

QUESTION NO. 1

Introduction:-

The world order is changing by rise of global south and transition from unilateralism to multilateralism. BRICS and SCO are important regional and economic organizations. This multilateralism ~~are~~ is inclusive of Pakistan as a key member. China and Pakistan's strategic and economic cooperation has led to different economic opportunities and enhanced diplomatic foreign policy. It has paved ways for cooperation with middle east and Pakistan as a transit corridor.

BRICS and SCO : Transition to Multilateralism:-

Global North has been the hegemon and leader of the world. It has led the industries, technology, space and trade. But, after BRICS and SCO were introduced, Global South

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shifted the world order from unilateralism to multilateralism. China has put its efforts in maintaining regional peace by solving disputes between countries. The transition from old to new multilateralism can be seen in different outcomes. Few are listed below :-

1) BRICS Pay : New Development Bank :-

BRICS has introduced Cross-Inter Bank Pay system (CIPS) to counter the weaponization of IMF (International Monetary Fund) and WB (World Bank) policies. The policies are rigid and not in favor of developing nations. This initiative has shifted the reliance of developing countries on IMF and WB for short-term and long-term loans, as well as trade.

2) Trade in Yuan and Ruble :-

Under BRICS and SCO, China, Russia, India, and other countries have

Started trade in currencies other than dollar. China allowed trade in Yuan, Ruble, Indian Rupee and Dirham to promote trade. Whereas, US and west has weaponized dollar as reserves and imposing sanctions on countries. This has shifted the regional countries heavy reliance from dollar reserves.

3) Belt and Road Initiative :-

China has introduced BRI projects under CPEC (China - Pakistan Economic Corridor). It was also extended to ICPEC (India - China - Pakistan Economic Corridor). China also promoted trilateral agreement with Afghanistan under CPEC. This initiative has led to trade partnership between the regional countries.

4) BRICS and SCO : Economic Partnership :-

Unlike NATO, BRICS and SCO are organizations based on economic partnership and development. These organizations

work to resolve disputes among and between countries. China has worked to improve the relations between Pakistan and Afghanistan. This has given BRICS and SCO the policy of maintaining peace and promoting trade for improved relations.

5) Dedollarization : Currency of BRICS :-

BRICS is working towards introducing its own currency for trade. This would lead to dedollarization and reduced reliance on dollar reserves, transitioning from unilateral hegemony of dollar over world-trade. BRICS has introduced currency swaps, cross-interbank pay system and New development Bank to counter the impact of dollar reserves on trade.

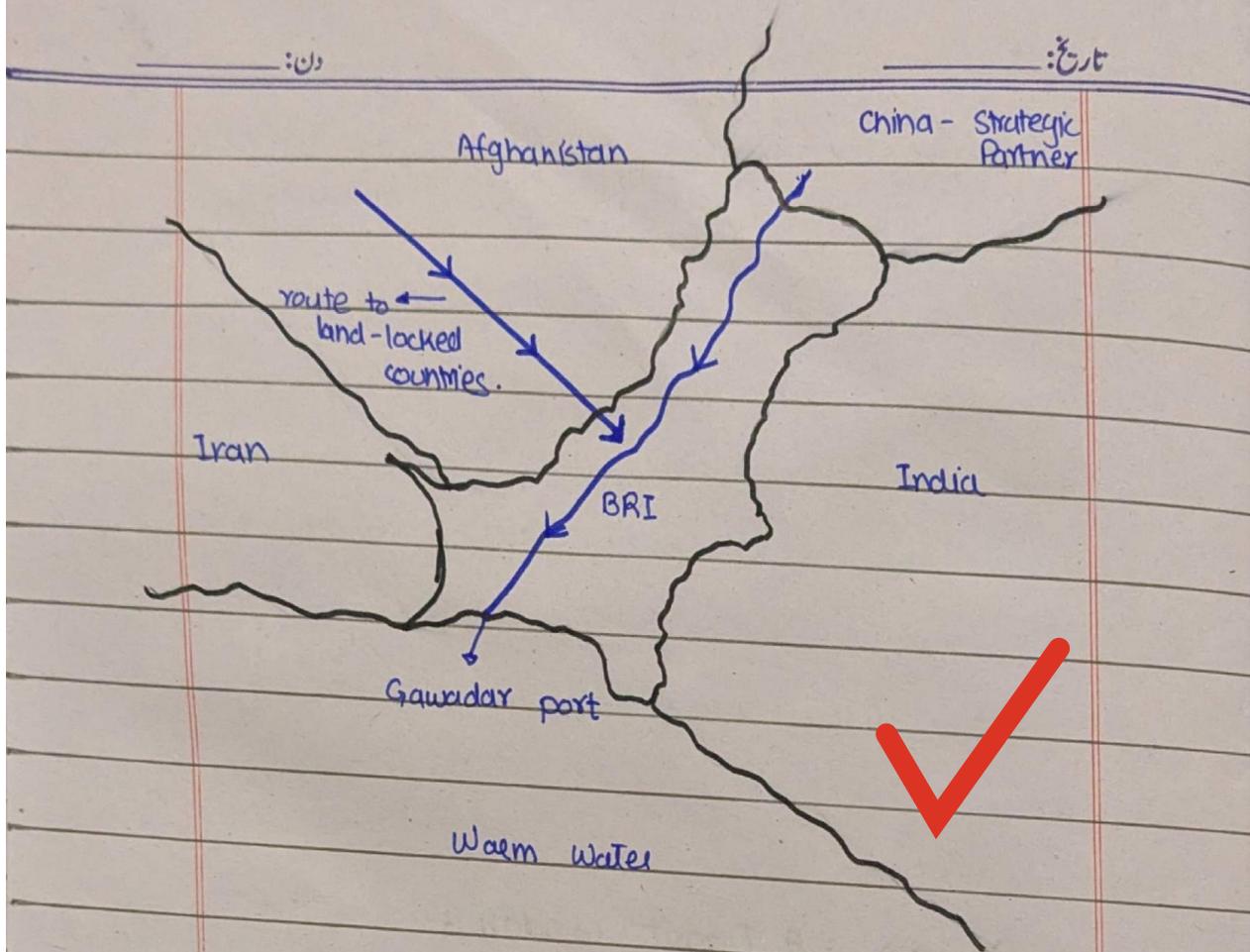
In short, BRICS and SCO are working for multilateralism by promoting Global South. This will decrease the reliance of countries on Global North for trade and economic growth.

Pakistan Capitalization on BRICS and SCO :-

Pakistan is a geo-strategically an important country. The multilateralism with help of these organizations can lead to economic development, improved infrastructure and better policies. Pakistan can enhance the multilateral dimension of its foreign policy. Following are the dimensions :-

1) Pakistan : A Transit Corridor :-

Naturally, Pakistan is a transit corridor for China and its neighbouring countries. Under CPEC projects, Gwadar port was constructed. This has led to the possibility of Pakistan providing economic bases to multiple countries. Pakistan can give access to multiple land-locked countries through this infrastructural development for trade. The warm water access of Pakistan allows trade through-out the year. This is also a requirement of Russia and Pakistan can design a foreign policy in favor.



Pakistan : Transit corridor

2) Agricultural Development :-

Pakistan is an agricultural country. By improving its irrigation system, Pakistan can be a major exporter of crops and agricultural goods. Mainly the requirement and demand arises from middle east. This can lead to economic improvement with help of BRICS and SCO.

3) Pakistan : Finished Goods Exporter :-

The success of BRI and CPEC under SCO and BRICS will lead to Pakistan as economic base. Pakistan has been exporting raw materials. Under CPEC, China will move the industries from China to Pakistan, enabling Pakistan to produce half finished goods and finished goods. This will ultimately lead to high exports of Pakistan.

Conclusion :-

BRICS and SCO is transitioning the world order from unilateralism to multilateralism. This has decreased the world's reliance on Global North and shifted the world order. Simultaneously, it has enhanced the economic, political and strategic opportunities for Pakistan.



QUESTION NO3

Introduction :-

Pakistan is a country which heavily rely on IMF bailouts, short-term and long-term loans. This has resulted in short-term economic development. Still, sustainable economic development is not achieved. Pakistan face many structural issues, imports and exports, balance of payment coupled with uncertain policies due to political instability. This has influenced sustainable growth and development in Pakistan.

Pakistan and IMF : Short-Term Relief :-

The loans that Pakistan requests from IMF are bailouts or long-term loans. These loans are conditions with structural adjustments. This has led to lack of sovereignty of Pakistan over financial and economic policies. There are multiple outcomes that help analyze that IMF loans are short-term relief :-

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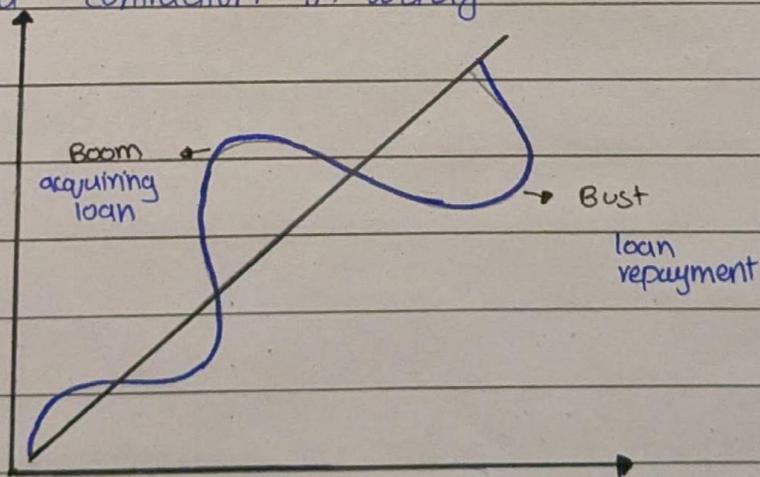
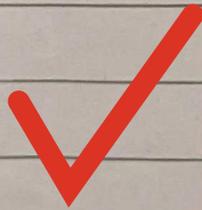
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1) Boom-Bust Cycle : Short-Term Relief :-

Pakistan face boom-bust cycles by relying on IMF loans. This has been in the history of loans and Pakistan's growth. Pakistan, upon new governance, gets loan for development. Until the end of tenure of that government, the repayment of loan is required. So, loan acquiring the loan causes boom in economy, expanding expenditure and causing growth. Similarly, repayment of loan leads to bust, causing inflation and contraction in society.



Boom-Bust Cycle

2) Structural Changes :-

IMF loans have conditions of structural changes. These changes are short-term, until the repayment of loan. Conditions like collection of tax revenue leads to increase in taxes. This harms the middle class of Pakistan. These structural changes are for short-term relief rather than long-term structural and sustainable growth.

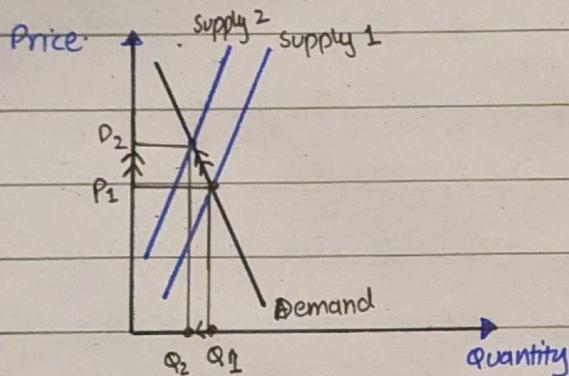
Economic Challenges ; Structural and Political :-

Pakistan is facing challenges for economic growth in context of structure and political instability. Few structural and political challenges in context of economy are :-

1) Imports ; Necessities of Pakistan :-

Pakistan is import-centric country. It has implemented protectionist policies to reduce imports, yet it was not efficient. The main reason is

that import are a necessity which cannot be avoided by imposing taxes. This is because Pakistan imports oil, petroleum from other countries. This imported product is less elastic in nature; people will pay high prices as the product is a necessity.



This shows that even though price was increased, quantity demanded and supplied was not decreased equal to the increase.

2) Regressive Tax system:-

Tax payers in Pakistan are mostly from middle class to lower class. This is because the tax bracket in Pakistan is not diversified. Taxes are collected through sales taxes or indirect tax. Income tax and direct taxes are

not collected on a huge number. This leads to unfair tax collection, leaving the elite class from pay direct taxes.

3) Fiscal and Monetary Policy:-

Fiscal policy of Pakistan is more emphasized : taxes and government expenditure. The policy for economic growth is to be corrected structurally : monetary policy. Authorities do not change monetary policy : interest rate and money supply. Rather impose higher regressive taxes or decrease government expenditure at times of economic crisis.

4) Political Uncertainty and Instability :-

Political instability and reliance of government on loans has led to slow sustainable growth. Change in policy of government in terms of economy is frequent. Loan acquisition and repayment is changed by change in policy. Policy is changed by every new government. This has led to political instability in Pakistan.

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Conclusion :-

Pakistan accepts loans and conditions of IMF which only provide short-term relief. This has harmed the sustainable growth in Pakistan. Factors like structural inefficiencies and political instability also contribute negatively to the sustainable growth.

