

Date: JAN 4, 20

Day: SUNDAY

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CURRENT AFFAIRS

Q No 02:

Privatization is inevitable as State Owned Enterprises have been a huge burden for the budgetary economy of Pakistan. Analyse the statement and give recommendations.

1. INTRODUCTION:

The debate over the role of the state in commercial activities has shifted from "ideological preference" to "fiscal necessity" in Pakistan.

Privatization is defined as the transfer of ownership or management from the public to the private sector. It is increasingly viewed as an inevitable remedy for the country's chronic economic ailments. Historically,

SOEs were established to spearhead industrialization and ensure social welfare.

However, over decades, they have devolved into "Black Holes" for the national exchequer. As of 2026,

the fiscal hemorrhage caused by these entities has reached a critical threshold, where the opportunity cost of sustaining them is the under-binding of essential social sectors like education and healthcare.

SOES: A HUGE BURDEN FOR THE BUDGETARY ECONOMY OF PAKISTAN:

The statement that SOEs are a budgetary burden is supported by staggering financial indicators from 2024-2025 and 2025-2026 fiscal cycles:

1. FISCAL HEMORRHAGE:

In the first half of FY 2025 alone, major loss-making SOEs reported a combined net loss of Rs. 343 billion. Total accumulated losses for just the top 15 entities have surged to approximately Rs 5.9 trillion.

2. DIRECT SUBSIDIES AND BAILOUTS:

To keep these entities operational, the government provided Rs 616 billion in fiscal supports (grants, subsidies, and equity) in late 2024. Total annual costs to the exchequer, including indirect interventions, exceed Rs 1. trillion.

3. SECTORAL BREAKDOWN OF LOSSES (2025 Data):

— National Highway Authority (NHA):
largest contributor with accumulated losses of Rs. 1953 billion

— Power Sector (DISCOs):

Distribution companies like SESCO and PESCO suffer from technical and commercial losses of ~20% with a sector annual loss reaching Rs 600 B.
— Pakistan Steel Mills (PSM).

→ Pakistan Steel Mills (PSM):

Non-functional since 2015,
yet continues to incur Billions in
maintenance and payroll costs.

3. WHY PRIVATIZATION IS INEVITABLE:

The "inevitability" stems
from exhaustion of fiscal space and
failure of internal "restructuring" attempts.

1. Failure of Governance:

SOEs suffer from political interference, overstaffing, and a lack of professional management. This shift to private ownership introduces "Market Discipline", forcing entities to operate on profit-and-loss principles rather than political patronage.

2. Inefficiency of the "Public Service" Argument:

Proponents of state ownership argue for social welfare; however, when the USC and Pakistan Railways fail to provide quality services while losing billions, the social welfare argument collapses.

3. IMF Conditionality:

Sustained economic stability in 2026 is contingent upon structural reforms, with privatization being a core demand for debt sustainability and fiscal consolidation.

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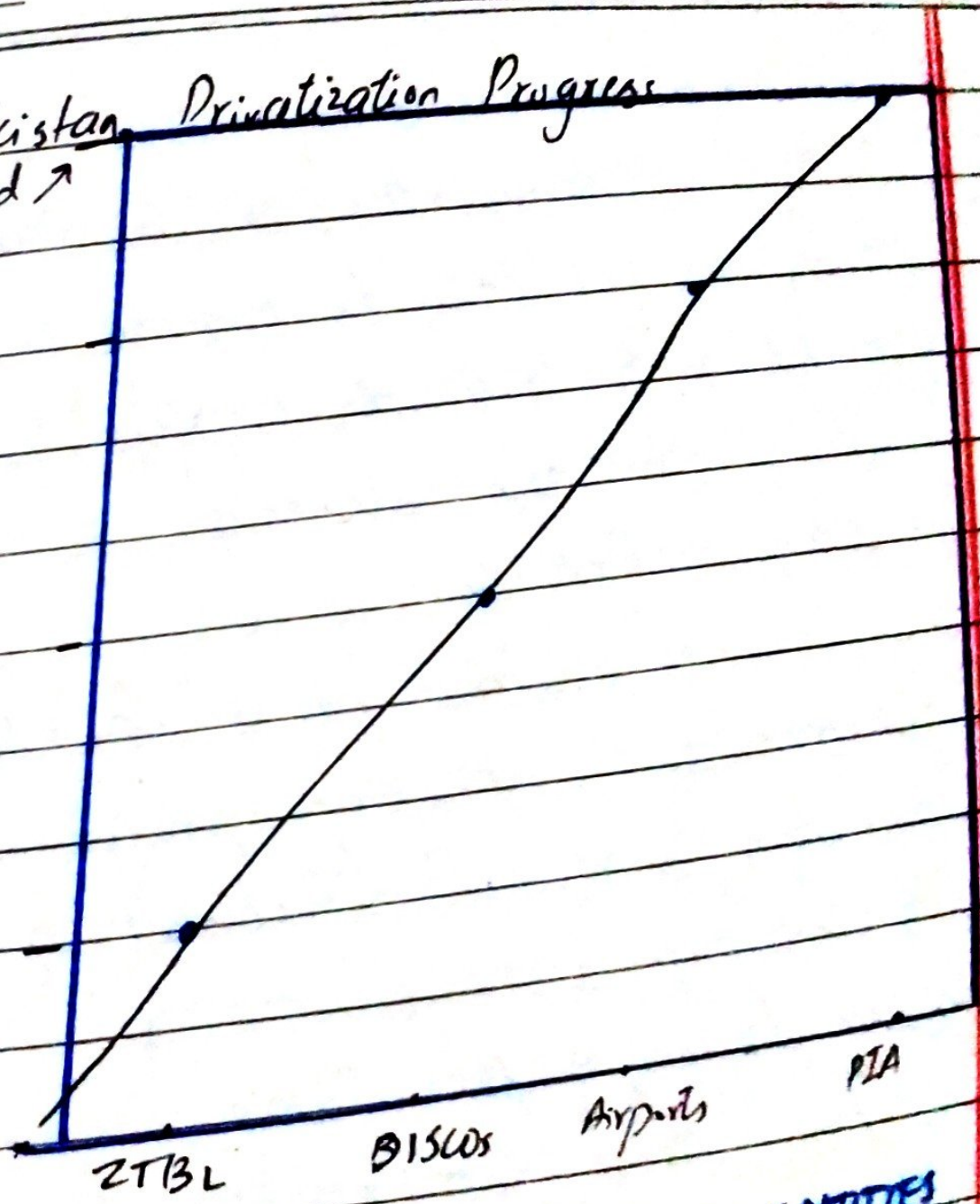
Pakistan Privatization Progress

PRIVATIZATION STAGE

concessions

In progress

Advisory



PUBLIC SECTOR ENTITIES

Part A

4. RECOMMENDATIONS FOR A SUCCESSFUL TRANSITION.

To avoid past pitfalls where privatization was criticized as non-transparent, the government must adopt nuanced strategies:

1. Strengthen Regulatory Frameworks:
Before selling utilities, independent regulators (like NEPRA) must be empowered to prevent private monopolies from price gouging consumers.

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2. Transparent Bidding:

Follow the PCO 2000 guidelines strictly to ensure competitive bidding and avoid "capture" by specific business interests.

3. Labour Protection:

Implement "Golden handshake" schemes or retraining programs to manage the social fallout of potential downsizing.

4. Liquidation of Non-Viable Assets:

Entities like Sindh Engineering Limited (SEL) that are non-operational should be liquidated rather than ~~fitting~~ current account deficits. privatised to stop immediate bleeding.

5. Debt Retirement :

Proceeds must be strictly used for retiring public debt or funding critical social infrastructure, rather than filling current account deficits.

5. CONCLUSION:

Privatization has shifted from a policy choice to a fiscal survival strategy for Pakistan's debt-laden Economy. Stopping Rs 1-trillion annual drain from loss-making SOEs is crucial

for Pakistan's stability. Transitioning to a "state-regulated" model unlocks efficiency, provided robust regulatory frameworks protect public interests.

Q No 4: NATO and Russia have outrightly opposing stance on how to end Ukraine's War. Trump on the other hand has different stance from NATO leader. Critically analyse the situation and give recommendations.

1. INTRODUCTION:

In 2026, the Ukraine War stands as a systemic confrontation between Russia and NATO. The crisis is defined by a "strategic trilemma". Russia's demand for territorial revisionism, NATO's insistence on international law, and the Trump administration's shift towards transactional isolationism. This analysis evaluates these divergent stances to propose a viable roadmap for resolution.

2. RUSSIA'S STANCE :

(SECURITY GUARANTEES AND TERRITORIAL REALITIES)

Moscow's 2022 position is non-negotiable on "territorial realities", demanding recognition of annexed regions (Donbas, Crimea) and a "land bridge". Strategically, Russia insists on the "Finlandization" of Ukraine that is legally binding status of neutrality and demilitarization, to create a buffer zone against Western encroachment.

3. NATO'S STANCE:

(SOVEREIGNTY, RESTORATION, AND COLLECTIVE DEFENSE)

NATO maintains a legalistic approach, upholding Ukraine's 10-point peace formula and the restoration of 1991 borders. Rejecting a "frozen conflict", NATO leader argues that anything short of Ukraine sovereignty and an "Open Door" to membership would merely allow Russia to re-arm for future incursions into Europe.

4. TRUMP'S STANCE:

(TRANSACTIONAL REALISM AND
"AMERICA FIRST")

President Trump has shifted the US towards a Transactional "Freeze" model. By leveraging military aid as a "Carrot and stick", he seeks an immediate ceasefire along the current line of contact (LOC). This approach prioritizes "burden-shifting", demanding that Europe assumes the financial and military responsibility for Ukraine's future.

5. CRITICAL ANALYSIS :

(DIVERGENCE OF INTERESTS)

This situation presents a "deadlock of wills":

a. Values Vs Realpolitik:

NATO views the war as moral struggle for the rule of law, while Trump views it as logistical burden, and Russia as an existential necessity.

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b. The security Paradox:

Russia's demand for a "neutral" Ukraine is NATO's definition of a "vulnerable" Ukraine.

c. Trust Deficit:

Trump's direct engagement with Putin bypasses NATO consensus, potentially emboldening Russian Persistence.

6. RECOMMENDATIONS FOR A

SUSTAINABLE RESOLUTION:

a. Armed Neutrality:

Adopt an "Australian Model" where Ukraine remains neutral (no NATO) but maintains a powerful, Western-backed military for self-defense.

b. European Pillar of Defense:

EU nations must
develop autonomous defense capabilities
to sustain Ukraine independently of
US political cycles

c. Reversibility of mechanisms:

Implement phased
sanctions relief tied strictly to the
verified Russian troop withdrawals.

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d. Transitional Administration

Territories under UN mandate for
10 years before final status referendum.
Place disputed

7. CONCLUSION:

The tri-polar divergence
between Russia, NATO and the Trump
administration necessitates a "Cold Peace"
Resolution in 2026 lies not in
absolute victory for any party, but
in pragmatic framework that
prioritizes human life and nuclear
de-escalation through a hybrid of
European-led security and Ukrainian
armed neutrality.

Q No 6.

removed from Paris
for

Q No 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

WP 21?

1. INTRODUCTION:

The 2025-2026 US withdrawal from the Paris Agreement under the Trump administration signals a shift from multi-lateralism to fossil fuel prioritization. This move destabilizes global climate governance by undermining scientific, financial and diplomatic frameworks established since COP21.

2. FAR. REACHING IMPLICATIONS

ON FUTURE CLIMATE EFFORTS:

A critical evaluation reveals that the U.S. pullout disrupts several vital components of the global climate regime:

- a) Undermining multilateral trust and universality:

The "stop and go" nature of U.S. commitments (withdrawing in 2020, rejoining in 2021, and again withdrawing in 2025) undermines the credibility of international agreements. It suggests that global commitments are contingent on U.S. domestic political cycles rather than stable, science-based policy.

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a) The Global Climate Finance Deficit:
The U.S. exit removes a critical source of financial support for developing nations. The new global goal of \$1.3 billion per year by 2035 (agreed in Baku) has become significantly harder to achieve without U.S. contributions, which had reached over \$11 billion annually by 2024.

c) Scientific and Research Stagnation:

Historically, the U.S. has led in climate science, contributing over 50% of highly cited papers in the field. Proposed 2026 budget cuts to federal agencies like NOAA and the EPA threaten the quality of future IPCC reports and the scientific authority of upcoming negotiations.

d) Pressure on Future COP Negotiations:

The U.S. absence from implementation talks for COP31 in Turkey (2026) means it cannot help shape critical rules on transparency frameworks and market mechanisms.

3. ANALYSIS:

Can China and Europe Help the World Continue Achieving the Promises of COP21?

With the US abdicateing its leadership, a "leadership vacuum" has emerged, which China and the European Union (EU) have pledged to fill.

(I) THE ROLE OF CHINA: (PRACTICAL AND INDUSTRIAL LEADERSHIP)

a) Green Industrial Dominance:

China has emerged as the world's green champion, responsible for over 70% of global EV production and 85% of the battery supply chain by 2026.

b) Renewable Energy Surge:

China added 887 GW of solar power in 2024 alone, leading many to believe its emissions likely peaked in 2024 well ahead of its 2030 target.

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c) Diplomatic Pivot:

In July 2025, China and the EU reaffirmed the Paris Agreement as the "cornerstone" of global cooperation. China is advocating for a "Climate 5 C5" partnership (China, EU, Brazil, India, South Africa) to replace previous Sino-US G2 leadership.

(ii) THE ROLE OF EUROPE: (REGULATORY AND MORAL STEWARDSHIP):

a) Sustaining the Framework:

The EU remains the strongest advocate for binding international commitments. It has implemented the world's first Carbon Border Adjustment Mechanism (CBAM) in early 2026 to penalize high-carbon imports and encourage global compliance.

b) Internal Challenges:

Europe's ability to lead is hindered by economic pressures, energy security concerns stemming from the Ukraine war, and rise of right-wing populism which may weaken internal climate consensus.

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4. CONCLUSION:

While US withdrawal creates financial and diplomatic hurdles, the Paris Agreement remains resilient. A China-Europe "coalition of the willing" has shifted global efforts towards a decentralized, multi-polar climate regime. However, fulfilling COP21 promises without the world's largest economy remains an immense challenge requiring unprecedented international cooperation.