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MANAGEMENT TRAINING IN PAKISTAN

A Strategy for the Bureau for Private Enterprise
of the U.S. Agency for International Development

Report to the

Committee on Industrial Policy for Developing Countries

Commission on Engineering and Technical Systems

National Research Council

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The trip report that constitutes this document is one of several commissioned by the Committee on Industrial Policy for Developing Countries. These reports were intended to be used as working papers in a study of the state of management education and training in developing nations. The committee was originally charged by the Bureau for Private Enterprise of the U.S. Agency for International Development with recommending a strategy by which the Bureau could rapidly assist and spur private contributions to the improvement of management development in five selected countries. To understand the specific problems for current management development in the selected countries, and to generate a set of optional training approaches from which to distill its recommendations, the committee appointed teams of two or three consultants to conduct interviews and other research in each country and to provide trip reports.

As a result of changes in the scope of work requested by the Bureau for Private Enterprise in late 1982, the plans for the general study were scrapped, and two additional countries designated for team visits. This visiting team report thus represents the work of the individual team members and not that of the Committee on Industrial Policy for Developing Countries. The report has not been subjected to the normal National Research Council review process, but is presented in the belief that the several optional courses of action conceived or identified by the authoring team will be of interest and use to the Bureau and others concerned with its work and objectives.

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EXECUTIVE SUMMARY

There are several aspects of the Pakistan private business environment that can be described as deficient, providing opportunities for the Bureau for Private Enterprise (PRE) to have a tangible and substantial impact. In interviews with representatives of over 60 Pakistani organizations, four major areas were mentioned almost uniformly as representing problems or impediments to private sector growth:

- Confidence. Businessmen lack confidence in the future due to political uncertainty and concerns over economic stability.
- Bureaucracy. Excessive regulation and taxation discourage investment and entrepreneurship, and stifle private sector growth.
- Finance. Requisite amounts of capital are not readily available to private business, partially due to favorable rates of return and less risk for government securities.
- Infrastructure. Virtually every aspect of infrastructure--transport facilities, communications, support services, etc.--is deficient.

A fifth area, though not mentioned by many respondents, probably because of insufficient understanding, became more apparent during the course of the study team's visit:

- Management technology. There was little knowledge or awareness of management as an independent, non-technical, and learnable discipline.

The study team observed several attributes of the business/industrial environment that encourage an optimistic assessment of the potential for private sector development in Pakistan. The business environment is characterized by a large amount of small scale activity. Very few people ever appeared idle, exhibiting a high degree of independence and ingenuity. Artisan skills are very well developed, and trading takes place constantly. Most industrial activity employs low technology, with very little automation in evidence. The study team saw virtually no computers, even in the larger firms, and very little understanding or appreciation of the benefits offered by accumulating data and having it readily available. Business decisions are generally taken on a short term, reactive basis rather than in a long term, structured fashion. Few executives seem to understand forecasting or strategic planning concepts, and they exhibit little appreciation for market limitations; production stays as high as possible, regardless of market conditions. However, the Pakistani market is expanding with evidence of prosperity and much demand for consumer goods.

Based on these observations, Pakistan appears to have tremendous potential for continued development, offering a multitude of opportunities for PRE assistance. The team directed its efforts

primarily at ways to develop human resources. The many opportunities are discussed in greater detail in the report itself; they range from educational assistance to sponsorship of conferences and joint activities with U.S. professional societies. These programs will partially address the manpower skills/human resource constraints being experienced in Pakistan. While the approaches offered in this report do not directly tackle the major handicaps of confidence, bureaucracy, finance, and infrastructure, they will stimulate a better understanding of management technology. Solutions to these other impediments must, of necessity, come from the government of Pakistan; however, the programs outlined in this report should help this process by increasing government awareness and responsiveness to those impediments.

INTRODUCTION

Pakistan is halfway between the Orient and the Middle East and is a colorful pastiche of religious, political, socio-economic, and historical ideas. It has been conquered and ruled by outsiders many times--Ghenghis Khan, Babur, Alexander the Great, the British--and has seen great civilizations, including its own, come and go. Only very recently has the region come to be accepted as a coherently identified discrete, different, independent, and autonomous nation.

The history of Pakistan originated in the lower Indus valley with the still little-known Bronze Age civilizations of Harappa and Mohenjo-daro (2500 BC). Throughout its history, Pakistan has been invaded--by Aryans, Persians, Greeks, Mongols, Arabs. With the invasion of the Arabs (712 AD), Islam was introduced and has had a profound and apparently permanent effect on the region. For many years Hinduism and the Moslem faith existed side by side, with the Muslim Moghuls wielding power over the whole subcontinent until the arrival of the British. Upon independence in 1947, the subcontinent was divided into two parts, India and the Islamic Republic of Pakistan. (East Pakistan later separated to become the independent state of Bangladesh); the first Governor General, Mohammed Ali Jinnah, is highly revered as founder of the country.

Pakistan is a country of extremes: the Arabian Sea and sprawling, chaotic Karachi; sparsely populated but huge Baluchistan; rich Punjab with its important Lahore and lush, forward-looking Islamabad; the barren and tribal Northwest Frontier Province; the majesty and mystery of the Northern Territories. There are the Sind Desert, the fertile plains (irrigated by the Indus), the towering Hindu Kush, Karakoram, and Himalayas, and, of course, the ever-present Indus River.

To the northwest of Pakistan is Afghanistan (the anxiety over the Russian invasion has subsided somewhat); Iran is to the west (we were told that the revolution there was not a significent concern); and India is to the east. (The present government is making open overtures to India to normalize traditionally hostile relations. India absorbs a large portion of the output of the Pakistan Steel complex near Karachi.)

Pakistan's 310,400 square miles is still essentially agricultural, and agriculture not only feeds the population but provides both net export of food and most of the raw materials for Pakistan's growing industrialization. (We were told with pride that Pakistan is the only nation in Asia in which no one goes to bed hungry.) The portion of land cultivated is low because of lack of water, and land utilization is relatively poor. Large irrigation schemes are underway, which will provide not only more food production capacity but also hydroelectric generating ability. The most important food crops are rice and wheat; other crops are millet, maize, cotton, and sugarcane. All aspects of agriculture--harvesting, collection, distribution, and marketing--are done on a very small scale with a high degree of independence; there is very little food processing capacity. Waste and spoilage are highly visible, resulting from the great inefficiencies of scale and from deficiencies in the supporting infrastructure. The overall poor quality of produce was due to these deficiencies and not to any inability to grow first grade crops. Cotton, wool, and silk textiles are the major industries, though they are all experiencing serious price and quality competition from other developing eastern nations.

Pakistan exports a great many of its people--both skilled and unskilled--especially to the Middle East. (For instance, more than 50 percent of the data processing managers in the Middle East are Pakistanis.) This brings nearly $2.3 billion per year into the country but, in the skilled areas, causes problems since talent is lured to countries with higher salaries and non-existent income taxes. This drain of skilled, educated Pakistanis is particularly damaging to the development of a country in which the illiteracy rate is 75 percent (89 percent among females). Purdah is still seen, especially in areas outside of Karachi, Islamabad, and Lahore, and females are distinctly in a protected and subordinated position.

The population of Pakistan (88 million) grows at 3 percent per year. The reported gross national product (GNP) per capita is $290 per year (lower than Indonesia, half that of Thailand, 33 percent that of Malaysia), but fringe benefits are as high as those in these countries. (See Appendix A, "Tripartite," for a clear picture of the labor situation and problems that it creates.) Unemployment, as reported by the government, is 3 percent, but businessmen dismiss this and most other official numbers because of patent unreliability due to the difficulty of gathering precise information.

Water, sewage, phone services, and electricity are of uneven quality and reliability; litter, piles of rubble, and unfinished or half-finished public works are everywhere. Nevertheless, the remnants of British order remain. Flowers, grass, and trees are in abundance. Traffic is dense and, to the Western eye, undisciplined. Camels mix with motorcycles, auto-rickshaws, and brightly painted trucks. There is constant horn-blowing and a lively bustle of going and doing. Pakistan seems energetic and active; for example, the Distribution Center near Karachi harbor is an unforgettable bustle of product movement with much labor-intense activity in a primitive setting.

Smuggling, tax avoidance and evasion, "bureaucratic harassment," and payoffs to government officials and inspectors are accepted ways of life. Output per worker hour is reported to be very low (see Appendix A, "Tripartite"), although this traditional measure of productivity may well be inappropriate in the Pakistani environment because of the social value of having many people able to contribute to the producing process and being able to earn.

Pakistan has a huge and self-protective government bureaucracy, loudly condemned by the business leaders with whom we spoke, which the country's President, General Zia-ul Haq, has had difficulty changing. Seventy percent of Pakistani businesses were nationalized after 1971. (For a report on what impact nationalization has on productivity in Pakistan, see Appendix B, "What Ails.") Most of the businessmen with whom we spoke listed government regulation, financial policy, and lack of infrastructure as the largest stumbling blocks to improving the business environment and productivity. However, not to be overlooked is, as one interviewee put it, that "we suffer from our previous heritage of bureaucracy, aristocracy (elitism), and feudalism, all impediments to growth." There is also concern about the "twenty-two families" who have traditionally dominated business activity. (Our perception is that this dominance is deteriorating with the impact of greater volumes of activity, rapidly changing technology, improved education of second and third generation family members, and the concomitant needs for increasingly professional management.) Despite all the lamentations and complaints of the businessmen with whom we spoke, clear indications came through of excitement and optimism for potential growth, and a dedication to make things happen. Time and again we heard business leaders describe the growth possible if only it were allowed. According to banking officials, economic times have never been so good, with foreign currency reserves standing at $1.7 billion.

Martial law is in effect although General Zia has promised to lift it in 1985 and to allow democratic elections. Many political arrests were made during our stay, just before Independence Day (August 14th); anti-American news articles were common but not strident. The West and its mores are, however, frequently pilloried by the press and provide an easy, acceptable, and newsworthy target on many issues. Non-verbal signals supported our feeling that there was little anti-American sentiment among businessmen and citizens in general; the people themselves were consistently friendly, helpful and curious.

A final consideration is Islam and Pakistan's avowed determination to become "Islamicized." While most of the businessmen we interviewed answered the question, "What is the prime motivating factor among Pakistanis?" with an immediate and unequivocal "money," news articles and speeches attack both capitalism and Marxism and denounce the craving for material things being evinced by the population at large. Islam, according to some, is antithetical to democracy because Islam says the fittest and only the fittest should lead. (See Appendix C, "Ideology")

We stress that it is difficult to compare Pakistan and its issues with the United States. There are extraordinary differences in every aspect of life--religious, historical, socio-economic, business. It is our endeavor in the remainder of this report to discuss our findings about the Pakistani business environment and put forward several program options that might enhance the productivity of the private sector.

METHODOLOGY

The process for gathering information for our observations and conclusions was to meet with as representative a sample of the Pakistan economic community as could be arranged in the limited time available, and have these sources tell us their attitudes, opinions, and understandings of various aspects of the Pakistani business/economic environment. We attempted to allow the respondents to be as free and self-directing as possible in their discussions with us so that we would be able not only to get their specific thoughts but also to determine which general topics were of most interest and significance to them. Therefore, we did not use a formal questionnaire but established several open-ended areas of inquiry designed to permit the respondents to speak to those topics which they felt were of primary importance.

Early interviews raised several specific topics which formed the basis for additional follow-up questions which were used if the subject matter was not spontaneously addressed. (A summary of the basic information we attempted to obtain is contained in Appendix D.) After the first one and one half weeks of interviews we felt that we had received sufficient general information on the overall environment, and we directed our questions more specifically to the areas of management development, management training, supervisor selection and training, succession management planning, technical and technological training, and related topics.

Our interviews consisted of meetings with representatives of:

- the Pakistani private sector;
- Pakistani parastatal organizations;
- quasi-public institutional groups;
- industry trade groups;
- the Pakistani financial community;
- the government of Pakistan;
- the government of the United States;
- Pakistani companies in the United States;
- U.S. businesses with knowledge of Pakistan;
- miscellaneous others.

The specific names, titles, and companies of the people we interviewed are listed in Appendix E. We met with some individually and some in groups. While not all interviewees, of course, were able or willing to provide useful information, a substantial cross-section of the business/economic sector gave us the benefit of their insight. We also read the local newspapers while in Pakistan, picked up copies of various economic journals, and thus tried to increase our understanding of the Pakistani business climate.

In an attempt to verify the reasonableness of our perceptions and observations, we discussed them informally with AID representatives in Islamabad, other U.S. government representatives in Lahore and Karachi, and with a selected group of five businessmen in Karachi who represented a particular industrial trading estate (SITE Association of Trade and Industry). These recap sessions enabled us to articulate our observations more clearly and get the reactions of people having in-depth familiarity with the Pakistan economy. The meetings also served to fine-tune our understanding of business in Pakistan and reassured us as to our general conclusions.

As a result of the activities engaged in above, we were able to develop the observations, conclusions, and suggestions discussed later in this report. These came as a result of our individual thoughts and observations, discussions among the three of us, and the synergy of collective brainstorming.

GENERAL OBSERVATIONS OF BUSINESS CONDITIONS

INSUFFICIENT TRAINING

The potential for private sector growth and development in Pakistan is considerable. Resources are plentiful and could be accessible, given appropriate infrastructure expansion. Manufacturing and service industries are not yet mature, leaving substantial scope for growth in most business sectors. Purchasing power of the populace is increasing, which should induce growth in the economy. In addition, human resources are vast, though relatively untapped. Pakistanis are industrious, ingenious, and have a high degree of innate know-how and overall savvy. The success of skilled Pakistanis abroad speaks well for the potential human resources within the country, but the lack of widespread compulsory education and the inadequacy of technical and managerial training hinder development.

There is little private sector management training available in Pakistan, and even less recognition that it is needed. Technical training in engineering skills, combined with native intelligence, is considered to be the appropriate training for supervisors/managers. Western concepts of management (e.g., leadership, decision-making, communication, sensitivity, problem-solving) are completely foreign to the way Pakistanis think about management and are quickly dismissed as irrelevant. Pakistanis perceive technical skill to be far more important than managerial skill, and in general, they assume management training actually means advancing technical expertise. Interestingly, however, several of those interviewed who did understand and appreciate the value of management training felt that managers were too oriented toward general management and lacked sufficient functional management skills.

The management training that is available consists primarily of seminars abroad or seminars offered by the Management Association of Pakistan (MAP) or the Pakistan Institute of Management (PIM). MAP appears to be little more than a club for high executives, and its courses cater almost exclusively to top management. PIM has a good reputation for management education, but it is primarily public sector oriented. Its brochure shows a well designed, professional approach to holistic management training at all levels; however, there was a clear gap between the programs described in the brochure and the courses actually offered. The relevance of some of PIM's courses to Pakistan's management culture and needs could be questioned.

The University of Karachi also offers management training at the undergraduate level through the Institute of Business Administration (IBA). The program offers good general business education, but it is small and provides insufficient practical training. IBA also offers a high quality, part-time, evening master of business administration (MBA) program for mature professionals. This program encourages students to use the coursework in their jobs, demonstrating the practicality of the training and underlining its relevance. Unfortunately, the MBA program is too small to have an appreciable impact on country-wide management needs.

The universities at Lahore and Dera Ismail Khan ffer limited business instruction at the undergraduate level. Both programs are small and offer little worthwhile management training, consisting primarily of elementary accounting courses. Pakistani businessmen criticized these programs almost universally for poor quality and felt they were of little value to their businesses.

The typical education of a middle manager in a large industry consists of engineering school, electrical/mechanical training or specialized engineering and administrative courses in the military, and sometimes specialized training abroad, usually in engineering. Only very limited material is available for middle managers to read on an individual basis, and none of that is in a local language. There is little incentive to use the few English language materials that are available because of the lack of advancement opportunities for middle managers and their inability to perceive any benefits from improving their management skills. Few companies have formal performance appraisal systems and job descriptions are usually vague. Although there is a need for materials in local languages, providing materials will not be effective without also providing incentives to take advantage of them.

MANAGEMENT CULTURE

Particularly among the large, family-dominated concerns, there is little, if any, scope for personal initiative on the part of lower and middle managers. The prevalent management style is Theory X--that is, authoritarian, directive, paternalistic, and non-participative. To a large extent, the management process is intuitive and owner-centered. While this attitude toward management is beginning to change in some quarters, the idea of cooperative, participative management has not yet made any appreciable inroads and probably would be misunderstood by the work force if implemented precipitately. Workers perceive management as an elitist activity and would be distrustful of attempts to draw them in to the management process. (Micro-Electronics Technology, Inc. in Lahore is an interesting and notable exception, but it is still experimental; see Appendix F.)

However, some Pakistani concerns have successfully implemented progressive, professional management techniques. Multinational firms operating in Pakistan have had success using Western management techniques in the Pakistani cultural context, and some middle-sized Pakistani companies (Premier Tobacco, Adamjee Paper) are gradually implementing progressive forms of management. The cultural milieu and the social background of both managers and workers prevent any drastic implementation of Western-style management techniques, and programs to expand and improve management training should be designed with this background clearly in mind.

GOVERNMENT

The government of Pakistan has a strong impact, attitudinally and procedurally, on conducting business in Pakistan, but the actual effect of government policy is not absolutely clear. Business people in Karachi typically consider the government to be a strong deterrent to business development, because of corruption, obstruction, inconsistency, etc. However, this attitude is far less prevalent elsewhere in the country, where government seems much less a factor in management thinking. Part of the explanation for these disparate attitudes may be that Karachi, because of its economic primacy in the country, is discriminated against by the Pakistani government and is looked upon as a lucrative source of income. Government incentives to business are biased against Karachi and toward the less developed areas of Baluchistan, the Northwest Frontier Province, and other remote areas, but these areas have inadequate infrastructure to support new business.

Taxation is perceived, particularly in Karachi, as confiscatory and inequitable, primarily because of uneven enforcement. This perception has led to some tax evasion, alledgedly in order to remain economically viable, which in turn forces higher taxes to generate requisite revenues, and so on. Many businessmen, particularly in small and family-owned firms, feel that tax evasion is an economic necessity and that equitable enforcement would resolve the problem.

The tax evasion problem further impedes effective management techniques by encouraging suspicion and secrecy. Because of the practice of dual bookkeeping to avoid high taxes and the heavy penalties for tax evasion, many family businesses are reluctant to go outside the family for managerial talent. Consequently, the development of trained, professional management, separated from ownership, is still in its infancy, hindering the influx of new, more effective managerial techniques.

A ponderous, procedure-ridden government bureaucracy is another obstacle to private business activity and general economic growth. Red tape seems endless and often arbitrary. Time required to obtain sanctions can be extensive, and the process tends to be difficult at best. The difficulties encountered in dealing with the mass of government regulations act as serious deterrents to short-term business investment, particularly by entrepreneurs.

The nationalization of major industries, including banking, insurance, steel, and agriculture, that took place in the 1970s has created a continuing "crisis of confidence" among private businessmen, which acts as a substantial disincentive to long-term investment. Business confidence has not returned despite repeated assurances from President Zia that the nationalization policy will not be repeated. The concern is not about General Zia's intentions, but what the next regime will do. This lack of confidence results from the absence of a stable political structure from which predictable future leaders will emerge.

Finally, private investment is hindered somewhat by government borrowing at rates generally equal to or better than prospective returns on private investment projects. The availability of this government paper at virtually no risk mitigates against new private investment in business. Although this problem has not become pervasive and there are several subtle reasons why government paper is not attractive to all businessmen, the situation provides another example of how government policies can inhibit business in Pakistan.

INFRASTRUCTURE

The inadequacy of Pakistan's infrastructure--unreliable electric power, limited transportation and distribution capabilities, erratic water supply, etc.--is a serious impediment to further capital investment in private business projects. Despite a variety and richness of resources, opportunities for development are lost because of inadequate or poorly maintained infrastructure. Overall business efficiency is sacrificed because of poor communications, uncertain deliveries, and a lack of information. Business confidence in new ventures is further eroded and the environment for private sector growth deteriorates.

FINANCIAL/INVESTMENT CLIMATE

Pakistan's investment climate can perhaps best be described as one of guarded optimism--optimism because of the substantially untapped potential for business development in the country and the cleverness, capability, and innate intelligence of its people; guarded because:

- government procedures establish myriad obstructions to getting things done;
- all local banks (which handle about 90 percent of banking activities in the country) are nationalized and thus subject to governmental and bureaucratic impediments;
- low literacy and the absence of many basic business skills slow progress;
- a considerable problem of corruption, favoritism, and uneven enforcement of laws and regulations in the various national and municipal government bodies causes discontent within the business community.

The country's foreign reserve balances, due in part to strict government controls, are in good shape, with nearly $3 billion per year in remittances alone coming in from Pakistanis working overseas. Another nearly $2.3 billion results from exports while total imports are about $5.5 billion. Consequently, access to additional foreign sources of funds remains available.

The financial system has excellent liquidity--likely more than enough to finance the reasonable needs of the private sector. However, credit ceilings, established by the bureaucracy on what is perceived by many businessmen to be a largely arbitrary basis, limit the amount of funds that can be funneled into business projects. Problems in the financing of projects appear to be related more to the allocation and distribution of funds than the availability of those funds. The credit ceilings act as arbitrary constraints and force funds to be allocated according to these ceiling limits instead of the more efficient reasons of supply and demand or poor risk/return ratio projects.

It is certainly helpful, and in some instances apparently essential, to have the right "connections" to gain access to new capital from the banks and project financing agencies. While it is understandable and reasonable to expect any financial institution to react more quickly and favorably to a customer with a proven track record, the situation in Pakistan seems to go beyond this tendency to the point where it is allegedly necessary for some organizations to bribe their way into a new source of funds. This, of course, leads to an inequitable distribution of those funds which are available and to frustration on the part of entrepreneurs and other businessmen who have legitimate projects to finance. While not unique to Pakistan, these problems are nonetheless real and can act both as physical and psychological hindrances to the development of new projects by the private sector.

GENERAL COMMENTS ON IMPLEMENTATION

Despite these various impediments to private sector development, it can be concluded that, as a nation, Pakistan has the capability for "boot-strapping," becoming more productive/efficient/effective both industrially and in terms of management related measurements. However, to bring this about requires not only the ability to adopt suitable methodologies, but also an exposure to an appropriate mix of opportunities and environments. It is clear that the "American way" is not saleable per se and may not even be applicable in a general sense; nor are the latest trends in U.S. industrial management necessarily of great significance in the Pakistani environment. It is necessary to recognize that different ideas relating to ambitions, aspirations, and potential horizons for industries, employees, and their concomitant societies may all have merit, with no particular philosophy being the best.

To be responsive to the Pakistani environment, AID could, for example, initiate an overall program to stimulate productivity, with emphasis on the use of appropriate productivity measures and technologies. The theme of "organization for productivity" would be more effective than "management" training, a term that is status weighted and prejudicial. Every avenue available for enhancing information flow and communication of manufacturing management methods, technologies, and practices should be exploited in an integrated and well-orchestrated fashion. The objective of the initial stages of such a program would be to deliver a superficial exposure of views and possibilities to the widest spectrum of the industrial community (including the non-English speaking sectors of the lower echelons and the smaller entrepreneurs). This should be maintained for a number of years and be supported by more major educational thrusts targeted at every level of professional development, including the more mature technical professionals and the institutional personnel and curricula.

These educational activities will partially address the current shortage of skilled manpower by gradually raising awareness of the possibilities offered by improved management techniques and increased participation. It is probably important that there be some degree of coordination and an understanding of what is already being done by the various German, Swedish, Norwegian, British and other projects along similar lines, and what they all have planned. Obvious benefits for Pakistan could be gained from the integration of these activities into a larger operation.

Any approach taken to address the management training and development problems that exist in Pakistan must be multifaceted. There is a conspicuous need to train managers per se, but there is an equally compelling requirement to raise the level of awareness of the need for and the advantages of a well-educated and adequately trained managerial force in the country. This lack of awareness was evident in our discussions with both private and public sector people in Pakistan. Technical skills are recognized and appreciated, but only lip service was given to management topics by most business people. There is substantial recognition of the value of effective management among the professionally managed firms, but these are a definite minority. The bulk of medium-sized companies, which the results of this study primarily address, are unaware of what management really means and how improved skills in functional management disciplines can help their businesses.

The team focused attention primarily upon the many possible means of developing the human resources of Pakistan. In the context of this study it is preferable for all the measures that are adopted to be integrated into a total, cohesive, and visible program. Well-orchestrated announcements of training activities supported by clearly enunciated objectives and strategies will accomplish much for the confidence factors within the nation; also, the programs will benefit in a synergistic manner.

Because of the generally sceptical attitude of Pakistan businessmen toward government agencies, it was obvious during our brief visit that widespread and rapid infusions into the private sector could be administered most satisfactorily by non-governmental agencies. Therefore, we recommend allocating special grants to U.S. engineering and management societies to enable them to subsidize the services offered to their third world membership, and also to develop and offer special programs of the type needed.

Based on our observations of current management practices, cultural biases, and impediments to business development, the team has devised a list of project options. Several projects could be implemented immediately and should yield immediate results. Most of our options are longer term, addressing educational deficiencies and the need to stimulate overall awareness. With sufficient time, these programs could have a large impact on management practices in Pakistan and, therefore, on private sector development.

A useful technique for devising an implementation strategy for improving managerial skill levels in Pakistan is in the framework of the following matrix. The approximate time required for each option is listed along the vertical axis. The target group that each option is designed to affect follows the horizontal axis. This matrix will allow selection of options with a specific target group and time to maximize the use of resources and effectively accomplish policy goals. The numbers in the chart refer to the following list of program options.

	Supervisory Managers	Middle Managers	Executives	Institutional and general
Short-term (up to 6 months)	2, 20, 25	2, 20, 25	2, 25	24, 30
Medium-term (6-24 months)	3, 12, 15 16, 17, 23 21	1, 3, 4, 12 17, 16, 19 21	1, 3	5, 10, 26, 28
Long-term (more than 24 months)	22	4, 18, 22	7, 14, 22 23	6, 8, 9, 11 13, 27, 29

PROGRAM OPTIONS

1. To help middle and executive level managers recognize their own strengths and weaknesses as managers, a national private sector assessment center could be established. As part of IBA or one of the other management training institutions, an assessment center would provide evaluation devices, such as the Myers-Briggs Type Indicator or a more comprehensive device specifically tailored for the Pakistan businessman, to allow managers to determine their level of ability and make them aware of areas needing improvement. The center would help focus management training efforts by determining specific areas that training programs should address, and by promoting demand for those programs. More importantly, however, assessment could help businessmen and managers gain perspective and develop individualized plans of management education to improve their performance.

2. To provide these types of self-assessment to a broader audience in the short term, local chambers of commerce could sponsor self-awareness seminars for managers in the major industrial cities. Because a large portion of management problems in Pakistan result from poor management style and inadequate attention to the effects of interaction among managers and workers, this type of seminar could be a first step in widening personal horizons.

3. A very effective and highly visible project for AID/PRE would be to organize and fund a series of speaking tours by a variety of American management experts. This series of tours could be organized as a coordinated program having distinct aspects targeted at specific levels of management.

For executives, a series of conferences could be organized to last several days and combine lectures and group discussions. Lectures by prestigious American management and behavioral scientists, such as Herzberg, Drucker, Skinner, Naisbit (Megatrends), and Blanchard (The One Minute Manager), could address areas of particular applicability to Pakistan. Group discussions would focus on major economic and business topics, allowing top executives to receive advice and share problems and solutions. Several such conferences could be held each year, coordinated to encourage attendance at the entire series. This series of conferences should be fairly advanced and relatively high-priced to attract the more highly placed executives.

Another series of American speakers would be aimed at middle managers with engineering backgrounds. American engineers of particular common sense and articulation could speak at a variety of Pakistani institutions (MAP, PIM, chambers of commerce, trade associations, IBA, business and polytechnical schools). The engineers would not speak on engineering per se, but on the benefits of management training from an engineer's perspective.

Finally, the American Society for Training and Development could be asked to provide speakers to lecture supervisory and middle managers. These talks would focus on the practical benefits and tangible results of improved management techniques rather than the more esoteric aspects of management.

4. Another project that would be highly visible and have a large impact would be to provide funds to allow a broad spectrum of Pakistanis to travel to the United States for educational purposes. A competitive program could be established to fund promising young Pakistanis with financial need at U.S. business schools. The funding would be conditional on the students' return to Pakistan upon graduation to work for a specified number of years.

A similar program could be designed to permit a broad selection of Pakistani middle managers to attend short training programs at universities in the United States. Executive development, resource management, manufacturing management, and management development programs of fairly short duration are offered at a multitude of U.S. universities. Participants could be chosen by local chambers of commerce based on competitive essays and interviews, ensuring a wide geographic distribution for maximum impact.

In conjunction with local trade associations and chambers of commerce, AID could also provide funds for full or partial reimbursement to qualified Pakistani businessmen for attendance at selected U.S. trade fairs.

5. Several programs should be undertaken to overcome the bias in Pakistan toward technical training. Polytechnical schools should be given assistance in setting up management studies, either as a separate discipline or (probably more successfully) as several courses in the technical disciplines. As an additional influence on polytechnics' curricula and as a way to offer management training to practicing engineers, AID could fund appropriate management courses through the Institute of Engineering. Such programs could begin to make inroads into Pakistan's technically oriented education and increase exposure to management ideas and techniques.

6. AID/PRE should work with the Ministry of Education to have courses on entrepreneurial training incorporated into the high school curriculum, perhaps paralleling V. B. Patel's successful Center for Entrepreneurial Development in Ahmedabad, Gujarat, India. (See chapter 10 of P. A. Neck's Small Enterprise Development Policies and Programmes)

7. As part of a program aimed at improving the quality and scope of existing management training institutions, AID/PRE should consider large-scale funding assistance for MAP to raise its efforts and impact to an equal level with PIM. Such help for MAP might include physical plant, staff salaries and benefits, library resources, and development of a support staff.

8. Efforts should be made to promote some diversification by PIM to lessen its emphasis on the public sector. One method might be to provide grants for private sector managers to attend PIM seminars, thereby providing private sector perspective and input.

9. Since the business departments at Lahore and Dera Ismail Khan have very poor reputations in the business community, consulting help from prestigious U.S. business schools could be provided to help determine the reasons for their reputations and to formulate action plans for improving the quality of these undergraduate institutions.

10. In the short term, funds could be provided to IBA to allow an expansion of the program while maintaining its quality. Expanding facilities at IBA would help meet the demand for management graduates and effectively use management training resources already available in Pakistan.

11. As a way to stimulate entrepreneurship among business school graduates in Pakistan, a chair of entrepreneurial management could be established at IBA. The chair would be held by a professor of management from a respected American business school for a 1 to 2 year assignment or sabbatical.

12. The concept of a student intern program should be introduced at IBA and the universities at Lahore and Dera Ismail Khan. Such a program would address one of the most discussed shortcomings of a number of Pakistani business graduates--practical experience. A similar program could also be supported to allow selected professors time to work in private enterprises, giving them valuable experience. Intern programs for students and professors would provide excellent public relations benefits for their universities and enhance the classroom performance of both professors and students.

13. Although a relatively long-term venture, AID/PRE should investigate in-depth Mr. Babar Ali's (of Packages, Ltd.) plan to open a new private sector business school in Lahore. Ali's position in Pakistan is such that his own credibility would help the viability of the new institution. His interest in education is long-standing--the Vocational Training College in Lahore, run by Ali, is recognized as a very successful program of high quality. We believe that a new business school, emphasizing the private businessman/entrepreneur, would strengthen the private business community, bringing back to Pakistan some of its finer expatriate professors, and provide competition with the government business schools, spurring their upgrading. Further, given the resounding success and high reputation of IBA, which was built with AID backing, such an institution would add to the vision of the U.S. commitment to Pakistan. Even if no bricks-and-mortar help can be given, other avenues of help would be open (grants, endowed chairs, library and audio-visual materials, salary supplements, scholarships, etc.). A new business school should be looked upon not as competition for existing schools, but as supplementary to them since current facilities are inadequate for the region's future needs.

14. AID/PRE should investigate establishing an Administrative Staff College specifically directed toward the private sector. The existing Pakistan Administrative Staff College in Lahore is government-run and concentrates almost entirely on public sector needs. A private sector staff college, with intensive experiential programs, would be an extraordinarily effective approach to training managers without the necessity of an extended academic program. The kind of program offered by the Australian Administrative Staff College near Melbourne would serve as an excellent model for a program in Pakistan.

15. Though direct money would be unacceptable, AID/PRE could offer help to the various family trusts (VM Trust, Rangoonwala Trust) to provide courses such as "First Line Supervisory Skills" and "English for the First Line Supervisor." The courses would be given through the trusts, which do not limit their educational opportunities to employees of their companies.

16. Since the U.S. Small Business Administration (SBA) already does many things for would-be small businessmen in the United States, the SBA should be encouraged to make many of their materials available to small businessmen in Pakistan. The Lahore Punjab Small Industries Corporation is willing to participate in a small businessman training program using SBA materials and possibly, personnel; it seems to be a good place for a pilot program. However, broad access to the program to ensure the maximum benefit must be a condition for AID/PRE assistance.

17. AID/PRE should determine if there is a place in Pakistan for an organization such as India's National Alliance for Young Entrepreneurs. If Pakistan could benefit from such an organization, funds should be provided to establish it.

18. AID/PRE could approach the International Management Council (IMC) or a private consultant to help a local chamber of commerce institute a pilot International Management Council in a selected city such as Peshawar. IMC is a middle-management educational group of 14,000 supervisors and managers with chapters in Sri Lanka and Taiwan, but mostly in the United States. One or two companies (e.g. Premier Tobacco, Adamjee Paper), could be asked to host the beginning organizational meetings. Since IMC is an affiliate of the International Young Men's Christian Association (YMCA), perhaps an existing YMCA chapter could be enlisted for help. The International Management Council also offers a 52-course, self-instruction coordinated curriculum on general management practices that could be offered through IBA or another educational institution. Successful completion of the general management curriculum results in certification by IMC. To initiate affiliation with IMC in Pakistan, appropriate contacts would be:

Executive Director
International Management Council
Valley Forge Square, Suite 120
661 Moore Road
King of Prussia, PA 19406

or

Richard A. Ortmeyer
U.S. - YMCA Personnel Abroa (Asia)
Flamingo (Hong Kong) YMCA
23 Waterloo Road
Hong Kong, BCC

19. In conjunction with IBA, PIM, HAP, or another existing institution, a series of programmatic seminars leading to a certificate as a professional manager should be implemented. A series of evening seminars held two or three times each week could be scheduled over a one or two month period; topics, while presented as separate units, would be related and lead the student toward a holistic awareness of business and management. The program would require commitment and effort by students, with eventual certification serving as the incentive to complete the training. Certification could be dependent on successful completion of the entire seminar series, along with demonstrable knowledge of basic managerial skills in order to make certification both credible and prestigious.

20. AID/PRE could sponsor a series of seminars on Productivity Enhancement, which would cover such concrete areas as work flow analysis, job engineering, and space utilization. The seminars could be advertised through the chambers of commerce and various business associations, and would serve as introductory instruction in improved management techniques.

Attendance at these seminars or the other seminar series we suggest could count towards maintaining certification as a professional manager. A point system could be used, with a certain number of points awarded for attendance at each seminar or conference, and a predetermined number of points would be required to maintain certification. Such a system should greatly increase attendance and, therefore, the effectiveness of the various seminar programs.

21. An effective means of overcoming awareness and infrastructural problems to enhance productivity in small, rural businesses would be to provide a traveling management training unit. The unit would use a bus or recreational vehicle, equipped with audio-visual equipment, a small classroom, and minilibrary, to give management training and advice on location. In concept, this training unit would operate much like the Agricultural Extension Service in the United States. Courses would be short, punchy, and of high quality and entertainment value in order to gain credibility and rapid acceptance. The service would be staffed most effectively by faculty from an established institution, such as IBA. Frequent visits by the traveling service would keep trainers in touch with rural business problems, provide beneficial advice to avoid small business stagnation, and ensure a highly visible vehicle for AID assistance to Pakistan. Millat Tractor Company presently uses such a mobile school for training tractor owners in the field, so the idea is practicable and effective.

22. Multinationals doing business in Pakistan were envied almost universally for their successful use of modern management practices and for their success at minimizing bureaucratic impediments. Multinationals in Pakistan and in the United States could work with AID to design a multifaceted program to expose Pakistani managers to the modern management techniques used by the multinationals and to train Pakistanis in their use. Such a program would involve:

- internships for both students and professors of Pakistani business schools, as well as managers from local firms.
- lectures and seminars led by the managers of multinational operations in Pakistan. Managers at different levels could speak to their Pakistani counterparts to provide interaction across the management spectrum.
- donations of micro-computers to Pakistan's business schools and appropriate training in their use. These donations would be a valuable public relations tool for the contributors and fill an enormous gap in current training facilities.

Other aspects of such a program might include multinationals' making in-house training packages available to Pakistani managers, or a training package developed from these materials specifically designed for managers in developing countries could be made available. AID/PRE should approach multinationals which might be interested in devising such a training package and participating in such a multifaceted program.

23. There are currently in Pakistan a number of well-managed, successful, small to medium-sized companies. The success of these domestic firms should be well publicized and the management techniques used by these firms should be shared. An effective means of promoting the techniques involved in the success of these firms would be to create a 20-minute film or videotape of one small firm's techniques for distribution to other less successful companies. In addition, the owner/managers of successful firms could be sponsored on a speaking tour of business schools, trade associations, and chambers of commerce to explain their management techniques.

The impact of promoting the success of Pakistani managers would be great. One firm or several could be chosen by AID/PRE to participate in this project. One example might be Micro-Electronics Technology, Inc. of Lahore, whose management style is both professional and enlightened. (See Appendix F, "Micro-Electronics Technology, Inc." for a full discussion of its management approach)

24. There is an enormous pool of talented, experienced expatriate Pakistanis. Although most of these expatriates will return to Pakistan eventually for a variety of cultural reasons, AID/PRE could sponsor a study to determine ways to hasten their return. Such a study could be undertaken in conjunction with the Pakistani government and local universities.

25. As part of a process to disseminate information throughout the Pakistani business community, AID/PRE should sponsor a series of writing competitions for students at IBA and other universities. Students would compete in writing and designing pamphlets to explain, for example, the benefits of management training for the small businessman, the availability and services of management consultants, and the various resources available to help local businessmen. Students would be encouraged to seek faculty input to ensure high quality material and stimulate the learning process. AID/PRE could help fund the publishing and distribution of the winning pamphlets.

26. All of Pakistan's existing universities and business organizations have need of additional resources. Sets of Lester Bittel's International Management Encyclopedia (McGraw-Hill) would be a beneficial initial addition. Copies of P. A. Neck's Small Enterprise Development Policies and Programmes would also be an asset. AID/PRE could offer grants to various institutions earmarked for the purchase of such resources.

In addition, AID/PRE could provide subscriptions to U.S. professional management and business periodicals to trade associations, professional organizations, chambers of commerce, and business schools.

Finally, the multitude of mail-order catalogues of management, business, and supervisory materials (books, pamphlets, video tapes, 16 mm movies, games, simulators, etc.) should be collected and forwarded to the various business organizations and educational institutions in Pakistan. The catalogues would not only serve as a resource but also raise awareness of the availability of such materials.

27. AID/PRE should monitor the progress of a project done by the AID office in Islamabad, the "Development Support Training Program" (DSTP). That program appears to be a major undertaking in Pakistan, but public sector oriented. AID/PRE should certainly offer input concerning specific private sector projects, as outlined in this report, to help focus the DSTP and soften its public sector orientation.

28. AID/PRE should resurrect and seriously consider the recommendations in the Private Sector Mobilization Program (see Appendix G) by David E. Brantley. Since management training is seen as such a low priority issue (indeed, in many sectors it is a non-issue), we emphasize that only a wide-range approach to enhancing management can be effective. We believe Mr. Brantley's memo shows knowledge, practicality, and feasibility. Furthermore, it fits into the overall scheme of activities we are suggesting.

29. AID/PRE could act as an effective stimulus in improving the cooperation and coordination between AID and the Foreign Commercial Service in Pakistan.

30. For whichever of these recommendations is selected for implementation, a team of business school professors, PIM and MAP professors, and Pakistani business consultants should be used as an advisory group. Specific people could be chosen and organized into a semi-formal committee, or contact could be informal and relatively

unstructured. This group would provide an element of coordination and cooperation to the various projects, to avoid overlap and share ideas and successes.

We would also suggest using as many non-governmental organizations as possible, in both Pakistan and the United States, in implementing these suggestions. Many trade associations, non-profit organizations, and corporations are capable of implementing management development programs in Pakistan and would be willing to sponsor such programs. The role of AID/PRE may be as a salesman of program ideas and coordinator of activity rather than as primary actor in implementation.

APPENDIXES

A. "An Agenda for the Tripartite Labour Conference"
B. "What Ails the Private Sector"
C. "Ideology and the Economic Frontiers"
D. Basic Information Sought In Interviews
E. Directory of Interviewees
F. Micro-Electronics Technology, Inc.
G. Brantley Memorandum
H. Egocentricity and Its Impact on the Pakistani Business Scene
I. Beyond Management Training

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AN AGENDA FOR THE TRIPARTITE LABOUR CONFERENCE

By

Yusuf H. Shirazi

Investment plays the most important role in determining the level of national output. Future production, and, therefore, economic well-being and strength, are built on today's investment. The ratio of gross fixed investment to our GNP, which has been quite inadequate, increased nominally during 1979-80. The ratio of national savings to gross national product, the sine quo non of all changes in investment and production, remained well below the level attained in 1977-78; it compared most unfavourably with the average level of savings for other developing countries. What is more serious, the ratio of domestic saving to GDP is estimated at around 5% only.

CHRONIC PROBLEM

Investment and production have been our chronic problems. Devising a suitable framework of policy to attain necessary levels of investment and production continues to be our primary challenge. I have been giving serious thought to this matter as an entrepreneur. More recently this issue came up as a superordinate goal in discussions in the Labour Commission on which I had the honour to serve as member. It seems that although many factors, such as political climate, government policies, finance availability and its cost, management quality, controls, etc., working in complex interaction, determine the levels of investment and production, the framework of industrial management, discipline, compensation, and union leadership seem to be among the foremost

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of these in our country. Most investors, foreign particularly, and local generally, have shown considerable concern in these fields. We can go a long way towards improving investment climate, and thus achieving increased production, if suitable changes are brought about in our labour-management relations policy, labour laws, and rules, regulations and administrative practices.

In this connection, first of all, it must be mentioned that the history of labour-management relations in Pakistan is primarily a story of government initiatives. Even before Pakistan acquired any industry, Dr.Malik, as Labour Minister, began encouraging the development of trade unionism in Pakistan. Again and again since then, the government has interposed itself between, nay, over, managements and employees. This approach seems to be based on a theory of paternalistic - autocratic government and bureaucracy. This theory finds it conceptual justification from the same view of the workers as that which justifies a role for outsiders as labour union leaders. It is in this perspective particularly that I disapprove of the concept of a Tripartite arrangement, of government, employers and employees, as against a concept of bilateral arrangements between the two parties only, i.e., the employer and the employee which envisages the two as essentially mature and more or less equally interdependent. Our approach to having a Tripartite arrangement is rather unique in its character and I for one believe that this experience has not helped at all in creation of healthy labour - management relations much less in increase in saving, investment and production. This approach has failed, as it was bound to fail, because we borrowed all our labour laws from highly industrialized countries and tried to adapt them, by fiat, to the genius of our land. The labour laws are generally made - atleast drafted, in a manner which empowers the administering authorities to sit in judgement as labour welfare officers, not concerned at all with production, which alone leads to the welfare of all concerned, including the workers. In fact a large part of our problem arises from the erroneous assumption that worker welfare can be sought and attained in isolation from the issues of saving, investment and production.

The reverse is also true: the problem of saving, investment and production must be solved while paying the greatest attention to workers and their needs. While this is

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a generalized problem for the government, it is a matter requiring constant attention by managements of enterprises: by believing in this philosophy, by devising organizations, processes and reward systems in line with this approach, by developing managers at all levels so that workers can contribute their maximum to the organization while they develop themselves and share in the fruits gained through common efforts. An environment must be created where the workers and the employers, in mutual trust, come to agreements concerning welfare and development of the workers, the enterprise and the economy. In other words within the limitations of the social, political and economic climate, it is the duty of the employer to strive to develop a truly integrated organization.

OUTSIDE LABOUR LEADERS:

An impression is created that trade unionism has been developed in this country by some of the dismissed employees and therefore their role must be regarded as positive for the development of healthy trade unionism. I, for one, do not subscribe to this view, as trade unionism in this country has developed largely due to government's efforts for implementation of the ILO conventions. Rather, some of these labour leaders have their own whims and vendetta against some employers and have clearly hampered and impeded the growth of healthy and strong unions in this country.

A major hurdle in development of harmonious relations between labour and management is the existence of outsider labour leaders. These professional labour leaders are normally lawyers, professors, politicians and dismissed workers - turned businessmen. They create their justification and continue dominance of the labour unions by inducing and maintaining a climate of confrontation against management, and general tension at the work place. The outsider labour leader exists on the insulting and incorrect premise that the workers do not have and cannot have the necessary understanding and skill to protect and defend their own interest, develop leadership from among their ranks, and that the insertion of one or two individuals from the outside will increase their effectiveness in dealing with management. This approach not only completely ignores the interests of production which are the requirement of the society in general as well as of the enterprise, but also of the workers themselves: after all, in the long run, the

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workers cannot benefit unless the organization becomes more productive and profitable. Commitment to the economic organization and its future are essential for this; the outsiders can never have this commitment.

A factor which has also encouraged irresponsible, and negative behaviour in the industrial sector by outside labour leaders is the absence of any effective provision of punishment in the labour laws for these leaders. Their removal is possible only if they are proved to have embezzled union funds; outsider labour leaders who have even been convicted by our courts of law continue holding sensitive union offices, while a convicted person cannot hold elective offices in the national and provincial assemblies or remain in public or even private service.

The outsider labour leaders are not subject to any control of the employers and are moved from considerations other than production or even labour welfare. They see industrial units and the workers as means towards their long-term political designs or personal ambitions. To them the industrial situation and relevant laws are a framework of special opportunity:

رَب دتیاں گاجراں تے وچ رَمبہ رکھ

Rab Ditayan gaajran, te vich ramba rakh

In order to allow healthy growth of unionism, and to develop our industry, outside labour leaders should be completely forbidden from holding any office in the labour unions. This would allow competent workers to assume responsibility of leadership amongst their colleagues. They would deal with economic and social issues in the context of their industrial units. Certainly there is no justification at all for allowing persons convicted in courts of law, dismissed for misconduct, corruption and unfair practice in any walk of life to represent workers.

PROPER HIRING AND FIRING:

On being impressed by very prompt, attentive and willing service in all kinds of

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situations in Japan, I asked a Japanese Manager whether this kind of attitude and behaviour were developed through the family environment and values, or schooling. He considered the question for a while, then laughed, and said, "If the employees don't behave like this, we just fire them." On further enquiry he informed me that the unions would not defend a worker who had an improper attitude towards his responsibilities. This story illustrates not the brutal authority of the Japanese employers who, in fact, take exceptionally good care of their employees. It tells us that the Japanese society does not tolerate shirking of work, or inadequate or shoddy work. The whole nation works hard for maximum and quality production.

It is unfortunate that employee job security has come to be an absolute value in our society. An elaborate administrative - legal framework for disciplinary actions has been laid down, which, in our conditions is cumbersome, costly and ineffective. This leads to indiscipline, undue security for the workers, and thus has tended to develop antiwork ethics. Because of undue protection provided, unionised workers, inspite of their better terms of employment, produce much less than the non-unionized ones. The elaborate system of notices, enquiries, evidence gathering, etc. completely ignores the problems of management and requirement of production. It assumes management to be irresponsible and arbitrary towards workers without whom they can hardly do anything: both skilled and unskilled workers are in short supply even in our primary industry, textile; and labour supply in chemicals and engineering industries, etc., is even less satisfactory. The employers should, and should be trusted to, look after their workers' interest as much as for looking after the management staff, making investment, setting up and developing industries or carrying out transactions of sales and purchases.

In our cultural context, the right to hire and fire is essential for effective and efficient management and for developing relations of mutual respect based on contribution to common goals. However, an option may be given to the employees to: 1) face administrative enquiry; if the employee is cleared, he would stay on; if charges are proven, he would be dismissed, or 2) he may accept a reasonable financial benefit and resign voluntarily.

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BENEFITS:

In a recent comparative study of some comparable manufacturing industries in Indonesia, Thailand and Malaysia, it has been found that workers in these industries in Pakistan are being paid the same amount of money in total benefits as the workers in these three countries, i.e. about $120 per month. This despite the fact that the per capital income in the other countries are much higher than in Pakistan - latest estimates of annual per capita income being: for Pakistan $290, Indonesia $382, Thailand $514 and Malaysia $1177; that is, the three foreign countries have 132%, 177% and 406% of Pakistan's per capita GNP, respectively. It is worth considering that if our population grows at the present rate of 3%, and if we gain 8% increase in GNP per year, it will take us 6 years to obtain the per capita income that Indonesia has today, 12 years to attain Thailand's per capita income this year, and 28 years to attain present capita income of Malaysia.

The output of our workers is much lower than those in these other countries. Still some of our friends among the workers feel that our workers are low paid. An important reason seems to be that a large part of the benefits are paid out in parts, in deferred benefits, or to the Government. Payments by some companies based on contract negotiations or by management discretion, for example, are: Wages, Bonuses (other than under 10-c), (Miscellaneous) Allowance, Production Allowance, Canteen subsidy, leave encashment, House Rent, Conveyance Allowance, some additional paid leaves (not required by law), Milk allowance, Night Allowance, Attendance allowance, Uniforms, etc. Payments to workers in compliance with the law are: Overtime, Bonus under Section (10-c) of the Standing Orders Ordinance 1968, Education Cess (Rs.100/- per annum), Gratuity normally of 15 days, Provident Fund at 8 - 10%; Employee's Old Age benefits at 5%, Social Security at 7% of salary, 5% each as Worker's Participation in Profits and Worker's Welfare Fund, Cost of Living Allowances; Group Insurance, Disability payments, 14-16 paid festival holidays (plus weekly holidays) and 32 days paid leaves and other fringe benefits like some sales on concessional rates. Additional payments and subsidies amount to 300% or more of basic pay of workers. These payments must be seen in the light

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of an effective tax rate on companies at about 75%: 55% Income tax; 10% surcharge; Zakat, roughly working to 10% of income.

There is thus a case for wages to be made the normal payments to workers. The rest of the benefits should go to the workers in lump sum and should be directly related to financial results of the company. After allowing for provision for necessary reserves for inflation and growth, and payment to shareholders for their investment, a share of the profits may be set aside and disbursed amongst the workers directly. They should have discretion over the use of all this money without any part passing through the hands of the government, except payment on account of social security and education cess, perhaps. This would allow them to realize benefits accruing to them from their employment and would induce them to cooperate with management to increase output and quality.

LEAVES:

More and more payments to workers now are not contingent upon dedicated, hard work and discipline, but on mere attendance and minimal performance - and, increasingly, for staying away from work. Paid weekly holidays, half-days, sick, casual, privilege leaves, leaves with half pay, festival holidays, work breaks and allowed late-comings are growing, reducing available time for work.

The number of festival holidays varies between 14-16 in a year. In most companies workers are getting privilege leave of 21 days, and 10 days each for sick and casual leaves in a year. These add up to 57 days, i.e., a sixth of a year of paid non-work. Fiftytwo weekly holidays and half off days add another 78 days. All these make a total of 135 days, or 4½ months in a year. With slowdowns, rains, floods, electricity and water shortage induced stoppage, we find that over half a year's days are lost to work.

Our country is short of capital. We must apply our labour to available capital for maximum utilization. Annual leaves of two weeks in a year seem enough. Festival holidays should be reduced to 10. The trend towards shortening working hours in a week should be discouraged. After 10 years of hard work, after building up our economy, we may wish to review this situation.

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RIGHT TO WORK:

In most countries including USA, UK, Germany and Japan workers are not normally compelled to join the unions. In Pakistan, we have made it compulsory: contribution to the union funds is deducted by the employer from worker's wages and given to the CBA. Under pressure even those workers who do not wish to be members of the union are thus compelled to remain in the union. It would be in the fitness of things to give our workers a real choice in whether to become member of a union. The contribution by workers to the union funds should be collected by the CBAs directly themselves and not through the employer. It will have a salutary affect on the performance of the labour leaders who will need to keep workers satisfied by being responsive to workers' views and needs.

In brief, we must forget the adversary union-management model developed by some Western theorists. Managements and Workers need to work together, closely and constructively. We need to produce more and more through greater and better organized efforts to have more to save and invest and to improve the standard of living or our people.

This is what by far and large I had said as member of the Labour Commission and had, in case of certain recommendations, dissented wholly or partially from the majority and popular views. Now when the Tripartite Labour Conference is assembling once again it may be worthwhile to examine these proposals in the necessary depth required in the context of our need to increase savings, advance employee and the consumer interest through greater output, and strengthen the nation and the government.

APPENDIX

WHAT AILS THE PRIVATE SECTOR

BY

YUSUF H. SHIRAZI

Our bureaucracy, as an institution, believes in its absolute right to decide all large and small matters in all spheres of our life. The system's dynamics seem to demand complete, direct control in the economic affairs of the life of the country. This requirement seems to exhibit itself both by way of increasing controls applied to those spheres which have not been brought under direct management by itsmembers, as well as in the growth of the vast key sectors of the economy now being directly managed by it. In both these areas it is not willing to relinquish, or even to reduce its control. Its autocratic assumptions make it intolerant of any questions or doubts about its structure and processes, both created by itself. The solution to any internal or external problem is increase in bureaucratic control and review, and furtner increase in its discretionary powers, jurisdiction, and size.

STATE CAPITALISM

New justifications, and emotion-charged words are opted to continue and enhance the structure of bureaucratic controls and, hence, power. When the present government at the top level was talking of encouraging private initiative, a team of our dignitaries charged with economic research and guidance of the economy, was busy in preparing a report for curbing the private initiative and vastly expanding the scope of the public sector. This report was entitled "Agenda for Islamic Reforms" and was published in The Muslim of 6th, 7th, 11th and 12th November 1980. The main theme of the report was that ownership of land is vested in Almighty God and man holds it in trust for Him. As such, no individual Muslim - (in Pakistan?) has any right to hold any land or property. It further contended that public good, according to Islamic tenets of "adal" and "insaf", can be achieved through expansion of public sector. In substance it meant "state capitalism" or "islamic communism". A series of measures for streamlining and strengthening the foothold of the public sector at all economic fronts followed. The exponents of these views obviously genuinely believe in

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such ideas as indicated in the report referred to above. They had been expounding similar themes even before the pre-early 1970's era of our attempts at introducing "socialism" or "State Capitalism" in this country. And not suprisingly. It is now known as an axiom that socialism and bureaucracy are not only compatible, but congenial as the idealogy is a made-to-order justification for the bureaucrates to take over management of the whole society.

The process of nationalization, having started in mid 70's, has been thus reinforced and consolidated and its scope, in fact, has been expanded in attempts at, the overused newspeak coinage, "rationalization." Presently for example 70% of our imports and exports including all the food, fuel, other major commodities like cotton, rice, sugar, chemicals and most ferrous and non-ferrous metals like steel, copper, etc., are in the public sector.

Ten basic industries, i.e., iron and steel and other basic metals, heavy engineering, assembly and manufacturer of motor vehicles, assembly and manufacture of tractors and farm machinery, basic chemicals and petrochemicals industries, cement, fertilizers, vegetable ghee, heavy electrical industries and mining and natural resources continue to be nationalized.

Agriculture is not commercialised and is closed to any entrepreneurial exploitation through economically viable farming, as land reforms laws and regulations on land holding apply to such holdings for commercial purposes as well. The law of preemption prohibits any free sale, exchange and transfer of land beyond prescribed limits of our customary laws prevalent since the British rule, thus keeping out potential, needed, new entrants in the field.

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Nearly 90% of all insurance business has been nationalized or legally appropriated by state sector corporations. The life insurance business, and all State Sector general insurance business has been nationalized. About half of the meagre private sector general insurance business-reinsurance, is taken away by Pakistan Insurance Corporation at its own terms. The 40 odd private sector general insurance companies include foreign operators who have about 20% of this business, leaving hardly a mere 30% or about Rs 350 million general insurance business for local private sector insurance companies.

The banking sector remains nationalized; however, foreign banks from the private sector are allowed to operate. No Finance companies or merchant banks are allowed at all.

The institution of mutual funds already under the control of government to the complete exclusion of any private investment company, once sanctioned but not allowed to work in the private sector, is being reinforced year after year, perhaps as budgetary support like many of the other financial institutions and other government regulated ventures. The last state mutual fund with all the poor response (which I predicted before it was launched) practically resulted in a squeeze of capital for the capital market at about Rs 600 million and was hardly conducive to any new investment, fair return to the shareholders or even support to the stock exchanges, or encouragement to any new or old shareholders.

CONTROLS:

On the other hand, whatever the private activity prevails in the country, it is further subjected to detailed controls. Agricultural commodities for example, are subject to detailed traditonal price controls, distorting natural growth of the production of these essential commodities. There are import restrictions through rationing of the foreign exchange and frequently the rationing is in favour of import of finished goods. There are all kinds of agencies trying to control company management: The Controller of Capital Issues, SEAP, Monopopy Control Authority, Controller General of Prices, Vigilance Wings and Intelligence branches, CBR, FIA, etc. The list is almost unending. Now, these agencies are vying with each other to police company affairs; for example, the newly introduced Corporate Law Authority has appointed 12 super-auditors, extra legally assuming the legal rights of the shareholders in this area, over and above the legally appointed and similarly educated, trained and experienced public auditors by the shareholders.

A provision in the income tax law requiring that particulars of the income assessed be kept confidential has been withdrawn in the last budget making it discretionary for the tax authorities to disclose such particulars to the public as and when they deem it proper. Deduction of tax at source, on all transactions whether due or not, has been made obligatory. In case of refund due to the assessees, the cases are referred for detailed scrutiny and investigation.

All this has resulted into unprecedented constraints and controls. New disadvantages in the form of newer and greater controls on entreprenurial freedom and initiative in starting new ventures or in running existing ones are regularly being imposed. The controls, imposed on private initiative during the immediate past few years are far greater and much severer and negative than any imposed during any earlier period of our history.

Consequently there has emerged an unusual imbalance between private and public sector seriously affecting private initiative, investment, employment and exports. The balance between private and public sector has shifted decisively since early 70's and continued to be reinforced continuously since then. In industry, private sector investment was 93% of the total in 1972: it was only 33% by 1977 and has risen marginally to 40% in 1981. Overall private investment was 52% of the total in 1972: it was 29% in 1977 and has risen to 34% only in 1981. The plight of our social and physical infrastructure, which, among others, seriously affects continuance of any government system for any long time in Pakistan, has continued to deteriorate year after year. Education for example, has continued to be neglected. Pakistan has one of the lowest literacy rates in the world. Many poor Asian and African countries started far behind it and have gone far ahead. For instance, Somalia had 2% literacy in 1960 but has already achieved 60%. Tanzania started with less than 10% literacy in 1960 but has already gone beyond 70% with 66% female literacy. These countries have a lower per capita income than Pakistan. Pakistan has a barely 25% overall literacy with only 11% of female literacy, and much of our literacy has no relevance at all to our social and economic needs.

ADHOCISM

Despite this, a policy of adhocism has been pursued by the Administration for quite some years now-perhaps deliberately, instead of defining and adopting concrete policies and measures even in the most important field of our economic activity. The policy of nationalization as such has been continued except in some cases when some units were denationalized for individual considerations. The Government continued to invest and expand the public sector corporations engaged in commercial, financial and industrial ventures for which not only capital but also initiative and talent, expertise and experience were available from the private sector. The public sector organizations as such continued to attract attention of our policy-makers at the cost of proper performance of the government's basic function of developing social and physical infrastructure - provision of the growing needs for electricity, water, gas and energy, roads and buildings, transport and communications: schools colleges and hospitals are sadly lacking, and poorly managed; there are constant complaints of lack of private initiative in these areas. One would wonder why this exchange of responsibility of government and the private entrepreneurs is being sought so strenuously. Examples cited of other countries, nations and societies in support of such a policy become irrelevant because of obvious dissimilarities in values, ethics, beliefs and the stage and process of development.

One key area necessary for economic development is the quality of participation of labour in industrial production. Even now labour legislation which suited the sort of economic pattern desired by the previous regime has continued to remain as it was. We preferred to continue giving additional "cost of living allowances" to all industrial workers without reference to profitability or productivity of enterprises with national budgets thus affecting the confidence of investors and profitability of enterprises, in the final analysis, affecting enterprise and employment level in the country.

While investment is being urged on private entrepreneurs day in and day out, terms of loans have been steadily made increasingly stricter. Debt equity ratios were upped from the traditional 80:20, and 70:30 to 50:50 and 60:40. The traditional share of total investment by entreprenuers in a project which used to be 10-15% was raised to 25 to 50% in changed circumstances of high inflation. Credit was restricted. Attitude of the financial corporations has turned bureaucratic, with only honourable exceptions. In lieu of credits to the private sector, the financial institutions started demanding participation in management. The terms of loans included appointment of auditors, selection of key executives and clearing of other policy matters by the lending institutions. The sponsors were required to refund any commission obtained through the purchase of goods and machinery for the project, or to produce certificates to the satisfaction of the institutions that no commission had really passed.

While private sector is being thus discouraged, controls on its affairs increased, opportunities for its participation in public sector management are being strongly resisted. Participation of private entrepreneurs including the stake-holder in managing public sector organizations is denied. The Board of Directors of such corporations continues to be drawn largely from the bureaucrats in Government or semi-Government organizations, professionals or semi-professionals, consultants, advisors and retainers. Such Boards sometime comprise also of persons who wear different hats of planners, executives, evaluators, consultants and retainers at different times. This has limited the scope of free exchange of views and of an effective tax rate on companies at about 75%: 55% Income tax; 10% surcharge; Zakat, roughly working to 10% of income.

There is thus a case for wages to be made the normal payments to workers. The rest of the benefits should go to the workers in lump sum and should be directly related to financial results of the company. After allowing for provision for necessary reserves for inflation and growth, and payment to shareholders for their investment, a share of the profits may be set aside and disbursed amongst the workers directly. They should have discretion over the use of all this money without any part passing through the hands of the government, except payment on account of social security and education cess, perhaps. This would allow them to realize benefits accruing to them from their employment and would induce them to cooperate with management to increase output and quality.

LEAVES:

More and more payments to workers now are not contingent upon dedicated, hard work and discipline, but on mere attendance and minimal performance - and, increasingly, for staying away from work. Paid weekly holidays, half-days, sick, casual, privilege leaves, leaves with half pay, festival holidays, work breaks and allowed late-comings are growing, reducing available time for work.

The number of festival holidays varies between 14-16 in a year. In most companies workers are getting privilege leave of 21 days, and 10 days each for sick and casual leaves in a year. These add up to 57 days, i.e., a sixth of a year of paid non-work. Fiftytwo weekly holidays and half off days add another 78 days. All these make a total of 135 days, or 4½ months in a year. With slowdowns, rains, floods, electricity and water shortage induced stoppage, we find that over half a year's days are lost to work.

Our country is short of capital. We must apply our labour to available capital for maximum utilization. Annual leaves of two weeks in a year seem enough. Festival holidays should be reduced to 10. The trend towards shortening working hours in a week should be discouraged. After 10 years of hard work, after building up our economy, we may wish to review this situation.

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public accountability. This practice further denied the administration the benefit of advice, experience and expertise from other quarters which could have tended to make the management of such corporations efficient and productive.

EXPLOITATION

Then we see the curious situation where private sector from the other countries is being asked to participate in areas of economic activity completely forbidden to the native private enterprise. When the foreign banks are allowed to expand their existing operations, and new banks are invited as investors and developers, the local entrepreneurs continue to be dubbed as exploiters and debarred from such activities. One would wonder, in the final analysis, whether the local's or the foreign investor's effort at developing the local economy is more productive and in the national interest. In fact, private finance companies which had started operating in this country, instead of being regulated were completely done away with. This amounted to cutting the head to relieve the headache.

The Public sector corporations have become a place for retired officers. Some such officers do not have the physical or mental agility to contribute to, or to conduct affairs of business, which is an activity for an agile mind, a physically fit body, and a person possessing expertise and instinct developed through experience. Such officers being overage or retired due to some incapacity or inadequacy, physical or mental, are assigned to the public sector corporations which have come to acquire as one main purpose of their functioning, the provision of safe heavens for such officers. They have been inhibiting functioning of the "host" corporations. Is financial, commercial and industrial activity so unimportant, or simple that such retired officials are now being nominated on the Boards of companies in the private sector also to represent government or financial institutions having some interest through holding equity or providing finance? They generally

RIGHT TO WORK:

In most countries including USA, UK, Germany and Japan workers are not normally compelled to join the unions. In Pakistan, we have made it compulsory: contribution to the union funds is deducted by the employer from worker's wages and given to the CBA. Under pressure even those workers who do not wish to be members of the union are thus compelled to remain in the union. It would be in the fitness of things to give our workers a real choice in whether to become member of a union. The contribution by workers to the union funds should be collected by the CBAs directly themselves and not through the employer. It will have a salutary affect on the performance of the labour leaders who will need to keep workers satisfied by being responsive to workers' views and needs.

In brief, we must forget the adversary union-management model developed by some Western theorists. Managements and Workers need to work together, closely and constructively. We need to produce more and more through greater and better organized efforts to have more to save and invest and to improve the standard of living or our people.

This is what by far and large I had said as member of the Labour Commission and had, in case of certain recommendations, dissented wholly or partially from the majority and popular views. Now when the Tripartite Labour Conference is assembling once again it may be worthwhile to examine these proposals in the necessary depth required in the context of our need to increase savings, advance employee and the consumer interest through greater output, and strengthen the nation and the government.

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have no knowledge of working of a company or understanding of a balance-sheet, and atleast some of them need rest at home:

خرد کا نام جنوں پڑ گیا جنوں کا خرد
جو چاہے آپ کا حسنِ کرشمہ ساز کرے

Khirad ka nam junoon par gia junoon ka Khirad
Jo chahey aap ka husney krishma saaz karey

Since bulk of equity holdingin private public companies has got concentrated in the hands of financial institutions, there has been a greater emphasis on distribution of profits as dividends as an easy course of seeking income rather than through the traditional source of incoem of commercial transactions. Consequently, retention of profit, an accepted source of investment, got penalized. If the companies retain more than 150% of their capital, they are penalized through paying additional penal tax. Distribution is rewarded. In fact, the higher the distribution, the higher the reward. Stock exchange even award prizes on highest distribution. And, who gains! Most foreign investors taking advantage of this self defeating measure have chosen to repatriate ever higher dividends known in this country.

DEVALUATION

With all this attitude constraints and controls, the entrepreneurial growth has continued to shrink in Pakistan. Many units have changed hands. Private initiative and drive have remained sluggish. The scarce talent of our professionals and executives has continued to flee the country. Just recently over a dozen of our Senior Professionals in the fields of banking and insurance have left the country. This is indeed unwelcome. It is men who build and without men there is no building of any society; certainly Pakistan, so badly in need to grow, be built and nurtured, can ill-afford this exodus. The performance of public sector has been much to be desired. The result is poor investment response, lower production and exports and exodus of our men.

This has led to delink the Rupee and float it. All of us concerned

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have the feeling of being in rough seas. Since January'82 about 18% devaluation has been effected, as against about 20% suggested by Dr. Schiller two years ago and there are forecasts that by June'82 the Rupee may be floated down to about Rs.13 to the dollar, a devaluation of about 31%. The delinking or float's special feature is that no forward cover is available at all. The effect on prices of imports or exports due to uncertainty can be substantial; all international trading activity is being effected. The float has been followed by an Ordinance relating to payment of foreign currency loans, remanding all industrialists of one of the de-stablising consequences of the devaluation: the borrowing industries will be required to pay much high amounts as principal; interest charges would grow substantially in many cases, unbearably. The nation's foreign loan liabilities would be substantially enhanced, local prices would rise at a time when our inflation rate is amongst the highest in the world.

There is serious doubt that our exports can rise sufficiently to make up for the loss in value of our currency. We might have higher negative trade balances rather than lower. Inflation would be fed further also as home remittances will be converted into rupees at the new inflated rates. Import of machinery and raw materials would be costlier, adversely effecting cost of the products. We have been told again and again that an overwhelming part of our total imports is comprised of essential items. Thus we may not be able to cut our imports, while export receipts will not rise sufficiently. What is almost certain is that the kind of financial discipline and belt tightening required from the government, will not be forthcoming. There will be increased pressures on the industrialists, businessmen and consumers both by way of increased levies and collections and higher prices. Revenue collectors will be able to show a "satisfactory" improvement in receipts.

Is delinking, floating or devaluing going to solve our problems? It seems that, as in 1969, the answer is "NO". Our problems basically remain the same as a decade ago - the problems of productivity of men, machines and materials. Unless the problem of our attitude towards economic effort, organization and management is not corrected, no devaluation, delinking or floating is going to solve the problem.

We have now a more complex, social, economic and political system. While some of the complexities are the result of technological and cultural transition problems, we are making our system more and more complex and complicated day by day through government decisions also. There seems to be no clearly defined and communicated policy on pattern of ownership and management of enterprises. Adhocism can be adopted as a tactic for a while in such matters; it is bound to fail as a long term policy as we seem to have adopted it.

When we devalued a decade ago, the dominant industrial/commercial/financial sector was the private sector. We have devalued again when public sector has expanded through absorption and growth into a dominant position, while the private sector has been reduced to a subsidiary role, completely at the mercy of the State Sector institutions and controls. It seems that when our emphasis was on development through private initiative, adequate incentives and lesser bureaucratic controls, we had more of a growth than what has been achieved by our later emphasis on public sector, through "nationalization", "rationalization" and development of "state capitalism" or "islamic communism".

<u>FRESH LOOK</u>

With an ever expanded public sector and tightly regulated private sector, thus we had to devalue in less than ten years again in almost the same setting. Why? We must look into the causes of our ailing economy for which we have once again found the solution in effective devaluation which is but a treatment of symptoms and

and not the ailment. We need to address ourselves to the real challenges and avoid slogans. The real solution of our problem lies in creating conditions for fullest use of our national. materials and human resources. The answer lies through giving a chance to enterprise. And, raising productivity.

First and foremost in this respect, is a matter of over all attitude, more particularly on the part of our thinkers, planners and decision makers. Unless this attitude is positive policy making will have negative results. This attitude has to be in harmoney with the government pronouncements and not individual approaches in one's own personal faith and belief. Experience shows that the bureaucracy, bureaucratic professionalism and bureaucratized managerial approaches frustrate most government pronouncements and intentions while interpreting them not as commonly understood but as what is understood by them in their own personal conceit and concepts. Without this neither the policy becomes clear nor the implementation effective and hence a tug of war between various sections of our society rather than a harmonious attitude and particularly on the part of the government functionaries, entrepreneurs and workers.

Investment criteria needs reappraisal. Credit and loans against property and share certificates and all other loanable assets needs consideration. Presently not only money is tight but because of ceiling problems with the banks and stringent rules for advancing credit facilities just because the experience in the past has been bad with some bad loans, which, too were, in fact because of the act of their own will, stringent rules should not straingulate entrepreneurism in this country.

With the investment criteria being hard and availability of loans and credit so bad, emphasis on distribution of profit just because majority of the share holding is with the government and financial institutions should not play against retention of profits which is a universal source of reinvestment of funds. The provision in the income tax law in this respect providing certain limit thus must be removed.

Public sector role in industrial, commercial and financial activity where capital, talent, expertise and experience are available from the private sector is not needed and is quite undesiraable. Government should focus on providing social and physical infrastructure - the means of transport, water, electricity, gas, public transport, roads, telephones and telexes and enough of schools, colleges and hospitals.

If at all, however, public sector has to continue, commercial, industrial and financial activity, then it must be restructured and regulated on purely productive lines. The manning of the public sector, in this respect has to be an important consideration. It must have a proper cadre of men and women, with necessary education and training and having developed instinct through experience and expertise to run the public sector corporations. The present system of manning the public sector with men and women who do not meet this basic condition has led the public sector to disrepute and shall continue to be unproductive till such time as it is modeled on true lines for which the examples are too hard to seek in some other countries.

Allowing and encouraging competition between the private and public sector in all spheres of activities including insurance, banking, industrial and commercial activity and that between corporations within the public sector should be another basic and fundamental policy measure. This would force managements of all organizations engaged in the economic activity of the country to focus attention on efficiency and effectiveness and thus help resolve our productivity problem. The main source of wealth is our man-power including entrepreneurs, professionals, executives and workers on whose education, training and expertise this country has invested a lot in money and time. It must be ensured that it contributes to our own economy rather than those of competing or super imposed ones. The satisfaction

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of having the largest foreign exchange earnings from repatriates should assume a negative consideration and be seen with extreme dissatisfaction as it is only the people who can exploit the resources. Without them our growth cannot be any better. Our productivity can be improved through utilization of our most educated, trained, hardworking manpower. Export of manpower is cheap no matter what price we get for it.

We had followed a pattern of deriving benefit of knowledge with practical experience and should revert to a mutual participation of private and public sector corporations through mixed Board of Directors including the stake holders, the depositors in the banks, policy holders in insurance, investors, consumers and beneficiaries in all other public sector corporations as it is now being done in private sector corporations through participation of the government and the public sector in the private sector companies through equity holding or supply of credit.

And above all, lessen the controls wherever they are. We must carry out an exercise to study usefulness of the controls imposed through supplying finance by the financial institutions, restrictions and controls applied through MCA, SEAF and all other authorities, for grant of finance, licences and all those controls imposed in the recent past and particularly those continuing since years and years that have lost their usefulness. It is not the controls but our emphasis on a steady search for improvement of productivity of our men, machines and materials which is the solution to our ever continuing problem of investment, production, export and employment.

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APPENDIX C

Ideology and the Economic Frontiers

If you want to establish a truly ideological Islamic State we must provide motivation on the basis of ideology and not on the basis of personal gain or profit theory.

Pakistan is an ideological Islamic state. The Islamic ideological frontiers extend to cover the entire spectrum of socio-economic and political activities. The present government is committed to remain in power until it completes the transformation of all socio-economic and political institutions in conformity with Islamic ideology. While a lot has been recently written about the Islamic ideological frontiers, a lot of confusion still exists in defining the ideological and the economic frontiers. While some people argue that Islam and socialism can go together under the "Islamic socialism" brand, others disagree and believe that Islam and capitalism are nearer in their approach towards the system of economy without branding their thinking into the "Islamic capitalism" bracket. A large section, however, believes that Islamic ideology is completely different from the two systems.

No one can deny that motivation is the *sine qua non* for all human progress. Without the need, the desire, the inducement, incentive, or the influence of the driving force, a person or a group of persons will not be inclined to act in any direction, whatsoever. In a capitalist system, personal gain or "profit" is the only motivating force for all economic activity. In a socialist system all efforts are geared to protect the ideology which is to make the state powerful for adequate protection and more sustenance in an equitable manner; the basis of equity is again interpreted in accordance with the socialist ideology. Both these systems suffer from inherent weaknesses, conflicts, and contradictions, and have not been able to provide a viable and ideal approach for solving the problems of mankind.

Islam has an ideology of its own. While it does not prohibit acquisition of wealth, and encourages people to work for wages and profits but the Islamic ideological motivation for work is not personal gain or "profit". A person following the Islamic creed is supposed to believe that all his prayers, sacrifices, efforts, endeavours, and, in fact, his life and death is for none but the Almighty Allah, the creator of the universe. Consequently, the dependence on personal gain or "profit" as the motivating force for economic endeavours appears contrary to Islamic ideology, or at least not in keeping with the Islamic spirit. The driving force or the motivation according to Islamic ideology is service to God through serving mankind. In developing countries such as Pakistan which needs great effort in solving problems of poverty, hunger and disease, it is not only a luxury but also contrary to Islamic ideology to get motivated only for personal gain or profit for eradicating these evils. For ushering in an Islamic order in accordance with the ideological concepts of equity and justice, and freeing man from want, to enable him to attain ethereal heights in search of the pleasure of Almighty, is then the Islamic moti-

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vation for work and not profit or personal gain.

With socialism knocking at our doorsteps, and capitalism forsaking us because we are poor risks for investments, all persons who posses the necessary skill, technical know how and funds have a religious obligation to put their money for productive use for providing employment and expanding the production base so that every one could obtain sustenance in plenty without being forced to deviate from the path of God under pressure of circumstances. If the entrepreneurs, the workers, technocrats and bureaucrats all work for the pleasure of the Almighty, all our mundane affairs could be solved equitably and the rampant malaise of corruption may evaporate without the appointment of "Mohtasib-e-Ala."

It is, however, strange that the protagonists of the Islamic order have so far relied only on the personal gain or "profit" motivation as the only driving force for inviting people to work for the benefit of the country and the nation. The entrepreneurs have not invested capital in new ventures because, according to them, the incentives or the profitability was relatively poor. They have forgotten the millions of unemployed and the downtrodden people who would have benefitted from such investment directly and indirectly, despite the fact that the investment climate at the moment was so conducive, and was never so good except during the period of the yearly 1960s. Positive signs of economic revival are noticeable from the available economic indicators. The GNP and the GDP growth rates are satisfactory. Agricultural output is maintaining steady growth rate despite bad weather, and for the first time in decades, Pakistan has surplus wheat to export. Sugar production is up with a good surplus quantity available for export. Rice and cotton crops are better. Manufacturing sector is maintaining an upward and steady growth rate. Imports are liberalised for expanding domestic production and making raw materials available for manufacturing. The balance of payments situation is also not too bad in spite of a widening of trade deficit, mainly because of a steady increase in home remittances from Pakistani workers overseas. The prospects are bright for Pakistan to secure a relatively long-term moratorium on debt servicing from the World Bank and allied institutions which promises adequate and steady inflow of foreign exchange resources for development.

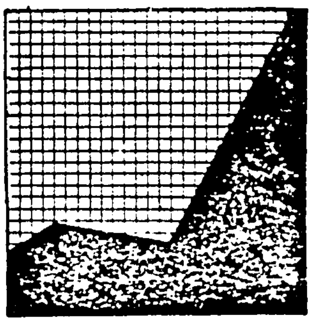
With all these positive signs, it is strange that growth in investment is sluggish despite the protection offered to the private sector against nationalisation and expropriation, and the incentives and inducements, and when the government has already curtailed public sector investment to boost up private entrepreneurs. Investment procedures have been streamlined and simplified, liberal credit in local as well as in foreign exchange is being provided for new investment, and a highly favourable policy has been adopted by the government for attracting foreign private investment with or without collaboration with local entrepreneurs.

At times, the private sector blamed paucity of investment funds which it claimed were being diverted to construction industry. Since last two years, building and construction industry is facing slump;prices of real estate, open plots and buildings both residential and commercial are considerably lower, real estate sales have declined, and new construction has considerably slowed down. The slump in this sector has adversely affected the allied industries and the cumulative effect of this slowdown has worsened the employment situation. No data on employment situation is available but all indications are that it is gradually becoming critical, especially since the neighbouring Middle East labour market is also showing signs of weakness. The slump in the real estate and construction industry has apparently resulted in diversion of funds to the capital market and the recent so-called "mini-boom" in the Stock Market may be partly due to this development.

An alarming situation is developing in the trade sector; exports in fiscal year 1982 are down by about 11 per cent in rupee value and 20 per cent in US dollar value after the floatation of the Pakistan rupee. Imports are up by about 9 per cent in rupee value and would need about US dollar 585 million extra on conversion because of floating exchange rate. The debt servicing charges are also going to be up. The trade deficit is going to be bigger this year. The deepening of the international recessionary trends offer little hope for expansion in exports. The economic frontiers thus appear to give a blurred vision for future. It is time that we tackle the situation with our backs to the wall by getting ideological motivation for work and more work for the benefit of mankind and for the welfare of the people, taking risks squarely and by being content with a small profit margin or even at a break-even point if such investment and effort could reduce poverty and unemployment and boost up the national economy. If people do not redouble their productive efforts, there would be no investment, no employment, no expansion in production, and the static situation will bring its own environment of chaos and confusion and those who have the resources now will not be able to enjoy the fruits of their labour and wealth in such a situation.

The Islamic motivation would influence the workers to work hard and not to stop work and thereby damage the economy just because they want a raise in their wages or perquisites. Traders and businessmen would be dissuaded from hoarding, blackmarketing and profiteering. In short, the ideological driving force would have a sobering and bring in dedication and efficiency leading to progress. Crime and corruption pervades a society mainly because of socio-economic and political imbalances which erode spiritual and ethical values which are replaced with material success. One who possesses money commands power, respect and recognition in the society and those with more of ethical, moral and spiritual values are deprecated, ridiculed, and looked down upon. In a capitalist society a person works first to satisfy his necessitates, then for comforts, and later for luxuries. After achieving this, he works for acquiring power and prestige, and for recognition which satisfies his personal ego. In a socialist society he works for necessities and comforts, and then for the glory of the state and ideology and earns recognition of the society for his devotion to socialist ideology. In an Islamic osciety all work is supposed to be done for the pleasure of God, earning necessities for sustenance is a part of religious duty for it helps keeping body and soul together and preserve life to fulfil the goals assigned to him by the Almighty. Conspicuous consumption and ostentatious living are deprecated in Islamic ideology and recognition, power, and respect in this society is determined not by worldly possessions but on the basis of piety, dedicated services in the way of God, and his moral character.

If we want to establish a truly ideological Islamic state, we have to provide motivation on the basis of ideology and not on the basis of personal gain or "profit" theory. Since the present government is committed to ushering in a true ideological Islamic state and an Islamic society, it is time the protagonists should now give a new slogan and a new motivation for all economic efforts and endeavours. — *Iqbal Haidari*



Inflationary Pressure — How to Measure it?

Inflationary rates of the past two years are alarming in relation to socio-economic conditions we are in. With this trend, pressure continued on price line, specially for consumers.

Pakistan's economy, like any other developing nation, has been under severe inflationary pressures since long. Part of this strain has been due to recessionary trend persisting longer than expected in the world economic set up. With it, foreign trade, instead of playing the role of development promotion has turned into instrument of exploitation of poor nations. How has this affected Pakistan is a point to be discussed here. Pakistan's major exports have suffered badly and in turn, exports have been a source of outflow of valuable resources, all in forms of goods.

Despite this pressure, the government has been conscious of containing inflation within "managable" limits. There has been in evidence a measure of success in cooling off the inflation, specially the one arising from pumping of money. Growth in the gross national product through rise in prices, which can also be explained as inflationary price pressure, has come down, when compared with the preceding two years.

This should have cast some salutary influence on price trends. It did but not to the fullest extent possible. Price fixation policy pursued for long in farm products has been one of the reasons, defeating the strategy in serving the cause of consumers well. Consumer price index has not behaved well in concert with the wholesale price index. Likewise, it did not come up in conformity with the rate of inflationary growth in the national economy. There is crying need to halt

APPENDIX D

BASIC INFORMATION SOUGHT IN INTERVIEWS

1. What is your perception of the overall environment for business in Pakistan?

   PURPOSE - to get respondents to talk about those subjects they deemed to be most significant

2. What do you see as major opportunities in the near and medium-term future for your business and/or business in general in Pakistan?

   PURPOSE - to elicit areas of optimism and positive outlook on the Pakistani business environment.

3. What are the principal problems, hindrances, difficulties, and drawbacks to doing business in Pakistan in the near and medium-term future?

   PURPOSE - to uncover the primary areas of concern on the part of people involved in the Pakistani business community about prospects for business in the country.

4. Additional specific areas to probe, if they were not raised spontaneously as a result of discussions from the questions above:

   a. Role of the government of Pakistan--helpful, burdensome, none?
   b. Availability of personnel--work force, skilled technical, professional, managerial?
   c. Investment environment for new or expanded business ventures--either Pakistani or foreign-source?

   PURPOSE - to determine respondents' reactions to certain specific areas of interest and/or concern that were raised heatedly, repeatedly, or with special fervor in earlier interviews.

APPENDIX E

Date in 1983	Person(s) Interviewed	Interviewed By
June 16	Stanislaw K. Bilinski, International Economist Davis Coale, Pakistan Desk International Trade Administration U.S. Department of Commerce Washington, D.C.	Heyler
	Kathryn Young, Director, South Asian Affairs Chamber of Commerce of the United States Washington, D.C.	Heyler
June 22	Dimitri Plionis, Principal Arthur Young & Co. International Services Washington, D.C.	Heyler
June 23	Bashir H. Shaikh, Manager Habib Bank New York City	Heyler
	Muhammed Sher Kahn, Counsellor (Commercial) Consulate General of Pakistan New York City	Heyler
June 29	Peter Walthall, Attorney United Kingdom	Gardiner
July 1	Malcolm Goude, Manager Asia ICI (Organics) HQ United Kingdom	Gardiner
	Dr. Sabir Ali Syed, Pakistan Manager ICI (interviewed in United Kingdom and Pakistan)	Gardiner
July 4	David Kirby, Consultant United Kingdom	Gardiner

Date in 1983	Person(s) Interviewed	Interviewed By
July 13	Saeed Akhtar, Executive Vice President National Bank of Pakistan New York City	Heyler
	Robert Sempier, Executive Director International Federation of Accountants New York City	Heyler
July 19	R. F. Sepahi U.S. Pakistan Economic Council New York City	Heyler
	Joseph Mancuso, President Center for Entrepreneurial Management New York City	Heyler
July 25	Richard St. F. Post, Vice President Overseas Private Investment Corp. Washington, D.C.	Heyler
August 3	Dr. Rashid Reshid, Manager, Chemical Laboratories Allied Chemical Hopewell, Virginia	Tucker
	Lyle Cooper, International Liaison and Manager Philip Morris U.S.A. Richmond, Virginia	Tucker
	Clifford M. Daniel, Production Management Trainee (Pakistan) Tobacco Technology Group Philip Morris U.S.A. Richmond, Virginia	Tucker
August 4	Iqbal Sheikh Abid Sheikh Environmental Techtonics Corp. Southampton, Pennsylvania	Heyler

Date in 1983	Person(s) Interviewed	Interviewed By
August 7	Ernest A. Eaves, Sales Manager American Aero Cranes and Water Blaster Weatherford Oil Tool, ME. Ltd. Dubai (interviewed in Cairo)	Gardiner and Tucker
August 9	S. A. Shaikh, Manager Marketing IBM Karachi	Gardiner and Tucker
	David E. Brantley, Commercial Officer Foreign Commercial Service U.S. Department of Commerce Karachi, Pakistan	Gardiner, Heyler, and Tucker
August 10	Zia Shafi Khan, President Pakistan Society for Advancement of Training Karachi	Gardiner, Heyler, and Tucker
	Anwar Qureshi, Executive Director Management Association of Pakistan Karachi	Gardiner and Heyler
	Ibnul Hasan, Former Editor "Pakistan and Gulf Economist" Karachi	
	Saleem Haidari, Executive Business Affairs "Economic Review" Karachi	Gardiner, Heyler, and Tucker
August 11	Lt. Col. (Ret'd) M.M.H. Kizilbash, Plant Mgr. Zafar Anwar, Production Manager Khwaja Majeed, Asst. Quality Control Manager Allwin Engineering Industries, Ltd. (Atlas Group of Companies) Landhi, Karachi	Gardiner and Heyler
	R. A. Kennedy, Executive Director T.A. Batlay, Marketing Director Premier Tobacco Industries, Ltd. Karachi	Gardiner and Heyler
August 12	S. Babar Ali Packages, Ltd. Lahore	Gardiner, Heyler, and Tucker
	Dr. Hamayun M. Mian, Director Systems, Ltd. Lahore (interviewed in Islamabad)	

Date in 1983	Person(s) Interviewed	Interviewed By
August 12	Jon A. Gant, Chief Human Resources and Training William White, Regional Affairs Officer U.S. AID Mission Islamabad	Gardiner, Heyler, and Tucker
August 15	Nazim F. Haji, Vice Chairman Afzal Mobin, Member M. Naseem Khan, Secretary SITE Association of Trade and Industry Karachi	Gardiner, Heyler, and Tucker
	Yusuf H. Shirazi, Chairman Javaid Iqbal, Director Atlas Autos (Atlas Group of Companies) Karachi	Gardiner and Tucker
	Dr. S. A. Hassan, Chairman Institute of Engineers Karachi	Gardiner, Heyler, and Tucker
August 16	Professor Dr. Abdul Wahab, Director Institute of Business Administration University of Karachi Karachi	Gardiner, Heyler, and
August 17	Reza H. Syed, Managing Director Investment Advisory Center of Pakistan (IACP) Karachi	Gardiner, Heyler, and Tucker
	Iqbal Adamjee, Managing Director Pak-Nippon Industries, Ltd. Karachi	Gardiner, Heyler, and Tucker
	Asif M. Rangoonwalla International Tank Terminals, Ltd. Pakistan	Gardiner, Heyler, and Tucker
	Barry R. White, Chairman and Chief Executive Officer Aquatec International, Inc. Guilford, Connecticut (interviewed in Karachi)	Heyler and Tucker
August 20	Yusaf Mahmood, Deputy Liaison Officer U.S. AID Pakistan Peshawar	Gardiner, Heyler, and Tucker

Date in 1983	Person(s) Interviewed	Interviewed By
August 20	Shahzad Husain, Leaf Manager Ajmal Hasan, Factory Manager F. Nazir Ahmed, Manager, Purchase & Supplies S. Mukhtar Ahmed, Manager, Redrying Factory Abbas Raza Shah, Assistant Leaf Manager G. A. Haleem, Production Mgr., Redrying Factory Shams Qadri, Accounts Manager Premier Tobacco Industries, Ltd. Peshawar	Gardiner, Heyler, and Tucker
	The following were interviewed in Peshawar:	
	M. Raffiuddin, General Manager Abdul Ghani, Manager Administration Captain Wajid, Administrative Officer Adamjee Paper and Board Mills, Ltd.	
	Sardar A. Ghani, General Manager Zawar Ahmed, Deputy General Manager Ferozsons Laboratories	Gardiner, Heyler, and Tucker
	Mohammed Shafi, Manager DDT Factory	
	Major Wilayab Shah Colony Sarhad Textile Mills	
August 21	Zaheer Sajjad, Secretary Mukhtar Ahmed, Economic Advisor Industries, Commerce, Transport, Labor & Minerals; Government of Northwest Frontier Province Peshawar	Gardiner, Heyler, and Tucker
	Sarhad Chamber of Commerce & Industries Peshawar:	
	Mohammed Unis Elahi, Chairman AGE Industries, Ltd. Col. Dilawar Shah Printing Corporation of Frontier, Ltd. Nur Badshah, Chairman Rising Sun Knitwear, Ltd. Haj Noor Mohammed, President Sarhad Chamber of Commerce & Industries Mohammed Wajid Noor, Managing Director Rising Sun Knitwear, Ltd. Ghulam Sarwar Khan, Managing Partner Sunny Enterprises	Gardiner, Heyler, and Tucker

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Date in 1983	Person(s) Interviewed	Interviewed By
August 21	Fawed-ul-Haq, Chairman Hashtnagar Industries Peshawar	Gardiner, Heyler, and Tucker
	Eugene D. Price, Deputy Principal Officer U.S. Consulate General Lahore	Gardiner, Heyler, and Tucker
August 22	Mohammed Hafeez, Manager (Chemical) Javed Ahmad, Deputy General Manager (Planning) State Cement Corp. of Pakistan Lahore	Gardiner, Heyler, and Tucker
	Mian Tajammal Hussain, Chairman & Managing Director Chenab Group Lahore	Gardiner, Heyler, and Tucker
	Haroon Niazi, Director Micro Electronics Technology, Inc. Lahore	Gardiner, Heyler, and Tucker
	Sikander M. Khan, General Manager (Technical) Sohail Bashir Rana, Senior Manager (Development & Projects) Millat Tractors, Ltd. Lahore	Gardiner, Heyler, and Tucker
August 23	Mohammed Idrees, Director, Exports Tariq Mahmood, Director Sifara Textile Industries, Ltd. Faisalabad	Gardiner, Heyler, and Tucker
	Muhammed Ikram Mian, Managing Partner Mian Abdul Wahid, Chairman Wahid Engineering Co. Faisalabad	Gardiner. Heyler, and Tucker
	<u>Foundry Owner's Association Officers</u> all interviewed in Faisalabad:	
	Ghulam Qadir, Punjab Engineering Company and President of Faisalabad Foundry Trade Group Mohammad Sadiq, Ittefaque Industries and General Secretary of Faisalabad Foundry Trade Group	Gardiner, Heyler, and Tucker

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Date	Person(s) Interviewed	Interviewed By
August 23	Foundry Owner's Association Members All interviewed in Faislabad: Haji Mohammad Rafiq, Khan Foundry and Workshop Ghulam Rasool, Peco Zaraie Industries Mohammad Aslam, Ziraati Industries Mohammad Rauf, Ittehad Engineering Works Sultan Ahmad, Noorani Industries Mohammad Hussain, Nafees Industries Farooq Ahmed, Kisan Engineering Works Haji Malik Mohammad Din, Swat Foundry Haji Mohammad Rafiq, Wafaq Industries Mohammad Nawaz, Rachana Industries Mohammad Siddique, Gatti Foundry & Siddique Brothers Mohammad Akram Mian, Wahid Engineering Co. Qasir Iqbal, Sartaj Industries Mian Aftab Ahmad, Master Engineering Works Seth Muhammad Akbar, Seth Mohammad Tufail and Sons	Gardiner, Heyler, and Tucker
August 24	S. G. Ahmed, Joint Secretary Economic Affairs Division Government of Pakistan Islamabad	Heyler
	Arnold Schifferdecker, Consul General USA Lahore	Gardiner and Tucker
	Ilyas Lodhi, Joint Secretary Women's Division, Government of Pakistan Islamabad	Heyler
	Dr. Sabiha Sayeed, Director General (Programs) Women's Division, Government of Pakistan Islamabad	Heyler
	Stephen F. Moseley, Executive Vice President and Director of International Programs Academy for Educational Development, Inc. Washington, D.C. (interviewed in Islamabad)	Heyler
	Mr. Baqai, Secretary Planning Division, Government of Pakistan Islamabad	Heyler

Date in 1984	Person(s) Interviewed	Interviewed By
August 24	Eugene J. Szepesy, Program Officer U.S. AID Pakistan Islamabad	Heyler
	Jimmie M. Stone, Deputy Director U.S. AID Pakistan Islamabad	Heyler
	Tariq Hamid, Director & General Manager Packages, Ltd. Lahore	Gardiner and Tucker
	Principal Executive (did not get name) Ali Technical Center Lahore	Gardiner and Tucker
	Riaz H. Ghanri, Finance Manager Shahid Jalal, Manager, Project Financing Packages, Ltd. Lahore	Gardiner and Tucker
	Mian M. Akram, Chief Engineer Shahid Ahmad, Assistant Engineer Ittefaq Foundries, Ltd. Lahore	
	Masrur Hassan Khan, Principal Pakistan Administrative Staff College Lahore	
	Staff members:	
	Prof. Viqar Ahmed, Member Directing Staff Economic Development Dr. Sayez Riaz Ahmad, Member Directing Staff Social Policies Hamid Rahman, Member Directing Staff Business Administration Akhtar Hayat, Member Directing Staff Public Administration S. A. K. Rahman, Member Directing Staff Finance Management Inayat Ilahi Malik, Director Administration	Gardiner and Tucker
August 25	Naveed Asif, Managing Director Punjab Small Industries Corp. Lahore	Gardiner and Tucker

Date in 1983	Person(s) Interviewed	Interviewed By
August 25	Rama Muhammed Aslam, President Dil Mohammed Road Trader's Association Lahore	Gardiner and Tucker
	<u>Dil Mohammed Road Trader's Association</u> All were interviewed in Lahore:	
	Khawaja Mohammed Arshad Ershed-Ben-Nezeer & Co. Mohammed Enver Moughal Commercial Engineering Works H. M. Abdullah Chishty A.B. Chishty & Sons H.M. Akram Mohammed Hayat & Brother	Gardiner and Tucker
	Azer Zia Khan IBM DP Marketing Lahore	Gardiner
	Syed Rizwan Ali Shah, Managing Director Sayyed Machinery, Ltd. Lahore	Tucker
	Aftab Ahmad Chudhry, Textile & Trading Magnate ABC Oriental Carpets, Inc. (NYC) Lahore	Gardiner
	Irshad Ahmed, Managing Director National Engineering Service Lahore	Gardiner
	Fazlur Rahman (Chairman, Chamber of Commerce) Ray's Machinery Store Lahore	Gardiner
	Shafiq A. Siddiqi, Managing Director Imperial Construction Co., Ltd. Lahore	Gardiner
August 28	Inam Kemal, General Manager Pakistan Institute of Management Karachi	Gardiner, Heyler and Tucker
August 29	Imram Rashid Khan, Vice President and Deputy General Manager American Express Karachi	Gardiner and Heyler

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Date in 1983	Person(s) Interviewed	Interviewed By
August 29	G. M. Kherate, Senior Vice President and Regional Controller Habib Bank, Ltd. Karachi	Gardiner and Heyler
	Review meeting with the following representatives of SITE Association of Trade and Industry, Karachi:	
	Dr. M. Haroon Siddiqui, Senior Vice Chairman SITE Afzel Mobin, Executive Director Banther Industries Ltd. F. Karim Khalil, Director Karachi Type Foundries S.H.M. Zaiddi, Managing Director Chloride Pakistan, Ltd. Mohammed Najeem Kahn, Secretary SITE David E. Brantley, Commercial Officer Foreign Commercial Service, Karachi William White, Regional Affairs Officer U.S. AID Mission, Karachi	Gardiner and Heyler
August 30	Khaleeq Kayani, Vice President Bank of America Karachi	Gardiner and Heyler
	M. A. H. Kidwai, Executive Vice President Syed Mehdi Mustafa, Vice President (Economist) National Bank of Pakistan Karachi	Heyler
Various	Mohammed Anwar, Liaison Officer U.S. AID Mission Karachi	Gardiner, Heyler, and Tucker

APPENDIX F

MICRO-ELECTRONICS TECHNOLOGY, INC.

Micro-Electronics Technology, Inc. (MET) was established by an American of Pakistani birth. MET is unusual for a Pakistani firm in that it practices participative management. Management shares information with everyone in the organization in order to solve problems and allow everyone a chance to participate in the success of the firm. Employees hesitated to be part of this process at first, but have become quite enthusiastic.

MET maintains low overhead and labor costs, and uses a progressive team approach to management. It is trying to bridge the gap between advancing technology on the one hand and the experience and educational level of its workers on the other. MET's management is trying to instill in its workers and supervisors the idea that there is no harm in making decisions--or in making mistakes. Managers blame the reluctance of Pakistanis to make decisions on the country's colonial heritage: decisions were made by others with little or no exchange of ideas. Change will come slowly, but MET believes it is speeding the process.

MET management holds a daily update meeting where the goals and necessities of the firm are explained to the workers. Every obstacle is met as a challenge; the external battles seem much more frustrating than internal problems. The firm has bargained long and hard with the government to cut red tape. As one manager told us, "The bureaucracy breaks you down. Even a menial task (such as having a telephone installed) gives you a great sense of accomplishment. Is it any wonder that so many in Pakistan never see beyond the menial?"

Most employees, including some supervisors, are female. Some of them could go elsewhere and earn twice as much. They stay because MET offers variety, opportunity, and a progressive environment. Long hours are often required, with no overtime, but employees seem to have pride in their work and determination to succeed. MET managers feel this employee attitude is the firm's greatest asset.

Management continues to modify products and processes, accepting mistakes as part of growth. Most profits are reinvested in the firm. As MET progresses down its learning curve and the confidence of both managers and workers grows, management plans expansion, increased research and development, and continued innovation.

APPENDIX G

UNITED STATES GOVERNMENT

memorandum

DATE: September 2, 1982

REPLY TO ATTN OF: David E. Brantley
Commercial Officer, AmCongen, Karachi

SUBJECT: Private Sector Mobilization Program

TO: Mr. Donor Lion
USAID Mission Director
Islamabad

The alternative "Private Sector Mobilization Program" recommendations described below are intended only as recommendations. It is the opinion of myself and Michael Austrian you should be provided with viable, practical and meaningful recommendations. Our position on and opinion of the recommendations set forth by the Design Team is a matter of record. I am certain that you will find the attached recommendations to represent a systematic, thoughtful, specific and comprehensive program seasoned with a depth of experience and knowledge of business and industrial development methods, Pakistan's private sector, and the desires and needs of Pakistan's private sector; assets which were neither available to the design team, nor evident in their report.

You will note that the estimates for this project range from $75-100 million, somewhat above the figure we have been working with. Actually, the excess can be accredited to revolving funds (Recommendations 2,4). One can suggest that this fund will still be available at the completion of the program in the form of receivables. But the larger figures also suggest that $50 million is, at best, inadequate to significantly mobilize the private sector.

I would heartily encourage you to consider the following alternative recommendations. We have tested these suggestions here in Karachi and the response has been a resounding endorsement.

We are also looking forward to working closely with the project design team when it arrives.

Encl: as stated

CML:DEB:mb

RECOMMENDED PROGRAM ELEMENTS:

1. Funding and technical support for the Investment Advisory Center of Pakistan ($12 million). The Investment Advisory Center of Pakistan (IACP) was originally founded in the mid 1960s with USAID financial and technical assistance. Besides funding the IACP, U.S. consultants were hired to assist the IACP in organizing and managing a one-stop center for investment counseling, economic and industrial research and analysis, and other investor services. When USAID monies expired and technicians were withdrawn following the first Indo-Pakistan war, the IACP continued to operate, but, was severely crippled financially and technically. Since that time, the IACP has recovered a limited degree of its original capability and prestige and is currently counseling domestically, and, internationally with other Muslim nations.

With renewed USAID funding of the IACP and specialized U.S. research and investment consultants to supplement the staff, the revival of the IACP as an expert, commercial consulting and counseling center (located in 9 commercial cities of Pakistan) would stimulate interest in private sector investment and provide the tools for a prospective entrepreneur to formulate investment proposals,broadly guage the feasibility of the project, and prepare financial packages for loans and loan guarantees. Included in the $15-20 million for this project would be the provision of a computer, data base and business modelling programs.

2. Low-cost financing for feasibility studies ($10-15 million plus PL 480). Entrepreneurs which have identified potentially viable projects are limited by insufficient working capital and the relative lack of a well-developed economic, industrial and market research industry in Pakistan. The recommendation to support and develop the IACP would eventually lead to a well-trained cadre of local consultants, thus eventually and partially addressing the latter constraint. In the interim, however, a low-interest loan fund, possibly administered by the U.S. commercial banks, to finance pre-feasibility, feasibility, and/or engineering studies for small and medium-sized entrepreneurs would supplement the limited facilities of IACP, PICIC, IDBP and the ADBP. Such a fund would allow small and medium size firms to contract with the better established Pakistani and American firms for these services after meeting selection criteria (e.g. minimum size of project,exportability of product, likelihood of government sanctioning, IACP recommendations, etc.). The fund would be similar to that of AID/PRE or OPIC, but would not require U.S. investment or study participation, or GOP approval and would provide for either Pakistan or U.S. services. Approval must be sought from the State Bank of Pakistan, Finance Ministry to increase US Banks' credit ceilings in order for the banks to administer the program.

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3. USAID funding and technical assistance for improving market, economic and commercial information collection, computing, storage retrieval and dissemination in Pakistan. A severe handicap to informed business research and forcasting is the difficulty with collecting current, complete and accurate economic and statistical data. The Central Statistical Office of the Ministry of Finance is the nation's single repository for such data, but is without the data collection and and computing power to provide timely, meaningful data for economic, feasibility and market research. This funding would provide for technical assistance for improving data collection, and, the purchase of a mainframe computer and peripheral equipment for suitable storage, access, computing and retrieval. ($10 million).

4. USAID funding of a low-interest, revolving Dollar/Rupee loan program for financing tied purchases of modern equipment components and raw materials for small and medium size Pakistani firms which have been appointed as sub-contractors for large multinational corporations ($15-20 million). Several Pakistani firms have won contracts for producing items for export under license or sub-contract to large multinationals. Frequently, however, these firms cannot deliver the quality or quantity of goods due to worn or outdated plant and equipment or the lack of sufficient working capital to purchase required raw materials. A revolving fund of this nature, administered by US commercial banks, would emphasize and stimulate this often-overlooked but potentially valuable market for private sector goods. These loans would be predicated on sub-contracts or large purchase orders "in-hand" or a <u>bona fide</u> letter of intent, (serving the purpose of collateral). Sub-contractors would avail themselves of the loan packaging and engineering services of either the expanded IACP, or of the feasibility study fund, also administered by U.S. Banks, for engineering, layout, design and equipment selection ($15.20 million). (Again, approval to increase the banks' credit ceilings).

5. USAID funding of Pakistan's participation in International Trade Fairs and Exhibitions ($8-10 million). The greatest potential for Pakistan to spur private sector mobilization lies with the prospect of substantial and sustained growth of its exports. A primary method by which Pakistan can promote its products for export and penetrate world markets is its participation in international trade fairs and exhibitions. Since this participation must be understood to be a long-term investment without an immediate return, USAID funding of a Pakistan pavilion in such renown fairs as Chicago, Canton, Hamburg, Osaka, Milan and The New Orleans World Fair of 1984, etc., would market Pakistan itself, its exportable manufactures, and its private sector to the world. Monies would be administered by the EPB for a Pakistan pavilion,(the EPB is also the organization responsible for international trade fairs) with criteria for participation.

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6. USAID funding and technical support for the first international trade fair in Pakistan. This is a fairly riskly proposition and demands capable management by the local and federal government, and coordination with the private sector. Michael Austrian disagrees with this recommendation. A special fund, ($5-8 million) would be established for an International Trade Fair and Exhibition to be held in Karachi, registered with the Bureau of International Exhibition in Paris. U.S. Aid funding would provide for international consultants specializing in exhibition planning, organizing, promotion, recruiting, site design and layout, and management. (Although the primary exhibitors would be Pakistani private sector manufacturers, American exhibitors would be attracted with concessional duty-free import and sales of exhibited equipment). The exhibition would be of a scale interesting to international exhibitors, and planned with the objective of (a) competing with such fairs in Canton, Osaka and Hamburg and (b) eventually being self-supporting. International firms and governments would be attracted with the first-of-its-kind, major fair in the region drawing visitors from the neighboring Middle-East, South Asia and North and East Africa.

7. USAID funding and technical assistance in the design, construction and promotion of a Pakistan Industrial Products "Showcase" located near the major international hotels in Karachi ($1-2 million). The display center, administered by the Export Promotion Bureau and the Karachi Export Processing Zone, would feature Pakistani products available for export and of prescribed export quality. Although the primary exhibits would be manufactured by both Pakistani small and medium size firms and those firms resident in the KEPZ and the Lahore EPZ, larger firms would display on a subscription basis. In addition to visiting businessmen, buyers, and tourists, the center would also provide meeting-rooms for trade and investment delegations, seminars, and offices for investment and trade referrals and product marketing services. The EPB/KEPZ will also plan for "mini-showcase" at the new Karachi Airport International Terminal.

8. USAID funding of an International Visitors Program for Pakistani private sector entrepreneurs and agribusinessmen ($3-5 million). Working through the U.S. Chamber of Commerce (CCUS), the U.S. Department of Commerce and the American Farm Bureau, U.S. Aid will sponsor and underwrite transportation to and within the U.S. This program would be administered locally through the Federation of Pakistan Chambers of Commerce and Industry, and emulate those exchange programs successfully used by China and East Asia in the past.

9. Fund and sponsor seminar missions through and by U.S. industry trade associations representing Pakistan agricultural and industrial growth industries. Under this program, USAID would fund private sector seminars addressing technological advances, marketing, organization and management of existing and potential growth industries. The missions would include seminars, plant visits, presentations of research papers,

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and be held at Karachi and other commercial centers on a regularly scheduled (monthly) basis. ($4-5 million). A critical element of these seminars would be technical counselling by the missions for improving quality, marketing, packing and packaging industry-related products for the export market. Registration for the seminars and the program would be locally administered through the Federation of Pakistan Chambers of Commerce and Industry.

10. COMMODITIES.

A). Textbooks, library materials, tapes and films relating to management, finance, business administration and industrial development for Pakistani schools of business administration ($3-5 million).

B). A revolving dollar/rupee fund for subscriptions to industry, trade and management journals. Such subscriptions are difficult to obtain currently due to severe foreign exchange controls. Individuals or firms must first seek permission from the State Bank of Pakistan for remitting subscription fees in U.S. dollars. This special fund would allow Pakistani individuals and firms to deposit the rupee equivalent with a U.S. commercial bank or nationalized bank, and a check in U.S. dollars would be drawn for the subscription(s) in the name of the individual or firm. Business, industry and trade publications are a low cost means of keeping abreast of developments in technology ($1-2 million per year), as well as promoting American technologies, products and services.

C). Associate memberships in U.S. trade and industry associations at nominal rates. Again, the basic problem is foreign exchange restrictions. USAID would fund a limited number of long term memberships for small and medium-size firms. U.S. trade and industry associations are an inexpensive source of appropriate technology and technical information and assisrance. ($2 million).

APPENDIX H

EGOCENTRICITY AND ITS IMPACT ON THE PAKISTANI BUSINESS SCENE

One of the potential impediments to development in Pakistan is a pervasive "me first" egocentric attitude apparent in the actions of the populace. This is not a moralistic self-centeredness as we use the term in our culture. In the Pakistani environment, it does not appear to be improper, immoral, or unexpected--it is rather a natural, accepted method of behavior.

A particularly graphic manifestation of this attitude is the manner of driving that can be experienced throughout the country. There seems to be an impelling need to be forward and first. Traffic intersections, traffic lights, turns into cross traffic, etc. are often immobilized because each driver pushes forward as far as possible into every available open space, irrespective of the fact that there is obviously no place to go.

There also appears to be a compulsive need on the part of drivers to avail themselves of the slightest opportunity to overtake another vehicle. Passing on curves is routine. Three lanes of traffic on a road seemingly barely wide enough to accommodate two vehicles are common. Passengers gasp as cars, buses, and trucks whiz past each other, three abreast, with barely inches to spare. It seems that the size of the vehicle is the principal determinant of space priority. Bicycles and animal-drawn carts give way to cars which yield to buses which in turn allow trucks to barrel along virtually unhindered. Only in cases of impending disaster will this pecking order be altered. Buses and trucks will give way only at the last moment to avoid wantonly colliding with another vehicle which may be totally unable to get out of the way.

Accidents, with multiple fatalities, are written up daily in the local newspapers--the only surprise is how so many manage to escape unscathed. And this madcap approach to driving goes on despite the existence of strict penalties for involvement in any kind of a vehicular accident. The problem persists because enforcement of the penalties is not strict. There is also a definite penchant for drivers involved in an accident, assuming they are not injured, to escape from the scene before authorities arrive. Newspaper articles reporting accidents frequently end with comments to the effect that the vehicle operators fled the scene.

This egocentricity is also evident in the attitudes of many business people in Pakistan. It is reflected in their statement about the need to engage in tax evasion tactics in order for their businesses to remain economically viable. Also, their ideas about managing people often demonstrate an insensitivity toward the interests and needs of individuals in the work force. This egocentricity is more than the enlightened self-interest which reflects legitimate concern about one's own property, investment, or other resources that is a generally accepted attitude in our society. In the Pakistani environment, the attitude goes beyond self-interest to the point of reaching counter-productive and even self-destructive proportions, though they do not recognize these effects. This is not to say the people in Pakistan are selfish, at least by the definition we commonly use. In Pakistan, the attitude is not a conscious act of serving self at the expense of others. It is simply ordinary behavior that represents their way of life. It is not that the Pakistanis don't care about other people--they just don't think about the impact of their actions on others.

A societal behavior learned over time as civilization develops in a culture is that cooperative action, while possibly mildly self-defeating in the very short term, can be of greater benefit to everyone after only a short delay. The principle of deferred gratification--denial now can bring greater future benefits--is an example. Altruism is a learned societal behavior, but it has not yet found its way into the Pakistani culture in any substantial way. It is essential to recognize this condition before attempting either to judge the Pakistan business behavior or to devise solutions to some of their problems. Without understanding the existence of this egocentricity and the environmental conditions in which it is found, and without attempting to fit its existence into proposals to help them in their business development, the chances of making suggestions and providing assistance that will be acceptable to the Pakistanis will decrease markedly.

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APPENDIX I

BEYOND MANAGEMENT TRAINING

There are a variety of programs not strictly related to management training that could be undertaken by AID to further stimulate the private sector in Pakistan. The options outlined in this report should improve awareness of management techniques and provide Pakistanis with appropriate management skills; however, these options do not tackle the other really major handicaps of confidence, bureaucracy, finance, and infrastructure. In these areas, most of the action, of necessity, has to come from the government of Pakistan.

Government responses and responsiveness can potentially be stimulated or accelerated by various U.S. government and private initiatives such as the encouragement of joint ventures and by large volumes of trade between the United States and Pakistan. This will demonstrate the confidence of the American business community in the stability that can exist in the country. Another approach is to offer tax concessions or holidays to U.S. corporations on earnings generated in Pakistan. In this way, it will become clear to the Pakistani government that fewer and easier regulations will encourage more foreign investment and joint ventures, and that less bureaucracy and regulation will accelerate these involvements.

Equally, any foreign investment, independently encouraged joint ventures, etc. will clearly have to be contingent upon the creation of, at least, the minimum necessary infrastructure for successful start-up. Thus, taxation incentives offered to U.S. corporations, emphasizing opportunities in Pakistan and demonstrating U.S. business confidence, could have a very appreciable impact on the business and industrial climate for both the near and longer term.

A further factor which should not be overlooked is the apparent contradiction with regard to the marketing of strategic goods. The larger operations in Pakistan could all benefit and improve their effectiveness if they were permitted to purchase the larger, U.S.-made computers. Giving them the necessary permission to do this would not only be a further indicator of American confidence, but could also provide useful technological role models for the smaller but rapidly growing industries in the private sector.

Technology in the form of video games, video recorders, and home computers is already making rampant in-roads into many Pakistan communities. Consequently, the application of appropriate technologies and computers into the medium scale private sector industries may occur much faster than the ability of the present educational resources to adapt to the training requirements. This problem is certainly not unique to Pakistan, and many solutions that are adopted in the United States will have equal relevance for their business communities provided that the educational groundwork has been satisfactorily completed. It is an educational truism that mature adults can never be caused to learn, or made to change, without severe compulsion or their own intrinsic desire as the motivator. Much preparatory work is required before the business community as a whole will have any appetite for the management and computer systems theories which are currently being espoused in the United States.

Members of the study team were struck by the observation that many of these technology/management/people resource problems are endemic in the so-called third world. It would be very useful to stimulate an international conference, with subsidies available for attendance, concerning "The Development of Human Resources in Third World Nations." If properly implemented, such a conference would attract speakers from many involved agencies, social scientists, technologists, and individuals in the various areas of personnel development and management. The proceedings would be a valuable asset in the planning of effective measures for assisting the progression of these countries to an economic position which will permit them to take greater control of their own destinies.

A final possible idea of much greater involvement and demonstration of confidence in Pakistan would be the undertaking of major joint developments, such as exploring the mineral resources of the Chitral region along with the development of the necessary infrastructure for the winning and transformation of the minerals should surveys reveal deposits of adequate scale. Even to commence studies or discussions on a topic of this magnitude and nature would have enormous significance both strategically and in terms of the country's confidence in itself. From a strategic viewpoint, this would afford some potential for balancing the Pakistan Steel operation. However, the ramifications of such a notion are not within the skill or purview of this team, and this is merely presented as a remotely viable option of a scenario for U.S. activity.

These ideas are presented to illustrate the variety of programs possible to stimulate private sector development in Pakistan. Although providing improved management training is an important aspect of private sector encouragement, many other activities are necessary to overcome the major impediments to private sector growth. These activities demand commitment from both U.S. government agencies and business, but such commitment will greatly enhance the benefits of the management training program, and the potential of the whole country to make a successful transition to industrialization.