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To do list on the Pakistan economy for PTI

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Abctract. The paper explains the unpopular decisions taken by the finance ministry when it approaches international lenders for managing national accounts by providing the case of PTI in its first 100 days in government. PTI has traditionally been vocal critique of IMF loans but had little option other than to approach the lender of last resort. The case study provides the rational for economic management that happens on day to day basis and the long term development goals that may be strengthened by keeping national accounts in balance through lending. Over the years, democracy and rule of law has strengthened in Pakistan, but the economic issues faced by majority population remain the same. The paper suggests that economic freedom is a necessary choice for a country to bring innovation to local production profile. There is a need to develop motivations through research and advocacy in the country so that a path to freer and prosperous markets are charted out that can then lift millions above poverty line through higher economic output. In short legal and democratic institutions are necessary for Pakistan's progress but they are not a sufficient condition and may binge in absence of thriving private sector. Currently government of Pakistan is planning to implement post infrastructure CPEC projects. This paper gives a comprehensive guideline to implement CPEC projects especially that relate to Special Economic Zones through developing local industrial clusters while also developing human capital by investing in technical training of populations that reside in peripheries of these Economic Zones. This way Pakistan can become part of Chinese value chain much like Vietnam and new era of local innovation takes place.

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1. Introduction

One of the most uncontroversial personality among the PTI politicians has been the IBA graduate and Economics guru Asad Umar, though Imran Khan and his statements remain to be the ones always having the lime light in the popular media. Imran Khan understands Economics of Pakistan quite well and more so because he has been given advice on the economy by Asad Umar and more so now that he has at his disposal daily briefings by an excellent team of Economists that form the elite Economic Council of Pakistan enlisting well known and seasoned Economists like DrIshrat Hussain.

The brilliance of Asad Umar and the experience of his Economic Council failed to correct what ails Pakistani economy in less than three months is a most vocal critique coming from opposition benches. Imran Khan and PTI have invested a lot of emotions into his party's superior understanding of Pakistani economy and what is the right economic policy based on the

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sheer talent of our incumbent finance minister who has been instrumental in changing around the business outlook of Angro Chemicals and made the company earn in billions. Over the years Asad Umar has provided valid critique to economic policies of the PMLN and PPPP governments based on economic outcomes that have largely benefited Pakistani elite.

Asad Umar always asked for policies to move beyond macroeconomic jugglery to actually benefit the common Pakistani and thus criticized earlier governments' fiscal policies while also questioning the lending sprees of his predecessors. However, the PTI drive on corruption has traditionally taken up space that did not allow any comprehensive debate on the economy within the party as if Finance Ministers like Ishaq Dar were just accountants justifying multibillion dollars lending so that leadership of their party can continue making under hand deals through shabby projects and take their share of bribes to launder it in off shore accounts. It did not matter that PML N government started a Vision 2025 plan that was a comprehensive social, economic and technology initiative giving guide lines to government and international donors of how and what of Pakistan's socio economic future and its prosperity.

The debate on national economy was silenced in the over the board noise raised for PTI's fight against menace of corruption that they perceived is ailing the then ruling party PML N. PTI was successful in selling the slogan of accountability to Pakistani people and thus won the 2018 general elections. However, once in government the poor economy and it's over the years' provisional management became the biggest concern for PTI especially when court decisions came in support of PTI allegations on top leadership of PML N regarding corruption.

PPPP and PML N that mainly makes up the current opposition is not ready to buy that PTI overlooked Pakistani economy by wielding more weight onto political economy issues like rule of law and accountability. Good economic management is the most highlighted issue in the three months of PTI in government. And as the blame always rest on Economists, Asad Umar is accused of not being able to foresee the economic challenges that has left Pakistan with no option but to ask for an IMF bailout package that is considered to be highly unpopular among Pakistani people and PTI ranks who had been told as such in many past years when PTI was sitting in opposition benches.

Our Finance Minister is in quite a fix all because he was branded to be the Economist of Pakistan who would change economy from its focus on elites to its focus on common Pakistani who has been traditionally excluded from the economic prosperity and lives in the peripheries of formal economy. Asad Umar himself accepts that it is a daunting task and may take years and not merely first 100 days of PTI's governance but he can only whisper it to the ears of his top party ranks because all economist sounds the same. The economics of Pakistan can be explained through a VISION 2025 or it can be put into the Governance pillars of strategic direction of national discourse but may mean the same in respect to the time frame that herald decades extending the economic plan beyond five-year term of any particular ruling party (Mamoon, 2019).

In the immediate time frame the most important economic measure is that of managing the national accounts to the benefit of economic activity where even a deficit may be incurred to realize profit in the future. PTI is talking in right economic terms when they draw attention to issues like skill development, revival of industrial sector, agricultural growth, investments in health and education. But in the short run say first 100 days in government, the biggest achievement is to balance national accounts so that the real processes of economic development can be initiated as per party vision. So a faltering economy is in its national accounts that may be directed to real economic output by innovation and industrial contribution if loans or funds are directed towards well thought out economic projects – the lack of them in last ten years makes up PTI critique on earlier governments.

Instead of blaming the national account management by Asad Umar that he has actually done in a remarkable and most candid manner, PTI government should allow him and his team to implement the medium term plan for Pakistani economy much of which can be picked up from where governments of PML N and PPPP left.

2. The sufficient conditions of economic progress

With the advent of Washington Consensus (Serra & Stiglitz, 2008), framework of economic development was implemented in developing and least developed countries through the lessons drawn from the overtime evolution of economic, social and political circumstances within Europe and the US. Country like Pakistan, that had experienced green revolution in the 1960s to mild industrialization with advent of 1980s, had much to learn from the experiences of developed nations. Especially the IFIs including IMF and the World Bank were interested to implement the values of freedom of expression through free press and right to expression, democratic precedence through decentralization and structural over hall of the economy through high quality governance. However, unlike India where the government of Manmohan Singh in 1990s and early 2000s first as India's Finance Minister and then as the premier witnessed open trading regime, strengthening of private property rights, technical skill development and robust rule of law in the country, Pakistan has traditionally been lagging behind on all these fronts. The nationalization of the economy of Pakistan in 1970s significantly affected the competitiveness of Pakistan's industrial sector that is still largely dominated by state owned enterprises like Pakistan Steel Mills, Pakistan International Airlines, National Railways etc that are performing poorly with losses in billions of Pakistan Rupees. These loosing national enterprises have structural problems whereby issues like inefficiency, low productivity, overstaffing, moral hazard and corrupt practices are rampant. It was another autocracy during 2000-2007 that brought about some steps towards good regulation by allowing competition in electronic media (earlier dominated by Pakistan National Television), opening up of Telecommunication sector and banking sector that resulted in a sharp spike in foreign investments in these sectors as well as visible improvements in economic growth rates. All these three sectors were services sectors and most of the developing countries of Asia and Africa had taken similar steps to improve their services sector and allowed an economic boom supported by increase in consumer purchasing power as majority jobs that were created had employed middle class skilled labor. The economic growth that was oriented towards urban and skilled population ignored the rural peripheries in all countries including Pakistan. In 2007, the autocratic government of President Pervez Musharraf had to give up to the pressure of domestic polity that were more aware and interconnected due to privatization of Media and Telecommunications and were demanding rule of law to be implemented along with his resignation. The irony is that the then Chief Justice annulled the government bid to privatize Pakistan Steel Mills and was swiftly removed from the office. A lawyers' movement against the deposition of the Chief Justice brought about a national protest movement against dictatorship and soon President Musharraf had to leave office in 2008. It has been a decade now and Pakistan has seen two democratic governments completing their five year terms that is an exception to the history of the country. Rule of Law is strengthened as well through increased judicial activism that saw deposition of three prime ministers on various charges.

One would expect that improved democratic precedence and rule of law should accompany with economic prosperity as what the political economy theory suggests. On the contrary, Pakistan is facing same economic challenges as it was facing in last 50 years or so. Growth rates are stagnant especially during the last to democratic regimes. Government is still expected to provide social safety nets to the poor and inequality has been increasing between different economic classes. Industrial sector has actually shrunk with businesses depending on government favors to compete in national markets that are predominated by the presence of few multinationals. The local productivity of private firms has also been undermined due to lack of local competition. The situation has not been helped by government regulation despite the introduction of Competition Commission by Musharraf Government. In micro competitiveness, Pakistan scored low in the region whereby China, India and Bangladesh score much higher. Due to low competitiveness, Pakistan has not been able to increase its exports while import bill is soaring day by day when accompanied with debt accumulation lands the country into balance of payment crisis every year. Pakistan has also failed to introduce tax reforms and restructuring of Federal Bureau of Revenue.

The IFIs and International Non-Governmental Organizations have been taking the initiative to bring reforms to Pakistan's governance structure but with little success. A poor culture of research and advocacy on part of domestic institutions of governance have also failed to bring indigenous innovation of ideas that effectively address local problems with local solutions.

In view of these challenges to the national economy, there is always need of private sector to arrange institutional arrangements that connect and coordinate between government, donors and the private businesses through advocacy and research activities and make an effective and long lasting change within a country that favors values of modern world like freedom, democracy and private innovation so that Pakistan takes up a path of sustainable long run development.

3. Industrial eevelopment through CPEC

Recent research in Harvard Business School by the team of economists lead by Professor Michael Porter (Huggins & Izushi, 2011) has summarized the future trajectory of innovation and business productivity for US firms. According to the arguments, businesses unite and evolve within geographical clusters and these businesses are both inter industry and intra industry in nature. These geographical clusters can be local, regional, national and international. For example within US the innovation of world wide web translated into social media revolution through digital applications like facebook, google and retail brands like Amazon that all have started in California popularly referred to as Silicon Valley and the foot print of digital innovation created manufacturing and technological initiatives like SPACE X and TESLA in times when NASA and US government was reducing their financial support to Space travel and also there was a slump in sales of US automobile industry. The international cluster development happen is different geographical locations tied up with efficiency in international trading agreements as was in case of multi billion dollars worth of China and US trade that facilitated international businesses of US origin to invest in low end and high end manufacturing in China through providing special economic zones, right over private property, financial services, infrastructure development and skills to the local businesses to enter into partnerships with US firms. China became an integral part of international technology cluster through integrating its commercial stakes with US by becoming an integral part of the value chains of US businesses. It took nearly 2 decades of cluster formation and development between US and Chinese firms whereby China now stands as the second largest economy of the globe and the largest competitor to US markets. The clusters of innovation development have increased the economic, social and political ties of Asia with that of the Western countries encouraging China to opt for Belt Road Initiative further connecting Asia with Europe and the world.

The Belt Road Initiative is an inclusive economic and industrial plan for Asia, whereby a part of it is currently being implemented in Pakistan with the name of China Pakistan Economic Corridor. The agreements between both Pakistani and Chinese governments over the last three years have seen many investments by Chinese financial and industrial subsidiaries to initiate infrastructure and energy sector programs in Pakistan. This shall give Pakistan access to a billion people strong Chinese markets in the same way Vietnam has been benefitting from becoming part of Chinese value chain.

The cluster development argument suggests that infrastructure is necessary but the sufficient condition to innovation future of Pakistan's industrial sector would happen through Special Economic Zones. These economic zones would be located within local or regional clusters though integrated at national and international level because other countries like Germany and Kingdom of Saudi Arabia have also shown their interest to be part of economic landscape that is to be provided by Industrial Zones within CPEC.

However, the Pakistani government has to device a scientific and thorough plan to involve Pakistani businesses within these economic zones and direct some of indigenous technical innovation towards guided local cluster development within various provinces of Pakistan exploiting local know how to make out a local context within economic and social benefit of these clusters. For example, small manufacturing industries should already be incentivized that involve small engineering and software development for digital or real services. Pakistan can specialize in small scale chip manufacturing and become part of the Chinese mobile phone development industry while also developing indigenous base for high technology manufacturing industries.

This is a similar experience of technical and technological trajectories that are evident when Chinese and Pakistani defense cooperation helped Pakistan to greatly enhance its Military Industrial Complex that lead to manufacturing of JF 70 Thunder aircrafts. The aeronautical niche through cooperation between Chinese and Pakistani defense cluster enabled Pakistan to become the exporter of aeronautical equipment to countries in Africa and Middle East.

Since CPEC is to be in implemented in Pakistan, only financed by China, there is a need to identify and guide national priorities within CPEC projects and plans. The FTA with China brings about a lesson that Pakistani businesses cannot compete with Chinese ones. In the mean while and despite a lot of rhetoric from successive governments the steps towards improving industrial competitiveness is missing in public policy discourse. This needs to be rectified to make CPEC a success and engine of innovation in Pakistan. Detailed feasibility of Industrial Business Activity needs to be undertaken to understand and promote local business niche aligned with local skill sets of the population. That may also mean planning and changing urban development thinking that caters to the needs of its dwellers concentrating on social sector development by building health and educational facilities for unskilled and semi skilled populations. The resources for social sector development for areas surrounding Special Economic Zones can come from Donors or public private partnerships or may be generated from private sector investments directed towards social sector as a matter of their Corporate Social Responsibility profiles.

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