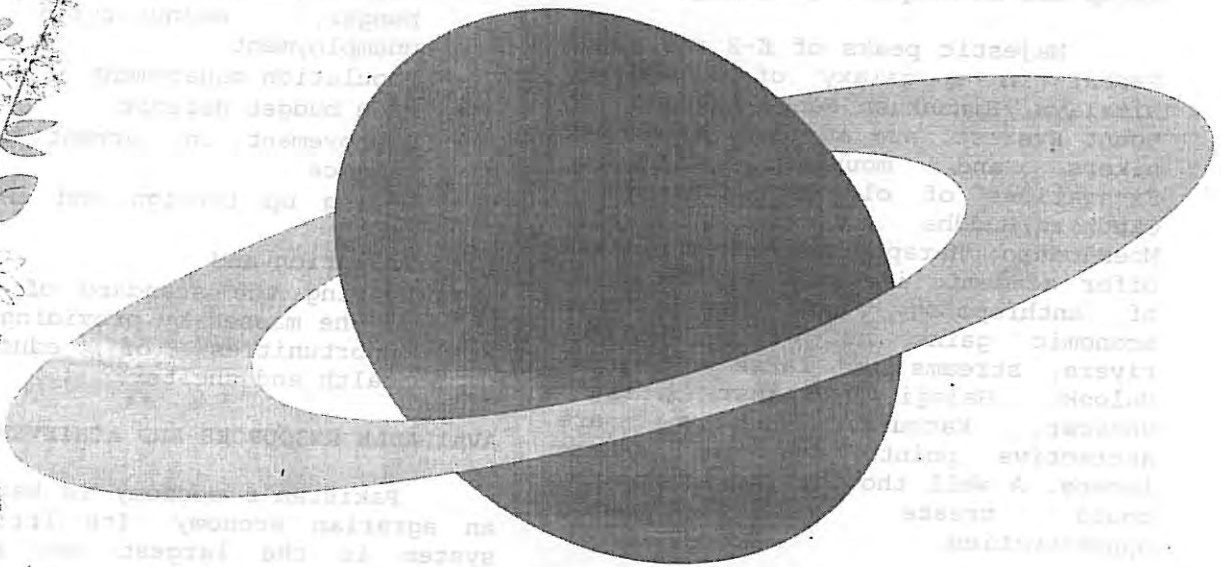


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PAKISTAN A PANORAMA OF DREAMS AND REALITIES



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A LAND OF PROMISES AND OPPORTUNITIES

Pakistan has seen 50 years of its birth between 1947 and 1997. This short span of time has been a long story of successes and failures, a nation's development from birth to maturity. Many hurdles have been overcome and a commendable level of development has been achieved.

Pakistan is a land of great opportunities and possibilities. Nature has generously endowed it with tremendous treasures of natural resources. Vast and varied land spreads across the northern mountains, the orchard-desert expanses of Balochistan and the fertile plains on the banks of rivers down to the Arabian sea. Serene coasts running along Karachi-- Ormara -- Pasni -- Gawadar belt are a treat to see and invite for an economic setup and development planning.

Majestic peaks of K-2 and Nanga Parbat in a galaxy of Karakoram, Himalaya, Hindukush Range, second to Mount Everest, are an ideal abode for hikers and mountain climbers. Excavations of old civilizations - Gandhara/Buddha at Taxila, Moenjodaro, Harappa and other places, offer academic insights in the study of anthropology and create more economic gains as well. Abundant rivers, streams and lakes -- Saiful Mulook, Haleji, Kinjhar, Henna, Shewsar, Kachura, Sadpara- are attractive points for the nature lovers. A well thought Tourism policy could create vast economic opportunities.

Forests in the country cover about 5 percent of the area. Social forestry (along side the green fields under crops) is gaining popularity. A variety of wildlife and a spectrum of flora and fauna available, needs a

careful planning. Environmental damages (air and water pollution due to industrial gases & wastes, water and wind erosion, salinity, water logging and over grazing etc.) call for immediate attention.

Pakistan's economy is rich in handicrafts. Art pieces of hand-knotted carpets of cotton, wool, wood and leather goods, sports goods, onyx-brass handicrafts and fine needle work have big market and economic potential. Use of indigo and red colours in textile manufactures is common for more than 5000 years. Development of cottage industry for creating more job opportunities cannot be overlooked. Some of the major issues to be addressed are:

- Distribution of incomes on more equitable pattern
- Eradication of malpractices
- Fighting against illiteracy, hunger, malnutrition and unemployment
- Population management
- High budget deficit
- Improvement in current account balance
- Piling up foreign and internal debt
- Inflation and
- Raising the standard of living of the masses by providing basic opportunities of education, health and shelter.

AVAILABLE RESOURCES AND ACHIEVEMENTS

Pakistan's economy is basically an agrarian economy. Its irrigation system is the largest one in the world. Gradual, yet slow, changes are taking place in the composition of GDP. Agriculture is still major contributor to GDP. It claims a very big chunk in the export earnings. Rapid urban growth has given birth to

megalopolis cities like Karachi, Lahore and Faisalabad. Rural population still occupies the central place.

Production of fertilizer which was 1.6 million tonnes in 1980-81 has increased to 4.1 million tonnes in 1996-97. Its use has also increased from 15 kgs per hectare in 1970-71 to 103 kgs per hectare in 1994-95 which is a better rate than India's corresponding rate of 80 kgs; is comparable to that of USA but falls short of usage in Netherlands, Germany, Japan, France, Egypt and Italy.

Due to better inputs, mechanization and other improvements, agriculture has witnessed growth and development over the years. This is amply augmented by the yield per hectare. To quote a few examples, the per hectare yield [Kg/hect.] in 1959-60 was: Wheat 801, Rice 827, Sugarcane 26856, Maize 1007, Gram 532, Cotton 217. Estimates in 1996-97 place these figures at: Wheat 2053, Rice 1912, Sugarcane 43521, Maize 1446, Gram 540 and Cotton 503.

Supply of credit to agriculture is important for its development. Such a credit comes from Agricultural Development Bank, Co-operatives and Commercial Banks mainly. This has also been on the increase. An amount of 32.84 million rupees was disbursed in 1955-56 which increased to 19547.67 million rupees in 1996-97.

Pakistan's economy has shown a strong tendency of resilience over time. Economic growth depicted through the performance of gross domestic product (GDP) testifies to it. GDP growth has been observed at 6.77% in 1960s, 4.84% in 1970s, 6.45% in 1980s which is again expected to be around 5% in the 1990s.

Highest growth of Fixed Investment at 20.53% in the 1970s was preceded by 14.77% in the 1960s. This growth declined to 12.57% in 1980s which again started rising and is likely to remain around 16% in the 1990s. Share of total investment, as percent of GNP (current market

prices), has increased to 19.10% in the 1990s so far which had been estimated around 17.5% in the Seventies and Eighties.

Inflation rate or the price hike is estimated at 9.91% in the on-going decade of nineties so far as the CPI would indicate. This rate was 3.83% in the sixties. In contrast, the average growth of current decade's GDP deflator is 11.52% so far.

Production in the manufacturing sector, where new ventures are also emerging, has been on the increase. Indications of the "Censuses of Manufacturing Industries" are that the reporting number of establishments was 4792 in the year 1990-91 which produced equivalent to 375 billion rupees during the year. Value of fixed assets for all the reporting industries was estimated at 126 billion rupees. CMI 1985-86 on the other hand dealt with a total number of 4349 reporting establishments. Value of their fixed assets was 73 billion rupees and they produced worth of 171 billion rupees. Manufactures like cotton yarn, cotton cloth, vegetable ghee, sugar, steel, cement and fertilizer have progressed considerably.

Pakistan is rich in mineral deposits. Many a mineral wealth has been known to exist in huge reserves which need to be put to proper industrial and technological uses to gain the maximum possible benefits in employment, consumption and generation of income. To quote a few, there are over 430 million tons of iron ore available for extraction. Other prominent reserves estimated include 412 million tons of copper, 139.26 million US barrels of crude oil, 441.13 billion CU-metres of natural gas.

Development achieved in the infrastructure facilities has been consistent and satisfactory. Crude oil extraction which was 3.6 million barrels in 1980-81 has increased to 21.3 million barrels in 1996-97. During the same period gas was available at 299.8 billion CF. This

is now estimated at 697.8 billion-CF in the year 1996-97. Installed capacity of electricity has like wise witnessed visible growth. Since the start of WAPDA, the installed capacity has increased from 119 MW to 11566 MW.

Private sector has also recently entered in the energy sector. Denationalization and privatization policies of the Government are to encourage private sector's participation and limit the activities of Government to its original role.

Availability of roads connecting cities, making access possible from farms to market places is central to achieving progress. Construction of roads has rightly engaged attention. November 26, 1997 was the historic day when the recently constructed 339 KM long motorway between Islamabad and Lahore was opened for fast traffic. Work on second phase of motorway between Islamabad and Peshawar has been started. This will be ultimately extended to Gawadar.

Pakistan's links to Central Asia by such means will open new economic vistas in the future. Presently, roads are available for 228.21 (000 KM) in the year 1996-97 which were 93.96 (000 KM) long in 1980-81. Telephone connections have likewise risen from 0.36 million in 1980-81 to 2.56 million in the year 1996-97.

Human and social development has also been achieved in these long years. Present literacy rate is 39% in 1996-97 which was 26% sixteen years back in 1980-81. Male literacy rate at 51% far exceeds that of female literacy rate at 28%. Educational expenditure, as percent of GNP, was 1.4 in the year 1980-81 which is now 2.6 in 1996-97.

With a modest start in 1947, the country has achieved considerable development in the field of education. Centres of excellence and institutes of specialized disciplines exist now at various universities for

advance learning and research. Higher education facilities are extended to nuclear studies as well. Pakistan has one Nobel Prize in Physics awarded to Professor Dr. Abdus Salam. Youth of the country have achieved marvellous successes in the field of sports. Hockey, Cricket and Squash have won laurels for the country among other achievements on a lesser level. These activities add to economic activities in many respects.

Health facilities have also been on the increase. Infant mortality rate (per 1000 persons) is much better at 101.4 in 1994 which was 131 in 1972-73. Number of registered doctors increased from 10800 in 1980-81 to 74200 in 1996-97. Number of hospitals rose from 602 to 858 in the same period. Beds in the hospitals and dispensaries almost doubled from 47400 to 88500 in these 16 years.

Indications of household income distribution, as depicted by the Household Gini-coefficient, are that these rates were (0.386), (0.336), (0.355) and (0.407) respectively 1963-64, 1969-70, 1985-86 and 1990-91. Monthly average household income in Pakistan has seen much improvement. This was Rs. (203), (223), (1889), (3168) (3590) and (3915) respectively in 1963-64, 1969-70, 1985-86, 1990-91 1992-93 and 1993-94. Corresponding urban incomes have been higher than rural incomes. They were higher, for example, by 22.28% in 1963-64 and higher by 71.5% in 1993-94.

On the trade front, many developments have taken place. Volume of trade has expanded considerably. Directions and composition of trade have seen changes as well. But for few exception there have always been cases of trade deficits. In the year 1950-51, exports were equal to 1343 million rupees as against 1167 million rupees in imports, leaving a surplus of 176 million rupees. Another exception was the year 1972-73 where the balance was 153 million rupees. As of 1996-97, the export earnings are 325,313 (million Rs.) and imports 465,001 (million Rs.),

leaving behind a deficit of 139688 million rupees. Referring to 1980-81 = 100, unit value indices for exports & imports and the terms of trade (all groups) in 1981-82 were respectively (98.40), (110.78) and (88.82). Provisional indices in the year 1996-97 place them at (405.30), (443.61) and (91.36).

Composition and economic classification of exports and imports is also educative. Export figures for the year 1969-70 indicate that the composition of exports was: primary commodities (33%), semi manufactures (23%), manufactured goods (44%). This pattern changed to (11%), (21%) and (68%) respectively in the year 1996-97. Composition of imports during the same period for 1969-70 and 1996-97 was: Capital goods (50 & 37%), Industrial raw material for capital goods (11 & 5%), for Consumer goods (29 & 43%) and Consumer goods (10 & 15%). These figures speak for inter changes in the composition hinting on the aspect of transformation and substitution in the trade.

Pakistan's trade is linked to international community in all directions, classified as:

- Organization of Islamic Countries (OIC), Arab League, E.C.O., other Asian, & African countries
- Organization for Economic Co-operation & Development (OECD) (consortium, other than consortium)
- Council of Mutual Economic Association (CMEA)
- South Asian Association for Regional Co-operation (SAARC)
- Association of South East Asian Countries (ASEAN)
- Central and South America,
- Other European Countries
- Central Asian States

Pakistan has provided a work force of pride to other countries. Workers remittances in return have contributed to the country's development in a number of ways. In the year 1972-73, these receipts were equal to 136 million US dollars which are estimated to be 1409.47 million US dollars in the year 1996-97.

Looking at the origins the remittances were composed in 1972-73 as:

Middle East 25.54% [Sultanat-e-Oman 8.97, Saudi Arabia 5.79 and Kuwait 5.18%], United Kingdom 53.04, and USA 7.34%. This composition changed in 1981-82: Middle East 83.09% (Saudi Arabia 50.76, Kuwait 6.82 Sultanat-e-Oman 5.33, Abu Dhabi 5.08), UK 5.45 and USA 3.24%. Again in 1996-97, this share table comes to: Middle East 73.37% (Saudi Arabia 43.49, Dubai 9.81, Abu Dhabi 4.80), USA 10.38 and UK 6.95%. This pattern suggests for the investment and absorption of labour force in these countries.

Pakistan's economy comes under pressure of foreign loans obtained for various needs and requirements. Estimated Annual Debt Servicing comes to 3.5% of the GDP in 1996-97. Outstanding external indebtedness of the country as on 31-12-1996, which is payable in foreign exchange, comes to 31044.561 million US dollars. Between the period 1951-52 and 1996-97, total commitment of loans and grants was 57326 million US dollars. As against this amount, the disbursements were 47013 million US dollars.

Loans and grants have been pouring in ever since the inception of 5 year plans w.e.f. 1951-52. This inflow has been of two major types: i) project aid and ii) non-project aid (food, non-food, and relief). This aid has been utilized for the purposes stipulated and envisaged for the completion of projects aimed at the betterment of the masses.

Annual Development Plans prepared over time have taken care of numerous development works and projects in the fields of

agriculture, water, power, industry, fuels, minerals, transport & communication, physical planning & housing, education & training, health & nutrition, population planning, social welfare, manpower, rural development, Indus basin and social development programme. ADP expenditure increased from 3.9 billion rupees in 1972-73 to 37.6 billion in 1985-86 and 179.5 billion rupees in 1997-98 (E).

Banking has witnessed a remarkable growth and progress in the fifty years since independence. From a mere rudimentary stage in 1947, the sector can now legitimately be proud of having achieved nearly international standards. This rapid growth has been accompanied by greater sophistication in terms of instruments and institutions involved in raising and deploying funds. Despite many constraints, the system

has shown dynamism and innovativeness in meeting the challenges of mobilising resources and their allocation for the economic development of the country.

The system includes State Bank of Pakistan (Central bank of the country), local and foreign commercial banks, specialized banks and a number of non-bank financial institutions including developmental financial institutions, investment banks, modarabas, leasing companies, co-operative banks, and housing finance companies. One bank office is now available for about 15,582 persons as against 370,000 persons in July, 1948. Total bank credit expanded from Rs.200 million in July, 1948 to Rs. 623,197 million in June, 1997. Over the same period, total bank deposits increased from Rs. 880 million to Rs. 957,054 million.

The performance of scheduled banks in Pakistan can be judged by the following table:

	July 1948	June 1973	June 1990	June 1997
1. Scheduled Bank (no)	38	34	37	46
i) Pakistani Banks	4	17	10	25
ii) Foreign Banks	34	17	27	21
2. Scheduled Bank's Branches	195	4400	7439	8682
i) Pakistani Banks	23	4326	7372	8597
ii) Foreign Banks	172	74	67	85
3. Population per Branch	370000	20623	14891	15582
4. Deposits of Sch. Banks (Rs m)	880	21100	272912	957054
5. Credit by Sch. Banks (Rs m)	200	15941	209566	623197
6. Number of Accounts	N.A	8300170	24323793	*31723719
7. Deposits per Branch (Rs 000)	4513	4795	3669	110234
8. Deposits per Account (Rs 000)	N.A	2.5	11.2	30.2
9. No of Accounts per Branch	N.A	1886	3270	3654
10. Total Assets/Liabilities (Rs m)	N.A	45370.4	721304.2	2137291.8
* End December 1996				

Budgetary policies of Federal, Provincial and Local Bodies in respect of revenue pooling and expenditure on current and development activities have great impact on economic scenario in creating jobs and generating income. Performance can well be judged through the

increased budget expenditures attempting to raise the standard of living of people. Over all budgetary deficit has always been a difficult option. This has been reduced from 8.7% in 1990-91 to 5.0% of the GDP in the budget estimates of 1997-98.