



**INSTITUTE OF
STRATEGIC STUDIES**

web: www.issi.org.pk
phone: +92-920-4423, 24
fax: +92-920-4658

Issue Brief

Pakistan: A Global Turnaround Story

Ume-Farwa, Research Assistant

July 04, 2016

Some of the critical issues like terrorism, political instability and low economic profile clouded the prospects of progress for Pakistan. But Pakistan, despite being portrayed in international media as a poor country brand, has undergone many positive changes. It has been striving hard to fight against the menace of terrorism, improve its economic profile and bring political stability. These efforts seem to be bearing fruit as MSCI, leading provider of international investment decision support tools, has reclassified its Pakistan index as an emerging economy.¹ The current level of development and upward trajectory of Pakistan's economy are similar to the beginnings of the most emerging economies of the world. Brazil, Indonesia and Colombia are such examples. In Pakistan, there have been a number of success stories of global networks, entrepreneurship and technology. To fully realize its potential as a twenty-first century economy and a global turnaround story, Pakistan needs to focus on a three-E policy initiatives- energy, economy and education.

There have been many factors that have contributed to positive developments: Pakistan's strenuous efforts to improve security conditions; political stability; and Chinese investment mega-project, CPEC. Coupled with these factors, MSCI ranking of Pakistan's economy index has increased the likelihood of foreign investment flowing to the country. EFG Hermes, a leading bank in Middle East and North Africa, has assessed that Pakistan could attract around \$475 million of inflow by the next year with this upgrading.² Arthur Kwong, the Hong-Kong based head of Asia-Pacific equities at BNP Paribas Investment Partners that oversees around €552 billion(\$619 billion) , is of the view that, "Basically people are looking for alternatives, finding markets that are less correlated to the US correlated interest rate-cycle and the China macro-slowdown. Pakistan, no doubt, is one of the outstanding spots."³ Even before this MSCI reclassification, the US policy makers realized Pakistan's economic potential and opportunities for the United States of America. Daniel Runde, in his article in Forbes, suggested to the US to forge its relationships with Pakistan beyond geo-strategic prism and listed six areas of engagements under the

¹ Kazim Alam. "Pakistan Upgraded Emerging Markets Status". Express Tribune, Jun 15, 2016. <http://tribune.com.pk/story/1122910/pakistan-upgraded-emerging-markets-status/>

² Faseeh Mangi. "Asia's Best Performing Stock May Get Uplift with MSCI Move." Bloomberg, Jun 15, 2016. <http://www.bloomberg.com/news/articles/2016-06-14/best-performing-asian-stock-market-may-get-extra-boost-from-msci>

³ Ibid.

category of 6Es: (non-security) engagement, economics, entrepreneurship, education, and energy and (gender) equality.⁴

Economics, entrepreneurship and education together combine to form knowledge economy in which Pakistan has abundant potential. Home-grown start-ups from Pakistan have made their mark on the international market. *Ultimus* is one of the most widely deployed Business Process Management Solutions in the world that helped 1800 companies including Microsoft, Lockheed Martin and others. *iTrango* is a game and a 3-D content which provided contents for Nike, Lexus, Scion and other global brands. *Viozar*, a joint venture that operates from Karachi and Toronto, is a global marketplace that has attracted AT&T, Bell Canada, France Telecom and Orange as its clients. Pakistan has been ranked among top ten most earning countries on freelance hiring sites.⁵ It has also been ranked as the third largest country for supplying freelance programmers to the developed countries- the UK, USA and Australia. Based on these facts, a New York Times' article underscored the prospects of Pakistan becoming the next soft power hub.⁶ This potential of Pakistan in knowledge-economy can help make the country a success story of entrepreneurs, global networks and technology. It could become the next Silicon Valley.

The current level of development and upward trajectory of Pakistan's economy are similar to the beginnings of the most emerging economies of the world. Before 2004, Brazil was hardly identified as an emerging IT outsourcing destination but afterwards it established itself in the IT sector by Nation Branding through exports promotion agency, APEX.⁷ Indonesia also traversed the same path after achieving political stability and gave top priority to technology, IT and entrepreneurships. Colombia, in the late 1990s, was considered as a failing state with a high level of crime and worsening security situation due to insurgency. Afterwards, the Colombian government worked for improvement of the security condition and controlling insurgents, which led the USA to engage with Colombia beyond geo-

⁴ Dniel Runde. "How US Higher Education Partnership Can Promote Development in Pakistan." Forbes, Feb 29, 2016.
<http://www.forbes.com/sites/danielrunde/2016/02/29/us-higher-education-partnership-development-pakistan/#1edef7f1d7dd>

⁵ Sameer sabir et al. "Pakistan: a Story of Technology, Entrepreneurs and Global Networks." MIT Sloan Management, Feb 17, 2010.
<https://mitsloan.mit.edu/LearningEdge/CaseDocs/10-082%20Pakistan.pdf>

⁶ Bina Shah. "Pakistan, the next Software Hub?" The New York Times, Aug 10, 2015.
http://www.nytimes.com/2015/08/11/opinion/bina-shah-pakistan-the-next-software-hub.html?_r=0

⁷ Ghazanfar A. Garewal. "Pakistan, A Global Turnaround Story?" Pakobserver, Jun 7, 2016.
<http://pakobserver.net/2016/06/07/pakistan-a-global-turnaround-story/>

strategic issues.⁸ This US-Colombia partnership in economic field changed a “failed Colombia” to Latin America’s fourth largest and the World’s 35th largest economy. The USA also helped India in assisting its education sector.

The developments that Pakistan has recently undergone have paved the way for the sort of investment and policies that Brazil, Indonesia, India and Columbia adopted for their current spectacular economic success stories. This is the base for economic progress that can help stand Pakistan among the most developing economies within a few decades. Despite all these unprecedented positive developments, there are certain challenges that can hinder realization of this dream. Slow rate of GDP, energy crisis, unemployment of youth, low budget of R&D and Higher Education Commission, lack of education-entrepreneurship nexus and Pakistan’s geo-strategic partnership with the developed nations are the few of them. To overcome these challenges, Pakistan needs to prioritize economy, education and energy while taking policy initiatives at home and abroad. The world also needs to stop viewing Pakistan through geo-strategic prism and come up to assist in becoming a success story. Pakistan should fully implement CPEC as it will create 700,000 jobs for Pakistanis in 15 years.⁹ To gain all the benefits from this project, Pakistan needs to work on its western route which is becoming attractive to neighboring countries like Iran. And by becoming a key player in “One-Belt One-Road”, Pakistan can help link itself with Central Asia, Western Asia and Europe, and fully utilize their energy resources and market potential. If Pakistan stays focused and directed, that time is not far when it can be called a global turnaround story like many other countries of the world.

⁸ Michael E. O’ Hanlon and David Patreaus. “The Success Story in Columbia.” Brookings, Sep 24, 2013. <http://www.brookings.edu/research/opinions/2013/09/24-colombia-success-ohanlon-petreaus>

⁹ “CPEC to create 700,000 jobs in Pakistan by 15 years.” Pakistantoday, June 30, 2016. <http://www.pakistantoday.com.pk/2016/06/30/national/cpec-to-create-700000-jobs-for-pakistanis-in-15-years/>