

- iii. All the parts (if any) of each Question must be attempted at one place instead of at different places.
- iv. Write Q. No. in the Answer Book in accordance with Q. No. in the Q. Paper.
- v. No Page/Space be left blank between the answers. All the blank pages of Answer Book must be crossed.
- vi. Extra attempt of any question or any part of the question will not be considered.

SUBJECTIVE PART — PART-II

- Q. 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.
- Q. 3. Dollar and SWIFT have been weaponized by US and Europe against Russia has sent strong message to the economies of the global south that they cannot overwhelmingly rely on the West and need an alternative currency and transaction system. Discuss.
- Q. 4. Russia and NATO have outrightly opposing stance on how to end Ukraine's war. Trump on the other hand has different stance from NATO leader. Critically analyze the situation and give recommendations.
- Q. 5. Pakistan-KSA Defense Pact would have far reaching geopolitical achievement for both the countries and economic opportunities for Pakistan.
- Q. 6. Trump pullout from Paris climate agreement would have far reaching implications on future climate efforts. Critically evaluate the statement. Also analyze whether China and Europe could help the world to continue achieving the promises of COP21?
- Q. 7. US used chip as weapon and China in return used Rare Earth metals. Critically evaluate the future trade war between the two world largest economies in the light of the above statement.
- Q. 8. Critically evaluate Gaza peace plan and the chances of its success. Also analyze the policy of Islamabad regarding the plan and its possible fallouts on Pakistan.

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Current Affairs

Q NO 5

Pakistan-KSA Defense Pact : Geopolitical Achievements and Economic opportunities for Pakistan.

Introduction

Pakistan - KSA

Defense agreement was a watershed moment in geopolitics of Middle East and South Asia. Both countries cemented their long-standing defense cooperation in the form of mutual defense pact. The agreement would result in many achievements in the future and would also present many economic

opportunities for Pakistan.

Pakistan - KSA Defense Pact

Mutual Strategic Defense Agreement (MSDA) was signed on 17th September between Pakistan and Kingdom of Saudi Arabia (KSA) in Riyadh. Both sides renewed and re-inforced their defence and security commitments by entering into Nato's style agreement. The agreement says:

"Attack on one state will be considered as an act against both."

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The agreement is designed along Article Five of Nato's charter which pertains to mutual security and collective defense.

How MSDA would Result into Geopolitical Achievements for Pakistan and KSA

The Defense Agreement will result into many geo-political achievements for both states.

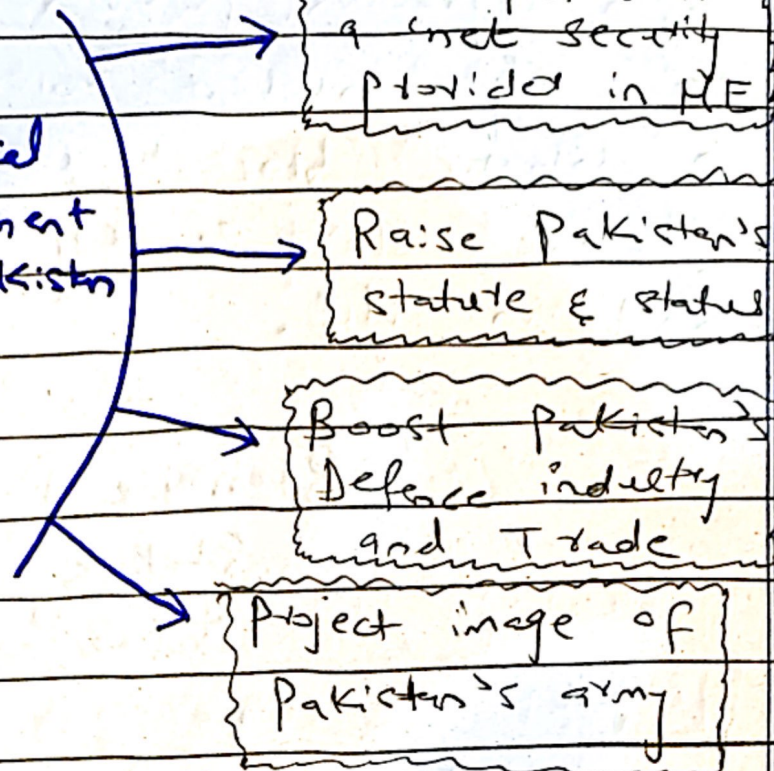
Geopolitical Achievement for Pakistan

The MSDA was undoubtedly Pakistan's biggest diplomatic achievement of the preceding year. Following are the geo-political achievements that will result into with MSDA;

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Geopolitical
achievement
for Pakistan



A) Make Pakistan
'net security
provider in ME'

MSDA will make Pakistan a net security provider in the region of Middle East. According to some prominent geopolitical analyst, KSA came under Pakistan's nuclear umbrella as per the agreement. Pakistan will protect KSA against

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any aggression. Pakistan, being an only nuclear power in Islamic bloc, will stabilise the security of KSA in ME.

B) Raise Pakistan's stature and status

The agreement will raise the diplomatic profile of Pakistan in the region and the world. It will elevate Pakistan's stature to the 'middle power'. Pakistan had been suffering diplomatically due to terrorism but this agreement will significantly improve Pakistan's diplomatic standing.

C) Boost Pakistan's

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Defense Industry & Trade

The agreement will significantly boost defense industry of Pakistan. Pakistan will enhance its defense production with Saudi money. It will help in independent growth of defense industry.

D) Project image of Pakistan's army

The signing of the agreement is a proof of professionalism and competence of Pakistan's army. This agreement followed May skirmishes when Pakistan gave bloody nose to India and shot seven

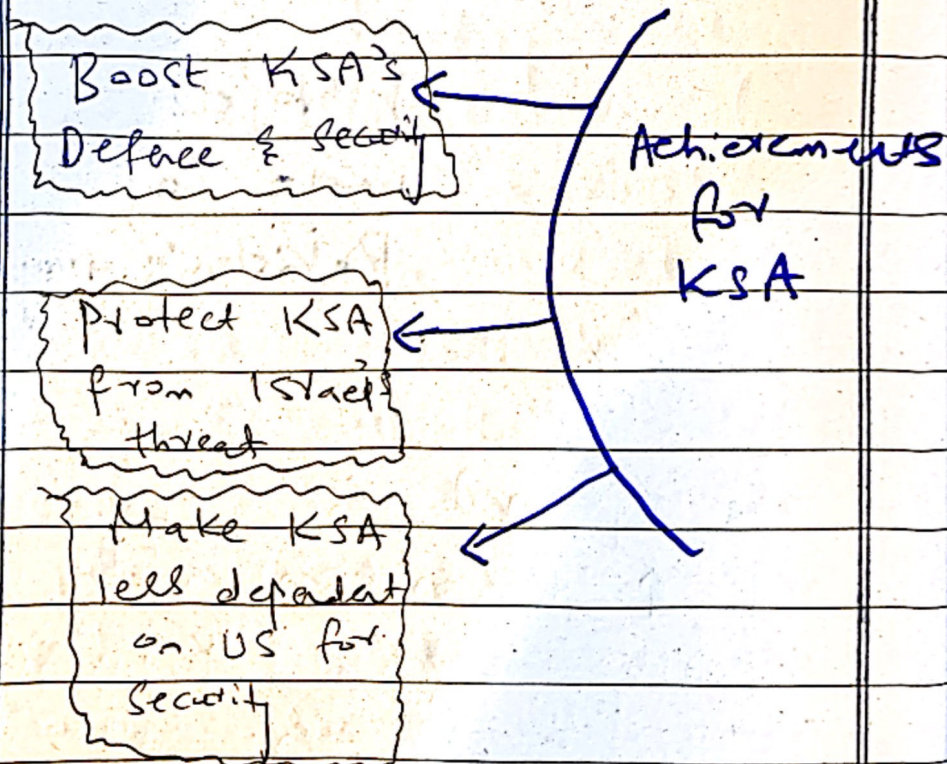
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Indian jet. This agreement will further elevate the profile and image of Pakistan's army.

Geopolitical achievement for KSA

Following will be the geopolitical achievements for KSA with MSDA;



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A) Boost KSA's Defence & Security

MSDA will
boost defence and security
of KSA. Middle East
is a turbulent region
for geopolitical; iron-clad
security is essential for
KSA to make its mark
on geopolitical of ME.

B) Protect KSA from Israel's Threat

The agreement
will also protect KSA
from the rogue state
of ME, Israel. Israel
has invaded seven countries
including Qatar, in the
region. It has made the
security of KSA

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Vulnerable with such toge behaviour. The agreement will check Israel's hegemonic design.

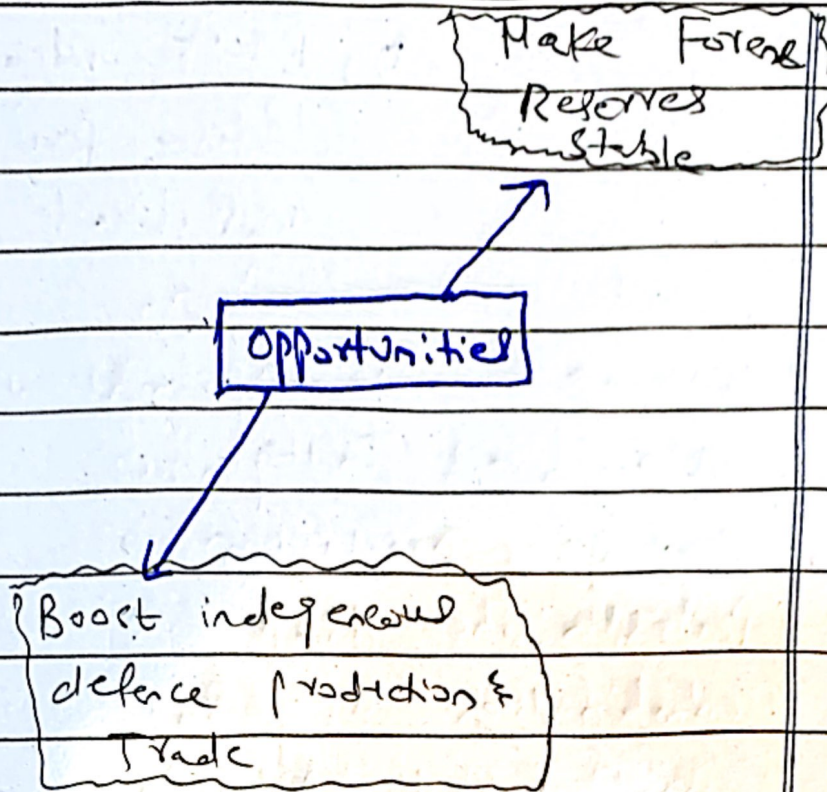
C) Make KSA
100% dependant
on US for
Security

The agreement will also diversify the security dependence of KSA. US was a silent spectator when Israel attacked Qatar. This alarmed KSA. Both KSA and Qatar have security guarantees from US. MSDA will make KSA 100% dependant on US for security.

Economic opportunities
for Pakistan

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A) Make Foreign Reserves Stable

The agreement provided opportunity to Pakistan to stabilise its economy. KfA had provided Pakistan loans, debt roll-over and bail-out packages. With this agreement, economic cooperation will further deepen between both countries.

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B) Boost indigenous defence production and Trade

The agreement will also boost indigenous defence production of Pakistan. The MSDA is the combination of Saudi money and Pakistan's military might. It will also significantly boost defence trade between both countries.

Conclusion:

Signing of MSDA was a historic moment for Islamabad and Riyadh. The agreement will benefit both countries in number of ways. It will protect KSA from aggression and

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Stabilise Pakistan's economy,
among other things.

Q NO 4

Introduction:

Russia, Nato and US have opposing stances regarding ending Ukraine war - Europe's largest war since World War II. Efforts are underway to end this deadliest war. We will discuss the efforts to end the war, stances of US, Russia and Nato and give recommendations to end the war.

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Efforts to End Ukraine War

Ever since Donald Trump assumed presidency, vigorous efforts are underway to conclude Europe's longest and deadliest war since world war II. Russia invaded Ukraine in February 2022 as a "special military operation". Russia annexed the Donbas region of Ukraine. Both sides are still locked in hostilities. World leaders led by US President Trump are trying to forge peace deal to end this war. However, there is marked difference among Nato, US and Russia regarding

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how to end the war.

What does Russia want?

Russia, led by Vladimir Putin, has been consistent in its demand and condition to end the war. Russia opposes Ukraine's NATO's bid and declared it as a 'red line' for Moscow.

Following are the demands of Russia;

- i) Ukraine should relinquish its claim to NATO's bid. In other words, Ukraine will never be part of NATO.
- ii) The whole Donbas region should be ceded to Russia by Ukraine (Russia controls

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only 20% of it).

iii) Regime change in Ukraine and immediate elections

What does Ukraine want?

Ukraine, led by President Zelensky, has always wanted to be a Nato member state. But it is non-started for Realis in peace talks.

Recently, Ukraine agreed to withdraw its claim to Nato's membership.

Following are the demands of Ukraine;

i) Non-Clad Security guarantee for Ukraine by Europe and US.

ii) Financial Package

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to rebuild Ukraine's
economy and infrastructure
after the war

iii) Ukraine will not
cede territory, i.e., Donbas
region to Russia. They
claim that Russia could
not get whole Donbas
region in four years.
Why should Ukraine
give what it couldn't
get in four years' war?

Nato's Stance

- i) Security guarantee for
Ukraine by US and
Europe
- ii) Favour Ukraine's
Nato membership.
- iii) Withdrawal of Russia
from whole Donbas

region.

What US under Trump
wants?

i) It is willing to
give security guarantee
to Ukraine but also
wants Europe to shoulder
greater responsibility.

ii) Ukraine should cede
territory to Russia,
Particularly the one
already controlled by
Russia.

iii) Substantial share in
Ukraine's minerals.
Mineral deal with
Ukraine.

Recommendations

Following are some

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Recommendation to end
the war;

i) Ukraine should withdraw
its Nato's claim
completely.

ii) Ukraine should be
given security guarantees
by US, Russia and
Europe.

iii) Russia should withdraw
its claim to whole
Donbas region as it
don't control the whole
region. Battle lines should
be frozen here. Ukraine
should cede 20% of
territory which Russia
already controls.

iv) Russia should pledge
not to invade Ukraine

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in future.

Conclusion:

All three
Parties — US, Russia, Nato —
have competing claims
to end Ukraine war. For
the war to end, all
three must concede
something to each other.
The only way to end
this war is negotiation
and compromise.

Q No 3

Weaponisation of Dollar
and SWIFT By US &
Europe against Russia

Introduction

US and Russia have weaponised dollar and SWIFT against Russia following latter's invasion of Ukraine. It has generated apprehensions and concerns against Global North in the mind of Global South. Global South is trying to de-dollarise and de-couple from SWIFT system. How US and ^{Europe} Russia weaponised dollar and SWIFT system against Russia and efforts for alternative

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arrangements will be discussed in this question.

How US & Europe
weaponised dollar
and SWIFT against
Russia

International trade is heavily dollarised. Following world war II, major world economies collapsed and their currencies lost its strength. Bretton Woods system was introduced. The vacuum left by other currencies was filled by dollar. Member-countries agreed to trade in dollar in BWS.

i) Petrodollar agreement

in 1974, US signed
Petro-dollar agreement

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with oil producing and exporting countries (OPEC). In this agreement, OPEC countries agreed to trade oil in dollars. With this agreement, energy trade became dollarised. With this agreement, dollar became internationalised.

SWIFT

SWIFT is Europe-based electronic transaction system. All international and commercial banks are linked to Swift. All banks are integrated with Swift. It is in control of US as US has largest 82% share in it.

Following Ukraine war, Europe and US froze \$142 billion USD of

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Russian assets in foreign banks. Russia was de-linked from Swift and all Russian banks were prevented access to Swift. The weaponisation of Swift against Russia is clear from the fact that Russia cannot access its own money placed in foreign banks.

Reaction of Global South and alternative arrangements

Weaponisation of dollar and Swift has greatly shocked Global South.

It was an eye-opener for China too. Russia was left scrambling for alternative arrangements. It convinced the Global

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Says that alternative arrangements have to be done against Swift and dollar.

what Russia did to counter Swift and dollar

Russia did two things to counter Swift and dollar hegemony;

- i) currency swap agreements
- ii) Barter trade

A) currency swap agreements

Russia signed currency swap agreements with China and India.

Russia exported oil to China and India and both

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Countries paid in their national currencies i.e. Yuan and INR.

B) Barter trade

India also resorted to barter trading with countries like Iran, India and China in which assets or commodities were exchanged in trading.

Creation of SIPS

Global South, led by China and India, has formed SIPS arrangement to counter SWIFT. More than 40 countries are participating in it. Major currency in SIPS is China's Yuan or RMB.

It is established to

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escape the sanctions by
west and counter swift
and dollar.

Currency swap agreements

Many countries have
also signed currency
swap agreements in
their bid for de-
dollarisation.

For example; Russia-China
agreement to trade in
Yuan, Russia-India agreement
to trade in Ruble / INR,
Russia - Iran and China-
Iran agreements.

Conclusion:

US and Europe
weaponised dollar and
SWIFT against Russia
when it invaded Ukraine.

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It greatly shocked Global South. and it started to look for alternative arrangements to counter dollar and swift. It has resulted in creation of SIPS and many currency swap agreements between countries.

Q NO 2

Introduction

Privatization is inevitable in Pakistan as many state-owned enterprises have become a burden on national exchequer. Pakistan's economic health doesn't allow for further bleeding of tax pay tax payer's

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money. Billions of taxpayer's money etc spent on these loss-making entities to keep them afloat. State must privatize loss-making SOEs in a transparent and urgent manner.

Privatization

When public sector entity becomes unmanageable and burdensome on national exchequer, state hands over state rather sells such entity to private sector, individual or corporation for efficiency and better management. This process is known as privatization.

For example; Pakistan Privatized First women

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Bank and recently
Pakistan International
Airlines.

Why Privatisation is
necessary

Privatisation
of state-owned
enterprises is necessary
due to following reasons;

Reasons
of
Privatisation

Better efficiency

Reduce state's
burden

Save country's
economy

A) Better efficiency

Privatisation is
necessary for better

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and efficient working of SOEs. Governments across the world don't do business. It is not the job of government to do business. Private sectors have the experts, professionals and skilled capital to run business. They are better equipped to deal with SOEs.

Privatisation entered working of SOEs in efficient and professional manner.

B) Reduce state's burden

Privatisation helps state reduce its burden. Federal government is already burdened with so many functions and

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responsibilities. It has bloated bureaucracy and departments and divisions. Privatisation spares money for the state to invest in other productive sectors.

C) Save Country's economy

Privatisation

Save Country's economy. PIA which was recently privatised has 650 billions debt and liabilities. Government used to spend 50 to 60 billion every year on this loss-making SOE. Pakistan which has meagre \$20 billion dollars in its reserve and 70% its debt-to-GDP cannot afford to run

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Such loss-making SOE. It
will liquidate Pakistan's
economy.

Recommendations;

i) All SOEs which
are in loss need
to be privatised.

ii) Privatisation should
be done in transparent
manner.

iii) Board of Directors
of loss-making SOEs
need to be held
accountable.

iv) Government should take
steps and make
environment safe and
stable for privatisation.

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Conclusion:

Privatisation
of loss-making SOEs
is since govt. has not
Pakistan, Pakistan's economy
cannot afford the
bleeding entitled. Privatisation
should be done in
transparent manner and
according to world's best
practices.
