

Pakistan's economic potential

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AS Pakistan approaches its 75th independence anniversary, it is sad to witness the economy again mired in difficulties. One could argue that it's a global phenomenon, with Covid-19 and the Russo-Ukraine war sending the global economic machine into a tailspin. But this overlooks the fact that Pakistan's topsy-turvy performance is actually the hallmark of its economic story in which there are some years of promise, followed by a downward trajectory. As I indicated in my article 'An economic collapse?' published in January, we tend to be at a 'nazuk mor' every few years.

But this article is not intended to be critical. On this occasion, and given our current tough times, it's better to infuse a bit of positivity and enthusiasm in the mix, with the message that, despite the difficulties, there are many aspects that offer considerable potential in terms of economic growth.

We can start by realising that there is, perhaps, no other country in the world on whose two borders lies a combined economic might of more than \$20 trillion. China and India are economic giants with a global footprint and influence. It is embarrassing if not outright criminal that Pakistan trades so little with them. Their combined imports are around \$3tr, and Pakistan's contribution is not even one per cent of this. Even if we set aside India, given our less-than-cordial relations (thanks mainly to adventurers who dreamt up futile ventures like Operation Gibraltar and Kargil) with it, why haven't we been able to catch a larger slice of the \$2tr Chinese imports?

Acting as a transit route alone would bring in substantial benefits. The income from transit trade with Afghanistan (duty plus taxes), with an economy that is nothing compared to that of India and China, was more than Rs11 billion in FY20-21, besides the considerable business activity and jobs generated in erstwhile Fata and KP. Just imagine what increased transit trade with India and China could achieve. This is where the much-touted 'geographic dividend' would really be achieved rather than by renting ourselves out repeatedly.

Despite the difficulties, there are many aspects offering considerable potential in terms of economic growth.

Pakistan's cities offer great potential, not just in terms of being large consumer markets, but also in terms of the possible renovation that could bring in considerable investment — without having to resort to 'amnesty' schemes or any trillion-rupee real estate subsidy. Cities have always been the harbingers of civilisation, innovation and ingenuity. Importantly, they are the engines that drive economic growth. But the poor management of Pakistan's cities has made the latter problem kegs that retard their potential as drivers of the country's growth. Take, for example, the outdated zoning laws that have created a messy sprawl in cities which, as a result, become difficult to manage administratively.

But the redesign of cities, especially with regard to vertical development within urban spaces, carries tremendous potential. Calculations made recently by a PIDE researcher, for example, estimate that merely redesigning the government residential block in Sector G-6/I can bring in Rs52bn in revenue through auctioning the freed-up space. Similarly, the institute's PIDE RAPID Growth Strategy publication estimates that redesigning GOR-I in Lahore would bring in billions in investment besides generating 190,000 jobs.

From a strictly consumer point of view, significant potential also lies in the Pakistani market for quality goods and services. Go around Pakistan and what is encountered frequently is the lack of quality in goods and services. Markets are flooded with low-quality products, and the services sector is especially bereft of quality. Whether one buys something as mundane as erasers and pencils for kids, or bicycles, a worthwhile steak or bakery product, or spends millions on procuring a vehicle, quality is seriously lacking in the Pakistani consumer market. Much has to do with the government's counterintuitive market policies over time (like protecting vehicle manufacturers from outside competition through high tariffs). The low quality of our human capital is another apt reflection of this, reflecting the absence of quality in the market for education.

A persistent point raised against this is that the income level is such that it cannot support quality. Not necessarily. With the advent of the Motorway came a now-famous bus service, which was deemed 'expensive' at that time. But its success spawned many copycats, forcing others to upgrade their quality and standards too. Put another way, quality would induce spillover effects that usually cover the expense aspect.

The last example has to do with how little we understand our comparative advantage. Examples abound. It's understood well that the amount of sunlight the country receives makes it ideal to develop photovoltaic (solar)-based industry and services. Yet, it's only now that we are moving towards this aspect. And even then, we don't manufacture the end product (solar cells), which has to be imported. Things could have been different if we had started earlier on developing this industry, which would probably have saved us billions of dollars in energy imports by now.

This failure to understand our advantage is manifest in almost every field and every place. The very mention of Tirah in Khyber district, for example, likely brings to mind extremists and military operations. But how many of us know that its fertile soil and environment is ideal for growing mushrooms? Amongst these is a particular variety — morel — highly sought after and valuable in the mushroom market, which grows there naturally.

I'll conclude by suggesting that the above is but a small reflection of the potential of economic opportunities existing in the country. An exhaustive list is beyond the scope of this piece. Readers should also note that the maximum benefit of the potential would require a complete reorientation of the present governance model, whereby the state has remained a dominant player in economic affairs, to the detriment of the country.

The good aspect though is that the above can be achieved with little government intervention. Although the history of economic management in this country is stacked squarely against such a happenstance, let's hope for its sake that things take a turn for the better.

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