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When profit is pitted against prosperity, economy loses

LAHORE: Pakistani economy is passing through a difficult phase that requires the government to take every step after thorough consultation with all the stakeholders.

The most unfortunate aspect of the current crisis is there is no cohesion either between the private sector and the government or between different trade bodies. The current economic crisis in the country is due to a combination of various factors that include shrewd bureaucracy, incompetent economic managers, and a private sector pleading its case in pursuit of its vested interests.

The chambers and most of the trade bodies unfortunately do not provide the true picture about different sectors to the government. Masters of painting the economic picture according to their interests, they present their own research in a way that shows only the negatives without pointing out the positives that in many cases outweigh the formers.

They might bluff the not-so-expert economic managers in their one-to-one meeting or during functions but the shrewd bureaucracy then brings up a list of facilitations provided by the government missing from the presentations of private sector.

This impacts the creditability of the private sector in the eyes of economic planners and bureaucracy has the last say. The trade associations claim the cost of doing business in Pakistan is exorbitantly high. They also claim it is impossible to run their factories at current high costs.

This is half the truth. There are many important parameters where they are very competitive. After the devaluation of rupee, the minimum wage in dollar terms in Pakistan is the lowest in the region. Water charges for the industries are dirt cheap compared with the cost of water for industries in India, Bangladesh, and China.

The power tariff has increased in rupee terms but has come down in terms of dollar. The cost of doing business is calculated in dollar terms to evaluate competitiveness of economy. Still, despite the abovementioned facts, the businesses have the government believe that manufacturing has become uncompetitive in the country.

One truth that the trade associations hide from the economic managers is the inefficiencies of their manufacturing process. This is because the technology is obsolete.

The bureaucracy on its part comes up with novel ideas that look very attractive on paper but practically resolve nothing. For instance, promissory notes (bonds) provided by the Federal Board of Revenue (FBR) to the businessmen in lieu of their refunds stuck with the government.

The businessmen were assured that banks would buy these bonds from businessmen as they carried an interest rate of 10 percent. However, when the businesses went to banks to get cash they were informed that the government of Pakistan has issued no sovereign guarantee and no encashment date had been mentioned on these bonds. They were only assured the bonds would be paid in time.

After receiving the bonds they realised the banks were not interested in buying these bonds because after an increase in central bank policy rates, the government was borrowing from them at much higher interest rates (policy rate 13.25 percent plus at least 2 percent premium on policy rates).

These bonds are a piece of useless paper and have not eased their cash flow but the government boasts it has refunded the stuck amount to the businesses. Every country passes through difficult phases at some point of time in its history.

Their ruling elite, bureaucracy, and businessmen analyse the issues and remove irritants through consensus in the best interest of the country.

It is unfortunate that in Pakistan every stakeholder tries to resolve all issues on vested interest. The rulers think in terms of benefits they could get at the time of elections. The businesses think selfishly and would endorse every move that benefits them even at the expense of others. The bureaucrats calculate the illegal gratification they would get from any economic move. You cannot move ahead when all stakeholders take decisions on vested interest.