THE NEWS How to break a vicious cycle [Part – III]

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June 17, 2022

The other components of the short-term agenda are discussed in the following paragraphs. Seventh, in quantitative terms, the private sector and policymakers should make joint efforts to reach $55 billion of exports of goods and services in the next three years, with export-to-GDP ratio rising to 15 per cent, 60 per cent of imports financed by exports, and regaining 0.2 per cent market share in the global market.

The implication is that exports should grow at the annual average rate of 14 per cent that has been done in the past. This target can be achieved by supporting and diversifying the export sector by improving competitiveness, bringing in engineering goods, electronics, IT and IT-enabled services, chemical and pharmaceuticals into a coherent performance-linked incentive and promotion framework.

In the early 2000s, exports used to finance 80 per cent of imports but this ratio has plummeted to 40 per cent and must be raised to avert the current account imbalance. The most persistent and lingering phenomenon that needs to be tackled is low productivity in our export industries which is among the lowest in the region and is only 30-40 per cent of China. We may be a low-wage country but – adjusted for productivity, efficiency, quality (rejection rate), reliability and innovation (design) – we are an expensive country. A labour force with average schooling of five years and with 40 per cent of the population being illiterate places Pakistan at a disadvantage compared to its competitors. It, therefore, becomes imperative for exporting firms and the government together to invest in productivity.

The private sector should strengthen their internal organizational structure and processes, revamp logistics and acquisition methods, start joint ventures for bringing in foreign direct investment, and mobilize capital for expansion and investment in sunrise industries through IPOs. In addition to export promotion, efficient import substitution in strategic industries with backward or forward linkages such as oil refineries, petrochemical complex, steel, automobiles, mobile phones etc would help substitute imported goods by domestic production.

Eighth, in the services sector, the Ministry of ITT along with the private exporting firms and universities and other agencies has charted out plans and strategies to raise the exports for this service sub-sector to almost $5 billion in the next two to three years. This is a doable proposition as recent evidence is overwhelming. Telecom and IT services exports have almost doubled in the last two years from $ 1.2 billion in 2019. Pakistan's technology sector has attracted a larger amount of foreign capital in 2021 than in the previous six years combined. Locally, some of the family offices of big business houses are beginning to step into the venture capital space.

Ninth, under the second phase of CPEC, Special Economic zones (SEZs) are at advanced stages in Gwadar, Rashakai, Faisalabad, Dhabeji for establishing industrial units. Chinese companies that are facing rising labour costs are relocating to Vietnam, Cambodia, Laos etc. The Chinese are ready to choose these SEZ s in Pakistan because of the access to the new port, incentives available, close political relationship – provided we put our own response capacity to their speed. Under FTA II with China, 83 per cent of Pakistan's global exports have been liberalized and cover textiles, garments, leather, chemicals, sea food, meat etc. Thus, the landed costs of Pakistani products free of duties and lower transport costs would make them competitive in the Chinese markets compared to other sources.

A one per cent market share of the Chinese imports would add $20 billion to our total exports. Beyond China, exportable goods manufactured in Pakistan but designed, branded and marketed by the Chinese companies through their vast global network would bring additional benefits for both the countries. With stability in Afghanistan, Pakistani goods to Central Asian Republics manufactured in the SEZs and transported under the TIR convention would become attractive for the consumers of these countries. The proposed World Bank and ADB regional projects connecting these countries through railways and highways would be highly beneficial.

Tenth, reallocate provincial budgetary resources towards investment in human capital, absorbing out of schoolchildren and promoting science and IT at schools, fund universities to expand faculty, enrolment and laboratory facilities for science, technology, engineering and mathematics (STEM) subjects at universities and colleges. Expand technical and vocational training opportunities, both for local and overseas markets, by making them demand-driven, steered and managed by the private sector with public-sector financing. The scope of conditional cash transfer under BISP should be expanded to include stipends for children from poor families and backward districts to acquire technical and vocational training. Private firms should hire apprentices produced from these institutes and professionals in their management, introduce on-the-job training and continuous skill upgradation courses for their employees.

Eleventh, remove regulatory impediments by accelerating the pace of the ongoing regulatory guillotine, channel bank financing, encourage technology transfer and provide technical assistance to the SME sector. The end result would be a single business portal for businesses by 2022 with the backend linked to various departments and agencies. Pakistan Single Window is a commendable example of ease of doing business for those engaged in international trade. This portal should be launched and scaled up through a modular approach.

Twelfth, increase the number of beneficiaries for cash assistance under BISP by using the National Socio-Economic Registry and raising the poverty mean test score. The registry should also be deployed for targeted subsidies for wheat flour and electricity. Kissan cards should be distributed among small land-holders for receiving subsidized agriculture inputs.

Thirteenth, continue the reform programme of the civil services and key public sector institutions responsible for the delivery of public goods and services by attracting, retaining, motivating and compensating the best talent from within the country as well as from among the expatriate Pakistanis. A plan to revamp the entire value chain from recruitment and induction, training, performance management, promotion policy, compensation and benefits and retirement has been chalked out and is at various stages of implementation.

The NAB Ordinance has to be amended to take away NAB's excessive coercive powers and insulate the civil servants who are taking decisions in good faith without any pecuniary benefits for themselves, their family or friends. The recent decision to abolish the directory retirement for non-performers and unsatisfactory record on the plea that this is already covered under the efficiency and conduct rules is unfortunate as the new rules were challenged by the affectees in the Islamabad High Court but upheld to be valid.

Fourteenth, spread the use of the Sehat Card throughout the country and allow bidding competition among the insurance companies. This would not only help expand the healthcare providers network but also the insurance industry. An effective monitoring and grievance redressal mechanism should be put in place so that the scheme is not misused by unethical individuals and participating hospitals. The proposal to abolish the autonomous medical training institutions and bring them under the control of the health departments is inadvisable.

Lastly, increase focus on lagging areas such as Balochistan, ex-Fata merged districts, Gilgit-Baltistan, rural Sindh, southern Punjab, southern Khyber Pakhtunkhwa to connect them to the national markets through roads and broadband connectivity and thus reduce income inequality. Accelerate the pace of completion of CPEC projects like the western route, socio-economic development along the route, technical and vocational training to develop the skills required for economic activities in these districts, and fibre optics for internet connectivity.

To be continued