

LOOMING ECONOMIC CRISIS: RENOWNED ECONOMIST OFFERS THREE-POINT AGENDA TO NEW GOVT

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August 09, 2018
Print : National

ISLAMABAD: In a bid to overcome looming balance of payment crisis, renowned economist based in USA, Atif Mian on Wednesday proposed three-point economic agenda to coming PTI-led government including granting autonomy to key economic institutions by ensuring merit-based appointments, doing away with import-led growth and abolishing cash economy to curb money laundering, corruption and dirty money as well as rampant tax evasions.

“The China Pakistan Economic Corridor (CPEC) is neither bad nor good but it depends how it is being executed in Pakistan. Pakistan will have to reduce its macro risks as Islamabad had faced balance of payment crisis number of times in the past because it pursued import-led growth, heavily relied upon foreign borrowings and failed to boost exports,” Atif Mian, renowned economist delivered video lecture from USA on increasing vulnerabilities on economic front organised by Planning Commission here at HEC Auditorium on Wednesday.

It is relevant to mention here that in its edition of Finance and Development, a quarterly publication of the IMF in 2014, the Washington-based lender has named a Pakistani-American Atif Mian, professor of economics at Princeton University, among 25 economists under 45 “who are shaping the way we think about the global economy”.

Atif Mian pointed out that Pakistan received massive dollar inflows in shape of CPEC beyond its absorption capacity that resulted into creation of distortion and mismatch and Islamabad was again plunging into BoP crisis 10th times in last 30 years.

It is relevant to mention here that total foreign direct investment stocks (FDI) stood at \$32 billion so far and alone with the CPEC the country received over \$30 billion in period of just three years with overall commitment of \$56 billion so this massive dollar inflow was bound to create distortion on the economic front.

However, Atif Mian said that Pakistan failed to achieve growth on long term basis because of its inability to ensure local production and increase exports.

He said that Bangladesh and India increased exports manifold and Dhaka jumped up exports of its made ups by five times since 1980s. The increased reliance on import-led growth resulted into creation of distortions in the economy. He said that Korea and China had never relied upon others assistance to boost up growth and infrastructure but Islamabad had always relied upon others. “We have consistently failed to increase exports,” he added.

He said that Pakistan had faced BoP crisis nine times in last 30 years and was going to face another one which was outcome of mismatch on external front of the economy. He said that Bangladesh was not facing any BoP crisis because they were able to achieve robust growth on export front. The basic fundamental problem was Pakistan’s inability to import more non-tradable items and increased foreign borrowings also slowed down the GDP growth on long term basis.

He proposed three point agenda to overhaul the country’s economy including granting autonomy to the SBP and come up with merit based appointments. He cited example of Turkey whereby with recent appointments their currency got depreciated. Secondly, he said that there was need to work on economic fundamentals whereby reliance on import-led growth would have to be reduced drastically.

Thirdly, he said that there was dire need to modernise financial sector by doing away with cash economy and ensure digital economy as it could help curbing money laundering, corruption and dirty money and eliminating tax evasion in a big way.

Such methods could overcome siphoning off money and improve tax collection that could help reducing the budget deficit and easing down pressures on current account deficit, he concluded.