BOOK REVIEWS

Pakistan: Moving the Economy Forward, Rashid Amjad and Shahid Javed Burki, Lahore School of Economics, Lahore, 2013, pp.608, Rs.421.00.

The book under review is a collection of papers by eminent and prominent Pakistani economists. Following the title of the book the editors propose a new agenda for "Moving the Economy Forward." When the editors conceived idea of title of the book they were not interested in the history, instead they invited renowned economists to give recipes of a 'better future for Pakistan'. The book "Pakistan: Moving the Economy Forward" is structured in nineteen chapters. According to the new agenda the papers in the book address initial issues like; failed economic promises to key lessons for sustainable growth, energy crises, tax reforms, exports, China and Indo-Pak trade and many others areas, as pointed out by the editors in the 'preface' of the book. Their main objective is to stick to the discussion about future, followed by the second objective to deal with a variety of topics that relate to the economic of Pakistan and to propose agenda for better future of Pakistan for policy-makers of the country.

The editors, in general, collected papers which answer the central question of how to reverse the current prolonged period of low growth and high inflation – stagflation - which Pakistan is facing since mid of the last decade. This being the main focus, Pervez Hassan (in Chapter 2) correctly points that there is an urgent need to improve the investment climate. The GDP investment drastically fell from the peak of 22.5 per cent during 2006-07 to 12.5 per cent in 2011-12. He analyzed the historical development since Independence and the lessons learned from the past. His analysis identifies the cycle of high and low economic growth during the past 65 years. He further compares the growth performance of Pakistan with India, China and East Asian economies and identifies some important factors responsible for not matching its growth with these economies. A major hindrance came from the wars with India during 1965 and 1971, which resulted to spend a greater portion of the budget on defense. Consequently, the low spending on social sector neglected the human resource development. However, high servicing rate and high rate of debt payments aggravated the situation further.

Rashid Amjad took the charge of more recent period. His major findings of the Musharraf period is that in spite of revival of the economic growth the fundamental economic structure did not change. He wrote that: "This has taken a considerable economic toll, both in terms of direct costs as well as undermining the business confidence, and severity of the latter increased over the years."

In his article "A Country and an Economy in Transition", Shahid Javed Burki focus on economic and social challenges. The major economic challenge, he argues, is the deteriorating external finance situation, followed by the government's persistent reliance on fiscal deficits to manage the economy. He gives very useful information/details in favour of his argument. Later, he also argues that besides economy, other factors are also important for the government to take care of. The most significant factor he view brings forth the rise of extremism which also increase the cost in terms of law and order situation. It took several forms, e.g., groups operating from the no-man's land and sectarianism. In order to move the economy forward, he suggests that it is vital to overcome the major constraints that hinder the economic growth. In brief, to conclude, he specifically mention three most important areas to take care of, viz., the energy, water and revenues. Rashid Amjad and several other authors including Hassan, Burki and Malik, also identifies energy as core problem of the country and stressed the need to solve the energy crises.

Afia Malik, in Chapter 5, review the energy problem comprehensively and explain it at the grass root level. She identifies those factors which accentuate it and as to why there is not even one simple solution which exists at present. Among others, she claime that one of the major causes can be seen during 1990's when the government decided to go for the energy mix that involved independent power producers (IPPs), which set up oil and gas-fire power producing plants to overcome the power shortages. She provides the recipe by suggesting provinces to invest in development of their energy sector. It is also important to have assurance that their share for power supply from the national grid will not be reduced. So, fair enough, they are empowered to do this under the 18th Amendment.

Ahmed, Hamid and Mahmud, in chapter 6; "Exports: Lessons from the Past and the Way Forward", advocate that the idea of trade is important for the economic growth, dates back to the 19th Century. The Classical Economists also advocate the favourable effects of international trade on growth. Table 6.1 of his paper reveals that Pakistan's share of world exports remains almost stagnant since 3 to 4 decades as compared to our East Asian and South Asian neighbours which shows tremendous growth in the world exports. Again, in terms of infrastructure the most important is the energy sector. Shortage and power outage is the single major cause of low growth. Among major drivers of growth the author suggest that textiles, SMEs cluster, and in agriculture, rice, cotton, cash crops should be facilitated.

The critical issue of tax reforms is taken up by Hafiz A. Pasha and Aisha Ghaus-Pasha. They describe both, the federal and provincial levels of taxation system in

Pakistan. In the second step they try to give an in-depth diagnosis of the factors responsible for low tax to GDP ratio. They identify progressive tax reforms package which also includes the levying of an effective agricultural income tax.

In the next chapter, Ehtisham Ahmed takes up "The Critical Role of Tax Reforms in Making Devolution Work". His focus is to examine the effects of 7th NFC Award and the 18th Amendment. At the same time he also points out that unless measures are taken to improve the country's tax-to-GDP ratio, any structural shift in the decentralization to the provincial governments will not have any positive impact on revenue generation.

Chaudhary starts his Introduction with a strong statement that "Pakistan's Indus Basin Irrigation System (IBIS) is the strong heart of the country's economy". Pakistan, being lucky to have IBIS, which was originally built by the British engineers, during the 18th century. Then, after Independence of Pakistan, irrigation engineers and institutions like WAPDA have also added new dams, barrages, built new links and branch canals. These efforts helped in maintaining the world's most complex and extensive irrigation system. He concludes, after discussing the policy matters taken to rehabilitate the Indus Basin Irrigation System and the investments made to increase the surface water storage in line with the demands, rising ahead. The author also mentions that with the exception of few barrages for irrigation projects, the World Bank has provided no funds for the entire/overall irrigation project. He suggests that Pakistan should focus to preserve surface water, create additional surface storage and enhance yields through improved farm water management practices.

Yet in another paper Pasha and Imran analyzed the trade arrangements and enhancement of trade between India and Pakistan. The objective is to explore the possibilities of Indo-Pakistan trade in the present environment, since both governments agree to have good relations with each other and with other neighbours at large. In light of the facts that both economies are now more open, it is concluded by the authors that in spite of the global openness, trade between the two countries has not improved.

Pasha and Imran throw light on prospects of Indo-Pakistan trade. During 1990's some positive steps were taken when India decided to grant Most Favoured Nation (MFN) status to Pakistan. In response, Pakistan established a positive list with respect to imports from India, improving the bi-lateral trade environment. To answer one of the important question that why Pakistan's exports to India performed poor, some key issues, pointed out by the authors are:

1. Pakistan may not be producing and exporting some goods which India imports.
2. The regime of import tariffs and para-tarrifs in India would be producing more effective protection to sectors in which Pakistan might potentially have a relative comparative advantage, e.g., in some agricultural items and textiles.

Moreover, in Chapter 14, Naveed Hamid and Sanah Hayat accepts the fact that at present it is globally recognized that regional trade could be an important driver of economic growth and consequently they focus their analysis on India-Pakistan trade. They have at length reviewed the trade between neighbouring countries and showed details of important figures in various Tables. They arrived at the conclusion that over the last 11 years Pakistan's trade with neighbours has witnessed a rapid growth. This is one of the largest market of exports but they have also found new markets of other important products, e.g., fruits and vegetables, metals manufacturing and cement to Afghanistan; and jewelry to UAE. Following them, Ijaz Nabi gives arguments in favour of regional trade. He stressed the need to adopt a new driver for economic growth, like exports. Similar views on trade are covered in Chapters 13 and 14.

The 10th Chapter, written by Ishrat Hussain, debate the "Economic Governance and Institutional Reforms". There is no second thought as we all believe that for a strong economy good governance is essential. Hussain, among other observers and analysts strongly believes that the economic governance and decision making in the country has deteriorated over time. He claims that poor economic management and his reason that government operated on short-term horizons - actions on ad hoc basis – permanent solution is never sought and implemented. He further argues that the occurrence of the acts of terrorism, violence and extremism have become so frequent in the past two decades that government is unable to control and writ of the state does not appear to exist any longer. However, he suggests and give new reforms agenda to restructure and revitalize government institutions. An important suggestion which he presents is to reduce the discretionary authority by government functionaries at all levels. This is achievable with introduction of the e-governance, e.g., land records and land titling. He further concluded that now its time to emphasize and reform the areas of human development, such as, education, health and those which affect destiny and life of the people, like police department and land administration.

Khalid Hamdani in Chapter 11 analyses the role of multinationals in economic development. His agenda is to find out how to get benefits from the Foreign Direct Investment. The author goes back to the Independence time when multinational companies came and invested in Pakistan. At the time of nationalization by Bhutto during 1970's, FDI fell from 22 per cent to (as low as) 8 per cent. In terms of policy measures this should be adopted in order to improve the situation. The government should review its role. He suggests that government role in industry should be of a facilitator in order to overcome energy crises and invest in research and development.

In Chapter 12, Amjad, Arif and Irfan analyzed the pattern of remittance in Pakistan. Major increase was during the period of 1999-2000 to 2011-12 from US$1.5 billion to US$13 billion; the share in GDP rose to 5.5 per cent. The reason for such

increase is due to the shift from unofficial or hawala to official channels and increase in the skilled workers moving abroad.

'Eric Manes in Chapter 16 gives a detailed review of the role of firms in the country. The author points out that the microeconomic factors are responsible for low economic growth. Rightly so, he also points out the difficulty in obtaining firm level data and its inappropriate analyses. He also points out the increase in working age population and their high level of participation in the labour force, due to significant rise in the female labour. All his claims are proved in several tables and graphs in detail.

"Ensuring Inclusive Growth and Reducing Poverty", (Chapter 17), is a very important aspect to which the entire world is catering these days; as of halving the poverty is one of the important Millennium Development Goal (MDG). This study is based on the PSLM data, using three important variables: income, education and health, which focus on poverty. Income reveals the level of population at or below its poverty line; education shows the primary enrolment which and female enrolment which are not up to the required level, whereas, health data shows the availability of clean drinking water and sanitation facilities which have fallen further.

In the final Chapter, Khalid Ikram analysis the "Phenomenal Economic Development" and identifies challenges which the country is facing. In this regard he states that in order to ensure better economic planning at provincial level and monitor economic progress, the role of Pakistan Bureau of Statistics (PBS) is important. He specifically stress the need that PBS must issue efficiency sanctioned figures of GDP and other macro economic variables. His provincial analysis is detailed and informative. For future development and better Pakistan he suggests that provinces should explore their natural resources and competitive advantages to the maximum.

On the whole the book is a resourceful collection of research studies which address very crucial issues for the growth of any economy; and then gives solutions to overcome these problems. The editors did a great job in bringing together the experts thoughts and experience of renowned Pakistani economists. All authors of papers in the book offered practical and reasonable recipes for a Better Future of Pakistan. Their advices will be useful for policy-makers, as the editors mentioned in the 'Preface; stating that: "the book's appearance is timely as it will bring about a change in making economic policies and also choose the direction in which the country will go". Hence, the book will be useful especially for policy makers and the government and for all those who wish to carry out a study about efficacy and efficiency of regional blocks for trade and economic growth.

Nighat Bilgrami-Jaffery

Applied Economics Research Centre
University of Karachi