

Press Release: Roundtable on “How to take Pakistan’s economy out of present quagmire?” with Dr Ishrat Hussain, former Governor State Bank of Pakistan, currently Dean and Director of IBA, Karachi, on February 1, 2012.

Trade with India can multiply if Pakistan captures one percent of India’s market: Dr Ishrat

Dr Shaheen Akhtar

ISLAMABAD: Dr Ishrat Hussain, speaking at the Round Table organised by Institute of Regional studies stated, “Trade with India can multiply five times if Pakistan captures even one percent of India’s market of 300 million middle class. In contrast, given Pakistan’s middle class of 30 million India has to tap 10 percent of its market to match the benefit”. According to Dr Ishrat, “army is on board regarding trade with India and the weak industries can be protected through negative list.” Referring to WTO two-year trade waiver for Pakistan, he said that it would boost trade with EU but with bed linen taken off the list would reduce the benefit to 100 million Euro from 300 Euro that was initially expected from duty free access to European markets to help textile exports after devastating floods of 2010.

Dr Ishrat, former governor of State Bank of Pakistan strongly believed that Pakistan can turn around its economy if it exercises strict fiscal discipline and plugs gaping holes caused by bad governance in different sectors of economy. He argued that energy shortage is crippling production; poor tax base and collection is worsening tax to GDP ratio; sick public sector corporations are becoming a drain on budget; lack of prioritization in federal and provincial governments development plans is causing delays and increasing cost of the projects; non-development expenditure are eating up meager resources; after 18th amendment provinces have become richer but are not sharing burden of defense and debt servicing which is the sole responsibility of the federal government and finally lack of local government system is hurting social sector development.

He proposed remedy in each area by suggesting steps that should be implemented effectively. The energy shortage can be managed by resolving the issue of circular debt. A five-year investment bond can be floated to meet the flow cost. Functioning of power companies should be streamlined, private vehicles should be switched over to petrol and industry should be provided with gas. Government should go ahead with IPI and TAPI gas pipeline projects. Tax to GDP ratio can be improved by broadening tax base and better tax collection. He strongly favored ‘income’ tax on agriculture produce, and all kind of businesses; recommended privatization of public sector corporations like PIA, steel mill and railway; reconfiguring of development projects on priority basis; cutting down of non-development expenditure and creation of conducive environment for private sector. He suggested integrated budget to be worked out between federal and provincial governments under CCI that would synchronize and prioritize plans and expenditures. Finally he supported a reformed LG system ensuring participation of the local communities in the development plans.

Dr Ishrat, currently Dean and Director IBA Karachi, observed that trade with Afghanistan is good for Pakistan but needed some regulatory measures to stop smuggling. He called for reordering of economic ties with the US envisaging market access, reducing of tariff barriers and providing level playing field to Pakistan. In his opinion, Coalition Support Fund should be replaced with transit fee.

Press Release: Roundtable on “How to take Pakistan’s economy out of present quagmire?” with Dr Ishrat Hussain, former Governor State Bank of Pakistan, currently Dean and Director of IBA, Karachi, on February 1, 2012.

Brig. (Retd.) Bashir Ahmed, Senior Fellow at IRS, maintained that there should be reduction in the defense expenditure and trade with India should be promoted. Besides railway which is cheapest way of movement of people and goods should be revived. Mayaudon, Deputy Head of the EU delegation in Islamabad observed that undocumented economy is sustaining Pakistan’s economy. Dr. Shaheen Akhtar, Senior Research Fellow at IRS, argued that financial governance require systemic overhaul which is not possible unless vested interest groups are ready to follow fiscal discipline. Mr. Ashraf Azim, President IRS said political will is required for getting economy out of quagmire. Tahir Dhindsa, editor Economics Bulletins SDPI feared Pakistan’s forex reserves may go down if it pays the IMF loan from its cash reserves which will also hit public confidence. Other participants of the roundtable included the research scholars at the IRS and Mohammad Tahir from SDPI.