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- BATCH: 076
- CURRENT AFFAIRS

PART-II

Question:

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?

Answer:

INTRODUCTION:

Dollarization of international system has made Dollar of supreme importance. It has also increase the influence of the Global North over the Global South. US and Europe has been weaponised 'Dollar' and "SWIFT" against Russia in order to make her economically weak, so as to stop war in Ukraine. US has Freeze 340 Billion Dollar of Russia through SWIFT and with the support of European countries. It has made other countries of

Global South to think that, today Russia is its victim and tomorrow any other South Global South country can become its victim too. So these countries started thinking to bring an alternative currency for international trade, in order to reduce influence of Dollar and SWIFT.

Dollarization of International System:

1 Britin Wood System:

BRITIN WOOD SYSTEM

① Britin Wood System establishes two banks IMF and BIRD in 1945 and decided that it will comprises major portion of dollar

② It stated that Dollar will build its currency against Gold and all other countries will do against the dollar.

③ In the world, it was rule for all states Bank to have dollar along with the Gold.

Britin wood system was major reason for

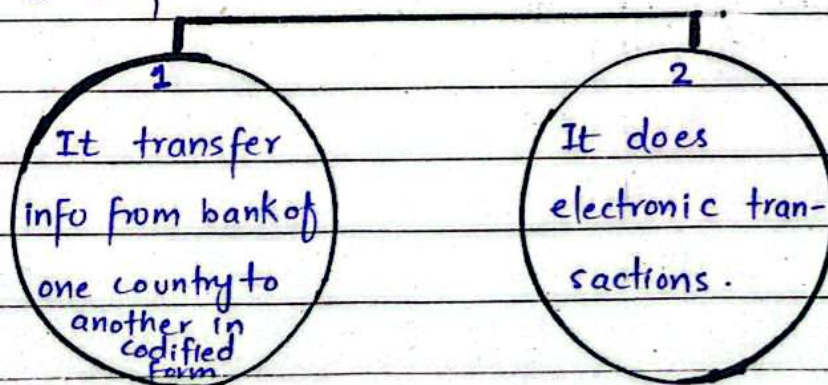
Dollarization of international system.

2 Agreement Signed Between U.S and KSA in 1974:

This was a hidden agreement signed between U.S and KSA in 1974. According to it, it was decided that Saudi Arabia will do its oil trade in Dollar which is important commodity of KSA. This agreement made US Dollar internationally important.

3 SWIFT and dollarization of International System:

"SWIFT" is an International Banking System formed in "Belgium". More than six thousand banks both state Banks and Commercial Banks are connected to SWIFT. for the purpose of trade across the border. It functions in 2 steps:

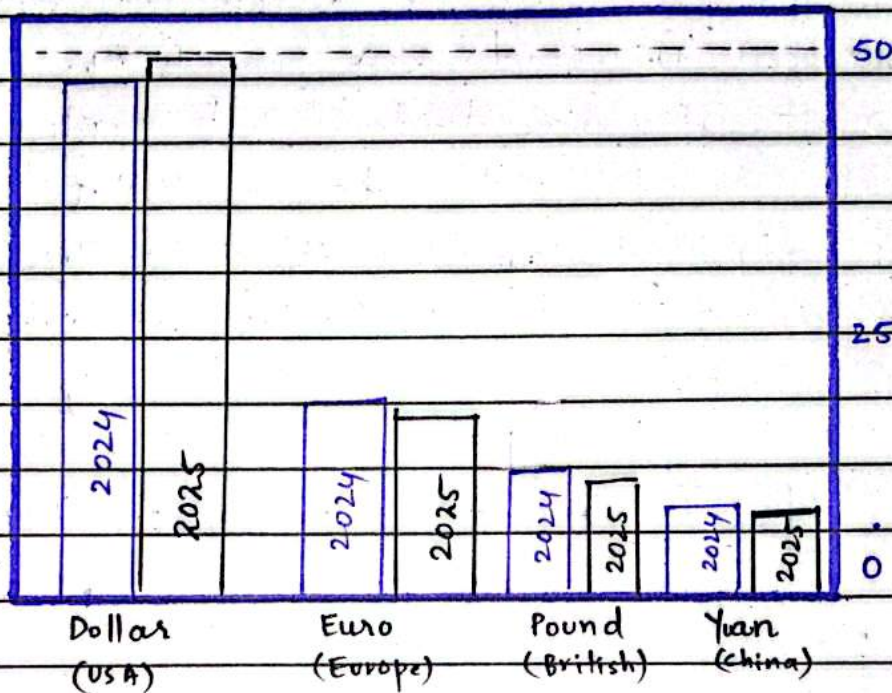


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The trade is done in Euros, Pound but major of its trade is in Dollars. Almost 82% of trade is done in dollars.

Graph:



Dollar Remains dominant currency on SWIFT.

Weaponization of Dollar and SWIFT by US and Europe against Russia:

US has freeze the "340 Billion Dollar" of Russia in SWIFT. Also all the trade that Russia performs through SWIFT have also been blocked.

The aim and objective of weaponization of dollar and SWIFT against Russia is to stop Russia by making her economically weak and to make her face defeat in Ukraine war. Also European countries are threatening Russia to confiscate 340 billion Dollars of Russia. Biden in 2022 said that we will convert Ruble (Russian currency) into Rubble. so its economy will weaken due to inflation.

Now, this has become a serious concern towards Global South and they are bound to think that today Russia is its victim and after it other countries such as China, KSA, India, South Africa etc can also become its victim. So now many countries such as BRICS countries are thinking to make their own currency to do trade as done by Europe in Euros.

Demand For another Parallel currency and Transaction system by Global South:

Now BRICS countries are thinking to establish a parallel currency to Dollar

and transaction system other than SWIFT.

a Currency Swap by China:

China has signed agreement with 46 countries regarding currency swap. It is doing trade with Saudi Arabia in (Yuan - Riyal) with Pakistan in (Yuan - PKR) and with Russia (Ruble - Yuan) and many other countries. China is doing its 90% trade that is 300 Billion dollars through currency swap.

b Currency swap by Russia:

Russia is also doing trade in the currency other than dollar with countries such as India, China and other countries along the globe.

c Currency Swap Agreement (CSA):

BRIESt countries has signed (CSA) Currency swap Agreement to reduce the influence of Dollar. Also they are trying to establish their own currency as European countries had i-e "Euros".

d Rise of Yuan:

Trade in China's currency (Yuan) is

getting influence in Asia- By 2022 its trade in Yuan has increased. Now Russia is also doing trade in Yuan, other countries such as KSA, UAE are also doing trade in Yuan.

Conclusion:

To conclude, Now Global South has sensed the increasing influence of dollar and SWIFT and their weaponization by US and his allys. Global South is now decreasing its influence of US dollar and started promoting their currency. This currency warfare between Global North and Global South will decrease the influence of dollar and SWIFT as alternative currency and transaction system of Global South developed.

"Currency Warfare is the most destructive form of Economic Warfare"
~ Henry Dexter.

Question:

US used chip as weapon and china in turn used Rare Earth Metals. Critically evaluate the future of trade war between the

two world largest economies in the light of the above statement?

INTRODUCTION:

The Trade War between US and China started in "2017". After the second world war it is the largest war that is continued between world two big economies such as China and US. This was started by US and retaliated by China. Due to free trade America faced immense loss and faces decline in local industry as China exports are cost less and hence US imposed higher taxes and tariffs on China. These tariffs was increased by Biden. Further in 2025, Trump increased these tariffs to 34%. than to 50%. and than further increased it to 250%. China in turn increased tax upto 10%. than 34%. and than to 125%. US also stop the export of semiconductor to China and in turn China stop the export of rare Earth metals.

CHIP VERSUS RARE EARTH

METAL:

US weaponized chip by stopping the export of semiconductors to china and inturn china stop the export of rare earth metals.

Why US Weaponized Chip:

As china is growing industry in technology and is competing USA. In Robots, china is leading. In mobiles china is superior and in Laptops and AI china is giving tough time to USA. So in order to weaken china's progress in technology, US banned the export of semiconductors to china as chip is used in production of technological devices. Also, china is highly competing the US in international trade market and china's progress and influence is getting stronger which is not acceptable for US. Also, US wanted to revive local industry by imposing tariffs on chinese products.

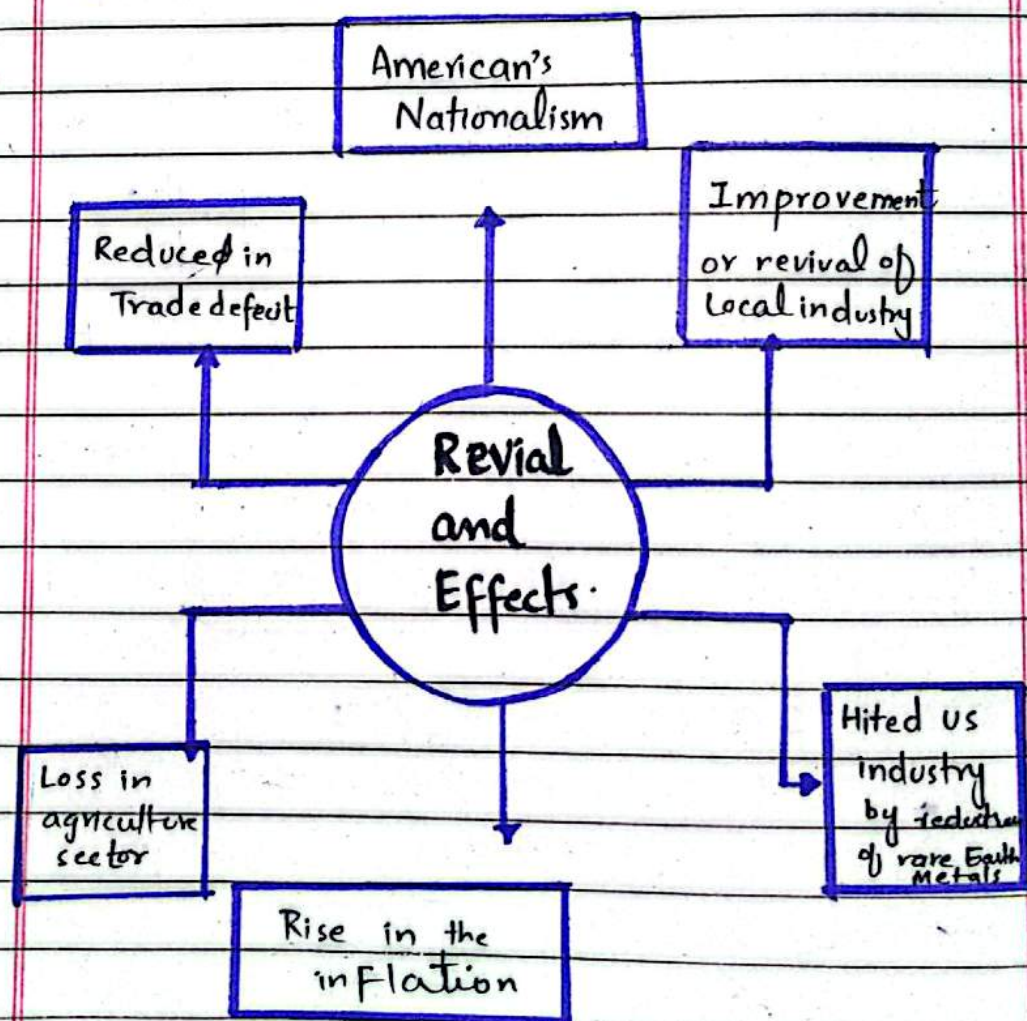
Why China Weaponized

Rare Earth Metals:

China weaponized Rare Earth metals mainly because US weaponized chips. China has retaliated. China is the largest producer of Rare Earth metals and

60% are produced in china. On the other hand USA, Japan also produces Rare Earth Metals but industry is only located in china. It was transferred in 20th century end by America to china as it cause pollution but now china uses it against US. US many industries are dependent upon china so china weaponized it. as 90% of Rare Earth metals ~~at~~ comes from china.

Revival of US and Effects



By imposing high taxes on US chinese products, US local industry revived because due to implementation of taxes the cheaper chinese products becomes expensive and US locals start buying local products. It also ~~was~~ resolved the issues regarding trade deficit. Along with it inflation increased. US also faced loss in agriculture industry because china is largest consumer of agriculture goods from US. China also applied tax on agriculture products. Also US industry sector such as Apple, automobile Tesla etc affected by weaponization of Rare earth metals.

Effects on China:

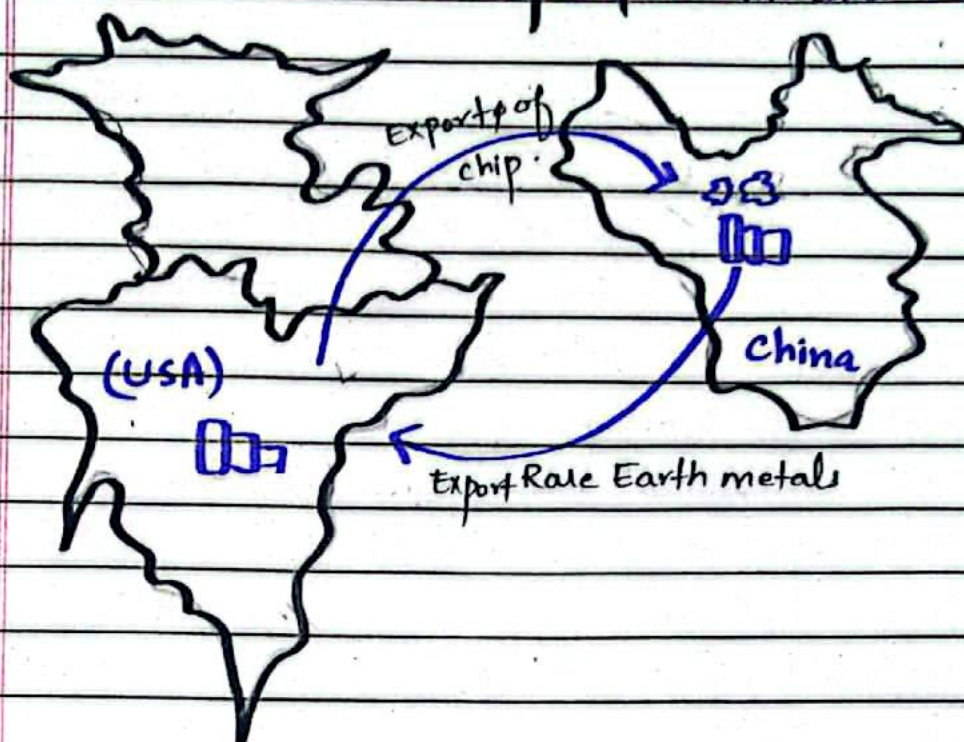
1. Unemployment:

As unavailability of semiconductors such as chips, many industries stops working. For which unemployment took place in china.

2. Dollar Deficit:

Due to decrease in trade, china faces dollar deficit from one thousand dollar and reduced to 800 dollars.

Trade Map b/w China and USA



Solutions:

There are two solutions-

- 1 First is interdependency model. China is agreed to follow it but US is not willing to follow because it does not suits US. However, it suits china more. therefore china is interested.
- 2 The second solution is that china should change it reliance on US for semiconductor and also america should install its own rare metals industry but it is time taking process and will complete after many years.

Conclusion:

China has overcome this loss by making U.S. to negotiate as China retaliated against America, as not done by any other country. Both countries depends upon one another, hence has removed tariffs and started trade again.

China is also penetrating with other countries across the world. It is enhancing its trade with ASEAN. America was having major trade with ASEAN but by 2025 it is stucked at 450 billion dollar while China has reached upto 900 Billion dollar Trade with ASEAN. China is becoming economical strong day by day.

Question:

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?

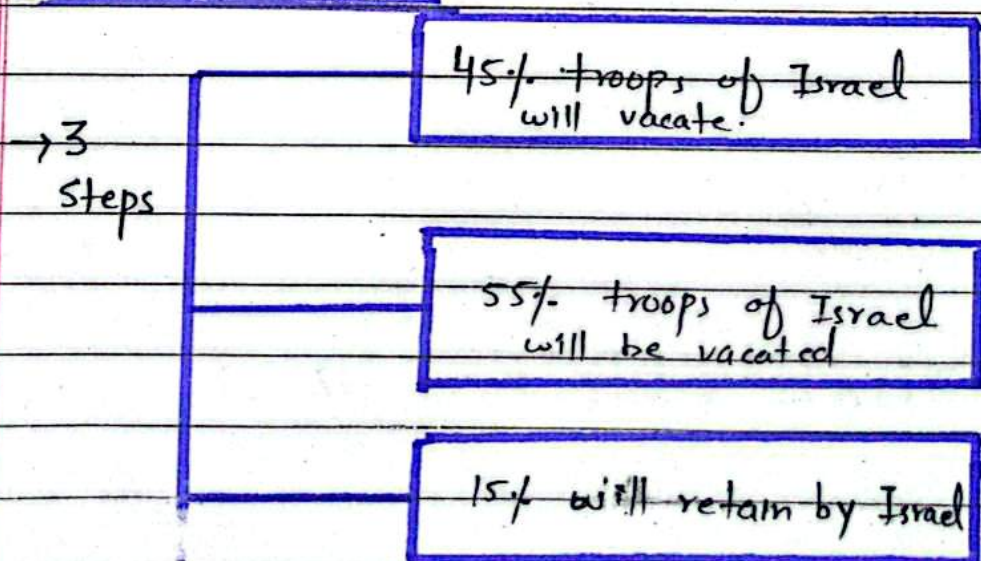
Answer:

GAZA PEACE Plan:

Introduction:

"UNGA conference" was held in New York in which the leaders of Muslim world meet Trump and decided the peace plan for Gaza. Later, the Trump meet Netanyahu and his concerns regarding the peace plan were changed. Foreign ministers of Pakistan, Turkiya, Egypt, Iran, Jordan has told that there is difference in the Trumps (20) twenty point given by him and the peace plan regarding Gaza, that was discussed earlier. Although Muslim world accepted in with the hope that genocide will end in Gaza.

Condition of Gaza Peace Plan:



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Israeli troops will leave Gaza in three steps: In first step 45%, In second step up to 55% will be vacated and than 15% will retained by Israel. Israel said it will do it on certain conditions.

Conditions by Israeli:

In deploy of International troops in Gaza from Muslim World or Western world, Israel opposed the troops of Iran, Malaysia and accepted the troops of Egypt, Jordan, UAE and Pakistan.

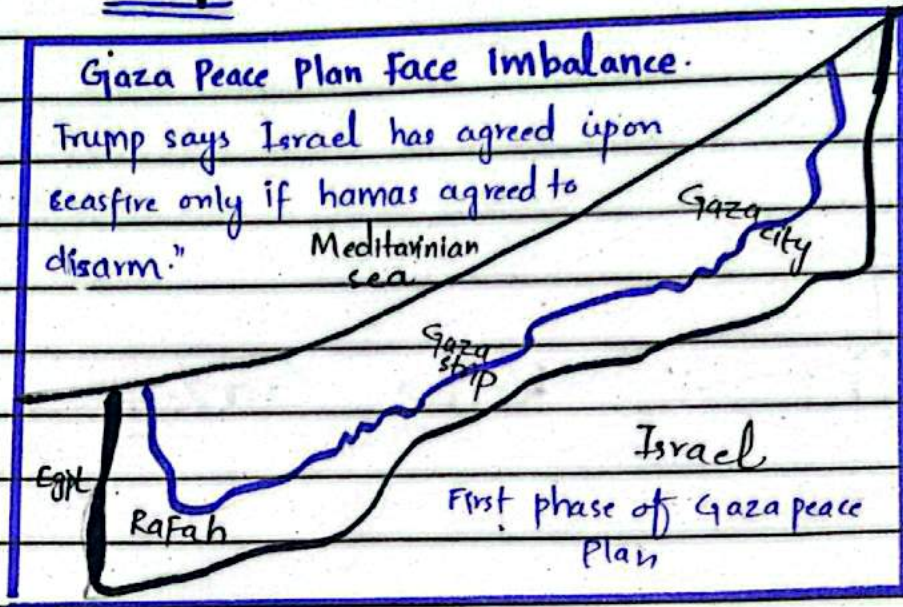
Power and domain of International troops:

The question arises that what kind of powers should be given to international troops. Whether they will have the military powers or policy making powers. Will they have the powers to stop the Israel from attacks. Israel has started attacks soon after the Gaza peace plan. And then will these international troops become successful in stopping and disarming Hamas. Also, these troops will have the power to decide whether the attack is done by Israel or Hamas,

but Israel will not allot these powers to International troops. If International troops are unable to stop these attacks that are caused by Israel then it is aimless to send troops of Muslim countries such as Pakistan. If Muslim world troops disarmed Hamas then it will affect the Muslims unity also, which will rise sectarian issues.

Conditions by Hamas:

Hamas gave conditions that, Hamas will only disarm when Israeli troops left Palestine and Israel and US accepts the accepts Palestine as a sovereign state. But Israel already have claimed that "Two state solution" is not possible. And is not ready to recognize Palestine. If it is not possible then Hamas will not deweaponize itself. If Israel is not able to vacate the 15% area of Gaza, then Hamas will not disarm and the issue will still remain unsolved and will fall back on the initial point from which it took start. After Gaza peace plan, Further 700 victims cases were reported in Gaza by Israel. genocide.

map:

Resumption of humanitarian aid and Gaza's Reconstruction:

The aid and food along with water was stopped by Israel from Oct 2023. But now the humanitarian aid is restored from Egypt. Trump and Israel wants Gazans to leave Gaza and settle in Egypt, Jordan or any other country. But Gazans and Muslim world rejected. Gazans however have asked that in 1st step provides them which temporary residence and then in second stage reconstruct the buildings and establishment of Gaza but and also who will contribute

whether, US, Israel or Muslim world and how much will they contribute. Israel should allowed central and Northern Natives to move to their cities but Israel is not bearing such conditions give by Gazans.

Who will Rule Gaza:

Now the question arises that who will rule the Gaza. Before war from 2006, Gaza was ruled by Hamas and in 2023 the rule was took over by Israel. Hamas states that it would deweaponize if Gaza is left over to Palestine. It was decided that technocrat will rule the Gaza but Israel and US did not want to accept technocrat from Palestine. It means that they wanted to put into rule a Handpick who is in favour of Israel and US.

Pakistan and Gaza Peace

Plan:

In accordance to the Peace Plan, Prime minister of Pakistan shebaz Shaveef and chief of Army Staff "Asim Muneer"

met Trump and shares their views regarding Gaza peace plan. Pakistan has raised concerns and also talked about the amendments. Although it is not decided that Pakistan will send its troops to Gaza or Not. However Morocco and Rwanda has stated that Pakistan is ready to send its troops. Time will prove whether sending troops will emit positive effects or negative consequences.

Conclusion:

Trump has decided peace plan with leaders from Muslim world but after meeting with Netanyahu, the point were amended. There is imbalance in restoration of peace plan in Gaza. Israel is not willing to stop genocide and soon after the Gaza Peace Plan, 700 cases were reported. Strong implementation and uniting Muslim world can exert pressure on Trump in order to attain Peace in Gaza.

Question:

Privatization is inevitable as state owned enterprises have been a huge burden for the budgetary economy of Pakistan? Analyze

the statement and give recommendations?

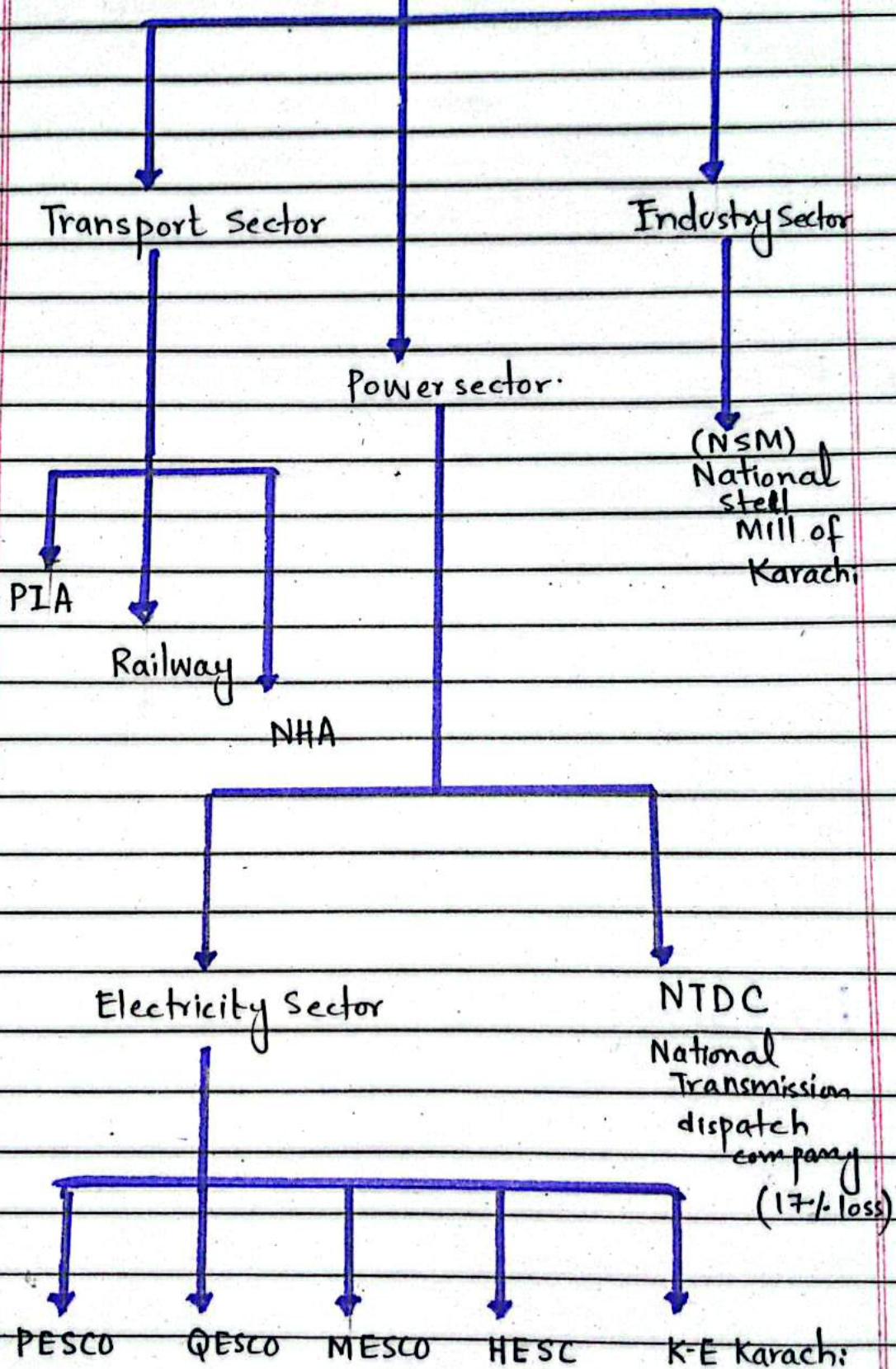
PRIVATIZATION IS IN-EVITABLE FOR PAKISTAN:

Introduction:

Pakistan is a developing country and is stringently affected by economic crises. Pakistan's economy is facing two big issues. One is regarding imbalance of payment crises and other is budget deficit. The expenditures of Pakistan are more than the tax that is collected. The expenditure of Pakistan in 2025 was 18.9 trillion PKR but collection from tax was '13.6 trillion PKR' which is very less. Pakistan is carrying extra burden in form of Enterprises and many of its collections are lost to state-owned enterprises, enhancing burden on state. Privatization is effective in order to reduce burden over the state's economy.

Privatization of State Owned enterprises:

Privatization of Enterprises.



-1 Transport Sector:

Transport sector involves PIA, Railway and National Highway Authority. They are facing immense loss and are paid by state. Billions of money is lost in paying wages to these sectors. Pensions to the workers are also paid by Pakistan's government.

a PIA:

PIA was deficit and was in loss. IMF has placed demand to privatize it bcz it was huge burden on economy. Now it has been privatized successfully to Pakistani company. Many of the planes were not working properly. They There were alot of technical issues which were huge burden on economy and were not repaired.

b Railway:

The railway of Pakistan is also in loss. In Asia all Railway sector of all countries except India are in loss. The cargo trains and passengers train are not used in effective way, so that it can be profitable. To maintain them

privatization is required.

e NHA:

"National Highway Authority" is also a huge burden. Road are destructed and many repairment processes are required but Pakistan's economy can't afford it.

2 Power Sector:

Power sector involves electricity sector and NTDC (National Transmission Dispatch company).

a Electricity Sector:

Electricity sectors such as Peshawar electricity sector cooperation, Quetta Electricity sector cooperation, K-Electric Karachi etc are facing immense loss. There is loss in electricity line, electricity theft and In 100 unit out of 16% are lost.

b NTDS:

In National Transmission dispatch Company there is 17% loss due to the weakened or poor condition of the

lines

3 Industry Sector:

Industry sector of Pakistan is also in loss.

a N-Steel Mill Karachi:

National Steel Mill Karachi is functionless and not working properly, hence closed.

Wages and pensions of workers are paid by government of Pakistan. Which is again a huge hurdle in development of economy.

Recommendations:

1 Privatizing State owned enterprises that are in loss: will boost economy:

Pakistan is spending billion of PKR on these state owned enterprises. It spends billions from federal and provincial budget and hence country's economy is falling day by day. Privatization is the best solution.

to boost economy. As previous, privatized enterprises has earned immense profit. Such as MCB has earned 300% profit. Also IMF, has told to only give loan if Pak privatize PIA by 31 Dec 2025 and Pakistan remained successful.

Reduction in Budget Deficit:

If the burden is decreased by privatization, then the budget deficit will also enhance and Pakistan will become successful in stabilizing its economy.

Conclusion:

Privatization is most effective way through which Pakistan can reduce the burden on its economy and will become successful in overcoming budget deficit and will improve agriculture, education and health sector. Pakistan should also end or lessen subsidies such as Benazir Income support and subsidies in electricity to attain economical success.