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Economy: bits and bytes

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Beyond a broad, ballpark type broad, understanding, my knowledge about "bytes" can be best described by one, absolutely amazing, word... nothing! There is no harm in admitting that I am a dinosaur in this information age, however, being a dinosaur does not mean that one should be an imbecile as well. So when this particular title was suggested for the "Three Bits on the economy-serial", right when a news item popped into my social media horizon that IT could potentially generate billions of dollars over the next five years, it brought to fore a universal law, there are no accidents; hence here we are.

On a lighter note, after my newspaper serial on "Profit" a few years ago also in Business Recorder which by the way went up to 26 articles, I seem to have embarked upon another newspaper serial, "Three Bits"; I wonder whether I can claim copyright on this particular genre of newspaper serials. On a serious note, those in the know how, need to focus on policies, and those in power need to direct government investment, to capitalize on Pakistan's information technology potential. Given the size of our market, perhaps protectionism might even be the magic wand for spurring growth in the IT industry vis-à-vis domestically developed software; if learning from China is okay. Alibaba and WeChat, being the proverbial case in point!

Funnily, while we love Chinese investment and claim that they are bestest of friends, we refuse to study and follow their economic policies and trade strategies. For that, we adore the American way, despite landing repeatedly in bigger economic messes every time because of their prescribed structural reforms!

Nonetheless, let's leave the bytes to the professionals and hope they can come up with quick solutions, and move on to the more mundane world of economic bits.

Thank you everyone for the sordid critique over the suggestion to increase the minimum tariff to 30% last week; and/or thinking up strategies to match imports with exports. But unless any one has another brilliant idea to very quickly reduce the trade deficit, as in like immediately, welcome to the old reality. Admittedly, our trading partners' reaction, especially those with whom we have free trade agreements, might, no, will be adversarial, but what exactly is the point of exporting one dollar worth of goods if you end up importing goods worth two dollars more every time. The free trade agreements should work both ways, rather than giving one party to the agreement a free hand.

Pakistan's last ten years economic history is all about an always increasing trade deficit and borrowing foreign currency to finance such deficit from anyone who was willing to lend to us, and in certain case at whatever rates. But no party can go on forever!

Ignoring workers remittance for the moment, which in my books is export earnings too, can anyone identify which country do we have the biggest trade deficit with? My educated guess based on calculations from a while ago, too lazy to do the math again, is definitely China, and that too by a huge margin; and not only because of CPEC. And guess with which country do we continuously run up a trade surplus; a rarity I might add? The one that we all love to hate!

So let me put it bluntly, straight up! Our trade policies are designed in a manner that our best friends can take advantage of us. And perhaps some other time we can also deliberate upon the much touted great regional trade fallacy.

The argument that protectionism is a disincentive for domestic industry to become efficient and compete internationally does sound reasonable. But perhaps Pakistan is again that exception to the rule which can't even get free market policies right: where even without protectionism, for the last over a decade, the domestic industry, by and large, refuses to become efficient or innovative enough to compete in international markets. Currently our exports are still centred on agricultural produce and despite being the producers of raw materials, our total exports this year were US$ 24.7 billion; Bangladesh's exports for the same period are US$ 36.7 billion. So if we can do not so well without, how much worse can we do with!

And while the on the topic of domestic industry not being able to grow and compete in international markets, it would be useful to discuss the cost of natural resources consumed to earn not very exiting export dollars, when the relevant lobbies come around to plead their case. Land is forever, but fertility is not. Rains may annually replenish our underground water reserves, but they are not sufficient to meet the demands of a growing populace. So not only do we have to increase exports, we might soon need to look for new things to export, and pampering the trading lobby is not the right way to do that either!

However, at the end of the day, take it or leave it! Frankly, I am curious on how quickly we can get our exports up by US$ 10 billion!

My apologies, the series is really progressing in a haphazard manner. Nonetheless, till we get to the next bit, let's hope that the economic advisory council and the finance team, and the central bank, have figured out what to do with the rupee by next week.

The second bit is more for the medium term: from an economic perspective of protection of property rights, somebody needs to figure out legislation and find judges to decide all past overdue property dispute cases, within a maximum timeframe of 2 years.

Cheers!

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