

## **Ishrat Husain: Pakistan's development challenges for the coming decade: how can overseas Pakistanis help?**

Keynote speech by Mr Ishrat Husain, Governor of the State Bank of Pakistan, at the Pakistani Professionals Forum, Toronto, Canada, 1 October 2005.

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Let me thank the Pakistani Professionals Forum of Canada for inviting me to address this august gathering. It is indeed a privilege and honour to be present here this evening and interact with such a distinguished audience. The topic which I would like to address today is: How the overseas Pakistanis can help Pakistan's development challenges in the coming decade.

Pakistan has been able to turn around its economy during the last six years from a situation of imminent default in the late 1990s to the current status of a dynamic, vibrant emerging economy - one of the fastest growing in Asia. Pakistan has successfully re-established its access to international capital markets and its sovereign bond is trading at a price that is not enjoyed even by investment grade countries. We have voluntarily said good-bye to the International Monetary Fund as the country has regained its economic sovereignty.

Unlike the popular notion that the September 11 has benefited the economy, the fact is that dependence on foreign assistance has been reduced to the extent that it is now less than 10 percent of the entire foreign exchange earnings. The external debt ratio – one of the main indicators of the country's dependence on the others – has sharply declined from over 50 percent to 30 percent of GDP. More importantly, despite all the various shocks, such as the recent oil price shock, the economy has remained resilient and has withstood these difficult times without any serious disruption to the market stability. The abolition of quotas on textile exports under the WTO regime and the withdrawal of preferential tariff arrangements by the European Union have not adversely affected our textile industry.

Pakistan's share in the highly competitive world export market has in fact risen during the last few years. In a survey of doing business in 150 countries around the world carried out by the World Bank this year, Pakistan has clearly emerged as one of the top ten reformers in the world. Its ranking in order of an enabling business environment was 60 compared to 116 for India. This shows that we have come a long way from a highly bureaucratic, controlled and regulated economy to a market and business friendly, liberal and deregulated private sector oriented economy.

But having made these impressive achievements, the road ahead of us is still arduous and torturous. The imperatives of globalized economy demand that we should remain agile, dynamic and capable of competing with the rest of the world while taking care that one third of Pakistan's population living below the poverty line is uplifted. The difficulty is that our labor force is poorly trained and our social indicators are so weak that we stand at number 137th in the country rankings of the Human Development Index. One half of our population is still illiterate, the access to healthcare is limited, mortality rates of infants and women are relatively high, the enrollment and retention ratios among our school-going population are low, and the number of students and the quality of our science and technical expertise are way behind other Asian countries.

In other words, we have many difficult challenges to tackle before we can compete with other countries in the global economy. The good news is that if we are able to do so successfully, the incidence of poverty will also fall. In my studies of China and India's development in the recent decades, what struck me most was the important role played by the overseas Chinese and overseas Indians. We have an estimated 3 million overseas Pakistanis concentrated mainly in North America, Saudi Arabia and the Gulf and the United Kingdom. We are extremely grateful to them for their invaluable assistance in the country's turnaround by sending their remittances officially through the banking channels. Had we not received this large flow of remittances every year in the past four years, it would have been difficult to accumulate the foreign exchange reserves to the level we have today. We could neither have reduced our dependence on foreign assistance nor have been in a position to finance our growing trade deficit. So I wish to publicly acknowledge the role of the overseas Pakistanis who have helped us by sending remittances to their families through the banking channels. I hope that this amount will continue to expand as more Pakistanis find jobs in countries such as Malaysia and Korea, their incomes rise in the Middle East in proportion to the rise in oil revenues and as remittances are diverted from informal to banking channels.

This is only one of the examples in which overseas Pakistanis have made a very important contribution. But as I address you – the Pakistani professionals settled in Canada -- I would like to take the opportunity of spelling out various ways in which you and other overseas Pakistanis can help the country in meeting the difficult challenges ahead of us.

Most of the speeches delivered at gatherings such as this are normally at a highly abstract and generalized level appealing to your sense of patriotism and urging you to help the country in a vague manner. But I wish to deviate from this tradition as I would like to make ten specific and concrete proposals for your consideration and through this forum to the larger community of overseas Pakistanis all over the world. Each proposal is targeted at a different segment of this group and you can pick and choose according to your own personal preferences and interests. Some of these proposals are doable in the near future but others will take some time to crystallize. The purpose of presenting these proposals before you is to provoke some further thinking, debate and discussion. It will be quite understandable that some of these ideas are rejected after thoughtful evaluation but even if a couple of these ideas survive and are implemented, my purpose would have been achieved.

First, the country is faced with a shortage of skilled manpower that is in high demand for sustaining the growing economy. While we have hundreds of thousands of educated unemployed, we have at the same time vacancies for hundreds of thousands of people in different skill categories. We would therefore like you to help fill in this gap by setting up institutions of learning for imparting vocational training and technical and science education ranging from universities, colleges, post-high school institutes to post-primary and secondary school apprentice workshops. The curriculum, content, the pedagogical tools and testing methods in these institutions should be designed and delivered in such a manner that the employers compete with each other to hire the products of these institutions. The Government is encouraging private-public partnership in this area and has a number of existing physical facilities that can be used for this purpose. The Federal Government has formed an independent authority for technical and vocational education and you should approach this body with your specific proposals.

Second, groups of enlightened overseas Indians and Chinese have not only established institutions of higher learning in their countries of origin such as the Indian Business School at Hyderabad set up in collaboration with Kellogg School at Northwestern University and Carnegie-Mellon but they are also helping the existing institutions of learning and healthcare. Some of you, I know, are helping Aga Khan University or Shaukat Khamam Hospital but we need more of such quality institutions dispersed all over the country. We need them not only in Karachi, Lahore and Islamabad but we need them in Peshawar, Quetta, Hyderabad, Sukkur, Bahawalpur, Multan, Sialkot, Faisalabad. Those of you who belong to these areas owe it to your hometowns to get together and help some of these educational and healthcare institutions at these places acquire eminence in the delivery of these services. Your involvement will also help improve the governance and management structures of these institutions which are badly in need of reform.

Third, many among you are highly respected researchers and innovators who are at the cutting edge of their disciplines. We would like you to provide intellectual leadership in designing, organizing, collaborating in practical-oriented scientific research and applying the results of this research to enhance agriculture and industrial productivity. The link between academic research and the industry in Pakistan is quite weak and the billions of rupees being invested in research establishments are not producing the kind of benefits that are needed to boost the productivity and efficiency of our industry. Some of you can help in strengthening these linkages by applying the business models that have successfully worked elsewhere.

Fourth, the outsourcing of services in China and India was initiated by a group of overseas nationals of these countries working in multinational firms. They acted as the conduit and honest brokers between the foreign firms and the host country firms because they had the intimate knowledge of the multinational firms' requirements and the understanding, contacts and knowledge of the capabilities of the firms in their countries of origin. In many cases, they advised the recipient firms as to how to go about writing contracts, developing quality assurance methods, and the means for delivery on time, etc.

I am sure we have a large reservoir of Pakistanis working in the multinationals and there are now well established firms in Pakistan who can cater to their outsourcing needs according to international standards. What is missing is the link between the two and I would encourage you to work on this missing link even on a fairly modest scale to begin with.

Fifth, as the cotton textile industry in North America and Europe is no longer competitive, there is a great scope for formation of joint ventures in which the local companies in Canada and the US provide design, technology, marketing, services while the actual production is carried out in the low cost factories of Pakistan and the final output is shipped to North America. This is a win-win situation for both parties as the dying textile firms in North America will be able to retain some jobs while Pakistan will enhance its labor intensive exports and provide employment to a large pool of unskilled labor force. The management consultancy firms and investment banks in which overseas Pakistanis are serving can help identify such opportunities.

Sixth, the organizations of overseas Pakistanis can set up scholarship funds to enable some talented young Pakistanis, who cannot otherwise afford, to study for advanced degrees in Science, Engineering and technology at the top elite universities in North America. There is always an apprehension that these scholars, if they are good, will not return to Pakistan upon completion of their studies. But there is no harm if they acquire practical experience in their fields as today's world is characterized by brain circulation rather than brain drain. The attractive prospects in Pakistan will sooner or later take them back and this investment in human development will never be wasted. I will very much hope that the organizations of overseas Pakistanis such as yours will give a serious consideration to this suggestion.

Seventh, in this age and day, we have to play by the practices and rules of the countries we have chosen as our new home. As you know better than I do, think tanks play an important role in influencing public policy in Canada and the U.S. Some Pakistani businessmen have taken the lead in establishing Pakistan Fellowship Funds at the School of Advanced International Studies (SAIS), John Hopkins University and the Woodrow Wilson Center in Washington, D.C.. This initiative has proved successful as is evident from the number of seminars, conferences held and working papers, policy briefs, op-ed columns that have appeared on Pakistan's development issues in the U.S. in the last two years. I suggest that similar ventures should be encouraged in other think tanks in the U.S. and Canada. These think tanks can be our powerful allies in influencing opinion makers in the media, parliaments, academia, governments, political parties in responding to their concerns about Pakistan and in projecting a realistic image of our country.

Eighth, those among you, who are medical professionals and are also enterprising and willing to take risks, should consider setting up in the private sector, modern hospitals of world standards in Pakistan. These hospitals can attract patients from the western countries and the Middle East for surgical procedures and other quality services at costs which are a fraction of those charged in developed countries. I emphasized the word 'enterprising' because these hospitals have to be run on a commercial basis offering five star hotel facilities, meet and receive facilities at the airports and cater to other needs of the patients and their families. Such hospitals are operating successfully in other developing countries and I do not see any reason as to why they cannot be replicated in Pakistan given the large pool of Pakistani medical practitioners. The banks and financial institutions are willing to provide debt finance for such ventures and equity finance can also be raised through public offerings. What is required is getting together top notch medical professionals working in concert with the top class business and finance managers and hospital administrators.

Ninth, since the introduction of Oxley-Sarbanes legislation in the United States and similar stringent laws and regulations elsewhere, the profession of chartered accountancy has become extremely lucrative. There is an overall shortage of qualified accountants in all parts of the world. Those who have qualified from the Institute in Pakistan are in heavy demand in U.K. and the Middle East as they have established a good track record. The limiting factor in producing more accountants as I understand from my interaction with the Institute of Chartered Accountants in Pakistan, is the shortage of qualified faculty. Some of you practicing or actively engaged in this field may consider the possibility of helping meet this shortage by offering your services to teach at the Institute for short periods of time. I am sure in this way, we will be able to produce a large pool of quality accountants whose services can be exported abroad or utilized at home.

Tenth, the tourism industry has not taken off in Pakistan for a variety of reasons, including the negative perception that the country is a dangerous place to visit. On the other hand, we have the most beautiful places which would interest the eco-tourists as well as the heritage tourists. The Northern areas and the KaraKorum range offer the potential for those interested in eco-tourism. Mountaineering, tracking, etc. while Taxila, Harappa and Moenjodaro are the bright spots for the heritage tourists particularly those having a penchant for the Buddhist and ancient civilizations. For the Mughal monuments located in Lahore, the tour itinerary for India can be extended to include these

monuments. Those associated with the leisure and hospitality industry here can help in organizing group tours and also investing in the supporting infrastructure – tourist lodges, hotels, transport, etc.

I have presented the above examples as simply illustrative of the many opportunities which exist for the overseas Pakistanis to explore and exploit. In my view, you are in a relatively better position to exploit some of these opportunities as compared with the foreigners because you have a better understanding of the cultural milieu in which we operate. You have a more realistic appreciation of the constraints which we face but at the same time you are in a better position to help in getting the problems resolved.

I hope that some of you would give serious consideration to some of the proposals I have put forth this evening. On our part, we can assure you that the Government is willing to assist you in all ways possible to get these ideas implemented.