

Low interest rates, improvements in agriculture, manufacturing, and energy fuelling growth in Pakistan – Sartaj Aziz

The 33rd Annual General Meeting and Conference of the Pakistan Society of Development Economists (PSDE) began today, December 12, 2017, at the Marriott, Islamabad. The theme of this year's Conference is "Redefining Prosperity Paths in Changing Global Economy: Opportunities and Challenges for Pakistan". The Conference was inaugurated by Mr. Sartaj Aziz, Deputy Chairman Planning Commission and the Patron PSDE. The three-day long Conference is being hosted by the Pakistan Institute of Development Economics (PIDE). The cohosts include Agha Khan Rural Support Program, International Food Policy Research Institute, OXFAM, Friedrich-Eibert-Stiftung, Higher Education Commission, ECOSF, Center of Excellence-CPEC, Australian Center for International Agriculture Research, Asian Development Bank, UNDP, State Bank of Pakistan, Bank Al-Habib, and Meezan Bank.

In his keynote address, the Deputy Chairman Planning Commission Mr. Sartaj Aziz complimented PIDE and PSDE on hosting its annual conference on a topical issue. Mr. Aziz said that in order to make progress at a rapid pace, a viable alternative to the entrenched paradigm is the Chinese Economics. He said that the Chinese do not follow a linear approach but rather follow a curvilinear approach, based on the philosophy of yin and yang, to solve their problems. The Chinese focus on the collective good of the people, the result of which is there for everyone to see as China has achieved unprecedented growth rate of 9-10% over a sustained period of time. Highlighting the recent resurgence of the Pakistani economy, Mr. Aziz said that Pakistan's economy has seen a turnaround due to various reasons, including increase in energy supply. He said that economic growth of 5.3% in 2016-17 was the highest in the last 9 years, agriculture and manufacturing has improved, interest rate is low, infrastructure spending has increased and international agencies are presenting an optimistic outlook of the Pakistani economy.

Mr. Sartaj Aziz said that Pakistan needs to carefully analyze the changing world economy. In the past few years, there has been a shift from advanced economies to the emerging economies as China will soon overtake Japan as the second largest economy in the world. He said that there is an opportunity for Pakistan to excel in the labor intensive industries due to the vacuum created by China's move from labor intensive industries to value-added goods. He further added that Pakistan must realign its priorities in the world economy. Pakistan, he elaborated, has implemented difficult reforms and is now a resilient economy. It can now undertake second generation reforms. The special economic zones (SEZs) contribute significantly to the increase in national incomes and employment generation. Therefore, under the CPEC, initially Pakistan will set up 9 SEZs in different cities. The number will increase gradually, he added. In order to stay resilient, Pakistan must adopt innovative agricultural policies such as high-value agriculture because agricultural protection or subsidies do not solve the problem. He said that agriculture in the 21st century is reinventing itself as a new business reshaped by globalization, standardization, high-value production, massive growth in demand, retail and packaging innovation, and ramp up in efficiency. Faced with constant productivity and market pressures, the new agriculture needs new tools to enhance its competitiveness and innovation capacity. One of these tools is the promotion of clusters. Mr. Aziz said the Fourth Industrial Revolution, which is characterized by a fusion of technologies that is blurring the lines between the physical, digital, and biological spheres, will be unlike any other revolution the world has ever seen. For Pakistan to reap the benefits of this revolution, there must be coordination among academia, policymakers, and industry.

Earlier in his presidential address, Dr. Asad Zaman, President PSDE and Vice Chancellor PIDE, said that the global financial crisis of 2007 showed that there is something seriously wrong with the orthodox economic theory. These problems have even been recognized by the leading economists of the world. He said that the problem started when morality was dropped from economics although, initially, economics was a moral science. He said that the alternative moral theories, which formed the basis of capitalism, were formulated based on the pleasure principle. Dr. Zaman said that the real issues cannot be tackled on the basis of monetary calculus alone. Unfortunately, current economics is blind to the fact that economic policies affect human beings profoundly. He said that in order to understand and solve current economic problems, one must understand the historical contexts, which the orthodox economic theory does not take into account. The remedy is to study historical, political, and social contexts, together with the economic aspects. Highlighting the problems with the traditional economic theory, Dr. Zaman said that people do not follow mechanical rules but they follow certain heuristics. Therefore, there is a need to build theory of human behavior that is not based on utility maximization, equilibrium, and self-interest. He concluded by saying that we, at PIDE, are striving to reform economic theory that is cognizant of the flaws of the orthodoxy.

The secretary PSDE, Dr. Ejaz Ghani presented the secretary's report. While thanking Mr. Sartaj Aziz for inaugurating the 33rd AGM & Conference of the PSDE, he said that PSDE is the only professional society in Pakistan that provides a platform to economists and other social scientists of Pakistan. He said that the distinguished lecturers and presenters at this year's conference have come from around the world, including from Australia, Azerbaijan, China, and Brunei Darussalam.

The inaugural session was followed by the Allama Iqbal Lecture under the theme "Science, Technology & Innovation for Socio-economic Development", which was delivered by former chairman Higher Education Commission of Pakistan and eminent scholar Dr. Atta Ur Rehman. The session was chaired by the UN Resident Coordinator and UNDP Representative in Pakistan, Neil Buhne. Discussants included rector International Islamic University, Prof. Masoom Yasinzai, Chief Economist, Government of Pakistan, Dr. Nadeem Javaid and Professor PIDE, Dr. Rehana Siddiqui. In his speech Dr. Atta Ur Rehman stressed upon the need to take the road of knowledge for sustainable growth and development. He gave the examples of geographically smaller countries like Singapore, Malaysia and Taiwan that are producing remarkably high exports without having rich reserves of natural resources but due to technological advancements. He said it is knowledge that radically transforms technologies. He also cited various examples of disruptive innovations that are now commercially available around the world and emphasized the need to adapt to new technologies. He closed his lecture urging policymakers and economists to align their vision with scientific growth and progress which directly links to the economic growth of a country.

Prof. Yasinzai commenting on the speech reminded the audience that while innovation is imperative, over indulgence in disruptive science may also have some destructive repercussions such as when technology is used for arms race. He also maintained that knowledge economy is stable when investment is sustained without shocks and disruptions for a period of 30 years. He closed his comments commending Dr. Atta ur Rehman for his contributions in transforming the landscape of higher education of Pakistan.

Dr. Nadeem Javaid commenting on the lecture said the models used by Singapore, China and Korea cannot be replicated as it is in Pakistan. He said that privatization is not always an

effective strategy in Pakistan as a regulatory body is needed. He also pointed out that it is pertinent to focus on quality of university governance instead of merely on the budget increments in order to bring about the desired changes in educational landscape of Pakistan. Final discussant, Dr. Rehana Siddique raised the question on maintaining a balance between the uses and abuses of technology.

The lecture was followed by four parallel technical sessions in which research scholars presented their papers under the overarching themes of: “Financial Liberalization and Business Development”; “Industrial Development: Job Creation, Special Economic Zones and Urban Development”; and “Brain and Brawn for Change: Academic Diasposer, Migration and Remittances”. After the technical sessions, former and senior members of PIDE joined to commemorate the institute’s 60 years of excellence in research by sharing their personal journeys with the organization.

The last session of the day was Muhammad Irfan Memorial Lecture delivered via video call by Harvard Kennedy School Professor, Asim Ijaz Khwaja on, “Effective Problem Solving in Learning Organizations”. Dr Khwaja asserted in his lecture that today an organization is smart only if it experiments and adapts continuously. “To learn, organization must be open to data or information”, he said. To explain the issue of financial crisis he gave analogy of a plumb line where he said the issue is not just about the amount of water in the tank but more often than not it is about the leakages in the plumb lines. Hence, showing it is not the lack of money but its ineffective distribution and allocation. The leakages in the system such as corruption, frauds and inefficiency are needed to be fixed. He then outlined limitations in the traditional ways to finance a project such as bank loans that are accessible only to the rich and venture capitalists that demand instant results.

University Brunei Darussalam Professor, Dr. Ahmed Masood, and Professor School of Social Science and Humanities NUST, Dr. Ather Masood commenting on the lecture said that while considering financial liberalization many risks must be taken into account such as the reliability and availability of data. Lack of direction, coordination failure and risk of reform reversal are some of the limitations to be kept in mind. The session was closed by remarks by the Governor State Bank of Pakistan, Mr. Tariq Bajwa, who appreciated Professor Khawja’s model and also shared the vision of introducing enterprise financing in agricultural sector. He stressed on the importance of financial inclusion at all levels of income and the ways Islamic financing can be used for it.