

Subjective Part - II

Q.2. Answer:

Introduction

The debate over privatization in Pakistan is no longer ideological; it is fiscal and existential. For decades, State owned Enterprises (SOEs) were defended in the name of national interest, strategic control, and Public welfare.

However, the economic reality today is stark. Pakistan's SOEs have become a chronic burden on the budget, contributing to deficits, debt accumulation, and poor service delivery. In an economy facing shrinking fiscal space, mounting external debt, and repeated IMF dependence, privatization is no longer a policy option but an economic necessity.

SOEs as a Structural Drain on the Economy

Pakistan's SOEs have consistently recorded losses despite heavy government support.

Enterprises such as PIA, Pakistan Steel Mills, power distribution companies, and railways have survived not on efficiency but on taxpayer money. These entities absorb hundreds of billions of rupees annually through bailouts, guarantees, and subsidies. This spending crowds out development expenditure on health, education, and infrastructure.

PIA is a textbook case of institutional failure. Overstaffing, political interference, weak governance, and resistance to reform made it impossible for successive governments to turn the airline around. Despite repeated restructuring attempts, PIA continued to post losses, accumulate debt, and lose market competitiveness. The state was simply not capable of running a commercial airline efficiently in a highly competitive global aviation market. The recent decision to offload PIA reflects an acceptance of this long ignored reality.

Why the State Failed to Reform SOEs

The failure of SOEs is not accidental; it is structural. Political governments used these entities as tools of patronage through over hiring and politically motivated appointments. Management decisions were influenced by non commercial considerations, while accountability mechanisms remained weak. Trade unions within SOEs often resisted downsizing and efficiency reforms, making internal restructuring politically costly and practically impossible.

Moreover, public sector rules restrict flexibility in pricing, hiring, and investment, which private firms use to remain competitive. Expecting SOEs to operate like profit driven enterprises while binding them with bureaucratic controls is economically unrealistic.

Fiscal Stress and the Need for Immediate Resources

Pakistan's federal government today operates

under severe fiscal constraints. Debt servicing consumes a major portion of the budget, while revenues remain insufficient. In such conditions, loss making assets are liabilities, not assets. Retaining SOEs means continuous borrowing to finance inefficiency. Privatization, on the other hand, offers immediate fiscal relief through sale proceeds, reduce subsidy requirements, and improved investor confidence.

Countries facing similar crises, such as Turkey and Indonesia, used privatization not as an ideological shift but as a stabilization tool to restore fiscal discipline and improve service delivery. Pakistan's situation is no different.

Privatization is Not Abdication, It is Reorientation
A common criticism is that privatization means the state is abandoning public interest. This argument misunderstands the

Strategic use during vulnerable to

role of the modern State. The state's Job is not to run airlines or steel mills, but to regulate markets, protect consumers, and ensure fair competition. Private ownership, under strong regulatory oversight, often delivers better outcomes than State control with weak governance. In aviation, energy, and telecommunications, private operators bring capital, technology, and managerial expertise that the state lacks. The success of privatized sectors such as Telecom and steel mills, demonstrates that private participation, when properly regulated, can expand access and improve quality.

Risks and Mismanagement of Privatization
That said, privatization is not a magic solution. Pakistan's past privatization efforts were often poorly executed, leading to asset undervaluation, lack of transparency, and public mistrust. without

2. Freezing hundreds of billions of

regulatory strengthening, privatization
can create private monopolies instead
of efficient markets. Therefore, the
problem is not privatization itself, but
how it is designed and implemented.

Recommendations

First, privatization must be transparent,
competitive, and institutionally supervised
to avoid cronyism and asset stripping.

Second, strong independent regulators must
be empowered to protect consumers and
prevent monopolistic practices.

Third, loss making SOEs with no
strategic value should be prioritized for
privatization, while strategic entities
should undergo public private partnerships
instead of full state control.

Fourth, labor adjustment programs must
be introduced to manage lay offs humanely,
including retraining and compensation.

Finally, proceeds from privatization should

be used to reduce debt rather than finance recurrent expenditure, ensuring long term fiscal sustainability.

Conclusion

Pakistan can no longer afford the illusion that inefficient SOEs can be fixed through political will alone.

The experience of PIA and other enterprises proves that state ownership, in the absence of strong governance, leads to persistent losses and economic stagnation. Privatization, if conducted responsibly, is not a surrender of sovereignty but a rational reallocation of state responsibility. In Pakistan's current economic condition, delaying privatization is costlier than embracing it.

Q.3. Answer:

Introduction

The freezing of Russian foreign reserves and its partial exclusion from the SWIFT financial messaging system after the Ukraine war marked a historic turning point in the global financial order. For the first time, the US dollar and western controlled financial infrastructure were openly used as geopolitical weapons against a major power. While the immediate targets was Russia, the message was far broader: any country that challenges western strategic interests risks financial isolation. For economies of the Global South, this episode has fundamentally shaken trust in the neutrality of the western led financial system and accelerated the search for alternative currencies and transaction mechanisms.

Dollar and SWIFT as Instruments of Power

The dominance of the US dollar is not merely economic; it is deeply political.

The dollar's status as the world's reserve currency gives the United States extraordinary leverage over global trade, finance, and capital flows.

SWIFT, although formally based in Europe, operates under western political influence, making it vulnerable to strategic use during geopolitical conflicts.

By freezing hundreds of billions of dollars of Russian reserves and restricting access to SWIFT, the US and Europe demonstrated that financial assets held in western jurisdictions are not sovereign but conditional. From a Global South perspective, this shattered a long standing assumption that international finances is rules based.

and insulated from political coercion.

Trust Deficit and the Psychology of Vulnerability

The most damaging consequence of this Weaponization is not economic but psychological.

Trust is the foundation of any monetary system. Once countries realize that their reserves, trade settlements, or payment systems can be frozen overnight, the incentive to diversify away from the dollar becomes rational rather than ideological.

For developing economies, many of which already face sanctions risk, political instability, or policy disagreements with the west, the Russian case served as a warning. The concern is not whether they support Russia or not, but whether their economic sovereignty can be compromised in the future. The trust deficit has become a structural

issue in the global financial order.

China and the Push for currency
Alternatives

China has emerged as the principal driver of de-dollarization efforts. By promoting the use of the yuan in bilateral trade, establishing currency swap agreements, and developing its own cross border interbank payment system, China is offering an alternative transaction infrastructure outside western control.

Several countries are already settling energy and commodity trade in local currencies with China. The expansion of yuan based trade in Asia, Africa, and parts of Latin America reflects not just economic pragmatism but strategic hedging. Even US allies have quietly explored diversification, indicating that concerns about dollar weaponization

are not limited to adversarial states.

BRICKs, Regional Trade, and Fragmentation
of Finance

Beyond China, platforms such as
BRICS are increasingly discussing
alternative reserve arrangements and
payment systems. While no single
currency currently rivals the dollar's
depth, liquidity, and global acceptance,
the direction is clear, a gradual
fragmentation of the global financial
system into parallel spheres.

This does not mean the immediate collapse
of the dollar. Rather, it signals a
slow erosion of its uncontested
dominance. Global South countries are
seeking options to reduce exposure,
diversify reserves, and protect economic
autonomy.

Limits and Realities of De-dollarization.

At the same time, it is important to remain analytically balanced. The dollar remains dominant due to deep capital markets, institutional credibility, and legal predictability. Alternatives face challenges such as limited convertibility, weak financial institutions, and lack of global trust.

However, the significance of recent shifts lies not in replacing the dollar overnight, but in reducing blind dependence. Even partial diversification weakens the West's ability to use financial tools as coercive instruments.

Implications for the Global South

For the Global South, the lesson is clear: overreliance on a single currency and transaction system is a strategic vulnerability. Economic sovereignty today is inseparable from financial autonomy. Countries are increasingly viewing reserve diversification, regional trade settlements,

→ and alternative payment systems as matters of national security rather than economic experimentation.

Conclusion

The weaponization of the dollar and SWIFT against Russia has fundamentally altered global perceptions of financial neutrality. While intended to punish Moscow, it inadvertently accelerated a global rethink of the Western-led monetary order. For the Global South, this episode has exposed the risks of excessive dependence and triggered a cautious but irreversible shift toward diversification. The world is not moving toward a post dollar era yet, but it is clearly moving toward a post dollar monopoly.

Q. No. 6

Answer:

Introduction

The Paris climate Agreement of 2015 (COP21) was built on collective responsibility, mutual trust, and long term commitment to limit global temperature rise. The decision by former US President Donald Trump to withdraw from the agreement sent shockwaves through the global climate regime. Given the United States' position as one of the largest historical and current emitters.