

Govt-traders face-off: Who will blink first?

LAHORE: The uncertainty has peaked after the budget as the government is engaging every sector voicing reservations about specific budgetary measures and now the disgruntled businesses and the adamant state are in a showdown with each expecting the other to blink first in this game of nerves.

If the government is in no mood to roll back the budgetary measures then it should not negotiate and dare the different sectors of economy to register their protest in streets. In the same way if the businesses see no relaxation in government's stance they should not go on postponing their protests. Both businessmen and the government agree that massive increase in revenues is required to both disagree on the way it could be collected.

The government wants it to be in a documented way, while the businesses want the burden to be entirely shifted to the masses through indirect taxation.

They do not want the state to check and plug tax evasions. The government simply wants the manufacturers to procure inputs from documented suppliers. The manufacturers lament that there are no documented suppliers in the value chain.

The question is how the non-documented suppliers be brought in to tax net. If the documented manufacturers are permitted to procure inputs from the informal sector or get services from them then the economy would never get registered in tax net.

The manufacturers would have to stop purchases from them to force them to come into tax net. No government in the world has the capacity or capability to go to millions of undocumented suppliers and register them. The process has to be started by denying the informal sales to documented sector or make the sales or services so expensive that they are forced to become formal.

All it needs is patience. For how long will the informal businesses strike? This time around the possibility of creating law and order chaos is not possible because the armed forces and the political government are on one page and agitation would be crushed with the use of force.

Simple strikes like shutting down shops in protest would not provide any opportunity for the state to react. The traders in the past had resisted similar attempts by different governments through shutter-down strikes. The longest was of over 35 days carried out in year 2000 during the Musharraf-led military government.

Every time the government blinked the traders came out victorious.

The only chance for the government to win was during Musharraf regime when the resources of small traders were almost exhausted and shops started opening in small numbers in smaller markets. But it was the military government that succumbed to traders' pressure and it gave traders the courage to think they can repeat the performance again.

It must be noted that when the industries go on strike it does not affect the normal life in the country. It might have crippling impact on the economy in the long run but in short-term the business of life remains as usual. The shutter-down strike on the other hand gives the entire country a deserted look. There are over two million shuttered shops in the country scattered in all parts of the country with concentration of retail outlets in the markets in each area.

Millions of customers visit these shops daily. When these shops are closed the markets and the cities give a deserted look. Customers are forced to remain inside their houses as they are unable to buy anything. The traffic also becomes very thin. Only the offices, mostly the government and corporate ones, are open.

This time around the traders are expecting to put up similar resistance. About two decades back the economy was in much better shape. The large and middle class traders could afford to close the shops indefinitely. They may still have the capability to observe a prolonged strike. The small retailers, however, are not so strong now. Their sales have been badly impacted by mega grocery stores and thousands of brand outlets opened around the country.

They would not be able to sustain shutter-down strike for more than 30 days. Will the present regime show the resolve to stubbornly refuse any concession to tax evaders? If the traders succeeded in blackmailing the government now we can say good bye to the documentation of economy that is a must to ensure sustained economic growth. These policies may not help Pakistan Tehreek-e-Insaf (PTI) win next election but a solid economic base would be laid in this country for the generations to come.

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