

Zahid Hussain Memorial Lecture

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ROLE OF GOVERNMENT IN ECONOMIC DEVELOPMENT

Pakistan after its independence for the first time has experienced successful transfer of power through democratic process. It is indeed a victory for democracy, but let us pause here, and take stock of the situation.

Decades of internal political disputes and low levels of foreign investment have led to slow growth and underdevelopment in Pakistan. Agriculture accounts for more than one-fifth of output and two-fifths of employment. Textiles account for most of Pakistan's export earnings, and Pakistan's failure to expand a viable export base for other manufacturers has left the country vulnerable to shifts in world demand. Official unemployment is under 6%, but this fails to capture the true picture, because much of the economy is informal and unemployment remains high. Over the few past years, low growth and high inflation, led by a spurt in food prices, have increased the amount of poverty – the UN Human Development Report estimated poverty in 2011 at almost 50% of the population. Inflation has worsened the situation, climbing from 7.7% in 2007 to almost 12% for 2011, before declining to 10% in 2012. As a result of political and economic instability, the Pakistani rupee has depreciated more than 40% since 2007. The government agreed to an International Monetary Fund (IMF) standby Arrangement in November, 2008 in response to a balance of payments crisis. Although the economy has stabilized since the crisis, it has failed to recover Foreign

Investment has not returned, due to investors concerns related to governance, energy, security, and a slow-down in the global economy. Remittances from overseas workers, averaging about \$ 1 billion a month since March 2011, remain a bright spot for Pakistan. However, after a small current account surplus in fiscal year 2011 (July 2010 / June 2011), Pakistan's current account turned to deficit in fiscal year 2012, spurred by higher prices for imported oil and lower prices for exported cotton. Pakistan remains stuck in a low-income, low-growth trap, with growth averaging about 3% per year from 2008 to 2012. Pakistan must address long standing issues related to government revenues and energy production in order to spur the amount of economic growth that will be necessary to employ its growth population. Other long term challenges include expanding investment in education and healthcare reducing dependence on foreign donors¹.

On 28th May, 2013 the New York Times wrote an article on the energy crisis in Pakistan. I have not found a better analysis of the energy problems facing Pakistan, and the solutions available.

“A week before he is to be sworn in as Pakistan's Prime Minister for the third time, Nawaz Sharif has secured one form of power, yet now faces a fierce battle to find another”

Electricity shortages, bad for years, have reached crisis proportions. Lights go out for at least 10 hours a day in major cities, and up to 22 hours a day in rural areas. As the summer heat pressed in suddenly last week – touching 118 degrees Fahrenheit in the

¹ http://www.indexmundi.com/pakistan/economy_profile.html

eastern city of Lahore – Pakistanis again took to the streets to protest the chaotic state of the country's power delivery system.

Doctors and nurses picketed outside hospitals, complaining about lacking clean water and having to cancel operations. Demonstrators burned tires, blocked traffic or pelted electricity company officials with stones.

Students cannot study for exams, morgues struggle with decomposing bodies, and even the rich complain that their expensive backup generators are straining badly – or, in some cases, blowing up from overuse.

In a bid to quell discontent, Pakistan's interim government, which is running the country until Mr. Sharif takes over, has ordered civil servants to switch off their air-conditioners and stop wearing socks – reasoning that sandals were more appropriate in such hot conditions.

"Everyone is affected," said Iqbal Jamil, a heat-flustered resident of Landhi, a neighborhood in Karachi.

The crisis is the product of multiple factors, from decrepit power plants to crumbling transmission lines to decades-old policy mistakes. One reason, however, stands above the others: most Pakistanis will not pay their bills.

The system is paralyzed by \$5 billion in "circular debt" — basically, a long chain of unpaid bills that cuts across society, from government departments to wealthy politicians to slum dwellers. At its worst, this leaves power providers with no funds to pay for fuel, so their plants slow or shut down entirely.

As a political issue, electricity has galvanized the Pakistani public — more so, even, than Islamist militancy. Mr. Sharif swept to victory in the May 11 election in part on the appeal of slogans promising to deliver a "shining Pakistan" and to "end the darkness."²

This is not all; Pakistan today faces the most difficult choices it has to make for its survival. With more than 53000 innocent lives lost at the hands of militants, the TTP, and other ostensibly proscribed organizations since 2001, and a low level insurgency in Baluchistan after the tragic assassination of Sardar Bugti, we find the commercial capital of Pakistan turned into a battleground for contending political parties; different mafias such as the land mafia, the narcotics and gun running gangs taking over a city of more than 20 million people.

There may have been a successful transfer of power through the ballot, for the high profile political stakeholders, but the common person continues to die or be maimed for life by the bullet from Karachi to Khyber.

The portrait of Pakistan's political and social landscape is worse than the East Pakistan crisis.

We survived the aftermath of that crisis. Will we survive the war within, the economic disasters, absence of viable policies leading to a patchwork of adhocism? How long will Pakistan be able to sustain the status quo suffered by the people for the 65 years.

² http://www.nytimes.com/2013/05/28/world/asia/pakistan-eletricity-shortages-reach-crisis-stage.html?pagewanted=all&_r=0

Let me cite here the events of 1954, when the Constituent Assembly was still confronted with the daunting task of framing a Constitution, which never happened: The squabbles on power confrontation between the Governor General and the Prime Minister, led the Constituent Assembly to pass 5 amendments in the 1935 Act, which till then was the basic law of Pakistan. The last two amendments hastened the imposition of Emergency in Pakistan and the dissolution of the Assembly; the first amendment was vesting the High Courts and the Chief Court of Sindh with Writ Jurisdiction, and the final amendment made was making the advice of the Prime Minister and the Cabinet binding on the Governor General. Neither of these were contemplated in the 1935 Act and the Governor General in Council was the lawful authority. Without commenting any further on the controversy, let us move fast forward. In 1985, with Revival of the Constitution Order inserting the 8th Amendment in the Constitution, Article 58 (2) (b) which gave the President power to dissolve the Assembly sending the Government home, remained the touchstone of our politics for 30 years till the 18th Amendment repealed the contentious provision in 2012.

1947 to 2013 has not given the common person any light from the Independence. In the words of Faiz Ahmed Faiz, the dawn of freedom has not yet dawned:

ye daag daag ujala, ye shabgajida sahar

vo intezar tha jis ka, ye vo sahar to nahin

ye vo sahar to nahin jis ki aarzoo lekar

chale the yaar ki mil jayegi kahin n kahin

falak ke dasht men taron ki aakhiri Manzil

kahin to hoga shab-e-sust mauj ka sahil

It is time that we move out of populism and do a serious introspection of our political and state institutions. Corruption remains a big word on all forums without a break. Corruption is endemic to our social life. What was in early days given an "Honorable" tag borrowing the phrase from Urdu "Balai Amdani" has now become a status symbol. Blame cannot just be put on those who delve in corrupt practices, but, by and large, the society accepts and acknowledges the corrupt. We can only assign the blame on the loss of integrity of character of our society which it has gradually lost.

State institutions cannot remedy the problem. It is only through respect for law which is necessary if we wish to change our situation. Hong Kong is a vivid example of how the state institutions and the population got together to rid the country from utter corruption. It would not be hard homework for the stakeholders and the responsible personalities to study Hong Kong, if they really wish to change our social character.

Let me move forward from here and take up more serious issues such as militancy, economic woes, failure of law and order, loss of writ of law within the institutions and the population. Let me say with dismay that the loss of the writ of law is lost when the Orders and the Judgments of the Courts are not complied. From Darshin Masih's Case in 1990 to the latest Supreme Court Judgments, the government somehow finds loopholes for not implementing the same.

From 1980s, we have witnessed a very steep spike in the tribal jirgas, an unconstitutional and a parallel judicial and administrative setup symbolizing tribalism over constitutionalism in Pakistan. This is certainly not a happy situation. It only goes to show how the formal institutions are collapsing in the face of tribal culture.

Article 256 of the Constitution of Pakistan in most clear and unequivocal terms prohibits private organizations either to create or maintain private militias. Today Pakistan has far more trained and technologically private armies creating havoc within the territory of Pakistan, without let or hindrance.

In the aftermath of the bloodshed of innocent people, all that can be said is that the state institutions are proving General Zia ul Haq's famous quote "the Constitution is only a scrap of paper". Regrettably the Constitution has been relegated to procedures only. From Article 9 to Article 28, we find them either lost to the convenience of Politics or deliberately avoided. The Constitution is the social contract on which any state subsists. In Pakistan neither Article 5 which demands from the people obedience to law, while guaranteeing their fundamental rights as reciprocal promises through Articles 8 to 28. None of the reciprocity is seen today. Do we need a new social contract is a question which the state and the people must answer, if Pakistan is to survive. Nations do not simply live on patriotism and rhetoric. For any responsible state to exist progressively and by the rule of law, governance and democracy must move hand in hand. Democracies do not survive on dead bodies, flesh and blood, which highlights anarchy not democracy.

South Africa was suffering from apartheid. Worst crimes were committed by the State actors and non-state actors acting as vassals of state institutions. It was through the famous Truth and National Reconciliation Commission that today South Africa has become the pride of the African Continent.

We in Pakistan, I am sorry to note, have lost track to distinguish good and bad, just and unjust, right and wrong. Yet we claim to be the fortress of Islam. The original Islamic society established by Holy Prophet (PBUH) was done so on the anvil of TRUTH. South Africa actually showed the world how to search for truth in the 20th Century.

Let me end this paper by quoting from philosophy, the example of Jesus Christ. Only moments before the Romans were going to crucify Him. Jesus Christ spoke out "by killing me you cannot kill the TRUTH". The crowd gathered to witness the crucifixation was overawed by his word. Pontius Pilate, the Governor of Rome, sensing the rising tensions in the crowd immediately called for a public speech in the royal pulpit of Rome, and gave the Roman version of the TRUTH to the people. The fact remains the TRUTH for which Jesus Christ gave his life lives on; Rome is forgotten save in history.

We in Pakistan it seems have lost all track of the TRUTH and its basic precepts. Unless we retrace our steps back to the civilized Pakistan that one was, we may continue to be consumed by our false pretenses and perceptions of TRUTH which today stands out as the antithesis of the former.