

The Business

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Exports and inflation

Advisor to the Prime Minister on Commerce Razzak Dawood has expressed optimism for a rise in exports in the current fiscal year, an optimism not backed by the ministry's provisional data that indicates exports declined by 3.4 percent in January 2020 compared to January 2019. Additionally, major farm export items, notably cotton and rice, are unlikely to achieve their targets while the current IMF team is unlikely to support fiscal and monetary incentives, rebate and/or subsidised utilities for the export sector given the revenue shortfall. The government's assertion that it refunded much larger amounts to the exporters than the previous year is also not relevant because the five leading export sectors were zero-rated and hence their refunds were on paltry amounts by comparison involving most their packing material. In this context, exporters also point to the government's reneging on its earlier decision to charge industry 7.5 cents per unit of electricity and argue that this has raised the ugly spectre in markets of the government's U-turn.

The government, however, contests this claim of the exporters and rightly points out that the charges, levies over and above the assured 7.5 cents per unit represent charges for previous years against which the exporters had obtained stay orders from courts that have now been vacated. Prime Minister Imran Khan has also repeatedly expressed optimism that 2020 will be a year of growth. What is a source of serious concern is that this optimism is not backed by data uploaded on the IMF website with growth projected for 2019-20 at 2.4 percent in the first quarterly review while for next fiscal year 2020-21 growth is projected at three percent. The fact that our power sector continues to resist governance reforms, even though Omar Ayub claims a marked reduction in theft and losses and instead is relying on raising utility rates to achieve full cost recovery.

What is also relevant to note is that the wheat and the sugar crises, and a rise in tomato prices earlier, reflects poor judgment on the part of the Economic Coordination Committee of the Cabinet that unwisely allowed exports and imports of these commodities at a time when the obvious outcome was a massive escalation in domestic prices. It is fairly obvious that while the Prime Minister remains convinced that his economic team is taking economically appropriate decisions yet he has in recent weeks expressed concern over the rise in inflation. It must also be very disturbing and distressing for most of the members of the federal cabinet, particularly the prime minister, to note that food inflation is higher in rural areas than in urban centres.

The end of history

BABAR SATTAR

When Francis Fukuyama wrote his essay ('The End of History and the Last Man') back in 1992, he argued that the idea of Western liberal democracy stood accepted and entrenched and while there might be 'events' here and there disproving the rule, they were not to be confused with 'history'.

So how would Fukuyama explain Pakistan? He could say that Pakistan's de-jure system swears allegiance to liberal democracy and hence the existence of the de facto doesn't undermine his thesis. Or that our back and forth between the de facto and the de jure are mere 'events', which too shall pass in favour of the de jure.

Given the gamekeeper's complete control in Pakistan (or whatever variation of it one prefers; establishment, selector, umpire etc), Fukuyama would probably run with the first argument: even the gamekeeper feels obliged to pay lip service to the idea of democracy in Pakistan, which bears out his thesis about the emergence of democracy as a norm. Those who believe that the civil-military divide is the basic fault-line that must be fixed to move Pakistan out of the bog have argued that running the political process unhindered will bring about change. But will it? Hope is a good thing. But the data doesn't back it up. Back in the 80s, the IJI or the PML was propped up to have a patriot at the tiller who would do as told. But the 90s showed that, upon being endowed with power, the carefully manufactured patriotic front acquired a voice of its own and started to malfunction. That story came to a tragic end in 1999 when the PML-N was ousted and direct control of the state became a necessity. Around the same time a new kid on the block, a cricketing hero, caught the gamekeeper's fancy.

It took almost two decades from the arrival of the new kid on the block to the PTI's emergence as a mainstream patriotic force in Pakistan's heartland capable of sitting on the tiller and executing the commands. Meanwhile, the other mainstream parties (the PPP, which as an outsider tried to play ball in the 90s and also 2008 onward; and the PML-N, whose love-hate relationship with its original patron continues) stand thoroughly discredited in public view courtesy the patriotic narrative that's been paddled 2008 onward. We now have a one-page model. Is it the triumph of democracy and the gamekeeper and the country given that we are now blessed with honest and patriotic leadership? The only problem is that pop-

ulism and constructed narratives and gamekeepers can help deliver proclaimed savours to power, but they can't ensure delivery of results and services to ordinary folk. You can keep people distracted with temporary crises and you can deflect blame to villains, but sooner or later it begins to sink in that the saviour might just be a talker.

Larry Diamond, in his recent article 'Breaking out of the Democratic Slump' puts it succinctly: "'Coups' of the officially declared sort are not generally how democracy dies these days. Rather, death occurs step by step, through the steady degradation of political pluralism, civil liberties, and the rule of law, until the Rubicon has been crossed as if in a fog, without our knowing the precise moment when it happened." But the breakdown of democracy and rule of law doesn't mean that the chosen saviour and the chooser can rule happily ever after.

Why? Because, while populism comes along with degradation of rule of law and repression in general, it doesn't automatically translate into delivery of economic benefits and better lives to the people. According to Diamond, "even populists can lose the support of 'the people' when they are no longer able to deliver economic growth and the appearance of clean government, and when their corruption and other failures can no longer be concealed by fear-mongering." This reality has begun to sink in and thus our gamekeeper is in a bit of a fix.

What is to be done? It took a decade to put together one mainstream party to challenge the anti-establishment party back in the 80s. It took another decade and a half to put together another mainstream party to challenge the previous party of loyalists gone rogue. Patriotic citizens are now convinced that the two erstwhile mainstream parties are scum and can't be trusted with the country's future. And the latest saviour brought in with the promise of being the elixir for all that ails the country turns out to be a dud.

You have a very responsible job where you are placed. You can't be blinded by emotion. You can't admit mistakes. And you can't be out of options. If the last minted saviour is good enough to follow orders but can't deliver to save his life, sooner rather than later his time will run out. And so the gamekeeper must be prepared for what comes next. If you look at the landscape, two mainstream parties have the reputation of being corrupt and the newly delivered one has emerged as one comprehensively and utterly incompetent. Creating a new party takes time and so that can be a project for

2035. But what is to be done meanwhile, assuming there is general consensus that direct interventions are out of favour? If the present hand on the tiller is to be discarded for dragging the ship deeper into choppy waters, can you run the game reserve with two sets of erstwhile favourites in the Punjabi heartland both at odds with the gamekeeper? You can't. So you create a PML 2.0, empowering those who have always favoured working with the gamekeeper and obeying bounds set for them.

So let's engage in wild speculation. What if the PML could be reunited, bringing the N and the Q together? The N wing could remain the senior partner and control the civilian domain in the centre, with the Q wing being allowed to run Punjab. This would be a path back into power for both N and Q, which at the moment seems like an impossible feat for them to achieve on their own. Q would probably not trust N because this probably was the unwritten deal in 1997 and wasn't honoured by N. But that is where the gamekeeper comes in as a guarantor.

Why should N agree to this? Because it is not in N's DNA to enjoy wilderness or continue to agitate against the gamekeeper. It wants in, and the part of the N wing that has continued to counsel in favour of working with the gamekeeper seems to be in the driving seat. So if there were a way to deliver Sharif Jr at the centre, having cut to size the rebel faction within N, and the Chaudhrys in Punjab, both running a well-oiled enterprise, wouldn't the gamekeeper be pleased with itself? But what about the incumbent saviour and his support base?

It's not that the gamekeeper doesn't love its latest creation. But between what is desirable and what is necessary, it must go with the latter. If the incumbent saviour had been a talker and a doer, the gamekeeper would love him forever. But if at stake is sustainability of the game reserve itself, the gamekeeper must make hard decisions. And the shared support base of the saviour and the gamekeeper will understand need for action. It can already feel growing economic misery. In the end, it will know that the gamekeeper acted in the larger national interest. And what of the revolutionary arm of N? 'We will live to fight another day' is the lullaby it will use to put itself to bed. The truth is that our gamekeeper is fully entrenched and the game is acclimatized to its de-facto rule. Those in the doghouse are eager to switch places with the incumbent favourite, working on the same wage while promising better results. This is what history has been like for Pakistan and how it is expected to stay. There will be events here and there, but as Fukuyama proponents say: let's not confuse 'events' with 'history'.



We are responsible for Sugar and Flour Price-hike - Prime Minister

The real disease

DR FARRUKH SALEEM

Pakistanis consume 24 million tons of wheat a year and are paying Rs70 for a kilogram of flour. The price of flour outside of Pakistan is the equivalent of Rs45 per kg. Why do we have to pay Rs25 per kg more than what others are paying around the world? Collectively, we end up paying Rs600 billion a year over and above what consumers outside of Pakistan pay for the same thing. Why? Pakistanis consume more than five million tons of sugar a year and are paying Rs85 for a kilogram of sugar. The price of sugar around the world is the equivalent of Rs52 per kg. Why do we have to pay Rs33 per kg more than what others are paying around the world? Collectively, we end up paying Rs200 billion a year over and above what consumers outside of Pakistan pay for the same thing. Why? Pakistanis consume over 100 billion units of electricity and are paying Rs20 for a unit of electricity. A unit of electricity around the world costs the equivalent of Rs11 per unit. Why do we have to pay Rs9 per unit more than what others are paying around the world? Collectively, we end up paying Rs900 billion a year over and above what consumers outside Pakistan pay for the same thing. Why?

Lo and behold, the Government of Pakistan fixes the price of wheat, buys around eight million tons of the commodity every year and issues quotas to flour mills. The provincial food departments borrow around Rs1 trillion a year to undertake their so-called 'commodity operations'. The Government of Pakistan also determines the price of sugarcane and the price of electricity. Our wheat sector is in a mess. Our sugar sector is in a mess and our power sector is in the deepest of all messes.

Question: Why do we have frequent wheat



crises? Answer: Because the government controls the wheat sector. Question: Why do we have frequent sugar crises? Answer: Because the government controls the sugar sector. Question: Why is our power sector in the deepest of all messes? Answer: Because the government controls the power sector. Government control over wheat and sugar has proven to be cancerous. And now the government is trying to treat that cancer with aspirin: "Cabinet approves Rs10 billion package for relief of the people". Imagine: Rs10 billion means a relief of Rs4 per Pakistani per month. The wheat crisis is a symptom. The disease is government control. The sugar crisis is a symptom. The disease is government control. A relief package amounts to trying to suppress symptoms as oppose to curing the disease. We need to cure the disease not just suppress the symptoms.

On February 5, Reuters reported: "India's Reliance Industries purchased an LNG cargo via tender on Wednesday at \$2.80 per mmbtu." On February 11, The News reported: "The new price of RLNG for SSGC system has been fixed at \$11.1943 per mmbtu, which was \$10.4602 during the last month." I really do not understand the huge price differential.

Solution: the government must cure the diseases not just try and suppress the system. The government must restrict itself to governance and leave the rest to the private sector.

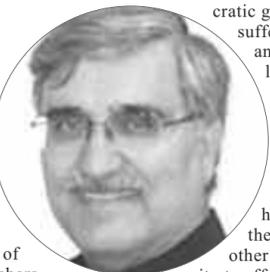
The new ECP's challenges

AHMED BILAL MEHBOOB

The five-member Election Commission of Pakistan (ECP) is finally complete after a painful and protracted process of consultation between the government and the opposition to fill three vacancies including that of the chief election commissioner. The two provincial vacancies had remained unfilled for a full year because the prime minister and the opposition could not agree on the names of the members. These newly inducted members, along with two others to be inducted next year, will, in all probability, be responsible for the holding of the next general election scheduled for 2023. Before that, the commission would also be required to hold local government elections in the four provinces, Islamabad Capital Territory and the cantonments.

Besides the conduct of elections, the new ECP will face numerous other challenges which it would not be successfully able to meet without the support of the people and the state. The foremost is that of credibility which is becoming more intense with every election. Each of the past 11 general elections has been confronted with a peculiar set of issues. But the widespread rigging of the 1977 poll, the involvement of some state intelligence agencies in creating and supporting certain electoral alliances in 1988 and 1990 elections, the PTI's 126-day dharna against the alleged (later disproved by a judicial commission) rigging in the 2013 general election, and lately Maulana Fazlur Rehman's 'Azadi march' against alleged rigging in the 2018 general poll have seriously dented the credibility of and public trust in the electoral system.

Despite some improvement in the last two general elections, the low average voter turnout in Pakistan (46 percent) compared to that in India (60pc) and Bangladesh (64pc) is generally attributed to weak public trust in the credibility of our electoral system and, more specifically, the ECP. Without restoring the credibility of electoral system and the ECP, overall demo-



cratic governance in the country will greatly suffer. The ECP needs to work very hard to analyse the root cause of this weak public trust and then address those causes in a systematic manner. Although pre-poll manipulations constitute the latest trend in influencing the electoral outcome, controlling these may not fall within the purview of the ECP. The challenge for the commission, however, is to protect the integrity of the election from pre-poll assaults. Another reason for low credibility is the inability to effectively monitor and control political finance in the country. For example, when people see election spending way beyond the ceiling set by the law but the ECP is unable to take action, the credibility of the electoral process and the commission suffers in their eyes. Election expenses, contributions to political parties and scrutiny of statements of assets and liabilities submitted by legislators are some critical aspects of political finance.

The capacity of the ECP to monitor and control political finance in the country needs major improvements. The ECP established a political finance wing some time back but both the quality and quantity of its staffing needs urgent attention. Most effective checks on excessive spending by candidates are possible through effective monitoring of the election campaign at the constituency level, as India has successfully done over the past elections. The ECP had started deploying its constituency monitors but the new commission needs to improve the system in light of the lessons learnt.

The ECP staff needs augmentation both in terms of quantity and quality. The 18th Amendment added local government elections to the responsibilities of the ECP but this additional duty did not come with the required enhancement of human resources. The ECP should not only be given additional staff, it should also review its rules to enhance the quality and capacity of the existing staff. Continuous training of its staff is a must and the Elections Training Academy established within the

ECP should be put to intensive use all year round for this purpose. Pakistan may be lucky to have devised a bipartisan system of appointing members of the ECP but this has placed an additional burden on the shoulders of the members. Each commissioner is identified, unjustly, with the party that proposed his or her name. Once selected, the commissioners are serving a national cause and not partisan interests. Parties should refrain from commenting on individual commissioners, and both media and civil society should support the ECP in projecting its independence and impartiality.

Establishing a relationship of trust with political parties has remained an elusive goal over the years. Now that the commission is headed by a former senior civil servant, it may be easier to engage political parties in meaningful and regular consultation without yielding on principles. The media is another important stakeholder which the ECP should effectively engage with. Regular media briefings by a senior and articulate ECP official should be considered especially during the election season. Many media persons, especially the younger ones, may not be aware of the technicalities of the electoral system, and it may not be a bad idea for the ECP to arrange training programmes for them. The use of social media does bring additional challenges but the ECP should seriously consider whether it can do without it in this day and age.

New technologies are emerging and electoral systems can't stay aloof. The results transmission system, or RTS, proved to be a disaster during the last election, and the ECP should not only push for completing the pending inquiry on the failure, it should also work from this point on to make the system foolproof before the next election. Making the voting procedure for overseas Pakistanis trustworthy by using technology is another challenge before the commission.

The jury is still out on the use of electronic voting machines but the ECP should continue testing prototypes to decide on their use. Some celebrated cases are pending before the ECP whose real test of independence and assertiveness will come when it decides on these, including those of foreign funding involving some of our largest political parties.