

# The Business

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## Poverty and unemployment

It is an open secret that the coronavirus epidemic will take a heavy toll of the economy, particularly employment and poverty trends. And it's no surprise that the ones to suffer first, and the most, are the lowest income groups. Still, the first quantifiable estimates that are now coming out make for some grim reading and should give policymakers much to think about. According to a report by Dun & Bradstreet Pakistan, not only can the ongoing slowdown almost double the country's poverty rate, from 23.4 percent to 44.2 percent, it can also put more than 12 million people out of work, which is approximately 20 percent of the total employed population. Even more importantly, it will most likely add 46.3 percent of the country's vulnerable workforce - defined as self-employed workers and contributing family workers, who are not very likely to have formal work - to the ranks of the unemployed as well. Since Pakistan has a very high percentage of vulnerable employment, 41.6 percent according to Pakistan Bureau of Statistics (PBS) figures of 2018, the expected poverty bulge becomes that much easier to understand. Going by the report, the biggest vulnerable employment layoffs will come in the transport and communication (90.26 percent) and hotels and restaurants (90.00 percent) sectors.

Given that businesses and government alike didn't fully understand the kind of economic compromises that the lockdown would demand till as late as mid-March, and there's still no way of knowing just how long proper economic activity cannot resume, these figures can be taken as careful estimates at best. But they do give a pretty clear idea of the magnitude of the problem. The government must immediately work on an action plan to help the sectors that are most at risk; so their vulnerable workforce can be protected before it finds itself on the streets with no income. It is unlikely, given the size of the economy, that the government can make direct transfers of the huge sums of money that businesses need to avoid a liquidity crunch in the immediate term. So it will have to adopt a calculated and phased approach.

Whenever it is feasible to relax the lockdown, it will be important to stagger it in stages. Right now, only industry related to essential services is allowed to function. Next, export industry has been allowed to resume operations along with allied industry that feeds the export sector. Suddenly giving the green light after a cabinet meeting one fine day will not do the job. The government will have to make a priority list, for which it will have to hold discussions with all stakeholders and gather input from experts.

## Desperate populist things

Populist governments like the Hindu supremacist BJP always keep their populations hostage to fears of a boogeyman - Pakistan in this case - in order to control them and to justify their aggression at home and abroad. In line with characteristics of populist governance, Indian Prime Minister Narendra Modi has overseen rampant "state colonisation, mass clientelism and legal determinism". The country has witnessed the occupation of state institutions by sycophants and loyalists, distribution of assets and resources as favours to useful elites and discriminatory legislation and application of law against minorities, especially Indian Muslims.

In its desperate quest to project influence around the globe and paint Pakistan in the light of a terrifying villain, the BJP government has been running pillar to post searching for a sympathetic ear. As its grand ambitions fail to materialise, it feels compelled to commit blunders like its intelligence

agencies tasking an Indian editor to recruit Canadian politicians through money and favours; their influence to be deployed against Pakistan. It did not take long for this ridiculously comical plot to be uncovered by Canadian authorities who appear in no mood to save the Modi government from yet another embarrassment at the global stage.

In Occupied Kashmir, the situation remains precarious as ever. Even in the midst of the coronavirus pandemic, Kashmiris remain deprived of information, access to reasonable internet or healthcare facilities. The Indian Army Chief will find that his incendiary rhetoric will not distract the world from his country's excesses and oppression in Jammu & Kashmir. His predecessor failed too. The fact is that if a state has to put the entire population of a region under curfew for months on end to keep it from demanding its right to self-determination, its defeat and ouster is inevitable. Kashmir will never become a part of India, especially not under the banner

# Afghan politics vs infection

MUHAMMAD AMIR RANA

Even Covid-19 has failed to take attention away from the ongoing political stand-off in Afghanistan. The intensity of the Afghan political crisis is so great that the power stakeholders in the conflict have been unable to prioritise the coronavirus health emergency and appear more concerned about their political future. Since the US and the Afghan Taliban signed a peace deal on Feb 29, the political transition in Afghanistan has witnessed surprising developments. For instance, the Taliban have been showing flexibility in their position on the prisoners' issue. Dr Abdullah Abdullah, the self-proclaimed "winner" of the last election, has also changed his political strategy and sent clear signals of reconciliation to President Ashraf Ghani. However, President Ghani is in an aggressive mood and appears all set to start his second term by coming down hard on his political opponents. He was never happy with the deal and is now getting more assertive even with the US, which could result in further reduction of US financial aid to Afghanistan.

Afghanistan is among the countries with the least testing facilities, but the virus appears to be spreading. As of April 16, the public health ministry confirmed 840 confirmed cases, with at least 30 associated deaths. A failure to control the spread of the virus can also expedite the withdrawal process of the US and Nato forces. Former US ambassador Richard Olson recently predicted that if the coronavirus hit

Afghanistan hard, it could accelerate the exit of US troops. Such a situation will increase US dependence on the Taliban to reduce the violence and prevent foreign terrorists from operating from their soil, as per the insurgents' commitment. However, both commitments will test the Taliban, which still have a significant operational capacity and are, at least ideologically and politically, in line with groups like Al Qaeda.

So far, the Taliban have shown restraint in targeting foreign forces in Afghanistan. However, they are still resorting to violence against the Afghan security forces, apparently to keep their political advantage intact. Their attacks increased considerably a week or so after they signed the deal. According to an Afghan media outlet, the Taliban carried out 2,162 attacks against government forces following the end of their reduction-in-violence week, which started on Feb 22. During the week mentioned, the number of attacks plummeted from an average of 70 to 15 per day; however, since Feb 29, the Taliban have conducted 31 to 96 attacks on Afghan forces per day. At the same time, the Taliban are complaining to the US negotiation team about the operational strikes against Taliban fighters in their homes, which they believe violate the provisions of the agreement.

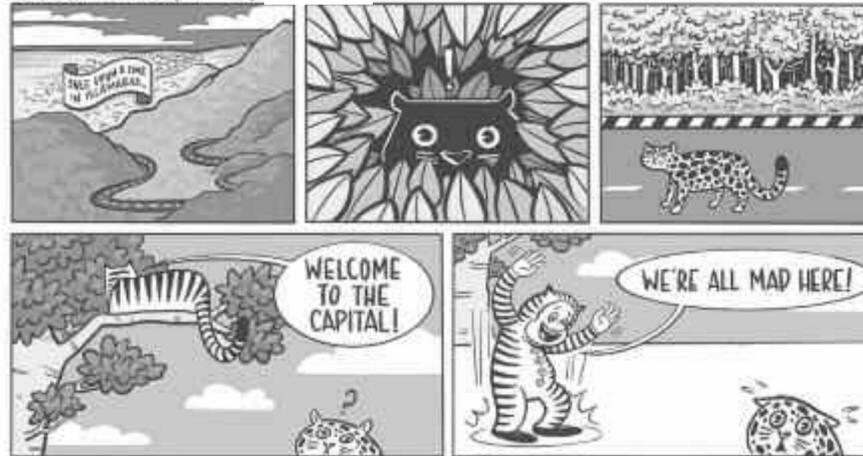
The prisoners' swap is still complicated even though the government has released a few hundred Taliban detainees, and, in return, the Taliban have freed dozens of Afghan security personnel. For Kabul, the prisoners' issue is meant to keep its leverage over the Taliban intact. For the Taliban,

this is a test of America's ability to fulfil its promises; it is also a condition for initiating a broader dialogue with Kabul. The US does not want to break the deal, which is why on the one hand it is pushing Kabul hard, and on the other, expecting Pakistan to use its influence over the Taliban. The US believes that Pakistan is a crucial partner and can still do more by influencing the Taliban to cooperate in a US exit, which is expected to be completed in 14 months, and become part of the intra-Afghan reconciliation process. Recently, American envoy Zalmay Khalilzad and Gen Austin Miller who commands the US and Nato forces in Afghanistan, visited Islamabad and held talks with army chief Gen Qamar Bajwa, and renewed their commitment to a political solution to the conflict. Afghan officials and media adopted a harsh tone against Pakistan after the attack on a Sikh gurdwara in Kabul by the militant Islamic State group. Afghan intelligence arrested IS commander Aslam Farooqi. Afghanistan vice president and former intelligence chief Amrullah Saleh accused Pakistan of supporting the IS, and tweeted that the capture of the IS leader would prove to be a 'treasure of intelligence' on Pakistan. All this irritated Pakistan, which demanded that Farooqi, who belongs to Orakzai district, be handed over. It was also reported that Aslam Farooqi was not arrested but himself surrendered to Afghan intelligence. Since Afghanistan declared victory against the IS last November, the Afghan media has been continuously reporting surrenders of IS fighters, including those from Afghanistan,

Pakistan and the Central Asian states. It is to be ascertained as to what extent IS has been weakened but the Taliban captured their areas of influence in Kunar province recently, which they used as proof of their commitment to the US to prevent foreign terrorist groups from using Afghan soil. It appears that both the Taliban and Kabul are targeting the IS to please the US, but blaming Pakistan will only complicate the situation.

In a fast-changing political scenario, with President Ghani in aggressive mode, Dr Abdullah is consolidating his political capital by adopting a reconciliatory posture. After President Ghani's refusal to offer him the slot of chief executive, Dr Abdullah has floated a new proposal, which includes a 50 per cent share in the cabinet, and appointing governors in the provinces where he has won a higher number of votes. However, most importantly, he is demanding a considerable role in the peace process. A prominent position in the peace process will bring him closer to the US, Nato, Pakistan and all other concerned regional actors. Much depends on President Ghani's response. The failure to reconcile will increase frustration in Washington which has already threatened to withhold \$1 billion in aid to Afghanistan this year. The UN has warned that the spread of the pandemic could cause a global humanitarian disaster and has appealed for a global ceasefire in all conflict zones. Ironically, internal and external power stakeholders in Afghanistan are not ready to shift their priorities. This is not a season of optimism.

### LOCKDOWN LOG (DAY #28)



## How Pakistan's economy can grow post COVID-19

M BILAL LAKHANI

The double whammy of Covid-19 and a fragile economy is bad enough, but this is the first economic crisis in Pakistan's history to our informal economy directly, which has otherwise been a shock absorber every time Pakistan walked into an economic crisis. The bad news is that things are going to get a lot worse. The good news is that we can emerge from this even stronger, if we play our cards right.

What are the biggest sources of economic pain for Pakistan's economy because of the Covid-19 lockdown? Mass unemployment and sharp reduction in domestic consumption and exports. This exacerbates an already fragile economy, where demand was being compressed over the last two years by raising interest rates and depreciation, to successfully make our current account deficit collapse faster and bring some medium-term stability to the rupee's volatile value.

The government tried to raise domestic demand by injecting cash and spurring economic activity through the Ehsaas Emergency Cash Programme, which gives 12 million vulnerable families cash to spur consumption while sustaining themselves through the lockdown. Opening up the construction sector or engaging in large public works

programmes are also ways to create mass employment, while raising domestic demand. However, this is a time for bold ideas and big infrastructure programmes take time to get off the ground, argues Uzair Younus, a non-resident senior fellow at the Atlantic Council's South Asia Center, based in Washington DC. "The informal economy is hurting and it's important to get cash into the system," says Uzair. "A quick way to get cash into the informal economy is to engage in small level public works at the district level. This could be channelled via an existing mechanism which used to give MNAs and MPAs development expenditure for their constituencies. The funds could be used to build local roads, plant trees, etc. and enable unemployed labour to find work."

This is a localised policy recommendation, even though the ruling party has opposed channelling development funds via MNAs on principle, because of the potential for fuelling political patronage. If we can roll this out with transparency and effectiveness, this could be an important tool in the government's Covid-19 response toolbox. There are also two emerging opportunities in a post Covid-19 world order, which Pakistan can take advantage of to reform our

economy. First, dramatically low oil and commodity prices (the imported inputs), will create a buffer within our current account, even after considering a 15-20% drop in exports and remittances. We must take advantage of this buffer and the redesign of global supply chains (due to US-China tensions) to attract foreign investors and allocate resources to new industries that fulfil demand for products the world needs versus continuing to support our rent-seeking industries, which result in a sub-optimal allocation of our limited economic resources.

Second, the crisis opens opportunities where Pakistan's current geo-political advantages sit. The US will want to exit Afghanistan even faster, which can help us secure debt relief in the interest of a stable region. China and the US are also locked in a battle for global influence (with the US stopping funding for WHO because it's perceived to be too pro-China) and this can be leveraged by Pakistan to gain access to both their markets, attract investment and secure debt relief or re-scheduling.

Finally, this is the moment for Pakistan to re-negotiate our social contract; to spend more on health-care, social safety nets for the poor and linking Covid-19 bailout money for businesses to enter the tax net. Most governments only get one chance at the beginning of their tenure to push through hard reform. PTI just got a second.

## Confusion kills

FARRUKH SALEEM

Humanity hasn't faced a challenge like the novel coronavirus in a hundred years. Millions of human lives are at stake. Our government is visibly confused. On March 22, at 3:30pm, PM Imran Khan, addressing the nation, enumerated the benefits of not locking-down and ruled out 'total lockdown'. At 3:50pm, Syed Murad Ali Shah, Sindh's chief minister, announced a 'province-wide lockdown'. At 5:00pm, the Gilgit-Baltistan government decided to impose a 'complete lockdown'. At 8:45pm, the government of Sindh officially imposed a 'complete ban' on public movement. Earlier the same day at 1:20pm, the Punjab government 'sought military in aid of civil power to contain the virus outbreak in the province'. Even earlier at 10:00am, the government of Balochistan called for 'military in aid for civil power under Article 245'.

On March 23, a 'special Corps Commanders Conference reviewed COVID-19 spread'. After the conference, Major-General Babar Iftikhar, DG-ISPR, informed the media that COAS General Bajwa has 'directed troops to be deployed and that congregational and other public gatherings are prohibited'.

On April 15, PM Imran Khan announced to "extend the partial lockdown across the country for the next two weeks with the opening of some sectors." Now this was the mother of all confusions - partial lockdown extended! I, for one, was thoroughly confused. What did it mean? Lives are at stake. On April 15, PM Imran Khan told us that the government would consult religious leaders on the opening of mosques and Taraweeh congregations during the holy month of Ramadan. Lo and behold, even before the consultation took place our clerics gave their verdict on the opening of the



mosques and Taraweeh congregations. A state within a state! (Mufti Muneeb then took a U-turn).

According to modeling done by the Imperial College London Covid-19 Response Team, if the Government of Pakistan does nothing 4.4 million Pakistanis may require hospitalization and 691,000 may die (hospital beds available: 130,000). The same study claims that if the Government of Pakistan actively 'suppresses' the spread of the virus the loss of life will go down by more than 90 percent.

Computer generated models are in front of us - how many could die if the government does nothing and how many lives can be saved if the government undertakes 'suppression measures'. The mother of all questions in my mind: Is our government making decisions based on data?

Imagine, tailor shops are open but cloth shops are not. Construction is open but most of the supply chain is not. Export-oriented industries are open but export orders have been cancelled. There's a federal understanding of the novel coronavirus spread. There's a provincial understanding of the same. And, then there's a military understanding. There's no national understanding. As a consequence, there's no national strategy.

Pakistan hasn't faced a challenge like this before. When hundreds of thousands of lives are at stake, the government should clearly tell us what is expected of us and each and every citizen must follow and obey. But when the government itself is confused 'confusion becomes the most honest response'.

## Letters to the Editor

### Risky business

The decision of the federal government to re-open the construction and allied sectors is a very risky move. Agreed, that our death rate is not as high as that of some other countries, our ratio of Covid-positive patients is almost at par with the world. In this situation, opening up a whole swathe of sectors in the absence of mass testing is certainly not a wise move in my opinion. God forbid, this massive scale of opening up various sectors may increase the number of our Covid-19 patients exponentially. This exponential growth of the virus will put tremendous pressure on our fragile health system. The government should rather fulfill its basic responsibility and strive to provide the essential necessities of life at the doorstep of vulnerable classes.

The many philanthropic organizations in Pakistan will certainly aid the government in this effort. But to open up various sectors without sufficient data about the recent trend and behaviour of the Covid-19 virus would be tantamount to exposing the poor segments to the deadly disease. Lastly, the public bickering between the federal and Sindh governments regarding their anti-Covid-19 strategies is in bad taste, to say the least.

Akbar Jan Marwat  
 ISLAMABAD

### Auto issues

The government offered incentives for auto-equipmenters to create healthy competition in price and quality. Practically, the government increased taxes, and existing

auto assemblers started out of proportion increase in prices of existing stock with increase in dollar price.

Consequently, the sale of cars has gone down by 40 percent or so and tax collection has also decreased. Now, the government is not prepared to rationalize taxes and auto assemblers are not prepared to abstain from profiteering. So, what's the solution?

M Akram Niazi  
 RAWALPINDI

### Health minister

This refers to the news report 'Supreme Court trusts PM's intentions: CJP says SAPM inept, ineffective.' According to the

report, the CJP questioned the credibility of the adviser to the PM on health, Dr Zafar Mirza, and said he should be removed, though he refrained from passing an actual order for his removal. Now if, instead of appointing a full-fledged, empowered federal minister of health, the prime minister decides to make do with a mere adviser on health, with limited powers - thus retaining the portfolio of federal health minister himself - how could the CJP take to task Dr Mirza, whose job is merely to advise the PM? As for coronavirus-related items, these could not have been exported to China without approval from the highest level, and the favour is now being returned generously, which proves that it was not a bad decision.

S R H Hashmi  
 KARACHI