

## The Business

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## Taxpayer pro-

According to a Federal Board of Revenue's (FBR's) directive that taxpayer profiles shall be filed electronically as well as the introduction of the facility of e-audit for sales tax registered persons, to conduct proceedings via video links, are both steps in the right direction and therefore very welcome. There is a growing voices calling for just such reform. Since the only credible means of ensuring such space lie in the electronic realm, and most countries have indeed taken their tax machineries online precisely to ensure efficiency and transparency, it's about time the FBR also did the same. However, corruption is so deeply entrenched in this department that whatever form of reform has ever been initiated by any administration has been quickly and convincingly thwarted by the many layers of corrupt officials in the organisation that stand to lose their free rides from such things. It goes without saying, of course, that they almost always receive help from the big fish that they help evade taxes, some of whom regularly roam the corridors of power and are only too happy to help nip such evils in the bud.

The FBR's earlier attempts at going electronic, so to speak, have inspired much confidence about its commitment to tax reform. For example, the first time it experimented with making taxpayers file their returns electronically it came up with the most unique website in the world. It had a built-in mechanism that only allowed systems using licensed Microsoft Windows applications to log on. Since that meant acquiring the original Microsoft Office pack, any taxpayer that wanted to play along was also obliged to pay at least Rs200,000 to Rs250,000 for the privilege. This went on for more than a decade, during which FBR had at least 11 different chairmen. It's as if it goes out of its way to break the law and encourage a culture of corruption and lack of transparency within it.

The FBR is primarily responsible for the incredibly low tax collection rate of the country. Even when its officials are not directly harassing individuals and businesses it's forms and procedures are so complicated that even the most honest taxpayers' lives are made miserable for no reason at all. The result is that a country whose tax revenue should have been somewhere around 20 percent of the GDP is stuck with nine-point-something percent with nothing to suggest even the remotest chance of improvement anywhere on the horizon. It is for a reason that multi- and bi-lateral lenders insist on FBR reforms whenever we go to them for more loans. Since it is an organ of the federal government, the ruling party is urged to monitor this process very closely because its own number-one problem is low tax collection, which drags down reserves.

## The interplay of free speech &amp; economic growth

HASSAN MUJTABA

Many disciplines within the social sciences teach us that policies and legislation that are inclusive, meticulous, thoroughly debated, and patiently executed fare much better in achieving their intended goals than do those which do not involve consultation processes. The new social media rules stipulated in the — Removal and Blocking of Unlawful Online Content (Procedure, Oversight, and Safeguards), Rules 2020—passed by the Pakistan Telecommunications Authority (PTA) serve as an example of the latter, since they did not involve deliberations and consent of all relevant stakeholders. Therefore, the new rules are being protested by several quarters, especially the Social Media Companies (SMCs), digital rights activists, and civil society, who perceive them to be a governmental attempt to consolidate online censorship, thus trampling upon the already shrinking space for free expression and dissent.

While a lot has been written and said about the pernicious effects of censorship on democracy, civic rights, and political freedoms, what is usually ignored is the interplay of free speech and economic growth, especially in the context of emerging economies. Although the link is imperceptible at first glance, the fact is that greater acceptance of free speech facilitates the free exchange of ideas and information, which drives innovation, thus resulting sustainable economic growth. And growth is what capitalism depends upon, with nation-states regarding it as the most crucial metric of prosperity and progress.

The dynamics of capitalistic

growth might be best explained by Austrian economist Joseph Schumpeter in his 1942 book titled Capitalism, Socialism, and Democracy. In the book, Schumpeter adopts a radically different approach from other economists and theorizes that the cut-throat competition of capitalism forces entrepreneurs to continually innovate and generate new ideas that help them stay afloat. Those firms which fail to innovate are, thus, weeded out and replaced by more creative counterparts who are engaged in consistent research & development (R&D). Schumpeter calls this dynamic process 'creative destruction' and asserts that micro-level creative destruction generates macro-level economic growth.

One wonders at the validity of this theorization for emerging economies where capitalism routinely co-mingles with other primitive modes of production. One can reasonably argue that since Least Developed Countries (LDCs) have not completed their transition towards full-scale capitalism, the dynamics of creative destruction may as well be rudimentary. Indeed, many other economic theories explain the alternative paths towards growth and development that LDCs can take. For example, the neoclassical Solow Growth Model asserts that one way for the LDCs to achieve long-run economic growth is by imitating the inventions and innovations of industrialized developed economies. In other words, by not re-inventing the proverbial wheel and by merely recreating cars, computers, software, machinery, and other capital goods, an LDC can also embark on a path of sustainable economic growth. However, there is a caveat to this form of economic growth as LDCs cannot

continue to grow forever by merely copying innovations, as they will eventually run out of things to copy! This is what the economists call reaching an 'economic frontier' beyond which an economy cannot grow without further innovation and R&D.

The United States has been operating at the economic frontier for at least the past one century. This suggests that most, if not all, of its impressive productivity gains and economic growth have exclusively resulted from innovations and R&D, which is facilitated by the free exchange of ideas and information. Indeed, it is no coincidence that the United States' status as the world's most free country is directly correlated with its robust economy which can be gauged by the fact that the social media giant Facebook—located in Silicon Valley, USA—boasts market capitalization which is more than double the size of all European tech companies!

One can question as to what is so harmful about censorship or restricted speech that it negatively impacts growth and economic prosperity. To begin with, restrictions on free speech—in the garb of national ideology, religion and security—creates an environment where it gradually becomes difficult to carry out any speech, and before anyone realizes, the web of censorship stymies free exchange of information, thus stifling creativity and generation of new ideas. Small wonder then, that the world's most authoritarian countries are not known for the innovation element in their economic profiles, and certainly not for cutting edge research or new technological breakthroughs.

The growth spillover effects of free speech are well-documented in

economics literature and backed by sufficient empirical proof. For example, a study conducted on English cities by Simon and Nardinelli using data from 1861 to 1961 found that cities with the highest concentration of the bourgeoisie (i.e., entrepreneurs and skilled white-collar workers) experienced the most rapid industrial and economic growth. They also found that cities which allowed the bourgeoisie to engage in the free exchange of ideas and information—at the industry workshops, fairs, coffee shops, tea houses, and literary festivals—grew at a significantly faster pace than cities which restricted such progressive activities.

The authors, thus, conclude that "it is the talk of the bourgeoisie and not the smoke of the factory that leads to economic growth". In another study titled Bourgeoisie Virtue, author Donald McCloskey came to similar conclusions and asserted quite wittingly that "the bourgeoisie works with its mouth and depends on the word of mouth". In this context, it becomes clear that any unnecessary restrictions on speech and digital freedoms—barring online harassment, slander, identity theft, and spread of fake news—is counterproductive and inimical to Pakistan's long-run growth and economic progress. On their part, the policymakers of Pakistan should realise that in the age of knowledge economy, data is the biggest capital asset possessed by individuals, companies, and countries, and its free exchange results in a win-win situation for all.

The writer is a researcher in the Economic Affairs section of Centre for Aerospace & Security

## Yippee ki yay 2020

MOSHARRAF ZAIDI

As much as we all rightfully lament the scars of this Covid-19 inflicted year, there are many lessons that we should be carrying with us into the new year in 2021, InshaAllah. I summarise a few of these below.

**Lesson 1:** Pakistan is not always unlucky. The original first wave of the Covid-19 pandemic was supposed to destroy the healthcare system, take hundreds of thousands of lives and leave the streets of Pakistan in a hot, viral mess. But the most significant aftershocks of the first wave were all focused on the question of what exactly happened, and why Pakistan was able to see off the first wave without anywhere near the damage that it was expected to wreak.

Every single explanation includes the element of good fortune, or a Covid-19 miracle. Even the very people assigned to deal with the pandemic (and therefore, fully incentivized to claim all the credit for Pakistan's successful handling of the pandemic, especially through the first wave), all agree that there were factors that prevented a much more calamitous first wave for Pakistan, that science is not able to account for.

Through the first two decades of this century, Pakistan has endured a military dictatorship, incompetent political leaders, corrupt government officials and a terrorist insurgency that all conspired to destroy Pakistani self-belief and self-confidence. You see it on cricket fields, in conferences, on social media and throughout the self-effacing analysis of Pakistan's greatest challenges. One major source of this lack of self-belief or self-confidence is the idea that the country is somehow cursed to live out the same cycles and the same processes over and over and over again. But the Covid-19 miracle did happen. And it happened to this country. So, smile. Allah Mian loves Pakistan, and He loves you. Long may such miracles repeat themselves, and long may this Love continue.

**Lesson 2:** Province-province and provinces-centre relations CAN work, even in a time of intense political bitterness and partisanship. Whilst the Covid-19 miracle explains a part of the

reason why Pakistan did so much better than most countries in tackling the first wave of the virus, it does not explain all of it. For that we have to look closely at the NCOC, the daily briefing venue in which, perhaps like never before, the provinces and regions, the federal government, data sciences, the military and public health specialists came together to frame the national response to the pandemic.

Among the many things the NCOC did was to evaluate and establish the pandemic hot spots that needed stricter implementation of the SOPs, warn government about the critical spreading factors, create an avenue for national consensus on issues like school closures, restaurant openings, and perhaps most of all, track the vital signs of Pakistan's public health system — including but not limited to the number of operational ventilators and CPAPs available to citizens, the procurement of vital medicines, and in the early days, the allocation of personal protective equipment (PPE) to jurisdictions, by need.

Pakistan's low fatality and spread numbers were a blessing, but they were also engineered through an innovative method of establishing and implementing consensus around robust evidence and key baseline standards. The credit for this goes to the NCOC, and especially its leader, Asad Umar, as well as both Dr Zafar Mirza (first) and Dr Faisal Sultan (thereafter). The military's role in providing the muscle and speed that the NCOC needed was crucial — if the existing administrative and political structures had been asked to do this, they would have failed (as it did, between February and March 2020).

Perhaps least celebrated but most certainly deserving of praise were the leaders of the provinces: from Taimur Khan Jhagra and Mahmood Khan in Khyber Pakhtunkhwa, to Zahoor Buledi and Jam Kamal in Balochistan, to Yasmin Rashid in Punjab. More than any other province, despite being in political opposition, Chief Minister Murad Ali Shah, Health Minister Azra Pechuho and many others in the Sindh Cabinet forged a clear, evidence-based response to Covid-19 that helped shape the overall national response, once the discussions moved from Twitter and

television talk shows, into the serious and performance-neutral confines of the NCOC. The NCOC is proof that Pakistan's federal design is indeed the only way forward for Pakistan, and that when a crisis hits, the country's institutions and politics all bend in service of the people. Now if only the extraordinary can be made ordinary and routine!

**Lesson 3:** Pakistan and Afghanistan relations can be improved. And these need more engagement, not less. Ever since Mohammad Sadiq was appointed Pakistan's special envoy to Afghanistan, the depth and breadth of the relationship has grown. Massively. In part, this is because Sadiq was a brilliant diplomat throughout his career at the Foreign Office, and helped single-handedly establish a model for how Pakistan should approach modern day Afghanistan (short synopsis? Like an extremely important sovereign state that deserves deep and abiding respect). But in part, the improvement in relations between Pakistan and both the Islamic Republic in Kabul and the Islamic Emirate in Doha, is due to the immense respect Sadiq commands within Pakistan, and especially his persuasiveness on issues that had long been deemed lost causes.

Issues like the number of border openings and the manner in which the openings are managed matters to Afghanistan a lot more than some of the social media hashtags and talking points that triggers so many Pakistani hawks. As hawkish as they come on Pakistan's national interest, Sadiq is the rare diplomat that not only understands and prioritizes the country's security, but has the ability to transform those concerns into proactive diplomacy.

The Foreign Office has many young Sadiqs that will be ruined by skewed incentives and a crooked and underhanded postings and transfers system. Reformers would do well to study Sadiq's career, his methods and his effectiveness. Two dozen Sadiqs at BPS 19 are constantly on the precipice of being ruined by a system that rewards the wrong behaviours. At stake are the most important relationships that Pakistan has. In 2020, Sadiq proved (again) that Pakistan Afghanistan relations can be im-

proved, quite dramatically, when those entrusted with the responsibility to improve them, give it 100 percent and care deeply about people on both sides of the border.

**Lesson 4:** Protests matter — but not always for the protesters. The Pakistan Democratic Movement or PDM has been agitating for an end to the reign of Prime Minister Imran Khan, and for many Pakistanis, the full-throated protests of the PDM have been a breath of fresh air. After several years of a subdued political discourse in which slowly, but surely, many of the incidental freedoms of expression Pakistanis have traditionally enjoyed, were evaporating. Politics is not a saintly tradition, and so the PDM is no march of saints upon an evil citadel. In fact, it is often hard to decipher what exactly Maryam Nawaz Sharif, Maulana Fazlur Rehman, and Bilawal Bhutto Zardari are agitating for, other than for their families' 'rightful' places in seats of enormous power.

But the PDM has given oxygen to the voices of leaders like Akhtar Mengal and Mehmood Achakzai. Deem them whatever we may, but when peripheral interests become voices of anguish, the mainstream should start to listen more carefully. We need not take offense to every rhetorical flourish if we are to grow and prosper as a unified and strong nation. The PDM demonstrates the vitality that Pakistan's periphery adds to its mainstream, and reminds us of the need for more, not less inclusion. More, not less tolerance. More, not less heart.

**Lesson 5:** All nightmares come to an end. Whatever 2021 may have in store for the world and for Pakistan (InshaAllah, it will be better in every way, than 2020), we know that in ten days, the year of the pandemic will close to make way for the year of the vaccine. There will be glitches. As a resource-constrained and science-deficit country, Pakistan will depend on others for the vaccine. The rich will get it sooner than the poor. But a year of vaccinations is better than a year of infections. To great mental health, peace in spirit and in kind, and the capacity to retain your optimism, always. Here's saying goodbye. Yippee Ki Yay 2020.

CORONA CAUSES BAN ON UAE VISAS FOR PAKISTAN: FO



## Unpleasant truths

DR A Q KHAN

Some unpleasant truths but food for thought. First of all, the way all politicians consort to lying, distortion of truth, abusing others and bragging about their own so-called achievements. Can we not be in the least bit civilized? Tell a lie often enough and in the end the people will accept it as a truth. The only problem is: who is telling the truth? No one!

A very unpleasant truth is our education system. There are many experts, all singing praises to their achievements. Every day we read of a new invention and/or a new top-class university (read polytechnic) being set up giving the impression that it is equivalent to Harvard, Stanford, Cambridge, Oxford, etc. The teachers are claimed to be of equal quality and ability.

The sad fact remains that, in the list of the most well-known universities of the world, we are nowhere. Our standard and system of education doesn't amount to much. We hardly produce scholars or engineers worth mentioning and many competent, able, foreign-trained PhDs remain jobless. Yet we boast of rapid progress everywhere. If you have even a single PhD jobless, you are a worthless country.

Recently, Noam Chomsky lamented that Pakistan had destroyed science and buried it under rubble and rubbish. No scientific work worth mentioning is being done in the country, yet our gurus are bragging that we have left the rest of the world behind in this field. Ad hoc-ism, favouritism and corruption are rampant everywhere.

Take a look at our neighbour, India. Their educational institutions (Indian Institutes of Technologies) are world-renowned; they produce excellent publications and books. No wonder their graduates are holding top positions in the Western world. Twenty years ago, a self-proclaimed top scientist in Pakistan had proclaimed to have found a cure for AIDS. Where is it now?

Nehru was a Cambridge-trained politician with excellent skills at judging people. He made Maulana Abul Kalam minister of education and the wonders done by him are there for all to see. We have some excellent scientists, engineers and doctors, but they all fall prey to jealousy and intrigues. Scandals plague our institutions, a case in point being the recent suicide of a female PhD student, while our leaders simply look the other way.

Another one is the claims of good governance made by each successive government. For the last 10 years we have had commissions that were supposed to suggest improvements to the administration, but the result is miserable. Good governance is what Dr



Mahathir and President Erdogan have shown to the people. What we have is a set of politicians/special assistants who have nothing better to do than to pick apart their opponents. Have you heard a single derogatory, uncivilized word from Joe Biden against Trump? Or from Obama against Bush? Here one is rewarded for playing dirty.

The area ruled by Hazrat Umar (ra) was more than eight times larger than Pakistan, with people from many different races. There were no technological developments at the time, yet no criminal managed to get away after having committed an offence. The reason was that Hazrat Umar (ra) was a God-fearing person, very strict on principles and very kind to the needy. What has been most disastrous to our culture and country has been the rampant corruption from top to bottom. That is the result of ignoring divine edicts, failing education norms and the failure to instil the honesty, decency and cultural norms called for in Islam in our children.

Our foreign policy is in tatters. We have lost our Arab friends. The only country that has stood by us through thick and thin is China. No Muslim ruler (except Dr Mahathir and President Erdogan) and no Western country raised a finger at India over the atrocities in Kashmir.

The fact is that the Indian government has formed teams for specific jobs against us and they are very good at their work. What are we doing to counter this form of aggression? Our government is targeting the opposition leaders all day and every day, leaving the field wide open to Indian tactics.

Despite vast natural resources, an excellent canal system (inherited from the British) and being a predominantly agricultural country, our vegetable prices are relatively high than those for flour, milk, rice, edible oil etc. Billions of cubic meters of water are allowed to run to sea, often causing flooding on the way, without being utilized for agriculture, for making fish ponds, etc. Look at China. They obtained independence two years after us and see where they are now.