

'Buy Pakistani' slogan

President Arif Alvi has exhorted the public to buy Pakistani to ease the pressure on the Pakistani rupee whose value plunged by around 5 percent in one day. Many a world leader has invoked the spirit of patriotism/nationalism to ease unsustainable pressure on the balance of payment position and given Pakistan's 19 billion dollar current account deficit President Alvi's call has merit. However, in Pakistan's context, there are two serious impediments to the possible success of the President's exhortation.

First and foremost, Pakistani markets do not reflect perfect competition conditions where supply and demand determine price. This is unfortunately the case even for perishable items which implies that profiteering, or raising the price based on the perception of the ability to pay of the buyer, is the norm. Evidence for this abounds and is reflected in a rise in the price of perishable items during Ramazan, or the different price charged for fruits and vegetables based on the mode of transport used by the buyer. In marked contrast to other countries, particularly in the West, where perishables of a certain quality command the same price in different markets, Pakistani vendors charge different prices for the same products based on the vendor's perception of the ability to pay of the purchaser.

Products that operate in perfect competition conditions in other countries do not do so in Pakistan due to the proliferation of cartels. For example, the sugar millers are often accused of not only using their considerable influence to set the market price for cane thereby impacting on the small farmers' livelihood (as well as delaying payments to these farmers) but also seeking subsidy from the government to export sugar in the event that there is a glut and the domestic price is higher than the international price. On a query by a member of the opposition in 2014, the then Finance Minister Ishaq Dar submitted a written response to the National Assembly acknowledging that a number of sectors of the national economy were operating under the influence of cartels including accountancy, stock exchange, cement, sugar, telecom, jute bags, poultry, power equipment, ghee and shipping. He further contended that cartelisation was a civil offence in Pakistan and added that "the existence of cartels can only be proved on the basis of evidence after an inquiry is conducted under the Competition Act, 2010." This Act provides for free competition in all spheres of commercial and economic activity, to enhance economic efficiency and to protect consumers from anti-competitive behaviour and Section 4 of the Act "inter alia, prohibits cartelisation by competitors...this section is generally enforced ex-post facto by the Competition Commission of Pakistan." The prevalent laws and institutions in this country can deal, with the associated issues however, implementation remains weak. At present, the current head of the CCP is on a stay order issued by the court and it is unclear whether the government intends to vacate it or not. Secondly, smuggling across our thousands of kilometres of porous borders is commonplace; and many a Pakistani administration has been forced to deal with the aftermath of a decision to raise regulatory duties on foreign imported small items, as a means to raise revenue and discourage their use, as it simply increases smuggling. Better policing is required across our borders and those found guilty of taking bribes to allow smuggled items into the country need to be taken strictly to task.

To conclude, for the 'buy Pakistani' slogan to be successful requires dealing with our market imperfections as well as taking mitigating measures to reduce smuggling.

RECORDER REPORT