

# The Business

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## Overhauling power sector

The federal cabinet has decided to overhaul the power sector with steps such as installation of advanced metering infrastructure and low-cost solar energy projects. The objective is to undertake a thorough examination of the existing electricity generation and distribution system. However, the government, in its naiveté, is ignoring the presence of elephant in the room, i.e., mis-governance and lack of competence of Discos and missing coordination between the generation and distribution systems that results in violation of merit order. In short, nothing can work unless the Discos are truly empowered and allowed to act independently. The sector needs to be deregulated in letter and spirit. The government is playing to the gallery and trying to justify the projects it is implementing or seeking to implement. Before delving into the need and efficacy of advanced metering and solar energy, the government needs to take real actions to lower the losses and in turn reduce the burden of inefficiencies on consumers. In the past, too, there had been repeated efforts (on paper) to improve the governance of boards and management of Discos. However, irrespective of who in power, all these efforts were in vain. And these would remain futile unless the control is withdrawn from the hands of ministry of energy.

How things can improve when the anchors of change are not ready to relinquish control? Successive governments have used (or abused) the energy sector for their political gains by taking decisions that have resulted in unabated rise of circular debt. In the past 15 years, the total cost of inefficiencies in the power sector is estimated at a whopping Rs 9.4 trillion. This includes the stock of circular debt at Rs 2.3 trillion, the government budgetary support of Rs 4.9 trillion in the last 15 fiscal years and the borrowing cost of budgetary support which (assuming the average borrowing cost at 8 percent) is computed at Rs 2.4 trillion. These numbers are mind-boggling, to say the least. The sector alone can drag the economy down to an abyss unless it is resolved. And for that to happen, nothing short of deregulation and privatisation will work and privatisation of K-Electric is a strong case in point.

The most important number is the reduction in transmission and distribution (T&D) losses which have reduced from 34.2 percent to 15.3 percent. In simple words, since privatisation, KE has doubled the consumers and the volume of energy and halved the T&D losses. The performance of other Discos is nowhere close to it. And whenever there is talk about privatisation of Discos in Islamabad, the bureaucrats oppose it. They attempt to portray KE negatively by highlighting the theoretical risk of a natural monopoly of generation, transmission, and distribution. They don't recognise the ground realities.

## Many a twist yet

RAOOF HASAN

Imran Khan's recent sweeping electoral victory is indicative of a continually increasing support base for the leader as also a referendum for the convening of early elections in the country. Out of eight National Assembly seats across three provinces, Khan alone won six of them while the seventh in Karachi became a victim of blatant irregularities, actively supported by the ECP and the provincial administration. This is likely to be challenged at the appropriate forums. Also, out of the three provincial seats, the PTI won two, thus consolidating its position further in the Punjab Assembly. This is the outcome when the PTI alone confronted the combined might of all opposition parties and a partisan administration.

Virtually pushed into a state of shock and numbness which prompted a knee-jerk reaction, the incumbent government has reiterated its resolve to complete the term before venturing into the election foray. This stalemate would be depressing for those who thought that better sense would prevail to avert the risk of staging a march which now remains the only option for forcing early elections. In the process, and with a mammoth stock of issues having piled up for the common people for managing even their bare existence, an upsurge of violence cannot be completely eliminated. Simultaneously, in the event elections are called, the opposition can hope for little better than a complete mauling, thus losing their political relevance for the foreseeable future. With a two-thirds majority expected for the PTI, the self-securing amendments the incumbents have incorporated in the NAB laws to win reprieve for their gruesome crimes can also be jeopardised.

The increasing fascistic approach of the government has further aggravated the situation. The manner in which Senator Azam Swati was arrested, humiliated and subjected to inhuman custodial torture speaks volumes of the brutal and barbaric tactics that are now being liberally used to scare away the growing support for Khan. Instead, it is only generating a contrarian effect with people getting restless for the call to finally initiate the protest march.

The internal polarization has been further accentuated by the statement made by President Biden likening Pakistan with China and Russia and calling it "one of the most dangerous countries in the world - nuclear weapons without any cohesion". The statement could not have come at a worse time for the criminal cabal who were unabashedly orchestrating that relations with the US had been set right and the country would soon be able to banish the economic woes it has been enveloped in for some time. The reality check sent them scurrying into making a plethora of mundane and silly statements. When the protest rose to a crescendo, a demarche was served, but the foreign minister was caught trying apologetically to mitigate the damage of the statement, even defending it as being benign.

This also stirred up afresh the entire conspiracy syndrome which led to the removal of Khan's constitutional government by espousing illegal and unethical tactics including buying over legislators in exchange for lavish inducements. The basic agenda of the plan was to weaken Pakistan in the hands of a compromised leadership and then gradually force them to strip the country of its assets. President Biden's statement only testifies one's worst fears. In a few words, it lays out the entire game plan of proceeding further

with Pakistan. By bracketing it with China and Russia which remain the US's most hated and feared opponents, its status has been redrawn for facilitating further hostile action.

This is part of an ongoing policy where unwarranted pressure has often been exerted on Pakistan to contain its relations with China and limit the scope of the China-Pakistan Economic Corridor (CPEC). Simultaneously, Pakistan was often coerced not to initiate a process of normalizing its relations with Russia. In fact, the US-sponsored and domestically collaborated conspiracy was executed immediately after Khan had visited Russia on the eve of the war breaking out in Ukraine. Confronting the domestic polarization and foreign interventionist threat, induction of a strong and credible government has assumed added importance and relevance. Only an administration which enjoys unequivocal support and mandate of the people would be able to put together a policy of effective resistance to unjustified pressure from outside with intent to push Pakistan into a position of subservience in the region. Elections, therefore, seem to be the most obvious way for proceeding further in bringing things under control.

That process is being impeded by the incumbents simply because they feel that they have yet not been permanently cleansed of their crimes and some further time may be required to ensure that they would remain outside the ambit of law and the sources of their illicit billions would not be questioned. With this second landslide in just over two months for Khan, they feel further unsure about their dwindling political future. Therefore, in the absence of some sort of guarantees, there is obviously no chance that they would move towards holding early

elections in the country. That means that the situation of confrontation would not only subsist; it would aggravate with time, thus accentuating politics of acrimony and hate.

This is where the country stands today. It is a fight between a conglomerate of over a dozen parties whose leaders are guilty of having committed grievous financial crimes for which they don't want to be held accountable, and that one person, Imran Khan, who is committed to correcting the inherent wrong and ensuring that all encompassing the rich and the powerful and the marginalized and the weaklings are held equal before law and treated equitably by it. The success of this challenge would mean the political demise of a large number of the traditional elite of the country including the despised Sharif, Bhutto/Zardari and Fazl clans.

It is not a simple fight. It is a war for the political survival of the corrupt elite which have held sway over the country's destiny for decades. That is why they have pitted their entire repertoire of resources into this venomous confrontation. This war is not likely to subside by allowing a quotient of sanity to sneak through. In fact, it will get uglier and more acrimonious as the drumbeats of agitation are heard from closer quarters. This is what is now in the process of happening. Is there still a possibility of a rational thought process taking shape and the incumbents announcing a date for elections and leaving their fight for another day? On the face of it, such a prospect not only does not exist; it is not likely to surface in the foreseeable future.

In this battle for righting the endemic wrongs, there is many a hidden twist yet that we may have to endure.

The writer is a political and security strategist and the founder of the Regional Peace Institute in Islamabad.



## Resetting foreign economic relations

ISHRAT HUSAIN

China: there are several areas where the ongoing cooperation between Pakistan and China should be continued but at least three areas need to be focused for accelerated implementation.

These are: one, completion of ongoing projects under CPEC - addition of capacity to the national power grid by bringing the hydropower, renewable energy and coal projects to culmination. The MLI Railway track has been pending approval and financing for several years and each year of delay adds to the logistical costs to the economy and fiscal deficit by absorbing the losses of Pakistan Railways operating an outdated system. The Gwadar Port has to be made operational by commissioning water supply, electricity generation and other supporting infrastructure. The evacuation of goods from Gwadar to China and vice versa can start once the missing links in the KKH, western corridor, Khuzdar-Ratodero Road etc are filled in.

Two, despite the revised free trade agreement with China, the volume of Pakistani exports has not made any significant

penetration in the Chinese markets. An actionable plan developed in conjunction with the private sector to be monitored by the cabinet regularly should aim to achieve at least one per cent of Chinese imports by 2030. This would require investment in expanding production of goods and services in which Pakistan has comparative advantage, performance linked incentives, a liberal tax and ease of doing business regulatory regime. Pakistani professionals and managers should be attached with the Chinese companies for some time to better understand their market conditions, standards and requirements.

Three, intensive efforts should be made at the highest level to attract Chinese companies that are becoming uncompetitive due to rising labour costs to relocate their ventures in Special Economic Zones. This exercise should begin by examining the factors that have impeded efforts in the past. These zones should be equipped fully with all the facilities, amenities and utilities and made free from all bureaucratic hassles and administrative hurdles. The prospective benefits of this relocation would be training and development of skilled human resources, im-

proved managerial practices which would lead to their wide-scale adoption and dissemination, transfer of technology thus helping raise the productivity of our industries.

Similarly, the Chinese experience and expertise in agriculture, livestock and fisheries in developing and diffusing new varieties that are resilient to climate change and conserving the use of water resources should be tapped to minimize the vulnerabilities and extreme weather shocks we are likely to face. For this purpose, Research-Training-Extension would have to be integrated in a continuous value chain.

Afghanistan and Central Asian Republics: the bilateral cooperative arrangements between Pakistan and Afghanistan are critically dependent upon the establishment of cordial and trusted political relations and the acceptance of the Taliban regime by the rest of the world. Assuming that this happens - and this is a big if - economic relations between the two countries are the easiest to design for maximizing benefits to both. Pakistan is one of the largest trading partners of Afghanistan and its exports of goods and services had touched \$3 billion annually a

few years ago and is also the main conduit of imports from elsewhere through the Karachi port. More recently, Afghan coal has substituted the supplies from South Africa and others.

To promote further trade, tariff rates should be reduced on essential commodities, non-tariff barriers lowered, new border crossings introduced, and trade facilitation eased to remove the obstacles faced by Afghan businesses. An Export Import Bank should provide concessionary export refinancing facilities to Pakistani exporters for incremental flows of goods to Afghanistan above the present threshold.

Pakistan provides Afghanistan with the shortest access to the sea, but rail and road freight services have not been fully developed to leverage this locational advantage. Liberalization of the transportation sector by allowing the entry of newcomers and promoting competition among the carriers, expanding the existing highways and rehabilitating the railway subsector would go a long way in facilitating both bilateral and transit trade. Exports of the mining sector from Afghanistan would require that the

transport corridors be functioning for evacuation to the ports. Connecting Kandahar with Gwadar through the western corridor can be a possible route that needs to be explored. Afghanistan can also earn substantial revenues from transit trade and energy to and from the Central Asian Republics.

The government of Pakistan should consider establishing industrial zones in Afghanistan for Pakistani investors. As Afghanistan enjoys an LDC status Pakistani private investors can set up export-oriented industries in these zones in joint ventures with Afghan partners attracting preferential lower tariffs in the advanced countries. These zones would bring foreign exchange earnings badly needed by Afghanistan substituting the volume of foreign aid that has since 2021 evaporated. To be successful, Pakistani investors would require better infrastructure in the form of highways, railways, integrated border crossings etc.

Afghanistan should also be included in CPEC and a tripartite agreement between China, Afghanistan and Pakistan should assign the responsibilities to the respective parties for development of infrastructure.

## Climate change: A cause for concern

MARIA KHALID

The recent devastating floods in Pakistan confirmed the fears of climate experts and endorsed the country's narrative of climate change being a major factor driving the catastrophe. Killing 1,569 people and displacing more than 33 million, it is a red alert that if course correction measures are not undertaken timely, the world would be headed towards a collective suicide. Since the country began keeping detailed weather records in 1961, Pakistan experienced the most rains this year. According to Pakistan Meteorological Department, the provinces hit hardest by floods received up to eight times more rain than usual.

According to a scientific report by researchers from World Weather Attribution, "The flooding occurred as a direct consequence of the extreme monsoon rainfall throughout the summer 2022 season exacerbated by shorter spikes of very heavy rain, particularly in August, hitting the provinces Sindh and Balochistan." As the techniques of assessing climate change improve, scien-

tists can assess with greater certainty how the changes induced by the earth's population is affecting the weather patterns, raising the question of how nations should adapt given the new projections.

This year, Pakistan went straight from winter to summer, leaving out spring season, as the heat waves hit the country, one after another. Resultantly, forest fires erupted, rampaging through the forest areas, destroying everything in their wake. The Glacial Lake Outburst Floods tripled with boulders coming down with angry meltdown from the glaciers. Besides all this and the recent floods, World Health Organisation has warned that Pakistan is looking at a second disaster if there is an outbreak of waterborne diseases. As had been feared, life-threatening diseases are now taking hold of the displaced communities, nearly 7.6 million people, who are living in temporary shelters at the relief sites or in open areas surrounded by stagnant water. Many parts of the country, especially the southern province of Sindh and parts of eastern Balochistan, including other hardest-hit areas are underwater and it is feared that it might

take months for the water to recede.

Besides civil administration, Pakistan Armed Forces are also at the forefront to provide relief to the flood affected population. National Flood Response and Coordination Centre (NFRCC) forum has been established for the said purpose, which will ensure the rehabilitation of flood victims besides infrastructure and mitigating water-borne diseases. The NFRCC has declared 81 districts as 'calamity-hit', including 32 districts of Balochistan, six in Gilgit-Baltistan, 17 in Khyber Pakhtunkhwa, three in Punjab and 23 in Sindh.

Among the first-responders are also United Nations (UN) agencies besides cargo planes that have brought relief supplies and medicine from different countries. The UN agencies are coordinating logistics to transport relief items to the local authorities in the affected areas. UN Secretary-General, António Guterres, also paid a visit to Pakistan in a show of solidarity, and urged the international community for massive support in order to bolster the response against this climate catastrophe as developing countries pay the price

for the intransigence of big emitters. "[We] have all seen media images of the extraordinary destruction. I can only imagine the power and ferocity of the water as it bore down on villages, roads, bridges and everything else in its path. It was clearly terrifying - a wall of water." Guterres added, "No country deserves this fate, but particularly not countries like Pakistan that have done almost nothing to contribute to global warming." He also pointed out, "This is collective suicide", calling for an end to the "war with nature".

The bottom line is that climate change is increasingly becoming an additional factor that contributes to the frequency and strength of such events. The weather patterns depicted by the records show that South Asia's monsoon is whipsawing between drier and wetter patterns, which is unfortunate for the agrarian countries who will have to deal with either parched or inundated fields. The countries nearer to the equator are more likely to experience such drastic changes and climate change vulnerabilities, therefore timely decisions and a collective response, both nationally and internationally, is critical to counter and protect against this new accelerated pace of change.

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