

What are Pakistan's Long-run growth prospects?

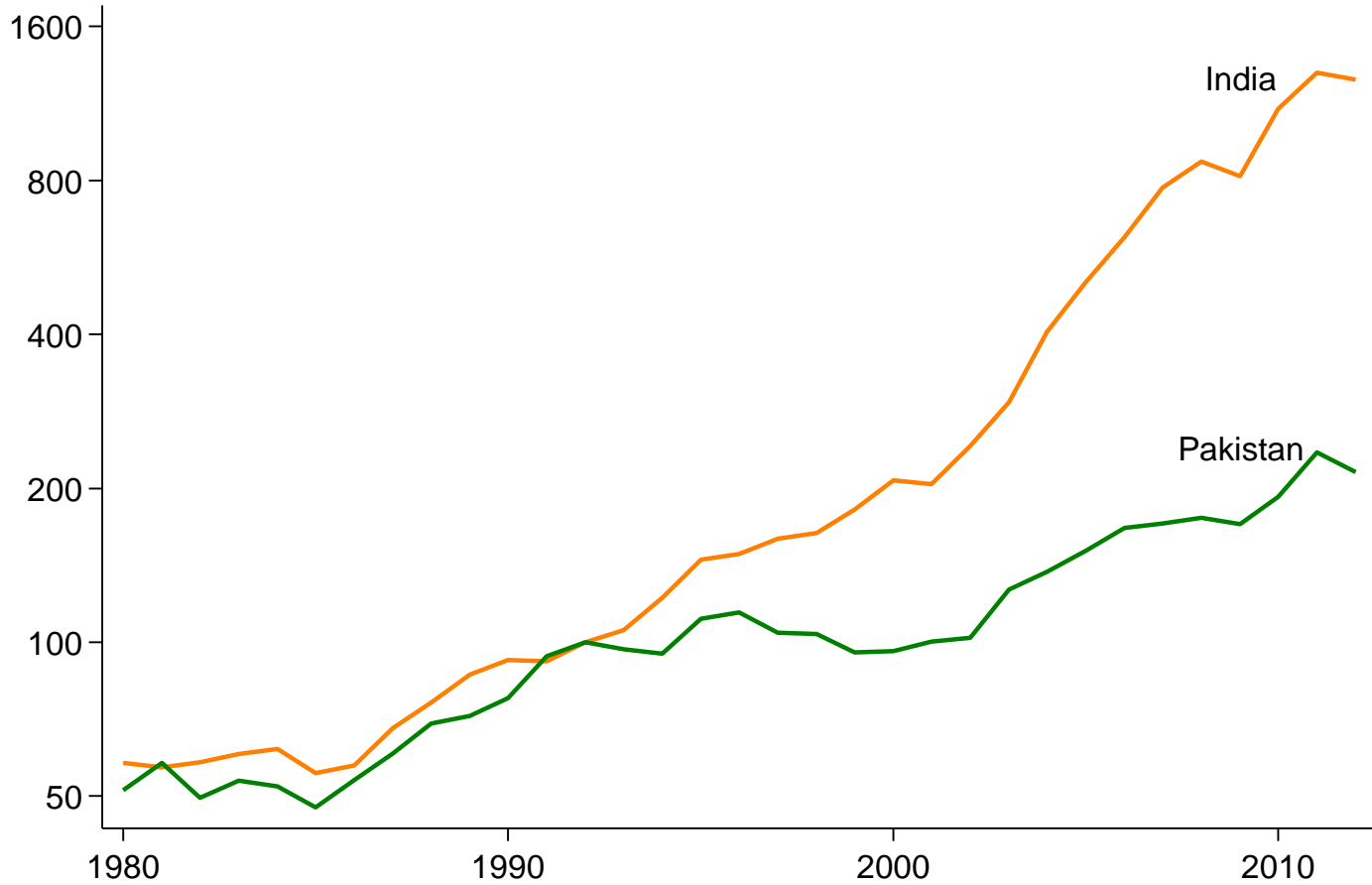
Atif Mian

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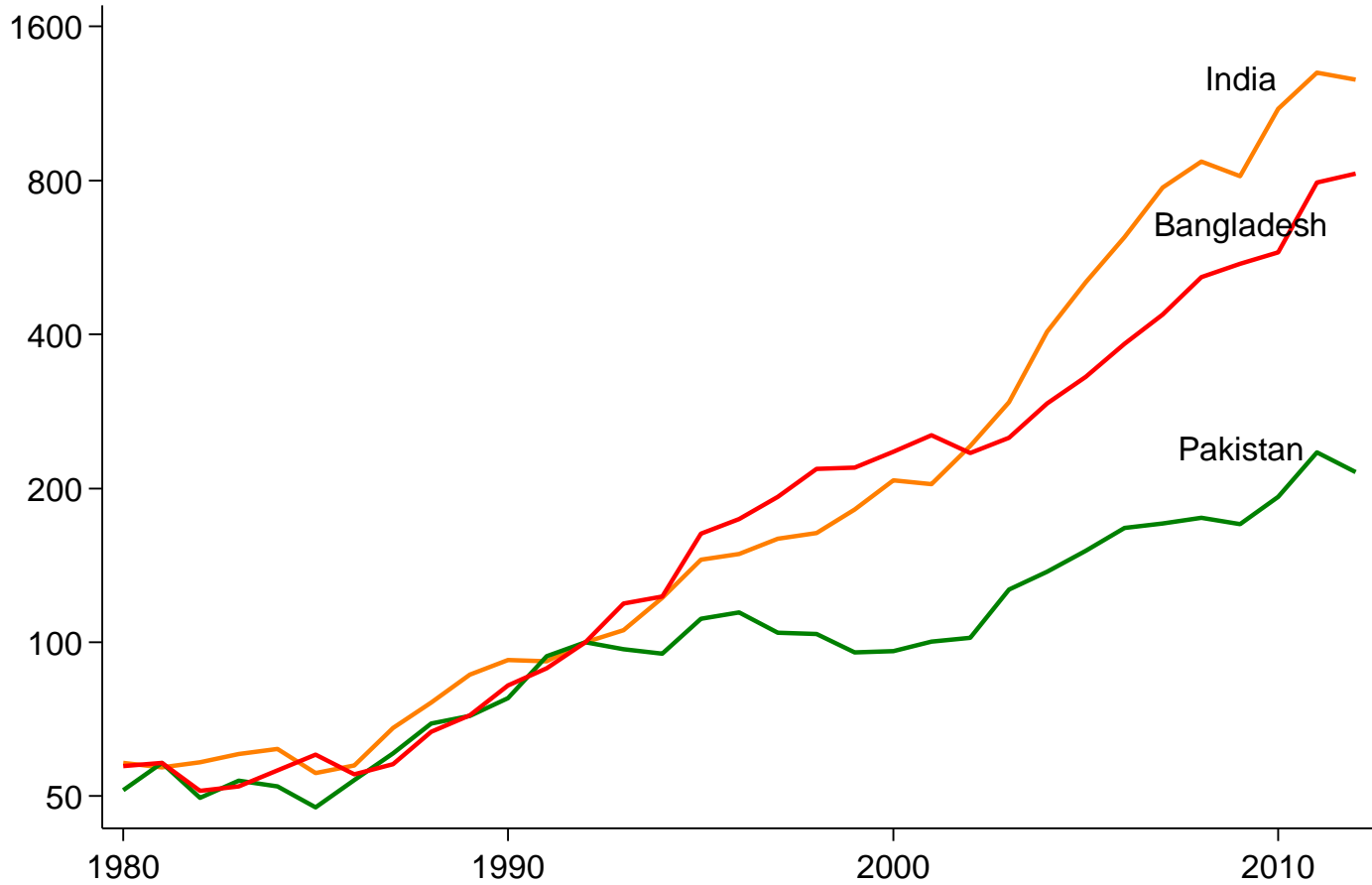
What separates Pakistan from India?

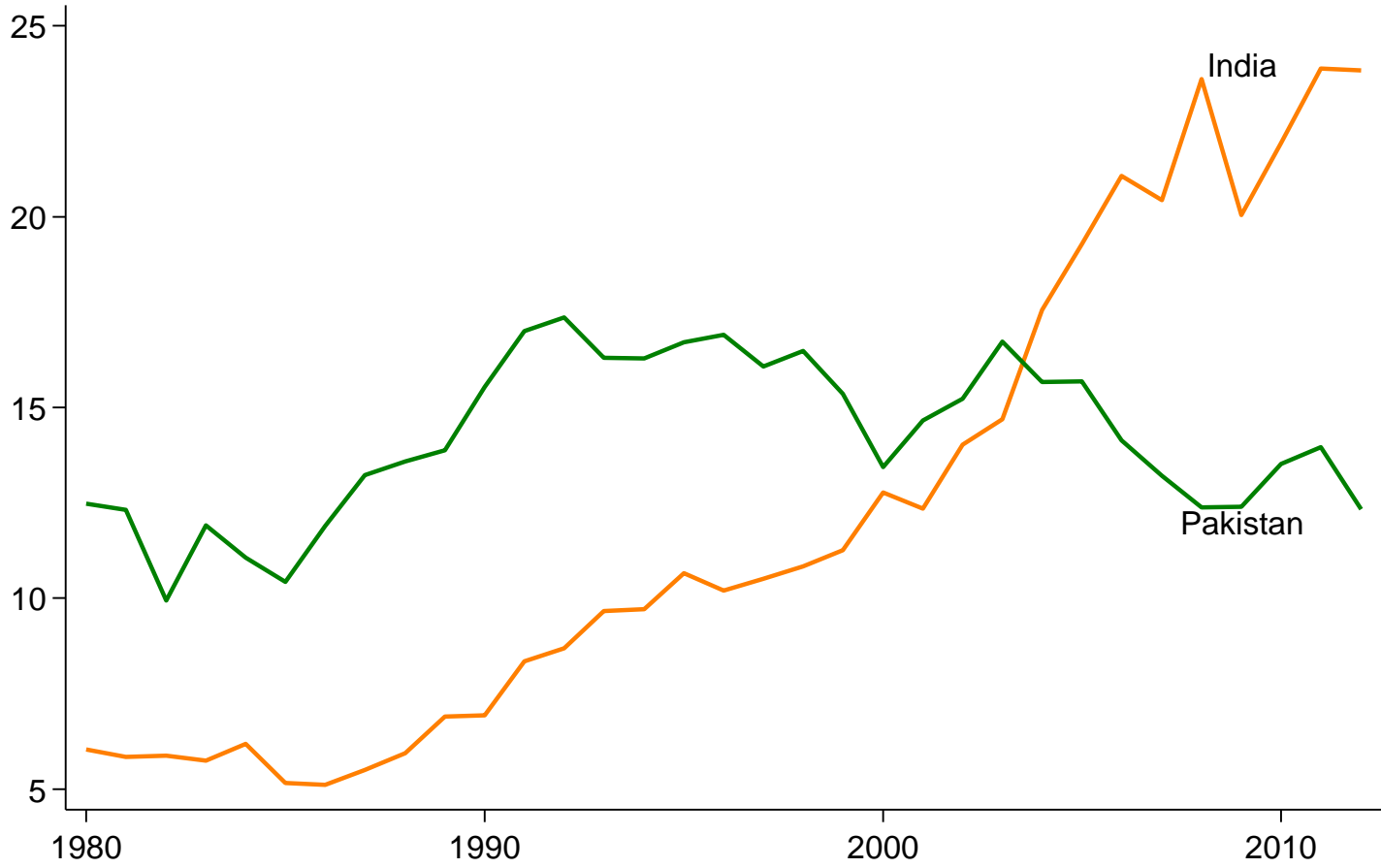
- The two countries were carved out from the same British empire.
- For a while they had comparable economic fortunes
- But something has radically changed since 1992.
- I focus on exports since much better measured, signals global competitiveness, and no country has “broken through” without relying on exports.

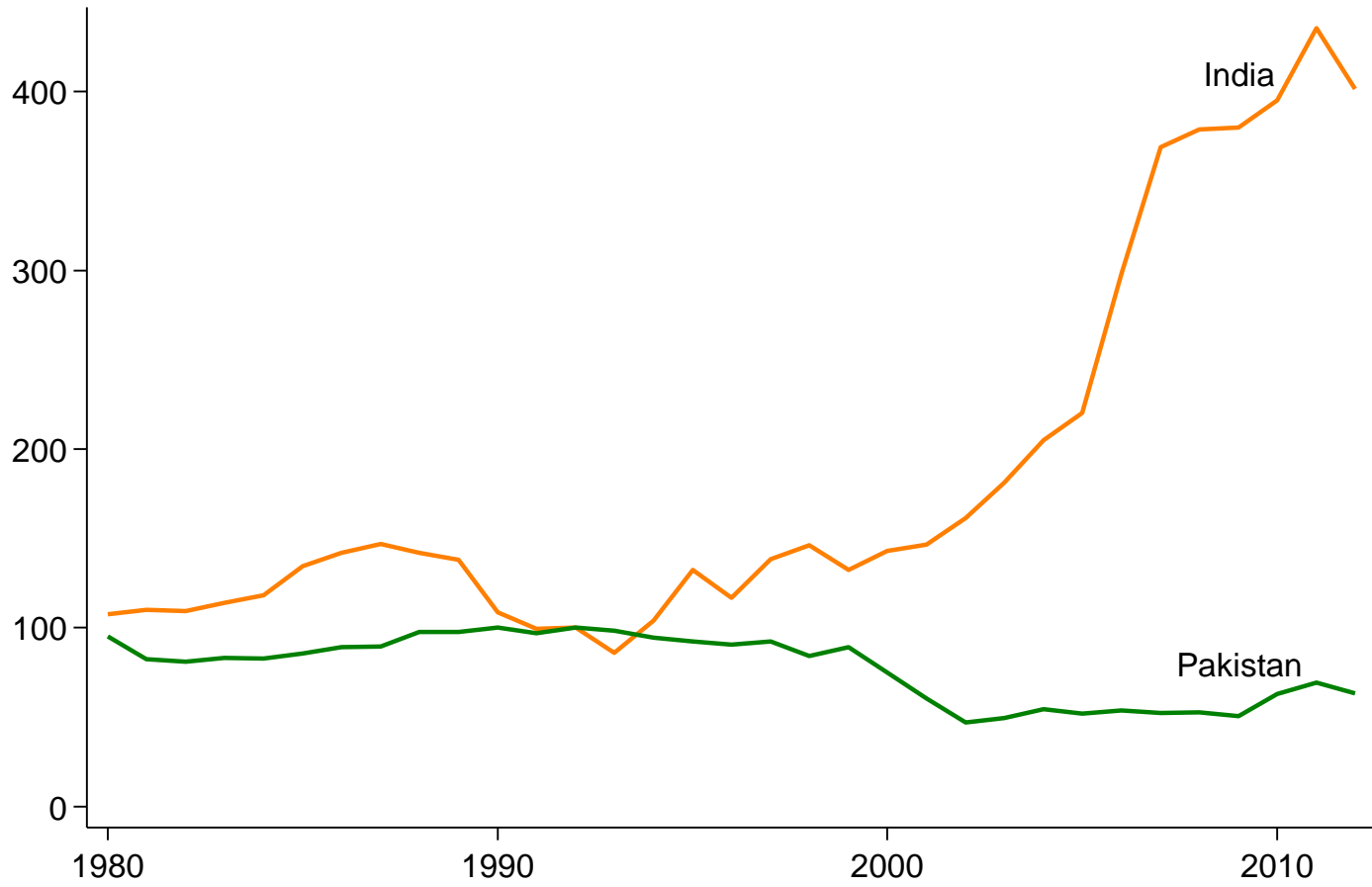
A structural break since 1992

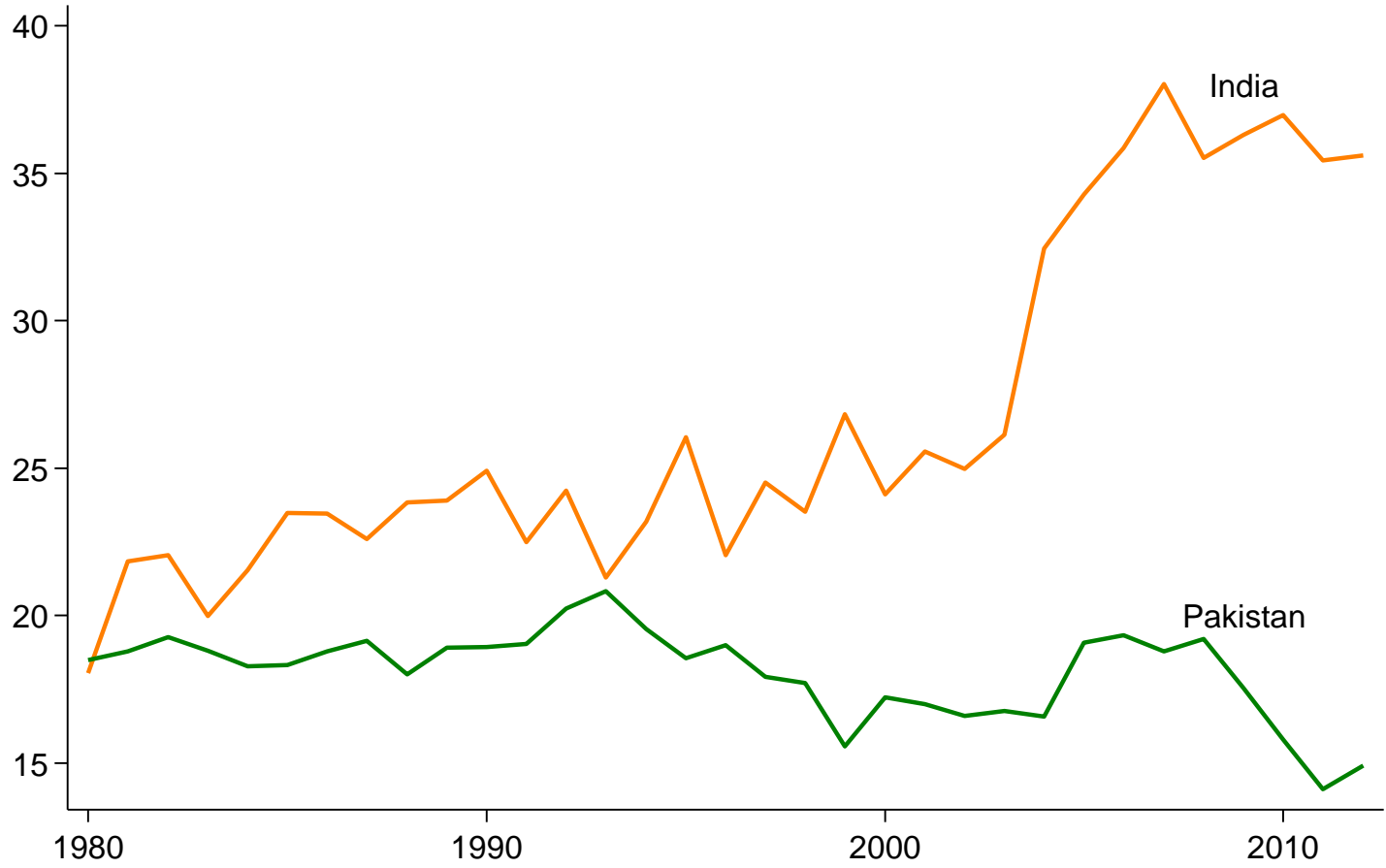


It is not just about India









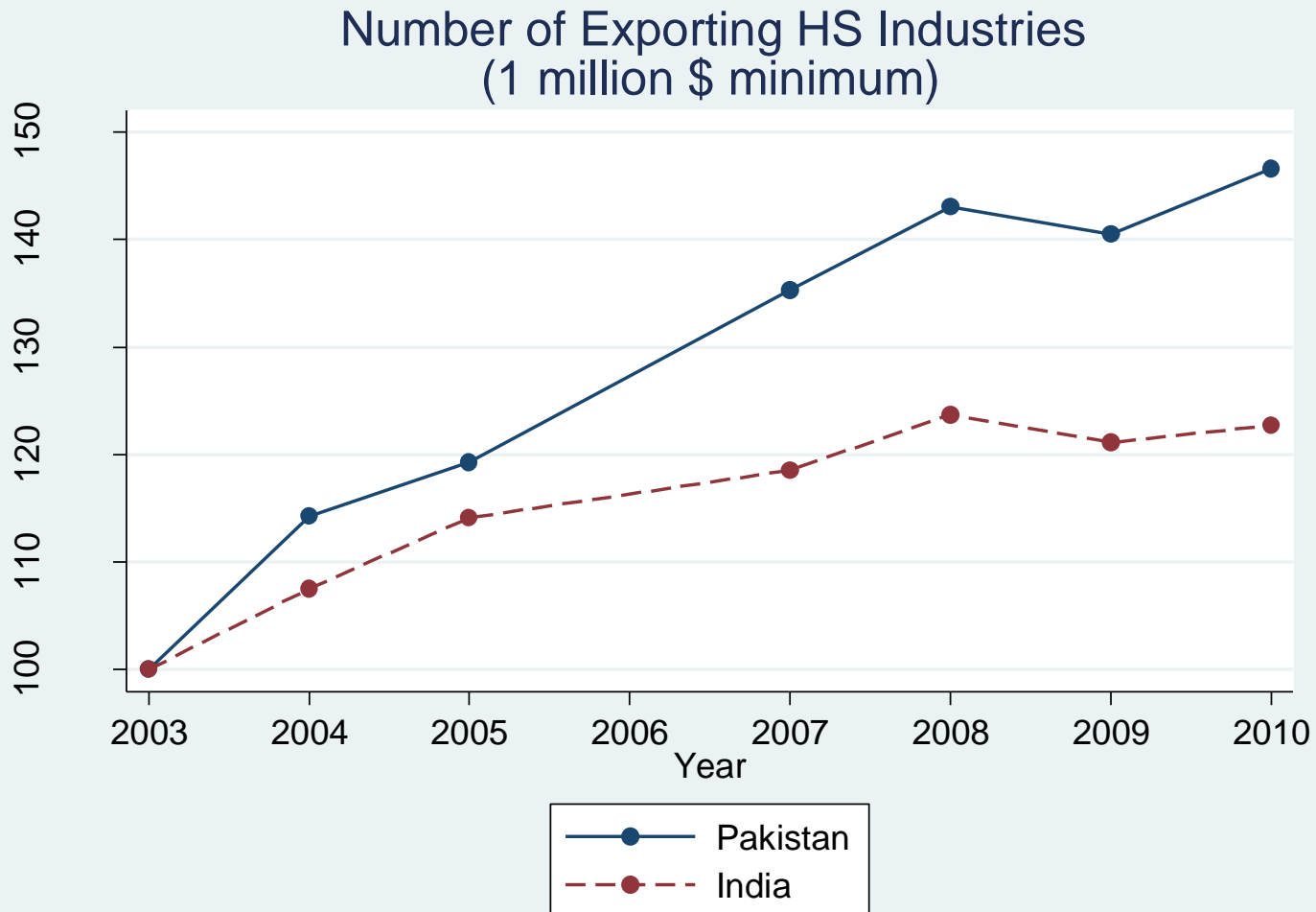
Pakistan's growth prospects

- Pakistan is falling behind rapidly relative to its peers
 - Indian exports per capita have increased *six times* more than Pakistan's in the last 20 years.
- Export to GDP ratio is flat / declining – a remarkable fact given the globalization of trade in the last two decades.
- Investment and international linkages falling behind
- A broad-based fall in domestic capacity, competitiveness and institutions.

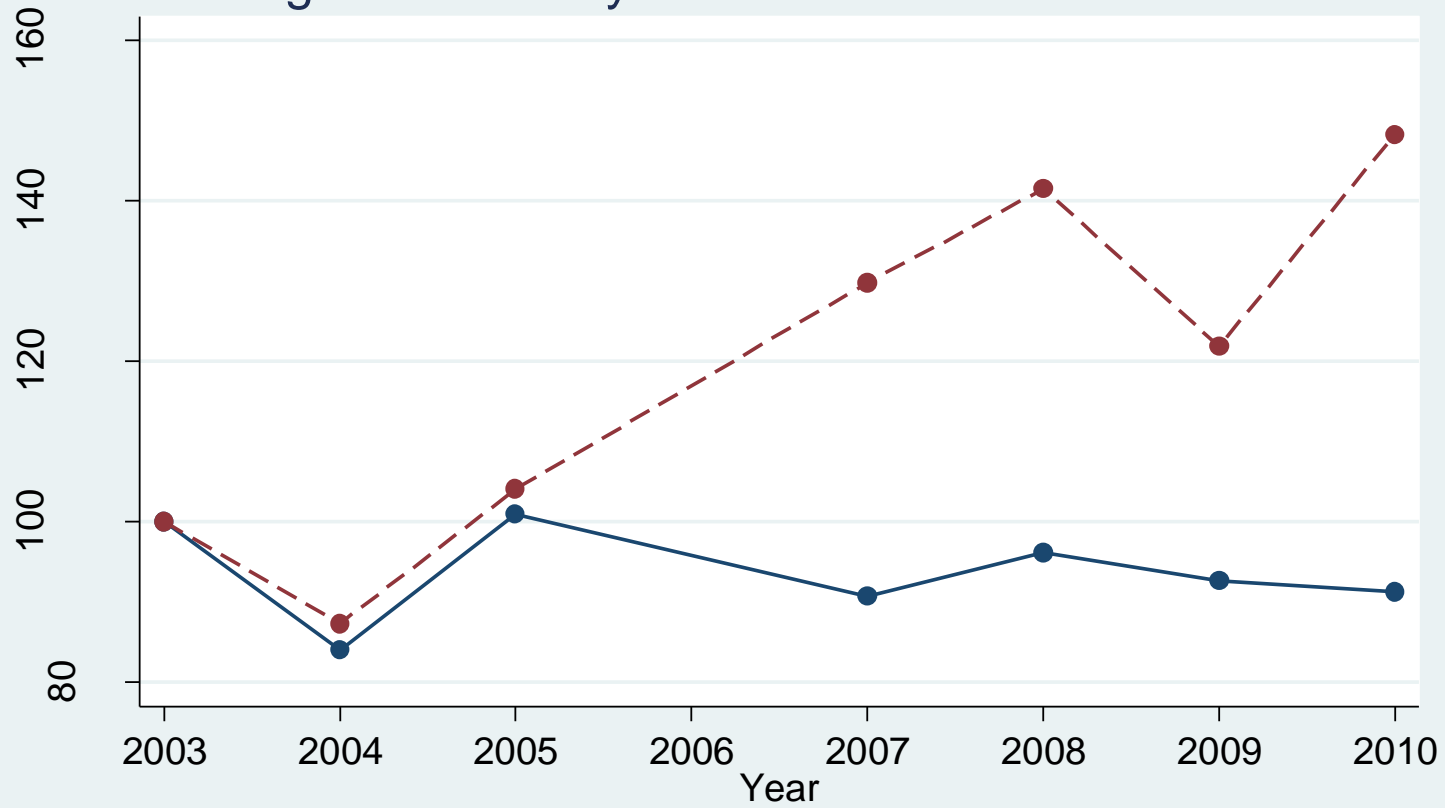
Even cricket is not immune!



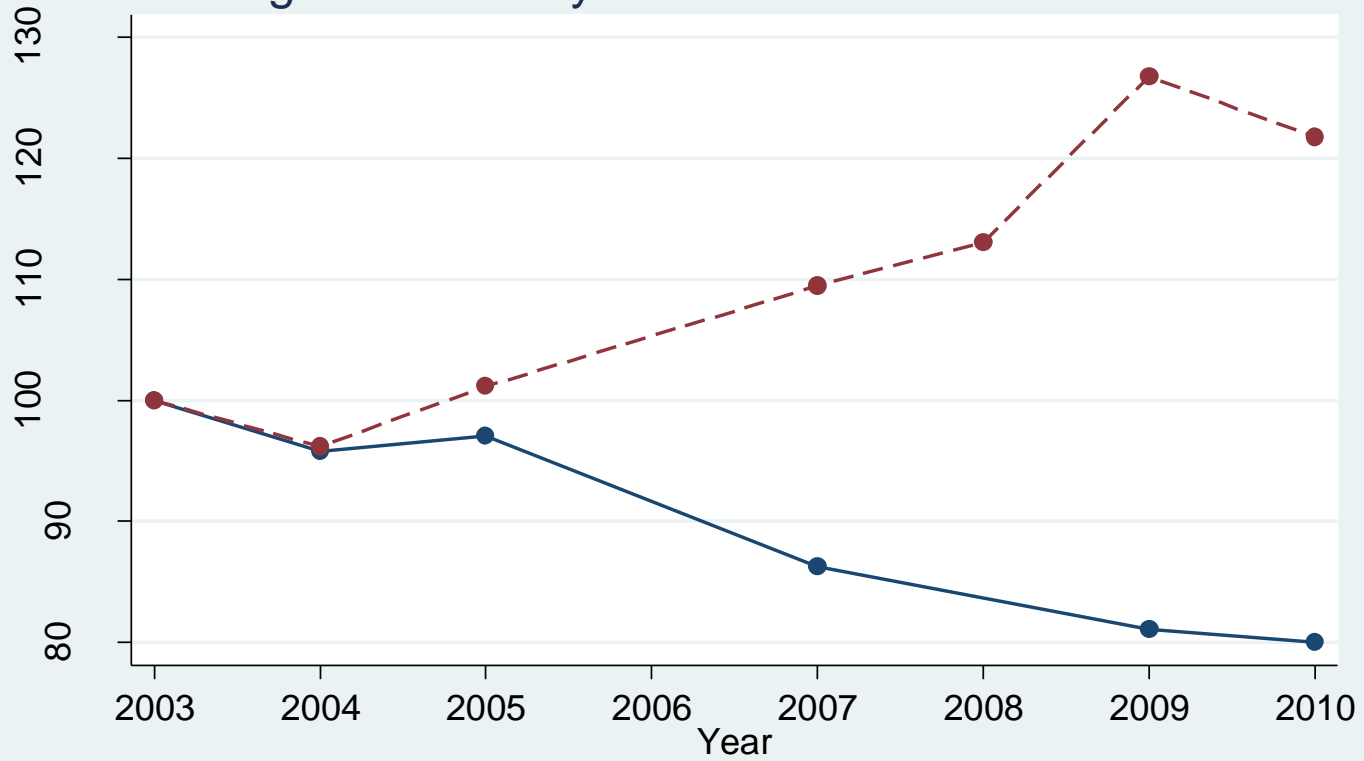
Digging deeper into exports



4-digit HS Industry Herfindahl Concentration Index



2-digit HS Industry Herfindahl Concentration Index



What does export data tell us about Pakistan's private sector?

- Constraints to internal growth of firms
 - Difficulty in leveraging initial success
 - India / China have managed to attain global dominance in niche sectors
- Is it about capital?
 - Unlikely
- Organizational and professional capacity of firms

Long-run growth and public policy

- Persistent differences in growth rates
 - can be devastating in the long run
 - Signify deep “structural” problems. Tweaking at the edges will do no good
 - For example, communism versus western Europe, China pre/post 1978, North/South Korea.
- What is Pakistan’s deep structural issue?

Brad DeLong (1997)

East-Block Country	GDP per Capita	Matched West-Block Country	GDP per Capita	Percentage Gap
N. Korea	\$700	S. Korea	\$7,660	91%
China	\$490	Taiwan	\$9,500	95%
Vietnam	\$170	Philippines	\$850	80%
Cambodia	\$150	Thailand	\$2,110	93%
Georgia	\$580	Turkey	\$2,970	80%
Russia	\$2,340	Finland	\$19,300	88%
Bulgaria	\$1,140	Greece	\$7,390	85%
Yugoslavia	\$3,240	Italy	\$19,840	84%
Hungary	\$3,350	Austria	\$23,510	86%
Czech Republic	\$2,710	Germany	\$23,560	88%
Poland	\$2,260	Sweden	\$24,740	91%
Cuba	\$460	Mexico	\$3,610	88%
Geometric Mean:	\$930		\$8,030	88%

What is Pakistan's structural issue?

- Need to think about the production function
- The deeper issue is *not* about:
 - Energy (break is in 1992)
 - Privatization (see export performance)
 - Financing (Pak more liberal than India/China)
 - International borrowing (see global evidence)
- I suspect the deeper issue is about incentives, human capital, and protection from rapacious state and non-state actors.
 - Can the IGC help us better understand?