

Is the global economy headed towards a recession?

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The writer is a former caretaker finance minister and served as vice-president at the World Bank

Policymakers in both developed and developing countries have begun to worry about the possibility of a sharp slowdown in growth rate in various parts of the global economy. The Group of Seven (G7) met in late May 2022 to assess جائزہ لینا the global economic situation that was the result, among other factors, of the Russian invasion حملہ of Ukraine. The meeting was held in the Bavarian Alps in Germany. Summarising the discussion, the governor of the Bank of France, Francis Villeroy Gallau, said, "If I had to sum up: more uncertainty غیر یقینی صورتحال, more inflation مہنگائی, less growth." The Central Bank governors and G7 finance ministers met separately from the heads of state.

After pumping (spending) billions of dollars into their economies to deal with the economic downturn مندی، تجارت، caused by the Covid-19 pandemic وبا، world economic leaders have had to deal with the threat of stagflation – slow or negative economic growth coupled with rising inflation. The slow down has already taken hold in Europe where the European Union grew by only 0.2% in the first quarter of this year. Some economies in the area even shrank سکڑنا، گھٹنا. Italy, for example, saw a slight decline کمی in national output in the first quarter of 2022. Russia's economy was doing even worse. The White House said that it expected Russia's gross domestic product to shrink سکڑنا by as much as 15% in 2022 because of

sanctions پابندیاں imposed by the West. This was likely to happen **despite** باوجود the fact that energy prices had risen. Russia is one of the largest exporters of several fuels. Oil, gas, and coal price increases were helping the country face sanctions imposed by the West but the relief was not enough to prevent the **severe** شدید economic slowdown.

According to some accounts provided by officials who went to the meetings, there was great worry about the building up of **debt** قرضہ in the developing world. G7 leaders resolved in a joint statement to take action **concerning** کے بارے Sri Lanka's debt **crisis** بحران. The country had **defaulted** نادہندہ on its foreign **obligations** ذمہ داریوں and on July 8, the country's President resigned from his job. He was pushed out of the presidential **palace** محل by a crowd that **raided** دھاوا بولا it. He and his family had been involved in massive corruption using government's resources for **enriching** دولت مند کرنا themselves. But Sri Lanka is not alone in suffering the impact of the shocks delivered first by the Covid-19 pandemic and then by the Russian **invasion** حملہ of Ukraine. Pakistan is also suffering from the rise in food and fuel prices, which could **aggravate** the political **unrest** بد امنی the country currently faces. The leadership groups in Pakistan have also **amassed** اکٹھا کیا large amounts of wealth and have sent it abroad. Pakistanis are some of the largest owners of property in London.

It was not **revealed** انکشاف ہوا, however, whether G7 leaders discussed the possibility of increasing the amount of capital available with **IMF, World Bank** and regional banks for

providing relief to their member states. They had done this some years ago when several developing countries were faced with debt crises.

During the G7 meetings, the Americans and the French were most **vocal** کسی بات پہ زور دینا on the need to address the hunger crisis. More than 14 million people in Somalia, Ethiopia, and Kenya – half of them children – were on the **verge** دہانے of **starvation** بھوک, according to the International Rescue Committee. That number was projected to rise to 20 million by mid-2022 without **substantial** کافی global action. These numbers didn't include the developing situation in Afghanistan where food insecurity had already begun to take a heavy human **toll** مرنے والوں کی تعداد. Most of those who were dying were children. Food shortages always lead to large movements of people, and the same will happen this time around. Hunger in Afghanistan will produce waves of **migrants** تارکین وطن with hundreds of thousands of people heading towards Pakistan, Iran and Turkey. Some will attempt to cross the **barriers** رکاوٹیں to human movements **erected** قائم، نصب in parts of Europe and find their way into the continent.

The G7 meetings had also hoped to discuss some initiatives before **stakeholders** فریقین got **pre-occupied** پہلے سے گھرا with the problem of what they saw as the coming **global recession**. One such initiative was to develop a universal tax that would be **imposed** نافذ on the rich – both on wealthy individuals as well as large corporations that had located their headquarters in countries with low levels of taxation.

If the world economy was indeed heading towards a recession, what policy instruments should be used to prevent the

downturn مندی from becoming **severe** شدید? There is an oft-
quoted اعلان، فیصلہ **pronouncement** اکثر حوالہ دینا initially made
in 1955 by the then US Federal Reserve Chairman William
McChesney, that the job of the Central Bank was to take away
the **punch bowl** بڑا پیالہ جس میں شراب پیش کی جاتی ہے
the party was really **warming up** تیار یا پرجوش ہونا. "The new
generation of central bankers no longer believe in the
McChesney **dictum** فرمان، بیان. Taking away the punch bowl too
early results in jobless recoveries in which the economy never
reaches its full potential and workers never gain the **leverage**
اجرت **wage** for a decent **bargain** سودا، مول تول، to فائدہ
the punch bowl in place was the approach adopted by Ben S.
Bernanke when he left his job as Professor of Economics at
Princeton University to take the chair at the US Federal
Reserve. His book titled, '21st Century Monetary Policy: The
Federal Reserve from the Great Inflation to Covid-19' hit the
book stands just as the current leadership of the Federal was
struggling to define the approach it should adopt to deal with
the coming recession. The book continues to favor the easy-
money policy Bernanke followed at the Fed which included not
only bringing the Bank's interest rate to zero but flooding the
market by an approach that was called **monetary** مالی **easing**
راحت، نرمی. This involved large purchases of bonds by the
Central Bank, which put money in the **coffers** خزانے of
commercial banks and finance houses.

In the book, the former Chairman of the Central Bank **dodges**
مستقل رہنا **persisting** the question on whether **persisting**
with easy money approach leads to greater **inequality** عدم
مساوات. There is a **legacy** میراث that Bernanke's handling of the
previous recession left behind. In the coming months the

Federal Reserve will sharply increase **interest rates** شرح سود, but will only gradually withdraw the bonds sold to increase money supply. This will produce a soft-landing without hurting the growth rate. But it will also put a lot of financial resources in the hands of those who play in the financial markets and liven up the currently depressed stock markets. However, **wages** اجرتیں will not increase **thereby** وجہ سے increasing the gap between the rich in society on the one side and that of all other classes on the other.

This is the approach the State Bank of Pakistan appears to be following. With the widening of income **disparities** تفاوت, Pakistan's political system is likely to become even more **strained** کشیدہ. Can Pakistan avoid a Sri Lankan type situation – with rapidly rising prices, **persistent** مستقل corruption at the highest levels of government, and increasing inequality and poverty? We will have an answer to this important question in the not too **distant** دور future

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Globalisation: A new way of interaction

Globalisation is a term used to describe the growing **interdependence** of the world's economic, social, and technological exchange within the framework of **capitalism**. It also refers to the **integration** of markets in the global economy, leading to increased cooperation between national economies. Countries have built economic partnerships to facilitate these movements over many centuries but the term gained **popularity** after the Cold War in the early 1990s, as these cooperative arrangements **shaped** modern everyday life. Thomas Friedman, an American political writer, stated that 'Globalisation is a system that replaced the **Cold War**.' The **wide-ranging** effects of globalisation are **complex** and politically charged. As with major technological advances and development, it benefits society as a whole, while also harming certain groups.

Globalisation has also created new jobs and economic growth through the flow of goods, capital, and labour but on the other hand; this growth and job creation are not distributed **evenly** across industries or countries. If we look at the development of industries in certain countries, such as textile manufacturing in the US or **corn** farming in Mexico, they have suffered **severe** disruption or **outright** collapse as a result of increased international competition.

Regarding the objectives and goals of globalisation, we can see that this phenomenon is **idealistic** مثالی, as well as **opportunistic** موقع پرست, but the development of a global free market has also benefited large corporations based in the **Western hemisphere**. Its **impact** اثرات remains mixed for workers, cultures, and small businesses around the globe, in both developed and emerging nations.

Globalisation has increased the production of goods and services throughout the world. There are several driving forces which play a key role in globalization, like technology. Advanced information technology has transformed our economic life as well as the business sector since developing tools were used **to avail** فائدہ اٹھانا new opportunities, including faster and more informed analyses of economic trends around the world and communication with partners. **Thomas Friedman** has said that today, globalisation is a 'farther, faster, cheaper, and deeper phenomenon.

Low **barriers** رکاوٹیں to trade and investment drive globalisation significantly. Many of the world trades are currently done through free trade, **bilateral** دوطرفہ, and multilateral agreements. Interestingly, countries which were very **hostile** دشمن or unfriendly to foreign investment a few years ago, are inviting other countries for **inward** اندرونی، داخلی **Foreign Direct Investment (FDI)**. China is a very good example in this regard. Communication is faster and more **convenient** آسان due to the improvement in technology. For example, we can communicate through telephone, e-mail and 3G video conferencing easily all the while satellites allow messages to be sent and received **instantaneously** فوری طور پر.

There has also been improvement in transportation technology in air, sea and rail systems to **accelerate** تیز کرنا globalisation activities. Also, the decline in transportation costs and less time needed to travel from one place to another is evidence of this progress. The high-tech transport system has reduced the travelling time and increased the efficiency of transferring goods as well, thus **boosting** اضافہ میں globalisation. For example, in the 19 century, steam engines were used for transport. In the 20 century, commercial jet aircraft, large ocean **vessels** جہاز and **containerization** were practised.

Globalisation has many advantages but there are only a few disadvantages. It affects the national security of a state. National security faces both benefits and risks from globalisation. The **consequences** نتائج of globalisation for national security, however, need not be limited to war or **insurgency** بغاوت یا فساد, but include its effect on the balance of power, changes in the **offence-defence** balance or other factors that might affect the **security dilemma** and the **likelihood** امکان of war, or transform the ability of the state to defend its interests. Developments such as decreased defence budgets, increased military use of civilian products and technology, privatisation of defence research and development, **consolidation** استحکام of defence industries, and increased military use of **sophisticated** جدید ترین information systems are the results of decisions based on changes in the foreign threat, technological **innovations** ایجادات, and domestic political and economic changes.

Globalisation and other developments affecting the defence industry and government research, **acquisition** حصول, security, and export control policies have shaped a security

environment sharply different from that of the Cold War era دور. Globalisation may reduce the risks of conflict تنازعہ among closely connected nations. Economic integration ہم آہنگی probably contributes to international political stability استحکام by increasing economic interdependence ایک دوسرے پر انحصار and helping the spread of democracy. In conjunction ساتھ مل کر with related defence developments, globalisation has contributed to enhanced U.S. military capabilities through the efficient موثر application of commercial technologies and commercial services and has improved the interoperability of allied باہمی تعاون forces.

If we see globalisation in the political context, the role of the US as a unipolar power remains to be important. The forces of globalisation such as technology may make it much easier to transmit information, or more difficult to control capital flows but if the world's only superpower had different policy preferences ترجیحات, say those of caution احتیاط, closure بندش, and control, then the pressures of globalisation, while still present and powerful, would not be as pervasive وسیع. Globalisation also plays its role to minimise the role of the flow of capitalism. As there are mainly three ways in which national security is affected such as it affects state capacity and autonomy خودمختاری, that is, the relative power of the state vis-à-vis (related to) non-state actors, social forces, and market pressures. It also affects the balance of power between states, because even if changes in the system leave each state less able to advance its interests, there would still be a reshuffling ردوبدل of relative capabilities. And by creating new sources of conflict between states, new

opportunities for **entrepreneurs** کاروباری of political violence, and reshaping the costs and benefits of both warfare and conquest, the forces of globalisation can **recast** تجدید کرنا، نئے the nature of the armed conflict.

Raja Furqan Ahmed

The writer is a freelance journalist based in Islamabad, Pakistan.

Ulema in Kabul

Editorial

WHILE attacks by **militants** عسکریت پسند on Pakistani forces continue, the state is still **strangely** عجیب پور سے **committed** عزم to **suing** کرنا درخواست for peace with the banned TTP. The latest effort involves sending a delegation وفد of ulema to Kabul to see if the **TTP** would be willing to **'soften** نرم their **stance** موقف. Led by Mufti Taqi Usmani, the group includes some of the country's other top Deobandi scholars, as well as JUI-F senator Talha Mahmood. As reported in this paper, the delegation was briefed by officials before leaving Islamabad for the Afghan capital. The effort to send **clerics** علماء to see if the TTP would be **amenable** تیار to **negotiations** مذاکرات follows the visit last month by a jirga of Pakhtun tribes that also tried to talk peace with the militants. The military had been leading

the effort, while elected representatives نمائندے were involved at a later stage مرحلے آخری when a parliamentary committee was given the green light اجازت کی کاروائی to oversee نگرانی کرنا the process.

Perhaps the thinking within the powers that be is that because the TTP and the clerics belong to the same school of thought (particular way of thinking), the militants may adopt اپنانا a more flexible قابل موافق ہونے کے قابل position while negotiating مذاکرات کرنا with the state. However, the experience with religiously motivated militants thus far both in Pakistan and abroad is that they have mostly ignored, or even opposed, the traditional ulema. Therefore, while the TTP may greet خوش the scholars with reverence ادب، تعظیم، there are no guarantees the militants will heed دینا توجہ their advice. For example, the terrorist group's chief Noor Wali Mehsud said in a recent interview that the reversal of former Fata's merger ضم ہونا with KP is a demand the group "cannot back down from دستبردار ہونا". Moreover, the state can try other channels to reach out to the militants, but it is parliament that has to have the final say on the state of the peace process. And it should certainly یقیناً not appear as if the state is trying to appease خوش کرنا the militants. It needs to be asked if the TTP is even interested in making peace, particularly within the parameters of the Constitution. Or is the group simply buying time? After all, a UN report has said that the terrorist group has between 3,000 to 4,000 fighters in Afghanistan and poses "a greater threat in the region". The impression تاثر that Pakistan is bending رجوع کرنا، جھکنا over backwards to make peace with

the TTP, while the latter rigidly سے سختی sticks قائم to its demands, must be dispelled مسترد. No armed group can be allowed to dictate دینا حکم what the state of Pakistan can and cannot do.

G7

The Group of Seven is an inter-governmental political forum consisting of Canada, France, Germany, Italy, Japan, the United Kingdom and the United States. In addition, the European Union is a 'non-enumerated member'.

Founded: 1975

stagflation

noun

persistent high inflation combined with high unemployment and stagnant demand in a country's economy

GDP stands for "Gross Domestic Product" and represents the total monetary value of all final goods and services produced (and sold on the market) within a country during a period of time (typically 1 year). Purpose. GDP is the most commonly used measure of economic activity

The International Monetary Fund (IMF) is an international

financial institution, headquartered in Washington, D.C., consisting of 190 countries. Its stated mission is "working to foster global monetary cooperation, secure financial stability, facilitate international trade, promote high employment and sustainable economic growth, and reduce poverty around the world." Formed in 1944, started on 27 December 1945

The **World Bank** is an international financial institution that provides loans and grants to the governments of low- and middle-income countries for the purpose of pursuing capital projects.

President: David Malpass

Headquarters: Washington, D.C., United States

Founded: July 1944

A **global recession** is an extended period of economic decline around the world. A global recession involves more or less synchronized recessions across many national economies, as trade relations and international financial systems transmit economic shocks and the impact of recession from one country to another.

Globalization, or globalisation, is the process of interaction and integration among people, companies, and governments worldwide. Globalization has accelerated since the 18th century due to advances in transportation and communications technology.

capitalism

noun

an economic and political system in which a country's trade and industry are controlled by private owners for profit, rather than by the state

cold war

noun

a state of political hostility between countries characterized by threats, propaganda, and other measures short of open warfare.

the state of hostility that existed between the Soviet bloc countries and the Western powers from 1945 to 1990

Thomas Loren Friedman is an American political commentator and author. He is a three-time Pulitzer Prize winner who is a weekly columnist for The New York Times. He has written extensively on foreign affairs, global trade, the Middle East, globalization, and environmental issues.

Born: July 20, 1953

The **Western Hemisphere** is the half of Earth which lies west of the prime meridian (which crosses Greenwich, London, United Kingdom) and east of the antimeridian. The other half is called the Eastern Hemisphere

A **foreign direct investment** is an investment in the form of a controlling ownership in a business in one country by an entity based in another country. It is thus distinguished from a foreign portfolio investment by a notion of direct control.

Containerization is a system of intermodal freight transport using intermodal containers (also called shipping containers and ISO containers). Containerization is also referred as "Container Stuffing" or "Container Loading", which is the process of unitization of cargoes in exports

Offense-defense theory offers an optimistic view of international politics based on the argument that war can be prevented if defense gains an advantage over offense. It also argues that an effective arms control can reduce the risk of arms races and war

Security dilemma

In international relations, the security dilemma is when the increase in one state's security leads other states to fear for their own security

Non-state actors include non-governmental organizations (NGOs), but equally so multinational corporations, private military organizations, media outlets, terrorist groups, organized ethnic groups, academic institutions, lobby groups, criminal organizations, labor unions or social movements, and others.

The **balance of power** theory in international relations suggests that states may secure their survival by preventing any one state from gaining enough military

power to dominate all others. If one state becomes much stronger, the theory predicts it will take advantage of its weaker neighbors, thereby driving them to unite in a defensive coalition. Some realists maintain that a balance-of-power system is more stable than one with a dominant state, as aggression is unprofitable when there is equilibrium of power between rival coalitions

Buy time

idiom. to do something in order to be allowed more time: He tried to buy time by saying he hadn't been well. Delaying and wasting time

The United Nations (**UN**) is an intergovernmental organization whose purposes are to maintain international peace and security, develop friendly relations among nations, achieve international cooperation, and be a centre for harmonizing the actions of nations. It is the world's largest and most familiar international organization. The UN is headquartered on international territory in New York City, and has other main offices in Geneva, Nairobi, Vienna, and The Hague (home to the International Court of Justice