

Inaugural Address

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Prof. Syed Nawab Haider Naqvi, Dr M. Ghaffar Chaudhry, Distinguished
Guests, Ladies and Gentlemen :

It is a privilege for me to inaugurate the Fourth Annual General Meeting of the Pakistan Society of Development Economists. I am pleased to note that within only five years of its existence the Society has evolved into a prestigious forum for a free and precious exchange of ideas among economists and policy-makers. I am told that through these annual general meetings 74 papers on various topics have been prepared and published, and that, in its Lecture Series on Development Economics, eminent international economists and demographers have read papers on leading issues in economics and demography. The literature created under the aegis of the Society furnishes useful insights into the functioning of the economy and has contributed to the comprehension of the problems of almost all areas of Pakistan's economy — agriculture, industry, trade, resource mobilization, etc. I am happy to note that the Society has helped to promote a scientific and pragmatic approach in policy-formulation and economic decision-making, and has enabled us to think systematically about the nature of the challenges posed and faced by Pakistan's economic development and about the response to this challenge.

BUILDING AN ISLAMIC WELFARE SOCIETY

Economic progress in a country of Pakistan's size and diversity depends on full commitment to a common cause of all segments of the society. Since the inception of Pakistan in 1947, the economists, social philosophers and policy-makers of this country have been assigned the historic task of building, through a democratic process, a prosperous Islamic welfare economy. The aim of such an economy is to make sure that fruits of development are equitably shared, and that, in pursuance of

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the Islamic injunctions, the needs of the poor and the needy are adequately satisfied in all states of the economy.

The fundamental premise on which a strongly growing Islamic welfare society can be built is that development cannot bear fruit when the social and political base is deteriorating nor can the momentum of growth be sustained if the social and political institutions and policies are fragmented and riven by individuals' greed. Hence, to achieve the Islamic ideals it is essential to create attitudes and institutions that are committed to promotion of economic growth, dispensation of social justice, creation of employment opportunities, eradication of corruption and other social evils, and liberation of the mass of the people from the scourge of illiteracy. It is only in this way that we can release the creative energies of the nation for tackling the task of national reconstruction, and for contributing to the uplift of the backward regions so as to ameliorate the condition of the weakest strata of the population.

ISLAMIZATION OF THE ECONOMY

Let me first spell out briefly my views on the concept of Islamization of an economy. It should be clearly understood that Islamization in the modern world is not just to relive the past, however glorious, in a mechanical fashion. While we must discover our past heritage, we cannot travel in the past and move into the future at the same time. The process of Islamization requires re-discovery, rather than discovery, through a process of constructive evolution of Islamic verities within the modern world, which has seen the triumph of Man through science and technology. An adherence to the achievement of the Islamic ideals means that modern science and technology are to be mastered and used for the betterment of mankind and not for its destruction.

Secondly, the challenge of Islamization requires that such changes should be brought about by making changes in the basic institutions of the society so that we direct our efforts, without the constraints of outmoded institutions, to the maximum growth of the vital sectors of the economy, which have the greatest capacity for raising the country's potential for producing economic development and social justice. The initiation of a full-blooded programme of social change that helps us to move out of the *status quo* into a resplendent future must be the hall-mark of our efforts at Islamization.

Thirdly, there is nothing 'unscientific' about the attempts being made in Pakistan and elsewhere in the Islamic world to realign their social and economic systems with their ethical norms. This problem is quite general and has been faced at one time or another by all societies, including those of the West. Indeed, there is a string of distinguished economists and social philosophers, like Max Weber and Jacob Viner, who have attempted to explain the rise of capitalism in terms of the 'universal' acceptance of the Protestant ethic in the West. But that does not make the problem

any easier to resolve. What needs to be emphasized is that Islamic ethical norms, which form the fulcrum of societal transformation here as in the rest of the Islamic world, must be reinterpreted in the broadest context of the modern world. No doubt, the world will also have to readjust itself to the challenge of Islam; but that would be in the very long run.

Fourthly, I wish to assert that the Divine Laws of *'adl* and *ihsan*, which have been universally accepted as the mainsprings of Islamic reform, provide a set of 'universal' principles that can guide Muslim scholars to interpret the eternal verities of Islam for effecting the right kind of changes in the basic structure of the Islamic societies. It appears to be an entirely reasonable proposition, on the economic plane, that while, by virtue of the principle of *'adl*, a delicate balance must obtain between consumption, production and distribution activities in the economic 'universe', the needs of the least-privileged in the society must take precedence over all else in keeping with the Divine Principle of *ihsan*. An important element of the Islamic challenge is, therefore, to generate public support in Islamic societies to mobilize financial, economic and manpower resources for socio-economic programmes. Indeed, these principles should be readily acceptable even to those societies which, though not subscribing to Islam, put a premium on social justice and compassion as the basic principles of a societal reordering.

Fifthly, we face the problem of 'operationalizing' these Divine Principles by translating them into a comprehensive programme of action and by creating an appropriate institutional framework that is consistent with these principles. I will not go into all the details of this intricate problem, but will only like to emphasize that the guiding principle of this process of operationalizing the Islamic ideals is to minimize the element of *zulm* — i.e. gross social disequilibrium in a growing economy. This would require, among other things, adoption of effective policies to reduce sharply the exploitative concentration of income and wealth in a few hands, and creation of wide-ranging social-security programmes to bring back into the social system those members of the society whose creative potentialities have been impaired by poverty and social deprivation.

REVIEW OF PAKISTAN'S ECONOMY

During the past few years, some progress has been made in Pakistan to achieve the Islamic ideals of *'adl* and *ihsan*. The decrepit socio-economic infrastructure is being modernized, the energy, communications and transport sectors are being developed and much greater emphasis is being put on rural uplift and a rapid advancement of the social sectors. This work is being co-ordinated within the framework of the Five-Point Programme of the Prime Minister, for which the financial allocation has been increased to Rs 117 billion to be spent over a four-year period.

Fully aware that meaningful solutions to the various economic problems can be found only within the framework of a rapidly expanding economy, the government has done its utmost to ensure a respectable GDP growth rate. Since 1985-86, GDP, measured at constant prices, grew at the rate of 7.15 percent, while inflation was restricted to about 4 percent. During the last financial year, the increase in the general price level was only 3.4 percent, which is the smallest increase since 1969-70. The manufacturing sector, growing at the rate of 7.6 percent during the years from 1985-86 to 1986-87, contributed the most to GDP growth, followed by the service sectors, which had a growth rate of 7.3 percent. Agriculture grew at 6.2 percent. Overall private investment during the 1985-87 period was Rs 9.08 billion which, in real terms, represented an increase of 16.6 percent compared with the investment in the preceding two years. The national saving rate increased from 10.9 percent in 1985-86 to 13.8 percent in 1986-87. The trade gap was reduced to less than 96.2 percent of exports as compared with 134.1 percent in 1983-85; and outlays on social services also multiplied as a percentage of total government expenditure.

Today, Pakistan has a vibrant economy which rests on the bedrock of democratic institutions. The sturdy performance of the economy in recent years has inspired us to intensify national efforts to face the new tasks born in the very process of development. But it has also generated high, if not great, expectations. Hence, our capacity to provide acceptable economic management is being strained. While optimistic about the future, we are aware that the present phase of development demands a re-evaluation of national issues, particularly those that are concerned with promoting greater competitiveness, enhancing efficiency and rectifying fiscal imbalances.

For this, we need to comprehend the issues in their proper historical and international perspectives. Let me say a few words about this.

In the last forty years, we have built the foundations of a modern economy, achieved self-sufficiency in food, diversified our industrial structure, and have made significant progress in all other sectors of the economy. The average annual long-run growth rate has been 5.2 percent, and per capita income has increased by 3.7 percent per annum to US \$380 at present, which has brought us near to the status of a middle-income country.

Pakistan's growth performance in recent years has excelled its long-run track record. This is an experience unique among the developing countries, whose performance has been notably erratic. Growth rates of the developing countries reached a peak of around 5 percent in 1985 and have been declining since then, as the underlying weaknesses in the economies of those countries have begun to re-emerge. In sharp contrast, Pakistan's economy has shown a great resilience by adjusting itself to the changing international economic environment.

AGRICULTURE

In the agriculture sector, the task of development has been difficult. An anachronistic land-tenure system, primitive technology of cultivation and lack of infrastructure for raising productivity have been formidable stumbling blocks in achieving rapid agricultural progress. But we have faced these challenges, and a modicum of success has been achieved to increase agricultural production. Pakistan is now self-sufficient in rice and wheat, which is no trifling accomplishment for a country whose population has doubled in the last 20 years.

In the first fourteen years of the country's independence, growth in this sector was only 1.6 percent per annum, which was not even enough to keep pace with the rapidly growing population. During the decade of the Sixties, the value added by agriculture increased by 63 percent, thanks to an annual growth of 5 percent. But agriculture regressed again in the next seven years, i.e. from 1969-70 to 1976-77, when the growth rate, of around 2 percent, fell below the growth of population. In the octennium since 1977-78, agriculture has re-emerged as a vibrant sector of the economy, recording an average annual growth rate of over 4 percent and generating exportable surpluses in rice and cotton, while attaining self-sufficiency in wheat. The index of agricultural production increased by almost 7 percent in 1985-86. Production of fibre crops registered an increase of 19.9 percent, while food crops grew by 8.3 percent. The most significant advances were made in the production of wheat, which rose to a record 13.9 million tonnes in 1985-86, representing an increase of almost 19 percent over the production of the previous year. The production of cotton fared even better: its production of 7.1 million bales in 1985-86 was almost 20 percent higher than the previous year.

The technology of cultivation has improved significantly with the spread of mechanized farming and high-yielding varieties of seeds, extension of irrigation facilities, and growth of agricultural credit and marketing. Since 1977-78, the distribution of high-yielding varieties of seeds has almost doubled from 48 thousand tonnes to 90 thousand tonnes; water availability has increased by 23 percent; fertilizer offtake has more than doubled from 714 thousand tonnes to 1.6 million tonnes, and the credit disbursed to the agriculture sector has increased from Rs 2 billion to Rs 15.7 billion. Also, more than 61,000 tubewells were installed and over 2 lakh tractors imported during this period.

It should be noted, however, that despite outstanding achievements in the growth of output, not all is well on the agricultural front. The agricultural sector remains a prisoner of the vagaries of weather. Then there is the problem of inter-crop imbalances. Also, per acre yields have not recorded any significant improvement. In fact, for a number of crops, viz. rice, bajra, maize, barley and sesamum, the 1985-86 season represented a decline in yield per acre, while for most of the other crops the increases were only marginal. In the same year, the production of rice and

sugar-cane declined by 12 percent and 13.3 percent, respectively. The behaviour of the wheat crop has been quite erratic in recent years. Its production fell in 1983-84, and, despite modest gains made in the subsequent year, it was still short of the 1982-83 output of 12.4 million tonnes. The erratic behaviour of major crops and stagnating per acre yields show that there is still a great untapped potential in large parts of Pakistan's arable land, which have yet to experience the right mix of high-yielding seeds, plenty of water, fertilizer and pesticides.

MANUFACTURING SECTOR

In terms of the range of goods manufactured, an extensive degree of industrial diversification has been achieved in Pakistan. Thanks to a relatively much faster annual growth rate of 8 percent, the share of manufacturing in GDP has increased from less than 8 percent in 1949-50 to almost 20 percent in 1986-87. The growth rate of this sector during the 1985-87 period, has been almost as much as the long-run growth rate.

In industrial production, the share of the traditional manufacturing sectors like food and textiles has declined, while that of the new sectors like chemicals and engineering has increased very substantially. Today, heavy industry plays a significant role in the large-scale manufacturing sector of the country, contributing almost 19 percent to the total value added by this sector. The chemicals industry contributes about 12 percent of the total value added in the large-scale manufacturing sector while the petroleum industry contributes 7 percent. Yet, the large-scale manufacturing sector is still dominated by the agro-industrial sub-sector, which has a major share of over 56 percent in the total value added reflecting a close connection between industry and agriculture.

While the growth of the manufacturing sector is impressive, when measured in terms of output expansion, it is disturbing that the employment-generation capacity of the large-scale manufacturing sector has not matched the growth of investment and output in this sector. New industrial employment is only around 10 percent of employment generation in the agriculture sector, even though industrial investment is 70 percent higher than agricultural investment. Within the manufacturing sector, the share of the large-scale sector in total employment is only around 20 percent even though it contributes over 70 percent to the total manufacturing output. While this clearly illustrates a disturbing aspect of large-scale manufacturing, it also shows the immense potential of the small-scale sector for employment generation.

The manufacturing sector has also failed to meet the expectations about its potential role in the expansion and diversification of the country's exports. In fact, the share of manufactured goods in total exports has declined from 56 percent in 1983-85 to only 51 percent in 1985-87. The range of manufactured exports is also

very limited — only eleven export items account for over 81 percent of total manufactured exports. Even within these export items, a substantial portion, or 45.5 percent of the total, is accounted for by textile exports alone.

SOCIAL SECTORS

Education

The government is giving special attention to the development of the social sectors, particularly to the expansion of educational facilities in the country. In the field of education, we face an enormous twofold challenge. Not only do we have to provide basic education to all but we also need to achieve a dynamic balance between educational expansion and economic development. Not only must we seek sources of growth in a horizontal expansion of educational facilities, but we should also be concerned with improved productivity of labour with the introduction of high technologies. This creates a demand for educated labour, but the number of highly educated labour is still very limited. Moreover, the direct effect of educational expansion on growth, which is obvious so long as the emphasis is on the lower tiers of education, will subside as the focus of educational expansion moves into the higher levels of education.

Ever since the concept of human capital became popular in the Sixties, thanks to the work of people like Schultz and Meyers, education has been advocated as one of the critical factors of development. During the past few years, there has been an unprecedented expansion of education, which, coupled with the large size of the young-age cohorts, has led to a significant influx of educated manpower into the labour market. No doubt, the government efforts in this field have contributed significantly in this achievement. But we must also not discount the fact that the rapid expansion of enrolment at different levels of education could merely be an evidence of the effect of growth on educational expansion, reflecting a high income-elasticity of demand for educational opportunities. Nevertheless, this does not preclude potential contributions of the educated population in the course of development.

The experience of the Asian NICs (Newly Industrializing Countries) shows that the existence of a large reserve of educated workers provided the critical base for the rapid horizontal expansion of the manufacturing sector, which points to the strategic significance of the diffusion of basic education in our present stage of development. However, in Pakistan despite the early optimism, the shift in the supply of educated workers has not met with the corresponding shift in demand. There is, consequently, a growing concern about the 'excess supply' of educated labour. It seems evident that the relationship between education and development is far more complex than is generally realized.

One has only to look at the statistics to realize that the government has intensified its efforts to promote education in the country, even though total allocations to this sector are, at best, modest. Of the total Plan expenditures during the two-year 1985-87 period, 7.8 percent was on education. Last year, 10,000 *Nai Roshni* Schools were opened and 175,000 students admitted to them. This year, another 12,000 such schools will be opened, while under the *Iqra* Project 35,000 illiterate persons have been registered. This year, around 5,600 new primary schools and 5,000 new *Masjid* Schools will be opened. About 700 girls' primary schools will be upgraded to the middle-school level, and 500 boys' middle schools will be upgraded to high-school level.

Health

Recent economic literature has established that there is a strong and positive relationship between better health facilities, on the one hand, and lower child and adult mortality, better educational attainments, improved productivity, and higher incomes, on the other hand. Thus, the crucial importance of this sector in the process of development cannot be overlooked. However, while significant progress has been made in the provision of health facilities to the people, much more needs to be done in this crucial and much-neglected sector.

For about two decades, Pakistan has been moving into what many analysts would call a modern era of health care. Health facilities available to the population have expanded dramatically since 1947. The number of hospitals has more than doubled, from only 292 in 1947 to 670 in 1986; and even though the population has increased significantly, the availability of hospital beds per capita has also increased — in 1986, each hospital bed was available to 1692 persons as compared with 2564 persons in 1947. The number of registered doctors has also increased remarkably, from around a thousand in 1947 to over 46 thousand in 1986.

But, while these are significant achievements in a brief period, they leave much to be desired. Pakistan lags behind most of the developing countries in terms of health indicators and per capita spending on the health sector. Pakistan's figures for life expectancy at birth of around 59 years and for the infant mortality rate of 95 compare poorly with those of other lower-middle-income countries. The public expenditure on the development of the health sector in Pakistan has been increasing in real terms by about 4 percent per annum since the late Seventies. By the mid-Eighties, it accounted for 2.9 percent of total government expenditure. However, this is only about 0.7 percent of the GNP, which is dismally low when we compare it with the figures of 1.2 percent for India and 1.7 percent for Sri Lanka. Of serious concern is the fact that most of the public expenditure on the health sector is in capital-intensive hospital complexes in urban areas. It is estimated that 70 percent of

the recurrent budget is for hospitals alone, which are located in urban areas and utilized by city-dwellers even though the bulk of the population resides in rural areas.

As a direct consequence of the low level of public expenditure on the health sector, infectious diseases continue to dominate morbidity and mortality patterns. Malaria, which was more or less under control during the Sixties, is rampant again. It accounts for over 40 percent of the total diseases treated and more than half of the population continues to live in areas of high potential incidence of the disease. Tuberculosis remains a major health problem, affecting 1.6 million people. Measles, whooping cough, tetanus and diarrhoea take a heavy toll of our children. A large majority of the children that survive these diseases suffer, in various degrees, from protein-energy malnutrition.

These facts portray the poor state of the health sector of the country and call for much greater efforts on the part of the government to ensure not only better health facilities but also a more equitable distribution of these facilities. It must be noted, however, that while technological and technical considerations are significant, they are often less important than social factors in improving health in a developing country like Pakistan. The historical experience of the developed countries clearly proves this point. It is now well established in scientific literature that from the 18th Century onward, the decline in the death rate in these countries depended significantly on improvements in nutrition, housing, hygiene, sanitation and the general standard of living. While there are intrinsic differences in the health experiences of the developed and the developing countries, the historical processes which accompanied the improvement in health status of the populations of the developed nations suggest that there is indeed a strong scope for the 'transfer of experience'. In the context of Pakistan, this means that we must recognize that socio-economic and political influences on health require a broad approach to health problems, involving both social and technical interventions, and that, at the present stage of our development, it is the advances on the economic, political and social fronts that will mainly determine improvements in health and progress towards equity in health care.

Women

Women in Pakistan play an important and direct role in economic development, even though this role, thanks to the historical anti-feminist attitudes, remains to be fully recognized by the society at large. Thus, while women in Pakistan contribute as much as one third of GNP, and, in the rural areas, work unpaid for about 14.5 hours a day, yet in official statistics less than 4 percent women in the rural areas are shown as working or looking for work. Such guesstimates about the productivity of women are promoted by the lack of a reasonable amount of empirical evidence about their contribution to national wealth and also by exaggerated ideas about women's frailty. A development strategy based on such attitudes leads only to

increased distortions of human relationships and an underdevelopment of human capacities.

The situation of women in Pakistan, particularly in rural areas, after forty years of independent development, remains pathetic and is in need of considerable improvement. Women's position in our society is structured by both the relations of gender and the relations deriving from the economic organization of society. In both these situations, she is subject to exploitation. In the rural areas, this exploitation is even more severe, as it is difficult to distinguish between women's productive and reproductive activities because domestic tasks are an integrated whole.

The dynamics of women's exploitation in Pakistan is best understood within a framework which includes economic processes within the society as a whole, and particularly the transformation of such processes. Economic progress and social and cultural advancement have not significantly reduced the differences of relative status between men and women, even though in absolute terms women may have become better off in some respects. The overall literacy rate among females is 16 percent, which compares poorly with the literacy rate of 35.1 percent for males. However, since 1961, the rate of female literacy has almost doubled. But, despite an enormous improvement in the rate of female literacy, inter-sex differentials in literacy rates remain significant, because of the slow growth of the rate of female literacy.

There is an urgent need to integrate women into the economic development of the country by opening up opportunities in the professional fields delivering services to women, as well as by removing the barriers that prevent their access to such opportunities. But from the prevailing attitudes about women and the facts about their social and economic position in Pakistan, it is obvious that the situation of women is rather pessimistic, and unless present trends towards the worsening of the relative condition of women can be countered, the burden of women, particularly in rural areas, is most likely to increase in the future. The existing situation offers little scope for optimism that the trends will be reversed easily. But a ray of hope comes from the growing consciousness among women and men of the need to organize and fight against oppression, both inside and outside the home.

RESOURCE MOBILIZATION

Let me now say a few words about the resource mobilization effort in Pakistan, which is the Achilles heel of Pakistan's economy – indeed, of every developing economy. For long have we been tormented by our inability to generate enough domestic resources to meet our secularly growing development and non-development requirements. Then, there is the problem of achieving a balanced inter-sectoral allocation of incremental savings so that in building the capital base no sector lags behind. These are fundamental aspects of development, regarding which no easy answers are available.

Central to these problems is the issue of taxation. By international standards, Pakistan is a highly under-taxed country. The tax/GNP ratio in Pakistan is only 0.13, which is very low. Tax elasticity is a little less than unity, which means that the tax structure does not respond adequately to growth in the economy and that the tax base has been shrinking over time. In the last eight years, from 1977-78 to 1985-86, national income grew at the rate of 6.7 percent, while tax receipts managed a growth rate of only a little less than 6 percent. As a percentage of GDP, tax revenue has declined steadily from a peak of 14 percent in 1980-81 to only 11.6 percent in 1985-86. Meanwhile, total expenditures have more than trebled (from only Rs 40.9 billion in 1977-78 to Rs 132.9 billion in 1985-86), registering a rate of growth of 7.8 percent per annum in constant prices. As a result, the budget deficit, which had been curtailed to around 5.3 percent of GDP during the early years of this decade, climbed to 7.4 percent in 1985-86.

A major task of government policy is to raise public saving rates by matching tax revenues to keep pace with the growth of public expenditure. Public savings, which depend both on the domestic resource mobilization effort and on the current expenditure of the government, have lagged behind public investment. This has given rise to a substantial resource gap, which is financed by domestic and foreign debt. By the end of 1985-86, domestic public debt was 36.7 percent of GDP and interest payments on this debt alone amounted to 2.3 percent of GDP. External debt amounted to 34.1 percent of GDP, while its servicing reduced gross disbursements of foreign aid by as much as 76 percent.

It is obvious that this situation cannot be allowed to persist for a long time. The tax system needs to be restructured to ensure a higher elasticity of tax receipts with respect to GDP, and to have an equitable distribution of the tax burden across income classes, irrespective of the place of residence of the taxpayer, in keeping with the injunctions of an Islamic welfare society.

CONCLUDING REMARKS

The emphasis on our economic achievements of the past needs must be tempered by efforts required to meet the new challenges that we are bound to face in the years to come. We have managed to attain a fairly high rate of overall growth. However, this growth has been sustained by a disproportionate expansion of the service sectors, which, with a share of 53.6 percent in the GDP, surpass the commodity sectors in importance, and dominate the overall growth trends in the economy. While the rapid growth of the service sectors may have eased the unemployment situation, the fact remains that the present structural constitution of the economy does not augur well for future growth prospects. We need a broad-based and a strong commodity producing sector, which should play the dominating role in the country's economy. We also need to ensure that the favourable performance of

the economy at the macro level should not be constrained by the weaknesses at the micro level. For this, each of the sectors of the economy and their constituent sub-sectors need to be given close attention.

In agriculture, we need to introduce technology that is socially relevant and economically viable. At the same time, this vital sector needs a whole package of services, including credit, knowledge transfer, skill transfer, and supply of vital inputs. Government policies in the area of input-output pricing and marketing need to be streamlined to provide the small farmer with opportunities for remuneration and assured marketing. We also need to give more attention to the micro aspects of this sector. For this, a farming-system approach may be required to produce more income for the rural poor, because the overriding problem is no longer one of producing more food but of ensuring more jobs in the rural areas in the off-farm and non-farm sectors to provide greater real income to the rural poor.

The manufacturing sector needs to be diversified, in accordance with our international comparative advantage, so as to reduce our dependence on imports for our requirements of manufactured goods and also to expand the range of our exports. It must be broad-based, competitive, and efficient so that the present excessive reliance of the sector on subsidies and tax incentives is reduced. The litmus test of efficient industrialization lies in its ability to develop without any government subsidy.

At our present stage of development, the social sectors have assumed critical importance. We can ignore these sectors only at the risk of seriously compromising the future growth prospects of the economy. The health and education sectors need our special attention as they directly affect the productivity of our labour force. We must accord to women the respect to which they are naturally entitled through policies that integrate them fully into the process of development.

The strategy of resource mobilization for the future must involve a thorough restructuring of the tax system so as to impart greater elasticity to taxes with respect to GDP, and to ensure an equitable distribution of the tax burden in accordance with the injunctions of an Islamic welfare society.

As regards the external environment, the economy continues to be extremely vulnerable to changes in commodity prices and to deterioration in our terms of trade. A major task facing the country is to reduce our dependence on energy imports and to promote exports and invisible earnings. This is essential to achieve the much elusive goal of self-reliance.

The problems we face now are much more difficult than those we tackled in the past. They call for in-depth studies of fundamental issues with a view to instituting radical structural changes in the economy. We have been lucky, if not always wise, in the past few years; but the sun does not shine for ever. The avalanche of the workers' remittances, which has acted as a sheet anchor of our balance of payments,

threatens to dwindle to a tiny trickle. Weather that has been so kind and helpful to agricultural production in the last few years has the bad habit of turning nasty as, unfortunately, it did earlier this year. And a lot more can happen. Energy shortages may throttle economic growth if no decisive steps are taken now to prevent them from catching us literally by the throat. The social, cultural and religious factors may, sooner than later, subject the economy to many more shocks to which it will have to adjust itself.

With these words I have great pleasure in inaugurating the Fourth Annual General Meeting of the Society. I wish you fruitful and enjoyable discussions over the next two days.