Struggle Between State & Society

Communalism, colonialism and empowerment of the people of Pakistan

Syed Mohibullah Shah

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Dedicated

With love and respect to my father Syed Ghulam Mustafa Shah for more things than I can narrate.

Foreword

As the state of Pakistan became independent from colonialism, the people did not. Their struggle for social, economic and political empowerment, made difficult by varying hues of the state, has continued.

This selection of writings was not only relevant at the time of publication, and continues to be so, but would also remain relevant for the forseable future.

The reason being that our system of governance has become so dysfunctional that instead of solving old problems, it is creating new ones for the people.

For the reason that these writings examine the struggle from its various dimensions, this book is divided into seven chapters: governance, economy, energy, democracy, culture & development, Muslim world and Asian century. Those relevant to a subject are grouped under the same chapter. That is why these are not presented here in the chronological order. In very few cases original titles have been retained, but in all cases the contents remain as published.

It would be noted that the number of articles on governance is higher than on other subjects. That is because the governance has overarching influence on all other areas of national life. If sectoral policies like on economy, education, energy, population, science & technology or people's wellbeing have not produced desired results, the reason lies in the conflict between their goals and those of the governance.

This book is meant for every reader: students, academia, professionals, policy makers and all those with interest in issues affecting their daily lives as well as national life_ because there is interconnect between the two.

I hope the readers would find the information and the arguments mustered in these writings useful to them.

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Karachi,
1 May 2023.

Chapter-1

Governance

Stability without legitimacy in governance is an oxymoron.

Unanswered question of independence

Was the independence of Pakistan from the British Raj in 1947 an act of de-colonization or merely a communal event? And is it any comfort or consolation to be robbed of your rights and resources by people of your own faith, colour and language than by foreign colonials before independence? In other words, is native colonialism less painful than foreign colonialism?

The question acquires importance because our inability or unwillingness to answer it has often led to confusion and conflicts in policies working at cross purposes and wasting precious time and resources which has kept the country at stand-still, while every other Asian country has been overtaking Pakistan.

In due course, this confusion has produced two deeply disturbing and divergent trends. On the one hand, the people of Pakistan occupy lowly positions in every indicator of social, economic and political empowerment in world rankings ('Unfinished business of independence', The News, March 6 & 8, 2021). And on the other, communalism, extremism and waves of violence have been on the rise, destabilizing society and economy.

If independence was an act of decolonization, the trajectory of laws and policies would be in the direction of the empowerment of the people in order to dismantle the layers of inequalities, discriminations and prejudices piled upon them during medieval and colonial eras and open up opportunities for them. The beginning would be made by framing a democratic constitution which would provide a mechanism to lift them out of the dungeons of under-development, spell out how the social contract between the people and the state would be honoured and implemented and the affairs of the state conducted.

But we didn't do any of that for many years, even though Quaid-e-Azam had urged the members of the Constituent Assembly in its very first session that this was their first responsibility to fulfil. But the rulers at the helm of affairs did not see independence as an act of decolonization but only as a communal event which had propelled them to power in the new state.

Ironically, they ruled under the same colonial laws against which the whole struggle for independence was supposed to have been launched! And used the label of religion to avoid framing a democratic constitution and holding elections to give the new state its own representative government.

If the idea was that Muslim rulers should be governing the areas comprising Pakistan, then Pakistan had already existed here for centuries. In Sindh, for instance, there had been Muslim rulers for a thousand years since the arrival of Muhammad bin Qasim. Similarly, in other provinces also, there had been Muslim rulers for centuries – except for short intervals in some areas.

But these Muslim regimes were not democratic; nor believed in separation of powers or equal opportunity for all people living within their territories.

Is that the model of Muslim governance we wanted to revive after the Raj had left the Subcontinent? Because that model was inherently weak and discredited and had already been defeated by a small band of foreign traders who went on conquering these regimes.

French physician Francois Bernier spent 12 years in India and had a front row seat to watch the happenings from close quarters because he was physician to Emperor Shah Jehan and princes Dara and Aurangzeb. His account of 17th Century India shows that the whole system of governance in the courts (darbars) of the emperor and the princes revolved around the interests of rich lords occupying the corridors of power in the darbars, while the conditions of the people were miserable. They would either be lining up in front of the mansions of the elite or running after them to get a 'sifarish' for every little petty matter they had with government functionaries; or pay bribes for that.

Look around and you will see that the 300-year-old world described by Bernier is still the fate of the vast majority of the people of Pakistan despite the fancy rhetoric we never tire of

using. Which goes to show that, whatever people may have imagined, independence for the rulers (umra) of the new state was not for empowerment of the people but for their own empowerment.

And the system of governance – whatever it may say on paper – is faithfully looking after their interests as it did 300 years ago. In other words, it has remained 'government of the few, by the few, for the few'.

But the purpose of independence is empowerment of the people. And if independence does not liberate people by dismantling the shackles of discriminations, inequalities and prejudices holding them back for centuries, what is it all about?

Colonization was immoral because of the inequalities, discriminations and exploitation embedded into its systems of governance, and so it needed to be wound up. It was illegal because it had forced itself upon people and imposed a system of governance, sustained by force or threat of force, and so needed to be wound up. And it was illegitimate because it was not a government by the consent of the people who are the owners of the state, and so it needed to be wound up.

Colonialism is a political and economic phenomenon and dismantling those political and economic barriers to people's empowerment is the first priority of any country achieving independence from colonialism.

Colonialism is not a religious phenomenon and using it as a decoy to deny the empowerment of people has only boomeranged. If the political and economic content and character of governance remains the same, with some cosmetic changes in nomenclatures, what makes native colonialism less painful than foreign colonialism of the pre-independence era?

But native colonialism is quite cunning and uses instruments of common religion, language, culture, security – which foreign colonials could not – to create fault lines and deflect attention from its iniquitous and exploitative behavior and disempowerment of people.

So, the answer to the question seems to be that independence from the Raj in 1947 succeeded in empowering the Muslim elite to capture power in the new state, but the empowerment of the people by liberating them from the shackles of medieval and colonial legacies was denied to them by native

colonialism. The bottom positions they occupy in social, economic and political empowerment in world rankings even after seven decades are proof of that denial.

And it is not just the vast majority of marginalized masses that have been losing out for the last four decades but the state of Pakistan itself; for without inaugurating the Age of Reason to unshackle people's potential, empowering them with science and technology and protecting them with rule of law, the necessary critical mass would not be created to lift Pakistan to take its rightful seat at the high table of the international community.

The struggle for independence will remain incomplete until the empowerment of the people, not just the rulers, is achieved.

The News, May 08, 2021

Struggle between the state & society

WAS the struggle for independence from colonialism meant to change the character of governance or merely the race or religion of the rulers? State and society have been at loggerheads with each other in most Muslim majority countries (including Pakistan) that emerged as sovereign states after long periods under colonialism.

The tug of war between them is a recurring tragedy that wastes the potential of countries and holds them down despite the vast human and physical resources at their disposal.

This dichotomy is acute in cases where the state got independence from colonial rule while the social and political institutions of society were too weak to assert their rights and act as watchdogs to ensure that the state worked to serve the interests of society. The two World Wars of the 20th century had wreaked devastation on the European colonial powers. These wars, also dubbed 'civil wars of Europe', had killed millions of young and skilled people and crippled their economies. The human and financial cost of direct control over far-flung colonies was no more feasible since their left-over resources were badly needed for reconstruction of their own countries.

The unflattering fact is that the independence of states came to some countries less because of the strength of their social and political institutions and more because of weakness of the colonial powers devastated by these wars.

Decolonisation was also helped by the leadership provided by the US which was in crucial post-war periods headed by men like Woodrow Wilson, F.D. Roosevelt and Harry Truman who believed in independence and development of the peoples of these colonies and wanted them to become full and respected

members of the international community. Imagine the fate of the colonies if instead of these reformers the US was then headed by someone like George W Bush.

The concept of sovereign nation-states, as against empires — whether based on religion or conquest — travelled from Europe largely as part of liberal social and political education by the missionaries. In a way, the missionaries were undoing the work of their empire builders — the commercial and military interests — that had arrived to conquer and exploit the resources of colonies.

But the concept of sovereign nation-states also came with that of sovereign people in these nation-states. Both concepts — sovereignty of the nation-state and that of the people — have a common philosophical foundation. If we deny one, we are ipso facto in denial of the other. The principle of sovereignty of people makes conquests and empires illegal enterprises — whether based on race, religion or language. It requires that people determine who should rule them and how the resources of society should be deployed and for what purposes.

Colonialism was bad not because of the race or religion of its rulers but because it violated this principle of sovereignty of the nation-state. That is why the Catholic and Spanish-speaking people of Latin America fought wars of independence against Catholic Spain. That is also why the Arabs rebelled against fellow Muslim Ottoman Turks.

And that is the reason why our fellow citizens in East Pakistan rebelled against West Pakistan, the glue of a common faith being unable to contain their perceptions of being ruled under a colonial-style dispensation.

As for the 'development' argument, let's not forget that the British also brought new technologies, undertook irrigation networks and other development projects in their colonies.

The continuing problems of governance in Pakistan emanate from this paradox: while the state became sovereign, the people were not. When independence came, only one part of the bargain was implemented. The state enjoyed the privileges of being sovereign and independent, but its people were denied their rights as sovereign citizens because society was too weak to enforce the rights of its members.

This weakness would have been overcome and not become

a lingering problem except for the fact that the social and political reforms needed to implement the second part of the bargain of national independence were often blocked by new rulers of the state — themselves the beneficiaries of the first part.

Ever since, the struggle between state and society in Pakistan — and indeed in several OIC countries — has continued as the state refuses to submit to members of society under one pretext or another. Let's not forget that in mediaeval governance, the ruler — whether king, conqueror, caliph or holder of any other title — was not only the head of the executive but also the lawgiver as well as the ultimate judge. Many rulers of these new nation-states, nostalgic about the bad old days, still want to have unity of command over all institutions and are trying to turn the clock back.

It is here that the current battle between state and society in Muslim countries acquires some characteristics of a second struggle for independence; because the mediaeval style is akin to the colonial style of governance. Both held conquests and empires to be legal enterprises and both are in denial of the sovereign right of the people to choose and change the mode of governance.

Although this struggle between state and society is being waged throughout the Muslim world, it is more acute in Pakistan where social and political forces outside the state apparatus — specially the media and the middle class — have grown in strength and are refusing to allow a free hand to the state. Pakistan is different in several ways from some Middle Eastern countries and the Pakistan of the 21st century is also different from what it was in the early days of independence.

Its society has now overcome — against the heavy odds frequently placed in its path — the weaknesses of half a century ago and is insisting that the unfinished business of struggle for national independence be completed. National independence is not complete merely by giving independence to the state while denying the fruits of independence to members of society. Sovereignty of the nation-state is not complete without respecting the sovereignty of the people in that nation-state.

Within this larger struggle between state and society, however, another struggle is also raging in the Muslim world. The leadership of the first struggle for independence of the state was firmly in the hands of 'friendly' forces. For internal and external

reasons, the national and democratic forces of change have been weakened. Increasingly now, mediaeval values of governance are staking their claim to leadership in this second struggle

Which way the struggle is going is not clear. What is clear, however, is that the state cannot escape the logic of history. It is inevitable that as society matures in its social, professional, economic and political dimensions, the state has to surrender more space to it. If the anachronistic apparatus ruling these states does not accommodate moderate and democratic forces of change, it will have to surrender to a mediaeval society with whom many among them share common values of unacceptable governance.

Today's Pakistan encapsulates both struggles simultaneously taking place in Islamabad around the Chief Justice and the Hafsa madressah. The difference in the treatment of both struggles by the state apparatus is also becoming clearer by the day. The symptoms may change, the tactics and locale may vary but the real battle being fought in the Muslim world remains one between the state and society and not the various concoctions marketed from time to time to divert attention from the real issue. The state would have to surrender space to one or the other face of society. Each is calling upon the state to deliver the second part of the bargain according to its understanding and complete the unfinished business of national independence.

DAWN, April 19, 2007

The state is accountable to society

THE state is a powerful instrument for carrying forward the political objectives of society. While a colonial state imposes its own agenda upon the society its controls, national independence is meant to reverse this relationship between state and society.

However, 60 years after the state became independent, society in Pakistan is still not empowered to determine the content and direction of state policy and action.

Refusal of the state to submit to the will of society under various pretexts lies at the root of the prevailing social and economic tensions in the country. A clear example of this persistent refusal is that it took 25 years after independence for the country's first popularly elected parliament and government to take charge of the affairs of state and to determine the content and direction of state policies.

Non-democratic traditions of governance set in the first quarter century of independence continued afterwards too as the state apparatus became creative and capable of coming up with one excuse or the other not to submit to the will of society.

The persistent refusal of the state to be guided by the wishes, hopes, aspirations, fears and concerns of society has been adding to the unfinished business of national independence as problems of poverty, illiteracy, backwardness, income and regional disparities, the federal-provincial equation, civil-military relations and other matters go unattended.

The divide between state and society over the decades lies at the root of several tensions and troubles bedevilling the country including rising militancy that is leading to both national and international concern. Our chances of success at solving these problems also depend upon our ability to distinguish the

symptoms from the causes.

If we do not sincerely address the root cause of severe imbalances in the relationship between state and society, our tinkering with the symptoms may cause bigger problems ahead.

The rise of non-state actors is often the product of this disconnect between state and society when some disgruntled elements take up roles and responsibilities that normally would belong to the state. The problem lies with non-state actors who do not believe in peaceful and legal means for advancing their cause. But if we pause to think here, we will find that where national independence has not succeeded in changing the colonial character of relationship between state and society, the state increasingly relies upon its coercive apparatus to impose its will upon members of the now supposedly independent nation.

The disempowerment of society — except for a minuscule segment — even after the state acquires sovereign independence creates a divergence of interests between holders of state power and members of society, and fuels anger and frustration in the social, economic and political arenas.

The history of Latin America is full of examples to indicate that the longer the unaccountable state tries to control society through force, the greater the boost to non-state actors that also resort to the use of similar tactics. Here also lies another lesson in good governance: a law-abiding state sets a good model for a law-abiding society to grow and take strength.That brings us to the critical issue of legitimacy in governance. Everyone wants a stable, peaceful and prosperous society and it is the duty of the state to work towards delivering it. But stability in state-society relations is not possible in our contemporary world without respecting the principles of legitimacy in governance.

It was alright in mediaeval times when no one — other than the ruler — had the 'right' to anything, including his or her life, much less the right to choose and change governance. But in a world that has been shaped by the application of the universally respected principle of governance by consent of the governed, the state apparatus in Pakistan cannot be an exception to this universally accepted basis of legitimacy of governance and still expect stable relations between state and society.

In fact, governments of countries that are not legitimate in the eyes of the contemporary world have often been made to pay

a heavy price in order to purchase some figment of legitimacy for themselves, and at terrible cost to their societies.

Several observers feel that it was the lack of legitimacy of General Zia that drove him into turning the country into a frontline state to fight proxy wars in Afghanistan. It would be uncommon to have a government open its country's doors to gun-running, drug trafficking, money laundering and the training of private armies from some 40 countries unless it also saw in the scheme a window of opportunity for itself to secure international legitimacy by providing extraordinarily unusual services.

Militancy can best be controlled through the moral authority of a legitimate democratic government guided by the rule of law. Governing from the foundations of universally recognised principles deprives militants of moral and legal arguments and completely isolates them from the rest of society and also helps bridge the divide between state and society.

Dividing people between the extremists and moderates or violent and peaceful Pakistanis is fictitious and dangerous. First of all, there are not too many misguided militants prone to violence and they are largely localised. A vast majority of Pakistanis, including religious elements, are peaceful and law-abiding citizens.

A strategy of direct confrontation may well cause the fires to spread — especially if the Jamia Hafsa operation was any indication of the quality of intelligence and conflict resolution techniques at the disposal of the government.

Besides, it would divert attention from addressing the root cause of tensions in society: the absence of moral authority of legitimate and democratic governance guided by the rule of law that includes a social and economic reform agenda for inclusive governance and bridges the divide between state and society.

The fact that the absence of the rule of law and genuine democratic governance is the real issue facing Pakistan was proved by over four months of a peaceful movement led by the lawyers all over the country; a movement which united people across religious, sectarian, ethnic, provincial and other divides and was ample proof of what people consider as the real threat facing Pakistan.

That is why the lawyers' movement immediately occupied the moral high ground because it was seen to be a second attempt

at achieving the long forgotten aims of struggle for national independence and was addressing the core issues of establishing the rule of law and democratic governance in the country and holding the state accountable to society.

This movement also showed that our society is not prone to committing acts of violence since the only real trouble that occurred during the entire movement was on May 12 in Karachi and after the Lal Masjid operation in Islamabad. Several observers have already explained the origins of these events.

The best way now for moving forward to fulfil the unfinished business of national independence is for the democratic forces of change and the lawyers' movement that share the same objectives to work out a common framework for taking forward the struggle for the rule of law and democratic governance in Pakistan.

Just as democracy needs the rule of law to guide its working and prevent its deterioration into elected authoritarianism, the rule of law and judicial independence need a culture change in society so that the laws and the Constitution are backed and sustained by the will of the people.

If these are existential times as some seem to think, they call upon both state and society to overcome small irritants and frictions. Both have a common understanding of the root causes which have been straining the federation.

Sixty years ago, the state became sovereign and independent. This must be the year when the society — despite being subjected to many machinations and betrayals — is finally recognised as the sovereign master to whom the state is accountable.

DAWN, August 6, 2007

Unfinished business of independence

Part - I

As the state of Pakistan secured freedom from colonialism after WW2, did the people of Pakistan also secure liberation from the inequities of medievalism and feudalism that had suppressed their potential for centuries, and were further compounded by the legacies of a century of colonialism?

Or, were the sacrifices of the millions in the struggle for independence merely for a change of rulers – from white Christian to brown Muslim – who ruled the new state under the same colonial laws without framing a democratic constitution to liberate people from the legacies of arbitrary, unjust and discriminatory systems of medieval and colonial governance?

In his speech to the first Constituent Assembly of Pakistan on August 11, 1947, Quaid-e-Azam had asked the Assembly members that their first task was to give the new nation a democratic constitution to liberate people from such bondage, enact laws that promote democracy, rule of law, equal treatment and opportunities for all citizens irrespective of caste, creed, colour or other differences amongst them; and demonstrate that the state is impartial in its dealing with all citizens.

But, as events showed, the Quaid's advice was like water off a duck's back and they continued with colonial laws to rule over the new state. It was extremely unusual for a country to become free from colonialism and yet its rulers did not want to have their own democratic constitution, and preferred to rule under the same colonial laws for many years.

Malaysia became independent in 1956 and had a democratic constitution of its own next year in 1957. India became independent in 1947 and had its own democratic constitution in 1950. And Indonesia became independent in 1945 and had its

democratic constitution in 1949. But it took a quarter of a century and a big tragedy before Pakistan had its own democratic constitution in 1973.

The foundation was thus laid for arbitrary, undemocratic and unconstitutional rule which left deep scars on the body politic and have continued to haunt Pakistan ever since. It also says something about democratic credentials of the rulers who created precedents and provided de-facto legitimacy to unconstitutional rule which was also sanctified by the infamous 'doctrine of necessity' back in 1954.

Pakistan's continuing political instability and various hybrids are rooted in the fault lines created by years of unconstitutional rule after its independence. Subsequent structures built upon this foundation have continued to suffer from the same fault lines. This foundation was laid as the state was captured by the stalwarts of a medieval and feudal culture who turned their back on the guidelines given by the founder of the nation.

This gave a new lease of life to a dying medieval culture of unelected governance which had already been overwhelmed/ defeated by foreign colonials in the Subcontinent. Under this elitist model, governance is considered as the privilege of only a small coterie controlling the corridors of power who play musical chairs amongst themselves in the scramble for power, while people remain mere spectators. In other words, an oligarchy masquerading as democracy.

Over the decades, this model of governance has spread its tentacles all around and played havoc with the lives and livelihoods of the ordinary men and women of Pakistan who have seen the potential of their three generations wiped off at the altar of the musical chairs played by the oligarchs among themselves.

This fact is borne out by the various international indexes which capture conditions of ordinary folks and show that not much has changed in the lives of the vast majority of people of Pakistan.

One after the other, in international rankings capturing social, economic and political progress of people in countries around the world, Pakistan cuts such a poor figure as to be very embarrassing for the sixth largest country of the world which also is a nuclear power and was the brightest star among developing countries up until 1970s – ready for take-off to join the ranks of

middle-income countries.

In the World Index on Human Rights, Pakistan stands way down at 120 out of 135 countries surveyed. On the Human Capital index of the World Bank, it stands at 134 in a survey of 150 countries. In the Human Resource Index (HDI) of the UN, which captures education, health and basic standard of living, it stands at 154 in a list of 189 countries. And in the Social Progress Index which collectively captures such important living conditions as nutrition and basic medical care, water & sanitation, shelter, personal safety and inclusiveness etc, Pakistan ranks at 141 position among 163 countries of the world. The country position in per capita GDP and Transparency International rankings is equally depressing.

These surveys which capture the lives and livelihoods of the people, not from a single but from multiple perspectives, show citizens of all Asian countries enjoying higher standing in all rankings than the people of Pakistan. The only Asian countries whose people suffer an even worse fate are the two war ravaged countries of Yemen and Afghanistan.

Bad as these rankings are, what is even more distressing is that none of these shockingly lowly positions have ruffled feathers in the power corridors as no effective remedial measures have been taken to reverse this tide. And the people have been betrayed so many times by so many wolves in sheep's clothing that they have become indifferent to their tall claims also.

How did our system of governance deteriorate so much?

The answer to this question is available if we look at the similarities and dissimilarities between Singapore and Pakistan. While the founders of both the countries, M A Jinnah and Lee Kuan Yew, were barristers trained in England and believed in the value set of Enlightenment – democracy, rule of law and equality and equal treatment of all citizens of the state – Singapore's success lay in the fact that Lee's associates in the People's Action Party (PAP) also believed in the same value set and worked tirelessly to transform these values into society through laws and policies during Lee's lifetime and also afterwards.

The problems in Pakistan arose because Jinnah's leading associates in the Muslim League (ML) did not share his value set of constitutional government promoting democracy, rule of law and equality and equal opportunity for all citizens. They did not see independence as an act of decolonization, and turned the clock

back to the medieval ways they were used to once they took control over the new state. This model has been adopted by most rulers who have come to power in Pakistan, leaving the people to fend for themselves. The cumulative results of this model of governance are now reflected in these lowly rankings of the country.

There is no other way for the state of Pakistan than to revert to the model of governance whose roadmap was given by the founder of the nation. That would lift its standing in the international community and pay the debt it owes to the millions who made great sacrifices for independence but have so far been cheated out of its fruits.

The News, March 06, 2021

Unfinished Business of independence

PART-II

In the first part of our discussion, we talked about how a modern 20th century democratic state was high-jacked by medievalism 73 years ago and is still struggling to free itself.

This started the conflict between a medieval model of oligarchy and the hopes and aspirations of people nurtured on a daily diet of democracy, rule of law, equality and equal opportunity by 24/7 world media, which lies at the heart of the political instability afflicting Pakistan and its poor standing in several world rankings.

This conflict is prevalent in other areas of national life as well but we will take up three main areas in this space to highlight why the social, cultural, economic and political dividends of independence have still not reached ordinary folks.

The state is a legal entity that embodies the authority of all people in the country, whereas the government represents a part / group of society. While the government is partisan, the state is impartial. In the medieval world, the state did not exist as a separate entity and the law was nothing more than the whims and wishes of the ruler.

This fact was famously expressed by Emperor Louis X1V of France (contemporary of Shahjehan/ Aurangzeb) when he said, "L'etat c'est moi" (I am the state). The Mughal emperors or the rajas and maharajas of the princely states of the Subcontinent also did not subscribe to the higher authority of the state and its laws nor to democratic values of equality and equal opportunity for all. And there was no such thing like the French Revolution in the Subcontinent to convey the message of liberty, equality and

fraternity either.

Eroding the difference between the state and government is the first step that removes the bridge which provides access to people – who are not part of the group in the government – to receive public services and enjoy their democratic rights.

It is important to note that the state speaks to its citizens through its laws and none else. Which is why rule of law is so important for a civilized society. It is rule of law that provides protection to the weak against the high and mighty. Without rule of law, 'might is right'. With rule of law, 'right is might'.

The proof that the modern democratic state of Pakistan was high-jacked into a medieval model of governance soon after its birth is provided by the Rule of Law Index which captures civilized and democratic values in societies. The index for 2020 puts Pakistan among the bottom 10 countries out of the 128 countries surveyed. Can there be a bigger indictment of the governance of a country founded by the legal genius of Jinnah?

As this index shows, access to justice is no more the human right of the vast majority of people who see their pockets picked and lives eaten away at the altar of this system. Access to justice has been converted into a luxury which only the rich and powerful can afford in the country. But the beneficiaries of such a medieval system are too well-entrenched to allow any reforms.

The second barrier to weak and marginalized people enjoying social and cultural dividends of independence relates to denial of the multi-cultural diversity of Pakistan which was recognized by the Quaid-e-Azam himself. His prescription for forging unity in this diversity was to protect it with rule of law and equal treatment, and create everybody's stakes in the unity and welfare of the country.

Instead of unity, we tried to enforce uniformity and landed the country in the language riots of East Pakistan soon after independence. The multiculturalism of areas comprising Pakistan is a centuries-old reality which has always promoted mutual respect and harmony. The power of culture to disturb even the best plans is recognized by major business schools around the world also which advise their students to remember that: culture eats strategy for breakfast.

It is difficult to understand the contradictions we create on this issue. While we insist on teaching children foreign languages in schools, we do not encourage them to learn each other's

languages and cultures, to promote better mutual understanding among people of Pakistan and enhance unity amongst them.

Instead, we have been encouraging divisions and subdivisions on sectarian, ethnic, biradari and other lines. The foreign colonials encouraged a 'divide and rule' policy because they had no long-term stakes in the colonies and knew they would have to leave one day. But for us to follow divide and rule policies may make it easy in the short term for someone to rule the country; but do we never see beyond our noses to realize where this will lead the country?

Geography is another powerful force and there is no getting away from it. Pakistan occupies a strategic position in South Asia and is a proud inheritor of the great Indus Valley Civilization. We have always had friendly relations with countries in the nearby Gulf and we share many things with them. But Pakistan cannot be transported there and lose its historical identity as has sometimes been the desire of some of the ruling elite.

It never ceases to amaze that, while the rest of the world takes pride in human heritage and the heights of urban planning and development achieved in the Indus Valley Civilization, we don't want to highlight this rich heritage for our children in their school books. Even today, most cities and towns in Pakistan cannot match the standards of urban planning and design, sanitation, underground drainage and engineering skills of IVC which can still be seen – although our neglect is damaging and eroding the achievement of people who lived on this land five thousand years ago.

Iran celebrates its ancient civilization. So do Iraq and Egypt and other countries. Why do we neglect and not celebrate the high standards of urban civilization attained at Moenjodaro, Harappa, Mehergarh, Kot Digi and other places which are also great tourist attractions for the world?

The mindset of disowning our history and looking for heroes and role models abroad has also seeped into other areas of national life. Our development strategies never want to create wealth through indigenous resources – especially our human resources – and are eager to import readymade solutions lock stock and barrel-along with advisers who have never handled any sector of national economy in their adult lives and are clueless about its potential. A soft reminder: natives have won Nobel

Prizes also.

We must be the only country in the world to import even its prime ministers! Suffering a complex showing disdain for all things indigenous should have no place in a country which is sixth largest in the world and sits on the land which boasted of the highest levels of civilization five thousand years ago.

Pakistan needs to cultivate a new image of a country which stands on its geography, builds its vast human resources into the most capable human capital, celebrates its multicultural diversity and takes pride in its history and ancient glorious heritage.

This will remove unsavory labels, raise Pakistan's standing in the international community, fulfill the hopes and aspirations of the vast majority of its people and lift them from the lowly positions they have been occupying in world rankings.

The News, March 08, 2021

Two states and a troubled nation

THE East Asian "miracle" is credited with lifting countries of the region from Third World to First World status within 50 years after the end of the Second World War. But Latin American countries have been independent for 200 years, yet they have not displayed a matching miracle and are well behind East Asia.

The miracle is attributed to the superior quality of East Asia's modern laws and institutions compared to the mediaeval model that has largely governed Latin America for two centuries. Just as mediaeval laws and institutions of governance held back Latin America, the principal responsibility for several problems facing Pakistan lies in its unreformed and conflicting institutions of governance. No amount of complaining about those who took our model of economic development and surpassed us will help unless we have reformed the fundamental laws and institutions governing state and society.

A separate study by the World Bank has concluded that if Somalia ruled by mafias and warlords with no rule of law in its governance could slightly raise the quality of its laws and institutions of governance to that of Laos, it would "raise its per capita GDP by 300 per cent." And if the quality of its governance is raised to Singapore's level, its per capita GDP would jump by 600 per cent — all other things remaining the same.

But how could laws and institutions of governance be nurtured in an environment when the state itself has been swinging as a pendulum between modern and mediaeval models of governance for most of its existence?

Three days before independence, the Quaid-i-Azam used

the most appropriate forum of the Constituent Assembly on August 11, 1947, to spell out his well known founding principles of the first model of governance on the basis of which state institutions would be constructed in Pakistan.

Jinnah was a modern leader who had practised the rule of law all his life and had been fully exposed to statecraft and governance of a contemporary state. Like the man himself, Jinnah's Pakistan was to be a non-communal, non-sectarian, non-ethnic and non-parochial state practising equality and equal opportunity for all citizens and protecting them by the rule of law. And under this umbrella of a neutral state, the Muslim majority people of Pakistan were to find their identity and synthesise it with the norms of modern democratic governance just like Turkey is doing so these days and receiving worldwide support.

Less than six months after Jinnah's death, his Muslim League and the government, largely comprising the traditional landed gentry and political leadership still mired in mediaeval ways, distanced themselves from his guidelines on governance. Taking cover under religion through the Objectives Resolution of March 1949, they pushed for their political and economic agenda and sowed the seeds of a second state model that in due course would take Pakistan to a form of mediaeval governance.

In governance, modernity is denoted not by wearing smart civilian suits or military outfits, nor is the mediaeval identified with a traditional dress code. The bright line that divides modern democracy from mediaeval governance is the place of individual human beings in the scheme of governance, equality and the equal treatment of citizens and, above all, the position of the rule of law overseeing the governance by rulers in all dimensions.

Jinnah's state was neutral in politics, and he told state functionaries to desist from politics. But the second model declared that the state would not be neutral and that the state machinery would be instrumental in projecting the political agenda of the party in power.

Jinnah's model also left no space for special interests to dilute the sovereignty of the people. The second state model introduced a new concept of limited sovereignty of the people thus opening space for its exploitation by adventurers and unelectable elements to rule without the consent of the governed. It also provided them grounds to claim "democracy is not in our

genius" and for the doctrines of necessity to trump the collective will of the people.

For both flaws of governance, the state paid the price as its civil and military functionaries quickly entered politics and occupied the highest state offices. The space of sovereignty taken away from people was also exploited as giving veto powers to religious clerics and military rulers over the collective wisdom of the nation.

Jinnah's model to synthesise modern democratic governance with the Muslim majority people of Pakistan was recaptured through the 1973 Constitution. But this democratic search for identity was again terminated within four years by General Zia who picked up the thread from March 1949, and formally laid the foundation of the second state of Pakistan.

Without ascertaining the will of his countrymen, Zia forced upon them and into the Constitution his mediaeval system and institutions through martial laws and ordinances and called it the Islamisation of the nation-state of Pakistan. Henceforth, force and violence rose to become acceptable as a means of settling differences in state and society.

But the state is a 10,000-year-old political institution. Originating in Mesopotamian civilisation, it first matured in ancient China and all through its journey from ancient to mediaeval to modern times, the state institutions of governance have developed in response to the evolving challenges of their times.

The nation-state is a 400-year-old institution baptised by the Treaty of Westphalia in 1648. Its origin lies in Europe which got sick and tired of the destruction caused by unending religious wars in large parts of the continent.

Therefore, neither the state nor the nation-state is a religious concept. Both are political creations — one is ancient Asian, the other mediaeval European. Neither has Islamic roots nor has it originated under Muslim rulers. Both are now undergoing further changes under the forces of globalisation.

Actually, the issue is not the religion of the state but its governance and how Muslim societies should chart their future course. Religion and security are often used to protect special interests and block transformation of mediaeval governance of the state and its resources to a more modern, democratic and

accountable governance.

For 30 years, Zia's model of mediaeval governance has been battling with Jinnah's model of a modern democratic state. This battle between the two state models is the principal fault-line obstructing the development of state institutions and troubling a bewildered nation. No candle is holding up against the stormy winds ahead.

Laws and institutions of governance are meant to help citizens live, work and prosper in the world they actually operate in. The failed mediaeval model is creating failing states again.

DAWN, September 10, 2007

Nightmare of native colonialism

When Charles Napier violated mandate from his masters- East India Company- and attacked Sind in 1843, he confessed his wrongdoing through his double-entendre Latin language telegram to London: Peccavi- I have sin(ne)d

But was Napier the only one who violated his mandate and sinned against people of the land we live in? Sinking them into deepening poverty, widening disparities, rising unemployment and shrinking economy; segregating them through sectarian, linguistic, ethnic strife and degrading their lives with lawlessness, extortion, extremism and terrorism, its native leaders have ruined future of its several generations. And yet, how many have shown similar moral courage and confessed to their sins of omissions and commissions against their own people.

Pakistan has been endowed with human and natural resources of the magnitude that could have long ago lifted its people into upper middle-income countries within one generation. Coupled with its strategic location, it would be sitting on the high table of Asia; if only it could devise a system of governance that produces leadership which measures 'development' through security and prosperity of the people than amassing assets in all U states: UAE, UK, USA.

Two recent examples of leadership are relevant in Pakistani context. Both lifted their nations from deep pits of poverty and underdevelopment to power and prosperity among nations of the world _ Park Chung-hee of South Korea and Lee Kuan Yew of Singapore- the former a military ruler and the latter an elected head of government.

Although they came from different backgrounds and adopted different modes of governance, both achieved remarkable success as nation builders. The reason lies- as Prime Minister Lee Kuan Yew of Singapore told this writer in one of his interviews- in addressing the fundamental question of governance: should the laws and policies of the country be designed to deliver benefits for the people or become vehicle to siphon off public resources into private pockets of its leaders. They followed the first option and Singapore today ranks among any list of the top ten countries of the world.

For 18 years, General Park was the undisputed strong leader of South Korea who undertook several reforms and lifted his people from backwaters of poverty, illiteracy and underdevelopment (living standards of people of South Kora in early 1960s were same as those in Ethiopia) and turned them into a rich and powerful industrial nation- the 15th largest economy of the world with per capita income of $ 35,000. But when Park died, his total wealth amounted to less than $ 1000- with no assets sprinkled around the globe.

The critical lesson that comes through these two examples is that although forms of their governments were different, the ingredients of their success were same. This brings to mind what Alexander Pope had famously observed on crisis of governance in 18th century England: for forms of government let fools contest, what is administered best is best. Or as author of modern Chinese miracle- Deng Xiaopeng put it: it doesn't matter whether the cat is black or white, so long it catches the mice.

Which brings up the question: why has Pakistani experiments with both forms of government-military rule and elected government- not produced the level of success that each one produced in South Korea and Singapore. To take this argument further, it should be obvious that just as the ingredients of success are same- whatever the form of government- as proved by examples of South Korea and Singapore, the ingredients of failure are also the same as our own experiments with both forms of government have demonstrated- leaving people insecure and underdeveloped while several countries overtook Pakistan including South Korea and Singapore.

The answer lies - as Prime Minister Lee explained- in the system of governance that uses instruments of power through

laws and policies to siphon off public resources into private pockets of its leaders rather than apply them for public good of the masses.

This exposes the emptiness of that slogan without substance: the worst of democracy is better than the best of any other form of government! Having lived through exactly that- the worst of democracy- the people of Pakistan, as events of last few months have demonstrated, are not willing to be taken for a ride again by those who unabashedly take pride in delivering the worst of governance but loath to reform themselves or their governance.

In this competition, few beat Sindh whose lack of governance has deeply mired the province,-with the most competitive advantages in Pakistan- into severe structural deficiencies and almost institutionalized transfer of public resources into private pockets of its leaders.

Two recent examples should suffice. Tens of thousands of sugarcane growers of the province have been protesting as they are being forced to accept 30% cut in price of their produce compared to Punjab, allegedly by collusion between government and sugar mill owners. The forcible transfer of legitimate income of growers- some estimate it to be about 10 billion rupees- is windfall profit into pockets of a small coterie of millers who seem to have a lock on decision making ability of the government.

The credibility of its decision making has sunk so low that almost every major decision of public procurement is being challenged in superior courts of the country to seek their protection against siphoning off of public funds through opaque and non-competitive methods- be it purchase of APCs, helicopter, arms and ammunition for law enforcement or land disposals.

On the other hand, drought in Thar that deteriorated into famine over a year ago continues to take heavy toll of livelihoods and lives of people especially children. The same dysfunctional governance exploited 30,000 educated, unemployed youth of the province robbing them of their savings through fake letters of appointment as teachers when only 15 vacancies were said to have existed!

Colonialism is acquiring political control to exploit the weak and transfer their wealth abroad into personal pockets of

foreign rulers. Are the same sins any less heinous if committed by people of same colour, language or religion?

Native colonialism is more cunning as it exploits empathies of same colour, language and religion to escape scrutiny- but is nevertheless same colonialism as of foreigners- who stood out because of their visible differences in colour, race, language and religion.

Native colonialism of ruling classes is a nightmare for developing countries. It robs people of their resources and keeps them under permanent state of dependency and underdevelopment. Forty percent of the wealth of Africa has been stolen by its post-independence rulers and stashed abroad. This nightmare will not end until systems of governance that promote and protect siphoning off of public resources into private pockets of rulers are not fundamentally altered.

Who says Napier was the only one who had sinned against the people of this unfortunate province? But we have yet to hear anyone of its native leaders admit to their own Peccavi- if not in Latin then in Sindhi, Urdu or English languages.

Whose system is it anyway?

Like misaligned medical prescription, which causes serious side effects instead of addressing the original ailments of the patient, our system of governance has deteriorated so much that it has become the cause of problems rather than their cure.

Almost every other country in Asia reformed and fine-tuned their systems of governance within a quarter century to successfully address the challenges faced by their people, and delivered higher quality of life to their citizens and improved security of the state. At one time or the other, Pakistan was at par in various economic indicators with South Korea, Singapore, Malaysia, Turkey, Vietnam and others – but has now been left behind by them all.

As if that was not bad enough, the rankings of the Fragile States Index place Pakistan in the company of Somalia, Burundi, Haiti and others at the bottom of the index. And in Transparency International's Corruption Perception Index, Pakistan has not for years found a place among the 100 least corrupt countries. The youngest billionaire of Africa is the daughter of the president of Angola – a country where 70 percent of people live under $2 per day. This would bring on a feeling of déjà vu for the people of Pakistan.

Is there need for any further evidence that our system of governance is so misaligned to people's problems that it has itself become the cause of adding new problems into their lives than finding solutions to their original basic issues of poverty, illiteracy and unemployment? For decades, the system has been unable to collect taxes from more than one percent of the population. Nor has it been able to prevent flight of capital.

Where countries from same baseline achieved 100 percent literacy within 20-25 years, 50 percent of our population remains illiterate after 70 years. And people in villages prefer local jirgas –

as cheap, easy and quick means of resolving disputes – wary that the system will keep picking their pockets and eating away their lives. So for whom has this 'system' of governance been working all along?

"The fundamental question of governance", said Singapore's Lee Kuan Yew to this writer in a meeting, "is to decide whether the instruments of governance of a country ie its laws and policies are made for the benefit of the citizens or for the benefit of its rulers". And to ensure that the instruments of governance work for all, Lee continued, their enforcement should start with the leaders of the government and business. Once people see real application of laws and policies, there will never be any problem with their enforcement and the establishment of a level playing field for all citizens.

For Pakistan to follow this tried and tested advice means it would have to first apply its existing laws and rules upon some 5,000 people in various leadership roles. Within a few years of that this country and its people will be on their way to realising their great potential. Apart from lip service, though, the leaders of our system cannot afford to implement Lee's prescription of good governance. They have created a consensus among themselves that instruments of governance are to be exercised for their own benefit – and not for the benefit of the people. Hence, no 'leader' wants to deliver a rule-based and equal opportunity society.

Although the success stories of Asia practised different forms of government, their governance reflected the same common feature. Their leadership used instruments of governance to uplift the quality of life of their citizens and not for their 'self enrichment'. Today, their citizens enjoy better quality of life than the perpetually poor people of Pakistan.

In Pakistan, this fundamental question of governance has been lost in the misplaced rhetoric about the 'form' of government rather than the 'purpose' of governance – 'the worst of democracy is better than the best of any other government'. Consequently, instruments of governance – the laws and policies of Pakistan – have been unabashedly made, manipulated and used for the benefit of the rulers. The system of governance has been turned into 'government of the leaders, by the leaders, for the leaders'. In consequence, the improvements in the quality of life of leaders have been on display all the way from Pakistan to Dubai, London,

Switzerland and Panama.

How did governance in Pakistan deteriorate to such depths and became the cause of the people's problems rather than the cure?

This is the story of the real coup of medieval political culture creeping over instruments of governance of the state; this coup has finally completed its conquest over 'modern democratic governance' and disabled the state and its institutions from acting according to the law.

Let us call a spade a spade. None of the values of modern democratic governance that we often talk about – sovereignty of people, their inalienable fundamental rights, equality before law, equal opportunities for all, separation of powers, due process, and 'free and fair' elections – was nurtured in the darbars of rajas, maharajas and Mughal emperors of the Subcontinent. The political culture in their courts was the 'Zill-e-Ilahi' model of governance – where the ruler was a lord over his subjects who did not have 'rights' to anything.

The instruments of power in this culture were exercised for perpetuation of the rule and enrichment of the rulers. There was no concept of theft of public resources by the rulers because resources 'belonged' to the rulers – not to the people; nor was there a system of accountability because the state did not exist to hold the rulers accountable under its laws.

Look around. With some trappings of modern dress and dialogue, it is the same medieval values dictating governance in Pakistan. With the state and its cowed-down or compromised institutions becoming mere observers, the instruments of governance are openly being used for self-perpetuation and self-enrichment. Is this the new normal for Pakistan?

This is the real coup against the people, where the past has been made their future. Neither the state nor the people can benefit from it even if it rules the roost for the next one hundred years.

This conclusion is supported by independent research on several developing countries carried out at institutions like Yale and MIT, which found that the continuing underdevelopment of people in these countries was the result of deliberate policy choices by their leaders. As per Lee Kuan Yew, that means that the leaders of these countries decided that instruments of governance

would be used for their own benefit.

So the critical question of delivering good governance in Pakistan can be framed as: how can 'government of the leaders, by the leaders, for the leaders' be reformed into 'government of the people, by the people, for the people'?

Only then will the 'system' of governance cease to be the cause of people's problems and will work to find their solutions. Only then can it save itself.

DAWN, July 16, 2016

Breaking colonial state structures

NO nation in the modern world has risen to prosperity and power unless its people have been blessed with three reforms in governance.

First — and it deserves to be repeated — first, when they have been blessed with the liberating powers of reform in the organisation of society, thus breaking the shackles imposed by centuries of mediaeval and, subsequently, colonial structures and creating opportunities for all those who were locked out.

Second, when people are blessed with the enabling powers of widespread education and skills that enhance abilities, give them a competitive edge and gather critical mass for society to take off. Last, when they are blessed with fair and predictable processes of governance, rather than being made to suffer under a rule characterised by personal arbitrariness; in other words, when they are blessed with the protective powers of the rule of law that provide a level playing field, and ensure that the rights and rewards of the weak are not usurped by the strong.

It took pioneering England, some other European countries and the US several decades to perfect this model and achieve a transformation. Japan used the model and reduced the time span to 50 years while other East Asian nations refined this model further and arrived at the high table within 30 years.

So why haven't most member countries of the OIC — some endowed with abundant resources — arrived at the high table even after being independent states for 60 to 80 years? The prescriptions dished out by those who control the state apparatus have not helped to cure the ailments that have been afflicting their societies for long.

If anything, the situation is getting worse. The disease of

persistent underdevelopment — even when rich in resources — is now spreading and mutating into militant expressions of anger and impatience. The structures of state and society in most OIC countries are no different from those of other developing countries. Likewise, they carry a heavy baggage from their mediaeval and colonial past. The remedy lies — as in success stories in other cultures — in shedding this baggage by reorganising the state and society.

Very little exists by way of serious and objective studies and scholarship that have explored the issues of the decline and fall of Muslim societies over the last 500 years. Without much guidance provided by the rigours of objectivity on the basics of reorganising the state and society in their countries, it has been difficult for most OIC states to achieve even half the success recorded by others within the same time.

Some have preferred to take refuge in the revival of the failed mediaeval model, wishing that the rest of the world would also oblige them by going back to the equation of yesteryear in order to relive their past glories. But no one in the world is going to oblige us and return to the days of yore.

Others are happy to remain busy with superficial labels and the trappings of the modern world. They are hesitant to undertake the needed restructuring of the state and society that would bring the three blessings to their people and put their countries on the path to prosperity and power.Sixty years is a long time in today's world to change the course of a nation if the instruments of governance are designed to produce such a transformation. But 60 years after independence, large sections of Pakistani society still await the three blessings to transform their lives. True, there have been specific achievements but these are islands surrounded by backwardness, poverty, underdevelopment and the disempowerment of large sections of society as discrepancies keep growing.

The social and economic reforms that liberate people from the shackles of the mediaeval and colonial times, and which usually come with the independence of a state to mark a break with the past, never really materialised for the vast majority of Pakistanis. Their rulers were happy for the colonials to depart for England but were reluctant to change colonial structures once they took control of the state apparatus. A large part of society in

Pakistan, therefore, has been carrying the old baggage — social, economic and political — much beyond independence. This baggage kept them in the mediaeval and colonial times and continues to do so. This is why the 'trickle-down' is not trickling down to the masses, and one sees development and disempowerment simultaneously acting on different sections of society and widening the disparities among them.

Of the several examples, let us select one that is often talked about. In 1951, Pakistan and South Korea had about the same level of literacy: 16 per cent for Pakistan and 21 per cent for South Korea. Pakistan had just won independence and Korea had seen the end of Japanese occupation.

While governance in Pakistan did not reform the mediaeval and colonial heritage of the structures of state and society and merely changed the rulers, South Korea changed not only the rulers, it also carried out extensive social and economic reforms that demolished the old baggage and empowered the vast majority of its people. Consequently, while the South Korean literacy rate went up to about 90 per cent by 1981, in the same 30-year period Pakistan's literacy rate was struggling at 26 per cent. Even after 60 years, the rate of literacy in Pakistan is still hovering around 50 per cent. The rapid rise in literacy soon translated into an educated and skilled workforce that helped put Korea on its path to industrialisation and prosperity.

There is another indicator. Again we start from the same benchmark. The exports of Pakistan and South Korea in 1951 were of the same order — about $50m each. But triggered by the social and economic reforms that raised the capabilities of a vast majority of its people, South Korean exports by 1981 had gone up to $18bn, while Pakistani exports stood at $2.5bn after the same period. Today, while our exports are around $18bn, South Korean exports have rocketed to nearly $300bn.

The purpose of this article is to remind OIC leaders that these things are doable without having to wait until eternity. Countries from different backgrounds — ethnic, religious and cultural — have used the same prescription of reforming the governance of state and society to bring power and prosperity to their nations. Following old prescriptions is causing bigger problems that need not occur if reform initiatives are undertaken.

Dawn 23 October 2007

Law, politics and governance (I)

THE rule of law has been lying low for so long that we have forgotten that in civilised societies, both politics and governance have to be conducted according to the law and not above and beyond it. The carnage in Karachi on May 12 has further exposed the dangers of conducting politics and governance without respecting the bounds of law.

Close to 50 people were killed and many times more injured. Besides, severe damage was inflicted on private and public property in Karachi. The lawlessness displayed in open defiance affected people across the country. But it has not yet moved the government to order a full and impartial judicial enquiry to know how and why the largest financial, industrial and port city was subjected to daylong mayhem and what needs to done to stop this from recurring.

This is supposed to be an election year also. If politics and governance are to be conducted like this, what hope can realistically be entertained for open and honest elections to ascertain the free will of the people and for democratic governance to emerge?

Law is a human practice and has to be defined, understood, interpreted and applied not just by lawyers and judges within the courtrooms. Human practices according to the law have also to be visible in the conduct of all actors, especially in that of ruling members of political and official establishments, including the makers of the law. It is only then that respect for the law can spread out to citizens at large.

Gone are the mediaeval days of rulers claiming the obedience of citizens by pretending that the law to be followed

was the commands of the sovereign. For law to claim legitimacy and obedience from citizens in the contemporary world, it must incorporate and exhibit five features which are defined as following:

(1) Moral content: by reflecting values cherished by a broad section of society.

(2) Welfare content: being the instrument for the greatest good of the greatest number.

(3) Neutrality and impartiality: being blind to colour, creed, origin, sect and ethnicity.

(4) Consistency: being the same for all people at all times.

(5) Transparency: being open to all in its making, interpretation and application.

It is these values that count as justification for the authority of law and obedience to it. These characteristics also provide the distinction between a legal system and the commands of a gunman: both the legal system and the gunman ask for compliance, but only the former represents its claims as legitimate and justified.

Repeated aberrations in the implementation of the law have been extracting a heavy price from society in the public policy domain. Economically, the failure of the rule of law leads to sub-optimal decision-making and misallocation of national resources. In the political arena, as the law is forced on the back-foot, violence fills the void and influences human practices. Socially, as the law loses its moral authority, sectarian, ethnic, parochial and other considerations take larger than life roles in the nation's body politic.

Economic development may or may nor have been trickling down to the lower strata of society but our long tradition of aberrations certainly has and is taking root in the culture of politics and governance spreading across Pakistan.

The constitution is the supreme law of the land and defines the guiding principles of the governance of a sovereign state. But even before independence, when this part of the subcontinent was a colony without a constitution, it was a much more law-abiding society. From traffic laws to municipal laws, from criminal laws to laws on food adulteration, people obeyed them all, especially because they saw their superiors in authority and status abiding by these.

But it is difficult to develop a culture of obedience to less superior laws in societies where superior laws are themselves not respected. Seeing repeated deviations from superior laws by the more powerful, the smaller fries of the state and society also feel free to flout the less superior laws of the land.

That is also the argument being advanced by the masters of the Hafsa brigade in Islamabad. By all accounts, their strategy seems far more successful than, for instance, that of the peaceful ladies of the Women's Action Forum who got thrashed in Lahore recently for doing much less.

Have we then been nurturing a culture where obedience to laws is synonymous with weakness — where only the weak and the meek are left to be law-abiding citizens who can neither bully nor buy their way out of law?

We should also disabuse ourselves from another habit which has crept into our polity. For so long have national affairs been conducted by governments bypassing the law that we have forgotten it is always the writ of law that is sought to be enforced by governments and not their own writ. Governments have no mandate other than to enforce the writ of law in their jurisdiction and not the wishes of individual players in their ranks. Without the rule of law guiding them, politics and governance often get reduced to exercises in self-perpetuation as was witnessed in Karachi.

By the way, since when has anybody, including MNAs and MPAs, acquired the right to deny freedom of speech and movement to other citizens — much less to the Chief Justice of Pakistan? It was this attitude and the measures to enforce it with 'non-functional' law-enforcement machinery that ushered in the mayhem of May 12.

Sick with manipulations and shenanigans, people have been standing in rallies for hours during hot summer days and nights to record their anger and protests, not only in favour of the CJP but to also urge that this government should conduct politics and governance, according to the law and respect judicial independence.

The fact that they did not come out in similar numbers when elected governments and parliaments were overthrown also tells of their disillusionment with unfulfilled promises of the rule of law, with equal opportunities for all and managing national

resources as a trust for their wellbeing, free from cronyism and corruption.

In the upcoming months, it is incumbent on everyone — more so the people in authority — to let the rule of law and judicial independence guide the politics and governance of the country so that the ship of state can safely navigate through the stormy seas ahead. Both internal and external forces would be keeping a vigil to see if the rules of the game are being observed.

Pakistanis must rid themselves of models of medieval governance. Neither men on horseback who want "unity of command"' over everything in the domain nor civilian leaders pretending to be 'ameerul momineen' and lording over all things temporal can deliver them from crises.

They must realise that governance is conducted by ordinary mortals who are agents of the people and accountable to them through periodic elections and answerable to the laws of land, not by anyone pretending to be guided by a divine mission or possessing supernatural attributes.

That is where the significance of the lawyers' movement lies and the need for a strong and independent judiciary to hold politics and governance accountable to the law.

Will they deliver, be hijacked, undermined or overwhelmed? The next few months will tell. But the movement has captured the imagination of the masses because in their heart of hearts they feel that it is trying to finish the incomplete agenda of the struggle for the independence of Pakistan, which must become a republic of the law if it wants to become a peaceful and prosperous republic of the people.

Dawn, May 26, 2007

What has held Pakistan Back

'WHY has Pakistan not realized its potential?' The question was asked by a former prime minister of a South East Asian country, which during the quarter century of his leadership had risen from the poor backwaters of underdevelopment to become one of the most developed countries in the world, and who himself is now consulted and his advice respected not only by the leadership of his country but by the governments and business leaders from all over the world.

The date was in Feb. 1995, and I had already spent three days making presentations to the government and corporate leaders of Singapore on Pakistan's economic and investment potential, and together with the hosts, identified areas of cooperation between our two countries. However, in all these meetings, I was clearly told that the decision to move in the direction will be largely influenced by the judgment of the former prime minister.

I was very fortunate indeed that my request for a meeting was so very kindly approved and that morning, I had just finished my presentation to him, ending with the request to give his blessings to the government and corporate leaders of his country to invest in Pakistan and expand economic cooperation between the two countries.

Very graciously, he appreciated the strategic thrust and areas of cooperation I had presented, but then he turned the discussion around and asked the question quoted above. "Why", he asked, "despite its resource base, and its strategic location, has Pakistan not realized its potential in all these years"? Why indeed?

This question is one that has also been haunting may Pakistanis over the years. Different people, writers, journalists,

economists, government and business leaders and others have advanced their analyses, their views and suggestions from time to time. The purpose here is to share with the readers the wisdom of some of the most respected and successful leaders of Asia and the world and the advice they gave to Pakistani leadership of fundamental issues of governance.

As I had attended some of those meetings in the course of my official duties and as I always kept my personal diary of important discussions, this was meant to get a clear insight into the thinking processes of these great leaders. This advice was always conveyed to the leaders, and at times it was told to them directly by the foreign leaders. In either case, it did not help in changing the style of governance and halting the downward slide of the country.

The problem of Pakistan, as Mr. Lee succinctly put it, is the problem of its leadership and the style of goverancne. The leadership of Pakistan spends the nation's energy and resources in politicking and is always so eager to gather more power and undercut each other. This culture has permeated into other spheres of national life, even in areas like education, sports, banking, etc, and has displaced the search for professional excellence. The laws are often not obeyed by those who frame them, and the policies are made and unmade by a mere change of personalities. In such an environment, Pakistan's assets and oppurtunities could not be harnessed for the betterment of its people. It is the system of governance, the way power is exercised and to what purpose, which will determine to what extent Pakistan will be able to realize its great potential.

When Singapore started its reform programme in 1960s and policies and rules were framed for the purpose, the leadership—with Lee Kuan Yew himself, his ministers and other senior government leaders, were the first to submit to the new laws. When the policy of "first come first served" was adopted, senior government leaders were standing in the queues along with others for purchasing a cinema or an airline ticket. And if anyone in the top leadership broke a traffic law or spat in public place, he was heavily fined like any other offender. The laws are to be obeyed and policies implemented by all and sundry, by the meek as well as the mighty. No exceptions, no privileges.

But over here, in the land of pure, if the leadership

considers itself above the laws of the land, then others too want to seek this privilege by hook or by crook. Haven't we often seen this happen in our country? Here people in authority and their kith and kin, assume themselves to be above the law, while the others try to either bully or buy their way out, and God help the rest who do not fit into any of these categories.

The advice to improve governance was again given to Pakistani leadership by another great Asian leader and a good friend of Pakistan who in April 1997 visited Pakistan. During the talks held in Islamabad, the same question was put to him to solicit his views on why Pakstan has not realized its potential. Mr. Mahathir Mohammad avoided a reply the first time but when it was insisted, he made following observation:

"There are two things which bother the friends of Pakistan the most. First: Pakistan has changed its policies so may times, that they did not now know what exactly were the policies of Pakistan. So many times we have tried to study Pakistan's policies and find out areas where we can work together with Pakistan. By the time we have determined areas of mutual interest, we find that Pakistan has already changed its policies.

"If policies become subservient to personal whims and wishes, it becomes very difficult for friends of Pakistan to find a reliable basis for building long-term relationship with it, and such a system is doing no benefit to Pakistan."

Secondly, he told the then Pakistan Prime Minister, Pakistan has frittered away its greatest resource – the knowledge, skill and expertise of its people.

While Pakistanis have established themselves in other countries, the environment created by successive governments within the country does not encourage them to contribute their best towards the betterment of society. Much more than the money, he said, it takes a great deal of time, to develop quality human resources, and a society that does not harness its human resources well, will find it very difficult to achieve prosperity, however abundant its other resources may be.

If such policies are not changed and the talented and the resourceful are not incorporated into the system, he told the leadership, they will leave the country, and only these who do not have any marketable skills would be left behind. Pakistan cannot build a prosperous future on such a weak foundation.

Two great leaders, speaking at different times but making the same analysis and reaching the same conclusions. It is easy to see the wisdom of the analysis of two of the most respected Asian leasers, whose advice and guidance is eagerly sought and respected by top government and business leaders from all over the world. It is not easy to see why such sincere and valuable advice coming from friendly leaders was ignored and spurned.

Another such leader was Michael Manley, prime minister of Jamaica in 1970s. He was one of the most dynamic leaders of the Non-Aligned Movement at that time. It was in 1978 when I had an opportunity to hear Michael Manley at a seminar in Washington DC, where he spoke on the Cuban revolution. Manley said that in his meetings with Fidel Castro, he had asked him about the lessons that he had drawn from that revolution and that if he were to do the revolution all over again, what would he do differently this time? And what mistakes would he avoid?

Castro's views on the Cuban revolution was the main theme which Manley wanted to share with his audience, comprising mostly Third World students and American academia. He quoted Fidel Castro as saying that if he (Castro) were to do the revolution all over again, he would do everything exactly the way he did it the first time, except one mistake that he would avoid.

This time, Castro told Manley, he will not throw out the professionals and experts from Cuba which he did, in his revolutionary zeal, the first time. This set Cuba's development back by many years and seriously affected its efforts at improving the well-being of its people. The Cuban government had to spend many years and their scare resources to rebuild that pool of knowledge and expertise which Castro had thrown out. Mr. Manley's advice to his audience was to learn from Cuba's experience and Castro's own assessment of the importance of quality human resources and to incorporate the knowledge, skills and expertise of these people and encourage them to contribute to the development of their societies.

Do we now recognize some of the critical elements of good governance that these three great leaders of the world-Lee Kuan Yew, Mahathir Muhammad and Fidel Castro- have been advocating? If we now see the kind of governance which this country has had all these years, is it any wonder that we have been falling behind almost every other country in almost every

field. And is it also difficult to see that until and unless we radically change the style as well as the substance of our governance, no amount of micro and macro planning will yield the desired results?

Dawn, February 7, 2000

Which model of governance?

POOR countries are poor not because they lack resources but because they are ruled by indigent laws and institutions of governance that are incapable of addressing challenges and opportunities of the world they operate in. Their problems are compounded by opaque and unaccountable governance that often works as a nursery to promote the culture of cronyism and uses various pretexts for self-perpetuation.

In one of my meetings with former Prime Minister Lee Kwan Yew of Singapore, he explained the culture of governance adopted by the founding fathers of the new state of Singapore. "We faced," Lee explained, "the classic question of governance: whether we put in place a system of laws and institutions that would sanctify rulers as a breed above the rest, and operate the system for promoting their special interests, or devise a system of governance that works for the country as a whole."

In the case of the former, the rulers — whether civil or military — were to be generally exempted from the application of ordinary laws of the state. In the latter case, all politics and governance had to be conducted under the rule of law, and everybody, including Lee himself as head of government, would be subject to the same laws as everyone else.

The founding fathers decided to institute the system of governance that would work for everyone's benefit, undertook reforms in governance to actualise it, and, as Lee said, it helped to "create assets where none existed". The results have been there for everyone to see.

In 50 years of independence, the laws and institutions of governance adopted by the founding fathers of Malaysia have not

only lifted it from Third World, but have also won it worldwide praise for establishing a balanced, harmonious, multiethnic, multicultural and prosperous society. Everyone, from the secretary-general of the UN to Nobel laureates, is now asking developing and developed countries to learn from its successful model of governance.

Malaysia's model of governance incorporated into its constitution became operational from the first day of its independence. Even leaders like Tengku Abdul Rahman and Mahathir Mohamed continued to follow the same model of governance uninterrupted, and it succeeded in producing the most harmoniously balanced, stable, peaceful and prosperous society among the OIC countries.

Pakistan's experimentation with different models of governance has never ended. The principles of governance enunciated by the father of the nation were disowned by his own party and government six months after his death. Mr. Jinnah's model was recaptured after a 25-year gap in the 1973 Constitution.

Individual rulers come and go, but if this first and only popularly approved model of governance had been allowed to work its way uninterrupted, it would have produced a stable, balanced, progressive and prosperous society in Pakistan.

But a quarter century of undemocratic governance created powerful vested interests that subverted this model of governance within four years. A radically different model of governance was forced into the Constitution by General Zia. It has continued to rule the roost since then, and is making the governance of Pakistan an increasingly difficult task.

Zia's model of governance created big problems as it gave de facto recognition to two other sovereigns — religious clerics and military rulers — besides the people of Pakistan, and protected their agenda and interests by keeping them beyond the oversight or amending powers of parliament. This model of governance has since then been expected to deliver to the satisfaction of three sovereigns who are sometimes pulling it in different directions.

The issue is not one of the difference of interests of various groups, which is normal in every society. The problems of governance thrown up by this model lie in the absence of an ultimate forum for the resolution of conflicts of interest among the

three claimants to sovereignty, in order to produce harmonious national development. This model of governance doesn't recognise parliament as the ultimate forum for reconciliation of conflicts of interest among various sections of society.

No solution is in sight. Neither are the two de facto sovereigns accepting the sovereignty of parliament as the ultimate forum nor is the country's politics reforming itself in order to produce powerful democratic institutions including a parliament capable of enforcing the will of the people.

This state of affairs had been witnessed in the recent past when elected parliaments could not mobilise popular support to protect themselves against their dismissals on the flimsy ground of power politics.

Its latest proof was witnessed by the contrast in public enthusiasm of the entire civil society in protecting the rule of law and judicial independence during the lawyers' movement and the indifference shown during Nawaz Sharif's return. The latter was seen by the public as no more than the use of hard-won judicial independence by a politician with a long record of autocratic and self-serving rule aimed at fulfilling his personal agenda.

As the last 30 years have demonstrated, the unresolved conflicts embedded in this model of governance have been a source of recurring instability in the country. These have worked as the sword of Damocles that hangs over every government and leads to sustained unpredictability in governance, which has been playing havoc with the political and economic development of the nation.

Irrespective of the good intentions of any ruler, this model of governance cannot simultaneously deliver on conflicting agendas without acknowledging an agreed forum where conflicts of interest could be peacefully resolved to produce harmonious national development.

If it is further neglected, this model of governance will continue to create severe imbalances in the functioning of state and society. Without an agreed framework for their peaceful resolution, these imbalances could harden and spread out, weakening the state itself and making the search for solutions so much more difficult.

But in the all-consuming passion of power politics and partisanship on display for quite some time, there is little

realisation that this lingering dilemma in governance needs to be urgently resolved. The serious schisms and imbalances being generated by this model could well be making business as usual a fairytale in the future as non-peaceful means of advancing different agendas could nurture overwhelming negative forces all around.

The government and the opposition need to have a third party in their deliberations — independent and respected members of civil society — as moderators to assist their dialogue towards a non-partisan and fair model of governance, which respects the will of the people, is accountable to the rule of law and resolves conflicts of interest in a universally acknowledged peaceful and democratic manner.

DAWN, September 29, 2007

Demolition via devolution

The devolution plan introduced in 2001 was rendered dysfunctional in three provinces and no one delivered a eulogy over its virtual demise. In Sindh, instead of harmony and stability, it has been the cause of disharmony and instability as was amply demonstrated by the somersaults of midnight ordinances.

Devolving more local government functions to elected councils is not grudged by anyone. Increasing people's participation in managing their affairs is welcome and so is bringing service delivery nearer to the people. What cannot be welcomed is the creation of all-powerful and unaccountable rulers — whether at the local, provincial or federal levels of government.

Planned by Pervez Musharraf, this devolution creates nazims in Musharraf's own mould — all powerful, unaccountable, with unity of command' hanging over the heads of all who exist in their domain. That was the first problem with this devolution plan as nobody wants mini-Musharrafs sprouting throughout the length and breadth of the country.

Instead of incremental improvements in the existing administrative structure of the country as well the local government system, wholesale demolition was performed via the devolution plan of 2001. And it was carried out by two individuals, neither of whom are said to have had any previous experience of serving in any elected local council or a position in the country's civil administration.

As for the rhetoric that the devolution plan was a breath of fresh air and brought freedom from the administration of the colonial era, let us remember some hard facts.

Unlike Pakistan, where neither democracy nor administration has been spared by various adventurers, India next door has had a strong, deep-rooted and continuous democracy. Yet it has never felt the need or justification for doing away with

the 'neutral and professional' administrative system introduced by the British in the subcontinent. The DCs, the commissioners and their infrastructure continue to operate side by side with elected local governments.

While we are at it, let us jolt our memory further. We take legitimate pride in these policies and institutions, but who brought the 'elective system of government', or the 'separation of powers among various branches of government' or a 'professional standing army' to this part of the world except the colonialists? So let us be rational in our arguments and not exploit people's emotions.

Like many issues of public policy, arguments for and against can be made against both systems of local government. And these are now being communicated by various media outlets. A synthesis, combining the good features of the 1979 and 2001 LG Ordinances as well as good practices from neighbouring countries could emerge from open and rational discussions and provide a durable system of local government and administration for Pakistan.

In this space, the merits or otherwise of various aspects of governance cannot be discussed. So this article flags two fundamental issues at the heart of the problems afflicting the LGO 2001, that have affected the atmosphere to such an extent that discussion of any merit in that system has fallen by the wayside.

The first: this devolution plan assumes Pakistan to be a unitary state with only two tiers — a federal government and a local government. It essentially refuses to recognise the federal character of governance in the country where the provinces are fundamental constitutional units of governance and local government institutions are creations of the provincial governments.

The plan assumes no other tier under the federal government and builds up a new district government as a competitor to the provincial government. The cascading tiers of governance into smaller units under the province — the division, district, tehsil/taluka and the union — are meant to decentralise powers and functions for the convenience of the people.

That is why LGO 2001 is not satisfied with merely devolving more functions to the lower tiers of governance. It wants to demolish any office or institution that could question the

nazim and the 'unity of command' in his domain.

Therefore, it demolished altogether the divisional level of administration and local governance, and would have liked to do away with the provincial level also, but for the fact that he provinces are constitutional pillars of Pakistan and cannot be done away with. It then did the next best thing: it allowed the district level to not only fill in the space of the divisional level but also rise as a parallel to provincial governance.

When applied to Sindh, this system brought in additional features which raised new concerns. While the existing five districts of Karachi were demolished and made to form 'one unit' with a population exceeding 15 million, the district of Hyderabad with 2.5 million people was demolished and four new districts created, each with a small population of little over half a million.

This defied all logic of universally accepted principles of good governance, administrative efficiency and service delivery.

Such a lopsided and untenable devolution plan carried the seeds of its own destruction. Its planners did not really design the system to stand on its merit once Gen Musharraf's umbrella was removed. Its illogical features have neither done any service to strengthen responsible democratic governance at the grassroots level, nor have they advanced peace and harmony among communities.

Laws and institutions should be inclusive and built to last. They should build bridges and integrate people and not divide and segregate them. Now, after this demolition of its working institutions, Pakistan must pick up the pieces again and work to put in place a durable administrative and local government system with checks and balances on the exercise of authority at all levels of governance.

DAWN, August 22, 2011

Demystifying devolution

The three-in-one devolution plan under the Local Government Ordinance 2001 needs to be disassembled since it seeks to bring into its fold three unrelated issues, each of which has a different set of guiding principles.

If the objective is devolving more power and functions to local councils, it is perfectly possible — even preferable, looking at established practices worldwide — to bring about incremental improvements in the existing local councils from divisional and district to the union levels.

Increasing local councils' power does not require administrative gerrymandering and the creation of such irrational anomalies as one district comprising one-third of the population of Sindh with another district with less than half a million people.

The LGO 2001, it seems, was meant to kill three birds with one stone. Not satisfied with merely devolving more power to local councils, it also embarked upon the ambitious project of elevating district 'government' to become a parallel centre of power in competition with the provincial governments.

Also, since the district is the basic unit for the delimitation of constituencies, such gerrymandering pre-empted the task of the Election Commission of Pakistan (ECP) by predetermining electoral constituencies within one-third of the province under the garb of the devolution plan.

Under one nomenclature or the other, elected local councils have been working in Pakistan since its inception with varying powers and functions. As elsewhere in the world, different political parties have also contested elections here and won or lost seats — some more than others and some more at one time than the other. Never before, though, had the LGO 2001 sort of gerrymandering been attempted.

The functioning of local government entities under the

LGO 2001 has generated serious flaws that need to be rectified. In Sindh alone, where 60 per cent of the provincial budget is spent through local governments, nearly 200 audit paragraphs identifying financial irregularities and corruption in these entities were reportedly prepared.

But under one pretext or the other, they have not been submitted to the Public Accounts Committee for scrutiny and accountability. By exempting local councils from accountability for public funds, are we strengthening grassroots democracy or sounding its death knell?

Enough evidence has been collected by the media to show that pushing the state and its functionaries away from their fundamental duties of maintaining public peace and enforcing the law has opened space for a wave of economic crimes such as grabbing state land, extortion from businesses and creating private fiefdoms on public funds.

These are real issues affecting the integrity of governance, and their continuing neglect will cause serious damage to the democratic dispensation as well as to the state and society in which we live. Balancing the duties and functions of different state institutions and evolving a durable system of local government will be another test for those who are responsible for protecting the state and society as well as grass-roots democracy from further damage.

The administrative units of divisions, districts and other smaller cells is a function of the executive and is determined —– where need be — by the principles of good governance, neutrality of administration, proximity to decision-making and service-delivery to people.

The blatant gerrymandering of districts in the name of devolution has already cast serious doubts on the LGO 2001; the only sensible thing would be for all stakeholders to disown such exploitation of each other and go back to the administrative and local council structures that existed before the atmosphere was vitiated by the mischief embedded in Pervez Musharraf's devolution plan. The five districts that already existed in Karachi, which also had supporting infrastructure in terms of courts and other offices for ease of access for people, should continue to provide stability and continuity.

As the population increases and supporting infrastructure

is provided, new districts would then need to be added to provide the with people easy access to decision-making.

In developed countries such as the US, as population rates and development expand, new towns or districts are incorporated and separately managed by their own elected bodies rather than amalgamated into a single urban conglomerate.

The delimitation of constituencies is never entrusted to the executive but falls within the mandate of the independent ECP.

The executive, political parties and others may make suggestions they think appropriate, but decision-making is entirely the privilege of the ECP.

And although districts are taken as the basic unit within which constituencies are delimited, the ECP decides upon the issues under its guidelines of population and fair and contiguous areas to form balanced constituencies.

Additionally, for the unity and stability of Pakistan, the exercise of delimitation should avoid exclusivity of constituencies on the basis of sectarian, ethnic or biradari enclaves as that breeds intolerance and extremist tendencies. The self-interest of election candidates should be linked to require cooperation and support from groups other than their own to ensure peaceful and harmonious relations among communities.

Everywhere in the world, the guiding principles for long-term and sustainable peace and stability are fairness in dealings with each other and keeping from resorting to exploitative mechanisms.

Therefore, de-linking the gerrymandering of districts and the pre-emption of the ECP mandate would help everyone focus on the real issue of creating a responsible and durable system of a grass-roots democracy and protecting the state from erosion.

The mischief, which was discarded without another thought in other provinces, has already caused Sindh to suffer severe damage to the lives and properties of ordinary people; it should similarly be discarded.

There is more to the life of people than constant bickering over the spoils of vested-interest politics. The people of the province — indeed, of the country — desperately need peace and stability to get on with the increasing challenges of their wretched day-to-day living.

DAWN, October 31, 2011

Benefits of the rule of law

IS poverty a problem of only the poor people in this country? Is rising unemployment a headache just for the young graduates running from pillar to post? Are the rule of law and judicial independence the problem of judges and lawyers and not the concern of society at large?

If law, rather than force, is supposed to be the basis of a civulised society, and if it defines the roles and responsibilities of individuals and institutions, how can the rule of law be strengthened when individuals and institutions keep transgressing the bounds determined by the law? When Governor -General Ghulam Mohammad and Chief Justice Mohammad Munir joined handsto shoot down the rule of law using the doctrine of necessity, they began the erosion of the integrity of institutions. No institution is now considered worthy of respect and protection.

In a mediaeval model of governance, the ruler is head of the executive, legislature and the judiciary, all rolled into his person.

The perpetuation of his rule is the most important guiding principle of public policy and to this end, no cost is considered too high to be paid by society – more so since the ruler is not accountable to the members of society and their interests do not matter much in such governance.

Of all the features that distinguish societies governed by laws from those ruled by men who follow their own whims, the most important is the distribution of the benefits of governance among members of the society.

In the former, people's rights (benefits) are equal, while their responsibilities (costs) differ; in the latter, all are subjected to the same costs but some are more equal than others and enjoy

rights and privileges (benefits) that are not allowed to the weaker sections of society.

During one of my several meetings with former Prime Miniser Lee Kwan Yew of Singapore, I asked him to explain how he got his fellow citizens to respect the rule of law and renounce various social evils. Lee explained that whenever any law or rules were passed, the first persons that were subjected to abiding by these included himself, the cabinet ministers and corporate bosses. The message was thus underscored that there were no exceptions and that no one was above the law.

This culture of equal rights and equal treatment of all before the law was started soon after the independence of Singapore in 1959. Prime Minister Lee, for instance, would stand in line at the cinema to get a movie ticket. Fines and punishments for violations of law ere first imposed upon the ruling party ministers and big bosses and publicized through the press for the information of all citizens.

In no time, Lee said, the message went loud and clear to everyone and he did not have much problem in establishing respect for the rule of law.

Stability without legitimacy is an oxymoron in governance. And we are familiar with political costs that society bears for violating fundamental principles of legitimacy.

In the process, like in the mediaeval times, no cost is considered too heavy to be paid by society in order for some to continue enjoying benefits, even if this is not legitimate.

We are also familiar with the economic costs of the unpredictability of the way that the law is interpreted and the extra costs imposed on the economy by arbitrary behavior. Anyone familiar with the subject knows that Pakistan has been paying heavy penalties in international forums for several decisions – executive as well as judicial.

But far more fundamental are the social costs that we often do not take note of. Pause for a moment to take stock of what mediaeval governance – where the rule of men supersedes that of law – has been doing to Pakistani society over the decades.

Slowly but surely, it has been creating a sick and unhealthy society. Increasingly, it has been turning society into a community of courtiers where the most successful human attribute is sycophancy. It is about these social costs that Faiz

wrote in his inimitable style when he complained of a culture where 'koi na sar uthake chale' (no one should walk the streets with his head held high).

This culture is also inhospitable territory for nurturing rational and independent minds capable of addressing the new challenges being faced by state and society in Pakistan.

Mediaeval governance is recreating a mediaeval society in Pakistan. The latest symptom is the drama unfolding around the baton-wielding burqa-clad students of an Islamabad seminary. All over the world, a practical benefit of the rule of law – which we seldom seem to subscribe to – is the ability to resolve disagreements and disputes peacefully rather than by use of force.

The rule of law is a public good and its value and respect for it depend on its impartiality, predictability and on the equal treatment of all.

But when we take these features away, the law loses respect in the eyes of the people who see it as merely an instrument to enhance private interests and to provide legal cover to otherwise immoral and illegal acts.

With several honourable exceptions, the Supreme Court Chief from Justices Munir to Anwarul Haq to Irshad Hassan have a lot of explaining to do to the people of Pakistan for making the law almost indistinguishable from politics and for repeatedly shooting down the rule of law with the doctrine of necessity.

Our legal culture and institutions, flowing from the separation of powers, have been built upon the acceptance of law as an exercise of self-understanding by society as a whole.

And the purpose of law is clearly to help society – by distinguishing the illegal from the legal – move in the direction of strengthening the values and institutions that it cherishes. Ultimately every country in the modern world has benefited from living under the rule of law since the costs of continuing to live outside the law have been too heavy to bear. The 'failed state' syndrome is not a measure of poverty or underdevelopment of countries but of their continuing inability to manage their human and physical resources in accordance with the internationally established norms of law and governance.

The issue of the Chief Justice has already grown bigger than that of an individual or institution. The leadership provided by the bar is refreshingly different from some political parties

whose commitment to the rule of law has often been lacking.

To provide long-term benefits to society, the bar should ask all political parties to publicly commit to themselves to establishing a charter for the rule of law in the country whenever anyone of them comes to power.

On the other hand, with its contents already known through media reports, further foot-dragging over the reference against the Chief Justice is hurting the soul of republic.

The sooner the reference is withdrawn the better for the development of a healthy and normal society and law-abiding state in Pakistan.

DAWN, April 13, 2007

ZA Bhutto and the Quality of governance

It was amusing to hear one of our topmost leaders contemptuously referring to the entire working population of the country-from peons, clerks and constables to executives, professionals, professors, journalist, generals and judges- as naukri-pesha (ordinary people drawing salaries). He proudly claimed that he was not one of them. This was contrary to the views of the founder of his party and its manifesto.

It wasn't always like this and senior political and government leaders conducted themselves with dignity and restraint even amid disagreements over controversial issues.

Let me share two personal experiences here. These show that even though constitutional protection of the civil services had recently been taken away, grace and dignity had not disappeared. It was possible for a government servant to take independent decisions on administrative matters under the political government in the 1970s, and earn appreciation and respect from the most powerful man in the land.

In 1975, Air Marshal Asghar Khan, the principal opposition leader against Zulfikar Ali Bhutto, announced his decision to visit Sindh and Balochistan. In Sindh, he planned to hold public meetings in Hyderabad, Sukkur and Jacobabad, and then go on to Balochistan. I was the deputy commissioner of Jacobabad. As his scheduled visit neared, Sindh home secretary Mohammad Khan Junego instructed the deputy commissioners of the two districts and me to impose Section 144, disallowing public meetings.

I told the home secretary that I did not anticipate any law and order problem in Jacobabad during Asghar Khan's visit and

there was no need for Section 144 in the district. Since the deputy commissioners of Hyderabad and Sukkar districts had imposed Section 144, Asghar Khan was not allowed to hold any public meetings there. Some scuffles took place in the two cities between his supporters and the police and subsequently the matter went before Sindh High Court.

When Asghar Khan and his supporters entered Jacobabad district by road from Sukkar, he was pleasantly surprised to be received by his followers and was taken in a peaceful procession to the venue of his public meeting in the city of Jacobabad. His hosts in Jacobabad, not being well-off people, did not have a suitable arrangement for his intended overnight stay. So they had approached me, explaining their difficulty, and I agreed to their request and allotted a room in Circuit House since Asghar Khan was a former chief of the air force and thereby entitled to stay at government rest houses.

This was in contrast to what had happened in Hyderabad and Sukkar and some PPP supporters sent out telegrams to Prime Minister Bhutto complaining against my [permission to Asghar Khan to hold meetings and, on top of that, allowing him to spend a night at the Circuit house!

PM Bhutto was scheduled to arrive in Jacobabad on his way to Larkana in the week after Asghar Khan's visit. Since the Jacobabad airbase could handle jets, the prime minister would often arrive there in his Falcon from Rawalpindi and then take a helicopter to fly into Larkana, and vice versa. Soon after his landing, he referred to those telegrams and asked me about Asghar Khan's visit to Jacobabad and listened to my reasons as to why I did not impose Section 144 and allowed Asghar Khan to stay in Circuit House. To the amazement of the PPP activists, the prime minister expressed appreciation for the appropriate handling of this situation. The deflated activists had planned to hold a vociferous demonstration against me within hearing distance of the prime minister.

It was not until the following year that I realized the extent of Mr. Bhutto's appreciation of my decision, when I was invited to see the military secretary to the Prime Minister, Brig Imtiaz Ali. He later became major general and was advisor to Prime Minister Benazir Bhutto during her first tenure.

In 1976 the government appointed an enquiry commission

headed by Justice Z A Channa to look into persistent public complaints about irregular allotments of KDA plots. The Justice Channa Report found faults with the conduct of Jam Sadiq Ali, the then minister of town planning and housing, and of senior staff of the Karachi Development Authority. A panel of eight officers was prepared, which was discussed among the chief minister Ghulam Mustafa Jatoi and PM Bhutto for the selection of someone new to head the KDA.

When I met him, Brig Imtiaz told me the prime minister remembered my appropriate handling of the matter in Jacobabad and that I had been selected to head the KDA.

He informed me that Mr. Bhutto had been very unhappy about the complaints of corruption and irregularities in allotments of KDA plots, and that these complaints were giving a bad name to the government. Although, for political reasons, Mr. Bhutto did not want to replace Jam Sadiq Ali, he wanted an honest and independent officer to head the KDA who could resist pressures.

Knowing Jam Sadiq Ali very well, I expressed some concerns. Brig Imtiaz said that Jam Sahib has also been conveyed that old practices would no more be acceptable. Later, when I called on Jam sahib, he confirmed, in his inimitable style, that he had been read the Riot Act on behalf of the PM to improve governance. However, keep the political side of the equation comfortable, Prime Minister Bhutto accepted a dinner invitation of Jam Sahib at his home village in Sanghar to convey his political support to the latter.

I narrated both these incidents to Prime Minister Benazir Bhutto while working with her to explain how Mr. Bhutto used different rules of engagement for conducting politics and governance of his administration. Left to herself, she tried to follow her father's footsteps and sometimes upset some heavyweight political forces.

Today, as the nation remembers Zulfikar Ali Bhutto, a great patriot, first elected Prime Minister of Pakistan and founder of the Pakistan Peoples' Party, one way to pay tribute to his memory would be to remember that, sycophants aside, he often resisted political pressure and worked hard to improve the quality of governance of his administration. May he rest in peace.

The News, July 202

Good governance without empowerment of people?

Recently, in his election campaign in Tharparkar, prime-minister designate Shaukat Aziz promised to solve the manifold problems of the poor people of the most backward area of the country.

Sindh Chief Minister Arbab Rahim has been canvassing for Mr. Aziz on the grounds that the dark and difficult days for the people of Tharparkar will be over as soon as they have elected the prime minister-delegate.

The problems of the people of Tharparkar are known to all but have remained neglected despite repeated studies on the region, plans, seminars, conferences and visits by our policymakers.

What has been conspicuous by its absence throughout the years has been the will to implement and act upon these studies and deliver the benefits to the people. The almost total absence of any employment opportunities, drinking water, health and educational facilities have created sub-human living conditions, and bear testimony to a serious lack of commitment.

But for the destructive style of our governance, the poor people of Tharparkar would, by now, be actually enjoying the benefits of employment of their skilled as well as unskilled workforce, along with drinking water, health and educational facilities and an extensive communication network.

Here is a test case for Mr. Aziz and Mr. Rahim to demonstrate the seriousness of their commitment and do something really worthwhile to eradicate the poverty and misery that the people there have been subjected to for generations.

They can show the seriousness of their commitment by

reviving a well-researched, integrated, tried and tested, investor-supported, long-term and sustainable development initiative which was meant to tackle not only the problems of the people of Tharparkar, but also open up employment and economic opportunities for the rest of the country.

Here are some basic facts to get them going. Ever since 1964, when the first feasibility study for the use of Thar coal was completed, a number of similar studies have been carried out by experts, establishing the huge abundance of good quality, easily extractable coal and other mineral deposits in Tharparkar and their potential benefits for Pakistan.

(There are over 175 billion tons of proven reserves of good quality coal spread over 9,000 square kilometers of the Thar desert. Compare the figures to India's total coal deposits of 140 billion tons.) Yet, for 40 years, these reserves remained untapped, and employment and economic opportunities denied to the people.

Water scarcity in Thar has reduced the quality of life to almost sub-human level. Yet technology exists to produce potable water from coal at the same time the mineral is utilized for power generation. Thar coal has a very large water content (over 40 per cent of its weight) which is capable of providing an abundant water supply.

Coal has been extensively used elsewhere - in Europe, the United States, Australia, China and many other places. It was employed in the industrialization of these countries in the 19th and 20th centuries. Even today, in the 21st century, 40 per cent of the total global power generation comes from coal.

In some countries, this figure is over 60 per cent. Yet, Pakistan, sitting on one of the five largest coal deposits in the world, provides for less than a pitiable three per cent of its electricity needs from the same resource.

It is a paradox that, given this situation, successive governments in Pakistan have continued to increase the country's dependence on imported fuel oil. This policy obliges Pakistan to make huge annual payments in foreign exchange from its meagre earnings, creating jobs and profits in foreign lands while denying the same benefits to its citizens in the country.

Further, where is the wisdom in increasing the country's dependence on external energy sources over whose availability,

transportation and price Pakistan has no control? Especially when a rich indigenous source of energy has been lying untapped for decades? If the surface is scratched, one can see why the Thar coal project never materialized.

After many arguments, discussions and delays, a breakthrough was finally achieved when a detailed and long-term development initiative through private foreign investment was completed for the extensive exploitation and development of Pakistan's coal reserves through its Thar coal fields.

It was envisaged that this would spearhead major economic development and employment generation activities throughout the country. With over 200,000 jobs flowing from it over the years, the project could have ranked right at the top among all investments made in Pakistan - domestic or foreign.

The project, which was widely marketed to investors from many countries, attracted $1.8 billion in direct foreign investment and included the development of coal mines, power generation of over 5,000 MWs, the construction of infrastructure including roads and railway lines and a port at Keti Bandar.

This port would also be available to handle the country's other international trade at extremely competitive rates. All funding was in the form of direct foreign investment. There was no funding required for the project - in rupee or foreign exchange - from the government of Pakistan.

The Thar coal/Keti Bandar project received the approval of all related federal and provincial authorities. The Keti Bandar port project was also cleared by the Joint Chiefs of Staff Committee headed by ACM Farooq Feroze Khan in a briefing in early 1997, and an NOC was issued.

Despite the fact that after detailed research and extensive marketing, a major labour-intensive investment project had finally materialized for one of the poorest regions of the country, work on the project was abruptly cancelled by the Nawaz Sharif government within a few months of its induction. No reason was given.

The investors (by then an Atlanta-based American company had purchased from the original investor - Hong Kong tycoon Gordon Wu - the Asian segment of his company covering investment projects in Indonesia, Thailand and Pakistan) were forced to abandon the project, close their offices and leave the

country.

Since the investment project was being closed for no reason other than the insistence of the government, the latter was obliged to pay the investors $5 million of their performance guarantee deposited with the Sindh government.

The poor people of Tharparkar had lost again. Only this time, their pain and resentment was so much greater. Although the project had cleared all hurdles of scrutiny and independent assessments by two reputed investor groups from different parts of the world, who had committed nearly $2 billion in the project, it was shot down by the then government interested more in settling scores than serving the people.

If Mr Shaukat Aziz wants to help the people of Tharparkar and indeed step up economic activity in the country, he would do well to revive this important project on which so much work had already been completed rather than let another round of delaying tactics start all over again.

Foreign investors have grown so wary of our style of governance that whichever group is attracted to this project would require the government to provide credible guarantees for responsible governance under recognized provisions of international investment laws and settlement of investment disputes, in accordance with internationally recognized dispute resolution mechanisms.

Ultimately, however, all investments, and indeed every claim to "development" must translate into the peoples' well-being and prosperity. Balancing the accounting books, controlling waste and corruption, improving efficiency, curbing nepotism etc are good management practices and must be done fairly, objectively and across the board. That is good management. But that alone is not good governance.

The concept of governance is much larger and more inclusive than mere administration or management. The "good" in good governance comes from the utilitarian concept of "the greatest good of the greatest number".

In the corporate sector, good corporate governance maximizes the value for the shareholders - who are the owners of the corporation. That is the ultimate test of good corporate governance and all strategies and internal and external control factors are "good" measures only in so far as these contribute

towards the ultimate objective of corporate governance i.e. increasing benefits to the shareholders.

Similarly, in public governance; sound administrative measures and management practices must contribute to good governance, as these are the means towards achieving the end - increasing the well-being and prosperity of the people.

Therefore, "governance" must be seen in the context of the benefits flowing to the governed from all these and other good management practices. No claim to good governance can be taken seriously unless it is measured on the index of the benefits and prosperity it brings to the governed - the people who are the owners of the state.

It is about time that the people got an opportunity to benefit from good governance, not in the shape of a few crumbs marketed as "development projects", but in the swift and honest implementation of the Thar coal/ Keti Bandar project.

DAWN, August 10, 2004

Interplay of Politics & economics

CAN the economics of a country be right if its politics are wrong? Issues of poverty and growing gaps in prosperity among people and regions are causing concern and figure prominently in public debates and the national media. The acceleration of growth certainly adds wealth and income to the economy. But where they trickle down and where they do not is equally important.

There are increasing signs that alongside development we are also witnessing the disempowerment of certain sections of society. Other countries confronted with similar problems have used multi-pronged reforms to reverse these dangerous trends. The question that begs to be answered is: can the problems of an unjust economic order be redressed by the operation of economic forces alone, without addressing the issues of an unjust political order?

The European model of political and economic governance compares favourably with the American and Japanese models, because for quite some time now Europe has been sensitive and painstaking about reforming its politics and economics. However, in the past, there were certain robber-baron states in 19th century Europe whose governments were denounced by Marx because they conducted themselves like "the executive committee of the ruling class". They blurred the difference between the private and public domains, converted lawmaking into an exercise in self-dealing and used the instruments of governance to advance only the interests of the ruling class.

But a look at several developing countries shows that the old robber-baron state model that Marx complained of is still alive and kicking in several parts of the world as is evident in the case

of the OIC countries. But the movement for wide-ranging reforms in politics and economics that defused the barrage of uprisings and attempted revolutions across 19th century Europe is nowhere in sight in these countries. In fact, the bottled up anger of their people is starting to spill — across the borders as well.

Before we move further, let us be clear that politics is understood as the system and mechanics of decision-making that concerns the raising and distribution of resources. In this way, politics refers to decision-making processes about national resources in the countries.

But decision-making does not take place in abstract terms nor is it a question of having good intentions only. Almost always governance is confronted with trade-offs to be made among several competing demands upon finite resources. In countries with long established traditions of equal opportunities and the rule of law, economic, political, legal, financial and cognitive considerations come into play when decisions are made about governance.

In Pakistan there are no traditions of 'affirmative action' for the weak and marginalised and legal protection is not extended to equal opportunities for all citizens. These factors combined with a historically weakened rule of law have caused considerations like ethnicity, language and sectarian, territorial and group loyalties to play a significant part in decision-making including that at the highest echelons of governance.

In such models of governance, the prosperity of a section or group of people is directly proportionate to the number of years it has managed to exercise control over the levers of political power. By the same token, the poverty of others is not merely a function of economic logic or the lack of merit which is a creature of opportunities. In people and regions seldom visited by opportunities, the potential is unearthed and unpolished. Using merit in playing fields that are heavily skewed is unfair and sometimes little more than an excuse for further denials of opportunities.

Let us take the words of a very renowned economist. John K. Galbraith, the highly respected Harvard economist, diplomat and president of the American Economic Association, who put it straight to a distinguished gathering of economists when he said that, "economics divorced from the consideration of exercise of

power is without meaning and certainly without relevance."

Economic and political power cannot be sanitised and segregated. Therefore, when we address the issues of poverty and disparity without acknowledging the interplay of economic and political forces, we are not being very fair. Sometimes, by concealing this interplay, we are only abetting the diversion of attention from the dire need to reform political governance, and resultantly the economic order in society.

We have noted the small role that rationality and ethics have been playing in our decision-making systems for many years and the larger than life space usurped by non-economic factors in determining what should or should not be done. It is these decisions that determine who the winners or losers in society will be. Obviously, such decisions are marketed in whatever is the politically correct phraseology of the times including Islam and national interest; and history is replete with instances where these as well as other factors have been pressed into service by the ruling classes to perpetuate their narrow interests. Grievances caused by such a mediaeval and irrational style of governance have been accumulating over the years especially where people and regions perceive themselves to be at the wrong end of such self-dealing habits of decision-makers. Even worse, it is the same people who have been disadvantaged over the years in more ways than one — socially, economically and politically. These elements are now identifiable in Balochistan, rural Sindh and southern Punjab.

Decision-making in a predatory political order unaccountable to the people and unanswerable to the ordinary laws of the land is even more likely to be pushing people into poverty and widening disparities.

This does not mean that all is well with our politics which badly needs reforms like the ones that brought Europe back from a spate of uprisings and turned it into a model of political and economic governance. In our politics it must be noted that the reform processes have been frequently checkmated by ubiquitous palace and military coups repeatedly inflicted upon the nation and stunting the political development of society.

It says something about the quality and ethics of governance of a country where not a single government in the nearly 60 years of its history has been voted out of office by its

citizens.

So if we want to get down to reducing poverty and disparities we have to address the core issue of interplay between politics and economics and realise that the struggle for a fair economic order must go hand in hand with the struggle for a fair political order. It is not realistic to expect that a just economic order can be delivered by an unjust political order that itself thrives on unequal opportunities.

Dawn 28 December 2006

Game of Governance

Every organisation in the world, corporate or public - including the government - has instruments and procedures embedded in its internal structures and operating systems. These procedures protect the interests of the owners' - shareholders in case of corporations and citizens in case of the state - from being hijacked by their 'agents', corporate or government leaders respectively.

The problems of governance in Pakistan have multiplied over the years because the agents' have managed to become the owners', disabling internal checks and balances embedded through laws and the constitution to prevent the agents' from misusing powers and resources of the actual owners' of the state - the people.

In a report released last week, the Washington-based World Justice Project ranked Pakistan as the 7th most corrupt country in the world. Five out of eight factors responsible for bringing this disgrace to the nation relate to the breakdown of internal checks and balances within the government as it conducts economic activities.

Let us look at things the way the world is looking at Pakistan.

The Public Accounts Committee (PAC) of the National Assembly was recently informed that several government organisations do not allow their finances to be audited as per the law. The Sindh Public Accounts Committee complained last year that 200 audit paragraphs identifying financial irregularities in local governments within the province are pending from 2002 onwards but not being presented to the PAC. News reports indicate that audit reports of annual "development funds' given to legislators have not been presented to PAC. The picture in other provinces is probably the same.

In all these cases, one instrument (the audit function) of internal checks and balances is not being allowed to perform its lawful duties. How then should the owners' ensure that the money collected from them (as taxes) or taken in their name (as domestic and foreign loans) is honestly and efficiently utilised by their 'agents' and functionaries, and not diverted elsewhere?

How do other democracies handle issues of public money? One example may suffice. Prime Minister Kaifu of Japan paid an official visit to Pakistan in 1990.

Japan had earlier announced three billion (in yen) loan for Pakistan and the government prepared a list of projects for funding from this loan. Prime Minister Benazir Bhutto was keen for the approval of these projects in the official meeting with her counterpart.

As coordinator of that meeting, this writer took up the issue with the cabinet secretary of Japan who had accompanied his prime minister, to prepare ground for next day's meeting between the two heads of government. The cabinet secretary replied that I should advise our prime minister not to raise this issue in her meeting because the prime minster of Japan would be embarrassed. The PM knew that he did not have any discretion under the laws of Japan to approve such expenditures from public funds unless those projects had first been scrutinised for technical and economic viability by relevant experts from the Japanese government.

When I insisted upon this matter, the secretary said that the funds were not the personal property of the PM, but belonged to the people of Japan the owners' - and relevant laws and procedures could not be bypassed since these expenses would also be audited for proper utilisation later on.

Any doubts about disabling another instrument of internal checks were dispelled after disclosures made before the Supreme Court about inquiry officers with good reputation being abruptly removed from their positions, while they were performing their lawful duty of looking into complaints of misdirection of public money in matters such as Haj funds, the NICL scam, the Ephedrine case etc.

Every organisation also works with institutions and forces external to its executive branch. Some of these - like the legislature and judiciary - are mandated by law and constitution to review

the working of the executive. Others, like political parties, professional bodies, think-tanks and civil society organisations, try to protect their turf while overseeing the working of the government.

The decline in the quality of governance in Pakistan was triggered when its rulers "the agents" - discarded rule based governance in favour of one driven by discretion (their discretion) and effectively disabled internal checks and balances. This practice grew widespread and unfettered as the external instruments also remained too weak for too long.

The legislators are often handicapped by party policies and the powers vested in party bosses. The absence of legisltive oversight over the provincial executive of Balochistan and rectification in the face of all kinds of complaints high. lights this problem. That leaves the judi clary and the media, where the demands of the people to hold their governments accountable to law are finding sympathetic listeners. This is more so in case of the superior judiciary, in particular the Supreme Court, which has given some landmark judgements to strengthen internal checks and balances and allow rule of law to guide governance.

Such decisions and guidelines from the superior judiciary - although common in other democracies - are a new phenomenon here. As a consequence, they face various delaying tactics in their en-forcement. But if implemented with support from all institutions, as required by law and constitation, these guidelines could soon lift Pakistan from its lowly position reflected in the WJP report for 2012.

There is another reason to support these soft-power guidelines to strengthen democracy through rule based governance. Pakistan has had a chequered history of governance, alter. nating between elected and non-elected dispensations. But when an elected dispensation was thrown out, the people who voted it into power did not come out to defend their government. Does it mean that although they had been voted into power, the agents' upon coming into power imposed the kind of governance that did not win the hearts and minds of the people enough for them to defend the elected government?

There is still another reason for changing the culture of our governance urgently to win the hearts and minds of 'the owners'. Our accumulated sins of poor governance have badly fractured

the state and the society and helped a third force to emerge and gain strength, whose worldview may not be to the liking of the older players.

The game of governance in Pakistan produced neither a Lee Kuan Yew nor a Park Chung-hee - both leaders of highest integrity who carried out extensive re-forms, opened up opportunities for their people and lifted their nations to power, prosperity and international respect. Both now rank among the most popular and successful leaders of Asia in the 20th century. Lee's Singapore and Park's South Korea were once way behind Pakistan but now rank among the top ten countries in the world, while the state and people of Pakistan stand witness to their great potential melting away in front of their eyes. Business as usual would not turn the tide for Pakistan.

The News, December 4, 2012

Islands for elite capture?

As if we didn't already have enough controversies raging through the length and breadth of our society, another one has been added in the name of development.

Widespread protests and rallies have been going on all over Sindh after the establishment of the Pakistan Island Development Authority (PIDA) through a presidential ordinance in September 2020. The provincial assemblies of Sindh and Balochistan have also passed resolutions against it. The authority was created not by legislation in the National Assembly, but by an ordinance.

The ordinance requires PIDA to carry out works on islands for development of tourism, housing, industries and allied activities and attract investment for which vast powers have been granted to it.

The Authority's jurisdiction extends over specified areas which shall 'vest' in the Authority; and it shall possess, control, and manage on behalf of the federal government. The areas specified in the First Schedule cover the Bundal and Buddo islands, while the Second Schedule covers other islands in the coastal provinces of Sindh and Balochistan, which some estimates put these to be over 300 big and small islands.

The resolutions passed by the Sindh and Balochistan assemblies expressed reservations against the move to transfer ownership and control over islands 'vested' in them without their consent and against their will to another entity.

Black's law dictionary defines 'to vest' means to confer right of legal ownership. So, can ownership rights over property vested in an individual, or collectively in a family, a group, a community or people of a province be taken over and 'vested' in another entity whether federal, provincial or any other, without

the owner's consent and without following due processes laid down in the laws and constitution? And, further, can such executive vehicles be deployed to circumvent and alter the constitutionally mandated territorial administration of provinces?

The Authority has been created to promote tourism, housing and related activities on these islands and to attract investment. But tourism is a provincial subject and every province has a Tourism Development Corporation for that very purpose. Housing is also a provincial and even a municipal subject and all provinces and local government bodies of major cities have been developing housing directly or through development authorities like KDA, LDA, PDA, QDA and also encouraging the private sector by promoting housing societies.

So, why should provinces not be allowed to carry out their standard functions like tourism, housing, industrial estates etc, which they have been doing for decades within their areas of responsibility? Federal government's help and assistance is always welcome but where and what kind of help is needed should better be left to be decided by the provinces and the two should work together in a cooperative manner.

There are other issues also arising from constructing houses, plazas, factories etc on the islands. These must be taken into account because they affect Pakistan's international trade, port operations and safety of navigation in Port Qasim, mangrove forests, lives and livelihood of tens of thousands of fisherfolk and the city of Karachi, whose residents are already facing acute shortages of basic utilities like water, gas, electricity and other services.

Port Qasim is still in its first phase of development as it was founded in 1974. Its subsequent phases of deepening and widening its navigation channels, so far neglected, have to be undertaken for future growth of Pak trade, industry and international trade. Most ports in the region, like Singapore, Colombo, Dubai etc, are deep sea ports capable of handling much larger vessels than Port Qasim. It is most important to turn Port Qasim into a deep-sea port of the country because the Karachi port has limitations and the Gwadar deep sea port – a very good project – is a gateway to Central Asia and China and is a long distance away from our markets which are located along the main railway line going from Karachi through Sukkur, Multan, Lahore,

and Rawalpindi to Peshawar.

I have been chairman of PQA and have visited these low-lying islands, parts of which get submerged during high tides. They lie close to shipping lanes. Laying down infrastructure to supply water, gas, electricity and other infrastructure for commercial housing, plazas, factories etc on these islands from the mainland would seriously jeopardize the safety of navigation and block future deepening and expansion of the port.

An experienced engineer has estimated that the costs of reclamation of these low-lying islands and laying of infrastructure to supply basic services would be so prohibitively expensive that the prices of the constructed houses and plazas would be beyond the purchasing power of one percent of our population.

Pakistan is signatory to the Ramsar Convention and the Kyoto Protocol and is obliged to protect and promote ecosystems and biodiversity of the area. The mangroves are nurseries for fish species. They protect the city from cyclonic furies and have been maintaining lives and livelihoods of tens of thousands of fisher folk for centuries. The pollution, chemicals and other toxins from thousands that will live in these houses and industrial waste from factories would kill and suffocate all animal life and trees there. And fisherfolk would suddenly find their centuries-old source of livelihood dead and disappear in the toxic waters and they and their children will be staring at a bleak future.

There has been talk of attracting foreign investment into the construction of island cities. Attracting investment into Pakistan is a welcome thing for me; I had established the Board of Investment in Pakistan in February 1989 for that very purpose. But investment in productive sectors of the economy like agriculture, industry and mineral resources of the country generates wealth, creates a variety of employment and business opportunities, adds to income of the people, expands the production base of the economy, adds value to our products and increases our exports.

It is this sequence of events that would help Pakistan rid itself of its mounting debt burden which is crippling our sovereign ability of decision-making. Attracting investment into the consumption of luxury housing would only add to our liabilities and we cannot afford to build a first world consumption society on a third world economy. Our begging bowl was also

born when we started prioritizing consumption over production in our development strategy which has landed us into our current predicament. We should have been a member of the G-20 club like Indonesia and Brazil which had similar features; and a trillion dollar economy instead of stagnating at one-third of our potential.

This elitist model is also reflected in our urban planning. Instead of integrating people, what passes for 'development' has been built upon displacement of poor, weak and marginalized sections of society – by deceit, false promises and even use of force to eject from lands they have been living on for centuries. This predatory model of urban development has segregated people instead of integrating them and widened inequalities causing social, economic and political problems in society.

Two earlier attempts at island cities under different governments show that vested interests have their hooks into whichever party comes to power. Both attempts were, however, abandoned when real stakeholders put up resistance and pointed out the adverse effects as listed above. These islands should not be made available for elite capture again.

The News, December 07, 2020

A 3-D model of governance

If people really mattered, would wolves be allowed to lead the sheep? Or wolves in sheep's clothing not be recognized and removed before they eat away the herd?

This is a model of governance which insists that people matter, and neither democracy nor development have any meaning unless they are inclusive and deliver their benefits without discrimination to all citizens of the state.

Ironically, this was also the model of governance chosen for the new state of Pakistan by its founder, but which was abandoned by his feudal associates who revived their native model of special privileges and unequal treatment which had already been defeated in the Subcontinent.

But 18 years later, the same model of governance was picked up by the founder of another state whose associates did not abandon his vision and implemented this model in letter and spirit.

This is a tale of two states that arrived at different destinations, depending upon where they stood on the scale of the 3-D model of governance. The founders of both had much in common, personally and in their vision for the new states they founded. Both Muhammad Ali Jinnah and Lee Kuan Yew came from middle class trading families. Neither had a feudal background nor were they dependent upon rentier incomes. Both were trained in the same discipline and earned their living by working and professional excellence. They both wanted an inclusive and non-discriminatory society and an egalitarian and accountable system of governance which would deliver benefits of independence and democracy to all citizens.

In his address to the Constituent Assembly on 11 August 1947, Quaid-e-Azam had outlined five features of governance to

guide the new state of Pakistan: inclusive governance, impartial government, rule of law, equal treatment and religious freedom. Instead of implementing these features of governance through laws and policies, his lieutenants snatched defeat from the jaws of victory soon after independence by abandoning the vision of their leader and reviving a discredited model of medieval governance, once they controlled the reins of power. Which raises the question: did the landed aristocracy of Muslims use the brilliance of barrister Jinnah and his credibility to secure their interests, and turned their back on his guiding principles of governance for the new state soon after he passed away?

On the other hand, detailed discussions were held by Lee Kuan Yew and his lieutenants on the features of the model of governance that would help achieve the vision of delivering benefits of democracy and development for all citizens of the state of Singapore. These discussions led to formalizing a 3-D model of governance. This model delivers the benefits of democracy and development to all – not just to the rulers – and is based upon three pillars: discipline (of rule of law), development and democracy. Its clarion call says that 'without the discipline of rule of law', neither democracy nor development can have any meaning for the masses.

The model is thus explained through five logical steps by Lee Kuan Yew, founder of the state of Singapore.

One, it is a hallmark of a civilized society to live under a government chosen by free and fair exercise of the will of the people, and democracy would always be our way of life. But, where people are severely handicapped by poverty, illiteracy, ignorance and prejudices and made vulnerable to insecurity, threats or temptations, it is hypocritical to think, they would exercise their will freely and fairly.

Two, removing vulnerabilities of poverty, illiteracy, insecurity which undermine the dignity and free and fair exercise of the will of the people, are priority claims upon the government. In other words, 'development of the people' is a priority for a genuine democracy to flourish.

Three, human nature being what it is, empowering leaders to rule over lives and livelihoods of people in the name of development or democracy, without subjecting them to the discipline of rule of law would amount to allowing wolves to lead

the sheep.

Four, abuse of power and self-dealing by wolves in sheep's clothing is prevented by applying rule of law first upon the trustees of the people (rulers). This is based upon the principle that while the rights of all are same, the obligations upon the rulers are greater than the ruled.

Five, it is the non-discriminatory rule based society guided by fairness of rule of law that provides the best guarantee against abuse of power and unleashes energy and creativity that lifts a nation to achieve prosperity and power.

This is the model of governance that lifted Singapore from a third world country to a first world nation within 30 years. It tells us that nation-building in modern democracies is dependent upon creating a rule based society protected by discipline of rule of law.

The same principle was in ascendance as the medieval world was being replaced by the modern. Since the Roman Empire days, Italy held a prominent position in Europe for centuries. Italian was the language of diplomacy before French replaced it. Long before the East India Company appeared, the trading empires of Genoa and Venice had spread far and wide. With the Pope and headquarters of Catholicism in the Vatican, education was more widespread in Italy than elsewhere. And the University of Bologna (1088) was established before Oxford, Cambridge and Sorbonne. And Italy produced some of the most influential people of history including Marco Polo, Christopher Columbus, Galileo, Machiavelli, Michael Angelo, Leonardo Da Vinci to name only a few. And the Renaissance also took birth in Italy.

And yet, despite all these advantages, the Industrial Revolution which created new sources of wealth and power did not start in Italy but in England. What explains that? One of the most important factors credited with this phenomenon is the Glorious Revolution of 1688-89 which abolished absolute monarchy in England, introduced a Bill of Rights, widened individual liberties and brought political reforms introducing rule of law. It is this environment that unleashed the energy and creativity of people who felt secure that the rewards of their labour would be protected by rule of law and not be usurped by the high and mighty.

Similar rule-based societies protected by strict enforcement of rule of law enable people from developing countries including Pakistan to grow big and more successful in the US, UK and even Dubai, although some Asian countries with improved rule of law are attracting their talent back to the homeland.

But we have been avoiding implementing a 3-D model of governance whose features were outlined by the father of the nation. In the meantime, other countries have been overtaking us.

But the 3-D model is a spectrum and countries stand at different points. Singapore is generally credited with scoring 9 on a scale of 1-10 of this 3-D model of governance. Where Pakistan stands on it will determine how fast or slow it can realize its long delayed potential.

The News 10 August 2020

On the myth of independence

The myth of independence from colonialism has been shattered in many developing countries by recurring instability of governments and continuing poverty, illiteracy and indignities of daily life, even after decades of securing independence.

The reason that the fruits of independence and democracy have not reached the people in countries like Pakistan is that people have been hit with a double- whammy. The struggle for independence was waged in the name of the people and securing their democratic rights. But the vacuum created by the departure of foreign colonialists was filled by the stalwarts of the local medieval culture of entitlements, special privileges and social and structural inequalities – nawabs, sardars and their associates in the religious lobby.

As they took control of the new state, they took no measures to undo the scars of over a century of colonialism. Instead, they indigenized these scars by continuing to rule under colonial laws and also gave a new lease of life to a historically discriminatory culture of governance, which had already been defeated in the Subcontinent.

The myth of independence lay in the fact that the independence amounted to merely a change in the optics. The only change that occurred was in the faith and in the colour of the skin, between the old and the new rulers, while the content and character of governance remained the same.

This often happened in countries where the leading political party at the time of independence was largely controlled by the champions of such traditional and archaic values of discriminatory and unequal treatment of people. The problem was further compounded in the case of Pakistan, because the father of

the nation, who came from a middle class trading community and believed in 'rule of law' and 'equal treatment and equal opportunities' for all as guiding principles of the new state, barely lived for a year after independence and could not see these values incorporated into systems of governance.

As subsequent events showed, many stalwarts occupying powerful positions in the main political party and the government he had installed were steeped in feudal values of entitlements, special privileges, unequal treatment and rent-seeking. They had joined him when it became clear that Muslims across the Subcontinent followed no one else but him, and turned their back on his principles of governance of the new state after his passing away. They pursued their own class interests and gave new lease of life to medieval governance in the new state of Pakistan.

In his most important address to the Constituent Assembly on 11 August 1947, where he unfolded the road map for the new state, Quaid-e-Azam told its members 'your first responsibility is to frame a constitution for the new state'. Instead, they took nine years to frame the constitution.

He wanted to permanently remove the scars and inequities of colonialism through constitutional provisions, inter-alia 'rule of law' and 'equal treatment and equal opportunities' for all. Instead, they continued to rule the country under the arbitrary, authoritarian and undemocratic colonial law of 1935 and deepened these scars.

There is a whole discipline of knowledge of how systems influence behaviour of people as well as institutions. Behaviour enforced in formative years shapes the future of individuals as well as countries. Nine years under a law meant to rule a colony, compounded with an archaic culture of governance, laid the foundations of arbitrary, authoritative and discriminatory behaviour of institutions and musical chairs at high state positions and nurtured a culture of nepotism, cronyism and corruption for which Pakistan has had to pay dearly.

Medievalism was a powerful force in history and held sway for centuries all over the world. But values like rule of law, equal treatment, equal opportunities and accountability were alien to its ethos.

The assault on dismantling its deeply entrenched social, economic and political power started in Europe with Renaissance

and Enlightenment. The power of ideas like the social contract, human rights, democracy, distinction between state and government, separation of powers and no-power-without-accountability laid the intellectual groundwork for weakening medievalism. The final assault against it was led by the powers generated by two tectonic events of the second half of the 18th century – the Industrial Revolution and the French Revolution.

In the face of the power of knowledge, skills and organization of this emerging world, the medieval age crumbled along with its values systems and structures and was overrun during the last two centuries resulting in colonization of countries in Asia, Africa and Latin America.

One way to look at the colonization of the Subcontinent is as a consequence of the imbalance in the power of knowledge, skills and organization between the rich but weak and decadent medieval world and the empowered, skilled and advancing forces of the modern era. It is this disequilibrium between the medieval and the modern that created grounds for colonization of the former and exploitation of their resources and had little to do with religion or colour of the skin. History has enough examples to tell us that people of the same faith and colour have used shades of colonialism to exercise control over the resources of their brethren in faith and colour in other countries.

The purpose of this background is to show that medievalism which was historically a discredited system of governance was given a new lease of life in Pakistan. Nepotism, cronyism, discriminations, unequal treatment and the belief that economic opportunities are special preserve of the rulers are features of the medieval culture which has been on display in Pakistan for several decades.

History knows two ways of dislodging it. The peaceful way was by industrialization of the economy which erodes its social and economic base by creating new sources of wealth and power. The other was the violent method of the French Revolution which swept everything away in a big explosion of rage of the people.

Some developing countries that became independent after WW2 showed the wisdom of not reviving medievalism after getting rid of colonialism. Either at the beginning or uprooting it at a later stage under a powerful reformist leader. Both categories

of countries now occupy positions at the high table of power and prosperity in the international community.

There is a third category of countries where the double-whammy of colonialism and medievalism remains entrenched. These countries have been plundered in abundance while fruits of independence and democracy remain a mirage for people even after 200 years of independence.

Every attempt at reforming the deep-rooted medieval culture in Pakistan is met with the cynicism of: why bother? Because nobody will bell the cat of discriminations, entitlements, special privileges and unequal treatment. In other words, we are happy having already created an Orwellian society where although all animals are equal, 'some animals are more equal than others'.

But we may be forgetting the lessons of history. People may be weak but history is powerful. The cause and effect relationship is immutable and those who do not learn from history are condemned to repeat it.

The News, July 15, 2020

A MITI for Pakistan

Were the recent elections a peaceful revolt of the silent majority against the incompetence and greed that had become the hallmark of a dysfunctional system? Was this a vote of no confidence by the people against a tainted bunch of usual suspects who kept being recycled and foisted upon them?

Imran Khan's call for changing the suffocating status quo had resonated with enough people of Pakistan to bring him into power. People wanted an end to the callous neglect that they had suffered in not receiving even small tangible goods and services like clean water, schools for their children, basic healthcare clinics and jobs to earn a decent living.

But above all, as victims of a dysfunctional system, they also wanted dignity and respect as citizens of a sovereign state. They didn't want to be treated as serfs and slaves of the modern era. A change in the status quo for them also meant the end of indignities and injustices they suffer in their everyday lives and respect for their fundamental rights, which are violated with impunity by both officials and the political bureaucracy.

The sage of Singapore, Lee Kwan Yew, used to say: "give people a fair system of governance and you won't need to give them any welfare". It is our unfair and decadent governance that has turned what should have been Pakistan's assets into liabilities. There are many changes that need to be implemented to create an enabling environment for the people of Pakistan to realise their potential. This is a tall order only because the sins of omission and commission in governance have been accumulating for several years and have been pushing people's wellbeing to the periphery.

However, in this article we will take up the tangible issue of economic revival, and how it can generate employment opportunities and help reduce poverty. In choosing from among

various options, the question that arises is: which economic activity or sector has the highest potential for employment generation and poverty reduction? The answer is provided by the following fact: in any one square mile area of economic activity, more jobs are created by the industrial than by the agriculture or services sector.

If this is the case, the next question that arises is: what strategy will deliver rapid industrialisation in the economy for the desired results to be achieved in the shortest possible time? This brings us to the point: why does Pakistan need a ministry of investment, trade and industry (MITI). The success stories of Asia's industrialisation bear witness to the fact that employment-generation and poverty-reduction – along with power and prosperity – can best be achieved through the rapid industrialisation of the economy through an active and enterprising private-sector assisted by the government.

But for this to happen, the government of Prime Minister Imran Khan needs to create a suitable platform – as no such mechanisms exists today to take the country forward in this direction. Japan created the institutional architecture for the rapid industrialisation of its economy soon after the end of the World War II, showing Asian nations how to quickly catch up with the power and prosperity of the West, and create wealth and value in their own economies.

The Japanese model – that has been successfully followed by several Asian nations like South Korea, Malaysia and others – required pooling the strengths of both the public and private sectors. This pooling resulted in the creation of two platforms, one in each sector.

In the public sector, this model integrated three related functions – investment, industry and exports – under one platform, the ministry of international trade and industry, which also included the function of investment within its mandate. In the private sector, the model created a platform called Keidanren, or Japan Business Federation, for self-sustaining industrial development. This platform acts as a bridge between the industrial sector and the government, and interacts with international business on issues of investment, technology and other areas of cooperation. Such platforms also exist in Italy, South Korea, India, the UK and other countries.

The MITI removed internal conflicts and integrated the strengths of three ministries: trade, industry and investment. It effectively assisted private-sector in the development of all major industries in Japan through various programmes like R&D, skill development, resource mobilisation, licensing foreign technology, technological intelligence and others.

This model of pooling the strengths of the government and private-sector helped Japan quickly recover from the devastations of the Second World War and made it a major industrial power by the 1970s. The same model, adapted to the conditions, delivered successes in industrialisation and the export promotion of several Asian countries, and brought prosperity to their people.

In Pakistan, this strategy was initiated in two stages because of the usual political disruptions. In the first phase, I had designed the Board of Investment in 1989 to provide a platform for attracting foreign direct investment in the country. In the second phase, in the mid-1990s, I had developed a private-sector platform, the Confederation of Pakistan Industries, which was also promised policy and financial support by the government.

Along with this confederation, a new board of trade and a board of industry were developed to form an MITI-like architecture for rapid industrialisation and export promotion. Although these initiatives received support from then prime minister of Pakistan – apart from the BOI – others withered on the vine as we again turned towards becoming a consumption-based economy living on borrowed money, instead of creating indigenous wealth by industrialising our own economy.

Till today, Pakistan remains the only large country in Asia that has neither developed an integrated public-sector platform like an MITI nor a private-sector platform like the Confederation of Industry, even though these institutions continue to propel the industry and exports of several Asian and European countries. How can there be an industrial take-off in our country without a launching pad?

Imran Khan's clarion call of changing the status quo, when translated into the economic revival of Pakistan, will require disassembling some fragmented institutions of the public sector and reassembling them in a different shape and form in order to achieve his objectives. This means thinking out of the box, because business as usual has already grounded these institutions. After

all, you cannot make an omelette without breaking some eggs.

In other words, without integrating human and economic resources, presently spread across ministries of investment, industries and commerce, we will not be able to create an integrated and vibrant platform like an MITI – which along with the Confederation of Pakistan Industry could become a launching pad for rapid industrialisation and growth of exports.

This MITI doesn't envisage a large bureaucratic structure. The ministry would only be a platform for policymaking, coordination and conflict-resolution. The operations would all be conducted by three autonomous and professionally managed boards – a board of investment (for attracting investment), a board of industry (for channelling investment into industrial development, as against luxury housing, for instance) and a board of trade (for market research and export promotion). These boards should be self-contained and free from the political interference of the ministry.

Business as usual has not and will not deliver. If humans had given up thinking about big things, and not tried to achieve them, we would never have liberated ourselves from the limitations of the status quo and would still be travelling in horse-drawn carriages. Nothing ever came of thinking small.

The News, August 22, 2018

A charter of governance

'Why has Pakistan not realised its potential?" asked Lee Kuan Yew, former prime minister of Singapore, many years ago – after I had made a presentation for Pakistan and Singapore joining hands to tap into immense opportunities offered by Central Asian markets. I had argued for pooling of the strengths of both countries – with Pakistan leveraging its historical trade and cultural links with Central Asian people and Singapore joining in with capital and technology.

Although he appreciated the strategy, Lee used an indirect approach to underline his concerns about the governance of our country and raised the question mentioned above. Before I could reply, he proceeded to answer his own question.

In his usual forthright manner, he said that those occupying power corridors of Pakistan played politics 365 days of the year and governance issues were pushed to the back burner. Those voted into power were always looking over their shoulders to see who might be trying to stab them in the back. And those who had lost in elections were always conspiring to overthrow the government. How could any government, said Yew, find time and energy to concentrate on addressing the challenges of under-development faced by the people, when it is always fighting for its own survival?

This discussion took place a quarter of a century back. But if we look back over the years, the antics and attitudes on display provide ample evidence that nothing really has changed. Politics continues to displace governance in every aspect of national life; national policies are not an output of serious study and analysis of relevant factors but mere expressions of the whims and wishes of one or the other power-broker. The concept of 'development' has been reduced to mean self-development of the rulers instead of

development of society.

How did we arrive at such decadent model of governance?

The fact is that we have been nurtured by a dysfunctional education on the role models of medieval kings and emperors – many of whose stories are more fiction and fantasies of writers than rooted in serious research or facts. The politics of medieval rulers revolved around seeking power and pelf for themselves. Law was malleable and no more than the wish of the ruler. Everything within the realm was supposed to belong to the king or the conqueror. There may have been charities for helping the poor, but people did not have 'right' to anything. The concept of development of society was unheard of. Emulating these medieval rulers, we pushed people to the periphery and replaced governance with playing politics in medieval style.

For 40 years, the medieval model of governance has been the way, under one label or the other, and has contributed to all-round decline. Under medieval models of governance, the world crept at an agonisingly slow pace of development and it took 1000 years for the world to double its GDP. Disregarding the fact that it is out of sync with conditions of the contemporary world, power-brokers have been enforcing the same decadent model upon a hapless nation in this day and age in which the world GDP doubles every 25 years. The result was that Pakistan kept falling behind every other Asian nation during these 40 years, and now occupies bottom positions in most indicators of human and economic development.

The antithesis of the decadent medieval model is the rapid development model designed by East Asia. If we study success stories of East Asian nations – Japan, South Korea, Singapore, Malaysia, China and Vietnam, the one common thread running through their successes is a governance model which prioritised rapid economic development in national policies in order to lift their people out of the miseries of poverty, illiteracy and unemployment, and ensured continuity of these policies over a long period of time.

Three different models of governance were used by East Asian nations to achieve the same objective of rapid economic development. Japan, Singapore and Malaysia used a multi-party system, while China and Vietnam used one-party rule and South Korea used military rule, specially of Gen Park Chung-hee, to

adopt policies which achieved – generally speaking – eight percent growth over a 30-year period in these countries and completely transformed the lives and livelihoods of their citizens. This was the 'East Asian Miracle' which delivered in 30 years a standard of living to their citizens which the West took 100 years to achieve.

What these success stories tell us is that if Pakistan wants to lift its people from poverty to prosperity, then it has to create a culture of governance which does not provide for an anarchy of musical chairs by power-brokers, where one step forward is followed by two steps back; where rulers must accept 'duties' and not just enjoy the rights; where self-development by rulers is replaced by development of society and where lifting lives and livelihoods of 200 million people takes precedence over the interests of a handful of power-brokers. In the words of Lee Kuan Yew, Pakistan must create a system of governance "which works for the benefit of all and not just for the benefit of the rulers".

This then is Pakistan's fundamental challenge which many governments, hooked to the decadent medieval model, have been refusing to address even as the country was slipping down the ladder. It is this medieval model which has spawned several fault lines in our national life and also ensured that every attempt at sectoral reform is sacrificed at the altar of this decadent model. Prime Minister Imran Khan's reform agenda must include addressing this challenge in order to unleash the potential of the people of Pakistan.

One hopes that this 'charter of governance' would encompass ways and means of finally ridding the country of the decadent model of medical governance and open doors to the long delayed power, prosperity and dignity for the 200 million people of Pakistan.

The News, March 24, 2019

A case for a presidential system

To put it simply: change the system of government, if you want to change the fortunes of the country. "Why has Pakistan not realized its potential?" asked Lee Kwan Yew, former prime minister of Singapore, after I had presented proposals for Singapore and Pakistan pooling their strengths to seize opportunities in Central Asian markets.

Before I could reply, he proceeded in his usual style, to answer his own question. "In Pakistan" he continued "people play politics 365 days of the year. Those who form the government, are always looking over their shoulders to see who might be trying to stab them in the back. And those in the opposition are always intriguing to overthrow the government. How can any government work for national development when its very survival is always threatened?"

The principal cause of the continuing under-development of Pakistan, according to Lee Kwan Yew, was a system of government, where those elected 'to govern' are only interested in 'playing politics'. Since the door to destabilize and overthrow any government at any time is kept open, it has encouraged power-brokers to round up – on any pretext – a handful of members by temptations, horse-trading, blackmailing etc to threaten any government with a vote of no-confidence.

These tactics have been repeated several times to a perfect art of destabilizing any government. This has distorted our parliamentary system and made it hostage to the interests of a few power brokers who could subvert the will of the people, if their interests are not promoted.

Most governments have purchased their survival and

continuity by loosening the strings of the public purse and not asking too many questions about their use. This has given a bad name to Pakistan in the international community as a country which has so little to show for so much money spent in the name of development.

Repeated over time, these tactics have converted the 'government of the people, by the people, for the people' into the 'government of the few, by the few, for the few'. Hence, persistent poverty, illiteracy, malnutrition and unemployment have become the fate of the masses while the gap between the asset profiles of the rulers and the ruled has been widening, and nations that were behind Pakistan have been overtaking it during the years.

This is not to say that there is ipso facto something wrong with the parliamentary system of government. It has been working well in several European countries and Japan for long without the fault lines which we have created in our own system of government. Sadly, no serious efforts have been made over the years to eradicate these fault lines. Even the two military rules played politics and used the fault lines of the parliamentary system to their own advantage and created their own band of patriots to rule the country.

Five (5) such serious fault lines have had corrosive effects. First, in the absence of irrevocable, fixed terms for legislature and executive, there is a constant threat of destabilization by a handful of power brokers, given that we are not people known for exercising self-restraint in many matters. This is a sword of Damocles hanging over the head of every parliamentary government in Pakistan which was referred to by Lee Kwan Yew.

Second, because of their own problems, the opposition often seems eager to jump on the bandwagon of the government to protect and promote their own interests. This desire to be on the same page with the government compromises the monitoring role of the opposition in the assemblies and many a time, the proceedings of assemblies give an impression that there is no one in the house to seriously address the problems of the people.

Third, in line with the centuries-old tradition of the Subcontinent, where there was no separate legislature in the government of any king, raja or maharaja, there is no interest in legislative work as empty halls of assemblies often bear witness. As everybody seems interested in exercising executive function,

several policies and programmes are running through executive orders of the government and not under acts of legislature.

Fourth, the absence of separation of powers between the executive and legislative branches, has been the principal cause of the politicization of the administration, decline in professionalism and rise in cronyism and corruption. This has given rise to a culture of patronage/ sifarish for postings, transfers, promotions and decline in reliance upon professional excellence for upward mobility.

And, lastly, the lack of competence has been seriously hampering the quality of governance – especially in developing countries like Pakistan, where the pool of quality human resources is already limited. As the selection of cabinet members to lead the government in a parliamentary system is confined to members of the assembly, the problem of competence becomes extremely acute and affects the quality of governance.

Many of these fault lines are removed in a presidential system since it provides for: irrevocable fixed terms for executive and legislature, separation of powers between executive and legislative branches, depoliticizing of administration and making the talent pool of the whole nation, including of members of assemblies, available for improving the quality of governance.

It is relevant to mention here that during the preparations for the 1973 constitution, a number of draft proposals were presented for consideration. Records show that a proposal for a presidential form of government for Pakistan was also under serious consideration and allegedly Zulfikar Ali Bhutto was also in favour of it. It was only for the sake of seeking unanimous approval of the constitution, that the opposition's preference for a parliamentary system of government was agreed to.

It is safe to say that the history of our country would have been different if a democratic, federal, presidential system of government, protecting fundamental rights and provincial autonomy, had been working over these years.

The barrier has been the preference by some people for centuries-old culture in the Subcontinent, where we have had good or bad kings, rajas, maharajas but never any law-maker simply because the king was the law-maker and there was no separate legislature or law-making body outside the person of the king.

Some of us want to continue to live in the past. This has given new lease of life to the medieval culture of fiefdoms and mediocrity which was easily overwhelmed by a small band of competent and organized professionals in the past, when the chips were down.

The sooner we change it, the better for people of Pakistan.

The News, April 27, 2020

Micro-managing is no solution

As if the federal government hasn't already got a plate full of problems – having to revive a stagnant economy, reform broken-down and dysfunctional systems of governance and address serious foreign policy and security issues created by the Modi government's unconstitutional and illegal acts in IOK – it has now dragged itself into another quagmire in Karachi.

Several senior legal experts have all rejected the idea that Article 149(4) could be stretched by any means to cover federal takeover of cities and towns in Pakistan and start running their day-to-day administration. And why just garbage collection. Tomorrow, the water supply or transport or any other excuse can also be used for a federal takeover of Lahore, Peshawar, Quetta or other the cities and towns across Pakistan. This leaves one wondering how such a harebrained idea managed to pass through the filters of decision-making in the federal government, and arrive in public space and create such a backlash against the government?

In addition to its illegality, nobody seems to have considered the idea of a federal takeover of the city from the management perspective. With such federally administered national embarrassments like PIA, Pakistan Steel Mills, Pakistan Railways and others which have been sinkholes of corruption and inefficiency, eating away hundreds of billions of public money for years and which the government has been trying to offload since long, can the federal government micromanage the additional responsibility of day-to-day running of a large metropolis like Karachi from Islamabad?

Prime Minister Imran Khan has rightly been talking about

the urgent need for the depoliticization of administration. Instead of working for the good of the people, much of the administrative machinery – at the federal, provincial and much more so at the local bodies levels – has been reduced to working as the personal or political extension of this or that party. The most notorious example of this culture are the tens of thousands of what is called ghost staff – cleaners, clerks, teachers and others drawing salaries from public funds but whom nobody ever saw attending to their official duties. PM Khan's programme of cleaning the stables of administrative machinery should start with eradicating the menace of ghost staff to immediately lift up the working of departments at all levels.

The civic problems of Karachi are real and everyone should work towards solving them. But playing politics with people's problems is not going to solve them. The political tug of war will only compound problems and make their solutions more intractable. In trying to address the civic problems of Karachi, it should be noted that the origin of the factors causing flooding and rain associated problems lies outside the bounds of the city – in the catchment areas of Malir and Lyari rivers in the Khirthar Mountains. The causes of the problems and their likely solutions have also been studied earlier by technical and administrative professionals from federal, provincial and local bodies. The problems have always remained in implementation as is explained below.

One of the most well researched and detailed study of civic problems of Karachi was made earlier by a high-powered technical committee of the government, which was headed by a very respected technical expert Mr A W Shaikh who at the time was adviser technical/ addl chief secretary of the Sindh government. This committee comprised senior professionals of the federal, provincial and local governments including Wapda, P&D and the irrigation and power departments of the Sindh government as well as KDA, KMC, KPT, Cantonment Board, SITE, Meteorological Department, PAF and other agencies and departments. This writer, then working as DG KDA, was also a member of this committee.

The committee conducted surveys, monitored and collected hydraulic data, took notice of quarrying, dumping of garbage and solid waste in river beds which reduced the quantum

of water passing within their embankments, unauthorized and illegal constructions along rivers and the nullahs which further choked the flow of water and recommended measures for properly addressing the civic problems of Karachi.

These measures required medium-to-long-term continuity in their implementation to produce the desired results. But financial constraints, and politics and mafias protected by parties often came in the way of their implementation. In the meantime, as the population exploded by birth and migration and encroachments multiplied with mafia protection, the civic problems also increased, thereby becoming more intractable.

I mention some major recommendations of the high-powered technical committee in this space so that people can judge for themselves that much success would have been achieved long ago and people's miseries reduced, if these well-thought-out recommendations had been faithfully implemented.

Some of the major recommendations of this high-powered technical committee included: a full-fledged Karachi Flood Control project comprising flood forecasting, flood protection and flood control measures. It also recommended that the Malir Dam upstream of Malir river be constructed to control flood waters reaching the city.

These measures were to be further supplemented by the Karachi Urban Sector Water Drainage Project whose components would address inner-city drainage issues. The two components would dovetail to provide full protection from floods and rain water damage. Progress on these and other recommendations was to be periodically monitored by a Karachi Flood Control and Drainage Commission with senior-level representatives from federal, provincial and local organizations.

These recommendations have largely remained unimplemented and although substantial funds were made available over the years, these were mostly used for construction of roads, flyovers and other activities. In the meantime, flooding and drainage problems grew from bad to worse until we arrived at the miseries inflicted upon the people by recent monsoon rains and flooding.

There is no need to reinvent the wheel. With appropriate updating where necessary, these thoroughly researched and technically sound recommendations should now be implemented.

A high-powered Karachi Flood Control and Drainage Commission, headed by the chief minister of Sindh and comprising the relevant federal, provincial and local body representatives should be established with a clear mandate to monitor and coordinate the implementation of these recommendations through relevant organizations and provide a channel for mobilizing resources from the government, the private sector and outside agencies for their implementation.

This would provide real relief from recurring rains- and flood-related problems to the residents of Karachi. No takeover of anything by anybody is involved. Every organization can continue their assigned duties and functions.

The News, September 20, 2019

An albatross named LBOD

The rains in southern Pakistan have piled miseries upon millions of people. Already over 200 people have died, over six million rendered homeless, crops over two million acres destroyed and billions more worth of homes, livestock and infrastructure damaged in several districts of lower Sindh alone.

The tragedy is still unfolding and these numbers are going to get worse. Soon water borne diseases will take their own toll as water levels recede. Millions of affectees in these districts - already among the poorest of Pakistanis - would be desperately struggling with new problems of rising poverty and loss of livelihood.

So far, no one other than the government agencies has been seen in the field, Our philanthropic private sector, aid agencies and NGOs are visibly absent.

There is no doubt that the country has been battered with exceptionally heavy rains again this year. But by all indications, nature's fury has been compounded by man-made disasters inflicted upon cities as well as the countryside in the shape of faulty designs, shoddy construction and poor monitoring of 'development projects, and reverse-flowing municipal drains, broken roads and bridges to the severely flawed project of Left Bank Outfall Drain (LBOD) which has been blocking outflows of flood drainage and allowing inflows of sea water into settled areas during high tides in the Arabian Sea.

So much money has been consumed by these 'development' projects but when tested, they have only compounded the people's miseries.

The LBOD cost Pakistan over a billion dollars in loan money and was sponsored by a consortium led by the World Bank and assisted by the Asian Development Bank and by some friendly bilateral donor countries to address water logging and

salinity problems.

Complaints by local communities and official agencies, which had topographical and historical knowledge of water flows, went unheard from the very beginning in 1980s, as the project was designed, executed and monitored between the World Bank and Wapda.

The damage inflicted on local communities by the flawed design of this project showed itself during the cyclone of 1999 and floods of 2003. The current havoc caused by the rains has once again reminded us of the recurring problems caused by the malfunctioning LBOD.

A World Bank appointed inspection panel had confirmed the validity of the people's complaints but the rectifications for these admitted serous wrongs have still not been made by the bank management as far as compensation for loss of life, property and livelihood of these communities is concerned.

The staff of financial institutions, like the World Bank and Asian Bank, that is directly involved from the project designing to selection of consultants to monitoring, has clear fiduciary duties to ensure that loan funds are used for the benefit of the country and the targeted communities.

In some cases the World Bank has de. barred companies and consultants responsible for the flaws and promised aid to the affected communities. One would expect that the World Bank group president, Robert Bruce Zoellick, would ask the bank management to extend similar support to the long suffering affectees of the LBOD project also.

The law of fiduciary duties is very clear and puts legal and enforceable obligations upon all such entities - local and foreign - that are entrusted with the agency's responsibilities towards the owners - stockholders in private companies and citizens where public money is used.

In Pakistan, repeated scandals rocking the stock market and disasters in the public sector are largely caused by our neglect of understanding and application of the law of fiduciary duties upon those responsible.

The results of non-enforcement of frequent violations of the fiduciary duties of care and loyalty have given license to various malpractices and turned Pakistan into a country where so much money has been spent over the years - foreign and domes.

tie - with so little to show for it in real benefits to people.

While some know-all foreign consultants are rightly criticised for their hubris and insensitivity to knowledge and experience regarding local problems while designing costly projects, equally culpable are local authorities which fail in doing their dutiesq diligently in properly scrutinising and evaluating these 'big ticket' projects, but are nevertheless in indecent haste to stamp their approvals of poorly designed and half-baked projects.

Joseph Stiglitz, who was the chief economist of the World Bank and later received the Nobel Prize for Economics had intimate first_hand knowledge of how such things really happen. Talking of why foreign aid in many cases does not produce the desired results and on the contrary creates resentment, he observed before a Congressional hearing; "It's important that the beneficiaries of the aid are not just western consulting firms looking for fat contracts, but also the people and the communities that we want to help."

He went on to add , " Recipient officials (of developing countries) who welcomed the consultants first but after hundreds of fact_ finding meetings with an endless array of consultants from donor organizations and the international financial institutions, many officials were disillusioned and frustrated. " This story is still being repeated in Pakistan as some important projects are getting underway under the Kerry_Lugar_:Berman aid package. While the LBOD problems have concrete visibility in terms of concentrated damage to human life, crops and properties, there are several other ' big ticket' projects whose damage, though dispersed and less visible in concrete terms, has been no less to the goals of national development.

Often these are shoved under the carpet to cover up own inadequacies and failure to fulfil fiduciary duties as far as foreign entities are concerned. While there are several other similar stories, I will relate one regarding a 'big ticket' project launched by the Social Action Programme (SAP) during the 1990s with World Bank and Pakistan government funds. This was one of those projects where even the donor community disputed our unrealistic claims and questioned the skewed incentives, unsustainability and adhoc deviations of multimillion dollars by SAP from its original intent and objectives.

A real life glimpse into the workings in Pakistan may

suffice to elaborate this. The day this project was approved by the govt. of Pakistan, this writer was informed the same evening by some very surprised staff members of the Islamabad office of the World Bank of how things happened on that fateful day. The bank staff and their consultants had spent several days preparing for all kinds of likely questions and critiques from the Pakistan side in what was expected to be at least a daylong marathon, as the project details would come up for approval. They could not believe their eyes and ears when the meeting, in which the approvals for this project were given and multimillion dollar loan liabilities accepted by Pakistan, did not even last thirty minutes!

It is no wonder, therefore, to face the bitter fact that while Pakistan has been one of the largest recipients of foreign aid, and its debt mountain has become unsustainable, there is so little to show on ground for so much money spent over the years. Some knowledgeable foreign observers have dubbed the story of ' development' in Pakistan as both "hilarious and heartbreaking". Heartbreaking indeed!

The News, October 27, 2011

Reforms not politics

The victory of Imran Khan's PTI in the July 25 elections has fostered hope that Pakistan may have turned the corner. People believe that the age of incompetence and greed will now be replaced with merit and integrity in governing national affairs.

The games played in the governance structure over the years had produced one embarrassment after another for the country. Pakistan had started slipping in the rankings of every index on human and economic development. Their policies of 'you scratch my back and I scratch yours' created a new trade union whose members are seen to be preoccupied with promoting their own class interests. This alienated people and left them wondering if there was anyone who could protect and promote their interests.

This alienation turned into deep disaffection as people saw the takers strutting up and down the national and provincial corridors of power like proud peacocks, even as the miseries of daily life kept mounting for the teeming millions and the country faced one humiliation after another.

The people felt abandoned. They were forced to believe that incompetence and corruption had become the new normal for governance as its systems kept placing those who were severely lacking in terms of integrity and commitment to national development in leadership positions.

In this backdrop, have the results of the recent elections come as an answer to people's prayers? Is our dysfunctional system going to be radically reformed? Can the 2018 polls be the game-changer that many of us have been waiting for?

If past experiences are anything to go by, every attempt at changing the status quo has been met with resistance from elements that haven't shied away from deploying every weapon –

from secular to religious – to retain their rentier benefits.

Let's consider the substantive issues of governance reforms. In his post-victory address, Imran Khan talked about the importance of building institutions. Rule-based institutions, which are neutral and work for the benefit of the people, are the hallmarks of democratic governance. These institutions are diametrically opposed to personalised, partisan and politicised bodies that are meant to serve only those who control the leavers of political power.

Imran Khan's approach to institutional development is similar to that of Lee Kwan Yew, Singapore's former prime minister. It is based on the idea of recognising the difference between politics and governance, and understanding that there is a time and place for each of these elements to be used in a properly sense. During one of our meetings many years ago, Lee Kwan Yew said that the direction in which a country goes is largely determined by the fundamental issue of governance: We must, therefore, gauge whether the laws and institutions of the country are designed for the benefit of the people or the rulers.

Malaysian Prime Minister Mahathir Muhamad offered more or less the same advice to the Pakistani leadership and urged it to realise that national development can't just be used to play politics. Such tactics damage the integrity and discipline required for the success of national development policies.

The wisdom in the words of both Asian leaders is evident in the rapid strides made by Singapore and Malaysia in every sphere of national development. Their laws and institutions, which have been designed to work for the benefit of the people, have transformed these countries. Singapore and Malaysia are no longer low-income, underdeveloped countries. They have now become the pride of Asia.

Meanwhile, our laws and institutions have repeatedly worked for the benefit of our rulers, whose riches have multiplied and been stashed away across the world. These riches are now the talk of the town and are being widely discussed in all forums – from media houses to courthouses.

Singapore, Malaysia and Pakistan's governance models clearly prove that the laws and institutions actually do work. Whether these law and institutions work to deliver benefits to the rulers or the people depends on how they are designed and

enforced. So, if our probable PM-in-waiting Imran Khan successfully changes the distorted direction of our laws and institutions, and ensures that they work for the people of Pakistan, they will continue to fulfil his mission and transform the lives of the millions of marginalised people of this hapless nation.

Politics cannot be the only game in town. Pakistan has already suffered from too much politics and too little governance. The time for politics should over after the elections. All governments – federal and provincial – should get down to fulfilling their fundamental responsibilities to deliver the goal of good governance for which they have been elected in the first place. Three months before the next elections are scheduled to be held, it will once again be time to play politics again. But resorting to politics for 365 days of the year will be to no avail.

There are several challenges that the new government must address. The colossal mess created over the years in almost every field of national affairs requires well-thought-out strategies and solutions.

But there is one asset that may ultimately prove to be a critical resource in handling these challenges. Having worked closely with former prime minister Benazir Bhutto during both her terms in office, I had many opportunities to see how the leaders of developed countries and multilateral organisations like the IMF were keen to assist her and would sometimes go beyond their conventional policies to help her in whichever areas of priority she laid out for her government.

If he becomes PM, Imran Khan can bring the same charisma and credibility to the office. World leaders will probably help him succeed in the reform agenda that he outlines for his government. This must be factored into strategies that the PTI develops for the benefit of the people of Pakistan.

While there are countless challenges, there are also many opportunities. The usual challenges of a developing country have been compounded by incompetence and corruption for several years. Pakistan has repeatedly seen its potential reversed at the hands of pitiless politics. It remains to be seen whether these stalwarts will find compassion in their hearts for the exploited and pauperised people of the country, and respect the wishes of the majority to opt for a different approach to deliver better governance to the country.

If this miracle occurs and we can move beyond our addiction of engaging in politics throughout the year, then institutional reforms that work for the people and are driven by merit and integrity will be the game-changers that the people have been waiting for. And this makes us hope that the time may have come for Pakistan to rise again and finally realise its potential.

The News, August 02, 2018

The stranglehold of native colonialism

About 50 countries in Asia and Africa became sovereign, independent nations after Second World War as decolonization by European powers gained momentum. In some cases, the end of foreign colonial rule was peacefully negotiated, while in other cases independence was won after a long and bitter war of liberation from colonial rule.

But as foreign colonial rule ended, did it also mean the end of colonial practices in these countries? Were the promises made to the people who gave immense sacrifices for independence, delivered by their leaders?

Some countries successfully achieved the desired transition. They dismantled colonial instruments of control and exploitation, changed the rules of the game, opened opportunities for all and achieved for their people the power, prosperity and dignity promised during the struggle for independence.

For others, the struggle and sacrifices of the people amounted to merely changing the colour and creed of foreign colonial masters with that of the native rulers who continued with same practices of colonial control and exploitation. This is native colonialism, which is not easily discernible because it hides behind empathy of the same colour, creed, language and customs of the people and is clever enough to market itself under politically correct labels of the times.

New research has given further credence to this narrative. A research study by Utsa Patnaik, published by Columbia University Press draws on nearly two hundred years of data of British colonial rule in India and has calculated that Britain managed to siphon off about $45 trillion from India during the

colonial period from 1765 to 1938. The instruments used to accumulate resources from the people of India and transfer them to the UK were taxation and trade policies; the instruments of governance were designed to work for the benefit of the colonial masters.

Another study of Africa by a group of 10 NGOs has shown that after African countries achieved independence from foreign colonialism, 40 percent of the wealth of Africa has been stolen and stashed abroad by its 'post-independence leaders'. A 2014 estimate further shows that $500 billion of the wealth of Africa has been stolen and hidden away mostly in Europe and the US by its various leaders.

Describing this phenomenon, Franz Fanon had said that the ruling cliques in these countries had 'internalized the colonial practices' in the post-independence governance of countries. The instruments of governance were either designed or manipulated to transfer peoples' resources into the ruling cliques' pockets and unaccounted wealth was hidden away from the eyes of their people by stashing it abroad.

Although no serious research has been conducted here, but media reports of the last few years have stunned the people of Pakistan with stories of the magnitude of the wealth of Pakistan that has been siphoned away for many years. Hundreds of billions of dollars are alleged to have been taken out and hidden away across a wide range of countries and tax heavens. The magnitude of the people's resources transferred to the ruling groups in Pakistan by manipulation of policies, laws and rules has been calculated by Hafiz Pasha to be Rs2 trillion every year. Projected for 200 years to compare with the funds siphoned off from colonial India, the fund transfers from the people of Pakistan to its ruling groups would come to a hefty $4 trillion. This shows the extent to which our instruments of governance have 'internalized the colonial practices'.

These are the very tactics – as listed above by Utsa Patnaik – which were used by British colonialists in siphoning off resources of colonial India. This also looks eerily similar to the ways adopted by leaders of post-independence Africa as shown in the study mentioned above.

Such practices have stunted the growth of Pakistan. As the rights and resources of the people have been taken away from

them for decades, this has led to catastrophic consequences for a vast majority of people who have been forced to suffer the miseries of poverty, disease, illiteracy and unemployment for three generations after independence.

These days we are again going through the annual ritual of lamenting about the problems dragging our economy down: current account deficit, fiscal deficit, stagnant exports, deindustrialization, mountain of debt and rising unemployment. These are all are genuine problems. But these have existed for a long time now and their solutions are no rocket science.

Some very good suggestions have been made in these pages and elsewhere by knowledgeable persons about addressing these challenges. But we are assuming that if only we provided rational, logical solutions, the decision-makers of this country would take immediate steps to implement these and rid the country of these long recurring problems. Such assumptions have never come true.

So the more important questions are: What is wrong with our systems of governance that the rulers do not listen to sane and sensible advice, and how do they get away with irrational and unjustifiable policies that keep pushing the country into one embarrassment after another? And how to change such a cavalier attitude to governance in a developing country which has continuously seen its potential going waste?

A similar call comes from a recent publication which covers a wide range of social and economic, agricultural and industrial and rural and urban sectors of the province of Sindh. It has documented downward slide across all sectors, the stagnancy in agriculture, declining productivity in industries and services sectors and declining per capita income of the urban and rural population of the province.

Interestingly it refers to the unpublished World Bank Report of 2015, which shows that the per capita income of Sindh which was 55 percent higher than the rest of the country at the time of independence, declined to 36 percent by 1990 and further down to 17 percent by 2014-5.

Which raises the question: what kind of policies have been pursued that have contributed to the declining property of people, instead of enhancing it over these decades? If this is not the sign of the native colonialism, how else can one explain this decline?

However, no light is visible at the end of the dark and divisive tunnel and no sign of creating synergies by an inclusive governance to turn the tide and help people in both urban and rural areas to realize their potential.

These instances show that be it the continent, country or province, colonial practices have been internalized by ruling groups in various shades of grey – albeit under politically correct labels. In many cases, foreign colonialism was replaced by native colonialism. It similarly prevented people from realizing their potential while their resources continued to be transferred into the pockets of the rulers and stashed abroad to hide unaccountable wealth from the eyes of their fellow citizens.

So, the million-dollar question is: Can the economics of a continent, a country or a province be right if its politics is wrong?

The News, April 10, 2019

Politics without governance

The governance of a democratic country is more than a matter of mere politics. Like economics, politics has an important role to play in society. But if economics and politics monopolise the field and push out other disciplines of knowledge and their expertise, neither development nor democracy would materialise.

Politics as an individual pursuit of power or influence is one of the oldest professions. It is necessary to recognise the difference between politics and governance at the outset. While politics is partisan and antagonistic, governance is neutral and holistic.

The former rulers of the Subcontinent focused on politics without governance. The only passion of this ruling elite was the politics of toppling this ruler or that and, thereby, controlling a particular territory. According to Clausewitz, war is "politics by other means". The history of the Subcontinent is replete with wars and conquests for politics without governance. It involves rulers holding on to power, even if that required them to kill their own flesh and blood. The law was nothing more than the whims of the ruler of the day and people did not even have the right to their own lives, much less the right to development of any kind.

It took a long and painful struggle in Europe to control the wild and self-seeking politics of power and bring it within parameters of the law. The first milestone in this regard was achieved in 1215 when English barons forced King John to sign the Magna Carta. Under this agreement, the king promised that he would not abuse his power and would instead abide by the customary law of the time.

But it took many more years and a bitter struggle to ensure that the ownership of the people over the nation-state and its resources was recognised by the rulers – albeit reluctantly. The

intellectual foundations of this second struggle were laid by the Enlightenment – especially through the works of 17th and 18th century scholars like Locke, Bentham, Montesquieu, Rousseau and Voltaire. These scholars focused on the natural and inalienable rights of the people; popular sovereignty; freedom of expression; separation of powers; and the government as a servant of the people.

When these arguments were not taken seriously by some rulers, the French took a quantum leap forward and executed the king and his cohorts during the French Revolution. Europe learned its lessons after this event and democracy evolved as an antidote to the absolutism of power by anyone. The doors were opened to ensure equality to all citizens.

The other landmark event that provided the structure and operational systems of democracy was the Industrial Revolution. There are several similarities between the formation and management of companies – which were products of the Industrial Revolution – and the formation and governance of a democratic state. For instance, the shareholders of a company are recognised as owners of the company while the board of directors entails the agents of the owners who are given control over the assets of shareholders to maximise benefits.

Similarly, the citizens of a state are recognised as the owners of a democratic state and the government – as the agent of the people – is given control over people's resources so that it can deliver security, education, health, employment and other benefits to them. But several laws, rules and codes of conduct are embedded in the provision of corporate and public governance to protect owners from an flagrant abuse of trust and self-dealings by the board of directors or the government.

However, none of these events took place in the Subcontinent. Nobles did not force any ruler to sign documents to abide by the law of the land. There were also no signs of anything resembling the French Revolution that could have shaken the foundations of the old decaying order. As for the laws for preventing the abuse of trust by the agents, most of these have been disabled in Pakistan by the agents themselves.

In the absence of historical foundations and suitable checks and balances, the old trend of politics without governance was revived and became the only game in town. It forced its entry into

non-political services, professions and businesses – education, health, law and order and industry – and damaged their professional governance and decision-making abilities. While several Asian countries achieved 100-percent literacy long ago, Pakistan's low literacy rate remains a source of international embarrassment.

The sugar industry remains so deeply inefficient that most of its units would have gone bankrupt in any fair and competitive economy. The industry has survived and flourished through government subsidies and by depriving farmers of their hard-earned and legitimate income.

No grass has grown under absolutism of this kind. Any treatise on democracy will tell you that democracy was not devised to replace one monopoly of power by another. It was meant to be an antidote against absolute power of any individual, group or organisation – fearful of Lord Acton's warning that "power corrupts and absolute power corrupts absolutely".

As a further curb against absolutism, power in democracy is dispersed – both horizontally and vertically – across different disciplines. Senior echelons have the power to overrule the decisions of the lower echelons. But they do not have the power to disrupt the working of lower echelons or usurp powers of another discipline.

During his official visit to Pakistan in 2002, Malaysian Prime Minister Dr Mahathir Mohamad was asked for advice on how the country could be set on the path to development. Among other things, he said that developing countries like Pakistan are not like Japan and Germany, which have a vast variety of quality human resources to choose from in every field. Instead, Pakistan's best course lies in the rapid development of quality human resources. But the country is losing its potential due to poor governance practices. If these practices are not reversed, people with knowledge, marketable skills and expertise will gradually leave the country. And Pakistan cannot realise its great potential without these assets.

But development of human and institutional capacities requires a system of governance where reward and punishment are determined by the success or failure in achieving professional excellence, and not by rendering services to this godfather or that. The politicisation of non-political services and professions has

changed the whole value system of reward and punishment and resulted in a dysfunctional system of governance.

In countries where democracy and development have flourished, politics – like any other discipline – has been made to abide by the law to ensure that it is not be conducted above and beyond it. The non-interference of politics into other areas of national life – education, health, law and order, industry and economic development – creates a space for these spheres to grow; achieve professional excellence; and contribute to social and economic development. That is how the Asian miracle of development was achieved in many countries within a short period of 30 years.

But in their endless passion for politics, our federal and provincial power structures have no inclination to invest the necessary time and effort to address issues of governance. The problems have increased over time. As the country enters the 71st year of its existence, it needs a strong leadership to do away with the continuing challenges of politics without governance.

The News, April 11, 2018

Turning ideas into reality

As Pakistan struggles to address the challenges of our perennial current account deficits, Prime Minister Imran Khan has prioritised four areas to overcome these issues: attracting foreign direct investment (FDI); increasing exports; enhancing remittances; and attracting tourist dollars towards mountainous, coastal, religious and archaeological sites.

The question that then arises is: how will these ideas be realised and rid a large country like Pakistan from the repeated embarrassments it has suffered due to poor governance? If we examine the history of misgovernance in the country, we find that several good ideas for nation-building have been allowed to fall by the wayside and were seldom implemented.

These ideas fell victim to three weaknesses: lack of will/ intent in decision-making circles that showed more interest in rent -seeking than nation-building; an inbuilt bias embedded over the years in our taxation and tariff policies, which make imports more profitable than domestic manufacturing, even in products where we have a comparative advantage; and the withering away of a nation-building culture and capacities within the government machinery over the last several years.

With Imran Khan's well-known integrity, keenness for nation-building, and his close monitoring of the working of various ministries, the issue of lack of will/intent have been largely resolved. Embedded biases against domestic manufacturing and exports have been built into the system over the years and aren't easily visible on a cursory glance. But since assuming office, Imran would have realised that our long addiction to imported ready-made solutions have eroded the culture and capacity for nation-building – both in our political as well as an administrative hierarchy.

Since the urgent capital crunch has been largely solved by his whirlwind tours of friendly countries, a culture of nation-building needs to be energised. A culture of nation-building, with work ethics, team spirit, respect for value of time, an urge for excellence and open minds, eschewing cliques and prejudices, would go a long way for this nation to realise its potential.

As the devil is often in the details, focus should be on addressing specific priority areas and not thinly spreading limited capabilities across several subjects. Above all, the PM should inculcate the 'can-do' spirit of his cricket days in his team to overcome the accumulated sins of the past.

In this article, let's consider the first two of his ideas and put forward some tried-and-tested successful policies and practices from across the world that his team could take up without wasting any more time.

Let's explore the first idea: investment. How do we attract investment in Pakistan when there is worldwide competition from several countries to attract foreign direct investment? Investment is driven by two factors. Push factors compel investors/ companies to enter markets to extend the life cycle of their products or capture easy markets. They will enter Pakistan, even if we don't organise road shows for them.

What we need to focus on are the areas where we need to pull investment and technology into export-oriented manufacturing. And this requires hard work. For that, Pakistan must be proactive and prepare a portfolio of specific projects where such investment is needed. This portfolio should provide essential commercial data on projects to whet the appetite of investors and get them interested in Pakistan.

In addition, we must not sit back and wait for investors to come to us. Seeking FDI is a competitive game that is played all over the world and we must venture into the home bases of investors and market our portfolio of projects through road shows and investment conferences.

But before we go there, Pakistan must do another thing: we must put together attractive features of our investment policies and incentives in languages spoken in our investors' home countries so that more people can read about our investment policies and the attractive opportunities that we have to offer. Our investment material should also be published and circulated in

Chinese, Japanese, Korean, Russian, Arabic, French, German, Spanish, Italian and other languages. This will break countless barriers and open many more doors for Pakistan.

If we follow these practical measures, Pakistan will succeed in drawing widespread investor attention towards its markets. This will also introduce healthy competition among investors.

Let's now explore the next idea: exports. There is an elephant in our economic policies that no one is talking about: our tax and tariff structures actually favour imports over domestic manufacturing and exports. Our history has repeatedly shown that without removing inbuilt biases against the industrialisation of the domestic economy and disincentives to exports, mere currency depreciation won't help our exports. We have opted for repeated IMF bailouts despite the depreciation of the rupee because we have avoided restructuring our economy in favour of domestic industrialisation.

The principal cause of our current account deficits lies in the fact that we don't have many products to export. And this is so because we stopped the industrialisation of the economy some 40 years back and became addicted to ready-made imported solutions and incurring a mountain of debt.

During the 1970s, the share of the industrial sector in our GDP was equal to or higher than that of South Korea, Malaysia, Indonesia, Turkey and other countries. In the next 40 years, while these countries increased the industrialisation of their economies by between 80 percent and 120 percent, we could only increase industrialisation in our economy by a mere 1 percent. Herein lies the root cause of our current account deficits, which also resulted in our visits to the IMF.

So, we need an industrial policy, especially an export-driven one. There are several low-hanging fruits that can deliver immediate benefits by attracting investment and technology in agro-food industries, and making value additions to the existing basket of raw and low-value textile and leather products and IT products built through our natural and human resources. It is embarrassing that even though Pakistan is the fourth largest cotton-producer, it sells garments in world markets that fetch lower per unit value than those made in Bangladesh, Sri Lanka, Malaysia, Indonesia and India.

This brings us to the issue of mindset. Instead of taking the bottom end of products in world markets, we should incentivise high-tech content and discourage raw and low-value exports.

Lastly, our fragmented institutions that deal with investment, industry and export should be integrated. Their fragmentation creates barriers in the path of investment for export -oriented industries. A case for an integrated institutional platform – the Ministry of Investment, Trade and Industry (MITI) – was discussed in an article titled 'A new ministry for Pakistan' published in these pages on August 22, 2018.

If we succeed in removing these barriers and inculcating a positive change, we will finally turn concrete ideas of progress into real benefits for the people and our economy.

The News, January 02, 2019

Makers and takers

The British newspaper, The Independent, shook the world's conscience in 2014 when it published the results of research carried out by ONE – an anti-poverty group co-founded by the rock star Bono. The study made the staggering disclosure that "criminals and corrupt politicians steal $1 trillion a year from the world's poorest countries".

A former chief economist of McKinsey & Co has estimated that over $12 trillion have, so far, been plundered from third world countries and parked either in the safe havens of rich countries or the jurisdictions under their control.

In the same year, the net worth of planet earth was estimated to be $240 trillion. This means that five percent of the total assets of the earth are stolen goods from third world countries. Every year, $1 trillion are plundered from third world countries. This explains why people in these countries eke out a miserable living even decades after becoming masters of their own destiny as independent nations.

These are the 'takers' of the third world. They seek power to control peoples' resources and then abuse their trust by manipulating instruments of governance, disabling codes of transparency and checks and balances, and freeing themselves from any notion of accountability.

Several studies by prestigious universities and think-tanks have identified common features in these countries which show that their instruments of power have been hijacked by self-seeking, ambitious adventurers. Their systems of delivering services to people have been manipulated to work for the 'takers', to further empower them beyond the reach of the people.

Decolonisation, for most of the native leaders of these countries, did not mean changing the character and quality of

colonial governance. Independence, for these ambitious adventurers, merely meant replacing foreign exploiters with native exploiters. In an eerie similarity to this phenomenon, the leaders of these countries even transfer the plundered wealth of their own people abroad just like the foreign colonial masters did.

To keep up with Joneses of the modern, democratic world, most leaders of developing countries make provisions for rule of law, due process, equal treatment and opportunities in their constitutions and systems of governance. These are largely as paper entries which make them look politically correct and democratic to the outside world.

These leaders do not abide by these values in the actual process of governance. They are largely rent-seekers, who do not respect the dignity of the hard-working citizens of their countries – the farmers, workers, teachers, healthcare givers, soldiers, scientists, professionals, entrepreneurs and others – who are the 'makers' of their countries. It is these makers who create value in their societies through the goods and services they produce. But they are at the receiving-end of exploitation at the hands of the 'takers'.

As rule of law largely remains comatose in these countries, national institutions are treated as personal institutions which are considered to be owned by the rulers and exist to serve them and not the people. These institutions have largely not been created by the will of society, but through the decrees of the government. Their mandate is often violated by the rulers with no fear of the consequences.

Much of this tragic dichotomy is rooted in the clash of cultures. A native culture of a people who have lived for centuries under the subjugation of rajas, maharajas, kings and emperors – and never enjoyed any rights to anything – is pitted against a democratic culture of the inalienable rights of sovereign citizens. This dichotomy becomes more visible in societies where a critical mass with a strong faith in the inalienable rights of sovereign citizens did not exist at the time of their independence. To add insult to their injuries, instead of empowering their people with inalienable rights, the 'takers' of their countries have often strengthened the native culture of dependency and the denial of rights – notwithstanding the paper entries in their statute books.

As a result, the people of most third world countries face a

difficult future. Most leaders of their countries act more like caretakers rather than local leaders of their nations and often look for patrons from outside to keep them in business. Their systems of governance can neither inspire nor empower their people. And their priorities are focused on what they can take out of their countries, not what they can give to their fellow citizens.

It was, perhaps, in the same spirit, that former US president John F Kennedy had quoted Kahlil Gibran when he urged that his countrymen "ask not what your country can do for you, ask what you can do for your country".

It would be illustrative to recall full English translation – from Andrew Dib Sherfan's A Third Treasure of Kahlil Gibran – of what Gibran wrote in Arabic: "Are you a politician asking what your country can do for you or a zealous one asking what you can do your country? If you are the first, then you are a parasite; if the second, then you are an oasis in the desert".

So what difference does it make to the lives of the people whether a country is led by the 'makers' or the 'takers'?

In the early 1960s, the socio-economic conditions of Singapore, South Korea and Pakistan were about the same. If we consider our history of civilian and military rule, the experience of Singapore and South Korea is most relevant for Pakistan. This is primarily because we have witnessed both civilian and military governance without achieving the desired results.

Singapore was led by its elected prime minister, Lee Kuan Yew, while South Korea was led by its military ruler Gen Park Chung-hee. Both carried out a series of social and economic reforms to liberate their people from poverty, illiteracy and the back-breaking burdens of under-development. These reforms, as Lee Kuan Yew told this writer during a meeting "created assets where none existed" in their countries.

Although they held full powers in their hands and ruled for many years – 19 years for Park and 30 years for Lee Kwan Yew – both ruled with utmost personal integrity as 'makers' of their countries. Gen Park had less than $1,000 worth of money in his accounts when he died. Meanwhile, Lee Kuan Yew not only set a personal example of integrity but also institutionalised honesty in governance and strictly enforced it through rule of law.

Singapore has repeatedly been rated as the least corrupt country in Asia. Neither Gen Park nor Lee Kuan Yew held foreign

accounts or assets.

The result? Starting from same benchmarks in the 1960s, the per capita income of Singapore is now $51,000 while South Korea's is $35,000. Pakistan's per capita income is merely $1,500. Today, the passport holders of Singapore and South Korea can travel visa-free to over 170 countries of the world. As for the citizens of Pakistan, a recent report in this newspaper disclosed that the Pakistani passport is ranked as the second-worst in the world.

These facts speak for themselves and, more than anything else, sum up the difference between the 'makers' and the 'takers' of the countries.

The News, January 29, 2017

Governance is the game-changer

Poverty of a people is not because of the scarcity of resources in the country they live in, but because of the poverty of the governance they live under.

A comparative study of the governance practices of a select group of African countries and Singapore had concluded that- all other things remaining the same- if just the quality of governance of these countries was of the level of the governance of Singapore- like respect for time, work ethics, meritocracy, equal treatment of and equal opportunities for the rulers and the ruled and plugging leakages of national resources- the per capita income of the people of these countries will be 5 times their current level.

Assuming Pakistan was included in that comparative study (on some indicators we are already bracketed with African countries) the mere $ 3000 GDP- per capita (PPP) of the people here would instead be around $ 15000- just by improvement in the quality of its governance; while it's other weak indicators- education, health, infrastructure etc. remaining the same.

The difference between the two amounts would be the loss suffered by citizens on account of the poverty of governance they have been living under. But if the quality of governance experienced by Singapore- or even close to it-had been instituted and sustained over the years, this country would have long ago, taken its rightful place among the most prosperous and powerful nation of the world. After all, Pakistan and Singapore were at similar levels of underdevelopment when they started their journey.

"We didn't have even our own water to drink; but we created assets where none existed." said Prime Minister Lee Kwan

Yew to this writer, explaining how- by sheer quality of governance – the leadership pf Singapore created value where none existed and lifted the income and living standard of their people to among the highest in the world.

But- he asked me in his usual forthright style- "why has your country (Pakistan) not realized its potential even when it has been blessed with several advantages?"

At a luncheon meeting at World Economic Forum, Davos, when the then foreign minister Shimon Peres of Israel (who later became his country's president) was introduced to me, the very first observation he made was: "Oh; you are from Pakistan! What great human resources your country is blessed with". How could I tell him that this great asset of human resources is being wasted away and kept uneducated, unskilled and unemployed by an oligarchy who has monopolized opportunities for themselves?

Instead of creating value and wealth for themselves as well as the country, these potential assets are leaving in search of better future abroad- for lack of opportunities in their homeland. "If democracy does not mean widening the circles of opportunities for the people" asked Bill Clinton, "what is it all about"? Was he talking about us?

If building a prosperous and powerful nation is really our genuine agenda, then we should listen to the wisdom of another democratic leader- this time from Asia, who advised that 'development needs discipline more than democracy'. Instead of persisting with a dysfunctional trickle-down model, which has proved itself incapable of delivering, we should learn from success stories of Asia- Singapore, South Korea and China.

And lest we forget, Qauid e Azam had also listed 'discipline' as one of the three pillars (unity, faith, and discipline) for building the new democratic state of Pakistan. Singapore also combined democracy and discipline in a manner that delivered the highest standard of development for its people in the shortest period of time. However, like many other things, Jinnah's wisdom was also forgotten in a free-for-all system which ultimately went on to spawn more non-state actors in all spheres of national life, than the poor state of Pakistan could manage.

A culture of discipline is driven by work ethics and the sense of duty which those in authority owe to the people and the state- over and above their rights, perks and privileges. It is this

sense of duty and culture of discipline which provides the will to do the right thing and implement that inclusive model of national development.

A fundamental law of democracy is that the rights of the rulers and the ruled are equal; but the duties of the rulers are greater than those of the ruled. In our trickle-down democracy, however, the culture of entitlements of the rulers is the reigning law of the land. In this culture, the rights, perks and privileges of the rulers are greater than rights of the ruled; while the duties are mostly piled upon the ruled -with the rulers getting away with duty defaults even when their delays, indifference and incompetence- come floods, famines or large-scale persecutions like *Hazaras*'- inflict pain and sufferings upon millions of fellow citizens.

'Back to the basics' in governance, is what Pakistan needs to retrieve its forgotten future. Instead of always talking of the rights, perks and privileges which this country has given in abundance- beyond their needs or abilities- it is the duties, which those in authority owe to the state and the people of Pakistan, which no one talks about. High time to remind ourselves: "Ask not what your country can do for you; ask what you can do for your country"- the call to duty in John Kennedy's inaugural address to his nation.

Caught up in a nutcracker of resource constraints and poverty of governance, Pakistan can pull itself out of its self-inflicted wounds by taking the honourable route to recovery. Instead of taking the *kashkol* here, there and everywhere which will never rid us of the root causes of our problems, it can retrain itself in the forgotten basics of good governance: respect for time, work ethics, meritocracy, cult of duty rather than culture of entitlements, equality and equal opportunities for all, and risk and reward system linked with duties to the state and not non-state actors. None of these cost much. All of these require efficient instruments of governance to be delivered; like legal and regulatory regimes and organizations and their human resources to be professional and non-partisan. Above all, it requires the leadership to become role model for these values in day to day conduct of affairs of the state. *This* governance is the game-changer.

Many positive developments would follow once we put discipline back into governance- including inflows of investment, technology and employment opportunities. As Lee Kwan Yew told this writer, when Pakistan brings back the culture of discipline into governance, you will not have to come to me for help in seeking FDI in your country. I will be in Pakistan myself with my corporate bosses, wanting to partner with Pakistan in your national and international ventures.

Who could bring back the culture of discipline and sense of duty in a state structure that has for long been addicted to the culture of entitlements and passing the buck of duties to everyone else?

The News 24 May 2014

Law, politics and governance (II)

"Tell me", said former prime minister of Singapore Lee Kwan Yew during a meeting with this write, "why has Pakistan not realised its potential, despite having several advantages?" Before I could reply, he went on to add "Look at Singapore; we don't have even our own water to drink, but we created assets where none existed."

Earlier, I had argued, as head of the Board of Investment, before a group of senior business and government leaders of Singapore about a portfolio of investment projects where Pakistan and Singapore could work together in the Central Asian markets. Although they agreed with the investment strategy, they advised me to get the green light from Lee Kwan Yew – then the senior minister and guide and guru of decision-making in Singapore. Hence this meeting.

So what reply can you (the reader) give to this candid contrast drawn by one of the most respected and successful leaders of Asia – who also told me at the time that while he had been to Pakistan, he had till then not visited India.

But isn't the answer obvious? The difference between Singapore – with no assets – yet rising from the Third World to the first within 30 years and Pakistan – with several assets – still stuck up in the Third World after 70 years, lies in the quality and integrity of the leadership of the two countries.

It is not just a leader of government like Lee Kwan Yew who was frank in his comments about the country's leadership. Another respected leader – this time from the corporate world – Warren Buffet also says the same thing. In his famous 'letter to shareholders', Buffet cautions them on electing/choosing leaders

in the following words: "Three things are essential when you look for leadership qualities; integrity, intelligence and energy". And here is the crux of the matter: Buffet warns them about leaders, saying "but if they (the leaders) don't have the first quality (integrity) their other two will kill you".

Which was proved when the intelligent but crooked leaders of Enron, WorldCom, Tyco – whose annual turnover was larger than the GDP of several countries – bankrupted these big multinationals and inflicted pain and suffering upon tens of thousands of their shareholders and employees.

Similarly, the ghettos of the Third World and the millions of their citizens who continue to merely exist in a 'kingdom of darkness' at the bottom of every index of human development – even after decades of governance by their 'own indigenous leaders' – are proof of exploitation and 'native colonialism' by their crooked and incompetent leaders.

Colonialism means acquiring political control to exploit the weak and transfer their wealth into pockets and accounts of the rulers abroad. But for several countries foreign colonialism has merely been replaced by native colonialism. And in an eerie homage to East India Company practices in the Subcontinent, important decisions are handed down from foreign bases of the 'leaders', something Pakistanis have been painfully exposed to. In fact, native colonialism is more cunning as native leaders exploit empathies of same faith, colour, language and culture much more shrewdly. (See 'Native nightmares' by the writer in these pages – Dec 27, 2014).

So the real difference between the First World and the Third is not the gap between their per capita GDP or export earnings, but in the quality and integrity of their leadership. Which brings us to ask why our system of governance has been allowing, protecting, promoting and imposing leaders of questionable competence and integrity upon the people of Pakistan.

Our politics is often reminiscent of what Ian Smith used to say about leaders of African democracies: that they believe in democracy only to the extent of 'one man one vote, once in a lifetime.' Meaning thereby, that once people have voted for a leader or a party in the context of certain circumstances, then these leaders use every undemocratic, unlawful and criminal means to

stay in power, never allowing anything change their position.

In Pakistan, a plethora of media reports have been filling up time and space with public complaints of riggings, violations of electoral, financial and penal laws and even of constitutional provisions by those who want to hang on – by hook or by crook – to their positions.

That is where crime and politics come together. And it happens because the law has been made subservient to politics and governance and not the other way around.

Nowhere in the world do people give eternal mandate to politicians to rule the roost and keep them poor, illiterate, unemployed, without peace and dignity, eking out a miserable living – and still suffer their leadership. More often, it is used as a shield for 'leaders' who abuse the trust of the people – the mandate – and bask in the glory of their stolen wealth abroad.

As for the argument that they still get people's mandate despite shady, questionable and even criminal activities, the fact is that when a system of governance refuses to fulfil its responsibilities, while the laws are trampled, public peace and order disturbed, heinous crimes committed and the state is ridiculed, then it is no more the people's mandate but the mandate given by the system of governance. This mandate is given so they can still rule the roost even as termites eat away the potential of the state and people of Pakistan.

But this passing the buck of bad politics and governance on to the weakest section of society – the people – stands exposed. People may be poor but they are neither blind nor brainless. They see everyday examples of how those in control of systems of governance allow marriage of crime and politics gain more ground, spread tentacles, create 'new ground realities' and pile up more problems for law-abiding citizens.

We would do well to remember that things we aspire for – public order, private safety, social and economic stability and prosperity and respect in the comity of nations – did not exist in the Hobbesian state of nature, nor are these created by hot air balloons of mindless rhetoric.

These are achieved by the dedicated hard work of a competent and honest leadership with a vision and a strategy to realise these aspirations. A big part of that vision is to admit that politics and governance in Pakistan must be conducted according

to the law and not above and beyond it.

For that to happen, the equation between the state and government must be restored to that which exists in every civilised and democratic society. This means that the government be subservient to the laws and interests of the state and not above them all. And it must realise that the system of governance cannot give mandate to anyone in violation of the laws and constitution of the country.

So the answer to Lee Kwan Yew's original question is that, politics and governance in Pakistan is conducted according to the law and not above and beyond it, the state and people of Pakistan would be on their way to realising their great potential.

The News, August 31, 2016

A new paradigm of governance

For too long, other countries have been overtaking Pakistan while our children have been leaving their homeland in search of a better future abroad. For too long, millions have remained marginalised for generations untouched by any act of good governance, while false promising and play-acting leaders have robbed them of their faith in the system of governance. For too long, victims of malgovernance have been multiplying while the culprits have been resisting any change in their stranglehold over instruments of control.

Has deterioration in our system of governance been so deep and widespread as to have sapped its will and capacity to reform itself? Would a mere paint and dent job deliver good governance to people or are structural changes needed to make systems of governance deliver what they have been refusing to for so long?

In other words, would tinkering with changes in a horse and buggy system ever deliver an automobile? Or does one need to change to a different production platform and different technology to deliver a real solution of the problem (in this case, solving the problem of covering long distances in a short time).

For Pakistan to make up for the lost decades, a new paradigm of governance is needed, one that respects the value of time and focuses its instruments of governance on efficient and accelerated achievement of the 'purposes' of modern democratic governance and not be deflected by deviations.

Some of us think that such a new paradigm is not needed and the horse and buggy system will help Pakistan overcome the deficit of lost decades and overtake other countries and that its

'business as usual' governance will someday have a change of heart and take pity on the perpetually poor people of Pakistan.

We can learn from the world around us that it doesn't work that way. Haiti – for instance – has been a sovereign, independent country for over 200 years, much before Argentina, Brazil or Mexico became independent, but has remained trapped in a vicious circle of corrupt and incompetent leadership. Today, even two centuries later, the country and its people rank at the bottom of almost every index of human development.

So how does a modern democratic government actually operate? Let me share my experience. In May 1990, the then prime minister Kaifu of Japan paid an official visit to Pakistan. Earlier, Japan had announced a 3 billion yen loan for Pakistan for which our side was to recommend projects. However, by the time our ministries completed project documents, the due date of their receipt at Tokyo had passed and prime minister Kaifu had embarked on his tour of Asian countries which would also bring him to Pakistan.

On his arrival in Islamabad, as coordinator of the meeting between the two prime ministers, I met the cabinet secretary of Japan to go over the agenda of the next morning's meeting between the two heads of government. The then prime minister Benazir Bhutto was keen that projects recommended by Pakistani side receive approval in the meeting between two prime ministers.

But the cabinet secretary of Japan explained that as these projects had not been received by the due date in Tokyo, the relevant agencies/ ministries of the government of Japan had not completed their evaluation of projects, without which the prime minister could not give his approval. Therefore, he suggested that our prime minister should not insist upon their approval in the meeting as it would embarrass Kaifu.

When I pressed further on the matter, he said that the prime minister of Japan knows that these funds are not his personal property and he cannot approve this expenditure at his discretion. These funds belonged to the people of Japan who had laid down rules and procedures for evaluation of proposals to ensure that their funds were spent for the purpose for which they had been allocated.

To underline the seriousness, he said if the Pakistani side

still raised this issue and his prime minister expressed consent in order to save his Pakistani hosts from the embarrassment of direct refusal, he (the cabinet secretary) would not record that approval in his official minutes of the meeting – because the prime minister of Japan knew that he cannot give such approval without first receiving a positive evaluation report from concerned agencies of the government.

This is the care democracies exercise in the use of public funds. We, on the other hand, do the exact opposite where about 50 percent of public funds are doled out as 'development' allocations – to be used at the 'discretion' of hundreds of 'leaders' – through a foolproof system where nobody can find out where the money went. No wonder, some foreign observers have labelled Pakistan as the place 'where so little is seen for so much money spent in the name of development'.

All public funds for local projects should vest in local governments, while big ticket and technically complex projects should be decided on economic and social merits by inter-agency professional bodies at the provincial and federal levels. There should be zero discretion of anybody in the use of public funds. When projects and their development allocations are discussed at the time of budget approval, that is the appropriate occasion for legislators to provide their inputs.

Modern democratic governance is a multi-stakeholder system where power is diffused horizontally and vertically into the three branches of government and their constituent organisations, none of which has monopoly of power.

But the medieval political culture ruling the roost in Pakistan does not recognise any other stakeholder of democracy. Instead of diffusion, it wants monopoly of power without any constraints – legal, financial or institutional. In other words, power without responsibility. That is why it stands alone, isolated and at odds with other stakeholders.

This culture of power without responsibility has attracted diverse elements from across the aisles. Everyone wants to be onboard everything with the government. A new trade union of mutual benefits is born to disable laws and rules from preventing predators from usurping state resources and encroaching upon the rights of the weak and marginalised. The system has been structurally changed to deliver to the 'leaders' – whose fortunes

have been rising by leaps and bounds.

That is why people have lost faith in the integrity and independence of institutions to deliver justice of any kind to them – because these are seen not as institutions of a neutral and non-partisan state but as extensions of partisan political machines.

Pakistan cannot overtake other countries and ride to power and prosperity on the back of a horse and buggy system. Nor can its deep rooted and widespread ills be fixed by tinkering with multi-dimensionally dysfunctional systems of governance.

That is why a new paradigm of governance is needed, one that recognises that governance is a serious responsibility, respects the value of time and uses instruments of governance – laws and policies – for efficient achievement of the 'purpose' of democratic governance.

Insanity, said Einstein, is repeating the same thing again and again and expecting different results.

The News, July 27, 2016

The problem with governance

People are not born good or bad; law-abiding or wild and violent. The way they are governed makes them one or the other. And without reforming the overarching political governance of the state, the actions taken over the years in the name of various sectoral 'reforms' – education, health, agricultural, labour, industrial, trade and others – have not achieved desired results nor are these likely to make much difference in the future. The reason is simple: these 'reforms' work at cross-purposes with the agenda of political governance – and no reform has succeeded in the world, unless enforced from the top.

So how did the governance of the seventh largest state of the world come to be reduced to 'the lowest common denominator' in the hands of transient elements that have penetrated into almost every aspect of governance?

Under assault from non-state actors, the state and its institutions have been underperforming for lack of capacity and competence. More troubling, however, has been the strategy of disabling them from functioning as instruments of the state and allowing them to act when, where and to the extent desired by those controlling the levers of government.

This has deformed the state and its institutions and given a bad name to the country. Most state institutions have regressed into a medieval mode of self-serving and exploitative entities.

The deterioration in two basic state functions captures the essence of the argument: collecting taxes to run the affairs of the state and enforcing the law of the land to deliver order and stability in society.

The declining capacity of state institutions to govern

effectively and impartially also opened up space for new sets of skills and enterprises. The size of the black economy now equals the white economy (up from 20 percent in the mid-1970s). Only one percent of the population pays income tax and our tax-to-GDP ratio is among the lowest in the world. A 1990s' survey of the country's busiest markets – Bohri Bazaar in Karachi, Anarkali in Lahore and Jinnah Super in Islamabad – disclosed that the average income shown by shop owners in these markets was less than Rs10,000 per month..

A 'closed-circuit model' of development has taken hold of the national economy where – like the judge, jury and executioner being the same – those awarding, receiving and executing public contracts are often the same or are their proxies. No wonder then that $200 billion of Pakistani funds have flown to Swiss banks alone.

On the other hand, governance of the lowest-common-denominator helped the informal economy expand into hitherto suppressed areas – and play a larger than life role in the black economy of the country. Land grabbing, extortion, kidnapping, gun-running and gang wars enlarged their domain to fill the vacuum; while ethnic, sectarian and political turf wars and protection rackets muscled their way to grow beyond the reach of the law. Even the euphemistically named 'development funds' from the state's exchequer – meant for upgrading decrepit infrastructure – morphed into an art in rent seeking.

It was not that the state did not know what was going on. A hapless state was seeing it all but was often incapable, unwilling, or disabled from doing anything. The internal systems of checks and balances within the executive branch were either co-opted or disabled. The oversight function of legislature was compromised when an oxymoron was invented – a democracy without opposition – where 'everybody wanted to be onboard everything' with the government; leaving the state and its silent suffering citizens to fend for themselves. Even the honourable judges of superior judiciary have been complaining of stonewalling of judicial orders by the executive branch.

What this tells us is that the deterioration in the basic functions of the state has been deep and widespread – and grown powerful enough to resist change in status quo. The tables have been turned upon the state. For short-term interests of the few,

long-term interests of the state were compromised. And Pakistan continues to pay a heavy price in blood and treasure. One serious collateral damage to the security interests of countries whose leaders have parked their questionable assets in foreign countries lies in their being hostage to the host country's intelligence agencies and providing a handy tool to influence the policies of their countries.

Instead of the governments serving the interests of the state – as is the universally accepted norm of democratic governance – the state became subservient to the interests of the leaders in control of the government. The root cause of malgovernance in Pakistan lies in this reversal of the roles of the state and the government.

This malgovernance is reflected not merely through media reports on extortions, killings and terrorism but also through the lives of millions of silent sufferers who have been condemned to live in poverty, hunger, illiteracy and disease from one generation to the other; whose educated sons and daughters cannot find opportunities for upward mobility and who hear endless stories of plunder of public resources in the name of 'development' – and wonder whose development they are all talking about.

When governance deteriorates to becoming a part of the problem rather than its solution, an overhaul of governance becomes overdue. Everyone recognises this except the oligarchy, which is confident that by 'reconciliation of interests' of major power brokers, and getting 'everybody on board everything' it has cleverly blocked all avenues of change. The governance of 'the lowest common denominator' is a by-product of the strategy of 'reconciliation of interests'. By the time every power broker managed to protect their turf, there was nothing left for the state to govern.

But every thesis has an antithesis. The roll-back of the thesis of 'everybody onboard everything' finally started when General Raheel Sharif launched Operation Zarb-e-Azb to take the battle to terrorist hideouts and rescue the writ of the state from withering away any further. As the tentacles of terrorism had spread out to the cities and the countryside in various shapes and forms, their pursuit made the army take larger responsibilities for their eradication – since governance was unwilling or unable to do its job.

In this background, the formation of apex committees to strengthen a professional and depoliticised law and order administration is a welcome step. It has already started showing results in Sindh where it is winning the hearts and minds of the silent sufferers of the city.

Two things are likely to influence the future course of events. Because governance is indivisible, it would be difficult to depoliticise and professionalise one compartment, while business as usual continues to contaminate other compartments. Also, apex committees would need an under-structure to successfully implement their law and order agenda. How would this come about?

And secondly, will the 'everybody onboard everything' thesis reform itself and show wisdom to facilitate apex committees and not throw a spanner in the works?

Moving forward is the only option left for us to rescue the state, which has already paid heavily in blood and treasure for too long.

The News, April 21, 2015

Rescuing the state

Although the state as a political institution evolved over ten thousand years ago in response to human needs, for long periods of time – especially during wars, conquests and internal conflicts – the state and its institutions have ceased to exist even as the country and the people remained. In

Although the state as a political institution evolved over ten thousand years ago in response to human needs, for long periods of time – especially during wars, conquests and internal conflicts – the state and its institutions have ceased to exist even as the country and the people remained.

In several countries of Africa, where the institution of the state had not yet taken roots in the post-colonial era, the warlords and tribal chieftains have not allowed – even in the 21st century – the state and its laws and institutions to operate and constrain their arbitrary and unaccountable rule over fiefdoms.

For some time, wars and warlords of Afghanistan created a similar picture – of a country without a state – until now when the state structure is trying to put down its roots in society. And in the Middle East (Lebanon, Syria, Libya and Yemen) causalities of internal conflicts, sponsored terrorism and external aggression also present a sad picture of countries without a proper functioning state and its institutions.

Luckily we are not there, although several non-state actors and their sponsors and protectors have been trying since long to disable the Pakistani state from performing its natural functions or constricting their unfettered rule over fiefdoms – territorial as well as functional.

The state as a political institution is a holistic body of citizens created for ensuring the security and wellbeing of all citizens. The government comprises only those individuals that

exercise the authority of the state – on behalf of citizens – to achieve the purposes of the state (ie security and good life of citizens). The state is sovereign, but the government is subordinate to, and performs its functions under, the laws of the state.

A critical question that arises is: how did 'the country of Pakistan' land in a situation where the 'the state of Pakistan' is being challenged by a range of non-state actors within its own borders?

And how did these non-state actors – political, sectarian, ethnic, and economic and others – despite being on the wrong side of laws of the state, continue to acquire economic resources and militant muscle to challenge – as well as political protection to keep defying – the laws of the state and getting away with it?

A natural corollary that follows is: were the governments, as agents of the state, ignorant of what had been going on within their jurisdictions or incompetent to meet the challenges thrown up by non-state actors or were some rogue elements among them complicit in these activities? Whichever be the cause – or all of these – the state had been weakened, while non-state actors were emboldened to displace the state and impose their own agendas.

This is the crux of the matter. Remedying this problem will deliver the solution to internal challenges confronting the state of Pakistan.

The steel frame to hold any state together – despite wars, conflicts and internal upheavals – has been turned into a plastic frame in Pakistan, thanks to the kind of governance the country has been subjected to. It has been moulded, turned and twisted any which way and made largely incapable of upholding the laws of the state or preventing rogue elements from rising to take charge of the reins of government. The only part of the steel frame left unscathed are the armed forces of Pakistan, which are now made to carry the entire burden of holding the state together, both from internal challenges as well as external threats.

Several factors have contributed to create this sorry state of affairs, but the most culpable and corrosive has been the cultural factor. A political culture going all the way back from Mughals to the Mongol invasions and beyond is still ruling the roost in modern, democratic Pakistan and has effectively disabled the state from performing its normal functions.

This native political culture was nurtured when the institution of the state did not exist in our part of the world, nor was it sophisticated enough to draw the distinction between the ruler/government and the state. It recognised the ruler as the sovereign who was above the law and unaccountable to anyone for anything. There were no states but countries or territories that were conquered and ruled by dynasties. These territories changed hands depending upon whoever could muster bigger force. There was no recourse to the law for this change because the law did not exist – apart from what a ruler wished.

The concept of loyalty to the state did not exist simply because the institution of the state itself did not exist. Loyalty was only to the ruler of the day. It is the native political culture that is still dictating the governance in Pakistan. But, instead of cleansing it off medieval baggage, it has been given a new lease of life – sometimes by misusing the name of Islam, other times by misusing the label of democracy. As this native medieval political culture gained strength, the state and its institutions retreated or became complicit. Either way, this culture encouraged non-state actors and their criminal enterprises to expand their networks and keep defying the state

The political sophistication of the distinction between the state and the government did not exist in the native political culture nor did the concept of loyalty to the state above and beyond loyalty to individual or group. These were imported concepts in our part of the world.

In Pakistan, this political sophistication was spelled out by Quaid-e-Azam, a man well versed in the political culture of constitutional governance of a modern democratic state. In his post-independence speeches he drew the distinction between the state and the government and urged the nation to follow this for the wellbeing and prosperity of Pakistan.

But the critical mass to sustain this political sophistication weakened after Jinnah's death and the native political culture with medieval roots came back to wrest control of decision-making forums. This time it also utilised religious and democratic idioms to create space for exercise of its personalised rule – unfettered by the laws and institutions of the state. Depending upon where its interests lie, it even influenced which provisions of laws and constitution may or may not be implemented.

While the state and its institutions, as we saw, did not exist in the traditional political culture of our medieval age, the state has now been caged and confined to act – only if allowed and to the extent and the manner so allowed – by the ruler of the day.

This native, medieval political culture has effectively conquered the state in Pakistan. It does not recognise equality of all before the law nor does it subscribe to equal opportunities for all. Its success in putting the state and its institutions in the orphanage is there for all to see – more so in Sindh than elsewhere – as everyday media reports show how business is conducted. How can the state be rescued from this orphanage and empowered to perform its normal functions for the good of all citizens? That is where lies the key to solving the problems facing Pakistan today.

The News, May 28, 2015

Resolving political disputes

THE dispute resolution methods adopted by the government in Balochistan are producing no results. They are neither resolving the current dispute nor making a future settlement any easier. Although the dispute has acquired violent dimensions, the fact remains that the clash that led to the death of Nawab Akbar Bugti and others is all about the sharing of economic resources.

The way this former parliamentarian, governor and chief minister of Balochistan, who voted for the establishment of Pakistan in 1947, met his end has been criticised by people from all over the country. A legend in his lifetime, he has now become an iconic part of Baloch folklore that even his critics cannot ignore. This writer knew him and was also involved in long discussions and negotiations with him on federal-provincial relations. He had a very sharp mind and could argue his point of view better than most. He was also stubborn and unforgiving and had definite views about how political affairs should be conducted.

Mr Bugti's death has reopened old wounds. Many had hoped that after suffering more than most countries, the nation, after 59 years, would have finally learned the right lessons. The scars it carries from the time of the political disputes involving Shaikh Mujibur Rahman and Zulfikar Ali Bhutto still haunt the politics and polity of Pakistan.

Can it be that we do not know the harm being done to the federation by the use of violence in the settlement of internal disputes? More likely, we know what is going on but believe that we will ride out whatever storms are caused by the singular pursuit of our objectives.

President Musharraf often talks about his philosophy of 'unity of command'. This is necessary for a security organisation

like the armed forces, but it does not sit well with the concept of a federal and democratic Pakistan. Both federalism and democracy require the separation of powers and need consultations and compromise rather than a command system as a means of developing 'common interests' that are the real building blocks of a federation.

That there are differences of opinion, even disputes, among provinces or in federal-provincial relations, is natural. That even when one set of disputes is resolved another crops up is not unusual and inherent in the dynamics of development. What is not natural, however, is the absence of an agreed mechanism for dispute resolution where disagreements are dealt with through debate and discussion.

That institutions like Inter-Provincial Coordination (IPC), the Council of Common Interest (CCI) and parliament exist but appear redundant indicates that we believe in imposing our will rather than working together towards finding our common interest through consultative processes. This attitude causes disputes to pile up without being resolved.

Although the country was founded by a very distinguished lawyer, we did not evolve into a republic of laws protecting the principle of equality and equal opportunities for all citizens. Since the days of Justice Munir we have been honing new skills to subjugate the law to Machiavellian necessities.

Although an Islamic republic, we have disregarded the most fundamental characteristic of Islamic governance throughout history — adl or equity and justice for all, specially the poor and weak sections of society. We forget that injustice or crime committed in the name of religion is a crime against religion. And a crime committed in the name of the republic is a crime against the republic.

We often complain that the elaborate structure of state institutions that we so laboriously created have failed in fulfilling their responsibilities. The reasons for our institutional failures also lie in the absence of a social backup system which is the ultimate guarantee of the institutions of governance performing the functions for which they were created.

That backup power comes from the software of our own personal and social values. It is our principles of conscience that guide our behaviour towards fellow human beings and citizens —

whether we treat them with equity, empathy and compassion or not. Lip service apart, if we had actually believed in these values, our institutions would not have been the hollow shells they are and our laws would have been enforced and more respected.

The fact of the matter is that movements for reformation did not strike deep roots in several Muslim countries before they became sovereign independent states. And the kind of governance most of them adopted left no scope for social reforms to be pursued or protected through the structures of governance. That software needed for our social conscience to evolve is still missing from the mode of governance in several Muslim countries.

Although no state machinery can create and inculcate such a value system, democratic accountability is better placed to bridge the gap between expectations and performance of institutions and help develop social conscience in them. Their absence is compounding the problems of the federation.

The scepticism displayed by sections of the Baloch population with regard to the benefits of new mega projects should also be understood in this context. Their own experience of the biggest mega project of the province, Sui gas, is quoted as the basis of their concern. It has been a source of wealth and comfort for the rest of the country for over 50 years — except for the area where it is located and which is the fountainhead of all this energy and wealth. That is why it is also important for us to realise that the economics of the republic cannot be put right if its politics is wrong.

Underdevelopment of any people is more a measure of the quality of political governance than the quantity of economic resources. Governments have a habit of hiding unpleasant facts about poverty and injustice and often use spin doctors to confuse and deflect discussions. Yet, it is important to air the facts of underdevelopment so that people in other provinces and regions are made aware of what is happening to their fellow citizens at the hands of their governments.

It is only in an environment of informed knowledge that people can reach out across their narrow ethnic, sectarian and provincial boundaries and support fair and judicious treatment for their fellow citizens in every region and province of Pakistan. The strong voices being raised in solidarity with the people of Balochistan from other provinces, specially Punjab, have

contributed significantly towards improving the health of the federation.

The exercise for getting the politics of development right must begin by implementing the recommendations of the parliamentary committee on Balochistan and quickly move on to defusing other simmering issues. This would help defuse not only the Balochistan situation but also the discontent generated by growing disparities among other sections of society. Already the Sindh government is finding it difficult to hide the findings of a recent World Bank report titled 'Securing Sindh's future: challenges ahead'. It paints a very dismal picture of governance in the province.

Islamabad must also rid itself of its known proclivity for installing puppet governments in the provinces. The cost-benefit of this proxy governance is negative since all blame for their incompetence and corruption and the underdevelopment of the people is laid squarely at the doors of Islamabad.

An honest dialogue among the genuine representatives of the people of Pakistan should help redress the situation, create a more inclusive framework for development, and put pressure on the existing institutions of the republic to take up dialogue and dispute resolution for a better future.

We must become a republic of conscience in order to fulfil the promise of a republic of law, reflect justice and equity in governance and realise our full potential as a federal and democratic state.

*DAWN, September 15, 2006*c

In the age of uncertainty

As the uni-polar world begins to weaken and the multi-polar order struggles to define itself, the world is gradually entering the age of uncertainty. This uncertainty is multidimensional and it is fast-paced. As the old compass becomes irrelevant, how does Pakistan hope to safely navigate through the unfolding uncertainties?

Rapid developments in technology, instant communications, the globalised economy and free movement of ideas and capital across borders have accelerated the rate of change in the fortunes of nations and the balance of power among them.

This age of uncertainty is affecting established ideas and the established order of relations among countries. Several things are in the melting pot.

As Asia has embraced globalisation, the West is moving away from it and leaning towards protective national economies. The two contending economic forces will cloud the future for many countries.

The age of instant communications in a globalised economy is also giving birth to a global culture which, in many places, is at odds with local and regional cultures. This clash of cultures is another source of instability and uncertainties, which affects the future of many countries.

The 20th century was dominated by the intellectual struggle between the left and the right. But with the end of the Cold War and the dissolution of the USSR, the bipolarity of the debate had ended. The victory in the Cold War was quickly interpreted in ideological terms to have heralded 'the end of history'.

Francis Fukuyama, the intellectual godfather of the uni-

polar world, had proudly proclaimed in 1992 that mankind's search for a perfect economic and political system has finally ended with the victory of free market capitalism and liberal democracy in the Cold War.

Within a quarter of a century, this thesis was turned on its head in its home countries. The end of 'the end of history' has been unfolding before our eyes as both free market capitalism and liberal democracy have been under attack in the home countries of Ronald Reagan and Margaret Thatcher. This has been demonstrated by the victory of Donald Trump in the US against all expectations and Brexit in the UK.

While free market capitalism multiplied the wealth of the Darwinian fittest, it left the weakest of the society in this battle of the survival of the economically fittest, out in the cold to fend for themselves.

The anger and frustration against liberal democracy has been gathering momentum because issues – such as poverty, unemployment, under-employment and the stagnant or declining wages of large sections of society in rich and developed countries – were being pushed to the backburner by vocal and well-entrenched groups who had managed to restrict liberalism to be defined only in social and cultural terms. Both ideas were defeated by the silent majority.

As a result, several established ideas and policies are in the melting pot, struggling to redefine themselves and remain relevant. The old compass to set the direction is becoming irrelevant in the unfolding multi-polar world.

The rate of technical change is affecting the fate of nations. What used to take centuries, can now occur within decades. The fortunes of countries and their balance of power positions can undergo swift changes in the age of the globalised economy and instant communications.

Just take a look at the rate of change in the world history. While the Ottoman Empire lasted 400 years, the British, French, Dutch and the Russians held their sway for about 200 years. Pax Americana ruled for less than 100 years. When Germany, Italy and Japan – who were late arrivals – tried to establish their empires after World War I, the competition triggered the Second World War and the exercise in empire-building ended in less than 50 years.

Similarly, it took 200 years of experiencing the gains of the Industrial Revolution and accumulating wealth from colonisation for the UK and other European nations to achieve high levels of development and standard of living for their citizens. It took the US less than 100 years after the Civil War to arrive at the same standards of living when it came to the rescue of the UK and France in WWII. But, it took 50 years for Taiwan, Hong Kong, Singapore and South Korea to arrive at the same table of economic development. Now, China has compressed the time needed to reach this stage to 30 years.

Therefore, we ask our fundamental question: why have 70 years not been sufficient – in this age of rapid economic growth – for Pakistan to rid its citizens of poverty, illiteracy, malnutrition and unemployment and provide them with the essentials of a decent life as sovereign citizens?

Any talk – couched in whatever fancy phrases which are mere excuses for not delivering the concrete practical benefits of independence to citizens even after 70 years – is tantamount to deceiving people, encouraging their exploitation and depriving yet another generation of their legitimate future.

Deceiving people through fancy slogans is a common practice in many developing countries. As we have seen above, the time it took governments 200 years ago to deliver higher standards of living to their citizens has now been compressed to between 30 and 50 years in the age of instant communications, the cross-border flows of technology and capital and the globalised economy.

The flipside of the coin is that there are also countries which have been independent for over 50, 100 and even 200 years – such as Haiti, Peru and others. But their people have remained at the bottom of every index of economic and human development. The citizens of these countries have been fooled for a long time by the fancy slogans of their leaders who are stealing the wealth of their countries and making safe havens abroad.

We now come to the most critical issue that explains the success or failure of nations: the system of governance under which people live in a country and the method of electing and selecting leaders through such a system who would control resources and decide on behalf of the people.

The evidence is right in front of us. There are systems of

governance under which citizens of a country can attain high standards of living within 30 to 50 years. And there are systems of governance under which citizens continue to eke out a miserable living even after 50, 100 and even 200 years of independence.

This leads us to ask ourselves a more worrying question. In an age of instant communications and the globalised economy, if a system of governance cannot deliver in 70 years what other countries have achieved within 30 to 50 years, how will it foster the vision to handle even existential challenges arising from the age of uncertainty where old compasses provide no guidance?

We may well be living in interesting times. They carry dangers but they also bring opportunities. How well countries prepare themselves to navigate through the unfolding uncertainties will determine the future they will face.

How well is Pakistan preparing itself for the age of uncertainty?

The News, January 15, 2017

For a 'community of interests'

WHY are shareholders, the only stakeholders in enterprises, entitled to sit on the board of directors of a company? Executives and professionals, labourers and lenders, vendors, distributors and others make very valuable contributions but none is entitled by the universally recognized principles of corporate law and governance to sit on the board to determine policy and oversee the working of management.

The reason is embedded in human nature. Whenever two or more entities come together in a common enterprise where the flow of benefits is sequential, 'agency problems' will arise among people who are rational, self-interested, and value-maximizing individuals. This holds as true for members of a family as it does for strangers.

In the sequential list of beneficiaries, the shareholders are the residual recipients and at the bottom of the list. They will receive any benefits only after everyone else — executives, labourers, lenders, vendors and others — are paid. It is for the purpose of harmonizing otherwise contradictory traits that the entire discipline of law and economics has been constructed which has made possible the growth and development of large enterprises around the world and has also devised governance systems to keep negative traits in check.

Corporate law puts the most vulnerable and the last recipient among stakeholders — the shareholders — on the board of directors to hold the management of the company accountable to them as the best way of ensuring that a fair share of benefits is received by them as well and not eaten up by executives along the way.

That is also the reason why the most vulnerable end

recipients of the political world, the citizen-voters, are the only ones entitled by law to hold accountable presidents, ministers, officials and all others who have direct control over benefits and decision-making — first through their representatives in parliament and ultimately through elections.

In corporate as well as political governance, the universally accepted and best management practices are built upon this framework necessary for creating large corporate and political units and yet ensuring equitable distribution of benefits amongst all stakeholders by elimination of misuse of power — the agency problems — that otherwise undermine the working of any large enterprise. This law of equitable management applies to all instances of human enterprise where the flow of benefits among stakeholders is sequential and gives rise to potential agency problems. It also applies to the issue currently raising tensions throughout the country as the nation discusses the equitable distribution of water resources.

Despite its controversial nature since it was first mooted in the early 1980s and withdrawn, the issue of the Kalabagh dam has suddenly cropped up again and is dividing the nation. Hence, any search for solutions must first begin with the question: why has Wapda — the principal agency responsible for development of water resources of the country and power generation capacity — not used these 25 long years in preparing several non-controversial options for developing national water resources?

For nearly the same time period, Wapda has been a prime example of an organization working in disregard of the recognized law of equitable governance of common resources. For years, it has not felt itself accountable even to the controlling ministry of water and power, much less to the concerns of other federal agencies or provincial governments including the people who are the residual recipients of water. The huge deficit of trust whose burden the entire nation is being asked to carry is essentially the product of poor governance practices by one organization — Wapda.

Any search for solutions must respond to the concerns of those who genuinely fail to understand why there has been nothing for the nation to discuss except the KBD. Similarly, any search for consensus must also explain the logic of sleeping over the subject of water resource development for three decades and

then suddenly acting impatient.

True, our population growth would press for increasing food production in the country. But while consensus-building is going on, food production could also be enhanced through an improved package of inputs which in three years — at an estimated cost of Rs 10 billion per year — could every year add Rs 60 billion worth of increased food production to our GDP. Let us also not forget the fact that all over the world, two-thirds of the increase in food production is driven by the application of efficient technologies and management practices.

In several discussions over KBD the true nature of the project is often missed out. Apart from research projects, no project including KBD with a price tag of $10 billion to $12 billion is merely a technical issue. It is a public investment project and should accordingly be evaluated for its comparative cost-benefits.

In any rational system of resource allocation decisions, the technical feasibility of a project is a preliminary prerequisite and a necessary though not a sufficient condition for decision-making. Along with technical feasibility, reports on the social and economic feasibility of various options are also important inputs for decision-making. In their absence, it is not possible for anyone to state with clarity how and where costs and benefits would be falling and which would be the best option for the nation to take. It is, therefore, premature to make a rational and well thought-out investment decision incurring debt liabilities running into billions of dollars.

Let us now discuss consensus-building efforts by first acknowledging that a consensus exists on the need for the development of water resources of the country. This consensus is very precious; it should neither be belittled nor vitiated by hasty counter-productive measures.

Consensus is the output of the fine art of negotiations and is best evolved through its own mechanisms. There has been some grumbling about the difficulties of consensus-building with certain people taking the extreme position of going ahead with the KBD without waiting for any consensus. But, as we shall see, this is factually incorrect.

Public statements and media discussions are important in opening the debate and airing different perspectives on the issues. But consensus is not built through public posturing or media

statements. It is essentially built upon two foundations consisting firstly of a range of options so that a 'community of interests' is evolved through give and take in negotiations. But we have already seen that no options have been developed by Wapda in over 25 years to provide the nation with this first foundation for consensus-building.

Secondly, consensus-building requires the existence of institutions under whose umbrella the fine art of negotiations can be conducted. But if water development projects like KBD causing inter-provincial frictions have not been taken to the mandated institutions — the Inter-Provincial Coordination (IPC) and the Council of Common Interest (CCI) — where the federation and provinces work under the same umbrella, how can we, in all fairness, show impatience with the people for failing to reach a consensus?

Food production is certainly enhanced by turning barren lands into fertile ones. But it is also curtailed by turning fertile lands into barren ones. There is enough evidence of increasing barrenness of the once fertile lands downstream of Kotri barrage which needs to be redressed and the fears of the "residual recipients" about the future are not unwarranted.

Lastly, any activity that raises persistent concerns of "empowerment" of some and of the "disempowerment" of others cannot be qualified as "development" which is meant to be inclusive and is best nurtured by the promotion of common interest. Our search for consensus would have increased chances for success if it were guided by the law of equitable management of common resources including the well recognized "no-harm doctrine" and pursued through peaceful and cooperative means.

DAWN, January 5, 2006

Balochistan: a 'jewel in the crown' of Pakistan

IN the great game between the British Empire and Tsarist Russia, the driving Russian ambition to reach the warm waters of the Gulf and the Arabian Sea was effectively checkmated by Britain. But for over six million square kilometres of this Asian landmass — twice the size of India — and spreading from Xinjiang to the Caspian Sea and Astana to Ashgabat, this was still the shortest distance to travel for trading with the outside world than any other options available through the Baltic Sea, the Mediterranean or South China Sea.

Before the Age of Europe dawned, trade between Asia, Europe and Africa moved mostly along the land routes. This overland trade route also brought fame and fortune to the fabled cities of Herat, Bulkh, Bukhara, Smarkand, Kashgar and others and was used to bring Silk, tea and lacquer from China and spices and textiles from the subcontinent into European markets and whet their appetite for the riches of Asia.

Depending upon the conditions of war and peace of the countries along the way, some of that trade from the landmass of Asia also crossed the Persian Gulf and Arabian Sea into Arabia and through the Mediterranean ports in Levant and North Africa, would regularly arrive at various European destinations.

This overland route was broken up when Europe developed ocean-going vessels. When Vasco da Gama arrived in Calicut in 1492, his flagship San Gabriel and eight other cannon-bearing ships had navigated Atlantic and Indian oceans around the cape of Good Hope. Henceforth, Europe and Asia would trade increasingly by sea, and the old fabled cities that had flourished in the Middle Ages along the land route would gradually fall by the way side and decline.

As the Age of Conquest started, Britain, the Netherlands, France and Russia went on acquiring territories way beyond their borders. In the subcontinent, as Britain was moving north from Calcutta, Russia had

started its southward expansion from Moscow and been absorbing the Khanates of Central Asia. By the middle of 19th century both empires had arrived to meet each other, except for the buffer of Afghanistan.

But 15 years ago, this great game or the tournament of shadows, as Russians used to call it, changed as the Soviet Union disintegrated and the Central Asian republics regained independence. The policy of denying access to the sea to this huge landmass changed and was replaced by a worldwide desire of accessing them for their natural resources and helping transform these countries into mainstream world markets. Similarly, the military overtones of the great game were overshadowed by economic interests as hundreds of companies and businesses from all over the world set up shop in these republics to tap into the huge economic potential of the region.

But now, after 200 years when this overland route for international trade remained blocked, it has opened again. With vision and courage, it has much greater potential to bring fame and fortune to the cities and countries that participate in linking the landmass of energy -rich Central Asia with the world markets. And there is no better route than the tried and tested one of the Middle Ages.

Sitting at its end point and junction with world markets, Pakistan's Arabian Sea coast along Balochistan has great potential. The jewel that had decorated the British Empire now adorns the federation of Pakistan. It provides strategic value to Pakistan and also brings in a rich bundle of natural resources with it.

But Pakistan could benefit from this potential only when the overland route is revived and Central Asian rail and road networks and energy infrastructures are linked by its most direct route from Kushka, in Turkmenistan through Herat and Dalbandin to Gwadar.

And if the economic diplomacy of Pakistan and the ECO (Economic Cooperation Organization of all the regional countries) could work in concert with other major players in the game and realize this vision of an 'Economic Corridor of Central Asia' they would have seized the opportunity of the 21st century. Harnessing four separate sources of wealth and economic power — a gas pipeline, an oil pipeline, a rail link and a highway — all four assets running from Central Asia to the Arabian Sea and the Gulf coasts will ensure an outflow of oil and gas, cotton, wheat and other resources to the rest of the world and bring in consumer and industrial goods for the development of the Central Asian republics.

Such a 'four-lane economic corridor' of rail, road, oil and gas

infrastructure would be no less important in its strategic and economic importance than Panama Canal linking the Atlantic and Pacific oceans or Suez Canal linking the Mediterranean with the Red Sea.

Those who are knowledgeable about these developments are aware that not only is this feasible but that important practical steps had also produced positive response from all major players like the US, Europe, China, Russia and Japan. An important international consortium was also keen to start the first of these four corridors backed by solid guarantees from internationally respected Triple A banks. But, from the recent developments, it appears that the revival of over land route and the development of the economic potential of Gwadar as the deep sea port at the end of the junction along the East-West corridor with Central Asia are still way out into the future. Instead, the development of its strategic potential along the North-South alignment is going ahead probably to supplement the measures along the existing route of oil tanker movements through the shipping lanes of the Gulf and the Arabian Sea.

A medium size port like Gwadar should handle an annual cargo of 8-10 million tons to break even on its costs and over 10 million tons in order to earn a reasonable return on its investment. Gwadar is a town with less than one hundred thousand people and without its linkages to the large Central Asian markets, it is difficult to see who will be consuming the millions of tons of cargo which the ships will unload at its berths.

Balochistan's strategic and international potential apart, a great deal of resentment in this very poor and backward province of a poor country has been on account of the continued absence of the domestic components of its development. And it is becoming increasingly complicated with many issues thrown into the melting pot.

Panel discussions over private television channels where some government representatives frequently quote mega projects like Gwadar, the Coastal Highway and the Mirani Dam in response to questions about the problems of domestic development of Balochistan, haven't helped the case of the government. These projects have strategic value but their impact upon the problems of the people of Balochistan is another matter. That begs the question. What are the problems of the people of Balochistan? Any short list of these will include: drinking water, basic health and education, rural roads, electrification, telecommunications and unemployment. And since the province is so large in area and sparsely populated, it means that these problems need to be addressed at

many locations in the length and breadth of the province.

Besides providing these basic needs, a lot more is required to promote labour-intensive, small and medium enterprises and tap into other strengths of Balochistan. Again, any short list of these should include agro-based industries, ground water development projects, livestock development, including abattoirs for export to the Gulf where these can easily win a big share of the market presently dominated by imports from Australia and New Zealand, cold storage, fruit and vegetable processing plants and development of mineral resources. Spread across the length and breadth of the province, and appropriate for its existing level of development, these and similar other projects and businesses in the hands of the people of the province would address their problems much better than capital-intensive projects largely concentrated in one or two regions.

The events at Sui gas field have highlighted another problem of the province and have naturally drawn prompt attention from all around. There have been discussions for a fairer distribution of the income from gasfields among various stakeholders. Let us do our own exercise to see what should be done on the basis of the latest annual report of the PPL for the financial year 2004.

Some of the important data from this report are as follows:

Natural gas sales: .....Rs 24.990 billion

Net gas sales: .....Rs 17.6 billion

Profit before tax: .....Rs 9.063 billion

PAT: .....Rs 6. 617 billion

Royalties: .....Rs 1.9 billion

Workers Participation Fund: Rs. 0.475 billion

Community development: ....Rs. 0.041 billion

Now there are five stakeholders in this enterprise. The owners, PPL, the federal government, the provincial government of Balochistan, the workers and finally the community where the plant is located.

Out of these five stakeholders, the federal government last year collected about Rs. 7.3 billion in the shape of surcharge, etc., and Rs. 2.5 billion in taxes — in all round Rs. 10 billion; PPL earned Rs.6.6 billion as profits; the provincial government about Rs. 2 billion as royalties; the workers participation funds (fixed by law at 5 per cent of PBT) received Rs. 0.5 billion, but the community received only Rs. 41 million. That is how the pie is divided among the five stakeholders and that is why the litany of complaints about many problems that people face in and around the community, tehsil, district and beyond even while billions of

income are generated every year from there.

Community development is the worst sufferer because it is ad hoc and discretionary. And, as press reports have indicated, similar problems abound in many other similar project areas as well. As the community development problems affect all provinces, a national law should be enacted fixing a minimum of between 1-2 per cent of PBT to be contributed by resource extraction companies towards a 'Community Development Fund' which should be managed under a Trust to plan for long-term welfare of the community/ union council/ tehsil where these facilities are located.

Similarly, the royalties going into the provincial exchequer are largely used for meeting many provincial needs as the provinces are often in financial distress. Now, as the new formula for distribution of energy resources is expected to substantially increase provincial royalties, it is important that these increased royalties are divided three ways: 20 per cent should go to the district government to carry out regular development works, 30 per cent should go to a provincial 'Human Resource Development Fund' to fully finance the education of meritorious boys and girls of the province to study science and technology in quality institutions of the province, the country and abroad, if needed, to prepare them for shouldering higher responsibilities in the future. This will greatly help in addressing the problems of empowerment in the province. The remaining 50 per cent should go to the provincial exchequer to improve the province's financial resources.

The Baloch are a trusting, respecting and respectable people. Anyone who has dealt with them as friends has received a generous measure of respect and friendship — more than he has given. And they are not fairweather friends either. From all that has been said by various parties, no one is against the mega development projects in hand in the province. The issue is about their management and the relationship of mutual trust and benefit between the federation and the province.

Although there has been speculation, there is no credible information available as yet about the recommendations of the parliamentary committee constituted to address financial, constitutional and governance issues. Everyone is hoping that, with warm hearts and cool heads, a harmonious balance in the development of the strategic, international and domestic potential of this jewel in the crown of Pakistan will be achieved through their recommendations.

DAWN, March 19, 2005

Glimpses into the world of Benazir

As thousands from all across the country made their way to Naudero to mark the 40th day of the tragic assassination of former prime minster Benazir Bhutto, they must have taken heart in her singular achievements as the most celebrated national asset of Pakistan, who used her immense international goodwill to deliver valuable services to her country.

This writer worked closely with her as prime minister, travelled with her during her official visits to several countries and sat in on her meetings with kings, queens, presidents and prime ministers. There are several instances of her instant special rapport with world leaders, adding substance and support to the official conduct of business for Pakistan – from a four hour-long tete-a-tete with President Hafez Al Assad at the state banquet in Damascus, to the long session of exhibition of family letters and photos by President Moammar Gaddafi in his tent in Tripoli, to the day-long informal brain storming sessions with her friend and mentor, Prime Minister Margaret Thatcher, at the Chequers, among others.

This article shares some glimpses from the life and times of Benazir Bhutto as Prime Minister of Pakistan from my upcoming book, so people can understand how great a national asset Pakistan has lost in her assassination and how the country's interests have often suffered by the manner in which politics and governance is practiced in the homeland.

How many leaders of Pakistan have had the good fortune to have the whole world wanting to help make this country a successful and prosperous democracy from day one of their assumption of office?

Within weeks of her ascendance as Prime Minister of Pakistan in December 1988 dozens of official invitations from heads of governments of countries from every continent had arrived. The Prime Ministers' Secretariat and Foreign Ministry worked closely to balance foreign visits with her domestic commitments within Pakistan, Nevertheless a year later, after she had paid visits to most permanent Security Council members and OIC countries, there were about three dozen invitations still pending from various countries.

So when the Spanish ambassador visited my office twice in April 1990, requesting that she make an early visit to Spain, I had to advise him of 32 pending invitations including some from important countries with which Pakistan has had long economic, political and security relations. But he explained how his government, especially Queen Sophia, was very impressed with Benazir Bhutto and wanted to know how Spain could help this young, highly educated female prime minister of a large Muslim country build a success story for Pakistan. The ambassador followed it up with a goodwill gesture for Pakistan from King Carlos and the prime minister with a formal letter of Spanish government offering millions of dollars as a grant to Pakistan – the first gesture of its kind. I fixed Bhutto's visit to Spain for September 1990 and requested ministries for portfolios of projects for Spanish co-operations with Pakistan.

Again at the Commonwealth Heads of Governments Conference in Kuala Lumpur in October 1989 Canadian prime minister Brain Mulroney offered her extensive and unconditional assistance from Canada to help strengthen democracy with her government delivering major benefits to the people of Pakistan. In fact he sat down with her and personally went on jotting down lists of Pakistani projects we indentified and also suggested specific areas of cooperation where Canada can help Pakistan. His own noting also listed which Canadian provinces were best suited to develop long-term cooperation with Pakistan in different sections.

Her visits to Canada and Spain for September 1990 were tied up with another singular honour she was given by the UN. Benazir Bhutto was chosen as the sole representative of the developing world to co-chair the World Summit on Children in New York in September '90, being attended by the largest-ever

gathering of world leaders in history.

Let me pick one more instance in this space to celebrate the life and times of Benazir Bhutto as Prime Minister of Pakistan on the occasion of her chehlum.

President Mitterrand of France paid an official visit to Pakistan in early 1990. In two days of talks with ministers and senior officials of the French delegation, we pressed hard for France to give nuclear technology to Pakistan. The French declined quoting their president who had told his delegation in the Concorde that brought them to Islamabad that everything was on the table for assistance to Pakistan except nuclear technology. We conveyed the French response to Prime Minister Bhutto.

On the day of his departure the French president had a breakfast meeting with her at the PM House and later both leaders addressed a joint press conference. In that press conference President Mitterrand surprised everyone – most of all his own ministers and officials – when he announced that France would give a nuclear reactor and was favourably inclined towards further nuclear cooperation with Pakistan including a nuclear reprocessing plant. Over the breakfast meeting Benazir had convinced the French president of Pakistan's need for this technology.

But our own man-made disasters never case to strike at the country's potential. All these offers of aid and assistance to Pakistan fell victim to the unending place intrigues of ambitious adventures – civil as well as military – even when eleven years of the military dictatorship of Gen Zia had just ended. Her government, duly elected by the Pakistani people for a five-year tern, was out on the streets in 20 months – dismissed soon after winning a vote of confidence in Parliament. This happened on Aug 6, 1990 – just before her visit to the UN, Canada and Spain was to start. She was deprived of that singular honour and Pakistan was deprived of the generous aid, assistance and long-term relationship with important countries.

She enjoyed not only huge reservoirs of international, goodwill but also immense pool of domestic support, especially from the disadvantaged and marginalized majority of the country who have found little sympathy and support from the unabashed ultra-right mode of governance ruling the roost for most of the country's history.

Most of the handicaps placed in her way – as indeed in the path of progress for Pakistan as stable, prosperous and democratic society – have been consequences of the absence of rule of law in the way politics and governance have been conducted for a long time. This has repeatedly given immunity to gross abuses of power and also produced hot house where several demons of bigotry and prejudice have been emboldened to strike at will. Those who worked closely with her are aware of the troubles and torments she often faced in the conduct of her constitutional duties as prime minister of Pakistan. A tribute to her would be to expose these demons that have seeped in and been poisoning our policy under the cover of politically correct religious or secular slogans of the times.

A society that does not conduct governance under the constraints of laws would inevitably encourage baser human instincts to rise and take larger than life role in its affairs pushing it closer to the Hobbesian model with life in it becoming "nasty, brutish and short." A twice elected prime minister of the country and celebrated national asset having her life cut short in her prime and in such brutish manner should cause soul searching about where we are headed.

In his famous Pogo Papers, Walt Kelly's words pretty much sum up what many Pakistanis have been feeling in the after math of the assassination of Benazir Bhutto: "We have met the enemy… and he is us". May she rest in peace.

The News, February 10, 2008

Chapter-2

Economy

Merit is a creature of opportunities. If the economics of opportunities does not empower widening circles of people to realize their potential, the name of this game is native colonialism.

The economics of opportunities

Issues of deepening poverty and widening disparities – already serious challenges to national development – have again hit the headlines. The economic and political costs of the events of the past year have taken a heavy toll on the large number of people who were already on the margins. Harrowing tales of hopeless people committing suicides, and now mob violence by the poor against crimes and perceived injustices of the system, fill newspaper spaces.

Sadly, most people living below the poverty line in Pakistan are going to remain poor – not so much for lack of efforts or abilities but economic and political development keeps them deprived of opportunities. In this "development game" of snakes and ladders, no ladder has been made available to lift these people out of the deep pits of their poverty and disempowerment. Unless rescued by a development model of widening opportunities that incorporates them into the processes of growth, many more may be slipping below that dreadful line.

If "development" does not mean widening the circles of opportunities to incorporate the ever-increasing number of the disadvantaged and disempowered of society, what is it all about, anyway?

Apart from the humanitarian issues involved in the processes of development, the present kind of development has produced an economy that is becoming non competitive, inefficient and wasteful of national resources, landing the country into serious fiscal, trade and current account deficits. The symptoms of these problems have been visible in the working of both public and private sector for quite some time. The large

fiscal, trade and current account deficits now plaguing the economy and the increasing poverty of large segments of society are the outcome of factor which lie deeply embedded in this form of development.

But a model of development takes its inspiration and strength from the model of economic and political governance since the poverty of people is less a reflection of the paucity of resources of a country they live in than of the poverty of the governance they live under.

Opening up this closed circuit model of development into one of equal opportunities and participatory development, should be the first and foremost reform in order to reach out with income earning opportunities for the poor and marginalized. For that, the government will need to recorder priorities and resources and move away from megabuck capital intensive projects of questionable feasibility and recognize that small can be beautiful for Pakistan too and along-with labour intensive investments – public and private – can hold the key to the removal of the widespread poverty and disempowerment.

It was Jan Tinbergen – the Nobel laureate in economics – who said that basically there are two ways for societies to grow: one, by increasing the number of people holding jobs and earning incomes; and second, by increasing their productivity. Both culd materialize when economics of widening opportunities for people is practiced through public polices and their human resources developed.

Congo is among countries which are richest in resources – among the world's top producers of diamonds and rich in oil and other precious minerals – and yet its people come at the bottom of several indices of human development and pre- capita income.

As against this, Singapore, which as former Prime Minister Lee Kwan Yew told this writer in one of my meetings with him, "does not have even its own water to drink and yet we created assets where none existed." Today, Singapore ranks among any list of top ten countries in the world. It is the governance, as Lee pointed out, that lifted his Third World country without any resources and turned it into a First World nation in little over a generation. And it is governance again that pushes such resources rich countries like Congo into the bottom of development indices.

This closed-circuit model has been weakening the ability of

domestic economy to create new wealth and value in the face of global competition. Much of the growth witnessed during the last five years was powered not by the income-generating capabilities of domestic economy but by the generous inflows of external resources in the post-9/11 scenario. Because most of these and domestic funds were not channeled into productive sectors of the real economy, both agriculture and manufacturing have been losing their income generating capabilities in the face of rising competition.

Poverty in Pakistan is largely concentrated in its rural areas and people associated with its agricultural sector. Productivity of the agricultural sector has been enhanced by several developing countries to the extend where their farming community enjoys yields three to four times of those seen in Pakistan. If policy support to channel some of these generous inflows had been given to agriculture in the past few years, Pakistan would not be facing the kind of food inflation its people are suffering and the incidence of poverty would have been effectively reduced. Add to that the windfall profits the domestic economy will now be reaping from the manifold increases in commodity prices around the world.

The history of successful industrialization also tells us of the progressive relocation of low-value producing industries out of metropolitan cities towards smaller towns where land and other inputs are cheaper, so that low-value products could still be competitive and profitable. These low-techs, low-value industries can only be competitive and profitable in low-cost townships, as in the rest of the world. But that historical process has remained blocked in Pakistan, where large tracts of high value land of big cities are locked up for low value products.

In fair-market practices such industries would either have relocated themselves to low-cost areas to become feasible or been wound up or bankrupted and their spaces taken over by high-value-producing, competitive industries.

But the closed-circuit model has often come to the rescue of non-competitive and loss-making enterprises by picking up their losses through a variety of concessions and loan write-offs – without sometimes seeking the removal of the fundamental causes of their ailments.

These practices dilute the relationship between

productivity and profitability, for if profits can be made without improving productivity; there is no incentive to be competitive in the markets – domestic or foreign. Such a model cannot help increase the export potential of Pakistani products and its trade deficit will remain substantial.

Already, even among developing countries, Pakistan is bracketed with the least – competitive countries, along-with Myanmar in Asia and Zimbabwe in Africa.

A big part of the fiscal deficit owes its origin to big-ticket items of non-productive expenditure both under civil and military heads, and throwing money behind non-competitive nonfeasible projects in the name of development. Coupled with our notoriously low-tax GDP ratio, this makes it difficult to substantially reduce fiscal deficit.

Put together, this points to a culture of governance where rights and opportunities are unequal but the burdens are spread all around with the weakest ending up carrying the heaviest burdens of everyone else's follies. Denied the ladder of opportunities, they find it difficult to pull themselves out of their poverty and disempowerment.

The critical issues lie in increasing the capacities of the economy to earn many times more from its existing stock of resources – like it has been successfully done by several other countries in agriculture and industry – and cutting costs prudently where expenditures are concerned.

Our economic imbalances are rooted in our culture of economic and political governance. Without changing this culture it would not be realistic to expect substantial reductions in these imbalances or in incidence of poverty and income disparities.

The News, July 2008

A flawed business model

PAKISTAN's chronic trade deficit this year is set to record the highest deficit level in its history. The explanations usually given by the representatives of the government and the corporate sector tend to point to some measures they are now undertaking ending with the hope for everyone else to believe that everything soon would be alright.

But it doesn't get alright. Policy incentives, fiscal and financial support, tariff and non-tariff protections and the ubiquitous 'packages' given from time to time have not turned our industry and agriculture into efficient production systems.

The early habits of protection and rent seeking have become deeply embedded in the business model we have been practising and its structural problems have not been seriously addressed. This has become a losing business model in the global economy and our trade imbalances are likely to get worse.

In our open economy, we have little control over the consumption goods coming from the first World (cars, cell phones, etc). But this first world consumption challenge cannot be successfully met by a Third World production system. With such a mismatch between two parts of its business model, Pakistan's economy would encounter increasing difficulties in meeting the challenges of globalisation. It would also not help in addressing the growing problems of poverty and unemployment in the country.

The latest round of WTO negotiations in Hong Kong did not hold out any promise for the hopes of developing countries for securing greater access to the markets of the developed countries and removal of agricultural subsidies. Access to these markets is important for a fair trade system and for reducing poverty in the developing countries. This is especially so where

agricultural products are concerned since these are the bread and butter of the poorer sections of the developing countries.

But market access is one thing and market share is another. Even if market access is available, are our production systems efficient enough to claim a bigger market share from their competitors? Because while access could be granted by governments as a concession, market share could only be given by the consumers whose vote of confidence would depend on the price and quality competitiveness of products on sale.

Nothing highlights this fact better than the example of Mexico. No one had closer access to the American market than Mexico and with Nafta protection; it even had preferential bilateral legal agreements with the governments of the US and Canada. And yet, the low-cost but high-quality goods produced 7,000 miles away in the factories of East Asia particularly China, have been able to claim a big share of the American market away from the Mexican products. In fact, several American and even Mexican companies that had earlier set up their manufacturing facilities just across the US border in Mexico, later closed down their factories and relocated them in China.

So how do Pakistan's production systems compare with those of other developing countries with whom it would be competing to win a bigger share in the markets of the developed countries when access to these is available?

World Economic Forum (WEF) produces one of the well recognized measures for competitiveness. The position of the countries on its Global Competitive Index (GCI) shows who is winning or losing the game of competitiveness in the global trade. The latest evidence (2005) from WEF places Pakistan among the least competitive countries and the production efficiencies of Pakistan's economic system, even among developing countries, continue to be rated way down at the bottom along with Myanmar in Asia and Zimbabwe in Africa — much lower, for instance, than the rising Asian economies of Malaysia, Thailand, China, India and several others.

The fact that our production systems have not been efficient and competitive has, unfortunately, been repeatedly proved by several countries that have overtaken us from behind: South Korea in 1960s, Malaysia in 1970s, Thailand and Turkey in 1980s, Vietnam and India in 1990s, to name only a few.

Productivity is, of course, a measure of technical and financial efficiencies; but above all, it is a cultural phenomenon. Higher productivity invariably leads to higher profits. But if higher profits can be obtained without increasing production efficiencies, what is the need or incentive for putting in hard work to earn good profit?

A rent-seeking culture — whether in public or private undertakings — is an antithesis to promotion of productivity. And yet, taken together, our economic system has been rewarding inefficiencies and rent-seeking habits. Of course, there are many business leaders who have refused to be part of the culture, and one knows of several entrepreneurs and corporate leaders who have upheld excellent value system although some of them have faced difficulties and have even fallen victims of the rent-seeking culture.

Production efficiencies in Pakistan are handicapped not so much by a lack of the ubiquitous 'packages' but by the structural flaws embedded in the business model we have been following for decades. Take a look at some features of this business model.

Our corporate and security laws discourage takeover of inefficient private enterprises. No market for corporate control exists through active and balanced laws on mergers and acquisition to promote productivity. Small investors and minority shareholders have neither protection through corporate governance nor legal redress against inefficient management.

There are high entry barriers that keep the system closed to outsiders. Incentives and 'packages' have remained confined thus keeping Pakistan a single industry economy even after 58 years. It was easy to set up a shop without any equity stakes and even easier to get the loans written off. Again, if profits can be made by persuading governments to tinker with fiscal and monetary policies or the tariffs, where is the incentive for improving earnings by improving the competitiveness of products in the markets?

An open market system is not an anarchic system and as the recent sugar crisis has again confirmed, the regulatory incentives for better business practices are an integral part of any open and efficient economic system.

As for agricultural production, our approach has continued to treat this sector more like a traditional one than a

modern production system. This model has not generated its linkages with business and industry to make it outgoing, value adding and market competitive.

Is it any wonder then that even in our predominant industrial activity — the textiles — the non-cotton producing countries are more competitive and enjoy a much bigger market share in the higher value segments of textile and clothing business in world markets than Pakistan?

During 1990s when we were marketing various investment opportunities in Pakistan to foreign investors, it was natural to invite their attention to the over 4,000 'sick' industrial units. These units had locked in several hundred billions of rupees of national wealth in the form of urban land they occupied, the utilities and services extended to them, their shareholders' investments and huge amount of bank loans outstanding against them.

The idea was to get foreign investors interested in purchasing these 'sick' units from owners, pump in new capital and technology and make these units producers of wealth for themselves and the country. Repeatedly, however, one heard the same stories from several interested foreign investors who soon threw in their towel complaining they could not purchase these 'sick' units since our economic system rewards inefficiencies and there was no incentive in the system to sell these 'sick' units.

The challenge for the government and the corporate sector is to develop an open and competitive production system. No one from outside can do this job for us. Nor can Pakistan's production system stand up to global challenges by sticking to their accustomed ways. Instead of disjointed 'packages,' Pakistan needs holistic reforms of its flawed business model that create strong linkages between productivity and profitability. These reforms will pump vitality into our production systems and help create a first rate production system here. Only such a production system will help Pakistan secure a larger share in world markets and catch up with the rising economies of Asia that had earlier overtaken it.

DAWN, April 6, 2006

Strategy for economic revival

The economic wasteland that Pakistan has been turned into by through miss-management of its economic potential, thorough self- centered, unpredictable and whimsical policies and irrational economic management must be presenting a very depressing picture even to the diehard optimists. But surely hope is not lost as the fundamental strengths of Pakistan's economy nurtured by sensible policies and rational management can revitalize it and help realize its great potential.

While its financial difficulties associated with current account and budgetary deficits, which are often talked about, have recently worsened, and must be causing sleepless nights, it is important to go beyond the accounting side of the equation to the production side of the equation, and revitalize the productive processes of our economy which actually are the root causes of the symptomatic diseases of these persistent deficits.

First, a snap shot of the current economic wasteland:

a) Our average agricultural production is one-fourth of the average world production. Hence Pakistan, despite being a large agricultural country which was once recognized as possessing the largest irrigation network in the world still spends a bulk of its shrinking foreign exchange earnings on import of food grains and edible oil to fee its population.

With 21.6 million hectares of land under cultivation, Pakistan produces only about 18 million tons of wheat, 4 million tons of rice, 11 million tons of cotton, 45 million tons of sugar, and 10 million tons of fruits and vegetables, among its major crops.

b) Over 40 per cent of our industrial capacity created over the years by private and public investments is lying idle; unfit to

produce any goods. Billions of dollars of public money funneled through nationalized banks went down the drain, and is not producing a penny's worth of goods to sell abroad to earn foreign exchange for the country. In most cases outdated technology nepotistic management, and ignorance of world market trends have brought our industrial assets to a point, where no one will buy their goods abroad even if produced.

c) Our domestic savings rate to finance the investments for economic growth had fallen during the previous government's time to a lowly 10 per cent in many Asian economies, and over 25 per cent in our South Asian region. And when we remember that 87 per cent of these meager domestic savings are contributed by the households, and only 7 per cent by our private corporate sector, we can realize how totally inefficient and non-competitive our productive forces have become.

d) Our taxation ability to meet our national needs… of security, of maintenance of essential services and social and economic development, has stagnated at around 13 per cent of GDP, whereas in other developing countries this has risen to over 20 per cent to mobilize larger domestic resources. Only 1 per cent of Pakistan's population figures on the tax roasters!

Two things should become clear from this brief analysis: 1) that Pakistan has not been able to generate enough of resources from within the country…. either through mobilization of domestic savings or through tax revenues, and; 2) that Pakistan's production systems have become so archaic and its agricultural and industrial assets so inefficient that they could only utilize a part of the existing capacity, and their contribution to the creation of wealth and value in the economy has been way below their potential.

Is it any wonder then, that the budgetary and current account deficits have become chronic features of our economic landscape, and even to finance a modest growth there is staggering gap of 8 per cent between domestic savings and national investment which could not be filled up except by attracting foreign savings into our economy?

And, since foreign aid sources have dried up, and the burden of foreign loans has become unbearable, the only viable option available to finance our growth and open up employment opportunities was to attract foreign investment into Pakistan,

which its rich potential so rightly deserves. But look how we conducted ourselves. While national interest required economic discipline and predictability of behavior from government leaders, they indulged in perpetually changing policies and irrational behavior, scaring away not only those who had invested in this economy, but sending a message to all over the investor world to keep away from Pakistan, where not only their money was not safe, their life and limb were also threatened.

So how was Pakistan going to find resources to finance its development in agriculture, industry and services and fight its rising unemployment?

Three pillars of strategy: A break- through can occur if our strategy is based upon a realistic assessment of our strengths and weaknesses in the context of domestic and external environment. Let us broadly note the foundations on which our national prosperity can be built.

a) Pakistan's large industrious population, its fertile agricultural land its industrial base, its large and skilled manpower, its untapped minerals and hydrocarbons provide it with the potential to sustain high rate of growth, and usher in an era of prosperity for its people. This resource base must be matched with capital and technology to create the power of productivity.

b) Pakistan sits astride at the junction of three of the rich, ripe and ready to take-off regions which are destined to be the new frontiers of world development in the 21st century. On one side of Pakistan, lies the Gulf with over $800 billions of investibel funds placed around the world, on the other the Central Asia – home to some of the largest deposits in the world of oil, gas, gold and other resources. Yet on another side of Pakistan live over one billion consumers of South Asia, hungry for capital as well as energy resources to realize their dreams of development.

In between these regions, flush with capital and rich in resources on one side and the market of one billion consumers, lies Pakistan. Ideally placed to become the bridge and the catalyst, Pakistan has the potential to become the economic powerhouse of the region, and reap a rich harvest of prosperity for its people.

The promise of turning Pakistan into an economic power house should guide the strategy for economic revival. This strategy must be built upon three factors: 3 Cs…. Which are

fundamental to a real, durable and sustained turnaround in the national economic development. These three Cs have been identified after a careful analysis and evaluation of strengths and weaknesses of our economy as also of our competitors, and of the trends and currents which are shaping up the world around us. The three pillars – can be indentified as:

1. Conservation,
2. Competition, and
3. Complimentarily.

Let us see their critical importance and contribution to the national economic development.

Conservation: Better utilization of the existing national assets promises greater dividends in the most cost-effective manner. Besides, the profligacy of the past can not be allowed to damage our future.

a) The structure of our imports has carried a heavy burden of two imports…. food and edible oils, which eat away 33 per cent of our import bill dollars. Despite having over 21 million hectares of cultivated land to meet our requirements of daily life, we are in dire straits, because we have paid no more than lip service to this subject, and our per acre yield in crops is only one-fourth of the rest of the world.

b) Similarly our rate of success in oil and gas discovery has been much higher than the same in many other countries. A vigorous and sustained drive for discovery and marketing of rich oil and gas reserves of Pakistan will reduce our POL import bill, and earn foreign exchange for the country. Sitting s it is, on huge coal and hydel resources, Pakistan needs to shift its strategic focus from imported fuels to domestic ones.

c) Because of poor water conservation practices, Pakistan looses about 6.00 MAF per year which get translated not only in immense losses in crop production, but millions of acres of fertile agricultural land is damaged through corrosive effects of increased water logging and salinity and general degradation of soil. A water conservation programme costing Rs. 10 billion over three years, will add Rs. 60 billion per year into our GDP on account of increased agricultural production.

d) For a country which has not encouraged development of its indigenous energy resources, its excessive dependence on motor-ways and road transportation needs to be curbed, to reduce

its burgeoning oil import bill. Instead, improving and expanding the rail transportation and introducing badly needed inland water transporation (IWT) from Attock to Keti Bandar, should receive higher priority in the strategy. The economic logic of this proposal is underlined by the fact that for every ton of cargo moved over the same distance, while the cost of this movement is $1 by water transport, it is $4 by train, and $12 by the road.

e) Just like other sectors, there is tremendous scope in applying conservation strategy for our industrial assets in revival of over $5 billion worth of sick units which are lying closed and are not adding wealth and value to the economy. But any prescription of their revival must be based upon correct diagnosis of the ailment. Repeated injections of new money and writing off of previour loans have not only not cured the ailment, but the way its has been practiced, it has become an incentive to many to keep their units sick. Any revival strategy must incorporate measures to address inefficiency of production, outdated technology, nepotistic management, and above all removal of the legal and procedural hurdles in change of ownership of such units to help bring in new investors who will be willing to pump in their money, update the technology and access world markets through better management practices.

Competition: Choosing economic activities in which Pakistan has competitive advantage, should be another important consideration for directing public and private investment. Some of the considerations which should determine the direction should be:

a) Labour intensive and employment generation activities should lead the way to our economic revival, and areas like agro-food, garments, software, hotels and tourism, mineral development should claim priority attention.

b) Using indigenous resources and skills would create synergy and linkages within different sectors of economy and ensure larger participation of different skills and resources of people into the developmental activities.

c) Removing unfair competition created by rampant smuggling. Ever increasing, wide spread availability of smuggled consumer electronics, household goods and others have eaten away 30-35 per cent of the domestic market. This has damaged the attractiveness of Pakistani market for investment by local as well

as foreign investors.

d) Opening up new frontiers of development: like riverine areas and semi arid areas for agricultural and live stock and mineral development, which also hold great promise for large scale employment.

e) Improving competitiveness by de-bottlenecking the economy, and linking production centres with market places.

f) Strengthening the geo-economic competitive advantages of Pakistan in the region among others by improving trade and transit facilities, ports, waterways and railways for Central Asian countries and Western China.

Complimentarily: Pakistan's reliance on external resources has been its traditional feature which can not be changed until tax evasions and bank defaults are disciplined and its production systems are geared up into higher efficiency. Now that the aid has shrunk and the loans have already caused crippling effects on the economy, the only viable option available to Pakistan to finance its growth lies in tapping the investment pipeline. How far behind Pakistan has fallen in this critical input for its development can be gauged from the fact that while nearly $200 billion are invested every year in developing countries, Pakistan with its 140 million consumers and many other economic advantages should be receiving $3.4 billion a year, actually receives only a pittance of $300 million, which is only 10 per cent of its estimated potential.

The essence of complimentarily will be the relationship between Pakistan's competitive advantages, its geo-economic characteristics and the foreign investment and technology. There are many sources of foreign capital which Pakistan could tap, and there are many avenues in the shape of programmes and projects where Pakistan needs this capital and technology to flow into its economy. Some of the measures needed in this behalf are listed below:

a) Over $10 billion are generated in net savings by overseas Pakistanis, but only $1.5 billion find their way into this economy and that too largely to met the requirements of their families and relatives left behind in Pakistan. This money and much more will come into Pakistan if we provide non-politicized, credible financial instruments, investible projects and clear and concrete security of their money into the economy.

b) Pakistan's main advantage of being a low cost

producer of goods and services, which will help it become the regional hub of economic activities is being eroded by the rising cost of utilities which must be curbed through a combination of economic and administrative measures. Frequent devaluations of the past which have largely been made to cover the inefficiencies of production while did nothing to increase our exports, but certainly increased the cost of production turning Pakistani products into low quality and high cost products, and further pushing these out of world markets.

c) The performance of our previous investments, whether private or public, shows that when such investments were not combined with technology and good management practices, such investments turned into loss making units thus the public sector corporations of Pakistan generate annual losses of Rs. 120 billion every year, instead of earning any profits, while in case of private sector, the proliferation of so called sick units bears abundant testimony to this fact.

d) The critical importance of the principle of complimentarily in economic revival will require this matchmaking between capital, technology and management to trigger in a culture and practice of an efficient system of production because we can not afford any more throwing in of scare resources even our rupee resources after wild goose chases.

e) A large part of stagnancy in our agriculture and industry is caused by the thick crust of status quo in ownership and management of these sectors. Streamlining the land reforms, opening up trade and industrial opportunities on competitive basis to fresh blood, new ideas and skills and cutting out the cronyism will unleash the energy and enterprise of a large pool of Pakistanis, both here and abroad, who have been marginalized over the years.

A whole range of competitive and advantageous initiatives are available to Pakistan to attract substantial investment and technology into our economy. For all of these and many other promising programmes, there is a great deal of capital and technology willing to enter into partnership with Pakistan. Countries and companies are looking for good opportunities for their own reasons and pushed by the dynamics of the world economy. It is also an opportunity for Pakistan to seize by complimenting its strength with those of others. The strategy

would help remove some of the causes of its under development, put Pakistani's economy on a fast track for rapid economic revival, absorb its large population into meaningful employment, and usher in an era of much delayed prosperity for its people.

DAWN, November 8, 1999

Putting the economy in order

THE range of reactions following President Bush's visit to South Asia reflects disappointment of many people in Pakistan. There have been concerns expressed about its implications and complaints about the transient nature of Pakistan-US relations despite over five decades of cooperation starting with the military pacts of 1950s, through the Afghan war of the 1980s and on to the current war on terror.

These are legitimate concerns. Equally legitimate should be our search for finding an all-season formula for durable relations with the US as well as other countries. And the only formula that has turned transient and seasonal relations into durable ones is built around mutually beneficial economic relations between nations.

We have been recipients of one of the largest aid and assistance flows from the US and new aid, loan write-offs and support from other bilateral and multilateral organizations. How far have we utilized these aid flows and political goodwill to create the assets that would oblige others to work together with Pakistan in all seasons?

In 1951, Pakistan and South Korea were almost at identical levels of underdevelopment: in per capita income, literacy rates and exports. South Korea utilized its military agreements of the 1950s with the US and the latter's support and assistance to undertake reforms and move out of poverty and backwardness. It built its strengths in consumer electronics, shipbuilding and heavy industry and now its industrial strength — much more than anything else — make up the pillars of their mutually beneficial relations and long term cooperation.

India's democracy has always been admired in the world and is not a new phenomenon. Nor is India's rivalry with China a new discovery. But it is only when the Indian economy started 'shining' that the US and the rest of the world took serious note of India, not just for India's sake but also for the benefits they could derive from its economic assets. Because India was able to bring to the negotiating table its strengths in industry, human resources, knowledge-based economy and its large market of middle class consumers with billions of dollars of purchasing power — besides military strength and locational advantages — it could derive a good bargain for its long-term interests.

Similarly, for a quarter of a century, China has been putting great emphasis on developing its economic assets. It is because of the economic awakening of China and its recognition as the manufacturing house of the world that every country has been obliged to build long-term relations with China for their own benefit.

The US-Pakistan joint communique emphasized the goals of 'democracy and prosperity' for Pakistan. Our Chinese friends have also been advising us for some time to develop our economic potential. However, in the wake of some observations coming forth in the last few days, it would be useful to briefly recount here the advice of an important leader of China to put things in the proper frame of reference for our own benefit.

During a visit to China, I was invited to participate in the Asia Society's conference on 'China & its neighbours' and understand how China's emergence as the economic powerhouse would affect countries in its neighbourhood and beyond. On the sidelines of the conference, I had a detailed meeting with one of the important ministers of China. (Because that minister now occupies an even more important position in the Chinese government, the name is being withheld out of courtesy).

The minister opened the meeting with gracious remarks for Pakistan's past help to China — from air links through PIA, to support for admission to the UN. But then as a friend of Pakistan, the minister mentioned that the old generation of leadership which had seen and experienced Pakistan's measures would gradually be replaced by the new leadership. In any case, since geo-economic interests were taking preference over other matters, it would be better if Pakistan also built up its economic strengths

and developed mutually beneficial economic relations to further cement the old friendship between the two countries.

For a long time now, Pakistan has been able to bring to the negotiating table its two principal assets — its locational advantages bestowed upon the country by its geography and its military strength. Both are important assets for the protection and promotion of our national interests. But we need to add to our list of assets since the current ones are mostly needed in special circumstances. So when there are no Cold Wars or wars on terror, what other assets can we bring to the negotiating table to forge long-term and mutually beneficial relations?

High quality of human resources for attracting American businesses to invest in Pakistan; low-cost but high quality production systems to create consumer dependence; consistency in policies to plan for long-term investment; infrastructural links with mineral-rich Central Asia; all these could have been our added assets and strengths. They are still doable for Pakistan to create, for benefits for itself and durability in its relations with other countries. If we were to seriously develop these assets, not only US administrations, but also American business and industry and even household consumers, would see the benefits they could derive from a long-term association with Pakistan.

Let us take another example. Pakistan received very generous support — in cash and kind — from the US during the 10 years of the Afghan war. What durable economic assets can we show for it? About the same time that the Afghan war was going on in our neighbourhood, another war between Iran and Iraq was raging on the borders of Turkey. Both ended more or less about the same time. How Pakistan and Turkey differed in utilizing the situation is clear from a piece of economic data.

In 1980, Turkish and Pakistani exports were around the same size: about $ 2.5 billion a year. Ten years later, when both wars had ended, while our exports were struggling at about $8 billion, Turkey had utilized the opportunities to improve and expand its economic assets and its exports had rocketed to about $ 15 billion a year. Turkish exports now stand at $ 73 billion versus $ 17 billion for Pakistan.

The fact that the economic content of national policies had taken priority over other issues was driven home to all after the collapse of the USSR and the end of the Cold War. But even when

Pakistan opened its economy to investment and technology flows from abroad and put in place the required infrastructure in 1989 — two years before India did in 1991 — it was our own destructive politics which nipped in the bud our search for a niche, a new destination for investment and technology flows and a way to Central Asian markets.

We can't always be going to the negotiating table asking for concessions of one kind or the other without showing areas where the other party can benefit as well. Other nations will take us for what we are and build relations on the basis of our strengths and weaknesses. Our weaknesses are imbedded in our economy — in the scarcity of quality human resources, in poor outsourcing potential, in inefficient production systems, in the narrow base and low quality of our education, in not building Pakistan into a gateway to Central Asian markets, in not having clear policies.

Now the president has told the nation that Pakistan's policies will not be 'Indo-centric'. That is welcome news. Our policies should be 'people-centric' first and last, because our responsibility also — first and last — is to our citizens and doing what it takes to improve their well-being.

But we know that 'people-centric' policies require readjusting our priorities and providing a clear focus to our institutions. Is the president now ready to undertake the meaningful reforms so that 'people-centric' policies are made and implemented in Pakistan?

DAWN, March 17, 2006

Slow pace of industrialisation

THE train that has been carrying the baggage of industrialisation of Pakistan's economy for over 50 years is now running out of steam. The onward journey towards the global economy has to be performed on a different broad-gauge train and not on the monorail that has done its duty and brought the country's economy as far as it has.

For years, however, we have been trying to revive the stalled engines of this monorail with new paint jobs and decorations — fiscal and financial incentives — hoping its beautification would compensate for engine failure.

The problem of inelasticity in our exports lies in the inefficiency of our production systems. Of the four classic factors of production — land, labour, management and capital — our entire preoccupation for more than 50 years has been with tying all our policy knots around one factor — capital — as if no other factor has a contribution to make in the creation of wealth and value in the economy. Over the years, this neglect has snowballed into severe distortions which are applying brakes on our plans to push the economy towards the next stage of efficient industrialisation.

The history of industrialisation tells us that the primitive and first stage of industrialisation was built around an "extensive" mode of production, meaning thereby that large volumes of inputs of land, labour, capital and management resources were being consumed to produce more goods and services.

But no country can afford to go on consuming high volumes of inputs for low-value products unless that country happens to be running an empire — in which case it could dump

low-value goods upon colonies under its control and charge exorbitant prices for them. But for countries like Pakistan, even domestic markets are fair game for producers from anywhere in the world and no more the monopoly of its own industry in this age of globalisation.

As the economy grows, competing demands upon the country's finite resources are made by other sectors also. It thus becomes inevitable to shift from an "extensive" mode of production towards an "intensive" mode utilising a lower or the same stock of inputs for producing more value.

The issue is addressed by using a variety of policy instruments which require that greater contributions to value addition be made by the other three factors of production as well — more precisely by creating an environment that rewards efficient management of land resources, improves skills and the work ethics of the labour force and enhances the role of technology and professional management in production systems.

But this shift also involves a shift in the power structure and the influence of the players in production systems. That is exactly where our search for efficient industrialisation has been stuck for years with recourse to supporting the status quo-often taken with bailouts and interventions that overlook inefficient and wasteful use of the other factors of production.

A look at our treatment of land resources shows that the economy has acquired characteristics that are closer to Central American than Asian models of industrialisation. This writer had the opportunity to evaluate some private and public investment projects in El Salvador. It seemed that most urban, suburban and strategically situated land assets in that country had been sold out by governments to its favoured ones, not because the latter had some promising investment projects on the table but as spoils distributed for future windfall profits whenever a serious investor came by and needed that piece of land for commercial or residential purposes.

Even the governments which had originally sold these parcels of land at throwaway prices were obliged to pay market prices to buy back the same land — even for public welfare projects like schools and hospitals.

A similar situation has been developing in Pakistan where large tracts of land assets have been cornered for speculative

purposes. By artificially raising the land prices for genuine investors, several good investment projects, based upon normal rates of return, have become unviable in big cities. By the same token, land for labour housing has rocketed beyond the reach of several enterprises as have the costs for providing infrastructure and support utilities.

But the history of successful industrialisation in other economies also tells us that the answer to these problems lies in the relocation of industries to less costly towns and industrial centres to recapture the profitability of enterprises which would otherwise be bankrupted by the market forces of competition. For instance, even though cities like Manchester, Boston, Philadelphia and New York were major textiles centres in the UK and the US in the early stages of industrialisation, no one would be naive enough to look for textile mills in these cities today.

As these cities developed into major urban centres, land prices rose and the need for the provision of utilities like water, drainage, roads and other infrastructure grew, which cut into the profitability of enterprises, specially for industries like textiles and steel-making that consumed large quantities of these inputs.

In fact, in the US there were several textile and steel towns established outside major urban centres to cut costs and improve the profitability of enterprises. As competition grew, even further relocation became necessary and many low-value industries in the US moved out of costly urban centres of the northeast to the rural southern states of Alabama, Mississippi, the Carolinas and ultimately out of the UK and the US to low-cost countries like Honduras, Nicaragua, Indonesia, Bangladesh, Pakistan and others, because these low-value products could only remain competitive if produced in low-cost locations. Outsourcing is the logical extension of the same strategy.

For successful industrialisation, Pakistan can't remain an exception to the economic logic followed by the rest of the world. It cannot continue utilising high-cost land assets, infrastructure and utilities of big expensive cities and still produce low-value goods and expect to be competitive in world markets. This means that the production of low-value goods should be relocated to smaller industrial towns where all inputs are available at low costs while high-cost land assets should be utilised for producing high-value and high-tech goods and services.

Actually the market forces would have worked out solutions in favour of efficient users of land and other factors of production but for frequent government interventions and bailouts which have protected and even promoted the inefficient and wasteful use of finite national resources.

Even though we may not have all the features of a "command economy", there are several instances in the way we conduct our economy and make public investment decisions — including governance through "directives" — which show that the command economy still occupies centre-stage in our system of governance. This is hindering moves towards efficient industrialisation as it denies a level playing field to all, protects speculative and monopolistic practices and allows bailouts of inefficient private businesses with public money.

Without removing the mismatch between the high-volume consumption of expensive inputs and the low-value production of goods and services and allowing efficient takeovers of inefficient enterprises, the march towards the second stage of efficient industrialisation — and increasing export earnings and reducing the widening trade gap – will not be easy.

DAWN, December 23, 2006

Transparency in investment

EVERYONE agrees that Pakistan needs large and sustained inflows of quality investment to realise its dream of an economic take-off. It is equally true that controversies surrounding certain investment activities must be scrupulously avoided as these are counter-productive to the attainment of these objectives.

To begin with, those dealing with investment projects — whether political or bureaucratic functionaries — would do themselves a favour if they carefully go through the landmark judgment of the Supreme Court of Pakistan on the privatisation of the Pakistan Steel Mills. Although that judgment came in response to some specific concerns about the manner in which the state-owned PSM was being privatised, the important principles laid down by the court in that judgment provide guidance for all investment decisions involving publicly owned assets — whether those assets are traded in the shape of mills and factories or agricultural and urban land.

Three important guidelines emerge from that first major judicial review of investment decisions. Firstly, mandatory provisions of laws and rules have to be followed in taking investment decisions. The failure to do so could make the said decisions null and void in the eyes of the law. Secondly, no "indecent haste" should be resorted to in processing an investment project since the courts would judicially review whether the functionaries of state fulfilled their fiduciary duties of care and loyalty they owe to the stakeholders/people. And thirdly, the courts would review whether the legitimate interests of weak and poor sections among the stakeholders received due protection in reaching the investment decision.

That judgment of the Supreme Court and these guiding

principles are not against investment per se but are meant to improve the quality of investment flows to Pakistan. These are also in conformity with the standards of investment laws observed by other common law jurisdictions like the US and the UK where community hearings are held and stakeholders consulted before reaching decisions. In the said judgment, the Supreme Court reminded the government and its functionaries of their fiduciary duties of care and loyalty in handling investment proposals involving public assets.

This clarion call of the Supreme Court needs to be properly heeded to protect our investment scenario which is generating increasing concerns and controversies as several reports appearing in the national media indicate.

Probably, an all-time record of investor complaints would be held by what has been going on for some years in the name of transactions of Gwadar lands. It is also enlightening that no supervisory levels of executive authority of the province, which controls land matters, came to the rescue of thousands of small investors who are now suffering at the hands of these monumental malpractices.

It fell again upon the Supreme Court to redress what was described as the "classic example of abuse of authority and misuse of powers". The Quetta bench of the Supreme Court went on to add, "Nobody knows how the settled land owned by the state has been transferred to the private sector, that too at a peanut price, which depicts lack of transparency and mismanagement. The provincial government and the Board of Revenue cannot be absolved from their responsibilities in this regard."

The findings behind the stock market crash of March 2005 that wiped off about 13 billion dollars in market capitalisation, bankrupting small and medium investors, are still not clear, nor are the much needed reforms in governance of the capital market in the pipeline to prevent future abuse.

Another investment project in Sindh has been generating concerns and protests where Port Qasim Authority, which itself received land from the provincial government for its limited mandate of port operations, has apparently run away with two entire islands belonging to the provincial government and signed itself as a shareholder in a private investment project with a foreign company.

In the case of the Sindh island project, it also gives an insight into the eerie working of the government where the right hand does not know what the left is doing since those who signed the investment project and those who claim ignorance and violations of the law are coalition partners in the same government.

But there is a long established practice of processing investment proposals through interagency meetings in the Board of Investment which brings together all relevant federal and provincial departments for the purpose. Preliminary screening of issues like land title, licensing or joint venture agreements, feasibility of the proposal and other terms and conditions associated with the project is carried out in these interagency meetings and also jointly with investors before an investment proposal reaches anywhere near approval stage and is signed into an investment project.

So how could such elementary issues like title of the land, impact on the environment, livelihood of fisherfolk and port operations remain unexamined and unclear when large investment project are processed through various stages and even approved and signed?

From what has been appearing in the press, it seems that these interagency meetings were either bypassed or the basic issues not sorted out and the project hastily and quietly approved and announced.

An investment project is a business decision and not a charity. The investor undertakes a project only if it provides attractive returns on investment — and this is as it should be. But the investor cannot be held responsible for doing the homework for the host country as well. That responsibility — the fiduciary duties — fall upon the functionaries of the host government and their professional knowledge and negotiating skills to ensure that the said investment fits into the development strategy of the host country and creates win-win situations for both parties.

The wide range of concerns expressed by civil society organisations are not against investments per se but reflect fears as to whether their legitimate interests have been protected or compromised by "omissions and commissions" of relevant state functionaries — both political and bureaucratic — in the performance of their fiduciary and other legal obligations.

However, by keeping quiet and not addressing their concerns clearly, we are only compounding the issues. For how could we give them confidence that their legitimate interests are being protected in investment processing, negotiations and project design when their basic rights of ownership, information and consultations are not accepted in the first place?

We have been making some publicly funded development projects controversial in parts of our country, not because the people are against development but because we do not incorporate them into the wide range of processes that constitute development itself.

We should not be turning privately financed investments into controversial activities. Whoever else they may be helping, they are certainly not helping Pakistan by making its investment projects controversial through omissions and commissions.

A course correction is needed to make investment in Pakistan free from controversies. The guidelines for doing this are already available in the landmark judgment of the Supreme Court of Pakistan.

DAWN, December 04, 2006

Laws for protecting small investors

THE recent crash of the stock markets was the third major jolt given to investor confidence in the country during the last two decades. The scandal of the cooperative societies had first rocked the small investors in Punjab in the early 1980s when thousands who has entrusted their funds to these societies, lost their life savings.

The Punjab government's cooperatives and finance departments whose job it was to regulate these societies were unable or unwilling to prevent these societies from violating their charter and acting as investment companies rather than as cooperative societies. Later on, thousands of these small investors had to run from pillar to post for a decade to retrieve some crumbs of their lost funds.

Emboldened by the plunder in Punjab in this manner, and realizing how unprotected the investors are, others turned their attention to Karachi in the second half of 1980s. Marketing the same wares under a new label of 'finance companies', thousands of small investors again lost their savings in the scandals of the finance companies. This time it happened under another watchdog— the State Bank of Pakistan whose duty it was to stop these 'finance companies' from conducting banking operations without submitting themselves to SBP's banking regulations and requirements.

And now the crash of the capital markets last March gobbled up billions of the savings made by thousands of investors under the watchful eye of another set of regulatory organizations— the stock exchanges and the Securities and Exchange Commission.

The regularity with which such scams keep recurring has damaged the already fragile investor confidence in our capital markets and has done no service to the image of the country- here as well as abroad.

There is a common thread running through these recurring scandals that have left the small investors totally unprotected. Various patchwork of attempts at redressing investor grievances through executive orders have not proved of much help because these keep missing the real target.

Without going into any blame game that has been flying around, the stock market crash can be seen from three perspectives: policy, regulatory and operational. For the purposes of this discussion, we will restrict ourselves to the legal and regulatory aspects of the crash.

Before we take up the issue of securities laws and regulations, it is necessary to underline the fact that the stock price movements do not fully reflect the true state of even the corporate finance of a company, much less its total performance. Therefore, it was disingenuous for some responsible people in the government to attribute this to the rising stock price movements, the non-existent quality of reflecting the economic performance of the whole country.! That this hype by high officials handicapped the regulators in terms of timely and effective action as KSE 100 index was ballooning beyond 8000 points is no consolation to thousands of investors who saw their savings melt away in the month of March.

Stock exchanges are self-regulatory organization (SROs) under the securities laws of the countries. They are required to create their code of conduct within the guidelines of the principal regulator and enforce these on their members on its behalf- in this case the SECP. Which does not mean that SEC itself is absolved of the responsibility of ensuring compliance with the securities laws and regulations through its own systems of monitoring and enforcement over these SROs.

Since money-making is why people play the market in the first place or not for any welfare purposes, market players are not likely to miss opportunities for profiting from every short term movement of the stocks. No wonder, one of them was still trying to lure more investors, just one day before the crash, by claiming that "only a superman could stop the KSE issue rising to 12000".

The responsibility for protecting the investors against market manipulations falls squarely on regulators. That is exactly why the securities laws and regulations exist as do the regulators, whose very raison d'etre lies in creating a regulatory environment to fulfil two fundamental responsibilities—- the integrity of capital markets and equal protection of investors.

Our practice, whenever investors have been taken for a ride, has, however been to rely on some general laws, executive orders or corporate laws to address investor complaints. No wonder, these have not worked. Our securities laws and regulations which are specifically meant for this purpose, have on the other hand, remained outdated, neglected, inadequate, and ineffective in ensuring the integrity of the markets and 'investor protection'.

The corporate laws all over the world are oriented towards the management side of the enterprise and rightly so. A corporate law framework exists to assist the management in the smooth running of the business and affairs of the companies. Even in the investment industry, the corporate law would look after the management side of the investment business and not the investor side of the business. Since the corporate laws are not meant to protect the interests of the investors, every developed market economy in the world relies on developed securities laws for this purpose.

Our securities laws (Ordinance 1969 along with its subsequent minor amendments) have remained outdated and out of sync with many developments in the securities industries over the years. These are vague or even silent on the important areas of securities including 'investor protection', equal treatment of all investors, disclosure requirements of all material facts and such others critical issues.

Incidentally, the SEC of Pakistan should also come out of the shadows of its predecessor - the Corporate Law Authority- and instead of still marketing all its activities under corporate laws as it now does on its website, it should, like all securities commissions, focus on the securities laws and regulations of the country which have been neglected and work towards enhancing their scope and effectiveness.

The central concern of all securities laws is 'investor protection". In order to achieve this objective, the SECs are

required to enforce two cardinal conditions in the capital markets: (1) 'Equal treatment' of all investors and (2) 'Disclosure' of all material facts for the information of all players to make 'informed investment decisions'. Failure to do so creates opaque and manipulative markets where the risk to investors, especially small investors- is extremely high.

As a matter of fact, as the daily turnover of shares at KSE crossed the one billion mark and market capitalization was nearing Rs3 trillion, it should have caused sleepless nights to the regulators seriously committed to enforcing these cardinal conditions in the market.

That our regulators have not been able to develop investor confidence in our capital markets is evident from the fact that for many years, the investor base has remained narrow— about one million— despite tens of millions of shares offloaded through the years of privatization of state enterprises. This lack of faith is also evident from the small number of companies listed on the stock exchanges.

The recent market crash should serve as a wake-up call for Pakistan to update its outdated and inadequate securities laws, curb abusive practices, enhance investor protection and help people to become good savers and investors in the economy.

It is good that Public Accounts Committee of the National Assembly is holding hearings into the recent crash of the stock markets. It should use the upcoming report of the task force on the subject for further deliberations. In the light of these, the PAC should finalize its recommendations in the shape of a draft bill to be submitted to the parliament to amend and update the securities laws, improve integrity of the capital markets and increase investor protection.

Only such reforms in the securities laws that strike a fair balance between the risks of investors and the responsibilities of those who take other peoples' money in the name of 'investment' will restore investor confidence and turn our stock exchanges into instruments for capital formation and industrialization of the country.

DAWN, July 4, 2005

Pitfalls of cash-and-carry privatisation

AT the outset, let us get our concepts clear. The sale of land, a factory or a business is disinvestment. If sale proceeds of this disinvestment are ploughed back into creating new income-generating assets, the second transaction would qualify as an investment.

But if the sale proceeds from disinvestment are paid to lenders to clear old debts and reduce trade deficit or are used for having good time globetrotting, then neither transaction qualifies as investment.

This is as true for individuals as it is for governments. Therefore, when publicly-owned enterprises in Pakistan are sold through an act of privatisation, that transaction is disinvestment. Now, the Privatisation Ordinance 2000 says that sale proceeds from privatisation would be applied 90 per cent for debt retirement and 10 per cent for poverty reduction, thus leaving nothing to be ploughed back into creating new income-generating assets.

That may be alright, since reducing debt and poverty are good objectives to pursue. But these goals do not have magic powers that could turn disinvestment into investment. Therefore, the Orwellian touch of labelling disinvestment as investment to jack up figures of foreign direct investment is not playing fair with the people of Pakistan.

But the issue is more serious than problems of creative accounting. The style of privatisation carried out in Pakistan resembles the cash-and-carry model with little effort going into critical areas that determine the success or failure of privatisation around the world — from the eligibility criteria for target selection

and bidders to new injections of capital and technology and future plans regarding production, exports and employment.

As privatisation details are not being placed before the Council of Common Interest (CCI) or parliament, there is no way that people can learn about the important aspects of these disinvestments and gauge whether or not their legitimate interests are being protected through sale transactions. All those associated with the privatisation of publicly-owned enterprises owe fiduciary duties under corporate law towards the owners of enterprises — in this case the people — and are required by law to fulfil their duties, subject to ex post facto judicial review.

Only two examples of privatisation have come under public scrutiny, although many others are often mentioned in the press. Last year, through the case of privatisation of Pakistan Steel Mills in the Supreme Court, people came to know how the privatisation of the state entity was riddled with "omissions and commissions" and the deal was carried out in "indecent haste".

This summer, the unending miseries inflicted upon the residents of Karachi, leading to power riots in some localities, have brought into focus the privatisation of KESC. Many are wishing that the privatisation of KESC was challenged in court like that of the Steel Mills. Showing rare unity of purpose, both the treasury and opposition members in Karachi's city government have passed a resolution asking for a judicial inquiry into all aspects of the KESC privatisation to examine if fiduciary duties falling upon the functionaries who conducted the sale were duly fulfilled.

The problems of KESC were well known and essentially included the big gap between the supply and demand of power and huge transmission and distribution losses. Its privatisation was supposed to solve these problems, or so the government told the people.What seems to have happened is that, without solving the problems, the government walked away with the cash from the sale of the utility, leaving millions of residents at the mercy of unaccountable and squabbling new owners/management who are telling consumers there would be no relief from their miseries for another five years.

Even those who have been in favour of privatisation of state-owned enterprises are wondering whether the ills exposed in these two privatisations are typical of several of the 160 units so

far privatised.

If an audit is conducted of the post-privatised fate of these units, apart from generating cash for the government, how many of these units would actually be found to have grown, expanded production and exports, reduced losses, improved efficiencies and service delivery with injections of new capital and technology?

Add to that the increasing momentum of dividend outflows from privatised units, and the economy may soon find itself up the creek, since several of these units are selling in domestic markets with no export earnings whatsoever.

The reasons why state-owned enterprises are privatised are not ideological but rational and economic. Inane and ideological slogans like "it is not the business of government to be in businesses" may be acceptable indulgence for marketing companies but do not sit well with policy discourse in governments that have important socio-economic responsibilities towards their citizens.

If Pakistan keeps conducting its privatisations on ideological grounds — as if publicly-owned enterprises are sinful and must quickly be got rid of by any and all means — it may well end up with results similar to another ideologically-driven exercise: privatisation in Russia.

Russian privatisation was used to sell off productive assets at throwaway prices or to give these to cronies of the government who instantly became billionaires. Several of them are now living abroad.

Ideologically driven Russian privatisation did not help expand production or improve efficiencies. Instead, the Russian economy shrank by about 30 per cent after being restructured through defective designing.

On the other hand, several publicly-owned companies after privatisation in China — like Haier now among the five biggest household electrical goods companies in the world — have grown tremendously by improving efficiencies of production and competitiveness in export markets.

There is another important reason why this cash-and-carry model needs to be urgently reviewed. Such a model is followed by cash-strapped countries in distress. They are drowning in debts and have no means of servicing these other than by selling off the family silver.

Inherent disadvantages lie in the cash-and-carry model since cash-strapped countries do not ask too many questions of prospective investors/buyers, as the purpose of the transaction is to raise cash for the country rather than expand and improve production of goods and services for the people. This seems to be the case with the KESC privatisation also.

But 9/11 changed the situation for Pakistan. Generous cash flows have been coming into the economy from aid flows, debt write-offs, waivers of sanctions, remittances from expatriates and diversion of Gulf investment. There is no reason for the government to still persist with the cash-and-carry model of privatisation now.

Government leaders have also been boasting of big reserves and surfeit of funds which have been tempting them to fund all kinds of grand activities including non-feasible projects. Therefore, the paradigm of a cash-strapped country selling its family silver to pay back its debt lost its validity for Pakistan after 9/11.

It is important for Pakistan to modify its privatisation policies before taking up further sale transactions. There is no reason to persist with its programme of disinvestment through the discredited cash-and-carry model of privatisation.

Let us also not forget that while the Chief Justice may have been made "non-functional", the judgment of the apex court on the privatisation of the Steel Mills is very much functional and lays down the law on the subject, even if the cash-and-carry model is pursued.

DAWN, June 30, 2007

Fiduciary duties in privatisation

THE widespread support for the Supreme Court decision on privatisation of the Pakistan Steel Mills (PSM) reflects the deep anxiety, even among supporters of privatisation, about the manner in which state-owned assets were being sold.

Although Pakistan is a common law country like the US and the UK where corporate and securities issues are driven by case law, this is the first time in over 150 privatisations that the Supreme Court has judicially reviewed such a transaction.

It turns out from the Supreme Court judgment that our statute-driven privatisation has several flaws and its practice has been riddled with violations of laws, rules and fiduciary obligations. Pakistan's corporations work under the fiduciary model of governance where the interests of shareholders (i.e. the people in state-owned enterprises) are represented on the board.

In such a model, judicial review, by courts — although ex post facto — provide an important remedy for corporate ailments. The absence of such a remedy had been a major cause of anxiety among people over certain privatisation cases and the court verdict, therefore, comes as a relief.

Because privatisation involves the sale of assets along with control over the corporation, it is an extraordinary event in the life of a corporation. It is the last chance for shareholders to realise control premium since henceforth they would have no ability to control the policies and working of the corporation which would now be managed according to the interests of the controlling shareholder.

That is why corporate law in developed countries like the US and the UK places the conduct of dealing parties under

"enhanced scrutiny" from the moment the decision to sell corporate assets is taken so that negative practices like self-dealing, violation of laws and fiduciary obligations are not adopted and shareholders are deprived of full benefits from this last chance.

The Supreme Court has highlighted this concern while referring to a World Bank report that "The government... has a fiduciary responsibility to its citizens when it privatises an asset." The Bank is actually advising that the same parameters for privatisation be followed in Pakistan in the sale of corporate assets as in other common law countries like the US and UK.

American corporate laws hold increasing sway over M&A (mergers and acquisitions) activities in European and Asian countries including Pakistan since the US is often the largest investor in these countries.

Within the US, the predominant corporate law that is also most friendly towards the management/ authorities is the Delaware general corporate law of the state of Delaware. That is why over 40 per cent of the companies listed on the NYSE and over 80 per cent of Fortune 500 corporations are all Delaware-registered corporations.

Yet, even Delaware corporate law imposes high standards of conduct upon the management and all parties dealing with the sale of corporate assets. In the US, while the black letter law of fiduciary duties of care and loyalty has long been established, enhanced scrutiny standards have been adopted in M&A transactions, through three landmark judgments by the Delaware supreme court in the Unocal, Van Gorkom and Revlon corporations cases.

Any doubts about conflict of interest situations were also dispelled in favour of securing the best price in sale transactions against any contractual obligations that reduced that price in another important judgment by the court of chancery of Delaware in Ace v. Capital Re Corporation (1999). The verdict held that "the public policy of ensuring directors' care and loyalty in significant corporate events such as mergers outweighs the protection of the acquirer's contractual rights."

Therefore, in declaring the sale of PSM "void and of no legal effect" in view of acts of "omission and commission" that adversely affected shareholders (people) from receiving the best

price, the Supreme Court judgment upheld the high standards of fiduciary duties towards the people that are also respected in other common law jurisdictions.

Leaving aside the important question of the Council of Common Interests' approval, the privatisation of PSM was also vitiated by violations of mandatory provisions of law and rules and non-compliance with fiduciary duties, specially those relating to three principal areas of privatisation: (a) prequalification of bidders, (b) valuation of the assets and (c) a level playing field i.e. not changing the terms of the deal to benefit one party.

Its social policy merits apart, Privatisation Ordinance 2000 sets debt retirement as the essential objective of privatisation in Pakistan.

This imposes a legal obligation on the players to secure the highest price for the enterprise — similar to what American corporate law calls Revlon duty i.e. not to be affected by any factor other than securing the highest price in sale transaction. Yet, as the judgment notes, several billions worth of "the incentives/ concessions were not advertised but extended to successful bidders."

We know that precision is not possible in valuation models and reliance on a single model is inadvisable. The valuation and marketing strategies adopted in privatisation have also been dented by the recent sale of 81 per cent of the shares of Union Bank (with 65 branches) for $431 million (equal to Rs25.8 billion) whereas 51 per cent shares of Habib Bank (with 1,425 branches in Pakistan and 48 abroad) were privatised in 2003 for Rs22.5 billion.

Normally the courts are not supposed to substitute their opinion in the conduct of business operations — the Business Judgment Rule (BJR) — or "in the policymaking domain of the executive". But as the Supreme Court has noted "if the decision of the authority betrays total disregard of the rules and the relevant material, then the said decision fails the test of reasonableness laid down by the constitutional court for the exercise of the power of judicial review."

The principal actors upon whom fiduciary duties devolve to meet these standards would include the board of directors of PSM, the Privatisation Commission, the Cabinet Committee on Privatisation (CCOP) as also valuers and their financial, legal, accounting and technical advisors whose discharge of fiduciary

duties are reflected in the judgment. They were all under 'Revlon duty' to secure the highest price for the asset being privatised.

It is troubling that although privatisations have been going on for 15 years, these omissions and commissions were not noticed internally and it took the Supreme Court to do the needful.

It is also troubling that while approving previous and some additional privatisations, the CCI did not address the flaws pointed out in the judgment and plugged these out of the system before proceeding with further privatisation. It would be relevant here to refer to para 82 of the judgment which says, "Apart from the illegality noted above viz complete violation of Rule 4 this unexplained haste casts reasonable doubt on the transparency of the whole exercise."

This decision will cause no obstacle to investment flows in Pakistan as some learned advocates argued before the court. The US is the largest investor abroad as well as the biggest destination of foreign investment flows and every serious investor is — or should be — familiar with the aforementioned and well-established practices of American corporate law. If anything, this judgment will help raise the quality of corporate law practice in Pakistan and set standards that are also respected and followed in other common law jurisdictions like the US and UK.

There is yet another reason why this decision is welcome. It has now set the standard of enhanced scrutiny for the sale of public assets and underlined the need for reviewing these judicially to see whether fiduciary duties have been duly fulfilled in privatisation transactions or if the disease that the court discovered in the PSM privatisation pervades the sale of other national assets as well.

DAWN, August 21, 2006

Human face of privatisation

TIME and again, the privatisation of state-owned enterprises has triggered criticism. The latest disinvestment of 75 per cent of public shares in the Pakistan Steel Mills has led to a barrage of complaints relating to the lack of transparency and the indecent haste with which the transaction was conducted. The Supreme Court has been approached on the matter.

This article takes up a more fundamental aspect of privatisation — the issue of social policy and how it contributes to the rising crescendo of complaints whenever a public enterprise is privatised.

Although it was not originally intended to be so, the privatisation process in Pakistan has been reduced to an accounting exercise in which assets are sold to pay off the huge debts incurred through various acts of omission and commission in our style of governance.

But that is too narrow an outlook with which to approach such a fundamentally important issue. Enough empirical data has now emerged to show that even such a narrow objective is not being achieved as debts and deficits keep mounting.

Despite selling off over 150 state-owned enterprises and collecting about Rs. 400 billion (over 75 per cent of these funds were raised during the last four years), the country's external debt that stood at $37.8 billion by end June 2001 has now gone up to over $39 billion.

From an accounting perspective, this is happening because we are not working towards balancing the two sides of the money equation. While it is easy to raise funds by selling off assets, it has been difficult for the government to control its extravagant and unproductive expenditure. Thus while we sell our assets to raise foreign currency resources to pay off national debts and deficits,

we also incur new ones — in the areas of trade, current accounts and budget — as a result of poor economic management.

Neither the income-generating capacity of our economy nor our manner of expenditure control is helping to balance the books. If the winds of change start blowing across the world, we could soon find ourselves up the creek. The rate at which we are going, we would soon have sold off most of our remaining state-owned assets, but still be carrying a huge debt and deficit burden. How do we then intend to finance our deficits and service the debts? Other things apart, where would the Pakistani rupee be in such a situation?

This should be extremely worrying for the nation, despite the rosy picture painted by government representatives. But privatisation is more than an exercise in accounting. Reducing it to an accounting exercise aggravates the problem. Some of the complaints about the operational aspects of privatisation appearing frequently in the national press arise from the inherent flaws in our 'auction-house' style of sale of assets.

Privatisation, despite the deceptive term, is every inch a public issue. The most important thing about privatisation from the public perspective is the ownership issue along with its psychological and political aspects. Reducing privatisation to an accounting exercise effectively excludes from consideration related economic, political and psychological aspects that constitute important public concerns. It should be no surprise then to hear public suspicions and resentment about the conduct of various transactions.

Former British prime minister, Margaret Thatcher, is acknowledged the world over as privatisation's successful initiator. She used privatisation not only to revive the sluggish British economy, but also to create widespread ownership of corporate assets by the people through what she called 'popular capitalism'. In the bargain, she injected efficiency into newly privatised enterprises and also got her privatisation programme accepted by a large body of the British public.

Privatisation through 'popular capitalism' in Pakistan was originally intended to address these psychological aspects of public ownership by selling 25 per cent of the stock of privatising companies to the people at 'discounted and non-commercial rates'. So that the benefits of this approach reached all citizens the

sale was to be made through post office branches available in every nook and corner of the country, besides the banks. The 26 per cent shares along with its management were to be sold to a 'strategic' investor, while the remaining 49 per cent government shares were to be sold off over time depending upon market conditions.

It would seem that in the privatisation of the Pakistan Steel Mills, the government has severely curtailed its own potential for future benefits and also foreclosed the citizens' prospects for benefiting from any post-privatisation improvements.

The current ' auction-house' practice with token sales of stock to people at commercial rates and through restricted banks is a far cry — quantitatively and qualitatively — from the social policy objectives to be achieved through 'popular capitalism'.

There are also strong economic arguments in support of the 'popular capitalism' approach over the 'auction-house' approach to privatisation. Several studies of corporate performance all over the world show that the widespread stock ownership of enterprise contributes positively to improved efficiency of operations. One of the reasons for higher efficiency and the aggressive pursuit of opportunities by American companies, as compared to Canadian, European and Japanese companies, lies in the wider dispersal of stock ownership of American companies. There is no economic merit in replacing one kind of monopoly with another through privatisation.

Therefore, it is important to ask what the purposes of privatisation are and what policy objectives should guide this exercise. Should social policy objectives also be reached through privatisation or should the latter be restricted to an accounting exercise?

Should all or some activities falling in the category of manufacturing, infrastructure, transportation, water supply, health, education, municipal functions, dispute settlement, security services, etc., currently performed by the government, be privatised? What about profitable and non-profitable, strategic and non-strategic enterprises? What criteria should determine the eligibility of a public enterprise for privatisation and for the 'strategic' investor to make a bid?

Again, should privatisation serve to widen the base of corporate ownership among the people? Finally, should the

proceeds of privatisation go towards helping the poor segments of society through improved education and skill development, besides being applied to servicing debts, financing trade deficits and buying bullet-proof cars?

Our answers to these fundamental questions of privatisation depends on our view of the role and responsibilities of the state in the provision of social and economic services to the people. It is here that a review is called for. Not against privatisation per se, but in laying a clear framework of multiple objectives that must be served by it. The performance of the programme must be independently evaluated according to this criterion.

This is important for an additional reason as well. The few remaining state-owned enterprises now comprise the energy assets of the country. With an energy crunch looming on the horizon, Pakistan will need to have important instruments at its disposal in this strategic region to enhance its energy security.

We often talk about the need for globalisation to acquire a human face. Let our privatisation also have a human face within the country. That is why it is important to pause and review the entire philosophy of privatisation in Pakistan. Future privatisation efforts must be geared towards this revised mandate.

DAWN, June 02, 2006

Globalisation: winners & losers

Whether globalization means re-entry of imperialism under a new label, or an efficiency-driven mantra for direct producer- consumer relations, it still remains the dominant game of our contemporary world. Whether we like it or not, the countries as well as the companies, are better off learning to use the globalization to their advantage and come out the winners in the game rather than be at its receiving end.

Pakistan is already up against the latest round of global competition as the $400 billion world trade in textiles and clothing has moved out of quota allocations and entered the WTO arena of global competition from January 1 of 2005. How will Pakistan fare in this global shake-up?

Looking at its many advantages in textiles, Pakistan is expected to increase its market share at the initial stages of this race. But the more important questions are: How big a winner will it be? Would the country be realizing the full potential of its many advantages and secure a big share of this $ 400 billion market? And, more worrisome, would Pakistan be able to consolidate its initial advantages and sustain a winning position in the face of competition from over 80 countries that will also be exerting for a bigger piece of the same pie?

Textiles have been in the vanguard of the industrial revolutions in many countries, and often been the first industry to be set up in most countries. As the countries have moved up through second, third and subsequent waves of industrialization, they have added synthetics/plastics, consumer electronics, engineering, information technology and other sectors as additional building blocks of their industrialization.

But Pakistan has largely remained a single-industry country which means that the risks of failure to optimize the benefits from the global opportunities in textile trade would send shockwaves throughout the economy. As the entire chain - from cotton production, to textiles to trading - affects the livelihood of a vast majority of the country's population, and generates about 70 per cent of its export earnings, this should be a matter of serious concern to everyone in the country.

The powerful forces of the current wave of globalization have already enveloped countries in different ways - not all of which are to their liking or of their choosing. In the overall index, Pakistan is more integrated on the consumption side of the global equation. It figures as a highly globalized country in cultural, information, travel, political, security and financial terms than, for instance, China, India and Malaysia. But on the production/ supply side of the global equation, Pakistan has low ranking and is placed way down along with Myanmar and Zimbabwe among the countries whose economies have not been very successful in producing for the global markets and benefit from the global outsourcing of jobs and opportunities.

In textiles, Pakistan has many natural advantages, and so far it is these that have been making major contribution to its global market share. Its land, water and climate combine to create the fourth largest producer of raw cotton in the world. But when this raw material is processed through its engineering, management and marketing systems, the country slides to eighth position in export earnings from textiles and further down to beyond 10th position in the higher value-added clothing sector.

The critical element in the downward slide in the value-addition chain is the widely prevailing low productivity of its enterprises. The numbers and the quality of human resources needed to achieve production efficiencies in textiles and other industries are still not being produced and trained by our education system.

Officials and spokespersons of every country are generally eager to claim high levels of efficiency and productivity. But, being a 'low cost, high quality' efficient producer of goods and services has meaning only in a competitive setting - how it fares in relation to the production efficiencies of other competing countries.

No one has given a better lesson to the world on 'productivity' than China which has become the manufacturing house for the whole world. Its production of 'low-cost, high-quality' goods has not only taken businesses and jobs out of the developed countries but even from many developing countries whose 'low-cost, low-quality' producers could not stand the competition from the Chinese enterprises.

Next door India has also put a similar gridlock on worldwide software services because of the productivity of its 'low-cost, high quality' services supplemented by its long traditions of English language and Anglo-Saxon laws. Its wealth generation from software services now accounts for more then 40 per cent of its total export earnings, all of which is man-made wealth produced by the quality of its human resources.

Of the many wonders of its productivity, one of the most impressive is how China has beaten even Mexico in supplying many industrial goods to the US market. Among the many benefits of Nafta (North American Free Trade Agreement of the US, Canada and Mexico), Mexico had counted a lot on its cheap and abundant labour and close proximity to the US to supply goods to that huge market. And it succeeded very well in attracting many US companies to invest in production facilities there.

But as the productivity of China's 'low-cost, high quality' manufacturing increased, not only the American but even many Mexican-owned companies wound up their operations and relocated these in China. Today these China-based enterprises are able to supply the US market with many products more competitively than those located just across the US border inside Mexico.

With such high levels of production efficiencies, the capital ceases to be a scarce resource as global flows of investment rush in to flood competitive enterprises. The eight to ten per cent annual growth rates of China and India as also of Singapore and Malaysia over the years, are largely financed by the heavy inflows of foreign investment attracted by the productivity of their enterprises.

For the big winners of globalization such as China and India, however, the future is looking even brighter than before. Projected into the future, their growth rates would take China's

current GDP of about two trillion dollars to $16 trillion and India's current GDP of $700 billion to about five trillion dollars by 2025. Most observers agree that by 2050 the six largest economies of the world would include only two from the current G-6 countries - the US and Japan - the other four in the Big Boys Club are expected to be China, India, Russia and Brazil.

Pakistan's traditional problem of the scarcity of capital could also be solved by increasing the productivity of its enterprises and creating an environment that makes the country in real sense an attractive destination for investment flows. It had in fact started on this track back in 1989 - two years before India did. It had opened its enterprises to foreign investment and competitiveness, and set up Board of Investment to provide help in developing new opportunities, increasing production efficiencies, joint venturing, technological transfers and creating a friendly environment for investment.

But the benefits of any good strategy could accrue only when it is sustained over the long term. This requires a broad-based consensus on essential policies among the main power brokers which unfortunately is more an exception than a rule in our governance. Because of policy somersaults, Pakistan's competitiveness as a country has declined and in 2003 it stood at 73 compared to Malaysia at 29, China at 44 and India at 56 according to a survey conducted by the Geneva-based World Economic Forum.

Consequently, the investment flows into the country have suffered, and instead of raising the FDI, has been on a downward slide. By the year ending June 2004, the country received only about $ 850 million of FDI even when the proceeds of the privatization were added. That is only 2/3 rd of the $ 1.2 billion of investment received in 1996, even without the proceeds of privatization.

Every industrial country and every seriously industrializing country in the world has had a separate and distinct organization to address the whole range of issues of industrialization from research to productivity to marketing. Pakistan continues to be one country that insists on trying to industrialize without creating a support system for it. No wonder, such half-baked attempts have produced poor results in terms of industrialization.

After over half a century, it still remains a single-industry country. In such a situation, while certain individuals are able to use their leverage with the governments and secure solution of their individual problems, the industrialization of the country as a whole is left without a god-father to address the collective issues and mobilize support for their solution.

A Confederation of Pakistan Industry (CPI) should therefore be created to provide an effective support system to industrialization in the country. Japan has had Keidanren, the UK has Confederation of British Industry (CBI), Korea has Federation of Korean Industry (FKI), India has Confederation of Indian Industry (CII), Italy has Confindustria and so and so forth with other countries. A CPI is not a replacement or a substitute for chambers of commerce and industry but an additional body with a more focused approach to tackle industry-related issues and improve the competitiveness of its enterprises.

Pakistan's narrow industrial base is also holding it back from successfully challenging the forces of globalization. With a population of 150 million, Pakistan has less than 50, 000 registered companies (public and private as well as local and foreign). As against this, Hong Kong, with a population of just seven million, has nearly 500,000, - ten times the companies that are doing business in Pakistan. The country needs to encourage new comers into industry and open up its very promising agro-based and IT sectors to usher in a new era of industrialization.

In fact, a large part of the $ 12 billion of funds which returned to Pakistan after 9/11 should have been guided towards investing into these and other productive sectors rather than into land speculation and current consumption, thereby pushing up inflationary pressures in the economy.

As globalization of textile trade sinks in, the textile industry is going to undergo a major restructuring in Pakistan. While the big industrial houses are well placed to use globalization to their advantage, many others will find the going too hard to handle.

There would be great many mergers and acquisitions in the industry to consolidate and improve efficiencies and these need to be conducted properly. The country also needs to update its corporate and securities laws to ensure that the interests of small investors and other stakeholders are not wiped out in the

ensuing M&A activity.

The natural advantages of Pakistan will help increase its market share in the early stages of globalization of trade in textiles and clothing. But if the productivity and competitiveness of its industries is not increased by a focused and effective institutional support system, the country runs the risk of seeing its early gains wiped off by tough competition from others in the global market place.

DAWN, February 7, 2005

Laws governing investment

RECENT developments indicate that the issues relating to law and practice of investment in Pakistan, especially the settlement of investment disputes, are acting as a disincentive for long term investment in the country. Giving a background of the concerns of investors, press reports have quoted from the summary of the Promotion and Protection of Investment Bill stating that as a consequence of various recent judicial decisions, notably by the Supreme Court in the Hubco and Kapco cases, the confidence of foreign investors in Pakistan's legal/judicial processes have been markedly weakened.

Faced with this problem, the government has now had a review of the legal framework relating to investment. As a first, step, it has taken away jurisdiction from the lower courts and given exclusive right of adjudication to the high courts over "all matters related to" the Foreign Private Investment Act of 1976. Other follow-up measures expected are the liberalization of the national law on arbitration (Act of 1940) and agreeing that hence-forth English law will be applicable in cases involving rights and obligations of the parties to an investment agreement in Pakistan. These will be decided through international arbitration held at a neutral place.

Even since Justice Munir and his brother judges (with Justice Cornelius dissenting) allowed the law to be trumped by their 'necessity', and the Speaker (Moulvi Tamizuddin) lost his case against the governor general (Ghulam Mohammad), the 'doctrine' has remained a dominant instrument of governance in Pakistan and in its many rein-carnations has ruled the roost in the country's chequered history.

Consequently, instead of power being distributed through the traditional arms of government executive, legislature and

judiciary, it has largely come to be concentrated in the executive. The legislative and judicial branches of the government have neither been able to protect the legitimate position of their own institutions in governance nor provide effective protection to citizens from the excesses of an overbearing top executive. Over the years, this has turned the executive, from being one of the three arms of government, into the government itself.

'How to govern the governments' that are beyond restraint by their national laws and institutions? In a globalized world, this is not only a problem faced by the citizens of many developing countries, it has also become an area of concern for the international community over a wide range of issues – from human rights and security considerations to trade, investment, economic development and other matters. In many cases, non-compliance with international standards involves heavy penalties to be paid by the country.

Sitting across the table during their talks in Islamabad in April 1997, the great Asian leader and a friend of Pakistan, Prime Minister Mahathir Mohammad of Malaysia spent a great deal of time explaining to his Pakistani counterpart how Malaysia had developed by making use of foreign investment and technology, asking Mr. Nawaz Sharif, then prime minister of Pakistan, to focus on harnessing resources for developing the economic potential, rather than as he told him to his face, "adopting revenge -seeking habits" in governance of the country.

But any advice to temper governance with moderation and in consonance with international standards was like talking to the deaf, as individuals and institutions, all the way up to the Supreme Court of the country, were made to bear the brunt of his singular pursuit of absolute power over all instruments of governance. If his favourite 15th amendment had been passed, Pakistan would have re-entered the age of medieval autocracy.

While the 'natives' have no recourse to anything other than their national laws and institutions for redress of their grievances against an overbearing executive, the foreign investors have other avenues of relief and redress available to them. They rely increasingly on international treaties and conventions to guide and regulate the conduct of the governments of the host countries.

Pakistan's move towards becoming an attractive

destination for investment flows suffered severe blow under the Nawaz Sharif regime when the governance was turned into an instrument for settling scores with real and imaginary opponents. Investment flows in those days dropped to one-fourth of their previous levels __ from over one billion dollars a year to less than three hundred millions. Repairing the damage has neither been easy nor without heavy penalties being paid by the country to compensate for the overbearing attitude of its top executive. Already tens of millions of dollars have been paid in penalties to the aggrieved foreign parties by way of settling investment disputes, and claims of another $850 million against Pakistan are still pending.

Investment disputes are unique in the sense that these are usually disputes between a private party and sovereign state. And devising a balanced, impartial and independent system for settlement of investment disputes between a sovereign state (host country) and a private party (investor) has been a difficult proposition. A consensus was finally reached in 1967 in the Washington Convention for the settlement of investment disputes. Sponsored by the World Bank, which created a mechanism under the International Centre for Settlement of Investment Disputes (ICSID) that combines international arbitration of investment disputes with the enforcement of the awards __ all under one roof.

The delicate balance between a sovereign state and a private party is arrived at when the investor (and the developed country) forgoes his diplomatic pursuit for protection of investment, and the host country forgoes part of its sovereignty and agrees to be sued under the rules of international arbitration. While the developed countries had argued for international law to be applicable, the developing countries secured recognition that the law of the host country will be the applicable law, alongwith the principles of international law, in the absence of the party autonomy. This compromise was meant to strike a balance: encouraging foreign investment flows into developing countries while protecting these against the vagaries of the host country's law and institutions.

As long as the governance of the host country was guided by due process of law and its dispute settlement system was impartial, this compromise worked satisfactorily and there were no grounds to change this balance, although debates and

discussions for 'delocalization' continued at various forums. But, the idea of lex mercatoria, which had lost ground for centuries after the Middle Ages, received a new lease of life from the increasing frequency of the actions of over bearing governments and the investor community redoubled their efforts to seek protection against an unpredictable and politicized system of decision-making.

In its modern reincarnation, lex mercatoria now calls for 'delocalization' of the substantive law to be applied by international arbitral tribunals. Although, amending and liberalizing our Arbitration Act of 1940 or the adoption of UNCITRAL Model Law on Arbitration would reduce the risk, the investors are counting on the new and modified version of Bilateral Investment Treaties (bit) as the principal instrument for protection against vagaries of government policies and for putting dispute settlement effectively beyond the national legal system.

These BITs, which have rapidly increased during the last 8-10 years and numbered over 2000 by the end of 2004, are the heart and soul of the new levels of investment protection and settlement of investment disputes. These new BITs contain many provisions that enlarge the traditional definitions and scope of several critical concepts like investment, protection of investments, fair and equal treatment, corporate nationality, compensation, repatriation of profits and other such measures, and are creating a whole new system of international law on investment.

Traditionally, investment agreements (IA) between parties used to determine the choice of law by the consent of the parties __ the principle of party autonomy __ and in is absence, the national legislation determining the applicable law. But under the new investment law, in the event of the existence of an IA and a BIT, when it becomes a case of one contract and two dispute resolution mechanisms, the one agreed to under the bit is more likely to determine the applicable law for the settlement of investment dispute.

Neither does the absence of a specific arbitration clause in an investment agreement any longer constitute a bar for neither party to seek international arbitration of their dispute, exclusively BIT on the basis of a between their two countries. Nor would such arbitrations have to wait for the mediation, negotiations or other steps to be tried before recourse to it is taken by either party.

These and many other developments are now redefining the international law on investment through bilateral investment treaties. There are no uniform standards for such treaties and they vary in scope, contents, definitions and other critical aspects, including issues relating to settlement of investment disputes. It is a matter of negotiations between the parties that determines the final shape of a bilateral treaty. As Pakistan is now entering into negotiations for a bilateral investment treaty with the USA, many other developed countries with whom Pakistan had earlier signed bilateral investment treaties, are also watching this process to see if a case could be made for reopening their old BITs under the 'level playing field' argument.

DAWN, June 01, 2005

Corporate governance and global challenges

THREE great ideas came together to invent modern corporation. The idea of an artificial person for aggregation of capital; the idea of limited liability of subscribers to this capital (the shareholders), and the idea of the transferability of subscriptions (shares).

A corporation is therefore, first and foremost, a mechanism for solving problems encountered in raising large pools of capital. And it was invented to meet the requirements of industrial revolution, since high volume, mass production of goods, now made possible, could not be realized by the medieval style mom-and-pop shops, single family businesses, or partnerships. These are sub-optimal enterprises and ill-equipped to seize the opportunities opened up by industrial revolution.

They are even less so in meeting the challenges of globalized economy. As the national boundaries have eroded and the size of the markets has grown to global dimensions, the capital requirements to sustain economies of scale and the range and sophistication of skills needed to produce competitively for open global markets have also increased. On top of these, the old luxuries of protected national markets are evaporating as is the leverage of national governments to erect high barriers against entry of others players into the domestic market.

This is the environment that Pakistan's corporate sector is facing. It can not afford to avoid or procrastinate on its growth. If it does not grow, it would not stay competitive for long. But it can not rely for growth on the old model of slow and protected growth. Since the distinction between the domestic and foreign markets has seized to have any significant meaning in this

environment, their success in foreign markets would largely depend upon their success in holding their share in domestic market.

This then defines the challenge for corporate governance. If the markets are open as they now are; if your competitors are growing as they certainly are; if the differences between the domestic and foreign markets are eroding as they obviously are; then if your enterprise is not growing, you risk loosing your domestic market share before you hope to win any foreign markets.

And if there is no quick turnaround in its production efficiencies, the enterprise would see its cost of capital rising and its market share declining. If this persists for sometime, the enterprise may be staring at the wrong end of the market and be on the list of endangered species.

Irrespective of the corporate philosophy followed- maximizing the shareholder value; the stakeholder value; the enterprise value; or value to the society as a whole, the fundamental fact remains that corporate governance is an economic function and a value maximizing activity. Its first responsibility lies in understanding the challenges of the environment in which the enterprise as well as the industry are operating and in efficient management of its resources- capital and human- to successfully meet these challenges.

Although it is conventionally seen as managing the 'agency problem', corporate governance can not be reduced to merely an instrument of control. Nor can it be reduced to merely being a corporate finance function and gearing up of earnings on the stock market. And it is also more than just a legal framework of rules to regulate relationships among various players.

The business environment comprises of a variety of elements. Corporate governance can perform its functions well only when it can successfully handle these elements- both internal and external capable of influencing the range of variables in that environment.

Of course, a competent management and oversight and monitoring by a good and knowledgeable board of directors is the fundamental and critically important step towards governance of a corporation. And independent directors are meant to inject new ideas, skills and approaches into the fabric of governance.

So also are the committees for monitoring the critical functions of audit, compensation and executive search headed by independent directors. But all over the world, there are recognized limitations to what these internal instruments of governance could achieve.

The Board of Directors of a corporation is a team-management function. And independent directors could not be turned into opponent directors, nor the board rooms be turned into war rooms. That would make the whole exercise just as counterproductive as filling up the slots on the Board with near, dear or beholden ones.

Similarly, high hopes associated with institutional investors for trail blazing qualities in improving corporate governance are over pitched and unrealistic; going by the worldwide experience of involvement of institutional investors in corporate governance. To put it briefly, the 'glass house' characteristics of institutional investors put severe limitations upon the efficacy of one agent monitoring the performance of another agent.

That is why these instruments of governance have to be supplemented by external instruments to achieve value maximizing corporate performance. In Pakistan, some of the important external instruments like well developed and credible capital markets, a sophisticated and efficient system of corporate and securities laws as well as independent financial press are still not developed enough to make effective contributions to corporate performance.

For a number of reasons, however, the corporate sector here has largely relied upon bank credits rather than equity markets to finance growth, despite the built-in handicaps of the former against entrepreneurial drive and achievement of strategic objectives. It was understandable in the early years of industrialization in the country during 1960s, when the capital market was in its infancy. Its continuance as a dominant model of growth even after decades of development has not helped much-either in enhancing the competitiveness of corporate sector or industrialization of the country.

The graveyard of over 4000 'sick industries' strewn across the country is evidence of the weaknesses of a model of corporate growth with narrow equity base and the risk being passed on to

the nationalized banking. Since 1980, when the first bank loan was completely written off in the favour of a 'sick industrial unit', this practice, according to various reports, has eaten away over Rs250 billions of depositors' money given as bank loans and written off, during these 25 years.

Normally, market forces are supposed to work out appropriate solutions to bad management or poor governance practices and if additional resources are needed to be pumped, these are required to be repaid when better times come or the management tides over the lean period.

Therefore, Pakistan's own history of corporatization/ industrialization also throws up some very important lessons. A narrow equity base even when it succeeded in industrialization as it did during 1960s invited criticism and jealousies which led to radical changes in the structure and governance of corporations. Equally important, when a similar corporate structure failed as it did during the 1980s and 1990s with 'sick industrial units' all over the country, it invited even more criticism.

It should also be appreciated that by widening the equity base of the corporations, not only is the corporation meeting its very raison d'etre, it would also enable it to incorporate the badly needed comparative advantages of many other corporate players. Absent these two qualities, the corporate structure would find the going very tough indeed. It would not be able to create the critical mass necessary to acquire the ever expanding economies of scale necessary for meeting the global challenges. From public policy perspective, such a model of corporate growth would also help in strengthening corporate sector within the political economy and bring it rich strategic dividends.

Such a vision of the corporate sector is also important for the success of industrial revolution in Pakistan. In the globalized economy, the larger the market, the greater the range and sophistication of skills needed to succeed. Just as the medieval business model could not compete against the forces of industrial revolution, the old industrial model of protected growth within national boundaries has very little chance of succeeding in the globalized economy.

Corporate governance and corporate performance have a long way to travel in Pakistan. This would be helped by a corporate structure that turns corporation into an efficient

instrument of high volume production and growth. And the full range of the objectives of corporate governance can only be achieved by developing both instruments of corporate governance - internal as well as external- and by a system of relationships for them to work in tandem with each other.

The requirements for what it takes to succeed in the globalized economy, as indicated earlier, have grown higher and become more urgent. The government must facilitate, in the growth of efficient structures of governance to help our corporations successfully face the challenges of globalized economy.

But ultimately, our corporate sector would have to do the real job itself, for they would also be its most beneficiaries.

DAWN – August 29, 2005

Lollipops are no solutions

THE rising oil prices and the post- 9/11 environment, coupled with the success of the industrial revolution now unfolding in major parts of Asia, have been pushing increasingly large investment flows towards Asian markets. Within last month alone six billion dollars were invested in stocks of just six Asian countries even when excluding major markets like Japan, Hong Kong and Singapore. All indications are that this rising trend is likely to continue in the future.

Although our markets have also been benefiting from the surge in liquidity of Asian markets, Pakistan is still on the periphery of these flows. Since the money is footloose in this seamless world of global finance, it would only strike deep roots here when our capital market develops the reputation as an efficient vehicle for transferring savings into investment.

So, how prepared are our institutions to turn Pakistan into a destination receiving substantial flows from the flood of investment funds going into Asian markets? The 'environment' in the world of investment is largely determined by the health and credibility of institutions dealing with it. What matters in the minds of investors committing large funds into any market, besides its potential for growth, is to find answers to the questions like: What guides the working of the institutions dealing with investment – the laws or the changing exigencies of individuals? And how predictable is the behavior of the institutions in dealing with their areas of responsibilities?

For sometime now, our capital markets have been a cause for concern for many, especially since the crash last March. Funds for our capital markets are currently being generated by the many factors indicated above including the high growth rates of the domestic economy. Various reports appearing in the wake of the

March crash, including the Taskforce, have indicated that a large part of the problems of March could be attributed to too much liquidity chasing too few products, specially the nexus created around Badla financing.

But what bout our markets being open, fair and efficient instruments for transferring funds into investment in the country? One of the fundamental purposes of capital markets is to act as an efficient vehicle for flow of dunds – transferring savings into investment – domestic as well as foreign. More specifically, to channel funds into the securities of more efficient industries and out of the less efficient and losing ones.

An efficient capital market is supposed to protect the investors from paying more than the fair value of stocks when buying, and also in receiving fair value when selling the stocks. The fairness of the market requires that the expectations of gains by the investors are guided by the principle of 'Profit based on performance' – whether actual or potential – of the companies. And the openness of the market in information, operations and accessibility is meant to give confidence to investors.

In a 'buyers beware' market, there cannot be too much emphasis on the continuing need for full and prompt flow of information to all as also on the public/investor education programmes run by the regulators to demystify stock market operations and enable investors to make 'informed' investment decisions.

How does the reality relate to these requirements? The Taskforce and other reports give ample indications about the weakness afflicting the market. A stock market where trading is largely restricted to people on its premises, cannot claim to be open and accessible to all investors. And a market where 90 per cent of trading value is confined to less than five per cent of its listed companies, cannot be an efficient channel for flow of funds into investment opportunities.

Or do we understand that out of the nearly 700 companies listed on the exchange, there are no more than 30 entities that are rated fist class enough to attract big investor interest?

Coming back to the crash of capital markets, the Taskforce has listed several abusive practices that have been taking place in the market, including insider trading, wash trading demand and price manipulations, ghost buyers and sellers, selective relaxation

of rules and many situations of conflict of interest, etc.

However the litmus test would come when these abuses are tested against the security laws of the country to see if these practices are anything more than some smart fellows exploiting loopholes of our archaic laws? It would then become clear that many of the operational abuses, talked about in various reports, have been nurtured over time by the vague generalities and loopholes embedded in our outdated security laws. These and other abusive practices have also been appearing and taking their toll of investor confidence in the earlier 'investment' schemes of the cooperative societies, finance companies, forex associations and others. Against the backdrop of the recent market crash, the weaknesses of the regulators have also come under the microscope. Some of their inadequacies seem to be arising out of the conflict of interest situations inherent in the structure and management of institutions.

Again, without belittling this issue, it needs to be realized that the regulators derive their strength and authority from the investment/security laws. And it is a moot point to see how far their weaknesses are rooted in the weak, ineffective and outdated security laws of the country.

What this tells us is that any attempt to rectify the abusive operational practices and creating a fair, open and efficient security market outside the framework of security laws will be a fruitless pursuit. That is why it is so important to go back to the basics of the laws on investment again and again to continually weed out bad practices. While many developed markets keep regularly updating their security laws for this purpose – some even totally revamping them every 20-25 years – we have largely remained stuck with our outdated, inadequate and inefficient security laws since their inception 35 years ago.

Whenever the inadequacies of our security laws have nurtured abusive practices, our approach in the past has generally been to wait for a bunch of sufferers to cry foul after they have lost their shirts, and then give them some lollipops in the shape of some relief measures to calm them down without getting into the underlying causes embedded in basic laws that give rise to these abuses in the first place.

Although the regulatory issues were included among the terms of reference of the Taskforce, it has generally focused on the

policy and operational issues of the market in the report it has produced, perhaps because of the limitations it has mentioned.

However, if the compass of the basic law on investment were to guide our search for solutions, it would help us understand better why repeated weakening of investor confidence has been occurring with impunity under various labels. It would also become clear that we cannot have efficient capital market operations without having efficient investment laws.

Simply put, if the markets have not been functioning well, a major part of the answer lies in the weaknesses, lapes and loopholes in the laws that govern the functioning of the markets. And when we try and update our archaic security laws, the guiding principle of such an exercise shold be to define the success of the capital markets in terms larger than the success of those physically pepresent and occupying positions of influence and author it in the bourses and related institutions. The success of the capital market must include the success and protection of the interests of third-party players, small investors, strangers and individuals and institutions that commit their resources to market operations while living and working far away from the premises of the bourses.

The standing committees of the National Assembly looking into the crash of capital needed – in revamping and enacting an updated version of the security laws. Only then would investor protection be properly enshrined in our investment laws and the capital markets become a real engine of economic growth for the country. From the public policy perspective, as the success of the capital markets acquires wider meaning to include various stakeholders, their claim on national resources and policy support would also be justified.

A fair balance in the relationship among various market players – regulators, management, stock brokers and dealers in other kinds of investments and the investors themselves – must be guided by the compass of an updated and efficient system of security laws, and not by any lollipops of quick-fix solutions. Or else when the next bubble bursts (real estate?), the small investors might see déjà vu all over again.

The News, 2005

A welcome judgment

The Supreme Court judgment on the Rental Power Projects (RPPs) has helped set the ground for fair investment practices in Pakistan. The landmark judgment on the RPPs has given a clarion call to all that while Pakistan is open to business and welcomes investment in almost all spheres of activities, it is not a banana republic of the investment world, but a mature, dependable and profitable destination for fair investments.

Dependable and profitable destination for investment? Yes, there are several foreign companies doing profitable business in Pakistan for decades. Some earn profits in the range of nearly 1000 percent and nobody grudges them, so long as they are adopting fair businesses practices in their operations.

But Pakistan should not become a place for fly-by-night-operators, to dump rickety old equipment, charge an arm and a leg, violet internationally respected investment laws as well as domestic laws of the country, and still not deliver on their contracts.

Nor should it carry an unsavoury reputation of a place where fiduciary duties are violated with impunity by the 'agents' who owe duties of care and loyalty to the principals-shareholders or citizens as the case may be.

Also, let no one put a spin on this judgment to say it would be deterrent to genuine investment flows into the country, because it is not. Well before this judgment came, the State Bank had been reporting declining FDI flows for the last few years. The reasons for the decline are partly law and order issues as well as our inability to do the required homework and highlight market investment opportunities to genuine investors, instead of running after the middle-men and commission agents in the field.

This judgment would be welcomed by genuine and

reputed investors every-where in the world. All such investors are already aware of the fundamental principles of internationally respected investment laws underlying the judgment on the RPPs and they would not like to have the good name of their companies sullied by unsavoury and shadowy business practices.

Pakistan is a common-law country like the US and the UK, where corporate and investment issued are driven by the case law. A common law jurisdiction works under fiduciary model of governance where judicial review by courts is a major remedy against unfair practices and violations of duties of care and loyalty, by 'agents' who act on behalf of the owners/shareholders in a private company and citizens in a government/publicly owned entity like Pakistan Steel Mills or electricity consumers of the RPPs.

The Supreme Court landmark judgment on the Pakistan Steel Mills (PSM) was the first major transaction judicially reviewed and the RPP judgment is the second in the line. How often people in Karachi, suffering from repeated power outages and failed promises, have wished that the KESC's privatization was also subjected to judicial review to find out if the 'agents' fulfilled their fiduciary duties of care and loyalty to the people while approving that transaction? Now it appears from press reports that PTCL privatization also failed to fulfil fiduciary duties.

Many more case laws would be needed, since complaints about the violation of fiduciary duties by political and administrative functionaries have been frequently appearing in the media, including privatization deals, telecom deals, transactions by the Pakistan Railways, PIA, bulk purchases of billions worth of goods by public agencies and others. Increased case law would not only act as deterrent against shady transactions, it would close grey areas in statutes by laying down guidelines for improved conduct in future business transactions – both by private and public entities.

Since the us has been the largest investor abroad including in Pakistan, American corporate and investment laws hold sway over investment transactions of European and Asian countries and every serious investor is familiar with the well established principles and practices of American corporate law.

Some of the landmark judgments of American courts

support the principles enunciated in the RPP judgment of our Supreme Court. Within the US, the predominant corporate law is the Delaware General Corporate Law of the state of Delaware, since over 40 percent of the companies listed on the NYSE and over 80 percent of Fortune 500 corporations are all Delaware-registered corporations.

In the US, the black letter law of fiduciary duties of care and loyalty has long been established in the normal conduct of 'agent-principal' relations in business. However, as soon as any buying or selling transaction is envisaged, 'enhanced scrutiny' standards are enforced upon the conduct of the 'agents'. This higher standard of integrity has been established through three landmark judgments of Delaware Supreme Court in Unocal, Van Gorkom and Revlon corporation cases, whenever 'agents' enter into buying or selling transactions of behalf of the 'principals'- to ensure that the highest price is secured while selling an asset (eg the PSM case) and the lowest competitive price is paid while buying (eg electricity in the RPP case).

Do the fiduciary duties towards principals (shareholders in a private company or citizens in a government entity) supersede any contractual obligations entered into by the 'agents' with the third parties? And what if there is conflict between the two sets of obligations? Any lingering doubts on this question were laid to rest by the Court of Chancery of Delaware in Ace v. Capital Re Corporation (1999) with its verdict that 'the public policy of ensuring directors' (duties of) care and loyalty …… out weights the protection of acquirer's contractual rights".

In its judgment, while cancelling the PSM sale, the Supreme Court had observed that several billion worth of "the incentives/concessions were not advertised but extended to successful bidders." Almost identical failure of fiduciary duties occurred in the RPP cases, when the concessions of down-payments were doubled from 7 percent to 14 percent to bidders without inviting fresh tenders. ADB found this practice to be illegal and against fair competition and the Supreme Court declared it violative of articles 9 and 24 of the Constitution (fundamental rights) as well as Section 7 of the Power Act 1997.

Our privatizations and RPPs have been statute driven which by themselves contain design flaws. As the Supreme Court judgments in PSM and RPPs have shown, their practice has

further been riddled with violations of laws, rules and fiduciary obligations by the agents in charge of these transactions.

The record presented before the court showed that 'enhanced concessions' were given to rpp transactions instead of subjecting these to 'enhanced scrutiny'. Such self-inflicted wounds are another reason why this Supreme Court Judgement is welcome as it sends clear signal to all that Pakistan would apply 'enhanced scrutiny' standards over all 'agents' – political and administrative functionaries – when they carry out business related transactions on behalf of the people of Pakistan.

The News June 2012

Economic challenges for new government

In the post 9/11 world, Pakistan received generous inflows of external resources. The economy recorded a good average of 7% growth in gdp between 2003-'07 powered largely by these external inflows: earning of foreigners coming into the country as foreign aid and assistance, loans and investment and remittances by Pakistanis working in foreign economies.

But the management of the economy over these years has also produced large fiscal deficits, recreated huge debt burdens, highest trade deficit in the country's history, double digit inflation, and deep and widening disparities between people. These economic imbalances are causing severe social problems to a large majority of people across the country and there is enough evidence to show that several public policy choices and resource allocation decisions taken were not rational and economically efficient but largely influenced by considerations other than economic merits.

The economic management inflows and policy support went into the faour of speculative enterprises that are programmed to yield windfall profits to those who have access to inside information and can influence decision making rather than help those who create wealth and value by working to expand production and improve productivity of real economy.

These policy choices reminded many of the observations of Marx as he spoke of the rotten state of governance in mid-nineteenth century Europe when the government was reduced to being the "executive committee of the ruling classes to advance their own interests". Deep pockets of poverty and unemployment ernment programmes bypassed those who had no influence on

decision making nor were they privy to insider information. There are millions who have seen no change in their fate and fortune for three generations as opportunities have kept bypassing them. This speaks volumes of the consequences of unresponsive and unaccountable economic and political governance.

On the other hand, an example of use or misuse of public resources was provided by a recent report in this newspaper which spoke of Rs. 125 billion of the public money being written-off as loans over the last six years (2000-'06) whereas in previous fourteen years (1985-99), only Rs. 30 billions were written off. Most of these loan write-offs, according to this report, have been done without the necessary restructuring and rectification of the causes of mismanagement and some even against, the relevant laws on the subject. The government that is stingy with small subsidies for the poor but generous with large write-offs of public money for the well-oiled is both economically inefficient and socially disruptive of the polity.

And before we complain of high international oil prices over which we have little control, we should question the policies of the government that could not interpret the consequences for Pakistan of the global moves being made on energy chessboard and take corrective measures during eight years for reducing country's dependence upon imported energy in power generation and transportation. These policy choices are ours to make. By not taking these, we have increased vulnerability of the economy to external shocks and the country has also been pushed into a corner where its oil import bill eats away over half of the country's meager exports earnings.

Pretty soon, heavy debt service liabilities would sponge off a big chunk of national income also. Between oil, import bills, ballooning debt servicing burdens and rising dividend outflows of privatized units, there would be little left for meeting critical needs of the people actually living in the country – food, medicine, defence, industrial equipment, raw materials and others. Pressures would mount on the currency as well. A difficult legacy from mismanaged economy has been left behind for the new government to carry.

While conducting its privatization programme, the previous government failed to make the crucial difference between cash and investment. Sale of state owned enterprises

through privatization was used mainly to generate cash flows for current expenditure needs rather than using privatization as an instrument that brings in investment capital, new technologies, improved productivity new R&D, widen the industrial base of the country and help expand market share of our products in foreign markets and increase export earnings. Instead, Pakistan would be hard put to find the additional foreign exchange to pay dividend and capital outflow liabilities incurred through its privatization programme which was not even designed as an investment vehicle to achieve the aforementioned objectives.

The easy money following in the post 9/11 scenario was also not turned into investment flows channeled in to productive sectors to create new wealth and value in the domestic economy. That required good home work and understanding of the characteristics of investment. Instead, these resource in-flows were captured at the entry points and diverted towards speculative enterprises and services. If and when external environment changes, as it bound to Pakistan's domestic economy would find it difficult to meet several obligation and sustain levels of consumption and services. Already some banks have stopped certain services as large scale defaults have started. People on the margins lured into consumptive style by liberalized credit for imported goodies are finding it difficult to meet their obligations in the face of inflation and others pressures.

Like troubles, these economics challenges also come to new government along with several other challenges. There are foreign policy challenges, constitutional and judicial issue, food and energy shortages and others. But most of all is the challenges of restoring faith and confidence of people in the governance. The fundamental challenge created in the last few years is the crisis of confidence in the governance of the state where ordinary and law abiding majority of this country who wield neither sticks nor guns, are neither cronies nor confidantes can look up to the governance of their state to be fair and responsive to their basic human needs? And if the governance persists with being partisan, inefficient, wasteful or worse; can it be held to account?

The consequences of missed opportunities and poor governance over these years would continue to cast long shadows on the people's wellbeing and create increased pressures on the

future government. The new government would now have to pick up these pieces and work for restoring confidence of people in governance itself. Along the way, it would be called upon to address economic and other challenges calling for urgent solutions.

There are no easy solutions, however. The good news is that the political parties receiving 70% of vote from across the country-PPP and PML-N- have agreed to work together on delivering stable democracy to Pakistanis. And stable economy helps bring stability in democracy also.

Both also require that the already over- centralized and less than efficient governance in Islamabad should not be burdened further in the name of reforms and most of the functions and personnel be sent down to the provinces. The issue of decentralization and provincial autonomy under 1973 Constitution should be treated as part of any reform agenda which would further improve the quality of economic and political governance.

Both need this broad domestic consensus for internal as well as international goodwill. There would also be generous democracy dividend from the international community if they continue to work together for the next five years. That would help Pakistan turn the corner and be firmly on the road to a stable democracy and prosperous and people friendly economy.

The News, March 2008.

Relinquishing dependency

As Imran Khan-led PTI government prepares to take charge of the country, it is likely to face several challenges. Although many will need to be addressed in the short to medium-term, the one challenge that will require earliest attention relates to grounding the economy with reckless abandon.

During the last five years, fiscal deficit pushed up from four percent of GDP to 10 percent, and now three-fourth of our GDP carries debt liabilities. In fiscal 2107-18, with meagre export earnings, Pakistan recorded the largest trade deficit of $32 billion. Among the twin deficits – fiscal and current account – the latter requires urgent attention.

Some are making dire predictions that the new government will be forced to seek a bailout and has no option but to walk into the arms of the IMF for the next few years. Not necessarily so, especially considering what the IMF's largest shareholder conveyed through its secretary of state, Mike Pompeo.

Several alternatives have also been talked about – seeking bilateral assistance from friendly countries, especially China and Saudi Arabia; setting up an Islamic banking facility that would attract large inflows of FDI; privatising public-sector dinosaurs like PIA and PSM; aiming for higher inflows of home remittances and getting the Pakistani diaspora to invest in the country.

All these measures will help our current situation besides plugging smuggling and tax evasion. Taking these measures will be like doing what the IMF does without the IMF. However, keeping in view the internal and external environment, it remains for the government to see whether it will need to go to the IMF, and if so, under what terms and conditions.

It may be useful here to share first-hand knowledge of a

couple of important events that are directly related to the discussions currently being held on this subject.

Pakistan had entered into an agreement with the IMF in 1988 to tide over its balance of payment problem. The same year, Jordan had also entered into a similar agreement with the IMF. In July 1990, then prime minister Benazir Bhutto paid an official visit to Jordan, where the implementation of the IMF agreement had caused some problems.

I wanted our prime minister to hear for herself the assessment of the Jordanian government about the experience they had with the agreement. During official talks with then prime minster of Jordan, I passed on a note to her to ask the Jordanian prime minster about his opinion of the agreement. When she raised the point, there was pin-drop silence from the other side. The Jordanian prime minister first looked right and left at his colleagues and then burst out laughing.

Quickly recovering, the Jordanian prime minister said "prime minister, if you ask me, I would say I am very happy that this agreement was signed. You see, the agreement was actually signed by my predecessor. During its implementation, there were disturbances in Amman and other cities. As these disturbances continued for several days and turned into riots in some places, King Hussain dismissed that government and invited me to form a new government. That is why I said I am happy that this agreement was signed. Otherwise, I would not be sitting here in front of you as the prime minister of Jordan".

The purpose of referring to this meeting is not to say that all agreements with the IMF lead to such consequences, but to keep our eyes wide open during any negotiations. Several countries, including Pakistan, have entered into agreements with the IMF without witnessing such consequences, and have also benefitted when severe conditions were not attached with the agreement.

Having mentioned conditions, let me pen another experience related to Pakistan and the IMF's conditions. Pakistan's 1988 agreement with the IMF – signed by the then outgoing government, barely a week before Benazir Bhutto's oath-taking – had some very harsh conditions incorporated in it. The conventional wisdom of both Pakistani and IMF pundits was that, once approved by the IMF board, the conditions could not be

amended however harsh they might be.

But there came an occasion when this conventional wisdom was disproved. In February 1989, several world leaders had arrived in Tokyo for the funeral of Emperor Hirohito. These leaders included prime minister Benazir Bhutto and Michel Camdessus, the then managing director of the IMF.

In a short meeting held between the two on the sidelines of the main event, BB raised the issue of the 1988 agreement's harsh conditions, and how they were adversely affecting some of her priority areas of development. Camdessus asked her which particular conditions she considered harsh. On their identification, he showed grace and immediately agreed to withdraw these conditions and amend the agreement. This later provided substantial relief to the government.

I am narrating these facts because after Benazir Bhutto, it is Imran Khan who may be able to bring some charisma to the office of the prime minister, and who may articulate our national narrative with confidence at international gatherings. His reforms agenda is also in sync with the priorities of several developed countries and multilateral organisations which can go an extra mile to help him deliver benefits to the people of Pakistan.

Coming back to the fundamental issue of why we keep going back to the IMF while some other countries, which were earlier in the same boat as us, have done away with this dependency. The forex reserves of these countries have grown due to the strength of booming exports; their economies regularly record surpluses, and their people enjoy higher living standards.

We know that the largest part of our current account and balance of payment problem is contributed by trade deficit. In trying to finance trade deficit, our forex reserves keep declining and our currency keeps getting devalued. There is no rocket science in this. So then why have we not been able to stop this haemorrhaging of our national economy and plugging the gap by increasing our exports?

The simple and truthful answer is that we don't have much to export. Therefore, our trade deficit and balance of payment problem has remained constant. And the reason for this is that we stopped the industrialisation of our economy nearly 40 years ago and turned ourselves from a country led by production to one led by consumption. This was largely financed by

borrowings from home and abroad and by undocumented economy.

Our institutional structures in government as well as our tariff structures are loaded against exports. Such is this built-in bias that even in products in which we have a competitive advantage, it is more profitable to import than manufacture here. Take a look at our export basket and you will find that most of our export items have remained unchanged for nearly 40 years. We still largely remain a mono-industrial (textile) economy, and even here our value addition is lower than it is in Bangladesh, India and Sri Lanka. The rest of our exports are mostly raw, unprocessed and low-value goods.

We have been long addicted to ready-made solutions from abroad, instead of putting our house in order – which means reforms and changing the status quo.

The way to increase export earnings and solve our balance of payment problem is to industrialise the economy, use investment and technology to expand production and export base, and keep adding value to everything we produce. Without such an approach, we will neither be able to address the root cause of our problems, nor become a surplus economy and end our dependency syndrome.

The News, August 11, 2018

No investment, no exports

Our trade statistics over the last few years continue to paint a grim picture of the structural issues in the country's trade and industrial regime. The last fiscal year (2016-17) showed that a country of 200 million people, endowed with several natural advantages, could muster a mere pittance of $18 billion in exports. The mid-year data of the current fiscal points towards another year of similar embarrassment.

This poor performance extracts a heavy price, not only in terms of financing large trade deficits but also in relation to the sovereignty and self-respect of the nation. At what point did Pakistan lose its path to progress to such an extent that it became almost unrecognisable? A country that was ranked among the most promising developing countries in the world has now been subjected to one embarrassment after another – be it in terms of education, the economy or international relations.

Systems of governance are designed to lift nations towards higher levels of peace, prosperity, power and prestige in the international community. They do not exist to drag countries down, add to their miseries and become a source of embarrassment. And yet, year after year, these embarrassments are swallowed up by the powers that be. However, no attempt has been undertaken to overhaul the system.

Fuelled by the low rates of GDP growth that are barely above the population growth rate, millions of people to continue living in poverty, illiteracy, unemployment and international embarrassment while the same empty slogans and false promises are spouted day after day. Can anyone believe that our exports were higher than those of Thailand, Malaysia and Indonesia during the 1960s and 1970s? Today, the exports of each of these countries are worth almost $200 billion while this country is stuck

at a lowly $18 billion.

Can anyone believe that in 1981 Pakistan and Turkey's exports were equal? Today, Turkish exports now exceed $150 billion, which are eight times larger than ours. Can anyone believe that in 1990 Vietnam did not feature in international trade as a country making worthwhile exports? Today, Vietnamese exports are well above $200 billion– much higher than our export figures. These are examples of how the governments of other countries have worked towards building their nations, enabling their citizens to hold their heads high and for the state to become members of important international forums like the G20.

Every one of the milestones achieved by these countries could have easily been attained by Pakistan if nation-building instead of self-building had remained the principal objective of governance. For instance, Thailand improved its productivity and value addition in agriculture to drive its export strategy. With the most extensive irrigation network at our disposal, we were better-placed to have achieved the same objective. Malaysia has diversified into electronics and electrical goods to drive its exports while we have remained a mono-industry economy (textiles) since our country's inception. And Vietnam has used FDI to drive exports into foreign markets while we have used foreign investment and loans for domestic consumption.

During these decades, oil prices have fluctuated and the rupee has both appreciated and depreciated. But our export performance has remained abysmally sluggish. What this shows is that our problems are a product of endogenous rather than exogenous factors. As Lee Kwan Yew, the former prime minister of Singapore told this writer during a meeting, the fundamental question of governance that distinguishes successful states from failing ones is to determine whether the instruments of governance – the laws and policies of the state – are made for the benefit of the population or for the benefit of the rulers.

Decades of nepotistic and politicised governance have created a decaying state apparatus whose functionaries are incapable of conceiving strategies for nation-building. They have inculcated a dependency syndrome and cannot act without the spoon-feeding tactics of their political bosses – and that too for the benefit of the rulers.

This has eroded their capacity of recognising the synergies

created by the inter-related forces of the economy in nation-building. In areas of export growth, this disconnect has left us in a state of free-floating confusion where we have excelled neither at import substitution nor at our export performance. Some of the important missing linkages for export growth are as follows.

First, we must prioritise investment. We have failed to recognise in our policies that exports and value addition are the functions of investment. There are no exports without investment into producing goods and services. Over two-third of Vietnam's exports are generated by the FDI that has been pumped into its manufacturing sectors. In Pakistan, the disconnect between investment and exports has led to policies that have made investment in the non-manufacturing sector – such as luxury housing– more attractive. The trick lies in using FDI to generate exports in the foreign markets.

Second, we must develop a skilled workforce. Human resource development is an investment, not an expense. In a globalised competitive economy, exports are a product of quality human resources and deliver higher productivity per capita. While 90 percent of the Chinese workforce in the manufacturing sector is formally trained and 23 percent of the Bangladeshi workforce is trained in industrial skills, only eight percent of our industrial workforce has received this form of training. What miracles can one expect from uneducated, untrained workforce in competitive globalised economy? This partly explains why Bangladesh's garment exports are higher than those from Pakistan – even though the former is not a cotton-producing country.

Third, efforts must be made to strengthen our technology base. Value-added exports are a function of technology and innovation. Some countries use FDI to bring in new technology and management skills to ensure competitiveness in the foreign market. Others make heavy investments in science and technical education and develop their indigenous R&D. We do neither. Our budgetary allocations for science and technology have been insignificant and our FDI in manufacturing for exports has been equally abysmal. This explains why Pakistan does not occupy any notable position in global competitiveness in manufacturing while Malaysia, Thailand, Indonesia, Turkey, Vietnam, India, the UAE and Saudi Arabia are listed as prominent competitive economies in the emerging markets of Asia – if we don't count Japan, China,

South Korea and the other Asian tigers.

Fourth, marketing must be given priority. Markets are segmented. Different strategies are needed for different markets. One size doesn't fill all markets. Unfortunately, our basket of exportable goods has largely remained the same for the last 40 years. But we continue to pursue low-end products in high-end markets and waste our limited yet qualified human resources and capital. We do not target the Central Asian markets that we can readily supply goods to within 24 hours.

None of this is rocket science. So why haven't we acted on these measures like other countries whose export performances have overtaken Pakistan?

This brings us to the crux of the problems of governance: have our exports ever been given priority in the last 40 years? An example would suffice to answer this question. The Federal Export Council, which is headed by the prime minister and comprises senior public and private sector representatives, is supposed to meet every six months to facilitate exports and remove bottlenecks. By all accounts, it has seldom met over the last 10 years. So much for promoting exports.

The News, January 18, 2018

What ails the BOI?

The Board of Investment (BOI) has been in the news with declining investment flows and frequent changes, where three chairmen and three secretaries have been changed during 18 months.

And prior to that, for long, it remained dormant; largely a parking place for near and dear ones with little to show in attracting FDI into Pakistan. The country was, therefore, forced to keep borrowing and now lies buried under a mountain of debt.

This article is not an exercise in any blame game but a call for saving the BOI from being reduced to another do-nothing bureaucratic body.

The root cause has been a defective framework created through an ill-advised law -- the BOI Ordinance 2001 -- which seems to have been thoughtlessly promulgated without understanding the nature of 'the investment function', specially why cross-border, international investments are made and how best Pakistan could benefit from FDI. Its placement betrays lack of the understanding that investment is a non-linear, inert-agency function which pulls together inputs and cooperation from several federal and provincial bodies and cannot be attached as an appendage to any linear ministry like education, agriculture, finance, industry, petroleum etc.

It damaged its credibility by sending a message to the investor community that an organization so lowly placed in the power structure of the country that could not look after itself would be of no help to investors. This law shackled the BOI within multiple layers, effectively putting up barriers to investment flows as any proposal made to the BOI had to cross multiple hurdles before it could see the light of day.

It also does not seem to have internalized the fact that over

75 percent of capital and technology in the world are owned by the private sector and over 100 countries are competing for that investment and technology. Recognition of this simple set of facts should have brought home the realization that for Pakistan to succeed in such a competitive environment, it required, first of all, high quality human resources, since 'you cannot be competitive if you are not competent'. Also, to make the BOI an autonomous, robust and powerful organization well placed in the power structure of Pakistan, with direct and easy access to the prime minister to facilitate investment decisions, overcome turf-battles and red tape.

Instead, this ordinance buried the BOI under several layers, and tied it as an appendage to the tails of a division within a ministry. In the words of section 3 (1.2) (b) of the ordinance, the BOI will be attached to whichever division the business of investment is allocated. This lack of ownership and playing football with the premier investment organization of the country translated into lack of commitment, decline in efficiency and an indifference reflected in vague generalizations about investment.

Declarations like 'Pakistan is open for business' or 'we welcome foreign direct investment' carry no weight with investors who want to see if these are backed by concrete proactive measures. An important part of proactivity requires the BOI to go out and market Pakistan in capital exporting countries with a portfolio of Pakistan's own priority investment projects. Instead, it wants foreign investors to come knock on our doors and wake us up with their investment proposals; as if they have no other countries to invest in.

This laidback approach continues in other areas too. Earlier, the BOI used to publish investment literature of Pakistan in major languages of the world besides English to communicate with investors in their own languages, and hold 3-4 investment conferences a year in capitals of developed countries to provide our business leaders direct access to heads of MNCs. These investment conferences were also attended by senior leaders of capital exporting countries including their prime ministers which also provided an opportunity to our prime ministers to interact with counterparts in an informal and friendly environment. Since its wings were clipped by the ordinance 20years back, hardly has the BOI shown its face in foreign markets and Pakistan has

disappeared from the investment map, until China launched its mega Belt and Road Initiative (BRI) and its CPEC component brought Chinese investment into the country.

No investment platform with such a laid-back approach has succeeded in any other country and it was certainly not the way it was originally designed and established in Pakistan in 1989 which, incidentally, was the first such investment platform created in South Asia. The success of the original framework could be seen from the fact that our BOI model was taken and used by other South Asian nations to set up similar investment platforms. And the fact that in a short period of time the BOI succeeded in bringing in more FDI into Pakistan than the total net inflows of loans obtained through the Aid-to-Pakistan Consortium proved the success of that model.

The original framework of the BOI was carefully designed by this writer in 1989 and was based upon findings of comparative studies of investment platforms of various countries during his studies at MIT. The proposal was submitted to then prime minister Benazir Bhutto, along with the fact that Pakistan had, until then, completely ignored accessing the flow of private capital and technology and was entirely dependent upon loans from various sources. She then constituted a committee of senior economic managers of the government comprising V A Jafri, A G N Kazi, Saeed Qureshi and Rafik Akhund, along with the writer to examine the proposal in detail. The committee held several meetings and then submitted its recommendations to the cabinet which approved them and the Board of Investment was created in Pakistan in February 1989.

Three main features of those recommendations which brought success to the BOI and Pakistan and remain relevant today are: (a) the BOI should be a robust, autonomous body providing a single window to investors and give them confidence that they have an effective facilitator and don't have to go around in circles in government offices in pursuit of their investment proposal; (b) keeping in view the inter-agency nature of investment function, the BOI should not be placed under any line ministry but be an autonomous body working directly under president of the board -- the prime minister -- to ensure smooth implementation, overcome inter-ministerial rivalries and cut through the red tape; and (c) there should be only two tiers of

scrutiny and decision-making for any investment project -- the executive board at the BOI level where all issues are discussed and decided, except where special incentives or policy relaxation are involved; and the policy board at the PM level where issues of special incentives or policy relaxation are decided. All steps from beginning to end were to be completed within 90 days.

Prime Minister Imran Khan has been wanting to attract foreign capital and technology into Pakistan. Institutional support in the shape of a strong and powerful BOI working directly under him would go a long way in fulfilling his mission of turning around the economy of Pakistan and also put Pakistan back on the investment map of the world.

The News, March 27, 2020

Making the economy scream

How did Pakistan land in such a predicament? For 40 years, Pakistan has been following the same beaten track of finding funds from abroad to finance its import-addicted consumption economy and balancing its books by more borrowings. This has resulted in impoverishment of the domestic economy which lies in tatters even as the country kept going back for repeated bailouts.

From importing cereals and cell phones to viceroys and lower factotums – who don't even make Pakistan their home – our import addiction knows no bounds. Having lived their lives abroad, when have they ever handled the critical components of our domestic economy to understand potentials and pitfalls? Quite often, it is like a doctor prescribing medicines without examining the patient. You are forgiven if your mind goes back to the days of the Raj when all kinds of factotums were sent down from London to guide the natives and, once their reign ended, they swiftly went back to where they came from, never to be seen in the native land again.

For 30 years now, globalization has been the dominant force in the world economy. It is driven by free movement of investment and goods across borders and it delivers immense benefits to economies that are efficient and competitive producers. But even though we moved in that direction by setting up the Board of Investment and improving production efficiencies, we reverted back to becoming a consumption economy, using products made elsewhere and then borrowing money to finance this consumption.

For these follies, Pakistan has been severely punished by

the negative forces of globalization. Since then, we have remained a closed economy with exports making only 11 percent of GDP compared to 25 percent for Turkey and over 60 percent of Malaysia's GDP which have benefitted immensely from the positive forces of globalization.

If we had continued to focus on being a production economy and kept upgrading it, we would not have been running up to the IMF and elsewhere for bailouts. But if we continue to squeeze the economy to merely balance the books, there would be much pain and suffering for the people and no end to our bailout binges.

"Make their economy scream", Richard Nixon instructed his aides when he wanted to destabilize a target country in South America. Do not also forget that in 'Confessions of an economic hitman', John Perkins confesses that on behalf of his organization he was sent to developing countries to convince their leaders to adopt policies that would, in reality, impoverish their own economies and plunge their countries under debt so that they remained vulnerable to various pressures. If that be the case, then our governance system and the leadership it has been throwing up seems to have accomplished this feat in spades by adopting policies that have impoverished Pakistan's economy and pushed it down under a mountain of debt. Sadly, we have been under the leadership of those who do not learn from history and are condemned to repeat it.

Take a brief look around to see how the potential of this country and its people was ravaged by ignorant, incompetent and ill-advised governance, even as other countries went on overtaking Pakistan.

Many developing countries, as they became independent, started industrialization of their economies with what the colonial managers had left behind. Since the British had promoted cotton in the Subcontinent to feed their textile mills in the UK, textiles was the first industry that developed in Pakistan.

But, 70 years later, Pakistan has largely remained a single-industry (textiles) economy. Even here, our value addition in garments and textile products is lower than that of Bangladesh, India, Sri Lanka, Malaysia and Indonesia- despite being fourth largest cotton-producing country in the world.

Other countries, in the meantime, widened their industrial

base and, besides textiles, added plastics, chemicals, engineering, household electrical goods, electronics and heavy industries like steel making, shipbuilding and others to create wealth from their own economy and open up employment and business opportunities. But instead of encouraging domestic investors or attracting FDI into growing our own economy and generating wealth from its expanding base, we have been busy borrowing to feed consumption and balancing the books by squeezing a stagnant economy.

Another example. Cotton is an agricultural product but that is not the only product of our rural economy. We are also large producers of wheat, rice, fruits, vegetables, milk and livestock. But even as other countries applied industrial processes and created billions worth of value from each of these products, we never developed strategies to create wealth from these products with which we had been familiar for centuries.

Not only that. Even the productivity of our agricultural produce is 50 percent lower than that in many developing countries. This means that our wealth creation from agriculture is half of what others are achieving. But, besides losing half of its wealth, we lose further as 30 percent of these products are wasted because we have not invested in simple silos and other storage and transportation facilities. This hemorrhage of the real economy which runs into hundreds of billions has been continuing for decades.

Talking of the services sector, we haven't grown beyond the decades-old practice of exporting able-bodied workers who are at the lowest rung of compensation in foreign countries. We don't recognize the value of human resources, which is why we do not plan on how to create new assets out of them, which – among other benefits – would have also increased the value of exports of qualified manpower and substantially added to remittances. For instance, if Pakistan were to invest in the annual production of 100,000 qualified nurses – male and female – every one of them would be guaranteed high-income jobs abroad and also provide a big jump in the country's remittances.

All of which leads us to recognize the critical role of investment. Wealth creation in the economy is a function of investment and quality human resources applying technology to exploit opportunities.

A quarter century ago, $1.5 billion FDI was coming into our economy, which at that time was the best performance in South Asia. But as we reversed course and became a consumption society financed by borrowings, investment flows declined in Pakistan, but continued to rise in rest of South Asia and are now in high double digits. Thanks largely to investment flows through CPEC, we have now crawled back to a measly figure of $ 2 billion a year.

Pakistan must plan for an annual inflow of $5 billion of FDI within two years and $10 billion a year within five years if we want to benefit from globalization. For this to happen, our investment strategy should be proactive, segmented and designed to tap into several markets with special products. That would enable Pakistan to close the books on bailouts and stand on the strength of its own economy.

If Prime Minister Imran Khan were to set one strategic objective for his team, it should be to 'position Pakistan to benefit from the globalization of the world economy.' If they succeed in achieving that, the forces of globalization will lift the economy and he would deliver on the promises he has made to the people of Pakistan.

The News, April 30, 2019

Non-development and discretion

The most welcome decision emerging from Prime Minister Imran Khan's first cabinet meeting was to put an end to discretionary fund allocations, which had institutionalised waste and corruption in the governance of the country.

Henceforth, no one – from prime minister to ministers to MNAs and MPAs – will be able to indulge in an exercise that smacked of the hubris of medieval-era rulers and flew in the face of prudent resource allocations. Several people had been protesting against such a cavalier attitude towards the scarce resources of a poor country, but all objections were brushed aside because these discretionary funds provided easy access to other people's money with no questions asked. The decision to abolish these discretionary funds marked the first departure from the status quo and will be welcomed by all.

Economics is a rational discipline. And the planning process of allocating resources among competitive demands is driven by maximising social and economic returns for the people whose money is invested in this exercise. If both conditions are respected, the outcome would be 'development' which opens up opportunities for the people and creates wealth in the economy. If these conditions are violated, it creates non-development for the people as the wealth of the nation is siphoned off beyond its borders.

That is the theory of development. Our discretionary model turned the discipline of economics and the planning process on their heads which caused non-development of the people and development of the rulers. In financial terms, such irrational and wasteful use of public funds would be called an

'expense' and not qualify as investment which generates an income stream. This expense creates debt; and as this practice continues over the years, the debt keeps mounting and pounding more liabilities upon people.

Although voices against this discretionary model were raised by some elected representatives, journalists and civil society members, it was business as usual. One MNA of an earlier assembly, who as member of the Public Accounts Committee had observed its working had shown moral courage and asked for an end to this practice. According to her, "An MNA will come and say his constituency needs a road in so-and-so area; the PWD will do a survey and make a budget for the project; the PWD will ask the MNA which contractor is most suitable for the project. And it is here that collusion with contractors occurs. The contractor makes a bill and the project which could be done for five lakh rupees is estimated at Rs10 lakh – with 10 percent or more going to the MNA."

This practice, which started in the 1980s to win over support of members elected to assemblies in the party-less elections, has continued to gather an increasing mass of funds under its discretion. Such practices by people in leading positions do not remain confined to one place but cascade down and are adopted by others at various political, administrative and technical levels – and in due course the whole system of governance is infected with the same disease.

In persisting with the discretionary use of public funds, Pakistan was keeping company with countries like Ghana, Honduras, Liberia, Nigeria, Uganda, Zimbabwe and others, most of which figure prominently in the corruption index of Transparency International.

Such discretionary uses of public funds are scrupulously avoided in respected democracies all over the world. In some countries, transgressions carry severe penalties. It would be useful here to illustrate the respect and responsibility with which elected representatives of democratic countries deal with public money, from my personal experience. In 1990, the then prime minister of Japan, Toshiki Kaifu, came on an official visit to Pakistan. Japan had earlier announced a three billion yen loan for Pakistan, against which we recommended projects – but after the scheduled date.

In the meantime, prime minister Kaifu had left on a foreign tour which also brought him to Islamabad. After arrival ceremonies at the airport, as coordinator of the meeting between the two prime ministers, I sat with the cabinet secretary of Japan in the same car so we could go over the agenda of the next day's meeting. When I referred to the projects that Pakistan had recommended against the three billion yen loan, the cabinet secretary suggested these projects should not be on the agenda as their inclusion would embarrass his prime minister.

When I persisted with their inclusion, he said that because these projects were not sent by the Pakistani side as per schedule, they had not been evaluated by the relevant departments of the government of Japan. And the prime minister of Japan knew that under Japanese law, he had no discretion to give approval for spending public funds on projects which had not been first examined for their social and economic viability.

Since our prime minister was keen to secure the concurrence of the prime minister of Japan in the meeting, I urged the Japanese cabinet secretary to persuade his prime minister so that their approval could be announced in the joint press conference of the two PMs. But he explained that this was not possible because these funds were not the personal property of the prime minister that he could give away at his discretion. They belonged to the people of Japan who had laid down certain rules and procedures for evaluating the social and economic viability of projects before funds could be approved by the prime minister. Since these projects arrived behind schedule, their required evaluation could not be carried out. And without their recommendation, the prime minister was not authorised to give approval for use of public funds.

Compare this care and respect for use of public funds by an elected head of the democratic government of one of the richest countries with the cavalier manner in which hundreds of billions of public funds of a poor country like Pakistan have been dished out at discretion without examining comparative social and economic returns on projects and strong and independent auditing to keep people informed that their money is being properly utilised for the purposes for which they were allocated.

Pakistan has been the third largest recipient of foreign aid in the world – over $20 billion of it has flowed into the country,

besides the country securing over $90 billion of debt. National development outlays are also made, all of which are supposed to lift people out of their predicament. And yet our people figure at the bottom of education, health and nutrition, productivity and other indices, and are still struggling with problems of poverty and unemployment. This disconnect between resources and people's problems has largely been caused by the discretionary model and its lack of prudent and productive investment in public-sector development projects.

Is it any wonder then that this discretionary model has created an image of Pakistan in the international community as a country that has so little to show for so much money spent in the name of development? That is why it became a non-development model – and one hopes that we have seen the end of it.

The News, September 05, 2018

Pakistan: a case of de-industrialisation

Industrialisation of economies is the sine qua non of developed countries. In fact, the distinction between the developed and developing countries depends upon where a particular country falls on the scale of industrialisation of its economy. In other words, the modern concept of development is synonymous with industrialisation.

The problems of poverty, unemployment and social and economic tensions faced by developing countries are not the cause but the consequence of their low levels of industrialisation. These countries – unless their economies are floating on oil and gas reserves – are unable to generate wealth to finance higher standards of living of their people without industrialising their economies.

This can also be confirmed by the fact that the wealth generated in global economy in 100 years after the Industrial Revolution was more than the wealth generated in 1,000 years prior to the revolution – in the late 18th century.

So, how come Pakistan, which followed this wisdom in its first 30 years, and achieved 12 percent industrialisation in the composition of its GDP – a high figure among developing countries at the time – could increase its share in GDP by only one percent in the subsequent 40 years? When manufacturing was contributing 12 percent to our GDP in the 1970s, it was contributing 10 percent to Malaysia's GDP, 12 percent to South Korea's and 13 percent to Turkey's. These facts show that the level of industrialisation of Pakistan's economy was better or the same in other Asian countries.

But in the subsequent 40 years, while the leaders of other

countries accelerated the pace of industrialisation of their economies, we wandered about aimlessly towards different policy directions. Instead of generating indigenous wealth by continuing to industrialise our economy, we started leaning on foreign borrowings to finance our needs and also what we did not need.

This turned the tables on Pakistan vis-a-vis other countries as their current comparative positions show. During this period, Malaysia upgraded the industrialisation of its economy from 10 to 22 percent, Turkey from 13 to 19 percent, Indonesia from less than 10 to 21 percent and South Korea from 12 to 29 percent. But Pakistan could only increase the industrialisation of its economy by one percent in 40 years – from 12 to 13 percent. Expected, by all accounts, to join the ranks of developed countries the earliest among other developing countries, Pakistan almost disappeared from the radar of these newly industrialising countries during most of these 40 years.

Nothing illustrates the de-industrialisation of our economy better than the history of the country's largest industrial enterprise, the Pakistan Steel Mills. Founded in 1974, with an initial capacity to produce 1.1 million tons, PSM has never been able to increase its capacity or upgrade its product range in the 40 years of its existence. Instead of modernising and upgrading it, there has even been talk of dismantling it and, as some have been contemplating, taking over its valuable land for luxury housing projects.

Compare that with how seriously other countries take the role of their steel industry in the industrialisation of their economies. The Pohan Steel Mills in South Korea was also set up around the same time (1972) with a lesser initial capacity of the Pakistan Steel Mills. But every Korean government continued to expand its capacity and upgrade its product range. Today, the Pohan Steel Mills produces 42 million tons of steel and employs only 30,000 people. This means that it produces 40 times more steel than PSM, but employs only twice the number (15,000) of people on PSM's payroll.

The industrialisation of East Asian economies was achieved by attracting investment and technology from developed countries – first from Japan and the West, and now China's investment is continuing to grow in these and other markets. Pakistan was the first South Asian country that had pioneered the

policy shift, in 1989, from official loans to private investment, to accelerate the industrialisation of its economy. And the blueprints of our Board of Investment were adopted by other South Asian nations to set up similar institutions in their countries. By the mid-1990s, Pakistan had become the most attractive destination for foreign investment in South Asia and had succeeded in attracting more FDI than all the net loans borrowed by Pakistan from the Aid to Pakistan Consortium.

But we could not sustain the hard work needed to keep Pakistan an attractive destination for investment and, instead, took the easy path of financing the country's needs by borrowing from here, there and everywhere. Our borrowing spree, from multilateral as well as bilateral sources, has put the country under a mountain of over $90 billion of external debt. Add to this the widening gap between the rupee-dollar parity, which would keep our future generations mortgaged for a long time and put restraints on our sovereignty.

The fact is that despite all the evidence, we have not yet internalised the knowledge in our systems of governance, that the largest sources of financial resources and technology patents in the world are not controlled by governments but by the private sector. The absence of clear, consistent and well-designed investment policies to tap into these resource flows has resulted in Pakistan being pushed out of the investment market in the last several years.

The investors saw our lack of policy focus and continuing deterioration in the investment climate and moved on to other markets. Malaysian Prime Minister Dr Mahathir Mohamad had also given a friendly advice/warning to our leaders to bring discipline into our policymaking. He told them that there is much more to national development than playing politics, and that the frequent changes to Pakistan's national policies has made it difficult for its friends to plan a long-term relationship with the country. But neither the proven merit of our policies nor the external advice of our friends made us change our habit – that politics is the only game in town.

After long years of an investment-drought, it was the Road and Belt Initiative (RBI) of Chinese President Xi Jinping that brought investment into Pakistan through CPEC. Since 2014, this FDI has largely come in energy, transport and communications

and construction sectors.

However, there has been little investment in the manufacturing sector. For that to happen, Pakistan has to do a great deal of homework regarding building the capacity of its institutions which have remained neglected for far too long. The first step in this direction should be to develop a holistic concept of national development and recognise the relationship between investment, industry and exports. Operationally, this means setting up a ministry of investment, (international) trade and industry (MITI) – the need of which was explained in an earlier article 'In the East lies inspiration' (June 7).

This MITI should serve as a platform for working with Chinese companies and the Chinese government to identify areas of common interest where manufacturing and exports can be a win-win for both the countries. This would be Pakistan's best shot to reverse the de-industrialisation of its economy, modernise its management practices and technological know-how, and upgrade its embarrassing exports basket.

The News, July 07, 2018

The winners and losers of globalisation

Anger and frustration is sweeping across large swaths of population in rich and developed countries against the free movement of capital and labour across borders in a globalised economy – even as globalisation has immensely enriched these countries. This anger is now threatening to kill the very goose that has been laying golden eggs for these countries.

In the US, the spectacular rise of Bernie Sanders and passionate support of millions of young, educated Americans underlined this anger against a system that was leaving them out in the cold while wealth multiplied by globalisation was monopolised by the very few.

And on the right, against all predictions of every pundit in town, Donald Trump, a rank outsider, emerged from the revolt of the right against the political establishment and has been receiving support from those who also see their jobs and business opportunities threatened.

The sentiments behind Brexit were no different. Even as the financial district of London – the City – multiplied the wealth of its members, the majority in the UK sent shock waves throughout Europe against the conventional wisdom of both conservative and labour parties.

That is one part of the story. The other part will become clear when we ask: why were these jobs and business losses occurring and where were these moving to from the US and UK? This gives us a glimpse into how the centre of gravity of the world economy was shifting towards Asia, as these employment and business opportunities were moving – along with FDI by western companies – to China, South Korea, Vietnam, India, Malaysia,

Thailand, Indonesia and elsewhere. And this was happening because these Asian nations had acquired the wherewithal of becoming competitive producers of goods and services and because the globalised economy was helping them sell their products far beyond the confines of their national markets.

In its first wave, Asian nations thought globalisation was a one-way street, which the West had invented for the economic domination of the rest of the world. But capital has no country; it goes wherever it can earn higher rates of return. As Asian nations created a large pool of educated and skilled workforce force and set up investment friendly policies and institutions, capital fought its way to enter those markets as they provided higher rates of return to capital.

As Asia started becoming a large factory for competitively producing consumer and other products, globalisation helped place their products on the shelves of markets around the world.

Around this time, the earlier complaints of Asians against globalisation also started to die down as new job and business opportunities were lifting millions of people out of poverty in Asia. Slowly but surely, Asian nations were moving from the losing to the winning side of globalisation and talk of the 21st century being 'the Asian century' started gaining ground. Globalisation now became a two-way street as goods and services produced in Asia were filling up world markets just as Western goods and services had earlier been filling up Asian and other markets.

Although not a panacea, and despite complaints of inequalities, globalisation is going nowhere. Its driving forces are too strong as it has multiplied wealth of the world and enriched winners beyond belief. Even as some of its earlier patrons are becoming sceptical, others are happy to own it for their benefits.

The route to be a winner in this globalised economy is quite clear. Instead of cursing it over the penalties it imposes upon lazy and incompetent systems of governance, people should hold their governments accountable for lack of vision and strategy for acquiring the wherewithal to become efficient producer of goods and services and let the forces of globalisation work for them also to open up new job and business opportunities.

That is the 101 of globalisation and was the reason behind the creation of the Board of Investment in Pakistan in 1989 – not as

another bureaucratic organisation but as a pathway to wean Pakistan away from the begging bowl of aid and loans and become one of the winners of globalisation in Asia.

Creating institutional and policy frameworks for investment and technology flows was the necessary first step in this strategy. The other component of this strategy was to create a large pool of educated, skilled and disciplined workforce – which would be a receptacle to absorb the investment and technology flows that this institutional framework will bring in. If Pakistan had continued on this path over this quarter century, its economy would have expanded, opened new opportunities and become an efficient and competitive producer and exporter in world markets.

But investment flows into manufacturing and value additions have evaporated and Pakistani exports suffer from low volumes and low value addition. This is for the simple reason that there can be no exports without investment nor value addition without technology and skilled workforce.

More than anything else, this required a cultural change towards governance driven by knowledge, efficiency, work ethics and accountability, which cares for expanding opportunities for the people and works hard to create ingredients for a competitive economy.

Reliance upon aid (charity) and loans (indebtedness) is a hallmark of a lazy and incompetent system of governance. It mortgages the future of the people, keeps them in the zone of dependency, saps entrepreneurship and condemns them to remain the losers of globalisation.

That this has been happening is borne out by the latest World Economic Forum Competitiveness Index, which shows the Pakistani economy close to the bottom in the world and even less competitive than that of Zimbabwe, Nigeria, Uganda and Ghana. In other words, our products cannot compete in world markets, cannot create jobs and business opportunities and poverty, unemployment and indignities would continue to be the fate of majority of people. But this arouses neither shame nor anger nor urge to reform and remove the causes.

Thus as population increases, so do unemployment, poverty and the have-nots in the country, who have been forced by an insensitive, self-serving system of governance to accept the

denial of their basic rights as their destiny. No one in the system feels any moral or legal obligation to provide them a ladder of equal treatment and equal opportunities to climb out of the loser's corner of globalisation.

A recent Harvard Business School study led by Michael Porter – the author of the ground-breaking book 'Competitive Strategy' – argues that the US' dysfunctional political system has emerged as the biggest threat to its economic competitiveness and that this political system "is no longer delivering good results for the average American." The study calls for political reforms, especially in the election processes, cutting down the role of money in politics, and for reforms in legislative rules and norms of behaviour.

More than the US, Pakistan needs to follow that advice. A reformed political system must surrender space for education, law and order and economy to work professionally, improve meritocracy, public safety and competitiveness to let this nation also graduate and become a winner of globalisation in Asia.

The News, October 22, 2016

Keti Bandar

In 1997, in a meeting with the Pakistani prime minister, former Malaysian prime minister Mahathir Mohammad said that the constant change in governments in Pakistan would often turn everything – social, economic and investment policies and programmes – upside down.

He also expressed that there was no continuity of projects and that if government decisions were arbitrary, no genuine investor would come to Pakistan, paving the way for fly-by-night operators to exploit the country's weaknesses.

Did that advice from a successful Asian leader of make any difference to our style of governance? The answer lies in the fate of a concrete project – the largest foreign direct investment (FDI) – of Pakistan at the time. It fell victim to the very arbitrary and egoistic governance against which Dr Mahathir had warned us.

As Pakistan pulls itself out of the current dire straits and picks up the pace of development, it will again stumble on this stark realization. A bottleneck exits in the way of accelerating the industrialization of its economy and trade and investment momentum in the shape of expensive energy and the absence of deepwater ports for delivering the supplies to its main markets.

Pakistan's power rates are among the most expensive in the world, and its ports and harbours need a major upgrade. Both hinder any effort made to add value and create the related ecosystem without which Pakistan's dreams of development will not materialize.

Pakistan's two ports – Karachi and Qasim – are inadequate to meet the demands of an accelerated pace of development for a number of reasons. And its third port – Gwadar, which is a deepwater port and has geostrategic significance – is located far

away from domestic markets, which are located around the main railway line running from Karachi to Peshawar. Gwadar is useful for our friend China and will be useful for Central Asian States as well, when it is connected to these markets by the rail and road network. However, this dream has remained unrealized for many years because of the prevailing security conditions in Afghanistan.

This leaves us with the two inadequate ports of Karachi and Qasim. If we have submitted to keeping Pakistan a poor country – crawling at a growth rate of three to four per cent – unaffordable energy and two inadequate ports will keep it underdeveloped for an even longer period. But if we are serious about building a better future for our country and becoming a rapidly advancing economy, our development priorities should be cheap energy and a deepwater port close to our markets.

It was the recognition of this strategic bottleneck that led me, as head of the Board of Investment, to have technical and commercial data collected from home and abroad to address both issues. A survey of Pakistan's coast indicated eight locations suitable for ports – four on the coast of Balochistan and four on the coast of Sindh. The further evaluation of these sites was carried out under the following six criteria: potential to handle ships of up to 200,000dwt; availability of basic infrastructure for port construction; easy connectivity with rail, road or waterways for transporting cargo; proximity to main markets; and providing Pakistan a deepwater port at the lowest cost and in the shortest possible time. When these criteria were applied to all eight locations, the one that stood out was Keti Bandar.

Accordingly, an investment project of the Keti Bandar deepwater port along with coal-based power plants was prepared and marketed with other investment projects to investors in Europe, the US, Australia and Asia through investment conferences and business meetings with potential investors and chamber leaders. (The reality is that despite climate conferences, over 50 per cent of power plants added last year were coal-based, and after the Ukraine war, are expected to rise further.)

We finally reached an agreement in 1996 on the largest FDI project in Pakistan whose initial investment was $1.8 billion. This was all direct foreign investment with no financial burden upon Pakistan. The power generated (5200MW) by these power plants was affordable – at Rs2.4 per unit. To synergize with deepwater

port and abundant power supply, a Special Industrial Zone (SIZ) was created at Keti Bandar. This aroused interest from investors who wanted to relocate their industries there to benefit from these facilities and the large market of Pakistan.

From South Korea alone, I received a list of 120 companies which expressed their willingness to relocate at the Keti Bandar industrial zone. One foreign investor agreed to set up a technical institute to provide required professionals for various facilities located there. While another foreign investor put their technical staff to work on construction of an airport so that busy executives of these companies could fly in and out without wasting much time. A new city devoted to investment and exports was rising in Pakistan.

While all this was going on, and the work on the main project started with foreign investor setting up office and employing staff, the Pakistani people were hit by another change that Dr Mahathir had talked about – The second government of the late Benazir Bhutto was toppled before completing its term in November 1996. After the elections in the 'usual' manner, the new government took office and the country turned upside down.

Without seeking any briefing on the Keti Bandar projects, the value of FDI attracted by these productive activities or the need for a deepwater port in Pakistan, the new government discontinued the private-sector project – the largest investment project – without any reason.

Several foreign investors strongly protested this arbitrary and unjustified action. The government issued a letter to them and explained that the cancellation was not on account of any fault on their part and returned the $5 million performance guarantee they had deposited with the government. The investors left, but Pakistan's image as an investment destination suffered a fatal blow.

Given how Reko Diq investors got a now-waived $11 billion penalty imposed on Pakistan for infringement of their rights to potential profits through the International Centre for Settlement of Investment Disputes (ICSID), the Keti Bandar investors had a much stronger case against this arbitrary cancellation of their investment agreements and would also have received billions in damages from Pakistan had they chosen to approach the ICSID.

Development is an incremental process. These self-destructive habits of pulling each other down and damaging and destroying good projects and programmes just because these were initiated during the tenure of a rival party or are located in another province have caused more damage to both democracy and federalism than any outside elements.

The Keti Bandar project was started by Pakistan on its own. We launched the largest investment project ourselves because it attracted investment on its merits. Those merits have increased now, if anything, and should be marketed by ourselves without waiting for others to do it for us. The dependency syndrome kills a country's ability to solve its problems, and Pakistan must learn to stand on its own if we really want to develop.

Keti Bandar would not have possibly seen the light of the day had we remained stuck in dependency syndrome.

The News, January 10, 2023

Foreign Aid:
A Blessing or a Curse?
(I)

Foreign Aid, as the name indicates is the support given to and received by countries that are poor, under-developed or have capacity problems in matters of national development. It is not a good thing for a country to be in the category of aid recipient countries and they try to graduate out of this label. The fact that after 70 years of independence, Paki7stan still remains among aid recipient countries goes to show that we have not managed our national affairs in a befitting manner.

There are several kinds in which aid is disbursed to countries. Aid can come from bilateral or multilateral sources and it can come as free grant, loans at concessional rates or at commercial rates.

And there are several reasons for which aid is given and received. There is no aid given without some reason- whether of the aid giving country or the aid receiving country.

Foreign aid and colonialism have a historical relationship. The concept of foreign aid is a 20th century concept when for the first time during 1920s and 1930s England, France and Germany gave financial help to some of their colonies. However, there were other colonies that were richer like India from where capital was transferred to colonizing country through various means to enrich that country.

After WW2, and formation of United Nations, a consensus grew among rich and developed countries to extend financial aid to poor and under-developed countries as these were becoming sovereign independent states at the end of their colonization. There were both altruistic and self-serving reasons behind foreign aid. In part, it was meant to help countries in dire need of food

scarcity to feed their populations and help in creating basic infrastructure in these countries.

In part, it was also to win allies. Soon after WW2, the world had drifted into two competing groups of countries. One block of countries was led by the United States and the other was led by the Soviet Union. In the cold war that had started between the capitalist block and the communist block, each tried to enlist developing countries to join their side in this struggle; although some countries preferred to stay neutral between the two blocks.

One of the tools used to win friends and allies in the cold war struggle was the foreign aid. Thus, aid had dual objectives- to promote interests of the aid giving country and meet some of the needs of the aid receiving country. In this power equation, the balance of interests was generally tilted in favour of the aid giving country. That is why foreign aid has not been very successful in upgrading developing countries to join the league of developed nations.

Pakistan has received foreign aid since its inception. In part, it was meant to remove bad effects of colonial rule and medieval rule of native rulers of the sub-continent, which together had created poverty illiteracy, malnutrition and general under-development among people and help it in improving agricultural and industrial development of the country. But as Pakistan has continued its dependence upon foreign aid, this sows that both for external and internal reasons, the aid has not helped the country to upgrade itself from low income to middle income country and reduce, if not altogether eliminate, its dependence upon foreign aid. Pakistan's total debt and liabilities i.e. Gross Public Debt of the country has been growing continually and stood on 30 June 2019 at the staggering figure of Rs. 40 trillion.

Pakistan has lacked indigenous resources to finance its development needs and provide for education and health facilities for its citizens, build infrastructure for accelerating pace of economic development, broaden its production base to increase exports and improve national security, among other factors. Its savings rate has remained low- ranging between 10-15% of GDP compared to 24% of Sri Lanka, 29% of Bangla Desh and 31% of India.

That is why it has often fallen back upon sources of external finance to fill in the gap between its needs and

availability of domestic resources. Although that is not an uncommon problem of the developing countries but they develop strategies keeping in view their strengths and generate increased wealth from domestic economy and thereby reduce their dependence upon foreign aid.

Pakistan was doing quite well during the decades of 1950s, 1960s and 1970s and was a shining star among developing countries and respected as one of the leading member of Afro-Asian community and Muslim countries. But since 1980s, Pakistan has failed to make policies and development strategies to create wealth from its own economy. Its ruling classes got addicted to all kinds of imports instead of widening industrial base of the country. These imports were initially financed by grants which came in the aid package when Afghan war started and Pakistan participated in it in an indirect way. As this war continued for many years, the damage to economy kept on mounting. The flow of grants in the aid package was reduced and our dependence on loans increased to finance our requirements and now servicing that debt burden is taking away about 2/3rd of tax revenue collected in Pakistan.

The main reason was that we had stopped doing our homework i.e. identifying areas of growth that would broaden base of indigenous economy, create job opportunities and add more products into our export basket to earn foreign exchange instead of relying upon foreign borrowings. As our dependence upon foreign finances grew, our control over policies decreased and we were largely following donor driven agenda of the lenders which increased our imports, created jobs abroad and made the country more dependent upon borrowings from abroad to finance our imports.

The principal reason for this weakness and not doing our homework, has been our gross disregard of the human resources of the nation, which retarded the development of the country and continued to make it dependent upon foreign aid. Neither quantitatively nor qualitatively, we have given no priority to developing our human resources in order for them to become assets of the nation that would help lift our domestic economy and rid the country of foreign dependence.

Nobel Laureate Amrita Sen credits human resource development policies of China and India as the principal reason

for their accelerated development. Sen has mentioned the Great Leap Forward campaign launched by Chairman Mao aiming to give quantum jump to industrialization of Chinese economy. Although, he says that programme, did not achieve its objective, but in course of going through this campaign, massive numbers of people in China were given training in a large variety of skills needed for industrial economy. Today, 9o% of Chinese workforce in manufacturing industry is formally trained in industrial skills, compared to only 8% in Pakistan. Similarly, in India, Nehru had started since 1950s a chain of Indian Institutes of Technology (IIT) and Indian Institutes of Management (IIM) which imparted industrial skills to large number of Indian students. India now has 69% of formally trained workforce in industrial skills and management practices that became the main assets on which India built its economic takeoff.

Thus, it was this skilled human resource base which helped both countries when their economies were opened to foreign investment and technology. In China, this happened when Deng Xiaopeng opened China's economy to foreign investment from the US, Japan and other countries with his signature slogan of " It does not matter whether the cat is black or white so long it catches the mice". In other words, so long it helps industrialize China's economy, open up job opportunities and widen its export base, it does not matter whether the investment and technology come from capitalist countries into communist society of China.

In India, this happened in 1990s when ManMohan Singh, as prime minister removed the socialist barriers of earlier policy makers, and opened Indian economy to foreign investment and technology. With large numbers of trained and skilled workforce already available, foreign companies rushed in to take advantage of their low wage skilled work force. One after the other, many multinationals set up not only their production centres in these countries but also later on shifted their R&D operations there because the quality of skills had further improved and quality output could be delivered at very competitive costs.

This is one of those areas of national policy which several governments of Pakistan have consistently neglected, and which has acted as barrier to economic takeoff of the country and its dependence upon foreign sources of financing has continued.

Management Accountant, Journal of ICMAP

Foreign Aid: A Blessing or a Curse?

(II)

All over the world, education systems exist to produce assets for the community by imparting knowledge and skills through education so that the youth uses these skills and knowledge to help themselves and lift their community/ society from lower levels of existence to higher levels.

Not so in Pakistan. Unlike China and India our education system has failed quantitatively and qualitatively to produce new assets for the society and the economy. Instead of assets, our large proportion of uneducated, unskilled people are not only a drag on the society but from time to time it become source of unrest and social and economic tensions in the society.

Donor countries have their own agenda to pursue through instrument of aid. When their agenda and Pakistan's development priorities synchronize, we see that the pace of economic development is accelerated. This can be seen in the case of building of dams like Mangla, Tarbella, Wrasak built with World Bank assistance as part of Indus Water Treaty arranged by World Bank between India and Pakistan. And power plants like Kanup in Karachi built with Canadian aid and assistance. But when this commonality between the objectives of aid giving and aid receiving country is missing, foreign aid generally causes more problems for the recipient country than help solve them Again, Pakistan provides proof of this observation.

In the Afghan war of 1980s and again in post 9/11 scenario of America's War of terror, Pakistan indirectly joined both wars. In pursuit of its foreign policy objectives, the US extended aid to Pakistan. Leaving aside, what development projects are on the ground from that aid package, the collateral

damage to Pakistan's economy- its industry, agriculture, infrastructure etc from participating in these wars is estimated by government's own sources to be over $ 100 billion.

A snapshot of this is presented here. In the global export market, the comparative data presents shocking picture of how Pakistan has been sliding down on account of its participation in these wars. For instance, between 2003-2018, the export share in the global market of the four regional countries around Pakistan – (China, India, Iran and Afghanistan)- has increased by 216%. During the same period the share of another regional group of which Pakistan is a member- South Asian Association of Regional Countries (SAARC) has increased by 186%; and during same period, the share of another regional market of which Pakistan is a member- Economic Cooperation Organization (ECO) has increased in global export market by 127%. But, the export share of Pakistan in global market during the same period 2003- 20018, instead of increasing by even 1% has actually decreased by 19% !!

This data speaks volumes about decline of Pakistan's industrial and exports base. If Pakistan had averaged the growth performance of the first regional group of four countries, its exports by now would have been $ 55 billion- instead of measly $ 20 billion- and its problem of current account deficit would have disappeared and a surplus would have become the new normal for Pakistan. This has been the most common reason for repeatedly going up to IMF for bailout packages to bring the current account deficit down. This shows that all aid is not beneficial to the host country specially when the objectives of aid giving country are so different from the expectations of the aid receiving country. In cases, where this synchronization of objectives is missing then the aid resources do not add to economic benefits for Pakistan and in some cases such aid creates more problems than help solve problems of underdevelopment.

Apart from lack of synchronization of objectives between aid giving and receiving country, there have been weaknesses on the part of Pakistan which in any case hamper the full utilization of aid resources even when there is synchronization of objectives. Some of these weaknesses are the following:

1.Quantitative and qualitative deficiencies in our human resources which act as barriers to proper understanding and implementation of development agenda, (2) low institutional

capacity on account of not only (1) above but also because of inadequate resource base and poor technologies (3) Instead of rules and procedures driving functioning of institutions, which give them strength. these are driven by whims and wishes of individuals and with change of individuals the priorities and directions change, (4) lack of transparency between aid giving and receiving countries in sharing objectives behind the flow of aid; and further not sharing the real objectives with people thus creating crisis of confidence between people and the government and (5) Waste and corruption.

The aforementioned weaknesses in our systems of governance coupled with participation in proxy wars on the western front have caused deindustrialization of economy over the last 40 years. These have also imbedded a bias in favour of imports and dependence upon borrowings from abroad and against domestic industrialization and growth of exports in our policies. The result has been that in several products even where Pakistan has comparative/ competitive advantage, it became cheaper to import the finished product than manufacture and sell it in domestic market or increase our exports. Hence the decline in our export share in global market as mentioned above. Again, this is backed by facts.

Can anyone believe that in 1981 Pakistan and Turkey's exports were equal? Today, Turkish exports exceed $150 billion, which are eight times larger than ours. Can anyone believe that in 1990 Vietnam did not feature in international trade as a country making worthwhile exports? Today, Vietnamese exports are well above $200 billion– ten times higher than our export figures. And while Thailand improved and expanded its agriculture to drive its export strategy, Pakistan, with the most extensive irrigation network in the world at its disposal, was better-placed to have achieved the same objective- but kept on neglecting its domestic economy. Malaysia diversified into electronics and electrical goods to drive its exports while we have remained a mono-industry economy (textiles) since country's inception. These comparative facts tell us that we have not managed our national responsibilities to help the country stand on its own feet but our policies have pushed it into borrowing from here, there and everywhere to finance its import based consumption economy and continue its dependence upon foreign aid.

If we want to get rid of dependence upon foreign aid, we have to develop policies that are focused upon improving our human resources and expanding our domestic economy particularly its value addition by industrialization of economy and creating wealth from its expanding operations. Some of the important steps in that direction would be as follows:

First, we must prioritize investment. There is no growth nor exports without investment into expanding our production of goods and services. Over two-third of Vietnam's exports are generated by the FDI that has been pumped into its manufacturing sectors. In Pakistan, the disconnect between investment and exports has led to policies that have made investment in the non-manufacturing sector – such as luxury housing etc more attractive additing to current account deficit.

Second, we must develop large numbers of skilled workforce. Human resource development is an investment, not an expense. In a globalized competitive economy, development is a function of quality human resources which deliver higher productivity per capita. While 90 percent of the Chinese workforce, 69% of India and 23 % of Bangladeshi workforce is trained in industrial skills, only 8% of our industrial workforce has received this form of training. What miracles can one expect from uneducated, untrained workforce in competitive globalized economy? This also explains why Bangladesh's garment exports are higher than those from Pakistan – even though the former is not a cotton-producing country.

Third, efforts must be made to strengthen our technology base. Some countries use FDI to bring in new technology and management skills to ensure competitiveness in foreign markets. Others make heavy investments in science and technical education and develop their indigenous R&D. We do neither. Our budgetary allocations for education as well as science and technology have been insignificant and our FDI in manufacturing for exports has been equally abysmal. This explains why Pakistan does not occupy any notable position in global competitiveness index while Malaysia, Thailand, Indonesia, Turkey, Vietnam, India, the UAE and Saudi Arabia are listed as prominent competitive economies in the emerging markets of Asia –not counting Japan, China, South Korea and the other Asian tigers.

Fourth, marketing must be given priority. Markets are segmented. Different strategies are needed for different markets. One size doesn't fill all markets. We continue with same old strategies of pursuing low-end products in high-end markets and are still addicted to looking westward, even though Asia is now the future of the world economy. Another example of pursuing old strategies and neglecting how the world has changed since the end of Cold War is the fact that we do not target the nest door Central Asian markets that we can readily supply goods to within 24 hours, while some of their supplies come from South America!

None of this is rocket science. So why haven't we acted on these measures like other countries which have overtaken Pakistan and reduced dependence upon foreign aid by generating new sources of wealth creation from their domestic economy?

More than outsiders, it is our policies and leadership quality that bears greater responsibility if foreign aid has not turned out to be the blessing, people were made to believe. It is putting our own house in order that will help Pakistan rid itself from its dependence upon the curse of foreign aid.

Journal of ICMAP

Chapter-3

Energy

"Let there be light." In Pakistan, it would materialize when indigenous resources are synergized as dominant part of energy mix."

Search for energy security

IF Pakistan produces 100,000 MWs of power from coal and keeps producing this amount for the next 100 years, it would have consumed only about a quarter of the coal deposits in the country. On top of it, this one source, if exploited properly, would give the country energy security like no other option. The raw material lies all within the country, the technology is simple, tried and tested. It is cheap, flexible, non-controversial and the most job-creating vehicle for power generation in Pakistan.

But that should not be made an excuse for taking over coal resources through a 'Wapda-like' authority that a couple of officials from Islamabad have now been peddling. Such a scheme is neither necessary nor advisable and, as reactions from provincial capitals indicate, it would generate more controversies than power for Pakistan.

Earlier, in 1995-96, when a breakthrough coal fired power project of 5,200 MWs based on Thar coal was developed, foreign direct investment of about $2 billion had materialised without anyone feeling any need for any takeover from anybody else. A series of agreements had been satisfactorily negotiated and signed between the investors and all relevant federal and provincial agencies; the investors had deposited required performance guarantees, set up offices and started actual work on the project. It was the politics of the Nawaz Sharif government that later destroyed this project and Pakistan's potential for development of coal based power; without any economy, technical or administrative reasons.

Such politics should not be allowed to play havoc the second time round. As it happens, our management of federal and provincial relations need healing hands all around rather than more tensions. The few investors that are now returning to coal-

based power after a 10 year gap, should be given 'pioneer' status and helped in their efforts to materialise their investments.

The energy portfolio of Pakistan must bear major responsibility for retarding the country's development prospects over the years. Anyone looking at its lopsided shape could be forgiven for taking Pakistan to be one of the oil-and gas-rich Middle Eastern countries rather than one on the Asian mainland. We consume oil at three times our domestic production and burn gas at double its domestic production. And then we sell our assets through privatization to pay for some of this inflated import bill.

But while the UK uses coal for 44 per cent of its power production, the US 56 per cent, Australia 60 per cent, India 65 per cent and China 70 per cent, only one per cent of our power production comes from coal. Our heavy dependence upon imported fuel, capital-intensive technology, foreign shipments and fluctuating prices has erected roadblocks in the country's path to rapid progress. Such policies have created wealth and jobs abroad but have burdened the country and its people with high-energy costs and rising unemployment.

Pakistan's energy needs are genuine but its solution would lie in greater reliance upon its indigenous resources. Whether the new 25-year Energy Plan (2005-2030) adding $40 billion of debt on the country is the answer to the energy problems of Pakistan is a different matter altogether. Even otherwise and looking at the sad spectacle of our unpredictable governance, a 25-year plan for anything — much less a sensitive subject like energy — without a broad based democratic consensus would suffer from credibility deficit in achieving its objectives.

Pakistan's energy security depends upon three principal pillars of public policy. Diversity of energy sources remains the first guiding principle. Second, a favourable investment climate — internal and external — that allows heavy investment outlays to be continuously made over long periods of time. Third, a realisation that our energy security is enhanced through development of a regional framework for energy security.

Pakistan's geo-economic potential has always been great, but our geo-politics has often checkmated the former. And yet, there is little evidence on the ground to show that we have seriously adopted these three pillars of public policy in delivering energy security to our people.

The buzzword of Pakistan being an "energy corridor" so often heard these days, has been doing the rounds for over 15 years; ever since the Central Asian republics gained independence from the USSR. Pakistan, Iran and Central Asian countries have all been under the same umbrella of the Economic Cooperation Organisation (ECO) for 15 years. And yet, we don't have even one kilometre of this "energy corridor" on the ground despite several pronouncements made from time to time.

As against this, the countries more handicapped than Pakistan in many ways were able to develop appropriate policy initiatives, and their 'energy corridors' with oil and gas pipelines, highways and rail links have been functioning.

While coal should take care of the bulk of power generation problems in Pakistan, oil addiction in transportation can also be reduced by tapping into other indigenous sources of energy before rising oil prices bring our transportation networks to a halt. Brazil has already found a solution to this problem. By using ethanol with a little dash of petroleum in its transport vehicles, it has made savings of over $70 billion in its oil import bill.

Now 75 per cent of new cars and light trucks manufactured in Brazil by even leading manufacturers like Ford and VW use this ethanol-petroleum combo and technology is on the way to completely eliminate the remaining 15 per cent of consumption of petroleum. Many other countries including the US are already following the lead given by Brazil, but there is nothing in this 'new' energy plan to show that this news has travelled to Islamabad.

Some of the alternatives receiving policy and publicity support from government are equally import-intensive as oil. A big advantage of this option over these other alternatives is that the development of this option would necessarily result in the revitalisation of our agricultural sector especially sugarcane and corn cultivation and trigger large-scale industrialisation in Pakistan. The benefits of savings in foreign exchange are thus doubled by the benefits of additional income accruing from agricultural development and rural industrialisation within the country.

Another important initiative that was taken to reduce the country's dependence upon oil was using the inland water

transportation system for meeting some of its transportation needs. The Asian Development Bank had financed a study that showed that the Indus River can be used very economically for transportation of heavy cargo from Attock to Keti Bandar — with some modifications along the way.

This would substantially reduce the transportation costs of doing business and curtail the country's oil import bill by about 30 per cent (moving heavy cargo over the same distance by river transportation costs one third of the costs by train and one-fifth of transporting costs by road). Again, a look at this 25-year energy plan shows that this news, too, hasn't travelled to decisions makers in Islamabad.

An important by-product of the inland river transportation transport system comes from opening up the most backward hinterlands of the country and turning these into Pakistan's new frontiers for development. The new opportunities for trade, commerce and industry opening up along the two banks of Indus all the way from Attock to Keti Bandar can create new urban and industrial centres for growth. Anyone who has been driving in Europe and North America would have seen scores of such prosperous towns along the banks of their rivers.

Putting these pieces together will create an energy profile for Pakistan that is built around indigenous potential, generates jobs and wealth within the country, provides diversity and delivers energy security better than anything else. Such a profile acquires added urgency in view of the recent setbacks to the development of regional networks on account of the situation in Afghanistan, Iran and Balochistan. And if the external environment deteriorates further, these may be the only realistic security options for quite some time.

This long-term and capital intensive energy plan must be discussed with various stakeholders and democratic consensus developed around its modified form. Without a democratic consensus owning it, pinning hopes on a 25-year long energy plan where even the annual budget estimates of income and expenditure cannot be maintained may only be slightly better than putting faith in fairy tales.

DAWN, May 12, 2006

Energy for development

PAKISTAN recorded 8.4 per cent growth in the GDP and the government hopes that the country will now be among the fastest growing economies of Asia. But growth requires energy, and high growth rates require high levels of consumption of cheap and abundant energy. It is therefore relevant to ask: what will propel the high GDP growth rate of seven to nine per cent a year and high export earnings?

Pakistan's energy portfolio has been unbalanced for long and resembles more like that of an energy-rich Middle Eastern country than that of a developing country of Asia. While 70 per cent of Pakistan's power generation comes from oil and gas, the fast developing Asian economies of China and India each uses oil and gas for under 40 per cent of their power generation needs. Again, whereas China and India each uses coal for 70 per cent of their power generation needs, Pakistan uses coal to generate only one per cent of its power generation requirements, despite sitting on one of the largest coal reserves in the world.

Such an unbalanced energy profile carries serious implications. A balanced energy portfolio would require that a fair balance be established among various sources of energy with no excessive reliance on any single source, especially one over whose availability, transportation and price the country has no control. With Pakistan's transportation system almost entirely run on oil, and 50 per cent of its power generation also based on imported oil, it was clear for a long time that if any of the variables regarding oil imports went haywire, such a portfolio would cause severe damage to the economy and the well-being of the people.

But the chickens now seem to be finally coming home to roost. Several renowned investment and oil industry analysts now agree that the world oil production is nearing its peak levels, and

the rising oil prices are expected to shoot through the roof and cross even $100 a barrel within a decade. Many analysts, including the International Energy Agency (IEA) — the energy arm of the OECD (Organization for Economic Cooperation and Development) — are now predicting that the world oil production will peak at around 80 mbd (million barrels per day) by 2010, and then will start declining. Even the very optimistic estimates of the US Geological Survey expect world oil production to peak by 2020.

Without much squabbling about the exact year, the writing on the wall is clear: world oil production will peak very soon and the oil prices will be in the triple digits. Prices which were two dollars a barrel in 1960, and now are $60 a barrel, are expected to reach $100 a barrel and beyond within this decade. Of course, it would not always be a straight line increase. There will certainly be ups and downs along the way, but the rising trend will remain a fact of life in the coming years.

With its transportation almost entirely oil-based and about 50 per cent of power production also based on imported oil, this lopsided energy profile, by 2010, will require more than Pakistan's entire current export earnings of $12 billion, just to pay its oil import bill.

What happened to all those rosy pictures of oil supplies rising till 2050 which induced complacency and increased dependence on oil imports? China's continued high growth rates have been consuming so much energy that it has surpassed even ten-year old estimates of world oil consumption. If and when its oil consumption, which is way below the world average today, reaches even the average European level, Chinese economy alone would be consuming nearly 50 per cent of the world oil production.

With the US already consuming 20 per cent of world oil production in 2000, the two of them between themselves may be consuming about 75 per cent of the world oil production by the end of the decade. Where would other oil importing countries, especially Pakistan, find sources of supply sufficient for their needs?

The world oil production is losing its production elasticity. The world demand for oil in 2000 was 77 mbd (million barrels per day) and growing by about two mbd each year. It is expected to

reach 100 mbd by 2010 and 120 mbd by 2020. As against this demand buildings, oil production would peak at around 80 mbd according to International Energy Agency of the OECD. The gap between the demand and supply is not expected to be bridged even by the attraction of high oil prices, because the world oil output from the known reserves would not have much room for an increase.

How is Pakistan's economy to handle the seismic effects of a $100 a barrel prices and keep producing goods for the export markets at competitive prices? In addition to the financial burden on the economy and the people, the situation raises some new issues of the security of supplies. For, there will be intense competition from other oil importing, rich and powerful countries which would also be feverishly working to ensure the security of their supplies from the same inelastic pool of oil.

Whatever else may or may not be the reasons for the US strategy now unfolding in the Middle East and Central Asia, it would greatly help our understanding of the happenings around us, if we realize that securing oil supplies for our future growth would surely be on the top of the list.

Unfortunately, however, we have yet to see any strategy that will tell our industrial and domestic consumers how the government plans to secure the country's energy interests in this very difficult scenario that is unfolding itself. Other alternative sources of energy have also their own limitations. Natural gas, like oil, is a dwindling resource, besides other limitations of costly infrastructure for storage, transportation and usage.

Nuclear energy has safety problems of its own. And while the world has stabilized the use of hydel power at less than seven per cent of the total energy portfolio, because of many water-related and environmental concerns, Pakistan has already stretched its use to 30 per cent of its energy portfolio. This leaves coal, which Pakistan has in abundance, as a safe, cheap and reliable source to meet the energy needs of the country for the foreseeable future.

Many countries, including the rich, developed and emerging economies, have adopted extensive programmes for increasing coal-based power into their energy portfolios. Oil-rich Indonesia is implementing a strategy to add 10,000 MWs of power from coal alone. And China is further increasing its coal-based

power by a whopping 30,000 MWs. Even the rich, highly developed and environmentally conscious but coal-less Japan uses coal to generate 19 per cent of its power requirements. Even today, from all available information, Pakistan does not have even 10 MWs of additional coal-fired power generation facility presently under construction in the country, even though its coal-based power is a mere one per cent.

There is talk of development of some unconventional sources of energy in Pakistan. Forget the fancy ideas of wind, solar and hydrogen power that even the developed world is still experimenting with. These should no doubt be explored, but they are far away from offering real solutions to Pakistan's energy problems.

Although there have been several pronouncements from the president downwards about meeting the rising energy needs of the country through extensive development of indigenous coal reserves, but five years down the road and one does not see any serious investment having actually been made in coal-based power generation in Pakistan.

As things stand, therefore, Pakistan will be entering the year 2010 practically with the same unbalanced energy portfolio that it had ten years ago. This time, however, the price of imported oil would be hovering around $100 a barrel and it would extract a heavy price from the industrial and agricultural sectors of the country.

A balanced energy portfolio must be built around the country's enormous coal reserves which will enable Pakistan to successfully handle the upcoming energy crisis and ensure for itself the much needed source for long-term, cheap and abundant, energy supplies to sustain its development objectives. Without such a vision and a strategy to realize it, does anyone seriously believe that the high growth rates in GDP and exports earnings can be sustained on the back of a $100 a barrel oil import bill?

DAWN, June 30, 2005

Energised, yet powerless

Trapped in an unaffordable energy paradigm, Pakistan's economy has been experiencing crippling power shortages while its government is mired in mounting circular debt generated by this very paradigm. Last week, the demand and supply gap in power generation crossed 8000 MWs – the highest in the country's history. Acute power outages have wrought havoc on households and industry. The mountain of circular debt keeps rising at the rate of one billion rupees per day! If, in order to eliminate circular debt, the government passes on the full cost of this unaffordable power to the people, there will be rioting on the streets. How did the country land in such a deadly trap?

Both problems are rooted in the flawed energy policies pursued for decades. Even when the rest of the world made drastic changes in their energy paradigms after the oil shocks of 1973 and 1979 and moved away from expensive oil to coal and hydro for power generation, Pakistan's energy planners continued with suicidal policies as if oil was still selling at two dollars a barrel as in the 1960s, rather than over $100 a barrel.

Sitting on top of one of the largest coal reserves in the world, and still suffering power shortages, blackouts and breakdowns, Pakistan's power sector has notoriously neglected cheap indigenous sources of energy and remained glued to the temptations of expensive, imported fuel. That has strangulated economic growth and made electricity an unaffordable luxury rather than a necessity of modern life.

Pakistan's power mix is roughly divided in three equal parts – with oil, natural gas and hydro each contributing about 32 percent. The rest is taken by nuclear (two percent), coal (one percent) and renewables. The problems of power shortages and circular debt lie right there embedded in this irrational and

unaffordable energy mix. Much of the world uses cheap coal-based power (30-50 percent cheaper than oil based) for 40 percent or more of its power mix, but Pakistan uses cheap coal power for only one percent of its power mix and that keeps power unaffordable for both the people and the government.

Most countries also make minimal use of expensive oil-fired power generation to keep power supply cheap and affordable. Worldwide, oil for power generation, is used for only six percent of total power production. Many countries use oil for less than five percent – and India uses oil for even less than one percent – of power production. But Pakistan has continued to use expensive oil-based power generation for one-third of its power mix.

A bigger disaster was planned under the so-called 'new' 25-year energy plan (2005-30) introduced during Shaukat Aziz's time. This aimed to raise Pakistan's dependence on imported oil for power generation to 50 percent by 2030, when even oil rich Gulf countries were reducing their share of oil in their power production!

World over, coal-based power is cheap and the largest source of power generation. The abundance of this cheap power in the power mix of a country pulls down the average price of power and makes electricity cheap and affordable. Pakistan today produces less than 20,000 MWs of power from all sources of energy – private and public. If Pakistan were to produce 100,000 MWs of power from its coal reserves (five times its current production) and kept producing the same for the next 100 years, it would have consumed only one-fourth of its coal reserves! Why then hasn't the country made use of its abundant coal reserves to provide cheap power?

The one and only time a major coal-fired power project was actually started was in 1996 when four plants of 1300 MWs each were being installed over a six-year period at the low cost of 4.6 cents/KWh. That project fell victim to the usual politics of Pakistan. Since then, not a single MW of coal-based power has been added, while oil-fired power projects three to four times more expensive continued to be added to the power mix making electricity increasingly unaffordable. In fact, the energy planners of Pakistan in the early years of its independence were much better tuned to the realities of this country, for coal-based power

contributed 60 percent of the country's power production in 1948.

Coal-based power is no rocket science; there is no reason why it should take ages to bring several power plants on stream. It is intermediate technology, has been tried and tested for over 200 years and it takes an average of 36 months for a coal-fired power project to come on stream.

With only one percent of coal-based power in its power mix, Pakistan has a long way to go to rectify the damaging consequences of its faulty energy paradigm. But we have been using the wrong end of the stick to address the problem. The problem of power outages and circular debt cannot be solved by endless raises in power tariffs. It cannot be solved by massaging symptoms and not attacking the root cause – the irrational and unaffordable energy paradigm that continues to produce more problems than power for Pakistan.

Pakistan should offer attractive incentives for coal-based power projects, encourage shifting existing oil-based power plants to coal, and freeze new power generation from all sources except coal – until an affordable balance in power mix is achieved. Other countries have done it and so can Pakistan. Until Pakistan's energy mix has more than 50 percent of coal-based power, the problems of expensive, unaffordable energy and circular debt will remain. But the urgency and seriousness required to tackle this national emergency are nowhere on display, nor have such projects come on stream.

Coal is available in every province with Sindh sitting on an estimated 175 billion tonnes of coal. Due to the 18th Amendment provinces also have greater autonomy in the matter. While every province has organisations dealing with coal-based power, they appear either to suffer from the problem of not knowing how to go about this task in world markets or too many cooks are spoiling the broth.

The News, Saturday, October 08, 2011

Indigenous Source of Energy

REALISING that the only sustainable solution to Pakistan's deep-rooted energy problems lies in large-scale coal-based power generation, Prime Minister Nawaz Sharif has put the 6,600MW power park, imported coal project in Gadani, Balochistan on the fast track.

In less than three years, the Gadani power plants are expected to start supplying badly needed energy to the people.

Contrast this development with the inertia that was the hallmark of the last 10 years where coal-based power from the largest indigenous coal reserves of Thar is concerned.

Neither Pervez Musharraf, nor the PPP government could produce even one ton of coal — much less one megawatt of power — from the much talked about 175 billion tons of Thar coal reserves.

This procrastination was particularly unfortunate for the PPP government whose own leader, Benazir Bhutto, laid the foundation stone in January 1996 of a complex of 5,200MWs of coal-based power plants at Keti Bandar when she was prime minister.

Since all the details and documentation of the Keti Bandar power project were available, it would have started delivering cheap and abundant coal-based power in less than three years, and thus earned the goodwill of the energy-starved people of Pakistan.

In all these years, it has been difficult for many to understand this delay. Was it the ignorance of not knowing how to go about marketing and negotiating a mega international investment project that caused the politicians to go round and

round in circles for years?

Or did they not want to pursue the hard work behind indigenous coal-based power generation — and were more fascinated with rental power projects?

After all, two of the principal pillars of the power structure of the last five years, were not even present at the foundation stone-laying ceremony of the Keti Bandar project because neither occupied any important official position in Benazir Bhutto's government at that time.

The merits of the Keti Bandar project included the quick start of the first unit of 1,300MWs from imported coal and the remaining 3,900MWs — and all subsequent additions — from Thar coal.

To ensure this, investors deposited $5 million in Sindh government accounts to pay for technical studies of Thar coal so that turbines for future power generation could be designed according to specifications.

To reduce infrastructure costs and environmental hazards, coal was to be mined, cleared of impurities and powdered in the desert areas and transported via an especially laid railway line to Keti Bandar where a series of power plants were to be located.

All costs of infrastructure — including the railway line, dredging of the deep-sea port and jetty construction at Keti Bandar for berthing ships of up to 200,000 dwt (deadweight tonnage) — were to be financed by investors.

Despite all these safeguards, the final cost of the power generated from the Keti Bandar project would be a lowly 4.6 cents/kh. Pakistan had never seen a more favourable investment project negotiated in its history.

Nevertheless, this feasible and economically viable design of the Keti Bandar project was dropped and a wild goose chase started in pursuit of an expensive, non-feasible design which would take many more years, cost many more billions and produce very expensive electricity for consumers.

Since the extra cost for this was coming out of the taxpayer's pocket, there was a temptation to take the longer and more expensive route. More so, since all extra costs of inefficiencies and tertiary additions would be passed on to consumers in the shape of expensive electricity bills.

Now Gadani has trumped Keti Bandar, with the current

government's plans for a 6,600MW coal-based power park. As this would also require dredging for large cargo vessels, a deep sea port will emerge as a by-product.

As some loose ends are tied up, Gadani has the potential to emerge as the centre of coal-based power in Pakistan and become the toast of the investor community.

Because of the wild goose chase of the last many years, Thar coal power generation has found itself facing several problems. If the demand and supply gap in power generation is met by the Gadani power project, investor interest in other power projects — including Thar coal — will subside for some years.

The PPP never had as much opportunity to exercise control over all levers of decision-making at the federal and provincial levels as it did during the last five years.

If the Keti Bandar coal-based power project could not even take off — much less be completed — during the last five years, despite a favourable environment, what are the chances that it will actually see the light of day in the near future, unless radical reforms are undertaken?

Not delivering on one of the most important public welfare projects, whose foundation stone was laid by the PPP's own leader, and which would have generated immense goodwill from those facing power outages across the country, was a big letdown in the eyes of the people.

This kind of attitude caused the largest federal party in the country to have hardly any showing in three provinces, after five years of federal and provincial power.

In the changing dynamics of Pakistan, the politics of emotion is giving way to the politics of performance. If Gadani becomes the hub of coal-based power in the country, let us all celebrate for the good of Balochistan and Pakistan. And if the Keti Bandar power project did not take off even in the face of propitious circumstances at the time, no one should look elsewhere for excuses.

DAWN, September 10, 2013

Lack of decision on coal reserves

DURING the last fiscal year, Pakistan forked out six billion dollars on energy imports, when oil averaged around $40 a barrel. Oil has been seesawing between $60 and $70 per barrel and with a 10 per cent annual increase in energy consumption; we could be looking at the energy import bill of about nine billion dollars this year.

On top of that, another two to three billion dollars go out of the economy for debt servicing. Thus, between energy imports and debt servicing alone, some two-thirds of our meager export earnings of $17 billion would be eaten away. And if US-Iran relations take the feared plunge, all bets are off on oil prices.

The UNDP Report on Asia-Pacific 2006 tells us that the business model we have been following for years doesn't have enough elasticity to raise our export earnings. Even our principal industrial sector of textiles has been losing market share in textile and clothing in open competition with regional countries, including Bangladesh which does not even grow cotton.

Last year's trade deficit of $12 billion, the highest in the country's history, is already being overtaken by the magnitude of deficit incurred in the first two months of the current fiscal year.

So, where is the hard currency going to come from to pay for all our other essential needs such as food, medicine, plant equipment and machinery, defence and several other requirements, including non-debt liabilities and reserves to keep the rupee from sliding down?

Our continuous use of privatization proceeds and home remittances to finance the current consumption is self-defeating. The 'feel-good factor' thus created would start evaporating as the few remaining state-owned enterprises are sold off and a reverse flow of dividend income gathers momentum. The real estate

market has heated up beyond the reach of many industrial and residential buyers. In the meantime, Pakistan is losing opportunities of creating new assets that would have become cash cows for the country, earning it badly needed hard currencies and reducing its vulnerabilities.This should give sleepless nights to any policymaker and call for change of course in favour of production and productivity and away from high consumption and speculative economy. As if that was not worrying enough, reports indicate that we still want to add to our external vulnerabilities by now opting for imported oil and coal-fired power plants while continuing to turn a blind eye to the development of our indigenous coal reserves.

Coal-based power is essential because it brings three major benefits. Since we are fortunate in having large coal deposits, it saves us from using hard currency on importing oil. And because coal-based power is labour-intensive, it creates employment and business opportunities for our people. Thirdly, it provides energy security and protection from a wide range of external risks. All these benefits, however, are lost to the nation because of flawed policies and options. Our approach to energy development is clear from one simple fact: while 1.5 million MWs of coal-based power plants are under various stages of development around the world, we do not have even a single MW plant under construction. About 90 per cent of the current coal production in the world is utilised within the very same countries where coal is available. It is only countries that do not have coal deposits of their own like Japan that generally import coal for their power generation.

For Pakistan, sitting on 185 billion tons of coal estimated to be second largest reserves in the world, importing coal for power generation is tantamount to Iraq having the second largest oil reserves in the world importing oil for its power production.

Our dependence on renting solutions to our problems remains so deep-seated in our culture of governance that we refuse to believe in our national capabilities of producing wealth and value from our human and natural resources. But Pakistan is not one of those oil- and gas-rich Gulf countries that can go on importing solutions for almost anything. Its salvation lies in learning to create values and wealth from its own resources. But this has largely remained a pipedream because our public pronouncements are not backed up with policies and action that

are needed to provide incentives for investments in the needed areas. Investment in an indigenous integrated coal mining and power generating project is a measure of long-term commitment by investors. It is different from investment in the franchise of a fast food chain or from importing ready-made solutions.

These integrated projects are heavily capital- and technology-intensive and no small investor or a fly-by-night operator can mobilise the required resources and skill. And once big, reputed and experienced investors have finally committed to undertake such projects, it is important to stay the course and not turn the tables on investors without rhyme or reason.

That is why indigenous coal-based power production in Pakistan has still not recovered from the damage inflicted on it in 1997 by abrupt and arbitrary cancellation of the first pioneering project of 5,200 MWs of power generation based on Thar coal.

The present government has been in power for about seven years. This is long enough time to have won back investor confidence. But despite several promises made and trips to China, Europe and elsewhere, we have yet to see any MOUs for indigenous energy development translated into action.

If we had taken a national decision of making indigenous energy resources the principal plank of the country's power generation programme, it would then not be difficult to get our act together on the two fundamental issues: winning back investor confidence with public policy that promotes long term and sustained investment in indigenous energy development and resolving internal turf battles that have often subverted progress on coal-fired power generation ideas and proposals. Continued indecision on this has made Pakistan's energy policy directionless. As a consequence of this absence of priorities and direction that none of the regional gas pipelines projects we have been talking about for over ten years, have yet reached the level where serious project financing exploration could be conducted. In the meantime the energy problems have kept worsening. Their solution lies in giving indigenous coal-based power generation a major role in the country's energy portfolio and creating a policy framework that would sustain investments in its development. Delay will only keep pushing back the opportunity for Pakistan to develop its abundant coal resources at Thar.

DAWN, October 3, 2006

What went wrong in energy sector

THE symptoms of an impending energy crisis have been apparent for quite some time. Equally obvious has been the lack of a strategy to counter this problem and break out of the logjam.

Recent press reports have exposed the fallout of the government's poor energy planning. A hefty increase in gasoline prices is expected to again hit consumers any day. The problem has been festering for some time but the last government did not take any action fearing a severe backlash from consumers and instead passed the buck on to the caretakers.

Linked to this is the reported drop in the inventory of oil stocks and reduction in gas supplies to industry. Power blackouts have also returned to underscore the burdens being borne by the country's consumers.

These are worrisome reports. But they are not unexpected and were foreseen years ago as the likely fallout of the structural problems of an antiquated energy regime. It was obvious that remedial measures were urgently needed to protect the economy and consumers from its ill effects but every attempt made to rectify the situation was scuttled.

If we cut out the rhetoric and public posturing by official spokesmen, there are two criteria that determine the success or failure of any energy policy: the security of supplies and the affordability of prices for consumers of the end product. On both counts, any independent observer would give failing grades to the energy policy pursued for the last decade.

Going by its energy portfolio it would seem that the country is a part of the oil- and gas-rich Gulf region and not part and parcel of energy-starved South Asia. Pakistan's energy paradigm

is largely stuck in the thinking of the 1960s when oil was $2 a barrel and the first oil shock was 13 years away. The first shock was followed by another in 1979, the depletion of world oil reserves, a spike in demand fuelled by Asian industrialisation and oil prices hitting $100 a barrel at any hint of a new crisis in the Middle East crisis. These repeated shocks forced the major powers to restructure their energy regimes but we are yet to wake up and see the writing on the wall.

In fact, the energy paradigm pursued at the time of the country's independence was more affordable and secure. In 1948, sixty per cent of Pakistan's power was produced from indigenous coal. After 60 years, the energy regime followed by Pakistan has resulted in the country becoming the most dependent in the region on imported energy. While India continued with the same old paradigm and now 65 per cent of its power comes from coal (the figure for China is 70 per cent), Pakistan's power production from coal has come down to a mere one per cent, despite the country sitting on one of the largest coal deposits in the world.

There is no realisation of the urgent need to protect the economy and consumers through urgent course correction on the energy policy. A look at the 'new' 25-year Energy Security Action Plan (2005-30) confirms this. Its Power Generation Plan talks of further increasing the country's dependence on oil from 30 per cent in 2005 to 51 per cent in 2030. As against this, it is envisaged that the share of indigenous coal in energy production will be no more than 12 per cent even after another 25 years. Contrast this with the fact that coal today accounts for 40 per cent of world power production.

The only consolation is that this airy-fairy energy plan cannot be implemented and will be overtaken by other events on the global energy chessboard. The mounting energy crisis has increasingly led to talk of energy wars and several countries have been working on counter-strategies. A reality check would tell us that Pakistan is neither going to be waging energy wars with other countries to capture their oil reserves nor is our economy going to afford the rapidly rising costs of higher levels of imported energy.

Apart from generating savings on oil imports by shifting to coal-based power, many countries have also learnt another lesson from the upcoming energy wars. By blending ethanol with gasoline they have further reduced energy imports — in the case

of Brazil, $70bn has been saved on the oil import bill. This idea has also been accepted by major multinationals and Ford and VW are producing vehicles in Brazil equipped to handle a 15 per cent ethanol mix.

When such measures to reduce transportation-related fuel costs were proposed in these columns by several knowledgeable experts, the previous government declined to follow up on similar policy/legislation for Pakistan.

Another lesson for Pakistan was provided by Indonesia, itself an oil-producing country. When Indonesia realised that its power production had veered off course and the share of coal-based power (although much higher than Pakistan's) had declined, it decided that the next 10,000MW of power would come only from coal until a balanced energy portfolio had been achieved.

Our approach has been the opposite. The first major breakthrough in restructuring Pakistan's energy profile was achieved when, after years of hard work, a 5,200MW power project based on Thar coal was finally started during the second Benazir Bhutto government. However, within weeks of taking over, the Nawaz Sharif government arbitrarily cancelled it in 1997 without any rationale, forcing American investors to close the project and leave the country.

Five years later, a Chinese power company got involved when the president of Pakistan sought help in coal-based power production from the president of China. After four years of field work and technical and financial feasibility assessments that cost millions of dollars, the Chinese complained that decisions on critical issues were repeatedly deferred and changed. The last straw came in 2006 when the ECC meeting chaired by Prime Minister Shaukat Aziz declined to settle the issue and open up the energy market to coal-based power. The Chinese investors too decided to cut their losses, packed their bags and left the country.

At a recent international coal-mining seminar in Karachi, the participants complained of being cold-shouldered in their repeated attempts to help coal-based power gain a foothold in the Pakistani market. His critics spoke of the tall promises Shaukat Aziz made to the people of Thar when he was seeking a parliamentary seat from the area. The former PM was faulted for not achieving the much-needed breakthrough in coal-based power

despite his eight-year hold over economic policymaking.

The structural problems embedded in Pakistan's energy paradigm remain unresolved and their symptoms keep visiting us in respect of the woes of residential and business consumers. Major world players who are experienced in coal-based power generation are willing to make large investments in Pakistan backed by technological choices vis-à-vis the environmental standards desired by the country.

The major barrier in the way of a breakthrough, however, is the official mindset that sees neither penalty nor incentive in aligning the energy policies of the country with its economic and geographic realities.

DAWN, December 27, 2007

Energy from Thar Coal

SIXTEEN years ago this month in 1996, the foundation stone for Pakistan's first major coal-fired power plant was laid by then prime minister Benazir Bhutto at Keti Bandar.

That project was to generate 1,300MW within the first 36 months and then continue adding 1,300MW every year until a total of 5,200MW of electricity was generated from that project by 2002.

Additionally, as part of the project, Pakistan was to get a railway line laid from Islamkot through Badin ending at the project site at Keti Bandar, where a deep-sea port with the capacity to handle ships of 250,000dwt was also to be constructed.

Not a penny was taken from the federal or provincial governments for any of these components. The project was successfully negotiated with investors and was to be funded through their own equity and project financing also at their own responsibility.

Subsequently, when Wapda raised funding issues for transmission lines connecting the powerhouse with the national grid, the investor was persuaded to make advance payments to Wapda for the transmission line to be adjusted after the project came on stream.

Similar advance payment arrangements were also concluded with Pakistan Railways and PTCL for connecting power projects with the main railway line at Jungshahi and providing telecommunication facilities there. The cost of electricity from this project was as low as 4.6 cents/pkh — about one fourth of the cost Pakistan has now been paying for electricity from oil, gas and renewable sources!

Apart from prime minister Benazir Bhutto who provided policy and political support to the project for its expeditious

completion, Sindh chief minister Abdullah Shah and minister Agha Rafiq Pathan extended wholehearted support where provincial issues were concerned.

Thus within a record time of 18 months, all stages — from marketing the projects to getting investors, conducting negotiations, concluding power purchase agreements and addressing land and employment issues — were completed and the foundation stone laid.

The investors set up offices, employed staff and started work when the self-destructive politics of the country took its toll on the project.

This coal-fired project was a major feather in the cap of the PPP government. Not only was a technical breakthrough achieved and reliance on the back-breaking expensive and imported fuels averted, the project went a long way in winning popular support as a means of permanently solving Pakistan's energy problems at cheap rates.

It has therefore been surprising that when all details and documents of the previous project are available, this PPP government is still nowhere near delivering on even one powerhouse of 1,000-1,300MWs of coal-fired power.

This delay and lack of clarity on how to go about marketing, negotiating, financing and actually delivering on the project has opened up space for all kinds of adventures that one has been reading about in the newspapers.

Investors and adventurers are hardboiled sharp-shooters and they seem to have sensed the state of affairs. Accordingly, different schemes and proposals from different sources seem to have been floated without an integrated and holistic programme of delivering affordable energy to the people of Pakistan. Federal and provincial funding has also been going towards different components.

The Sindh government has spent billions of rupees on infrastructure development to support coalmining in Thar.

However, it needs have an integrated approach to project development, and link investment in infrastructure with actualisation of coalmining and power-generation activities, so that this infrastructure expenditure does not deteriorate by the time operations start, thus requiring duplication of cost.

The best way of going about generating power from Thar

coal would be for the provincial government to set up a pilot project of 300MW in the public sector with appropriate local and foreign expertise. Such a project would cost about $400m in three years and create all the necessary benchmarks.

This would save cost and time and avert interference by those who would use both coal and the cash resources of Sindh and take the lion's share of profits without any risks whatsoever. The power that gets delivered through such channels would also be very expensive.

Another worrisome development is the media war between two groups of scientists over Thar coal.

While Dr Samar Mubarakmand of the Planning Commission has been working on an underground coal gasification project on Thar coal for power generation, financed through the public exchequer, a former president of the Pakistan Science Foundation Dr Farid Malik has raised serious issues about the technical and commercial viability of the coal gasification project.

He has talked of 'misleading claims' and has questioned allocations of large public funds without audit.

There has been a deafening silence on the part of both the federal and provincial governments. This is not a private tiff between two individuals. At stake is the judicious use of billions of rupees in public funds. One would have thought that either the parliamentary committee on energy or the Thar Coal & Energy Board of Sindh would have taken note of these serious issues to see that scarce financial resources are properly utilised for delivering cheap energy to the people.

Sindh Chief Minister Syed Qaim Ali Shah needs to invite presentations from both gentlemen and some other independent knowledgeable persons to address genuine public concerns on the subject.

A clear direction needs to be settled for a holistic and feasible development of Thar coal. Moving in different directions without technical diligence and financial affordability is never done in any good investment regime in the world and might end up generating problems instead of energy from Thar coal.

DAWN, January 27, 2012

Affordable energy for development

POWER outages are back again and are bound to grow worse as the summer months approach. This new wave of energy crunch was not unforeseen and a way out of the crisis has often been discussed but with no results. The problem lies in our stubborn refusal to implement reliable and affordable solutions to energy problems.

The oil price shocks of 1973 and 1979 should have led us to make changes in our energy policy that is rooted in an era when oil was selling under $2 a barrel. But neither these shocks nor subsequent events served as an eye-opener. Oil is now trading at around $60 per barrel. Given the current uncertain situation in the Middle East, this figure could well be heading all the way up to $100 per barrel.

Two fault-lines in our energy policy are casting their long shadow over the country's sustainable development. The old mindset of cheap imported fuel has remained the centre-piece of our energy policy and has taken Pakistan's dependence on imports to new heights where 80 per cent of the country's energy needs are met through imports. With the limited earning capacity of the economy, partly attributable to the unaffordable energy policy, it also widens current account deficits.

The second fault-line pertains to the increasing difficulties of accessing the rich regional energy markets of Central Asia. In 1995-96, Pakistan could have benefited from the support of all major powers for an energy and transportation corridor from Central Asia. The first project of this corridor that materialised was the railway link between Khushka in Turkmenistan through Herat and Dalbandin to Gwadar. This was also supported by local

chieftains along the way including Ismail Khan, the powerful governor of Herat who is now an important functionary in the Karzai government. There were few problems in the way of the completion of the project that was guaranteed by a European bank with triple-A ratings.

Now the security environment in Afghanistan has worsened while Balochistan is experiencing violence. This fault-line threatens to block our access to regional energy markets and durable pipeline supplies.

Even though there is enough evidence from around the world that coal-based power is beneficial to our economy as it would provide cheaper energy for industry and agriculture, our stubborn refusal to use it remains a big stumbling block to having affordable energy for development.

Since we do not use coal-based power in any significant manner, there is no clear and reliable data here. Let us look at data from the US to remove confusion and reach a fair conclusion.

The states of Minnesota and North Dakota have abundant coal reserves. With control over their resources, the two states use their coal to generate the bulk of their power supply. In Minnesota, over 65 per cent of the electricity consumed comes from coal, while as much as 93 per cent of the power produced in North Dakota is coal-based.

Because coal-based power does not cost much, the people in these two states pay about 30 per cent less for electricity than do consumers in California which relies heavily on non-coal-based and more expensive sources of power generation.

In the energy mix in the US, 56 per cent of power is produced from coal which also contributes to lowering overall energy costs for consumers that would otherwise become unaffordable.

But Pakistan, which sits atop the world's fourth largest coal reserves, uses this form of mineral fuel to generate only one per cent of its power. This raises considerably the cost of doing business as the industry is not in a position to enjoy the benefits of cheap energy costs. Conversely, businesses in other countries, whose economies benefit from coal-based power like India (65 per cent), China (70 per cent) and Australia (60 per cent), make the most of this advantage.

A 30 per cent reduction in the cost of power production

would make a big difference in the competitiveness of Pakistani products in foreign markets. Our unaffordable energy policies bear a major share of the blame for reducing the competitiveness of our businesses and making life difficult for residential consumers.

But, after years of technical and marketing efforts, when a pioneering project of 5,200MW of power generation from Thar coal finally started, it quickly fell victim to the vindictive politics of the government in 1997. American investors were forced to abandon the project and leave the country. But for such whimsical governance, Pakistan would today be generating over 10,000MWs of coal-based power and also develop the capacity of adding 1,500MW annually to meet its growing needs.

So we have been stuck for long with an unaffordable energy paradigm. While Pakistan's oil consumption has jumped to seven times its domestic production, its gas reserves are being severely depleted. Its abundant indigenous coal reserves are lying neglected. A section of the people still come out with antiquated arguments against coal-based energy which have long since been discredited by changes in technology and the economics of energy.

While we remain stuck in the past, future developments in coal-based energy are leaving us behind. The coal-based-liquid fuel (CTL) is already being used elsewhere for meeting transportation needs. South Africa, meets 30 per cent of its transportation fuel needs from coal. China is building plants to produce 60,000 barrels of coal fuel each day. And the US Air Force recently tried out its B-52 bomber with a 50/50 blend of coal fuel and the traditional jet propulsion fuel.

The only energy portfolio affordable for Pakistan is one that makes coal the centrepiece of its power generation. In practical terms, it means coal must generate 50 per cent or more of Pakistan's power. This would reduce the overall cost of energy and make Pakistan's economy competitive in world markets. Otherwise our products will find it increasingly difficult to compete with comparable Asian economies whose production systems enjoy the benefits of cheap coal-based power constituting over 50 per cent of their energy portfolio compared to one per cent in the case of Pakistan.

DAWN, January 12, 2007

Moves on energy chessboard

THE much talked-about Iran-Pakistan-India (IPI) gas pipeline project has finally turned the corner. In February, Iran and Pakistan resolved the most difficult issue of pricing in Tehran, and soon, thereafter, India indicated its agreement also. This has opened the door to follow-up developments.

Much of the credit for this breakthrough goes to Iran for attractively pricing the gas for the project. By reducing it by 30 per cent from its earlier price, Iran has sweetened the deal for both countries. For Pakistan, the project has added attraction. Apart from meeting its growing energy needs, Pakistan would also pick up from India about $1.5 in transit fee for every million British thermal units transported through pipeline to that country.

The seven-billion-dollar, 2,100-kilometre IPI pipeline would turn out to be the largest cross-border investment in this part of the world and an important milestone in building regional energy security for South Asia. But the moves on the energy chessboard are also generating several cross currents and it would be a litmus test of our economic diplomacy to protect and implement this important project.

For over 100 years since the oil industry was born in and around the Caspian Sea region, its consumption markets have largely remained in industrialised Europe and the US. With production and consumption being so far apart, the oil industry developed a worldwide market and infrastructure for linking oil production with consumption.

But the markets in the 21st century have come closer to the producers and there is a marked difference in the games now being played out in the energy world. Much of Middle Eastern oil

is committed through long-term arrangements to countries that became industrialised early. But as Asia industrialises, its rising energy demands are bringing Central Asia into the centre of an intensified competition. Energy security is occupying centre-stage not only for the old but also the newly industrialising countries.

Accessing Central Asia's vast energy resources has been a frustrating exercise for many years. Central Asia has remained landlocked, geographically and politically. Bounded on the north by the Arctic Circle and on the east and west by a vast expanse of land distances, its attractive opening was always through outlets on the south – through Iran, Afghanistan and Pakistan.

The attractiveness of the southern route can be established from one simple fact: both producers and consumers of energy through this route stand to benefit from $1-2 per barrel of oil supplied. For gas consumers, this equation becomes even more favourable. But apart from the one window of opportunity that opened for Pakistan in 1995-6 and was then quickly shut off, accessing Central Asian energy across the southern route has remained blocked by US opposition to Iran and the violence in Afghanistan.

Energy pipelines from Central Asia to Europe and beyond through Russian and Turkish ports and to Japan and China across the steppes, cannot meet the rising demands of both markets. The pressure on opening the southern route through Iran-Afghanistan -Pakistan has been increasing. How long can the energy-starved world wait for conditions in Afghanistan to become stable and peaceful to access Central Asian energy through that country? Increasingly, both, consumers and producers are getting favourably inclined towards accessing these enormous energy resources through Iran.

During its meeting last year in Shanghai, the Shanghai Cooperation Organisation (SCO) had also discussed the idea of an "energy club" of its members – since between themselves and along with the observer states of Iran, Pakistan and India, the SCO constitutes a regional market of large energy producers and consumers. The Soviet-era oil and gas pipeline system linking with Central Asia has been added, upgraded and expanded to the European markets and beyond. Since the early 1990s, China has also embarked upon laying an extensive network of pipelines for taking that energy eastwards for meeting the needs of its fast-

paced industrialisation.

The northern loop of an Asian energy system has thus been taking shape. But the southern route in this energy infrastructure had still been missing. It is against this background, that the strategic importance of the IPI project becomes obvious. It is the first project that links Central Asia with South Asia through the umbilical cord of energy passing through Iran. It is tempting to give a place to the IPI in the strategic moves being made on the global energy chessboard. If Pakistan also becomes a transit route for Iranian-Central Asian oil and gas resources flowing into China, it would finally connect the southern and northern loops of an Asian energy system. If that happens, it would be a tectonic move on the energy chessboard.

Similarly, Nato leaders also discussed in their summit meeting in Latvia last November the formation of a "gas Nato" geared towards safeguarding the energy security of Nato members. European concerns were heightened after disputes cropped up over the pricing of Russian gas supplies to Ukraine and the consequent depletion in pipeline supplies onwards to West European markets. Some big energy companies from the US and Europe that are already pumping energy from the Caspian basin and Kazakhstan are also looking towards developing southern routes for transporting Central Asian energy through the Gulf and Arabian sea ports to markets worldwide.

Pakistan would be experiencing first-hand what it feels like to lie in one of the centres of gravity of these strategic moves on the energy chessboard. There would be many a slip between the cup and the lip to stall or spoil opportunities along the way -- from confidence-building to consortium-building to technical, operational, project management and other important issues as the IPI pipeline moves ahead to become a reality on the ground.

The most important consideration for our strategists and decision-makers should be to keep our routes open for accessing Central Asian energy. Despite various forecasts coming out of foreign think-tanks, predicting the results of moves being made on the energy chessboard is mere fantasising. It is not in Pakistan's interest to have its western borders prone to violence and instabilities of one kind or the other. The conditions in Afghanistan are not totally in Pakistan's control but improving these in Balochistan is entirely in our hands; and the price of a

peaceful resolution of disputes is miniscule compared to the costs of locking ourselves out of the scenario of energy sources for future development.

This is no idle concern since a similar opportunity of an oil pipeline from Iran to Pakistan in the early 1980s was allowed to fall through because Gen Zia did not want to do business with Islamic Iran while fighting his version of jihad in Afghanistan. The external environment today isn't all that different from what it was a quarter of a century back, but repeated assertions by the Pakistani leadership raise hopes that this time our diplomacy will demonstrate the skills and maturity needed for promoting our energy security needs while maintaining a friendship with the US.

If the IPI project is successfully implemented, it promises to be the harbinger of many other cross-border projects that have been kept on hold by investors. The biggest beneficiary would be none other than Pakistan but it would also test the mettle of our economic diplomacy.

DAWN, March 01, 2007

Rescuing Thar Coal

Even as Pakistan's energy woes worsened, causing industries to shutdown and piling miseries upon people, the cheap and abundant solution of its energy problems languished and seemed lost in wilderness. Many years and billions of rupees down the road, neither a single ton of coal has been mined from the much talked about Thar coalfields nor a single bulb can be lighted from one of the largest energy sources of the world.

Why such a state of affairs has persisted for years has puzzled everybody. And no satisfactory explanation is coming forth. A simple power generation project, using time tested technology, saw its technical and financial close within 18 months of its marketing in 1996. For the last ten years, however, coal-based power generation from Thar coal has been complicated by confusion and conflicting interests, making its ultimate takeoff more difficult than before.

Before it generates more problems than power, Thar coal needs to be rescued from inertia and pulling and pushing in different directions, so that it actually produces affordable and abundant power for energy starved Pakistan.

Power outages have been hitting Pakistan for some years but a crisis-like situation has persisted during last five years. Endless load-shedding has disrupted the lives of the millions of people, strangulated the economy, forcing rupee to lose 40% value in 5 years as our reliance on back-breaking foreign energy sources kept on increasing.

The worst energy crisis witnessed during last five years, not only inflicted sufferings upon people and the economy, but it also played an important role in bringing down the government and practically wiping out the largest political party from most of the country. And all this price was paid while, the solution to the problem was staring them in the face, in the shape of Thar coal

fields from which cheap and abundant power could have started coming on stream within three years!

It is a sad state of affairs specially for a leadership whose own leader Benazir Bhutto, laid the foundation stone of Thar coal power project at Keti Bandar in 1996 and whose details and documentation were also available for a quick update to deliver on that promise.

Nevertheless, the permanent solution of our national energy crisis lies nowhere else but in Thar coal. One example may suffice to illustrate this. If Pakistan produces 100,000 MWs of power from Thar coal and keeps producing this amount for the next 100 years, it would have consumed only one fourth of the coal reserves at Thar! Compare that with our total installed capacity today – from all sources of power generation- of less than 20,000 MWs.

Three things are essential if That coal is to deliver on its potential. First and foremost: let us not reinvent the wheel. Coal based power generation is simple, time tested, labour intensive and intermediate technology used all over the world for over 150 years (now with reduced carbon emissions). There is no need to keep experimenting with fancy ideas and no need to move away from direct conversion of coal into electricity.

Second: we should design and market Thar coal power project worldwide, for direct investment by genuine and reputed private power producers and not be taken in by fly-by-night operators. Our mountain of public debt should put an end to any day-dreaming of spending more public funds on this account.

And third: like too many cooks spoiling the broth, Thar coal power generation has suffered from pulling and pushing by several clueless cooks who have gate-crashed into the kitchen to look after their own interests. A lot of time and resources have gone into secondary and tertiary works while the core issue of mining coal and generating power from it has been pushed to the back-burner.

If such a course of events is followed, the first 1000MWs of coal-based power would come on stream within three years of signing. Thereafter, another 1000- 1500 MWs would continue to be added every 18 months to balance demand and supply position and then go on to meet any rising demand for as long as the nation needs.

For immediate relief from massive load-shedding, it is good to pay off the backlog of circular debt to get the wheels moving again. Simultaneously, tough reforms are needed to cut down massive power thefts going on under various euphemistic labels to reduce the gap between installed capacity and what is delivered to the consumers.

But the circular debt is merely a symptom – one of the several – not the cause of persistent power outages which lies deeply embedded in our unaffordable energy paradigm. Because of irrational energy mix, the electricity rates in our country are already among the highest charged anywhere in the world. And the circular debt- like Jack-in-the-box-will keep popping its head until the energy mix in the country is rationalized by letting coal contribute more than 50% of power generation- like many other countries- to provide affordable energy to the people of a low income country like Pakistan.

Unexplained delays and failure to generate power from Thar coal for several years have raised concerns in the minds of some people. They have often questioned why power generation from these reserves is not coming on stream even when the nation has been passing through its worst energy crisis for several years? Various scapegoats have been presented to cover up the real causes of failure that need to be put in proper perspective.

That Thar coal reserves are not large enough to build high hopes on it. Wrong. GSP Report- with technical assistance from US Geological Survey- of 175 billion tons is more credible than any individual guesstimates.

That Thar coal has higher sulphur content, therefore it is not fir for power generation. Wrong again. Several countries- including China, India and even the USA have been using coal with much higher sulphur content for power generation for decades.

That Thar coal has high water content which makes it unfit for power generation. Wrong, yet again. The 40% water content in Thar coal is, in fact, a blessing in disguise for the people living in Thar desert. This writer has visited coal based power plants in other countries where the water content from coal is extracted, filtered and used for human consumption and agricultural purposes.

All of which further highlights the national urgency of generating coal based power. There is nothing wrong with Thar coal and it can generate cheap, abundant and affordable power for Pakistan for next 400 years. All it needs is a rescue in the shape of an independent and autonomous Thar Coal Energy Board to start delivering on its great potential for Pakistan.

The writer, as head of BOI, designed, marketed and helped develop 5200MW Thar coal private investment power project at Keti Bandar.

The News, June 12, 2013

The worsening energy crisis

TONIGHT, when you turn on your flat panel television to watch your favourite programme, take a closer look. You will be looking at a most promising solution to energy problems, especially for poorer countries in Asia and Africa for whom affordable energy is becoming increasingly inaccessible.

The fulfilment of this promise is round the corner. In less than five years, technological breakthrough in material sciences along with new economics of energy are making solar power the big solution to future energy problems.

This technology was developed in the 1970s, soon after the first oil shocks hit the world. But as oil prices fell quickly again, the technology was put to reverse use in the television and computer industries to generate profits for its sponsors. Now as Asian economies continue to rise on the back of their successful industrial revolution, the economics of energy has been fuelling a renaissance in the technologies of energy. This is making it possible for solar power to be competitive with oil-based power within five years and cheaper by half within a decade.

Take a look at your flat panel TV screen again. The bright light which displays colourful images on that screen is produced when electricity is passed through special conductive material which converts electricity into light. The semiconductors do the reverse job too, i.e. absorb sunlight to produce usable electricity.

That part was known. Barriers existed because semiconductors were expensive silicon crystals or amorphous silicon. The good news is that barriers are being removed by the manufacture of cheap, electrically conductive plastics and other organic materials. This makes market penetration by solar power cheap and easy. And it is now set to take over a big share of the world energy market from its competitors — conventional as well

as other alternate sources of energy.

Apart from cost effectiveness, these new products enjoy hitherto unknown flexibility, because they can be used in film rolls to be stuck or spread across or as liquids to be coated over any surface or size. Already this breakthrough in material sciences has earned one brilliant scientist the Nobel Prize and products are also entering the commercial market.

Several companies in Germany, Japan and the US are now scrambling to sponsor and own different pieces of this technology in order to ride on the wave of future profits. Although wind power (as an alternate source) currently generates more power worldwide, this technological breakthrough in material sciences has changed the dynamics, so much so that most knowledgeable energy experts believe that solar power is poised to outstrip wind power and provide "20 per cent of all the incremental energy needed worldwide by 2040."

Solar power also has other advantages which extend its competitive edge over other sources, including alternates. It is a silent technology which does not involve the construction of huge turbines that tower over the landscape and intrude into the skyline, and its flexibility is unmatched by others.

But the most unparalleled advantage of solar energy is that it provides an infinite source of clean and virtually free energy. Look at its magnitude: every minute the sun pounds the surface of the earth with more energy than the entire world consumes in one whole year! Now slowly but surely, man is finding it technologically and economically feasible to access this unlimited source of energy for its ever-growing needs.

This is a special boon for the poor sun-baked regions of Asia and Africa, although, sadly, even their rich public and private organisations like the Arab League, the OIC and other foundations have had very little to do with the development or sponsorship of this breakthrough, despite the fact that their people would be the biggest beneficiaries.

This breakthrough in energy technology is now ahead of other conventional energy sources, just like cellular phone technology leapfrogged landline systems leaving these behind in a very short time. The breakthrough in solar energy technology now makes it possible for villages that had never seen electricity to directly benefit from it, just like they did in the telecommunication

age with cellular technology.

Pakistan's energy problems are a product of an antiquated and costly energy profile. Added to this are the problems generated by its organisational structures, spread across several ministries and agencies. Both these regressive features are still trying to fly against the combined logic of technology and economics.

Unlike China and India which — like Europe and US before — have been industrialising their economies on the back of cheap indigenous coal-based power that meets over 60 per cent of their needs, Pakistan uses coal for only one per cent of its power generation. No high growth rates can be sustained in an economy on the back of unaffordable and inaccessible energy.

Coal has powered industrialisation of practically every country in the world since the industrial revolution, except Pakistan and some oil-rich Gulf states. It continues to be the fuel of the future as well because of its reinvention as clean coal in power-generation and coal-based liquid fuel fit enough for jet engines among other uses.

Pakistan's antiquated energy paradigm has already landed the country in the worst energy crisis of its history. With regular power outages lasting for hours on end, the unavailability of power has been added to the severe problems already caused by its non-affordability. The gap between demand and supply has been allowed to widen because of non-serious and biased approaches to the issue.

Energy challenges of the future cannot be met by Pakistan without cleaning the old stables of a sector involving various ministries and agencies whose turf wars have been a major cause of the country's energy predicament. This fragmented organisational structure dating back to before even the first energy crisis hit the world is out of sync with contemporary realities. The divergent elements of this sector need to be integrated so that its divided components with divided loyalties do not function at cross purposes and provide loopholes for failures without pinning responsibilities.

In Pakistan, such an integration of the energy sector has been overdue. There should be a single ministry of energy integrating the truncated activities spread across the petroleum and natural resources and water and power ministries and other

agencies.The mines and mineral paraphernalia attached to petroleum and natural resources should be sent over to the provinces where they belong. The power wing of Wapda and the power paraphernalia of the water and power ministry should be brought under this new energy ministry along with oil and gas functions.

Wapda should become the water management agency and should be affiliated with the food and agriculture ministry to which water resource management rightly belongs. Fisheries and livestock activities now centralised under that ministry should be shunted out to provinces where they are better managed, being closer to the scene.

Such a well-integrated ministry of energy would provide the right platform for Pakistan to successfully face future challenges — not only domestic challenges but also those arising from international moves on the energy chessboard.

Energy is extremely important not just for sustained growth but for survival as well. Our continued refusal to reform our several social and political predicaments is pushing the country back into the dark ages in a metaphorical sense. With the growing energy crisis, this may be taken literally as well.

DAWN, July 7, 2007

Lack of decision on Thar Coal

DURING the last fiscal year, Pakistan forked out six billion dollars on energy imports, when oil averaged around $40 a barrel. Oil has been seesawing between $60 and $70 per barrel and with a 10 per cent annual increase in energy consumption; we could be looking at the energy import bill of about nine billion dollars this year.

On top of that, another two to three billion dollars go out of the economy for debt servicing. Thus, between energy imports and debt servicing alone, some two-thirds of our meager export earnings of $17 billion would be eaten away. And if US-Iran relations take the feared plunge, all bets are off on oil prices.

The UNDP Report on Asia-Pacific 2006 tells us that the business model we have been following for years doesn't have enough elasticity to raise our export earnings. Even our principal industrial sector of textiles has been losing market share in textile and clothing in open competition with regional countries, including Bangladesh which does not even grow cotton.

Last year's trade deficit of $12 billion, the highest in the country's history, is already being overtaken by the magnitude of deficit incurred in the first two months of the current fiscal year.

So, where is the hard currency going to come from to pay for all our other essential needs such as food, medicine, plant equipment and machinery, defence and several other requirements, including non-debt liabilities and reserves to keep the rupee from sliding down?

Our continuous use of privatization proceeds and home remittances to finance the current consumption is self-defeating. The 'feel-good factor' thus created would start evaporating as the few remaining state-owned enterprises are sold off and a reverse flow of dividend income gathers momentum. The real estate market has heated

up beyond the reach of many industrial and residential buyers. In the meantime, Pakistan is losing opportunities of creating new assets that would have become cash cows for the country, earning it badly needed hard currencies and reducing its vulnerabilities.

This should give sleepless nights to any policymaker and call for change of course in favour of production and productivity and away from high consumption and speculative economy. As if that was not worrying enough, reports indicate that we still want to add to our external vulnerabilities by now opting for imported oil and coal-fired power plants while continuing to turn a blind eye to the development of our indigenous coal reserves.

Coal-based power is essential because it brings three major benefits. Since we are fortunate in having large coal deposits, it saves us from using hard currency on importing oil. And because coal-based power is labour-intensive, it creates employment and business opportunities for our people. Thirdly, it provides energy security and protection from a wide range of external risks. All these benefits, however, are lost to the nation because of flawed policies and options.

Our approach to energy development is clear from one simple fact: while 1.5 million MWs of coal-based power plants are under various stages of development around the world, we do not have even a single MW plant under construction. About 90 per cent of the current coal production in the world is utilised within the very same countries where coal is available. It is only countries that do not have coal deposits of their own like Japan that generally import coal for their power generation.

For Pakistan, sitting on 185 billion tons of coal estimated to be second largest reserves in the world, importing coal for power generation is tantamount to Iraq having the second largest oil reserves in the world importing oil for its power production.

Our dependence on renting solutions to our problems remains so deep-seated in our culture of governance that we refuse to believe in our national capabilities of producing wealth and value from our human and natural resources. But Pakistan is not one of those oil- and gas-rich Gulf countries that can go on importing solutions for almost anything. Its salvation lies in learning to create values and wealth from its own resources. But this has largely remained a pipedream because our public pronouncements are not backed up with policies and action that are needed to provide incentives for investments in the needed areas.

Investment in an indigenous integrated coal mining and power

generating project is a measure of long-term commitment by investors. It is different from investment in the franchise of a fast food chain or from importing ready-made solutions.

These integrated projects are heavily capital- and technology-intensive and no small investor or a fly-by-night operator can mobilise the required resources and skill. And once big, reputed and experienced investors have finally committed to undertake such projects, it is important to stay the course and not turn the tables on investors without rhyme or reason.

That is why indigenous coal-based power production in Pakistan has still not recovered from the damage inflicted on it in 1997 by abrupt and arbitrary cancellation of the first pioneering project of 5,200 MWs of power generation based on Thar coal.

The present government has been in power for about seven years. This is long enough time to have won back investor confidence. But despite several promises made and trips to China, Europe and elsewhere, we have yet to see any MOUs for indigenous energy development translated into action.

If we had taken a national decision of making indigenous energy resources the principal plank of the country's power generation programme, it would then not be difficult to get our act together on the two fundamental issues: winning back investor confidence with public policy that promotes long term and sustained investment in indigenous energy development and resolving internal turf battles that have often subverted progress on coal-fired power generation ideas and proposals.

Continued indecision on this has made Pakistan's energy policy directionless. As a consequence of this absence of priorities and direction that none of the regional gas pipelines projects we have been talking about for over ten years, have yet reached the level where serious project financing exploration could be conducted.

In the meantime the energy problems have kept worsening. Their solution lies in giving indigenous coal-based power generation a major role in the country's energy portfolio and creating a policy framework that would sustain investments in its development. Delay will only keep pushing back the opportunity for Pakistan to develop its abundant coal resources at Thar.

DAWN, October 03, 2006

Resetting our energy chessboard

The writer designed the Board of Investment and the First Women's Bank.

Bereft of synergy with indigenous sources, our energy chessboard has been carrying a heavy baggage of ad-hoc and imported fixes which have trapped our people into an unaffordable energy paradigm. The gap between their per capita income and the per unit cost of energy they consume is among the highest in the world. And there is no way out of this quagmire unless we create synergies with our indigenous resources.

Simply put, the cheapest sources of energy supply for Pakistan are its indigenous sources of hydro and coal-based power generation. Natural gas has more valuable uses, and on-going research would make solar and wind power competitive in 10 years. And regional synergy with piped supply from our energy rich neighbours would provide long-term security at reasonable prices.

Poor policy decisions made hydro-power controversial and put away even non-controversial projects. But it contributes 30 percent to our power generation. Coal-based power and Thar coal reserves of 185 billion tons have been talked about for decades. But while coal contributes between 40-70 percent in power generation of countries like the UK, US, Australia, India and China, it has received no policy support to make even one percent contribution to our power generation.

Pakistan's total power generation from all sources – oil, gas, hydel, nuclear, renewable – is less than 20,000 MWs. How much power can Thar coal reserves provide to Pakistan? Here is the magnitude.

If Pakistan produces 100,000 MWs of power (five times its current production) from Thar coal reserves and keeps producing the same one lakh MWs for the next one hundred years, it will have consumed only one-fourth of these reserves.

Also, as coal-based power is labour intensive, this means hundreds of thousands of job opportunities would keep opening up for people as the country keeps producing coal-based power. At an average of five members to a family, this would translate into lifting millions of people out of poverty within 10 years.

Even with falling oil prices, Pakistan's import of petroleum products costs over 12 billion dollars; that is well over 50 percent of country's meagre and declining exports of $22 billion.

So why has our horse-and buggy system of governance, which sits upon one of the largest coal reserves in the world, been creating unemployment in the country by transferring people's jobs and country's meagre foreign exchange earnings abroad, instead of using its cheap, abundant and labour intensive coal reserves to provide at least 50 percent of national power? And now, to add insult to injury, it has even started coal imports for power generation.

In May 1989, the then prime minister Benazir Bhutto paid an official visit to Iran. During the official talks (attended by this writer) between the prime minister of Pakistan and president Ali Akbar Hashemi Rafsanjani of Iran, the Iranian president repeated his country's proposal made in the early 1980s for an oil pipeline between the two countries. A long-term agreement for piped energy supply – even as shipments of energy supplies from friendly sources continue – would enhance energy security for Pakistan at reasonable costs. Subsequently, the Iran-Pakistan gas pipeline has also been talked about, but neither has materialised.

Twenty years back, the Tapi (Turkmenistan-Afghanistan-Pakistan-India) gas pipeline was proposed – more as a political than an investment project. Nothing has happened since. Nothing is likely to materialise in the near future. Trans-Afghanistan infrastructure projects like a gas pipeline, an oil pipeline, and a railway-line between Central Asia and Pakistan via Afghanistan were marketed by this writer, as head of the Board of Investment, to investors in Europe, US and Asia. No serious investor was willing to risk investment in a long gestations infrastructure project becoming hostage to the war-lords of Afghanistan.

But that did not mean Pakistan should not have explored alternate avenues for accessing energy resources of Central Asia for itself and for global markets which would have enhanced its profile as 'regional energy hub'. For several reasons, many big energy players – government as well as corporate – supported Pakistan to take on such a role and were willing to assist this country, if only our laidback system could show the vision and energy to seize the opportunities and make it happen.

Development in the 21st century is a competitive game among nations, each one trying to seize opportunities and do better than the others. And it is measured not in simple abstract terms but in relation to the pace of development of other nations.

Some sort of development has always been taking place – even in the horse-and-buggy era of Middle Ages, when it took the world 1000 years to double its GDP prior to arrival of the Industrial Revolution. But we live in the 21st century when the world GDP is estimated to multiply between 6 and 8 times in this century. However, our system of governance is still anchored in the horse-and-buggy period and does not recognise the value of timely decision-making opportunities, which are then captured by other competitive forces. Thus Pakistan keeps missing its take-off and, as Lee Kwan Yew said, "not realising its potential".

If we still think that, given time, the horse-and-buggy system would somehow turn itself into an efficient, fast-paced automobile on which Pakistan could ride into the 21st century, here is a sobering thought. Haiti has been a sovereign independent country for over 200 years, well before Argentina, Brazil or Mexico gained independence. But its leaders have been running a vicious cycle which keeps repeating corrupt, incompetent and dysfunctional governance among themselves. It has kept its people at the bottom of every index of human development even after 200 years, while its 'leaders' have set up safe havens in Europe with people's stolen wealth.

In these uncertain times, every country is zealously working towards long-term energy security. Behind the cataclysmic events in the Middle East – from the Bush administration's 2003 intervention in Iraq to the systematic destruction of Syria – are the moves by major players to set the energy chessboard of the region to their own liking.

For Pakistan, resetting its energy chessboard with

indigenous and regional synergies would liberate its people from an unaffordable paradigm they have been trapped into. But in a real world of conflicting interests, good things do not just happen without conscious and continuous efforts to orient and empower the system of governance towards its real objectives. Otherwise, waiting in the wings is a parallel, informal system of vested interests, ready and willing to undermine it.

And it is this undermined system which has let people down and not delivered to them cheap and abundant power long ago. Pakistan does not figure among the pollutants of the world. The income level of its people calls for affordable energy as the foremost priority. And clean coal technology is available.

Our national interest demands that the laidback system of governance should not transfer our jobs and foreign exchange abroad. We need to synergise vast indigenous coal reserves into contributing 50 percent of national power and save citizens from the stranglehold of dependency and insecurity.

The News, September 17, 2016

Chapter-4

Democracy

Democracy without rule of law is tantamount to allowing wolves to lead the sheep.

Democratic legitimacy for stability

"IT does not matter how many people vote," Stalin once famously observed, "only who counts them." As another round of "free and fair" elections draws near, the ghost of Stalin can expect to spend some busy days in Pakistan.

Reports indicate that while the ruling PML is expecting to cruise to another victory on the wings of the "skills" of such ghosts, the opposition ARD is worried about their lethal effects.

Open and honest elections are important not merely as an expression of commitment to the principle of sovereignty of the people, it has practical value as well. Just as Stalin's USSR showed, it may be easy to beat the people at the polls every time these are held, but the victory comes at a cost. If it helps governments, it weakens the state. Deprived of the support of the people because of these tactics, Stalin's USSR weakened and disintegrated from the inside despite being the second most fearsome state in the world.

The problem with fair elections is not so much of candidates from different parties trying to manipulate them. That is easy to control, provided the state machinery is strong and independent. One way for the Election Commission of Pakistan to stop such manipulation would be to learn from Stalin's observation and stop ―outsourcing‖ the vote count.

Outsourcing has been an important part of globalisation and is reckoned to have picked up momentum after the Y2K scare. But our election commissions have been outsourcing the vote-counting since 1985. Several elections and referendums held since then stand out as the earliest examples of "outsourcing" electoral work causing embarrassment even to

the "victors".

Although there are soundings that this time round "open and honest" elections rather than the usual "free and fair" ones may well be on the menu in 2007, many remain sceptical. But democracy is more than merely holding elections. Assuming open and honest elections are actually held, what would be the contours of democratic governance resulting from such a mandate?

There has been talk of various models of governance to help the transition to democratic rule after the elections. This is somewhat similar to the situation at the time of the last transition from military to democratic governance that took place in 1988 and it may be helpful to understand it better.

Then, too, the transfer of power was negotiated and transferred after Benazir Bhutto agreed to four conditions. To the best of our knowledge, she observed those four conditions. And yet, within 12 months, that government was targeted by a "vote of no-confidence" in October 1989. When that attempt failed, the government was overthrown a few months later — this time directly by the president who listed various alleged corrupt practices as reason for the dismissal of an elected government.

If that was the real cause, the best thing then President Ghulam Ishaq Khan could, and should, have done was to have called the prime minister and the chief justice of Pakistan to a meeting and worked out the legal and institutional framework for setting up judicial tribunals at federal and provincial capitals to make fair, independent, impartial and transparent inquiries into complaints of alleged corrupt practices. These courts should have been made free from any influence, empowered to give judgments against anyone in power and also to penalise those making false and frivolous complaints. That would have made accountability credible in the eyes of the people, eliminated the excuse for overthrowing governments and strengthened democracy in Pakistan.

Instead, the window of destabilisation was kept open while the fragile democratic experiment of the nation was summarily thrown into the dustbin. It neither improved accountability nor strengthened democracy. That window has

been repeatedly used and misused and still remains open for business.

In a meeting with this writer in the 1990s, former Prime Minister Lee Kwan Yew of Singapore talked about the secretive and unpredictable style of our governance. This model of governance, as Lee put it in his usual forthright manner, had created an environment where "at any time in Pakistan those in power are always looking over their shoulders to see who might be trying to stab them in the back, and those outside are busy scheming to gate-crash into power". He asked how national development could be pursued under such governance.

Since Justice Munir's days, our courts have, so far, rarely extended the "doctrine of necessity" to uphold the sovereign will of the people in governance or to protect elected assemblies and governments installed by the people's mandate. Ever so often, the discretion of one individual has been sanctified to trump the will of the people.

That model of governance still dominates in the country, although after the Seventeenth Amendment its contours have been further complicated. On top of it all, comes the ruling party's peculiar definition of democracy making resolution of issues even more difficult.

Ian Smith, former Rhodesia's racist prime minister, used to joke about the African style of democracy. African politicians, he said, did believe in democracy and the principle of "one man one vote" but only to be exercised once in a lifetime. Whoever once came to power never felt the need to renew the mandate of the people or leave office.

Some truth in Smith's cynical observation is discernible in Pakistani governance specially when politicians, otherwise unelectable or whose mandate from people has long expired, still insist upon ruling the country on the coattails of Stalin's ghost or by perpetuating themselves through technical extensions. Less committed to anything larger than self-interest, they become political bureaucrats and are as much careerist as their cousins in the civil and military bureaucracy. Many problems of democracy not taking root in Pakistan can be traced to — in addition to Bonapartism — the machinations of several politicians anxious to rule as political bureaucrats rather

than as the elected representatives of the people of Pakistan.

Now when the ARD and MMA are planning to move a vote of no-confidence against Prime Minister Shaukat Aziz, an open invitation would be extended to display the base human instincts harboured by the political bureaucrats in their ranks.

As the ruling PML has many shades of political bureaucrats in its ranks, Mr Shaukat Aziz could soon be having sleepless nights if the combined opposition really pulls its weight together — irrespective of winning or losing the move. If the no-confidence vote of 1989 is any guide, Mr Aziz would soon find that his personal qualities or any help and favours he may have done will all be forgotten by the beneficiaries — with some honourable exceptions.

He would have a tough time making out friends from foes even among his party members. The flip side is no less relevant. If the government turns on its "charm offensive" how many members in the opposition would stand tall with the party and its leadership?

Like a malfunctioning part of the human body that draws too much attention, energy and resources in trying to set itself right, the body politic of Pakistan has also been suffering for long from the kind of governance it has endured. This has sapped the energy and resources of the nation.

Our experiments to bring stability and unity without respecting the principles of legitimacy haven't brought much success either, simply because there is no stability and continuity without legitimacy. These and other issues have been crying for attention. Everybody knows that for internal and external reasons, Pakistan cannot afford to widen the gap between legitimacy and stability.

The question is: do we have the wisdom to agree on a system of governance that combines legitimacy and stability?

DAWN, August 5, 2006

Trickle-down democracy

It did not work in economics. The trickledown theory of economics, wanted rules and regulatory regimes to go to sleep and allow accumulation of wealth in the hope that someday, some crumbs would fall off this table and trickle down to ordinary folks.

Until they found out that the tricks played upon people have resulted in such concentration of wealth and economic power that, today, less than 100 persons have accumulated more wealth than the total assets owned by 3.2 billion people i.e. half the population of the world put together.

Like in economics, so in politics. The trickle-down democracy has also been marketed by consigning electoral laws and even constitutional provisions to back burner- to allow concentration of power in fewer and fewer hands in the hope that someday, some crumbs of power will fall down this table to empower ordinary people of Pakistan. This trickledown has also resulted in a half a dozen people holding the country hostage to their whims and wishes.

There is a real difference between 'ruling' a country and 'governing' a country. The former is centuries old medieval model of unaccountable lording over people- because the ruler himself was the law giver, the executive as well as the judge- all rolled into himself. He considered all assets within his domain as his own. His actions were above and beyond the law and could not be questioned. The trickledown democracy has revived medieval practices of the kings of 'ruling' over the fiefdoms and weakened 'governing' under the Social Contract as agents of the people, under the rule of law and by democratic norms and regulations.

While 'ruling' symbolises a concentrated and personalized exercise of power, it is diffused and distributed under democratic

'governance'. The power is diffused horizontally among three organs of the state- legislature, executive and judiciary. It is further adistributed vertically by delegation of powers to different tiers under each of these organs of the state.

Democratic governance, therefore, is a collective exercise of power. In it, the powers and functions of different organs of state and different levels within each of these organs, are stipulated through statutory provisions. Further, these powers have to be exercised under the due process of law, and not arbitrarily or whimsically. These powers and functions cannot, also, be trampled or transgressed by other organs or levels. Such checks and balances against abuse of power are inherent features of democratic governance. There is no monopoly of power- vested in anyone- within a democratic dispensation. Nor does acquiring power through voting, or palace intrigues place anyone above and beyond the law of the land.

'Governance' therefore, is the antithesis of 'ruling.' The trouble with trickledown democracy is that it has disabled checks and balances, concentrated and personalized the exercise of power in medieval style of arbitrary rule but uses politically or religiously correct labels to deflect criticism and fool the masses.

How does modern democratic governance work? Let me share an eye witness account, to make things clear.

Prime Minister Kaifu of Japan paid official visit to Pakistan in 1990 during which utilization of Japanese loan of three billion yen for our projects was also to be discussed. However, our ministries had delayed preparation of project documents to be sent to Tokyo, when the prime minister of Japan arrived in Islamabad. Prime Minister Benazir Bhutto was keen for the approval of these projects in the official meeting with her counterpart.

As coordinator of the meeting between the two prime ministers, I took up the matter with the cabinet secretary of Japan who had accompanied his prime minister, to prepare ground for next day's meeting between the two heads of government. The cabinet secretary expressed regrets and said that prime minster of Japan knows that he has no discretion to approve projects from public funds unless those were first scrutinised for technical and economic viability by relevant experts from the Japanese government. Since our projects had not been received in Tokyo in

time for such evaluation, the prime minster of Japan could not give any approval without first receiving a positive report of these experts.

When I insisted upon the approval, the cabinet secretary said that these funds were not the personal property of the prime minister of Japan to be spent at his discretion. These funds belonged to the people of Japan who have laid down rules and procedures for evaluation of projects to ensure that these meet the objectives for which public funds are allocated. These laws and procedures could not be bypassed by his prime minister, and further that these expenses would also be audited for proper utilisation later on.

Compare that democratic discipline with our trickledown democracy where everyone - from high and mighty to provincial assembly member- receives tens of millions every year in the name of development funds to be spent at their discretion. The way most of these funds are distributed has given such a bad name to the country that a Workd Bank Report names Pakistan as a country " where so little is visible for so much money spent in the name of development".

That, therefore, is the fundamental difference between medieval rule and modern democratic governance: whether the laws and policies of the state are made for the benefit of the euling class or all citizens? And whether all are equal before the law_ the ruler and the ruled _ or like in Animal Farm, some are more equal than others?

Those who think there is no need to reform and that the system will itself get better with time, ought to think again. Haiti, Dominican Republic and Peru have been independent sovereign states for over 200 years _ much before Argentina, Brazil or Mexico but these countries and their people still figure at the bottom of most indices of human development. Time only allows these vested interests to get more deeply entrenched, making reform process much more difficult and at higher price by society.

Look at it this way. Our system of choosing leadership of the country is itself built upon disregard- or even violations of electoral laws and constitutional provisions as our chequered history shows So if you can arrive in leadership positions by disregarding laws _ penal, electoral and constitutional provisions, why would you bother about these niceties after you are

ensconced in powerful positions? Reforms, to show results, must beging with the top. Do not forget that the fish rots from the top.

Trickledown democracy that blocks opportunities and power sharing to everyone else- except their kith and kin- must bear responsibility for the violence and centrifugal slogans its closed-circuit system has generated in society. Often, these are in protest against cronyism and nepotism which prevents people to benefit from opportunities available in any equitable and participatory system of bdemocratic governance.

Unless Pakistan finds a way to elect law abiding leaders- how can it move from medieval system of the 'law of the rulers' towards democratic governance under 'the rule of law'? Unless trickledown democracy learns about treatment of public funds from the example of Japan, and disowns closed-circuit model of self-serving development, the political and economic empowerment of the people will remain a distant dream.

The News, May 7, 2014

Democracy: in theory and in practice

Who doesn't want a society whose affairs are managed by the consent of the governed; where all members are guaranteed equal treatment before law and equal opportunities for improving their lives are mandated for all?

That is the hallmark of a civilised society. That also is the theory that defines democracy. After all, democracy is not a divinely ordained mode of governance. And it is not just the name but adherence to and implementation of these fundamental values that make democracy superior to other forms of government.

But pasting a label of democracy over the myriad ways in which its fundamentals have been cynically violated over the years has not only resulted in eroding the faith of Pakistanis in democracy, its dysfunctional governance has also been weakening the state and making it vulnerable to all kinds of non-state actors.

If the game of governance is only to be played by ‗labels without substance', then the terror outfits have come up with a trump card of their own. The non-state terror outfits now threatening the state itself are also using the label of Islam to capture power and use state resources for their own ends. Will it be too much to say that just as the conduct of the latter has little to do with the spirit of Islam, the conduct of the former in many ways has also had little to do with the culture and spirit of democracy?

The bitter truth is that the name of the game of governance being played in Pakistan for a long time is neither democracy nor Islam. Most players on both sides are using politically or religiously correct labels in pursuit of power for

themselves. They make inroads into a hapless and repeatedly exploited mass of people, made fearful of the future as they see the potential of the country and their own future being wasted away at the altar of self-serving players of the game.

It is moot whether if the practice of democracy had even largely adhered to its three fundamental principles mentioned above, would there ever have been any space for such extremist ideas and medieval savagery to be presented as an alternative to the people of Pakistan? Or for outside interference, where even small countries now seem to walk all over us – the seventh most populous and atomic power of the world?

The problems we now encounter – energy outages, broken economy, security scares in urban areas as well as the countryside – haven't descended from the skies above. They are a creation of our own policies or lack thereof – results of dysfunctional governance which often placed individual or partisan interests over and above what the state and people of Pakistan needed.

The prime minister recently revealed that during his meeting last year with President Obama, the American president wondered how a country that has not solved even its electricity and gas problems had managed to become a nuclear power.

Once the political leadership had set the goal, the development of the country's nuclear deterrent was diligently and successfully pursued by its armed forces away from political and partisan interference. Otherwise its fate may not have been different from what has befallen this country, which sits upon one of the largest energy resources in the world and yet its households and industry have long been suffering under gas and electricity outages.

A recent example should make things more clear. Despite several handicaps, the police and Rangers have reduced the crime rate in Karachi and won praise from all quarters. Everyone agrees that this would not have happened – as it did not happen for many years – without ousting partisan politics which often played both sides of the wicket. Pakistan used to be like that when it became a shining example among developing countries. It can happen again, if we learn the right lessons from

how we achieved nuclear power status and are reducing crime rate in Karachi.

But blocking attempts to bridge the gap between the theory and practice of democracy has been opening space for forces propagating change through violent means. One of these uses the label of Islam to project its medieval worldview and brutal savagery. Just as one group wants to use the label of democracy to acquire power and control resources of the state, the other uses the name of Islam in pursuit of the same power and control over state assets. In between are the silent majority – whose franchise is stolen as Nadra reports have confirmed and who are denied equal treatment and equal opportunity by the myriad exemptions, privileges and insider activities of their leaders. What stakes would this hapless mass have whether one label wins or the other?

Without reforms in governance, our problems will continue to multiply, the vulnerability of the state will increase and so will the costs of recovery and rectification. If our political leadership shows the vision and the courage to do the right thing, no outsider would be able to interfere in our affairs nor would we be complaining of encroachments on our sovereignty. This is as true for economic management of the country as it is for its security management. That is why the activity seen on controlling terror outfits after Gen Raheel Sharif has taken charge as army chief should be welcomed as it would provide the necessary incentive for durable peace.

The time for the leadership to bridge the gap between the theory and practice of democracy is long overdue. This would restore faith in the system and give a sense of ownership to the people – who are the ultimate protectors of democracy. Serving Pakistan in leadership positions should be an honour and not be degraded to ‗passing time' and "passing the buck" in singular pursuit of completing the tenure while a mountain of problems keep piling for the people and the state. Most of our problems have been products of dysfunctional democracy. If we take care of democracy, it will take care of all our other problems .

The News, 01 March 2014

No alternative to democracy

WHILE the jury is still out on Bush administration's strategy for winning hearts and minds of the Arabs and Muslims, the winds of democratic change are starting to blow in the region. Within the last quarter, national elections — albeit flawed — have been held in Palestine and Iraq and Saudi Arabia has held its first municipal elections since 1963.

President Mubarak of Egypt, who a month ago had dismissed the idea, has changed his mind. Instead of the usual single candidate presidentiial referendum, multiparty candidates will now be contesting in the first ever direct elections to the office of the president of Egypt.

Governance reforms were also on the agenda of some other new initiatives organized in the region during the last three months. The 'Forum for Future' in Rabat, the 'Gulf Strategy Forum' in Dubai, 'Good Governance Conference' in Amman, and Jeddah 'Economic Forum' — all discussed not only economic reforms but also, for the first time, the need for political reforms and the issue of governance in the Arab and Muslim world.

The interesting thing about 'Forum for Future' — an official event of G-8 countries — is the list of the participants invited to discuss the progress of economic and political reforms in their countries. The invitees include not only the 22 members of the Arab League, but also four non-Arab countries such as Pakistan, Afghanistan, Iran and Turkey. This is the 'Greater Middle East' that is now the focal point of interest in the region.

How was it that after decades of their independence, these countries still needed outside prodding and pressure to think of democratic reforms in their internal governance while some others were able to do it on their own?

As colonialism was folding up, the charge of the newly

independent countries in the developing world was transferred to the modern, western educated elite of these countries. This was true irrespective of whether the struggle for independence in these countries was peaceful or not. Even in the traditional societies, the departing colonials chose 'friendly' rulers to head of governments their countries. Why did this group that received the charge of their countries in Asia, the Middle East and Africa fail in some cases — and mostly in Muslim majority ones — to manage this trust of governance and improve upon it — which is what independence from colonialism was supposed to mean?

Of the several contributing factors, external as well as internal, a big responsibility for the failure is of the internecine fighting between the civil and military components of the modern, western educated elites of these countries. Pitted against each other over the fundamentals of governance, they alienated themselves from the traditionalists in their societies.

Each in its turn has also tried to woo the traditionalists to build up its strength and tilt the scales in its favour. Wherever this internecine struggle has persisted for long durations, it has distorted the governance, stunted the growth of institutions, and in the process, has held hostage the prosperity of the peoples of many countries in Asia, Africa and Latin America.

Over one hundred years ago, in the year 1900, Argentina was the fifth richest country in the world after England, the US, France and Germany. All other countries were poorer and came after it. Today, after decades of infighting over governance between the civil and military components of its modern elite, Argentina ranks 72 in the per capita GDP standing in the world (2003 figures).

Haiti has been an independent nation since 1804. In its 200 years' history, it has had some 26 coups and counter coups by its civil and military elite — one coup after every eight years, on an average. Consequently, the 2002 Human Development Index of UNDP places Haiti at the bottom of the pile of nations surveyed — at 153.

In the traditional societies of the Middle East, the overthrow of the monarchical regimes in Egypt and Iraq during 1950s pushed the governance in another direction. The remaining monarchies and emirates took measures to stop their recurrence by keeping a tight leash on both segments their populations,

especially in regard to the movements of military formations in their countries.

Therefore, while in some societies, the forces of modernization fought among themselves for supremacy and weakened themselves in the process, in many others both civil and military components of the modern elite were generally kept at bay from influencing the governance which in some respects still reflects the practices of the old Ottoman Empire.

It would be seen that this is a problem that has occurred across cultures and counters where similar conditions existed. Although some scholars and experts in the West have recently tried to turn it into an Arab and Muslim-specific issue, inciting clashes of civilizations, the problem is neither culture nor religion-specific. In fact, if we look back into history, similar 'scholarly' arguments were also employed to justify colonialism on the racial and religious grounds in the 19th century and in the case of apartheid all the way up to the closing decades of the 20th century.

It should also be clear from this that time does not automatically translate into progress, if the governance is malfunctioning. There has been some talk recently of making Pakistan another Malaysia. That is a good idea and worth pursuing by Pakistan as well as other Muslim countries. Malaysia is a very successful modern country and commands respect in the international community. But it is pertinent to ask ourselves what makes Malaysia so successful and respected?

Malaysia is not the richest Muslim country, nor does it command the kind of resources found in many Middle Eastern and Central Asian countries. It is not the largest, nor the oldest independent state among Muslim countries. And yet, Malaysia is more peaceful, stable, prosperous and more industrialized than all other Muslim countries (32 per cent of its GDP is earned from manufacturing, compared to 17 per cent for Pakistan and Turkey and 19 per cent for Egypt). It has also been the most successful of all Muslim countries in turning the forces of globalization to its advantage.

But Malaysia also stands as the sole example of a Muslim country where the civil and military components of its elite have not wasted their energies in infighting over governance and the country has practised uninterrupted democratic governance since

its inception. It has never disrupted this process under any pretext and has reaped immense economic and political benefits on this account.

There is also much talk of a possible economic takeoff in the wake of an increase in the GDP growth rate. That is a good thing, although it is not for the first time that the country has been close to an economic takeoff. In its 58 years' history, Pakistan has been at the takeoff stage at least four times, but every time its economic recovery has been derailed by the problems of its internal governance.

The problems of governance in Pakistan were pointed out by a distinguished friend of the country. Former prime minister of Singapore Lee Kwan Yew, himself a very successful leader of his country and a respected statesman of the world, had an intimate understanding of our affairs, having visited this country as well. In one of my meetings with Mr. Lee Kwan Yew, after I had presented to him some ideas for high growth potential of Pakistan and how Singapore can join us in developing that potential, he turned around and asked: 'why is it that despite these positive things, Pakistan had not realized its potential in all these years?'

In his usual plain-speaking manner, the builder of Singapore answered his own question saying that "at any time in Pakistan, those in power are constantly looking over their shoulders to see who might be trying to stab them in the back. And those outside power are just as vigorously scheming to overthrow them and gate-crash into the corridors of power. In this kind of situation, how can the energies and resources of a nation be harnessed to realize its full potential?" The solution to Pakistan's economic problems does not lie in improving its economic indicators alone, it in improving its governance.

Governance is important in determining which way a country is headed and for what purpose should its human and capital resources be utilized? And the foremost point of governance is the issue of succession. How should the governance of a country be determined? Who has the right to govern a country and what should be the mode by which one set of rulers should be succeeded by another? From Plato's philosopher king, to hereditary kings; from conquerors to charismatic leaders, the world has tried out everything.

During the Ottoman period, the succession principles were

vague and anyone of the half a dozen contenders: sons, brothers and other important figures always considered themselves entitled to have a fling at the top job after the death of a ruler. Many did not feel any pang of conscience in getting sons, brothers and fathers killed or imprisoned in their pursuit of power. These open-ended and free-for-all wars for succession have been held by many scholars to be the most important cause for the swift decline of their once rich and powerful empires. It still continues to haunt most of the Muslim world.

But in our age and time, the question of governance and succession has been decisively settled by the tried and tested system of democracy based on the principles of free and fair election, political accountability of rulers, plurality of opinion and impartiality. There is simply no alternative to this system in modern times. The system can give both stability and progress to a country.

DAWN, April 14, 2005

Trust – but verify

The division between rich and poor nations is neither god-given nor does it have divine sanction. It is neither determined by rich deposits of resources (otherwise Angola, Botswana and Congo would be the richest and most developed nations) nor is it caused by the scarcity of resources (otherwise Japan, Singapore and Dubai would be among the poorest and least developed in the world).

These are consequences of man-made decisions. More specifically, it is the quality and integrity of the leadership of a nation that determines whether it is going to be rich and developed or whether it will continue to be plagued by poverty and under-development.

So, the critical question is: how does the system of governance of a nation identify, nurture, filter and elect or select people who would provide it leadership in different fields – education, administration, politics, economy and others?

Does the system of governance meet the demands of a developing country by supplying men and women of the quality and integrity that – in the words of former prime minister of Singapore, Lee Kwan Yew – create assets (value) where none existed? Or does it supply leadership that is ignorant, ill-equipped and un-tutored in the fiduciary responsibilities of democratic governance?

This issue is as fundamental for the success of an economic entity like a corporation as it is for a political system of democracy. It is important to flag the fact that modern economic and political entities are both products of the forces generated by the Industrial Revolution about 250 years ago.

From centuries-old small, family-funded mom and pop shops to corporations funded by millions of strangers –

shareholders spread across cities and even countries – and from the small city states of Greece practising the direct democracy of the few who had citizenship rights to hundreds of millions of voters sending representatives to take decisions on their behalf, there is an underlying philosophy shared by both.

Both have been shaped by the forces of the Industrial Revolution. Both derive their strength from the mobilisation of millions of people – shareholders for corporations and voters in a democracy. Both have the same litmus test for success: enhancing value for shareholders, who are the owners of the corporation, and enhancing the wellbeing of the citizens, the owners of the state.

Both operate on the same basis of agent and owner relationship, because both involve the indirect participation of millions. Both also suffer from the same fears of agents abusing their trust – becoming usurpers and wasting or even stealing owners' resources. Both depend heavily upon autonomous and independent mechanisms of checks and balances embedded in the systems of governance to prevent such abuse of trust by their agents (corporate and government leaders) or penalising if it happens.

In other words, the systems of governance – whether corporate or public – work on this simple principle: trust, but verify. Give power to the leaders to perform, but keep verifying that they do not misuse it.

Similar concerns were expressed by Christine Lagarde, the managing director of the IMF in her recent visit to Islamabad. In polite but clear terms she emphasised transparency and accountability – so that the trust reposed by people in their governments can be verified for the purpose of good governance and to satisfy the owners (citizens) that their trust is not being abused by their agents (government).

But what happens if the agents disable the systems of verification of the trust? In such a situation, the owners cannot find out how the powers and resources entrusted to their agents are being used or abused. And, therefore, they cannot hold the agents accountable for anything.

Here are some examples.

The bankruptcy and dissolution of Enron, Tyco, Arthur Anderson and others like these multi-billion corporations showed

that their agents – the corporate leaders – had disabled the systems of verification of the trust of shareholders. These leaders were deceiving their shareholders with fake rosy stories of the success of the corporations even as they were committing insider trading and stealing wealth through crooked ways. Similarly, there is enough independent research to confirm that the generational poverty and under-development of the people in Haiti, Angola, Congo and others is result of disabling the systems of verification of people's trust by their leaders and thus avoiding accountability.

Let us put it this way. Would any reader – not being a relative or a close friend of any corporate leader – risk investing their funds in a corporation whose internal and regulatory systems of checks and balances either do not exist or have been disabled. Forget any profit on your investment; the chances are you may not get even your principal amount back. That is why in developed countries several laws and regulations exist to sustain the trust of investors in fair business practices. And why severe penalties are inflicted against insider trading and other abuses of shareholders' trust.

It is no different in a representative democracy. The governance of a developing country like Pakistan demands application of quality of inputs and integrity in addressing its several challenges. It is not a luxury to be 'enjoyed' – which is how it is practised by the leaders, judging by the daily drip of media reports. With such a worldview of governance, talk of quality and integrity of the leadership becomes meaningless.

What does quality of leadership mean? This can be judged from the meteoric rise of China on the world stage. An experienced South East Asian scholar, while speaking of the quality of leadership provided by the Chinese Communist Party to the country, once told me that it was easier to be admitted to an Ivy League Business School in the US than to be admitted as a member of the Chinese Communist Party. It is this quality of leadership that has achieved the fastest rate of growth and lifted hundreds of millions out of poverty in a short time.

So, quality matters. The sooner we incorporate it into our political parties and systems of governance, the better for the country. Our complaints about democracy not taking roots or Pakistan not realising its potential will all disappear.

Because the future is what we make of the present, if present systems of governance have disabled all filters – technical, fiduciary, legal and constitutional – for reaching leadership positions, it is not difficult to predict that we are already looking at the future.

A system of governance that supplies leadership of quality and integrity that meets the demands of a developing country, and is accompanied by an autonomous and independent mechanism of verification of trust, would guarantee a developing country being on its path to become a rich and developed nation.

But how can autonomous and independent institutions for verification of trust exist in a system of governance if a ruler has the power to hire and fire – at his sweet will – all the important people in the country? If the ruler controls these institutions, can they control him?

The News, November 07, 2016

Inverted Pyramids of Power

AS in geometry, so in governance, an inverted pyramid is an inherently unstable arrangement and needs external props to hold its unnatural position. In governance, it is also an outdated model because it represents an organisational structure more appropriate for tribal and pastoral societies than for complex commercial and industrial societies of the contemporary world.

Maximilian 1 was the Holy Roman Emperor from 1508 to 1519, during which time Germany also saw the first flowering of Renaissance. A report submitted by an ambassador of the court of Maximilian I describes the style of governance under Ottoman rule as one that, with slight modifications, could well be written by ambassadors based in capitals of some OIC countries today.

"All supreme authority in the Turkish Empire," the report said, "rests in a single man, all obey the Sultan, he alone rules: he receives all revenues, in a word he is master of and all other men are his slaves."

Such inverted pyramids of power that govern above and beyond the law, became an endangered species in Europe after Maximilian's time, and ultimately disappeared after the Industrial and French Revolutions. Both these tectonic events have had a profound and lasting influence around the world in defining the role and responsibilities of the state and society and how the two should be organised for a better discharge of their functions.

That the governance must be according to the due process of law that must guide its working became a pre-requisite for controlling the arbitrariness of mediaeval governance. This quantum change in the character of governance created an enabling environment for societies to lift themselves to higher levels of development from their primitive low levels of existence.

But 500 years down the lane, the law still remains

subservient to governance in much of the Muslim world which does as it did in mediaeval times — as if the intervening period and events happened in some other part of the solar system and not on this planet. All authority still emanates from inverted pyramids of power and all major decisions shaping social, economic and political life in countries are taken by them or in their names.

The science of governance, however, has made major strides during these years. This progress has resulted from an explosion of knowledge and its application by the human mind to the challenges faced by societies as they have evolved from tribal and pastoral to commercial and industrial societies of modern times.

Rule of law and democracy, therefore, are not just politically correct concepts of our time. These are necessary features of governance for any state that wants to develop through institutions which could successfully handle the demands and expectations generated by increasingly complex social, economic and political functions of state and society.

Development is a process of transformation of society from lower to higher levels of existence for its members. And this transformation is possible when all members are incorporated in these processes and their endeavours are protected by the rule of law. A system based on inverted pyramids of arbitrary power and authoritarian governance is the very antithesis of this development and incapable of creating enabling conditions to encourage such a transformation.

Rule of law and the due process are, therefore, important stimulants for economic activity. They reduce transaction costs which are the hallmarks of arbitrariness and act as a disincentive to attempts at turning governance into a self-propelling process. Democratic polity helps open opportunities for people, who would otherwise be living in "permanent inequality of conditions". A successful transformation involves all members in the functions of development which, in turn, are best performed by rule-based governance and not under the arbitrary whims and caprices of individuals.

Take a look at how the science of governance has evolved from the mediaeval to the modern times. Some milestones include: from people having no right to anything, including their

life, in mediaeval age to rights of life, liberty and human development of citizens; from rule by inverted pyramids of power to governance through the separation of powers; from rule by individuals to governance by institutions; from rule by commands and directives to decisions taken according to the law.

Denying the people the fruits of progress in governance under one pretext or another – religious or secular – is disingenuous, because apart from governance, we use no such pretexts in benefiting from progress made by the human mind in several other areas of knowledge whether in individual or collective life.

Transportation, too, has evolved and progressed during the last 500 years or so from the horse-drawn carriages to moving men and material by railcar, motorcar, airplanes and space-age travel. These have also evolved in response to the challenges of travel and transportation encountered in the development of commercial and industrial societies and the need to save time and cost.

Similarly, the rule of law and democracy have also evolved as the most appropriate features of a system for harnessing human and physical resources of state and society for achieving higher levels of development in a fair, equitable and efficient manner. The two reinforce each other and must go hand in hand.

Notwithstanding the good intentions of any of the inverted pyramids, no other form of governance opens up opportunities for all members of society, nor is more responsive to their needs than democracy. It is also a bulwark against rule by autocrats, but it also needs to be guided by the rule of law to prevent it from sometimes being turned into a self-serving enterprise. Coupled with the rule of law, democracy also ensures responsible and accountable governance.

In the absence of democratic governance and the rule of law, people's problems have little chance of being heard, much less redressed. This is why although the press has often been narrating tales of the poor people committing suicide and highlighting the problems of other neglected sections of society, very little is done to redress their grievances. Often, their voices go unheard, their pain and problems unattended and their dreams unfulfilled.

Law, politics and governance are interrelated and reinforce

each other. Yet they are also and must remain distinct and distinguishable. Just as the law should not lubricate the cogs of political ambitions of seekers of power, politics cannot be a substitute for governance. Their being indistinguishable from one another has been the bane of the troubled history of Pakistan for most of its 60 years' existence.

The movement by lawyers over the treatment of the Chief Justice of Pakistan, which has received so much support from other elements of civil and political society, should also cause some soul-searching as to the health of our political system. Four times in the recent past, elected prime ministers and parliaments were sent home packing by military takeovers or palace coups, but the political parties were not able to organise or sustain similar peaceful movements against the treatment meted out to their own leaders. The need for reforms and reinvigoration of the political system is only too obvious as it is for our judicial system.

Many observers, here and abroad, are waiting to see whether the movement launched by lawyers and supported by political parties would lead to the establishment of rule of law and genuine democratic governance in Pakistan through court decisions or the government's own actions; or would it be undermined by unforeseen factors.

If it creates a framework that combines democratic governance and the rule of law, it would be of lasting benefit to Pakistan and its long nightmare of coups and bad governance would finally be over.

DAWN, May 7, 2007

Life in a Virtual Democracy

You have heard of Basic Democracy. You have also heard of Guided Democracy. You may even have heard of Sham Democracy. Fasten your seatbelts now. Here comes its high tech, twenty-first century version: Virtual Democracy. Or if you like: VD for short.

Like virtual reality, it has all the trappings of democracy. You name it and it has got it- except the soul of democracy. It makes you believe that democracy is alive and well here and yet it is not really here. You can look at its high-tech version but you can't touch it. You can display it to the world but don't expect it to deliver. It is supposed to be accountable to people but even its head honchos are accountable to others. Like elephant's tusks- those on display are not the ones used for eating. No wonder even those occupying its hallowed chambers themselves call it 'rubber_ stamp' democracy.

The litmus test for claims to real democracy- whether presidential, parliamentary or any other kind- lies in meeting four minimum conditions. (1) Governance by consent of the people ascertained periodically through open and honest elections; (2) Equal opportunities and equal treatment of all citizens before law; (3) Rule of law- as against rule of whoever-happens-to-be the ruler, overseen by independent judiciary, and (4) Free press to act as watchdog over the interests of the people.

For most of its history, Pakistan's various models of virtual democracy have remained out of alignment with this minimal agenda. Every trick in the bag- religious, secular, security and others- has been used to avoid abiding by the universally acknowledged restraints on the conduct of politics and governance in democracies. In the process we have spawned an industry of new skills and expertise to create a mirage of

democracy under various colourful labels.

The skills for delivering virtual democracy have been perfected over long experience and trials and errors. To ensure that nothing goes wrong, we start early and work with both- high-tech professionals as well as waxworks. The exercise begins with elections- the mother of democratic governance. We begin the process with screening of the candidates for elections. And we believe in equal treatment of all. So to be fair, we screen both- government as well as opposition candidates. Just to be sure that whosoever wins elections- will be ' our patriotic' - irrespective of party labels.

When it comes to holding elections, we have perfected the art of having the cake and eating it too. And we do this by conducting our famous 'free and fair' elections and referenda. To fulfill the onerous responsibilities of counting tens of millions of votes, we have developed special computerized visual effects through our own software which make it virtually impossible to detect where the real election was lost and virtual election won.

We have tried to lighten the heavy burden of counting by keeping off the electoral lists nearly 25% of eligible voters. Parties are protesting that their potential voters are already being excluded from voting in upcoming elections. They do not realize that we follow Stalin's advice "it doesn't matter how many people vote; only who counts them!"

Like every democratic country we also have an election commission to periodically ascertain wishes of the people through elections. And it works on the principle of division of labour. It calls for elections and asks people to vote but outsourcers counting of the votes to the more capable forces to determine who should form the next government.

If you happen to be one of those who don't appreciate our services including our screening and vote counting methods, you can go to the Election Commission to seek redress of your greivance. Don't blame us if decision on complaints takes longer to arrive than the entire life of the Assembly for which you contested elections- specially if you are one of those candidates who was not supposed to have contested in the first place.

This should also help clam people's anxiety of frequently questioning why their elected representatives are not redressing the mounting problems of their community. You would

appreciate that they are more accountable to those who selected them than those who ' think' they elected them.

To show you that we do a thorough job of our responsibilities, we invite you to take a grand tour of our Assembly in Islamabad- the centre piece of democracy- elected, of course, by our famous 'free and fair' model. It even has a leader of opposition like any other parliament in the world. It is another matter when you sometimes wonder who is more loyal to the government - the leader of the house or the leader of the opposition?

As the elections draw near, you would think the election commission would have already perfected fool-proof methods of ascertaining the will of the people. That it would have debugged the entire electoral system and removed the bugs embedded into its various institutions and practices. After all, it has no other reason for its existence. But from all accounts, the Commission is still buried under the challenges and cannot decide whether it really wants to hold elections? And if actually does, we are still not clear whether this time we will have 'open and honest' elections or the usual doze of'free and fair' ones?

This discourse is actually meant to highlight a couple of serious issues. One, the virus of virtual democracy has been deeply embedded in the electoral processes over the years to produce predetermined 'positive' results. Without debugging the electoral system through reforms in its laws and procedures, all the publicity, efforts and expenditures on voting would not alter the arrival of another installment of pre_determined ' positive' results. Passing through electoral pipeline deeply bugged at all stages of the game would again deliver another round of virtual democracy to the country.

And second, life in virtual democracy has revived medievalim in the country _ degenerating both_ the society and governance. The people are being made to accep that as in Animal Farm, while all are equal, some in virtual democracy are more equal than others; that law is for the lowly; opportunities are monopoly of the previleged; and political power is hereditary.

It has also led to shrinking opportunities and widening disparities between people and regions of Pakistan. By blocking the path to people's democratic aspirations, it has opened doors to militancy – religious, ethnic, sponsored or inspired _to advance

certain agendas and ward_ off domestic and external challenges to virtual democracy.

But the reversion to medieval practices and institutions will increase- not decrease- Pakistan's problems with contemporary world. On the other hand, virtual democracy is eroding peoples' faith in democracy as the best way of organizing functions of state and society in modern times.

Several attempts made in the past had kindled hope, but every time, people have been cheated out of their democratic aspirations by charlatans who used the springboard of their energies to propel themselves in seats of power and then imposed their version of virtual democracy upon people.

Sometime back G-8 in their meeting made large funding and other assistance available for Africa to rid its people from the scourge of HIV/ AIDS/ VD and other diseases sapping the energy and future of its people.

The people of Pakistan have also seen their energies sapped and potential denied from the disease of the virtual democracy. It remains to be seen whether the country will finally be rid of this scourge ot its body politic continue to suffer from its own VD?

BB: a victim of virtual democracy

The year 2007,which started with peaceful awakening of the civil society of Pakistan in the wake of the suspension of the country's chief justice and was subjected to the shock and awe of Nov 3,ended in tragic violence with the assassination of Benazir Bhutto, former prime minister and country's most popular leader.

Even in its chequered history, so much trouble and tragedy has not been piled upon it in so short a time-indeed not many countries could complete with this speed of accumulating calamities. Two issues have been haunting the country for most of its existence: absence of rule of law and democratic dispensation in affairs of governance. Both received fatal blows within months when everyone was hoping in the summer of its sixtieth year that the country might finally graduate into a normal polity with its citizens enjoying the twin benefits.

With international storms building up in this region, one would think that the wisdom of internal harmony in governance would be self-evident and recognized as essential ingredients to successfully address these chalanges. Instead, we seem eager to pile up more problems upon Pakistan and keep creating new "ground realities" as fait accompli for the citizens – without reducing the burdens of several previous abnormalities its polity has been carrying for a long time. The tragic assassination of Ms Bhutto has only compounded the problems, making a search for solutions more difficult. The country lost not only its most popular national leader but its precious international asset.

The knowledgeable ones are aware of several special advantages she had won for the country through the immense international goodwill she enjoyed – even during the short

periods of her handicapped administrations.

Before her tragic death, she had been consistent in two demands: improved security in the face of proven threats to her life and minimum conditions for open and honest elections – neutral caretakers, an independent and effective Election Commission and temporary suspension of local councils. We know what happened to her security concerns while the status quo on the conditions for fair elections still remains unchanged.

Compounding the security lapses before Ms. Bhutto's assassination were the insensitivity and indecent haste demonstrated in its aftermath. Contradictory statements about the cause of death and identification of culprits were issued almost on a daily basis before, according to some accounts, even the investigations had started. There were few regrets or expressions of remorse about visible slacks in administration but eagerness to find scapegoats and pass the buck on to others. And quick on the cue, the PML (Q) arrived on the scene to add insult to the injury of the nation with its bag of dirty trick advertisements in its attempts to divert anger against government failures into ethnic strife within society. Both the PPP and PML (N) leadership deserve greater credit than they have been given for responsible handling of a potentially dangerous situation.

What kind of backdrop is being created when the country is getting ready for "free and elections"? As for the mechanics, not only the political parties but also independent observers have voiced concerns about fairness of polls with the kind of props already put in place. Their concerns are rooted in past experience of elections when few could find out where the real elections were lost and virtual elections won when the final results were announced. But there are no visible moves to improve the mechanics of conducting polls – even after tragic death of Ms. Bhutto who had long been asking for these changes. It is business as usual. This leads people to think that nothing will be allowed to stand in the way of recycling virtual democracy through "positive" results in these elections.

The media debate in the heady months of the summer of '07 had centred on two choices and everyone wondered whether the elections would lead to transformation or transition towards democracy. Now the third possibility emerging from these elections could not be ruled out: another round of virtual

democracy. Or VD for short. This virtual democracy is a strange animal. Like virtual reality it has all the trappings of democracy except its soul. It provides a democracy label to pacify people and allows the rulers to continue enjoying fruits of unaccountable governance. It ensures that you can eat your cake and have it too. It is supposed to be accountable to people but even its head honchos are accountable to others. And like elephant's tusks – those on display are not the ones used for eating. No wonder it has piled up problems, increased sense of disempowerment and has been sapping hope and energy of weaker sections of society.

The country needs to end this game of make-be-lieve democracy. It must pick up a broad agenda of overdue reforms to pull back from the dangerous direction it is heading in. Elections-even "open and honest" as against the usual round of "free and fair" ones-would not be solving the big pile of problems. But these are a starting point on the long road to healing the wounds and putting our house in order. Another round of conjurer's tricks in the elections may land us into dangerous and uncharted waters.

There are several dilemmas waiting around the corner. Since the stakes have been raised high last November, many believe that the "coalition of the willing" is required to do the job it did in 2002. And therefore the agenda of "open and honest" elections may not sit well with the demands of new ground realities. So who would provide this coalition of the willing? And if the elections do not oblige what will it take to resolve these dilemmas? Pakistan cannot afford further recycling of virtual democracy – neither for healing its internal wounds nor for handling external challenges. Nor can it afford further deterioration in its already precarious law and order situation. Peaceful resolution of the upcoming dilemmas would be the need of the hour in the coming weeks but in the face of institutional decay and deficit of trust in leading lights of government how easy or difficult this task would be?

So many have sacrificed so much resisting the evils of virtual democracy during the fateful year of 2007 – judges, lawyers, media, civil society and even a former prime minister laid down her life. If Pakistan really comes first, Gen Musharaf should ask himself what he is willing to do for peaceful healing of the wounds.

The News, January 14, 2008.

Chapter-5

Culture & Development

'Development' is a by-product of the Enlightenment. No take-off is possible for a society without embracing 'the culture of Enlightenment.'

Culture and development

The year was 1979 and the place was Cambridge, Massachusetts. All seats in the large hall were quickly filled up, as were aisles and the area in front of the rostrum. With time, people could only find standing space against the walls.

The vast turnout at the event was prompted by many factors. The Shah of Iran had been overthrown a few weeks ago, sending shockwaves through the academia and the large 'development community' of Cambridge. The audience also included distinguished faculty members from MIT, Harvard and Boston universities – some of whom had been advising the Shah on various issues for many years. The question that plagued their minds was: how did this happen and where had they gone wrong?

The fall of the Shah and success of the Islamic Revolution in Iran have been discussed at length over the years. But this was among the first of these discourses and it was especially important because the man invited to unravel the mystery was none other than the father of modern economics and the winner of the Nobel Prize for Economics: MIT professor Paul Samuelson.

How could the government of the Shah that had all ingredients of the growth model available in abundance – a large amount of capital; the best technology and management skills; advisers from the West; and an abundant supply of land and labour in Iran – fail to satisfy the people to the extent that their deep resentment translated into a revolution which ultimately overthrew the entire system of governance?

The audience listened in pin-drop silence as Paul Samuelson spoke for nearly two hours about how the "development of societies is a complex phenomenon". Although economics plays an important part in the processes of

development, there are non-economic forces in societies – customs and social norms; laws and systems of governance; organisational behaviour; ethics; politics; and even genetics – that also have a role to play in the success or failure of the development of societies. An interdisciplinary approach would be far more suitable to address the interplay of various forces in society, and create an environment for sustainable development.

In his presentation, he included examples of societies that were not flagged out for development by classical growth models (like South Korea), but were still making rapid strides in development. He referred to Argentina, which was among the five most developed countries at the beginning of 20th century but eventually lost its way in the negative fallout from the interplay of various forces that created challenges which the country is still grappling with.

While several countries have learnt their lessons since then, our growing emphasis upon capital – which we keep borrowing from abroad – betrays a dependency syndrome that we have stubbornly refused to reform our in-house non-economic forces, such as rule of law, the integrity of our leadership, and merit-based systems of governance. There are many countries that have witnessed development despite the scarcity of capital in the initial stages and have outperformed Pakistan by improving the quality of their non-economic forces – laws, politics and systems of governance.

Singapore, for instance, was devoid of capital and other classical ingredients of growth. As Lee Kwan Yew told this writer during an interview: "We created assets where none existed". It relied on the power of rule of law, the integrity of the country's leadership, and merit-based systems of governance to achieve astounding levels of social and economic development over a short period of time.

Vietnam is another example in this respect. A war-torn country that had emerged from decades of destruction, it found no country – either in the East or the West – that was willing to invest in its resources for many years. It also tapped its internal assets – social organisation and the integrity of its leadership – to establish conditions where even Japan and the US, its erstwhile enemies, poured capital and technology and turned Vietnam into one of Asia's success stories.

A study of the comparative systems of governance in several developing countries reveals that if they would adopt a similar level of governance in Singapore, the per capita income of their citizens would increase by 300 percent –as long as all other factors remain the same.

If this model is applied to Pakistan, our current per capita income is likely to rise to $5,000, excluding the mountain of debt riding on the back of our society. And our current nominal GDP would have already included Pakistan in the club of trillion-dollar countries.

As the head of the Board of Investment (BOI), I went to market some investment projects to encourage corporate and government leaders in Singapore to enter Central Asian markets with us. Although Lee Kwan Yew appreciated the rationale of these investment projects, he referred to our non-economic forces and observed that if Pakistan put its own house in order (ie, reformed its rule of law, the quality of its leadership and its merit-based systems), I wouldn't need to come to Singapore to seek FDI. In fact, he would come to Pakistan with his business leaders with the intention to do business with the country.

Similar advice was also given to our country's leaders by Dr Mahathir Muhammad. But it has all been like water off a duck's back. In open defiance of the laws of economics as well as democratic norms, the scarce resources of a poor country are being dispensed at the whims of a dysfunctional system that is trapped in a medieval culture. Consequently, there has been little to show for the vast amount of money spent in the name of development.

Let's not forget the fact that developing societies and providing basic needs to their people was never an objective of any ruler in the Subcontinent until Independence. The medieval culture of governance is historically programmed to deliver windfall gains to its masters and impoverish the rest of society. The deep-seated cycle of poverty, illiteracy, unemployment, discrimination and disparities that now afflict the third generation of citizens proves the fact that the medieval culture of governance has not been uprooted and continue to rule the roost. The only force that has kept longstanding public resentment from boiling over is probably their genetics.

This conflict between the culture of medieval governance

and the development of society cannot be resolved without upholding the rule of law and the integrity of our leadership as well as strengthening our merit-based systems of governance. No amount of borrowing that is pumped through the sieves and loopholes of a medieval system can translate into development as much of it would only surface in faraway countries.

Rule of law, the integrity of our leadership and merit-based systems of governance can liberate society from the shackles of medieval governance; create new opportunities; absorb shockwaves from social and economic shifts in the balance of power; and place its citizens on a trajectory of sustainable development. This reforms package of non-economic forces comes forth as a win-win situation for society and the state. The only losers will be the rent-seekers.

The News, March 28, 2018

A clash of cultures

Samuel P Huntington may have talked about a worldwide clash of civilisations, but we have a clash of cultures going on right here within our homeland.

This is a clash between the toxic medieval culture shaped over centuries by invasions, conquests, exploitative and autocratic rule of the Subcontinent and the barely 100-year-old nascent culture of development and democracy.

Culture is the learned behaviour of human beings. Its full range covers many subjects including knowledge, art, customs, laws, governance, organisation, ethics, work habits and any other capabilities of people in society. Our concern here is cultural capital – the sum total of social norms and behaviour – which has failed people of Pakistan in every area of human development, although it has been ruling the roost for decades. Medieval culture is the antithesis of development of society and democracy, in both concept as well as conduct. Nurtured for centuries by the ruthless pursuit of power and wealth, medieval culture evolved as a self-serving system of governance for protecting the interests of the rulers and their courtiers.

There was no concept of societal development, neither any space for political, cultural or religious minorities and women in medieval culture. The government took no responsibility for access to health and education. And 'education without knowledge' left people incapable of advancement. This disaster continues even today when 30 percent unemployment and 48 percent illiteracy rates define our society's social and economic dilemma. Widespread disease and malnutrition had shortened life spans in the medieval age. These problems still haunt people's lives, especially children, 44 percent of whom grow up to be stunted and suffer impaired growth because of malnutrition.

People in the medieval culture were on the periphery and left to find their own ways and means for social and economic survival, as the government did not recognise their 'right' to development. There may have been some work undertaken by the rulers, of which people might have benefitted, but these were undertaken at the ruler's discretion as charities or religious projects. The same medieval practice continues with our model of 'discretionary development' by the pillars of power, in defiance of laws of economics.

It was because of this anti-development medieval culture that it took 1,000 years for the world's GDP to double in the medieval era. The cultural changes brought by the Industrial Revolution had doubled the world's GDP in 100 years in the 19th century. And as technology expanded, in the 20th century, it took the world's GDP only 50 years to double. This period is expected to be further shortened in the 21st century.

Can Pakistan afford to continue with the medieval model of 'discretionary development' and risk rising social, economic and political tensions in this day and age?

In areas of governance, the medieval culture did not provide for redress against the high-handedness of the rulers or their courtiers. People suffered indignities unless they could mount rebellions or seek aid and assistance to topple the rulers. Law was all about the word of the ruler, which changed every time the ruler changed. Since the law did not exist as a social and cultural force, no limits could be enforced on the power of the ruler neither could he be held accountable regardless of how questionable his conduct was.

Gradually, these conquerors created dynasties and settled down to rule different parts of the Subcontinent. However, as unaccountable as it was, this medieval culture grew weak, inefficient and decadent over time and was easily overwhelmed by a small band of adventurers of the East India Company. But as the British Raj wound up its colonial business and the Subcontinent became independent, the same culture quickly took control of the levers of power of our nascent state and received a new lease of life.

Over centuries, this medieval culture has by force conditioned populations to accept social and economic inequalities – 'fate' as it is called by the poor and helpless people.

Loot and plunder was considered normal behaviour of leaders, whom people also took to be above and beyond the law of the land. This and other toxicity of the medieval culture was supposed to be uprooted with the Independence, but is still claimed as a privilege in the 21st century. This shows that we have been served old wine in new bottles.

This sorry state of affairs has continued because there has been no realisation of providing people the right to dignity and development. There has neither been any repentance for the sins committed against the people during the dark days of this medieval rule, nor have any structural changes in the systems of governance, or even policies, been introduced. The medieval culture has been emboldened and asserts itself on the nascent state. However, only this time it is wearing a mask, so that you cannot see its real face.

The purpose of Independence was to end the dual exploitation of people at the hands of colonialism and medievalism. But we only removed one layer of foreign rule and revitalised the second one. Are we then telling people that they should feel less pain if they are denied their dignity and robbed of their assets by people of their own faith, colour or language than by outsiders?

If the answer to this question is in the negative, then another question arises: why then haven't we done away with this medieval culture whose toxic effects continue to appear in the shape of continuing poverty, illiteracy, indignity and unemployment of people and corruption and incompetence in governance? The reason is that this culture has created firewalls to keep itself out of the reach of laws and institutions by disabling the instruments of governance to prevent its questionable activities, thereby ensuring that the system keeps regurgitating a leadership that is severely handicapped in knowledge, skills and ethics. And so far it has been embarrassment for Pakistan at both home and abroad.

Any nation-building project must first set the direction of its instruments of governance. Every project should be checked for whether its compass is directed to serve the people or the rulers? If it is the latter, then no sectorial policies and programmes – education, health, law and order – will achieve the real objectives. These would all remain subservient to the overall objectives of the

governance and be obliged to advance the power, influence and interests of the rulers in every each of the sectors. This is why there is so little to show for so much money spent in the name of development in Pakistan.

In this day and age, where people have access to worldwide information throughout the day, it is impossible for any product, including democracy, to survive. There is no other threat to democracy or development potential of Pakistan except this toxic medieval culture.

This piece would not be complete without mentioning the lessons learned from the stunning comeback of Mahathir Mohamad, recently elected prime minister of Malaysia at the age of 92. His victory is peoples' tribute to the 'politics of development of the nation' and an expression of disgust for self-serving politicians. Malaysians are lucky to have a leader like Mahathir Mohamad. Tired of our model of 'politics without governance', we might as well ask for Mahathir's services for Pakistan too.

The News, May 17, 2018

Development with empowerment

Can a country be "developed" without widening the circles of opportunities and power for its people - its critical human resources? And if the development of a society does not mean the economic and political empowerment of its people, what is it all about? National development is more than a catalogue of construction projects.

If construction works were synonymous with development, then no one has built anything more mega than the pyramids of Egypt. But the pharoahs constructed these projects as a testimony to their power and to serve as their shelter in the afterlife, not for the development and well-being of Egyptian society.

The development process has a better chance of achieving nation-building objectives if it fulfils two basic conditions: it is "consultative" and "rational". Consultative in the sense of engaging the stakeholders in a dialogue for the determination of their needs and designing the project accordingly. And, rational in the sense that instead of imposing predetermined preferences, various alternatives are examined with an open mind to arrive at the most feasible option.

Although, so much has been appearing in the national press about some mega construction projects like Gwadar, Kalabagh, Thal Canal, etc., it is not clear from what has been said how critical conditions of consultations and rationality are being satisfied.

The controversy raging round certain projects are not about their credentials as instruments of development. It is about their role as instruments of empowerment. Essentially, how are

the new circles of opportunities and power created by these projects, going to be balanced out among the people?

It is safe to assume that those who expect to benefit and be empowered by these projects and are calling for bold decisions are supporting the projects while those who fear their displacement and dis empowerment are opposing them.

Rational, not bold, decisions are needed. Development can be a double edged sword. There was a great deal of development work done during the days of Ayub Khan that created empowerment problems.

"Dis empowered by development" through these projects, our fellow citizens in the eastern wing felt the pain and anguish of the insensitivity behind such development. Instead of national development, these very projects contributed to increasing tensions and weakening of the national fabric leading to tragic results.

Half the issues confronting Pakistan society could be solved if we stop posturing and were open and honest with each other. So often we try to hide our pursuit of self, group or regional interest behind various grandiose slogans. There is nothing wrong with the pursuit of one's interests - it is natural and human, so long as the equally valid interests of others are not thrown overboard.

Compromise or meeting each other halfway helps resolve issues and makes it possible to move ahead. It shows that there is respect for each other and demonstrates that we care enough work hard to find common meeting ground.

It is the development of a common interest, and the consequent empowerment, that will bind us together as a nation and which will prove much stronger than any mega project, or even common language, culture or religion.

If we need further proof we need to look no further than the continuing disarray in the ranks of the Arab League - an association of peoples with the same language, culture and religion.

On the other hand, the unity in diversity of the European Union or Asean (Association of South East Asian Nations) will show us the powerful bonds that common interest builds among nations, otherwise rich and proud of their own cultural diversities.

Issues pertaining to empowerment are sensitive and not resolved by repeating each other's positions any number of times. Nor would technical or economic evaluation reports by experts convince or convert many on the two sides. These are best resolved under the umbrella of the representative institutions working together to find a common position.

Big resource allocation decisions cannot be viewed in the narrow context of project development. These are also decisions on the empowerment - and dis empowerment of the people and must be taken in that spirit. To appreciate how others approach big resource allocation decisions, a real life instance from the Pakistani experience will help.

Prime Minister Toshiki Kaifu of Japan paid an official visit to Pakistan in May 1990. Among other subjects on the discussion list was the issue of the utilization of a Japanese loan of over 3 billion yen for various Pakistani projects.

The government had prepared a list of about eight mega projects considered eligible for these funds. However, the project details were not sent to Japan in time for their evaluation and concurrence before Mr Kaifu left on his official tour of several Asian countries including Pakistan.

During the talks in Islamabad, the hosts pressed for the concurrence of the Japanese prime minister so that an official announcement could be made during his presence in Islamabad.

The Japanese side declined to make such an "on-the-spot" decisions without completing the consultation process and satisfying themselves about the rationality of these choices.

The whole discussion on the subject of allocating national resources for development was summed up by a very senior member of the visiting delegation. He reassured the hosts that these funds were meant for Pakistan and would be utilized for Pakistani projects. But he also gave them a lesson in good governance by telling them that under their rules of governance, the prime minister, although the executive head of government, could not take such decisions on his own.

He told them plainly that these funds were not the personal funds of the prime minister but the property of the people of Japan who had laid down a consultative framework that had to be followed before they could make resource allocation decisions.

It seems that rich nations build up their wealth because of the care they take in the utilization of their resources, and poor countries remain poor because of the cavalier attitude to their resource allocation decisions.

Poverty is not just a question of living in a cash strapped country. Poverty, under-development and the backwardness of a people or a region are more a function of governance that determines priorities for resource allocations, than of the scarcity of resources itself.

The poverty of a people is inversely proportional to their influence over governance. Those who influence decision making process most also benefit from the allocation of resources more than the others.

In the absence of governance reforms, even if development funds are doubled or trebled for a country or a region, the old instruments of governance continue to channel the increased resource flows to further empower and benefit those who most influence the governance process, rather than the most deserving or needy.

Given a system of governance which is representative of, and responsive to, the people, there is a much greater chance of reducing poverty, illiteracy, hunger, disease and malnutrition than any other system, however well intentioned it may be, other things being equal.

The truth of this argument is beautifully summed up by no less a person than by the 2001 Noble laureate in economics, Amartya Sen, who said "there has not been, nor can there be, any famine in a democracy".

Because authoritarian and non-democratic governance is unencumbered by the consent of the governed, its survival is not performance related. It is essentially a winner- take- all system where the polarization between the haves and have-nots is largely complete.

Those excluded become fatalist and are forced to accept their continuing misery as destiny. It is a Catch-22 for them. Because, they cannot influence their governance, they cannot change their fate.

And, they cannot change their fate because they cannot influence their governance. Those who are not so poor or weak do not find it easy to accept this fatalist view.

The new generation of left-outs, who have grown up in the age of global media, know much more about governance than we give them credit for. They do not find it easy to accept their continuing poverty and backwardness, nor are they inclined to blame it on destiny. Increasingly, they see these as man-made disasters and are unwilling to accept their dis empowerment.

The intensity of despair and anger of those permanently blocked out in such a dysfunctional system is now receiving a more sympathetic hearing around the world as the nexus between authoritarianism and terrorism is being increasingly recognized and reforms in governance are now taking centre stage in every development agenda.

For countries receiving aid and assistance for their development from bilateral and multilateral agencies, the reforms process has a much better chance of picking up momentum.

Political reforms are no less important than economic reforms since economics and politics are inextricably linked in governance. Governance reforms should aim at widening the circles of opportunities and power, and not confining these to a favoured few.

The mark of a civilized and developed society lies in how far the economic well being of its people does, as opposed to the politics of power, provide the driving force behind governance.

The closer we bring development to mean the economic and political empowerment of the people and the more successful we will be in eradicating poverty, reducing disparities, and taking the wind out of the sails of those who are preaching hatred, intolerance and violence.

DAWN, February 25, 2005

Determining development

In today's globalised world when capital can freely move across national boundaries, any country can attract as much investment as it needs. The only thing required of the host country is a culture that nurtures work ethics in an educated and efficient workforce and a society where rule of law is respected. The capital will come by itself.

More than money, it is culture that determines the success or failure of the development of society. No amount of money can deliver development in a society poisoned by the toxic culture of cronyism and corruption. But even though pumping hundreds of billions through budgetary allocations into this toxic culture has not delivered desired results, we never use instruments of governance to eradicate this toxic culture from society.

Before capital can work its wonders, a culture of development must prepare a receptive soil. The cultural and educational reforms of Charlemagne had helped pull Europe from its 'Dark Ages'. Later on, the libraries of Andalusia and Muslim scholars of Spain had laid the ground for European Renaissance. Interestingly, Martin Luther, the founder of Protestantism also studied at Andalusia and it was the protestant culture of hard work, discipline and frugality that made the difference between the levels of development of Protestant England, Germany and the Netherland and Catholic Italy, Spain and Portugal. Again, it was the culture of education, efficiency and hard work of the peoples of North East Asia inculcated through their 'developmental states' that laid the groundwork for Asia's economic renaissance. Capital came much later from the West, along with technology, for the mutual benefit of the parties.

These cultural changes did not happen in the usual course of things. It took wars, revolutions or radical reforms to undo the

toxic effects of medieval culture and colonial structures imposed over their societies, before Asia's economic miracle could take off.

In other words, the first was the struggle to seek independence from European colonialism which had overtaken the weak, inefficient and corrupt culture of governance of several Asian countries during the 18th and 19th centuries. The second was the struggle against native colonialism by people of the same faith, colour and language who still wanted to deny dignity and development to their own.

In some countries – like China – it took the Second World War and revolution to bring about the end of both foreign and native colonialism. In Japan, which was spared foreign colonialism, indigenous rebellions forced reforms through the Meiji Restoration of 1868 and 'best practices' adopted from abroad put the country on the path of development. In Singapore and South Korea, a strong leadership unleashed a series of radical reforms to rid their societies of the centuries-old baggage of discriminations.

Sadly, while we succeeded in our first struggle to gain independence from foreign colonialism, we did not try to rid our society from the toxic culture of medievalism. That is the principal reason why our people remain mired in poverty, illiteracy and unemployment even after spending trillions in the name of development in seven decades after independence from foreign colonialism.

Any doubts that a medieval culture still controls our systems of governance would be dispelled by a look at the eyewitness account of 17th century Subcontinent by French physician Francois Bernier. He spent 12 years here and was physician to Mughal princes and princesses. He was also associated with Dara Shikoh and, after his death, with Aurangzeb and so he saw the beginnings of the decline of the Mughal Empire. He went back to France in 1670 and wrote his memoirs of India.

His eyewitness account is a mirror in which we can see the ugliness of our society and systems of governance which do not seem to have changed in 350 years. Without further ado, here are some of the eyewitness accounts of both society and governance of the mid-17th century before the East India Company turned from traders into rulers.

Bernier says that "there are either rich lords or the poor masses in India but there is no middle class in between them. The rich live in palatial houses with scores of factotums and servants and their horses and other animals are treated better than the poor people who do not have means for three meals a day. There is a culture of sycophancy in India and the king, his ministers have courtiers whose main purpose seems to be to praise their masters every day. Whenever the king says something in the darbar, his courtiers chant karamat, karamat (revelation, revelation) in praise of whatever the king is saying.

"Ministers and couturiers make it a point to show their faces to the king every day. Those failing to do so or failing in their praise of the king are immediately relieved of their positions and privileges. Ministers and powerful omrah (lords of the area) move with large entourage of factotums... dispersing people wherever they go. These people are very extravagant and waste money ....

"Bribery is rampant and people are made to pay government functionaries.... The education system is most deplorable since people are taught only languages and do not learn any knowledge and skills to help them in everyday life. They are good craftsmen but die pauper(s) because there is no system for expanding their production."

In short, people did not matter and the king and his courtiers merrily continued with 'government of the few, by the few, for the few'.

Pause for a moment here and compare these eyewitness accounts of 17th century Subcontinent with 21st century Pakistan. Sycophancy, patronage politics rather than rule based governance, corruption and education without knowledge continue to define our society and governance. And yet, this 17th century system is being protected and every attempt at overhauling it has been thwarted either under the banner of religion or the label of democracy.

This culture is the principal cause of continued under-development of Pakistan. Neither did the riches and glamour of the Mughal court lift people from poverty in 17th century Subcontinent nor will the trillions spent in the name of development lift people out of their generational miseries here. This was the second part of our struggle which we did not engage

in. We merely replaced white Christian rulers from Europe with local brown Muslims and continued with the same 17th century culture of exploitation.

The history of the development of Europe and East Asia has shown that three things have brought the fundamental cultural changes needed for the development of societies – wars, revolutions and reforms. Our resistance to reforms and preference for a 17th-century system does not hold much hope for the people.

The News, May 06, 2018

Needed: a culture change

Was the struggle to gain independence from colonialism meant to open up opportunities denied to people by dismantling the colonial structure and its underlying medieval culture? Or was it merely meant to replace white Christian rulers from Europe with brown Muslim ones, who continued ruling the roost with the same culture of the Subcontinent's former rulers? Are people supposed to feel less pain if they are robbed of their assets by people of their own faith, colour and language, than when robbed of by outsiders?

These are the fundamental questions of governance which explain why people in some countries achieved progress and prosperity after becoming independent from colonial rule, while those in Pakistan continued to remain mired in poverty, illiteracy and unemployment. What this also shows is that while the state became sovereign and independent, the people did not.

There has been no baptism here unlike in Europe and other countries where people's sovereign rights to dignity and development became embedded in their culture of governance. The governance of the former rulers of the Subcontinent, however, can be summed up in one sentence. It was the 'government of the few, by the few, for the few'. It was also partisan and discriminatory. As the capacities of a modern state have multiplied with technology, its capacity to discriminate and deprive people of their legitimate rights has also multiplied. Unless the rulers of these states – like their medieval predecessors – are held accountable before the law and discipline of democratic governance, their rule will become the cause rather than the cure for people's problems. I raised this question with Lee Kwan Yew, former prime minister of Singapore, in one of my meetings with him. At the time of Singapore's independence, Lee explained, "We faced the classic question of governance, whether we design a

system of laws and institutions that would sanctify rulers as a breed above the rest, and operate the system for promoting their special interests, or devise a system of governance that works for the country as a whole". As Lee explained, they decided to install a system of governance that would not work for the benefit of the rulers but for everyone's benefit, without providing special privileges to the rulers. Everybody, including Lee, was subject to the same laws. Once people saw their head of government abiding by the law, obedience to the laws of the land came easily to the rest of the population. It was through this quality of governance and integrity of leadership that in a short time, as Lee said, "We lifted Singapore from the third world to the first".

There is no escape from this fundamental question in any attempt at nation building: for whose benefit are the laws and policies of a country designed? If they are designed to ensure 'government of the few, by the few, for the few', no sectorial measures or policies in other areas such as education, health, law and order, will achieve their objectives. The policies and their implementation will remain subservient to the overall objective of the governance of the state, and would be obliged to advance the power, influence and interests of the rulers in every one of these sectors. Repeating the failure would never turn black into white.

One example would be enough to prove this point. Several governments in Pakistan have announced education policies and launched education emergencies supposedly to eradicate illiteracy and make education accessible for all. However, the facts tell a different story. After decades of such exercises and billions spent in their name, even today 44 percent children between the ages of 5 to16 are out of school. Illiterates make up 58 percent of the population, while the degrees of those educated are not recognised by the outside world. Who should bear the responsibility for such half-baked dreadful policies that have, over the decades, eaten away hundreds of billions of hard-earned money of parents and ruined the lives and careers of millions of students? In contrast, here is how services are delivered by a leadership that uses instruments of governance for the benefit of all. In 1954, South Korea – which had suffered the Japanese colonial rule – followed by the Second World War and the Korean War (1950-53) launched its programme for free compulsory primary education. Within five years, over 95 percent children of

school-going age were enrolled in schools. They then concentrated on the secondary and tertiary level education, and by the 1980s, South Korea had attained 100 percent literacy. It was the quality and quantity of human resources of South Korea that propelled it to become a 'tiger economy' of Asia in a very short time.

Every culture creates a system of governance to protect its interests. The different results obtained after the end of colonialism by Singapore, South Korea and Pakistan – not just in education but also in health, science and technology, industrial and economic development – are the result of different cultures adopted after independence. Even though Singapore and South Korea practiced different forms of government, elected government and military rule, they adopted the same culture of development of the whole society. We, on the other hand, revived the old Subcontinent's culture of self-development of rulers.

Pakistan has long suffered from a leadership vacuum. Four times in its history, the country was ranked among the most promising developing countries. But each time, Pakistan was sacrificed at the altar of politics without governance. And we still remain allergic to abide by the laws and discipline of democratic governance. Instead, we have perfected a system that keeps throwing up leadership that is severely handicapped in knowledge, competence and ethics. Going through enumerable media reports, one wonders whether the country's leadership really appreciates the blessings of having a sovereign independent state, and the responsibilities it places upon their shoulders. Our leadership has turned the tables on the people and has converted governance into an opportunity for self-dealing.

This revival of the culture of the Subcontinent's colonial rulers has been the direct cause of the differences between the quality of life of Pakistan's people and those living in countries which also became independent around the same time. Until this is rectified, the real agenda of independence remains unfinished.

Deng Xiaoping's maxim, "it doesn't matter whether the cat is black or white, so long it catches the mice" launched China on the path of its own economic miracle, achieving the highest growth rate in history. History shows that performance and service delivery, not just ideology, win the hearts and minds of people.

The News, April 23, 2018

Development without Enlightenment?

Can a country ' develop' without developing the potential of its people its critical human resource? And if the ' development' of a society does not mean the economic and political empowerment of its people, what is it all about?

Development is much more than merely a catalog of construction projects. If every construction were to be synonymous with ' development', then building one hundred thousand prisons would mean more development than one thousand factories or colleges! There have been constructions galore throughout history, but neither Pyramids of Egypt nor Taj Mahal of India was built for anything other than as testimony to the power and glory of the Pharos or emperor ShahJehan. Neither for the development or the wellbeing of the Egyptians nor of the Indians.

Actually, the idea of 'development' is one of the products of the Enlightenment in 18th century, as the rights of individuals- including the right to develop their potential- were recognised as a part of the Social Contract, whereby the laws of the ruler were to be obeyed in return for the rulers working for the wellbeing of the ruled. Failing which, the ruled were entitled to remove the rulers. That is also when the birth of representative democracy took place. The fact that the idea of the 'development of society' was non- existent in the pre-modern era can be seen from the following: it took 1000 years for the world GDP to double before the 18th century, but as the ideas of enlightenment followed by the Industrial Revolution spread across, the world GDP then doubled in 100 years in the 19th century and in 50 years in the

20th century. And it has already tripled within 22 years of the 21st century!

This is what empowered human resources do, as the highest contributions to world GDP have been made by countries where people feel liberated and empowered by knowledge, skills and protection of the rule of law.

While construction projects are one of the instruments of development, these could also become double-edged swords, if not integrated into the overall policy of socio-economic and political empowerment of the people. Lacking this integration, they could become instruments of discrimination and vehicles for disempowerment of a people or a region, widening the gap between haves and havenots and triggering social, economic and political discontent in the society. Because what may seem goose to those empowered by a project, looks gander to the disempowered. Look closely and you would see this insensitive handling as one of the causes of various tensions hounding our country.

Development has a much better chance of achieving the twin goals of empowerment of people as well as nation building, if it fulfills two basic conditions: it is consultative and it is rational.

' Consultative' in the sense of engaging the stakeholders in a dialogue of development- starting with the people of the area- for determining their needs and using the best professional capabilities to design the project accordingly, And 'rational' in the sense that it takes away arbitrariness from decision making and arrives at the solution that combines empowerment of people with the idea of development.

The idea of ' development by directives' is a barren pursuit and many countries have suffered its consequences including Pakistan, which as a world bank report says has 'so little to show for so much money spent in the name of development'.

Poverty or under-development of a people is not a matter of the poverty of resources, otherwise Japan and Singapore may still be underdeveloped; but of the poverty of governance. And it is the quality of their governance- including extra care in the use of public resources- that has lifted both Japan and Singapore, into the ranks of top ten countries of the world. The ' discretionary model of development' where billions of public funds are kept at the discretion of many- from the prime minister down to assembly

members is anathema to democratic countries. None of such discretionary powers are allowed even to the prime ministers of democratic countries- including UK, Japan, Germany, Singapore and others.

A closer look at the widening gap between peoples and regions would show that the poverty of a people or a region is inversely proportional to their influence upon the systems of decision making, that determine where and on which activity public funds would be spent. In the absence of democratic reforms in governance, and in continuation of the discretionary model of development, even if the funds are doubled, the old instruments of governance would continue to channel the flow of increased resources to those who most control governance rather than to the most deserving, the most needy or even economically the most efficient.

As authoritarian and non democratic rule is unencumbered by the consent of the governed, it treats public resources as its own- like the medieval rulers used to, empowering themselves and a small band of beneficiaries around them -keeping the rest of the population disempowered. The discretionary model under authoritarian rule creates a permanently fixed group of haves and have-nots with no democratic means of effecting reforms. Those kept out of this loop of self-serving style of governance- if they are weak or poor- perforce accept their continuing misery and blame it on 'kismet' (destiny), although there is nothing ordained in nature for them to be always poor and miserable. It is a catch 22 for them. Because they cannot influence their governance, they cannot change their fate And they cannot change their fate because they cannot influence their governance.

Those who are not so poor or weak, do not find it easy to accept this fatalist view. The new generation of left-outs, who have grown up in the age of global media, know much more about the use and abuse of power, than we give them credit for. Instead of blaming it on kismet (destiny) they identify it as a man-made disease to keep them disempowered from the benefits of their resources and resort to various measures to end their permanent exclusion from empowerment.

No prescriptions of development can lead to uplifting of society without making empowerment of people their integral

part. But if we remains at the bottom of human resource index in the world (160th position in 2020) neither angels nor robots would come to carry out the myriad functions involved in the processes of development- without empowerment of our human resources. As Lee Kuan Yew had said, the empowered human resources are 'like a yeast that transforms a society and raises its level'.

Economics and politics are inextricably linked in governance.But the mark of a civilized society- developed or developing- is how far is the economic wellbeing of their people the driving force of its politics, instead of the other way around.

There is no take-off to anywhere from a milieu mired in medieval behaviour, where the politics of power is the only game in town riding roughshod over any and every aspect of national life.

The closer we bring development to mean the economic and political empowerment of people, the more successful and sustainable we will be in achieving the real objectives of development: creating a fair and just society and increasing the wellbeing and prosperity of the people.

The path to development cannot be traversed without empowering people with knowledge and skills and protecting their rights with the rule of law.

The Culture of malgovernance

Let us first take the mystery out of malgovernance. The principal ingredients of malgovernance of a country are two: the inefficiency of its state structures and the profligacy of its ruling classes. This deadly combination has not only led to poverty in countries but historical evidence shows that inefficient state

This deadly combination has not only led to poverty in countries but historical evidence shows that inefficient state structures and the reckless profligacy of leaders have even been instrumental in the downfall and colonisation of several countries.

Empirical research at MIT and Princeton has confirmed that inefficiency and profligacy are principal culprits for malgovernance in a developing country. Poor governance in the initial years of independence of a developing country is attributed to coping with the teething troubles of newly acquired independence. But if malgovernance persists over the years there are reasons to believe that there is method in that madness.

The litmus test for good governance, therefore, is: practical measures taken to improve efficiency, capacity and neutrality of state structures and preventing profligacy of public funds by having every use of public funds audited and accounted for. Where there is reluctance to implement these measures – under whatever pretext – the conclusion can safely be drawn that malgovernance, not good governance, is the intended objective of public policy.

Inefficient, crony and politicised state institutions and profligacy in Pakistan are not incidental. These are intentionally chosen instruments of public policy by a medieval political culture that has captured the state and its institutions in Pakistan since

long.

The reason behind failure of frequent calls for reforming governance is also the fear that the first casualties of such reforms would be removal of props of inefficient and politicised state structures and an end to unaccountable profligacy of public resources and rent-seeking benefits. Therefore, malgovernance continues despite the rhetoric of good governance. and to make malgovernance a permanent feature, the strategy of taking 'everybody on board everything' was crafted to prevent any opposition to the idea. A consensus seems to have been forged among several parties that inefficient, crony and politicised state structures are a beneficial form of governance and necessary props to capturing political space and extracting rent-seeking benefits by everyone onboard. Such streams of unaccountable benefits would not be possible for this medieval political culture in any other country or even under an efficient, merit-driven and neutral state structure in Pakistan.

Ask yourself: why have allocations of hundreds of budgeted billions for decades still left most people without clean drinking water or electricity? Why have they left us with the highest rate of school-age children in South Asia out of classrooms in Pakistan compounded by high rates of their malnutrition and mortality? And why has every country that was developmentally behind Pakistan overtaken us, leaving our people with the lowest per capita income in the world?

If these are the results of policy choices exercised by our rulers over the years – as they are – is it wrong to conclude that persistent poverty and underdevelopment of the nation are intended objectives, whatever the rhetoric be for public consumption?

No wonder then that to the outside world, we present the picture of a country that has 'so little to show for so much money spent in the name of development'. Leaving symptoms aside, the fundamental cause of this persistent failure is the traditional political culture that needs inefficient, crony and politicised state structures to create an environment of malgovernance for its members to accumulate medieval luxuries of unaccountable wealth and rent-seeking benefits from state activities.

The history of colonialism in the Subcontinent tells us that this native political culture was easily defeated. It was defeated

because it had internally weakened society so much that the rajas, maharajas and even the Mughal Empire were unable to protect their rule from the tactics and onslaught of few thousand efficient and disciplined employees of a private trading company (East India Co). That at no time were there more than 22,000 British – civil and military together – who colonised and ruled India with 250 million people in 1857 sums up the consequences when efficient and inefficient structures of governance clash.

So, the question arises: how did a defeated political culture of a bygone era, which lost territories and was colonised in the 18th and 19th centuries, make a comeback to capture the modern state of Pakistan in the 21st century?

One explanation lies in the oil boom of the 1970s. As oil prices jumped from $3 a barrel in 1973 and kept rising to peak at $145 a barrel in July 2008, the medieval political culture ruling the oil-rich Gulf States was flooded with unprecedented, unearned wealth. They were now rich without being developed. This culture felt no need to acquire education, skills and work ethics of an industrial culture – which was the route to power and prosperity most of the world had taken.

Pakistan caught this fever in the early 1980s. It dumped its earlier path to development through education, skills, meritocracy, work ethics and industrialisation of the economy. Instead, it adopted the culture of our oil-rich neighbours – without any oil in this country. This fever also gave a new lease of life to our medieval political culture which came out of the woodworks to acquire wealth and power and claim leadership of the nation. Politically and economically, we have been reverting to the past and recreating a medieval society – albeit with gadgets of imported modern technologies – and marketing it in the idiom of Islam and democracy.

Like in the medieval world, people are being made to accept – in the words of George Orwell in Animal Farm – that while all animals are equal, some are more equal than others; that the law is for the lowly; that economic opportunities are the privilege of the rulers; and that political power is hereditary and politics is above and beyond the laws and constitution of the country – neither of which existed nor meant much in the medieval world. This is the political culture of the medieval world that we are recreating here.

If this political culture was easily defeated in the 18th and 19th centuries, how can it take Pakistan to fame and glory in the knowledge economy of 21st century? The mismatch of two hundred years has further widened between the two cultures. One is conquering the space while the other is recreating a defeated world of medieval jugglery. One is driven by science and technology, competition and rule of law, while the other abhors rule of law and competition, has contempt for work ethics and feeds upon unearned income from rent-seeking.

The proof of this pudding is available in abundance in media reports on malgovernance in Sindh. The apex committees made a good start trying to revive efficient, capable and neutral state structures which had degenerated over the years by the use and abuse of a decadent political culture. Their rehabilitation would require serious efforts to enhance their capabilities and the win trust and respect of people by improved performance. It would take a long and sustained effort to dig the country out of the deep hole this medieval political culture has pushed it in.

The News, June 14, 2015

Human Rights & Development

CAN human resources be developed in societies that do not respect human rights? The annual release of the UNDP's Human Development Report is a time for soul-searching. Most countries slide up or down the Index by a few notches but the bigger picture tells the same tale, year after year: that the development of human resources and respect for human rights go hand in hand.

The countries with the best performance in human development (say the top 30 on any year's index) also happen to be nations where the protection of human rights of their citizens has strong roots. The countries with the lowest standing in human development (the last 30 on the Index) are those with generally the poorest human rights record. Those in between also reflect a similar relationship between these values.

Where do these 'rights' of the people come from? When and how have ordinary people attached human 'rights' to their social, economic and political development? An answer to these questions would help us better understand why poverty and underdevelopment of people continues to be so pervasive even in countries sitting on fabulous wealth.

For centuries, whoever conquered or captured any territory assumed all power and control over the life and property of the people in those lands. Other than the ruling family or class of conquerors, the people were serfs, slaves or subjects.

They had no right even to their lives, much less to any property or claim to their human development. In the colonies of the Third World, this medieval practice continued till the 20th century.

India, for instance, as a colony, was actually a possession: a country 'owned' first by the shareholders of the East India Company and after 1858 by the British public and was

governed for the benefit of its owners in the UK.

People's 'right' to anything — life, liberty, property and well-being — were recognized in Europe only about 200 years ago after a series of struggles and tectonic changes culminating in the French revolution (1789-91).That fundamentally altered the relationship between society and the state; between people and their governments; and together with the industrial revolution (1760 onwards) became the dividing line between the modern and the mediaeval world — socially, economically and politically.

No longer were people prepared to be serfs, slaves or subjects of their rulers: Instead, as citizens, ordinary folks now claimed 'rights' as owners of the state; rights that could not be taken away by any government which itself became dependent upon their expressed will and consent.

The most important point to note here is that since the 'ownership rights' are inalienable, the peoples' rights — as owners of the state — could not be taken away by the government.

People now had 'rights' and the government as their agent, had obligation to work for their 'development'. It was the power of these ideas that fuelled the wars of national liberation throughout the world, denying legitimacy to all forms of alien and unrepresentative rule and ultimately led to the end of colonialism.

So, who are the real owners of these now independent states of Asia and Africa, including Pakistan, and for whose benefit are these countries actually governed? The issues of ownership of state and its resources are critical and lie at the heart of the problems of poverty and underdevelopment of countries, regions and the people.

Equally true, the ownership of resources by the people or ownership by the governments are two different things; especially where the governments do not represent the consent of the governed.

There is a lot of talk of the so-called 'resource curse' among scholars where they refer to the problems of poverty and underdevelopment in Asia and Africa even if their countries are sitting on the valuable natural resources or are located strategically.

But it is more interesting to ask why similar resources or strategic importance is not considered a curse for developed countries. Why are the North Sea oil reserves, for instance, not a curse for Norway or the UK unlike the 'curse' of oil, gas, diamond or gold reserves for some Asian and African countries?

In fact, the curse lies not in the abundance of natural resources in these countries but in their poor human resources. And it is not for the first time that this curse has befallen Asian and African countries. When colonialism spread across the world, many of these countries were rich in resources and had large populations.

But the people in these countries were a lumpen mass of serfs, slaves and subjects. The 'ownership' rights were limited to the small permanent ruling class. Whatever the others received — if they received anything at all — was out of goodwill, kindness, or charity or it was the unwanted and unattractive assets leftover by the ruling class, but not by way of having any 'rights' to anything.

In the pursuit of interests by the nations this lumpen mass was no match for the quality and skills — in trade, entrepreneurship, navigation, armaments, organization, science and many other technologies — possessed by the citizens of the much smaller European nations and could not stop the colonization of their countries. Colonialism, seen from this perspective, was, therefore, a contest of unequal — a mismatch between the human resources of the colonizing powers and their colonies.

Remember, some of our spin doctors popularized stories about one of 'us' being equal to 100 of 'them'? That may have been the case in another era when Muslims by virtue of their better organization, skills and knowledge — all aspects of human resources — quickly spread across Asia, Africa and Europe. But surely, no one is making any such claims about their state of affairs in the contemporary world.

But such tales of invincibility have not been a monopoly of Muslims alone. How many Englishmen came to India, for instance, conquered and ruled it for nearly 200 years? Or for that matter, the Dutch over East Indies or the French over Indochina? The fact that at no time were there more than 22,000 Britons (civil and military all together) to conquer, rule and hold together the

vast territory and the millions that inhabited India even at that time was proof of the high quality of their human resources.

Much is being written these days, for and against Pakistan's recognition of Israel. One thing common behind both these views is the acknowledgment of the immense influence of Jewish people in the financial, media and political worlds. More than anything else, they are proof of how much can be achieved by so few people, if each individual is encouraged to rise to his or her full potential.

Many from Arab and Muslim countries who have risen to great heights in their chosen areas in the US and Europe will bear witness to how much the protection of human rights and the rule of law in their adopted countries, despite many difficulties, have helped them rise to their full potential especially in comparison to the state of human rights in many of their countries of origin.

While the cynics may think that human development and human rights are for the faint-hearted and it is smarter to outwit others and hold on to perpetual power by using every trick in the book — race, religion, ethnicity, gender and other assorted slogans. One lesson the people of Asia and Africa should not forget is that it was the mismatch of the poor quality of their human resources that invited colonialism to their countries. Their continuing neglect of human resources is an open invitation for similar consequences being visited upon their countries, although the name of the game may be different this time.

As for the cynics in Muslim countries, they may also like to answer the insidious charge often levelled against Muslims that they are incapable of self-governance, and need to be controlled by autocratic rulers — local or foreign.

As regards the Millennium Development Goals (MDG) or other programmes for human development and poverty reduction in all developing countries, the success of any strategy for achieving the goals would also be proportional to their success in addressing the issues of ownership and governance of national resources and securing the recognition of people's fundamental 'right to human development'.

DAWN, October 6, 2005

Global challenges, local solutions

WHAT is the future for an economic system that is not an efficient producer of goods and services in the globalized economy? The latest round of WTO negotiations in Hong Kong did not see the materialization of the hopes of developing countries in securing access to the markets of developed countries and the removal of agricultural subsidies, meaning their economies would continue to be adversely affected by global challenges.

The fig leaf of the promise to do away with export subsidies on agriculture by the US and the EU by 2013 does not raise much hope in the developing countries of gaining in terms of the Doha development package.

Pulling down the barriers to entry in the markets of developed countries — especially for agricultural products — is very important for a fair trade system to prevail and to reduce poverty in the developing countries. The issues of market access and removal of agricultural subsidies remain to be pursued through multilateral and bilateral trade negotiations for whatever good results these bring. However, a big part of the solutions to global challenges being faced by countries like Pakistan effectively remains within national boundaries.

Market access is one thing; market share is quite another. While one can gain the former on various economic or non-economic considerations, the latter cannot be given away by any government. Even if all barriers to entry in the markets of richer countries have been pulled down, the winning market share will be determined by the competitiveness of the products that various developing countries including Pakistan can field.

Improving the competitiveness of their products is the responsibility that lies squarely upon the shoulders of the governments and businesses of developing countries and not an any outside forces or institution. It is difficult to win the battle of the market forces and expand the customer base in developed markets even when market access is achieved without having efficient and competitive national production systems in place.

History tells us that those who can produce or/achieve more out of less, can neither be displaced nor stopped from achieving their objectives. Countries and companies have won and lost the battle for prosperity and power depending upon how well they have adjusted to the demands of the commanding technologies of their times. Some have risen to take their position at the high table; others have fallen from grace. There are many who have remained incapable of harnessing competitive forces for so long that they have come to look upon their lowly position as be their destiny and given up their search for excellence.

The Global Competitive Index published every year by the World Economic Forum (WEF) is one measure of who is rising or falling in the globalized economy. Those who do not make to the top 50 in the order of competitiveness of their business and public institutions do not occupy the high table in the world economic and political systems.

Pakistan's production efficiencies even among developing countries are rated way down at the bottom along with lowly Myanmar and Zimbabwe in the index of competitive producers of goods and services; and much lower for instance than rising Asian economies like Malaysia, China and India. The latest evidence (2005) from reports on competitiveness by WEF continues to place Pakistan among the least competitive countries and finds fault with several underpinnings of its economic system such as: technology absorption, research & development, availability of high quality human resources, FDI and technology transfers, open and competitive nature of the economic system and others.

In the globalized economy whose rules of game are set largely by the developed world, the only way to move out of the losers' corner is by enhancing the productivity of enterprises through efficient production technologies, labour productivity, professional management and a legal and regulatory environment that protects economic rights, promotes efficiency, penalizes

waste and keeps the adjudication of disputes free from political interference. Improvements in these areas of the national economic system are local responsibilities and they that the WTO nor anyone else from outside can do this job for us.

We continue to forget the fact that market access does not necessarily translate into higher market share. No one had closer access to the American market than Mexico and with Nafta protection; it even had bilateral legal preferences agreed among US, Canada and Mexico. And yet, "low-cost but high-quality" goods from faraway China have been able to take big chunk of the market share away from Mexican companies. In fact, several American and other companies that had earlier set up their manufacturing facilities just across the US border in Mexico relocated their factories in China and are still able to beat many local producers.

If China has used globalization to such advantage for itself, and Pakistan and others have not, the answer lies in the comparative efficiency of their national system of production. Once a country's production system has achieved this competitive edge, the best allies are customers in the developed countries. It is this force of customer preference that lies behind the flooding of the American and other markets by goods manufactured in China that keeps displacing inefficient producers — whether distant or nearby.

For all the pressures exerted by WTO, the best way to fight back for Pakistan lies in improving the productivity of its enterprises. The risks are so high for inefficient systems of production in the globalized economy, that a country might as well forget about producing for its domestic market if its products cannot compete in the global or at least the regional markets, since others can easily invade the domestic market even if a country is not able to export anything. The difference between the foreign and domestic markets is, therefore, eroding with every passing year. Without an efficient system of production in place, the more we produce, the more we lose since national resources will end up being wasted by uncompetitive enterprises.

And yet, the urgency for improved productivity is still individualistic and scattered. One does not see any evidence of the many significant steps from government, banking or industry organizations to induce a culture of efficiency and productivity in

the economic system. On the contrary, our economic system encourages inefficiencies and waste and there are no incentives to be productive and competitive.

Our corporate and securities laws are silent on the takeover of inefficient private enterprises. No market for corporate control exists through active and balanced laws on mergers and acquisition of private enterprises, whether profitable or not. The minority shareholders have neither corporate protection nor legal redress against inefficient management. It is easier for inefficient enterprises to get their loans written off than do the hard work at improving production efficiencies. And again, if profits can be made by persuading governments to tinker with fiscal and monetary policies or the tariffs, where is the incentive to improve the competitiveness of products in domestic or foreign markets?

Thus, our governmental as well as corporate systems continue to reward inefficiency and waste. The challenges of globalization cannot be successfully met by any country where higher rewards can be reaped through rentseeking than by improving the efficiency of its production system. The solution to global challenges lies in fundamentally changing the underpinnings of our national production systems.

Creating an efficient economic system is more than a financial or technological issue. This is a cultural challenge for Pakistan as it affects more than the economy. It affects the way we live our lives and how we plan to advance our interests and well-being of society — whether in the public or private sector. As a starter, the country would need to put in place a national productivity council that pulls together various elements of government, industry, banking, research organizations, legal and regulatory environment and creates an incentive-driven system of production in agriculture, industry and the services sectors.

Pakistan's share in expanding the volume of international trade and its hopes of reducing poverty through this would depend upon its success in finally adopting the culture of productivity in its economic system.

DAWN, January 21, 2006

The genius of Shah Latif

Shah Abdul Latif Bhittai whose 270th anniversary (Urs) will be observed tomorrow (on September 11) is known as the great Sufi poet of Sindh. His poetry is recited and played to music everywhere – at his shrine in Bhit Shah and in public or private functions.

He is treated reverently as a saint, and his poetry has been wrapped up in spiritual terms and given 'rohani' (spiritual) meaning. But such treatment also suggests as if he had nothing to say about the lives and livelihoods of people among whom he lived.

It is great injustice to his multidimensional genius to portray his poetry as otherworldly and limiting his tributes to singing and music. He is indeed a great Sufi, but his verses bear testimony to his status of a scholar, historian, humanist philosopher and reformer – he was all of these and more.

His verses have recorded the history of social, economic and political conditions – poverty, oppression, injustice – in the times of his seven queens and of his time as he saw how the land of his people was ravaged by the invading forces of Nadir Shah and Ahmad Shah Abdali, so he captured people's suffering in his powerful poetry.

Philosophy is love of wisdom and search for truth. And Shah Latif highlighted the conditions of his people through his work, weaved the magic words of his poetry to uncover the underlying truth of their sorrows and suffering and showed the way to find the path to peace and prosperity.

In his poetry, Shah Latif espouses ethical values, social justice, belief in human goodness and broader brotherhood, which is beyond communal, sectarian and other differences. His humanism leads him to seek peace and prosperity for not only

Sindh but also the whole world, transcending all barriers of race, religion, creed, colour or any others.

His prayer for 'aalam sab abad karein' (let the whole world prosper) is testimony to his universalism and love for humans, irrespective of their differences.

The historian in him brought to life the love and longing and the joys and sorrows of his seven queens and the history, customs and traditions of the society they lived in. Who would have known about the suffering of Sassui, the pining of Marvi, the beauty of Moomal or the passion of Sohni, had he not immortalized them in his poetry?

Like a social scientist, he not only felt the pulse of his people and their problems but also suggested a reform agenda to rid them of poverty and oppression that had cast a long dark shadow over their lives.

That he was unhappy with conditions prevailing in Sindh and was anti-status quo comes through clearly in his poetry. He calls rulers and their factotums 'empty vessels' – making noise but hollow from the inside. As purveyors of oppression upon people, they were no good for the society they lorded over – as he puts it, 'ahro thallo thaanve bhajeen chhon bhora kaje?' (why shouldn't such useless vessels be broken into pieces/gotten rid of?)

His agenda to change the status-quo and rid people of their problems revolves around one point: people's empowerment – because no one else is going to help them get out of the never-ending cycle of problems.

And his agenda is based on three pillars which are meant to lift people from their predicaments and put them on the path to power and prosperity.

The first pillar is: Hard work and respect for time. No one can help if the person concerned does not make the effort himself. And Shah Latif advises the people of Sindh as follows: 'sutta uthee jag … sultani suhaag nindroon kande na mile'. (Wake up! The power and wealth of a king awaits you, if you strive whether it is hot or cold and not waste time by sleeping away.)

Interestingly, Michael Angelo had also given a similar explanation for his greatness when he said: "If people knew how hard I had to work to gain my mastery, it would not seem so wonderful at all".

Second, an open and enquiring mind. He sums up this

point in his verse: puchhan se passan, agan ajeeban ja. (Those who have curiosity and ask questions, will discover the secrets of the unknown. And find solution to their problems.) The first step towards solving problems is to ask why a problem keeps occurring.

In social sciences and in the context of the conditions he observed the question is: Why is there poverty and injustice in society? It is only then that the search for solutions begins.

It is the same in physical sciences. It was the enquiring mind of Newton who asked why the apple had fallen down the tree, which led to the discovery of the laws of gravity and all the way to the landing on the moon.

Third, 'knowledge is power'. We know that poverty and underdevelopment are not on account of lack of money, but because of the lack of knowledge and poor quality of human resources. Three hundred years ago, Shah Latif had lamented the lack of knowledge and poor quality of human resources in Sindh.

Repeatedly, his verses refer to the lack of knowledge and low quality of human resources as the cause of the problems people were facing. This is why even when the solution of certain problems lies under their feet, these people do not know how to quench their thirst. And his lament over poor quality of their human resources is summed up in this verse: 'mahroom thee marri waya, maher thee na moaa' (They lived their lives and passed away without acquiring knowledge nor attaining excellence and becoming experts.)

There is more of such wisdom in his poetry. But the main question is: why has this reform agenda from someone loved and revered by all been completely neglected even though the conditions he described three hundred years ago have largely remained unchanged?

There is a general consensus among thinkers, economists and political scientists that Protestant culture and work ethics (hard work, frugality, respect for time) played an important role in the Age of Enlightenment, lifting Europe from its dark ages and taking it into its age of power and prosperity. This enabled even small European countries to colonize much larger and richer countries of Asia and Africa.

Shah Latif laid out the ingredients of indigenous enlightenment with a similar agenda of reforms for his people.

The former applied this agenda and changed its world; the latter are still asleep over it. Musical tributes to Shah Latif are also notorious for deflecting attention away from an important part of his poetry where he calls upon us to take responsibility for changing our conditions. And we have found this escape from our responsibilities and taken refuge in paying him only musical tributes.

If people want to achieve anything, they have to make the effort. The message of reformers is the same, regardless of where they are, and it is: empower yourself if you want your conditions to improve because no one else will do it for you.

The News, September 10, 2022

Shah Latif's message of wisdom

"Learn to distinguish between the flickering light of a night lamp and the shining rays of the rising sun". So said Shah Latif, the polymath poet of Sindh urging people to understand the difference between the forces of darkness and the forces of light – or the enlightenment.

As he put it: "To jo diyo bhaaenyo, so suraj suhae". "If you do not develop the ability to recognize the forces of light from darkness, you would be groping around like the blind, and it would make no difference whether it is night or day (and your problems would remain as they are).

He repeats his call for pursuit of knowledge and highlights the perils of ignorance in another one of his iconic verses "Paani mathe jhoopra moorakh unj maran" (look at the ignorant fools who are dying of thirst, even when they are living in the huts over the water!).

Empowering people by equipping them with knowledge and unshackling their minds to be able to solve their problems is what Enlightenment was all about. And this spirit of enlightenment is repeatedly reflected in his verses.

In the first part of this series (The genius of Shah Latif, The News, 10 Sept, 2022) we discussed the other enlightenment values he promotes: hard work, respect for time, tolerance, fraternity, and open and enquiring mind and search for excellence.

But, it is the tragedy of the colonized mind that indigenous wisdom – however good and great – is overlooked until it gets a certificate of approval from the colonial masters, old or new. This has been the case with our indigenous sources of enlightenment: Shah Latif, Bulleh Shah, Baba Farid and others. The genius of

Tagore had also remained ignored until a collection of his poems 'Gitanjali' was translated from Bengali to English and he was awarded the Nobel Prize for Literature in 1913.

Sadly, there were no Nobel Prizes awarded in the 18th century, however brilliant the indigenous enlightenment of Shah Latif was, so he did not receive his legitimate international recognition, and locally his message of enlightenment has largely remained on the back-burner.

But the intellectual foundation of indigenous enlightenment was laid by our poet philosopher about the same time (late 17th and 18th century) as in Europe. Unlike Europe, however, it did not immediately spread out here because of technical constraints, illiteracy and absence of the printing press. During the last 75 years, those constraints have largely been removed but the continued neglect of his message of enlightenment has kept alive the forces of darkness, medievalism, feudalism and decadent model of governance, which have been keeping people enslaved in poverty, oppression and injustice – not much different than during the lifetime of the poet himself.

It is important to recognize why the Enlightenment is considered such a game-changer. It was the monumental change which separated the medieval from the modern era and introduced the ideas of development and democracy. Both-progress and representative democracy -are products of the enlightenment.

Talking of how the enlightenment led to progress, it is important to recall that it took 1000 years for the world GDP to double before the spread of the ideas of enlightenment in the 18th century. But as these ideas spread out and minds were unshackled, new products and processes were discovered leading up to a tectonic change. The Industrial Revolution was now unfolding – 12000 years after the Agricultural Revolution – and creating new sources of wealth and power. As a consequence, the world GDP now doubled in 100 years in the 19th century and doubled again in only 50 years in the 20th century!

The other by-product of the enlightenment was the birth of representative democracy. No more divine rights of kings or the clergy. And no hereditary rights either -to lord over the people. Only your merit and consent of the people to determine how high you would go.

It is astonishing to see a medieval-era philosopher of Sindh espousing the most modern and progressive idea of upholding merit as the guide to power and status in society, a value thoroughly violated in his home province of Sindh – which otherwise pays deepest respect to Shah Latif.

In one of his most revolutionary verses he says "Daat na aahe zaat te, jo wahhe so lahhe" (Your rise in status is not dependent upon your pedigree, but on your hard work and ability). How can one be more enlightened than this – and 300 years ago!

It is these ideas of enlightenment which led to French and American Revolutions in the late 18th century. And not just in Europe and America; these ideas also ushered in reforms and revolutions all around: Japan, China, Latin America or elsewhere and have transformed much of the world.

But there are two lessons from our history which we forget to our own peril.

We often talk of the Golden Age of Islam, wanting to revive that glory without realizing that one of the contributing strengths of that glory was the flourishing of the ideas of the enlightenment. In the House of Wisdom (Baitul Hikmat) in Baghdad, there were scores of scholars from many parts of the world who were translating treatises from Greek, Indian and Chinese civilizations. Obviously, it was acquisition of secular knowledge and borrowing best ideas from wherever. It was this liberalism (besides trading with other countries) which enriched and strengthened the Islamic empire and resulted in the Golden Age.

The other lesson we forget is from our own home. Have we still not realized why a small band of traders was able to conquer the mighty Mughal Empire and colonize the vastly big and rich Subcontinent of India? What gave such strength to a tiny band of traders to overwhelm 250 million Indians (the population in 1857) with vast armies and resources?

If we could move away from conspiracy theories, we would find that what enabled a tiny band of traders to overwhelm the Subcontinent were the ideas of the Enlightenment and the powers of the Industrial Revolution which empowered them to conquer and colonize this vast territory. Simply put, it was enlightenment defeating medievalism in the Subcontinent.

The purpose of this diversion is to underline the importance of the ideas of enlightenment- both in the rise and fall of nations as well as communities.

But the message of enlightenment of this polymath poet has been neglected in his home province. If there are 500 musical functions held every year in every nook and corner of Sindh, to pay tributes to Shah Latif, there are not even five serious engagements held to discuss his message of enlightenment and reforms, and transmit it to the people to awaken them. In the absence of this awareness, people's ignorance is exploited and their trust betrayed by their leaders – and so they continue to suffer.

The betrayal of people's trust by their leaders is aptly summed up by Shah Latif using the analogy of the betrayal of Sassi by Pannu. As she laments: "Adiyoon aan anjaan, moon sang sujane na kayo" (Oh, sisters! I was ignorant and did not wisely choose my man [leaders]! And I am suffering for it!).

By neglecting his message of enlightenment we have been keeping the people of Sindh hostage to the forces of darkness and preventing them from empowering themselves and improving their fortunes through the ideas of enlightenment.

It is long overdue to celebrate Shah Latif as the poet of enlightenment, not a poet of entertainment.

The News, December 03, 2022

Shah Latif: a liberal democrat

"Peacocks are dead and the crows are ruling the country". So lamented Shah Latif as his homeland fell into hands of charlatans piling miseries upon the people. He is deploring a system of governance in which anti-people forces capture power and use repressive methods to rule and plunder resources.

And in demonstration of his revolutionary spirit, he calls for getting rid of such unsavoury characters. Calling these rulers useless vessels who make noise (cause harm) but do no good, he says "Ahro thallo thaan bhajee chhon bhora kaje" (why shouldn't such empty vessels be broken into pieces/ harmful rulers be thrown out)?

Before we proceed any further, let us pause for a moment to clear our thoughts. Liberalism essentially believes that people are naturally equal and no one is inherently entitled to special benefits except by dint of his/her merit and ability. And it wants equal participation of women in national life. Democracy requires governments to work for the wellbeing of the people. Bear in mind these modern definitions and you would find several verses in the poetry of this medieval polymath where he has championed these very values. In fact his whole poetry revolves around women heroines – the seven queens!

So let us ask ourselves: who is this man? Who is Shah Abdul Latif Bhittai who is espousing these liberal and democratic values in medieval Sindh and calling for reforms and revolutions?

And in a patriarchal Subcontinent where a culture of sycophancy and submission to autocratic rulers had been nurtured by invasions and conquests? Where the rulers maintained darbari (court) poets, living on stipends, to sing their

praises, even calling these rulers Zille Ilahi (shadow of God on earth)? In that culture of sycophancy and submission and in that patriarchal era, how did medieval Sindh produce such a liberal democratic thinker who was talking of protecting people's dignity and wellbeing?

Shah Latif's concern for people's wellbeing leads him not only to criticize autocratic rulers but also those causing economic hardships. Rejoicing as the rains have produced abundant crops, he condemns the hoarders "moozi shaal maran" - may these miserable creatures perish – who have been longing for famine conditions so as to sell their hoarded grains to people at exorbitant profits.

He was indeed an unusual poet for his time and it is quite refreshing to listen to his liberal voice, unburdened by the stipends of the rulers or their patriarchal prejudices – a free and liberated man espousing liberal and democratic values in the 17th and 18th century Subcontinent and upholding people's dignity and wellbeing.

If we look around, we would find that 3000 kms away, at about the same time, similar liberal and democratic calls for reforms against the tyrannical rulers of Europe were also being made by several liberal thinkers, calling for the ouster of these anti -people autocrats.

These thinkers in Europe took two routes. While Rousseau called for a revolution to end the rule of such autocratic, anti-people rulers (in Shah Latif's words: why not break these useless vessels), other liberal thinkers like John Locke took the route of reforms to end the rule of autocratic kings. They propounded the theory of the social contract – a byproduct of the Enlightenment – which says that rulers work for the wellbeing of the people in return for the people abiding by the laws of the rulers. This is what led to development and for constitutional democracy to replace autocratic and dictatorial regimes.

The theory of social contract puts constraints on the absolutism of the rulers, lays down moral and political grounds for governance and promotes good and responsible rule on a sustainable basis. It provides legitimacy to governance which is very important for a civilized, democratic order, because 'there can be neither stability nor continuity without legitimacy'. And if the rulers move away from good and responsible governance and

break the social contract then – per the leading Enlightenment thinkers, Rousseau and Locke – the people have the right to rebel against such autocratic rulers. This is exactly what Shah Latif had said when he was calling for breaking the useless vessels.

That was the liberal, democratic voice of the polymath poet of Sindh calling upon people to break out of their culture of silence and raise their voice against wrongdoings. It is another story that we neglected his call and took neither the route of reforms nor revolution and consequently, people are still wallowing in the miseries of medievalism and the curse of absolutism.

We learn from history that the first step towards solving a problem is to talk about it and create awareness for change. But if we are not even conscious of the problem, nor know that things can be better, and are resigned to the status quo (kismat?), no change, no improvement, no plan of action will materialize from such barrenness.

The proof of this is in front of us in the prevailing condition of Sindh. Stories of widespread poverty, repression of people, denial of merit, abductions of women, and helplessness in the face of abuse of power in a lawless jungle are not too dissimilar from what the social scientist in Shah Latif was describing 300 years ago.

Let us look closely at some of these happenings.

Talking of the poverty of her people, one of Shah Latif's heroines – Marvi – presents a picture of the hardships of her folks in these words :"Aaneen aeen charheen duth dehari soomra" (Oh, king! every day my folks have to go out to find work in order to feed themselves and their children). Otherwise they go hungry. The pain of generational poverty, hunger and malnutrition is still haunting millions of families in Sindh and not much has been done to ameliorate their conditions.

Again, look at the status of women and discriminations against them, made worse by the antediluvian laws of the dictator in the 1980s which have still not been rolled back. Their conditions are not dissimilar to Sassi's when she talks of the triple odds she faced in her life and complained that "Dhadan, deran, doongran, trinhi dinam dukh" (I have suffered at the hands of all three – the powerful local elite, my in-laws and the harsh environment around me).

While our social scientist is enlightening us about the conditions prevailing in his homeland – highhandedness, lawlessness and helplessness – one does not see any sign of the law, courts, or justice system for redress of grievances existing in his time. He paints a picture of a lawless jungle where the powerful can do what they want, and exploit and abandon anyone with no consequences to face. No wonder Shah Latif is calling to free his homeland from the control of such rulers.

How much have things changed since then?

Like Da Vinci, our polymath poet was a renaissance man who made outstanding contributions in many disciplines which would have changed Sindh's society if followed up on. But change does not happen without working for it as there are always status quo forces resisting change. And ideas precede actions. In the powerful poetry of Shah Latif, the ideas of change and a course of action were laid out 300 years ago. But his liberal and democratic message has remained on the back-burner. Sindh will not move from medieval to modern without implementing his reform agenda.

The News, December 16, 2022

Chapter-6

Muslim World

Renaissance in Muslim World has been held back by the shackles imposed upon the creativity of their human resources by the state and clergy.

What went wrong with the Muslim World

In the post-9/11 world, the state and society in Muslim countries have come under intense scrutiny all over the world. Much has been said and done and much more is expected in the coming years as millions in this, and possibly the next, generation are going to be affected one way or another.

But more than what anyone else may say or do, however, it is important how the Muslim ummah understands and analyze its situation and works to pull itself out of its predicament.

'What went wrong' has been a lament repeatedly heard from Morocco to Indonesia as the countries of the crescent went on losing their economic prosperity and political independence since the eighteenth century.

The soul-searching produced many answers over the years - substantive as well as superficial ones - and yet 'what went wrong' has not been righted. Now the anger and frustrations of increasing numbers is spilling across the borders of some countries and giving new dimension and urgency to the age-old question.

So let us reframe the issue and ask: what is wrong with the mathematics of the Islamic fraternity when 57 countries (1.3 billion people) with trillions of dollars of their funds invested all over the world, possessing one half of the world's energy reserves, and occupying the strategic cross-roads between the East and the West, do not provide even respectable levels of basic needs for their people? No member of the OIC ranks among the top 30 countries in HDI in the world, and most rank among the bottom 100 countries.

Of course, it was not always like that. The wealth and power as well as the scholarship from Baghdad to Cordoba to

Cairo to Isfahan to Istanbul were dominant facts of life for centuries in Europe and Asia and need not be recounted here. But this lasted during the medieval age. It has been a downward journey since then, as most of the efforts have revolved round the symptoms rather than the root cause of 'what went wrong'.

What turned the tables against the Muslim ummah more than any other single factor was the Industrial Revolution as it went on multiplying their capabilities and creating new sources of wealth and power the Europeans over the non-industrialized world.

The countries of the Crescent missed on the industrial revolution, lost its economic prosperity as well as political power. More than two hundred years later, many are still nowhere near digging themselves out of the deep hole of medievalism in this age of globalization.

The Industrial Revolution was more than merely handling of machines. It was not a one time affair but a continuing process. The essence of the Industrial Revolution lay in establishing the fundamental fact that knowledge is power and that wealth and power can be created by the application of knowledge.

While the agricultural and mineral resources of a country may be finite, there are no limits to the creative energies of the people and hence no limits to the wealth and power that can be produced by them.

This was the quantum leap that distinguished European nations from their mediaeval counterparts (Ottomans, Mughals and others) and established their supremacy over the bigger and richer non-European nations whose mediaeval frameworks lacked this vital quality.

Most Muslim countries are still reluctant to take this quantum leap and open up the pursuit of economic and political power - hitherto the play-thing of royalty, the nobility and the military for centuries - to all their citizens.

This still remains the critical weakness of the institutional mosaic of economic and political governance prevalent in most of the ummah. But it also remains the root cause of its continuing backwardness.

The Ottomans empire, Mughal India (and China) were the largest economies in the world in the late eighteenth century as the Industrial Revolution was unfolding in Europe.

These empires ruled large populations, controlled vast tracts of territory and owned fertile lands and rich mineral wealth. None of these could save them from the onslaught of the newly acquired capabilities which the Industrial Revolution had created in the hands of the people of even the small states of Europe.

The world GDP which took 1,000 years to double in the pre-industrial revolution days, now doubled in 100 years during 1800, and quadrupled during 1900. Asia, which in the pre-industrial age produced over 50 per cent of the world GDP saw its share shrink to only 20 per cent in the industrial age.

While many Asian countries have now successfully entered the age of industrialization, much of the ummah still presents a picture from the Neolithic age.

By design or ignorance, however, industrialization has been mislabelled and wrapped in controvery. Called westernization, modernization, Europeanization, Americanization or whatever else, it has been pushed into cultural and religious controversies and its core issues have been confused.

Forgetting the message, the debate in many Muslim countries has often been over the messengers. Some reacted with wholesale rejection of everything foreign- on nationalistic or religious grounds. Some sought refuge in past glories refusing to address the new challenges.

An equally superficial reaction came from those who believed the secret of the West's succes in lay outwardly appearances- dress, custom, food habits and so forth - and not in educational, economic and political reforms and work ethics. They embraced the outward appearances and went on modernizing/ westernizing their society without industrializing it.

But it is to the credit of the Japanese that they first understood that it was the powers unleashed by industrialization which were behind European domination, and Japan went on to develop the most successful Asian response to the challenge.

They were also the first non-European nation to realize that the essence of industrialization lay in enhancing the capabilities of their people, and that this could not be accomplished without reforming governance and incorporating people into the economic and political processes.

Spurred by the Meiji reformation (1867), Japan undertook reforms in education, science and technology, economy and the

democratization of its polity. They kept their kimonos, and went on to become a world power twice - before the First World War and again, within a generation span of the Second World War.

The Industrial Revolution had therefore, no superficial labels attached to it. It was neither a miracle of faith nor a product of any religious or racial dogma; as Japan went on to prove.

The knowledge acquired through the Renaissance made very important contribution but Industrial Revolution did not unfold in Italy. The Reformation helped to liberate minds from the clutches of the clergy, but again, the Industrial Revolution did not materialize in Germany where the Reformation began.

Although it arrived on the wings of scientific discoveries and inventions, the revolution was not all science and technology either. As important as education, skills and inventions are, they cannot turn themselves into sources of wealth and power unless the people have the incentive to use these.

Above all, and this is the essence of the argument the Industrial Revolution was heralded by the empowerment of the people - by the reforms in governance which opened the doors of opportunities to all and unleashed the creative energies of the people to transform their societies.

It was not a coincidence that England was the birthplace of the Industrial Revolution. It started there because England led other European nations in legal, economic and political reforms that liberated people from their mediaeval bonds, opened opportunities to all, led them to adopt economic and political self-governance and protected them with the rule of law.

Empowered by these reforms in the governance of their societies, even small European states went on to control and colonize much bigger and richer nations in the world because of the enhanced quality of their human resources, organizational skills, technological capabilities, work ethics, and popular support through participation in the economic and political enterprises of their countries.

But industrialization is not a permit raj, nor the distribution of spoils of power among friends and the family. It was people's power that was the driving force behind the Industrial Revolution and that created the critical mass.

Once this critical mass is reached, countries can be rich and powerful even when they do not have much to show in terms of the Neolithic assets of agrarian and mineral resources.

In our age and time, Japan, Korea, Singapore, and now Dubai, have proved how wealth and value can be created even when a country is poorly endowed in terms of natural resources.

As Singapore's former prime minister Lee Kwan Yew, told the writer, "Singapore does not have even its own water to drink and yet it created assets where none existed' - through the quality of its human resources - and went on to join any list of the top ten countries in the world along with Japan.

But creating the critical mass of quality human resources continues to be a persistent problem with most Muslim countries. Talking about the development of human resources is an important to the ummah.

The UN Arab Human Development Report (2002) has described the Middle East as "more rich than developed". A recent (2004) survey of the Middle East, where over 66 per cent of the population is under 30 years, found that 40 per cent of this youthful lot of the oil rich region is unemployed.

The position of the rest of the ummah is even worse as most of the rest could be classified as "neither rich nor developed." But rich or poor, the ummah has essentially remained a mass of countries stuck in Neolithic times, living off the sale of what God has given them in the shape of agrarian or natural resources, with little to show by way of creating value through the application of knowledge.

January 07, 2005

The way to new horizons

EVERY October, Nobel prizes are awarded to some of the most beautiful minds for their outstanding contributions to economics, physics, chemistry, medicine and literature apart from peace. Himself a brilliant scientist with a practical bent of mind, Alfred Nobel made millions by commercialising his scientific discoveries.

The Nobel prizes recognise outstanding research, the invention of ground-breaking techniques, equipment, practices or discoveries that benefit mankind.

The truth of this lies in the works of some of the winners: the discovery of penicillin by Alexander Fleming; enhancing the productivity of wheat and maize plants by Norman Borlaug, a feat that practically banished the spectre of food scarcity from the world; lifting millions out of poverty as Mohammad Yunus did through his programme of credit without collateral. Or the game theory of John Nash now used in situations where cooperation and competition coexist — from personal relations to corporate rivalries to dangerous confrontations such as the Cuban missile crisis — demonstrating how win-win results can be achieved even in extremely tense and potentially destructive situations.

The landmass comprising the planet earth has not increased nor have its endowments and natural resources. And yet, the wealth generated by these same assets has been increased eight times since the industrial revolution. All incremental value and wealth have been generated from the same stock of assets by increasing the pool of knowledge and applying it to real world situations.

In the post-industrial modern age, defined by knowledge, no society can expect a renaissance to occur or be sustained without strong foundations in knowledge and an environment that

encourages minds to keep producing and applying knowledge to real life issues. The much desired and long overdue renaissance in Muslim societies can gather momentum only when both conditions are implemented. Education is a critically important element of that environment but no less important are laws and institutions that encourage minds to produce knowledge and apply it for the benefit of societies.

But large segments of Muslim societies remain unsure, even afraid, to embrace the future, and cling on to their old and familiar tools, systems and institutions that brought their decline and downfall in the first place. Many refuse to appreciate how new wealth and power are created everyday in other parts of the world. They cannot match and compete with it while still relying on antediluvian tools and systems that have already been rendered obsolete. The stark failure of this approach should be obvious when we note that while Muslims constitute 25 per cent of the world population, they produce only five per cent of its wealth.

But before minds can work to create wealth and power for their societies they must be liberated from a myriad shackles that have held them down for half a millennium. That the value and power of knowledge is still not recognised is evident from this fact: in its 106 years' history, while 782 Nobel prizes have been awarded worldwide, only nine have been won by Muslims — four from Egypt and one each from Pakistan, Iran, Turkey, Bangladesh and Palestine.

Even individual institutions in the West are doing better than the entire membership of 57 countries of the OIC. Since the end of the Second World War, for instance, MIT has produced, nurtured and hired minds that have won 59 Nobel prizes in various disciplines of knowledge — 26 in physics, 13 in economics, 12 in chemistry, eight in medicine/physiology.

Meanwhile, a UNDP study tells us that there are only 35,000 full-time researchers in the Middle East (against 1.2 million in the US with about the same population). At the same time, global investment firms say that there are 300,000 millionaires in the same Middle East — nearly 10 times the number of scientists. It is difficult to create knowledge-based societies and nurture productive minds in environments where it is 10 times easier to produce millionaires than researchers and scientists. As for the non-oil producing members of the OIC, they do not have either catego-

ry in significant numbers.

Education — widespread and quality education — is critically important. And oil wealth buys ease and a comfortable environment. Important as these are, they are not sufficient conditions for a renaissance. Critical to this is creating rule-based societies that respect human dignity and rights and open up opportunities for use of knowledge and skills to contribute to the full potential of their people and create wealth and power for their societies.

Examples abound to confirm this conclusion. Let us look at Europe. In the Middle Ages, Italy was richer and more advanced than England. Long before French displaced it, Italian was the diplomatic language of Europe and its elite. As the seat of the Roman Catholic Church, Italy benefited the most from widespread education through the extensive network of the church. The University of Bologna was the first university founded in Europe in 1088, long before either Oxford, Cambridge or the Sorbonne were established. It was the knowledge and skills of Italians that introduced East and West to Europe through the exploits of Marco Polo and Christopher Columbus. In an explosion of knowledge and unmatched creative powers, Italy produced such giants as Leonardo da Vinci, Michelangelo, Machiavelli and several others all in the 15th century.

But Italy was not able to build upon such superlative advantages because for long it continued to suffer from the personalised, unpredictable and violent rule of its 'princes' that kept rupturing its social, economic and political fabric. It did not develop rule-based institutions like England — those inanimate but extremely important vehicles guided more by laws than by the whims of the elite.

It is these increasingly rule-bound social, political and economic institutions of English society that protected it from a similar rupturing of its national fabric. They curbed personalised and unpredictable rule by the 'princes' accountable to none except those who could unleash ferocious power against them.

Combined with education and skills, the laws and institutions of England opened up opportunities, encouraged the application of knowledge and skills and protected their rewards with the rule of law. In return, England's minds continued to create more wealth and power, making it the richest and most powerful country in Europe and overtaking richer and more educated me-

diaeval counterparts.

The story of the OIC countries continues to reflect mediaeval systems and values. Many of their societies reflect a world more reminiscent of the mediaeval Italy of Machiavelli's princes than the rule-based society of England in the early days of its industrialisation.

Renaissance in the Muslim countries will only come if they create an environment that takes pride in the acquisition of knowledge and skills, provides opportunities for their application, and protects them through rule-based societies. Along with education, they need to develop laws and institutions that liberate minds, respect human dignity and rights and encourage the people to contribute towards making their societies rich, powerful and respected in the world.

DAWN, October 20, 2006

Brainpower is a renewable asset

IT TOOK 1,000 years for the world GDP to double during the millennium ending at the close of the 18th century. The knowledge and skills generated by the Renaissance joined forces with social and political reformation and ushered in the Industrial Revolution at this time.

That made it possible for mankind to take a quantum leap and put itself on a trajectory of rapid and sustained growth in the area of wealth and power, despite setbacks caused by wars, droughts, epidemics and other natural and man-made disasters.

Consequently, the world GDP doubled in only 100 years during the 19th century, the first century after the Industrial Revolution. It quadrupled during the 1900s as the human race further increased its capabilities to shape its destiny. And now, in the 21st century, the world GDP is slated to jump by eight times from $25 trillion to over $200 trillion, even when the population will increase to 10 billion by the end of century. This century will also feed and clothe this population by using the same amount of land resources now being consumed and raise the per capita GDP to $20,000.

The landmass has not increased, nor have humans discovered new oceans or fertile planets. What they have discovered, however, are tools to multiply their capabilities to control the environment and make the same set of resources renewable and capable of producing many times more wealth and power than has ever been possible before.

Capabilities are being acquired that are several times more powerful than of those still living in pre-industrial, mediaeval societies. These new capabilities are the miracles of minds trained

not only in high quality education and skills but also nurtured in cultural and political traditions that encourage rational and incremental approaches to the acquisition of knowledge and discovering new and better ways of addressing challenges of an ever-changing environment.

Sadly, this new breed of people is not evenly spread around the world and the two big areas missing out in this race are Africa and the greater part of the OIC countries.

Take a look at this paradox. A list of the some of the poorest and least developed countries in the world includes Angola, Congo, Mozambique, Nigeria, Sierra Leone and others in Africa which are among the countries that are the richest in terms of natural resources and mineral wealth like gold, diamonds and oil.

On the other hand, included among the richest countries in the world are Luxembourg, Iceland, Switzerland, Japan and Singapore that occupy territories with almost zero natural resources but that have nevertheless achieved among the highest standards of living.

The paradox can be explained by the difference in the quality of human resources where one set of people has been able to create resources even where none existed while the other has remained incapable of benefiting even when sitting atop some of the richest endowments of nature.

A renewable resource is understood as any natural resource that is regenerated at a rate faster than the rate at which it is depleted. This means that non-renewable resources could be turned into renewable resources if humans had developed capabilities to manage these intelligently. Conversely, poor minds and malgovernance could turn assets into liabilities and renewable resources into non-renewable resources thus shortening the stream of benefits.

This was also confirmed by the sagacious former prime minister of Singapore, Mr Lee Kuan Yew, while explaining to this writer how he took his country from the Third World to the first. "We created assets where none existed," Lee said, "We did not have even our own water to drink in Singapore."

It is the quality of human mind – its brainpower – that creates new assets and converts non-renewable into renewable resources thus stretching their benefits over long periods of time. Developing this quality of brainpower is not merely a function of

quality education but also of the cultural and political environment which accepts that knowledge is not something dogmatically given but acquired through rational and incremental processes of development of the mind through the exercise of reason.

Brainpower works on the principle of "use-it-or-lose-it" since the brain would not waste energy in developing and sustaining capabilities that are not utilised by humans. If brain cells fail to receive inputs of knowledge, then their processes do not function and the brain atrophies.

Therefore, if cultural and political barriers to the development of enquiring and searching minds are not removed, brainpower would weaken and become incapable of addressing current or future challenges faced by societies, not withstanding the accumulation of formal diplomas.

In one of the panel discussions of the World Economic Forum at Davos, this writer was introduced to Mr Shimon Peres, then foreign minister of Israel. On learning that I came from Pakistan, the first thing he marvelled at was the large population of Pakistan, wondering what could not be achieved with such a huge human resource.

Coming from someone nurtured in the long Jewish tradition of individual excellence that has enabled the Jewish people to influence and even overwhelm those more numerous than themselves, this was not a surprising observation, although a very insightful one indeed.

But people cannot be turned from liabilities into assets in societies where half the population can't even read or write, where most of the remaining have no access to quality education and skill development, and where most are faced with almost insurmountable cultural and political barriers on their way to developing their minds into renewable resources of wealth and power.

In Unesco's Education for all report for 2007, Pakistan ranks second among the countries of the world where most of the children are left out of school. Our enrolment is less than 80 per cent while the dropout levels are high which puts Pakistan almost at the bottom of the global picture.

But accessing education for all is not handicapped by issues of poverty or economic resources. Nor is the development of societies merely a function of economic factors. Cultural and political barriers to development are critical and can derail and disfig-

ure the entire development phenomenon, a bitter fact most Pakistanis are well aware of.

A hypothetical market economy with no cultural or political barriers to development does not exist in the real world nor has it existed anywhere before. Unless fairly managed, such barriers lay waste the entire potential of human resources of a country and keep holding people as liabilities rather than turning them into assets and sources of wealth and power.

Knowledge has surpassed machines as the creator of value and the driving force behind the world economy. The gap between those that are still mired in the social and political shackles of the dark ages and those that are using their knowledge and skills to successfully take on modern-day challenges is growing.

Often in history, the power of educated and trained minds and the skills and organisation abilities of their possessors have surpassed and succeeded the larger numbers even humbling them into colonisation. Without the removal of social and cultural barriers, developing rational and probing minds that are renewable resources for society is not possible. And without that brainpower, the future of such societies may remain at the same level as in the past.

DAWN, March 13, 2007

An agenda for the OIC

PEOPLE living in OIC countries had pinned high hopes on the organization's extraordinary summit and are now waiting to see how far its 10-year plan of action will help to realize the "vision to turn the tide" that the OIC has set in the Makkah declaration.

The statistics that paint the true picture of state and society in member countries of the OIC are too depressing but well known to the readers of this newspaper. One simple statistic aptly sums up their collective plight: comprising over 20 per cent of the world population OIC countries have been incapable of generating even five per cent of global wealth and their share continues to decline even now.

As a matter of fact they were better off in the mid-18th century than they are now. The Ottoman and Mughal empires together accounted for over 30 per cent of the world GDP during their times.

For the loss of the people and areas of these two old empires that are now outside the OIC, there have been additions of people, resources and areas in countries of Central Asia, Southeast Asia and Africa into the OIC that more than balance the overall equation.

Therefore, with their share in the creation of the wealth of the world shrinking to under five per cent of the world GDP, their economic contribution now is one-sixth of what it was about 250 years ago. The state of their economies is reflected in their powerlessness in the political and other spheres of their individual and national lives.

It would help to correctly address our challenges when we realize that the single most important factor that has kept weakening our economic and political power and increasing

social problems is an event that also happened about the same time in history — about 250 years ago. Even now, it continues to cast its long shadows on every society.

It is not for nothing that the industrial revolution has been called the 'most important event in human evolution in over 8,000 years'. Unfolding since some 250 years ago, it has benefited all those that have embraced it except the Muslim world that has almost refused to acknowledge it. Consequently, Muslims are being pushed into the periphery.

The industrial revolution involves more than just science and technology or a smattering of trade and industrial activity and requires a restructuring of the social, economic and political underpinnings of society if that society is to succeed. But its rewards lie in the creation of new sources of wealth and power that are not dependent upon the possession of Neolithic assets and generate unending benefits.

In short, the reforms and restructuring required for OIC countries to succeed lie in changing the relationship between society and the state and redefining the place of their citizens.

Many in OIC countries are asking how the 10-year plan of action purports to 'turn the tide' without changing the mediaeval underpinnings of systems that have produced their decline in the first place. The need for internal reforms stems from the reality that if we are not the solution to our problems, there is no other solution.

Nor can we continue to hide behind scapegoats and keep pointing fingers at others for all that ails society in OIC countries.

Most OIC governments must acknowledge that they control the entire social, economic and political spectrum in their countries and that not many opportunities are left open to those who are not part of the government or not 'blessed' by the government in one way or another.

Eliminating poverty and generating employment opportunities cannot materialize in an environment where government monopolies are dominant in every sphere of national life.

These governments need to ease their heavy hand over the economy and polity of their countries and encourage greater participation by their people. The resounding successes of Dubai and Malaysia in their own, very different, fields are proof of what

OIC countries can achieve by giving greater space to their people.

There is of course, justification for the complaints voiced by the OIC regarding the current hate and bigotry against Muslims. But there are plenty of things that are actually wrong and we should be mature enough to admit the facts and work to address our weaknesses. This does not mean that we should submit to the new labels being tagged to our image.

The OIC has done wise to address the issues created in the post 9/11 world and the summit has strongly voiced its condemnation and called for extensive inter-faith and inter-state dialogue for better understanding and respect all around.

But the problems afflicting OIC member countries are much older than the events of 9/11. And even if there were no 9/11, the OIC countries have to get around to addressing the many internal challenges their societies have been facing since long. Their success or failure would depend much more on how they address their internal challenges than anything else.

There are also many linkages between external and internal problems confronting OIC states. Their strong commitment to fight terrorism should also resonate in changing the mediaeval underpinnings of their societies and developing systems that would be more inclusive and incorporate their people into the peaceful and productive conduct of their national life.

That is not only one of the fundamental principles of good governance supported by the OIC in its declaration; it is also good state policy because the outcasts of one society can hardly be expected to become members of the mainstream in another.

More by deeds than by declarations, the OIC can convey to its people whether the 10-year plan of action will help in removing the poverty and powerlessness that have enveloped their societies for over 250 years. The need is for the emergence of a clearer and more categorical strategy.

Without addressing the changes that would finally inaugurate the industrial revolution in their societies, OIC countries cannot expect to reverse the tide that has been turning against them. Many people in the OIC also believe that the need reform and restructuring of the relationship between society and state can best be helped by carrying out the following five steps given below:

- building capabilities in their peoples through extensive programmes of modern education and skill development
- empowering their people through reforms in social, economic and political governance by opening up equal opportunities
- instituting work ethics as the basic value system for rewards and punishment
- providing equal protection to all through the rule of law
- curbing extremism, violence and terrorism as means of settlement of disputes

Of course, these objectives can only be achieved gradually and different countries will have to follow different timeframes. But these five steps impart a clearer sense of direction and help better in the realization of the "vision to turn the tide" that the OIC has set form in the Makkah declaration.

DAWN, December 23, 2005

Beyond the cartoons

EVERYBODY agrees with a certain form of freedom of expression. But are we also obliged to respect the freedom of expression of those who differ from us in race, religion and ethnicity?

In the aftermath of the outrage against the sacreligious cartoons, Jyllands Posten, the journal that printed them gave an inkling of the point it was trying to make. Its front-page editorial said, "Islam forbids any representation of the Prophet. The question is: are all those who are not Muslims obliged to honour this prohibition?"

The answer to the question raised by the editor of Jyllands Posten, would seem to be in the affirmative even in several European countries, including Denmark. The same paper rightly would not deem it proper to publish anti-Semitic or anti-Christ caricatures or use freedom of expression to incite racial or ethnic hatred or denial of the Holocaust, or publish material on pornography or child abuse. All these subjects are rightly handled with due sensitivity — some on account of laws on these subjects, others because of cultural sensitivity and good sense. Therefore, the question arises: why was neither legal protection nor good sense and consideration of sensitivity extended to the Muslims in this case?

Apart from the ethics of the issue, its politics is also creating a storm. Already some western and Muslim leaders have been trying to convey to the increasingly cynical public in Muslim countries that the 'war on terror' is not really a war against Islam or the Muslims. But some of the specific linkages attempted in the cartoons have tried to do away with any such distinction and in many minds the ubiquitous and open-ended war on terror is spreading out into an offensive against the weak Muslims sitting

atop some fabulous resource endowments.

The worldwide protests by Muslims against the cartoon outrage have also reflected the bitterness building up among them on several counts in their part of the world. Although religious, civil and cultural differences divide the world, in our global village we cannot avoid interaction with each other. But if we turn away from the broader concepts of peace, harmony and coexistence, in hateful campaigns and violence, we will only be pigeon-holing ourselves in the self-serving ideologies of those who would want to replace coexistence with confrontation and prepare the ground for an even a bigger conflict with the West.

For the Muslims, apart from protests and condemnations, there is also the need to look beyond the cartoons and pay attention to an overdue agenda of addressing the underlying factors in their societies that repeatedly cause impotent anger among them on several issues of legitimate concern.

They — as also the West that has so far not been helping them — must also realize how far their own unattended agenda of internal reforms is creating new faultlines between them and others. These faultlines deserve more serious attention than is being given to them. The Muslims should recognize that their marginalization in the world, despite the great many numbers and resources they have, has more to do with lack of internal reforms and the strength of their systems than any outsiders wanting to harm them.

Muslims have also been losing ground since they have not so far related their struggle for rights, equality and dignity to larger struggle for human rights, equality and dignity of all human beings going on around the world. This reductionism in approach has been costing them the support and goodwill of vast numbers of people hailing from all cultures, communities and countries that do not subscribe to the flawed and self-serving thesis of those who would like clash of civilizations to materialize.

Similarly, in expressing our anger, our criticism should be specific and directed at the actual culprits who may have committed an outrage instead of stereotyping and board brushing communities, cultures or countries. Both ways, we are weakening our own case even when our causes are right. Our search for solutions to several serious problems facing the Muslim communities would be more successful by building larger

alliances of understanding across communities and cultures and making common causes on wider issues of human rights and basic freedoms, respect for each others' values and sensitivity on race, religion and ethnicity.

Muslims would do well to take a leaf out of the book of the successful and non-violent struggle of Nelson Mandela, who turned the issue of apartheid in South Africa into a matter of worldwide concern and won support for his cause. It was this large alliance spread across races, cultures, religious beliefs and countries that ultimately defeated the powerful racist white regime.

In the aftermath of the heightened tensions, the OIC has now been tasked by its member countries to start a dialogue with the EU to make hate campaigns against Muslims as unacceptable and illegal as are anti-Semitic writings and speeches. But this dialogue between the governments, although very useful, has its own limitations. Muslims should realize that unlike the OIC countries where the state is omnipresent and powerful in all aspects of the lives of their citizens, the state in the democratic societies of Europe is a political instrument of the society it serves. It is the opinion of civil society and its institutions that will determine what actions their governments would or would not take.

This dialogue needs to be conducted on a wider scale with civil society groups, institutions and opinion-makers in democratic societies to build favourable public opinion for their governments to show greater sensitivity to the interests of the Muslims. This would involve the media, academia, scholars, experts and other civil society groups and institutions from OIC countries to engage in the dialogue for building bridges. Sadly, the civil society institutions and infrastructure needed for conducting and sustaining such a dialogue is lacking in several OIC countries. It is for the governments and private foundations in these countries to help develop such an infrastructure in order to promote and protect their legitimate interests.

While we should be asking others to recognize that freedom is not unbounded and show greater sensitivity to the values of a community that comprises over 20 per cent of the world population, we must also recognize the virtues of freedom of expression and respect for human rights that is abominably

lacking in many Muslim countries.

Much of the prosperity and power of the western countries and communities — and others as well — owe their origin to the creative forces of people unleashed by hard-won freedom from the state and clergy. It is this creativity and explosion of knowledge that have been largely responsible for the advancement they have made in all fields. Their issue now is minor finetuning that is required from time to time to reduce the misuse of their advancement by vested interests pursuing their own aggressive agendas.

Muslim societies should also recognize some recent benefits of freedom of expression. It was the freedom of the press in the US, UK, Australia and other countries that exposed the cruelties in Abu Ghraib guantanamo and Bagram and many other violations of human rights in Iraq, Afghanistan and elsewhere.

Just as they themselves do not like it, Muslims should also avoid stereotyping other people, cultures or countries and be more specific in exercising their legitimate rights of protest since they also damage the prospects of building a larger support base among those who are otherwise sympathetic to their cause. And violence — whether orchestrated or spontaneous — has also done damage to their political cause.

Just think of one example: millions of people had turned out in Europe to protest against the wars in Afghanistan and Iraq much before the cartoon controversy arose. Now think: how many in Europe would come out on the streets to protest if pressure on Iran is built up to dangerous levels?

Europe also needs to help in building bridges across a wide spectrum of issues. This dialogue should incorporate civil society institutions and help develop the needed infrastructure. The dialogue should not be seen as seeking to impose a set of perceptions and interests but help widen the base of common values and interests and promote a culture that is democratic, pluralistic and believes in peaceful coexistence.

DAWN, March 7, 2006

The new wave of globalisation

WAS globalisation meant to be a one-way street that the Asians are now trying to convert into a dual carriageway? As the age of Europe dawned in the year 1500, Asia was still the richest and most prosperous region in the world. It contributed 65 per cent of the world GDP – with China and India contributing about 25 per cent each.

Western Europe, which was now rising, had a 20 per cent share of the GDP. But, that equation was now beginning to change.

Powered by the rebirth of knowledge – during the Renaissance, that came after the Dark Ages – the Europeans crafted instruments for projecting new knowledge and skills across their territorial frontiers. Their long desire for searching for the sources of Asia's wealth and prosperity had now acquired new capabilities. It was this combination of desire and capabilities that enabled Vasco da Gama to arrive on the shores of Calicut in 1498 and that, six years earlier, had taken Columbus to American shores.

That started the first wave of globalisation when the sea power of Europeans outflanked and dried out the sources of prosperity of overland trading posts that had spawned the Silk Road. The rich fabled cities and centres of learning of Aleppo, Merv, Herat, Bukhara, Samarqand, Kashgar and others fell by the wayside in this first wave of globalisation. New centres of prosperity and new intermediaries of trade developed between Europe and Asia displacing Arab traders who were the principal middlemen of overland trade between East and the West. But 250 years later, the equation between Asia and Europe had still not

been changed much by this global trading. By 1750, Asia had lost only six per cent of its share since 1500 and it still contributed 59 per cent of the world GDP.

All this was soon going to radically change during the second wave of globalisation which turned the tables on Asia's wealth-generating capabilities – the fountainhead of its prosperity. European craftsmen, workers and enterprises could produce an increasing array of new products not seen before by anyone and they could also produce them quicker. These new products and inventions went on to increase ease and comfort as well as deposit more wealth and power at their doorsteps.

Advancing upon the experience of the first, the second wave of globalisation was powered by the Industrial Revolution that was unfolding around the second half of the 18th century. Unable to resist the new capabilities created by this revolution in European, and later American, lands, Asia's prosperity had plunged to a mere 20 per cent of the world GDP by 1950.

But 500 years after Vasco da Gama arrived at Calicut, much of Asia has rediscovered its productive capabilities and is now spearheading the third wave of globalisation. It is increasingly mastering the same magic formula that caused the first two waves to succeed and is reaping its benefits as well.

How would this third wave of globalisation that is reversing traditional notions proceed as it gathers momentum? Has the world learned enough of the right lessons from the previous two waves and developed a framework of institutions that can absorb and soften the impact of globalisation and channel it into two-way flows that create a win-win situation for all?

The Asian meltdown of 1997-99 that damaged the hard-won achievements of some countries had sent ripples of concern across several states, leading them to worry about whether there was any political and cultural agenda lurking behind economic globalisation.

But Asia has now grown more confident of its technological prowess, the productivity of its workforce, and its ability to turn the challenges of globalisation into opportunities. Earlier Asian concerns about the political and cultural aspects of globalization have also been somewhat allayed by successful entries into the global economy of China and India, both of whom bring their own brands of social and political values and

perspectives. Japan, of course, set the precedent a century ago.

Besides, the dependence of the global economy on China and India has grown to an extent where any serious damage to their economies might well be reflected in empty shelves in supermarkets and shopping malls across the US and Europe and bring airlines reservation systems, banking and credit card operations to a standstill.

The fact that this is a win-win situation for all is also supported by evidence that businesses and households are able to enjoy quality products and services at 10-15 per cent of what it would cost them if these were to be produced in the US. There is enough optimism generated by these experiences to expect that as Asia raises its share of world GDP to 45 per cent within a generation, responsible governance would continue to be working towards smooth and mutually beneficial adjustments.

It is becoming increasingly possible that efficiency-driven economic globalisation can coexist with political and cultural plurality. So why are some Muslim governments and their leaders so engrossed in their never-ending political and security battles that they continue to turn a blind eye to the harsh economic realities confronting their countries?

Most OIC countries are on the periphery of the agenda that is shaping the future – the dialogue on issues generated by this third wave of globalisation. The agenda of most OIC countries – whether "rich and undeveloped" as UNDP describes them or "poor and undeveloped" – shows unending preoccupation with internal security and wars of one kind or the other.

The trouble with the leaders of many Muslim countries is their failure to appreciate the universality of underlying social and technological forces that create capabilities in human beings and lift societies from lower to higher levels of existence – irrespective of their race, creed or colour. What enabled the Iberian powers Portugal and Spain to reach across the seven seas and land their men on the shores of India and America is no different from what enabled the US to reach across the galaxies and land man on the moon. Or what is now enabling China, India and other Asians to swamp the US, European and other markets with their goods and services.

Whatever the race, creed or colour, every wave of globalisation has been triggered by the same force -- the critical

mass created by sufficiently large numbers of people acquiring a leading edge in education, skills and technological prowess in their societies. It is this combination of social and technological factors that has endowed people of every creed and colour to rise and reach out beyond their borders. But on both these counts, several OIC countries remain as backward and dysfunctional as in the days of Vasco da Gama.

Fortunately, the roles of winners and losers are not fixed, although the cause and effect relationship cannot change. Most of Asia has now come out of the dark ages like Europe did 500 years ago. These countries have successfully reversed the trend and are leading a new wave of globalisation. A question mark hangs over Asian nations that are OIC members. Will they soon become part of this third wave or remain incapacitated?

DAWN, February 8, 2007

Alone with the burden of history

The story of Palestine is like the story of no other country. It is spread over millennia and at any time in history, it has always attracted the attention, love and affection of the followers of three major religions and over half of the population of the globe at any time.

It has been a venue of history-shaping events and also the battleground where hordes from the far corners of earth have come to fight for the supremacy of their worldviews rather than in search for wealth and bounty. Often in history, as now, it has been left to carry the burden of centuries all alone.

In the waning years of the 19th century, Palestine came into the eye of a new storm brewed by Zionists with support and assistance by the British colonial power. In pursuit of this strategy to wean Palestine away, a series of agreements were entered into with various Arab Emirs during WW1 by representatives of the British colonial power.

To set the record straight, let us first note the four major agreements made to pave the ground for the creation of a Jewish homeland in Palestine.

First, an agreement was signed between Percy Cox, chief political officer of Great Britain in the Gulf, and Abdul Aziz ibn Saud, Emir of Nejd in 1915.

Second, between Mac Mahon, the British governor of Egypt and Hussein ibn Ali, Sharif / Emir of Mecca, through exchange of letters in 1915.

Both agreements were signed under a false pretext of British promises for the United Arab Land to emerge as one sovereign, independent state after WW1 in exchange for support

against Ottoman Empire.

The deceit and duplicity of these promises was exposed when it was disclosed that, while these negotiations with Arab leaders were going on, Britain and France had reached a secret agreement – the Sykes-Picot Agreement in 1916 – to divide the Arab provinces of the Ottoman Empire among themselves after the war. The promise of a united Arab sovereign independent state in the Gulf had already gone with the wind.

Two other agreements followed (apart from the Sykes-Picot Agreement) which had a bearing upon the fate of Palestine.

One was the Balfour declaration of 1917 in which the UK government formally confirmed – what Cox and Mac Mahon had been working for – that the British government had all along been preparing ground to hand over Palestine to the Zionists for establishment of a 'national home for the Jewish people', while dividing the rest of Arab lands among themselves to expand the British and French empires.

This was the most decisive moment in the history of Palestine when a foreign imperial power had surprisingly lent official support to help achieve the objectives of a private political group from another foreign country – Austria! All at the cost of the third party, the people of Palestine whom nobody consulted and who had committed no aggression against either one or against anyone else.

From this blind, unwarranted and uncalled for aggressive pact between two foreign entities was born the aggressive strategy of racism, ethnic cleansing and settlement colonialism practiced in Palestine. This was captured by the Zionist slogan of "land without people, for people without land" aiming to eject by force the indigenous people of Palestine, occupy their lands, import additional Jewish population from around the world and settle them to change the demographic composition of Palestine and prepare ground for the establishment of the Jewish state of Israel.

Then there was also the agreement between Faisal son of Hussein, Sharif of Mecca and the Zionist Chase Weizmann which was also joined by Lawrence (of the Lawrence of Arabia fame) from the British foreign office in January 1919, a fortnight before the start of Peace Conference at Versailles.

However, none of these pieces of paper with signatures secured from Arab Emirs by British and Zionist entities carried

any legal validity and provided no legal or moral ground for annexation of Palestine.

These Arab Emirs were not rulers of any state recognized by international law or by any other country or a state. Palestine did not belong to them nor was under their control. They were themselves under sovereign authority of the Ottoman Empire just as Palestine was. By what law could they 'give away' a territory which did not belong to them nor did they exercise sovereignty over it?

These agreements were largely for psychological purposes for Arab leaders and to prepare ground for separate treatment of Palestine when the time came. Which arrived with the Treaty of Versailles (1919) when Palestine was handed over along with other spoils of war of the Ottoman Empire to the UK and formalized through the League of Nations mandate in 1922.

And this is where the cat comes out of the bag.

When the UK relinquished its mandate over Palestine in 1947, it did not return the land to the original Arab inhabitants to whom it belonged – like it was the usual practice in other parts of Asia and Africa when colonialism was wound up there – but to new Jewish settlers who had been brought there from all around, as part of original strategy.

As British colonialism ended, it did not bring independence to Palestine. But one foreign colonial power handed over Palestine to another foreign colonial power – and the state of Israel came into being.

Thus, the colonial enterprise which had no legal or moral basis and was imposed and sustained by force has continued in Palestine in the 21st century. It has been violating international law and the UN Charter with measures such as ejecting people from their homes, refusing right of return to refugees, importing immigrants to change demographic composition, annexing territories and expanding its area of control etc – none of which have legal validity and all are outlawed.

Lassa Oppenheim, a great authority on international law, had clearly said: "there is not an atom of sovereignty in the authority of the occupying power." And that sums up the state of Israel.

For those who may have read about the vicious brutalities of colonialism in Asia and Africa in previous centuries, they are

now seeing with their own eyes its ugly reality on display through images and stories of atrocities coming out of Occupied Palestine.

To find a way forward and to bring peace and stability to the area, the UN passed resolution 181 in 1947 for the creation of two sovereign independent states of Palestine and Israel; while UN resolution 242 in 1967 disallowed any territorial annexation by force. However, neither has been allowed to be implemented by Israel.

Protracted negotiations were used to gain time while continuing to change demography and geography by settlements all over Arab areas to make it impossible to implement UN resolutions.

So, where do we go from here?

Is the colonial enterprise imposed upon the land of Palestine by the imperial force of one superpower and sustained by a blank cheque from another superpower likely to be influenced by public pressure from inside Israel and outside to want to implement UN resolutions, undo settlement colonialism and live side by side in peace as two independent states of Palestine and Israel?

Or will the world be waiting for another change in power equations for a future superpower in order for Palestine to receive justice and find peace?

The News, May 20, 2021

Bridging the Turkey-EU divide

THE accession talks for Turkish membership to the EU that began last Monday have a significance that goes far beyond the borders of Europe. Turkey did not come this far without wrenching delays and disappointments. Soon after the European Economic Community was formed in 1957, it was among the first countries to apply for associated membership of the EEC in 1959 which it obtained in 1963. It applied again for full membership in 1987 but was officially recognized as a candidate after 12 years.

Turkey had to wait another six years before membership negotiations started this October. All of this doesn't sound a positive note for membership prospects.

However, all that is behind us, but what lies ahead? After a further 10 years of negotiations to harmonize social, economic and legal systems and procedures between Turkey and the EU, any member can still veto its entry. And if Austria's last-minute spanner in the works to extract concessions for Croatia is any indication, it is likely that there will be other obstacles along the way.

So Turkey will continue to remain on tenterhooks. But what would it mean for the credibility of the EU if Turkey's membership is seen still facing additional handicaps and discriminatory treatment even after 10 years' of arduous and painful negotiations? Specially, when it is known that some others who became members earlier were less qualified than Turkey at the time of their membership?

It has been said that Turkey's historical background has been creating ambivalence in the minds of some segments of the EU population. But history has also divided European nations.

Still, the promotion of a common vision and shared interests under the EU umbrella has been powerful enough to wash away past bitterness. The European project, which its founding fathers launched with Treaty of Rome in 1957, has achieved great success as it has promoted the time-tested wisdom of 'common interest' as a means of ensuring peace among historic enemies, and Europe has seen its longest period of peace and rising prosperity since then. So why is this principle not applied to Turkey?

That European project had successfully built bridges across racial, linguistic and cultural divides among European nations as also across the bitter legacies of many wars. Why should the secular EU stop its successful project of building bridges now that it has come up against a religious divide? The principal criteria for EU membership include democracy, rule of law, protection of human rights including that of minorities and a market economy. These are good values for Turkey with or without the EU. And the incentive of membership has already worked as Turkey has been deemed by the EU to have made sufficient progress in reforms towards democracy, human rights and economy and increasing compatibility with European systems.

Another 10 years of working with the EU would bring Turkey increased trade and investment flows and other assistance to improve its human and physical capital and become a much bigger asset to Europe than many of its other members. Turkey would emerge as a large democratic country, a competitive economy, governed by rule of law and upholding equal rights for all including minorities.

These will help in the flowering of the potential of her human resources and turning them into competitive producers of the Union. Given Turkey's strategic location, how can Europe afford to ignore such an economic powerhouse with its strategic links to the Middle Eastern and Central Asian markets?

That may be true, but critics argue that many in the EU have been wary of opening doors to a predominantly Muslim country, and consequently, some of their government leaders have been discovering new reasons to delay or derail the process. Although there is a hard core of those who may not want to move away from past prejudices most of those who have expressed reservations on Turkish entry seem to have done so out of the fear

of the unknown and concerns for unemployment rather than out of cultural and religious prejudice.

The research and surveys conducted subsequent to the French and Dutch referendums have also confirmed that the enlargement of Europe in general and the Turkish candidacy in particular are not the key factors behind the rejection of the European constitution treaty. It is pertinent to recall that the writings of former British foreign secretary, the late Robin Cook, who also attributed negative feelings about the European constitution in some countries to the poor work of European politicians in addressing peoples' economic concerns and uncertainties.

About half the European population is already supportive of Turkey's entry into EU as they see a vast potential economic market for growth and prosperity. With Turkey the EU with a population of 550 million in 2015 would become the third largest market after China and India. Also with Turkey joining its ranks, it would become a younger organization. Facing demographic challenges, millions of young workers from Turkey would be needed to run trade, industry and services in Europe.

After another 10 years of progress, would EU refuse to embrace all these assets and say 'no' to Turkey to please religious prejudices? Or would its politicians do a better job of addressing the concerns of their people and still win global status for EU? And if all this fails to materialize, it becomes relevant to ask why Turkey, with its strong assets, could accept anything less than full and equal treatment?

But why should all this matter to anyone outside Europe? Because the debate that has been raging for years about the pros and cons of Turkey's membership, has made it increasingly clear to even secular Muslims that despite Turkey's economic, and political merits, it is the religion of its people that is holding Turkey back from receiving fair treatment. And this, despite the fact that the state of Turkey has been more secular for over 80 years than many of the existing member states of the EU.

Many from Asia to America would also be watching to see if the 'European model' for democracy and human rights works better than some other models in the market. For a number of reasons, the internal power structure of civil society institutions in many of these countries is weak. What is good about the EU

model is that it builds upon a 'common interest' to override differences of race, language, culture, religion and thus even the bitter legacies of wars and bloodshed are forgotten. And just as important, this model promotes common interests and values amongst people — rather then just governments — which is what makes it so binding and irreversible.

Many are already favourably comparing the European model to the US model of 'shock and awe' to introduce democracy and human rights, which has further fuelled the fires of anger and extremism, besides adding to the misery of millions of people.

As the EU and Turkey work on the negotiations, many in the outside world, particularly in Muslim majority countries, will be watching and wishing them success. The success of the European model would help promote a peaceful transition to democracy in many of their societies. Peace and prosperity in these countries cannot be separated from global peace as we can neither live in isolation of nor in conflict with one another across civilizations.

For quite some time now, we have been hearing talk about the clash of civilizations. It is good to know that there are some who want to build bridges across civilizations and work together to promote a common vision for the common interest of all. But it is too early to tell if such a European model would actually emerge.

DAWN, October 13, 2005

Chapter-7

Asian Century

200 years after Asia lost its power and prosperity in the wake of Industrial Revolution, the centre of gravity of the world economy is pivoting towards Asia again. And BRICS is accelerating the process.

Asia rising on the back of industrial revolution

AFTER three hundred years, Asia is rising again. Much of the continent is now generating wealth and power not by any abundance of natural resources but by the creativity of its human capital and the productivity of its enterprises.

Asia has now learnt the secrets of the revolution that truly keeps unfolding over time and influencing the lives and wellbeing of the people as well as nations across the globe- the one and only, industrial revolution.

Any society that has not come to terms with industrial revolution has not risen from its poverty and powerlessness. And every society that has understood it and mastered its working has continued to grow in wealth and power from its myriad applications and there are no limits to what can be achieved- whether on moon, mars or on this earth.

Europe, of course, ushered in the industrial revolution and reaped immense benefits. Powered by industrial revolution, European companies were able to flex their muscles way beyond their borders into Asia, Africa and Latin America sweeping away not only the medieval businesses but also the medieval states and empires in far flung countries.

Although the governments stood behind them, the fact nevertheless remains that it was not British government but the East India Company that had conquered India and ruled it until 1857 as was the Dutch East Indies Company that conquered and ruled Indonesia and then transferred it to Dutch Crown in 1814. The story in Africa was no different.

As industrial revolution took roots in North America, its corporations challenged the over two hundred year old pre-

eminence of the European companies and projected their power over Europe, Asia and the rest of the world. The success story was repeated later as Japan mastered industrial revolution and the Japanese corporations were able to flex their muscle beyond their national borders from the beginning of the twentieth century.

Thus every case of projecting power beyond their borders- Europeans into Asia; Americans into Europe and the rest of the World; and now Asians venturing out into Europe and America, has been built upon the same fountainhead. The secret of their success lies in their understanding and handling of the enormous powers of the industrial revolution, widely recognized as "the most important event in the evolution of human beings in over 8000 years".

Although Japan- Asia's first miracle maker- embraced industrial revolution in the late nineteenth century, much of the rest of Asia was still struggling with the issues of sovereignty and self-governance and it was only after the end of Second World War that they were able to plan their own destinies.

But fifty years after Second World War ended, industrial revolution has spread to large parts of Asia and this continent is regaining its lost glory. Its path to power and prosperity is also paved by the increasing quality of its human resources and the productivity of her enterprises - the same route traversed earlier by Europe and America.

The old image of Asia with three or four little island economies- the 'tigers' in an otherwise poor and backward Asian landmass- has since evaporated as industrial revolution has spread across to Asian mainland; Malaysia, Indonesia, Thailand but more importantly to China and India.

Japan built its reputation as a world class power, upon the quality of skills, work ethics and organizing abilities of its people. After the Second World War, when Japanese industry had to start all over again, it bought technologies from leading American companies in chemicals, steel making, engineering, television and consumer electronics and its quality manpower did the rest.

In less than two decades, 'higher quality and lower priced' Japanese products were taking away not only foreign markets from the very same American companies but making big inroads into domestic market of the US and Europe as well.

The success of the industrial revolution in Asia has now

moved beyond the early attractions of its cheap and abundant labour, or its large markets and is built upon the quality of skills and productivity of their human resources. Increasingly, these Asian nations are now winning larger shares of high tech and high-end markets. Even the all important R&D facilities for development of future products are now being re-located in these countries.

Not restricted to the old economy of manufacturing, the high quality of Asian skills and their productivity are also projecting some of the Asian nations into leadership positions in the knowledge-based new economy. And Asian companies are now entering the big league acquisitions in foreign markets to acquire global reach for their operations.

As a by-product of the success of industrial revolution in their countries, many companies from China, Korea, Singapore, Malaysia, Indonesia, Thailand and India, have also built up large pools of surplus funds and are busy investing abroad, acquiring companies there in their niche markets and consolidating their global positions.

There is no mystery in the miracle of development. In every single case- in Europe, North America and now Asia- the wealth and prosperity has been created by the successful handling of industrial revolution by their societies. More specifically, it is the quality of skills, work ethics, and the entrepreneurial and organizational abilities of their people that have enabled them to absorb technology, produce competitively and bring prosperity and power to their nations.

The critical resource in their transformation has not been capital but their people, and the critical decision has been whether adventurism or consolidation should define their national priorities.

In the seamless world of global finance, the old ideas of 'scarcity of capital' have been turned redundant by the free flow of capital across national borders. The dominant feature of the economic model of our globalized world is not the 'scarcity of capital', but the quality of the skills, work ethics and productivity.

But in Pakistan, our perennial fixation with 'financial capital' has blinded us for too long from the development of 'human capital' resulting in the country getting raw end of the deal at both ends. Not only does the 'scarcity of capital' continue

to haunt the country fifty years down the road, its 'human capital' has also slipped down to the bottom among Asian countries as is repeatedly shown by human development reports.

The bitter truth is that no one- country or a company- wants to risk committing their major resources – money or technology- into countries whose human capital remains underdeveloped and incapable of creating wealth or value out of these inputs.

Countries that have neglected their human capital have little choice but to live by the aid, debt or donations - whatever they can get and at whatever price. There may even be some fly-by-night operators ready to take advantage of every situation. But serious and long-term money or productive technologies do not come via these routes.

The success of industrial revolution now unfolding in Asian countries has also been built upon the common foundations of developing quality human resources- irrespective of the different routes taken.

The liberal social and economic reforms introduced after the Second World War demolished old feudal and oligarchial systems, opened opportunities for all and pumped funds into development of their human resources for successful industrial takeoff of these countries.

Mao's communism in China, Nehru's socialism in India and Mahathir's 'Affirmative Action' in Malaysia also, in their own ways, carried out similar social and economic reforms that are widely credited by respected scholars for laying the foundations for successful industrial takeoff in these countries.

The only thing missing then was the capital and technology which poured in to utilize their quality human resources when their governments opened the economies to foreign investment: China in 1970s, Malaysia in 1980s and India in 1990s.

Industrial revolution has been knocking on the doors of Pakistan for over a decade now. What is holding it back is not the 'scarcity of capital' but the scarcities of other kind- of its human capital; consensus on national priorities; opportunities for all; and the rule of law.

As Pakistan seriously applies itself to removing these scarcities, the doors to industrial revolution will open here as well;

and let us rest assured that if it does so, the scarcity of capital, like in other countries, would become a non-issue.

When the capital and technology from around the world is chasing the many opportunities here, and not the other way around, it will be a sure sign that industrial revolution has finally arrived in Pakistan.

DAWN, October 3, 2005

The great game goes on

THE last time that it was played in the 19th century, the 'great game' had two players — imperial Russia and the British empire. This time three big players are already holding centre-stage — the US, Russia and China. Three mid-level players can also be identified — Turkey, Iran and Pakistan sitting at the gateposts of Central Asia.

Last time, both imperial powers competed for influence in this heartland of Asia. This time, they are playing for the rich hydrocarbon resources lying underneath the region. Last time, Rudyard Kipling called it the 'great game' because, while it involved diplomacy, espionage, buying, bullying, betrayals and every other trick in the bag, it avoided direct war. How will it be this time?

At stake are over four trillion dollars worth of untapped oil and gas deposits that have attracted everybody to the region. Although Russia is the second largest oil producer and exporter and the largest producer of natural gas in the world, its own industrialisation and commitments to supply energy to meet the rising demands of Europe can be satisfactorily met when it has access to the Central Asian energy deposits.

Besides, Russia has had a close association with this region and is keen to maintain its relations as its political strategy shows.

The sleeping giant China has also woken up and its amazing industrial growth needs ever more energy to sustain the momentum. Its rapid industrialisation has already made China the second largest consumer of energy in the world. It is estimated that by 2020, China will also be importing 70 per cent of its energy demands and will thus be seeking access to large energy markets.

The US — which is already the largest energy consumer in the world — would also be importing over 65 per cent of its

energy demands by 2020, it is predicted.

The European Commission believes that the demand in Europe, which now imports 50 per cent of its energy needs, will rise and 70 per cent of its demands would have to be imported in the future.

Since the biggest untapped energy resources of our time lie in Central Asia, everybody is working overtime to take a seat at the high table of rich resources. But all aspirants — other than neighbouring Russia and China — for Central Asian energy will have to take on board the three gatekeepers of Central Asia — Turkey, Iran and Pakistan that are situated at the exit points of the pipelines going west to Europe and beyond and south to everywhere else in the world including the United States and Japan.

It is the pipelines that are the lead players in the new great game and everybody is pushing for them so that they can channel energy through their favourite routes.

Russia has been developing northbound pipelines overland through its territory to Europe through Ukraine and across the Baltic Sea to northern Europe. China prefers eastbound overland pipelines taking energy supplies directly into its territory and has been building accordingly. The United States is following up on two routes, both avoiding Iran, that take energy through the Turkish and Pakistani gateposts.

But while pipeline developments have been progressing over a decade on all other routes, southbound energy pipelines through Pakistan's Arabian Sea ports have remained in the doldrums as much a victim of our destructive internal politics as of the inability to interpret the external moves being made on the world energy chessboard by several shrewd players who know exactly what they want and how to go about achieving their ambitious goals.

After the demise of the Soviet Union in 1991, the best window for Pakistan opened during the mid-1990s when all major powers were backing oil and gas pipelines passing through Pakistani ports. A great deal of work was completed on negotiations and the development of projects which were endorsed by serious investors from the East as well as the West — leading to bright prospects for the country's economic future.

The energy pipelines taking Central Asian oil and gas

through Pakistan to global markets, along with rail and road links, were part of the portfolio of investment projects coming up for formal signing at the CASA economic summit that was to be held in Lahore in 1997 in collaboration with the World Economic Forum of Davos.

As the second Benazir Bhutto government was overthrown, energy corridor projects linking Central Asia to global markets through Pakistan also fell victim to needless political vendettas. The second Nawaz Sharif government, too busy settling scores with its rivals, turned its back on the work already done, and investors associated with these projects were snubbed and the projects were allowed to fall by the wayside.

Thus while the east- west- and north-bound pipelines were moving ahead, plans for the southbound pipelines through Pakistan, although the shortest and most profitable ones, remained unimplemented for several years until 9/11 overtook all other developments.

By wasting years of a golden opportunity, Pakistan lost a ringside seat in the decision-making circles of Central Asian energy markets. Now the big players would be taking direct charge of the game where the stakes had risen very high, far more than there did a decade ago when Pakistan was provided with an ideal opportunity to capitalise on the energy game and reap rich dividends in the future, but failed to do so.

The southbound route for energy projects still remains blocked. If there has been any progress on the two initiatives of the Iran-Pakistan-India (IPI) pipeline and the Turkmenistan-Afghanistan-Pakistan (TAP) pipeline discussed from time to time, it has been in fits and starts over the last five years.

The IPI pipeline that recently was seen to be breaking the logjam imposed by the wars in Afghanistan has again hit snags, this time created by the Iranians who are reviewing the pricing structure which actually achieved the breakthrough in the first place.

The TAP pipeline remains a high-risk venture because of the continuing conflict in Afghanistan. This position remains unchanged despite Islamabad springing a surprise on everyone a few days ago by announcing a $10 billion contract for the construction of the TAP and extending it to India when even the basic routing of the pipeline is mired in deep difficulties.

Pakistan's potential remains high as the country sits at the crossroads of the energy routes. A north-south pipeline taking Central Asian energy through Pakistani ports to global markets and west-east pipelines taking Iranian or Qatari gas towards South Asia would meet each other in the Pakistani province of Balochistan. That would put the country at the centre of overt and covert moves being made on the global energy chessboard under various labels.

The urgency of energy security for future growth needs to be much more seriously addressed than it is being done at present. Not only do energy supplies to meet Pakistan's own demands and South Asian markets remain checkmated, our plans of making Gwadar the focal point for supplying Gulf energy through the overland route to China also stand to be seriously affected by our inaction and clumsy planning of the issue. That project has great strategic benefits as it would cut the distance to the booming Chinese markets by 12,000 miles, reduce the fee by 25 per cent and journey time by one month — a great saving in terms of time, money and distance.

But all these possibilities depend upon our ability to sift through the foggy recesses of our unenviable national planning and the distracting diversions that confront us in order to handle the currents and cross currents of energy moves in an organised manner with a view to gaining maximum mileage.

Negotiating energy security for the country in this great game carries great opportunities for and, at the same time, poses serious challenges to Pakistan, especially as it does not appear prepared to utilise opportunities and compete gainfully. It would fully test the wisdom of our leadership and the quality of our economic diplomacy. One hopes that this time we will be able to handle issues that are of national interest with greater maturity and responsibility than we had displayed 10 years ago.

DAWN, August 29, 2007

In the East lies inspiration

A survey at the recent meeting of the World Economic Forum (WEF) in Davos showed that 60 percent of the businessmen and political leaders attending the annual gathering expressed lack of confidence in the prevailing system of governance.

So it is not only young idealists of the 'Occupy Wall Street' movement but the hard-boiled business and government leaders also think that old ways of governance are not tackling problems effectively and the economy is not gaining momentum.

On the other hand, the success of East Asian nations in attaining double-digit growth for a number of years, delivering high standard of living to their people and producing the most competitive economies has been attracting the world's attention towards the East Asian models of economic and political governance, that are becoming the driving force of global economy.

If the real objective of our public policy is early eradication of poverty and illiteracy, removing dependency and creating an industrialised, prosperous and powerful country, then East Asia provides a successful model of governance. And since their social and economic conditions were until recently not much different from Pakistan's, their experience acquires greater relevance compared to that of Europe and the US, which had acquired the status of developed countries a long time ago and where social, cultural and economic conditions were different.

Japan pioneered this model over a century ago after a thoroughly studying the factors that had brought power and prosperity to the West. Japan then selected the 'best practices' from around the world. The strategy was so successful that within 50 years after the Meiji Restoration of 1868, Japan had acquired

power and prosperity that made it second to none.

In that strategy, economic development was prioritised among all policy objectives of the state. The strategy specifically meant heavy investments in the education sector, especially science and technology, and industrialisation of the economy. As the state had an important role to play in this strategy, it required a meritocratic bureaucracy capable of co-ordinating private investment flows with the objectives of national development. Both the state and the market were recognised as key agents of national economic development. This model of governance later came to be known as the 'developmental state' model.

The four Asian tigers – Hong Kong, Taiwan, South Korea and Singapore – practised the same model of governance, and within 30 years became developed countries. As did Malaysia, by following the same model. Politically, their leaders are credited with being nationalistic and keen on developing industrialised, prosperous and powerful nations. Economically, a developmental state was not a socialist enterprise. China's meteoric rise with a double-digit growth, to become the largest economy of the world and transforming lives of hundreds of millions of its citizens, is also attributed to the success of the developmental state model that had Chinese characteristics.

Pakistan is familiar with this model as it was practised here for about 15 years and had helped the country achieve a measure of social and economic transformation. The two periods in which this model worked in Pakistan and accelerated the pace of industrialisation of the economy were during the governments of Gen Ayub Khan and Zulfikar Ali Bhutto. Under the former, the textiles and light consumer goods industries spread out, while under the latter steel, chemicals and heavy engineering industries were set up in the country.

After that came a deluge and the developmental state model was wound up. For the first time, Pakistanis heard of a new phenomenon called the 'sick industries' of otherwise healthy owners whose poor management practices had originally caused the problem. All over the world, bailouts come with conditions, such as upgrading technology, change of management or even outright sale of the enterprise, so that the investment pumped through bailouts does not go waste and the production unit is revived, made competitive and managed by more capable hands.

There is a whole discipline of mergers and acquisitions (M&A) dealing with such situations.

But Pakistan gave out free lunches. Bank loans outstanding against the so-called sick industries were completely written off, without the required restructuring to revive the production unit being done. Consequently, several factories were closed down, their machinery sold off and the space converted into warehouses or used for other commercial purposes. Over the years, loan write-offs became a flourishing business. The hundreds of billions of public deposits in banks, which were given out as loans, were written off by people in the banks and the government, who would otherwise not write-off even a penny of their own money.

This was the modern equivalent of the toxic medieval culture ruling the roost, addicted to free rides, windfalls and rent-seeking. In the process, the banks started becoming sick, bled to death by the write-offs, People's savings in the banks became unattractive as returns on deposits started to decline. The de-industrialisation of the economy had started and Pakistan moved from being a production-driven to a consumption-driven country.

This was clear from the contrast between Pakistan and Turkey's industrial and export performances during the decade of the 1980s. Both the countries had wars raging on their borders at about the same time. The Afghan War (1980-88) on Pakistan's border and the Iraq-Iran War (1980-88) being fought at Turkey's borders. When the two wars started, Pakistan and Turkish exports were of the same order, about $6 billion. Turkey used the war in its neighbourhood to quickly set up factories and used cash and barter to supply cheap goods to both Iraq and Iran. The wars ended in 1988 by which time Turkey had fully utilised opportunities and its manufactured exports had doubled.

On the other hand, our exports had barely crept up to $8 billion after eight years of missed opportunities. Even today, the contribution of manufacturing in our GDP is embarrassingly low: half of that of Bangladesh, and one third of all East Asian countries.

But a large country like Pakistan cannot provide higher standards of living to its citizens without industrialising its economy, which also explains our poor performance in exports. Take a look at Pakistan's basket of exportable goods and one would be embarrassed to find out that more than two-thirds of

this basket comprises goods from industries set up during the days of the developmental state. There has been no new industrialisation for exports. Our exports, which in all fairness, should have been over $100 billion are not even one-fourth of that. But for that small period of the developmental state model, we might still be exporting raw cotton or handicrafts in the 21st century!

We have had no industrial policy worth the name, neither a strategy for creating synergy between investment, industry and exports. In other words, we need an integrated ministry of investment, (international) trade and industry – an MITI of Pakistan to channel investment for rapid industrialisation of the economy and export-led growth.

Pakistan must revert back to the developmental state model because it served it well and has proved to be a system that is compatible with globalisation. The question is: how quickly can Pakistan revitalise state institutions to discharge responsibilities of a developmental state and compensate for the lost decades?

The News, June 06, 2018

Gathering clouds over Asia

"Poor Mexico. So far from God, so close to the US," said the president of Mexico. No, it was not its current president, nor was this lament uttered in 2017. It was said in the late 19th century when Porfirio Diaz – who was Mexico's president from 1877 to 80 and 1884 to 1911 – was venting his frustration about the dealings with his big, northern neighbour.

But the recent efforts by Trump to set into motion his plans of constructing a border wall between the US and Mexico, deporting illegal Mexican immigrants, cancelling Nafta and threatening to impose higher tariffs on imports from Mexico into the US has reminded many of Diaz's lament.

But the times have changed. Globalisation has integrated the economies of the US and Mexico where over $500 billion worth of trade flows between both countries and goods made in Mexico – at one-fifth of the labour costs in the US – provide cheaper consumer products to American households. Mexico is also important for the security of the US as the history of Cuban-American relations have shown. The whole of Latin America is joining hands to prevent the deterioration of relations between the US and Mexico. Even within the US, several cities and states are declaring themselves to provide sanctuaries against undocumented immigrants. As a result, there is reason to believe that deterioration in the relations between Mexico and the US may not be as bad as feared.

But Asia is where bigger and more lasting struggles are going to be taking place. Throughout his campaign and after assuming office, President Donald Trump has taken up more issues with Asia than elsewhere. He has talked against the 12-nation Trans-Pacific Partnership, raised several issues of trade and security with China – including the One China Policy and South

China Sea Islands – temporarily banned visitors from seven Muslim-majority countries – four of them from Asia – imposed sanctions against Iran over its missile tests and talked about recognising the whole of Jerusalem as the capital of Israel. All of this has surfaced in a matter of a fortnight after Trump assumed public office. Not one of these policy initiatives were heard of during the 16 years of previous administrations of presidents Bush and Obama.

But economics seems to be the dominant theme underlying most of these startling measures. Trump had talked throughout his campaign of reviving the manufacturing industries in the US, creating job opportunities and preventing immigrants – whether legal or illegal – from taking away these jobs from Americans. Initially, security did not seem to engage the same level of his concerns as trade and economic issues did. Even when Trump hinted at recognising Taiwan, it seemed to be driven more by his trade and economic arguments against China. He had even displayed a touch of isolationism and talked about Nato as well as Japan and South Korea strengthening their own defences. In the case of the latter, he even suggested that they develop their own nuclear weapons programmes, which was subsequently was back-pedalled.

In this space, we have taken up the impact of his protectionist and anti-globalisation measures towards Asia. However, one thing about trade and investment agreements between countries must be said at the outset: these agreements are as much about trade and investment flows as they are about the balance of power among the signatories.

It was the free flow of capital and technology invested into Asian economies which fuelled their export-led growth to the largest and richest market of the US. Coupled with this was the free movement of skilled labour to rich and developed economies of the US and Western Europe, which helped the growth of the middle class in Asia. Asian countries, which had produced a skilled and disciplined workforce, benefited the most and became attractive destinations for investment and technology to produce quality goods at low costs.

For Asian nations that had built an educated, skilled and disciplined workforce, globalisation opened opportunities and helped them succeed in world markets and expand the size of

their middle classes. The immigration of an educated and skilled workforce further helped these nations, as they lacked opportunities in domestic markets. Consequently, as a World Bank study shows that between 1988 and 2008, the income of the middle classes increased by 300 percent in China, 200 percent in Thailand and Indonesia and 50 percent in India.

Those were also the days when Pakistan had initiated investment reforms and set up the Board of Investment in 1989. Pakistan was the first country in South Asia to set up this board to attract investment and technology into Pakistan's economy for its export-led growth. In fact, Pakistan's model of the Board of Investment was officially taken by Bangladesh and Sri Lanka for setting up similar organisations in their countries. Even India set up similar investment board in 1991 – two years after Pakistan had done it. It was a new, bold initiative to launch Pakistan into the mainstream of globalisation and make it an attractive destination for investment and technologies.

Way back in 1996, the net inflows of FDI in Pakistan had crossed $1.25 billion – the highest in the region and more than the aid Pakistan was receiving from consortium countries after loan repayments. Several multinationals were planning to make Pakistan a regional hub for entering Central Asian markets. However, like many other good initiatives, this too fell victim to the short-sighted and destructive politics of the country.

Today, a large part of our industries are closed, the value addition of most of those operating is marginal, and FDI as well as exports have been declining. The country has remained on the losing side of globalisation and the planned surge in the growth of its middle class has not materialised. New problems will now arise in our pursuit of economic objectives.

Had it not been for the China-Pakistan Economic Corridor, the economy would have faced dire straits. As Chinese exports to the US markets face increasing difficulties in the wake of the Trump administration's new measures and tensions in the South China Sea rise, CPEC is going to acquire greater importance as China looks to find alternative markets in the Middle East and Africa. China's farsightedness in planning for alternative markets is also shown by other components of the One Belt, One Road initiative, which provides connectivity to China for its exports to Eurasia and Europe.

As the clouds start gathering over Asia, India's Modi government would look more attractive to Trump's administration to contain China's influence. And Afghanistan – forgetting the known and not-so-known favours – seems eager to act as an irritant to Pakistan as everybody's proxy.

Iran is now facing sanctions from the Trump administration over the missile tests and the tone and tenor of Washington hints at another dark cloud gathering over a region which has long remained destabilised for one reason or the other. But our comatose foreign policy does not seem to see the world beyond the Gulf's attractions and remains laidback even as the gathering clouds over Asia, including our neighbourhood, portend serious new developments.

The News, February 05, 2017

The resurgence of a multi-polar world

Over the last 100 years, the world has lived through four different world orders. It has arrived at the same multi-polar order that prevailed in the beginning of the 20th century and is filled with uncertainties.

For much of the first half of the 20th century, a multi-polar world was shaping events that affected the rise and decline of countries. This ultimately plunged the world in two devastating world wars until the new order of a bipolar world led by the US and USSR emerged after World War II. The internal implosions from the Perestroika and the Glasnost and the Afghan war disaster led to the dissolution of the USSR and the end of a bipolar world. As the Cold War ended, the new world order of a uni-polar world was announced in 1991 and the US emerged as the sole superpower in the world. But, in the aftermath of the unending wars in Iraq and the Middle East at the turn of the 21st century and the financial crisis of 2007-09, the uni-polar world was weakened within the quarter of a century.

In the meantime, China continued its peaceful rise to become the second largest economy and arrived at the centre stage of a globalised world. Russia has updated and consolidated its strength during these 25 years and has once again risen to become a serious centre of power in Europe and Asia.

Since the benefits of a uni-polar world and the globalised economy had not trickled down to the masses during these 25 years, their anger and frustration brought about Brexit in the UK and triggered Donald Trump's rise to power in the US. The effects are still reverberating through some other European countries. Their anger was essentially a vote of no-confidence in the model

of economic and political governance whereby the benefits that the West reaped during the Cold War, the uni-polar world and the globalised economy had been monopolised and not fairly distributed.

The question whose answer will unfold in future is: will the focus of the upcoming tectonic changes be on reforming what a recent Harvard Business School study calls "America's dysfunctional political system" – which is the biggest threat to the competitiveness of America's economy? Or, will this anger and frustration be directed against external elements – countries and immigrants – and used to scapegoat them?

The outsourcing of production facilities by American companies to the developing countries is not an outcome of any love affair. On the contrary, it is driven by the economic logic of creating maximum value at the minimum cost. It makes obvious economic sense to produce a product of the same quality at a labour rate of $5 per hour in the developing countries instead of paying a labour rate of $25 per hour at an industry in the US. This outsourcing also benefits American consumers who would otherwise be paying five times more for the same product.

The problem does not lie with economics. It stems from politics as policies have not been framed for the fair distribution of benefits and the retraining of workers from non-competitive industries for the more competitive ones.

As the tectonic plates of the world economy are shifting towards Asia, history is also repeating itself. A turning point in the history of colonisation of the Subcontinent came with Clive's victory in the Battle of Plassey in 1757. The battle laid open the Subcontinent to the ravages of colonialism. At that time, Asia was the richest area where 60 percent of the wealth of the world was situated, while the Subcontinent held 17 percent of the wealth of the world. Interestingly, the portion in the Subcontinent in the wealth of the world was equal to the combined wealth of the UK, France, Germany and the US.

Nearly 200 years later, at the time of Independence, the collective share of India, Pakistan (which then included Bangladesh) in the world GDP had shrunk to 7 percent. Meanwhile, the combined share of the UK, France, Germany and the US had gone up to 40 percent.

In the long years since the end of colonialism, much of

Asia – excluding Pakistan – has learned the lessons that the route to power and prosperity lies through the productivity of its economy and the efficiency of its governance. Asia's share in the world economy – which now stands at 40 percent and is projected to rise to 60 percent by the third quarter of this century – also suggests that the ravages of colonialism,which unfolded in the aftermath of the Battle of Plassey, have finally been undone. It suggests that Asia has regained the level of prosperity it enjoyed before its colonisation.

Asia's rising share in the world economy has also opened doors which were earlier closed to it. When the Asian financial crisis hit several East Asian countries in 1997, the attempt, led by Japan, to create Asia's own financial architecture in the shape of Asian Monetary Fund (AMF) did not materialise in the face of opposition from the West. It is believed that the West did not like the idea of a competitive financial institution that rivalled the IMF – which was created under the Bretton Woods system (the Washington Consensus).

By 2015, when China sponsored the Asia Infrastructure Investment Bank (AIIB) to finance $8.3 trillion worth of infrastructure over 20 years and integrate Asian and European economies, 57 countries (including Pakistan) signed as its founding members. Some of these countries included leading members of the Washington Consensus who signed against the advice of the US. China's flagship One Road One Belt initiative is the largest investment of its kind and reflects Asia's faith in the benefits of an integrated globalised economy.

As the tectonic plates of the world economy keep shifting towards Asia, the continent will increasingly attract the forces of cooperation, competition and even conflict. Many economic and political battles are likely to be fought over the Asian mainland for and against the rise of Asia as the centre of the world economy in the 21st century. If the multi-polar world of the early years of the 20th century is anything to by, small localised conflicts have the potential of going out of hands. For instance, the death of Archduke Franz Ferdinand in Sarajevo created a chain reaction that resulted in World War I. Is there any architecture that can peacefully negotiate this tectonic shift in the centre of gravity of the world economy?

A stronger vision, better vigilance and quality governance

can safely navigate Pakistan through the unfolding uncertainties. Unfortunately, our foreign policy – from Ufa to Amritsar – has been comatose. Our idea of economic diplomacy does not see the world beyond our Gulf neighbours. Our personalised systems of governance – devoted to serving the rulers of the day – have not allowed the existence of visionary, merit-driven think-tanks to develop policy options and address unforeseen scenarios for the long-term interests of the state.

The age of uncertainty is upon us. Will we be able to develop the vision, wisdom and skills to safely navigate the state through uncharted waters? Will the state arrive at its rightful place as one of the important centres of the new multi-polar world?

The News, December 24, 2016

Main street vs Wall Street

No pundit had predicted it – not even by a long shot. Donald Trump has won the US presidential election on the wave of an anti-globalisation vote. The political establishment of both the Democratic and Republican parties, the pollsters and the TV talk-show hosts – all beneficiaries – had been so busy with themselves that they had not even ventured out of the media bubble to find out how millions outside the bubble had been coping with the forces of a competitive globalised economy.

The one thing that has become clear from Trump's stunning victory is the revolt of the people against the political establishment, which had left them out in the cold for long to fend for themselves, as American jobs and businesses were being lost to other countries. That Trump – a non-professional politician – was able to feel the pulse and tap into this anger and frustration of people betrays the hubris and disconnect of the political elite with the people.

Throughout his campaign, Trump made this disconnect his rallying cry. He repeatedly talked of 'corrupt politicians', accusing them of letting down their voters and merely looking after 'themselves'.

That this resonated well with the electorate has been borne out by the victory of this non-professional politician against all odds, even in the face of opposition from the establishment of his own Republican Party. The shock caused by his victory has been felt across the political establishment, the mainstream media and the Wall Street where the markets tumbled; not only in the US but across Europe and Asia as well, although they are bouncing back now. But the future remains uncertain.

The US has several strengths and these have delivered very good results to its people. Its victory in the cold war left it as

the sole superpower in the world. The birth of the New World Order further strengthened it and the globalisation of the economy enriched the country beyond belief.

That raised a question in the minds of main street America: why have the benefits of these several advantages not been shared among all the people?

The 'Occupy Wall Street' movement of 2011 had first raised the banner of this anger and frustration against rising inequalities, greed, corruption and influence of big money in politics, where the young generation felt they could not see a good future in that system.

Many felt that important decision-making slots in the cabinet and elsewhere were often given by the political establishment of both the Democratic and Republican administrations on the recommendations of Wall Street. These men and women then steered the course of American policies to benefit their home ground- pumping billions to bail out Wall Street companies. However, there was little attention given to funding and implementing programmes for aid and assistance to disadvantaged folks in small towns and rural communities who were losing out to forces of globalisation.

Of late, several independent writers and academia have been critical of the American political system, accusing it of grandstanding, gravy trains and gridlocks which have held back its economy from delivering strong growth and new opportunities. Jobs and businesses have been moving out of the country and the benefits of successes in the cold war, the New World Order and the globalised economy were being monopolised by Wall Street businesses and their executives.

One example may suffice to show this stark reality. The relationship between the average earnings of workers and top executives in the corporate sector in most developed countries like the UK, France, Germany, Japan, the Netherlands and others varies from 1:10 to 1:20. In the US, this ratio has been skewed up astronomically to 1:250. Such astronomical inequalities have nothing to do with the rational contributions of different people to corporate successes but are ideological and irrational, leading to anger and frustration.

That was one part of the problem that the plain folks of main street America had with big business of Wall Street. The

other was the unwillingness of the political system to devise policies for fair distribution of riches, creation of sufficient new opportunities and programmes for retraining a jobless workforce to become gainfully employed elsewhere.

This anger and hunger for change made these plain folks of the main street look outside the system controlled by political establishment. The spectacular rise of Bernie Sanders, a non-establishment man from the Democratic Party, had also underlined this disconnect between people and the political establishment.

Trump's caricaturing of opponents who were professional politicians seemed to win the day for him with the people who put their faith in a rank outsider in the hope that a non-professional politician would deliver where professional politicians had failed.

That was the politics of winning the election.

Now comes the question of governing the country – not just any country but the most powerful country in the world. Already, the responsibilities of governance have caused Trump to review his controversial campaign positions. His successful business experience across the world would have shown him that has become a multi-polar place, and interdependence is the name of the game. In fact, he once had a close association with Pakistan – and we should work towards building a better understanding with his administration.

Trade and defence and security appear to be his priority. He has been very critical of trade agreements like Nafta (between the US, Canada and Mexico), and the Trans-Pacific (with East and South East Asia – minus China) and Trans-Atlantic (with Europe) partnership trade agreements. And he has also talked of increasing duties on Chinese and other imports. Apart from issues of interdependence, this has to be seen from point of view of the American consumer who may have to pay higher prices for the same goods.

As things stand, the immediate winner of Trump's presidency will be Canada. As his administration tightens controls on immigration from around the world and deports even part of illegal immigrants to Mexico, where is American economy going to find workforce and vendors for its growth and creating business opportunities that Trump wants? Prime Minister Justin

Trudeau has been good for Canada and is also appreciated around the world for boldly upholding values of liberal democracy and supporting humanitarian causes in these difficult times.

The Trump presidency now comes as a bonus for Canada, which is better placed than any other country to fill in the demands of American economy. No wonder, the Canadian immigration website crashed within hours of announcement of Trump winning the presidential election.

Some of the Trump administration's priorities make avenues for closer cooperation possible for Pakistan. There seems to be no reason for dire predictions or panic. The uncertainties are there for everyone, but Pakistan would reduce the risk from uncertainties if it can activate its laidback governance to do some homework and enhance its strategic advantages. It should look forward to promising relations with the new Trump administration.

The News, November 17, 2016

Pakistan's near-abroad

We are so near in so many ways – sharing history, geographical proximity, faith, culture, commercial and family relations for centuries. Such favourable foundations, however, have not been converted by us into close friendly relations with the Central Asian States for our mutual benefit.

Even as Europe and the US have been pivoting towards Asia, and as the centre of gravity of the world economy is shifting there, several countries – including Asian nations – have been positioning themselves in this resource-rich region through economic, political and security arrangements.

It was Russian strategists who coined the term 'near-abroad' after the fall of the Soviet Union to emphasise their closeness with Central Asian and other republics of the former USSR, even as they became separate, sovereign and independent states. And China has rapidly built a range of economic relations spanning trade, energy and transport and communication networks including the 'One Road, One Belt' strategy, increasing connectivity with Central Asia and onwards through Iran and Turkey into Europe.

And here we are in Asia and even strategically situated as a gateway to Central Asia, but stuck in the one-track westward outlook left behind by colonial rulers at the time of independence; we cannot seem to find our way forward into this resource rich heartland of Asia.

It is important to remember that Pakistan was among the first countries visited by the leadership of the newly independent Central Asian countries in 1992 soon after USSR was dissolved in 1991. This was an exceptionally unique opportunity that had opened up after 200 years of Tsarist Russia and USSR rule over these lands.

It was fortunate for Pakistan to have been so chosen but unfortunate that it was hostage to a system of governance that lacked the vision to see the promise and potential opened up by this opportunity of the century. It did not invest time and energy into building networks of close cooperation and earn goodwill and friendship of the people and governments of Central Asia and also enhance the country's profile in the international community.

In my meetings with government and business leaders as well as civil society members of Central Asian countries, goodwill and friendly feelings for Pakistan remain palpable. But Pakistan needs to improve its connectivity and take practical measures for partnering in energy and transport and communication networks, and provide incentives for opening trade and investment offices of Central Asian countries here. And it should set up warehouses for Pakistani goods there to provide substance to these friendly feelings.

It is a pity that agricultural products like bananas reach Central Asia all the way from South America and sea food from Northern Europe while our clueless governance cannot use Pakistan's potential as the shortest and quickest entry into the Central Asian markets of Tajikistan, Kyrgyzstan, Kazakhstan, Uzbekistan and Turkmenistan.

The economics of transportation has undergone a sea change in international trade with Central Asian markets, increasing Pakistan's potential as the quickest and least costly gateway into these markets.

It is difficult for even some seasoned business leaders, used to century-old routes via Moscow and long road journeys to Central Asia, to realise how much the world had changed after the dissolution of the USSR – as far as trading with Central Asia is concerned. But publicising this fact and realising its potential through improved connectivity, falls squarely upon our horse-and-buggy system which itself lives in the 19th century world of Tsarist Russia.

In the nouveau rich age of ignorance, our governance is not moved by shared heritage of history, commerce or the culture of our people whose children were put to bed on stories of the fairies of Koh-e-kaf (Caucasus mountains), who grew up hearing about Samarkand and Bukhara, and Taimur and Babur – even if they did not read the largest collections of Hadith by Imam

Bukhari or heard of Khwarizmi (the father of algebra) or philosopher Al Farabi, acknowledged as second only to Aristotle or Ibn-e-Sina, the star philosopher and medical wizard of the Medieval Islamic period.

It seems that the news hasn't yet been registered in the sanctum sanctorum of our governance that for a quarter of century now the peoples of these countries have been free from the long rule of Tsarist Russia and USSR and are forging their own relations with other nations.

The Asian Development Bank has been playing an active role in expanding transport and communication networks and improving connectivity with and among Central Asian nations, just as the European Development Bank (EDB) has been working for similar connectivity of Central Asia with Europe. Pakistan has been among the founding members of the ADB but its laidback governance has not shown an interest in improving connectivity with Central Asia. Consequently, connectivity between Pakistan and Central Asian markets has received the lowest priority of all such ADB projects.

The price paid by Pakistan for its laidback governance has resulted in the countries and companies who originally wanted to partner with us for entering into Central Asian markets, ultimately got tired of the inertia in our decision making and moved on with other alternatives.

The result has been that everybody has developed energy, trade and communication linkages with Central Asia- except Pakistan. New and improved facilities have been created towards the west for European access, towards the north for Russian access and towards the east for Chinese access to these resources.

The only access route left out is the shortest southern route through Pakistan to global markets, which remains where it was for two centuries when these countries were ruled by Tsarist Russia and the USSR.

The world does not comprise a mere half a dozen countries which our laidback governance has been circling around. But the colonial legacy of a one-track westward look still rules the roost and has entrenched itself into our culture of governance. This dependency has been shrinking the world for Pakistan and increasing its isolation.

A closer network of friendly relations with the arc of

Tajikistan, Kyrgyzstan, Kazakhstan, Uzbekistan and Turkmenistan would have brought economic and strategic benefits to Pakistan and also helped handle irritants that have frequently been popping up from across our western border. Extending this arc of friendship to link up with Iran would further benefit Pakistan.

Both Russia and China have strong economic, political and security relations with the Central Asian States. Pakistan is now a full member of the Shanghai Cooperation Organization (SCO) and should work with their understanding and support towards a new era of closer cooperation with Central Asian nations.

What this tells us is the story of a system of governance which was clueless about potential even when the opportunity of the century had walked up to Pakistan itself. Its dependency syndrome has been leading the country into isolation. And it has shown neither will nor capacity to widen the circles of opportunities for the country.

Refusing to learn, Pakistan still hopes to take off on its future journey on a bird which has time and again shown that it doesn't have any wings to fly.

The News, October 05, 2016

What makes this the Asian century?

Two hundred years after losing its preeminent position as the centre of world economy, Asia has regained it. The largest and most populous continent, birthplace of major religions, home to multiple and diverse civilisations – Indus valley, Babylon, Huang-He valley – Asia has always been big and bountiful.

This was so until the Industrial Revolution – unfolding after 1750 – which multiplied the capabilities of Europeans and turned the tables on Asia' s power and prosperity. One simple fact will show the consequences of these enhanced capabilities. At no time, for instance, during the British occupation and administration of the Indian subcontinent, did the number of British civil and military manpower administering the whole of the Subcontinent increase beyond 22,000; India' s population in 1857 was 250 million which grew up to over 350 million by 1947 when the British left the Subcontinent.

So, the 19th century was certainly the European century – in which Pax Britannica reigned supreme. But two European civil wars of the 20th century – World Wars I and II – took a massive toll on Europe's human resources, destroyed social and physical infrastructure and bankrupted their economies. As the US rescued Europe and helped in its reconstruction after WWII, it heralded the arrival of the American century.

The 20th century became the American century. The US further consolidated its position as the sole superpower after the fall of the USSR and end of the cold war in 1991. However, the US' s disastrous military intervention in Iraq in 2003 and the financial meltdown of the subprime mortgage crisis of 2007-10 severely

derailed Francis Fukuyama's dream of the 'end of history' .

By then Asia had come of age. The path pioneered by Japan at the beginning of the 20th century was followed by the 'East Asian Miracle' of Hong Kong, Taiwan (China), South Korea, and Singapore later in its second half. Soon other success stories of the emerging markets of Malaysia, Indonesia, India, Thailand strengthened the Asian argument (how I wish I could put Pakistan here; our economic resurgence around this time was once again derailed by our politics).

But, it was China's arrival as the global economic power at the beginning of the 21st century – the fastest rise in the history of any country – that clinched the argument that Asia was now on an irreversible path of power and prosperity and was becoming the centre of gravity of the world economy. How did this Chinese miracle come about?

"The most important strategic choice the Chinese made [in the late 1970s] was to embrace globalisation", said the leading Chinese scholar and reformer Zheng Bijian in 'China' s Peaceful Rise to Great Power Status' published in Foreign Affairs magazine in 2005.

I have been visiting China since the early 1980s when Shenzhen was still a construction site and its 51-story building in those days was counted as the tallest building of China! Guided by the governance reforms of Deng Xiaoping (1978), the speed and expanse of industrialisation of its economy has been breathtaking for the world. Its meteoric rise was built upon the earlier foundations of large-scale education and skill development programmes.

Deng's wisdom married the educated and skilled workforce of China's socialist reforms with foreign investment and technology and used globalisation of markets to leap forward the Chinese economy and fill up the world markets with its products. According to him: "It doesn't matter whether the cat is black or white, so long it catches the mice".

As the world became a global village, Chinese exports which in 1978 were about $10 billion, kept leaping forward and in 2015 stood at $1.2 trillion or $1200 billion. (Pakistani exports in the same period grew at a snail's pace – from about $3 billion to $23 billion). And the IMF tells us that successful pursuit of this strategy helped China become the largest economic power when

in 2014 its share in the world economy became 17 percent compared to 16 percent of the US.

For Pakistan the lessons are obvious. Globalisation may not be the panacea but its rules for success and failure are clearly known; as are the rewards and punishments for countries and companies. If the Chinese and other Asians have used globalisation so successfully and Pakistan has not, the reason lies in our laidback, horse-and-buggy system of governance which lacked the vision to see the forces driving the world economy. It also didn't recognise value of timely decision-making and kept letting opportunities fall by the wayside.

Internally, we failed to create a foundation of educated and skilled workforce; did not encourage discipline and work ethics, and did not develop policies to attract FDI, technology, and quality management for industrialisation of its economy. The result is: Pakistani exports have essentially stagnated and their value addition is the lowest even among South Asian countries.

Let us also be clear: without discipline and work ethics, neither democracy nor development is sustainable – a point highlighted by Quaid-e-Azam when he made 'discipline' one of the three pillars of the governance of the modern democratic Pakistan – something we forgot soon after his passing away.

On the occasion of attending an Asia Society conference on 'China and its neighbours' in Beijing, I had opportunity of meeting Madam Wu Yi – a good old friend of Pakistan – then China' s minister for international trade and later deputy prime minister of China. She spoke fondly of the history of China-Pakistan relations and advised that both China and Pakistan should deepen their relations by building economic bridges between the two countries.

Which brings me to the China-Pakistan Economic Corridor (CPEC) – the strongest economic bridge between our two countries which will help Pakistan cross over and enter into the power and prosperity of the Asian Century. All this provided it moves out of its laidback, inefficient, horse-and-buggy system of governance. It is good that the Pakistan Army has taken principal responsibility for its timely and efficient completion, which is extremely important as there is more to come after that.

China's 'One Road, One Belt' project, the Asia Infrastructure Investment Bank (AIIB) and a 15,000 kms railway

line passing through Pakistan and linking Shenzhen with Amsterdam are mammoth undertakings which would further integrate Asian economies.

However, the major challenge to Asia's rising prosperity could come if access to Western markets is denied to its competitive economies under various protective and inward-looking measures. History tells us that such tectonic changes as shifting the centre of gravity of the world economy have not happened easily and peacefully in the past. Nevertheless, Asia must develop skills and sophistication for a peaceful realisation of its dreams.

For Pakistan, the only way out of the losers' corner in a globalised economy is by enhancing 'efficiency of governance' and 'productivity of economy'. But on both counts, the laidback medieval political culture controlling its governance was defeated and colonised in the 19th century Subcontinent.

The question is: how does Pakistan hope to successfully navigate through 21st century challenges on the back of a defeated political culture of the 19th century?

The News, August 17, 2016