Viability of new units

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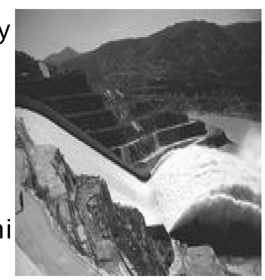
By Dr Asad Sayeed

At the outset it has to be clarified that exploring the economic viability of new provinces is an exercise in futuristic imagination. The existing provinces have recently moved halfway in getting some control over their resources through the NFC award and the 18th amendment, after a long struggle of 60-plus years. As such, the need for political mobilisation by those who want smaller provinces on ethno-linguistic basis will have to be substantial and sustained if new provinces are to be formed. Also, in terms of viability of new provinces, their political and institutional arrangements with the centre will be more important that their economic viability.

Economic viability of new provinces -- or, for that matter, existing ones -- should not be seen merely from the narrow lens of their share in agriculture and industry and in a closed economy model. The contemporary world and that of the future is one where regions will compete with each other on the basis of their geography, the premiums they can extract on their natural resources and their ability to trade in a globalised economic milieu. In the Pakistani context, nationalists in several regions are well aware of these realities and make the case for their socio-economic viability based on the 'natural resource rents' their respective areas can potentially command.



The new provinces proposed at this point in time are four: i)province of Hazara (to be carved out from Khyber-Pakhtunkhwa); ii)the Seraiki province (from Punjab); iii)partitioning of the Pakhtun area from Balochistan and iv)the separation of Karachi from Sindh. Based on the model of natural resource rents mentioned above as well as keeping the existing economic base of the regions in mind we can check for the economic viability of the four newly imagined provinces.

Hazara appears to be a viable province. It is home to Tarbela dam and, in Hattar, it has a substantial and relatively robust industrial base. Based on royalties from Tarbela, the industrial base as well as a relatively developed urban centre of Abbottabad, the province has the ability to raise a substantial amount of revenue for itself. It is however, the lower riparian to both Khyber-Pakhtunkhwa as well as Gilgit Baltistan (but the upper riparian to Punjab and Sindh). Depending on how the terms are negotiated with both upper and lower riparians, the net benefit of revenue from Tarbela will not be as substantial (if at all) than would appear at first sight.

If Hazara does become another province, Khyber-Pakhtunkhwa will, on the face of it, suffer a net economic loss. Its main source of revenue from Tarbela and from industry in the Hazara region will be affected. However, it can charge a large premium on Hazara as the upper riparian. Khyber-Pakhtunkhwa has some mineral wealth (notably in Swat) which can fetch a larger premium and in a changed provincial milieu that will be created, the incentive to develop a revenue base on minerals will be enhanced.

The economic viability of the Pakhtun area of Balochistan is possible but will be at the cost of foregoing the much more lucrative potential of being part of larger Balochistan. Virtually, all of the mineral wealth of Balochistan (iron ore, copper, gold, iron stone and gas) as well as the port are located in Baloch areas. The economy of the Pakhtun belt of Balochistan is primarily based on trade with Afghanistan through the Chaman border. This belt also has coal reserves in the Loralai and Zhob regions, estimated at roughly 200 million tonnes (compared to known reserves of 9 billion tonnes in the Thar region in Sindh). If ethnic homogeneity is considered important enough for Balochistan's Pakhtuns, then their best bet is to merge with Khyber-Pakhtunkhwa. Otherwise the medium-to-long-run economic prospects of a status quo Balochistan will benefit the Pakhtuns of the region also.

Separation of Karachi from Sindh on the basis of lingo-ethnic identity poses a demographic problem, even if we abstract from the violent conflict that it may create. Karachi is a melting pot of all ethnicities because of its large industrial and service sector economic base. Census documents show that the share of the Urdu speaking community has been declining consistently since the 1970s. In fact, according to the 1998 census, their share in the Karachi population was 48.52 percent. Moreover, their population dynamics also demonstrate a declining trend, proportionately. There is no new influx of Urdu speakers from the rest of the world; in fact, their rate of emigration from the country is also amongst the highest. The fertility rate of Urdu speakers is also lower than that of other communities living in the city.

Karachi's economic prowess lies in it being the largest single industrial city in the country as well the financial hub of the country. Bulk of the existing revenue base of Sindh (taking NFC transfer of sales tax on services into account) is from Karachi. However, the interior of Sindh supplies 70 percent of gas to the rest of the country and has the potential to become the major electricity supplier if Thar coal deposits are appropriately utilised. Karachi also depends for its fresh water supplies on Sindh and Balochistan. As such, there can be an argument that the major source of economic revenue in the future will be from the rest of Sindh rather than Karachi. On the flip side, it can be argued that Karachi can still develop on the pattern of Singapore, based on the port, industry and the financial sector. While this may be a possibility, it has to be remembered that Singapore is a nation-state in its own right whereas Karachi will only be a province in the larger entity of Pakistan.

Perhaps, the least economically viable prospects are for a Seraiki province. Apart from some coal and limited reserves of uranium in Dera Ghazi Khan, the region is the quintessential agrarian economy. Its large agricultural base, however, depends on water reserves from the northern regions of the country. Its lower riparian status to upper Punjab and Khyber-Pakhtunkhwa for water flows will have to be balanced with rents it can acquire from Sindh, to whom it is the upper riparian. In any case, the prospects of the Seraiki economy changing from agriculture as its mainstay remain slim. The area is also the recipient of remittances from its population working in the rest of the country and abroad. Its revenue base, however, is expected to remain narrow for the simple reason that lack of natural resource rents and its landlocked status will mean that it will have to buy electricity, gas and other services from the rest of the country in exchange for agricultural products. Agricultural products, in turn, have a more flat price trajectory in the global economy than goods that the imagined Seraiki province will have to import.

Finally, as we imagine the viability of new provinces, it is important to also consider the requisite bureaucratic infrastructure that will be required to collect revenues, negotiate with other provinces and the centre as well as carry out development work. A good measure of this critical bottleneck will be put to a reality test soon in the smaller provinces after the abolition of the concurrent list and the partial control over natural resources that the provinces have acquired through the 18th amendment.

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