

# The Business

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## The coronavirus challenge

The Asian Development Bank has reported economic losses that could reach \$347 billion as over 95,000 people diagnosed with coronavirus (COVID-19). This disease has caused 3,015 deaths in China and 267 deaths outside the People's Republic. On March 3, Harvard Business Review highlighted indirect hit to confidence with a more powerful impact on advanced economies where household exposure to equity asset class is high; direct hit to consumer confidence with lower sales of discretionary spending; and supply disruption with a reduction or halt in production disabling critical components of supply chains. The first two factors affecting demand account for the recent decision of the Federal Reserve Board to cut rates by half a percentage point during the G-7 meeting with the other six countries pledging unspecified "appropriate" policy moves - a rate cut that President Donald Trump, with his eyes on his re-election bid this November, said was not enough.

Be that as it may, supply lines cut from China are adversely affecting those industries reliant on imports from China, including Indian textile sector, and so far the gap remains unmet. Our industry and trade too is highly dependent on meeting their requirement of raw material and goods from China. The prospects of disruption in such supplies from China are rather high unless there is a significant improvement in overcoming this menace.

In the case of Pakistan so far, coronavirus appears to be contained with Health Minister Dr Zafar Mirza giving periodic updates on the situation. The source of the virus is Iran with the expected return of between 6,000 to 10,000 Pakistani pilgrims and the government is seeking to quarantine them. Chief Minister Sindh Syed Murad Ali Shah has stated that the province has identified about 1,500 people who have returned from Iran during the past two weeks, adding that "all of them will be quarantined for 15 days."

The focal person for coronavirus in Balochistan, Dr Gichki, stated that containment of the virus "is a huge challenge and an uphill task. We, with the help of Provincial Disaster Management Authority (PDMA), are focusing on developing a quarantine facility for these up to 10,000 pilgrims who will start arriving here from next week."

Pakistan with a fragile health system will no doubt will be unable to cope with the spread of the disease at the same level as in China; however, it appears that appropriate decisions of a lockdown across our border with Iran, screening of passengers returning to the country and establishing quarantine facilities are in place. One would sincerely hope that these containment measures are enough to check the spread of the disease in Pakistan as we simply do not have the resources to deal with a crisis situation like in China, Iran, South Korea and Italy.

## As India slides into majoritarianism



MALIK MUHAMMAD ASHRAF

In the wake of the international fallout over deadly anti-Muslim riots in Delhi - following protests against the Citizenship Amendment Act - the UN rights chief has moved the Indian Supreme Court against the controversial legislation passed by the Indian parliament.

Michelle Bachelet informed the Indian government about its application to be a third party in a petition brought by a former civil servant. This development came in the wake of communal riots in Delhi in which more than 50 Muslims were killed. Iranian Foreign Minister Jawad Zarif in a tweet also condemned what he called a wave of organized violence against Indian Muslims.

Reacting to these developments, the spokesman of the Indian foreign ministry, Raveesh Kumar, said: "The Citizenship Amendment Act is an internal matter of India and concerns the sovereign right of the Indian parliament to make laws. We strongly believe that no foreign party has any locus standi on issues pertaining to India's sovereignty". The Iranian ambassa-

dor to India was also called to the Indian foreign office and according to the spokesman a strong protest was lodged against the unwarranted remarks which according to him were not acceptable. This however did not deter the supreme leader of Iran, Ayatollah Ali Khamenei, from urging India to confront extremist Hindus and stop the massacre of Muslims. He said "The hearts of Muslims all over the world are grieving over the massacre of Muslims in India"

The foregoing episodes prove beyond an iota of doubt that India has failed to sell the narrative that the issue is an 'internal affair'. It is an issue of human rights as enshrined in the Universal Declaration of Human Rights to which India is also a signatory. So any issue relating to the abuse of human rights is a matter of universal concern and cannot be dismissed as an internal affair of the country indulging in their blatant violation, what to speak of the massacre of minorities.

Pakistan, particularly Prime Minister Imran Khan has been warning the world about the capture of the Indian polity by the followers of an extremist and supremacist ideology of Hindutva and the likely consequences within and outside India. He was particularly right on the money in saying that through the promulgation of the Citizenship Amendment Act (CAA) and National Register of Citizens, India was engaged in systematic efforts to discriminate against, marginalize and disenfranchise minorities, particularly the Muslims. The violence and targeted killing of Muslims, desecration of their places of worship is not only a matter of grave concern for the Muslim world, but also for the international community.

The situation created by the BJP government in India is not restricted to condemnation by the international community but even within India there is great resentment

over the path being pursued by it. Former Indian PM Manmohan Singh in an article published in 'The Hindu' on March 6 has put things in their right perspective. Perhaps some excerpts from it warrant to be reproduced here.

Noting that he was writing it with a heavy heart, he observed "The truth is that the current situation is very grim and morose. The India that we know and cherish is slipping away fast. Willfully stoked communal tensions, gross economic mismanagement and an external health shock are threatening to derail India's progress and standing. "It is time to confront the harsh reality of the grave risks we face as a nation and address them squarely and sufficiently. India faces imminent danger from social disharmony. I deeply worry that this potent combination of risks may not only rupture the soul of India but also diminish our global standing as an economic and democratic power in the world."

"Delhi has been subjected to extreme violence over the past few weeks. We have lost nearly 50 of our fellow Indians for no reason. Several hundred people have suffered injuries. Communal tensions have been stoked and flames of religious intolerance fanned by unruly sections of our society, including the political class. Institutions of law and order have abandoned their dharma to protect citizens. Institutions of justice and the fourth pillar of democracy, the media, have also failed us. "Every act of sectarian violence is a blemish on Mahatma Gandhi's India. Just in a matter of few years, India has slid rapidly from being a global showcase of a model of economic development through liberal democratic methods to a strife ridden majoritarian state in economic despair."

"It is my belief that the government must quickly embark on a three point plan. First, it should focus all energies and efforts on containing the COVID-19 threat and pre-

pare adequately. Two, it should withdraw or amend the Citizenship Act, end the toxic social climate and foster national unity. Three, it should put together a detailed and meticulous fiscal stimulus plan to boost consumption demand and revive the economy."

The noteworthy thing is that, while lamenting the killings as a result of the communal violence, he has clearly said that the communal tensions had been fomented and religious intolerance was fanned by the unruly sections of society, including the political class, which was an implied reference to the BJP. He has also blamed the law-enforcement agencies for not protecting the citizens also demanding withdrawal of the CAA. Manmohan Singh has admitted that the steps taken by the BJP government have vitiated the secular spirit of India and the sectarian violence was a stigma on Gandhi's India.

The BJP government like Hitler has first started targeting minorities within India, particularly Muslims and also shown its intentions to pursue the implementation of the Hindutva philosophy even beyond its borders. The unilateral ending of the special status of IOK, bifurcation of it into two territories and their inclusion in the Indian Union as well as the aggressive posture towards Pakistan as demonstrated on February 26 last year, are ranting manifestations of its likely repercussions in regards to regional peace and security.

The world community, particularly the UN as a peace-making body, needs to take immediate notice of what India is doing to minorities and what it has done in IOK in blatant defiance of UN resolutions - before it is too late. Merely reiterating that the solution to the Kashmir issue must be found in accordance with the UN charter and the relevant resolutions of the UNSC is not going to help. Practical measures need to be taken in that regard.

# The crash and its consequences

SYED AKHTAR ALI

International oil prices (Brent crude) have come down to 36.79 USD/bbl (Monday, March 9). By the time, readers read these lines, Brent crude may go down further.

At its highest peak in the last days of February, Brent Crude was \$56. This is a 35 percent drop in international oil prices in less than a month. The highest peak within the current year was \$70.25/bbl. From that reference, it is almost a 50 percent drop today. This is a God-send opportunity and concession for the government of Pakistan and the people of Pakistan. In 2016-17, oil prices came down to this level which greatly benefited the PML-N government. The government has reduced petrol and diesel prices by Rs5 per litre each. People are not happy, as they argue that the full benefit has not been passed on to them.

Further reduction would be due next month or could be even earlier. It is estimated that on the basis of the March 9 price, new petroleum product prices can go down by as much as Rs22 and expected prices of petrol would be Rs89 per litre and diesel Rs94 per litre. This assumes that the government will maintain its taxes at the current level of Rs36 per litre. This would be almost 100 percent taxation on landed or refinery prices.

The government would be well advised to make due downwards adjustment in petroleum prices to save its political capital and boost economic growth and output through its taxation policies. The government would have more reasons to be happy and relaxed on other counts as well.

High interest rates and heavy currency devaluation have already taken a toll. However, international interest rates have gone down as well. LIBOR has come down to 1.5 percent from the recent rate of more than 2.5 percent. Most IPP agreements were based on LIBOR + 4.5 percent at a reference

LIBOR of 0.5 percent.

With increase in LIBOR rates in earlier months, effective interest rates had exceeded 7 percent as opposed to a reference rate of about 5 percent. This had increased interest cost by 30 percent. LNG costs, even of the expensive Qatar contract, would be reduced by more than 50 percent. Thus electricity cost and tariff should also come down. And accordingly, circular debt should stabilize if not reduced. Hopefully, KIBOR will have to be adjusted down as well under this trend. There would be savings in foreign exchange of \$4-5 billion as well and may have some impact on the exchange rate.

It should be noted that petroleum prices and taxation are still lower in Pakistan than in the region. In India (New Delhi, where the prices are cheaper in India), petrol prices are PKR154.38 (as on March 1) as opposed to prices in Pakistan of Rs111.59 per litre. Similarly, diesel (HSD) prices in New Delhi are PKR138.42 as opposed to Pakistan prices of Rs122.26 per litre. In other areas in India, prices can be higher than as high as 10 percent.

Under the current petroleum prices as announced on March 1, the government of Pakistan would earn Rs35.96 per litre of petrol sales - resulting in annual revenue of Rs358.83 billion, provided prices and taxation remain the same for one year - a big if. Similarly, on diesel, the government's taxation earning is Rs42.81 per litre, resulting in projected one year revenue of Rs461 billion.

Together, petrol and diesel enable the government to earn revenue of Rs820 billion. More realistic would be to put it in monthly terms which work out to be Rs68 billion - quite some help by the poor consumer to the government. However, in a country where the elite do not like to pay their due tax liabilities, there are few other options left.

There is a case for taxing energy con-

sumption, as it has externalities, harming other sectors in terms of health, pollution and climate change. There used to be excise duty in the early days to cover these aspects, which continues to be the case in India. In Pakistan, it is called the Petroleum Development Levy (PDL), originally meant for development projects of the petroleum sector.

A decade earlier, courts made quite some hue and cry on it, similar to the protestation that is going on today on the GIDC. It is time, perhaps, to change the nomenclature. An appropriate name would be 'carbon tax' which is being pushed increasingly by climate change circles. The PDL may be divided into two parts, one carbon tax which may remain as a fixed component and the other variable to be called the petroleum levy.

Petroleum has been traditionally considered a luxury deserving heavy taxation. It is no more a luxury but is a necessity, especially diesel which is used by the public transport sector. Forty to fifty percent of gasoline in Pakistan is used by poor motorcyclists and 'loaders'. Europe continues to tax petroleum heavily. In Norway, despite being a petrol producer and exporter, current petrol prices are Rs250 per litre or more, almost double or more than double of Pakistan prices. Similar is the case in other European countries like France, Germany, Italy and the UK etc. The US, however, indulges in moderate taxation and its petroleum prices are used as a benchmark by many.

The government has stopped releasing firm data on petroleum taxation and price build-up. It has taken me quite some time and effort to calculate taxation impact under the current price announcement. Actually, it is the PML-N government which stopped issuing price-build up data - apparently for no good reason. The purported reason was, name-sake, competitive pricing at petrol pumps. The negative impact is that all kinds

of inaccurate data circulate in the electronic and print media. This hurts government image and spreads confusion.

In our region in India, there is price competition as well; however, price-build-up transparency is maintained there. One would have more reliable Indian data available conveniently than one would have on Pakistan. One has to do backward calculations on the basis of widely dispersed data. Earlier, Ogra used to publish this data and continues to post historical price-build up data on its website. Serious consideration may be given by the government to eliminate this vestige of the past and announce its own well-considered policies.

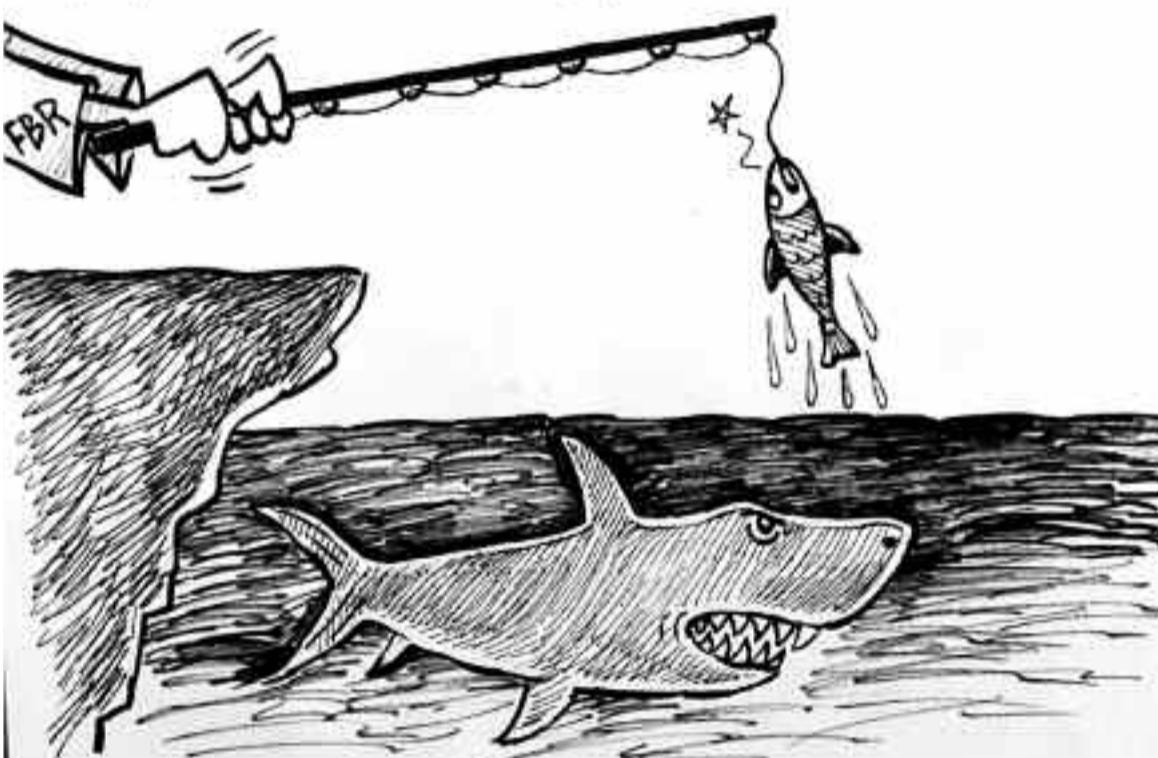
Oil prices have gone down earlier, benefiting people temporarily. They may peak again as earlier to reach unaffordable levels. The issues and problems, however, remain. Realistically speaking, Pakistan may never become self-sufficient in oil and gas. However, dependence and imports can be reduced. Another problem is the dollarization of the energy sector, where locally produced energy does not save much foreign exchange.

We are an agricultural country with a lot of bio-resources. We have in this space drawn attention to the role of biogas and bio-CNG. Local resources and investments can play a major role in this respect. It can also play some role in boosting the economy and employment, especially in rural areas. It may not be inappropriate to repeat the same suggestion again while we have some sign of relief at the reduction in oil prices.

It is pleasing to see that the government is promoting Electrical Vehicles (EVs) and a policy in this respect is on the anvil. With increasing share of renewables like solar and wind, EVs will make our energy sector more independent and sustainable.

The writer is a former member of the Energy Planning Commission and author of 'Pakistan's Energy Issues: Success and Challenges'.

## PAKISTAN TAX COLLECTION 62pc BELOW ITS POTENTIAL. IMF



## Bringing people closer

DR RAMESH KUMAR VANKWANI

The US, in response to the 9-11 tragedy, had waged the "war on terror" to evict the Taliban regime from Afghanistan. At that time, many analysts were highlighting the geo-political interests behind the move.

It was widely believed that the US, in order to ensure regional stability, would stay in Afghanistan on a permanent basis. However, the US presence eventually led to numerous challenges in the region. No one could ever imagine that the US would be signing a peace agreement with the Taliban to seek a safe exit from Afghanistan. However, the day finally came when both sides sat together in Doha to join hands for the sake of peace. The peace agreement reflects that the key to resolve any conflict is to choose bilateral dialogue.

It is also a very clear message to other countries that are indulging in endless conflicts. US President Donald Trump played a positive role in the historical US-Taliban peace deal.

China, another key global player and emerging superpower, is progressing very rapidly in every field and due to this, the 21st century was termed the 'Asian Century' by various analysts. Despite China's strong economic power, the unfortunate spread of the deadly coronavirus discloses the helplessness of humans against natural disasters.

Today, people are reluctant to greet each other physically, owing to the fear of the virus. Travel restrictions are being imposed around the globe. People are reluctant to visit public places. Many destinations, which were once most crowded, are desolated today. Apart from precautionary measures, I believe that a true and fair approach in our daily life is more important. Today, we need to think why new diseases are emerging and becoming viral? There is a dire need to promote golden principles such as tolerance, brotherhood and equality in our society. Unfortunately, our new generation is more vulnerable to adopt lifestyles based on selfishness, materialism and greed.

All such thoughts echoed in my mind at the time of the recently-celebrated Holi festival. While extending Holi greetings, I clearly men-

tioned in my tweet that this festival of colours signifies the victory of light over darkness, love over hate, and justice over injustice. The happy occasion reminds us that evil forces had to face defeat at the end. Therefore, we should ensure a positive attitude in our daily lives.

Rather than attributing Holi to a specific religious activity, we should understand the real message behind the festival. While throwing colours at each other, happy people used to celebrate the victory of good over bad. They are actually admitting the reality that the conflict between good and bad has been going on since day one but brave people prefer to continue their struggle and ultimately win. Today, people in Indian-held Kashmir are also facing difficulties. However, resolving the Kashmir issue in a peaceful way has become essential for regional stability and global peace.

It would be an amazing fact for many people today that the Holi festival was first started in Multan. For many thousand years, Hindu followers from all across the globe travelled to the ancient Prahadpuri Temple located in Multan. Adjacent to the temple, the shrine of renowned Muslim Sufi Bahuddin Zakariya depicts the traditional interfaith harmony of the Subcontinent.

Holi has transformed into an international festival but it is quite unfortunate that the birth place of the Holi festival has been deserted for the last 27 years. I had made it clear at every forum that the ongoing Hindutva extremism in India should not be confused with the peaceful teachings of Hinduism. Unfortunately, the Evacuee Trust Property Board (ETPB) failed to safeguard the sacred religious places of Hindu community.

The opening of the Kartarpur Corridor was a timely and wise decision for which the credit goes to Prime Minister Imran Khan and COAS Qamar Javed Bajwa. If a responsible patriotic Pakistani Hindu citizen is appointed as to head the Evacuee Trust Property Board then sacred places like the Prahadpuri Temple can be made a source of attraction for tourists as well.

Such destinations can not only lift the positive image of Pakistan but also help promote religious tourism and generate revenue. There is a need to bring people closer for the sake of humanity.