

The Business

Chief Editor

Irfan Athar Qazi

E-mail: editorthebusiness@yahoo.com
thebusinesslhr@gmail.com

Tijarat House, 14-Davis Road, Lahore
0423-6312280, 6312480, 6312429, 6312462
Cell # 0321-4598258

1270-B, Peoples Colony No I, Off: Chenone
Road, Faisalabad, Ph: 041-8555582

ISLAMABAD / RAWALPINDI
N-125 Circular Road, Ph: 051-5551654,
5532761, Cell # 0300-8567331
KARACHI
3rd Floor Kehkashan Mall 172-I Block II PECHS
Opp Rehmania Masjid Main Tariq Road
Ph: 021-34524550, Cell # 0300-8251534

Corona fourth wave

Federal Minister for Planning Asad Umar has warned of a possible fourth wave of the coronavirus this month. The National Command and Operations Centre (NCO), which he heads, announced a policy under which vaccinated people will be able to enjoy indoor dining, attend weddings, and even visit cinemas and gyms. The worry about the fourth wave was no doubt caused by the expected rush in socialising and shopping ahead of Eidul Azha, which falls around July 19-20, so perhaps it would have been a better idea to keep the breaks on for just a while longer; at least till Eid was behind us. It's a good thing that the country recorded fewer than 1,000 positive cases for three days in a row before this announcement, but opening the gates too soon, even if only for vaccinated people, risks rolling back all the gains at a time when progress against the third wave is very encouraging. There's also the point that the responsibility of making sure that only vaccinated people are able to avail the new opportunities will rest entirely on the shoulders of the outlets that host them.

Hopefully, this thinking was not forced by the need to get things rolling at full speed with the start of the new fiscal year because the government has only about a couple of months to impress the International Monetary Fund (IMF) with the budget that so blatantly defied its contractionary structural adjustment mantra. It's not as if the government needs to be reminded that the opportunity cost of such gambits is simply too high because the slightest mistake can indeed trigger the dreaded fourth wave and then there is no way the economy will recover in time to meet the Fund's deadline. This is one of those situations where you can be right a hundred times, yet you need to be wrong only once to get wiped out. These are not easy decisions and the government's sense of urgency is quite understandable.

The first wave got out of control just before Eidul Fitr last year precisely because the government was napping when it should have been busy keeping people far enough away from each other to keep the coronavirus from spreading. And one of the reasons that the second wave didn't hit us so hard was that the government had enforced a strict freeze on all unnecessary movement around the next Eid. With less than a month to go till the religious festival, it would have been better to err on the side of caution. Better safe than sorry, at the end of the day, yet if the government must go ahead with this incentive-based initiative then it must also devise a mechanism of ensuring that all the rules are followed

Making sense of US-China tensions

TOUQIR HUSSAIN

Analogies are nearly always imperfect and often dangerous – especially historical ones. Tensions between the US and China are real but comparison to the cold war is unreal. It advocates solutions that are worse than the problem. China is a rival not an enemy like the Soviet Union was. You defeat enemies but compete with rivals.

US-China tensions were bound to worsen but not so sharply had it not been for the alarm bells sounded by Trump largely for political reasons. But in so doing he stoked some of the policy issues that had been simmering for long. Factories and jobs were going to China causing unemployment and lower wages for American workers. According to a June 17 article in 'Foreign Affairs' by Senator Bernie Sanders 40,000 factories had closed down and two million jobs lost in the past two decades in the US. The American corporate sector had its own litany of complaints against Beijing regarding discrimination, 'theft' of technology, and lack of transparency.

The US felt its geopolitical hegemony under threat, its economy being gamed by China to its advantage, and its technological superiority being eroded. And these are all issues impacting the ordinary public as much as the American corporate sector; and the strategic community – some of it clued to the military industrial complex – worried about the diminishing US global leadership. President Xi's hyper nationalism and China's meteoric rise had begun to shake many of America's assumptions of a peaceful rise of China. The fact is that China's rise has been so rapid that the gap between the US and China is narrowing fast, making it look as if the US is declining. That has raised a media and think tank maelstrom pushing politics ahead of policy. Aggravating the politics are public perceptions of China which have

darkened especially because of Covid-19. The latest Gallup poll shows nearly 80 percent of Americans hold unfavorable views of China. The politics of the China issue has become so radicalized that Biden cannot walk away from it without a backlash. In fact, he has found it useful to serve his core domestic and foreign policies. At home, he has presented a massive spending bill containing revolutionary ideas about the socio-economic renewal of America with a special emphasis on education, family welfare, climate and infrastructure. He is justifying this gigantic financial layout on one seductive argument – that the US wants to compete with China. If it does not it would be left behind.

As for his foreign policy, Biden has billed it as a foreign policy for the middle class – which means protecting American jobs and factories by restoring balance in trade and investment relations with China, developing supply chains and safeguarding American technological superiority. A core feature of his foreign policy is to reassert US leadership, especially of the transatlantic alliance. What better issue to rally the allies around Washington than the China scare and what better arguments to make than the defence of Western democratic values which evokes strong public emotions?

China too benefits from this hype and is painting the US as an implacable adversary. Perceived threat from the US helps Xi domestically to unleash hyper nationalism and thus consolidate his own power and the position of CCP. So, both China and the US are exaggerating each other as threats for political purposes. When politics has served its ends what Biden policy might emerge from this complex of confusion? That the US has to get tough with China to get better terms but not cut off economic and trade cooperation. And not just the US's but global prosperity is very much dependent on China. Mutual trade between the US

and China stands at around \$600 billion, and their mutual FDIs are equally massive. China holds more than one trillion dollars of US treasuries. With a staggering amount of debt being incurred by Biden for his vast spending programme, he can ill afford to endanger economic ties with China. Decoupling is a fantasy. There is an exceptional need to cooperate with China also in addressing shared global challenges. There are thus elements of competition, rivalry, cooperation and confrontation in the complex US-China relationship operating in an ever more interdependent world. Boris Johnson was right in saying on the eve of the recent Nato summit that "When it comes to China, I don't think anybody wants to descend into a new cold war."

Jack Sullivan said after the G7 Summit that the China strategy is: "don't try to push towards confrontation or conflict, but be prepared to try to rally allies and partners toward what is going to be tough competition in the years ahead – and that's in the security domain as it is in the economic and technological domains." The bottom line is that the days of an unconditional US engagement with China are over. The US is exploring a new approach that seeks China's integration but places much greater conditionality on the relationship, and is prepared for other outcomes. While the dominant theme would be competition, it would not mean to bring China down but to show the US to be a better alternative than China. The proposed Build Back Better World (B3W) initiative to fund infrastructure is one such idea. The fact that it will focus on development areas that are different from those of the BRI makes it complementary not exclusivist.

In a recent article in 'Foreign Policy' Chairman of the US House Foreign Affairs Gregory Meeks Committee says: "with a United States retreating behind its own borders, it is hard to be critical of governments willing to take the only offer on the table." He also made the

point that "it would be a mistake to view the developing world solely through the prism of great-power competition with Russia and China". Where does the Indo-Pacific strategy fit in all this? The Indo-Pacific strategy is basically a means to maintain American dominance of Asia and act as a hedge, pressure point and leverage against any future aggressiveness by China. Washington knows Pakistan will never join this strategy. But what Washington might do is to try to prevent Pakistan from undermining it. To this end, Washington might encourage reduction of India-Pakistan tensions that will help the Indo-Pacific strategy as it would lift the two front dilemma for India. If so, the US is unlikely to undermine Pakistan's relations with China. Indeed, to a certain extent this relationship suits the US in addressing some of the shared US-China security interests in the region – particularly in Afghanistan.

Instability in Afghanistan can seriously affect China's internal security and hamper the BRI while fostering forces that threaten US and global security. Both the US and China might therefore need Pakistan's help for their own purposes.

Great power rivalry alone will not define the challenges of the 21st century. Addressing climate change, migrations, water issues, religious extremism, terrorism, authoritarianism, racial injustice and pandemics, and enhancing economic cooperation in a multipolar geopolitical environment under the umbrella of an intense US-China competition will define future international relations. To reap economic benefits, countries – while strengthening or loosening their traditional ties – are seeking new friendships and multiplying relationships. And that is the world Pakistan has to adjust to. It can do so only by a sustained process of self-strengthening. Simply worrying about a new cold war will not help.

NEPRA OKAYS UPTO RS. 2.97 PER UNIT TARIFF INCREASE



Boosting exports for South Asia

SHIXIN CHEN

The Covid-19 pandemic has disrupted the global economy and world trade. As South Asia emerges from the worst economic performance in decades, exports can be an important engine to help foster economic recovery.

In recent decades, exports have been a key catalyst in transforming many Asian economies and lifting hundreds of millions of people out of poverty. But South Asia, one of the fastest growing subregions in the world before the pandemic, is yet to see dynamic export growth spanning across diverse sectors. Home to about a quarter of the world's population, South Asia contributes a meagre 4 percent to global GDP while its share of total worldwide exports is lower at 2.5 percent, according to World Development Indicators (WDI). And yet Southeast Asia, with an even smaller share of world GDP of 3.4 percent, is the source of 7.5 percent of global exports – three times that of South Asia.

The trend has not improved in recent years. Since 2014, South Asian countries have seen their exports fall relative to the size of their economies. Twenty years ago, Sri Lanka's exports accounted for almost 40 percent of GDP, but they are now half that. Pakistan and Nepal have also seen exports stagnate at low levels in recent years, while exports in Bangladesh and India are growing more slowly than their overall economies. Exports serve many vital functions. An economy with strong exports can compete in international markets and exploit comparative advantages. Exports open economies to the global marketplace and enable their domestic companies and sectors to grow. This triggers the virtuous cycle of exports, investments, economic growth, and social development that has benefitted Asia so greatly. Why hasn't South Asia joined the rest of the region's export boom? The primary reason is simply that its goods and services, except for a few sectors such as ready-made garments in Bangladesh, IT services in India, and luxury tourism in Maldives, are yet to establish high competitiveness against other exporting countries. This is demonstrated in the fact that South Asia's heavy machinery, home appliances and smartphone markets are dominated by foreign brands. Other reasons for the region's lower export performance include trade barriers, infrastructure bottlenecks, currency overvaluation, and institutional and regulatory constraints.

To boost exports and improve competitiveness, South Asia can learn from the experience of Southeast and East Asia and establish more robust trade, investment, and industrial promotion regimes. The pandemic adds urgency but also offers opportunities.

First, the region must look at foreign direct investment (FDI). In 2018, FDI to South Asia was 1.4 percent of GDP, compared to 5 percent in highly competitive Southeast Asia.



FDI introduces technology and managerial knowhow that helps local companies in the long term and enhances their international competitiveness. More openness to FDI and trade requires policy and regulatory reforms that will support stronger export-oriented strategies. These reforms include introducing economic zones, providing easy credit access and tax incentive policies, encouraging firms to move up value chains, and investing in human capital.

Second, governments need to improve the business environment, focusing on areas of low international ranking. There are some success stories of unbundling energy conglomerates in India and Bangladesh showing that state-owned enterprises (SOEs) are being reformed in South Asia. But inefficient SOEs still dominate in areas such as banking, utilities, and infrastructure, hampering efforts to improve competitiveness. Significant subsidies to these SOEs also constrain governments' essential expenditures on education, health and infrastructure, and impede export competitiveness.

Third, proactive policies are needed to improve competition in markets and ensure they function properly. These should make it easier to enter and exit most sectors while curbing monopolistic behavior. Reforms are needed to promote technology adaptation and innovation, develop product standards and certifications, provide trade finance, and reduce bureaucratic red tape.

The countries need not address these challenges alone. Dynamic regional forums, such as the Central Asia Regional Economic Cooperation Program and the South Asia Subregional Economic Cooperation Program supported by the ADB, bring South Asian countries and regions together to expand markets, scale up economies, and boost productivity. They also cooperate on vital regional infrastructure projects such as international highways and initiatives that break down cross-border trade barriers.

After the severe impacts of the pandemic in 2020, a recovering global economy in 2021 and 2022 should boost global demand and trade, offering South Asia opportunities to expand its exports. In response to the pandemic, many countries in the hard-hit region increased their investments in health and education and deepened structural reform. By extending these investments and reforms to trade and industrial promotion, South Asia can also become an export powerhouse.

Goodbye Afghanistan



NAJM US SAQIB

Perhaps a quick look at the Islamic Republic of Afghanistan might reveal and prove that except for its strategic value, proud history and Osama Bin Laden, it had nothing else to offer to its distinguished but uninvited guests that remained on its soil for two decades. Its terrain consists of mostly rugged mountains with only 11.8 per cent of arable land. It is situated in the foothills and periphery of the rugged Hindu Kush range with a history of earthquakes, flooding and droughts. With a population of around 40 million, this country has 0.4 hospital beds for every one thousand persons. Over 13 million people are suffering from severe acute food security and more than 55 per cent of the population lives under the poverty line. Known for illicit cultivation of cannabis and a regional source of hashish, Afghanistan is the world's largest producer of opium. Dependent heavily on financing through grants and aid, its trade deficit is approximately 31 per cent of the GDP. It spends a little over one per cent of the GDP on defence. Only 13 per cent of its citizens use the internet. Afghanistan's geography somehow

provides it an attractive strategic significance. Completely landlocked, it is surrounded by a nuclear Pakistan, energy rich Iran, Tajikistan, Turkmenistan and Uzbekistan and of course America's 'strategic competitor', China. Al Qaeda and the Taliban protected Bin Laden and necessitated the US, NATO and the rest of the civilised world to launch an organised attack on the roots of terrorism found in Afghanistan. During the prolonged War on Terror and even after the demise of both Bin Laden and Al Qaeda, its strategic value remained intact. The latest objective was to stabilise Afghanistan by providing it an Afghan-owned, Afghan-led broad-based political set up. Neither the undesirable 'military solution' nor the desirable 'political solution' of the Afghan conflict could be achieved even after assiduously following the entire course of military history and strategy for twenty years.

Leaving Afghanistan to its own devices in the prevalent muddled predicament and expecting the fourteen diverse ethnic groups, weak government and the menacing Taliban to find a peaceful solution to their political, economic and social problems created in the past few decades is asking for the moon, to say the least. The only redeeming feature seems to be the history, culture and Afghan resilience to continue finding solutions within their own system while keeping outside forces at bay. One wonders if the powers that be had understood the Afghan culture, their system of justice and thought process, the intricacies of the Loya Jirga and Meshrano Jirga or even the difference between the two before deciding on the present and future of this country. War and peace are two words which seem to be synony-

mous in the Afghan dictionary. It is a fact that during the 20th century, this country made more than eight-century changes to its national flag thereby manifestly announcing to the world its difficult-to-understand character and demeanour.

Political turmoil is the name of the game when it comes to Afghanistan. From the time Ahmad Shah Durrani unified the Pashtun tribes and founded Afghanistan in 1747 to its winning independence from British control in 1919, the Soviet Union's invasion in 1979, the fall of Kabul to the Taliban in 1996, 9/11 and America launching air strikes in 2001 and Washington's announcement of the withdrawal of troops by September 2021, Afghanistan has remained stubbornly steadfast against any external aggression or outside control, justifying its title of being the 'Graveyard of Empires'. Hence, for Afghans, life will actually come to its usual chaos as opposed to the forced bedlam once foreign troops leave their homeland for good. In this way, the country would be run or not run by its own people in a way that they wanted to and not through some carefully crafted foreign plan of action.

Ideally speaking, the repair of Afghanistan's soul and infrastructure, providing food, basic health and education facilities, internet access to the remaining 87 per cent of the population and facilitating 40 million people to live a life as per their own culture and religion, should have been the world's concern. Conversely, the country's imminent takeover by the Taliban seems to be the shared concern of all related stakeholders. The just started civil war and its spillover effects within and more importantly outside the country along with the expected rise in violence seem to

be the other worrisome areas. Include in this scenario the likely influx of thousands of refugees into adjacent areas and its effects on the socio-political and economic spheres of host countries and you have a real imminent multidimensional crisis needing serious and timely action. Hence, the reconstruction of Afghanistan and the Marshall Plan needed to be put on the backburner.

The withdrawal of foreign troops and certain recent events indicate a strategic shift from Afghanistan and Al Qaeda to the threat of Islamic State (IS) that has reportedly taken root in and around Iraq, Syria, Sahel, Mozambique and the Horn of Africa. President Biden's telling the Kabul executives that 'Afghans are going to have to decide their future' and practically announced the final good bye to Afghanistan with lukewarm promises of future engagement. Secondly, during the 83-member Global Coalition meeting held on June 28, Secretary Antony Blinken while announcing Washington's new contribution of US\$ 436 million to assist displaced people in Syria and the surrounding areas, cautioned the world of an 'alarming surge in IS activity' and that 'this situation is simply untenable' and 'it cannot persist indefinitely'.

Clearly, Washington and its allies have left for President Ashraf Ghani, the Taliban and the internal and regional stakeholders to sort out the ongoing Afghan conflict themselves. As for the strategic significance of Afghanistan, well, it remains intact; may not be over looked and may certainly be utilised from nearby areas as and when required. Verily, in the boisterous state of affairs in Pakistan's neighbourhood, history has silently repeated itself.