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It's capitalism once more

HUSSAIN H ZAIDI

As the sun set on the year 2020, the energies of governments and people around the world remained consumed with coping with the biological and economic challenges thrown up by the Covid-19 pandemic.

The pandemic has turned out to be one of the severest of tests that humankind has been put to over the past one millennium. The world will either find a credible cure for the virus or learn to live with it. In either case, Covid-19 will leave indelible marks on social, economic and political institutions. The pandemic will end up ushering in complete ascendency of capital over labour. Covid-19 has forced governments to lock down cities or otherwise restrict the movement of the people. Labour-intensive enterprises and industries were doomed to bear the brunt of the infection. They were the first to shut down and will be the last to pull the shutters up.

Production is either capital or labour intensive, depending upon which of the two has a higher share as input to the output. In recent years, technological revolution has caused a massive shift from labour to capital intensive production. Companies, provided they can afford to make initial high investment in fixed assets, such as plants and machinery, have the choice to use either more labour or more capital in production. Covid-19 has decidedly titled this choice in favour of capital-intensive production.

The post-Covid-19 world will witness replacement of labour with capital at a much faster pace. This pandemic may be contained in a few months. However, the fears that another such pandemic may hit the globe will only intensify, forcing businesses that were earlier reluctant to do so because of initial high cost to step up invest in automation and fixed assets to ensure that, even in the face of as ravaging a pandemic as Covid-19, business goes on as usual.

Capital-intensive enterprises will be in a much better position to cope with another pandemic should it visit the world. It is easier for such enterprises to enforce social distancing than those that are labour intensive. If for health and safety reasons workers can't turn up to the factory or office or can do so only at a higher cost, the enterprise will increasingly rely on capital and technology to produce or supply goods or services. To work from home, which has gained immense currency during the pandemic, high-skilled workers are more qualified than the low skilled. By implication, capital-intensive enterprises are in a better position to practise work-at-home than the labour intensive. A capital-intensive enterprise also need not worry much about worker absenteeism or social security expenditure.

In the market economy, labour is traded like a commodity. Labour demand is derived demand, in that it is contingent upon the demand for goods and services that workers produce. Hence, workers are useful to an enterprise only because they contribute to the production of goods and services that can be sold. In case a worker doesn't turn up at the workplace or is not needed because production has contracted or come to a halt, they lose their usefulness and are thus either laid off or asked to accept much lower wages.

According to ILO estimates, global labour income declined by 10.7 percent ($3.5 trillion) in the first three quarters of 2020, compared with the same period last year. The biggest drop has come in lower-middle income economies, where the labour income fell 15.1 percent.

As a factor of production, labour has some limitations. Compared with capital, labour is perishable or less mobile. Wage hours lost due to unavailability of work can't be regained. To top it all, even a most diligent worker can't work like a machine. They need rest and leisure and want self-respect and a safe workplace. Even in a normal situation, all these features combine to place workers in a weak bargaining position and make them highly vulnerable to demand or supply shocks.

Of the top 10 global brands, nine are in the digital industry, showing the increasing power of digitalization. Prior to the pandemic, big companies, particularly multinational enterprises (MNEs), were increasingly using digital tools for such purposes as communication with customers and suppliers, product promotion and sales. The share of electronic-commerce in total sales was on the increase in both developed and emerging economies.

Covid-19 has made digital interaction the preferred, and in some cases the only, means available to enterprises, especially those engaged in international business, to reach out to their customers, suppliers and consumers. As a growing number of buyers and sellers adjust themselves to online platforms for transactions, once the pandemic is over e-commerce is likely to get greater traction as the preferred mode of doing business. Digitalization is replete with economic, social and political implications. Whether, on the whole, technology creates or destroys more jobs is open to debate but by all means capital-intensive businesses are better placed to benefit from technological development than those which rely more on the sweat of the labour. Digital technology will preside over power shifts – both domestically and internationally. Setting up a capital intensive and technologically suave business requires substantial initial investment. Since micro, small and medium enterprises can't afford to make such an investment, they tend to be labour intensive. Hence, not surprisingly, it's the micro and small enterprises which have borne the brunt of Covid-19 all over the world in the form of closure. For medium-sized enterprises, probably the most 'profitable' option is to let themselves be taken over by a bigger business.

Yes, wages will go up but only for high skilled labour. The unskilled or low skilled labour will see their wages nosedive. As a result, domestic income inequalities will widen.

While size has always been a key factor in a market economy, it is size combined with state-of-the-art digital technology that gives a business an overriding advantage in the present-day world. In the US, the power of big-tech enterprises – Google, Facebook and Twitter – is too evident to need elaboration. In the age of information – or disinformation – data has logically become the most powerful weapon in the hands of an enterprise. Whoever has access to more data will call the shots. The digital divide is both domestic and international. With a greater power shift to digitally advanced nations, technology is likely to emerge as the most significant element of national power.

More than in the past, technology, particularly its digital variety, will define inter-state relations. Access to cutting-edge technology has already become the principal irritant in relations between the world's two largest economies, namely the US and China. In 10 years, China may replace the US as the world's top economy. However, as long as China doesn't catch up with the US in the technology race, the latter will retain its superpower status.

That is the reason Washington has in recent months moved to block supply of key technology and components to some of China's leading players, such as information and communication technology giant Huawei, and Semiconductor Manufacturing International Corp (SMIC), the country's foremost manufacturer of microchips.

The Covid-19 pandemic has underlined the importance of inclusive growth. People with considerable savings are better qualified to cope with job loss or wage cuts.

Likewise, in countries with credible social safety nets governments have found it easier to reach out to the people with handouts. But will the pandemic extenuate neoliberal economics and public policy? The answer seems to be in the negative.

The fundamental canon of neoliberalism is complete faith in allocation of resources by the market. The basis of market allocation is price mechanism. The more you pay, the more and better goods or services you get. Mega players – sellers or buyers – are always capable of rigging the market because of their monopolistic position. The primacy of the market is thus a euphemism for that of mega enterprises. By making such enterprises even more powerful, the pandemic will strengthen neoliberalism.

In a word, like most other global crises in the contemporary era – the 1989 break-up of the USSR, the 2008 global recession – Covid-19 will end up cranking up capitalism.

Human civilization has probably

Future challenges

Prime Minister Imran Khan has acknowledged that his team was not ready to deal with the multiple crises that it inherited, due to not only flawed policies of his predecessors but also because of a lack of available data; however, one would hope that as his administration reaches the midway point in its tenure in January 2021 all the issues that persist in the economy in general and specific sectors in particular have not only been identified but, more importantly, recommendations to deal with the crises have begun to be implemented. On 12 May 2019, the economic team leaders – Dr Hafeez Sheikh and Dr Reza Baqir - signed off on an agreement with the International Monetary Fund (IMF) staff for a $6 billion programme loan that identified all existing, albeit very daunting, macroeconomic issues and laid out time-bound measures, including one-time actions and specific structural adjustments..

Pakistan is currently on the 23rd IMF programme and ironically during the past two to three decades the two sectors that have continued to be a source of drain and therefore of serious concern to the multilaterals, including the IMF, are the energy and the tax sectors. While the government has renegotiated the contracts with Independent Power Producers (IPPs) and received general acclaim yet these agreements remain legally non-binding as the government does not have the 40 billion rupees that it agreed to disburse to clear all their past dues. Transmission network remains antiquated with limited capacity to vacate the entire generational capacity that was strengthened during the PML-N government without a concomitant upgrading of the transmission and distribution (T&D) networks with the result that there is serious mismatch between the two contributing to inability to fully utilize the generation capacity and abnormally high T&D losses well above the international average with frequent breakdowns.

The tax sector too is a source of concern as the tax structure remains unfair, inequitable, and anomalous where by a state-owned entity may be paying much lower tax than a private sector entity which impedes private sector activity regarded by the PTI administration as the engine of growth. One would hope that the government revisits the performance of the relevant ministers and reschedules some of these decisions. Inflation is another area which requires government attention. It is not appropriate to consider lower price of wheat and sugar in recent weeks as an achievement because that has been possible through imports – or at the cost of spending scarce foreign exchange reserves on items whose domestic demand would have been met by domestic supply if their exports had not been allowed by the government. One would, therefore, hope that 2021 would be marked by sectoral and governance improvements based on the lessons learned in the energy sec-

A gendered lens

FOQIA SADIQ KHAN

The vaccine for Covid-19 is round the corner; yet, it will take quite some time for the pandemic to loosen its grip on the people and governments of the world. Covid-19 had a strong impact on the society, economy and politics of the developed and developing world. Both lives and livelihoods of people really suffered.

In Pakistan, there has been heated debate on whether to impose a strict lockdown or secure livelihoods. We refer to a draft report of the Institute of Development and Economic Alternative (IDEAS) authored by Faisal Bari et al for The Asia Foundation that maps the gendered impact of Covid-19 on women workers employed in the informal sector.

Back in March 2020, the government imposed partial lockdown in various parts of the country. Gradually, they closed down some leading sectors of the economy as well as educational institutes. This was followed by a six-week national complete lockdown that was lifted in May. Since then, there have been some 'smart' lockdowns but not a full one, despite the second wave of Covid-19. The IDEAS research largely focuses on the impact of a complete lockdown on women workers in the informal sector.

It is important to study the informal sector because as per the latest Labour Force Survey of Pakistan (2017-18), roughly 72 percent of non-agricultural employment in the country is in the informal sector. Though women's labour force participation rate is only 22 percent (World Bank Indicators), roughly 72 percent of women who work are employed in the informal sector.

The question is: why focus on women while studying the impact of Covid on the economy? It was thought that the pandemic would have a differentiated impact on women workers compared to men.

According to Bari et al, "Women in the informal sector tend to earn and save less, have lower job security and have restricted access to social protection. Additionally, women working in non-essential service industries such as food service, hospitality and as domestic workers for housekeeping and child- care are more likely to be laid off or exploited for their labor during the pandemic and resulting economic crisis. The informal sector, which predominantly comprises women workers, is also marked by limited access to capital, credit constraints and high rates of business failures as compared to the formal sector. Gender norms also contribute to the layers of discrimination women experience with access to finance, buyers, networks, and technology. These issues are likely to be exacerbated due to the Covid-19 pandemic."

Small businesses experienced decreased profits due to the impact of pandemic in Pakistan. Home-based workers endured more than 40 percent losses, arts and entertainment 33 percent, followed by industrial workers with 30 percent losses. Women who worked in the various sub-sectors of the economy also suffered "severe economic shocks" in terms of receiving reduced salary or wages, switching jobs, spending savings, borrowing, and selling assets to cover loss of income. At times, women even had to violate the lockdown to earn livelihoods.

Though the agricultural sector was not subjected to the lockdown, women generally worked for fewer hours than the previous crop cycle. Those involved in livestock farming and management also ran out of food and fodder due to the ban on transportation. Women who produced perishable food items also experienced their produce going wasted during the lockdown since it could not be transported to markets or supply chains. This put further financial strain on women workers and producers in the agricultural sector.

Workers in the informal sector also faced a decline in employment: most of the arts and industry workers temporarily lost their jobs, as did beauticians and domestic house helpers. Home-based workers suffered reduced wages. There were also reduced working hours across many sub-sectors for the informal economy workers during the lockdown. Women reacted to these economic shocks either by borrowing money or reducing spending. There was also uncertainty amongst small women business owners about keeping their businesses sustainable in the medium term. Women workers felt vulnerable and they had low expectations about their future during the pandemic.

In addition to work and financial pressures, the research also looks into the socio-emotional impact of Covid-19 on women working in the informal sector. There was substantial increase in women's domestic and care-giving responsibilities. Having unemployed or partially working men of the household and children at home due to school closures meant that women had to work more and also home-school their children. This also led to a decrease in their agency and decision-making powers, and increase in gender-based violence in certain cases.

The study also found that most informal workers neither had access to social protection programmes nor much awareness about them.

As the informal economy is not documented, it leaves "large gaps" in providing social protection to the workers. Even 10 percent of workers who are receiving some sort of social protection find it to be insufficient. Since women working in the informal sector have low literacy levels, they find it difficult to access government's social protection; registering

The foreign policy challenge

ASHRAF JEHANGIR QAZI

Let us briefly look at Pakistan's main external relationships. Pakistan is fortunate to have a strong relationship with China. It is the world's greatest success story. It is the only great power willing to invest in developing a strategic partnership with Pakistan. CPEC, in the context of the BRI, offers Pakistan huge opportunities to economically transform itself if it can break with the dependency syndrome it has become accustomed to for seven decades

China cannot transform Pakistan. China will not go to war for Pakistan. But the US and India are compelling China to deepen its relations with Pakistan. This places a responsibility on Pakistan to become a reliable and feasible strategic partner despite the pressures of China's rivals. Unfortunately, the dysfunctional political system in Pakistan curtails the possibilities to develop a full-fledged strategic relationship with China.

As for the Uighur problem, this is a matter for Pakistan to consider within the context of its essential relations with China and not as part of an anti-China and US and India-led narrative which is less concerned about the Uighurs than in pursuing a cold-war-cum-containment strategy against China. If China's security concerns are addressed there is no doubt it can offer all its non-Han citizens the best alternative for their economic development and cultural self-expression. If the US prides itself on being a multi-ethnic society why should it seek to prevent China from developing in a similar direction? Pakistan is itself a multi-ethnic society which has yet to become a multi-ethnic polity.

India, of course, is the biggest challenge for Pakistan and its foreign policy. The relationship has become so deeply set in mutual animosity that a fundamental improvement appears almost impossible. There are reasons for this, and India is primarily responsible. It opposed the emergence of Pakistan. It subjugated and incorporated the larger part of Jammu and Kashmir in violation of UN Security Council resolutions and the wishes of the majority of the Kashmiri people. It invaded East Pakistan to bring about its separation from Pakistan even though, it must be admitted, Pakistan's utterly brutal and stupid policies were primarily responsible for that tragedy.

Pakistan has continued its short-sighted policy in Balochistan which has afforded India opportunities to fish in troubled waters. Moreover, India uses the situation in Balochistan to counter Pakistan's criticisms of its repressive policies in Occupied Kashmir. The world, by and large, is critical of India's policies in Kashmir. But it has also tended to cite Balochistan to question the moral consistency of Pakistan's denunciation of India's violation of Kashmiri human rights. This has hamstrung Pakistan's Kashmir diplomacy. Moreover, refusing to talk to India is no policy as India-Pakistan relations are the number one nuclear flashpoint in the world today. Let India do the refusing.

India cannot eliminate the insurgency in Kashmir through either political gimmickry or conventional military and police repression. It has effectively denounced the Simla Agreement by unilaterally changing the situation in Occupied Kashmir and, accordingly, it has also denounced the LOC thereby rendering the ground situation explosive. The world is critical of India. But it wants Pakistan to accept the unacceptable situation created by India in Kashmir. If Pakistan does so, it would render its own legitimacy questionable in the eyes of its own people and most certainly the Kashmiris. Nevertheless, Pakistan is yet to formulate and implement a credible Kashmir policy.

New policy approaches are required. Pakistan's Kashmir policy seems to be exclusively based on high decibel and sterile diplomacy abroad and empty posturing and sloganeering at home. That can never deter India from intensifying its current repression in the Kashmir Valley towards possible genocide as feared by Genocide Watch. India has indeed sullied its reputation abroad. But that does not translate into any benefit for the Kashmiri Muslims or for Pakistan. The people of Kashmir appear to be moving in the direction of preferring 'Azadi' or independence. Article 257 of the Pakistan constitution which has the potential of marrying the Pakistan option with the independence or Azadi option should, along with the UN Security Council relations, become the centrepiece of Pakistan's Kashmir diplomacy.

Afghanistan is the one country with which Pakistan should have no problem. Afghanistan's initial hesitation with regard to recognizing Pakistan and its encouragement of 'Pashtunistan' has to be understood in the context of the British carving up of Afghan Pashtun lands as part of its strategic containment of Tsarist Russia. Afghanistan has long since accorded de-facto acknowledgement to the Durand Line.

What is important is that Pakistan must not allow itself to be caught in an Afghan-Indian diplomatic pincer. Unfortunately, Pakistan's Afghanistan policy has largely been in the hands of those who have little understanding of either Afghanistan's history and culture or the character and outlook of the Afghan Pashtun. Many unnecessary provocations can be avoided with a little more understanding and empathy. This would vastly reduce India's scope for mischief against Pakistan from Afghan territory.

Pakistan's support for the Taliban has always amazed educated Afghans since they know Pakistan would never tolerate Taliban rule in Pakistan. Moreover, the Taliban have never forgotten how they were sold down the river after 9/11. As a result, Pakistan has leverage without influence or goodwill in Afghanistan. This can be corrected if the elected govt can become the driving force it was elected to be.

The US is the mightiest country in the world. But within this decade China will overtake it as the largest national economy by all measures. China is also challenging the US in cutting edge technologies including, eventually, military technologies. Moreover, at a time when US soft power has plummeted due to its aggression and arrogance China's soft power has been boosted by initiatives such as the BRI and its regional off-shoots such as CPEC, its Regional Comprehensive Economic Pact (RCEP), its technological feats such as bringing back rock samples from the other side of the moon and, especially, its brilliant management of the Covid-19 pandemic in stark contrast to the miserable US mishandling of it.

This can never be a strategic partnership because the US has chosen India as its strategic partner against China which is Pakistan's only potential strategic partner. Under Biden, the US may deepen its cold war with both China and Russia and bully Pakistan into making choices that could drive a wedge between it and China. It will use India and possibly Afghanistan as well as international financial and counterterror institutions such as the FATF for this purpose.