

Q: 06

Answer

1) Introduction:

There is significant impact of IMF financial interventions on developing economies, particularly Pakistan. Due to these interventions, the decline of indigenous industries is witnessed. Moreover, the human development lowers, and increase in poverty is witnessed. However, to some extent, IMF loans do promote economic recovery by avoiding bankruptcy of the developing states, and stabilises the foreign exchange reserves. Furthermore, there are also some risks and criticisms attached with their long-term effects.

2) Impact of IMF financial interventions:

2.1) Decline of indigenous industries: (Economic Liberalism)

Due to IMF financial interventions, developing countries witness the decline of indigenous industries.

The financial interventions come with conditionalities as IMF instructs the developing countries to adopt trade liberalization policy. Due to the policy of trade liberalization based on economic liberalism that there shall be minimum trade barriers while doing trade. Therefore, due to policy of economic liberalism, the hike in imports is witnessed, resultantly affecting domestic industries.

2.2) Human Development Lowers: (Feminism)

Moreover, IMF financial interventions comes with some conditionalities of ceasing off welfare programs, where education, health, and other basic facilities are provided by the government. However, due to this, the developing economies, cut the spending from human welfare program, as a result of this, the human development of a country lowers. For instance, Pakistan's, a consistent borrower of IMF, ranking in the recent HDI 2025 is 168th. As per theoretical perspective of feminism, these institutions are dominated by male figures, and

women mostly benefit from the welfare programs; therefore, the high-end leadership comes up with those policies, which are anti-women.

2.3) ~~6~~ Exacerbates poverty: (Neo-Realism)

Furthermore, the IMF financial interventions exacerbates poverty in developing economies. As it suggests, the ~~country~~ state, to increase taxes and remove subsidies from essential things of people needs.

Due to this, the purchasing power of the nation declines which as a result fuels poverty. For instance, according to the World Bank, at least 44 percent of the population of Pakistan lives below poverty line. This happens when financial institutions work on the principle of neo-Realism by over emphasizing that state to increase its power, ~~but as the people of Pak~~ according to neo-Realism, international system is anarchic, therefore, state being a unitary actor, needs to maximise its economic power to attain its national interests.

3) IMF loans promote economic recovery:

3.1) Prevents economic bankruptcy: (Institutional Liberalism)

IMF loans promote economic recovery by preventing bankruptcy of the developing economies. It provides loans when the country is on the brink of bankruptcy. For instance, in 2023, when Pakistan was on the verge of being bankrupt, IMF provided loans to prevent the state from being bankrupt. Therefore, working on the rationale of institutional liberalism that institutions are there for solving the problems of the states by providing economic support.

3.2) Stabilises economy by reforms and loans: (NEO Liberalism)

IMF loans stabilises economy by reforms and loans. It addresses structural flaws in the economic structure of the developing economies. For instance, recently the IMF representative appreciated the stabilisation of Pakistan's economy as it argued the economy

of the country is recovering after the adoption of IMF suggested policies. Therefore, working on the rationale of Neo-liberalism that international system is anarchic, therefore only solution to the problems of the world is cooperation between states and non-state actors.

4) Risks and Criticisms associated with their long term effects:

4.1) Dictation of fiscal policy:
(Neo-Realism)

The initial criticism associated with the IMF loans is the dictation of foreign policy. For instance, the recent ✓ SBP Monetary Policy was ✓ approved in legislative assembly, but the draft came from the IMF body. As a result of this, the economic activity slowed down and discouraged investment. Therefore, working on the rationale of Neo-Colonialism which asserts that after the end of ✓ colonialism era, ✓ strong states created the economic institutions to dictate and influence the policies of weaker states.

4.2) Traps in debt: (Dependency Theory)

Moreover, IMF loans traps the country in the debt cycle which is a continuous loop. Due to these loans, the country gets trapped in debt, and remains dependent on these institutions in a long run. As the rationale of Dependency Theory is that the ~~capitalist~~ international ~~system~~ economic system is established in such a way that it tends to ensure the long term dependency of global south.

5) Conclusion:

Hence, in a nutshell, it can be concluded that IMF financial interventions impact developing economies in various ways. However, to some extent it promotes economic recovery, but there ~~are~~ is also criticism about the negative impacts in a long run.

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1) Introduction

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Question No. 07

Answer

1) Introduction:

Mercantilism also known as economic realism is a theoretical framework of international political economy, which focuses on the profit maximization. Moreover, the recently introduced concept of trade war emphasizes on using tariffs and trade barriers to promote and protect domestic industries. There are several mechanisms through which they are employed as a tool of coercive diplomacy by major states. As a result thus, the liberal world order is slowly eroding.

2) Salient Features of Mercantilism:

2.1 Profit Maximization:

The initial salient feature of the mercantilism is profit maximization by reducing imports and increasing exports to benefit most from the trade.

2.2) Protectionism :

The second salient feature is the initiation of protectionist policy. It aims to protect the domestic industry by giving it subsidies and enforcing taxes and tariffs on foreign products.

2.3) Economic Nationalism :

The third salient feature is the use of economic nationalism. Through this, the state aims to promote the national products instead of the foreign products.

2.4) Bullionism :

The fourth salient feature of the mercantalism is the bullionism, which aims on possessing & accumulating as much wealth as possible to increase its military power to attain its national interests.

2.5) Beggar Thy Neighbours :

The last but not the least is the policy of beggar thy neighbours. It emphasizes on damaging the reputation of competing states by discouraging their products in the domestic market.

3) Key mechanism of the trade wars:

3.1) Tariff and trade barriers:

The initial key mechanism is the introduction of trade and tariff barriers to limit the export of competing states. It is initiated by putting tariffs on foreign products.

As the US president Donald Trump did by putting significant portion of tariffs on all countries products.

3.2) Initiation of Quotas:

Furthermore, major states initiate quota system to limit the inflow of foreign products into the country's domestic market.

For instance, The European Union puts quota system on the import of steel and aluminium from the US.

3.3) Ceasing outsourcing:

Moreover, many powerful states stop the policy of outsourcing.

By doing so, the countries stop the labour coming from foreign land as it takes the jobs of indigenous people. For instance, one of the reasons of Brexit was to stop outsourcing of EU nations, as it used to take the jobs of Britishers.

3.4) Reduction of imports :

Lastly, the key mechanism applied by the major powers is ~~to~~ to reduce the imports and increasing exports. Due to this, the state ~~do~~ not lose foreign exchange reserves rather accumulates the foreign reserves to remain in trade surplus. For instance, the recent policy adopted by the government of Pakistan was to limit the imports and increase export to remain in trade surplus.

4) Challenge to Liberal world order,

Mercantilism or economic ~~realism~~ realism poses a significant challenge to Liberal world order. Initially, it exacerbates the loss of trust in the long established liberal world order. As ~~a~~ powerful states aim to maximise their power which as a result which the weaker economies goes in the trade deficit. Moreover, states involves in ~~zero-sum~~ zero-sum game where competition is prioritised rather cooperation. Moreover, the concept of free trade ~~is~~ is replaced by protectionism as each tries

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to protect their domestic industry. Furthermore, the role of a state increases in the market which disrupts ~~market~~ supply chain.

Finally, the ~~economic~~ nationalism policy discourages the foreign products in the ~~domestic~~ market, as a result of which the ~~re~~ chances of resurgence of nationalism increases. Hence, it can be said that mercantilism poses a significant challenge to Liberal world order by ~~to~~ trying to replacing it with new world order, where the concept of free trade exists negligibly.

5) Trade Wars in the context of ~~contemporary~~ relations.

The concept of trade wars is increasing in the contemporary relations. Each states tries to safeguard their economics by adopting certain policies of mercantilism. Trade wars are gaining strength because it suits the states behaviours as every states tries to become the economic hegemon. For instance,

The USA initiated trade wars in late 2010s when the newly elected president of ~~USA~~ Donald Trump adopted to protect the indigenous industries in competition of China. Since then, the concept of trade wars have gained strength as it insures ~~states~~ accumulation of wealth by which they gain military power to secure national interests.

Conclusion:

Hence, in a nutshell, it can be concluded that there are numerous salient features of mercantilism. Moreover, the concept of trade wars in the contemporary relations have gained strength as it assures the maximization of profit. Furthermore, major states deploy various tools to initiate the trade wars as a tool of coercive diplomacy. Finally, due to this, the long-established liberal world order is eroding from the world.

give separate heading and small para of theoretical application in and highlight its terminologies too need improvement add flow charts