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||| SUBJECTIVE PART |||
PART II

QUESTION 2

1. Introduction

Pakistan's commercial state-owned Enterprises (SOEs) have become a budget burden by government providing repetitive subsidies, grants, loans and guarantees. That makes privatization hard to work for countless SOEs. However, it is possible when selective, sequenced and regulated measures are taken instead of a blanket fire-sale

Instructions to Secure Good Marks in the Current Affairs Paper
Important Note: Marks will be awarded strictly on the following parameters: Content 60%, References 15%, Subject-specific language 15%, Graphs, charts & diagrams 10%.
Key Guidelines: Each question should be attempted with 12–13 clear headings. The answer must be 8–9 pages (sides) in length to score above 15 marks per question. Questions usually contain 3–4 parts; each part carries equal weightage, so all parts must be discussed equally and proportionately.
Content & Argumentation: Always use examples from current and ongoing events to justify your arguments. Demonstrate strong analytical depth, not mere narration of facts. Support arguments with relevant data, reports, international indices, treaties, and recent developments.
Structure & Presentation: Begin every answer with an attractive, context-setting introduction. End with a forward-looking, well-linked conclusion that ties back to the question. Use headings directly derived from the question statement—pick words and phrases from the question itself.
Alignment with the Question: Each argument must be explicitly linked to the specific part of the question being asked. If your heading is not aligned with the demand of the question, the content—no matter how accurate—will not be rewarded. Avoid generic or unrelated headings; precision is key.
Language & Visuals: Use subject-specific terminology relevant to international relations, geopolitics, economics, and security studies. Incorporate simple graphs, flowcharts, tables, or maps wherever relevant to enhance clarity and scoring potential.
Good Luck for CE-2026 🌍📘

2. Explaining why SOEs are a burden

A. Government gives more to SOEs than it receives back

SOEs in Pakistan have become ineffective and inefficient due to which they are making less or even no profit, hence-forth government is liable to pay for the expense of inefficiencies, thus increasing burden on government.

"In FY 2022, government transfers

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to federal commercial SOEs were 2% of GDP, while taxes and dividends received were only 0.6% of GDP."

-The World Bank Report

Fiscal flow: Govt to SOEs vs. SOEs to Govt	
Fiscal year 2022	% of GDP
Govt outflows to SOEs	2% of GDP
Govt inflow to SOEs	0.6% of GDP
Net fiscal impact	-1.4% of GDP

"-1.4% of GDP shows the net burden on budget."

-The World Bank.

3. Reasons why Privatization looks inevitable

A. Where Privatization makes strong sense

In the competitive environment and open markets, private organization performs better because of profit and wealth maximization concept. While, in SOEs, the objective is to deliver services even in low prices. due to which SOEs become ineffective.

Reasons for Privatization

- Repeated Losses
- Political hiring
- Procurement leakages
- weak incentives.

B. Where Privatization is Risky

Private organisation often create monopoly and cartel that exploit the consumer market. When privatisation is done without regulation and competition, the price ~~also~~ rise up.

4. Recommendations for Privatization of SOEs.

A. "Privatise Smart": Start with biggest fiscal drain and non-strategic Assets

Government should privatise first those SOEs that demand higher subsidies and grants and in return does not provide public goods.

> "SOEs transfer can be as high as 2% of GDP."
>
> – The World Bank.

B. Fix Governance first to raise Value and reduce corruption claims

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Government need to hire independent and third-party auditors for the audit of the SOEs. Professional auditors will audit effective and provide full dicensses on the weaknesses SOEs has. On which performance based contract must be signed for internal improvement and performance.

C. No Monopoly Privatization: Regulate and introduce Competition

State to need to introduce regulatory measures to ensure competition in the economy instead of creating monopoly by one privatiser.

"A Successful Privatization of Banks led to increase in Competition in Banks."

D. Prefer Partial divestment and keep stock-market listing where possible

Partial divestment would allow government influence in the board of directors meeting. Where government directors would ensure better and state-based decision rather than only focusing on the profit and wealth maximization.

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E. **Make a hard rule: "No New money without Reform"**

Before providing loans, subsidies and funds, government must ensure reforms adopted by the SOEs. This would allow government to keep check and balance and SOEs would comply to the ~~set~~ reforms provided by the government.

F. **Stop the "bailout then Sale"**

Before sale of SOEs, government should disclose and identify the old liabilities and asset ~~goo~~ SOE posses. It should also be highlight how much government contain share and percentage of privatization.

5. Conclusion

Pakistan's SOEs are a continuing fiscal drain where government support has exceeded revenues and reaching at ?% of GDP in fiscal year 2022. Therefore, privatization for SOEs is inevitable, but it must be sequenced with governance reforms, competition and ~~regulat~~ regulation. Otherwise, the state may loss assets without reducing the burden.

conclude it

a

Question 5

1. Introduction

In september 2025, Pakistan and Saudi Arabia signed a Strategic Mutual Defense Agreement. Its core idea is collective defense:

"Any Aggression against either country shall be considered an aggression against both."

This is geographically big because it signals stronger joint deterrence and a tighter security partnership in a unstable middle East.

2. Far-reaching geopolitical achievements

I. What Saudi Gains

A. Stronger Deterrence:- KSA gains a clearer "security back-up" by partnering with a major military power in the Muslim world. The pact's is designed to stregthen joint det-errence.

B. Diversifying Security Partners:- Riyadh has diversified its security partners beyond

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a single security guarantor, the USA, amid regional uncertainty. And specially after Israel's attack on Qatar.

C. Operational Military Capacity:- Pakistan offers security training, planning, counter-terror expertise and force support that would provide helpful for Gulf security and protection of Holy places.

II What Pakistan Gain

A. Higher Strategic Relevance:- Pakistan's role has rised up in the Middle East that has given a more the diplomatic weight to Islamabad.

B. Security Partnership that also protects Pakistan's interest:- The good relations with Gulf states is imperative for Pakistan as Pakistan's economy, oil, gas, remittances and jobs are provided by Gulf States to Pakistani nationals. The Pact would strength political trust that also support economic cooperation for years.

C. Stronger Position in regional Crisis Diplomacy:- Pakist can act as bridge

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in between South Asia and Gulf states. but it is acheivable only when Pakistan kept a balanced policies.

3. Economic Opportunities for Pakistan

A. **Opportunity 1: More Investment and Energy Cooperation:-** By this way investment in energy sector of Pakistan would increase by Arab countries. That would elevate Pakistan economy and energy sector. Thus providing a chance to energy crisis to energy surplus.

"Saudi Aramco completed acquisition of a 40% stake in Gas and oil Pakistan. Network of 1200+ retail fuel station."
-Aramco Report

"Pakistan has also pursed $5 billion initial Saudi Investment plans in mineral sectors"
-Special Investment facilitation Council.

B. **Opportunity 2:- Better external stab-ility.** Saudi has helped Pakistan managing balance of payment pressure.

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~~$DB~~ "$3.0 bn deposit rollover placed with SBP extended in Dec 2024."
-State Bank of Pakistan

c. **Opportunity 3: Remittances:-** State Bank data shows Saudi Arabia is a top remittance.

"In FY25, total remittance reached $38.3 bn."
-State Bank of Pakistan

4. Critically Evaluation: Pak-Saudi Defence Pact

A. **Global Balancing Factor**
KSA keeps close ties with India. Pakistan must avoid assuming automatic Saudi alignment against India.

B. **Entanglement Risk**
If a Gulf crisis escalates, Pakistan would face to do more than it wants.

C. **Iran and Sectarian Sensitivity**
Pakistan needs to avoid any percept-

ion of joining an anti-Iran block.

D. Nuclear hype Problems

International community warns against exaggeration, the pact is broad but interpretation matters and that can create diplomatic cost if mishandled.

5. Recommendations for Pak-Saudi Defense Pact

A. Making the Pact defensive not adventurous

Both countries need to publish a clear doctrine about the Pact. Pakistan should define red lines in paper and writing.

B. Link defense cooperation with structured Economic Package

Pakistan should create a security and investment corridor.

Security corridor:-
- → Defence production
- → Drones
- → Trainings
- → Maintenance

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Economic corridors →
- Energy
- Minerals
- IT Projects

C. Protect overseas workers and upgrade their skills

Saudi needs to provide fast track skill certification in IT, construction and medicals so that more remittances can inflow in Pakistan.

D. Keeping Balanced ties with neighbours

Pakistan should continue its ties with Iran and GCC simultaneously. Pakistan can play its role as a de-escalator not as a conflict instigator.

6. Conclusion

The Pakistan-KSA defense pact is geographically significant because it ~~ASAP~~ signals joint deterrence and deeper strategic alignment. For Pakistan, the biggest payoff comes if security cooperation is converted into investment, energy stability and skilled jobs. Especially, Saudi Arabia is already a top remittances source and has provided major financial supports.

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Question 6

1. Introduction

The US-China trade war will be less about simple tariffs and more about strategic choke points like the US tries to slow China's progress in advanced chips and chipmaking tools. While China tries to raise cost and uncertainty for the US and its allies through critical minerals that includes rare earth minerals. That would result into techno-resource wars with selective decoupling.

2. Explaining how the US "weaponized chips"

A. **Exports controls aimed at advanced computing and chipmaking**

The US expanded export controls in 2024 by targeting advanced AI, compute chips, semiconductors.

"The goal is to restrict China's access to chips "critical for military advantage"

- The US Commerce Department.

3. Defining how China weaponized "rare earths"

add context

A. China Dominates Supply Chain of minerals

"240,000 tons out of a world 350,000, 69% of share of China in minerals"

- US Geological Survey

"China supplied 72% of earth minerals to US in 2023"

- World Mine Production

B. China's Retaliation model: "License, Controls, targeted bans"

China has increasingly used export licensing or restrictions on strategic minerals like antimony and others linked to chips and defense supply chain.

"China's rare-earth and magnet restrictions can threaten defense and high-tech supply chains"

-The Reuters

4. Who has stronger leverage: Chip or rare

earths

A. Chips: harder to replace at the top

Controls can slow China in frontier AI or advanced-node manufacturing even if China still grows in mature chips

B. Rare Earths: Easier to disrupt

China's strength is not just mining; it is also processing and magnet supply chain that gives bottlenecks,

5. Trends of the future war

A. Trend 1: Selective Decoupling

There would not be full separation between two rivals. However, it would separate high technology defense-linked sectors. ~~Ch~~ While consumer goods and some intermediate trade continue.

B. Trend 2: A Subsidy and Standard Race

China would self-reliance push while US will control and redesign its industrial policies.

C. Trend 3: Retaliation will be more surgical

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US updates chip restrictions

↓

China tigthens licensing on minerals

↓

US expands restriction

↓

China targets another choke-point

D. **Trend 4: Third countries become the battlefield**

There would be pressure on allies and competition to locate mines and refineries in Southeast Asia, middle East, Africa.

For Example → Mineral investment by Chinese firm in Saindak in Pakistan

For Example → US$ 500 billion deal investment in Pakistan by Trump.

6. Conclusion

Chips and rare earths are now strategic weapons, so the future trade

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will be long, structural, and security-driven. It will not end like a normal trade war. because the core issue is technology, leadership and national security not just trade balance. Recent moves show a pattern of controlled escalation, tightening pressure while trying to avoid a global supply-chain, ~~crash~~ disturbance.