

Pakistan will have to open up trade with India

Aarish U. Khan

ISLAMABAD: “Pakistan will have to open up trade with India for bringing back international confidence into Pakistan’s economy if nothing else,” said Dr. Rashid Amjad, Vice Chancellor of Pakistan Institute for Development Economics (PIDE) here on Wednesday. He was speaking at a roundtable on “Global Economic Crisis, Regional Dimensions, and Pakistan” organized by the Institute of Regional Studies (IRS). He added that economic protection should always be time-bound, because after a certain period of time it becomes unsustainable. While brushing aside strategic concerns, Dr. Amjad argued that weak economies could never gain strategic edge over rivals through short-term measures.

Dr. Amjad was of the view that Pakistan would be badly hit by the global economic crisis because of its lesser intra-regional integration and that the global crisis could deepen Pakistan’s slow economic growth rate coupled with high-inflation or what is called stagflation. He argued that Bangladesh and India would not be affected as adversely as Pakistan because of their strong macroeconomic fundamentals.

Dr. Amjad believed that Pakistan would have to address its vulnerability to external shocks by improving its tax to GDP ratio and better economic management. He strongly advocated the implementation of the Reformed General Sales Tax (RGST) for revenue generation. He added that Pakistan needed to ease its monetary policy, cut its public expenditures, and reorient its Public Sector Development Program (PSDP) toward competitiveness. Dr. Amjad warned that devolution of powers to the provinces through the 18th amendment to the constitution and the 7th National Finance Commission (NFC) Award might complicate the process of economic planning.

Dr. Amjad asserted that any country’s fiscal deficit was directly related to its Balance of Payments and debt. He called Pakistani economy resilient and capable of bouncing back, and added that Pakistan had missed some important historical period of higher economic growth rate where it could have undertaken sound economic reforms. He said that while undertaking reforms in times of economic crises, Pakistan remained too fixated on economic orthodoxy, religiously following slogans like liberalization, deregulation, and privatization under the leadership of Prime Minister Shaukat Aziz, for instance. As another instance of the trend, Dr. Amjad contended that development is usually equated with industrialization, which can be misleading at times. He said that with the improvement in the terms of trade of the agricultural commodities because of the increasing demand in China and India, agriculture could be strengthened for overall economic development without necessitating industrialization.

Other participants of the discussion also emphasized the importance of improving governance, controlling corruption, and improving revenue generation for withstanding global economic crises. The participants of the discussion included: Mr. Ashraf Azim, President of IRS; Brig. (Retd.) Bashir Ahmed, Senior Fellow at IRS; Amb. Ali Sarwar Naqvi, Executive Director of Center for International Strategic Studies; Mr. M. Ziauddin, Executive Editor of The Express Tribune; Lt. Gen. (Retd.) Saleem Haider,

Report: Roundtable on “Global Economic Crisis, Regional Dimensions, and Pakistan” with Dr. Rashid Amjad, Vice Chancellor Pakistan Institute for Development Economics (PIDE) on November 16, 2011

Independent Defense Analyst; Mr. Alexandre Borges Gomes, First Counselor European Union Delegation to Pakistan; and Dr. Ejaz Ghani, Chief of Research and Dean of Economics at PIDE.