MARCH - APRIL - 2023

DISCOURSE

ECONOMIC RECOVERY

INVESTMENT • EMPLOYMENT • PRODUCTIVITY

PIDE

Pakistan Institute of Development Economics

EDITORIAL Board

March 2023

Discourse is a bimonthly magazine from the Pakistan Institute of Development Economics. Themed primarily around public policy and political economy, it aims to offer insight into social, economic and political issues on both domestic and global levels. The publication provides a general overview of the latest developments in Pakistan's economy, identifying key areas of concern for policymakers to suggest policy interventions.

The publication is a hands-on and precise go-to document for the policymaker, academic, journalist, researcher, corporate/development sector professional, or student seeking to remain updated and informed.

Discourse has recently been enhanced in scope, with various new sections added to the publication in order to broaden its subject matter and encourage rigorous, creative, and interdisciplinary analyses that cover a more expansive range of topics and appeal to lay audiences. In this vein, we have a) opened up submissions from the general public, and b) added several new sections to the bimonthly magazine, including: opinion, business, sport, history, arts and culture, and more!

In light of the ongoing economic crisis engulfing the country, this issue is themed around Economic Recovery. In particular, the overarching objective of the March-April edition of Discourse is to explore the reasons for why the country is teetering on sovereign default, possible policy interventions to correct course, and political bottlenecks that prevent reform measures. Our subthemes for this one are investment, employment and productivity: three areas we believe ought to be seen as central priorities in the quest to establish an economic foundation that can eventually lead to higher levels of competitiveness in the region.

We hope you enjoy this issue of Discourse!

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ECONOMIC RECOVERY
INVESTMENT, EMPLOYMENT & PRODUCTIVITY

As at February 2023, Pakistan teeters on the brink of sovereign default. With reserves currently standing at approximately USD 3 billion and the 'twin' deficits (fiscal and current account) remaining central problems, it seems increasingly likely that the country will be unable to keep up with its debt obligations to external parties.

The fiscal deficit, which represents the difference between government expenditures and revenues, stood at Rs. 1,683 billion at the end of December, 2022. This represents a whopping 2% of GDP. One explanation is the rapidly expanding current expenditures during the first half of fiscal year '22-23, which rose by 77% compared to the previous year, ultimately reaching Rs. 6,061 billion. A fair chunk of these expenditures, as is commonly known, are frivolous in nature – going into sketchy PSDP projects, blanket subsidies for unproductive industrialists, non-combat defence expenditures, etc. Despite this, the IMF's focus remains on the revenue side of the equation: advocating for higher General Sales Tax, for instance, exacerbating inflation woes.

The current account, on the other hand, has shown major signs of improvement albeit remaining in deficit. As of January 2023, the deficit was recorded at USD 240 million – down 90% from the previous year. This is despite the fact that remittances have fallen considerably, going from USD 2.1 billion in December 2022 to USD. 1.9 billion in January 2023. One of the primary reasons for this is the recovery made on the balance of trade front following the decision to move towards a market-determined exchange rate, which has made import expensive and export cheaper. Furthermore, import restrictions have been imposed across the board – other than essential food items and medicines.

On the flip side, however, the consequences of a rapidly weakening exchange rate has meant rampant inflation across the country – largely due to oil/gas import, a non-negotiable, constituting almost 1/4th of the total import bill. The war in Ukraine has not made things any easier either, with sanctions on Russia resulting in lower supply of oil and gas and, consequently, much higher prices – a situation that has meant a slowing down of the global economy as a whole, right when the first signs of a post-COVID recovery were beginning to emerge. All this has meant huge spill over effects, adversely impacting food security most of all in Pakistan: the disproportionate effects of which are borne by the most vulnerable sections of the populace. In January 2023, food inflation stood at 45% in rural areas and 39% in urban ones – a situation that carries grave potential consequences, with some commentators deeming it the seed of popular uprisings around the country.

With most companies unable to keep up with the rising cost of operations, a wide-ranging wave of unemployment seems to be sweeping across the nation. In the formal sector, some have estimated that around 500,000 people have lost their jobs over the course of the previous year – representing 4.7% of personnel in the arena. Indeed, if the situation is this precarious for folks in the formal sector, it would not be an exaggeration to claim that the informal sector's predicament is likely multiple times worse. In short, what is being observed can be described as a severe stagflation crisis unfolding in real time.

One measure to tackle the sort of precariousness that the vast majority in Pakistan is currently facing social safety/protection. While the Benazir Income Support Programme is a fairly detailed and comprehensive mechanism in place for this purpose, it leaves much to be desired: with a significant percentage of its funds generally lost in the vast bureaucratic apparatus that is part and parcel of the initiative. Of course, this is not a problem specific to any particular arena in Pakistan: as per the UNDP, approximately Rs. 2.7 trillion are extracted from the economy on an annual basis in the form of 'elite capture'. These constitute perks, benefits, preferential access, lax taxation, unjustifiable subsidies, special prices, and more, that collectively form the larger political economy and prevent comprehensive policy reforms that can reorient the economy in a positive direction via democratisation, intrinsically linked to governance.

In order to make up for the two aforementioned deficits, the government of Pakistan has had to borrow. As per data from the State Bank of Pakistan, total sovereign debt stood at Rs. 60,717 billion at the end of December, 2022 – a 23.3% rise from the previous year. Of this, debt owed to external creditors such as multilateral donor agencies, international financial institutions, and bilateral partner countries was Rs. 26,127 billion – approximately 43%. Naturally these figures are expected to dramatically rise following the release of the IMF's upcoming tranche of USD 1.1 billion as part of the ongoing Extended Fund Facility – which will restore perceptions of creditworthiness around the globe and likely lead to a domino effect of further loans. A significant proportion of these will be the materialising of pledges from the international community for 'climate justice' in response to the devastating floods of the previous year – estimated to have caused losses of over USD 40 billion to the Pakistani economy.

Another key development over the past few months is the return of terrorism, with the TTP infiltrating various parts of Khyber Pakhtunkhwa and re-establishing a presence in the region. The recent attack on the police headquarters in Karachi was part of this resurgence. This is likely to have extremely adverse consequences in terms of investment in the country, with potential buyers now no longer certain that they will receive returns on their resources. This is, by no means, a new problem: and indeed has been one of the primary deterrents to foreign direct investment in particular – especially since the Soviet conflict in Afghanistan during the 1980s – largely due to the rentier economy model that Pakistan's de facto ruling institution has adopted in an effort to attract resources in exchange for 'strategic' use of its geopolitical location.

Even in terms of human capital, Pakistan's higher education arena has failed to produce graduates that can contribute to the prosperity of the country via entrepreneurship, innovation, trade, freelancing, and more. While India exports over USD 120 billion worth of IT-based services to the global economy on a yearly basis, the figure for Pakistan stands at less than USD 3 billion. One of the primary reasons for this is the well-planned and executed initiative of the Indian Institute of Technology in India under the Nehru administration in the early stages following partition – which set in place the facilities and knowledge-sharing platforms that, over the long haul, produced highly skilled personnel that could generate high levels of income.

Pakistan's situation in this regard is the exact opposite, with 31% of university graduates currently unemployed and likely an equal number underemployed. Employers frequently complain of the lack of technical/interpersonal ability of young recruits – which compels them to administer short courses in order to bring them up to speed. The primary reason for this state of affairs, as per former Chairman HEC Dr. Tariq Banuri, is the politics of patronage that the higher education landscape is constantly engulfed by – with appointments for key personnel taking place on the basis of little beyond links to certain networks.

Without any bottom-up pressure from the central stakeholders at the university due to the almost 40-year ban on student unions, authorities essentially run their respective institutions akin to personal fiefdoms. This has also led to a situation of subverting the university's research activities to the interests/objectives of big donor agencies, which funnel large sums of money (mostly in the form of loans) into the arena – capturing budding academics and subverting their activities to promote certain agendas. The middlemen in this process are the authorities, who will ensure a substantial cut for themselves in exchange for access to their faculty, researchers, students, administrative staff, etc. without any real contribution to the project(s). Higher education is a reflection of the larger governance arrangements in Pakistan, which have always excluded ordinary citizens from decision making processes: with ruling elites perceiving them, in colonial fashion, as puerile, ignorant and backward communities that must be lorded over: for their own good.

The overarching objective of this issue of Discourse is to kick-start a conversation on how Pakistan can hope to correct its economic trajectory, in terms of priority areas, technical interventions, and the political economy of reform. Naturally there is a short-term (immediate) set of tasks that will be required in this regard, as well as a medium to long term horizon that can revivify the economy in a sustainable manner. It is in this spirit that we have brought together some of the best minds in the country to offer a diverse set of perspectives on this critical juncture that Pakistan finds itself in.

We hope you find it insightful!

Sincerely,

Editorial Board
Discourse Magazine
Pakistan Institute of
Development Economics

Pakistan Institute of Development Economics

PIDE's Charter of Economy

Petition to all the Political Leaders/Parties of Pakistan

Pakistan Institute of Development Economics

Making the Case

Without any doubt, Pakistan is in on an economic tailspin, swiftly spiraling downwards. The country's economic indicators over the last seventy-two years have fluctuated widely without a clear and sustainable growth trajectory. Despite experiencing extreme economic and political experimentation, the country has still been unable to break with the ramshackle of its unstable development enigma. The country needs an instant economic roadmap to escape the current chaos.

The issue is the politicisation of the economy and consequent bad governance. Politics and economics must be delinked if we are to take on the path of economic growth and development in the real sense of the word. Politics is messy everywhere, but in most countries, politics and economy are separated into mutually exclusive domains. Hence, a charter of the economy is the need of the time. In this context, a political consensus in Pakistan is critical because implementing this charter in letter and spirit seems highly unlikely without a broad-based political consensus. Developing political consensus and implementing the agreed-upon framework in letter and spirit is inevitable for policy consistency and continuity for at least the next 15 years.

PIDE, thus, presents its "Charter of Economy" to serve as a live document and a blueprint for future policy frameworks for long-term economic growth and development.

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Getting the Fundamentals Right

The problem at the core is that the state machinery is not fit for purpose, with each one encroaching on the other's domain. This has affected the governance structure badly. For instance, legislators are supposed to be lawmakers and define the rules of the game with the technical support of technocrats. Though, legislators are primarily involved in development work.

Moreover, the executive branch, which includes ministries, is supposed to monitor and evaluate the entities under their domain. However, these organs are also involved in the development and directly interfere in the nitty-gritty of lower-tier departments.

Local Governments (LGs) are non-functional, although, technically, local government is supposed to be the most significant part of the governance structure. LGs are responsible for most of the development, oversight, and law and order. Hence, it is time to get the fundamentals right.

Pakistan also has a grave debt problem – one of the significant barriers to the country's economic growth. The country has approached International Monetary Fund (IMF) for the 23rd time in over seven decades. To put it bluntly, Pakistan has regularly turned to the economic emergency ward of the IMF. The question arises; is IMF the solution to what ails Pakistan? If yes, then why has it not worked to date? If not, then what is the solution? It is time that the country looks for solutions internally instead of being dictated to by international agencies and donor organisations.

The focus has to be long-term, as short-term quick fixes have not worked, and it must start from somewhere. The only way out of the economic turmoil that Pakistan has been stuck in for the last 40 years has to be sustained and accelerated growth. How will we achieve it? Not without a complete reset of the fundamentals of governance systems.

First and foremost, the pre-requisite must be policy consistency for at least the next 15 years. Once there is a political consensus, there should be no off-tracking from the set direction, whatever the case may be.

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1. Governance for 21st Century

Political uncertainty is the root cause of Pakistan's economic problems, as policy inconsistency is due to rapid governmental changes and overlapping roles. The undefined jurisdiction of the arms of the state further magnifies the policy bottlenecks. Thus, it is essential to make amends to the political set-up for better system-efficiency and smooth economic performance. So, PIDE proposes the following:

1.1. Local Government

Issue

Public services delivery is the responsibility of Local Governments (LGs), but the discontinuity of LGs and lack of empowerment restricts efficient public services delivery.

Way Forward

- Ensure the existence and continuity of local governments
- LGs imply local administration, not just local politics/elections
- Devolve power to the LGs and empower them financially and operationally
- LGs also means empowered city governments in metropolitan cities with an elected Mayor as the Chief Executive of the City

1.2. Parliament

Issue

"Dynastic Politics" - a limited new entry into parliament for individuals with no political inheritance. Research shows that many constituencies are pocket boroughs (owned by specific/limited influentials). The stepping over of parliamentarians into the responsibilities of local tier of governance undermines the LGs and parliament.

Way Forward

- Term and family limits (in a single assembly tenure) for parliamentarians must be introduced
- The focus of parliamentarians must be on policy and decision-making through legislation
- No development funds are to be expended through a member of parliament
- Parliament must not be taken as a way to ministership

1.3. Elections

Issue

Electoral procedures are flawed to the extent of being anti-democratic and not representative of the general public.

Way Forward

- Introduce staggered elections
- Direct elections for the Senate
- Reduce Assembly limit to 03 years
- Consider compulsory voting
- Consider internet/e-voting procedures
- Consider proportional representation, ranked choice, second-round voting and NOTA (None of the above)

1.4. Cabinet

Issue

A large cabinet causes governance inefficiency through expanding current expenditures, unnecessary division and overlapping work, increasing planning and decision stakeholders, and frequent portfolio changes.

Way Forward

- Limit cabinet members from parliament to 10
- Experts should be inducted into the cabinet
- Total cabinet members must not cross 25
- The cabinet must focus on Monitoring and Evaluation (M & E) of the policy decided through parliament and implemented through relevant institutions

1.5. Police

Issue

Patron-client relationship, politicization and corruption in the police department hinders efficient and effective crime detection, prevention and maintenance of public order, thus warding off healthy economic activity, particularly foreign direct investment (FDI). What lacks is a local police force. All policing and investigation comes under federal and provincial – delinked with the local dynamics.

Way Forward

- Police force must be brought under the local government and delinked from the centralised control
- Federal Investigation Agency (FIA), Rangers and other such law enforcement and investigative agencies can rest with the federal government
- Police Order 2002 must be implemented as an immediate reform measure
- Investigations should be separated from other functions of the police, i.e. law and order, patrolling etc.
- Police should be given operational independence
- In the long run, Pakistan's police should transition from the mindset of a police force to that of a local police service

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2. Sludge and Deregulation

Economic growth is not limited to just traditional economic indicators. Instead, in modern times as has been practiced globally, growth is supported by seemingly minuscule but significantly important areas. This involves a modern civil service and a network of independent organisations across the economy.

2.1. Bureaucracy

Issue

An outdated bureaucracy, laws and processes slow down the whole state machinery. Pakistan's bureaucracy is at the core of all the menaces. It is linked with sludge – the unnecessary bureaucratic frictions, dead capital and control over policies – hindering growth, innovation and development.

Way Forward

- The generalist colonial examination to recruit for a lifetime must be scrapped
- Lifetime career guarantees to be replaced with continuous recruitment at all levels
- No service hierarchies as in the current system, with guarantees to any group to be in controlling positions
- No transfers across government to allow any single group to control all activities, especially given the costs incurred
- Compensation to be market-competitive but monetized
- Discontinuation of perks, plots, privileges, ex-officio appointments, and arbitrary allowances
- The pension should be fully funded and invested. Moreover, pensions should be portable, even across the public and private sectors, to allow and encourage mobility
- Digitization of the processes is a must

2.2. Autonomous Agencies

Issue

Bureaucratic control over the running and management of government institutions and agencies adds an unnecessary layer of power. Currently, the Principal Accounting Officer (PAO) rule makes all agencies to be centralised, which imbues bureaucratic control and sludge, causing delays in effective and efficient service delivery.

Way Forward

- Regulatory or public service delivery agencies, educational institutions, especially universities, Public Sector Enterprises (PSEs) and others, must be operationally autonomous with clear goals, operational transparency, and reporting guidelines
- The powers of PAOs and budgets need to be devolved to the agencies concerned
- The requisite governing bodies shall do performance management

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3. Economic Policy Focus

Sustained economic growth has always taken a back seat in the country's political landscape. Many economic issues stem from the lack of efficient performance of growth drivers. There is a continued focus on increasing revenues at all levels. The international organizations International Monetary Fund (IMF), World Bank and others also emphasise reducing budget deficits through increasing revenue, which is counterproductive by acting as a growth barrier. There is no focus on managing expenditures and pushing for economic growth to resolve the twin deficit issue.

3.1. Independent Planning Commission

Issue

Ministry of Finance right now manages the budget in haste, often without considering the medium term, economic growth and employment. Understandably, its focus is the annual budget and adjustment needs in the country. What is lacking is medium-term budget management, economic growth policy and coherent infrastructure development. These roles of the Planning Commission have been lost and need to be resurrected.

Way Forward

- Planning Commission, like the central bank, needs to be made independent of politics and headed by a relevant expert
- It must be in charge of making the medium-term budget and managing it
- Quarterly public reports on the performance reviewed by the Planning Commission must be made to the parliament
- Planning Commission must be in charge of the planning division. The current duality is hurting the efficiency of the system
- The Planning Commission and all ministries at the highest level must coordinate the medium-term budget processes before reporting to the parliament
- Investment, exports and productivity must be focused on for more significant economic growth
- The Planning Commission must be tasked with submitting a report to the parliament bi-annually for review and debate, followed by directions on future policy making
- The report must also be made open to public hearings for the inclusion of diverse views
- All proceedings of the parliament and the public hearings must be made part of the public record

3.2. Budget Making Process

Issue

The budget process is dictated by international debt agencies, while the remainder is significantly influenced by bureaucracy. The finance bill is passed without genuine debate and scrutiny, with politicians focusing only on the allocation of development expenditure for politically favourable schemes.

Way Forward

- Establishment of a Parliamentary Budget Office to advise and support the parliament in the budgetary process
- The budget proposed by the parliamentary budget office and the final budget passed must be publicly available
- Implementation of the budget in its full essence must be ensured. Mid-term budgets through supplementary finance bills must be avoided
- Five-year plans must again be introduced to ensure consistency of budgetary and policy direction

3.3. Debt Management

Issue

Pakistan has a severe debt problem, with a worsening debt profile, particularly it's ballooning external debt. Debt sustainability is a continued risk pushing Pakistan to a default-like situation regularly.

Way Forward

- Establish an autonomous debt agency (consolidating all debt functions and at par with the central bank and the independent planning commission) with the mandate to oversee and manage Pakistan's long-term debt profile
- Debt management reports must be submitted to the parliament for a quarterly review, followed by a mandatory debate and discussion with possible directions for the future by the parliamentarians
- The report must also be made open to public hearings for the inclusion of diverse views
- All proceedings of the parliament and public hearings must be made part of the public record

3.4. Public Investment

Issue

Public Investment is inefficient and fails to drive significant economic activity. It is focused mainly on hard infrastructural development, with no project review after completion. The allocation of the Public Sector Development Programme (PSDP) is highly politicized.

Way Forward

- The focus must be diverted from hardware to the software of the economy, such as investment in research and development (R & D), developing human capital, universal internet access, and procedural and administrative reforms in all aspects of government
- There must be limited national development projects at the federal level, while most of the effort and focus must be on reforms
- A lot of effort must be made by the planning agencies at all levels to coordinate their work to develop the national infrastructure
- Ensure timely completion of the projects funded through public investment schemes, followed by full review and feedback on the effectiveness of the completed projects
- Parliament must develop and monitor complete transparency in this process through regular reporting

3.5. Meritocracy and Operational Independence

Issue

The appointments in many government organizations and departments, including Public Sector Enterprises (PSEs) are politically or bureaucratically managed, thus compromising the merit and performance of these organizations and departments.

Way Forward

- Appointments must be made through a pre-defined mechanism and by an independent Board of Governors
- Organisations must be given operational independence, and performance must be reviewed against defined Key Performance Indicators (KPIs)
- Bi-annual reports on progress against KPIs must be submitted to the parliament for review and debate
- The tenure completion or continuation of the organization or departmental head must be linked to achieving the minimum threshold cut-off of 60 per cent KPIs. Failure to achieve 60 per cent KPIs in two consecutive reviews shall result in removal from the position
- The establishment division must present all departments and their heads annual performance reports

3.6. Public Sector Enterprises

Issue

PSEs are loss-making entities for the government, with repeated bailouts by the government for these PSEs inefficiencies and losses. The PSEs have become white elephants with mammoth losses for the national exchequer.

Way Forward

- PSEs must have a budget constraint and not be bailed out by the government repeatedly
- PSEs must be run through a corporate set-up, including an independent Board of Governors (BOG) and not be under the influence of bureaucracy or ministries. All PSEs must be answerable to the cabinet and parliament against pre-defined objectives and KPIs
- Unchecked hiring, primarily politically motivated, must be immediately eliminated. Hiring must be against only the number of positions sanctioned by the PSE's BOG
- Inefficient and unnecessary PSEs must be privatised entirely through management transfer to the private sector or even closed down

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4 Developing Markets

Economic growth cannot be achieved without increasing economic activity and transactions within the economy. For a smooth, efficient and significantly increased number of transactions, it is essential that well-functioning markets exist. For this, the government must rethink its role in the market. Instead of being involved as a player, its role should be that of a facilitator, through effective and only necessary regulations, while also performing the duties of a watchdog in case of any violations. Information availability and competition are the most critical factors for effective and efficient markets.

4.1. Real Estate

"Urban Sprawls", thanks to mushrooming housing societies and a culture of plot files without any land title enforcement, have become a massive issue in the real estate sector. The existence of multiple land rates for taxation purposes acts as a barrier in allowing the real estate market to develop, as information hiding has been incentivized through regulation. Subsequently, limited big players have gained control of the real estate transactions influenced by speculative activities per will.

Way Forward

- Abolish multiple price administration practices, i.e. Federal Board of Revenue (FBR) rate and District Collector (DC) Rate
- Online multiple listing model must be followed with an auction mechanism embedded into the market
- Review and update rental laws to promote the rental investment industry
- Encourage Real Estate Investment Trust (REIT)
- The focus must be diverted from urban sprawl to vertical expansion of the cities

4.2. Agriculture

Significant government footprint is present in agriculture, including input, output and storage. The government is highly entrenched through various price settings and signaling at production and selling stages, such as minimum support price, procurement of wheat etc. Massive bureaucratic friction is also present in the necessary processes, such as new seed approvals, while a lack of robust policies, including effective water use policy.

Way Forward

- The government footprint must be reduced in the input markets such as fertilizer and water markets
- No fixing of minimum support price
- Allow the private sector to enter the procurement and transportation business. The government should not be involved in procurement from farmers
- Approval for new seed varieties must be processed quickly and swiftly
- Water used for irrigation must be fairly priced to encourage efficient cropping pattern

4.3 Energy

4.3.1 Electricity

Issue

Continued power shortages and transmission losses act as growth constraints. The government is heavily present in the electricity market and has been unable to address the inefficiencies. Additionally, circular debt is a massive burden on the economy and keeps increasing.

Way Forward

- Restructuring focus must be on renewable energy for electricity generation
- Renewable sources for electricity generation shall be used to develop a retail supply market for off-grid areas
- Prepaid billing must be introduced
- Distribution Companies (DISCOs) must be decentralized
- A uniform tariff system must be eliminated

4.3.2 Gas

Issue

Repeated gas shortages and supply issues, particularly for LNG, are a norm. A large government footprint adds to the inefficiency of the gas sector.

Way Forward

- Retail management must be outsourced to reduce theft
- High quality and latest measurement devices must be used to address the issue of Unaccounted for Gas (UFG)
- Eliminate "Return on Assets" to allow gas distribution companies to profit via operational efficiency
- Introduce a single consumer tariff based on a cost-of-service
- Revisit long-term LNG agreements and allow purchase by other parties (third-party access) on short-term contracts or in the spot market
- Try to find a convergence point between piped indigenous gas prices and RLNG

4.3.3 Fuel Oil

Issue

Oil prices have been politicized, and no stable pricing mechanism exists. Lack of autonomy to technically determine and implement oil prices is a significant hurdle in developing an efficient market.

Way Forward

- Minimise the role of government in pricing and allocation, with petroleum prices determined weekly on a cost-of-service basis linked to international oil prices
- Ex-refinery prices to be based on international practices – the regulator to set an upper limit based on the weighted average of the import prices of all Oil Marketing Companies
- Enhancement of oil trading and vessel chartering expertise of Pakistan State Oil. Outsource oil procurement based on performance contracts. Abolish Inland Freight Equalization Margins (IFEMs)

5. Trade Tariff Taxation

While targeted interventions in various sectors are essential for economic correction, there can be no sustained economic growth without working on the macro-level economic fundamentals. The right policies must be put in place to allow the drivers of economic growth to work comfortably. This makes the policies concerning the 3Ts, i.e. Trade, Tariff and Taxation, highly essential. As a result, the following is suggested:

5.1. Taxation

Issue

The tax regime is highly complicated, focusing only on revenues. The revenues are primarily driven through indirect taxation and an expanding withholding regime, and the tax net remains relatively narrow. Repeated tax breaks, amnesties, and subsidies are counterproductive in revenue collection but also, more importantly, in achieving economic efficiency.

Way Forward

- The tax system must be made more progressive while eliminating tax breaks. Instead, universal income tax treatment must be followed
- The tax system must be more straightforward and user-friendly and have increased transparency and fairness
- A revenue-yielding buoyant tax regime must be formulated, with a focus on expanding the tax net and not raising revenue from only the existing taxpayers
- Mechanisms to monitor and catch tax evasion and corruption must be developed and implemented

5.2. Tariff

Issue

Increased protectionist policies through high tariffs, regulatory duties, and bans distort local markets. Reduced openness of the economy is anti-growth and eliminates competition essential for developing local industries and markets.

Way Forward

- Tariff lines must be rationalized and reduced
- A clear perspective is required regarding the extent of openness, and broader guidelines for policy directives must be present

5.3. Trade

Issue

Increased focus on import restrictions and substitutions has not proved beneficial. Instead, the exports have failed to grow in real terms, and no diversification has been possible.

Way Forward

- Trade policy focus must be on increased production for export promotion purposes
- A comprehensive long-term export policy must be introduced, supported by a well-chalked-out industrial policy
- A 15-year Export Policy - owned and monitored by an "Export Cell" at the Independent Planning Commission
- It is pertinent to note that the policy should be targeted to enhance competitiveness rather than spoon-feeding

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6. Modernization

6.1. Cities

Issue

Non-inclusive cities with unending urban sprawl are anti-growth. Rigid master plans and bureaucratic control have not allowed cities to develop into engines of growth.

Way Forward

- Commerce and entrepreneurship must be the driving force behind designing and planning cities
- Rigid master plans must be let go immediately and replaced with loose guidelines
- Zoning should only differentiate between city centers and suburbs
- City management must be handed over to a single authority, i.e. Local Government (LG).
- Vertical expansion must be encouraged by relaxing the floor area ratio
- The rental housing market must be developed through necessary facilitating regulations
- A modern urban transport policy must be adopted
- Street vending zones must be created in all cities
- Unlocking the dead capital must be a priority

- All cities must have well-developed and dense downtowns
- Cities must be developed on the lines and idea of 15-minute cities
- Administrative control should be with LGs instead of the provincial bureaucracy

6.2. Internet

Issue

Lack of universal internet access hinders the growth and development of many sectors and prevents various activities such as online education, telehealth, services, e-commerce etc.

Way Forward

- Universal internet access at affordable rates is the need of the hour and must be considered a fundamental right of citizens
- Greater internet access will help facilitate and remotely provide services, including education, health, and legal services
- Internet access is essential in providing the youth-who make up the majority of the population- with job and entrepreneurship opportunities, especially with the rise in freelancing and home-run businesses, particularly for females
- Consider fully funding fast internet access across the country till the end of 2025
- Spectrum auctioning must be considered as a way of providing internet access to all areas of the country and not be taken as a revenue generation activity

PIDE

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It is imperative to realize that the Charter of Economy must not be mistaken for a policy document, instead it is meant to set the direction for future policy frameworks. PIDE recognizes that this proposed Charter of Economy is not a full and complete version. This must be considered as a live document, open to changes and upgradation through consultations and feedback.

Share your comments, suggestions and feedback Write to us at:

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To support this proposed Charter of Economy, sign the online petition by visiting

https://chng.it/7pgrrbJx7p

Or scan the QR Code

ECONOMIC RECOVERY

INVESTMENT, EMPLOYMENT & PRODUCTIVITY

Evolving a Limited and Responsible Federal Government: 14 POINTS FISCAL CHARTER

Ali Salman

WHY, A CHARTER?

There is an increasing demand for developing consensus on an economic charter in Pakistan. At this point in time, all major political parties except PTI, many business associations, leading academic institution PIDE, prominent economists, and other stakeholders have demanded an agreement on a set of economic policies for the sake of stability. We have also seen various publications in the name of the Charter of Economy, notably by PIDE and by Dr. Hafiz Pasha.

There are at least three challenges in developing any charter and developing consensus on reforms. The first challenge is a philosophical one: why should there be a consensus? Why should we not allow free competition of ideas which can take place through public discourse, media, and electoral choices? While it is a valid objection, I have a counter argument. We do have a working consensus on the constitution, fundamental human rights and on Islam as a code of life. Now we ought to develop a national consensus on economic governance.

The second challenge is a practical one: should there be consensus on the charter itself i.e. should there be a prior agreement amongst economists, academia and think tanks on a set of principles before it can be presented to political parties and government? While it can be argued that there should be a consensus here, I oppose this view. There should be an open debate on the merits and demerits of the charters and we should expect not one, but multiple charters at the discourse level. It is impossible to develop a consensus amongst various schools of thought and each such charter deserves critical debate.

The third challenge is defining the scope of the charter where the economy is hugely complex. At the most basic level, in an economy, we have a government, consumers and producers. While existing charters are quite comprehensive in the sense that they cover both state and markets, I envision it differently. An over-reach of a charter becomes its weakness. The focus should be on economic governance.

NEXUS OF STATE ARISTOCRACY

The federal government, with its fiscal, monetary, and regulatory policies directly influences the outcomes of economic interactions. The government itself is controlled by a handful of political, constitutional, and bureaucratic institutions. Over time, the government has built strong barriers to challenge its rule which has been strengthened and consolidated by judicial outreach. It has become very difficult to weaken this institutional hegemony. The space and voices for private citizens, and their businesses and their associations has shrunk. The institutional hegemony has taken formal and informal measures to strike down any potential forces of alternatives. My friend Dr. Khalil Ahmad calls this state aristocracy, or riyasati ashrafiya.

The main actors in this state aristocracy are the members of the parliament, political parties, civil and military bureaucracy, superior judiciary, banks, multilaterals, and large companies. They all draw power from access to the state and thus reinforcing the state itself is their raison d'être. They have the power to allocate credit, currency, taxes, and expenditures and are not ready to give up this power. They collude and collide but only to bargain a share. In the due process, economists, NGOs, media and think tanks have become partners and contractors to the same state, exceptions only proving the rule.

How to break this institutional hegemony? The key to the allocation of credit, taxes and expenditures almost exclusively lies within the ambit of the fiscal policy of the federal government. The monetary policy is only notionally independent. Therefore, in my view any demands for reforms should be focused on breaking this nexus. We can leave matters of greater economic complexities to the choices of consumers and producers and trust on markets to deliver in most areas of life. Markets do fail, however first they need to be functional.

Finally, in this momentum of disproportionate economic and political crises, which present all of us a great opportunity to offer solutions, I present 14 points: drawing mainly from my fiscal conservatism. This fiscal agenda can significantly weaken the state aristocracy, institutional hegemony, and political control – unleashing new sources of entrepreneurial wealth creation for a prosperous Pakistan. These ideas are drawn from a larger effort that is currently underway at PRIME.

14 POINTS FISCAL CHARTER

1. A single rate of income tax, general sales tax and customs duty set at an optimal revenue collection level may be levied. No other taxes are to be levied on a permanent basis. All other taxes may be either abolished or merged.
2. The federal and provincial governments should not undertake new development projects for at least five years and should allocate all development funding to complete or fast track completion of on-going projects to minimize throw-forward and to reduce cost escalation on pending projects.
3. The government should stop the practice of provision of free petrol, free electricity, and free or subsidized plots to public officials and public representatives.
4. Primary deficit should be kept to 0% and instead of levying new taxes for this purpose, expenditures will be cut.
5. The Parliament should make a constitutional amendment to bring agricultural income under the federal government.
6. The government should withdraw all exemptions from income tax, sales tax, and customs duty.
7. All businesses in the industry, services, and agriculture sectors, whether owned by private citizens or by the state bodies, should pay the same rate of taxes.
8. All kinds of withholding and indirect taxes on utilities should be discontinued.
9. The government should not provide subsidies to the public or firms/businesses unless in the case of national emergencies.
10. The government should close federal departments and ministries for any functions which have been devolved to provincial governments.
11. The government should stop all kinds of concessionary finance and discrimination of businesses through fiscal incentives.
12. The government should not intervene in prices and allocation of commodities, currency, and credit.
13. The government may continue to use income transfer as an option for social protection. It should also reform/centralize zakat collection and re-direct 80% of zakat receipts, to be spent on recipients. The government should not incur any debt to fund such a program and should only use taxation and private charities for this purpose.
14. The government should use the method of Negative Income Tax, by targeting those households which are earning below the income tax threshold: imposing a 25% Negative Income Tax Rate. This will not extend to the recipients of income transfer.

POLITICAL STRATEGY

The most obvious question is why will political parties and state institutions let any of these policy ideas come to fruition?

There are three possible paths. One possibility is that the reformist voices within these parties and institutions are given due weightage. Recent events in mainstream political parties suggest otherwise. The second possibility is the emergence of new political parties. There are already 250 plus political parties, and it will take a long time to see development of a new party or parties, but I will welcome this.

Third possibility is that political leaders face external pressure and existential threat. This is likely in two ways. First, the state from which these parties and institutions derive power may crumble in a financial sense. It is happening. The second way, which complements the first, is through the emergence of a broad national consensus on a minimal reform agenda, in which the private sector, the business associations and civil society leaders play an important role, come forward and lay on tangible pressure.

I hope we can all join hands in realizing this possibility.

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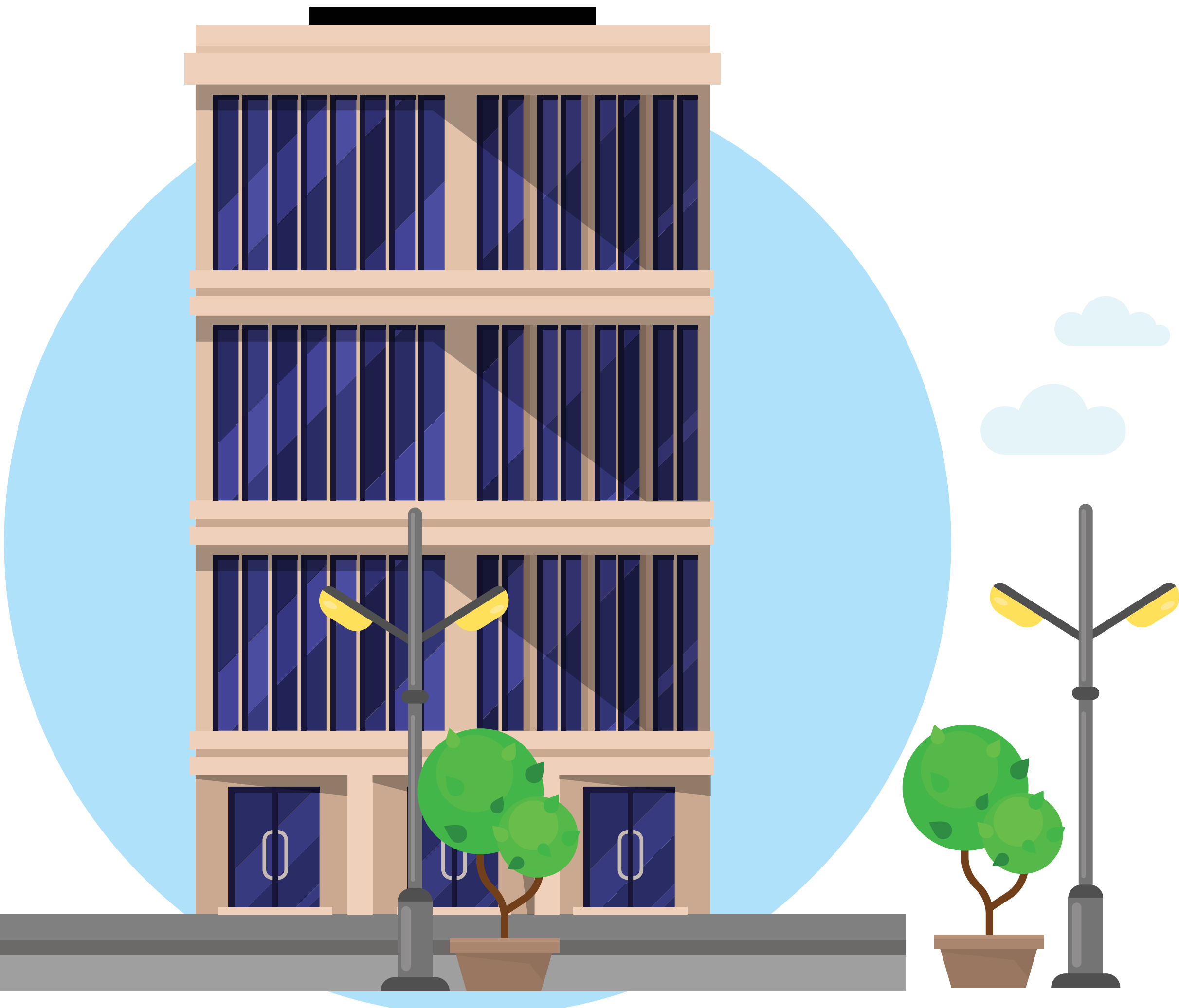

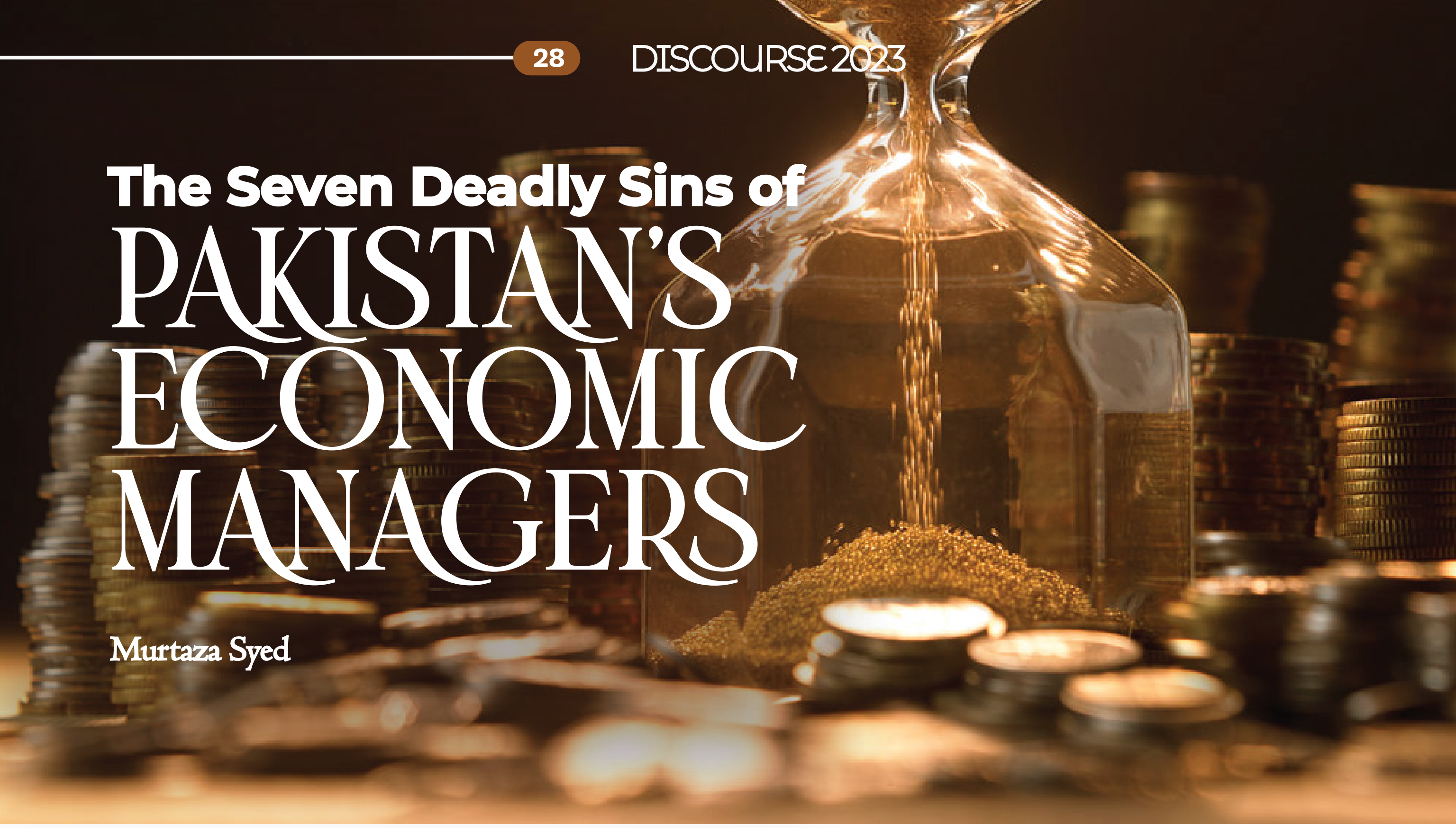

The Seven Deadly Sins of PAKISTAN'S ECONOMIC MANAGERS

Murtaza Syed

In the 1960s, Pakistan produced globally renowned prototypes for economic development. South Korea is said to have leveraged them to engineer their historic economic takeoff. In Pakistan, regrettably, these prototypes were cast aside, gathering dust in proverbial shelves. Today, six decades later, having watched country after country taking off in our neighbourhood, we are once again attempting to engineer sustained and inclusive growth. We have all manner of sensible advice to assist us, some homegrown and others shared with us by donors based on international best practice. And yet, we are unable to act upon this advice. Instead, we lurk from crisis to crisis and are trapped in a vicious cycle of boom and bust. This article attempts to look under the hood of the policymaking apparatus in Pakistan. It asks why we are continually unable to enact reforms and implement good policies, even though we broadly know what to do.

Fifty years ago, the young Chief Economist of Pakistan's Planning Commission, Mahbub ul Haq, wrote about the seven sins of economic planners in the Global South. He identified them as: fascination with numbers; love for excessive controls; preoccupation with investment levels; addiction to development fashions; divorce between planning and implementation; economic growth without justice; and neglect of human resources. Fifty years on, some of these ailments persist in Pakistan and others have metastasized with the times.

With apologies to Mahbub, who was my first boss and left an indelible mark on my intellectual evolution, I will update this list of transgressions in the rest of this article. I think these modern day sins explain why we are unable to implement serious reform in Pakistan. The list is based on my personal experiences as a policymaker at the State Bank of Pakistan over the last three years.

The first and most serious sin that our economic managers are guilty of is a **fetish for growth** at any cost. Perhaps this is a reflection of short political cycles, but the ultimate thrill for our policymakers is a stimulus fueled growth spree. Such growth is promoted by the usual lobbyists and powered by the seductive snake oil that growth will conquer all our problems. Given the consumption and import centric model of growth that Pakistan has fallen into, such adventures invariably end in tears as a burgeoning current account deficit depletes foreign exchange reserves and sends us back to the IMF time and time again. We have played this game so many times—23 times and counting—that it is scarcely believable that we continue to fall for it. Perhaps it is because the macroeconomic linkages between fiscal and monetary stimulus, the current account and foreign exchange reserves are not fully understood by our policymakers. In other countries, fiscal councils, fiscal rules, private think tanks and independent central banks help constrain bad budgets and prevent boom busts.

The second deadly sin of our economic managers is **myopia.** Unfortunately, Pakistan has lurched from crisis to crisis in the last quarter century. As a result, firefighting uses up a lot of the bandwidth of our key economic ministries on a day to day basis, leaving very little space for long-term planning. This is a key deficiency as it never allows us to focus on the longer-term structural reforms that are key to altering the model of growth and putting the economy on a sustainable footing without falling into a damaging crisis again and again. In other countries, ministries of planning and separate units within ministries are tasked with longer term planning, and shielded from day to day matters.

The third, related sin, is **weak preparation.** Given that none of major political parties has an economic think tank or a tradition of a shadow cabinet, and the successive hollowing out of talent from our key ministries, governments are caught off guard when they come to power. As a result, they often complain that they were not aware of the extent of the economic difficulties when they assume power and have no blueprint for macroeconomic management and structural reform that they can utilize to hit the ground running. As a result, precious time is lost dithering at a time when buffers are already weak and things typically drift, often resulting in damaging delays in approaching the IMF or completing on-going IMF reviews on time. Similarly, when it is time to negotiate with the IMF, weak preparation leads to drawn out and one-sided discussions, as well as an inability to present a coherent homegrown macroeconomic diagnosis and credible alternatives to the policies being recommended by the IMF. In other countries, the government is much better prepared for IMF discussions, including by responding to data requests and initial questionnaires before formal discussions begin so that less time is wasted on basic information gathering – allowing for policy issues to be granted more air time.

The fourth sin, which dates back to Mahbub's original list, is **love of controls.** By nature, our economic managers are suspicious of market signals and believe instead in controlling prices and quantities. This is reflected, inter alia, in badly thought through support prices for agriculture, credit quotas for various sectors, arbitrary clampdowns on imports, and an obsession with keeping the exchange rate strong. On the exchange rate, even though Pakistan has moved from a fixed to a flexible exchange rate recently, the obsession for supporting the Rupee continues, despite its well-known harmful effects in terms of subsidising imports, penalizing exports and burning foreign foreign exchange reserves. Unfortunately, it is still not in the DNA of our policymakers to trust price signals and respect budget constraints, even though the economy has become much more difficult to directly control as its size and complexity have grown exponentially in the last few decades. Other countries have learnt to let go and harness market signals for rapid growth and resource re-allocation, while of course stepping in every now and then when there are significant market failures.

Lack of experimentation and evaluation is the fifth fatal sin of economic managers in Pakistan. Substantive decisions with long-lasting consequences are often made in a hurry, without proper consultation. In particular, even an important apex body like the ECC often serves as no more than a rubber stamp, with summaries presented at the last minute, with the threat of impending legal action used to steam roll them through. The important oversight role of public consultation and parliament deliberation has been significantly eroded, partly due to lack of technical expertise and sometimes due to tight time pressure to meet IMF conditionality. At the same time, policy decisions are seldom subject to evaluation and the same old policies—such as generous subsidies to select sectors like textiles and real estate amnesties—are repeated over and over again with questionable results at best. This is unfortunate. In other countries, deliberation based on hard data and careful evaluation studies, often with the help of academia, is a critical component in formulating and refining public policy.

The sixth deadly sin is **self-absorption.** In the last quarter century, partly due to Pakistan's increasing global isolation following the War on Terror, our economic managers have lost their outward orientation and their desire to learn from the experiences of other countries. This is hugely detrimental and in stark contrast to the habits of successful countries like Japan, which modeled its seminal Meiji era reforms on Western laws and the German civil service; China, which learnt about trade and FDI from Malaysia, Singapore, and Thailand; and India, which sent its key economic managers abroad to learn the art of negotiating with foreign investors and integrating with global supply chains. At the same time, this isolation has also bred a fantastical belief in our managers and the public alike that the normal laws of economics—such as the need to maintain positive real interest rate, mobilise tax revenue and ensure fiscal discipline, encourage savings and avoid over-consumption, and deploy capital away from real estate toward investment and productivity enhancing sectors like exports—do not apply to Pakistan and that we are somehow an exceptional country that can march to the beat of its own drum.

This is of course hugely mistaken and the consequences of this insular thinking are painfully plain for all to see.

And the seventh and final sin that prevents good economic policies from being implemented is a **schizophrenic relationship with the IMF.** On the one hand, the safety blanket of an IMF program represents a form of moral hazard that allows Pakistan's elite to eschew painful reforms and fiscal discipline in return for periodic bailouts. On the other, Fund programs are often vilified in Pakistan for being unrealistic, too hasty and divorced from ground realities, both in terms of the initial austerity that they impose to stabilize the economy and, more damagingly, their cookie cutter and unimaginative approach to growth-enhancing structural reforms. A related problem is that economic managers sometimes neglect to fully reveal to politicians the true nature of the IMF discussions, including the Fund's red lines and the commitments that we make. This means that the government is often unable to be transparent with the public, missing the chance to build consensus for the difficult measures that a Fund program necessitates. This always leaves IMF programs on a tenuous footing, with each review dragging on and going down to the wire, by which time buffers are further depleted and the necessary adjustments become even more painful.

So there you have it. Together, I believe that these seven deadly sins militate against good economic policy choices being taken in Pakistan and perpetuate a culture of unaccountable mistakes. These sins must be overcome if Pakistan is to emerge from its long economic stagnation and join other countries in the region on the path of vitality and optimism. I am convinced that this is a necessary condition for our economic revival.

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PAKISTAN'S ECONOMIC RECOVERY: The Way Forward

Hadia Majid

All-time high inflation rates and record fuel prices have put households under tremendous stress. Add to this dwindling foreign exchange reserves and the devastating floods of the past summer and prospects of these pressures being released in the near future remain slim. And while the scale and depth of the current economic crisis is bigger than any we have previously experienced, it's nothing new. So why do we consistently go from one balance of payment crisis to the next? And what reforms need to be enacted for a permanent fix?

Our recurring current account deficit is due to our import bill far exceeding the export earnings. In this, it is the value of our import of petroleum products and of heavy capital equipment that drive up the bill. There are some exogenous factors to the high bills that we have faced in the past few quarters: the Ukraine war and the subsequent spike in petroleum product prices has certainly drastically reduced our fiscal space. Yet, of greater concern is the internal mismanagement of resources.

Our oil and gas reserves are ranked 52nd and 29th in the world respectively. Yet, severe underpricing of gas means that we are fast running out of gas reserves while inadequate development of refineries implies that we import more refined oil relative to the cheaper crude-oil driving up our import bills. In the same vein, our reliance on capital intensive imports stems from the poor state of our industrialization where we continue to rely on import of heavy capital equipment due to a lack of adequate facilities and know-how to manufacture these locally. While it may be unreasonable to expect that any country would be able to locally produce and substitute all of its heavy capital imports, our decades long inability to do so at even a rudimentary level has come at a heavy cost. What we see is a heavily protected local industry, a failed import substitution strategy and a tariff and subsidy structure that favours selling in the local market as opposed to focusing on and building high value-added manufactures and exports.

A recent report by the World Bank shows that while the average Pakistani worker produces 40% more value added today than 30 years ago, productivity of the Polish and Vietnamese worker has grown by 5 and 8 times faster respectively. The Vietnamese comparison is especially telling since its economic structure, particularly the nature of its exports, in the 90s was not much different from Pakistan's. Yet today, it has diversified away from primary exports. Not only has it become a regional hub attracting some of the biggest names in electronics to set-up shop, but the country has also successfully put in place the necessary pre-conditions to create and multiply the backward and forward linkages such that domestic firms have also grown.

So, what are the lessons for Pakistan?

The first is a reduction in distortions. Tariffs on imports are the mainstay of protectionist strategies, aimed at allowing the local infant industry room to grow, mature, and eventually become internationally competitive. The issue however is that as these tariffs get extended, which has been the case in Pakistan, the incentive to make productivity gains reduces. Not only are firms not incentivised to reduce inefficiencies through optimal recourse allocation but there is little need to engage in R&D or to innovate. Phasing out these duties requires a deep dive into the political economy driving them as well as an understanding of connected effects. Who are the groups lobbying for extensions in tariffs? What are the pressure points that these groups leverage? Are there welfare reducing considerations if tariffs are removed? And how do these compare to long-run benefits?

Second, and related to the first, is foreign direct investment. In order to truly see the breadth and depth of productivity gains and a diversification away from primary exports, investment – and that too, business investment into Pakistan – must be made more attractive. This would not only allow us to make the global and regional linkages integral for successful global trading, but also allow training and expertise to flow into the country. This is particularly relevant for innovation and R&D. Pakistan ranks 108 out of 190 countries in the Ease of Doing Business rankings. Although we do not have as harsh or strict a regularity environment as some other countries, poor property law enforcement along with political and economic instability make it risky for foreign investment to come in. And while there is a dire need to make wide judicial reforms, it is equally essential to chart out a clear economic reform plan. The latter would send a clear signal to the international community regarding the country's seriousness in getting its macroeconomic fundamentals in order.

Third, we cannot sustainably resolve our persistent balance of payment crises without focusing on our human capital. Growth in export values requires a move up the value chain where terms of trade are better. For this we need to incentivise firms to orient themselves outward while filling capital and credit market gaps. The latter would allow firms to scale their operations and optimise capital to labour ratios. All of this would allow the output produced per unit of labour to increase. But in all this, the quality of labour also matters. Greater value addition requires insight into new ways of combining existing inputs as well as new techniques of production. Competitiveness in today's fast-changing global economy requires an understanding of marketing and branding. This is a requisite even when it comes to primary goods exports for which farmers are acquainted with quality assurance protocols. All of this requires knowledge and expertise. It also requires an ability to learn quickly and pivot in case of shocks or crises. A high-quality education system cultivates all of the individual traits needed for such transitions. Article 25A which guarantees education for all is a good first step. We also need to invest in quality. As per the latest reports tracking education quality, the gaps in reading, writing and mathematical ability are widening with each subsequent year. Some possible interventions to tackle these growing gaps include tracking teacher attendance while also increasing community involvement in schools.

Finally, we need to pay attention to labour force participation rates. Formal labour force participation rates for men are at 78% and for women are at 20%. While men's participation rates are in line with what is found in other countries, women's are among the lowest in region. Granted that the official participation rate, even in its augmented form, does not fully capture women's participation in the informal economy, we cannot deny that the full potential of women's labour is not being harnessed by the economy. There are too many gaps in women's financial and digital inclusion, their access to credit and capital markets, their educational achievements or the trainings that they receive, to name just a few. Until we find meaningful ways to address these gaps that are mindful of the safety and mobility concerns that women have and the high reproductive burdens they face, our labour force productivity can never fully be realised.

Clearly then, there are many steps to be taken. The severity of our current situation is such that it is imperative that we make headway on the issues highlighted in this article, as well as those catalogued in several other pieces, simultaneously. We are no longer in a position where we prioritise one aspect of the economy while keeping the rest on the backburner. We know which levers to pull, and have known for a while.

It is high time we took action.

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PRIVATISATION AND POWER

Taimur Rahman

Pakistan is once again in deep financial distress. For the 23rd time, the country is going to the IMF to get funds so that it can meet its balance of payment obligations[1]. Among the several conditions for the loans are the stipulation of additional taxes, reduction of subsidies, and allowing the exchange rate to be market driven[2].

These measures are meant to target the budget and the trade deficit, however, they are also likely to increase inflation which is currently estimated to be at least 33 per cent[3].

Government is tightening its belt and trying to cut its expenditures by 15 per cent[4]. Even the armed forces of Pakistan are set to brief the senate about reduction in non-combat expenditures[5]. According to the World Bank, the combined impact of the floods and the economic depression is likely to push 9 million people into poverty.

[1] https://www.imf.org/external/np/fin/tad/extarr2.aspx?memberKey1=760ss&date1key=2020-02-29
[2] https://www.imf.org/en/News/Articles/2023/02/10/imf-staff-concludes-visit-to-pakistan
[3] https://www.reuters.com/world/asia-pacific/inflation-pakistan-could-average-33-h1-2023-says-moodys-economist-2023-02-15/
[4] https://www.voanews.com/a/pakistan-to-cut-government-expenses-by-15-in-austerity-drive-/6974263.html
[5] https://www.thenews.com.pk/print/1039569-austerity-panel-seeks-15pc-cut-in-non-combat-defence-budget

To balance the budget deficit, it is increasingly being suggested that the privatisation of loss making state owned enterprises is facilitated. What are these loss making enterprises and what can the government hope to accomplish from privatising them?

We have been down this roller coaster a few times. In the past, Pakistan was able to yield Rs. 649 billion (USD 6.5 billion) between 1991 and 2015 by undertaking 172 privatisation transactions[6].Today the Pakistani state has 85 state owned commercial enterprises that operate in seven sectors: power; oil and gas; infrastructure, transport and communication; manufacturing, mining and engineering; finance; industrial estate development and management; and wholesale, retail and marketing.[7]

Of these state owned commercial enterprises, two-thirds actually are profit making enterprises (that is 51 of these enterprises turned a profit). Even more surprisingly, only 10 enterprises account for 90 per cent of the losses of the public sector. These are the National Highway Authority, Pakistan Railways, Pakistan International Airlines, Pakistan Steel, five power-sector DISCOs and ZTBL[8].

Since the National Highway Authority is both a commercial but also a regulatory authority, it has to be excluded from the list of state owned enterprises that can be privatised. What are we left with?

Of the nine state owned commercial enterprises that are responsible for the vast majority of the public sector loss, five are electricity distribution companies. Aside from Railway, PIA, ZTBL, and Steel Mills all the other loss making enterprises are essentially connected to the power sector. In sum, if one were to conclude that that the public sector loss owing to state owned enterprises is basically a result of the power sector, it would not be incorrect[9].

Why are the electricity distribution companies (called DISCOs) accumulating such a high loss? One important aspect is, ironically, the shift of power generation from the public to the private sector.

The Independent Power Producers Policy 1994 was meant to quickly address load-shedding in Pakistan. The policy, at the time referred to as, "the best energy policy in the whole world," by Hazel R. O'Leary, the US Secretary of Energy, invited the private sector to set up power generating plants based on diesel, fossil fuels, or gas. The policy was supported so completely by the World Bank that it even mediated a conflict in 1998 when the Pakistani government decided to terminate the contract of 11 IPPs for corrupt practices[10] .

Although the policy attracted USD 5 billion in new investment in power, and expanded power generation capacity by 4,500 megawatts, it has had disastrous long term consequences at several levels.

Firstly, the rising cost of electricity resulted in overall decreasing rates of return across all industries. The entire rationale that industrialisation could be catalysed by public sector investment in power that would make Pakistani industries more competitive because of lower power costs was never addressed but simply brushed aside.

Secondly, the dollar indexed profit Return on Equity guaranteed to IPPs shifted the entire burden of investment risk on the Pakistani state. Rising fuel charges as a consequence of oil price or dollar fluctuations and even capacity charges had to be borne by the Pakistani tax payer.

Third, as the Report of the Sub-Committee of the Standing Committee on Power 2020 shows, IPPs engaged in several instances of creative accounting to violate NEPRA rules and made monopolist profits far in excess of the 15% NEPRA regulated Return on Equity[11].

Fourth, the higher electricity prices have even resulted in the once lucrative textile export sector becoming less competitive in relation to international competitors. In fact, recently the All-Pakistan Textile Mills Association has been arguing that the high electricity bills threaten to completely shut down textile imports in the Punjab entirely. This naturally would further exacerbate the balance of trade deficit.

[11]https://senate.gov.pk/uploads/documents/1583320128_224.pdf

Fifth, the inability of the government to pay the IPPs on time, given the onerous nature of the contracts, meant that the country was deprived of power and load-shedding has returned with a vengeance. Businesses all over Pakistan had to set up alternative private sources of power to keep their plants running. Those that could not, such as most of the Faisalabad power looms sector, were simply destroyed by load-shedding.

Sixth, last but not least, the IPP contacts have worsened Pakistan's balance of trade deficit. And this has meant that Pakistan has had to return to the IMF for badly needed short-term loans. The condition for these loans, in turn, as argued above, are leading to a further slowdown in Pakistan's economy and Pakistani exports are even less competitive now than at the start of this crisis.

It should be clear from this that Pakistan's budget deficit and trade deficit problem since the 1990s has in large part been driven by the privatisation of power and specifically the IPPs policy.

The further privatisation of DISCOs, as proposed by the government, is hardly an optimal solution – but could more accurately be deemed a recipe for further similar onerous contracts.

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ADJUSTMENT WITH AN AUSTERE FACE

Pervez Tahir

The experience of Pakistan's stop-go 23rd programme with the IMF and the twenty-two programmes before reveals a common thread. In each case, the burden of adjustment was pushed mainly to the tax side of the budget, with the expenditure side contributing negligibly through routine economy drives. The nature, size and the composition of expenditure reflects the structural rigidity of the public economy more than the tax side. This is where any serious structural reform has to take place. It is the failure to reform on the expenditure side that has forced the frequent resort to the IMF. Quick-fix action on the side of taxation is designed to finance the increasing rigidity of expenditures. Taxing the already taxed, overextending the withholding regime, subsidising the non-competitive sectors and increasing the tax expenditures of the rich and powerful have earned the tax regime the aphorism of, "the more things change, the more they stay the same".

What is wrong with the expenditure side? The largest expense, debt servicing at 4.8% of GDP in FY22, is the outcome of the ceaseless imprudence in other heads of expenditure. The large bulk of debt is domestic, viewed by our policy makers as less problematic than the external debt that must be serviced in dollars that fiscal policies disincentivise to earn. Bilateral external debt can be restructured, as was done in 2000s. Debt servicing declined for some time, but shot back as no reform took place during the period of respite. In any case, bilateral reliance is a small portion of the external debt. With a massive 4.2% of GDP, domestic debt servicing is the real problem. It was hoped that discontinuation of cheaper borrowing from the State Bank, the so-called currency printing, under the IMF pressure would discourage the government from excessive borrowing in view of the higher cost of commercial bank lending. In reality, the opposite happened, creating a situation where domestic debt has a stronger case for restructuring.

Development is the next big expenditure claiming 2.5% of GDP. This is entirely financed by borrowing and is, therefore, largely responsible for the rising debt servicing and fiscal deficit. Conceptually, development expenditure is sold as necessary to accelerate growth and create jobs. Governments take pride in increasing its size and the opposition is critical when it is otherwise.

However, growth is generated by fixed investment. All development expenditure is not fixed investment. Out of the development expenditure of 2.5% of GDP in FY22, fixed investment was a mere 0.72% of GDP. Indeed, the total government expenditure of 19.9% of GDP includes only 3.42% of GDP as fixed investment. Borrowing for spending that does not yield any return flows makes a net addition to the debt burden. Over the years, this has pushed the economy into the traditional debt trap: borrowing more to pay off past loans. There is not just the external debt problem, but also and more worryingly, a public debt problem.

External debt was not a problem so long as the loans were contracted for specific projects with good rates of return. Most lending was concessional with long maturities. The mid-1990s foreign exchange crisis brought in short term lending at higher cost. Following the Washington Consensus of 1989, even the concessional loans from multilateral agencies shifted from projects to the soft agenda of policies, programmes and reform. A significant part of the development budget consisted of counterpart funding for external loans, itself financed by costlier domestic borrowing. Direct budget support also began. With no returns to pay back and misuse by governments due to fungibility of the funding, debt servicing could not but rise substantially. For the first time, overall interest payments exceeded the development spending in FY93 by 3.4% and by 124% in 1999. The trend has continued since, fuelling a never ending debt story. In FY22, the excess is 92%. In other words, development as well as a significant part non-development expenditure is being financed by borrowing. Salaries, perks, pensions are funded by expensive borrowing. A fiscal deficit of 7.9% of GDP exceeding the expenditure of 4.8% on debt servicing plus development expenditure of 2.5% of GDP reflects this.

Defence is normally the third largest expenditure, but this position was assumed by subsidies in FY22. The former claimed 2.1% of GDP and the latter 2.3% of GDP. (However, defence remains the third largest expenditure at 2.7% of GDP when military pensions and the expenditure of defence production division are added.)These subsidies covered tariff differentials payments to IPPs under the circular debt management plan, reduction in POL prices announced in February 2022 in violation of the IMF programme, provision of cheaper LNG to industry, cheaper electricity to zero-rated export sector and abolition of peak and off-peak tariff structure under the industrial support package. Obviously, these are subsidies for the rich and powerful to protect them from competition.

The cost of the running of the civilian side of the federal government is 0.8% of GDP. It has come down from around 1% of GDP before the 18th Amendment of the Constitution in 2010, but is still far above the expenditure implications of its strict application, which is 0.5% of GDP. In the 7th NFC award, the share of the provinces was substantially increased from 45% to 57.5% to take up the load shed by the federal government and the abolition of the Concurrent List of subjects. An examination of the Federal Legislative List, Part I and II shows that the federal government needs only ten administrative divisions compared to the existing 46. The number of ministries will be even smaller, as some will have more than one administrative division under them.

If the state of the play is as bad it is, reducing expenditure is a quicker, more efficient and less inflationary measure of economic adjustment. For instance, the fiscal deficit in FY22 was as high as 7.9% of the GDP. At a time when the imposition of financial emergency is under consideration and the risk of default is looming large, why should a development programme depending wholly on borrowing should even be considered? Making it zero should be the starting point of any serious austerity plan. This would bring the fiscal deficit down to 5.4% in one go. Next, subsidies of 2.3% of GDP to energy and industrial sector make no economic sense even in normal times. These should have been eliminated forthwith to bring the deficit further down to 3.1% of GDP. Then starts the hard, but doable, part. Implement the 18th Amendment in letter and spirit to gain an additional space of 0.3% of GDP. This will reduce the deficit further down to 2.8%. Instead of imposing new taxes to make the life of existing tax payers and consumers miserable, do away with the tax expenditures of 2.2% of GDP. That brings the deficit to a perfectly manageable 0.6% of GDP, without entering the no-go area of defence. But if the civilian side can demonstrate the will to bring the fiscal deficit to as low as 0.6%, the military would be under a moral compulsion to follow suit by improving the tooth to tail ratio to wipe out the remaining deficit altogether.

Cutting expenditures and tax expenditures, rather than raising taxes, is the route to sustainable adjustment. It will entail the reform of the archaic structure of government, encourage investment and promote productivity.

The author is a senior political economist and President of the Council of Social Sciences (COSS), Pakistan.

Recovering from CURRENT ECONOMIC WOES

Karim Khan

Amid political and economic uncertainty, Pakistani economy is faced with a number of structural challenges that needs to be fixed in order to have financial or operational viability. First, we have low growth prospects in the near future, aggravating the precarious situations of unemployment and poverty in the country. Second, we are faced with persistent current account and fiscal deficits which are not only upsetting our budgetary process but are also escalating our risks of default on external front. Third, we are faced with relentless inflationary pressures, enhancing vulnerabilities of a sizable fraction of the populace.

With regard to existing situation, the growth outlook for financial years 2022-23 and 2023-24 is not encouraging amid the devastating effects of deadly floods and Russian-Ukraine conflict. According to the latest estimates of the World Bank, the growth rate is expected to range between 2% and 3.2% for financial years 2022-23, and 2023-24. This would create further dents on the hazardous situation of unemployment in the country, with 31% of our youth are currently unemployed as is recently estimated by a PIDE study. Likewise, it would intensify the situation with regard to poverty, with 39.3% of the populace is under the lower-middle-income poverty line ($3.2 per day) as is recently estimated by the World Bank. On external front, our current account deficit has been projected to be 4.6% and 4.3% of GDP for financial years 2022-23 and 2023-24, respectively. Similar is the case with fiscal deficit, with a projected fiscal deficit of around 7% of GDP for financial year 2022-23. These economic imbalances have collectively surged public debt of the country, with domestic debt reaches to Rs. 32.93 trillion and external debt reaches to around $100 billion, both amounting roughly 78% of the country's GDP.

The situation with regard to foreign currency reserves is also alarming, with reserves held by the SBP stood at $2.9. billion as of February 10 which is the lowest since February 2014. These statistics are translating into a high level of uncertainty, especially amidst the recent deadlock with the IMF on general sales tax (GST), utility prices, circular debt, Petroleum Development Levy (PDA) together with unsatisfactory concessions from the friendly states. Further, current inflation rate in the country is around 27.55%, with rural areas are the most hard hit with an inflation rate of 32.26% compared to 24.38% in urban areas. In particular, the food inflation of around 43% has made the lives of majority of the population extremely vulnerable amid domestic and global supply chain disruptions and dwindling incomes due to floods.

Can we come out of the current economic woes in a pragmatic way? I would like to posit that, yes, we can avert the risks of default and, also, we can put the economy on a sustainable growth path if we introduce structural reforms in true letter and spirit. In the very short run, we must focus on only two targets. First, we need to find additional revenue streams to stay on-budget as is desired by the IMF in its recent talks with local officials. Second, amidst dwindling reserves, the country need an injection of around $10 billion to avert the risks of default on its external obligations as we have to repay $8 billion in debt service including rollover of deposits in the remaining period of ongoing fiscal year. By June of this year, around $4.5 billion are expected to be fetched by China, Saudi Arabia, and the United Arab Emirates (UAE) as is proclaimed by the government officials. Another $1.1 loan tranche is expected if we got through the conditionalities of 9th review of the IMF programme. In the same way, after success with the IMF deal, other multilateral and bilateral lenders might opt to give loans to Pakistan. We can also float bonds in the international market if we could improve our international credit rating or could ensure our solvency. Moreover, declining discrepancy between inter-bank and open-market exchange rates might encourage remittances through official channels as has recently been observed with the removal of artificial cap on exchange rate which led to a depreciation of around 14.7 percent. To sum up, in order to avert the default risks, we need to resolve the deadlock with the IMF, reschedule our existing debt, seek more concessionary loans along with creating more revenue streams to stay on-budget.

Nevertheless, dodging the default through IMF bailout package or external debt is only a short-run cushion. Alternatively, we need medium-term and long-term reforms in order to put the economy on track of a sustainable growth and resolve our issues with regard to fiscal and current account deficits. To put it differently, we need investment, especially Foreign Direct Investment (FDI), which can raise our labor productivity and overall growth capacities. Likewise, we need exports which, along with upscaling our growth potentials, can cope with our external sector shortages. We have been an investment deficient country, with investment-to-GDP ratio remaining below 20 percent over the last four decades. In particular, private investment has remained around 10 percent of GDP which is roughly half of regional peers and only one-third of more dynamic emerging markets in Asia. Likewise, FDI has been averaged around 0.8 percent of GDP since 2010. A crucial feature of our current FDI is that 95 percent of it is driven by market-seeking motive, with negligible shares of those of the efficiency-seeking and natural resources based. This, in other words, suggests that we need to enhance our skills and productivity to augment efficiency-seeking and natural resources based FDI in Pakistan. Recently, the World Bank has estimated the untapped potential of FDI in Pakistan to be around $2.8 billion. To realize such potentials or enhance overall investment in the country, we need to ensure macroeconomic stability. In this regard, reforms that can guarantee external sector liquidity, maintain market-determined exchange rate, improve our sovereign credit rating, and mobilize domestic revenues are of upmost importance.

Likewise, market must be opened to global firms by providing them with level-playing field in terms of regulatory procedures, clearly-defined tax and trade policies, and investment-friendly infrastructure. Further, the leakages in State Owned Enterprises (SOEs) in terms of drain on aggregate productivity and burden on government fiscal space must be eliminated through reforms like corporate governance, market-based induction of CEOs, joint-ownership structure, and privatization of irremediable SOEs.

With regard to exports, we have been stagnant over the last two decades, with worsening competitiveness of our exports vis-à-vis our competitors. Pakistan's share in global trade dropped from 0.15 percent in 2005 to 0.12 percent in 2021 while, during the same period, Bangladesh's share in world exports increased from 0.06 percent to 0.19 percent, India's from 0.61 percent to 1.65 percent, and Vietnam's from 0.14 percent to 1.17 percent. Similarly, Pakistan's exports lack product diversification, with high concentration in resource-based items such as cotton, rice, hides and skins etc., dominated largely by textiles products and rice. With regard to market diversification, our main trading partners are only three, e.g. the United States, Europe, and China, though we sell much of our rice to the Middle East. Moreover, our firms struggle in terms of value-addition and in upscaling their sizes. All these obstacles call for structural reforms that can promote our exports; enlarge our product and market diversification; encourage value addition in exports; and enhance the scope of our exporters. The cost of doing business needs serious attention in this regard amidst tough competition from Bangladesh, India, and Vietnam. Internal security, productivity-oriented or growth-oriented incentives mechanism, rationalizing energy prices, and enabling regulatory environment should be the priority areas in order to reduce the costs of doing business in the country. As stated earlier, to encourage technological upgradation and enhance the size of businesses, we need to accommodate global firms, especially for joint-ventures. In addition, rationalizing tariff structure from the perspectives of anti-export bias and creating competition in the market might boost exports along with a thriving private sector.

Most of the reforms which are highlighted above are presumed to remove distortions only in the economic markets though their success largely depends on reforms in the political market. Alternatively, political will or reforms for removing distortions in the political market are central to the success of economic reforms. In particular, economic viability of the country needs to be the fundamental theme of political discourse. We need reforms in the political market that can enhance the accountability of our political elite, on one hand, and solve the problems of collective action and free riding with regard to unbridled subsidies, Statutory Regulatory Orders (SROs) and several other forms of regulatory abuse, on the other. Likewise, rationalization of public expenditure along with a transparent, fair and progressive tax system is essentially needed to bring down the fiscal deficit to limits. Specifically, the political elite must think like Mancur Olson's stationary bandit instead of roving bandit where its interests are more encompassing in pursuing growth-geared policies. They must focus on the share of wealth created by economic agents as taxes, as a revenue maximizing state would do, and that this option is more profitable to them than grabbing the extant wealth and fleeing.

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EconFest

LAHORE

11th & 12th

SAT SUN

MARCH 2023

11 am - 7 pm

Alhamra Art Center

The Mall, Lahore

Talks

Documentaries

Books Exhibition

Open Mic

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Music Concert

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SAT 11th MAR 2023 (Day 1)

Alhamra Art Center

	Hall-I	Hall-II	Hall-III	Hall-IV
11:00 AM	Coming Out of the Boom & Bust Cycle	--	--	--
12:15 PM	Why Pakistanis Don't Invest?	Who Are We: The Question of Identity	R&D: The Missing Link	Agricultural Diversification for Food Security *(UAF)*
1:30 PM	Creative Cultural Industry	Education with No Future?	Debate: Corruption vs Incompetence	Dealing with Inflation *(Minhaj University)*
2:30 PM	B R E A K			
3:15 PM	How to Turnaround Pakistan?	Population: Boon or Bane?	Our Energy Blues	Climate Change & Resilient Cities *(Urban Unit, Lhr)*
4:30 PM	Sustainable Growth & Role of Textile Sector *(APTMA)*	Sludge: Cost of Regulations	Auto Industry	Real Estate: Plots or Construction

EconFest LAHORE

SUN 12th MAR 2023 (Day 2)

Alhamra Art Center

	Hall-I	Hall-II	Hall-III	Hall-IV
11:00 AM	Policy (In)Action	Reform for Economic and Political Stability	Building Brands & Franchising	Future of Digital Economy
12:15 PM	Peoples' Charter of Economy: Vote!	Foreign Aid Dilemma	Taxation for Development *(Econ LUMS)*	Environmental Governance & Green Investment *(PGDP)*
1:30 PM	Cities: The Cost of Sprawl	Local Government: A Panacea?	Social Protection: Are We Doing It Right?	Tech for Change *(G&T LUMS)*
2:30 PM	B R E A K			
3:15 PM	نوکری دو یا ویزا	Law, Justice & Economy	Muddying Economic Discourse	Internet for All
4:30 PM	Economic Reform: Now or Never	--	--	--

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CURRENT AFFAIRS & INTERNATIONAL RELATIONS

REIMAGINING ECONOMICS IN THE PAKISTAN CONTEXT

Nasim Beg

FISCAL SIDE ISSUES FACING PAKISTAN

- The government does not collect enough taxes. Thus, it cannot invest enough in human development and welfare.
- Given our low investment in human resource, we are inefficient and not productive enough to compete with the world. We have accumulated foreign debt to supplement our savings and to meet our basic needs; we are very highly import dependent and do not earn enough foreign exchange.
- A large portion of private savings actually end up financing the government directly or indirectly, the bulk of which is spent inefficiently and not invested. Thus, citizens' savings do not figure in national accounting. Though some individuals add to Dubai's, UK's and Switzerland's savings these are not Pakistan's savings.
- Allocation of the tax pool between the federal government and the provinces is a continuing cause of discontent.

The crux of the issue seems to be that the government does not collect enough taxes and is unable to invest enough in infrastructure and human development, both of which are required to grow the economy. This leads to borrowing from other countries to fill the gap.

Put another way, out of total money creation, the government needs to somehow get its hands on enough to allow for investment.

MYTHS ABOUT MONEY CREATION

- Money is not created by economic activity. Nor does the government create money, although it can borrow if need be. The SBP creates or destroys money only to the extent of net foreign flows. However, the net foreign exchange flows are a small percentage of the overall economic activity.
- The only money that can be created (or destroyed) is by commercial bank lending/recovery activity. This new money is created by banks through lending to the government or to the (already wealthy) private sector. The SBP does create some very short-term temporary money to tide over the time gap in the creation of new money by banks.
- Money creation by banks is rooted in Fractional Reserve Banking (FRB), in the absence of which banks would be recirculating money. To elaborate, if a business asks for a ten-year loan, the bank does not block our deposits for ten years, it will simply deposit a small fraction of our deposits with the SBP. This is called the Cash Reserve Ratio (CRR) and the SBP will allow it to lend the rest.

SOME WHAT/IF SCENARIOS

1. If the CRR was 100%, i.e. no FRB, banks would only be able to recirculate the deposits they hold and not create new money.
2. But the economy will need growth in money supply for it to grow. And we need the economy to grow to finance higher per capita consumption (better lifestyles) and finance that consumption by a larger number of people owing to population growth. This higher aggregate consumption requires new money.
3. On the supply side, in order to support the higher consumption, we need the new money to flow towards the addition of productive assets (investment), as well as additional procurement of material, energy and labour.
4. With no FRB, the government could, through the SBP, ostensibly create the same amount of new money that the SBP would have allowed the commercial banks to create through qFRB.
5. If the aggregate money supply is controlled by the SBP within certain limits that ensure it does not become inflationary, one can be agnostic as to how the new money is created.

MYTH-BUSTING: CHARTING OUT A NEW PATH

Addressing Myth-1, i.e. Economic activity (markets) create money (wealth, i.e., what we save as a surplus of what we produce over what we consume). Since the government can create money by fiat, we are not dependent on wealth creation, i.e. out of the aggregate money supply created by the government, some would flow towards the wealth accumulation (investment) bucket, while the rest would flow to spending towards consumption. The money created by government fiat can ostensibly be allocated between the two in the same proportion as it would have been under a FRB regime.

Addressing Myth-2: We need savings do be able to invest. The same amount of newly created money that would be saved under the FRB regime and not be spent towards consumption could be put aside and invested if created by fiat. It would not matter if banks had no part in creating that money.

Addressing Myth-3: If we collected enough taxes, we would not have deficits, and could have savings that would solve our problems to a great extent. Presently the government is first expected to pull money out of circulation through taxation and thereafter put it back in circulation through spending. Since the expenditure proposed in the Budget and approved by the parliament is in excess of tax collection, the excess is financed through borrowing from domestic markets (primarily banks) and some through borrowing in foreign exchange. Assuming that instead of doubling taxes, the government were to print that amount and invest the additional amount in infrastructure and human development, the SBP would need to reduce that amount of money creation by banks. The aggregate money supply would not change.

Currently, of the total money creation in the year by banks, some is for lending to the private sector, while more than half is created and lent to the government, and some is created by the SBP in conversion of the government's borrowing from abroad. The government could forgo collecting taxes and not borrow from banks or foreign entities but create fiat money. (Bridging the CAD is a separate matter and any borrowings for that need not be converted to PKR – similar to IMF loans). If the government were to follow this, it would more or less be the equivalent of the amount of sales tax it collects, thus relieving the average consumer of this burden.

Of course, the government can continue with this black tax on the average consumer, but still not borrow and create a similar quantum of fiat money to invest in the economy.

Addressing Myth-4: Commercial banks recirculate savings, while new money (and deposits) is created by the growth in the economy (market activity).

The fact as explained above is that new money is created by bank lending owing to FRB, or through net foreign exchange inflows converted into PKR. If the government did not borrow from domestic banks or from abroad, an equivalent to that money creation could be through government fiat. That would require significant reduction in money creation by the banks through a significant increase in the CRR. We could go one step further and do away with FRB altogether and replace the entirety of money creation by government fiat. This would allow us to do away with income tax as well. (Some taxation may be required to manage money supply, which could be in the form of sin taxes and wealth redistribution taxes, and potentially some anti-dumping taxes).

Addressing Myth-5: Our Current Account Deficit (CAD) would be reversed if we did not run a fiscal deficit and did not have to rely on foreign savings owing to a lack of our domestic savings. Given that we have not developed our export competitiveness and ability, both in terms of production capacities of exportable goods (industrial as well as agricultural) – and the fact that low productivity does not allow us to earn enough foreign exchange to meet our import requirements, whether of key essentials or things that are nice to have – the rent generating economic structure will have to be addressed. Owning assets generates more wealth. Why do anything else then, especially industrial activity, which is bound to trigger the wrath of the officialdom? On the other hand, being an absentee landlord works just fine, while tillers earn a pittance.

WAY FORWARD: A GOVERNMENT THAT CREATES MONEY AND ELIMINATES FRB

If money is created exclusively by the government and not by banks, which allocate it under a market economy, it will mean allocation by bureaucrats under a policy framework established by the political government, which, we have enough evidence of as being inefficient, as well as prone to corruption and cronyism.

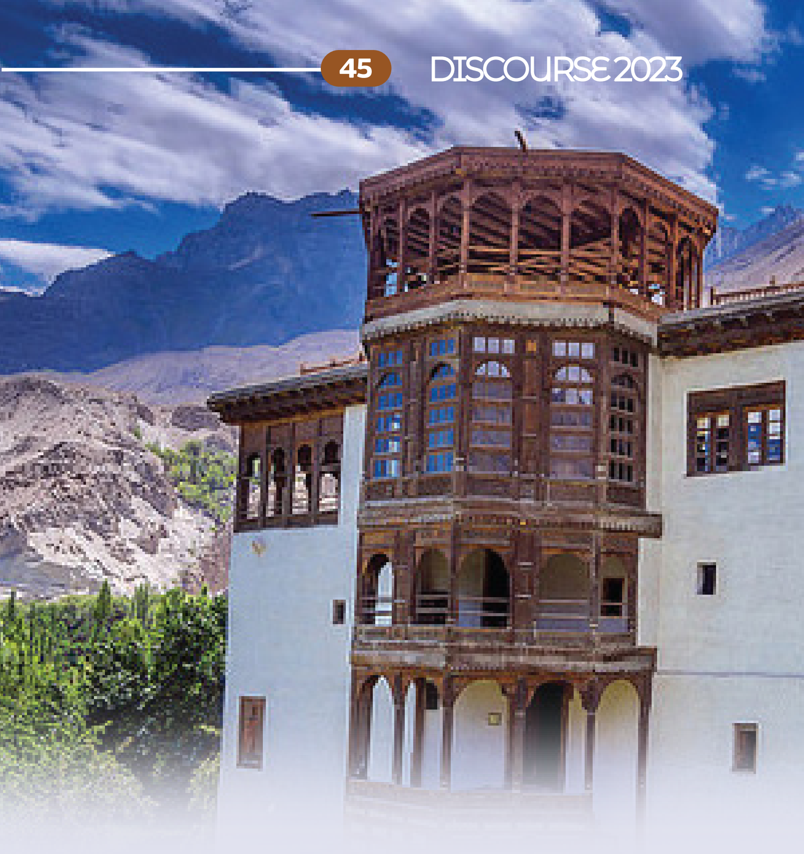
Other than the parliament approving a budget covering defence, civilian administrative structures and investment in people, the government should refrain, as far as is possible, from grandiose development projects and encourage the private sector into project development. The government should do away with taxing efficiency (earning incomes/profits), and tax wealth: not as a money supply managing exercise, but an exercise towards curbing inequality. This would thereby reduce the potential unearned income on that wealth (assets).

In the absence of FRB, some of the new money created, within the overall target of aggregate money supply, which is in excess of budgeted expenditure, can be auctioned to the private sector for specific development projects. It could be an inverse auction, where some portion of that auctioned money would be the purchaser's equity in the business in which it is deployed, while the rest of it would be owned by a Pakistan Sovereign Fund. All such businesses would have to be listed for transparency and governance reasons. The rest of the new money could be auctioned to banks for onward lending in the normal course of business.

Fiscal deficit is not the real issue. And if it is, then reimagining money creation can fix it. All economic activity requires money flows. Money flows can be virtuous or parasitic, resulting in good or bad economics.

It is up to us to make all new money creation and its flows virtuous.

The author is affiliated with the Arif Habib Consultancy – all views expressed in these pages are his own.



PAKISTAN'S HISTORICAL NEGLECT OF GILGIT-BALTISTAN

Mudabbir Akhund

Most of the former colonies across Asia and Africa successfully fought independence wars against their colonial master(s) and attained the right of self-determination towards the end of the 20th century. In colonial India, the struggle for independence from British Raj resulted in the partition of the subcontinent into two independent states: Hindu majority state, India, and Muslim majority state, Pakistan. At the time of partition, the division of the princely state of Kashmir posed a real challenge; as the ruler of the state was a Hindu while the majority of the population was Muslim. Against the will of the majority, the Hindu Maharaja Hari Singh signed the instrument of accession with India, on 26th October 1947. At this critical juncture of history, Gilgit-Baltistan (though not in its entirety, as many regions within GB, operated as autonomous political entities like Hunza and Nagar) used to be the third province of the princely state of Jammu and Kashmir.

The territorial dispute over Kashmir between India and Pakistan was taken to the United Nations (UN) by India in 1948. And with the agreement of both Pakistan and India, Gilgit-Baltistan was made an integral part of the princely state of Kashmir. Resultantly, the region of Gilgit-Baltistan, despite getting independence from the Dogra Raj on 1st Nov 1949 became part and parcel of the Kashmir dispute. The UN came up with UNCIP (United Nations Commission for India and Pakistan) resolutions of 1948 and 1949 to resolve the conflict. These resolutions outlined that the right of self-determination of the indigenous population residing within the territorial boundaries of Kashmir (including Gilgit-Baltistan) was recognized through a plebiscite. Both India and Pakistan were signatories to ensure the prerequisites for the plebiscite but neither has fulfilled it. Historically, both countries have handled the Kashmir dispute as a matter of their territorial sovereignty and not something that has left the life of the millions living across the line of division in perils.

As far as Gilgit-Baltistan is concerned, linked to the Kashmir dispute, the region has not been allowed local administration with complete internal autonomy, as per UNCIP resolutions and neither has been given constitutional recognition by Pakistan. Gilgit-Baltistan over the last seven decades is in a constitutional void. Due to this, the local population can often be heard complaining about their identity crisis. As, in the absence of constitutional cover, the inhabitants of the region do not qualify as citizens of the state, rather their existence gets reduced to mere subjects- to be adjusted and accommodated. The recently held mass protests in GB stem from the disputed status of Gilgit-Baltistan.

Anjuman-e-Tajiran and Awami Action Committee Gilgit-Baltistan jointly led the recent round of protests which were mainly against the removal of wheat subsidy, imposition of illegal taxes in the form of increased electricity bills and the state acquiring common lands in the name of Khalisa Sarkar. The disputed status of the region means that until the vote of the plebiscite on Kashmir is not conducted, Gilgit-Baltistan is entitled to have special treatment as compared to the other four provinces of the country. According to the UNCIP resolutions, Gilgit-Baltistan is entitled to subsidies and amenities on more than fifty subjects from which only wheat subsidy was introduced by the then Prime Minister Zulfiqar Ali Bhutto. Apart from the wheat subsidy, the region is supposed to have tax-free zone status, precisely for not having representation in the parliament of the country. Furthermore, the State Subject Rule (SSR), in abeyance since the 1970s, instructs that the common lands will always belong to the local population and may only be utilized for the betterment of the local population, barring outsiders from bringing demographic changes.

Around these important issues, a mass movement erupted at the end of December, 2022 and people continued to protest for eight straight days in subzero temperatures. Unfortunately, their grievances went unnoticed by the national mainstream media. Be it the geostrategic location or natural resources, tourist spots or wildlife, it appears as if everything in Gilgit-Baltistan is important for mainland Pakistan except the people who are living there.

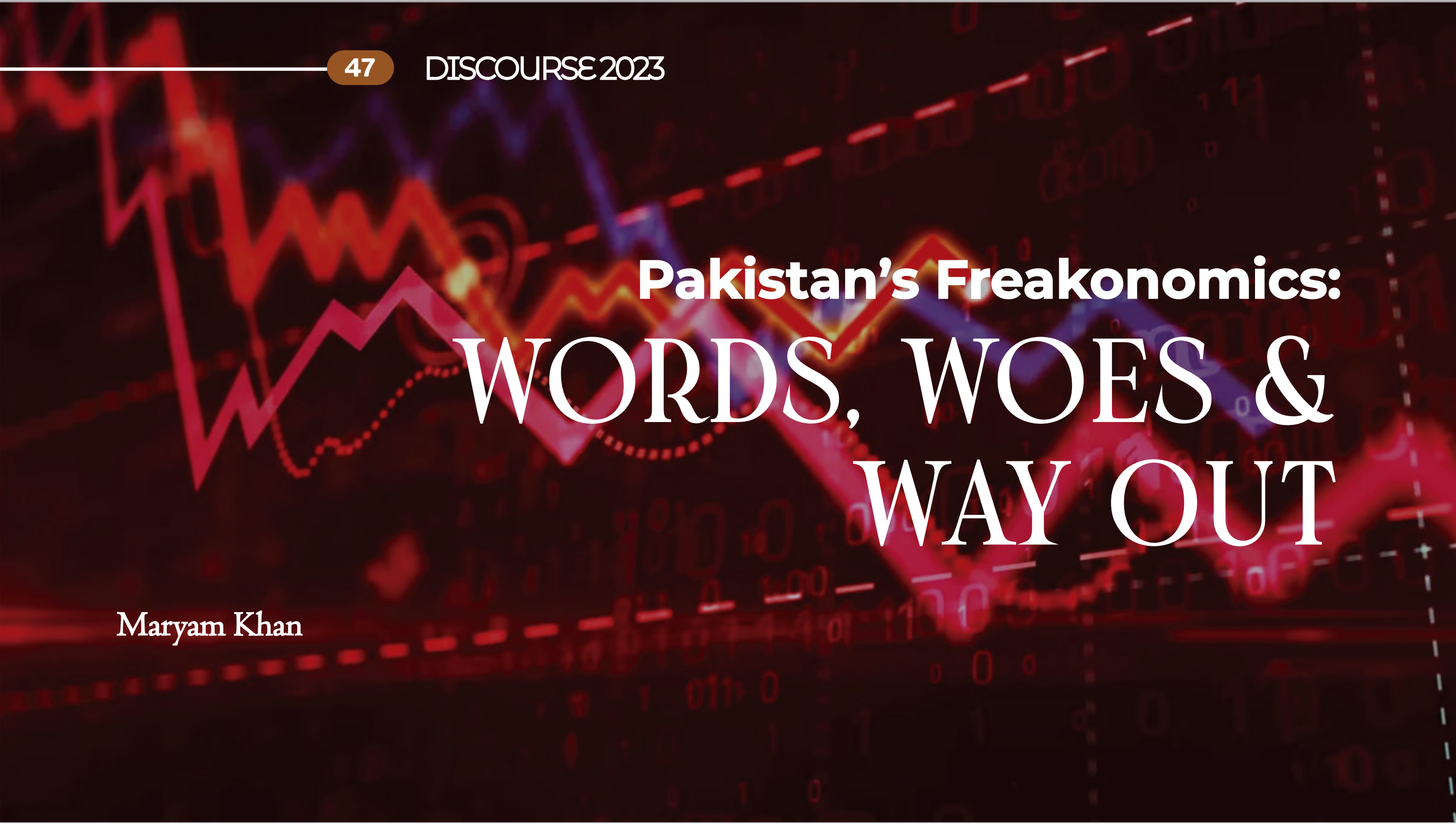
The state's actions as a response to the political deprivations of the local population make GB a 'political society.' The framework of political society, as against civil society, was developed by Partha Chatterjee, a stalwart of Subaltern studies. He describes that, unlike civil society, in a political society the state does not recognize the population as its citizens; thus, the state either actively uses force to subvert genuine, organic demands or it sees every issue related to the masses as a part of crisis management: to be dealt with the aim of adjustment and accommodation on a temporal basis.

The same has been happening in GB. Instead of carefully listening to the rightful demands of the movement and showing sincere resolve to find a permanent solution (as one expects within civil society), FIRs were launched against the political activists who participated in the protests. Moreover, as a soft strategy, to divert mass attention and diffuse the highly charged sentiment against the irregularities of the state, winter sports and other festivals have been organized at the state level. Hence, it can be seen that the miseries of indigenous people in the political society of GB are conveniently invisibilised through coercion or by an irrational overemphasis on the nature and beauty of the region.

There is no denying accepting that the world, including Pakistan, recognizes Giglit-Baltistan as an integral part of the Kashmir dispute and Pakistan alone cannot reach a peaceful solution to it. However, one should also be cognizant of the fact that the disputed political status of GB is contributing to the sufferings and hardships of the indigenous population, and it is only Pakistan that can ameliorate the situation by taking some bold steps. It is high time for Pakistan to reimagine the political status of GB exclusive of the Kashmir dispute. Leaving Gilgit-Baltistan in a perpetual 'state of exception' has not helped the Kashmir cause as was thought. On 5th August 2019, India formally extended its constitution to its part of Kashmir by repealing articles 35A and 370 which guaranteed the special status. On this side of the border, Pakistan has neither ensured special status to GB (like Azad Jammu Kashmir) nor brought the region under its constitutional ambit.

The highly literate and politically aware youth of GB is now desperate to come out of the 'state of exception' that usurps them of their basic rights. Undoubtedly, Gilgit-Baltistan, with its geostrategic importance and untapped potential (both in human and natural resources), has always been an asset for Pakistan. However, it is the call of the changing regional dynamics that the statesmen in Islamabad need to be circumspect in dealing with the disputed political status of the region because it is the only obstacle on the road towards development and prosperity of its people, as well as of the country at large.

The author is a political worker affiliated with the Haqooq e Khalq Party.



Pakistan's Freakonomics:

WORDS, WOES & WAY OUT

Maryam Khan

Charles Edison in his keynote speech at Harvard's geoeconomics seminar said: **"Economics, politics, and personalities are often inseparable."** Similar is the case of Pakistan, which has experienced a definitive synergy between economy, people and politics ever since its creation. This existent coaction is usually a pillar of strength for a country's economic outlook but for Pakistan, it has become a woe of sorts. Despite being a resourceful nation, Pakistan has remained in a chronic economic crisis. Unfulfilled words and perpetuating issues in the socio-politico sphere of Pakistan have contributed to widespread poverty and stagnant economic growth. But the road to economic recovery is not forgotten; it is less travelled and arduous but can be met. Thereby, measures need to be taken that push Pakistan towards the path of sustainable and inclusive economic growth, while dialling down its confrontational rhetoric. The political stakeholders must set aside their differences at this time of grave economic crisis and realise that economic recovery is beset in structural and socio-economic reforms.

UNFULFILLED WORDS: PAKISTAN'S ECONOMIC TALE

When narrating the tale of Pakistan's economy, personalities and words have centred it through the beginning of times. Just like the Charter of Democracy, a new phrase that has been making the rounds in our domestic media's diction is the 'Charter of Economy.'

The cardinals of this term talk about a broad political consensus among major political parties on how economic policy should look like, yet in the existent economic turmoil of Pakistan it almost seems as old as history and as utopic, because words - promises - were never met.

The demands have remained the same: equitable prices of food and fuel, and stable market dynamics for potential investors. However, since the onset, Pakistan's leadership has not proven effective in actualising the commitments made.

The musical chairs era of the 1990s impeded the country's growth, exports, revenues and development. The fiscal and monetary policy of one government was not followed by the next regime, entrapping the economy into a deep morass of external and domestic indebtedness.

As a result, poverty had risen from 17 percent in 1980s to 32 percent by the end of the 1990s. This was due to both fundamental structural and institutional problems as well as poor governance whereby regime-makers were unable to implement their proposed policies.

By the late 1990s Pakistan entered a crucial state of paralysis in its economy particularly in the foreign direct investment and exchange sector. The freezing of foreign currency accounts and the termination of aid by bilateral donors was a consequence of the decision makers not walking their talk. Words never followed action, but inaction, and from the stumbling 90s Pakistan entered the morbid 2000s with even more economic challenges.

WOES OF PAKISTAN'S ECONOMY

The 2000s thus have brought forth a dismaying state of affairs in Pakistan's economic polity – the woes of which are resonant in political feuds and the absence of an economic blueprint that can stabilise the economy. According to the Pakistan Bureau of Statistics, the annual inflation rate in Pakistan increased to a stark 21.8 percent in November 2022, and the inflation estimate of the country is approximately 26 percent. It is the highest inflation rate ever since 1973. Increased levels of inflation with low levels of employment have added to the grievances of the common man.

Similarly, the recurring balance of payments crisis stems from the subsequent economic mismanagement of the overlooked perennial 'cancerous' structural issues plaguing the economy. The most deeply rooted issue is the industry-innovation problem. Pakistan has an influx of primary and tertiary industries, with no manufacturing industry base due to which the country's comparative advantage in exports is only met by agrarian commodities like cotton and textiles. In contrast, Bangladesh has strong industrial complexes in the manufacturing sector which help it in the export of value-added finished products; generating a consistent surplus in the current account.

Moreover, due to the acute macroeconomic crisis, Pakistan faces massive brain drain - whereby the valuable remittances seem to be declining, only expediting the unfolding economic crisis.

The impact of these structural and fiscal shortcomings has led the common citizen to live life at the brink as food price inflation remains high due to supply chain disruptions, and the increased prices for wheat and sugarcane is causing a food crisis in Pakistan. Worse is the inflation for other various consumer goods due to the stark depreciation of the Pakistani rupee and the actualisation of IMF-ridden hikes for electricity tariffs and domestic fuel prices.

These perpetual economic woes have made Pakistan's downward drift evident, especially in its frequent balance of payments crises. Since 2000, the country has been bailed out by the IMF five times, with each SAP (structural adjustment program) associated with severe belt tightening – mostly for the poor. Contrastingly, India's last IMF program was in 1992. While IMF's SAPs in Pakistan helped build up reserves, moderate exchange rate volatility, and achieve price stability, the gains have always been short lived. Between 2000 and 2023, the Pakistani rupee fell from 52 to the US dollar to 250, manufacturing and exports stagnated, and investment and real wages failed to expand.

A growing proportion of public resources is now needed for debt servicing, leaving little room for expansion within social institutions such as education, health and climate change preparedness. This is a call for speedy economic recovery in Pakistan - whereby investment, employment and productivity is strengthened. But what could lead us to this road of economic recovery?

PAKISTAN'S ECONOMIC RECOVERY: THE WAY OUT

The answer is multipronged. Fixing two or more economic variables on the macroeconomic chessboard is not enough to fix Pakistan's economic conundrum. In a diverse country like Pakistan, where society is profoundly intertwined with everyday politics, it is important to have a creative, functioning, and reliable governance system which can pursue an adept and consistent economic policy.

Firstly, Pakistan needs a consensus at the civil society level as well as on the political level.

- At the grassroots level, Pakistan should actualise mechanisms of power and resource sharing. This can only be done through strong local self-governments that regulate district level economics.

- At the national level, there is a need for imminent structural reforms. These reforms must include alterations within the ambit of investment and employment policies. The introduction of reforms that facilitate SMEs and MMEs in integrating with various investment opportunities and incorporate women will not just increase the work force, but also the needed skillset.

Furthermore, to achieve holistic economic stability, a few immediate corrective measures need to be taken that include:

- Reducing subsidies in the short-run, and engaging in long-term investment plans for secondary and tertiary industries.
- Halting artificial depreciation of rupee against dollar by restoring confidence in market and boosting investor confidence in Pakistan's domestic industries.
- Broadening the tax net of the country by formally including parts of the informal economy in the tax band. Wedding culture in Pakistan is a huge part of the informal economy which does not fall under formal taxation, for instance, and extending the tax bandwidth to all parts of the economy will ensure a better, coherent tax culture.
- Formulating a synergy in agriculture, energy, services sector to boost economic growth and productivity.

Moreover, parliamentary committees must be created to overlook economic policies and these committees must be held accountable to the parliament. Hence, it needs to be ensured that words are followed by action. This will result in economic inclusivity, something that Mark Zecker puts as the theory of creative security: "Economic growth means nothing if it's not inclusive."

It is important to understand that in Pakistan's case, a stabilised economy will only transpire if the vicious cycle of political instability and polarisation is broken. The bottom line is to eliminate the villain of ineffective economic governance. Behind the intense ongoing political tug of war, the fundamentals of Pakistan's economic fabric remain the same. However, to weave that fabric in its truest glory, political reconciliation is the need of the time and an unrelenting prerequisite for any progress on the economy.

These preliminary steps - following up words with action, implementing structural reforms, pursuing political reconciliation and the establishing a consensus on a charter of economy - is the way forward for Pakistan's economic recovery. For this to be possible, execution and implementation of all fiscal plans should be granted central importance.

The author is an Ambassador at Harvard Crimson & LSE graduate in Economics and Politics.

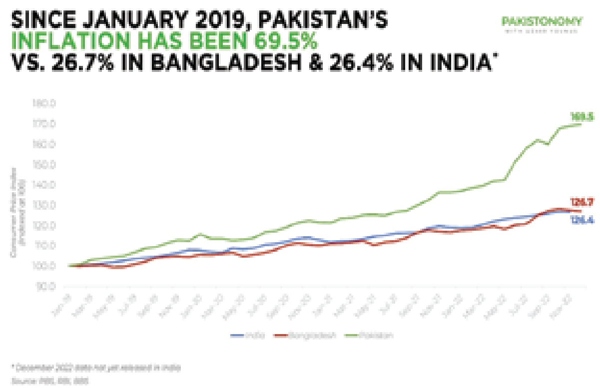
REAPING THE BENEFITS OF CONSISTENT POLICY MEASURES

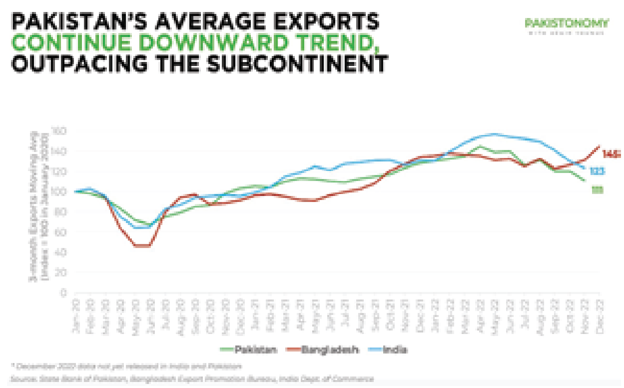
Asif Inam

Bangladesh is a large contributor to the global textile industry, with the RMG sector accounting for 84% of Bangladesh's exports. This comes on the back of the sector's rapid growth and modernisation over the past decade—as well as the strides it has made in improving conditions for the country's approximately four million garment workers. Bangladesh has surprised the market by consistently showing profits.

1257.6 miles away, Pakistan's industrial sector is fighting to live another day. Pakistan's export during Apr-Jun, 2022 amounted to $8,432.09 million showing an increase of 2.52% over Jan-Mar, 2022 and by 27.43% over Apr-Jun, 2021. The textile export data for the last five years showed that volumetric textile exports are the primary driver with a double-digit increase in value added items. Exports during Jul-Jun, 2022 stood at $31,782.09 million. Pakistan while showing potential for increased export until Jun-Jul 2022, later took a nose dive for the worse. The country's exports of merchandise entered a negative growth in July. The export proceeds fell 5.17 percent to $2.21 billion in the first month of the current fiscal year from $2.34 billion in the corresponding month last year according to data from Pakistan Bureau of Statistics. On a month-on-month basis, the export proceeds tumbled by 23.95% indicating a downward trend in the export sector and just as the increase before the current drop in exports is entirely volumetric.

The textile sector last year exported goods worth $19.3 billion and has further expanded capacity through an investment of $5 billion to increase exports to $25 billion. The expectation and goal were to increase textile exports to at least $24 billion this year, although this failed to materialize. Pakistan's exports have started declining and will clock in at below $1 billion per month for the rest of the year.





Pakistan Textiles & Apparel Exports (US$ million)

	Apparel (Knitted)			Apparel (Woven)			Made-ups (Knitted)			RM & Intermediates			Total (Textile & Apparel)		
Months	FY23	FY22	Change	FY23	FY22	Change	FY23	FY22	Change	FY23	FY22	Change	FY23	FY22	Change
Jul	432	395	14%	317	Jul	5%	Jul	Jul	-1%	318	322	-2%	1,340	1,487	4%
Aug	443	366	21%	324	286	13%	448	475	-7%	343	350	-2%	1,552	1,478	5%
Sep	444	Sep	14%	283	238	2%	491	485	1%	245	347	-1%	1,582	1.303	4%
Oct	385	460	-16%	270	280	-10%	409	511	-20%	272	309	-22%	1,332	1,629	-14
Nov	Nov	Nov	-13%	328	320	-6.3%	455	Nov	-22%	250	379	-24%	1,434	1,747	Nov
Dec	354	442	-20%	320	343	-6%	435	487	-13%	264	Dec	-28%	1,284	1,038	-17%
Jul-Dec	2,479	2,513	-1.4%	1,841	1,944	-0.1%	2,607	3,026	-10.8%	1,790	2,108	-15.1%	8,796	9,471	-7.1%

Source: Pre-PBS

The textile and clothing industry has grown to be the single largest manufacturing sector of Pakistan, employing almost over 385 of the manufacturing labour force. The textile and clothing industry is the backbone of Pakistan's economy however the sector is confronted with numerous challenges. Worsening international economic situation primarily caused by the Ukraine crisis combined with floods in Pakistan has negatively impacted the already inefficient supply chains of the country. Flooding in dozens of districts of Pakistan has destroyed a wide swath of agricultural land. While the industry requires 14 million bales, the country could only produce 5 million bales of cotton domestically. To meet this gap cotton needs to be imported. However, the forex issues in the economy have curtailed imports of cotton and other essential inputs for exports. The issue of raw material clearance from the ports remains unresolved owing to unavailability of forex and therefore mills are currently unable to obtain cash against documentation and are closing down owing to the shortage of raw materials.

The cost of importing cotton has also increased by 20% due to demurrage/detention and delays while the importers face the loss and failure to book orders due to uncertain and delayed turnaround time for export orders. Manufacturers continuously find their hands tied due to liquidity constraints owing to 60% devaluation of currency with no corresponding increase in working capital facilities. Funds bound as a consequence of 17% sales tax and devaluation on all inputs. Lags in the system committed to pay refunds and accumulation of "Deferred Sales Tax" which has not been refunded for the last 3 years have completely restricted the cash flows for new projects and expansions. As a result, the export oriented units are under immense pressure as they cannot generate funds to service debt. This may lead to massive defaults, further curtailment of capacity and possibly a banking crises.

The huge differential in the rate of Gas/RLNG being supplied in different provinces in Pakistan means that Punjab based industries are no longer viable and have no option but to close down as they are no longer competitive and available orders are shifting or are in process of shifting to the cheaper alternatives internationally and within Pakistan. To add insult to the injury new connections for RLNG/ Gas are not being extended the competitive tariffs effectively rendering the new projects /expansion uncompetitive. Electric supply to mills is erratic and sub-standard including maintenance shutdowns of 5-6 days/months reducing effective capacity by 25% of the mills running on electricity. Punjab based mills run on expensive rate of electricity as compared to Sindh or KPK. LIEDA, FIEDMC and Sundar Industrial Estates based industries are being denied the concessional power tariffs over the last 3 years despite multitudes of meetings and letters of commitments.

Over the past 2 years the textile sector has invested $5 billion in setting up new factories, some of these are now complete and others are in process however some of the machinery of new plants/ expansions is still stuck at ports, L/Cs are delayed for spare parts, and electricity and gas not being provided to these new units, instead of increasing exports by $5 billion per annum is likely to lead to massive banking defaults, complete loss of investor confidence in future for nay investment in Pakistan with many other negative consequences.

However, all is not lost. There is still hope. The textile sector of Pakistan has already exhibited its potential for growth. Strategic collaboration between different levels of government (sub national and national) as well as the private sector which is widely considered the most significant element for policy success in order to minimize resource waste and reduce danger of fostering powerful domestic interest groups and rent seeking activities is the desperate need of the hour.

Clearing all imports of export oriented sectors which have arrived at ports whether against L/Cs or cash against documents can be the first step towards recovery. Prioritizing or exempting export oriented sectors from import controls allowing L/Cs for raw material, machinery, spare parts and other items to restore industry supply line would greatly assist the sector. Refunding all Demurrage and Detention Charges incurred by EOU sector to maintain competitive costs of exports can be another step in the right direction. Maintaining a 24 hour help desk to monitor and resolve exporters issues should also be pursued. Restoring SRO 1125, zero rating for the textile value chain while collecting sales tax on domestic sales at point of sale. Immediate refund of all deferred sales tax, tuff and other dues and Extension in submission date of duty drawback claims for FY21 should all be encouraged. A new export sector working capital lending facility may be established catering to EOU sectors at subsidised rates to tide over the current crises and LTFF be provided where L/Cs are operational and loans approved by banks.

Being an energy insecure country and keeping up with ever rising demand Pakistan's only solution to energy crises is efficient allocation of scarce resources. It is necessary to accord first priority to export industry on Gas/RLNG and electricity supply and allow competitive tariffs to all new projects and expansions as well as industrial estates. To implement weighted average cost of gas while extending RCET across the country to enable new industrial units, expansions and Punjab based industry to compete. A task force with industry representatives may be made with the purpose of improving supply of grid electricity and all discos should schedule maintenance shutdowns after consultation with impacted industry.

There is a lot to learn from Bangladesh, a country with the lowest minimum wages in the world with cheap gas energy – a country where power outages are almost non-existent, allowing for consistent work and cheaper outlay. Bangladesh's key strategy for the sector's growth over the past decade has been to diversify customer countries and move to more complex products and value-added services. Bangladesh's RMG sector has made progress in broadening its customer portfolio to manage risk and adapt to changing demand patterns in the global fashion market.

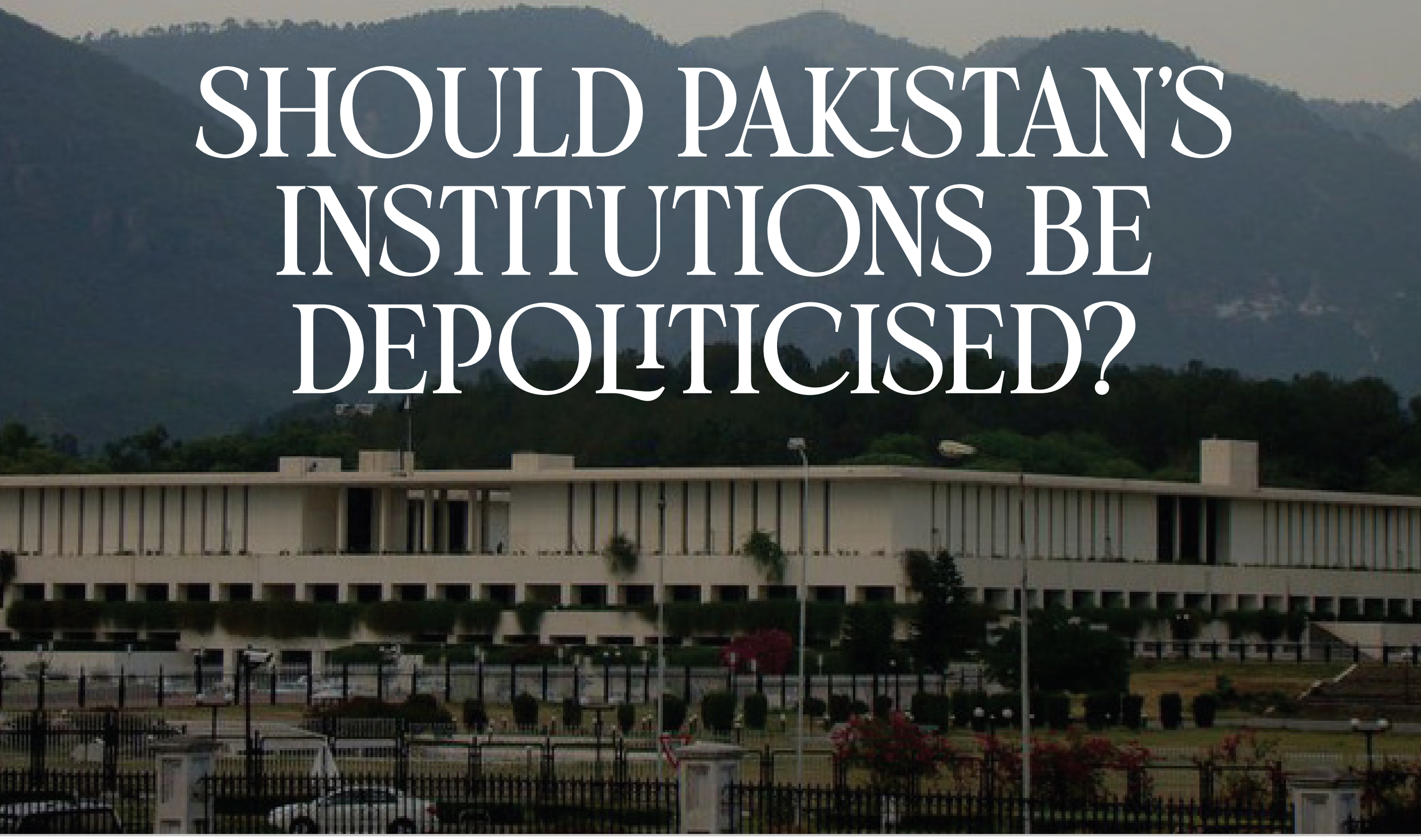
Pakistan also needs to diversify and upgrade its product offerings. However, the most important takeaway from Bangladesh is to learn from experiences and mistakes and make policies and mitigating strategies to overcome the challenges and flaws of the system. For instance, Bangladesh's largest challenges were disasters, deaths and safety issues in the textile industry. Tragedies have received worldwide coverage, most notably the Dhaka fire and collapse of Rana Plaza (2013). Bangladesh learned from its mistakes and started taking responsibility for its workers and the reforms which were once promised came into actual practice. Today, Bangladesh's RMG sector is a frontrunner in transparency concerning factory safety and value-chain responsibility, thanks to initiatives launched in the aftermath of disasters (including the Accord on Fire and Building Safety in Bangladesh, the Alliance for Bangladesh Worker Safety, and the RMG Sustainability Council). These measures led to the closure of hundreds of unsafe, bottom-tier plants and the scaling up of remediation activities in many others.

We need to develop an action plan not only to solve our immediate problems but also to ensure long-term solutions to such problems. Policies like a "24-hour helpline" for manufacturers who are importers and require immediate assistance in case of any supply chain disruption should be in place. We need solutions not just temporary in nature but ones that can be sustainable and beneficial for us over the long run. With the right policy tools and support from the government, the textile sector will once again be on the right track as the sector has proved its worth time and time again.

The author is currently serving as the Chairman of the All Pakistan Textile Mills Association and is also the Chief Executive of Diamond International Corporation Ltd. He has also been a member of the Advisory Committee of Federal Tax Ombudsmen and is a celebrated Gold member (No. 901644700) of the Young Presidents' Organization.

DEBATË

The Debate segment of Discourse seeks to initiate open, good-faith exchanges on 'big picture' questions of policy: in particular, ones that involve two consolidated 'schools of thought' that have each evolved in apparent isolation and become the antitheses of one another over time. This is due, of course, to ideology and the incentive structures of both media and academia – which are structured to foster the growth of echo chambers. Through this section of the magazine, the Pakistan Institute of Development Economics is attempting to lay out the two salience perspectives of a particular topic in a manner that centres our audience, allowing them to engage with both sides and arrive at their own conclusions.



SHOULD PAKISTAN'S INSTITUTIONS BE DEPOLITICISED?

Since independence, Pakistan has largely operated as a rentier state – positioning itself to attract resources from global powers, whether that be via bilateral agreements with other states or by entering into 'projects' with big multilateral donor agencies.

The much touted 'Decade of Development' of the '60s, for instance, was fuelled by the 'Green Revolution' – huge funds flowing into the agricultural sector from the Ford Foundation in the United States. As is commonly established, however, only 22 primary families actually benefitted from this initiative – exacerbating inequalities and leading to an abrupt, ill-planned urbanisation wave. This is because the 'aid', in the form of tractors, fertilisers, and irrigation systems, was largely flowing to big landlords who did not in fact need it – allowing them to up the ante in terms of the exploitation of the landless peasantry and larger labouring classes in the countryside. With rising levels of precarity, these vulnerable communities were left with no choice but to migrate to city centres – abandoning their deep roots and having to adjust to an unfamiliar and largely hostile new territory.

This was in the context of Pakistan entering into the South East Asia Treaty Organisation (SEATO) and Central Treaty Organisation (CENTO) in the mid-1950s. These were, of course, part of the Truman Doctrine of the time which pushed for strong anti-Communist stances in developing countries, offering economic and military assistance in exchange.

Since Pakistan never truly pursued genuine democratisation, these short-term adventures have always appealed to ruling elites that are primarily looking for personal gains by entering into them – without any serious thought put into potential consequences for the nation at large. This 'model' of development has had a peculiar consistency to it, with the security apparatus serving as the primary agent in making it all possible. The Soviet conflict in Afghanistan during the '80s and post-9/11 'War on Terror' were both as per the book in this regard.

Without adequate democratisation via land reform, the free operation of student/labour unions, a vibrant and autonomous civil society, a strong media apparatus, decentralised governance arrangements, and more, key institutions have essentially been 'captured' by opportunistic, rent-seeking elites. This has, over time, transformed them into facilitators for big capital – in which only the top 1-5% can expect to benefit, at the expense of the country at large. Indeed, the UNDP estimates that an annual Rs. 2.7 trillion is extracted from the Pakistani economy via preferential access, special prices, lax taxation, etc. in an intricate system of clientelism/patronage that is, and has always been, part and parcel of governance.

Elite capture as the root cause of Pakistan's inability to progress and develop in a sustainable and inclusive manner is a fairly well established idea, and accepted across the political spectrum. Where there is disagreement, however, is the optimal strategy to correct it. One school of thought prioritises competence in this regard, arguing that those with 'technical expertise' in a clearly defined area – such as education, energy, finance, etc. – ought to be able to head ministries without the interference of 'political' forces. The other school argues that virtually all decisions that are taken in government are political in their nature, as they affect the lives of real people/communities as they disrupt power relations between/among them. Therefore, the appropriate course of action should instead be to pursue radical democratisation – which will set in motion the incentive for efficient/effective service delivery as ruling elites know that their prospects for returning to power for subsequent terms is directly correlated with their performance during the current one.

In sum, one perspective believes it is competence that will lay the foundations for reform – while the other believes that only real democracy, not only in letter but spirit, can lead to technically able individuals heading key roles within government. The former advocates for a separation between politics and economics, while the latter insists these are two sides of the same coin. In order to explore both positions in all their complexity, former Governor State Bank and Finance Minister of Punjab Mr. Shahid Kardar has posed a case for depoliticised institutions – whereas senior political activist/worker affiliated with the Awami Workers Party and Professor of Political Economy at the Quaid-i-Azam University Dr. Aasim Sajjad Akhtar has presented the opposition stance.

We hope this debate serves to highlight the strongest and weakest aspects of both positions, as well as underscoring the areas in which they may overlap: thus helping take the conversation forward while appreciating all the nuances that have made it such a 'sticky' issue for Pakistan.

Happy reading – and remember to keep the discourse alive!

Sincerely,

Editorial Board
Discourse Magazine
Pakistan Institute of
Development Economics

DEPOLITICISATION OF INSTITUTIONS:

The Way Forward

Shahid Kardar

The initiation of this debate is spurred by the widely held despondency that domestic institutions of governance have become dysfunctional and in a state of disrepair. It is argued that such an outcome is partly attributable to the secular decline in competence, work ethics, fairness and integrity of those serving in them, but more so to direct and seemingly habitual interference by politicians in the operations and execution of the functions of these entities: starting with non-merit appointments to key positions. The political process of our national politics raises expectations on the exercise of privileges that come with office, to influence policies and processes in favour of the party in power and family and friends.

This factor is supplemented by, in some cases, like the Election Commission of Pakistan and the Judiciary, as well as the shenanigans of the 'Establishment'. Hence, the growing demand for the (re)distribution of functions and mandates to entities to the exclusion of politics.

My support for the proposition, while nuanced, is guided and persuaded by the general experience of the manner and conditions in which institutions are allowed some decision making functions.

We have witnessed over time that the personalisation of power, by weakening institutions, has become the norm, the dominant ethos. This has resulted in patronage being managed by individuals in an ad-hoc manner through the use of non-institutionalised mechanisms for conducting transactions or by manipulating processes. And this system has become deeply embedded in the wider political structure, compromising integrity, independence, neutrality and competence.

The lack of societal resistance to this depressing development is partly owing to the lacklustre rate and pattern of economic growth, which has been unable to create adequate opportunities to absorb the increase in the labour force. With no dynamic independent process of growth creating openings, and an entrenched culture of patronage, seeking public sector employment through the power of patronage exercised by those in authority was, and continues to be, the most attractive route to progress. And the general experience provides evidence on the State and those manning the associated institutions as all-powerful paternal entities, underpinning whirlwind career promotions based on affiliations or malfeasance rather than merit, talent and hard work. Not surprisingly such a system looks for, and can, with ease, find those willing to play the part expected by their benefactors.

Having recorded these misgivings, I move forward. In my judgement interpreting this distinction between politicization and depoliticization of institutions as binary is misplaced. A rather narrow view of the concept of the term. It fails to recognise the complexity of the relationship between political economy challenges and the purported structure to protect institutions from societal and political pressures and associated transaction costs. And that the alteration in governance affiliations and linkages is in substance only a difference of degree.

The configuration and composition of institutions should ostensibly be driven by the objective of insulating them from political pressures, by moderating, if not reducing, the direct control of politicians whose electoral considerations make their foresight and prudence short-term from a public policy standpoint. Their depoliticization is a methodical and rational form for institutions, an appropriately balanced and technically coherent solution to a particular set of problems.

The day to day management of operations in formulating policies, decisions on tools and instruments for the accomplishment of these actions and organisational arrangements, needs to be depoliticised. The governance architecture and with it the amphitheatre for taking decisions, and exercising powers using non-political, analytical and transparency factors, needs to be modified to check the role of the political process managed by the parliament and the political leadership running government. This objective is to be achieved through legally protected structures that take away the solution of some issues from the direct mode of governance exercised by the elected political leadership.

I regard as mistaken concerns of political strains from the burgeoning demand for delegation of decision making powers to agencies outside formal political institutions, beyond the control of elected representatives who are directly accountable to the electorate, and who regard themselves are merely ratifying these decisions.

The fears that decision making authority under depoliticisation would result in loss of accountability to, and control of, the elected representatives and thereby to the people, is unfounded. It is simply not possible to completely depoliticise institutions. They should be accountable and responsive to the political process, ideally the parliament, which empowered them under a governing legislation. It is politicians/parliament who should, and do so even today through institution specific governing statutory frameworks, decide which functions and responsibilities to be depoliticized and the instruments and institutional arrangements for exercising these powers. Visions, priorities, incentive regimes and associated structures should lie squarely in the political domain.

The frightening pace of technological changes, rising social tensions and political discords and heightened expectations of a citizenry, better informed by a hyper active social media seeking direct policy and affiliated managerial interventions to address transient developments and challenges, requires the assembling of appropriate structures and associated systems with greater capability to adapt and respond to these tests. This arrangement can be achieved through a framework for a principal-agent relationship, covered by appropriate legislation and a formal procedure, with the agent having administrative and financial freedom to perform its functions and responsibilities for policy areas under a set of broad parameters and rules based depoliticised, predictable governance.

Our experience has been that the elected representatives in power prefer to place in key posts individuals who are malleable and expected to respond affirmatively to diktats, even when the institutions are protected through appropriate legislation, suggesting that independence is the state of the mind of those appointed in these positions of responsibility. Therefore, ideally, the parliament should approve the criteria for appointments and nominations on these bases, the scope of functions to be performed, areas to be delegated for policy formulation, the administrative and financial powers, parameters for performance evaluation and internal institutional mechanisms, rules, regulations and processes for decision making and implementation.

Furthermore, we should consider ratification by parliament of the appointments of heads of institutions empowered in areas regarded as critical to the smooth delivery of state functions, as a process to ensure that these agencies are manned by individuals with credibility for capability and impartiality and public trust to withstand political pressures. Admittedly, there could be legitimate apprehensions of having to make unsavoury compromises with the opposition in parliament-it could be seeking favours in return for endorsing the candidates.

Modern governance is rather complex. There are a variety of considerations and influences, including those of external factors like globalization and multilateral institutions as key stakeholders in these matters. Our politicians are not adequately equipped of the requisites of evolving knowledge in the area mandated to them as ministers. They also face difficulties in managing the functional overload. They are confronted by challenging demands for actions beyond domestic borders by global agencies espousing a wide range of narratives (e.g. SDGs, controls over emissions, etc.) whose blessings drive the choice of the institutional architecture and choice of policies and institutions for availability of funding. For the satisfactory accomplishment of these responsibilities they can be supported by fabricating codified institutional structures and systems for inducting expertise in advisory, rather than decision making, positions.

And to enable these institutions to deliver on their mandates their capacity, effectiveness and credibility in implementing policies should be augmented, as an answer to the difficulties in executing policies employing the tools available to the political process.

Similarly, to assist the deliberations of parliamentary committees on different subjects a system can be put in place for formalizing the inputs of relevant experts. This arrangement will enable these committees to carry out their responsibilities of oversight and accountability of concomitant institutions by obtaining regular reports and getting relevant officials of the entity to testify on the progress attained in achieving the stated goals and objectives.

In my opinion, the above referred proposals can provide the acceptable way forward for establishing rules based governance structures that will be guided, overseen and held accountable by the elected representatives of the people. No other arrangement will be able to secure moral legitimacy, beyond its legal feature.

The author is a former Governor, State Bank of Pakistan and Minister for Finance and Planning, Government of Punjab.

NO PRETENDING ABOUT POLITICS

Aasim Sajjad Akhtar

The proposition that Pakistan's myriad predicaments can be addressed through technocratic fixes is an old one. It has animated all three of the country's extended dictatorships, and has also frequently been deployed as a rhetorical weapon to undermine emaciated elected governments. Over the past few years, small democratic victories like the 18th constitutional amendment have been regularly pilloried by those who argue that federating units lack the technical know-how to manage the affairs hastily devolved to them in 2010.

There is certainly merit to the argument that Pakistan needs competent individuals to people its administrative apparatuses. But our history confirms, time and again, that there is nothing apolitical about the decision-making of military dictators, judges, the high bureaucracy and 'big men' electables. It is also as much of a truism that 'technocrats' inducted into government in the name of designing and executing 'good policy' supposedly unhindered by political considerations ultimately bow before the overlords who appoint them to positions of authority.

At a higher level of abstraction it is imperative to note that what the liberal mainstream and contemporary populists such as Imran Khan decry as 'corruption' is, in fact, a deeply ingrained logic of practice which technocrats cannot 'fix' through even the best designed policy interventions, let alone magically wish away through hollow sloganeering. Who one knows and how well-placed these connections are is the stuff of everyday politics and popular culture – and explains the operation of the state's administrative apparatuses in ways that are generally underspecified in both journalistic and scholarly circles.

Our fundamental challenge, then, is to displace this deep-seated structural logic of political patronage – or what I have termed the politics of common sense – by political imaginaries and practices that acknowledge and then redress deep-seated class, ethnic-national, gender and religious cleavages in Pakistani state and society.

To reiterate, the argument for 'depoliticising' Pakistan's institutions misses the wood for the trees insofar as decision-making and resource allocation are essentially political matters. It is disingenuous to continuously call for apolitical technocracy given that virtually all technocratic experiments in our history have reinforced entrenched political-economic interests.

Perhaps the most fallacious example of technocratic 'fixes' in the current conjuncture is that of donor-shaped (pun intended) macroeconomic policy. Every Pakistani government over the past three and a half decades has adopted virtually the same set of policy conditionalities so as to secure loans from multilateral institutions like the IMF. Yet on each occasion, the latter – with our very own technocrats chiming in – decry that we have not taken the 'reform' process far enough. But even cursory inspection confirms that the rich get richer, public services continue to be repealed, ecologically destructive forms of capital accumulation intensify, and regional/ethnic inequalities are exacerbated – all of which is to say that the political is repeatedly and deliberately separated from the economy in the name of 'technocratic' expertise.

Of course even the liberal mainstream is now being forced to acknowledge that Pakistan is subject to 'elite capture'. But there is still an ostrich-like tendency to spare some political-economic interests from any criticism for the carnage against working people and the natural environment, most notably the donor community. The IMF, for example, is repeatedly exonerated from responsibility for imposing austerity, with many liberal commentators insisting that it is Pakistan's domestic 'elite' that is solely to blame for the suffering of the proverbial poor.

But this is to ignore how Pakistan's domestic political economy is intricately tied to the capitalist world-system, whether one is considering the long durée or the specific conjuncture of neoliberal globalisation. The latter period has featured the IMF and other proponents of the 'Washington Consensus' prying open Pakistan's economy to globalised capital in the name of 'free markets'.

The international financial institutions (IFIs) have colluded with Pakistan's propertied classes to subject teeming millions to ever more suffocating austerity in the name of eliminating 'market distortions' so as to ensure that creditors are always paid back their debts, just like has happened across much of postcolonial Latin America, Asia and Africa. Most gallingly, the IFIs claim to be committed to the interests of the poor, rhetoric which is uncritically regurgitated by 'technocrats' in the form of old, tired slogans about economic 'reform'[2].

Both orthodox economics as an academic discipline as well as the entire 'international development' industry can be expected to continue treating the political and economic as entirely separate domains, so that 'technocrats' who actually represent the political-economic interests of creditors, investors and big business are able to pose as dispassionate experts who purportedly seek to protect the public interest.

As David Harvey notes very succinctly, neoliberalism in theory (apolitical, 'free' markets) is very different from neoliberalisation in practice (highly politicised, 'unfree' markets).[3] It is in part by exploding this binary that coherent political projects of and from working people and historically oppressed peripheral regions have come to the fore to challenge neoliberal intellectual and political orthodoxies over the past two decades, most notably in Latin America.

The challenge for us in Pakistan is to learn from relatively successful experiences in other parts of the postcolonial world and attempt to bring together class, ecological, ethnic-national and feminist movements to foment an alternative, pro-people politics. Competent young intellectuals are certainly important to this cause, as was made clear by Frantz Fanon many decades ago, during the conjuncture of decolonisation. Even as the 'national bourgeoisie' was betraying the cause of national liberation, Fanon retained hope in the 'small number of honest intellectuals, who have no very precise ideas about politics, but who instinctively distrust the race for positions and pensions which is symptomatic of the early days of independence'.[4] Today's putatively 'honest intellectuals' are those young political subjects for whom the ideological props of state, capital and patriarchy have been demystified and the attendant 'race for positions and pensions' displaced. By transcending the intellectual hegemony that dresses up politics in the garb of apolitical expertise, these 'honest intellectuals' can carry forth the project of decolonisation to its logical conclusion.

The author is an Associate Professor, Political Economy, at the National Institute of Pakistan Studies – Quaid-i-Azam University. He is affiliated with the Awami Workers Party and can be found on Twitter as @AasimSajjadA.

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[2]https://www.dawn.com/news/1738112/tax-the-rich-subsidise-the-poor-imf-asks-pakistan

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TECHNOLOGY
FREEDOM
HOPE
POLITICAL ECONOMY
POLICY
DEMOCRACY

40

OPINION

POLICY VS TECHNOLOGY

Hussain Nadim

"The empire, long divided, must unite; long united, must divide", a quote from the novel, Romance of the Three Kingdoms by Luo Guanzhong explains the inevitable rise and fall of empires. This rise and fall, however, is never a linear process and in most cases co-exists for years before one takes over the other completely. This transition is marked by chaos and the outcome entirely depends on the decision making during this period of uncertainty and fluidity by those in power.

Pakistan may not be an empire but as a nation it finds itself in a similar situation with a large part of its existing reality fading away while we can see the birth of a new reality already emerging out of the cracks. Much of the chaos that we see in the country today can be attributed to this juncture where the two parallel realities in Pakistan are colliding with each other; one rooted in the past fighting for its survival, while the other driven by the future fighting for its growth.

This tussle is between the policy and technology world, with the policy world representing the traditional status-quo mindset and practices while the technology by its inherent nature represents the new world. Having spent over a decade in the policy sector serving at the highest levels of the government and more recently working deep in tech R&D, I recently discovered myself at the junction of this chaos where these two worlds collide.

I was invited to speak at a number of conferences in Islamabad on "IR and security" and in emerging technologies and AI. What I accidentally witnessed shuttling between these conferences was the most spectacular insight on collision and transformation of these two worlds.

For example, the median age at the policy conference was no less than 60; while the median age at the tech conference was no more than 30, which of course explains the marked difference in energy of the two rooms. Moreover, the conversations in the policy conference were more or less the same from the 80's and 90's; the doom and gloom, playing the victim, and the end of the world like scenarios. There was nothing new; neither the speakers, nor their talking points or solutions. Even the titles of these policy conferences were standard "Reconceptualising Pakistan", "Reimagining Security" and etc. The truth is that much of the policy conferences in the country are by the retired officials, for their friends who are also retired officials with a token attendance from the university students summoned to hear a sermon on how "their time" in the government was the best of the time for Pakistan and everyone before them or after them was clueless. For most students, it is not the discourse but the incentive of post-conference lunch at Marriott or Serena that is worthy of attendance.

Yet, the conferences continue and the conversations repeat in a loop. This is because most of these conferences serve as a tickbox for think tanks and their policy donors that continue to rely on the traditional methods of "narrative building" out of a misplaced belief that Pakistan has a "narrative" problem. Unfortunately, ours is not a narrative but a reality problem that requires a more thoughtful treatment than a standard roundtable conference covered by press releases and traditional media houses.

Enter the technology world that operates at a higher frequency closer to reality. Not only were the speakers and those in the audience young, vibrant and full of enthusiasm, even the colors of the conference room, venue design and stage reflected a fresh change from the dull colors of the policy world in Pakistan.

The most striking difference, as expected, was the conversations in the tech conference which were all around new ideas, tech based solutions, emerging opportunities, the new world powered by AI and blockchains, and how Pakistan can leverage into the global tech race, etc. What I felt at the tech sessions was hope, enthusiasm, and drive to pursue greatness - something that is strangely well insulated from the doom and gloom of the policy sector and the national debate at large.

Essentially, the tech world speaks a different language, wears a different lens, and lives an entirely different reality, that by its inherent decentralized structure has challenged the status-quo of the policy world. Unfortunately, instead of undertaking reforms and embracing technology as a potential Noah's Ark for Pakistan, the policy world is coming to see tech and youth as a "national security" problem. Hence; the layers of NOC's, arbitrary banning of apps, and repeated assertions that "youth" is naive and impressionable.

What the policy leaders fail to recognize is that no matter the dilatory tactics, the traditional policy world as it is right now is fading on its own, unable to keep up with the changing time. The question is if it will take down the entire country with it? Great nations emerge out of great decisions during periods of chaos; for Pakistan to start new and grow, the technology world must prevail.

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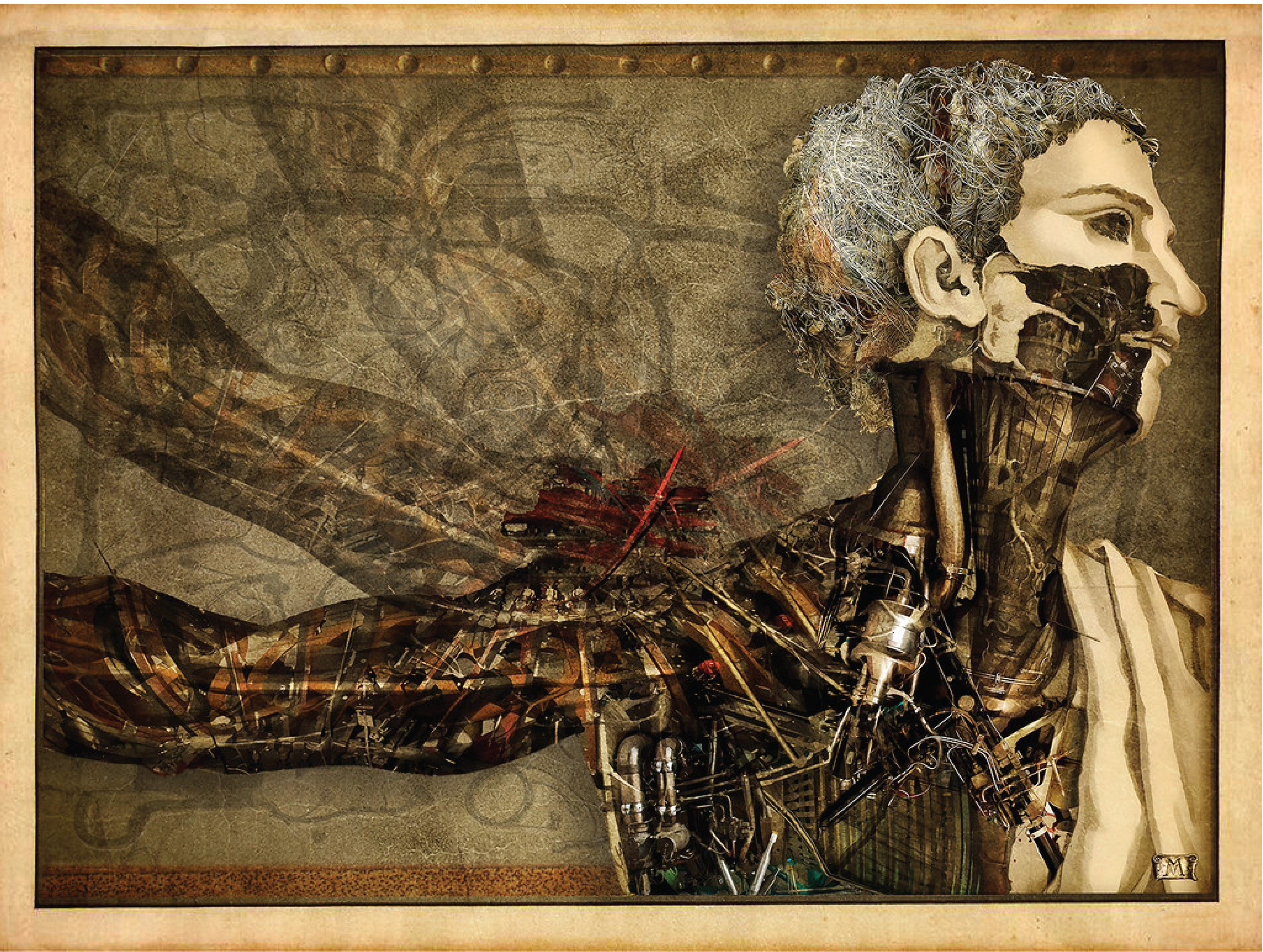

A CASE FOR STUDENT UNIONS IN PAKISTAN

Tooba Syed

This February 9th it has been 39 years since the ban on student unions in Pakistan. Placed by a military dictator, General Zia ul Haq in 1984, the ban has been upheld by all subsequent democratic governments. The ban was enacted to put an end to the student power in the country, especially their resistance against dictatorship and anti-democratic processes. In the past, Pakistani students led major movements and changed the course of history especially in the anti-Ayub movement. During the Zia regime, Jamaat-i-Islami had extended their support for his Islamisation project, and became part of the first cabinet announced by the dictator. This aided Islami Jamiat-i-Talba (IJT) in gaining more ground to function with impunity compared to the anti-dictator student groups. During the 1979 student union election at Karachi University, some students from IJT fired shots at a progressive student gathering, the first time an assault weapon such as the AK-47 was used in student politics. For what is about to be four decades since the ban, IJT remains the student organisation with a monopoly over violence on campus.

The justifications provided for legitimising this ban revolve around the argument that student unions lead to an increase in on-campus violence and are a deterrent to academic excellence. However, prior to the ban of the 1970s, student politics used to be a vibrant space: allowing the central stakeholders at the academy to autonomously bargain for their rights and better academic facilities. It was also a space where young people engaged in the democratic processes of elections and campaigning. In the absence of student unions, there is a severe lack of institutional accountability in the education system and universities arbitrarily decide fee structures and scholarship allocations – leading to an increase in students (or their guardians) opting out of university education altogether.

The ban on student unions has led to a deterioration of academic culture, in turn fostering intolerance for disagreements and debates on campuses. Student unions are nurseries and institutions that instil democratic values: where students from various ethnic and class backgrounds can come together to express their views, debate and get elected to represent the issues and concerns of the student body. With millions of out of school children and young adults excluded from education due to unaffordability, it is all the more important to restore student unions in order to introduce a platform that can tilt power dynamics in the higher education arena in a manner that is more equitable. The quality of education and critical consciousness has plummeted over the past few years, with students like Mashal Khan being mob-lynched by peers on-campus due to growing levels of intolerance.

The ban has proven to be catastrophic for Pakistan not just in terms of education but also politics. According to the latest census the majority of the country's population constitutes young people. This youth bulge means that in forthcoming years, young voters will be deciding the future of politics in the country. In the absence of student unions, there are no pathways for the youth to take part in the politics of the country. This especially limits the accessibility to political processes for working class and middle class youth who have the biggest stake in the future of the country. Without any experience and understanding of basic democracy and experience in democratic processes, the politicisation remains meaningless and often only leads to polarisation instead of encouraging dialogue, political debate and nurturing political movements. In the past, student unions produced some of the biggest political leaders of the country, serving as the only pathway for working and middle class political workers to gain entry into mainstream politics. Given the abysmal state of democratic politics in the country, student unions restoration is absolutely crucial. Pakistan is in dire need of young leaders, to cater to the growing demands of its young populace.

Pakistani politics remains the domain of a few landed families and moneyed elite, which is directly related to the absence of student unions. According to research conducted in 2013, 400 families have dominated Punjab's politics since the 1970s, with dynastic candidates jumping parties depending on who holds power at any given point. Within political parties, the state of democracy is abysmal, bordering on non-existent – and dynastic transfer of leadership is the norm. If you ban student unions for two generations then who would have access to power and politics? Certainly not the majority of young people. Student unions are known as nurseries for future leaders and politics, a ban such as the one in place for almost 40 years only leads to centralisation of power with the few.

In the last six years there has been a renewed effort by students to organise themselves and demand the restoration of student unions. In 2018, progressive student organisations under the banner of Student Action Committee (SAC) held marches in over 50 cities across the country to demand restoration of student unions. Every year the student groups associated with SAC such as Progressive Students Federation, and Progressive Students Collective hold rallies, protests and sit-ins across the country to campaign for the restoration of unions and campus democracy. The campaigning has given rise to discussions around revival of the student unions but little action has been taken to ensure their restoration. Various political parties have extended support too. In Sindh, the People's Party even came up with a bill but there has been no progress in making student unions functional – largely due to push-back from opportunistic, power-hungry Vice Chancellors. The political parties that rely on the mobilisation of the youth have also made no contributions to the restoration of unions. The young people who study politics, society and economics neither have opportunities nor an interest in the future of the country, due to the continuous exclusion of young people from democratic processes.

Every year, thousands of educated young people leave the country in the hopes for a better future elsewhere. The ban on the unions not only impacts on-campus politics but destroys democratic values across the entire landscape of the country. Such exclusionary practices are a deterrent for young people to take ownership of the country and invest in its present and future.

It is time to undo the wrongs of the past: restore student unions now.

The author is a writer and organiser affiliated with the Awami Workers Party and Women's Democratic Forum.

TEACH THEM THE TRUTH: NOTHING BUT THE TRUTH!

Fida Muhammad Khan

"....It would be different if it were given to us to live a second time through the same events with all the knowledge of what we have seen before. How different would things appear to us? How important and often alarming would changes seem that we now scarcely notice! It is probably fortunate that man can never have this experience and knows no laws that history must obey." (Hayek, 1976, p 1).

The 16th December 1971 is a black day no matter which side of the spectrum one is or their opinions about the war. As a Pakistani, it hurts. However, there is one misconception that needs clarification. There are various versions about why we lost. All have their merits, but none is a complete truth, and none of those versions qualifies as "absolute reason". Exploring the truth is the subject matter of this piece.

The real reason we lost East Pakistan and the war was not the size of our military arsenal or the destroyed runways making the PAF (one of our strongest pillars in military strategy) ineffective. It wasn't the Mukti Bahini, distance from West Pakistan or the Indian-influenced Bengali teachers, as stated in our Pakistan Studies book. It is not to say that these factors played no role at all, but it's a critical mistake that we believe these factors as the deciding factors. The real reason why the two nation's theory, or at least a significant part, drowned in the Bay of Bengal was our refusal of democracy. A tradition of violation of merit.

A culture where ethnic marginalisation was dominant, and yet we refused to accept it. So it was overlooked. One thing needs to be clarified before I move further; there is a great difference between elections and democracy. Elections are a process that is part of democracy, but democracy is a culture which includes our thinking, perceptions, ways of doing things and decision-making processes. If we had adhered to 'Democracy', things would have been different today.

Why did Mukti Bahini come into existence? Why did the East Pakistanis feel that the western brethren were being unjust? Why was the Indian-influenced Bengali academia able to strengthen the Bengali narrative? These questions must be part of our discourse on the 1971 war. We need to understand these issues since they serve as a key to why General Niazi surrendered. All these things, including the surrender itself, were the consequences. And according to my understanding, none of them serves as the cause. Our discourse should focus on the cause.

We had a racial superiority complex against the East Pakistanis. We did not consider them 'Pakistani' enough. East Pakistanis were taunted for the colour of their skin, their language, their dress and even their food. Somehow West Pakistan was superior; it was a belief that there was something in the West Pakistani blood that was missing in the east. And many facts point out this thinking.

Let's start with the self-proclaimed Field Marshalls' account. He calls the Bengalis, among other things, a downtrodden race who have always been ruled. Due to space limitations, I can't present a cortical discourse analysis since that would be a study itself (if worth doing at all), but what he tries to say is that Bengalis were less evolved compared to the races in West Pakistan. Filed Marshall Ayub writes in friends not masters:

"The people of Pakistan consist of various races, each with its historical background and culture. East Bengalis, who constitute the bulk of the population, probably belong to the original Indian races. It would be no exaggeration to say that up to the creation of Pakistan, they had not known any real freedom or sovereignty. They have been ruled by high-caste Hindus, Moghuls, Pathans, or the British. In addition, they have been and still are under considerable Hindu cultural and linguistic influence. As such, they have all the inhibitions of downtrodden races and have not yet found it possible to adjust psychologically to the requirements of the new-born freedom. Their popular complexes, exclusiveness, suspicion and defensive aggressiveness probably emerge from this historical background......" Friends, not Masters[1]

It would be no exaggeration to say that up to the creation of Pakistan, they had not known any real freedom or sovereignty

So it was the creation of Pakistan that gave the Bengalis a flavour of freedom. By this logic, Ayub means that West Pakistani races were accustomed to the idea of freedom very well and knew exactly what to do with it:

"They have been and still are under considerable Hindu cultural and linguistic influence. As such, they have all the inhibitions of down-trodden races and have not yet found it possible to adjust psychologically to the requirements of the new-born freedom

I wonder how the General could write about an ethnic group in such a tone when the ethnic group in question has had a rich tradition, a history and an essential role in the politics, society, history and culture of the entire Subcontinent. How could we expect unity, coherence and a single nation if we call the majority race of the country downtrodden, alien to the concept of freedom, and if we give them inclusion in the government, it is a favour to them?

The point here is that the East Pakistan discourse in Pakistan studies and Pakistan history literature doesn't introduce the students to this critical aspect. The marginalisation of East Pakistan and its exclusion through institutional means was a crime we committed against humanity. We led the East Pakistanis to a point where they said 'no more', yet we, in our Pakistan books, blame the Mukti Bahini and the Indian intervention.

[1] https://archive.org/stream/FriendsNotMastersAPoliticalAutobiographyByPresidentAyubKhan_201705/Friends-Not-Masters-A%20Political%20Autobiography%20by-President%20Ayub-Khan-_djvu.txt

We need to understand that the Mukti Bahini was a reaction to the racist attitudes that we had while India in 1971 did what any rational country would - an opportunity to weaken its enemy. They would have been foolish not to exploit it in their favour. We had to keep our house in order and failed miserably at doing our job. This failure should be the basis of the discourse in our school curriculums of Pakistan study.

The accounts of deregulatory statements, comments and writing can go on and on. The point here was to show that if a state leader is looking at the East Pakistanis in such a way that they're considered lesser humans, less Pakistani, their political rights are a favour granted by West Pakistan. Even the quality of their Muslimhood was questioned. How would you expect to win a war, keep them together with you and aim at progressing and taking the whole nation ahead? Yes, 1971 was a mistake, a political blunder and a human rights crime, and it has to be the discourse in our curriculum now.

We rejected the right of the Bengalis, who won their right democratically. The only optimum solution was to give power to the majority leader. Had we been a democratic nation, we would never have chosen this ignorant path. This would have been easy if we West Pakistanis had considered East Pakistanis equal citizens. But we didn't, and we are making a big mistake by not letting our younger generation know. The truth can't be hidden; they will come to face the facts that will make them lose hope in the country and its foundations leading to a catastrophic collapse.

Lastly, have we learnt anything from the 1971 debacle? A whole part of our country was separated from us. Do we have any takeaways? Are we repeating these mistakes somewhere else? There is conflict theatre in Pakistani with similar sorts of issues. I can't forget a public servant saying in a documentary I saw during my college years, "before we came in, these people were savages". It turns out we have learnt nothing from 1971.

In conclusion, we need to revisit the chapters dealing with 1971, its causes and consequences. The younger generation needs to be aware of the blunders committed by non-democratic forces who also had support from political parties in western Pakistan. Racism, whether tacit or exploitative, should be a concern since we are a racially and culturally diverse nation (a nation. I hope). We are faced with groups that have the potential to become Mukti Bahini, and if we keep on denying that, I fear history might mercilessly repeat itself.

The world doesn't forgive the ones who forget history; it's a cruel mistress, my friends. Let's revisit the discourse on 1971.

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KHANDAAN, KHAANAA AND FINDING MY FOOTING IN THE پاکستانی DIASPORA

Ayesha Le Breton

Growing up, family and food were my main conduits to Pakistani culture. Desi khaanaa is my comfort food, my first choice, always. So much so that in my limited Urdu vocabulary there's only one full sentence, mujay bhookh lug rahee hai (I'm feeling hungry). Try as I might, I have yet to master cooking any of my favourite dishes – indeed, there have been many failed attempts at making daal. Which means on my trips home to London, my mum's fridge is readily filled with stacks of daal, chicken biryani, aloo keema, raita—the joy! My love for this food runs deep, and has been shared amongst so many of my non-Pakistani nearest and dearest, from my oldest friend in France to my surrogate sister in New York.

Much of the time I spent with my Nani, was in her North London bedroom amidst thralls of shawls and trinkets. Her North London home felt like a portal to Pakistan, with fragrant spices filling the air, Persian rugs covering the floors, rooms overflowing with family and friends. There is no place on Earth where I have felt such warmth and love—this was where my initial connection to Pakistan was forged.

Unsurprisingly, my most distinct memories of Nani have to do with food, particularly those of her waking me up in the middle of the night to feed me namak para or shakar kandi. She was unique in so many ways, but also performed the Desi trope of over-feeding and spoiling her grandchildren so well. My room of choice when visiting was always hers—I loved that she was a night owl, the sound of her pottering about was comforting as were the dramas of Star Plus playing in the background. It didn't matter that I only understood every three words of what they were saying, the fun of it was watching my Nani's reactions and laughter. Although fluent in English, she only ever spoke to me in Urdu, a stubbornness I am now grateful for—because although I can't really speak the language, I can for the most part understand it.

Now being here in Islamabad, there is a disconnect and frustration I feel about not being able to communicate in the national language, a language that is my heritage. But, I'm no stranger to these emotions, particularly as they relate to my roots. That's not to say I haven't loved and appreciated my life and surroundings thus far. Growing up in a small town in the south of France was beyond idyllic and privileged, filled with so many beautiful friendships and adventures. Nonetheless it was a predominantly white community; and for a very long time my mum, my sister and I were the only people of colour, the only Pakistanis. We felt that; my mum, more than us.

Until 16 years old, the faces, the books, the movies, and shows by which I was surrounded in my day to day only reflected and related to half of who I am. So naturally, I leant into that. Like most teenagers, I wanted to fit in, or be accepted, and my understanding of what that meant wasn't necessarily to embrace my British side but rather repress my Pakistani side.

Slowly but surely, this started to change when I left for boarding school in Wales. This school was probably as international as you could get, where I saw my fellow Pakistanis, but also my Palestinian, Syrian, Japanese, Venezuelan, etc. peers fiercely embracing their culture. We'd have events where anyone and everyone was given the floor to showcase their respective cultures. In a way this made me feel more disconnected, slightly detached from both of my nationalities. I never quite belonged to either. But bearing witness to other people's pride gave me hope for myself. This was pivotal, the narrative was shifting for me. When faced with the question, "Where are you from?" I was no longer hesitant. I felt that pride, not shame. But, I don't think I really embraced being Pakistani until I moved to New York for college. It's a journey that I'm still on. Physically and spiritually.

Speaking of the spiritual, for me, understanding this part of my identity has been inextricably intertwined with being Muslim. A tough pill to swallow, seeing as my exposure to Islam has been inconsistent, and my relationship complicated. What I know of the Qur'an I picked up from a handful of Saturday mornings at Stanmore Masjid with my cousin's kids. She wears a hijab, and that would be the intended plan for her three daughters once they turned 9. My sister and I had an entirely different trajectory. We were raised knowing Mama believes in Allah, and Papa converted when they married as a gesture of love—in our household being Muslim felt more cultural than religious. I still struggle to distinguish the two. These major polarities within the immediate family have sometimes caused friction and frustration, felt from both sides—experiences that have tainted my connection to Islam, and incidentally to Pakistan. I feel like I've hit a bit of a wall with this, but I try to ground and rebuild my beliefs through introspection rather than these experiences with other people.

I write this sitting next to my grandfather in his Islamabad home. He is my physical anchor to Pakistan. Through his eyes, I have been lucky enough to experience some of this country's beauty and strength. He's taken me to the snowy peaks of Gilgit, the cherry orchards in Chitral, and the rolling Margalla Hills. I recall scoffing down spicy omelettes and parathas while overlooking the Galyat range, racing against the reappearance of bandar. Trips to Peshawar were always exciting, as we anticipated long overdue reunions with our cousins. Everyday were feasts prepared in honour of our arrival, as years would most likely go by before the next.

This visit has been particularly special, for it's the first time I've travelled to Pakistan alone, and as an adult.
I went to Lahore, where I was stunned by all the sites, standing strong after thousands of years. From the Shahi Hamam, and Wazir Khan Mosque, to the Fort and Badshahi Mosque—each impressive in their own rights. On our drives to various engagements, my Aunt would point to different landmarks of her youth: the house the family lived in, the college where she met three of her dearest friends, one of whom we were currently staying with. I took it all in, the national and the personal history.

These few weeks I've spent in Islamabad have been especially peaceful and cathartic. Here, I've cherished a daily routine of quality time with my grandfather, from reading the daily papers under the morning sun and strolling along Trail 1, to evening tea and sifting through photo albums. He's spent so much of his life here, so to be part of that, even for a short while feels so special.

Moments in between, I'll settle into my writing nook—a cherry wood rocking chair that I moved to face the lush trees that line Aga Khan Road. The words seem to flow easier here, there's been no shortage of inspiration. I can't help but attribute that to the warmth surrounding me in this house, where I feel generational love and strength.

The author is a freelance journalist and investigative reporter based in Manhattan, New York. She holds an undergraduate degree in Journalism + Design from the New School, New York.

THE PLIGHT OF PERSONS WITH DISABILITIES

Hussain Odhwani

According to the World Health Organization (census 2017), an estimated 30 million people are living with some form of disability in Pakistan. Unfortunately, they are often not visible in the community due to inaccurate data and evidence on disabilities, inadequate resources and poor healthcare facilities. Cultural factors, religious beliefs, high poverty rates, endemic diseases and natural disasters are the most common factors leading to increased statistics of persons with disabilities.

There is great difficulty in collecting data and making meaningful policy changes because individuals and families are hesitant to accept disability. In more traditional circles of Pakistani society, having a physical or mental disability can be interpreted as an affliction from God as punishment for wrongdoing or even as part of a test of faith.

Pakistan made early efforts to include persons with disabilities in social and economic development activities, including policies aimed at education, employment, and business opportunities. Although these efforts were met with some success, including founding several special schools and rules requiring businesses to hire persons with disabilities in a mandated percentage, these were short-lived. The resources available did not support inclusive practices, and the stigma against disability continued to embed itself deeply in society. Furthermore, Pakistan became one of the 141 signatories to ratify the CRPD (Convention on the Rights of Persons with Disabilities), a landmark agreement for the global community, but not much has changed.

The core reasoning observed is that the voices of individuals with intellectual disabilities are not heard regarding policymaking and strategising. There is a faint presence of identification processes that recognise these members of society and their specific impairments. To make matters worse, the availability of professionals qualified to work with those having any degree of intellectual impairment is in short supply; data from a 2008 World Health Organisation (WHO) report indicates that for every 100,000 people living in Pakistan, only 0.49 trained psychologists and psychiatrists can be found.

As the world continues to evolve, policymakers are showing a greater understanding of the needs of persons with disabilities. Michael Stein, director of disability studies at Harvard's Kennedy School and founder of the Harvard Project on Disability, says that creating laws and regulations to protect those with disabilities is nice – but only goes so far. The real key lies in changing people's attitudes toward those with special needs. Although there is a strong culture of sympathy for persons with disabilities, this needs to be replaced by a rights-based approach that recognises persons with disabilities as equal members of society. The thought process must shift away from pity or charity and instead focus on empowering them to live their lives.

Establishing a robust legal framework to safeguard the rights and worth of those with disabilities in every aspect of life is an absolute necessity. Such a framework must include laws that protect against discrimination, provide equitable education opportunities, ensure secure jobs, facilitate communication, allow access to infrastructure and transport services, and guarantee civil liberties. Such rules are essential for securing equitable living standards for individuals with disabilities.

Introducing a dedicated governmental department is essential for protecting the rights of persons with disabilities. Both federal and provincial governments should be responsible for setting up such an entity to create and enforce the necessary regulations. Establishing effective utilisation of government and other stakeholder resources and funds towards rehabilitation, healthcare, education and employment services is vital.

Other than relying on the government, inventive mechanisms within the community can prove beneficial. Pakistan offers inspiring examples of such initiatives, like Niaz Support or similar programs that foster awareness and promote transformation.

Niaz, founded by Hussain Odhwani in October 2022, is a social enterprise pioneering the provision of customised wheelchairs to Persons with Disabilities (PWD) in Pakistan based on their body measurement and disability needs. Niaz partnered with the manufacturing unit, collaborated with PWD associations keeping records of deserving individuals and developed an e-commerce platform, www.niazsupport.org, to enable donors to gift wheels to the most deserving PWDs, ensuring transparency and payment-security in the process. Certified engineers manufacture customised wheelchairs, while the workforce also includes PWDs giving them employment opportunities. Mr. Jahangir Khan, renowned Singer-Songwriter, Philanthropist & Politician, Mr. Abrar-ul-Haq and Country Head Siddiqi Hospitality, Former Minister of State, Special Assistant to the Prime Minister & Chairman PTDC and Mr. Azam Jamil are the Goodwill Ambassadors of Niaz to create awareness and support the cause.

Disability Rights Organisations (DPOs) also need to collaborate to facilitate the transformation of their work towards a rights-based approach. Currently, some DPOs mainly concentrate on providing charitable services or medical assistance, both essential for areas where government initiatives are deficient. However, it is crucial to be aware of the necessity for larger-scale alterations.

Strong measures must be taken to better protect the rights of people with disabilities, from giving the right kind of education and support enrolment of PWDs in schools and universities to finding them employment in both the private and public sectors.

Inclusive education, where students with disabilities are placed in the same classroom as mainstream learners, is seen to be more beneficial than promoting segregation via specific educational services. Research has proven that this approach has a favourable impact on attitudes and costs. To implement this type of schooling successfully, investment in better teacher training and changes to the school infrastructure is necessary.

When it comes to finding employment, persons with disabilities should be provided with an environment that promotes fairness and equality, and specific regulations must be put in place to stop any form of discrimination. These small steps would go a long way in ensuring that disabled individuals are treated equally and respectfully.

The author is the founder of Niaz Social Enterprise and has been associated with Aga Khan Development Network, leading the CSR and public relations activities in Pakistan and Central Asia.

HISTORY

THE CONUNDRUM OF 711 CE

Muhammad Huzaifa Nizam

The state of Pakistan owing to its relatively young birth in the terribly turbulent breakup of British India has for decades set out to weave for itself an origin story and has, at most if not all occasions, utterly failed in this endeavour. Yet a recurrent theme that continues to appear in such conversations is one that revolves around the figure of the young general Muhammad Bin Qasim and the Umayyad conquest of Sindh which eventually charts Pakistan's origin and history to both arise together in the year 711 CE - the year of the conquest. As much as many would like to place the year as when the birth of Pakistan came about such a notion, though somewhat controversial in itself, often comes off as ahistorical and on some accounts irrational when studied in-depth.

CONTACTS BEFORE BIN QASIM

The concept of taking the year 711 CE as the origins of the foundation of Pakistan mainly revolves around the advent of the regions' first Muslims conqueror in 711 CE. However, this concept is rendered obsolete when one learns that the first contact of the region with Muslims commanders started nearly 80 years prior to this.

The first Muslim commander arrived in the region merely 4 years after the death of the Prophet (SAW) in the early days of the Caliphate of Umar (RA). This was in the form of a naval expedition against the westernmost coastal regions of South Asia. A commander named Mughirah appeared against the port city of Debal in Sindh. His clashes against local forces is well documented, although differences opinions linger over how he met his end.

Another commander named Abudullah bin Ma'mar Tamimi also appeared in Sindh shortly afterwards in the era of third Caliph Usman (RA). Abdullah is also remembered for having won a victory against the Chach Dynasty however no long term consolidation occurred.

A new name appeared a decade later, that is of one Saghar bin Zuar, who was appointed by Caliph Ali (RA) on the Indian frontier. He too is credited with many victories to his name.

Perhaps the most important character in this regard was the man who directly preceded Muhammad Bin Qasim in an expedition precipitated by the same issue which later brought Bin Qasim to Sindh. Budail al-Bajali was an Arab commander dispatched by the Caliph to punish the rulers of the Chach dynasty of Sindh on account of their inability to control and curb the pirates freely operating from the coastal regions of Sindh.

Budail arrived in Sindh with a large force but during a pitched battle lost his life to Raja Dahir's son. His failure opened the gates for Bin Qasim's famous conquest.

The southern portions of the country weren't the only places which witnessed Muslim activity. In 664 CE the famous Arab general al-Muhallah Ibn Sufra crossed from Kabul into Bannu and possibly penetrated as far east as Swabi in today's Khyber Pukhtunkhwa. His foray did not result in any long term consolidation of power but it is said to have achieved smaller military goals by relieving forces in Kabul from a regrouping of his rivals.

THE QUESTION OF FORCED CONVERSIONS

A part of the rationale behind the usage of the year 711 CE is the mistaken notion that mass conversations of the locals occurred on the mere arrival of the armies of the Umayyad Caliphate and thus the foundation of Pakistan was set. Au contraire, such a notion quickly lends support to those who claim for Islam to have been forcefully spread into the region and for all the Muslims to have been products of forced conversions. This debate arises through the fact that by taking a single solitary year as the start of a Muslim Pakistani nation we make it appear as if the mere presence or advent of Muslim commanders instantaneously changed the religion of the locals which is on all accounts incorrect.

Those who debate for the concept of forced and coerced conversions of the locals through foreign armies and commanders often borrow support from such a line of thought where the possibility of an instantaneous change of religion seems to only be able to occur through the use of strong brutal force. However, the policy adopted by the armies of Bin Qasim in regards to non-Muslims was not outrightly hostile but rather happened to vary on different occasions. The Hindus and Buddhists were equated to the people of the covenant. The Brahmin caste was exempted from the Jizya tax that was imposed on the non-Muslim subjects. Many Brahmins were also encouraged to retain their positions in the governing structure. Many local elements were incorporated in the state structure.

The documented history of the Muslim states that controlled Sindh often yield credible instances of the pluralistic society that existed in Sindh for centuries after Muslim control. Whilst on one hand the ruling class was mainly Muslim and Sindh became a prized destination for Muslim jurists, Huffaz, and traditionalists, much along the same time the greater expanse of the Sindhi countryside was controlled by the Agrarian Hindus and much trade was conducted through the largely mercantile Buddhists of Sindh.

The conversion of the locals to Islam was an extremely gradual process which took quite a few centuries to occur.

Contacts on a theological, intellectual, commercial, and societal level over various centuries in a gradual manner allowed for more and more people to enter the folds of Islam. There is textual and archaeological evidence of Sindh's two largest minorities - the Hindus and Buddhists - persisting as active components of society for centuries after the advent of Muslim Arab caliphates and even in the Turkic empires that followed. Sindhi Hindus were an active component of the urban populations of Sindh right until independence in 1947.

CONTRIBUTIONS TO THE GOLDEN AGE

The third and final issue that arises by adhering to the year 711 CE as the year when Pakistan's foundation was laid is how it serves to dissociate the land and the people from the unparalleled impact that our ancestors had on the Islamic Golden Age.

The Islamic Golden Age was a set of centuries in which the Muslim world's knowledge in the various sciences of the world grew exponentially. The Islamic Golden Age relied on the intelligence and the thirst of knowledge that the Muslims of the time fostered but was also contingent upon the pre-existing scientific discoveries and advances that had been made by the nations which came in contact with the ever expanding world of Muslim hegemony.

The result was an era in which Greek, Persian and South Asian works were amalgamated and then worked upon by the Muslims to create something anew - yielding exceptional intellectual advances that helped usher the world into a new age. A significant portion of the knowledge lent to the Islamic world from South Asia either came directly from the people of the Indus Valley or was transported by them from other parts of South Asia.

Many names in this regard stand out. Baghdad's Bimaristan, that is its grand hospital (one of the first of its kind), was headed by a physician and scholar from Sindh remembered in Arab sources as Ibn Dahan. Ibn Dahan oversaw all activities in the central hospital of the capital of one of the largest empires of its time and in this duration is said to have authored many books.

Another scholar from Sindh named Mankah introduced the Muslims to two of the most significant medicinal treatises of South Asia. The compendium of Sushruta and the compendium of Charaka. Both books were translated and used by Muslims to expand their knowledge of medicine.

Al-Fazari's famous astronomical treatise, the 'Sindhind', reportedly came from Sindh to Baghdad carried by a Sindhi polymath known as Kankah. In its original form it was one of South Asia's most detailed works on astronomy by the Indian Mathematician Brahmagupta. The Sindhind is often credited to have laid the foundation upon which the later tradition of Arabic astronomy was erected.

It is often hypothesised that the Muslims were first introduced to the decimal notion system of numbering from South Asia through the Sindhind. This numbering system was then dubbed as the 'Arqam al-Hindi' that is the Indian numerals. The usage of the Indian numerals spread across the Muslim world and eventually reached Europe as well.

CONCLUSION

Pakistan won independence under severely strenuous political conditions and was thus for the greater part unable to ever define what it was and where it originated. That, however, doesn't translate to a single year being chosen to be used as when Pakistan's foundation was laid. All countries stand on a specific geographical region and the history of that region is considered the history of the country no matter how young the state is. Pakistan is highly gifted in this regard for it is made of a region which fostered one of the oldest civilisations in human history. It is our duty as a nation to recognize the history of our land and honour the legacy of our ancestors as a whole instead of choosing a single date to chart Pakistan's history from. The history of many millennia cannot be concealed by 3 mere numbers.

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Contextualizing Literary Censorship in Pakistan: The Legacy of Colonial Penal Codes

Fatima Z. Naveed

In 1932, the literary landscape of colonial India was irreversibly changed by the publication of Angaaray (Burning Embers), a collection of nine short stories and a one-act play in Urdu, with contributions by Sajjad Zaheer, Rashid Jahan, Mahmud-uz-Zafar, and Ahmed Ali. Denounced as vulgar, obscene, and deliberately insulting to the emotions of North Indian, upper-class Muslims - the very section of society the writers themselves belonged to, and had intended to criticise - the collection was banned in the United Provinces shortly after its publication, under Section 295 A of the Indian Penal Code (1927). This code, which specifically targeted "Deliberate and malicious acts, intended to outrage religious feelings of any class by insulting its religion or religious beliefs" would go on to be co-opted by not just the colonial authorities, but by the governments of independent India and Pakistan, following the 1947 Partition of the subcontinent.

Literary censorship in Pakistan, therefore, relies on such early cases to set a precedent for its modern enactment, with Angaaray being only one example of many. The collection is widely credited as the informal start of the All-India Progressive Writers' Association (PWA); the founding members were all contributors to the collection alongside other famous names from literature such as Mulk Raj Anand, Faiz Ahmad Faiz, and M. D. Taseer, to name a few. Even after the formation of the PWA, which aimed to address and portray the 'radical changes' taking place in the subcontinent's society, as well as offer protection to writers persecuted by the colonial authorities for sedition, censorship continued to be a problem. The infamous Lihaaf trials of the 1940s, which targeted "Lihaaf" ("The Quilt") by Ismat Chughtai and "Bu" ("Smell") by Saadat Hasan Manto, similarly found the two short stories to be 'vulgar' and 'obscene' - what exactly in them that was so, however, could not be determined by the accusers despite an extended trial in Lahore. Chughtai was never charged again; meanwhile, Manto was charged for obscenity and sedition for five of his short stories before and after Partition: "Kaali Shalwar" ("Black Shalwar"); "Dhuaan" ("Smoke"), "Bu" ("Smell"); "Thanda Gosht" ("Cold Meat"); and "Upar, Neechay Aur Darmiyaan" ("Above, Below, and Middle"), with his trial and fifth trial taking place in independent Pakistan, only shortly before his death in 1955.

Manto's trials for obscenity and sedition represent a wider disillusionment with the state of Pakistan after

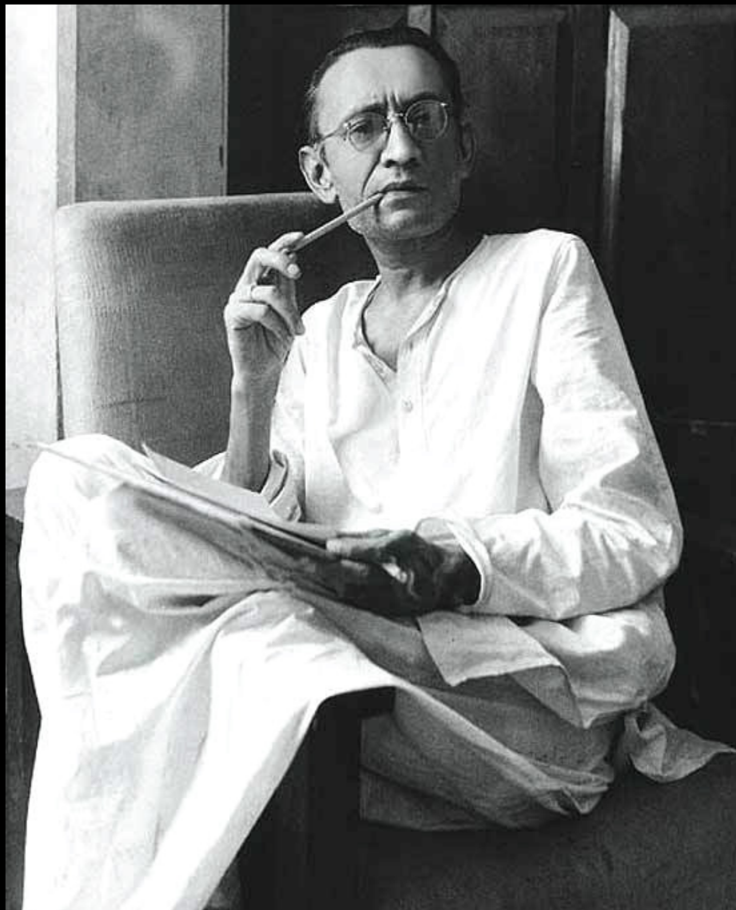
Partition, particularly for those progressively-inclined writers, artists and intellectuals who had supported the call for a new and separate country that would safeguard the rights of minorities. The crackdown against freedom of expression, however, made it clear that the status-quo established by the colonial government would only be upheld by the new state's establishment. Thus, those who held conservative values that matched with Pakistan's increased inclination towards Islamisation, even before the regime of President Zia-ul-Haq, seamlessly fit into the power vacuum created by the exit of British imperialism, setting up a neo-colonial form of leadership that would go on to curtail freedoms, both of expression and civil liberties, through Pakistan's short history.

The legacy of measures such as 295 A taken by the colonial state still reverberate in the modern context of Pakistan. Alongside religious offence, a key component of laws that aim to curb dissent is to ensure there is no criticism of the military, a direct result of Pakistan's many military dictatorships dressed up as democracies. In Kamila Shamsie's 2022 novel, Best of Friends, an integral part of the characterisation of Zahra is her abject fear in the face of threats her father receives as a sports journalist. He makes the mistake of not referring to Zia-ul-Haq when applauding the Pakistani cricket team on their performance. The next day, and several days after, the family lives in terror after military and government-aligned acquaintances show up at their home, making veiled references to what we now understand to be enforced disappearances, unless her father apologises on-air for his omission. He refuses to do so, but is saved from a guaranteed unfortunate fate by the death of Zia on the very day his unapologetic segment is to go on the air. However, the novel insinuates that the experience of the fear is what leads Zahra to become a lawyer and human rights activist. Despite this fortunate ending, this section of the novel not only highlights the realities of press censorship, albeit on a smaller scale, but portrays the realities of living, even as an average person, under the regime of a government that does not and cannot abide by any form of criticism, due to its undemocratic and precarious identity that reads anything except overt praise as outright dissent and sedition.

Literary censorship, as well as its representations in literature, is also intrinsically linked to the repression of other forms of expression in Pakistan. In 2012, YouTube was banned, and remained so until 2016; in 2023, Wikipedia was banned, although the decision was reversed within a few days. A common excuse for such initiatives is the dissemination of 'blasphemous content'; 295 A, a remnant of British colonialism, is now a part of the Pakistan Penal Code, in a special section known as the Blasphemy Laws, carrying a sentence of up to 10 years in prison. Human rights groups state that these laws are constantly misused and appropriated to settle personal scores and vendettas. The most disturbing legacy of such penal codes, however, is the public-led targeting of individuals and organisations, with little to no regard for investigation, evidence, or the truth. Angaaray's ban was prompted after protests in the United Provinces, and the public burning of the collection; Manto was targeted by both the colonial state and its postcolonial descendant due to readers' objections regarding his subjects, from the private lives of individuals to satirical renderings of political leaders. Dissent, therefore, whether against the government as a whole or merely against those with wealth, power, and status, was and still is equated with illegality.

As we enter 2023, censorship is more rampant than ever, although the cultural productions that it targets have grown more resilient. Zindagi Tamasha (2019) and Joyland (2022), both banned and/or censored by the state for objectionable content that would offend the sensibilities of the average (conservative) Pakistani, serve as filmic representations of the genre of realism and trend of socially-conscious films, geared towards a modern society that finds its outlook increasingly regulated and repressed according to the whims of those in power, whether in the PTA, PEMRA, or not-so-mysterious powers seated in Islamabad.

In a country with one of the highest poverty rates in the world, and an average 60% literacy rate[1], censorship of this kind has been actively damaging the country's rate of progress for decades. Encouraging an inability to critically engage with content that is disagreeable at worst, history dictates that a propagation of the colonial penal codes causes these laws to morph into beasts such as blasphemy laws, leading to street vigilantism, curtailment of rights, and a reluctance to create art that could, if given the chance, significantly alter ways of thinking for the better.



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BUSINESS

The European Union's TEXTILE WASTE & USED CLOTHING IN PAKISTAN

Shahid Sattar and Noreen Akhtar

With the rising global trends in fast, disposable fashion, the export of textile waste or unwanted clothes to destinations outside the European Union (EU) has steadily increased, reaching 1.4 million tonnes in 2021. Around 2.1 million tonnes of post-consumer clothing and home textiles are collected in the EU annually for recycling or sale on global reuse markets. This figure represents around 38 per cent of textiles sent to the EU market. The remaining get discarded in mixed waste streams.

Pakistan is one of the dumping grounds for post-consumer textile waste, i.e. unwanted clothes discarded annually from the EU. In 2021, used clothing valued at $46 million was exported from the EU to Pakistan, reaching resale markets and dumping sites in the country. In the absence of efficient traceability criteria and waste hierarchy in the EU and Pakistan that distinguishes between textile waste and second-hand textile products, the textile waste streams falsely labelled as second-hand clothes are imported to Pakistan.

The unregulated waste streams of used clothing and lack of recycling cause more Green House Gas (GHG) emissions and unsustainable water consumption, leading to the manufacturing of more new clothing but also causing an increase in the dumping of textile waste in landfills. A significant portion is adding to the already mounting ecosystem challenges in the country.

The EU is now giving utmost consideration to sustainability, promoting textile circularity, and regulating the export of textile waste streams to other nations. The EU's legislative reforms will be a game-changer for Pakistan's textile and second-hand clothing industry, as it will significantly minimise the dumping of textile waste and align the current textile business models with the textile circularity business models.

CURRENT SCENARIO

Affordability and business through resale platforms are the primary forces behind large imports of used clothing from the EU to Pakistan. Pakistan has a vast textile resale market that resales imported used clothes, some of which are recycled while most are sold directly. With the growing economic crisis in Pakistan, consumers have become mindful of their expenses, and their preference for second-hand clothing, which is believed to have superior quality, has grown.

This expansion of the second-hand clothing market in the country is not only a pushback against the mounting fast-fashion systems but also poses fewer environmental consequences compared to the fashion industry and manufacturing of new textiles. For instance, recycling and reshaping second-hand clothes lessen GHG emissions and water pollution compared to the emissions and pollution from the new clothing production. However, the inflow of unregulated textile waste streams, falsely labelled as second-hand clothing, and unmonitored dumping of textile waste is a rising environmental concern and a challenge to promoting textile circularity in Pakistan.

Pakistan has considerable potential to recycle and redesign used textiles. The current scenario indicates that some industries recycle imported used clothes, but the progress is not significant, and major portions of these clothes enter resale markets and dumping sites directly. For instance, Karachi Export Processing Zone greatly benefits from the used textile industry. It recycles and resales imported used clothes globally. Given the preference for using recycled material in new clothes, if industries are channelled into the recycled fashion market, the recycling and redesigning of imported and locally generated used clothes can become a significant business market for Pakistan.

Recycled Polyester Staple Fiber (rPSF) is a highly suitable alternative for the industry to promote business through recycled fashion. rPSF has vast business potential for brands and is now gaining popularity, as it supports sustainability and compliance with the Global Recycling Standards (GRS) due to various desired physical properties. This includes higher strength, low moisture absorbency, high elasticity and comparatively easy production. The instalment of recycling plants for the production of rPSF can uplift and green the industry's business development, as it is the most preferred recycled content.

Textile circularity is now a matter of utmost importance for Pakistan's textile industry. The industry is currently experiencing a massive transition from only manufacturing new textiles without strategies to ensure their circularity to initiating circular business models, with a significant focus on eco-designed textile products and recycling of used textiles. From knowledge dissemination to preparing skilled labour, implementing sustainable business models, and upscaling technology, textile companies are actively internalising the EU's guidelines and strategies to achieve zero waste targets. The progress, however, must be enhanced in the entire industry through coordination, the correct financial allocations, and training.

THE NEXT BIG THING

EU Strategy for Sustainable and Circular Textiles will enormously transform the textile production patterns in Pakistan. Driving fast-fashion out of fashion by reversing overconsumption and overproduction is a primary target of the strategy. The industry will be obligated to adopt resource-efficient manufacturing processes and circular business models. This will promote not only the manufacturing of superior quality clothing but also the recycling of second-hand clothes, thus causing a massive shift in the consumers' preference towards recycled second-hand textile products.

With the motto of #ReFashionNow, the EU is emphasising the introduction of eco-design requirements for textiles, including quality, durability, longer use, repair, and reuse of textile products, all of which will ultimately decouple textile waste generation from growth. The textile industry will experience mandatory requirements to ensure a second life to used textiles, which will require significant shifts in industrial functioning, including skilled labour, efficient policies for waste hierarchy and collection, and technical progress for recycling and treatment of used clothes.

As the EU's strategy for textile circularity gets stricter, the requirements to track the origins of all textile products via traceability mechanisms are also becoming the norm in the EU's green economy plan. Through its Digital Product Passport initiative, the EU is introducing mandatory information requirements on circularity and key environmental aspects of textiles. This indicates that traceability mechanisms will gradually become applicable to second-hand textile products in the EU and Pakistan. From the export of second-hand textiles to their recycling and reuse points, this mechanism will trace all the necessary information of the product's lifecycle, thus reducing the dumping of used textiles to the minimum.

Digital Product Passport is a milestone initiative to deal with greenwashing, which misleads buyers by giving a false impression of a company's environmental footprint. The EU's criteria to avoid greenwashing is becoming increasingly stringent, as the European Commission seeks to define all greenwashing tactics (Figure 1) and disseminate information about them. While this will give enormous recognition to the textile companies in Pakistan who are making efforts to green their products; it will also hold the poorly performing companies accountable for their high environmental footprint.

Figure 1: Main greenwashing tactics (Willis et al. 2023).

CONCLUSION

Aligning business growth with the EU's strategy for textile circularity by focusing maximum attention on eco-designed new products and recycling used textiles is the next step towards a new normal for Pakistan's textile industry, as the strategy will soon enter into force. This will not only regulate the EU's post-consumer textile waste misleadingly labelled as second-hand textiles entering Pakistan but also reduce the dumping of textile waste to a minimum.

It is a must for Pakistan's textile industry to adopt waste hierarchy protocols for the imported and internally generated post-consumer textile waste and strengthen the traceability mechanism to trace its recycling and end-of-life points. As the EU is a top textile export destination for Pakistan and is increasingly focusing on eco-design requirements for textiles, post-consumer textile waste management will fulfil the EU's mounting requirements for textile circularity. The industry will observe a transition, as manufacturing superior quality textile products and recycling and exporting used clothes will dominate the industrial functioning. This will reduce the environmental footprint of the industry to a significant level and promote green economy-based industrial development.

All of this will require the right financial allocations, upscaling of current technology, skilled labour, and coordination among relevant stakeholders for knowledge dissemination: the absence of which will affect the industry's compliance performance compared to its regional competitors, ultimately distressing the export-based business market to the EU.

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FIRM PRODUCTIVITY IN PAKISTAN: CHALLENGES AND WAY FORWARD

Waqas Ahmed

Pakistan is going through a difficult economic situation, which can be attributed to multiple factors, including but not limited to political instability, weak governance, low socio-economic indicators, and low savings and investment. This essay will focus on firm productivity. In the words of Paul Krugman, "Productivity is not everything, but in the long run, it's almost everything." Pakistan's economic ailment cannot be cured without drastically improving firm productivity.

Productivity is defined as how efficiently a firm is able to convert inputs into outputs. Higher productivity leads to higher economic growth, higher employment, higher profit and growth of enterprises, higher wages for workers, lower cost for customers, and lower levels of poverty.

The real GDP per capita growth in Pakistan over the last twenty years is around 1.7 percent per year, less than half of the regional average. Although real GDP growth over the same period is 4 percent, the high population growth rate drags it down to 1.7 in terms of per capita growth. The period of high growth is always coupled with a high large current account deficit in Pakistan, growth fuelled imports without a corresponding increase in export. The exchange rate adjustment through the market mechanism can partially make correction in this regard but remittances and intervention in foreign exchange market have kept PKR/USD parity overvalued in the last decade. The growth is constrained by the balance of payments crisis, as consumption-led approaches will always fuel imports. As things stand, around 70 percent of aggregate demand is consumption based.

Low productivity of agriculture has implications for structural transformation as more labour is locked in agriculture with low value added. In the past two decades, employment in agriculture has decreased by 10 percent. During the same period, labour share increased by 5 percent in manufacturing, 3 percent in services, and 2 percent in non-manufacturing industries. This reallocation of labour from agriculture to other sectors of the economy has not improved the productivity of these sectors. The labour productivity in manufacturing and services is only 30 percent and 150 percent of labour productivity in agriculture despite the low base of productivity in agriculture. The growth of value added per worker in manufacturing is 0.9 percent per year and 1.3 percent in the services sector over the last two decades for Pakistan. This is much lower than other comparable countries where these growth rates are 2.5 and 1.9 percent respectively.

These numbers paint a dismal picture of productivity. The analysis of listed firms reveals a slow decline in the total factor productivity of these firms over the last decade. The increase in the age of firms is normally associated with better productivity. In the case of Pakistan, however, firms do not seem to become more productive as they age. A firm as old as 40 years is on average as productive as one that is 10 years old. This pattern suggests that due to a lack of technology adoption, firms are aging without improving their productivity. In the case of firm size, there is evidence that increase in size has a positive impact on productivity through economies of scale. The difference in management practices among firms can partially explain their productivity differential. Research by Bloom et. al (2019) documents the importance of management practices for better firm performance and attributes 20 percent of the variation in firm-level productivity to them.

The challenge of low productivity is multifaceted and requires improvement on many fronts. The productivity of a firm can substantially increase by integrating with the global value chain. Knowledge transfer and specialisation through international trade can facilitate the convergence of productivity levels with the developed world. We need to remove distortions in the exchange rates and tax policies to facilitate more trade. In the last twenty years, export as a percentage of GDP has fallen from 16% in 1999 to only 10% in 2020. This illustrates the lack of competitiveness of local production and the downside of protective policies. Import duties to protect local manufacturers has actually functioned as a tax on export. There is almost a 50 percent increase in import duties on intermediates in the manufacturing sector, which restrict technology choices and adversely affect productivity. A firm operating in the international market needs to be more innovative and productive in order to stay competitive. The productivity of exporting firms is around 20 percent higher than firms focused on the domestic market. There is a virtuous cycle between export and productivity. The credit support policy for exporting firms is primarily focused on the financing of working capital management. The subsidised capital should be channelled towards long-term financing of investment and innovation that can improve productivity and export as well.

Management is the visible hand that can improve the efficiency and productivity of the firm. The funds from unconditional subsidies should be reallocated to cost-sharing management training programs to upgrade managerial capabilities at firms and ultimately improve their productivity.

Access to credit is another issue faced by firms in Pakistan, especially for Small and Medium Enterprises. Persistent fiscal deficit and government borrowing have a crowding-out effect on the private sector. Firms without access to credit cannot exploit growth and export opportunities. The investment in product or process innovation is also constrained by the non-availability of credit, leading to low productivity.
Firm productivity can be improved by removing distortions in resource allocation, improving access to credit, and professionalising the management of firms.

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SPORTS

PAKISTAN'S COMPLICATED RELATIONSHIP WITH DIASPORA FOOTBALLERS

Muneeb Farrukh

KARACHI: When it was brought into the public eye that 14 out of the 26 players named in Morocco's FIFA World Cup 2022 squad were born outside of the North African country, the debate was about how far they can go in the mega event and not where they came from. When the Philippines' women's football team qualified for the FIFA World Cup 2023 last year, they were lauded for their incredible achievement rather than being scrutinised for the fact that the majority of its squad was born in the USA.

Then we have Pakistan, a country lagging light years behind modern-day football, which needs all the help it can get in order to make a name for itself in the sport but which still chooses to downplay the contributions of its diaspora players.

At a time when diaspora players are becoming increasingly important in teams all over the world, they are slighted by the local football community in Pakistan and some individuals in the media just because they were not born in Pakistan.

As long as someone has Pakistani blood running through their veins, why does it matter where they were born? But to some, that doesn't cut it. Ask them why and they will tell you how the diaspora players are 'not Pakistani' and are 'affecting the confidence of local players'. And if that doesn't work, blame them for not 'attending camps'. Doesn't make sense, right? Don't worry, it's not supposed to. This is Pakistan football, you can say and do anything and easily get away with it. Be it Hassan Bashir or Zesh Rehman in the past or Nadia Khan in more recent times, all have suffered the same fate.

Keeping in mind the turmoil engulfing the Pakistan Football Federation (PFF) over the years, highlighted by warring factions, financial embezzlement and constitutional violations, the players have been made to bear the brunt of the situation which has consequently meant that little has been done to properly integrate and make full use of the diaspora for the national side.

Utilising foreign players won't make Pakistan a footballing powerhouse within a few years but at least it will help the national teams, both men and women, get back on their feet.

It goes without saying that Pakistan's footballing infrastructure is virtually non-existent. Due to a lack of facilities and top level coaching, the majority of local players are not able to reach their full potential and as a result find it hard to compete in the scant opportunities they get on the international level.

This is where 'foreign' players have an advantage: since they have access to better facilities and get more playing time in professional leagues, their experience is like gold dust for local players, who can learn from them to improve their own game.

However, the integration of foreign players in the national side needs to be done while ensuring merit as the top priority. Just because a player plays in a foreign league does not necessarily mean that he/she is automatically better than every other local player. The only criteria for judging players should be their skills on the field. If merit is bypassed, it becomes difficult to form a cohesive unit since the amalgamation of diaspora and local players already has its challenges in the shape of language barriers and different cultural backgrounds.

Take Morocco's example, the first African and the first Arab team to ever reach the FIFA World Cup semi-finals in Qatar last year, who formed a united team, based on merit, despite having players from different backgrounds.

"For this I have fought [...] Before this World Cup, we had a lot of problems about the guys born in Europe and guys not born in Morocco and a lot of journalists said, 'Why don't we play with guys born in Morocco?' Today, we have shown that every Moroccan is Moroccan," Morocco head coach Walid Regragui said in an interview after the FIFA World Cup.

But Morocco did not achieve success overnight: it required a lot of hard work and years of planning, which is a glowing example for countries at the bottom end of the football table.

However, countries like Morocco had a sellable vision, backed up by state of the art infrastructure, something Pakistan currently lacks. This begs the question: why should foreign players choose Pakistan over another country, especially when the former is far behind in terms of footballing stability? If Pakistan wants to successfully go down this diaspora route, it is important for all officials and coaching staff to be on the same page about the inclusion of foreigners in the national side while also having a proper scouting network in place to identify and recruit players.

Additionally, the local players in particular should be given clarity about the how the inclusion of foreigners will be used to bridge the short-term gap in quality while also dispelling the misconception that it will move Pakistani natives to the fringes.

Also, it will be very difficult to encourage quality diaspora players to don Pakistan's colours as long as the PFF's house is not in order. You can't expect foreign players to play for Pakistan if there are structural issues and politics involved in the running of the federation, especially when most of them are used to playing in environments – such as England – built to incubate professional footballers.

FIFA ban on Pakistan, in 2017 and 2021 due to third-party interference, has also not helped the country's cause since the crisis-ridden Pakistan Football Federation (PFF) has not been stable enough to attract top quality diaspora players over the years. It is the need of the hour that the PFF, which is currently run by a normalisation committee, be in hands of competent individuals who are elected through free and fair elections in line with FIFA statutes.

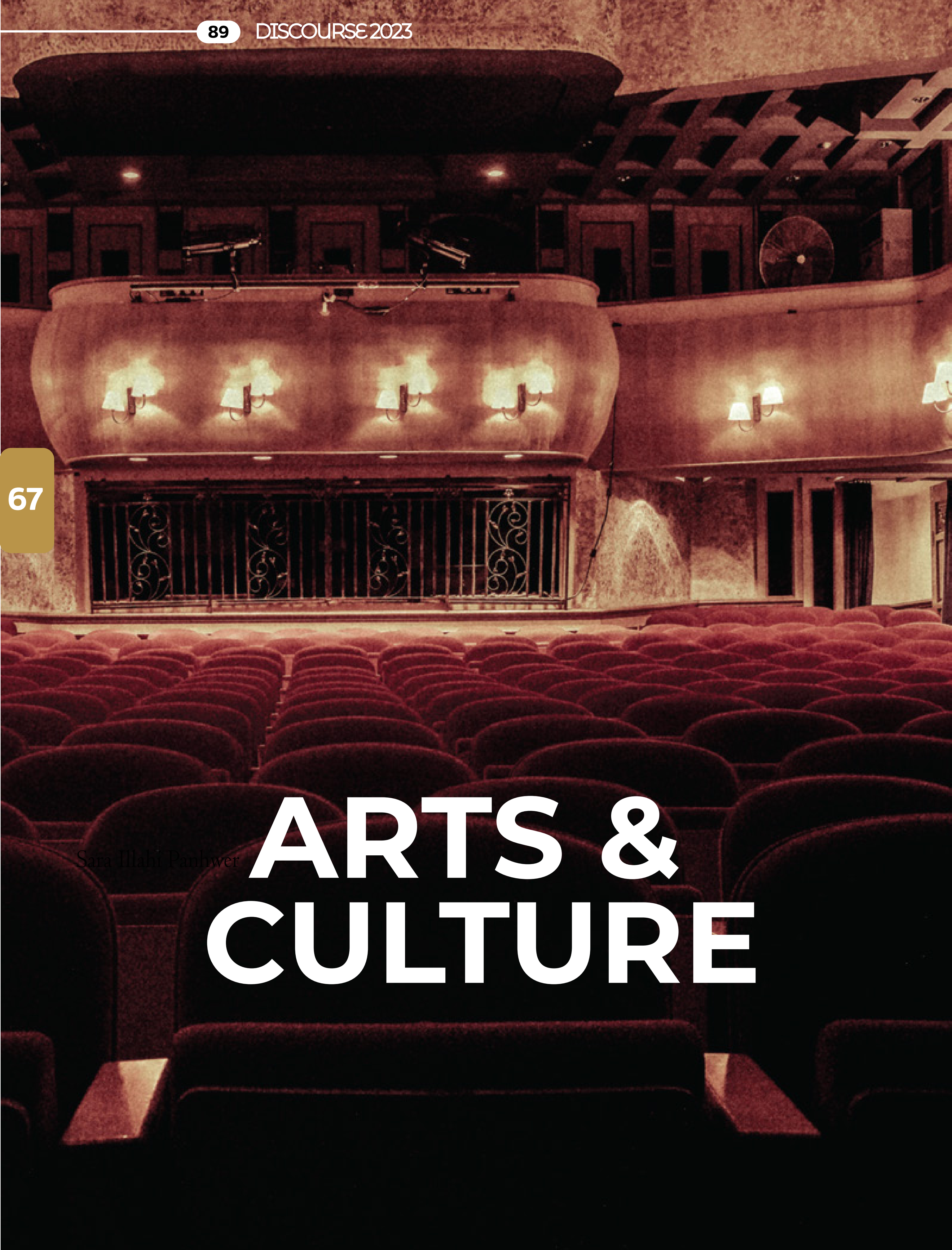
This PFF trouble has also meant that Pakistan could lose out on a talented player like Zidane Iqbal, who was eligible to play for Pakistan because of his Pakistani father and is the first British-South Asian to play for renowned English Premier League club Manchester United, who could have been a huge asset for the national side. Instead, he is likely to end up playing for Iraq since his mother belonged to the Western Asian country.Meanwhile, others like Etzaz Hussain, who plays for Apollon FC in the Cypriot First Division, and Aqsa Mushtaq, the first ever player of Pakistani heritage to play in the Italian top flight, could also miss out on playing for Pakistan during their peak years if the mess continues in Pakistan football.

Apart from the PFF, some of the responsibility also needs to be shouldered by the federal government which could make the process easier for acquiring the Pakistani passport.

Pakistan could also learn from other countries like Suriname who introduced a special sport passport in 2019 to ensure that athletes with dual citizenship can represent the country. The sports passport had a positive impact on football in Suriname as they qualified for the regional CONCACAF championship competition for the first time since 1985 in the same year. If other countries can take initiatives for the betterment of football, what's stopping Pakistan?

While diaspora players can help Pakistan get back into reckoning in the world of football, that doesn't it is the only issue that needs to be looked at. The country has a long and tough road ahead of them due to the absence of a football ecosystem, which includes proper coaching, facilities, club-based league and marketing, which doesn't allow the game to thrive in Pakistan. However, proper utilisation of foreign players is a good place to start.

The author is a Senior Sub Editor at GEO Super.



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Sara Illahi Panhwer

ARTS & CULTURE

PAKISTAN'S CRAFT INDUSTRY REFLECTS THE COUNTRY'S OWN HISTORY

Mehr Husain

Pakistan's decolonisation process began with fashion. It was in the 1950s when the country's first couturier established herself with a distinct 'Pakistani' means of dressing which was very different from 'Indian' style and a step away from 'colonial' fashion. Interestingly, while men were quick to adopt British fashion, women generally stuck to their local fabrics and style more so out of cultural norms and perhaps, the climate as well.

Sughra Kazmi established herself via the various local fabrics and embellishments as a couturier. This kickstarted the further decolonisation of local fashion. By the time the 1960s and 1970s rolled around the country had experimented plenty with Western fashion thanks to influences that came in from Iran a la Farah Diba and the infamous 'Hippie Trail' that made its way to Karachi from Afghanistan.

Street style remained very much western till the 1980s. This is when the decolonisation seeds began being sowed: starting from Tanveer Jamshed who took the Pakistani silhouette of the long tunic and baggy trousers – shalwar kameez – global via his brand Teejays with outlets in London and Paris. Locally, this was also a means of empowering women who were fighting for their rights in Pakistan and what better way than to take an item of clothing and give it an androgynous cut?

If women were expected to dress conservatively or ensure the female figure was invisible, they most certainly could but they'd also make their presence felt physically in public spaces. It was a stroke of genius. No one could question them over their clothes but yet they remained feminine in the most powerful way, through fashion.

And then there were the craft revivalists – all of them women. In Lahore, there was Sehyr Saigol who started the first original, screen printed designs and took them global via her luxury pret brand Libas.

Sehyr Saigol's impact on decolonising fashion cannot be stated enough. Not only did she start her own brand that celebrated Pakistanis abroad but also opened up the Western market for all of South Asia. While opening up Libas outlets in London, she also set up Libas the magazine which brought forth women of colour long before Vogue did – in fact, so strong was Libas' impact it was found side by side next to Vogue.

Prior to this, celebrating South Asian fashion, Zaineb Alam in London was the first to introduce high fashion rooted in South Asia in London via her brand ZeeZees. When Sehyr Saigol and Zaineb Alam joined forces there was no stopping them. They changed the market for London and for the first time, Pakistani fashion was seen as couture and could boast of clients such as British royalty and global celebrities worldwide.

In Pakistan the revivalists continued their work. Maheen Khan, Faiza Samee, Nur Jehan Bilgrami, Bunto Kazmi and Nilofer Shahid all went out into the 'unknown' in what was still a relatively new country that was attracting personalities including Pierre Cardin and Jackie Kennedy. The impact of the revivalists is still felt today – from ancient stitches, to block printing techniques, to vegetable dyed fabric, to weaving to cuts, these women built an industry based very much on what is referred to as 'indigenous' culture.

Starting from the grassroots level and creating a nationwide industry that went global, Pakistani craft has always been at the forefront of opening up markets for South Asian fashion. It was this industry that birthed local fashion publications and pop culture, today which has gone global too.

Up until 1999, Pakistan's culture continued to decolonise itself via festivals, cultural shows and exhibitions. Pop culture culminated in an original music video for 'Khamaj' that was the peak point where Pakistani music, style, fashion and history all tied into one gorgeous package.

And then came 9/11 which plunged the country into an identity crisis, a predicament that was never resolved. In between the chaos, the craft industry was somehow sidelined and ignored. As political and economic crises grew, local consumers found themselves either filling their stomachs or easing their conscience via a reinvigorated 'Arabisation' process which was synonymous with a religious identity.

Craft was all but forgotten. Unable to grow or innovate, handicrafts relied heavily on physical exhibitions to make ends meet, a cruel fate for a labour that were reliant on this in between crop cycles all of which were contingent largely upon Nature and her mood swings. Realising this there have been efforts to revolutionise how women work and earn an income in rural areas. One case study is that of Kaarvan Crafts Foundation (KCF).

Set up in 2004 with a focus on female economic empowerment it has advocated for gender equality, understanding that if females are to be viewed as equals, men need to be addressed as well. Working at the grassroots level there is an understanding of cultural norms and practices and within those confines it has successfully mobilised and enabled more than 25,000 women across Pakistan.

In 2018, KCF set up 'aanganpk.com', an e-commerce platform that actively advocated for digital literacy for women, enabling them to earn directly by running their own e-shops. Normally digital literacy would be conducted physically in the fields where these artisans were present but COVID-19 put an end to that. On the other hand, access to urban markets was limited due to restricted travel brought on by the pandemic.

With no training and no exhibitions, craft was in a freefall situation again. The rural woman risked being left behind in a world that was rapidly changing. The solution was to bring them into the digital realm – digitally.

In 2020, for the first time rural artisans participated in a three-day virtual exhibition, sharing their journey and showcasing their handmade clothing and fabric. A whole new chapter in Pakistan's digital literacy and women's economic empowerment had commenced. From just selling their wares, artisans were opening their homes, their lives and telling their stories digitally for themselves, by themselves.

But the question of how sustainable such plans are remains to be explored. It is estimated that crafts and related employments represent a significant source of employment in Pakistan at approximately 15% of all national employment. This particular segment of the creative economy remains ignored in terms of innovation, advocacy, gender, development and legislation.

COVID-19 identified the most vulnerable of Pakistanis as the most affected – the rural woman. The pandemic brought to the fore the underlying disparities that affect women and girls which disrupted their ability to earn and have access to markets to sell their handicrafts.

Pakistan as a country was still grappling with numerous socio-economic problems and with the pandemic two stark problems reared their heads. Firstly, the lack of sustainability awareness surrounding the craft industry, which is the second means of income after agriculture; and secondly, the environmental disaster as a result of unprecedented development projects. Either way – craft or agriculture – the rural woman is suffering badly.

Sustainable growth in the craft industry is stagnant and rural lands are being turned into housing societies. Unless people are made aware of what is happening via strong a digital presence that can help connect with wider audiences, the rural woman risks being left behind.

To think Pakistani craft once opened up South Asian fashion to the world and to see it suffer like this is reflective of the country's own history.

The author is the founder of Zuka Books, a Lahore-based publishing house dedicated to fostering cultural resistance and more creative space in the literary world.

TIKTOK-POLIS: A CITY FOR GEN-Z?

Hammad Bilal

Emperor Akbar could not read, so it says in numerous histories. He would play truant during his formal childhood lessons. His period of reign was just tumultuous and a biography on him by Abu Fazl details the mechanics of it in voyeur's detail. Reading it for the first time, there is a sense of peeking into a private sphere. What followed were prescriptions on dividing the living quarters from the court, instituting several changes to distinguish between the private and the public sphere. One of his greatest political challenges came from his private life though. He had difficulty conceiving a son for an heir, and then Salim came - and with him, an expected turnaround in fortunes. The succession was complete. The upcoming generation was in safe hands.

That's the story of almost every household, where the youth is both sacralized and feared, moderated and feared. The latest on that front right now is a TikTok renaissance, which has become a bit of an outcast movement too. It's a unique rebellion, where working class individuals are labeled 'chhapri' at ease and considered pariahs for their socially uncouth and illiterate impressions. Suddenly it was Akbar's Court all over again. The dirty, messy realities of those kept outside the discursive public were brought out through a channel accessible to everyone: TikTok.

Similarly, it is the platform's role in creating a public-private sphere where norms of behavior are subverted through TikTok. The backlash against this is immense: sometimes it is also reflected in the growing din of criticism of 'modern' values, the desecration of moral as well as artistic values that a generational leap in tech has casted beyond the shores of the youth's imagination. This baton of blame has a habit of being passed down, partly after this idea of civilisation moving towards some kind of ultimate ideal place.

I can't help but wonder if there were a social media during the Pakistan Movement. It would also go on to show how democracy itself is hegemonic; even reading and writing can be hegemonic as evidenced by the selective education programs for women selected by the Aligarh Movement. The colonising tendencies that it would leave its subjects was the daunting task of an exorcism for the colonised. It is a reflection that is increasingly found on TikTok, with various catharsis and 'decolonising' shorts aimed at 'uncovering trauma' and dealing with it through 'self-care' which itself takes on many forms. And everyone can participate! This is opposed to the Nationalism which was the bedrock of the Pakistan Movement but would also become the grinding stone for women, as it backed them into specific roles apropos to the vision of a post-colonial state reclaiming its distorted past.

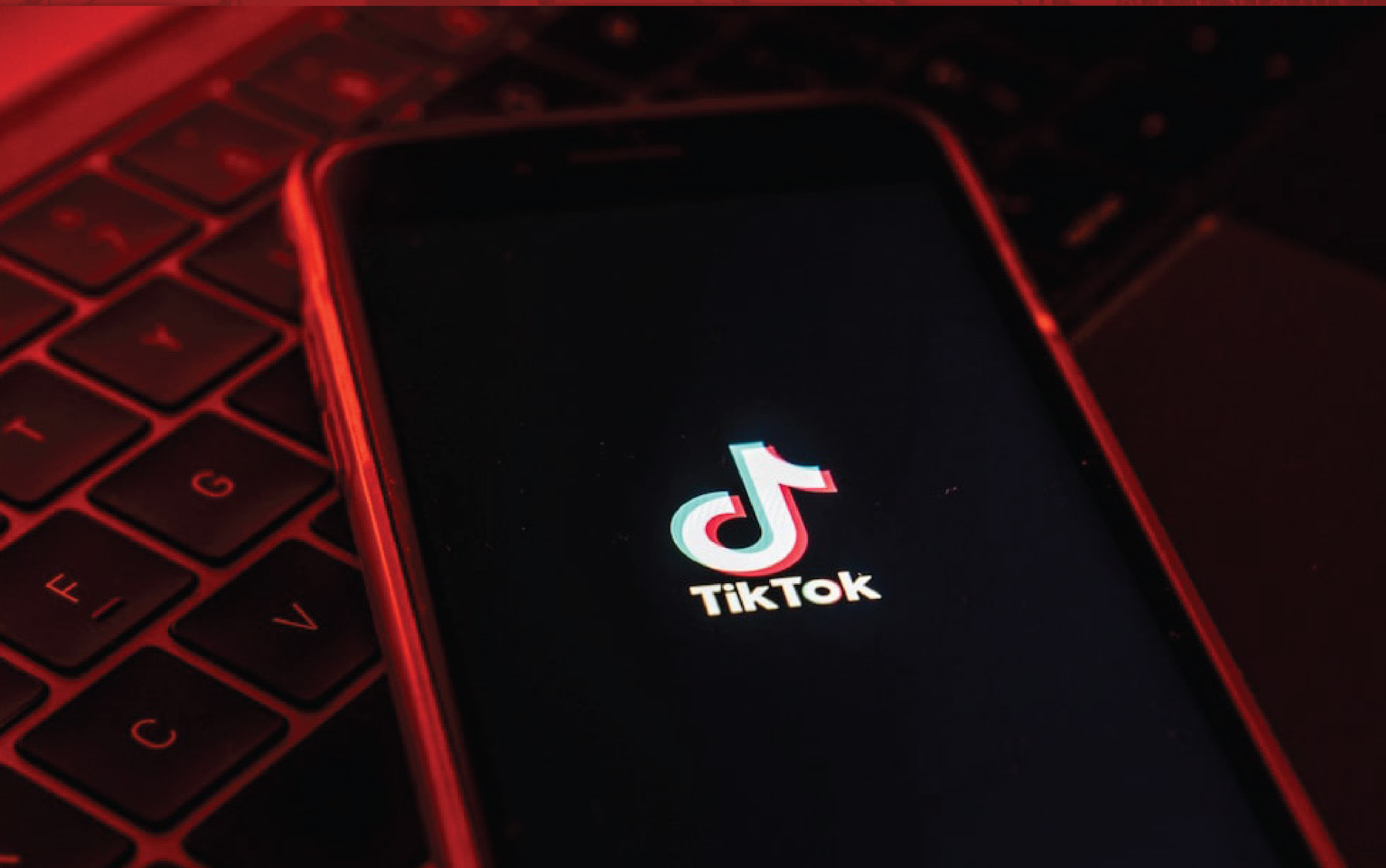
Without a way for a body to name its pain, they are also deprived of a way to articulate their consent. This silencing accompanied feminised notions of 'modesty,' 'restraint,' 'acquiescence' which was reified post-Independence. It's a perception that accompanies 'TikToker' too – as the opposite of modest. To this day, women's subjectivity sticks out as a sore thumb in the Pakistani hinterlands because it does not tie into any mass movement or revolution anymore: the NGO-isation of feminism and the absence of Zia's countervailing force later may have contributed to the relocation of women's activism. These centrifugal actions to separate marginalized voices from the public-discursive zone was anathema to the revitalisation of a women's issues.

But the writing was also in the literal writing on the wall – the mode of history writing which accompanied the Pakistan Movement. The expansive participation of women in the Pakistan Movement aside, in the declamatory (where women were not active agents) expressions of Women's Movements, there is a concealed undifferentiated historical subject who does not reveal himself but is present in all historical accounts, and is invariably of the male gender. Thus, representation was mediated, communicated, and put forth in an overarching structure, and tied into that structure is a disciplinary convention which obeys the origin stories created by and composed of men. Even though women's histories have come on the back of women's struggles – so there is a political background that is leading to these struggles – certain questions that bedevil the present state of women's politics in the rest of the world is absent when it comes to Pakistan; when does the suffragette movement start, e.g., which was not the result of a natural organic movement in the divided subcontinent but a political expediency. It often is regarded as an article of faith that the path to history opens up the way to the future towards which we are always moving in a linear direction. Because of the circuitous nature of marginalised voices and their liberation during the Pakistan Movement– at least, temporarily – in a time of political crisis, this linearity that there is a utopian future to be claimed, is perhaps shaken up in the 21st century by the multivalent content on TikTok. There are more storylines, narratives, and possibilities afforded by the content-sharing platform than ever now. Surely, TikTok is an archive of data and material erstwhile confined to the private sphere.

It is a polyphonic landscape instead, composed of skits, carefully-edited arch-comics, dancers choreographing a song, singers slicing a dance. Everything from finance guides to social studies lessons – i.e. politics of entertainment/entertainment politics allow this platform to mix both the solemn and frivolous together. That's a lethal mix for censors, and political dynamite. A lot of it is owed to the mode TikTok operates in: fluid, counter-narrative, fragmented, revised, subversive. In short, it encourages participant reality, which is much more

potent politically than mimetic warfare. We all see ourselves as relations of time/place; that is how we all understand ourselves as subjects, i.e. our subjectivity. This 'subjectitudes' produced as a result of a particular timeline of events, a timeline that creators online have been able to set to their own rhythm, timing, music, and experiences. In such a format, traditional media narratives are also a function of distance and time – authority bestowed on an individual (reporter), but it is much more stagnant and fairly closed off to participation beyond simple viewing by the public. TikTok on the other hand, is a public medium but it has many of the same assumptions as primary discourse (personal experience), which makes it crucial.

It filled a gap in contributory histories. In our notion of histories, the sphere of the political presumed certain bodies over other bodies – for example, the task of rearing up children, a task of women, is not seen as important; if those bodies are menstruating bodies, or are child-rearing bodies, then they are not sufficient bodies and are cast somewhere outside the political. While the testimonies beyond contributory history allow us to re-centre knowledge – who belongs insufficiently and who belongs completely? This new platform is a plot twist in that stream of history-writing, where suddenly technology has advanced curated and spontaneous forms of public disclosure of private actions. It allows us to leave room for that, between the structural world and experience – whereas earlier, women's voices were mediated by men through the imposition of a private sphere. These 'feminisations' of certain spheres also delude us through their claim of being 'natural', that this is the way that things are and this is the way things have always been – which makes a system of power enduring, pervasive, self-perpetuating, by making an appeal to being 'natural'. This might be the main question in the properties of women's subjugation vis-a-vis feminised spheres: Nature v. Culture. Long hair, not short, is a simple act of inconvenience which precludes access for women as much as hinders mobility in case of a bike ride. It also labels them immediately as a 'woman' and thus susceptible to the glare of the public sphere. Platforms though, are not gender-specific.



As a much more engaged and immersive experience than conventional mainstream media, TikTok is an incredibly less factitious mode of storytelling/narrativising. It is in its breaking of the public/private divide – diffuse, diverse population from different communities interact with each other – that a progressive young 'woke' politics is largely being fermented. The fact that there is seemingly a more personal soundtrack to political analyses therein just contributes to its nature as a 'spectacle of the personal'. It also builds towards what Wrenn called the 'engaged uncertainty' of TikTok viewing that has created discursive/reflective public spaces which are nevertheless subject to the community policing and virtue-signalling too. The comment section does a great job of playing this blame-game. Since the ages under 20 are the fastest growing constituency on the platform, one can imagine the generational blame-game that often pervades TikTok.

That's all good for a public expression of private desires and beliefs, but does it really and radically alter the fabric of politics? It's a topic discussed in depth by theoreticians but the 'simulated' public politics of TikTok still catches me out for its concise description of its simulated environment. Which has resulted in the public management of private communications – a political manifestation of personal values – throughout major election campaigns in the US, most notably in the widely-derided revisionist approach in Trump's 2016 campaign. Whether or not one side is culpable, the investment in informal channels of public communication have paralleled the decline of US's soft-power in the world.

The negative soft-power is definitely being replaced by the positive soft-power accorded to public women on TikTok, through Thunberg, and recently, Mahsa Amini. Allowing us to look at the micro-dynamics of oppression, there's a merging of public and private responsibilities. Whereas previously, the double burden of a 'private' (mostly unrecognised) struggle tracked on to the public one, was the Cross they had to bear. Now we know that the discursive political potential of personal and private experiences and TikTok shorts, both have a stickiness to them that tends to outstay 'breaking new' headlines of legacy media.

The author is a graduate in history and comparative literature from the Lahore University of Management Sciences.

PIDE BI-MONTHLY ROUNDUP

WORKING PAPERS

1. The Impact of Tourism on the Environment, Socio-culture and Local Communities of Gilgit-Baltistan, Pakistan – Mohammad Armughan
2. Dire or Dying Demand for the Government Job: Analysing A PhD Holder's Future Prospects – Muhammad Ajmal Khan
3. Expectation Shocks and Business Cycles – Sonan Memon
4. The Facts of Return Migration in the Wake of COVID-19: A Policy Framework for Reintegration of Pakistani Workers – Shujaat Farooq and G. M. Arif

RESEARCH REPORTS/MONOGRAPHS

1. Sectoral Total Factor Productivity In Pakistan – Naseem Faraz, Omer Siddique, and Asim Saeed

KNOWLEDGE BRIEFS AND POLICY VIEWPOINTS

1. Unveiling The Myth Of Import Substitution Policy In Pakistan – Muhammad Zeshan
2. Rain Rain Go Away: A Snapshot Of The Flood 2022 And Way Forward – Sobia Rose and Abedullah
3. Doing Construction Right – Lubna Hasan
4. Analysis Of Trade In Goods Agreement Between Pakistan And Turkey – Adnan Akram
5. Import Tariffs And Trade Balance In Pakistan – Muhammad Zeshan
6. PIDE's Charter of Economy: Petition to all the Political Leaders/Parties of Pakistan

BASICS (BELIEFS, ATTITUDES, SOCIAL CAPITAL, INSTITUTIONS, COMMUNITY AND SELF)

1. Social And Civic Engagement: Building Community Or "Bowling Alone"? – Durre Nayab

EVENTS/WEBINARS

1. A World of Insecurity: Democratic Disenchantment in Rich and Poor Countries
2. Market Institutions Governance & Development
3. Understanding City Regeneration
4. Road Transportation: The Unregulated Entirety Part – 2
5. National Self-Sufficiency & Import Substitution of Edible Oils
6. Monthly Economic Update & Outlook by Finance Division, Government of Pakistan
7. How Ideas Changed the World
8. Census 2023: All You Need to Know
9. Knowledge Partnership b/w Think Tanks in Pakistan for China Pakistan Economic Corridor Development
10. Energy Efficient & Cost Effective Housing
11. Pakistan's Environmental Priorities Connecting the Dots
12. Corruption & Anti-Corruption in Pakistan: An Introspection
13. The Pursuit of Judicial Power in Pakistan
14. Joint Launch of Asian Infrastructure Finance 2022: Moonshots for the Emerging World
15. The Political Economy of Higher Education in Pakistan
16. Big Capital in an Unequal World: The Micropolitics of Wealth in Pakistan
17. The PIDE & IRS Joint Roundtable Discussion: The Impact of Contemporary Geopolitical Environment on South Asia's Economy

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