

## International Relations This Week: 25 Jan to 31 Jan 2023

International relations is a very important segment of the [UPSC syllabus](#). In this series, we present an analysis of the most important international issues and developments that occurred over the past week relevant for the IAS exam. In this article, you can learn more about the Indus Water Treaty, Pakistan's Economic Crisis, World Economic Forum and US and Germany Tanks in Ukraine.

	TABLE OF CONTENTS
1.	Indus Water Treaty
2.	Pakistan's Economic Crisis
3.	World Economic Forum
4.	US and Germany Tanks in Ukraine

### 1. Indus Water Treaty

**Context:** India has issued a notice to Pakistan for modification of the Indus Waters Treaty (IWT).

#### Introduction:

- India recently notified Pakistan on the Indus Waters Treaty, which governs the sharing of six rivers flowing through the two countries.
- It is viewed as India's countermeasure to Pakistan's repeated objections to every irrigation or power project on the Indian side of the Indus basin.
- The notice is a message to Pakistan that India would be unpredictable in its dealings with it, and would not shy away from escalation.
- Considering Pakistan's desperate dependence on the Indus basin rivers, this in itself could be extremely unsettling.

### 2. Pakistan's Economic Crisis

**Context:** Pakistan is facing an alarming financial crisis mainly due to its mounting debt and dwindling forex reserves.

### Introduction:

- Pakistan's economy is facing difficulties with very high inflation, dangerously low foreign exchange reserves, and global lenders like the International Monetary Fund (IMF) refusing to disperse further funds.
- The floods of 2022 caused unprecedented damage to the country with critical infrastructure destroyed and millions displaced.
- Currently, Pakistan is on the verge of economic collapse with its hopes pinned on getting concessions from the IMF on the Extended Fund Facility (EFF) established in 2019, as well as getting help from friendly nations in the form of long-term loans or donations.

### Ongoing Crisis:

- Pakistan's central bank's (State Bank of Pakistan's (SBP)) foreign exchange reserves plummeted to an eight-year low of over \$5.5 billion amidst fear of default by December 2022.
- Along with another \$5.8 billion held by commercial banks, the forex reserves are just about adequate to pay for three weeks of imports to the country.
- The falling reserves have deeply devalued the local currency against the U.S. dollar and other major currencies.
- The Pakistan government is resorting to drastic measures like ordering shopping malls, restaurants, wedding halls and markets to shut down early, hoping that it would save the nation around \$273 million or 62 billion Pakistani rupees towards energy imports.
- Among other moves, all government departments in the country have been asked to reduce electricity consumption by 30 per cent.

### Factors Responsible:

- The current economic crisis is primarily attributed to Pakistan's short-sighted policy decision leading to extensive spending on non-developmental and economically unviable projects.
- Economic mismanagement and financing of futile infrastructure projects like the Gwader-Kashgar Railway line project through long-term debt instruments, and relying massively on external borrowing rather than from domestic institutions added to its troubles.
- Roll out of the [China-Pakistan Economic Corridor \(CPEC\)](#) increased the debt burden, opening the doors to ever-increasing external loans.
  - Notably, CPEC created a Chinese debt of US\$ 64 billion for Pakistan which was originally valued at US\$47 billion in 2014.

- Falling confidence coupled with low ranking by international rating agencies and grey listing of Pakistan in the [Financial Action Task Force \(FATF\)](#) kept foreign investors away.
  - As per SBP's data, in the past 10 years, Foreign Direct Investment (FDI) inflows into Pakistan never exceeded 1 percent of GDP.
- The vicious cycle of seeking fresh loans and repaying old ones has led Pakistan into the 'debt trap'.
- Moreover, due to the reluctance of the international community in extending loans to Pakistan, the country was forced to resort mainly to China and Saudi Arabia, thus making it vulnerable to their complex terms.
- The outbreak of the Covid-19 pandemic further deteriorated the situation. Major exporting items such as cement, textiles, leather, and sports goods hardly had any buyers during the pandemic.
- Inflation in Pakistan peaked primarily because of the global rise in crude oil prices leading to costlier freight charges.
- Importantly, Pakistan is a net importer of essential food items such as pulses, wheat, edible oil, and sugar. Pakistan has been affected by the global rise in food prices due to the ongoing Russia-Ukraine Conflict.
  - A poor harvest in the last sowing season is also blamed for high food inflation.
- The 2022 floods brought unimaginable economic damage to Pakistan's crisis. These floods inflicted an estimated loss of \$3 billion on the country, caused over 1,700 deaths, and displaced 8 million people.

### **Pakistan's Way Out:**

- ***Macroeconomic Reforms***
  - In Pakistan, the budgets have remained populist; corruption has affected the economic governance, there is a lack of independence in the financial institutions, export has continuously dropped and the fuel, oil and electricity subsidies remain very high.
  - The economists in Pakistan have been urging macroeconomic reforms in this context.
- ***Turning to friendly countries***
  - UAE has agreed to provide a \$2 billion loan along with an additional \$1 billion to support the economy. Pakistan typically seeks financial aid from allies like China, Saudi Arabia and other Gulf nations.
  - Pakistan's project loan financing has exceeded \$8 billion, with contributions from financial institutions such as the [Asian Development Bank](#), the Asian Infrastructure Investment Bank, and the World Bank.

- Out of the total financial commitments, the Islamic Development Bank (ISDB) holds the largest share at USD 4.2 billion.
- Saudi Arabia has committed USD 1 billion, China has committed USD 100 million, Qatar has committed USD 25 million, Canada has committed USD 18.6 million, Denmark has committed USD 3.8 million, European Union has committed 87 million euros, France has committed 380 million euros, Germany has committed 84 million euros, Italy has committed 23 million euros, and Azerbaijan has committed USD 2 million.
- Pakistan is also planning to seek an extension of a \$2.1 billion loan from China, its all-weather ally.
- **IMF Assistance**
- Pakistan recently held a first round of talks with the International Monetary Fund (IMF) in a bid to unlock stalled funds from a \$7 billion bailout.
- The underlying problems are cumulative and require deeper structural reforms, without which the economy cannot grow sustainably.

### 3. World Economic Forum

**Context:** The World Economic Forum's Annual Meeting 2023 ended in January.

#### **Introduction:**

- The [World Economic Forum \(WEF\)](#) is an international non-governmental organisation based in Geneva, Switzerland.
- The WEF annual meeting in Davos (Switzerland) engages the world's top leaders to shape global, regional, and industry agendas.
- The WEF was founded in 1971 by Klaus Schwab. It was formerly known as the European Management Forum and changed its name to World Economic Forum in 1987.
- The 53rd edition of the World Economic Forum Annual Meeting took place from January 16 to January 20.
- The theme for this year's WEF is 'Cooperation in a Fragmented World'.

#### **Key Outcomes:**

##### 1. **Global Economic Outlook**

- Most business leaders were upbeat about the economy, with the US and the European Union (EU) seemingly beyond the risk of a recession now.
- China ending its zero Covid curbs and opening shop again added to the positive outlook. Chinese Vice Premier Liu He made a strong pitch about his country's opening up and a noticeable increase in imports, investment by companies, and consumption.

- However, central banks of the major economies cautioned that concerns still remained, and said they would keep interest rates high to ensure inflation is under check.
- Many also pointed out that China opening up could mean a rise in its energy consumption, thereby driving up energy prices.

## **2. Russia – Ukraine War:**

- Ukraine demanded more military aid and an immediate reconstruction fund.
  - A joint report in September 2022 by the Ukraine government, European Commission and the World Bank, estimated that the cost of reconstruction and recovery amounted to \$349 billion (322 billion euros) and the figure is rising as the war drags on.
- Ukraine President Volodymyr Zelenskyy gave a video address, in which he made an indirect criticism of the US and Germany dithering over sending tanks to his country.

## **3. Climate Change**

- Participant countries agreed upon the need for green energy and the need for more money to fight climate change.
- The World Economic Forum, supported by more than 45 partners launched the Giving to Amplify Earth Action (GAEA), a global initiative to fund and grow new and existing public, private and philanthropic partnerships (PPPPs) to help unlock the \$3 trillion of financing needed each year to reach net zero, reverse nature loss and restore biodiversity by 2050.
- The EU raised concerns over a US green energy law that benefits products, such as electric vehicles, made in America.
- Pakistan brought up the issue of a loss and damage fund for developing countries.

## **India-centric Initiatives:**

- India has reiterated its position as a resilient economy providing stable policy to the global investors at WEF, 2023, Davos.
- India's focus areas at WEF, 2023 were investment opportunities, infrastructural landscape and its inclusive and sustainable growth story.
- The [Department for Promotion of Industry and Internal Trade \(DPIIT\)](#) took the initiative to strengthen India's presence through three lounges which focus on investment opportunity, sustainability, and inclusive approach to further growth.
- The state lounges of Tamil Nadu, Maharashtra and Telangana along with business lounges of HCL, Wipro, TCS and Infosys also added to the strength of India's presence on the Davos promenade.

- The Press Trust of India (PTI) reported that more than 50 “high-impact initiatives” was launched at the event such as,
  - Maharashtra Institution for Transformation (MITRA) signed a partnership with the forum on urban transformation to give the state government “strategic and technical direction”.
  - A thematic centre on healthcare and life sciences is to be set up in Telangana.
  - The Coalition for Epidemic Preparedness and Innovations (CEPI) aims to develop new vaccines for future pandemics.

#### 4. US and Germany Tanks in Ukraine

**Context:** The United States and Germany have agreed to send battle tanks to Ukraine.

##### **Introduction:**

- After months of mounting pressure, the United States and Germany agreed to send tanks to Ukraine on January 25, 2023.
- While America will supply 31 M1 Abrams tanks, Germany will send 14 Leopard 2 tanks.
- Germany has also granted other countries, such as Poland and Finland, the licence to re-export their stocks of German-made tanks to Ukraine.
- Russian officials have condemned the US and German announcements as a “blatant provocation”.
- Ukraine has lobbied Western allies to send advanced military equipment for months. Since last year, Ukraine has got financial support, intelligence support and small-scale weapons in the form of drones, guns and military training. Western countries were hesitant to supply heavy weaponry as they feared that the supply of advanced weapons might instigate Russia into a nuclear armed race.
- Before the US and Germany, the United Kingdom agreed to send 14 Challenger 2 tanks to Ukraine. France has also announced plans to give its AMX-10 RC light combat tanks to the country.

##### **Key Details:**

- Both the M1 Abrams and Leopard 2 are considered state-of-the-art battle tanks that are more powerful than the Soviet-era tanks that Russia and Ukraine currently have.
- The Abrams is the main battle tank of the US and was first delivered to its forces in 1980. Weighing around 67 tonnes, it can accommodate a crew of four personnel, including the driver. The tank has sophisticated Chobham composite armour that protects it against any direct fire. It has a maximum speed of 67.5 km/h and a range of 1,005 km. The armaments include M256 120 mm smoothbore cannon, a 12.7 mm machine gun and a 7.62 mm M240 machine gun.



## M1 Abrams

**Crew:** Four, one more than Ukrainian main battle tanks

**Weight:** 67 tonnes, heavier than Russian equivalents

**Armour:** Chobham, protects against direct hits

**Engine:** Gas turbine with higher fuel consumption than some alternatives



Source: BBC research, Getty Images

BBC

Image Source: BBC

- The Leopard 2 has a diesel-powered MTU MB 873 engine and weighs 55 tonnes. It comes with armaments such as the 120 mm smoothbore cannon and a fully-digital fire-control system.

## Leopard 2

**Crew:** Four, one more than Ukrainian main battle tanks

**Weight:** 67 tonnes, heavier than Russian equivalents

**Armour:** Multi-layered composite armour

**Main gun:** Requires 120mm Nato ammunition



Source: BBC research, Getty Images

BBC

Image Source: BBC

**Shortcomings:**

- The first Leopard could take months to arrive on the battlefield, and the Abrams a year or longer.
- The tanks will also number far fewer than the hundreds that Ukraine requested.
  - Ukraine had asked for 300 Western tanks, but even with the latest additions, the total number committed is fewer than 100.
- Abrams tanks require extensive training to operate and are difficult to repair.
  - As per the reports, these tanks “burn through fuel at a rate of at least two gallons per mile (4.7 litres per km), whether the tank is moving or idling”.
- Maintaining the tanks, repairing them, and supplying the parts necessary requires detailed training all the way from the crews in the vehicles to the logistics trail supporting them, hundreds of miles from the front lines in eastern Ukraine is going to be challenging for Ukraine amid ongoing conflict.