

The Business

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DISSOLVE NAB AND HOLD ITS EMPLOYEES ACCOUNTABLE, ABBASI TELLS NEW GOVT



## Debt data

According to the State Bank of Pakistan (SBP) data, the total debt (domestic and external) rose to Rs 42.76 trillion by February 28, 2022, against Rs 38 trillion in March 2021 and Rs 24.9 trillion in 2018 as per the Economic Survey 2020-21, a rise of 71 percent in just three-and-a-half years. This disturbing data may not have been available to the Prime Minister, though a ballpark figure should have been available to his economic team leaders when he announced his relief package on February 28, 2022 which is projected to cost the treasury 63 billion rupees every fortnight (subsidies and loss of revenue) at existing international price of petroleum and products. The then Prime Minister's argument that higher tax collections will fund the relief package are invalid because: (i) collections in July-February 2022 exceeded the target by only 268 billion rupees, clearly not enough to fund the package; and (ii) 52 percent of the tax collections were from import taxes and with a widening trade deficit to an alarming 35.39 billion dollars (July-March 2022) the need to check imports through implementing severely contractionary policies has resurfaced which would make it impossible to meet the tax collection target for the remaining three months of the current year.

Foreign debt has risen from around \$95 billion in 2018 to over \$130 billion today with the government acknowledging in parliament that \$10 billion was used for budget support. The external debt repayments have not been highlighted in the post-2020 budgets because of the debt relief initiative by the G-7 countries due to Covid, which Pakistan availed. However, the eroding rupee, a symptom as opposed to the actual malaise, is due to economic (domestic inflation is higher than that in countries with which we trade, interest rate is double the regional average barring Sri Lanka, balance of payment position is a source of concern) as well as the political factors are undermining a favourable perception in the markets.

Borrowing is not only highly inflationary, which explains why his government has been unable to check the rise in inflation, but its servicing costs and repayment of principal as and when due also accounts for an ever-rising percentage of the budget. The island country has been unable to grapple with high prices due to external factors (Russia-Ukraine war and the pandemic effect) but also due to heavy reliance on external borrowing. Under the prevailing poor economic indicators can be placed at the doorstep of external factors and the economy simply cannot withstand any further shocks — external or internal be they economic or political.

## Tests for PM Shehbaz

ABDUL SATTAR

The ouster of Imran Khan may have created a ripple of excitement among the workers of the PMNL-N but if the party fails to deliver, this euphoria will soon turn into disappointment, prompting people to look for an alternative. The new government faces a myriad of challenges which need meticulous planning and efficient execution of such plans. A few cosmetic steps will not resolve the in-veterate problems the country has been facing for decades.

As Prime Minister Shehbaz Sharif himself said, the economy is in a terrible shape, and the government needs to make hectic efforts to improve it. With over \$100 billion in debt, Pakistan faces deficits on all fronts — fiscal and current account. To tide over this, the country needs over \$14 billion a year, which means our debt could hit a whopping \$350 or 400 billion mark in the next two decades. Trade deficits are also affecting an economy that is grappling with the effects of the Covid-19 pandemic which has not only wreaked havoc with millions of Pakistanis but poor people all over the world.

Amidst this mountain of challenges, it is positive that the government has taken a few steps to extend help and succor to people belonging to low-income groups. The raise in salaries and pensions will go some way in mitigating people's economic hardships. The increase in the minimum wage is also very encouraging. Further, the decision to plan in consultation with the provincial governments to address the skyrocketing inflation has created a ray of hope that this government will come up with a package to alleviate economic hardships — but such a plan should be made as early as possible because the people want immediate relief so that they can be at some ease during Eid.

But it is not only challenges on the economic front that this government

faces; a number of other challenges could also affect the performance of the Shehbaz-led dispensation. The most pressing is the legitimacy of the new government. The PTI has decided to resign en masse. If the decision is strictly followed, then it will leave more than 100 seats vacant in the National Assembly. If the party also decides to resign from the upper house and provincial assemblies then it could plunge the country into a new crisis, scuppering all chances of reforms that the chief of the PML-N hopes for.

Therefore, it is important to politically settle this issue. One of the ways to cool down political temperature lies in avoiding the politics of vindictiveness. Reportedly, the names of a few former ministers, advisers or special assistants have been placed on the Exit Control List, fueling speculations that the new government has a dogged determination to take on PTI supporters and leaders. This could create intense acrimony between the PTI and the incumbent government, forcing Khan loyalists to launch street protests and agitation. Such a situation would create political uncertainty, prompting investors to withhold their investments. The business class has lost billions of rupees over the last few weeks because of the uncertain situation created by the vote of no-confidence and the unpredictability of Imran Khan. If such a condition is allowed to persist, it could deal a severe blow to an economy that needs a modicum of certainty and assurance.

One of the ways to deal with the situation lies in reaching out to the opposition. There must be elements within the PTI that are not comfortable with the recalcitrance of Khan. Such elements should be engaged and a political dialogue be launched aimed at understanding the grievances of the opposition. The government has already announced that it would hold an in-camera briefing with military officials

and the former Pakistani envoy to the US regarding the 'letter'. The government must convince the party of change to attend this in-camera briefing and air their views at that platform instead of resorting to street protests.

There are also speculations that anti-graft cases against the prime minister and his family members would either be quashed or withdrawn. The opposition is propagating that the government will halt all the investigations into the alleged wrongdoings of the Sharif family. Prime Minister Shehbaz Sharif should come up with a plan to dispel this impression. He should not only appear before the investigating teams but must ensure that his family members do the same. No case should be quashed or inquiry be halted as such an unwise step would strengthen the anti-corruption narrative of the PTI.

In Pakistan, the government of one party in Islamabad hardly tolerates a rival government in other provinces, or in Gilgit-Baltistan and Azad Kashmir. In the past, a change of government in the federal capital also paved the way for change in the provinces, GB and AJK, fueling political tensions. It is clear that the PTI enjoys majority in Khyber Pakhtunkhwa, GB and AJK. The government of Nawaz Sharif made a prudent decision in 2013 by accepting the mandate of the PTI in KP. Despite the insistence of PML-N allies in the province, the then prime minister did not make any move to dislodge the PTI-led government. Some PML-N allies and leaders might advise Shehbaz Sharif to weaken the PTI government in KP. Such a move will create tensions between Peshawar and Islamabad. So, it is wise for the PDM government to not only allow the PTI to work in KP but also avoid disturbing the status quo in AJK and GB.

The PTI has been propagating that the opposition parties are not political organisations but a band of four families that want to dominate Pakistan's

politics. They assert that the families of Nawaz Sharif, Asif Ali Zardari, Maulana Fazlur Rehman and Wali Khan do not want their workers to claim political space. They accuse the four families of grabbing all important posts in their parties. The PDM has already committed a mistake by allocating two key posts of the country to the Sharifs. Ideally, a PML-N worker other than Hamza should have taken over as CM Punjab. Such a decision will harm the PML-N politically. If the other three parties also stuff the federal cabinet and government positions with relatives of party leaders, then the PTI could seize this opportunity to castigate dynastic politics, asserting it was right in declaring these parties as family fiefdoms. Therefore, it is important for the PDM to let their party workers instead of relatives of party heads take ministries and government positions.

Shehbaz may be known as a good administrator but in the past he was accused of preferring central Punjab, particularly Lahore, to other parts of the province. This time the PML-N government in Punjab should not only help create a province for the Saraiki people but should also allocate a decent budget for one of the most underdeveloped areas of the country. The incumbent prime minister was in the past also accused of adopting a dictatorial attitude by running the government through deputy commissioners.

Both the PPP and PML-N ignored the devolution of powers at the local bodies levels. Running the affairs of the state like this reeks of a colonial mentality. Failing to devolve powers to local councils flies in the face of tall claims of democracy and democratic traditions. Therefore, it is important that the two parties immediately make efforts to carry out real devolution, ensure local bodies polls and let elected representatives solve the basic problems of the people instead of relying on bureaucrats and unelected officials.

## Summer of discontent

RAFIA ZAKARIA

It appears that we are approaching a season where no one is entirely satisfied. This is not an estimation of the inner turmoil within Pakistan — which nevertheless fits the bill — but an evaluation of the world at large. When our television screens attempt a diversion from the tumult at home, they switch to even more pressing depictions of the doom that is and the doom to come.

For the moment, its visible parameters involve the conflict in Ukraine, where a Russian general mastermind who devastated Syria has now taken charge of Ukraine. In a macabre announcement of his leadership, he ordered the bombing of a train station and killed 50 civilians. Now that the war has gone on for over a month, its reverberations are becoming evident.

In Sri Lanka, the inflation and food crisis had been brewing long before the Russian invasion of Ukraine, and had boiled over onto the streets. The cabinet members have tendered their resignations, seeing themselves as unable to assuage the hunger of the people. As news reports have shown, the people on the streets are not simply political workers. Most, in fact, have no real political affiliation; they are, instead, ordinary people who work in offices and shops and are simply unable to feed their families.

In response, Sri Lanka has sought assistance from international agencies to stave off a debt crisis. Ali Sabry, recently appointed as finance minister, has said that \$3 billion will be required to prevent a debt crisis. That's not all; the country is also seeking to freeze its payments to the IMF and restructure another debt, \$1bn of which is due in the next few months. Over in the Middle East, Egypt is also suffering. Russia and Ukraine not only supplied 85 per cent of the wheat consumed in the country, they were also sources of tourism income, which is cru-

cial to the Egyptian economy. Now Egypt too is asking for help from the IMF. Last week, the Egyptian currency lost 14pc of its value, stabilising only in the hope that a deal would be reached with the IMF. Even if that deal is reached, it is almost certain that there will be a food crisis in the country. While alternative suppliers for imported wheat can be found, the tourists that filled the resorts of Sharm al-Sheikh and Luxor are not coming back anytime soon. When there is war abroad, famine and starvation at home, leisure and fun are often the first things to go. This is the third time Egypt has turned to the IMF in recent years; the latest was the funding of a \$12bn loan. These loans are propping up the economy, which will almost certainly collapse without them.

The crucial point in understanding what is happening in Sri Lanka, in Egypt and, of course, in Ukraine, is that in the summer months we will see the resources of the world's financial institutions being stretched to the limit. Loans and support that could have been serviced easily are going to be much harder to get. Things that were a matter of course and were counted upon may not happen, and this will lead to dire consequences for countries and people who have already been pushed towards the hellish realities following two years of the Covid-19 pandemic and its associated effects.

With this as the backdrop for the hot summer season, one wonders why anyone would wish to be at the helm of Pakistani politics. Almost a month ago, Shaukat Tarin, who was then the finance minister, was questioned by the IMF about Pakistan's ability to fund the \$1.5bn subsidy package. The last government passed off the inquiry as a matter of course, but the fact is that whatever administration tries to ease the pressure on the people with money borrowed from abroad will likely face similar questions. In addition to this inquiry, the IMF has

also begun its review of the \$6n that was part of a 'rescue package' that Pakistan received in 2019. The last government had signalled that the money that financed the rescue package would eventually be repaid. Those, however, were the promises of the last administration. As the new administration takes office, they will undoubtedly blame the last one for this mess.

However, the terrible thing about these messes is that the world does not care whether it was the last administration or the current one that created them. Their area of concern is how these debt shortfalls will be handled and if Pakistan is a country to whom further money can be lent. This crucial question has always been a problem for Pakistan, which has relied on foreign guarantors to help get money from international institutions. The future is likely to be no different at all.

The competition, however, is likely to be tough. International institutions facing requests from a number of countries, including war-torn Ukraine, famine-torn Egypt and strife-torn Sri Lanka, to name a few, will have to make difficult decisions. These decisions may shut out Pakistan, creating an awful situation where the people are thrust into ever-worsening conditions that may reach the level of desperation seen in other countries. The new government should present a strategy as to how it plans to avert the burgeoning debt crisis. The inflated prices of petrol, rice and sugar are already crushing Pakistan's poor and tightening conditions for the ever-beleaguered middle class. Beyond the sloganeering and the promises, some specifics concerning the future would be welcomed by the people who have so far only been watching procedural dramas being played out in Islamabad. Slogans, after all, can provide moments of victory and uplift that last a few days, but hunger roils in an unremitting cry of need and want.

## Imran: Positives & negatives

SHAHRUKH RAFI KHAN

First the positives: as a post-colonial constructed nation, Pakistan is an amalgam of ethnicities, languages, sects and other diversities. Therefore, the most important task for a leader is to forge national consensus.

In this regard, Imran Khan's policy regarding Deko Riq was astute. Allowing Balochis to feel that they are part of the decision-making process and will rightly reap a major portion of the jobs and benefits of mining the national resources within their province will help ameliorate their grievances. This goes some way in addressing the injustice of the inhabitants of Sui not benefiting from the gas mined a few miles away. The policy on Deko Riq could be a template for the policy on the Gwadar Port and other outstanding grievances, which would aid in furthering a sense of national consensus. While the policy above is an unmitigated positive, other positive policies have downsides. As indicated by his exceptional and well-managed philanthropy when not in office, Imran Khan's empathy for the income poor is genuine. However, in order to apply these principles when in office, policy must be constrained by the reality of available resources. Imran Khan's extensive fund-raising for the cause of his philanthropy indicates that he knows that resources are needed for good actions. This also applies to policy.

Enhancing the social safety net, including widening access to health, is highly commendable. However, if such policy is based on indebting an already indebted country, a more modest and targeted effort based on resource re-allocation rather than increasing indebtedness is needed. Eventually the internal and external deficits will catch up with us, as we are observing in Sri Lanka, the social and economic forerunner in South Asia.

Again, Imran Khan's environmental policy has been positive and there has been some action, whereas in the past there was mostly lip-service. But tree planting can

only go so far. Imran Khan probably will have the opportunity to serve another day. The next time around, the environment would be better served if he were to work towards creating sustainable energy, industry and agriculture. For example, Pakistan needs to be much further along in the production and diffusion of solar and wind energy technologies. One policy initiative that needs to be completely revamped is Imran Khan's education policy. Educationists recognize that the most important objective of education policy is creating thinkers. In Pakistan, given the diversity earlier alluded to, policy should also stress social tolerance. For example, Pakistan has long been hindered by ethnic and sectarian conflict. Inculcating critical thinking skills and social tolerance is a long and painstaking undertaking. These two objectives need to be the yardstick for assessing the expected success of education policy reform. By this measure, the outgoing administration has failed on both counts. Imran Khan's foreign policy was mostly flawed. Choosing not to react to Indian adventurism by unconditionally releasing a captured Indian pilot was commendable. Choosing an independent foreign policy that uses the prism of national interest was also wise and commendable. But an 'in your face' defiance of a superpower was simply politically immature. Visiting Russia on the eve of its invasion of Ukraine was bad optics and did not serve the national interest. The US is a powerful country and perceives it has national interests all over the world. A politically mature leadership needs to work with such a power while not compromising its own critical national interests.

No individual can ever claim that their own interest also serves the national interest. Imran Khan should appreciate the difference and act to serve the national interest. At this point that would be a campaign built on achievements. Meanwhile, until the opportunity to serve presents itself again, he should learn from past mistakes and strengthen parliamentary democracy rather