

WHITHER PAKISTAN?

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Pakistan is today facing multiple problems. Taliban control large areas of the Northwest with support of local people. Fundamentalists and terrorists rule the Punjab. Sind is marred by sectarian violence and voices in favour of separation can be heard from Baluchistan. Unemployment has reached 16 percent and inflation is running at 22 percent while the rate of growth has collapsed from the respectable 7 percent of Musharraf's period to a measly 2 percent today. The huge natural resources are unable to bail out the country. Pakistan has a fifth of world's gold reserves, world's biggest coal reserves except that of the United States, huge availability of natural gas and irrigated agricultural land more than whole of Europe. Yet the country is in dire straits.

The problem appears to be rooted in the feudal system that prevails in the countryside. A report in *the New York Times* has this to say: "The extraordinary inequities in Pakistan seem not only unjust but also an impediment to both economic growth and national consensus... in remote areas you periodically run into vast estates - comparable to medieval Europe - in which the landowner runs the town, perhaps operates a private prison in which enemies are placed, and sometimes pretty much enslaves local people through debt bondage, generation after generation... (This) lack of compassion for ordinary people seems to create space for Islamic extremists." The landlords get elected as MPs and instead of paying taxes on their vast estates further rip off the state of scarce revenues. This feudal system prevails in the field of education as well. There are top notch English medium schools for the elite while the common man has to send his child to government schools where teachers do not bother to show up. The people are deprived both of respectable livelihood as well as chances of progress.

A writer on a blog by the name 'Overseas Pakistani Friends' says that land reforms was "high on the national agenda for decades till the Zia-created religious courts issued the incredible verdict that land reform is un-Islamic. The way peasants were subsequently forced to give up lands acquired under land reforms - by force in Pakhtunkhwa and by legal chicanery in Punjab and Sind - is a matter of abiding shame for all conscious citizens of Pakistan."

The tight control of the feudal elite on land and education pushed the common man into the laps of religious fundamentalism. Large sections of the people today support the Taliban, it seems, largely for this reason. The army has also regularly created scare of 'India's designs on Pakistan' to distract attention of the people from their domestic woes. This anti-India harangue has helped build a consensus in favour of large defense expenditures, the beneficiaries of which are the top army brass. This has left little revenue for investment in education, technology, highways, railways and other infrastructure necessary for the exploitation of the country's vast natural and human resources. Limited spread of education has prevented development of grassroots entrepreneurship. The urban economy is controlled by 22 families and leaves few entry points for the less advantaged but ambitious youth. The limited spread of manufacturing has deprived the state of revenues and forced the government repeatedly to seek bailout packages from the International Monetary Fund and other agencies.

Ayub Khan had tried to shift the economy from agriculture to industry. The landlord lobby did not take kindly to this. The policy also did not provide much relief to the urban working class because the control of industries by few families was supported by the police. The policy of promoting industries was correct yet it failed due to incorrect implementation and led to widespread unrest among both rural landlords and urban working class. Zulfikar Ali Bhutto nationalized the industries, banks and even education to soothen this discontent. But that only placed the industries in the hands of the political masters dominated by the rural landlords. The underlying economy became yet more inefficient.

Musharraf tried to manage this by resorting to more foreign assistance. The events of 9/11 created a willingness in the United States to provide large assistance. Musharraf opened the economy to foreign investment. But this came mainly in the service sectors, not in the productive sector such as software parks and steel mills. In result, the respectable rate of growth of 7 percent achieved under him proved to be a bubble.

The services sector can be broken into three parts. One is stand-alone providers such as music, movies and software. Second is transport, telecom and other services that support other agricultural and manufacturing activities. Third is the share markets, finance and real estate which have little productive content. This third part can grow quickly like a big bubble without any firm foundation. This is the sector that grew during Musharraf's regime. No wonder it burst with the onset of global recession in 2008.

President Zardari is hemmed in from all sides today. The landlord lobby and army is not agreeable to the implementation of land reforms. Share and property markets have collapsed. Foreign investment is falling precipitously. Industrial production is not expanding because there is little spread of entrepreneurship. The increasing discontent among the people and corresponding increase in pressure from the Taliban is putting extreme pressure of defense expenditures on the state finances. □□□