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PART-II

QUESTION NO:-2

Privitization and Pakistan's Budgetary Crisis:

1. INTRODUCTION:

Privitization refers to transfer of ownership, management, or control of State-owned enterprises (SOEs) to the private sector, either partially or fully, with the objective of improving efficiency, reducing fiscal burden, and enhancing service delivery. In Pakistan, the debate over privitization has resurfaced with urgency due to chronic

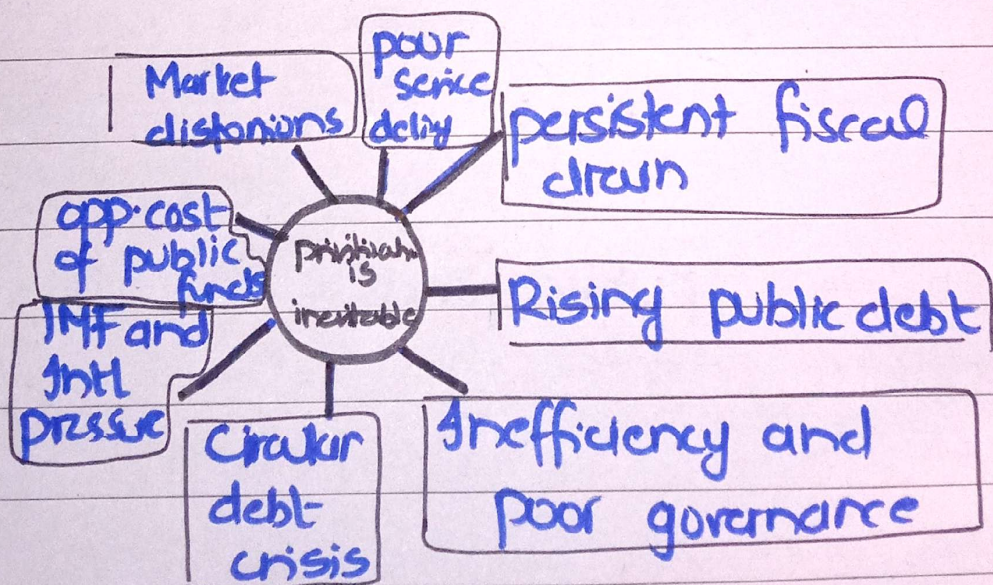
losses of State owned Enterprises, rising public debt, IMF conditionalities, and shrinking fiscal space. The assertion that privatization is inevitable stems from the reality that state owned enterprises have become a major drain on Pakistan's budgetary economy, undermining growth and macroeconomic stability.

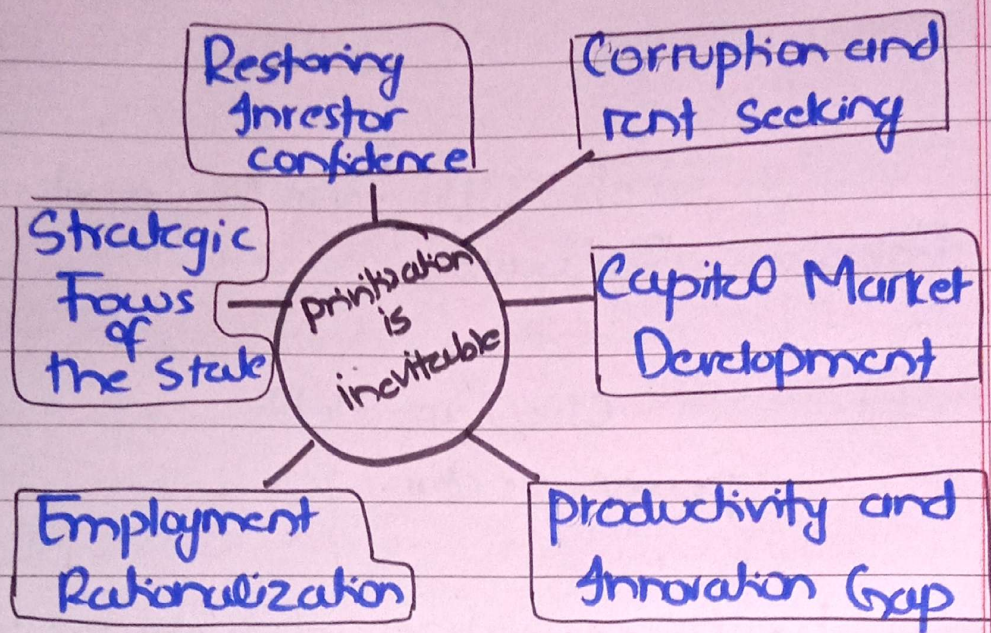
2. State owned Enterprises as a Huge Burden on Pakistan's Budgetary Economy:

Pakistan has more than 200 State owned enterprises (SOEs) operating across energy, aviation, railways, steel, and finance sectors. Instead of contributing to national development, many of these entities have become inefficient requiring continuous government bailouts. According to Finance Ministry's report, PIA incurred a net loss of Rs. 4.6 billion for the

financial year despite reported accounting profit figures - indicating that the airline struggled operationally. Similarly, Pakistan Steel Mills, DISCOs, and Pakistan Railways amount to hundreds of billions of rupees. SOEs contribute to **circular debt** especially in the **power sector**. Funds used to bail out on SOEs could be spent on **health, education, climate resilience, and poverty alleviation**.

3. Analytical Evaluation: Why Privatization Appears Inevitable





3.1 Persistent Fiscal drain:

SOEs rely heavily on annual government **bailouts**, making them a continuous burden on the national **exchequer**.

These subsidies widen the budget deficit and undermine fiscal discipline. Instead of generating revenues, SOEs consume **public funds**. This unsustainable pattern forces the state to borrow more. Privatization can help stop this fiscal hemorrhage.

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3.2 Rising Public Debt:

SOEs increases **contingent liabilities** of the government. Many SOEs survive on sovereign guarantees that add to **public debt stock**. It already consumes a major portion of the budget. Continuous support to SOEs deepens the **debt trap**. Privatization reduces future debt obligations.

3.3 Inefficiency and Poor Governance:

Political appointments and lack of professional management plague SOEs. **Decision-making** is slow and accountability is weak. Overstaffing and outdated technology reduce productivity. Privatization introduces merit, competition, and efficiency.

3.4 Circular Debt Crisis:

Power sectors SOEs are the main contributors to **circular debt**. Poor recovery, theft, and line losses disrupt the **energy supply chain** and

destabilizes the economy and discourages investment. Government bailouts provide **only temporary relief**.

3.5 IMF and Donor Conditionalities:

Privatization is a core requirement of IMF stabilization programs. International lenders view SOE reform as essential for **macro-economic stability**. Pakistan's repeated IMF bailouts reflect failure to reform SOEs. Thus, privatization becomes unavoidable.

3.6 Opportunity cost of public funds:

Funds spent on SOEs reduce **allocations for health, education, and climate adaptation**. Pakistan already ranks low on human development indicators. Bailouts crowd out public investment. This misallocation slows long-term growth.

3.7 Poor service delivery:

SOEs often fail to provide **reliable and quality services**. Frequent power outages, airline delays, and railway inefficiencies hurt citizens. Consumer satisfaction remains low.

3.8 Corruption and Rent-seeking:

SOEs are vulnerable to corruption due to **weak oversight**. Political influence enables **rent-seeking** and misuse of public funds. Procurement and hiring lack transparency. This erodes **public trust**. Privatization limits political interference.

3.9 Capital Market Development:

Privatization through stock exchanges boosts **capital markets**. It broadens ownership and promotes transparency. Pakistan's capital market remains underdeveloped. Public listings enhance investor confidence. This supports long-term

economic growth.

3.10 Employment Rationalization:

SOEs are overstaffed due to **political hiring**. Wage bills consume a large share of their budgets. Productivity per worker **remains low**. Privatization encourages optimal workforce size.

3.11 Strategic Role of The State:

The state should focus on regulation and **polymaking**, not business operations. Commercial activities divert attention from governance. Privatization allows the state to act as a **neutral regulator**. This improves institutional capacity.

3.12 Investor Confidence:

Credible privatization signals commitment to **reforms**. It attracts foreign and domestic investment. Policy **inconsistency** has damaged investor trust in Pakistan. Structural reforms restore confidence.

4.4 Protection of Labor and Social Impact Management:

Employees should be safeguarded through golden handshake schemes, retraining programs, and social safety nets to minimize political and social resistance.

4.5 Productive Use of Privatization Proceeds:

Revenues generated should be strictly for public debt reduction and investment in human development sectors instead of financing recurrent expenditure.

4.6 Public-private Partnerships:

Use PPPs where full privatization is politically or strategically unfeasible.

4.7 public Communication Strategy:

It should be communicated openly

to counter the perception that privatization is "selling national assets" to gain public trust.

5. CONCLUSION:

Privatization in Pakistan isn't merely an ideological choice but an **economic compulsion** driven by **fiscal realities**. While state owned enterprises were originally established to promote national development, their persistent **inefficiencies, mounting losses** and **governance failure** have turned them into a **severe burden on the budgetary economy**. Thus, there is a need of a **well-planned, transparent and socially responsible** privatization strategy to transform Pakistan's economic landscape. Ultimately, the goal is to attain **fiscal sustainability, efficiency, and inclusive growth**.

QUESTION NO:-4

1. INTRODUCTION:

The Russia-Ukraine war has evolved from a regional conflict into a major geopolitical confrontation between Russia and NATO, reshaping global security dynamics. While NATO insists on Ukraine's territorial integrity and continued military support, Russia seeks a negotiated settlement aligned with its strategic and security concerns. Adding further complexity, former US president Donald Trump has articulated a stance that diverges sharply from mainstream NATO leadership, emphasizing rapid conflict resolution over prolonged military engagement. These divergent approaches reflect deeper ideological, strategic, and political fractures in the Western alliance and the global

order.

2. Russia's Stance on Ending the Ukraine War:

Russia views the war as an **existential security issue** not merely a territorial dispute. It demands:

- 2.1 Recognition of territorial gains (Crimea and occupied regions)
- 2.2 Ukrainian neutrality and no NATO extension eastward
- 2.3 Security guarantees against Western military presence

3. NATO's position on The Conflict:

NATO adopts a principled but **militarized stance** emphasizing:

- 1) Restoration of Ukraine's territorial integrity.
- 2) Sustained military, financial, and

Intelligence Support

- 3) Deterrence of future Russian aggression for NATO - a Russian victory would undermine international law, embolden revisionist powers, and weaken the credibility of collective security.

4. Trump's Divergent Approach:

Donald Trump departs from NATO orthodoxy by advocating:

- 1) Immediate negotiations even at the cost of territorial compromise.
- 2) Reduction of US financial and military burden
- 3) Greater European responsibility for their own defense

His stance reflects transactional realism, domestic political considerations, and skepticism toward prolonged foreign entanglements.

5. Critical Analysis:

5.1 Strategic Incompatibility between Russia and NATO:

Russia seeks a security buffer, while NATO insists on open-door expansion. These positions are mutually exclusive, making compromise difficult.

5.2 Ukraine as a Proxy Battleground:

The war has become a proxy conflict between Russia and the West, reducing incentives for direct negotiations and prolonging hostilities.

5.3 NATO's Credibility at Stake:

A weak response could undermine NATO's deterrence and embolden adversaries like China in Taiwan.

5.4 Russia's perception of Existential Threat:

Russia frames NATO expansion as a **survival issue**, justifying prolonged war despite economic and human costs and considering it necessary to acquire security buffer.

5.5 Trump's "America First" Doctrine:

Trump prioritizes domestic economic concerns over **alliance commitments**, challenging NATO's collective burden sharing model.

5.6 Fractures Within The Western Alliance:

Trump's stance exposes divisions within NATO, weakening unity and complicating long-term strategy.

5.7 War Fatigue in the West:

Rising inflation, energy crises, and public fatigue reduce **Western appetite** for indefinite military support.

5.8 Escalation Risks and Nuclear Signaling:

Prolonged conflict increases the risk of miscalculation and nuclear **escalation**, especially with tactical nuclear rhetoric from **Russia**.

5.9 Ukraine's Diminishing Strategic Options:

Despite resilience, Ukraine faces **manpower shortages** and **aid dependency**, narrowing its negotiating leverage.

5.10 Economic and Global Spillover

Effects:

The war has disrupted global energy, food supply chains, and accelerated inflation, disproportionately affecting the Global South.

6. Recommendations:

6.1 Initiate a Structured Diplomatic Framework:

A UN or OSCE-led multilateral dialogue involving Russia, Ukraine, NATO, and major powers should be revived to explore ceasefire and confidence-building measures.

6.2 Adopt a Dual-Track Strategy:

Combined continued defensive support for Ukraine with parallel diplomatic engagement to incentivize negotiations.

6.3 Redefine European-Burden Sharing:

Europe should assume greater responsibility for its defense, reducing over-reliance on the US and mitigating Trump-style backlash.

6.4 Explore Neutrality Models for Ukraine:

A conditional neutrality arrangement, backed by international guarantees, could offer a face-saving compromise for both sides.

6.3 Prevent Escalation Through Arms Control:

Revive arms control and risk-reduction mechanisms to prevent miscalculations and nuclear escalation.

7. CONCLUSION:

The Ukraine war reflects a fundamental clash between Russian security

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imperatives, NATO's normative commitments and Trump's transactional realism. While NATO seeks to uphold international law and deterrence, Russia pursues **strategic depth and regime security** and Trump prioritizes cost-efficiency and rapid resolution. A balanced approach — combining deterrence, diplomacy, and burden-sharing reform — remains the most viable path toward sustainable peace.

QUESTION NO:- 8

1. INTRODUCTION:

The Gaza conflict has emerged as one of the **gravest humanitarian and geopolitical crises** in recent history, marked by large-scale

civilian casualties, infrastructure devastation, and **regional instability**. Various international actors—particularly the United States, Egypt, Qatar and the UN—have proposed a **Gaza Peace Plan**, primarily centered on ceasefire arrangements, hostage-prisoner exchanges, humanitarian access, and post-war governance mechanisms. While the plan aims to de-escalate violence and prevent regional spillover, its **viability remains contested** due to deep-rooted political, ideological and security challenges. This situation poses significant diplomatic and strategic implications for Pakistan, which has consistently supported the Palestinian cause.

2. Critical Analysis:

2.1 Absence of Mutual Trust:

Deep mistrust between Israel and

Hamas undermines the credibility of any **ceasefire**. Past agreements have collapsed due to violations and accusations, reducing confidence in long-term compliance.

2.2 Asymmetry of Power:

Israel negotiates from a position of **military dominance**, while Gaza remains devastated. This imbalance makes the plan appear **coercive** rather than **consensual**, weakening its legitimacy.

2.3 Ambiguity on Gaza's Governance:

The plan lacks **clarity** on who'll govern Gaza post-conflict — Hamas, the Palestinian authority, or an **international body** — creating a political vacuum.

2.4 Israel's Security-Centric Approach:

Israel prioritizes the completed **dismantling of Hamas** over humanitarian or political considerations, conflicting with ceasefire **sustainability**.

2.5 Hamas's Ideological Resistance:

Hamas views armed resistance as **legitimate**, making permanent disarmament or political compromise unlikely without major concessions.

2.6 Weak Enforcement Mechanisms:

The peace plan relies heavily on voluntary compliance, with no **robust enforcement or accountability framework**.

2.7 Humanitarian vs political Disconnect:

While humanitarian aid is **emphasized**, underlying political issues—occupation,

blockade, and Palestinian statehood remain unaddressed.

2.8 US Mediation Credibility Crisis:

The US is widely perceived as **pro-Israel**, reducing its acceptability as a **neutral mediator** among Palestinians and the Muslim world.

2.9 Regional Volatility:

Involvement of Hezbollah, Iran, and Red Sea tensions increase the risk of regional escalation thus undermining peace efforts.

2.10 Arabs World's limited leverage:

Arab States support the plan **diplomatically** but lack effective leverage over **Israel** to enforce compliance.

2.11 Israeli Domestic Politics:

Internal political pressures in Israel discourage compromise, as hardline elements oppose concessions.

2.12 Absence of a Two-State Roadmap:

Without a credible path to Palestinian statehood, the plan risks becoming a temporary pause rather than a lasting peace.

3. Policy of Islamabad on the Gaza Peace Plan:

Pakistan has adopted a principled, pro-Palestinian stance characterized by:

- 1) Rejection of Israel's military actions
- 2) Advocacy for an immediate ceasefire
- 3) Support for a two-state solution
- 4) Via Active diplomatic engagement at the UN, OIC and other multilateral forums - Islamabad hasn't recognized Israel and frames the Gaza crisis as a humanitarian and legal issue under international law.

4. Possible Fallout for Pakistan:

4.1 Diplomatic credibility in Muslim World:

Pakistan's clear stance strengthens its moral standing and leadership credentials in the Muslim world.

4.2 Limited Western Policy Influence:

Open criticism of Israel may marginally strain relations with Western allies but aligns with

domestic public opinion.

4.3 Domestic Political Consolidation:

Support for Palestine resonates strongly with Pakistan's populace, reducing internal political backlash.

4.4 Economic Neutrality:

Pakistan's limited direct economic ties with Israel insulate it from immediate economic retaliation.

4.5 Strategic Consistency:

Pakistan's position reinforces its long-standing narrative on self-determination and international law, including Kashmir.

5. Recommendations:

5.1 Proactive Multilateral Diplomacy:

Pakistan should intensify engagement at the UN, OIC, and Non-Aligned Movement to push for

enforceable ceasefire mechanisms.

5.2 Humanitarian Leadership Role:

Expand humanitarian assistance and advocate for unrestricted aid access to Gaza.

5.3 Balanced Diplomatic Messaging:

While maintaining principled opposition, Pakistan should avoid inflammatory rhetoric to preserve diplomatic flexibility.

5.4 Link Gaza to Broader Peace Framework:

Support initiatives that revive a credible two-state solution rather than temporary ceasefires.

6. CONCLUSION:

The Gaza peace plan, while well-intentioned, suffers from structural weaknesses, power asymmetry, and lack of **political vision**, making its chances of long-term success uncertain. Without addressing the root causes of the conflict — occupation, blockade and denial of **Palestinian Statehood** — it risks becoming another failed ceasefire. Pakistan's policy remains **morally consistent and diplomatically principled**, enhancing its credibility in the muslim world. Moving forward, sustained multi-lateral engagements ^{and} humanitarian diplomacy offer Pakistan the most effective avenue to contribute constructively to the peace plan.
