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also lost its advantage in international trade by continuing to depend upon low-tech products. Lack of diversification in commodity composition is also there. Private sector players have attuned themselves to the new realities of global markets and are engaged in lobbying for rent seeking. Globalization through trade openness and investment can contribute well in growth dynamics. The technical hitches in revenue and tax system created trust deficit for the businesses, public deficit has made policy more volatile and fueled the issue while keeping the country in low investment levels.

Volatile policies- a source of trust deficit & low investment

In Pakistan, the nationalization phase in the past harmed the business attitude as business became a sign of control. Due to fragile policy environment business sentiment is at the lower end and the country will never grow until it become core value from top to bottom. Policies do not sprout in Pakistan as it has become a victim of manifestation of the system and non-conducive work culture. Businesses are running in an environment where business community is forced to take actions for their existence in the market not on growth. Current situation of economy shows Pakistan now fall lowest in investment and maintaining the lowest credit to GDP ratio which is 18% for Pakistan, 47% for Bangladesh, while 50% for India.



Most large companies in Pakistan are government owned or multinationals which are not growing well. Market capitalization, being an important indicator, is in the hand of 5 top companies (OGDC, MCB, NESTLE, PTCL, ENGRO) but in reality Pakistani companies/businesses are growing at slower pace.

Low FDI Inflow in Asia

Comparing the FDI inflow in Asia, India has the leading role while Pakistan and Bangladesh stand lower. For Pakistan most of FDI inflow coming from Hong Kong and China and power, finance and oil sector have almost 70% share of the total FDI in country. Pakistan has a grim vacuum of policies as no conclusive

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growth policy, industrial policy, and export policy exist. Pakistan unfortunately failed to demonstrate big investment transaction in last several years like RECODEC, and KARKEY, Bahawalpur solar project. There are structural flaws and disconnections between institutions at federal and provincial level. Unfortunately, FDI has always been quite low in Pakistan and remained below 4% of GDP. The reasons of low domestic investment are volatile policies, businesses do not grow in Pakistan, retail is primitive, stock market is weak, stabilization does

not work and construction activity is not supported (PIDE Webinar).

This is worrisome that macroeconomic stability in Pakistan is quite far away and economy has to restore confidence of domestic, international investors and financial institutions. The complex tax system and budget deficit created lack of trust of businesses in public policies. Trust deficit is at its peak keeping country at low investment levels. The eventual solution is to rely on private sector to run some economic zones which is important to attract foreign investors. To restore trust of investor the economy should take viable steps to improve tax structure and encourage investments.

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