

# Globe Talk: Pakistan's shaky step forward

January 6 2006

---

Cell-phones sales seem to know no bounds, with first-time handset buyers continuing to line up in developing markets to purchase basic models, even as hipsters in some of the richest countries in the world continue to trade up their handsets for ever-more multi-functioning versions. When it comes to excitement about the potential of the telecommunications business, the South Asian subcontinent is no exception, as both the private and public sectors have been stepping up efforts to profit from the continued boom.

Nevertheless, investing in Pakistan in particular is not without risks, and for Pakistani users themselves, investor interest may actually backfire as efforts to privatize the hither public telecommunications services may not actually lead to better services or lower costs for the average user. Furthermore, there are growing fears that the latest transaction to make the industry go private might jeopardize the Pakistani economy's longer-term health.

To be sure, the telecom sector has been the latest in a string of industries that have been privatized in the country, but some industry analysts argue that the sales of Pakistan Telecom Company (PTCL), which dominates both landlines and wireless networks in the country to the United Arab Emirate's Emirates Telecommunication Corp., or Etisalat, last year has not led to any noticeable improvements in the services provided, nor has it boosted confidence in Pakistan as a destination for foreign investments.

The UAE company acquired a 26-percent stake in PTCL for \$2.6

million in July, but it failed to meet the deadline for the payment. Indeed, market players broadly agreed that the price tag was far above the market value of the company, estimated at around \$1.3 billion.

Yet instead of penalizing Etisalat and voiding the agreement by taking the offer to another bidder, the Pakistani government softened the payment terms and agreed to let the company stagger payments over the next four years. Some have criticized the government's lenient decision, but Pakistani Privatization Minister Abdul Hafeez Shaikh said that it would not make other companies any less likely to keep to their word and act as Etisalat did.

Certainly, it was not as if Pakistan had no option but to sell a quarter of total shares to the UAE group, even though it was by far the highest bidder for PTCL, offering \$1.96 per share. China Mobile Communication came in at second place with \$1.06, while Singapore Telecommunications ranked third with 88 cents a share. Given that Etisalat has backtracked on its initial agreement, however, it may well have been that PTCL might have had a better deal doing business with another company, especially as it might be costing the country's reputation, as some fear. Pakistan recently sold off stakes in its state-owned banks as well as a major energy supplier and textile manufacturer, without any problems. Yet worries abound that the latest deal with Etisalat might be setting a bad precedent for the Pakistani government and ultimately weaken its position in having business partners keep to their promise.

The drama over selling off the Pakistani telecommunications group is particularly striking when compared to that of neighboring rival India, as the Indian telecom sector appears to be flourishing in the telecommunications sector as its economy continues to attract a flood of foreign investments.

For instance, Malaysian group Maxis Communications bought out Indian cellular operator Aircel for \$1.08 billion earlier this week. It marked the single-biggest investment in India by a Malaysian company, emphasizing not only Malaysia's growing interest in the subcontinent but also the attractiveness of India's mobile market. Meanwhile, British mobile giant Vodafone acquired a 10-percent stake in India's Bharti Enterprises Private Limited in late October for about \$1.5 billion, amid heightened expectations for the Indian cellular market. Such excitement about the Indian market is certainly something that Pakistan would want for its own telecommunications sector and beyond, but whether or not the latest PTCL deal will help or hinder remains to be seen.

*Copyright 2006 by United Press International*

Citation: Globe Talk: Pakistan's shaky step forward (2006, January 6) retrieved 1 May 2024 from <https://phys.org/news/2006-01-globe-pakistan-shaky.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------