

Political stability & economy

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31.7.03 By Sultan Ahmed

Pak. Eco.

SUSTAINED economic progress is not possible in Pakistan with its diverse challenges without political stability based on consent of the people and the backing of major political parties.

Political instability breeds economic uncertainty, and thwarts a sense of direction where difficult choices have to be made. And the billions of dollars we are borrowing from the World Bank, Asian Development Bank, etc., for various major reforms, like the CBR reforms, judicial and police reforms, bureaucratic reforms etc will do go down the drain, while adding to our debt burden, which is already heavy. Ultimately the decaying system can come to a standstill and then collapse, more like the Dominoes. We had already a foretaste of that in 1971 when following the acute civil-military discord we lost East Pakistan.

All these institutions we are trying to reform at a heavy cost are inter-dependent. Success of one depends on the efficacy of another as in the Domino theory. And failure of one may lead to the collapse of others. That is what we saw last week at the Sialkot jail when three of the ten judges, who went visiting the jail, were killed along with five prisoners. Hasty official action resulted in so many deaths.

All that has made the Congressional Research service in the US come up with a Long Term Economic Outlook for Pakistan and pronounce that as "bleak" in view of the varied uncertainties — political, diplomatic, economic and Human Development. It begins with Pakistan's poor national savings rate of 15 to 20 per cent, while 2.4 per cent more persons are entering the job market every year and finding too few jobs.

It talks of the external debt of 53 per cent

Finance minister Shaukat Aziz says the textile magnates have invested over a billion dollars in the renovation and expansion of their industry and yet not enough number of jobs have been created, while 4 billion new job seekers are entering the job market annually. Clearly, more jobs are needed in their rural and urban areas but since domestic investment is small, foreign investment is not large enough. And the reasons are political, economic, social, etc.

The foreign minister has done well to hold a four-day seminar on "The Global Economic Challenges — The role of the foreign office" to which senior ambassadors have been invited along with Pakistani businessmen. The ambassadors had plenty to tell the government to improve the state of affairs at home and to correct policies. They can mirror the feelings in the countries they repre-

sent investment they will be asked a number of political questions as well, including why the government has not been able to settle down nine months after the general elections. They will be asked about the emergence of the Muttahida Majlis-e-Amal as a result of the unity of orthodox elements and its spreading tentacles because of popular support in some less developed areas.

Pakistan was expected to play a large role in Afghanistan's reconstruction programme. But that role looks to be in decline. Now it is India and Iran which are in the forefront and playing a big role in the reconstruction. Pakistan has lost, to begin with, a 25 million dollar contract for road-building there. Our relations with Iran become strained on occasions, particularly when there are attacks on Shias and many get killed, as in Quetta recently. There is real economic rivalry between Pakistan and Iran in Afghanistan, with India siding with Iran.

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And while we seek greater economic cooperation with Central Asian states in the name of Islam, the Central Asians are wary of the new unity of the fundamentalist elements in Pakistan and their growing activism, as wanting Shariat system in the Frontier province and Balochistan.

We may claim law and order is good in Pakistan or as good as in any other country. But in recent weeks alone, the killing of 46 persons at an Imambargah in Quetta made headlines around the world,

and that was the lead-story of Financial times, the investors newspaper.

The killing of three judges and five prisoners in Sialkot last week also made world headlines, highlighting how unpredictable is violence in Pakistan and the rank of the person who could be its victims. The Sui gas main pipelines carrying gas upcountry continue to be attacked from the north.

sent in respect of developments in Pakistan and make the government wiser and less cocksure of itself.

At the seminar foreign secretary Riaz Khokhar and others spoke at length on India-Pakistan relations. India figured conspicuously in the discussions, Mr Khokhar said that India had a billion consumers, but also had a very restrictive import regime

the job market every year and finding too few jobs.

It talks of the external debt of 53 per cent GDP while the long term economic prospects are clouded by the conflict with India in the short run. And while it talks of the remarkable improvements in its external indicators and the resistance of the textile industry, it refers to its declining economic growth, linked in part "to the turbulent domestic and regional political environment." President Bush may appreciate the strong support of President Musharraf in his campaign against terror but the Congressional research service has a non-political and non-personal approach to the problems of Pakistan.

Of course, our external indicators are very comfortable and are getting better. The foreign exchange reserves will be 11 billion dollars by the end of the month, while the home remittances have risen to 4.5 billion dollars. The current account shows a balance of payments surplus of 4.5 billion, while our balance of trade is steadily improving. And the Karachi Exchange index is doing exceedingly well and sets up one record after another every week.

But the domestic economic situation is far from satisfactory. In fact, the critical Human Development Index on a global scale has gone down to 144 from 138, showing how little we are spending on education, public health and environmental protection.

For want of investment the jobs are fewer and young men are committing suicide while others are taking to crimes. A large number of women are victims of unemployed husbands or fathers. And the grossly understated crimes figures for the first six months of this year in the city have gone up by 6.5 per cent against the figures for the same period last year. The average of the crimes committed comes to only 10.5 per day, which is a low figure which means the people do not report the crimes.

spicuously in the discussions, Mr Kinnar said that India had a billion consumers, but also had a very restrictive import regime which reduced the quantum of imports into India. Mr Munir Akram, who represents Pakistan in the UN, said trading with India on a normal scale will become inevitable when the WTO regulations become fully operational.

The central issue is whether trade with India should be approached on a political basis or on an economic basis and in the global context in this age of globalization? The relations with India, as with other countries, have to be based on reciprocity and Pakistani businessmen will not buy or sell anything from India, or to India, unless that is profitable for them. India too knows that very well. So reciprocity should become the touchstone of our economic relations with India instead of political pre-determinism.

The fact is as President Musharraf himself had earlier said, there is no getting away from India. It is a large and difficult neighbour. In our relations with India it has to be approached that way. And dealt with heftily, while it remains a very tough bargainer.

Our ambassadors and diplomats, particularly in major countries, are to become economic envoys, and very active ones at that. The developed countries had assigned such a role to the ambassadors ten to twenty years ago.

But our ambassadors had a large political role to play, particularly in respect to promoting the cause of Kashmir and counter-acting Indian efforts in that regard. But now their focus will shift towards an economic role, like attracting investment, foreign assistance, acquiring new technological know-how for the country etc. To enable them to do that well large funds will have to be placed at their disposal and they should be made to spend the funds for that purpose and well.

When they raise the issue of foreign

son who could be its victims. The oil gas main pipelines carrying gas upcountry continue to be attacked from time to time in spite of the presence of over 6,000 Rangers and other members of the law enforcing agencies to protect them. Last Sunday two rockets were fired. Such attacks have been continuing over a period of time and hardly any one gets punished. How safe Gwadar Port will be after it gets completed next year and how protected will be the goods passing from there to Central Asia or coming there from Central Asia, remains a question because of the uncertainty in the region.

In this context some people argue there is nothing wrong with Pakistan. It is no better and no worse than many a successful country. What is wrong is the way it is being presented, marketed or sold abroad. Some professional public relations experts and marketers assert that what Pakistan needs is smart marketing, throwing light on its strong points, particularly its new external economic achievements and sideline its weaknesses or failings.

Smart marketing can pay dividend for a short time, not always. In this globalized world Pakistan is subject to global exposure. Quite often when an adverse development takes place in the country Pakistanis and foreign investors here ring back to know what is happening. They come to know of the happening first before the Pakistanis do.

For a hundred dollars or less one can get all the information about Pakistan or any other country. In such a context, the product has to be good and its virtues have to be enduring.

We are instead making too many negative headlines, and a half of them come from unexpected quarters. We have hence to put our house in order, beginning with the political system, before blaming the world for misunderstanding us or India for misrepresenting us abroad.