

2013

Why governance has become a labor of Sisyphus? Part 1

The missing contextual connection between what we are doing and what needs to be done!

The people expect social justice, economic equality to the extent of ONLY transparent equal opportunity, political consensus, diplomatic sagacity and cautious military use for maintaining bi-lateral, multi-lateral and global peace.

Four major areas of global concern:

- Crisis of political and corporate leadership
- Skyrocketing cost of living, nose-diving value of money, over-trumpeting of economic growth and inappropriate corporate role models neglecting the formation of bubbles and criminal corporate activities.
- Emergence of unattended oases of affluence and deserts of poverty and deprivation as a consequence of the alarmingly widening gap between rich and poor
- Need for remapping of natural and human resource rich countries as cost-effective hubs of global economic growth contributors

A preliminary Five-Point Agenda for the serious consideration of the world leaders follows.

Zahid Hussain Khalid

Written for Wordpress, Slideshare, LinkedIn, Facebook, Twitter

3/17/2013



Why governance has become a labor of Sisyphus? Part 1

The missing contextual connection between what we are doing and what needs to be done!



By: Zahid Hussain Khalid

The pace of rapid on-auto-pilot globalization is gradually but alarmingly turning governance into labor of Sisyphus. Every new dawn brings problems adding to the complexity of the simple routine matters of national and international affairs.

What do the people expect?

The people of fragile and failing states in different parts of the world, as do the people of the developed and developing countries, expect social justice, economic equality to the extent of ONLY transparent equal opportunity, political consensus, diplomatic sagacity and cautious military use for maintaining bi-lateral, multi-lateral and global peace. Is there any reason to believe that their expectations are genuinely part of any visible agenda for addressing them through a globally aligned workable set of policy initiatives?



The expectations of the people are like a puzzle consisting of dis-configured pieces. These dis-configured pieces of the puzzle need to be re-configured. Is it possible to complete the re-configuration task if one or more than one pieces of the puzzle are either missing or totally ignored un-intentionally?



Each of the essential pieces of the puzzle has been very cleverly and, as it appears, innocently replaced with an artificially created illusion through a well knit web of deception that even a knowledgeable person of above average intelligence fails to understand.

At present there are four major areas of global concern irrespective of conflicting considerations of religions, countries and nationalities:

- Crisis of political and corporate leadership due to the failure in acknowledging and paying attention to the need for honestly aligning national priorities with emerging unattended global priorities of far greater significance for international peace, progress and prosperity.
- Skyrocketing cost of living, nose-diving value of money, over-trumpeting of economic growth and inappropriate corporate role models neglecting the formation of bubbles and criminal corporate activities.
- Emergence of unattended oases of affluence and deserts of poverty and deprivation as a consequence of the alarmingly widening gap between rich and poor
- Need for remapping of natural and human resource rich countries as cost-effective hubs of global economic growth contributors

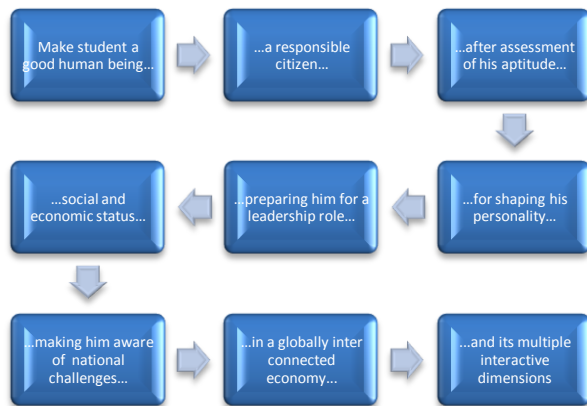
Why the national priorities are not aligned with global priorities?

The alignment of national priorities with global priorities is a very complicated time-consuming process for which there is evidently no sign of any initiative on ground at present. However, there is an ongoing series of summit level discussions at G-20 meetings through a gradual step-by-step process to socially, economically and diplomatically align the interests of the countries in different regional social, economic and military blocs by developing consensus on a global agenda. These regional blocs will ultimately play a decisive role in creating a genuine global social and economic balance of international political power. But before that happens, an important neglected area of global alignment is the urgent need of the time and that is the immediate re-invention of national education system in the first phase for the preparation of a preliminary framework for the invention of a Global Contextual Education System in the second phase. This process of re-invention and preparation alone will take two to three decades.

The first and second phases of alignment process are far more challenging than far less significant economic crises of varying magnitudes and on-going war against terrorism in different parts of the world because, interestingly, there is no such “successful” model on ground even in America and Europe that can be truly called a National Contextual Education Model. Though a number of countries in different continents have unsuccessfully attempted and are continuing attempts to develop such a model. When there is no Global Contextual Education Model then how can the countries even think about its second phase?



The world leaders haven't yet started thinking on this basic requirement of globalization.



Only through re-invention of education system people will be able to exactly know their role as global citizens and understand that the lines around different territories on map of the world are nothing but the symbols for the purpose of identification of people of different countries who are connected with each other irrespective of their individual national, religious, and ethnic identities. Their survival, progress and prosperity depend on cooperation in an environment of peace and not on confrontation. This they cannot do without knowing each other, understanding

each other, working shoulder-to-shoulder and rising above nationalities, religions and ethnicity. At present the strategic national planners across the globe lack the essential qualification to comprehend the complex nature of "identity, religion and society-state relationship" in countries other than their own country. Even, in this area, they have evidently failed to deliver satisfactorily. The only available medium to do that, therefore, will be a Re-invented Integrated Global Contextual Education Model which does not exist at present.

There are three other developments which are adding to the complications with every passing moment:

First, multiplying proliferation of mainstream and social media with simultaneously conflicting and partially overlapping commercial and purely professional humanitarian networking / connectivity priorities respectively is resulting in confusion.



Second, recommendations of serious professional research reports, which temporarily fill in the vacuum created by non-availability of global contextual intellectual framework, have been increasingly branded and brushed aside in main-stream media as sets of imaginary conspiracy theories without even considering the questions raised, answered and solutions with multiple options that are presented in such reports by content developers and controllers, with laudable exceptions.

Third, one cannot, however, resist acknowledging the commendable role of those few professionally honest and dedicated editors, contributors, analysts and reporters in mainstream media who stand for publishing and broadcasting everything that is really fit to print and broadcast irrespective of consequences.

The above developments, with acknowledged exceptions, are outcome of missing contextual connection between what we are doing and what needs to be done alienating the people and making them frustrated and disappointed.

Any action anywhere in the world for any reason without any knowledge of contextual realities on ground as they are results in segregation, fragmentation and uncontrollable chaos negatively impacting directly and indirectly every aspect of national and global activity. These so far neglected aspects of ground realities



make situation in a number of countries in Europe, Middle East, and Africa, Asia and even Europe and America unpredictable with far reaching unpleasant regional and global consequences.

Growth at any cost like profit at any cost is now adding to the complications of the challenges that demand immediate attention of the world leaders.

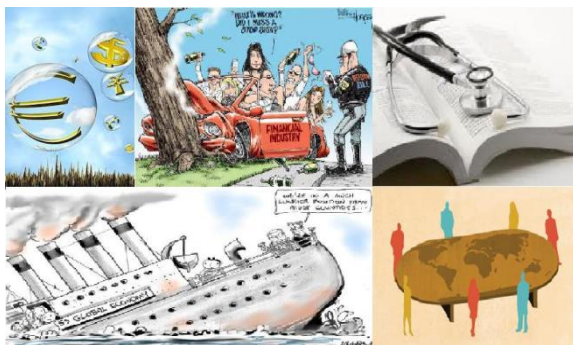
Cost of living, value of money and the myth of economic growth models

In parallel regulated and unregulated, formal and informal economies, competing fiercely with each other, the vigilantly monitored cost of living and stable value of money make the economic growth sustainable. The escalating cost of living and declining value of money create small segments of affluence and large circles of poverty and deprivation resulting in social segregation and fragmentation. The following three questions coming to mind are:

1. How to keep cost of living at a certain acceptable level of natural fluctuation that cannot be avoided maintaining the value of money slightly below or above where it remains at least for months, if not years?
2. How to maintain the cost of living at a level that does not negatively influence standard of living and at the same time ensures the smooth economic growth also?
3. How the burden of the rising cost of living for sustainable economic growth is distributed to arrest the widening of gap between rich and poor?



Are these questions that complicated to find simple answers to them?

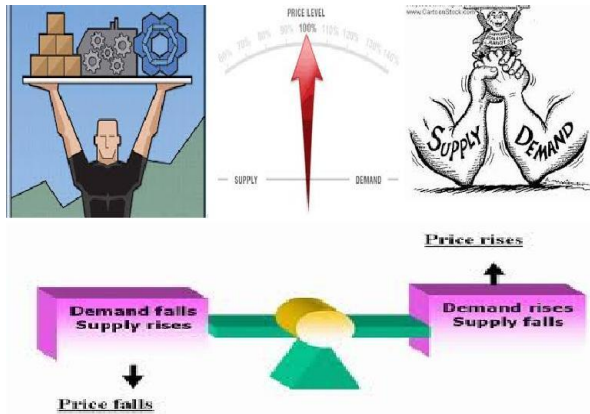


There are three main reasons for escalating cost of living, devaluation of currency and widening gap between rich and poor:

1. The regulatory regimes have failed to protect the consumers.
2. The upper ceiling of legitimate profit has not been fixed.
3. The gap between salary slabs has not been rationalized.

In addition to the above, so far, the outstanding economists and economic journalists have either neglected or defended the wrong application of the principle of the Price Elasticity of Demand and its technically engineered consequences in a free economy and capitalist system. This unintentional negligence or misplaced defense is fanning negative sentiments for both economic philosophies. The other socially

dangerous outcome is the uncalled for on-the-street display of anti-rich sentiments as well as in social and mainstream media which is a very dangerous social and economic development.



It is a fact that the fluctuation in demand and supply naturally results in price fluctuation. The question is to what extent it is permissible and technically defensible? Isn't it one of the major causes of deprivation and poverty? It is true that demographic factor and the ongoing natural process of resource depletion are rapidly restricting the access to and distribution of resources. Isn't it the responsibility of the governments to either align the resource planning with demographic growth / resource depletion or look for alternate resources before the scarcity

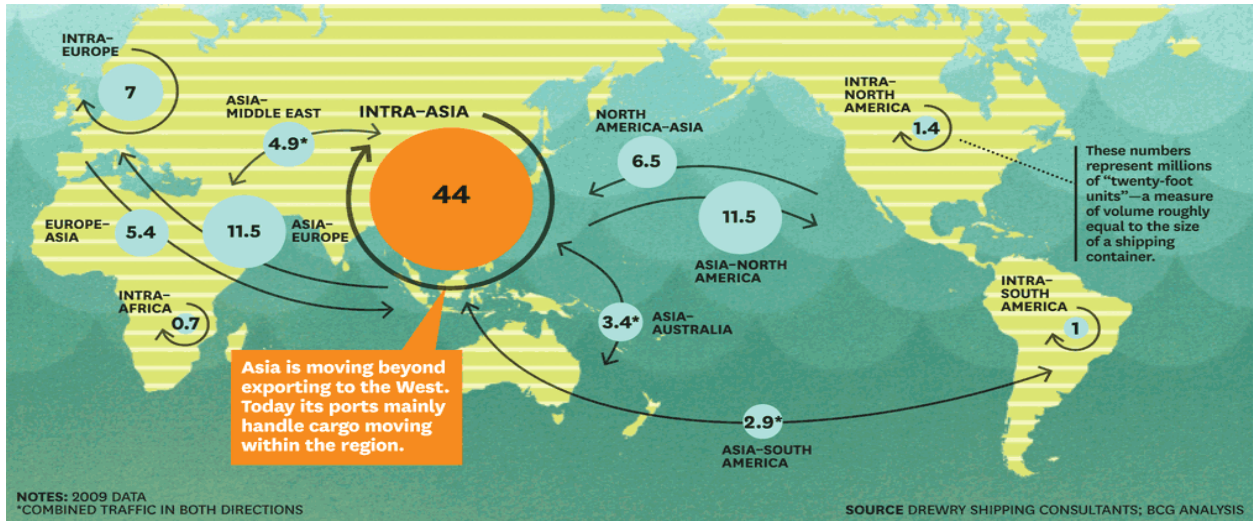
results in price hikes and widening the gap between rich and poor?

Secondly, as long as a product or commodity is available in the market, irrespective of its demand, is there any justification for increase in its price only assuming that the demand is demographically higher than the supply? It has been noticed that the markets are flooded with quality products and commodities but a few lucky ones can buy them only due to the unjustified overnight increase in their prices and their unfair and often fake division in high-quality high-price and low-quality low price categories. Is it elasticity of demand and supply or artificially enforced price hike in connivance with the regulators?

The undeniable fact is that the fertility rate in almost all developed and most developed countries is admittedly negative to the extent that aging has become an economic instead of a social issue because social security contributions are constantly declining and social security claims are rising in value and numbers. Can it be assumed that the reason for increase in prices in the developed and most developed countries is other than demographically justified elasticity of demand and supply? The economic scholars and journalists need to look into these aspects of demand and supply also before they discuss it in their articles and discussion programs.



There is another far more dangerous aspect of the social and economic perspectives of demand and supply. The manufacturing and production capacities of the industrial and agricultural producers are not upgraded in proportion to the increase in population. This is again a regulatory lapse and unacceptable reason for increase in prices. Can an industrial manufacturer or an agricultural producer who fails to increase his production proportionate to the increase in demand be allowed to increase the prices of his products and commodities? Isn't it advisable to link increase in price of the product and commodities with the potential increase in production capacity of the industrial manufacturers and agricultural producers to maintain a balance between demand and supply? The other popularly known ways to fill the gap between demand and supply and restraints of resource availability are production outsourcing and bio-genetic production capability respectively. These are important but unnoticed and un-discussed reasons for present economic crisis.

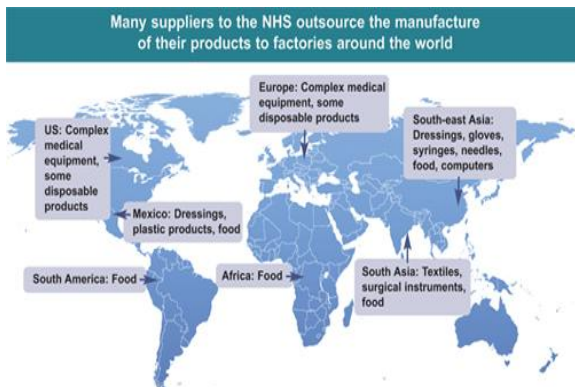


Asia is moving beyond exporting to the West. Today its ports mainly handle cargo moving within the region.

The outsourcing is meant to acquire different internally unavailable cost-effective sets of competencies, increase production, and reduce cost of production and transfer legal liabilities to associate companies with a wide range of benefits and a number of potentially so far ignored risks of far greater magnitude. Here the purpose is not to discuss outsourcing from that perspective. The purpose is to point out an un-discussed aspect of a phenomenon that is now tilting the balance of the benefits of overall global economic growth in favor of the developing countries.

There was a time when the developing countries demanded the transfer of technology and the developed countries did not pay any attention to their demand. When the economies of scale crossed the negative barrier and entered the danger zone due to the rising cost of living, increasing demands of strong labor unions and strict vigilance of the uninfluenced neutral regulatory bodies, the entrepreneurs in the developed countries wondered how to respond. The answer was to invest in the cheap labor markets and politically unstable or authoritarian countries.

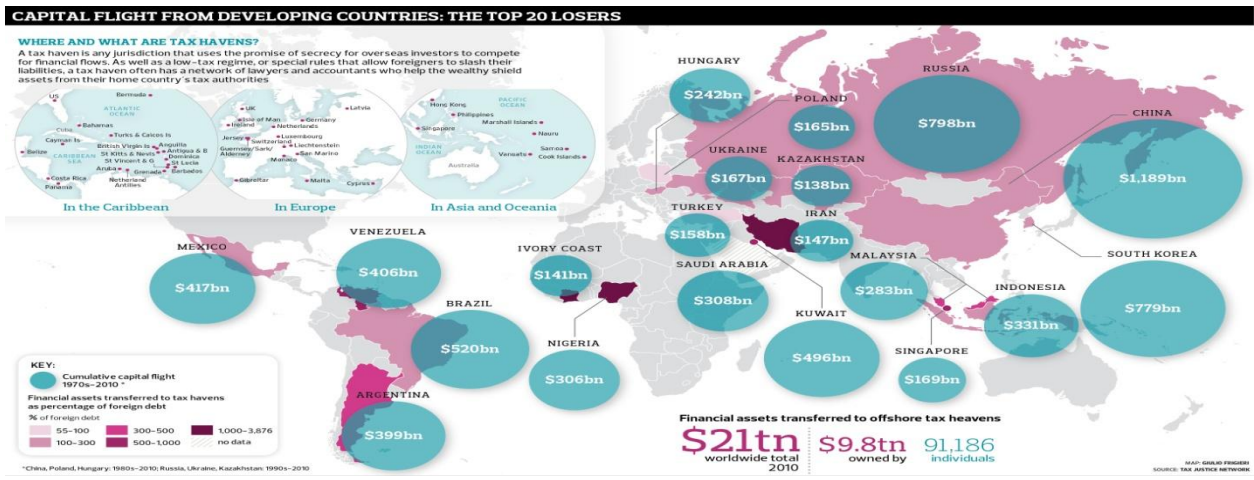
They initially began with overseas outsourcing of software development, service facilitation and partial production functions. The interaction with their entrepreneur counterparts in developing countries revealed the benefits of the availability of cheap labor, natural resources, tax reliefs, non-existent or weak regulatory



<http://bma.org.uk/news-views-analysis/in-depth-fair-medical-trade/campaign-reasons>

regimes, advantage of convenient geo-strategic export hubs and more than accommodating and obliging governments starving for overseas investment. This is how in the first phase the jobs were virtually exported, then production facilities were shifted and ultimately massive formal reverse capital flight began from developed to developing countries and from developing countries to ultimately tax heavens informally. Interestingly, the tax heavens in developed and developing countries laundered the black money of the developing countries and transferred it

back to them as DFI through banking and financial institutions, venture capitalists and stock brokers. Have a look at the tax heavens and the capital flight from the "Economic Growth Models." Add to them India's US\$123 billion also from 2001 to 2010.



Prior to that five other important phenomenons had been noticed and those were decentralization of the overseas manufacturing units of the multinational companies, beginning of the massive privatization process, emphasis on public-private partnership, a wave of mega mergers and acquisitions and establishment of Free Export Processing Zones in the developed and developing countries. These were and still are all positive international economic developments in an invisibly and slowly globalizing world. One may call it unintended and planned in appearance and in reality unplanned globalization contrary to the globalization discussed in so-called conspiracy theories. One has to wonder did these five important phenomenons have to do anything with the emergence of economic growth models.

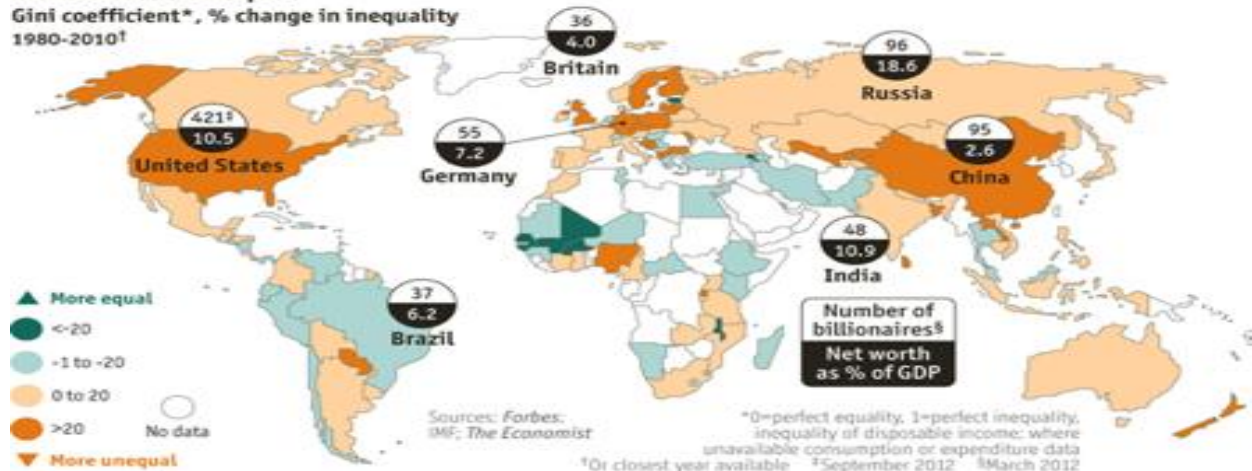
Instead of expanding the strategic network of production facilities, consolidating and integrating them the managements of the decentralized overseas manufacturing units of multinational companies outsourced the production functions to local associates of dubious corporate identities. Privatization process, lacking in transparency, added to the complications. Public-private partnership resulted in quality of management compromises, mergers and acquisitions had mixed results in developed and developing countries and export processing zones turned into hubs of objectionable corporate activities in human resource management and trading patterns. The overall visible impact of these five important phenomenons was seen as the beginning of the rise of economic growth models in the developing countries increasing from four to five and then nine; a series of financial and economic crises in the developed countries; an unaccountable range of low-quality high-price products were manufactured in developing countries on large scale which were much lower in price than the prices of the similar high-quality products in the developed countries knocking them out in competition; quickly beyond control management, production and price in-competencies resulted in time consuming inappropriate half-hearted policy responses and adjustments adding to the confusion and complications; and creation of the super rich and extremely poor classes both in the developed and the developing countries.

The above developments, as expected, have resulted in cost of living imbalances at the social and unintended forced fiscal and monetary indiscipline at the economic and financial ends. The governments across the globe, irrespective of their under-developed, developed, most developed and developing categories, focused on business-friendly economic solutions instead of working on a number of justifiably balanced pro-business and pro-people policy options. The big corporations and large banks were bailed-out and the people remained hanged



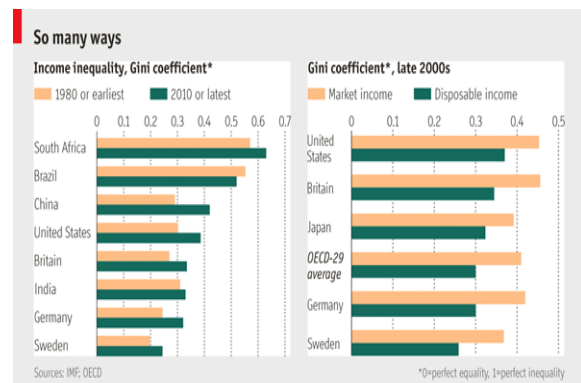
More or less unequal

Gini coefficient*, % change in inequality 1980-2010†



<http://www.clubmadrid.org/sspblog/?p=1818>

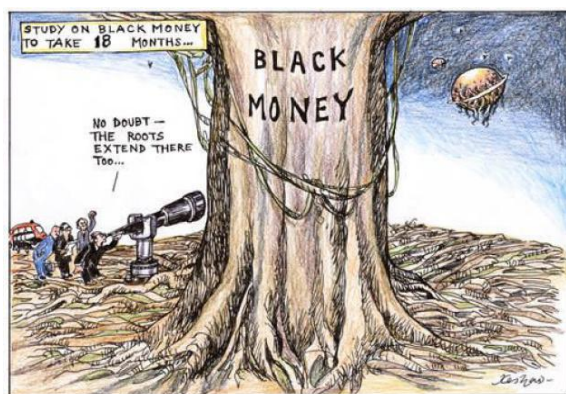
where they were. "Although inequality," according to an Economist's special report, For richer, for poorer "has been on the rise for three decades, its political prominence is newer. During the go-go years before the financial crisis, growing disparities were hardly at the top of politicians' to-do list." Prices were not stabilized and discussions on currency fluctuations did not go beyond blame game, allegations and counter allegations adding to the burden of the cost of living on the vulnerable majority of the people through



<http://www.economist.com/node/21564414>

uncontrolled across the board price hikes riding on fluctuating foreign currency temperatures in different capitals of the world. There are following three very disturbing aspects of this situation:

Management and production outsourcing have paved the ground for social and economic discrimination resulting in the creation of parallel corporate criminal and political extortion networks. How these networks operate?



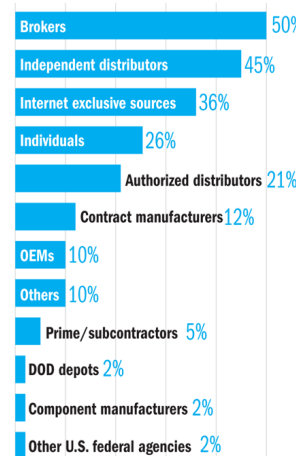
Most of those criminal manufacturing outlets which were previously working as part of underground black economy have now acquired legal status under licenses from genuine multi-national manufacturers. Access to genuine brand names has legitimized unaccountable illegitimate businesses. An ongoing informal initial investigation report unveils that due to increase in population during the last so many years the multinational companies are not in a position to meet the demand, so most of them have issued licenses to outside vendors for manufacturing

their products. These vendors supply a certain percentage of genuine manufacturers' on the record market demand and bulk of the outsourced production is marketed illegally in connivance with the managements and marketing teams of the major multi-national companies. How the market is manipulated?

The retailers remove the genuine products from the shelves and replace them with sub-standard products. In response to the complaints of the unsatisfied customers they demand double and triple prices for the “supposedly genuine” products telling the customers that the products have been imported from United States, Germany, UK and other developed countries. Now Japan, Malaysia, Thailand, South Korea and China have also been added to the list. It is estimated that the multinational companies are not able to meet even 7 to 25% customer demand for their products. The researchers conclude that the remaining market demand automatically fall in the laps of the vendors lacking in resources, technical skills and the precision technology to maintain the minimum required level of quality.

Worst offenders by supply chain segment

Brokers, independent distributors top list of counterfeit sources by entity, according to OCM survey*



http://www.ebnonline.com/author.asp?section_id=1270&doc_id=231160

Worst offenders by country

In survey of original component manufacturers, China tops list of suspected sources of counterfeits

Country	Count
China	42
Taiwan	10
Philippines	8
Malaysia	7
India	7
Russia	6
Indonesia	5
Vietnam	4
South Korea	4

There is no regulatory check on these vendors operating in mostly informal sector. Political mafias exploit these vendors by demanding extortion money. In developed countries it is called “corporate political contribution” to the election campaign fund of the Presidential, Congressional and Senate candidates through their parties.

The regulatory failure, the careless outsourcing, privatization, public and private partnership, job exports, capital flight, political extortion and election campaign contributions are a few of the major outcomes of the unchecked, uncontrolled and back-breaking escalating cost of living and unpredictable fluctuations in currency value. The two most significant drivers of imbalances are: the unregulated over-profiteering and irrational pay slabs. The economically troublesome and socially worrying results are unemployment, criminalization of corporate activities and widening of the gap between rich and poor.

Emergence of the oases of affluence and the deserts of poverty and deprivation

In view of the different reasons for the widening of the gap between rich and poor discussed above is it fair to hold only the rich responsible for the creation of the oases of affluence and the deserts of poverty and deprivation? The main culprit for social segregation and economic fragmentation is unvigilant regulatory mechanism in the system of almost dysfunctional governance across the globe. Where did they go wrong and what are the visible present and invisible future consequences?

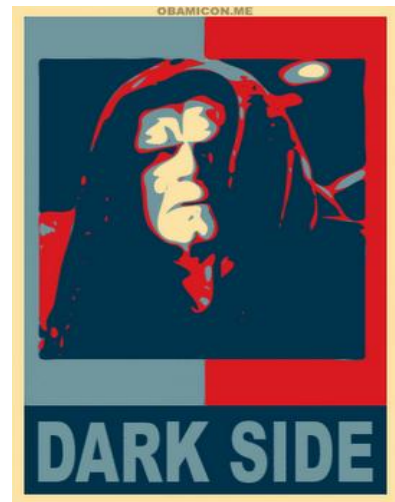


The failure of regulatory bodies to keep a balance between natural and human resources and their maximum utilization through efficiently managed industrial, agricultural and service sectors is creating a class of faceless-stateless entrepreneurs. These entrepreneurs are far more dangerous not only for their countries of origin but they themselves are possible targets of victimization of their host countries also.

On the one hand they are mainly responsible for the economic mess and consequent unemployment in their home countries. They are actually creating temporary economic growth models also which appear to be thankful to them but suspicious of their loyalty for a very simple understandable reason. When these

entrepreneurs leave their homelands for economic gains they can leave their host countries also when the time comes. On the other hand, these non-state entrepreneurs are developing a quality human resource and efficient natural resource utilization base of the host countries also. Is there any guarantee that once that base is fully and reliably functional, the host countries will not throw these guest non-state entrepreneurs out of their countries? The other equally important question is that what is the guarantee that those vendors who are helping the multi-national companies to help them in filling the widening gap between demand and supply due to the demographic growth pressures will not make them insignificant players in global economy once they have firm hold on national and international markets? The answer is the possibility of further additions in the economic growth models due to the formation of a continuous migrating cycle of non-state entrepreneurs creating job opportunities in developing countries, streamlining their natural and human resource utilization possibilities, transferring skills, know-how and technology and posing the same challenges for the host countries they leave as they have posed to their home countries adding to the global oases of affluence and the deserts of poverty and deprivation.

What is the way out? The way out is to revisit the existing regulatory regimes and reinvent the rules of doing business in and outside a country by securing its real and potential industrial, manufacturing and agricultural performance base without enforcing any restrictions on overseas investment and entrepreneurial initiatives. Such a step will keep the domestic economic performance intact and make room for its positive and constructive role in contributing to global economic performance also. Any overseas investment initiative after sufficiently securing the future economic growth timeline of a country ought to be encouraged but not at the cost of the viability of its own economic system. In order to



make it sure an international code of doing business has to be introduced with the tripartite consent of international entrepreneurs, their respective governments and a proposed International Overseas Doing Business Code of Conduct Regulatory Regime. These proposed measures will effectively put an end to job exports, capital flight, political extortion and election campaign contributions narrowing the gap between rich and poor and ultimately putting an end to it.

Remapping of natural and human resource rich countries as cost-effective hubs of global economic growth contributors





<http://dc025.k12.sd.us/US%20History.htm>

Another important neglected reason for the widening of the gap between rich and poor is the need for remapping of the natural and human resource flow patterns of pre cold-war era. The existing resource flow maps remind the pre-cold war era of polarized international trade arrangements based on strategic political instead of genuine economic considerations. This unrealistic and harmful trade and commercial planning and bargaining practice has not been abandoned yet unnecessarily adding to the cost, distance and speed of majority of the transactions.

Inappropriate reasons are given to impose sanctions against strategically located resource rich countries without weighing the cost and benefit factors. The need for imposing sanctions against genuinely rogue states cannot be denied. But mere exchange of politically motivated statements cannot be allowed to use as a pretext for such an action. The geo-political tensions and military threats can be avoided through a logically balanced and unbiased agenda of dialogue for resolving the disputes of any serious and / or non-serious nature.



Geo-strategically, there are three sensitive spots that need focused diplomatic attention instead of military solution: North and South Korea, India and Pakistan and Iran and Israel. These three potentially dangerous tension spots can endanger the very existence of Southeast and South Asia and Middle East.

The immediate questions are:

Is it possible to tailor and negotiate a solution for North and South Korea like East and West Germany of pre and post Berlin Wall demolition era? North Korea's recently acquired nuclear status has added to the seriousness of the issue and demands tactful negotiations to bring the two parties on table and negotiate a settlement.

Is it a need of the time to give Kashmiris the promised right to decide Kashmir's status as a free independent state or join either India or Pakistan?



Third time

North Korea carried out its third, most powerful nuclear test despite UN warnings.

Previous tests

- Oct. 2006 Detonates nuclear device for first time; yield is 0.5 to 1 kiloton
- May 2009 Second detonation is partial success; larger yield of 2 to 6 kilotons
- Feb. 2013 Early estimates put yield at 6 to 10 kilotons

NOTE: Experts consider 10 kilotons a successful blast
Source: ESRI AP © 2012 MCT



Israel-Palestine issue is different and far more complicated in nature. It doesn't have a military solution because at present Israel has emerged as a powerful state with undeclared nuclear status. Israel does not have to worry about any possible threat from any Muslim country except Pakistan at present and from Iran in future only if Iran succeeds in developing nuclear weapons. Israel appears to have no officially expressed threat from Pakistan. A pre-emptive attack on Iranian nuclear sites cannot be ruled out but keeping in mind the number of scattered sites and distances between them clearly establishes beyond any doubt that such a strike will be nothing more than a disastrous military blunder.

The best way out is to bring on table a Blueprint for Guaranteed Fair Economic Co-Existence of Israelis and Palestinians through the establishment of equally accessible Economic Development Zones for the creation of business and employment opportunities with a definitive timeline declaring Jerusalem an International Religious Capital administered jointly by Jews, Christians and Muslims with proportionate representation and equal voting rights.

Conclusion

A preliminary Five-Point Agenda for the serious consideration of the world leaders follows:

1. Focus on social justice, economic equality to the extent of ONLY transparent equal opportunity, political consensus, diplomatic sagacity and cautious military use for maintaining bi-lateral, multi-lateral and global peace.
2. Acknowledge and pay attention to need for aligning national priorities with emerging unattended global priorities;
3. Arrest and maintain a reasonably justifiable fluctuating cost of living, value of money and develop sustainable growth and genuine corporate role models;
4. Address the reasons for the creation of oases of affluence and deserts of deprivation
5. Remap the natural and human resource rich countries as cost-effective hubs of global economic growth contributors



Zahid Hussain Khalid has worked for national and international media groups not as a journalist but a marketing practitioner, researcher and analyst. He successfully initiated and completed the assigned managerial and country tasks for such publications as Arab News, Financial Times, Jang Group, Euromoney magazine, Petroleum Economist, South China Morning Post, Asiamoney magazine, Innovation Management and Hong Kong Standard except Forbes Inc, Forbes Global, Forbes Europe, Forbes Asia. He will always remain thankful to Mr. William Adamapolous and Mr. Steve Forbes of Forbes Inc and Mr. Tony Shale CEO, Euroomoney Institutional Investor Group (Jersey) Limited for their personal encouragement and support in initiating and marketing Pakistan-specific innovative integrated media packages for investment promotion. He also worked as Associate Producer, Current Affairs, Pakistan Television Corp.

His articles have appeared in the Daily Jang, Daily Mashriq, the Nawa-e-Waqt and daily The Muslim on social, economic, political, diplomatic and military subjects which are available here <http://zahidkhalid.wordpress.com/> and here <http://www.slideshare.net/19540201>

He had co-produced more than hundred episodes of the most popular weekly program "Hafta-e-Rafta" and was nominated for Best Producer's award for documentaries on Afghan Refugees and Year of the Aged.

His work reflects a visible difference because he strongly believes in innovative approach in everything that he does. He was co-owner of International Media Sales from 1991 to 2012 and is owner of SUN&FZ Associates since 1994.
