

ECONOMICS CRISIS OF PAKISTAN

Dancing around the fire is not the solution to any problem. One should try to see beneath the surface in order to grasp an idea about the basic issue. Deposit a stream of strong words and announcements made by the past rulers of Pakistan, nothing concrete has been done to introduce a proper economy revival plan. Rather the situation has taken a quantum leap for the worse.

At present the sorry state of the economy, tops the problems facing the country. Seeing the horrible economic distress, some still suggest restoring to the begging bowl and further subjugation of donor agencies as the only solution to it. Such an approach cannot provide a way out; it aggravates the situation and amount to commit suicide. Therefore, the present leadership has realized that there is not option but to reshape the economic strategy altogether.

The economy of Pakistan has fallen up to this extent that it requires serious attention and endeavor to revive its state. The revival of economy means to bring the economy on track whereby country becomes self-sufficient and economy self-sustained to meet its internal demands and fulfill foreign obligations. Sustained economy provides a balance in trade, potential of paying back foreign loans and gradual growth in gross domestic and national product. Rise in foreign exchange reserves, minimum inflation rate, strong local currency are a few indicators of a sustained economy whereas better social indicators reflect its civic effects.

Developed economies are movers, developing economies are the followers and the underdeveloped economies have no say in the scheme of things. All economic conditions are the certain result of policies. No economy can itself produce positive results. It is the people and their actions which steer the effects. The economy of Pakistan was not doomed for disaster. It has become the victim of eccentric policies of our past rulers. It has been mismanaged up to this extent that the country has virtually become bankrupt and made to dance on the tunes of donor agencies as Pakistan has bartered its freedom with them.

For the last thirteen years there has been no noticeable addition to basic industries and the economic infrastructure of the country. Instead the number of sick industrial units increases each year. The public sector is shrinking and suffering losses. Although agriculture has helped the nation to survive but the

sector it is faced with crises. In regard to oil, retrogression has set in after a good progress. After attaining one third self-sufficiency in the country's oil requirements, advancing steps have been retracted and the annual import of oil has increased. Exports could not be enhanced despite repeated devaluation of the rupee.

External debts are touching new heights and the irony is that new loans are obtained simply to pay back a portion of the earlier loans.

According to the genesis of the present situation the deterioration in economic activity is mainly caused by weak performance of large scale industry, erratic behavior of agriculture, decline in real investment, macro-economic instability that includes large fiscal deficit, large bank borrowing, using interest payments on domestic debts double digit inflation and personal aggrandizement.

The economic situation of Pakistan at the time of independence was also very bleak but it improved over the years. Its economic policies were exemplary and countries like Korea had learned the tricks of economics from Pakistan in 60's, while Pakistan revived meager financial resources at the time of independence, it was deprived of Kashmir. Ever since, the Kashmir issue has been haunting Pakistan for which Pakistan has fought several wars with India and each war had its price paid by Pakistan. It had to maintain a large armed forces causing huge burden on economy.

Agriculture has always been neglected. Feudalism is in vogue even today and about six thousand families possess forty percent of the total cultivable land. There is no retrieval policy in regard to the agricultural inputs. The cost of seed is four times higher than its cost of production. Irrigation system is also upset. Per acre productivity of East Punjab and Haryana is four times higher than that of West Punjab and Sindh. The level of land and human efforts are the same but the difference in policies, facilities and other factors account for the disparity. Pakistan may become self-sufficient in agriculture within two to three years but at present twenty percent of total imports comprise food cereals. On the one hand, there is the common cultivator who finds it difficult to meet his expenses, on the other, there is a particular class that not only rolls in wealth but also upholds the oppressive and unjust system.

As we are very heavily dependent on borrowing to meet the resource gap, our

major donor International Monetary Fund insists upon narrowing the revenue expenditure gap to under five percent of the gross domestic product. Since other lenders follow the policies of International Monetary Fund, Pakistan has no choice but to enhance its taxes and revenues. These foreign lenders and donors also demand that we reduce taxes on international trade which means the reduction in the custom duties which has always been the main source of our revenues. This puts further pressure on the other taxes to make up for the loss caused by the reduction in the custom receipts.

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The real issue of our economy is how to achieve higher productivity, and to strengthen and develop the infrastructure. For this purpose the foremost need is to restore the confidence of our businessmen, cultivators and industrials to engage them in product processes. In the past, various Government of Pakistan have made some efforts to build up infrastructure and productive potential of the economy, through the process of many plans which was the beginning to prepare for future advancement. It was started by launching a six year Development Program in 1951. The plan was suspended two years before its completion due to the repercussions of the Korean war. Besides this plan, five other five years development plans were drawn up. These efforts did not prove successful due to economic, social cultural and administrative obstacles.

As majority of the people in Pakistan are poor and backward, they have always been preoccupied mainly in meeting the basic needs. They live in unhygienic conditions. Electricity is a luxury for them. Health services have been thinly spread in the country. Floods, drought or diseases affect people and the livestock. The combination of malnutrition, illiteracy, diseases, high birth rate, unemployment and low income has closed the avenues of escape from serious economic crises. The most unfortunate aspect of these serious economic crises and pathetic state of affairs is not because of the lack of natural resources but due to inefficient use of the key factors of production.

The socio cultural attitude of the people is also an obstacle in the way of economic development of Pakistan. More than 50 % people are illiterate. They are ignorant of what is happening in their own country and the world at large. The majority of the people are extravagant. Pakistan, in fact, has a consumption oriented society. The native culture and are generally not receptive to new foreign methods of production. The caste system functioning mostly in terms of

occupations like tailoring, carpentry, jewelry etc. restrict occupational and geographical mobility.

For accelerating the rate of economic development, there should be political stability in the country. If there is a change in the government set up due to election, or of dictatorship, the planning projects initiated by the previous government should not be altered or given up altogether. The planning machinery and all others involved in administration should be loyal to the country. They should be competent and honest in the performance of the duties assigned to them. In Pakistan, since its inception, there have been rapid changes of governments. Each government which came in power condemned the planning work done by the previous governments. They introduced their own plans, formulated their own strategies of development and left the chain without achieving the targets of their plans. A history of planning shows that with the exception of fifth five year plan, all other plans have failed to achieve their objects and have proved mere rigmaroles.

Now the time has come to adopt some practical means to set aside the barriers to economic development. It is a big challenge to the planners. According to the above mentioned circumstances the following suggestions can be recommended in order to raise the economic development of Pakistan:

Export Promotion Bureau and Embassies/ High commissions abroad should explore markets for Pakistan's products through trade shows, business delegations and international advertising. Moreover the export base should be broadened by exporting software handicrafts, fresh fruits, vegetables, fish, livestock and flowers etc. Suitable arrangements for processing or packaging of fish, fruits and vegetables should be made.

In order to counter the huge debt a "debt management committee" comprising Ministers of Commerce and Finance, Chairman Privatization Commission and Governor Sate Bank of Pakistan should be formed. This committee will develop debt retirement instruments independently having power to implement them in letter and spirit. The committee should draft two separate policies for short term and long term debts.

The difference of US Dollar and Pakistani rupee in official and open market rats should be kept minimum and confidence of the overseas Pakistanis may be

restored which was shaken after freezing of foreign currency accounts in May 1998. Steps may be taken to attract investment from overseas Pakistanis and international investors.

New dams should be constructed to increase availability of water for irrigation purposes, as irrigation water has a vital importance for better agricultural production. The quantity and quality of irrigation water should be improved through desalting and other water conservation techniques.

The of electricity for agriculture purpose should be lowered to ensure at least 40 % share of agriculture sector in consumption of power.

The health facilities provided by private and autonomous hospitals are not within the reach of the poor. The government should discourage commercialization of health and ensure availability of adequate health facilities to all segments of society at reasonable rates.

In the field of education a new policy broadly aiming at increasing literacy rate by universalizing basic education, enforcing compulsory primary education encouraging private investment and increase in total expenditure on education up to 4 per cent of gross national product is required to be implemented.

The construction of deep sea port at Gawadar and its connection to the rest of the country should be taken up at the earliest to facilitate exports from Balochistan to provide transit for trade of Central Asian States and to get suitable share in international trade, making use of ideal geographical location of Gawadar.

Another important recommendation is regarding information technology policy. This policy mainly emphasized on human resource development and providing infrastructure, should be announced and implemented at the earliest.

So, conceived in this way, although a critical look at Pakistan's economy, presents a gloomy picture. The above mentioned measures are hoped to stabilize the ship. Today not only the country is burdened with heavy debt, it has also reached a stage where it cannot simply move forward. Growth is stagnant. All other indicators too, look quite disappointing. Exports are not satisfactory and revenue from taxation is not sufficient. Unemployment is rapidly increasing. The overall scenario presents a dismal situation. This could be seen from the fact that many

times a default situation emerged and it had to be faced by making great sacrifices of national sovereignty and in addition a further rise on the debt servicing front.

In spite of all these cataclysmic facts, one may hope that with newly introduced economy revival plan, the time will be changed and the economic development rate will be enhanced. Now the time has come that if we want Pakistan to rise up to that extent where the prosperity, integrity, solidarity and economic stability will be all around, (then) every Pakistani will have to work as far as dedication in him lies. By working with whole concentration and conviction we may achieve that much a strong Pakistan dreamt by Quaid-e-Azam, and by working this way that day will not far away when Pakistan will bear the palm and it will show its mettle to rest of the world.