

The Pakistan Business Council
FOSTERING ECONOMIC GROWTH
A Company set up under Section 47 of the Companies Ordinance 1984

Pakistan Economic Forum

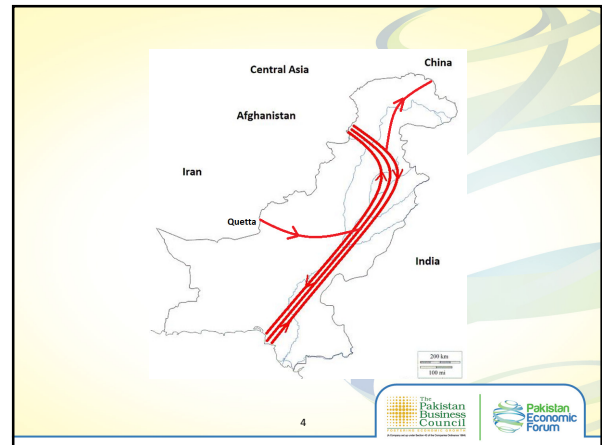
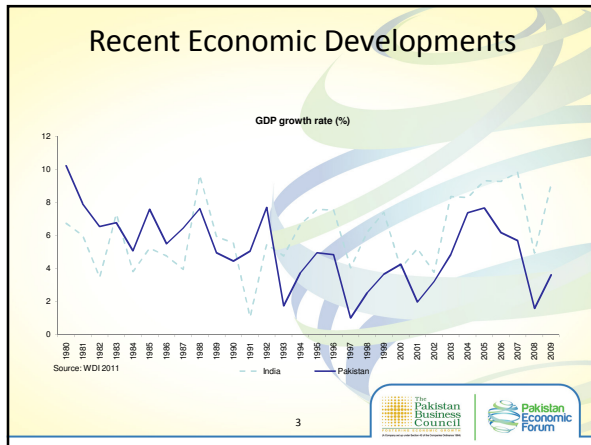
Pakistan: A Regional Economic Hub

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Search for a new growth vent

- Canal colonies and market forces
- Import substituting industrialization
- Green revolution
- Remittances, consumption led growth
- Recent growth : volatile, weak and regionally unequal
- Trailing the peers.

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Regional trade and economic growth

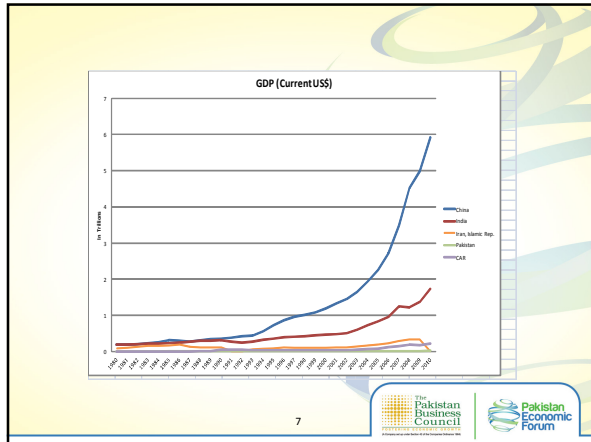
- I. Search for a new vent for sustained, high, regionally balanced growth that generates productive employment (demographic dividend)
- II. The centrality of trade in job creation
- III. Regional trade; a new growth vent
- IV. Pakistan India trade in that context

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Regional trade and Pakistan

- Regional trade did not matter in the past
 - India growing at the Hindu rate
 - Central Asia part of Soviet empire
 - China preoccupied with itself
 - Iran growing also pre-occupied internally and growing far below potential
- But the region looks different now
- Pakistan needs to tap into regional growth

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Re-energizing the East-West routes

- The East West trade routes need to be re-energized to take advantage of developments across the land borders.
- Pakistan's potential as energy and transport hub has to be realized
- This will lower costs, leading to manufacturing centers for employment and finally reaping the demographic dividend

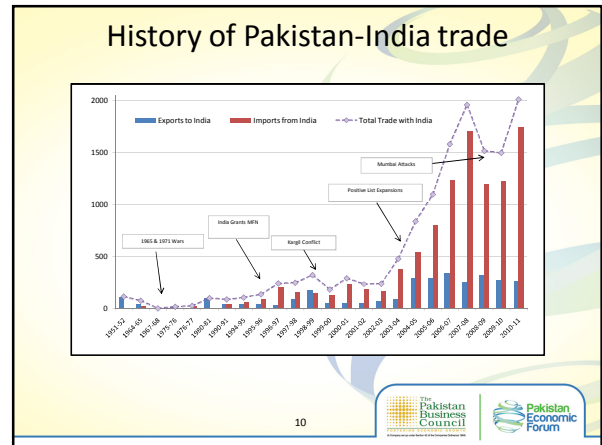
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IV. Pakistan-India trade liberalization

- Much recent progress
- Key stakeholders are gainers, a few losers
- Revealed comparative advantage
- Many corroborating reports, PBC report
- But politics is complicated; gainers many and voiceless, losers few but well organized and loud
- a jagged trajectory?

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Recent Important Developments

- **April 28, 2011** Commerce secretaries of India and Pakistan issue a joint statement with the objective of boosting trade
- **September 26, 2011** Pakistan Commerce Minister assures progress on MFN status to India, seeks removal of NTBs
- **November 02, 2011** Pakistan Cabinet approves MFN status to India, but later retracts and gives in-principle approval for 'trade normalisation' with India
- **November 13, 2011** Pakistan Commerce Secretary visits India, assures a shorter negative list and removal of positive list

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Recent Important Developments

- **February 29, 2012** Pakistan announces transition from positive list to negative list and says the negative list would be removed by December
- **March 20, 2012** Pakistan notifies negative list with India, banning 1,209 items and opening more than 7,500 tariff lines
- **April 13, 2012** ICP inaugurated at Attari
- **September 8, 2012** India and Pakistan sign on a liberalized visa accord that was approved by the Federal Cabinet on October 30, 2012
- **September 21, 2012** Pakistan and India sign three technical agreements on redressal of trade grievances, mutual recognition and customs cooperation

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Pak-India Trade: Issues going forward

- All stakeholders should be considered
- Trade disruption
- Bilateral trade deficit
- Non tariff barriers
- South Asia Free Trade Agreement

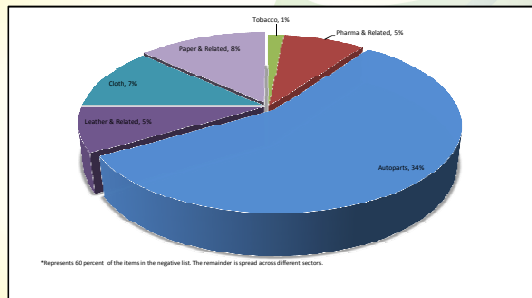
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Pak-India Trade: Issues going forward

- Agriculture and handling subsidies
- Protection and trading lists
- Small and Medium Enterprises
- FDI, payment system and Intra-industry trade
- Trade infrastructure and trade facilitation
- Visa regime

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Composition of the negative list



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Impact Analysis

- The usual RCA approach
- Approach taken by the study (short term, domestic only)
 - Estimate the direct impact
 - Impact on the overall availability of the good
 - Impact on Pakistani manufacturers
 - Impact on consumers and government
 - Overall welfare impact positive but less under SAFTA
- The analysis suggests a different order of protection (leather, tobacco, auto parts, pharmaceutical, in that order)

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Panel's Recommendations

- Safeguards
- Facilitating the SME's
- Payments system and investment regime
- Trade facilitation and trade infrastructure
- Visa, regime, travel, technology and skills exchange

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Future vision: Pakistan as the hub

- Connecting North-South with East-East economic corridors
- Huge potential
- From trade to a manufacturing hub for the region

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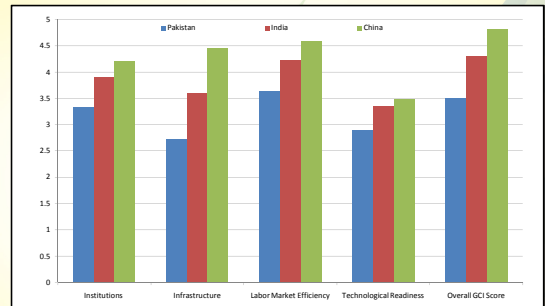
What will it take?

- Much improved decision making
- Peace in the tribal belt
- Baluchistan
- Productive workers
- International competitiveness

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Global Competitiveness 2012



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The Indian Ocean

- Indian Ocean: Michael Pearson
- Monsoon: Robert Kaplan
- Will we be bit players or the gateway to Central Asia, Western China and Western India?

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