

# The Business

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PAKISTANIS WILL CALL RULERS 'THIEVES, TRAITORS' WHEREVER THEY SEE THEM



## Policy rate hike again

The State Bank of Pakistan (SBP) has raised the policy rate by 1.25 percent to 15 percent, indicating that the prevalent rate did not reflect market conditions. Historically the SBP has invariably adhered to all International Monetary Fund (IMF) conditions in the 23 programmes to date—but because the MPC's statements have always highlighted economic factors for its decisions in marked contrast to the Ministry of Finance which passes on the buck for all unpopular decisions to the performance of its predecessors or to IMF's conditions. The Monetary Policy Statement (MPS) mentions three sources of concern notably "paucity of fresh foreign inflows"—read borrowing that prompted it to refer to a \$2.3 billion commercial loan from China as an encouraging development; reversal of the unsustainable energy subsidy package and a 2022-23 budget centered on strong fiscal consolidation, read fiscal tightening that would impact on the Large Scale Manufacturing (LSM) sector due to the levy of the 10 percent supertax on 13 sectors in the budget as well raising the discount rate. It is relevant to note that LSM registered a growth of 6.7 percent (July-April 2022) and spear-headed the growth rate last year of 6 percent made possible by implementing an expansionary monetary and fiscal policy.

A raise in the policy rate coupled with a severely contractionary fiscal policy announced in the budget 2022-23 no doubt led the MPC to project a growth for the current year of three to four percent (against the budgeted five percent). The Statement refers to the six percent growth as an encouraging development; however, this was largely on the back of a 332.2 percent rise in sugar output in April this year against April 2021. There is a distinct possibility that while the rate rise would curtail demand, the primary objective of the rate rise, yet it may not contain inflation for two reasons. First, the utility and tax rises-driven inflation which the MPS referred to as "difficult increases." The statement refers to the robust six percent growth rate for the last six years which, it argues, accounts for Pakistan facing a significantly lower trade-off between growth and inflation. While central banks the world over maintain that inflation at low levels is beneficial for growth yet certainly not at the rates Pakistan has been experiencing since 2019 when the country went on the IMF programme. Today, our inflation is almost three times the rates prevalent in regional competing countries as well as in the West in recent months. It is important to note that there is evidence today that a global recession is pushing down commodity prices, petroleum and products as well as cooking oil, our major import items which would reduce the pressure on our foreign exchange reserves.

## A city that always sinks

RAFIA ZAKARIA

garbage piles) mean that everything that is in them will mix together in a disgusting, disease-laden stew that can make its way all through the city.



It happens every year. This time too, after a spate of truly devastating heat, the rains came, and just as the rains came, Karachi was inundated.

As the sheets of rain pelted the thirsty city, the main highways were inundated. Just as they were inundated, electric power also disappeared, leaving K-Electric customers planning on celebrating Eid without recourse. Within a few hours, a city attempting to celebrate Eidul Azha was transformed into a submerged urban jungle.

The convergence of catastrophe would seem impossible or absurd if it were not true. The city of Karachi, home to over 20 million people, faces flooding every year because too few of the city's highways have been constructed in a manner that would allow rainwater to pass through the storm drains and flow into the sea. In much of Karachi, there are faulty or no storm drains, nor does the gradient of poorly constructed streets encourage the flow of water. This year presented a twist in the usual plot. Since the deluge came on and around Eidul Azha, a variety of sacrificial animals, mostly goats and cows, were also in the mix. These animals, including those at the livestock markets that open up in the city around this time, faced drowning or very difficult flooded conditions.

Every year for decades, inhabitants of the city sacrifice their animals in the streets adjoining their homes. While the edible portions of the meat are cut up and distributed, other parts are carried off by predatory animals. The worst of it all, the inedible entrails, are all thrown upon open garbage piles. There they sit rotting and creating further sanitary nightmares unless the neighbourhood is particularly lucky and the municipal garbage collectors show up and carry them off. Most, of course, are not lucky, even as people feast on meat inside their homes, these parts rot out in the open, host to flies and all kinds of other parasites. The festive season transforms them all into carnivores, feasting on whatever bit they can find. The flooded streets (and

The interrupted power supply poses its own problems. The meat from sacrificed animals has to be refrigerated or cooked. If the meat is not refrigerated and if gas supplies are also interrupted, it means a huge amount of it is open to going bad. This creates problems of its own since people consuming this contaminated meat are vulnerable to getting sick. Given the expense of buying and sacrificing animals, most will eat the meat regardless and worry about getting sick from it later. The problems of animal sacrifice and meat con-

*In a city that works, special arrangements would be in place to attend to the waste disposal needs of the citizens during Eidul Azha.*

sumption exist alongside the coronavirus pandemic which as expected will peak following Eid. The latest highly communicable variants have increased the positivity rate. The usual Eid celebrations when family and friends meet (if they are able to in spite of the inundated roads) create risks we are all familiar with. Meeting loved ones this year is then especially risky, as people can pass on the coronavirus to their guests or feed them spoiled meat.

Not everyone will suffer in this way. The very wealthiest in the city have already absconded to nearby Gulf states and other similar destinations. They know that the only way to escape these prob-

lems is to not spend the summer in Karachi at all. Those who do stay have to make arrangements for their own electricity with privately operated generators that ensure that their homes remain air conditioned, and their food continues to be properly refrigerated. If one belongs to this group of people, then Eid will be celebrated without any glitches, the rain merely an element of added romance rather than the danger it represents to everyone else—unless, of course, their homes are situated in one of the posh parts of the city that have also been inundated. To the surprise of no one, the vast wealth gap that defines life in Karachi, ensures that this festival will always be celebrated differently based on where they fall on the socioeconomic ladder.

In a city that works, special arrangements would be in place to attend to the waste disposal needs of the citizens during Eidul Azha. The sacrifice of livestock would be limited to certain places to ensure that the waste does not enter flooded areas and create new risks of disease.

In this imaginary Karachi, K-Electric would ensure that the power supply is not interrupted despite the rain, or if there are disruptions, special crews are already there to attend to the increased needs of the city. Such measures would mean that heavy rains would not cause the usual death, destruction and havoc they do every year.

It is difficult for the taxpaying citizens of Karachi to understand why none of these measures have ever been in place. Year after year, articles just like this one appeal for the need to create proper storm water drainage systems in the city. Yet more list the public health emergency that is created when animals are sacrificed, and their entrails are left to rot in the streets. The fact that everyone knows what needs to be done and that millions pay taxes in the city hope that it will be done makes the situation extremely frustrating. Such is the poor state of the infrastructure and municipal management of the city that demanding all these things seems like a fever dream. Optimism in rain-doused Karachi amounts to the simple hope that this round of rains does not deal too heavy a blow, that the power is interrupted only for a few hours, that the flooded street somehow drains. Given these small dreams, the people of Karachi, used to getting only the bare minimum, may celebrate.

## India's diplomatic success

MARYAM MASTOOR

India has established mutually beneficial bilateral and multilateral relations with various countries; it is a member of pertinent alliance systems like BRICS (Brazil, Russia, India, China and South Africa), Quadilateral Security Dialogue (QUAD), which includes Australia, Japan, and the US, and the Association of SouthEast Asian Nations (ASEAN).

India's tactful handling of international relations has transitioned the country from a 'non-allied' country to an 'ally' of all. India is going to be part of a new alliance in the making, the I2U2, which includes Israel, the US and the UAE.

Inclusion in alliance systems has benefited India in three ways. First, the perception of India as a non-allied country has been changed; second, its trade relations with ally countries have improved, leading to foreign investments; third, India's 'say' in international politics has become meaningful.

Other than becoming part of alliances, India has adroitly developed bilateral relations with various countries. India has free trade agreements (FTAs) with 13 countries, including economic giants like the US and Australia. It is also in the process of negotiating an FTA with Israel. India has preferential market access and economic cooperation agreements with over 50 countries.

India's 'Act Asia' policy opened up India with countries in the Far East. In 2021, Singapore was the top investor in India with investments worth \$15.7 billion. In pursuance of the 'Act Asia' policy, India concluded FTAs with ASEAN countries, Japan and Korea. Indian exports to Korea alone stands at \$8 billion. Most interestingly, despite targeting the Muslim minority within, India is vigorously improving its relations with Muslim countries, including Afghanistan; it is the first country to conclude a strategic partnership agreement with Afghanistan in 2011. In the post-US-withdrawal scenario,

India is keenly looking at developments in Afghanistan and is fervent to establish relations with the country. It facilitated a regional dialogue on Afghanistan in 2021 to bring all stakeholders to the table. China and subsequently Pakistan did not take part in the moot.

Other than Afghanistan, India is successfully engaged in terms of trade with various other Muslim countries. Indian exports to Saudi Arabia are nearly \$8 billion. Its exports to Iraq are \$2 billion; UAE, \$28 billion; Bangladesh, \$16 billion; Qatar, \$1 billion; Nigeria \$4 billion; Malaysia, \$6 billion; and Indonesia, \$8 billion. India is maintaining 'strategic autonomy' in its relations with all countries. Notwithstanding the pressure from the US, it is astutely maintaining its relations with Iran. In early June this year, Iran's Foreign Minister Hossein Amir-Abdollahian visited India. Also, the country is all set to attend the maiden I2U2 summit along with the UAE, Israel and the US. On the one hand, it is engaging with Israel, Saudi Arabia and the US, and on the other, it is solidifying its relations with Iran. India is the only country to get a waiver from sanctions on Iran to buy crude oil.

This shows India's success in diversifying its relations and keeping the ability to proceed internationally on its terms. India also has good relations with Russia. Its exports to Russia are around \$3 billion. And, according to 'Reuters', Russia remained a top supplier of crude oil to India in April 2022. Despite the fact that the EU and the US are vehemently opposing Russia on the Ukraine situation, India has adamantly refrained from doing so. India abstained from the UN vote to remove Russia from the Human Rights Council and various other procedural votes against it. Surprisingly, the West, including the US, has accepted India's stringent behaviour regarding its relations with Russia and Iran. In a recent press conference, Spokesperson of the US Department of State Ned Price said, "[The] US has sought a partnership with India, has

sought to be a partner of choice for India, including when it comes to the reality realm". And he added that the US had made it clear to "our Indian partners that we are there for them, we are ready and able and willing to partner with them, and we've done just that."

Even China is keen to have working relations with India. China has been the largest trading partner of India, other than the US. The two countries' bilateral trade reached \$31 billion in the first quarter of 2022, indicating an increase of about 15 percent from the previous year. This again is a success of Indian diplomacy; that despite being used as a 'counterweight' of China by Western nations, India is actively engaged in economic relations with China.

India has transitioned from a protectionist country to a global trading partner. It has improved the procedures of doing business in the country. In a report prepared by the World Bank, 'Ease of Doing Business', India stands at 63rd position. Pakistan is at 108th position, out of 188 countries. This improvement in the ranking is partly due to the fact that India had attracted foreign direct investment of around \$572 billion between April 2000 and December 2021.

The question is: why are countries eager to establish security and economic relations with India? The two-pronged answer to this question is: first, India appears to be an eligible country that can be 'prepared' against the Chinese economic expansion which threatens the Western order. Therefore, the US and other Western countries are more than willing to establish security and economic relations with India. Second, countries that are investing in India, irrespective of the global competition, are doing so because of the country's investment-friendly procedures and political stability. For investment to take root, stability is the first prerequisite. In order to generate economic activity, internal capacity constituting stability and investment-friendly mechanisms need to be built. With stability within, India is now on the road to become

## Restoring hope

KATHY KELLY & MATT GANNON

A gathering titled 'No War 2022'—hosted by World Beyond War and taking place July 8-10—will consider major and growing threats faced in today's world. Emphasizing 'Resistance and Regeneration', the conference will feature practitioners of permaculture who work to heal scarred lands as well as abolish all war.

Listening to various friends speak of the environmental impact of war, we recalled testimony from survivors of a Nazi concentration camp on the outskirts of Berlin, Sachsenhausen, where over 200,000 prisoners were interned from 1936 to 1945.

As a result of hunger, disease, forced labor, medical experiments, and systematic extermination operations by the SS, tens of thousands of internees died in Sachsenhausen. Researchers there were tasked with developing sturdy shoes and boots which warring soldiers could wear, year-round while trudging through war zones. As part of a punishment duty, emaciated and weakened prisoners were forced to walk or run back and forth along 'the shoe path', carrying heavy packs, to demonstrate the wear and tear on shoe soles. The steady weight of tortured prisoners traversing 'the shoe path' rendered the ground, to this day, unusable for planting grass, flowers, or crops. The scarred, ruined ground exemplifies the colossal waste, murder, and futility of militarism. Recently, Ali, a young Afghan friend of ours, wrote to ask how he could help comfort families who had lost loved ones in the massacre of schoolchildren in Uvalde, Texas. He struggles to console his own mother, whose oldest son, forced by poverty to enlist in the military, was killed during war in Afghanistan. We thanked our friend for his kindness and reminded him of a project he had helped create, in Kabul, some years ago, when a group of young, idealistic activists invited children to gather as many toy guns as they could possibly find. Next, they dug a large hole and buried the assembled toy weapons. After heaping soil over the 'grave of guns', they planted a tree atop it. Inspired by what they were

doing, an onlooker hastened across the road. She came with her shovel, eager to help. Tragically, real weapons, in the form of mines, cluster bombs and unexploded ordnance remain buried under the ground, across Afghanistan. UNAMA, The United Nations Assistance Mission in Afghanistan, laments that many of Afghanistan's 116,076 civilian war victims have been killed or injured by explosive devices. The Emergency Surgical Centers for Victims of War reports that victims from explosions continue to fill their hospitals, since September 2021. Every day, nearly three patients during this period have been admitted to their hospitals due to injuries caused by explosive violence.

Yet the manufacture, sale, and transport of weapons continue, worldwide. The New York Times recently reported about the role of Scott Air Force Base, near St. Louis, MO, where military logisticians transport billions of dollars in weapons to the Ukrainian government and other parts of the world. The money spent manufacturing, storing, selling, shipping, and using these weapons could alleviate poverty throughout the world. It would cost only \$10 billion, annually, to eradicate homelessness in the United States through expansion of existing housing programs, but this, perennially, is seen as prohibitively expensive. How sadly twisted our national priorities are when investments in weapons are more acceptable than investments in futures. The decision to build bombs instead of affordable housing is a binary, simple, cruel, and painful one. Residents of the city have welcomed young Afghans, forced to flee their land, to help cultivate gardens in a region quite vulnerable to desertification and climate change. Aiming to break "the vicious circle of resource degradation and depopulation," the Terra Sintropica association fosters resilience and creativity. Through daily and healing work in the greenhouse and garden, young Afghans displaced by war steadily decide to restore hope rather than seek harm. They tell us, in their words and actions, that healing our scarred Earth and the people it sustains is both urgent and achieved only through careful effort.