

The Pakistan Policy Symposium



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The Emergence of Pakistani-American Entrepreneurs in U.S. Pakistan Relations

Amra Tareen and Amber Jamil

Last year, **Pathways to Change – Pakistan Policy Symposium**, a two-day event jointly organized by the Wilson Center and INDUS, convened expert scholars, academics, and practitioners from the United States and Pakistan to explore Pakistan's recent achievements in economic, political, and foreign affairs as well as its opportunities to address current and future challenges. Speakers and panelists focused on identifying practical, innovative, and above all actionable policy solutions. The following series of policy briefs, which draw on discussions from the symposium, will be of interest to the academic and scholarly communities; diaspora audiences; business and policy circles; and any general audiences interested in Pakistan, U.S.-Pakistan relations, or international relations on the whole.



In an increasingly interconnected world, Pakistani-American entrepreneurs are emerging stakeholders in the U.S. partnership with Pakistan.

Diaspora investors and entrepreneurs—a key subset of the U.S. private sector—boast the ability to garner goodwill; to drive demand for the rule of law; to harness international intellectual and financial capital; and to understand local context on deep levels. For these reasons, they are uniquely positioned partners in the promotion of investment and social entrepreneurship in Pakistan.

Pakistan's increasing middle class and the proliferation of promising new industries have fueled considerable growth. The nation reached a significant milestone in 2017, when it graduated to the status of emerging market—attesting to the growing confidence of foreign investors.

And yet, Pakistan remains hamstrung by an economy dominated by expensive imports and uncompetitive textile exports, rapidly worsening water shortages that imperil a critical agricultural sector, poorly performing economic institutions, and crises of education and public health that rob the country of a more competitive and healthy labor force.

Additionally, Pakistan ranked 136th out of 190 countries in the World Bank's latest Doing Business rankings. Despite a relatively open foreign investment regime and the rising confidence of international financiers, Pakistan continues to struggle with a challenging investment environment due to an unpredictable security situation, chronic energy shortages, and a business-unfriendly climate. Witness, for example, Pakistan's lengthy dispute resolution processes, poor intellectual property rights enforcement, and inconsistent taxation policies.

Here is where Pakistani-American entrepreneurs can be helpful.

A growing body of evidence suggests diaspora communities can play a critical role in supporting sustainable economic development by transferring resources, knowledge, and ideas back to their country of origin.

The Indian diaspora's role in the Indian IT industry is an example of how diasporas can contribute to the development of an entrepreneurial ecosystem by creating businesses and jobs, stimulating innovation, creating social capital across borders, and channeling intellectual and financial capital.

Pakistani-American entrepreneurs are uniquely poised to recognize opportunities and to exploit such opportunities as “first movers” of a particular business model in Pakistani and Asian markets—essentially by using technologies to create new business and infrastructure in critical industries. With the advent of new exponential technologies, Pakistan's advantage is its lack of existing investments in infrastructure and institutions that may encumber new disruptive business models.

An example of such a challenge can be seen in China, where the adoption of AI and robotics is hindered by legacy manufacturing infrastructure. Pakistan could leapfrog up the value chain in manufacturing by leveraging new technologies rather than exporting raw materials to other countries to be processed using traditional approaches. Another example of potential growth is Pakistan's education sector, following disruption pathways that sharply upend traditional models of investment and infrastructure.

Pakistani-American entrepreneurs can play a key role in identifying strategic areas and developing roadmaps for the creation

of new businesses and institutions for the future. They can mobilize capital and management resources in the United States and in Pakistan to jumpstart the process. They have the capacity to establish virtuous circles of increased economic liberalization, extended entrepreneurship, expanded growth, and improved governance.

The promotion of diaspora entrepreneurship can be a policy tool to help catalyze regional economic integration. Indeed, Pakistani-Americans are the key to unlocking the potential of Pakistan's youth bulge and to harnessing its entrepreneurial spirit as part of Pakistan's quest to become a regional economic leader.

Concerted U.S.-Pakistan confidence-building measures addressing corruption, red tape, and imbalanced tax policies could be advanced through the convening of diaspora business leaders in strategic industries, such as telecommunication, digital technology, energy, and finance. This engagement would foster a shared roadmap for U.S. policymakers and Pakistani-American entrepreneurs toward a stronger Pakistani business environment that includes regulatory relief, infrastructure for export industries, and privatization.

For such a partnership to work, there need to be stronger incentives for Pakistani-American engagement and more buy-in from Washington and Islamabad. If done right, and the proper corporate structures and incentives are in place, then an entrepreneurial Silicon Valley-like spirit can infuse the U.S.-Pakistan relationship. A shared roadmap would allow a critical and emerging stakeholder to invest in Pakistan's prosperity, support key reforms, and mobilize the broader U.S. private sector toward mutual growth.

Amra Tareen is head of innovation at Bed Bath & Beyond. **Amber Jamil** is the communication and outreach director at Indus.
