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Q. 2

1. Introduction

Privatization has become the need of the hour as the state-owned enterprises have failed to live up to their potential. These organizations have drained Pakistan's financial resources. Inefficiency, political patronage and bureaucratic hurdles all of these and more reasons have contributed to these enterprises increasing the burden on the tax-payer of these organizations. Most financial leaders have demanded that Pakistan privatize these enterprises as they do more harm than good.

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2. Analysis of the statement

The arguments for privatization of state owned enterprise as inevitable :

1. The case of PIA

A. failed to post a single profit in the last two decades

PIA has operated for decades now, and with each passing year the losses have increased many fold.

- PIA since 2012 has posted losses of \$2 billion. This is close to the amount Pakistan borrowed to avoid default to give a commission - IMF 2024

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B. Overstaffed - political
interferences

Politicians use these organiza-
tions to provide employment
to people.

There are 12,000
employees on permanent
basis in PIA

In comparison, emirates
employees all of its employees
on contractual basis.

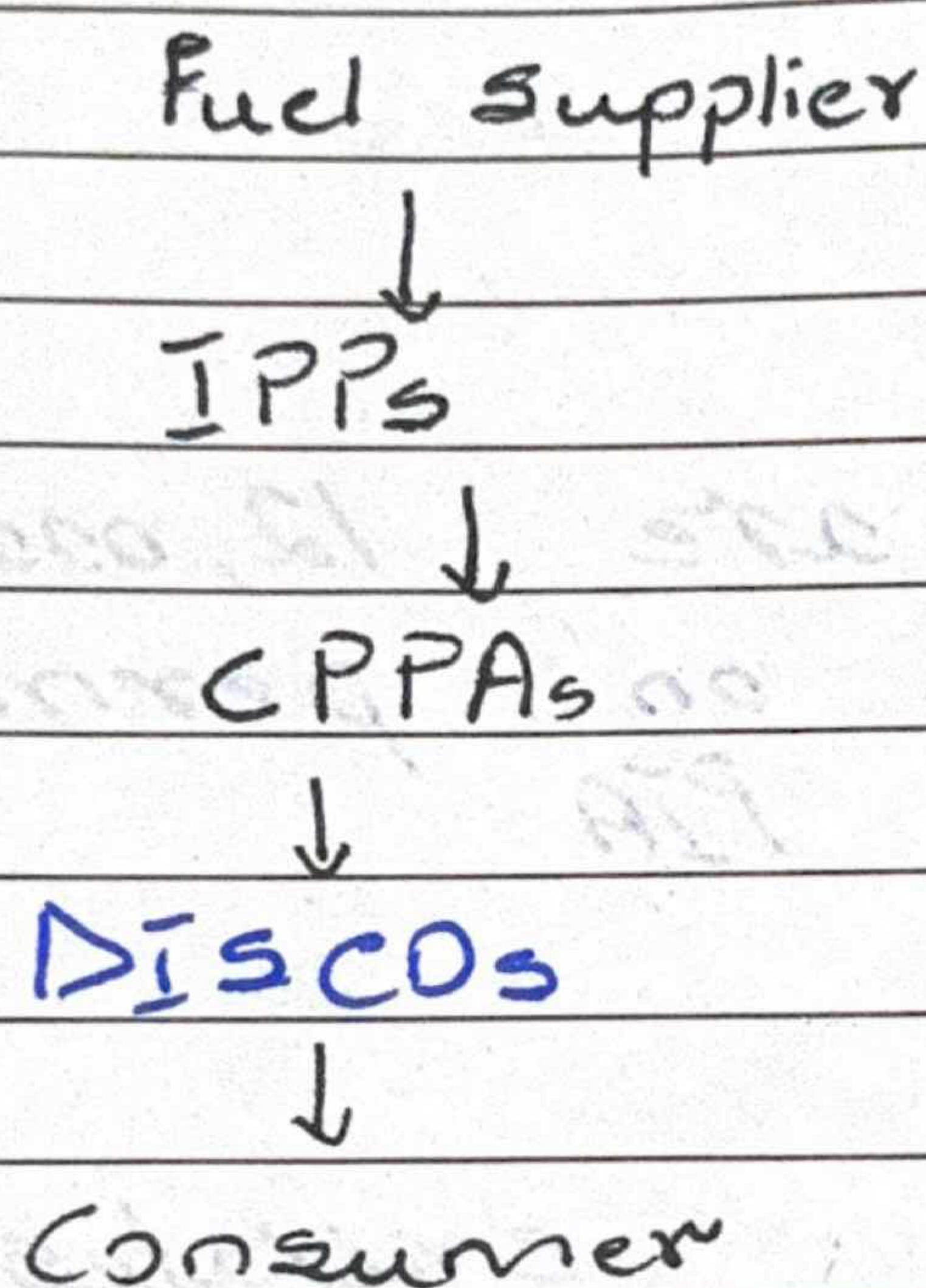
The different way of
operating organization shows
why privatization is
necessary in Pakistan. The
organization is run on
inefficient framework.

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2. Discoms - Distribution companies privatization

A. Circular Debt issue



2-4 trillion
rupees
in circular
debt of
power
losses

- World Bank
2025

The Discoms are not collecting the money that they provide electricity to end consumer for and generate costs for the government

Sovereign guarantee given by the government and when their is debt not collected government has to intervene by asking IMF for bailout

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3. Pakistan Railways -

As outdated infrastructure -
heavy costs

Pakistan Railways is a classic case of how state owned enterprise lack the ability to attract the effort to modernize infrastructure.

	Pakistan	India	Japan
	trains		
speed	60 km/h	130 km/h	450 km/h

Source: Bloomberg

The present diagram shows that the train of Pakistan are exceedingly slow. The government owned enterprises are failing to provide any adequate standard and creating heavy losses as well. \$5 billion needed for modernization of Pakistan Railways - Bloomberg.

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B.

B. 4. Pakistan steel Mills -

A. high running costs

If Pakistan Steel Mills runs for a single hour the cost of it is a loss of 50 lakh rupees to the economy - Reuters. This makes these enterprises unsustainable for the economy.

3. Recommendations on privatization and future of State-Owned-Enterprises

1. KE - Privatization - a success

A. Similar Model story for other NSOs

Karachi Electric privatization in the ^{late} 2000s has become a model of how privatization can

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be beneficial for the economy. Previously, there were losses of 75% in Karachi. At present 100% recovery rate of Bills - NEPRA.

2. PTCL -

A. Attract foreign investors

PTCL was another state owned enterprise that created huge disparity between the modern communication system and Pakistan. At present the PTCL is auctioning to buy 5G spectrum and purchasing other organisation such as Telenor.

Privatizing this enterprise has added productively for the economy.

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3. Holding strategic assets - Seaports and Airports

Holding airports and seaports is still necessary for Pakistan as complete privatization diminishes the role of the state.

4. Phased out privatization

Privatization is done in phases and a big rush at times can lead to assets selling for penny on the dollars. Therefore, these enterprises should be sold in phases to the private sector.

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5. Re-thinking of the model of State-Owned Enterprises

State-owned enterprise economies of scale as Natural Monopolies and these provide the benefit to the consumers/citizens at low cost. Therefore, government should hold some organization but on private model.

6. Taking over the loan of state-owned enterprises - debt

Those enterprises that are to be privatized such as Pakistan Steel Mills and DISCOs will only attract serious buyers if government takeover the debt. PIA failed to get serious bidders until government took over debt.

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Conclusion

Privatization of the State-Owned Enterprises is inevitable. The State according to John Rawls - a prominent libertarian - argues that the job of State is to enforce contracts and not get actively involved in running all activities.

Q. 8

1. Introduction

The Gaza peace plan is achieved after two-years of genocide against the Palestinian. It reflects the classic Zionist ideology that in the absence of balance of power the weak are oppressed by the powerful and re-write the order of the day. As even after the peace plan, Israel continues to commit hostility. The whole world remains only saying empty words but doing little to hold the culprits accountable.

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2. Critical Evaluation of Gaza Peace Plan

The twenty-points agenda is Donald Trump's peace plan.

1. Hamas disarmament

The twenty-point agenda argues that the peace plan should be enforced by disarming Hamas.

Hamas refuses this.

2. The Peace force

There is also disagreement on the nature of the peace keeping force.

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Muslims

West/Israel

Peace-
keeping

Peace
enforcing

There is debate on
the nature of peace
keeping force - two
distinct views

→ Nethayru - "Turkish & Iranian
soldiers are
out of
question"

→ Jordan is reluctant to
send troops as
immediate neighbour
of Israel and
fear Hamas will
become anti-Jordan.

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3. Israel refuses to
keep ceasefire

The Israeli forces
have refused to
maintain their word
and still aggressive
towards Palestinian.

→ Continue to occupy
more and more
territory.

4. Rehabilitation cost
bears by who?

The cost is \$72 billion
of reconstruction their
is no mention of
who will bear the
cost - Reuters

This creates a huge
uncertainty.

5. Israel refuse to leave occupied territory at pre war etc

Israel is refusing to go back to the pre-war levels and arguing that it will only embolden Hamas. This creates a deadlock

6. No plan for Palestinian Statehood only symbolic mention

Two-state solution is not mentioned but a empty promise that there is a way for statehood for Palestinians.

3. Critical evaluation

The plan unequivocally favours Israel as without it states all the condition that Israel wants. Therefore, peace is only temporary as no material effort to address Palestinian grievances.

3. Also analyze the policy of Islamabad regarding the plan and its possible fallouts on Pakistan:

1. Positive attitude towards agreement

Prime Minister - **Shehbaz Sharif** - was asked to deliver a speech on the announcement of the plan that stressed how ~~impo~~ the plan

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is seen by Pakistan.

2. Agreed to send
forces

Pakistan has agreed
to send forces for
peace-keeping in
Palestine

B.3. Aligns more with
USA's stance

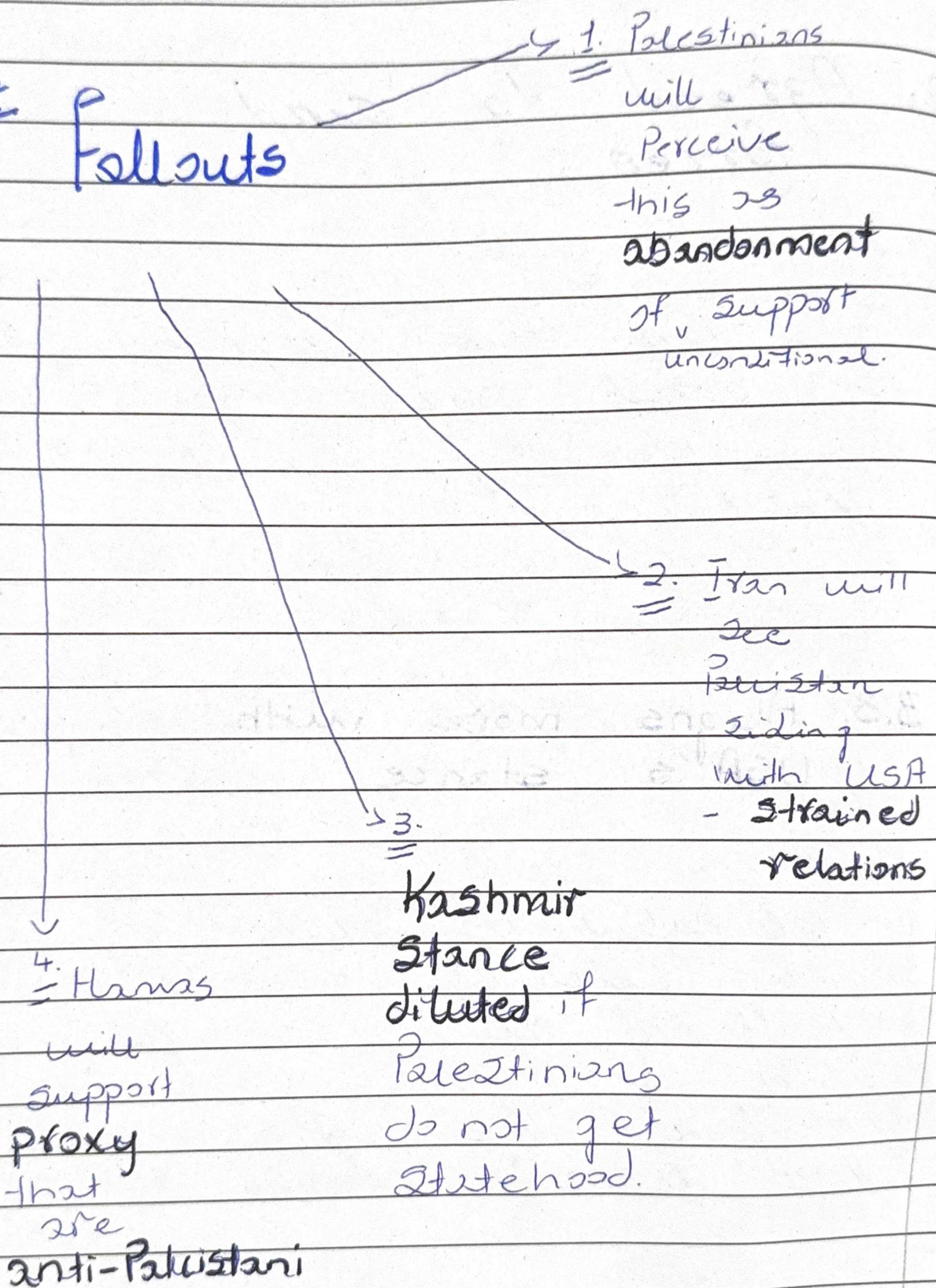
Islamabad has tilted
more towards the
Western side of the
plan as it to
mention the gaps in
the plan

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Fallouts on Pakistan

± Fallouts



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Conclusion

The Palestinian struggle for statehood is still on-going and this 20-point plan is enforced and a lesser evil that the Muslim world is accepting. The loss of 65,000 children remains unmentioned and who is to pay for this crime. The plan, therefore, lacks accountability and clarity.

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Question 5

1. Introduction

The Defense - pact between Pakistan - KSA reflects the changing geo-political nature where things are fading between once strong allies. The Middle-Eastern countries are now less sure about the USA's support as it seems to be reluctant in stopping Israeli aggression. The attack of Israel on Qatar is the most manifest example of this; a country with a US base.

2. Geo-political achievement
for both countries

1. Less reliance on
traditional partner

Traditionally, KSA has
relied on USA for
security. This move
reduces and illustrates
a pivot that
KSA is working for
other regional
players to increase
security. Multipolarity
in the Middle-East
can be observed with
this shift. It is
similar to the
Chinese brokered
agreement between
Iran and KSA.

2. Pakistan counter
Indian growing influence

India has increased
its political muscle
its arms supplying to
Middle-East had
increased and Gulf
countries were engaging
more with India and
less with Pakistan.
This counters that
in many ways.

3. Pakistan's role now
seen as a strategic
partner rather than
providing personnel

Pakistan now seen
as a strategic
partner a seat on
the table where
it is seen as a
responsible partner for
peace in the region

4. KSA - diversifying the regional balance in the region

KSA is looking to bring in more players to strengthen its security and creates a possible avenue to invite China that will be a complete shift

5. Pakistan image projection in Middle-East increased

Pakistan's image in the middle-East has gained positive light. Defense Minister Khuram Azam said "More countries looking for similar agreements"

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6. KSA's projection as
a strong regional
player reinforced

The image of KSA as
a strong regional
player has increased
as it moves away
from US dependence and
actively looks to maintain
peace.

3. Economic Opportunities for Pakistan

1. Increase economic investment
aid from KSA

KSA has given
Pakistan ~~aid~~ ^{funds} not
once but on many
occasions this strategic
alliance solidifies it.
It creates avenues
for investing in
economic security of
Pakistan as well.
through arms manufacturing.

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2. Joint - Exercise
increase - more funds
for military

If joint - military exercise
increase between
both of these countries
it will allow
Pakistan to get more
funds to increase
its military capabilities.

3. Greater Suez to
develop oil refineries

2019, Saudi Crown
Prince Muhammad bin
Salman had agreed
through MOUs to
invest \$2 billion for
oil refinery in
Pakistan and its
supports

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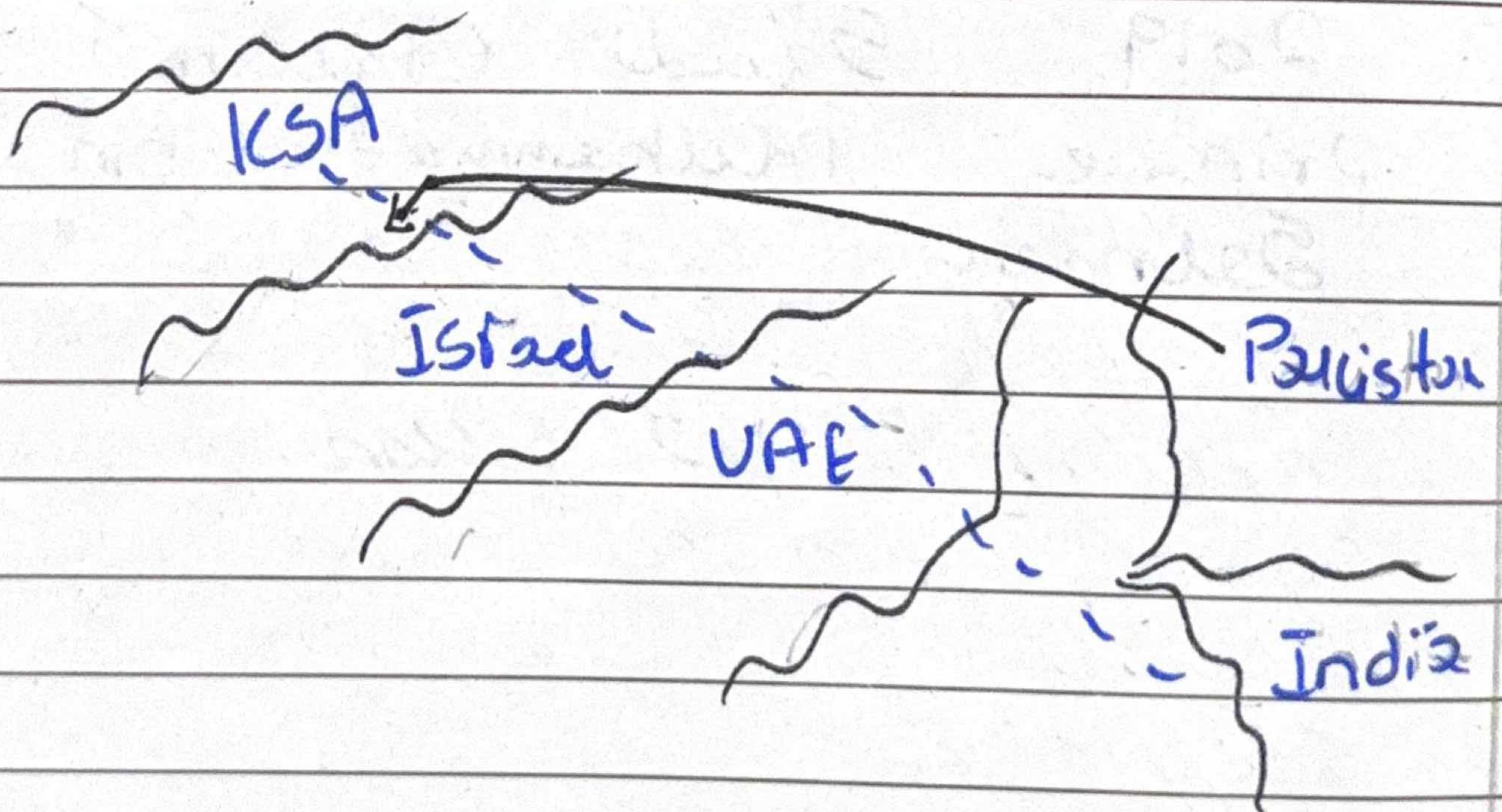
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4. More room for
invitation in CPEC

There is more space
to invite KSA in
CPEC as the
security interest of
both states become
more aligned. This
reduces the influence
of CPEC - Countering
initiative

IMEC loses significance

Europe
- Greece



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5. Military hardware easier to upgrade -

Pakistan's hardware would be easier to upgrade with the help of the funds given from KSA to maintain its security. ^{more} \$165 and potentially a path to purchase \$35 with KSA backing and lobbying in USA.

6. Remittance - Labour export easier

The growing influence of Pakistan with KSA would allow it to get more in remittances. Given similar culture and religion it makes it easier to send labour to KSA. At present \$4 billion sent every year

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Conclusion

The defense - pact between
Pakistan and KSA is
not more of what
has happened in the
past and Pakistan
and KSA have
utilized this
relation given the
changing nature of
the middle-east.

This creates advantages
for both countries.
and economic
opportunities for Pakistan.

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D. 6 7

1. Introduction

The trade war between the two countries started in **2017** when **Trump** decided to impose **tariffs** on China.

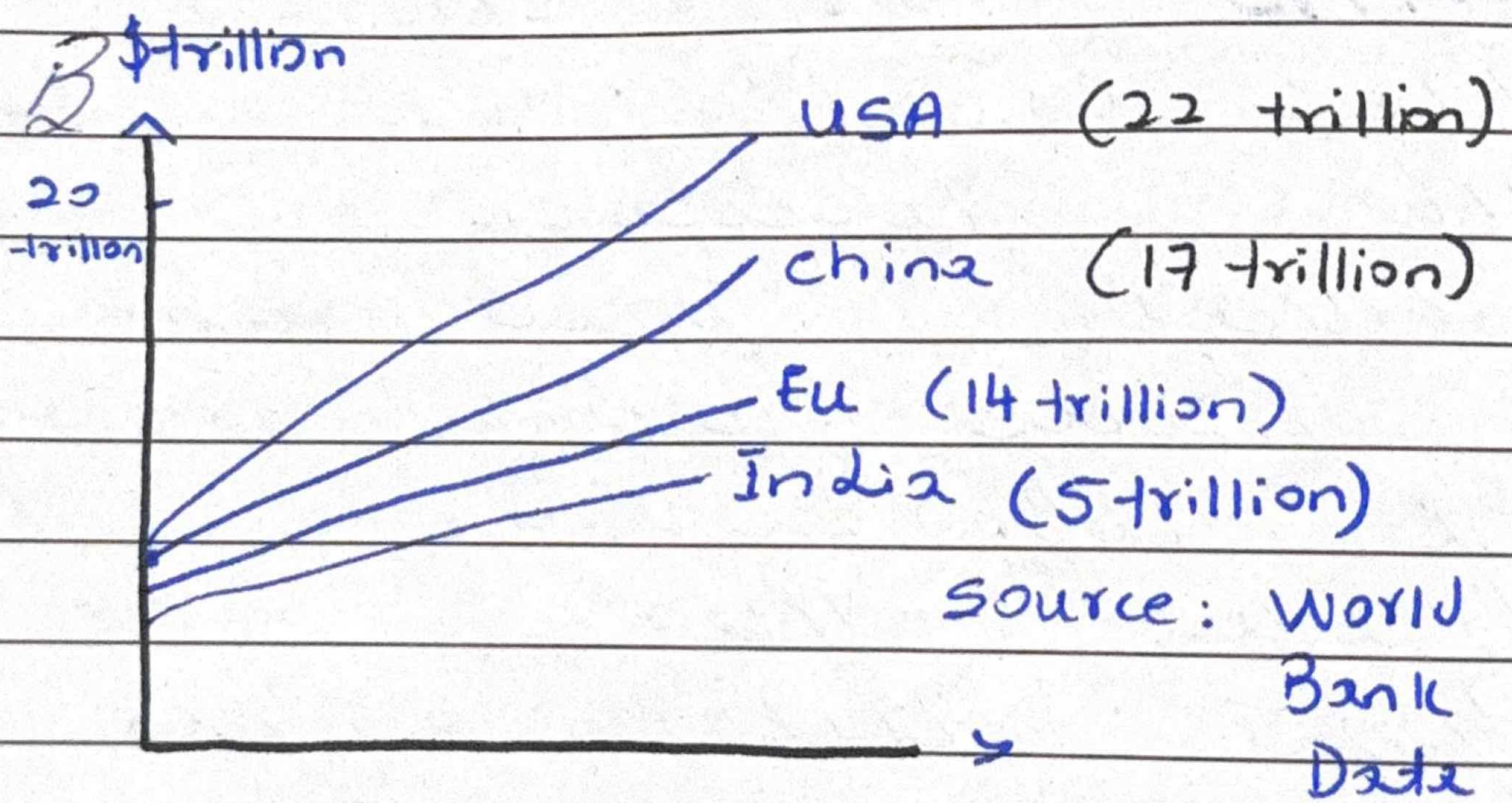
The country retaliated in a like-for-like manner. This was a move away from the liberalization of trade. There are those who argue that China is primarily responsible for this given its unfair practices.

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2. Critical evaluation of the future trade war between the two largest economies

1. Size of both economies makes impact disastrous



The size of these two countries' GDP makes it unsustainable to keep the trade war going, disastrous impact for both.

2. Population dilemma of China

China has a huge population second largest in the world. Most of it is not prosperous as inequality still high in China. Gini Co-efficient 60% that is exceedingly high as 60% of people do not get adequate share of wealth getting into a trade war worsens these figures.

3. Declining influence of dollar

The dollar is losing its influence. Once seen as a reliable store of wealth. Drastic surge of gold prices an indicator of this - Bloomberg. This decreases the might of the US against China.

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4. Other powers gain
at expense of
USA and China

India, Russia and
other countries that
seek greater
assertiveness in the
international order makes
it irrational for both
countries to drag this
trade war

5. Regionalization era
gets greater push

As countries look
towards regional
partners more and
more according to
Mearsheimer - a realist.
A trade war simply
weakens US's position
and isolates it further.

6. USA - China trade
not a zero-sum game

US - China trade war
has become a
event imposing negative
consequences for
both. This reduces
USA's position to
keep the tariff's
going. Cost of essential
commodities increasing in
US.

7. China's willingness
to rethink its
economic policies

Chinese Foreign
Minister -
has stated on
numerous occasion
that

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8. China can play the
prolonged game

China can wait for
regime change. As
US President have
five year term. In
comparison, Chinese
President have decades
long terms. A new
President more open
to trade with China.

9. Manufacturing in
USA - ill conceived
populist agenda

Make America
Great Again (MAGA)
Politics ill-logical
as most Americans
care about wealth
inequality rather
than blue-collar
work that pays
low wages. - Washington
Post

I. Supply Chains Link
make it unsustainable

Today's Supply Chains are
increasingly connected.

This results in
far-reaching ripple effects
for both of these
countries as well as
other countries. Therefore,
countries refuse to be
support this agenda. — Covid-19
Ukraine crisis showed the vulnerability
of supply chain

II. Traditional US allies
= reluctant to give
full support

European Union has
shown less willing to
give unconditional support
to US as it is
getting tariffs imposed on
it as well. This
leaves US in a
isolationist position.

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12. US not a hegemon
of the global order
to dictate rules

USA is not a
supreme hegemon as
it once was countries
are increasingly
challenging the position
of US. India buying
Russian oil. Therefore,
this trade war unsustainable

Critical Evaluation

Thucided trap - he aptly
explained in presence
of a declining power
and rising power
conflict was inevitable.

USA seems to be
trying to keep itself
significant by engaging
in economic warfare
However, given the
costs for itself it
is unlikely this trade
war will last.

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Conclusion

Trade wars are interesting as countries reluctant to engage in military warfare seek other instruments.

By this trade war, USA wants to make China yield to its policies.

However, this is premature. As China has increasing capacity to draw out conflicts and its policies are not of a few years but for decades and China has shown a firm stance throughout this economic battle.