

NASEEM USMAN

### **Why should anyone invest in Pakistan?**

In his recent visit to China, PM Imran Khan pitched five reasons why the Chinese or investors from any other country should invest in Pakistan. Before those reasons start becoming viral, among those blinded by optimism, a reality check is warranted.

Khan's first bullet point was strategic location. If history is any guide, that strategic location has given this country more headaches than benefits. In Khan's own words, first the American's trained jihadis in Pakistan, used the country in their Cold War and when that project was over, they left Pakistan without any support while the country kept on being abused by the aftermath of that war including terrorism, drugs and Kalashnikov culture. Later, again in his own words, Pakistan participated in another American war, this time against the jihadis whose seniors were trained by the CIA in the 80s, and in came another backlash.

Meanwhile, the RCD highway crossing Iran, Turkey and to Europe never really borne the desired fruits. The story on the eastern front on the other hand is too familiar as well. If there weren't outright hostilities, the hangover of hostilities kept Pakistan and India from exploring bi-lateral trade and investment prospects.

Lately, PM Khan has been trying to bolster regional ties; mediating between Iran and Saudi Arabia on the one hand and possibly mediating between Afghan Taliban and the Uncle Sam on the other. Yet even with the full sway of optimism, the east-west corridor aspect of the 'strategic location' pitch is quite far from seeing the light of the day, whereas the north-south corridor also depends on how fast China develops its Western region, and how fast does Pakistan pull up its socks to fix the economy and governance.

Khan's second item on the pitch was a population of 220 million; a young and vibrant labour force, where 60 percent of the population is below the age of 30. This is an oft cited myth. Unless these huge swarms of people are given the necessary levels of education and skills aimed inter alia at increasing productivity, 220 million people are more of a strategic liability than an asset. Remember the world is moving towards automation, which means cheap labour isn't unique selling proposition for countries anymore, whereas pricing signals such as exchange rate, tax cuts, etc to boost growth and productivity can only do so much in the absence of skills and productivity. (For more on this read, the future of Make in Pakistan, July 17, 2019).

The PM's third pitch was economic revival through reforms, where he cited the setting up of CPEC Authority and that Pakistan has been number 8th reformer as per World Bank's ease of doing business rankings. As argued earlier, the setting up of CPEC Authority for quick and judicious completion of CPEC projects is a tactical acceptance that this government is unable to fix the cogs of governance; nor does it expect to do so in the near future.

The CPEC Authority also means that Pakistan will be offering efficient governance to Chinese investors under the CPEC, whereas all other investors would have to suffer at the hands of rusty cogs of governance. Granted that Chinese are special and ‘all-weather friends’ but economic diplomacy must look at the broader picture and invite inflows from wherever the stream flows. Eggs in one basket, remember?

As for boasting about ease of doing business, it’s best to hold comments until detailed ranking and score data are in. But while on the subject of reform, it is pertinent to highlight that civil service reforms, reforms in energy sector, legal and contract enforcement have been a damp squib so far.

Khan also highlighted Pakistan’s potential in tourism and hospitality industry as one of the reasons to invest in Pakistan. That’s cute. But the reality of Pakistan’s hospitality professionals can be gauged by the fact that the Pakistan’s has been unable to capture UAE’s hospitality industry, despite being so ‘mahman-nawaz’ as it is said in Urdu and despite having a historical legacy to export labour to the region. The fact of the matter is that if anyone wants to open a top of the line mid-tier hotel in this country, the company would be hard pressed to find competent individuals to run its various services.

The PM’s last pitch was Pakistan’s expansive gold, copper and mineral reserves. Indeed, that potential exists. But with the subject now resting with the provinces, who have weak governance capacity amid poor state of interprovincial coordination and coordination between the centre and provinces, that potential will likely remain untapped until such time concerted efforts are taken to fix the system. Pakistan neither has mining experts, nor legal experts, as the Reko Diq and other cases have shown, nor even project finance experts, nor even the finances at the moment to kick projects in that domain.

It’s one thing to make a marketing pitch; it’s another to be sold on that false marketing pitch yourself. Pakistan has had these ‘potential’ for many decades, but it takes more than just promises and fancy presentations to convert that potential into reality; let’s not fall into the talented nation trap.