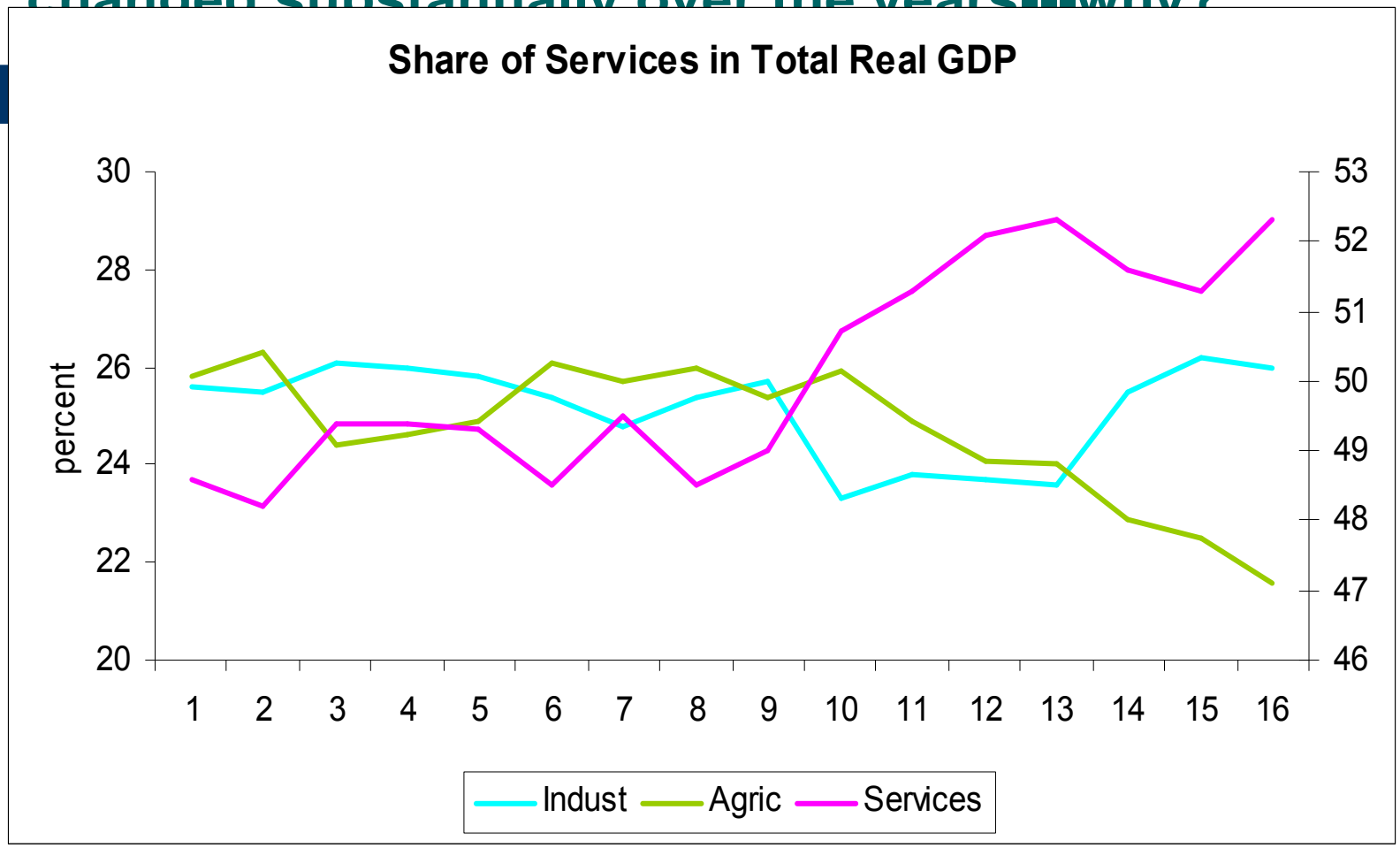
Why Domestic Commerce?

Pakistan's growth strategy

- Earlier paradigm –production import substitution and exports---suspicion of markets---Path dependence
- Engine of growth seems to be only production and exports—it spurts now and again but has not substantially delivered sustained growth

Yet structure of our production and exports has not changed substantially over the years---why?



‘Orphaned’ domestic markets

- State apparatus geared toward ‘export promotion’
  - EDA, trade policy, garment and textile cities industrial parks subsidies and tax breaks etc
- State disposed towards organized lobbies of industry and export
- No attention being paid to domestic market and commence---not even data collection
  - Tragic story of first effort to collect information
  - Do domestic researchers have intellectual property rights?

Result

- Casual evidence suggests our domestic markets in a sorry state
  - Crowded and filthy retail markets
  - Most markets poorly organized and some times overregulated—government still mandates agricultural market-Passco
  - Limited specialization
  - Limited branching
  - Limited growth
  - Missing markets--Leisure industry almost non existent

The ‘complexity’ of the economy

- Holistic approach
- Current truncated approach may be a reason why growth is
  - Not sustained
  - Not egalitarian
- Like going to Wimbledon without having tennis at home!

A consumer led economy

- Quality testing and brand name establishment at home
- Prices as signals for production
- Markets and competition reveal true info and prices
- Retail the front end of the market
- MacDonald's first started in Chicago, spread to Illinois-----

- Dubai, Thailand and Malaysia

Domestic market

- Pakistan: A large market of 160 million.
- Domestic Market: Ignored because of emphasis on production and exports
- 50 percent population is under 20
- Education level: Low
- Employment Opportunities: Limited

Domestic Commerce

- The most pro poor Growth Possibility
- Employs 40 percent of the labor force
- Contributes 52 percent to GDP
- Domestic Commerce, Given an enabling environment:
  - Can increase growth by 2 percentage points
  - Can Increase employment substantially

Questions

- Why do we not have department stores?
- Why no chain stores?
- Why no shopping malls?
- Warehousing, storage are either uncompetitive or vertically integrated?
- Leisure a dying industry?

Cities a place of commerce

- Do we have merchant cities?
- City zoning favors rich housing
- [redacted]etail, housing,schooling, leisure, libraries, community!
- Oops the planner/zoner/adminsitrator forgot!

Complexity

Commercialization is a sin

- Definition---anything other than a single family home of less than 2 stories is commercial
- Huge commercialization fees
- No high rise condos---because of mission
- Height restrictions
- Permissions from neighbors

No Dubais here

- Why would anyone build anything other than very crowded boxy shopping malls without parking?----
  - They even block entrances to shopping!

Zoning and land utilization

Suburbia cities

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- Commercial plots are as little as 100 sq yards and seldom over 600 sq yds
  - What can you build on these? Go to blue area
- No flats or flats built on large commercialization fees ---where do the poor and middle classes go

A mercantile approach

No social capital no trust

- Property rights
- Support trading
- Merchant friendly admin
- Legal and judicial framework for building trust
  - What is the legal framework for managing multiple owner buildings
  - Property rights of sign space

The opportunity of domestic commerce

- A construction boom---”where are the tower cranes?”
- **15% of the world tower cranes are currently in Dubai.**
  - **Battle of the Tower Cranes:**

The poor

- How is poverty alleviated without opportunity
  - Employment—largest employer
  - Poor entrepreneurship—khokhas

What do we need?

- Deregulation of cities
- Decentralization to be strengthened!

- Commerce a seat at the table---allow commerce----not a sin

- No favorites—remember complexity