

Inaugural Address

SARTAJ AZIZ

It is a matter of great pleasure for me to participate in this Conference organised by the Pakistan Society of Development Economists. I am happy to note that in the past twelve years this Conference has become a key annual event for a serious discussion of economic and social issues. The presence here of a large number of distinguished academics, research workers, and policy-makers from within and outside the country demonstrates the significance of this important forum. I would like to avail of this opportunity to extend a warm and cordial welcome to Dr Nafis Sadik and other distinguished participants from abroad to Pakistan and wish them a pleasant and fruitful stay.

It is quite befitting indeed that as part of Pakistan's Golden Jubilee Celebrations the Society has devoted the 13th Annual Conference to Pakistan's development experience of the last fifty years. I am confident that this gathering of economists and experts in related fields will make a candid assessment of Pakistan's performance during the past fifty years in various areas of economic development and that it will be possible to arrive at sound strategies to accelerate the pace of progress in this country and enhance the economic and social well-being of the people.

This Conference thus provides us all with a unique opportunity to review the past and reflect on the future. Most of us have seen Pakistan pass through various phases and make considerable progress despite the many constraints that it has had to face. The general impression one gets is that we have not done badly. As compared to many other countries, Pakistan's economic progress over time can be categorised as satisfactory. The economic growth rate of over-five-and-a-half percent per annum, with over-two percent per capita growth of the past five decades, is much better than that in most developing countries. In the past fifty years the predominantly agricultural character of the economy has been transformed into a semi-industrial one. The rapid pace of industrialisation, particularly in the Fifties and Sixties, has raised the share of the manufacturing sector in GDP from less than 5 percent to about 18 percent; and, consequently, despite its satisfactory growth, the share of agriculture sector in GDP has come down from over-fifty percent to twenty-five percent. The pattern of our foreign trade, too, has been transformed. The major share of exports is now contributed by manufactured goods, and imports mainly comprise raw materials and capital goods.

Sartaj Aziz is Federal Minister of Finance, Economic Affairs, and Planning.

Infrastructural facilities have expanded and social necessities like health, education, and sanitation are available to a larger number of people than in the past. The four-fold increase of population during the past five decades, however, has diluted the impact of this development.

These positive developments, to which I have just referred, should not lure us into complacency. Empirically they look impressive but in comparison with the fast-growing economies and seen in the light of the social and economic objectives of the creation of Pakistan, these achievements look rather modest. Countries like Korea, which were in a comparable economic position in the Sixties, have left us far behind in economic development. Similarly, we seem to be far away from the cherished goal of a just, equitable, and progressive nation envisioned in the Pakistan Resolution of 1940. In fact, the country suffers from certain deep-rooted structural weaknesses that overshadow our achievements and are a major handicap for the future. Let me dilate upon some of these.

A critical issue before us is the high rate of population growth. In five decades our population has quadrupled and we see no sign of a significant decline in its growth rate in the near future. This mounting pressure of population has deep economic and social consequences. Most of the gains of economic growth, in terms of increase in output and expansion of physical and social infrastructure, have been eaten up by this population explosion. Notwithstanding mismanagement and resource constraints, the crumbling state of infrastructure and a deteriorating quality of social services could be explained partly by this phenomenon. It is also a contributing factor in the growing poverty, unemployment, malnutrition, infant mortality, and degradation of the environment. It is both unfortunate and ironical that a country with the distinction of launching one of the first comprehensive population planning programmes in the Sixties has miserably failed in restricting its population growth. High time indeed to seriously evaluate our population programme and adopt measures that will produce the right results.

The past satisfactory growth rate to which I have referred, *inter alia*, was a consequence of investment. Given the low level of national savings, this investment requirement was met by external resources. Persisting external borrowings coupled with the stagnation of exports in recent years have not only created a precarious balance-of-payments and foreign-exchange-reserve position but also resulted in unsustainable levels of external debt and debt servicing. The revival of economic growth on a sustained basis, therefore, is predicated on larger mobilisation of domestic resources. This is so in particular because the general economic environment and the terms of external assistance have become unfavourable.

The fiscal situation is another area of concern. The situation has been caused by the failure of successive governments to generate additional resources and control expenditure. The soft option of borrowing rather than mobilising tax revenues has led to a serious debt situation with debt-servicing emerging as the major head of

expenditure. In addition to reducing the debt burden and containing fiscal deficit, a major question that needs attention is the use of fiscal policy as an instrument of economic and social development, and as a mechanism to ensure wider and equitable dispersal of the gains of development. The 'balance-sheet approach' of the past has to be replaced by a rational approach of using fiscal policy as a means of achieving economic and social objectives.

We must admit that social development has not kept pace with economic growth. The key sectors of education, health, and other social services have suffered on account of past neglect and the misconceived 'trickle down' effect of growth theory. No wonder, despite reasonable economic growth, the social indicators of Pakistan are among the lowest in the world. Although recent efforts in this direction, in particular the Social Action Programme, are reported to have made some improvement, yet the situation continues to be grave and urgent and calls for a determined effort on behalf of all citizens.

A related issue is widespread poverty and rising economic disparity. Relative poverty in terms of the proportion of the people living below the poverty-line is claimed to have declined, but the number of the poor has gone up. Economic disparity, demonstrated by the lifestyle of the rich, has widened. Economic growth seems to do little for alleviation of poverty. The programmes of *Zakat*, *Ushr*, and *Baitul Maal* have touched only the 'tip of the iceberg'. This situation is contrary to the concept of social justice enunciated by Islam and enshrined in the Constitution of Pakistan. And it is a situation which can lead to social unrest, and even political turmoil. I understand that the Government is shortly launching a comprehensive programme to alleviate poverty. I would urge that the programme be implemented in right earnest to deal with a fundamental problem which affects the majority of the people.

Ladies and Gentlemen: These were some issues that I wanted to emphasise at this point in time. It is heartening to note that the Government is seized of the problems and has undertaken certain reforms, including the Banking and Financial Sector Reforms, and External Sector Reforms, and the Programmes of Economic Revival, Development of Capital Market, the Incentives Package for Agriculture, and the Privatisation and Social Action Programme. I am sure that these will be supplemented by other measures to ensure the revival of growth and a balanced and equitable socio-economic development.

I am confident that the Conference will deliberate about these most relevant issues focusing not only on the causes but, more importantly, also on their possible remedies. This international conference is a suitable place for such deliberations. As we all know, the 'home issues' increasingly have to be seen in the background of the current processes of globalisation and liberalisation of the world economy, but not without a glance to the recent setbacks experienced by the fast-growing economies of East Asia.

Your work as professionals is much valued and the proceedings of the Conference will be watched with great interest.

In the end I would like to express my sincere thanks to the President of the Society, Dr Sarfraz Qureshi, for inviting me to join you. With these words, I inaugurate the 13th Annual General Meeting and Conference of the Pakistan Society of Development Economists.

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