

ECONOMIC SITUATION IN THE COUNTRY

SPEECH IN THE SENATE

Islamabad

12 Nov 2008

PROF. KHURSHID AHMAD



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1. The economic situation is grim .but what is more worrisome is the failure of the Government to come out with a comprehensive and harmonious economic policy package to face this challenge. Economic situation is worsening over the last 8 months. This Government is as much responsible for the mess as the earlier regime.
2. During the last two years poverty has increased from 24% to 44%. Inflation is now between 24% to 30%. Flight of the capital and deteriorating fiscal, trade and monetary situations are alarming. It is unfortunate that the country is being thrown back into the trap of IMF whose conditionalities caused the country great harm in the 1990's.
3. Prof. Khurshid opposed resort to IMF as he feared that this would lead to further tightening of the monetary policy which is already adversely effecting the productive sectors of the country, while inflation has not been curtailed. IMF conditionalities have failed in almost all the developing countries of the world and a repeat of the same in Pakistan could not but be disastrous. During this year Pak Rupee has suffered 28% devaluation, and he expressed his fear that under the IMF regime further devaluation can be forced on the country with devastating results. Above all, he said, it will result in loss of economic sovereignty, as budgetary control will virtually pass on to the IMF functionaries.
4. Prof. Khurshid strongly criticized the proposed privatization policy of the Government. . He said that all strategically important public sector enterprises must not be privatized. He further said that privatization of profitable enterprises is bad economics. It is like killing the goose that lays golden eggs. He specifically criticized the plan to partially privatize OGDC Ltd which is contributing over 99 billion rupees to the exchequer. Qadirpur Gas field is one of its important fields providing 40% of OGDC Gas supplies. It is a very profitable venture with huge potential in the future. This gas field is already contributing around \$180.4 million per- annum to national exchequer. There are four fields which are yet to be developed. Its strategic importance lies in the fact that it is providing gas to the national system at almost 1 /4th of the selling price of other suppliers and also because OGDC alone can assure uninterrupted supply of this resource in situations of emergency. Pakistan does not have more than 10 to 15 days of storage capacity for gas and if this resource comes in the hands of foreigners the country would be vulnerable to serious gas shortage in any situation of emergency. This privatization would be highly injurious to vital national interests and must be resisted.

5. Prof. Khurshid Ahmad also opposed the privatization of SME Bank is an important national institution to provide micro- finance to small entrepreneurs. No amount of paper safeguards can protect the interests of Pakistan's small entrepreneurs. Such national institutions must remain in the public sector, with efficient professional management and open accountability and transparency. Need for good management does not call for its sale to private entrepreneurs.
 6. Prof. Khurshid also criticized the Government's so-called anti-inflation policy. He said inflation is the result of scandalous increase in Government's expenditure, reckless borrowing from the banking system, printing of money, but also due to rising cost of inputs of agriculture and manufacturing sectors, market manipulation by cartels and speculators and a number of institutional failures. Unless all these aspects are addressed the country cannot be saved from the menace of inflation and stagflation.
 7. Prof. Khurshid Ahmad proposed that there should be a Parliamentary Committee of both the Houses to go in-depth into the IMF package as well as the overall economic policies of the government and suggest clear guidelines for a comprehensive and harmonious home-grown economic strategy that could ensure growth with equity to face the current economic challenges, domestic as well as global.
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