



# **INSTITUTE OF BUSINESS MANAGEMENT**

## **Economic Growth & Development**

### **In Martial Laws**

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**Short Term Research Paper**

**Pakistan Economic Policy (ECO402)**

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## *Abstract*

*“The martial law system has had a profound social, strategic and financial impact on Pakistani society. Martial law aims to suspend all currently governing political organizations and repeal all existing constitutions. This system is implemented mainly with the help of brute force and big politicians, so their collective ideology can be imposed on the state. The main reasons for the emergence of martial law in the country are government corruption, a lack of patriotic leadership, and the administrative failure of the country as a whole.”*

## INTRODUCTION

Martial law is a state in which the country's armed forces directly control day-to-day civilian functions while suspending the government's civil law. This most often occurs during temporary emergencies where civilian forces are in an overwhelming situation. In the past few years, a total of four martial laws have been declared in Pakistan.

Since independence in 1947, Pakistan has been under military rule several times, almost half a year. There have been three periods of martial law in Pakistan. (Wikipedia, 2020) A military coup began in Pakistan in 1958. There have been several successful attempts since 1951. Pakistan has been living under a military regime for several years since its founding in 1947 (1958-1971, 1977-1988, 1999-2008).

## OBJECTIVE

This research paper aims to analyze the authoritarian regime in Pakistan concerning economic development, in which I would like to discuss the eras of Ayub, Muhammad Yahya Khan, Zia, and Pervez Musharraf.

In Pakistan, it is always said that a military government is better than a democratic government, and the military government also said, “Economic growth and power are always better in a military government than in a democratic government. Especially in countries such as Pakistan, where the military or military government has ruled for half of the entire period since its founding, the seeds of democracy have not been maintained” (Ahmed, 2014, 46). We know that the main task of the military is to protect the borders of the country, not the political arena of the country. However, in our country, the military occupies a large proportion in the political arena. Pakistan's economy prospered during the four reigns of Ayub, Muhammad Yahya Khan, Zia, and Musharraf. Pakistan's history is marked by an era of military rule and political instability. It is a developing country that faces high levels of

poverty and illiteracy. Pakistan has been under the direct or indirect control of military forces from Ayub Khan to General Pervez Musharraf for most of its existence. “The military has dominated much of the country’s existence and shaped and defined its domestic political, security and economic development, while at the same time coordinating its role in the region, undermining civilian leadership and making it merely a follower.” (Singh, 2011, 179). The military exerts political pressure on foreign security, security, and major domestic issues, including mediating confrontations between rival political leaders, political parties, or government agencies that promote political instability. So, there is an in-depth discussion about the achievements of the former generals in terms of economic development.

## **IMPACTS OF MARTIAL LAW**

Progressive military law systems have profoundly affected society in Pakistan strategically, both socially and monetarily. Here, we might want, quickly, to evaluate the method and the effect of military law on society. The main undertaking of this system is to change the structure of the state by canceling every majority rule organization and executing its political framework which awards broad forces to its head. There is little capacity to bear restriction and viciousness turns into a standard method to deal with rival gatherings. At whatever point the majority rules system returns after military law, it conveys the last's dictatorial customs. At a specific stage, a military system needs some authenticity. To satisfy this necessity, it looks for help from certain government officials and structures its ideological group. Ayub Khan sorted out the Show Muslim Class while Musharraf depended on Muslim Association Zia looked for the help of strict gatherings however didn't shape his gathering, picking rather for party-less races. Culture is a survivor of martial law. Many writers, singers, and letter makers represent the needs of the government instead of taking an autonomous role. In the Pakistani event, we see how artists designed the Chaghi monuments to commemorate the blast of an atomic weapon. It has negative and positive societal consequences, etc. (Bhatti, n.d.)

## **BACKGROUND AND RELATED WORK**

### **First Martial Law (27 October 1958 - 25 March 1968)**

On October 7, 1958, Pakistan's President Iskander Mirza declared martial law, with then-President Mohammad Ayub Khan being the chief martial law administrator and Aziz Ahmad inaugurated. In Pakistan, the first to exist before the loss of the East in 1971, the decade of President Mohammad Ayub Khan (later promoted to Army Marshal) from 1958 to 1968 was, in many respects, years for Pakistan. It was fundamental and groundbreaking. It led to a model of military dictatorship, dependence on the United States, regional imbalances, and excessive government centralization. Pakistan's first military dictatorship, often known as the "Decade of Development" or "Golden Age of Pakistan" of the "Social Liberal Military Dictatorship," laid the foundation for a capitalist economy under the military junta. This goes beyond the 1960s when Ayub Khan's rule created social and economic conditions that led to the division of East Pakistan and the rise of Zulfikar Ali Bhutto's Awami inqilab.

### **Second Martial Law (1969)**

The second martial law came when General Ag Muhammad proclaimed Yahya Khan. Martial Law, after Ayub Khan resigned as president on March 25, 1969, all parliaments were dissolved and became president. After forming the council, he ordered the governor to be licensed for martial law in East and West Pakistan. (Marwatone, 2015) The most important event during his reign was the division of East Pakistan and West Pakistan, resulting in the formation of Bangladesh. Zulfikar Ali Bhutto, chairman of the PP Party, was appointed as President and the first Constitutional Martial Law Commander on December 20, 1971.

### **Third Martial Law (1977)**

The army ruled the Bhutto government and regained power as CMLA when General Zia-Ul-Haq came to power on July 5, 1977. The federal and state governments have been withdrawn. Political parties were banned. National and regional parliaments have been dissolved. The constitution will be suspended indefinitely. The civil court has resumed normal operations despite the suspension of human freedom. Massive election fraud was observed, followed by a complete collapse of law and order that put the country at risk of disaster, and the imposition of martial law was inevitable. During Zia's reign, mainly Islamic reforms were developed, and some nuclear developments were also under his control. On December 30, 1985, Zia's military law ended.

### **Fourth Martial Law (1999 Coup)**

On October 12, 1999, General Pervez Musharraf took over the cabinet of Nawaz Sharif, and Pakistan returned to military rule. However, martial law did not apply at that time. The general election was held on October 10, 2002, as he announced on July 11, 2002. However, ahead of the April 30, 2002 elections, a ballot was held for his presidency for a five-year term. On November 3, 2007, martial law was declared. On November 12, 2007, Musharraf sent several amendments to the Armed Forces Act, which provided additional control over the armed forces. (Muhammad Usman Habib, 2012) According to the investigation, he left on 18 August 2008. The Prime Minister was elected under Chaudhry Shujaat Hussein, Mir Zafarullah Khan Jamali and Shaukat Aziz. The Pakistani system has been shattered by abuse, inefficiency, and poor policy by the political elite. Influenza was not sustained due to an unrealistic approach funded by anti-Pakistan forces and actions that contributed to the division of Pakistan.

# **ECONOMIC GROWTH & DEVELOPMENT**

## **First Martial Law**

Pakistan's economy rebounded rapidly under Ayub Khan, with average economic growth of 5.82% during his 11-year tenure from October 27, 1958, to March 25, 1968. Output growth in Pakistan during this period was 8.51%, far exceeding all other times in Pakistan. Pakistan has set up its first auto and cement industries, and the government has built several dams (notably the Tarbela and Mangla dams), canals and power plants in addition to starting the program. In the manufacturing industry, Ayub's policy focused on promoting the Pakistani agricultural sector. Land reform, agricultural consolidation, and strict anti-hoarding measures combined with rural loan programs and work programs raised purchase prices increased grants for agriculture and improved in the context of the green revolution. Tax collection is low, averaging less than 10% of GDP. The export coupon program (1959) and tax incentives stimulated new industrial and export traders. The coupons made it easier to access foreign currency for the import of industrial machinery and raw materials. Tax exemptions are also offered for investments in less developed areas. These measures had important ramifications in bringing industry to Punjab and creating a new class of petty industrialists.

## **Second Martial Law**

The average GDP rate of growth under the Yahya Khan regime was 5.83, while the expansion rates of services, agriculture, and industry were 5,066, 3,633, and 11,233, respectively. The typical GDP rate of growth under the regime of Zulfikar Ali Bhutto was 4.55, while the expansion rates of services, agriculture, and industry were 6.55, 2.6, and 4.4, respectively.

## **Third Martial Law**

The average GDP growth rate under Muhammad Zia ul Haq's regime was 6.49, while the growth rates of services, agriculture, and industry were 7.4.05 and 8.48 respectively. "The rise of General Zia ul Haq to power in 1977 crystallized the hegemony of the civilian and military bureaucracy, not just on the political map of



Pakistan. Given its political and administrative roles and interests, the civilian and military apparatus has emerged as a key and dominant entity in the economy” (Singh, 2011, 180). With General Zia's hold on power, armed strength returned and the capitalist class returned to power. "Zia has also expanded the military's role in governance through the intensive use of military intelligence, the selection of senior officers for key positions, and the general allocation of forces to the military." armed forces" (Hassan, 1998, 236). We also learned that the "strong economic process and comparatively small price increases during the Zia period have translated into broad-based income growth for many income groups" (Siddiq, 2007, 64). We also know that the economy under Zia is experiencing high and continuous growth. The economy expanded at a rate of nearly 6.6% per year and inflation tended to decline in 7778. The benefits of growth were widely shared. Real wages improve and poverty tends to decrease” (Hassan, 1998, 237). During Zia's time, the investment climate for the private sector was improved by providing guarantees against future nationalization, clearer demarcation of activities between the public and private sectors, and additional tax relief” (Ahmed, 2014, 47). Regarding economic development, Hassan (1998, 39) summed up very well that economic growth as calculated by GNP has slowed down over the past 5 years for Zia. Importantly, in 197783, rapid increases in worker remittances pushed GNP growth to a record annual rate of 7.6%/year. Workers' remittances tended to decrease gradually after 19823 and interest payments on foreign debts increased rapidly, the growth rate of GNP dropped sharply to 4.9% per year in 19838. In the first half of these in 1980, the remittances of workers played an important role. Foreign currency income when exporting products. Hassan also describes that, unfortunately, the boom in worker remittances has not resulted in significantly higher savings and investment rates nationally. Much of the remittances are spent on their own and this plays an important role in poverty alleviation. The annual wages of the two main wage groups of factory workers show an increase of about 150% in nominal wages compared to 197788. Industrially, there has been significant development "during the Zia period under the public plan. In terms of tension over the role of the private sector, further liberalization of imports of industrial raw materials, and a relative increase in incentives for exports of manufactured goods, it is almost impossible to signal a fundamental change in industrial policies inherently impeded structural change in the manufacturing sector during the 1960s and 1970s” (Ahmed, 2014, 52). There is also an extensive discussion of the ratio Exchange rate and trade policy in the book

The Economy of Pakistan at the Crossroads: Past Policy and Present Command, by Hassan, Pervez (1998), he argues that Pakistan in 1982 began to regularly regulate adjusted the value of the depreciated rupee from Rs 9.90 per US dollar to Rs 11.84 in 1982 and then gradually decreased to Rs 18 for US\$ at the end of 1988. From 1982 to 1988, the rupee depreciated significantly; the nominal exchange rate has depreciated almost twice as fast as is justified by the relative price differential between Pakistan and its major trading partners. Hassan also explained that real devaluation contributed to an overall export expansion of 78% per year during this period and greatly reduced the relative dependence on remittances of workers. In 1988, exports more than doubled the number of remittances. However, industrial parks were established in the late 1970s to attract foreign investment, promote the flow of modern technology, provide more job opportunities, raise skill and management standards, and while providing exporters with production facilities in an import duty-free environment. The results are disappointing as exports from this region are relatively low.

#### **Fourth Martial Law:**

Musharraf era On October 12, 1999, General Pervez Musharraf took control of the country and imposed martial law. Musharraf's economic policies briefly boosted the economy. Musharraf's reign turned out to be a period of economic growth during which all sectors of the economy grew. Military returns to power and government, under General Musharraf's October 1999 Supreme Court overturned. He also amended the Armed Forces Act giving the Armed Forces some additional powers. From 1999 to Musharraf's reign in 2007, the economy has experienced strong growth over the past five years with an average real interest rate of 7%. However, during the political unrest in 2007, economic issues received little attention. The automatic price adjustment mechanism for petroleum products in Pakistan was abolished as world prices rose sharply. The high cost of the food and fuel subsidy has reduced reserves enough to cover imports for two months from approximately \$14 billion in November 2008" (Singh, 2011, 86). "Foreign investment has been exhausted and investors have tried to withdraw their assets.

The International Financial Organization estimates that to prevent a financial crisis immediately requires an additional \$5 billion in additional funds, doubling in two years" (Ahmed, 2014, 48). As for the economy, Musharraf is more convincing.

While running the country, "he and his capable treasury minister, Shaukat, Aziz, have multiple economic benefits, including three times government revenue, an increase in foreign direct investment and a growth rate peaking at, 7, 7. to percent. 2005 - Average growth under his leadership was just over 5%" (Singh, 2011, p. 87). In terms of economic development, Inderjit Singh (2011) provides a very accurate analysis, in light of his analysis that Pakistan pursued a consistent and favorable policy of liberalization, deregulation, and privatization under Musharraf's regime. Given economic recovery, institutional reform, and good governance have been our top priorities. To recover the economy, the government pursued two strategies: securing macroeconomic stability and promoting structural reform for sustainable growth.

As a result, the economy has grown at an average annual rate of 7% over the past four years. In 2004, it recorded a record growth rate of 9%. The large-scale production growth rate, which was only 3.6% in 1990, has grown at an average annual rate of 11.31% since 20,007. Growth in this sector was highest in 2004. 19.9. %. Despite increased trade and current account deficits, the exchange rate remained stable, clearly indicating a significant influx of external resources. Foreign exchange reserves have crossed \$16 billion and the increased reserves could finance more than 31 shares of earnings, up from 10 shares in 199899. Per capita income rose from \$526 (\$199,900) to \$925 (\$206,607). In terms of revenue collection, Singh reported that total revenue collection increased from Rs. 308 billion in 1999 to Rs 846 billion during 2007. There is little disagreement about the fact that the economy, as well as General Musharraf's political fortune and longevity, benefited enormously as a result of 9/11, from Rs 444.4 billion in 1999 to Rs 4,444.846 trillion in 2007. The most important attribute of Pakistan's economy in the 1990s was its enormous debt burden.

## CONCLUSION

In general, military rule in Pakistan has occurred several times due to the lack of proper governance and administration of the state by people with their ideology as opposed to the current government at the time. This brought great gains, such as the booming economy during the reign of Ayub Khan, and great losses, such as the division of East and West Pakistan. All this gives Pakistani politicians an excellent lesson for the future. Corruption must be eliminated from government, and countries must be governed fairly by law and by politicians. Finally, peace can be maintained when the military and government must not be too close to each other and not interfere with each other's responsibilities. We found that the Pakistani military has played an influential role in mainstream politics throughout Pakistan's history. In this context, it can be said that the Ayub Khan period stands out as the decade with the best performance. Growth rates in the 1960s were very high in all sectors. We also learned that the capitalist economy and the private sector played an important role in this era. Zia's reign is the longest one-man rule in Pakistan. He remained in power until he died in a plane crash. Although his death marked the end of his reign, much of his legacy still had a powerful impact on political and economic events in Pakistan over the years.

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