



HabibianDialogue

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'**VOH - Habibians Dialogue – Learning through Sharing**' is a platform for professionals and organizations to promote an atmosphere of sharing best practices, ideas, experiences, and success stories across various market segments and industry verticals in an effort to promote best practice and solution-oriented culture.

The first '**VOH - Habibians Dialogue**' session was organized by Habib Public School Alumni Association (HPSAA) on 15th October 2022 at Pearl Continental Hotel, Karachi.

Dr. Ishrat Hussain, former governor SBP and Syed Shabbar Zaidi*, former Chairman FBR presented their perspective at a healthy dialogue on "**Sustainable Growth During Economic Downturn and High Inflation**"

The News

<https://www.thenews.com.pk/print/1000330-pakistan-unlikely-to-default-on-debts-ishrat>

Business Recorder

<https://www.brecorder.com/news/40203278/revoke-ftas-to-tackle-current-account-deficit-shabbar-zaidi>

The News

Pakistan unlikely to default on debts:

Dr. Ishrat Hussain

October 16, 2022

KARACHI: Pakistan will not default on its debt obligations as its external financing requirements are fully-funded under the International Monetary Fund's (IMF) programme, Dr Ishrat Husain, the former central bank governor, said on Saturday.

"IMF's financing is an assured financing, so Pakistan is not going to default [on foreign debt]," said the former governor State Bank of Pakistan (SBP) at a dialogue on "Sustainable Growth During Economic Downturn and High Inflation."

"Pakistan's economic condition differs from Sri Lanka's because half of the South Asian island country's debt is sold on the global bond market."

In terms of the origin of the debt accumulated from foreign creditors, there is no comparison between Pakistan and Sri Lanka, he added.

Husain was an adviser to former prime minister Imran Khan for institutional reforms and austerity during the PTI government.

Pakistan owes 42 percent of its debt to multilateral sources, 40 percent to bilateral creditors, 7 percent to the global bond market, and 7 percent to commercial banks, according to Husain.

"The main problem is that we're taking out loans for non-productive reasons. Our import increase is enormous because we lack industry and manufacturing facilities," he said.

He said the lack of constancy and stability in government policies was also one of the big challenges facing the economy.

"How the foreign investors will come to Pakistan to make investments if there is no continuity in the economic policy," he questioned.

According to Husain, a combination of both external and domestic forces has led to the current crisis in the nation.

Supply channels were severely disrupted following the Covid, he said adding that the war between Russia and Ukraine had caused a dramatic increase in commodities prices worldwide. "Domestically, the political unrest disrupted economic activities following April 10. Additionally, the IMF loan programme negotiations' delay undermined foreign investors' faith in the economy," he said. He said as if these problems were not enough, the devastating floods badly hit the country and such a combination of external and internal problems had never happened in the country in the past.

Meanwhile, Syed Shabbar Zaidi, the former Chairman Federal Board of Revenue said Pakistan's growth rate was expected to be 2-2.5 percent in the current fiscal year.

He claimed it was important to distinguish between reality and perception.

"Is the nation's economy in decline? Is the decline in bank deposits or automobile sales?"

According to him, Pakistan's inflation increased as a result of the local currency's decline in value relative to the US dollar.

"Businesses are not performing as poorly as thought. According to Zaidi, four to five assets would be sold off, and the prices are higher than in the past.

"Not the businesses, but the state's failure is the true issue. There is no other option for a solution but state apparatus reform."

He claimed that although there was no serious discussion on economic failure, a 'specific appointment' was holding up the country's political system.

"We are not a 'going concern and heading towards local and foreign currency default. My conviction is there is no security threat. There is an economic and governance chaos/threat which is affecting the livelihood of the masses.

Personal and political issues have 'camouflaged' the same," Zaidi said.

Business Recorder

Revoke FTAs to tackle Current Account Deficit

Syed Shabbar Zaidi

October 16, 2022

Former Federal Board of Revenue (FBR) chairman Shabbar Zaidi said on Saturday that Pakistan needs critical restructuring including wrapping up of free trade agreements (FTAs) with China, Turkey, Vietnam, Thailand, Malaysia and Sri Lanka.

“Current account deficit will persist until the FTAs are in place,” said Zaidi while speaking at an event in Karachi. “These FTAs are useless for Pakistan.”

Zaidi stressed that the China-Pakistan Economic Corridor (CPEC) should be rolled back and the government should promote regional trade to deal with the economic issues.

He recommended imposing a 10-year economic emergency in the country and keeping the policies remain for that period to gain confidence of investors.

The real problem of Pakistan is the economic well-being of masses, he said adding that “Pakistan is not in danger, the state is.”

“A ruse of a threat to the country has been created to confuse the nation about what the real issues are,” the former FBR chairman said.

On the occasion, former State Bank of Pakistan (SBP) governor Dr Ishrat Husain said that lack of consistency in policies shattered the confidence of investors in Pakistan.

“No businessman, local or foreign, will invest if he does not know whether he will earn on the investment or not,” said Husain. “There is no continuity, predictability or consistency of policies in Pakistan.”

He also pointed out that Pakistan had an elitist economy and few quarters had vested interest in the current state of affairs.

He was of the view that Pakistan will not default like Sri Lanka primarily because of differences in the debt carried by both nations.

“Of the total debt, Sri Lanka has 50% short-term obligations while this number for Pakistan is just 14%,” the former SBP governor said. “Debt is not something that should be detested.”

Giving an example of the sunny side of debt, he added that if the country took loan at 10% interest and earned 15% return on it, then it made 5% more money. He opined that the prime problem of Pakistan is that the debt is not invested properly and the cost is higher than the return earned by the country.

Husain underlined that Pakistan did not have steel, aluminium and plastic industries therefore its imports remained on the higher side.

“The masses have largely been ignored and taxpayers have been overburdened,” he said.