**PAKISTAN ECONOMY AT SIXTY FOUR**

**ISHRAT HUSAIN**

 Pakistan’s current economic conditions are by no means something to celebrate as a nation. But it must be realized that these conditions do not portray the enormous progress the country has made since its birth in1947.

 Most outside observers and commentators at that time were of the view that the country would not survive for more than a few years. India’s partition was judged to be unnecessary and too costly in terms of human misery, deaths and displacement of millions of people as it was to unravel soon.

 The two parts of India in the West and East which formed the new nation of Pakistan were physically 1000 miles apart and had little exchange of goods, services and people. 80 percent of Pakistanis were tillers, subsistence farmers or landless laborers but still the country could not feed its population and had to rely upon food imports. Pakistan got another six million impoverished Muslim peasant migrants adding to the labor force and in need of jobs in an economy that was mutilated, a society that was uprooted and a governance structure that was yet to establish itself. Only a handful of Pakistani families were wealthy and the rest were shopkeepers and artisans. Only 26,000 out of a total population of 70 million were employed in industry with almost complete lack of skilled technicians, businessmen or managers. The industry in Pakistan consisted of 16 cotton mills, few agro processing plants and 34 railway repair shops. There were no iron or steel mills, no jute mills, no sugar mills, no paper mills. Bank branches of Indian banks were shut down as the Hindu businessmen and managers took all the gold bullion jewels and other liquid assets they could carry with them. Normal trade was cut off by rioting and use of railroads for refugees. Pakistan’s income was estimated at 450 million rupees while the expenditure was Rs.800 million. Dependence on outside sources for economic survival was therefore obvious.

From such a shaky start Pakistan today is the 46th largest economy in the world with per capita income in current US dollars of about 1,000 having achieved an average annual growth rate of over 5 percent over the six decades. Per capita incomes in constant terms have multiplied fourfold, an accomplishment that a few developing countries can claim. Consequently, the incidence of poverty had declined from 60 to 70 percent to 24 percent by 2005-06. The salient features of Pakistan’s economic history can be summarized as follows:

* A country with 30 million people (West Pakistan) in 1947 couldn’t feed itself and had to import all its food requirements from abroad. In 2011, the farmers of Pakistan were able to fulfill the domestic needs of wheat, rice, sugar, milk of 180 million people at a much higher per capita consumption level, and also export wheat and rice to the rest of the world. This shows the spectacular rise in productivity as the share of agriculture in national income has declined from 50% to 20%.
* An average Pakistani earns about $1,000 in 2011 compared to less than $100 in 1947 moving Pakistan out of Low Income Country to Lower Middle Income category. Poverty has declined significantly and living standards have improved.
* Pakistan has emerged as one of the leading world exporter of textiles not only in yarn or fabrics but also garments, bedwear and knitwear. Cotton production has attained a level of more than 12 million bales compared to 1 million bales in 1947.
* Manufacturing production index is well over 13,000 with the base of 100 in 1947. Steel, cement, automobiles, sugar, fertilizer, cloth and vegetable ghee, industrial chemicals, refined petroleum and a variety of other products are manufactured for the domestic market and in many cases for the world market too.
* Electricity generated in 2011 was approximately 20,000 MW compared to 57 MW in 1947 (3 percent of undivided India’s generating capacity). Pakistan’s vast irrigation network of large storage reservoirs and dams, barrages, link canals constructed during the last five decades has enabled the country to double the area under cultivation to 22 million hectares. Tubewell irrigation provides almost one third of additional water to supplement canal irrigation.
* The road and highway network in Pakistan spans 260,000 km-more than five times the length inherited in 1947. Modern motorways and super highways and four lane national highways link the entire country along with secondary and tertiary roads.
* Almost 32 billion cubic feet of natural gas is generated, transmitted and distributed for industrial, commercial and domestic consumption and until recently accounted for 50 percent of the country’s energy needs.
* Private consumption standards have kept pace with the rise in income. There are 52 road vehicles for 1000 persons in 2011 relative to only one vehicle for the same number of population in 1947. Telephone connections are now available to more than 100 million people compared to 4,000 people in 1947. TV sets which were non-existent adorn 62 out of every 1,000 houses.
* Official aid had almost become insignificant by 2007 although it has resurfaced since then. Net aid flows are only 1.5 percent of national income.
* Pakistani diaspora is spread all over the world and many of them are engaged in skilled and professional jobs.

 These achievements in income, consumption, agriculture and industrial production are extremely impressive and have lifted millions of people out of poverty levels. But these do pale into insignificance when looked against the missed opportunities. The largest setback to the country has been the neglect of human development. Had adult literacy rate been close to 100 instead of close to 50 today, the per capita income would have reached at least $ 2000.

 Pakistan’s manufactured exports in the 1960s were higher than those of Malaysia. Thailand, Philippines and Indonesia. Had investment in educating the population and upgrading the training, skills and health of the labour force been up to the level of East Asian Countries and a policy of openness to world market been maintained without any break Pakistan’s exports would have been at least $ 100 billion instead of paltry $ 25 billion. Had the population growth rate been reduced from 3 percent to 2 percent, the problems of congestion and shortages in the level of infrastructure and social services would have been avoided, the poor would have obtained better access to education and health and the incidence of poverty would have been much lower than what it is today.

 The country slacked in the 1990s and began to slip in growth, exports, revenues, and development spending and got entrapped into deep morass of external and domestic indebtedness. As a result the incidence of poverty rose from 18 percent in 1988-89 to 33 percent by the end of the 1990s. The period 2000-2007 witnessed a significant economic turnaround which, however, turned into a downturn in the post 2008 period for reasons that are well known.

 Pakistanis should feel proud of what they have achieved in comparison to where they were in 1947. But they have to work hard to get back on the path that will lead to higher growth and poverty reduction.