why SOEs are a burden

A. Government pays more to SOEs than it receives back

SOEs in Pakistan have become ineffective and inefficient due to which they are making less or even no profit, henceforth government is liable to pay for the expense for operations thus increasing ^{burden on} government.

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In FY 2022, government transfers

to federal commercial SOEs were 2% of GDP, while taxes and dividends received were only 0.6% of GDP."

-The World Bank Report

Fiscal Flow: Govt to SOEs vs. SOEs to Govt

	Govt
Fiscal year 2022	% of GDP
Govt outflows to SOEs	2% of GDP
Govt inflows to SOEs	0.6% of GDP
Net fiscal impact	-1.4% of GDP

"-1.4% of GDP shows the net burden on budget."

-The World Bank.

3. Reasons why Privatization looks inevitable

A. Where Privatization makes strong sense

In the competitive environment and open market, private organization performs better because of profit and wealth maximization concept. While, in SOEs, the objective is to deliver services even in low prices. Due to which SOEs become ineffective.

Reasons for Privatization

- Repeated losses
- Political hiring
- Procurement leakage
- Weak incentives.

B. Where Privatization is Risky

Private organisation often creates monopoly and cartel that exploit the consumer markets. When privatisation is done without regulation and competition, then price also rise up.

4. Recommendations for Privatization of SOEs.

A. "Privatise Smart": Start with biggest fiscal drain and non-strategic Assets

Government should privatise first those SOEs that demand higher subsidies and grants and in return does not provide public goods.

"SOEs transfer can be as high as 2% of GDP."

- The World Bank.

B. Fix Governance first to raise value and reduce corruption claims

Government need to hire independent and third-party auditors for the audit of the SOEs. Professional auditors will audit effectively and provide full disclosures on the weaknesses SOEs has. On which performance based contract must be signed for internal improvement and performance.

C. No Monopoly Privatization: Regulate and introduce Competition

State to need to introduce regulatory measures to ensure competition in the economy instead of creating monopoly by one privatiser.

⚡
A Successful Privatization of Banks led to increase in Competition in Banks."

D. Prefer Partial divestment and keep stock-market listing where possible

Partial divestment would allow government influence in the board of directors' meetings. When government directors would ensure better and state-based decision rather than only focusing on the profit and wealth maximization.

E. Make a hard rule: "No New money without Reform"

Before providing loans, subsidies and funds, government must ensure reforms adopted by the SOEs. This would allow government to keep check and balance and SOEs would comply to the reforms provided by the government.

F. Stop the "bailout then Sale"

Before sale of SOEs, government should disclose and identify the old liabilities and assets of SOEs. It should also be highlighted how much government owns share and percentage of privatization.

5. Conclusion

Pakistan's SOEs are a continuing fiscal drain where government support has exceeded returns and reaching 2% of GDP, in fiscal year 2022. Therefore, privatization for SOEs is inevitable, but it must be sequenced with governance reforms, competition and sector regulation. Otherwise, the state may lose assets without reducing the burden.

QUESTION 5

1. Introduction

In September 2021, Pakistan and Saudi Arabia signed a Strategic Mutual Defense Agreement. Its core idea is collective defence:

"Any aggression against either country shall be considered an aggression against both."

This is geographically big because it signals stronger joint deterrence and a tighter security partnership in a volatile middle East.

2. Far-reaching geopolitical achievements

IA What Saudi Gains

A. Stronger Deterrence: KSA gains a clearer 'security back-up' by partnering with a major military power in the Muslim world. The pact is designed to strengthen joint deterrence.

B. Diversifying Security Partners: Riyadh has diversified its security partners beyond

a single security guarantor, the USA, amid regional uncertainty. And speedily after Israel's attack on Qatar.

C. Operational Military Capacity:- Pakistan offers security training, planning, counter-terror expertise and force support that would provide helpful for Gulf security and protection of Holy places.

II What Pakistan Gain

A. Higher Strategic Relevance:- Pakistan's role has risen in the Middle East that has given a more diplomatic weight to Islamabad.

B. Security Partnership that also protects Pakistan's interest:- The good relations with Gulf states is imperative for Pakistan as Pakistan's economy, oil, gas, remittances and jobs are provided by Gulf states to Pakistan's nationals. The Pact would strengthen political trust that also support economic cooperation for years.

C. Stronger Position in regional Crisis Diplomacy:- Pakistan can act as bridge

is between South Asia and Gulf States. but it is achievable only when Pakistan kept a balanced policies.

3. Economic Opportunities for Pakistan

A. Opportunity 1: More Investment and Energy Cooperation

= By this way investment in energy sector of Pakistan would increase by Arab countries. That would elevate Pakistan economy and energy sector. Thus providing a chance to energy crisis to energy surplus.

"Saudi Aramco completed acquisition of a 40% stake in Gas and oil Pakistan. Network of 1200+ retail fuel station"

- Aramco Reports

"Pakistan has also pursued \$5 billion initial Saudi investment plans in mineral sectors"

- Special Investment facilitation Council.

B. Opportunity 2:- Better external stability

. Saudi has helped Pakistan managing balance of payment pressure.

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"\$0.3 \$3.0 bn deposit rollover placed with SBP extended in Dec 2024."
- State Bank of Pakistan

C. Opportunity 3: Remittance:- State Bank data shows Saudi Arabia is a top remittance.

"In FY25, total remittance reached \$38.8 bn."
- State Bank of Pakistan

4. Critically Evaluation: Pak-Saudi Defense Pact

A. Global Balancing Factor

KSA keeps close ties with India. Pakistan must avoid assuming automatic Saudi alignment against India.

B. Entanglement Risk

If a Gulf crisis escalates, Pakistan would face to do more than it wants.

C. Iran and Sectarian Sensitivity

Pakistan needs to avoid any percept-

ion of joining an anti-Iran bloc.

D. Nuclear hype Problems

International community wary against exaggeration, the pact is broad but interpretation matters and that can create diplomatic cost if misread.

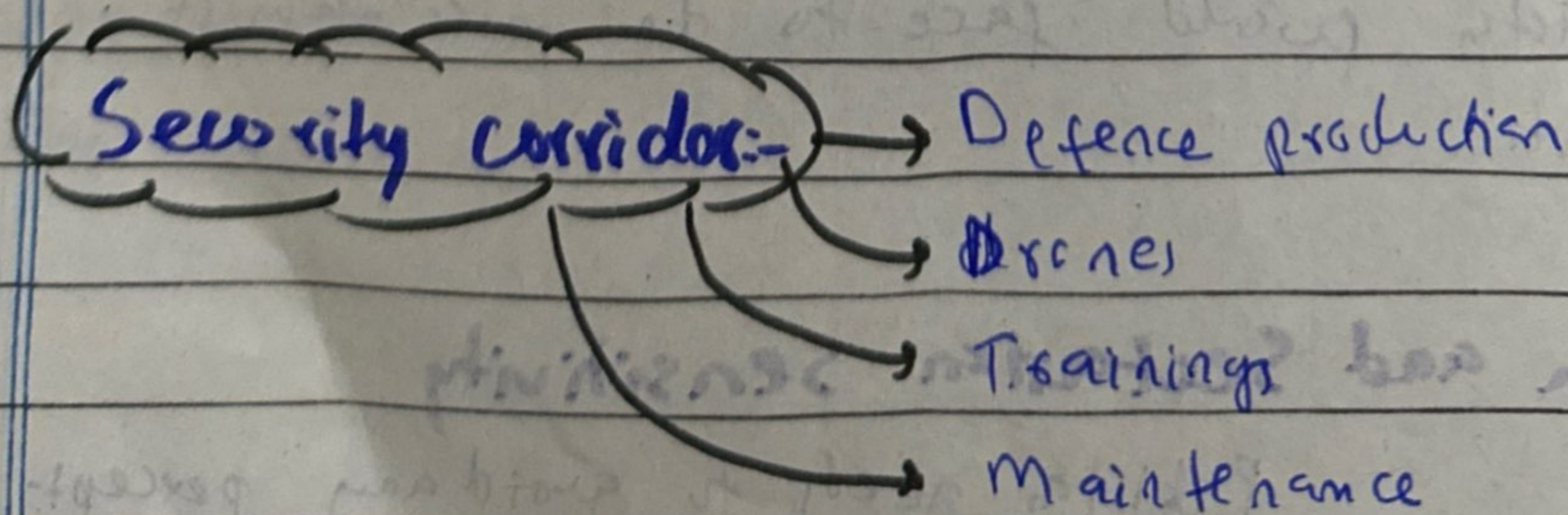
S. Recommendations for Pak-Saudi Defense Pact

A. Making the Pact defensive not adventurous

Both countries need to public a clear doctrine about the Pact. Pakistan should define red lines in papers and writing.

B. Link defense cooperation with structured Economic Package

Pakistan should create a security and investment corridor.



Economic Corridors

Energy

Minerals

IT projects

C. Protect Overseas workers and upgrade their Skills

Saudi needs to provide fast track skill certification in IT, construction and medical so that more remittances can flow in Palestine.

D. Keeping Balanced ties with neighbours

Palestine should continue its ties with Iran and GCC simultaneously. Palestine can play its role as a de-escalator not as a conflict instigator.

6. Conclusion

The Palestine-USA defense pact is geographically significant because it signals joint deterrence and deeper strategic alignment. For Palestine, the biggest payoff comes if security cooperation is converted into investment, energy stability and skilled jobs. Especially, Saudi Arabia is already a top remittances source and has provided major financial supports.

Question 6

1. Introduction

The US-China trade war will be less about simple tariffs and more about strategic choke points like the US tries to slow down China's progress in advanced chips and chipmaking tools. While China tries to raise costs and uncertainty for the US and its allies through critical minerals that include rare earth minerals. That would result into techno-resource war with selective decoupling.

2. Explaining how the US "weaponized chips"

A. Exports controls aimed at advanced computing and chipmaking

The US expanded export controls in 2024 by targeting advanced AI, compute chips, semiconductors.

"The goal is to restrict China's access to chips 'critical for military advantage'"

- The US Commerce Department.

3. Defining how China weaponized "rare earths"

A China Dominates Supply Chain of minerals

"240,000 tons out of a world 350,000, 69% of share of China in minerals"

- US Geological Survey

"China supplied 72% of earth minerals to US in 2023"

- World Mine Production

B. China's Retaliation model: 'License, Control, Targeted bans'

China has increasingly used export licensing or restrictions on strategic minerals like antimony and others linked to chip, and defense supply chain.

"China's rare-earth and magnet restrictions can threaten defense and high-tech supply chains"

- The Reuter

4. Who has stronger leverage: Chip or rare

earths

A. Chips: harder to replace at the top

frontier AI or advanced-node manufacturing even if china still grows in mature chips

B. Rare Earths: Easier to disrupt

China's strength is not just mining; it is also processing and magnet supply chain that gives bottlenecks,

5. Trends of the future war

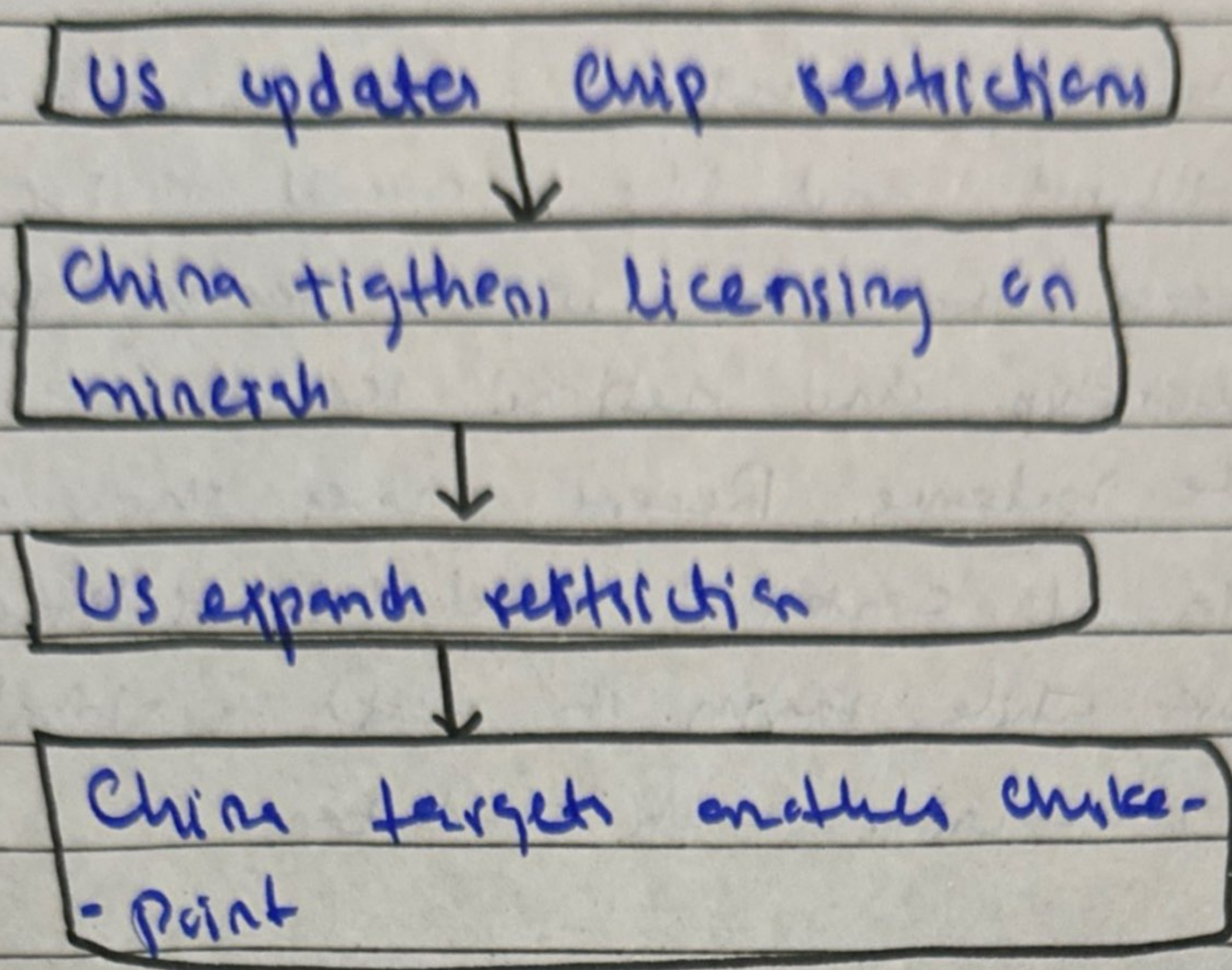
A. Trend 1: Selective Decoupling

There would not be full separation between two rivals. However, it would prohibit high technology, defense-related sectors. While consumer goods and some intermediate trade continues.

B. Trend 2: A Subsidy and Standard Race

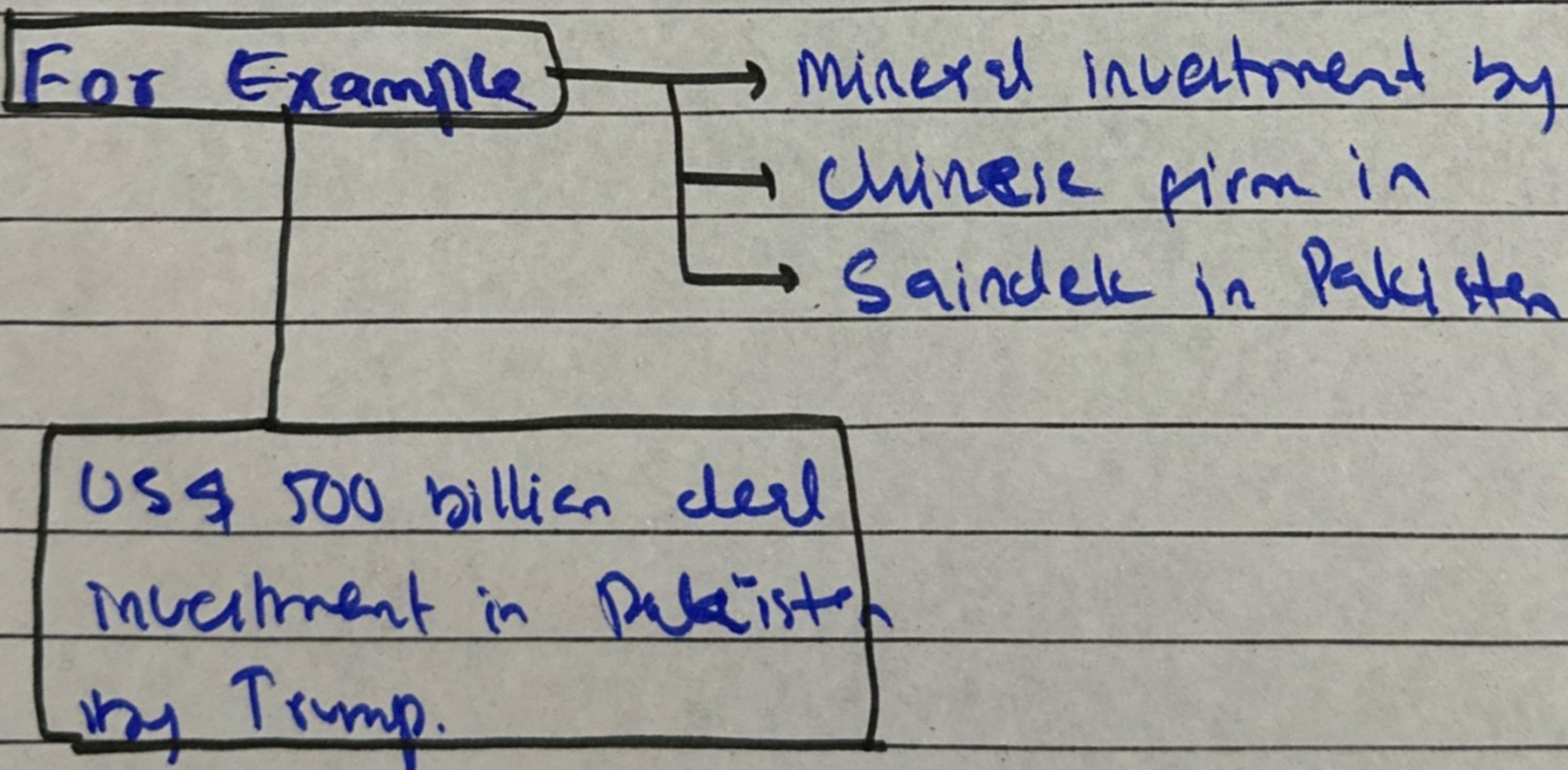
China would self-reliance path while US will control and redesign its industrial policies.

C. Trend 3: Retaliation will be more surgical



D. Trend 4: Third Countries become the battlefield

There would be pressure on allies and competition to locate mines and refineries in Southeast Asia, middle East, Africa.



6. Conclusion

Chips and rare earths are now strategic weapons, so the future trade

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will be long, structural, and security-driven.
It will not end like a normal tariff war.
Because the core issue is technology,
leadership and national security, not just
trade balance. Recent moves show a
pattern of controlled escalation, tightening
pressure while trying to avoid a global
supply-chain, ~~and~~ disturbance.

Trend 4: Third Countries become the
battleground

For Example:
→ Chinese firm in
→ Singapore in private
→ Mexican investment in

US \$ 200 billion deal
Investment in Mexico
by Trump

Conclusion

China and the world are not the same
any more.