

CURRENT AFFAIRS

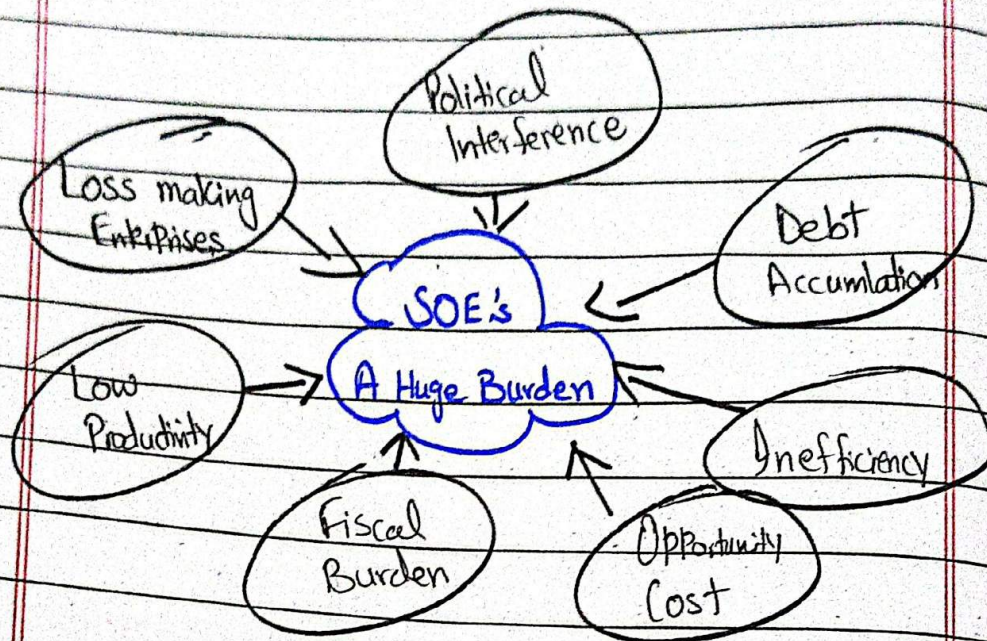
Q.NO. 2

SOE Privatization is inevitable

Introduction

State owned Enterprises (SOE) are originally created to Promote strategic interests, Public Welfare, show governments confidence in economy and accelerate the economic development. However, decades of mismanagement, Policy mess ups, Political interference and weak governance has turned state owned enterprises into a giant that is creating strain on the economy by creating increasing losses. According to official estimates, the SOEs collectively incurs losses equal to the 2 Percent of the GDP annually. The repeated government bailouts and stress on the fiscal discipline of economy makes running the SOEs unsustainable. Privatization has emerged as an answer to government woes where the SOEs can be

sold thus improving their efficiency, fiscal discipline and restore their growth potential.



SOE's : A HUGE BURDEN

i) Fiscal Drain of SOE:

SOEs are making annual losses of PKR 800-900 bln annually which is equivalent to the 2% of GDP. The amount often increase the federal PSDP allocations. Pakistan International Airline (PIA), which has recently been privatized. for 135 bln rupees (75% shares) used to make PKR 700 bln losses at its book. Similarly the

DISCOs and Pakistan Steel mill
~~are~~ are loss making entities causing
circular debt.

ii) Debt Accumulation:

The SOEs,
rather than paying taxes to the
government, are loss making entities and
require annual subsidies that exceeds
PKR 500-600 billions. The debt servicing
and interest payment has also to be taken
care of by the government. The inefficiency
of SOEs to be unable to collect bills
costs government ~~a~~ greatly. Current Power
sector circular debt is PKR 2.6 trillion,
which government has decided to pay and
later receive from consumers in form of an
additional surcharge, and gas sector circular
debt has also accumulated to PKR 2 trillion.

iii) Inefficiency and Low Productivity:

SOEs capacity
utilization is 30-40% and the
employees efficiency is much lower than
the employees of comparative Private industry.

iv) Governance and Political Interference:

SOEs are overstuffed due to the Political interference. The governance board appointments are often of Political nature rather than skill based which creates a governance and leadership vacuum due to which SOEs suffer.

v) IMF and Financial Institutions:

Due to government's inability to stop the losses of SOEs, IMF has mandated the Privatization in 22nd IMF Program. IMF also requires government to stop ballooning of circular debt. SOEs liabilities also negatively impact the credit ratings of Pakistan issued by financial institutions such as Moody which rates Pakistan as a high risk for investment and it has direct impact on the flow of Foreign Direct Investments (FDIs).

RECOMMENDATIONS

1- Phased & Sector-Wise Privatization:

Government need to focus on sector-wise Policy reforms and targeted Privatization to increase chances of success. Recent PIA Privatization is example of one such success. Next step should be the reforms and Privatization of loss making DISCOs.

2. Regulatory Reforms before Sale:

The Privatization of a loss making institute is not possible. Thus, government need massive regulatory reforms and implement them to gain investors confidence so Privatization can be successful.

3. Transparency in Privatization:

Rather than using Privatization for Political or commercial gains, the Privatization Process should be made transparent so the investor and people confidence in Privatization remain high.

4. Labour Protection and Retention:

Labour and current employees of SOEs should be retained and in the Phase-wise Privatization, government should use the extra staff and adjust them in its other SOEs rather than hiring new staff.

5. Protection of Strategic & Social Interest:

Government should not sell 100% shares so government has an internal oversight as minority share holders and while selling the SOEs the agreements must consider Pakistan's strategic and social interests to cover all the legal aspects.

The drain of SOEs on Pakistan's economy requires immediate structural reforms and Privatization so the loss making entities can be sold to Private investors and be efficiently run and can earn government billions in taxes rather than costing billions in bailouts and subsidies.

Q No. 5

PAK SAUDI DEFENCE PACT

Introduction

Pakistan and Saudi Arabia have both enjoyed a mutual cooperation based on trust, faith and harmony. The military cooperation included, but not limited to, Providing military training, holding joint exercises and Pakistan exporting defence products to Saudi. The recent formalization of this military cooperation on 17 December 2025, when a mutual defence Pact was signed, showed the formalization of strategic relations between two countries. It happened at the time of heightened tensions in middle east when Israel was acting aggressor in multiple countries. This Pact helped offset the new norm Israel was trying to create and increased both Saudi Arabia and Pakistan's geopolitical stature. It is also going to open new economic avenues for Pakistan.

Geo Political Achievements

Geopolitical Achievements for Pakistan

1. Formal Security Alliance
2. Enhanced Regional Pole
3. Raised Geopolitical Profile in Middle East
4. Increased Deterrence
5. Increased Diplomatic Leverage.

Geopolitical Achievements for Saudi Arabia

1. Diversified Strategic Partnerships
2. Enhanced Security Presence
3. Deterrence against regional threat
4. Increased role in Muslim World
5. Raised Regional Power stature.

GeoPolitical Achievements

PAKISTAN

1. Formal Security Alliance:

This is the first time Pakistan has entered into a formal security arrangement with any country. It secured Pakistan's Eastern borders and gave Afghan Taliban's

narrative against Pakistan a major push back

2. Enhanced Regional Role:

This increased
Pakistan's role as a capable and
trustworthy military power and a trust
worthy net security provider.

3. Raised Pakistan's Profile in Middle East:

This helped
raise Pakistan's profile in middle east rapidly
with UAE President, Jordan President and Iran's
President's visits and Pakistan signing weapons
supply deal with Libya.

4. Increased Deterrence:

It increases the
deterrence of Pakistan and pushes India back
of its aggression against Pakistan.

5. Diplomatic Leverage:

It gives
Pakistan some influence over Middle
East and African muslim countries in
UN to seek favours for its
geopolitical interests.

Saudi Arabia

1- Diversified Strategic Partnerships:

Saudia, which once relied only on USA to provide security, diversified the Partnership by also signing the Pact with Pakistan mainly due to the US unreliability and response when Qatar was attacked by Israel.

2. Enhanced Security Presence:

The Pact gives Saudia access to Pakistan's exclusive security network including nuclear umbrella and ~~strategic~~ ^{strategic} equipments.

3: Deterrence against Regional Threats:

It gives Saudis the much needed deterrence against the threat of Houthis and Israel. With the Pact, the threat analysis of any misadventure needs to be re-calculated.

4. Increased Role In Muslim World:

It increases Saudi role in the muslim world and gives it more influence.

5. Raised Regional Power Structure:

It gives Saudia a more comfortable place in regional Power Politics and increases its role.

Economic OPPortunities for Pakistan

1- Investor Confidence and Market Impact:

The agreement increases investor's confidence in Pakistani securities and inflow in Pakistani market.

2- Saudi Capital Investments:

The Saudis can take advantage of Pakistan Energy and mineral sector and the Saudi capital inflow will help Pakistan regulate its economy and earn the much needed fiscal space.

3. G2G Economic Talks :

The government to government economic talks have the potential to change Pakistan's economic future and help with job creation and industrialization.

4. Labour Export to Saudia :

Pakistan can leverage this relation to export more trained and unskilled labour to Saudia which will increase the remittance inflow.

5. Cooperation in Defence Industry:

With Saudi Capital, Pakistan's skills and both countries' influence, the joint development of defence Projects have high chances of success and it will help Pakistan boosting exports and jobs.

The Saudi-Pak Pact is not just a military agreement but a strategic Pact with multiple geopolitical and economic benefits for both. If effectively leveraged, the Pact can not just raise geopolitical stature of both countries but also has the potential to revive Pakistan's economy.

Q No. 7

INTRODUCTION

The US and China have been directly involved in a direct trade wars that includes tariff war and trying to choke each other supplies and logistics. US tried to use its leverage in chip manufacturing by banning exports of high performance chips and china responded by choking the supply of rare-earth materials where it has monopoly. They are needed in all high performance electronics and are backbone of US industry. The war still goes on with both sides making compromises but it will continue to get escalated in future with noticable implications over people, electronics, technology, world economy and innovation with both countries playing equal role in it.

1- US using Chips

China Poses a risk to US capitalistic structure with rapid advancement in technology, innovation and AI.

To limit this, US restricted exports of high end chips to China and used its allies to starve China of the sensitive equipment by creating a tech blockade.

2. China use of rare-earth as counter:

China supplies 69% of global rare-earth and 90% of rare-earth processing. Rare earth are key in manufacturing ~~and~~ any high end electronics. China responded to US export control by enacting its own export control on seven rare-earth including samarium, terbium etc affecting US access. It choked US defence and high end manufacturing industry and brought US to table.

3. Geopolitical Dimensions

- US-China tensions made both reduce reliance on each

- Other: US is trying to snatch Ukraine's rare earth while China is investing heavily in chip manufacturing.
- US is strengthening its ties with allies while China is also looking for alternative partners.
 - It has given rise to tech rivalry in the world.
 - Trade has been militarized and there will always be supply chain disruption risks in global trade.

4. Economic Implications:

- Inflation will rise due to the retaliatory measures.
- Supply Chain Disruption will increase economic uncertainty in the world.
- Diversification will increase competition and prices of rare earth might come down.
- Industrial Relocation due to shifting alliance will increase uncertainty overall.

5. Future Scenarios & Strategic Outcomes

- 1) US will decrease its reliance

on China and shift to its allies for future dependency.

- 2)- New Trade Blocks will be formed, new supply chains will be made and world might divide into two (like the cold war era) in extreme forecasts.
- 3)- Global Prices will continue to be volatile and the volatility will be bad for the short term investors and increase inflation.
- 4)- New third world Playgrounds will be made where the wars of these blocks for control will happen and millions might suffer.
- 5)- Both sides will continue to invest in their tech and supply chain while attacking and retaliating against each other.

The US-China trade war started from semiconductors and rare-earth has shifted to tariffs and strategic supply chain control where both blocks are rushing for the control and tech advancement to eventually gain more economic and geopolitical Power.