

# The Business

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## Population growth

The Federal Minister for Planning, Development and Special Initiatives, Asad Umar has termed high population growth as one of the key challenges. The need for schools, healthcare, electricity and gas supply is directly related to growth in population. This, in fact, has been Pakistan's story for over half a century. Successive governments have recognised this malaise but have not succeeded in making a dent in the population explosion except for a very brief period when we launched the "Lady Health Care Workers programme", it appeared that we may be able to come to grips with the high rate of population growth. Furthermore, health indicators in Pakistan, particularly those relating to mother and child healthcare, continue to show poor performance compared to regional and other Muslim countries as noted in the 2020-21 Economic Survey: (i) life expectancy at birth in 2019 was 67.3 years in Pakistan against India's 69.7 years, Bangladesh's 72.6 years, Sri Lanka's 77 years, Indonesia's 71.7 years, Malaysia's 76.2 years with only Afghanistan statistics worse than Pakistan's at 64.8 years; (ii) infant mortality rate was 55.7 per 1000 live births in Pakistan, India's 28.3, Bangladesh's 25.6, Sri Lanka 6.4, Indonesia 20.2, Malaysia 7.3 with even Afghanistan performing better than Pakistan with 46.5 deaths per 1000 live births; and (iii) under five mortality at 67.23 per 1000 in 2019, India 34.3, Bangladesh 30.8, Sri Lanka 7.1, Indonesia 23.9, Malaysia 8.6 and Afghanistan at 60.3.

Pakistan performed better in maternal mortality at 140 per 1000 live births against Afghanistan's 638, India's 150, Bangladesh's 173, Indonesia's 177 though Sri Lanka and Malaysia performed significantly better at 36 and 29, respectively. The lower maternal mortality rates and higher infant mortality and under five mortality rates in Pakistan compared to other countries, if data integrity is not challenged, indicates a disturbing factor: the focus is on percentage attended by skilled health personnel but not on educating the mother on child care including birth spacing to optimize the health of the mother and the child.

A study concluded that Pakistan's experience with Lady Health Workers Programme (LHWP) offers "insight into successful implementation strategies, contextual enabling factors, and programme challenges to guide similar initiatives in other countries. Additionally, Pakistan identified its most critical health problems to appropriately guide the programme's core objectives. The government focus so far has been on issuing cards (cash disbursement, subsidy including interest-free loans, health cards, subsidy to the poor farmers' cards) and on stunted growth of our children but there is a need to strengthen the lady health workers' reach by building on their past successes.

# Pakistan-Uzbekistan: For a brighter future



SYED ALI ASAD GILLANI

The geopolitical and geo-economic dynamics in Central and South Asian regions are undergoing major changes. Amid these changes, two initiatives stand out for their potential to bring stability and predictability to the fast-evolving regional dynamics the Uzbek president's initiative to hold the "Central and South Asia Connectivity Conference", and Pakistan's prime minister's vision to proactively engage with Central Asia at strategic level.

Both the initiatives are aimed at orientating regional geopolitical and geo-economic dynamics towards a peaceful, prosperous, and progressive futuristic outlook. The two initiatives are likely to yield far-reaching bilateral and regional results.

Pakistan and Uzbekistan are poised to play a major role in the future political and economic disposition of the region. The two countries are fortunate to be led by leaders who have the vision, will and determination to work together to steer their countries and the region towards a brighter future.

On the special invitation of President Shavkat Mirziyoyev, Prime Minister Imran Khan will be visiting Uzbekistan for his first official bilateral visit today (July 15). He will also address the plenary session of the international conference on "Central and South Asia: Regional Connectivity. Opportunities and Challenges" tomorrow on July 16. Pakistan and Uzbekistan enjoy

unique historical relations. The ancient Buddhist sites of Kara Tepa and Fez Tepa at Termez (Uzbekistan) reveal the untold stories of travels by Julian monastery monks in Taxila (Pakistan) and other Buddhist sites in Swat (Pakistan) to Termez and beyond, spreading their message from South to Central Asia. The pearls of wisdom emanating from Samarkand and Bukhara during the 10th and 11th centuries illuminated the hearts and minds of the people living in lands that are today in Pakistan. The two lands have been historically intertwined with experiences of religious exchanges and spiritual emancipation, united as one political entity under Abbasids and then the great Amir Taimur. The Timurid Empire stretched south to include almost all the lands that are now Pakistan. These interconnected lands, however, fell victim to geopolitical divides, artificial barriers, "great games", "iron curtains", and the "new great game" over the past two centuries. Their disconnect is in fact an aberration in their long history of interconnectedness.

Pakistan was among the first countries to recognize Uzbekistan's independence in 1991. PIA was among the pioneers in opening the skies of an independent Uzbekistan and connecting it to the outside world. Leadership on both sides made well-considered strategic choices to reach out to each other. However, regional developments barred us from forging an optimal relationship. We even started seeing each other from third prisms, which further delayed our natural confluence. Pakistan and Uzbekistan are bound together by history, geography, religion, and culture. Our interpretation of history, our heroes, our aspirations for the future and our outlook for the region are the same. Imam Bukhari and Imam Naqshbandi have a large following in Pakistan.

The two countries share common aspirations of peace, progress, and prosperity for their peoples. Under President Mirziyoyev, Uzbekistan is undergoing a huge economic transformation. Similarly, under Prime Minister Imran Khan, Pakistan has reoriented its focus from geopolitics to geo-economics. Several initiatives

are underway to transform Pakistan into a regional trade and connectivity hub. The China-Pakistan Economic Corridor is smoothly progressing towards fruition. New seaports, airports, railway, and road infrastructures; special economic zones; industrial zones; power generation initiatives; and numerous other infrastructure and socio-economic development projects are fast transforming Pakistan's outlook and profile. With these transformations, Pakistan is on its way towards realizing its true economic potential and emerging as a regional trade and commercial hub. Under the "Vision Central Asia" policy, Pakistan aims at an enhanced, tangible, effective, result-oriented and long-term sustainable engagement with Central Asian countries by forging strategic partnerships. The policy has five pillars: political; trade & investment; energy & connectivity; security & defence; and people-to-people exchanges.

There are huge complementarities in the economic interests of Pakistan and the Central Asian states. Connectivity is our biggest asset. Geography makes Pakistan the shortest, most economical, efficient, and easiest land connectivity route for Central Asia to the Arabian Sea, particularly for Uzbekistan. Pakistan is willing to help facilitate Uzbekistan and other Central Asian countries trade with the world using its seaports. Similarly, Uzbekistan is ready to facilitate Pakistan's exports to Central Asia and beyond by providing warehousing facilities at logistically strategic locations. The two countries will soon sign a transit trade agreement in this regard a win-win for both sides. Similarly, sectors such as textiles, cotton, pharmaceutical, surgical instruments, education, and tourism offer innumerable complementarities and business opportunities. With renewed focus on geo-economics, it is time for the two countries to come together and strengthen their bilateral relations in all fields. When on March 8 I received at Islamabad the Uzbek foreign minister who was here as special emissary of the Uzbek president, carrying a personal invitation to the prime minister of Pakistan for the regional connectivity conference, I

could foresee how the regional developments in coming months would increase the significance of this initiative. The prime minister welcomed the initiative and accepted the invitation. The conference builds on the earlier agreed "Termez- Mazar e Sharif - Kabul - Peshawar" railway project. During their Virtual Summit in April this year, the two leaders also reaffirmed their commitments to work together. During his visit, Prime Minister Imran Khan will bring the message of friendship, hope and determination for the people of the two countries to re-connect and work together for a brighter common future. Historically, the two regions have always blossomed when connected. The prime minister's visit will also catalyze business interactions between top entrepreneurs from the two sides at the Pak-Uzbek Business Forum.

At the Connectivity Conference on July 16, the message from the prime minister of Pakistan for all the immediate neighbours of Afghanistan will be to work together for a peaceful, stable, and prosperous Afghanistan. It will also have a direct impact on the development and reconstruction of Afghanistan. Being the immediate neighbours of Afghanistan, Pakistan and Uzbekistan have more at stake than any extra-regional player in the peace and stability of Afghanistan. Our futures are tied with a stable Afghanistan without which the dream of Central Asia-South Asia connectivity cannot be realized. At the same time, we should also be clear regarding the role of "spoilers" who benefit from the continued instability in Afghanistan. Similarly, the benefits of regional connectivity will not be optimally achieved till we address the long-festering Kashmir dispute in South Asia that needs to be settled as per the aspirations of the Kashmiri people and relevant UN resolutions. I foresee the strategic and geo-economic interests, regional developments, geography and common aspirations for development and prosperity, reconnecting the two lands for a brighter common future. Both the leaders have the vision, political will, and determination to make it happen. The visit of Prime Minister Imran Khan will, InshaAll-



## Killing cash cows

SARAH NIZAMANI

Fatima Hussain is a young woman with a promising future. The 22-year-old lost her teaching job because of school closures caused by the pandemic. With the pandemic, her options to find new work were few, until recently. About a year ago, Fatima discovered freelancing. With her basic graphic designing skills, she started designing logos and page layouts for low-budget websites. Several free courses and YouTube tutorials helped her to improve her skills and she is now back to earning — this time in dollars. With the ability to choose her timings and workload she can continue her education and pay her bills.

Fatima's tale is one of the many stories of Pakistan's self-employed youth. With 68 per cent of the population under 30, Pakistan is a youth-rich country. But, for economic growth, youth numbers is not enough. The lack of opportunities for youth is reflected in the high graduate unemployment rate, which was about 17pc in 2019. Often highlighted by the eminent scholar Hafiz Pasha, the number of idle drifters in the country is high — about 21 million are neither employed nor studying. Yet, there is a ray of hope. Despite the anti-tech culture and poor infrastructure, there is evidence that Pakistani youngsters do remarkably well at freelancing.

In a recently published report by Payoneer, a global payment platform, Pakistan was ranked fourth in the freelancers' market, well above India and Bangladesh. Despite Covid-19, Pakistani freelancers earned \$150m in FY2019-20 (The same year mango exports earned \$104m despite multiple subsidies). This feat was achieved despite Pakistan's ranking in the bottom quartile in the Inclusive Internet Index 2021, published by the Economist Intelligence Unit. There is still no PayPal, proper working spaces or labour rights. The latest Household Integrated Economic Survey reports device ownership as low as 7.4pc for desktops and 6.2pc for laptops in households. The youngsters (mostly women) are making the best of their limited resources in an opportunity-deficient country. Instead of the government recognising their efforts and solving their problems, freelancers face a new hurdle.

Recently, the FBR detected Rs60.308 billion untaxed foreign income disbursements to 75,615 individuals earned through freelance consultancies, which they are now eager to tax. However, the authorities hardly understand its consequences. In brief, these individuals (due to their access to services like PayPal/Payoneer) receive work and outsource it to individuals with expertise, with a major chunk of payment staying with the person outsourcing.

In freelancing, no cost is borne by employers as for the most part no office space, medical facility or pension



is provided. In the absence of regular job facilities, taxing freelancers' income will lower their payment, which can hurt the incentive and distort the market.

While there is no denying the government's good intentions to facilitate the industry (building high-tech zones and tax holidays for corporations), the authorities have failed to make much headway. Simply waiting for the benefits to trickle down has never worked. If Pakistan plans inclusive, sustainable and youth-led economic growth, the authorities must consider the following.

For starters, the government must actively eliminate all the barriers in the way of PayPal operations in Pakistan. The service is available in more than 200 countries in 25 currencies. If Zimbabwe, Rwanda and Uganda can manage to get PayPal, Pakistan has no excuse. Secondly, while it is naive to ask for tax exemptions, the government must recognise and incentivise individual freelancers (not just corporations) by providing a softer tax scheme to compensate for the anti-tech culture in the country. Until PayPal is made operational and household device ownership increased to at least 50pc, no new taxation on the sector should be considered. If the country's rich can qualify for tax giveaways to the tune of a whopping Rs1.3 trillion a year, then the country can support its skilled youth too. Note that Bangladesh has already exempted tax on freelancing to promote the industry.

Thirdly, the government should focus on spending less on brick-and-mortar projects which create silos and more on the software of the economy which includes retaining the best and brightest and utilising them for training people.

Last but not the least, the government must facilitate the youth in finding their own opportunities. I am deliberately using the word "facilitate" and not "create" as our youth are perfectly capable of creating opportunities for themselves, unless there is interference. Some may argue that freelancing is a short-term gig but with the size of the demographic dividend of Pakistan, it can be a lifesaver for the economy and our youth. As Marx said: "There's only one way to kill capitalism — by



KHURRAM HUSAIN

## Growing vulnerabilities

other time. But no sooner had this story begun to sink in than something important seemed to change. Even as the government was busy celebrating its 4pc growth figure (heavily challenged by the community of Pakistan's economists), than the LSM index began coming off its peak and the trade deficit returned, pushing the current account back into negative territory from where it had come.

By the month of May, the LSM index was down 20pc from its peak in January and has registered steady declines every month since then. The decline is even sharper in the manufacturing index the data for which is provided by the manufacturers themselves, and has declined by almost 33pc in the same period. In fact, the overall LSM index now returned to where it was back in September, when the growth spurt began.

The committed ones will try and point out that the slowdown is not indicative of broader trends in the economy, that it is being driven by specific sectors like sugar, wheat or oil. But the fact is that the same numbers they were touting a few months ago are today painting a changing picture. The simple fact here is that this growth spurt was produced through heavy inducements from the state, whether fiscal or monetary "incentives" (which is a fancy word for government handouts), and by January of 2021 those inducements had run their course.

Spurring growth through inducements has this downside. Activity picks up while the gravy train runs, but slows down almost as soon as the gravy runs out. So now they have to arrange the funds for a second round of such stimulus spending, which is what lies behind the sweeping tax breaks just announced for the automobile sector, which carries heavy weightage in the LSM index. If auto sales pick up as a result, it could well impart fresh momentum to the LSM index, giving ruling party devotees a few more data releases to dance around with for a few months. Something similar has happened in the external sector. From a

deficit of \$8.56 billion in calendar year 2019, the current account balance swung into a surplus of \$245 million in 2020. But in the first three months of 2021 it swung back to a deficit of \$274m, and then registered a further deficit of \$188m in April and \$632m in May. We await June data to see whether or not this direction sustains itself, but between January and May of this year the current account has already seen a deficit of more than a billion dollars.

More importantly, the trade deficit in goods has surged by 26pc in the period running from July to May. The overall balance of trade has been helped by a slight drop in the import of services, otherwise the emergence of the trade deficit at the same time as the economy begins to show signs of re-emergence of the same vulnerabilities that have historically swamped every growth spurt in our history. Here is their dilemma now.

Having launched the gravy train of "incentives" for industry on a massive scale last year, they now have to find ways to keep it going or it will grind to a halt as quickly as it started to move. This is why new "incentives" for industry are being announced every month, and public spending will need to kick in very quickly to further support demand in the economy. But these "incentives" eat away the fiscal base on which economic stability is ultimately pegged in our country, and if left unchecked, the resultant growth from these "incentives" depletes the foreign exchange reserves. The cycle inevitably completes itself every time as growth gives way to a crash.

Now they have to find ways to provide the fiscal space needed to pull this off as well as to shore up reserves. This is the game now getting going. For a while they will manage things through more short-term borrowing. And while the growth lasts they will paint it in exuberant colours, claiming they have broken the shackles of the past and set the country on the path of lasting prosperity. But the underlying vulnerabilities are real and growing.