

The Business

Chief Editor

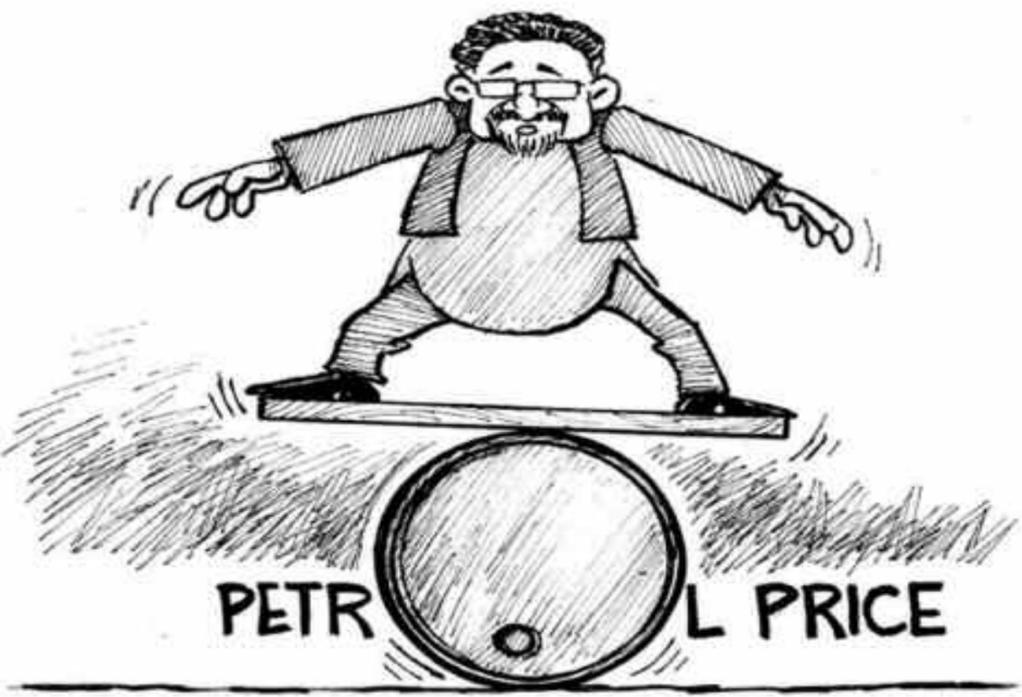
Irfan Athar Qazi

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



A heavy price

The International Monetary Fund (IMF) has asked Pakistan to bring the current account deficit (CAD) of \$13.16 billion under control. The government was compelled to implement to deal with the crisis by the IMF may still be fresh in the minds of the general public but a reminder is critical in today's politically charged Pakistan. It cannot afford the luxury of daily political skirmishes that are extremely divisive in all sections of society. The previous government was forced to take the following mitigating measures whose ultimate price was paid by the general public: A severely contractionary monetary policy with a discount rate of 13.25 percent (that was lowered due to the pandemic in March 2019) but which has again inched up to 12.25 percent. Credit is a major input for industry therefore the high discount rate was projected to stifle growth to 1.5 percent. With a projected rise in the current account deficit in the ongoing year it is to be expected that there would be considerable pressure from donors to raise the rate by another couple of hundred basis points to contain imports to reduce the trade deficit of over \$35.5 billion July-March, which, in turn, will have serious ramifications on industrial output and growth.

The policy to reschedule government debt to long-term at such a high rate was ill advised in 2019 and the present government may not resort to it. However, that would be a minor reprieve in terms of the country's economic health. The deferral requested and granted to Pakistan under the debt relief initiative by the G-7 countries to enable poor countries to better deal with the pandemic has ended. The Shehbaz government will face more of a challenge in ushering politically challenging reforms as its mandate is more parliament driven than through a general election but then the Khan administration, like his predecessors. Prior to going on an IMF programme Imran Khan took the same route that Shehbaz Sharif seems to be taking today: launch a diplomatic mission to seek assistance from friendly countries at terms more favourable than usual. The objective of Shehbaz Sharif's official visit to Saudi Arabia, without doubt, was to use his family's personal relationship to secure at least \$3 to 4 billion, preferably with a large grant component, and to seek oil facility either on deferred terms or, if possible, on a grant basis and also rollover of existing placements with State Bank of Pakistan.

According to a recent IMF statement, the Pakistan government has agreed to withdraw these unfunded subsidies. However, it would be better for the government not to use any assistance provided by any friendly country to take economic decisions based on political considerations as Pakistan can no longer afford this prevalent practice. The economy is in dire straits and if the Sharif-led administration can blunt the edges of the crisis within the next few months it would only then have generated enough leverage to dictate when the next elections will be held.

DR ABID QAIYUM SULERI

The years 2020 and 2021 will be remembered both due to the deadly pandemic and the vast fluctuations in global energy demand and its prices. In 2020, global demand for crude oil dropped the most since the Second World War. On April 20, 2020 the future oil contracts for May 2020 dropped 306 percent to settle at a negative \$37.63 a barrel.

However, the price of a basket of oil, coal, and gas had doubled in October 2021 compared to the prices in May 2021: the earlier-than-expected recovery from Covid-19 in 2021 had surged the global energy demand.

The trend continued in the year 2022 – this time because of the Russia-Ukraine war. Due to Western sanctions (and potential sanctions) on Russian fuel supplies, energy prices in March 2022 were double their level in March 2021. This was the largest price increase for natural gas and coal. The steepest rise in energy prices in nearly 50 years caused the biggest shock to commodity markets since 1973. According to the World Bank's latest report on commodity price outlook, the price of Brent Crude oil is expected to average \$100 per barrel in the year 2022, the highest annual level since 2013. These trends have put tremendous inflationary pressure on consumers worldwide, com-

MALIK MUHAMMAD ASHRAF

Imran Khan lacks the credentials of a visionary leader who has an unswerving commitment to prioritize national interests. But he surely is a master in carving out false narratives and using them to his advantage at the cost of political stability in the country.

After the 2013 general election when his party did not fare well, he came out with the narrative that the elections were rigged and that '35 punctures' facilitated by the then caretaker chief minister of Punjab Najam Sethi played a pivotal role in the victory of the PML-N. He also demanded the formation of a judicial commission to probe the issue of rigging. He also staged a long sit-in at Islamabad supported by Tahirul Qadri. The attack on PTV and parliament building created a crisis situation. All the parliamentary parties in the house thwarted the attempts to destabilize the country and the PML-N government survived.

Imran had to eat dust when the judicial commission formed on his demand to investigate rigging allegations, came up with the conclusion that it had found

Remembering Allama and his influence on Pak Movement-I

DR SIKANDAR HAYAT

Eric Hoffer, an American social philosopher, in an insightful work on mass movements, *The True Believer* (1951), wrote: "A movement is pioneered by men of words, materialized by fanatics and consolidated by men of action" – primarily because of a fanatic's 'inability to settle down and play the role of a practical man of action...' The most inspiring and massive movement of the Indian Muslims in British India, the Pakistan Movement, indeed went through the hands of these three types of men. Sir Syed Ahmad Khan, the man of words, laid the foundation of a separatist political movement, as I have argued elsewhere at length (*A Leadership Odyssey*), articulating Muslim interests in the new, colonial system of representative government, inherently biased against the Muslim 'minority' community. Aga Khan and Syed Ameer Ali followed suit. But Maulana Mohamed Ali, the self-confessed 'fanatic' in his zeal for the Khilafat (in spite of Kemal Ataturk's insistence that it had 'ceased to have any relevance for Turkey') broke the back of the separatist movement by entering into an alliance with the Hindu majority community.

Though, he soon realized the false, pretentious nature of the alliance and fell back upon the separatist path eventually, he could not now suggest a clear path and indeed a goal. It was left to another man, a man of words, again this time, subject of this brief essay, Allama Muhammad Iqbal (November 9, 1877-April 21, 1938), to revive and reinforce Muslim separatism and help evolve it into the Pakistan Movement, seeking a separate state for the Mus-

lims of the subcontinent.

But before I proceed further with Allama Iqbal's rise and role in this movement, it needs to be stressed that Iqbal was not only a man of words, he was a man of action too. During 1926-33, he led the Muslims in the Muslim-majority province of the Punjab through a very critical phase of politics in India. But then, as Hoffer argued, 'such metamorphoses are usually temporary, and that sooner or later there is a reversion to the original type'. With deteriorating health in 1933 and thus not able to commit to active politics or public life anymore, Iqbal turned into a man of words again, inspiring and guiding his political colleague and now president of the All-India Muslim League, Quaid-e-Azam Muhammad Ali Jinnah, towards the idea of a separate state for the Muslims, primarily through his private letters in 1936-37. Jinnah, later, after Iqbal's death, gratefully published these letters with a preface titled, *Letters of Iqbal to Jinnah* (1942). These letters, in themselves, apart from his other contributions, speak volumes about Iqbal's influence on the Pakistan Movement.

Iqbal was a man of words in the perfect sense. He was a poet, writer, philosopher, lawyer, teacher, and of course, a highly educated person, especially for his time. He was a graduate of Government College Lahore, Cambridge University in the United Kingdom, and had obtained his doctorate in Philosophy from Munich University in Germany, with a dissertation, 'The Development of Metaphysics in Persia: A Contribution to the History of Muslim Philosophy', a significant addition to the literature on the subject. Later, realizing the need for 'a scientific form of religious knowledge', Iqbal, of course,

went on to publish his philosophical lectures given at the behest of the Madras Muslim Association at Madras, Hyderabad, and Aligarh, in the form of a book, *The Reconstruction of Religious Thought in Islam* (1930).

The book was meant 'to reconstruct Muslim religious philosophy with due regard to the philosophical traditions of Islam and the more recent developments in the various domains of human knowledge'. While his prose, given the sophisticated philosophical nature of the discourse, remained relatively confined to the educated classes and the elite, his poetry, and plenty of it, from *Asrar-i-Khudi* (1915) to *Zarb-i-Kalim* (1936) to *Armughan-i-Hijaz*, published posthumously (1938), was for all the Muslims, all classes and social groups, to awaken their 'soul' to realize their true potential through action and accomplishments. Though, he had 'affinity of thought' with some Western poets, Dante, Milton, Goethe, Wordsworth, and Browning, his main 'inspiration' was the great Persian mystical poet, Maulana Rumi.

He was 'Iqbal's ideal poet'. While there is so much written about and so much more to discuss about Iqbal as a poet and his poetry, given the paucity of space at my disposal, I will concentrate upon the main topic, his influence on the Pakistan Movement, as a man of words. In this context, I will start with his path-breaking Allahabad Address of 1930, as President of the Muslim League at its 21st session held at Allahabad (UP). Allahabad address came at a very desperate moment of the politics of India. The Nehru Report of 1928, the first serious effort to frame the future constitution of India by the Indians themselves, led by Pandit Motilal

Nehru, had thrown Muslims into the void. It had subverted the already small space for the Muslims in the political system by repudiating the principle of separate electorates, one of the earliest and the most important Muslim demand, indeed the bedrock of Muslim separatist political movement.

The report insisted on 'Joint mixed electorates'. Jinnah, at the subsequent All-Parties Convention held at Calcutta (Kolkata) in December 1928, tried his best to impress upon both the Indian National Congress and the Hindu Mahasabha, the need to reach an amicable settlement on this and related demands to help the Muslims march along with them in the struggle for freedom', but to no avail. His famous Fourteen Points did not move them either. The Round Table Conference in London in November 1930, called by the British Government, seemed a hopeless case already with the Congress refusing to attend its first, formative session.

Iqbal, after a brief analysis of 'Islam and Nationalism' and its implications, told the attendees of the session that the 'religious ideal of Islam, therefore, is organically related to the social order which it has created. The rejection of the one will involve the rejection of the other. Therefore, the construction of a polity on national lines [Indian nationalism], if it means a displacement of Islamic principles of solidarity, is simply unthinkable to a Muslim'.

(To be continued)

The writer is a Distinguished Professor of History and Public Policy and Dean, Faculty of Social Sciences, FC College University, Lahore.

(Courtesy Monthly Hilal)

How to manage fuel subsidies

pellung their respective governments to provide some relief. In this context, some governments are providing subsidized fuel, others are managing energy consumption through rationing, and yet others are using a mix and match of policy measures to minimize the pain of fuel inflation. However, the sustainability of their efforts becomes questionable as, according to industry experts, the oil and other energy prices are expected to remain elevated for years. The Russia-Ukraine war is changing energy trade flows, consumption, and production.

In Pakistan, the PTI government too came up with an energy relief package. On February 28, 2022 it reduced general sales tax (GST) on petrol and petroleum development levy to zero percent, slashed the prices of petrol and diesel by Rs10 per liter, and announced to fix those prices till June 30, 2022. The claim of the then finance minister to finance the relief package through enhanced revenue collection is supported by the Federal Board of Revenue's (FBR) historic tax collection of Rs4858 billion during the first ten months of FY 2021-22. The FBR exceeded its collection target for the period by Rs239 billion. It is perti-

nent to mention that GST on petrol has been the single biggest source of FBR collection in the past, accounting for 35 percent of total GST collection in 2021.

Even before the relief package, former prime minister Imran Khan rejected Ogra's fortnightly recommendations to increase the fuel prices on more than one occasion. These measures did contain fuel inflation and provided relief to the consumers. But they also led to a large current account deficit (CAD) as the import and consumption of fuel in Pakistan remained unaffected by the global price hike. The FBR's record collection of 'rupees' does not compensate for 'dollar reserves', which are rapidly depleting due to expensive energy imports. Rising current account deficit and piling energy circular debts are two of the major reasons the IMF opposes the energy relief package.

Initially, the coalition government termed the PTI government's energy relief package as landmines for its successors. However, contrary to Miftah Ismail's assurance to the IMF that this package would be rolled back, Prime Minister Shahbaz Sharif has followed his predecessor's decision and decided to continue (at least till

May 16) with across-the-board subsidies on fuel through the energy relief package.

Here, one needs to keep in mind that the CAD accruing due to the relief package will turn unmanageable without the help of the IMF. Currently, petrol in Pakistan is subsidized by Rs21 per liter and diesel by Rs51 per liter. For macroeconomic stability and to contain the energy circular debt, the government would have to withdraw energy subsidies. One can argue that a major chunk of petrol subsidies is being enjoyed by the owners of big vehicles, who consume 5-6 times more petrol per kilometer than motorcycles and rickshaws. They consume 60-65 percent of petrol in the country, and many of them may afford to pay its full price if the subsidy is withdrawn. The biggest sufferers of the no-subsidy scenario will be the owners of 15 million motorcycles (and rickshaws), who consume around 35-40 percent of petrol in the country and require government support to cope with the fuel inflation.

There is no easy answer to the question on how the government can roll back the energy relief package without hurting the lower-middle and middle-income earners. I endorse the suggestion forwarded by dif-

ferent quarters to cross-subsidize the diesel owing to its secondary inflationary impact (public transport, goods transport, agricultural machinery, etc). The proposal is that instead of increasing the price of petrol by Rs21 per liter and diesel by Rs51 per liter, their respective prices should be increased by Rs30-35 per liter, thus cross-subsidizing the price of diesel.

However, an increase in petrol price would have an immediate inflationary impact, especially on motorcycles or rickshaw owners. Targeted subsidy on petrol for these consumers, selling them petrol at a subsidized rate, is practically impossible. An alternative is to provide them relief through direct cash transfers whenever the average monthly price of petrol exceeds a certain threshold (to be determined by the Ministry of Petroleum). Let me explain how this system may work. All two and three-wheeler owners (including government officials) earning below a certain amount per month (the threshold may be determined by the Ministry of Poverty Alleviation and Social Safety in consultation with the Ministry of Petroleum) may be eligible for this direct cash transfer programme. Their vehicles are registered against their CNICs. This record is available at vehicle registration departments and with the owner in the form of a vehicle registration document. This record could be triangulated with the NSER main-

Politics of false narratives

no evidence to support his claims. Talking to a private TV channel after this he admitted that his narrative of 35 punctures was only 'political talk'.

I am amazed at his audacity not to express any remorse for agitating a deliberately carved false narrative to pursue his political objectives, a move which kept the country in political turmoil until the haze was cleared by the judicial commission.

The country finds itself in a similar situation at the moment. In the backdrop of the constitutional step by the opposition to move a no-confidence motion against him and the successful culmination of the process, courtesy the intervention of the apex court, Imran Khan has come up with a conspiracy theory – allegedly the US hatched a plot to oust him from power with the connivance of the PDM parties. The reasons, per him, are that he had said 'absolutely no' to the US request for bases in Pakistan and did not toe the American line on

the Ukraine conflict. Imran and his cohorts have also cast aspersions at the judiciary, besides accusing the establishment of facilitating the process by staying apolitical. He is vociferously agitating his new narrative and also plans to march on Islamabad like he did previously. He is demanding fresh elections and also a judicial commission to hold a probe into the 'international conspiracy' behind his downfall.

It is pertinent to point out that the National Security Council in its two meetings did not buy the idea of conspiracy. The DG ISPR in a presser categorically denied that the military leadership subscribed to the conspiracy claim. He also unequivocally rejected the contention that the US had asked for military bases in Pakistan. In light of the foregoing irrefutable revelations, the conspiracy narrative stands nullified. But Imran Khan refuses to budge from his false narrative of conspiracy. The coalition government has announced plans to form

an inquiry commission to clear the haze. However, the PTI has immediately rejected the suggestion, saying it would accept only a commission formed by the independent judiciary which should then hold open proceedings. The statement clearly implies that the judiciary is not independent at the moment. That makes matters really complicated and worrisome.

The question is: who will decide about the independence of the judiciary under the present circumstances? The PTI will go to any extent to put pressure on the government to announce immediate elections. That proposition is not likely to be accepted by the government which holds the view that elections without electoral reforms would be meaningless. That sounds quite reasonable as elections held without reforms and under the supervision of the chief election commissioner, who the PTI has been targeting, would not resolve the political crisis. Regrettably, we have seen the president and the governor of Punjab failing to perform their constitutional obligations by refusing to administer the oath of office to the prime minister and the chief minister of Punjab respectively.