

ECONOMIC SECURITY IN PAKISTAN: INDICATORS, ISSUES, IMPACTS AND WAY FORWARD

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ABSTRACT

Economic security is a critical component of a nation's overall well-being, encompassing various aspects such as sustainable growth, stable employment, and equitable wealth distribution. Pakistan, a developing country with a dynamic socio-economic landscape, faces multifaceted challenges in ensuring economic security for its populace. This article presents a comprehensive analysis of the indicators, issues, impacts, and potential pathways to enhance economic security in Pakistan and recommends certain key recommendations while comparing the economic conditions with other Asian economies. Comprising six sections, the research begins by elucidating the significance of economic security, followed by a detailed discussion on its primary indicators in the country. Subsequently, the study delves into the multifaceted issues and challenges that contribute to economic insecurity. In the fourth section, the article analyzes the wide-ranging impacts of these challenges. The fifth section offers a set of recommendations to address these issues, leading to the conclusion. Finally, the sixth section engages in a discussion of remedial actions to enhance economic security in Pakistan.

Keywords: Economic Security, Social Justice, Rule of Law, Taxation, Population Management.

1. INTRODUCTION

Economic insecurity is an individual's perceptions of the risk of economic misfortune against his investment for economic beneficial expectations (Dominitz & Manski, 1996). The economy of a country can be said as secure or insecure based on its economic policies. It has hardly any relevance to its temporary economic fluctuations. The main dependence of economic security lies upon considerable certainty of political direction of the country towards its economic potential, availing of opportunities and policies to cater for the overall challenges.

Economic insecurity extends beyond the mere achievement of government-set PPP or GDP targets for a financial year or otherwise. Both domestic and foreign investors are reluctant to risk their capital in an uncertain economic environment. When the conditions and activities do not foster a conducive investment atmosphere, it results in economic insecurity. The lack of confidence among investors has detrimental effects on the economy, both in the short and long term.

For industries to thrive, a steady flow of capital is crucial. However, if business owners remain uncertain about their ability to sell their products, they are hesitant to invest further in their enterprises. Consequently, public finances become ensnared in a vicious cycle, and if left unaddressed, this cycle threatens to undermine the entire economy. Urgent measures are needed to break free from this detrimental pattern and safeguard the economic stability of the nation (Yaqoob, 2012).

In such circumstances, the typical solution would involve the government intervening to boost domestic demand through stimulus measures. However, for a financially constrained government like Pakistan's, this option is somewhat restricted. Pakistan heavily relies on foreign capital inflows to sustain the economy, even when

operating at its current low level of activity. Unfortunately, the existing relations between Pakistan and the United States may result in a slowdown in the flow of American funds into the country.

An analysis of Pakistan's economic history reveals that despite a promising start, it faced a downward trajectory due to factors such as inadequate planning, political instability, mismanagement of resources, and an unfavorable investment environment caused by uncertain security, political, and infrastructure conditions. The country had to grapple with challenges like the war on terrorism, ethnic and religious rivalries, soaring price hikes, and energy shortages, which not only deterred foreign investment but also led both international and national investors to close their businesses. The situation became so dire that Pakistan, which had previously declined the last installment of an IMF loan just five years ago, found itself seeking IMF loans once again to manage its affairs.

Addressing economic insecurity in Pakistan necessitates a thorough examination of the root causes and the formulation of lasting solutions. The country's economic fragility highlights the importance of avoiding frequent regime changes. To build investor confidence, a consistent focus on developing and strengthening the democratic system is crucial. Key elements of good governance must be clearly defined and strengthened, encompassing politicians who prioritize the welfare of the people, a robust system of accountability for all public officeholders, and decentralization of policymaking and implementation to establish reliable and reputable institutions on the international stage. By pursuing these measures, Pakistan can aspire to achieve a more stable and resilient economic outlook for its future.

2. INDICATORS OF ECONOMIC SECURITY IN PAKISTAN

Economic security or financial security is the state of having a stable income or other resources to support current and future living standards. This includes:

1. Continued solvency
2. Future cash flow forecast of people or other economic entities such as the state of employment or job security.

The economic security is measured by several indicators, some of these are given as under in context of Pakistan.

2.1. ECONOMIC POTENTIAL

The economic security of a country depends upon the local potential of resources. These resources are basically natural and human, which are used for industry, trade, and commerce developments. These resources work according to government policies in their exploitation and utility. They develop in terms of the environment created in their refinement and activities established for their best application in various fields of life. Economic security is directly proportional to the opportunities availed and safeguards provided against the various challenges being faced by the resources. National economic insecurity erupts in the absence of proper and consistent monitoring of these factors.

2.2. RESOURCES FOR ECONOMY

The economy of Pakistan is the 47th largest in the world in nominal terms and 27th largest in purchasing power parity (PPP). Pakistan has a semi-industrialized economy, which mainly encompasses textiles, chemicals, food processing, agriculture and other industries (*CIA Factbook* 2011). Pakistan is rich of both natural and human resources available at very low cost and in best quality. These are highly attractive for the investors on short- and long-term bases. The resources of Pakistan can be divided in the categories of Natural, Human, Industry and Trade/Commerce.

2.3. NATURAL - ATMOSPHERIC AND GEOGRAPHIC RESOURCES

These resources comprise of air, water, solar energy and land location or conditions. Pakistan is located at latitude 23-30' and 36-45' North, having 6 types of various regions (Government of Pakistan, 1994-95). In South there are high tropical regions where temperature rises up to 52 degree Celsius and in North it falls up to -20 degree. Monsoon weather, plain lands, deserts, barren hills, plateau region and high mountain ranges are found in Pakistan (Ibid, 1994). There are plenty of strong air winds, solar heat energy, river water and nuclear energy that are potential of natural resources for the satisfaction of economic security. Pakistan is a gateway for many neighboring countries for Sea access. Afghanistan, Central Asian countries and China rely on this route for his trade to Western countries via Silk Route (Shah, 2011). India also needs passage through Pakistan territory for his

access to Afghanistan and Central Asian countries or to link pipe and transmission lines of gas/power etc with Iran. With sound communication system, Pakistan can earn foreign exchange from neighbors by providing transportation facility.

2.4. NATURAL - AGRICULTURE

Pakistan is an agriculture-based country suitable for all types of crops in various regions. From Northern areas and upper portion of Baluchistan we get high value fruits and vegetables. Central and Southern regions are rich of export quality crops and fresh fruits. Pakistan's agriculture has always provided it a saving grace through the farm sector's huge direct and indirect contribution to the country's merchandise export earnings (Khan, 2007).^{*} 79% of our total population depends upon agriculture indirectly, whereas practically Pakistan is feeding two countries i.e. Afghanistan. Therefore, level of our agriculture produce is still extremely low. Refined use of crops and livestock with their byproducts has hardly been brought into consideration, which can bring in foreign exchange and save payments. Even Biodiesel can be produced from seeds. The same applies to sea, river and farmed fishing industry.

2.5. NATURAL – MINERAL RESOURCES

Mineral resources play a key role in the development of a country. Evaluated on the basis of explored mineral resources, Pakistan is a backward country. But this does not mean that the land of Pakistan has poor mineral resources. Efforts have been made to explore copper, gold and other metals from Baluchistan. Thar coal is still lying unexplored for last 15 years. Petroleum and gas reserves also need exploration. Pakistan has a full mountain range of salt, which is being used since independence. Furthermore, best quality clay stone mountains are in abundance in Pakistan that can be used for Cement making and other Pottery products. Pakistan is the luckiest for having own Uranium reserves but still have not been used properly.

2.6. HUMAN RESOURCES

Human population itself makes up a part of the resources and in modern economics these are studied under the title of 'human resources. The first human development report in 1990 asserted that the "people are the real wealth of a nation." True development is possible by improving the quality of mindsets and character building. It is no exaggeration to say that education and human development are interlinked and complementary. An analysis of progress trend in human development indicators also identifies that these factors are interlinked through education (Baloch, 2011). Besides uplift of local human resources, Pakistan can harness the resources and energy of its citizens abroad for development.

2.7. INDUSTRIAL STRUCTURE

Strong industrial structure duly protected by government policies and regular in and out flow of investments by banks gives boost to the economy of a country. Pakistan started with an extremely weak industrial base after independence. With the implementation of Five-year plans and establishment of industrial zones a great incentive was given to the investors in 1960s. Nationalization of industry demoralized them, and they were afraid to invest after privatization process of industries in 1980s (Khan, 1998). On re-entry of foreign and local investments, the government again played havoc with them by ceasing their foreign currency accounts to save the reserves 1990s. It was the largest set back to the economic security which resulted in shift of foreign currency accounts in other countries by investors, while doing business in Pakistan. Poor Law and Order situation and economic mismanagement has now resulted in shift of industry to other countries, both by local and foreign investors.

2.8. TRADE AND COMMERCE

The level of progress of a county in the field of trade and commerce is the level of its general economic progress. The basic fact about our foreign trade structure is that the base of our exports is extremely narrow. Our industry is import-oriented. 50% of our exports consist of industrial raw materials. The population is growing fast, and the number of consumers is increasing accordingly. The consumer market is expanding but production is not increasing at the same pace. Agricultural produce is declining due to primitive agriculture practices; the number of sick industrial units is growing rapidly. Foreign investment has been adversely affected due to political unrest

^{*} The indirect contribution of agriculture to export earnings comes from the textile sector, which contribute about 60 percent of the export earnings. Pakistan is the fifth largest cotton producer in the world and most of its textile export earnings depend on the raw cotton produced in the country.

and terrorist activities. It can be assessed from the major fluctuations in the KSE 100 index during last two decades.

2.9. OPPORTUNITIES

Besides sound potential of resources Pakistan has many opportunities to maintain and exploit the economic security by investing and protecting the degrading portions of financially weak or unattractive sectors. Regional and global markets are available for trade on cash and barter bases. Pakistan has been continuously receiving foreign aid from brother Muslim countries, USA and Western states. Since 1948, the United States has pledged more than \$30 billion in direct aid, about half for military assistance. Two-thirds of this total aid was appropriated in the post-9/11 era from FY2002 to FY2010 for war against terrorism (*U.S. Department of State*). US assistance to Pakistan has fluctuated considerably over the past 60 years. Details of US aid to Pakistan in various heads are given in Appendix A.

2.10. CHALLENGES

Economic security works in the most conducive environments, where production must not hamper due to short misbalance and fluctuation in trade and commerce. Economic policies should have the capabilities to absorb the occasional shocks and recessions. Investments need protection against such probabilities. Pakistan economy has to face the challenge of competition in global market in quality and price (Khan, 2011). Neighboring countries having the same type of economic potential provide the export goods at cheaper prices because the cost price in those countries is lesser than Pakistan. This requires a sound and consistent policy by the government, but political instability and inadequate economic expertise has shaken the confidence of investors. In the present regime three Finance Ministers were changed within a period of short span of initial two years, when government gives its financial policy. Law and order situation, terrorism, persistent price hike, non-availability of gas and power along with weak labor laws and policies resulting in strikes and lockouts have compelled the investors to shift.

2.11. SAFEGUARDS

Economic planning is essential for the development of the economy in any state so that confidence of the investors and consumers can be built, and circulation of money continued. Prof. Lewis has defined planning as, “economic planning is a scheme of an economic organization for the purpose of utilizing all available resources to achieve maximum satisfaction of people’s needs within a given time.” (Ibid, 2015).

Following reasons suggest economic planning to the policy makers in Pakistan.

- a. National income needs to be enhanced. Standards of living need to be improved by increasing per capita income level.
- b. New job opportunities to be created to meet the problem of unemployment and Disparity among different classes of people reduced.
- c. A better balance of payment needs to be acquired by improving foreign exchange earning capacity.
- d. Investment behavior needs to be reoriented and brought in conformity with the national interests instead of the narrow personal interests of the investors.
- e. Process of sustainable economic growth needs to set in by creating an atmosphere congenial for long term development planning.

With the above perspective, Pakistan also made economic planning in the form of Five Years Plans given in detail at Appendix B. Long term projects were started, and investments were supported which led the country towards prosperity and fast development. Apparently, the country achieved 7% annual growth rate, but gap between rich and poor widened. Dependence on foreign aid and payments in foreign exchange for the purchase of raw material and industrial spare parts increased (Ministry of Finance, 2005-6). The policy makers tried to hit a balance between the industrial and agricultural growth. The new fiscal policy aimed at enhancing dependence on internal savings instead of foreign aid. Social services were expanded and HRD (Human Resource Development) for the first time emerged as a guiding principle of the fiscal policies.

3. MAJOR CAUSES OF ECONOMIC INSECURITY

The economic stability of Pakistan is highly insured despite a number of despite showing a number of indicators. Following are the major issues and problems to the economic stability of Pakistan.

3.1. POLITICAL INSTABILITY

Conventional wisdom suggests that economic growth requires political stability, yet the Pakistani case challenges this notion. Over the last six decades, Pakistan has witnessed a staggering twenty-three governments, comprising fourteen elected or appointed prime ministers, five interim governments, and a cumulative thirty-three years of military rule led by four different leaders. Despite this turbulent political landscape, Pakistan has managed to experience some level of economic growth, defying the commonly held belief (McGrath, 2001). Difficult transitions of political regime caused uncertainty and reductions in economic growth.

The economic policy regime has only changed twice (Qureshi, 1984). In the 1960s, Pakistan embraced a liberal, private sector-led economic approach, which, however, underwent a transformation in the 1970s, transitioning into a socialist economic model. The rejection of this socialist model in 1977 led to the revival of the liberal economic model. Since then, the overall direction of economic policy has remained unchanged, maintaining its focus on the liberal, private sector-oriented approach (Hussain, 2009). The shift of authority from military to civilian regimes in 1971, 1988, and 2008 was accompanied by episodes of macroeconomic instability. During these transitions, there were notable slowdowns in economic activities, a surge in unemployment and inflation rates, and a cautious, wait-and-see approach adopted by investors.

3.2. CENTRALIZATION OF POWERS

Across the globe, diversity is celebrated and encouraged, but regrettably, we attempted to stifle it by propagating the notion of a single, unified nation. This approach had adverse effects, leading to bitterness and animosity in the smaller provinces. Moreover, the economic policies exhibited a bias towards one particular region, exploiting the resources of the smaller provinces. An evident example of this disparity was the discovery of Sui gas in 1952, which was promptly supplied to major cities like Karachi, Lahore, and Abbotabad, but Quetta had to wait until 1985 to receive its share. The central government retained the majority of powers, depriving the provinces of their rightful entitlement until the 18th amendment was introduced, which granted them partial fiscal autonomy (Rabbani, 2011).

3.3. LAW AND ORDER SITUATION

Peace, beyond its intrinsic value, yields substantial economic benefits and stands as the most potent catalyst for growth. The European experience vividly illustrates how prosperity flourishes through trade, interdependence, and mutual growth. Consequently, this fosters peaceful relations even among neighboring nations previously engulfed in strife. However, Pakistan's current challenges, spanning political, social, and economic spheres, often stem from complex interplays involving religion, ethnicity, the military, democratic institutions, and civil society. By addressing these interrelated factors, the path to a more harmonious and prosperous future can be charted. Poor Law and Order situation, extortion, target and indiscriminate killings, abduction and killing of foreigners, daily price hikes and strikes coupled with terrorism and non-supply of gas, power and water has compelled the investors to shut down or minimize their business in Pakistan and to shift their industry in other secure countries like Bangladesh and China.

3.4. FOREIGN INTERFERENCE

The birth of Pakistan was met with skepticism from the international community. The ideological and theoretical challenges faced by Pakistan can largely be attributed to foreign interference in the processes of nation-building, ideology, and religion. Christopher Jaffrelot, a prominent scholar, contended that relying solely on Muslim historical heritage proved inadequate to bind together ethnically diverse groups into a cohesive nation (Jaffrelot, 2005). The adversarial relationship with its large neighbor India pushed Pakistan toward finding a strong ally. The United States was more than happy to oblige and found that Pakistan's strategic location fit in well with its desire to build a cordon sanitaire around the Soviet Union, China and Eastern Europe (Kux, 2001). US have been dictating the terms of national affairs especially political government setups (Epstein & Kronstadt, 2013).

3.5. STRAINED RELATIONS WITH NEIGHBORS

Pakistan has fought two wars with India with many short-armed conflicts besides escalations and disputes like Kashmir, Sir Creek and water. It resulted in extraordinary expenditure on military development and purchase of weapons. Due to external and internal wars within Afghanistan, Pakistan is blamed for supporting the opposite parties. Contrarily Pakistan is always implicated in wars due to their own demands (Hussain, 2009). Relations with Iran have also been fluctuating depending upon the religious nature of regimes in Pakistan; hence no good, sustained trade relation could be established.

3.6. CONSTANT INFLUX OF REFUGEES

There has been a constant influx of refugees in Pakistan since her independence. During 1947 to 1950 nearly Ten Million people migrated from India in both parts of Pakistan. After separation of Bangladesh, a bulk of Beharis shifted to Pakistan. Meanwhile spells of Afghan refugees entered Pakistan due to Soviet invasion in Afghanistan and scored over 3 Million. Still 2 million persons reside in Pakistan with serious social, economic, political and law and order implications (Naseer, 2010). Pakistan's alliance with US led NATO forces in 'war on terrorism' not only caused additional immigrants from Afghanistan but also shifted the war theatre into Pakistan (Matinuddin, 1991). Military Operations in Swat and FATA etc resulted in movement of over 250,000 IDPs from those areas (Naseer, 2010). Suicide bombing on sensitive civil and military installations, hotels, schools, mosques and foreigner teams and personalities caused a label of 'epicenter of terrorism' and 'failed state' (Ibid, 2010) resulting in total collapse of economic activities.

3.7. SOCIAL INJUSTICE

Social injustice is persistently done in Pakistan by political, religious, regional and sectarian lords. There is disparity in rural - urban populace. The rural population that is 70% and major work force is hardly provided education, means of communication and market access. Resources of one region were used for the benefit of another, creating resentment and hatred among various regional groups. Separation of East Pakistan from Western part was due to this reason. The same applies to Baluchistan independence movement because their natural resources are used for the benefits of other provinces. Gender discrimination has made 51% female populace worthless to participate in economic development. Religious and rural gurus discourage female education to deprive them from income, food expenditure, ownership of assets and empowerment (Sattar & Ahmed, 2011).

3.8. SLOW DEVELOPMENT OF INFRASTRUCTURE

On independence, Pakistan's infrastructure and means of communication was old. Only a few main roads and rail-tracks existed, which were in depilated condition. Despite the making of industrial zones and incentives for investors this fact was ignored. Investors faced multiple problems; accommodation of educated supervisory staff, transportation of raw material, availability power supply and machinery with problematic access to market and ports for exports. Although much improvement has been made, even then it does not satisfy the investors with better earnings. The policy and efforts made by one regime is abandoned or decelerated by the other. Alternate and linking routes exist but are still undeveloped.

3.9. DIVERSIFIED EDUCATION SYSTEM

There are many education systems in Pakistan in various types of schools and educational institutes. One education system does not accommodate the students of another. English medium learned students dominate in getting admission in professional institutes due to strong English background and others get frustrated. Acceptance of Degrees and Certificates at University level is problematic for candidates. University Grants Commission was made effective by renewal of its name as Higher Education Commission by previous regime and it worked extremely well by producing a large number of highly qualified work force which played a pivotal role in economic development (Safdar & Malik, 2011). Now this department has been devolved to provinces under 18th amendment.

3.10. POPULATION MISMANAGEMENT

Human resources play a key role in economic development. The educated workforce quickly understands the requirements, but this resource has never been exploited. Most of the population inhabits rural or remote areas and students have to travel many miles to get higher education. Private education is very costly and unaffordable. Census every ten years is not followed; therefore, population management is an arduous job. This has adversely affected the national economy. Fertility rate is high and child growth old fashion results in high death rate. Government schemes of birth control fail due to lack of awareness and incorrect propaganda that it is against the tenants of Islam.

3.11. POOR TAXATION AND TARIFF SYSTEM

Pakistan has a very narrow base for tax collection. Incentives in development of agriculture and industry paved way in deposition of money in a few hands. Rich became richer and poorer, the poorer. Tax exemptions were fully enjoyed by investors, but poor were not paid their due (Kardar, 2012). Taxing on lands and services are still a bone of contention among politicians. The governments, instead of identifying the causes of 80% tax evasion

and increasing the tax collection base, use alternative measures by imposing tariffs on import/export of goods and GSTs. It only resulted in price hikes and economic survival risks increased manifold both for individual and investors.

3.12. COMPLICATED BUREAUCRATIC CHANNELS

All such policies and systems which provide economic security are handled by the bureaucracy. A long chain of NOCs breaks an investor before setting up an industry. Investment files are kept with departments for a long period and unnecessary objections are made for personal gains. Certain politicians and bureaucrats continue to oppose privatization because of the resulting reduced opportunities for patronage or earnings as fees or junket trips abroad (Kardar, 2011).

4. IMPACTS OF ECONOMIC INSECURITY

Economic insecurity is not an independent phenomenon, it has a great adverse impact on the state of condition of the country. In Pakistan insecurity of economy has inter alia following impacts.

4.1. DECREASE IN INVESTMENTS

Political instability, varied economic policies, and ceasing of foreign currency accounts shattered the confidence of investors. Persistent price hikes of products, lawlessness, extortions, and poor labor policies forced investors to divert their business to other countries. Consumer oriented products have ceased their local production and now even natural fertilizer which is a byproduct of livestock is imported. Both Multinational and National companies are gradually shifting their factories in other countries like Bangladesh, India, and China etc. The cotton cloth mills, and garment factories have been discouraged to the extent that owners are unable to pay the daily wages to their employees. Hence the main source of foreign exchange is on the verge of closure.

4.2. SHIFT OF LABOUR AND SKILL TO ABROAD

Initially the country enjoyed economic development through meaningful planning. Industry and agriculture growth made Pakistan a role model for newly liberated countries. Job opportunities were available in every field of life, but economic and social mismanagement resulted in reversing the situation. Nationalization of industry and rationing of the food items ceased private or foreign investments. During this period maximum skilled persons, intellectuals and scholars settled in other countries causing a brain drain in Pakistan. Lucrative job opportunities in Arab countries drained the national labor force both in cities and rural areas. Although it increased remittance rate but resulted in rise of labor charges and cost rate of products, thereby lowering economic growth in general.

4.3. POLITICAL UNREST AMONG MASSES

Losing control of government over private sector, weak economic policies and feudalism enhanced a gap between poor and rich, rural, and urban with developed and undeveloped regional areas. This gulf kept on increasing till it resulted in separation of two parts of the country. Lessons were still not learnt and common people were not provided equal opportunities. It resulted in a major shift of masses from rural to urban areas and from underdeveloped to developed regions. It caused municipal problems in cities and acute shortage of work force in other areas. A sense of deprivation among people, groups and provincial regions has caused economic autonomy demand.

4.4. RISE IN ANTI SOCIAL/STATE ACTIVITIES

There is a common saying that a hungry man is an angry man. This has become now true in our country. Daily strikes, shutter downs, rallies, and load shedding on all the necessities has made the life of daily wage workers miserable. Illiteracy, hunger, over burden of large family and acute shortage of money to run the kitchen has paved way toward a trend for getting easy money. This money is provided by the anti-social and anti-state elements to promote their ill wills. The effects can be seen easily in the form of terrorism, target and indiscriminate killings, suicide attacks and extortions causing economic insecurity in presence all the potentials and resources.

5. REMEDIAL MEASURES

The economic insecurity in Pakistan can be decreased by adopting the following remedial measures.

5.1. STRENGTHENING OF CONSTITUTIONAL INSTITUTIONS

Constitution of Pakistan has laid down patterns to run various affairs of State which must be strictly adhered. Parliament is the law maker; it should function without indulging in personal or political differences. The democratic system for political government should work. Executive, Judiciary and Military must perform their

duties without crossing their limits. Other constitutional institutions and authorities should deliver the requisites as per their laws.

5.2. ECONOMIC REFORMS

The architecture of economic planning and management in the country needs structural improvement for better outcomes (Sherani, 2012). Economic management in Pakistan has been based on adhoc decisions and temporary patchwork neglecting fundamentals of economy. It has given birth to two interrelated structural deficits of budget and balance of payment. Structural policy reforms combined with an improvement in economic governance lays the foundations for accelerated growth (Husain, 2006). The main preconditions are (Hussain, 2003):

- a. Favorable global economic conditions
- b. Successful integration of Pakistan into the global economy
- c. Pursuit of sound, credible and consistent economic policies
- d. Strong institutional delivery and governance framework
- e. Investment in physical infrastructure and human development and
- f. Continued political stability and peaceful security conditions.

5.3. LABOUR POLICIES

Laborers are an integral part of trade, industrial, agricultural mining, and infrastructure development. Unless sound policies are made to protect the rights of labor, true economic development will be a dream. Such policies must protect their wages, health, and social security rights so that they would not be misused or exploited by ill doers. Similarly, the rights of investors and employers should be looked after so that they must not be blackmailed by labor unions.

5.4. INDUSTRIAL INCENTIVES

Industrial incentives already given to investors must be revisited and shortcomings removed. Reasons for the reduction in industrial development should be investigated and problems should be resolved as a priority. We should unleash the potential of our people, exploit our competitive advantages of resources, integrate with global markets, and continue building a dynamic market economy with world class infrastructure to achieve our growth objectives.

5.5. PEACE (INTERNAL & EXTERNAL)

Peace itself has an enormous economic benefit and is the greatest engine of growth. Prosperity comes as it did in Europe with trade, interdependence, and mutual growth. This in turn introduced peace even amongst fratricidal neighbors who had fought horrible World Wars I and II. Our alliance in war against terrorism has exposed our country to economic disaster which must be addressed on war footing. Monetary gains in this respect must be used for peace and internal security and through dialogues with involved parties.

5.6. ENHANCEMENT OF SOCIAL JUSTICE

Equal rights and opportunities for all can bring prosperity. Policies should not allow accommodation of wealth in a few hands, but it should be shared among all equally. Gender discrimination should be banned immediately, and female work force be used in economic development equally. Harassment of any nature would be controlled, and delinquents brought to justice in an exemplary manner. If Malaysia can use the female labor, then we also should learn a lesson.

5.7. PROVINCIAL HARMONY

The provinces should be allowed to bag democratic mandates in their respective regions and what kind of economics they prefer. The provinces should cooperate with one another in economic development by sharing their resources in bilateral benefits. The central government and military should only be there to facilitate democratic and progressive provincialism.

5.8. SKILL DEVELOPMENT AND CHARACTER BUILDING

There should be only one education system throughout the country. People moving from one part to another should not face problems due to differences in education systems as it is applicable all over the world. Syllabi should be defined and formulated covering core subjects taught commonly with some optional subjects so that peculiar requirements of a specific education system could be covered. Technical training and character-building education should be included from secondary level for nation building.

5.9. MANAGEMENT OF RESOURCES

Environmental and biological resources should be utilized for permanent management of water, power, nuclear and petroleum. Electricity can be generated from solar, air or animal and plants byproducts to save water for irrigation and petroleum for locomotive running. It will save foreign exchange and give headway to local investments, thereby providing an open market to international buyers.

5.10. RULE OF LAW

Justice should not only be done but it should appear as has been done. Culprits must not escape from Law and create a sense of security to commons. Industrialists have mostly left the country because of kidnapping for huge ransom and hardly any protection is provided. Foreigners are targeted for abduction and are killed in bomb blasts whereas intelligence law enforcing agencies can do nothing.

5.11. REVENUE COLLECTION

Government is run on the basis on revenue generated by imposing taxes and tariffs. This revenue is spent on welfare of the country and to run the government machinery. Government should have a broad base for revenue collection so that minimum burden is placed on taxpayers. Our government can generate huge revenue by providing passage to Afghanistan, Central Asian counties, and China from sea. It will need sound infrastructure and communication means from Ports at Karachi and Gwadar. Tax on agriculture and services are unexplored sectors for revenue collections.

5.12. FACILITATION IN NEGOTIATING BUREAUCRATIC PROCESS

There should an easy process for setting up industries and investments in development projects. The list of permits, licenses, NOCs and clearances should be reduced to minimum possible level. The investors should be facilitated through favorable guidance and time saving procedures. Files must not be kept pending for indefinite periods and efficiency of bureaucratic channels increased so that no one should get or give gratification by adopting illegal means.

6. CONCLUSION

Pakistan has potential of natural and human resources. Geographic and climatic environments are favorable for agriculture and provide passage routes to neighboring countries. Pakistan was one of the few developing countries in 1960s that had achieved growth rate of over 5% in four decades. Consequently, the incidence of poverty had declined from 40% to 18 %. The overall picture is that we made significant economic achievements but a disappointing record of social development. Presently the country is again underdeveloped countries at position 127 out of 154.

The achieved improvements could not be maintained due to political instability, terrorism, inflation, and dependence on foreign aid. There has been poor management of economic policies and ignoring the exploitation of available natural and human resources. Centralisation of power, persistent foreign interference and strained relations with neighbours kept the economic development process derailed. War torn country of Afghanistan has always been dependent on Pakistan for food and commodities. Besides separation refugees, there has been a constant influx of refugees from Afghanistan and IDPs from upper parts of the country causing serious security and economic implications.

Pakistan could not emerge as a competitive economy due to lack of control on law-and-order situation that caused economic insecurity. Social injustice, slow development of infrastructure and mismanagement in nearly all walks of life lead to disharmony in economic development. On the other hand, weak taxation and bureaucratic approach discouraged both the people and investors. It not only decreased investments but also caused unrest which resulted in brain drain and creation of anti social elements. A comparison with neighboring countries shows that they addressed the above causes as a first step and then look around for foreign exchange income. There is a need for us to prioritize the goals and achieve the targets for a stable economic environment.

8. RECOMMENDATIONS

Based on the facts and economic situation narrated above along with data given in the Appendices, following is recommended:

- a. All institutions perform their duties with the highest degree of moral values for inter departmental and provincial harmony.

- b. Dams and nuclear power-generation systems may be used to generate electricity in place of petroleum and gas to save foreign exchange.
- c. Power generation from wind, solar and byproducts of animals and plants may be studied for indigenous and cost-effective production of electricity.
- d. Food and related infrastructure such as farms fisheries, hatcheries may be promoted for provisioning of cheap food to local populace and export for foreign exchange earnings.
- e. Being an agrarian economy, provision of water, cheap electricity and machinery may be ensured.
- f. Character building religious education may be included for implementation in all tiers of society to handle
- g. Law and order situation.
- h. Pakistan's best infrastructure network of water and gas may be used for swift circulation of money by finance encouragement, skill development and facilitating in bureaucratic process.
- i. FBR may increase bases to generate revenues for government to carry out the nation building programs.
- j. Microfinance frameworks may establish strong base to bring financial services to the masses through sharing in modarbas into housing, rural agriculture and other savings instruments.
- k. The Competition Commission may continue to deregulate and privatize the economy to create a vibrant and competitive economy.
- l. Social justice and management system may be ensured and equal job and education opportunities provided to all.

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