

## **ZIA REGIME (1977-1988):**

- As soon as he came he abolish nationalization and there was again a revival of private ownership this means that we were again returning towards capitalism he was more popular for industrialization
- The overall economic growth rate during Zia's period was 6.6% this was the second highest in Pakistan history and fourth highest in the world during the period of global recession and only three countries manage to achieve a higher growth rate than that of Pakistan during that time South Korea, Hong Kong and China. These countries are successful in maintaining the strength he also achieved real wage growth rate of 6.1% which was the second highest in the world, surpassed by Thailand only this result in increased purchasing power of masses which further reduce poverty as much as in 1988, it was only 17% and it was the least in the history of Pakistan. The manufacturing growth rate during their period was 8.5% agriculture growth rate is 5% inflation rate was 6 to 7%.
- there were three phases India economic policy
  - 1977 to 1988 receiving confidence of private sector
  - 1981 1985 forceful drive towards industrialization
  - 1985 to 1988 serious attempts to disengage the government from controlling the economy.
- As soon as he came into power he addressed that all issues in Pakistan were the adverse effect of nationalization. He seriously condemned nationalization that automatically revives the confidence of the private sector.
- He finished the project started by Bhutto before privatization most development was done in period.
- Industrialization was mainly implemented in the 4 years in between his government he targeted the anti-butto population to gain popularity.
- According to him industrialization has three key points
  - > You wanted to prevail Social Justice in every sphere of life
  - > Justice availability and instant availability to the most.
  - > Elimination of interested from the economy has an interest free loans
- He did not talk about equal distribution of income instead he focused on fair distribution of income. He however did not achieve the first point as he manipulated Court a lot during his time.
- Islamic banking in went ki lekin conventional banking Aaj Bhi dominate kar rahi hai.
- Reduce through fair distribution of income there for industrialization was failed. Honors of Nationalized assets were not ready to take the assets back.

- Key factors behind the success of Zia 6th year five year plan achieved most of the target manufacturing 12.5% grow industry in size by 75%
  - Heavy Public Sector Investment in the economy
  - revival of private sector investment
  - increase in workers remittances
  - inflow of foreign aid and loans
  - revival of medium term plan

#### **Why did zia delay the privatization process?**

- Zia did not start nationalization till 1985 he delayed the rate. There are a number of reasons. The main reason was that Bhutto started 6 to 7 mega projects in his Era but couldn't complete only 40% of them completed. Completion of these projects required public money and public control which is difficult to achieve in a private run economy there for their continued working on it secondly 40 billion PKR were already invested in these mega projects 50000 people were employed there for it was not easy to privatize them. To find and please make a project so that Donor Agencies wanted these Mega projects to be completed and get return out of it. They initially wanted to Nationalize the Asset and hand them down to the industrial group from whom they were taken but those industrial groups refused to take them back and demanded collectively that they would take the assets back but with the balance sheet of 1972.
- They wanted government to finance the losses that these businesses incurred since the date they were Nationalized
- there were four to five key factors behind the success of Zia (Economic factors)
- Till 1982 Pakistan was a closed economy but since 1983 it was not a closed economy introducing market economy Framework in Pakistan officially. in this fixed ER was abolished and was instead replaced with manage floating year determined by supply and demand Pakistan became the member of WTO means free rate throw this you can achieve high growth by promotion of international trade IE resource allocation
- First, it was achieving growth through investment channels that promoted exports to achieve economic growth in Pakistan.
- Negative list certain goods can't be imported or exported other than that all goods can be exported and imported Pakistan became an Open Economy. He also revived 5 year planning. His 6th 5 year plan was very successful after the second five year plan of yours when this clan announced their very ambitious objectives such as.
- We will achieve a manufacturing growth rate of 12.5% per annum. Increase industries by 63% in 5 years. These targets were achieved.

#### **Structural adjustment program:**

These were basically IMF conditions imposed on us as a price to obtain a loan from the IMF. These are very strict conditions and covered almost every aspect of the economy when the IMF imposed these conditions on whichever country it is, mainly to achieve three targets which included one liberalization privatization and deregulation. This is basically encouraging or improving free trade countries. They want a borderless economy where imports and exports are very easy.

In the 90s this program was unsuccessful and conclusions can be drawn from this either they are dumb or they are serving their own National interest by making us believe that this is beneficial for our country. They produce in abundance and export because if they do not encourage free trade, how will they sell their surplus conditions related to industry from the IMF.

All the conditions are related to those three key points ( L,P and D).

Limiting the list of specified industries ( export zones)

Subsidy multiplied by crop increase

Privatization

Golden handshake

Devalue currency

Import export border soft

free economy Axis decrease on import and export

crop increase the regulation

These all were made to improve economic conditions but overall it reduces the living standard of people by unemployment

**What are the five conditions indirectly?**

The Other five condition that did not directly impacted current impacted the industry but had a very severe consequences for the industry

Procurement price increase> soil cost increase> wages increase

Development budget decrease? Infrastructure expansion slow> economic development.

Restrictions on government borrowing from CB

Increase in inflation> retail price increase> cost of living increase.

Subsidies with draw> crop increase

According to IMF, they are helping in reduce fiscal deficit as it is the mother of all problems but in doing that, they create many other problems which are them difficult to cater. mass growth, industrial progress slowed Down due to their conditions, there was an economic shutdown. fiscal deficit remained

consistently high. trade deficit was there ,social sector was ignor. SOL deteriorated at man level or mass level unemployment increase.

SAP is a Staphylation program which means economic growth was not the target. growth will decline.

### **Economic development (sustainable growth)**

The target of Economic development cannot be achieve in country where there are internal conflicts

Conflict Economics is a branch of development economies and it is very popular in the world. According to economic theory it is believe that it is inversely related to the intensity of internal conflicts. for example in 1990 which is not known as a growth period for us or good period for us, but still by the end of it we were leading in South Asia only Maldives and Sri Lanka had better indicators then us. India was lagging behind. Bangladesh was not in our League. Then 9/11 occurred and this event of 911 started a war on terror. Along with Afghanistan, Pakistan was also in the battlefield, and they were fighting against themselves with DPS.

Milestone of Economic development is directly related to the quality of institutional development.

After even two decades of War on terror, we are behind every country in the South Asia because of internal conflicts.

Conflict beneficiary will not want the conflict to be resolved since he or she gain popularity based on that.

Take actions that reduce the intensity of these internal conflicts.

Similarly milestone of economic development is directly related to the quality of institutional Judiciary Bureaucracy intelligence.

Idare majbut Honge to economic development hoga

no intervention in any other department and do not let anyone intervene. Developed Institute.

Judiciary Prime responsibility is to give punishment. Army maker's of judiciary.

they make their own institute in efficient .

## **Zia-ul-Haq(1977-1988):**

1. Zia came to power as the second military leader. In his tenure, there was high growth rate and private sector role increased.
2. This was mostly due to circumstances, not policies.
3. Zia had 3 objectives in mind: social justice, interest rate abolishment and fair distribution if income.

**Denationalization:**

1. Zia wanted to bring back the private sector's confidence. So he decided that the private sector would lead the nation.
2. Cotton ginning, rice husking, flour milling were denationalized.
3. Small engineering units were denationalized.
4. Interest rate and fixed investment in agriculture and industry reduced.

#### **Islamization:**

1. Under the guise of Islamization, nationalism was disbanded.
2. Zia wanted people to live their lives in accordance with Islam.
3. In 1980, Masjid e shura was established. Shariat courts were made.

#### **Islamic hudood ordinance:**

1. Islamic punishments on violations(drinking, theft, prostitution etc).
2. The teaching of Islamic studies and Pakistan studies made compulsory.

#### **Economic reforms:**

1. Profit and loss sharing schemes.
2. Zakat ordinance: 2% over 3,000 annually.
3. Ushr ordinance: 10% agricultural land annual tax.
4. Zia also gathered Islamic scholars to compile laws about Islamic financing.

#### **Trade policy:**

1. Export-led growth.
2. Removal of fixed exchange rate. Introduction of floating exchange rate.
3. Trade liberalization.

#### **BoP:**

1. Exports went up to 4.4 billion.zX
2. Imports rose, though. This made BoP fall into deficit.
3. Reasons for BoP deficit: low rate of domestic savings, interest in debt and interest payments, slow down of remittances.

#### **Stats and figures**

1. Inflation fell to 6%.
2. GDP growth 6.6%.
3. Poverty fell to 17%.
4. Agri growth 5%.
5. 9.5% increase in manufacturing GDP
6. Total private sector investment expanded at 15.6
7. Public sector investment was high (due to Bhutto).
8. Manufacturing sector private sector share increased.
9. 4% recovery of agriculture sector. Due to denationalization.

10. Private sector grew because the government guaranteed against future nationalization and provided tax concessions.

**Reasons why Zia became popular:**

1. Revival of the private sector confidence.
2. Heavy public sector investment.
3. Revival of medium-term planning.
4. Inflow of foreign aid and loans.
5. Specific industrial policy.
6. Increase in worker remittances.

**Zia's Economic Strategy Phase One 1977-1981:**

1. Zia worked on the survival of private sector confidence.
2. Zia told them that the profits you will make will be taken by you. This brought private sector investment.

**1981-1985:**

1. Known as a forceful drive towards Islamization.
2. Zia said that my Islamization will achieve three targets: social justice in every walk of life, elimination of interest rate and fair distribution of income.
3. Zia aimed to provide social justice to everyone but if he implemented that then he would be court-martialed.
4. Zia started Islamic banking. But we are still in an interest-based economy.
5. Fair distribution of income was partially achieved.
6. Altogether, Zia failed to achieve his policies.

**Third phase (1985-1988):**

1. Serious attempts on part of the government to disengage herself from direct control of the economy.
2. Why did Zia delay privatization? Owners were not ready to take their loss-making privates back and second, some mega projects were under construction, and third, international donor agencies were not in favor of immediate de-nationalization.
3. Fixed exchange rate was abolished in 1982.
4. Pakistan came on export-led growth.
5. 1983 onwards, Pakistan tried to achieve high-growth rate from exports.
6. Dollar devaluation began, it devalued at around 50%.

**Positive:**

1. In Zia's time, 6 big projects were completed (started in Bhutto's time).
2. Zia's growth rate was 6.6% which is the second-highest in Pakistan.
3. Real-wage growth rate was 6.2%. This was the second-highest in the 1980s, only Thailand was ahead of us.
4. Poverty rate was 17%, the lowest in the history of Pakistan. The USA had a poverty rate of 11%. Significant fall in poverty.
5. Manufacturing growth rate was 8.5%.
6. Inflation was moderate, unemployment was low. The standard of living has improved.

**Negative Side Of Zia:**

1. He disintegrated Pakistanis. He divided Pakistanis into different groups.
2. In 1985, he had to do elections but he knew that if people's party came then it would be a problem for him. He said that we will do elections, non-party based. Parties increase unity. People

become united when they are supporting parties. The 1985's election distributed us in languages, and cultures and this is still a problem today. Because when people started rising from their individual places, they raised problems for their people. Pakistan was divided into small parts. Sectarian divide led to further problems that we still haven't been able to recover from today.

3. High budget deficit.

### **29<sup>th</sup> November:**

1. In the 1960s, 70s, 80s IMF was cooperative, they were kind to us.
2. However, in the 1990s, the IMF became critical of Pakistan's utilization of their loans and they started telling Pakistan how they can utilize the money that they are giving them.
3. The 1980s era of Pakistan (1988-1999) is known as the Structural Adjustment Program (SAP era). These are IMF conditions on us.
4. When the IMF goes to a country, it asks them to do 3 things: trade liberalization(open economy), de-regulation of business/economy(reduce government departments), and privatization(government should only facilitate, not regulate).
5. After the Second World War, there were only 14 countries that achieved economic development. None of them developed their economy with the IMF's help. Either you develop your country by being self-reliant or by being dependent on someone.

### **IMF conditions on industry:**

1. Reduce list of specified industries. The government makes export processing zones to increase employment. These zones have more incentives (like reduced costs, taxes) but this increases the burden on the government. This is to support trade liberalization.
2. Increase limit on loans. This is to support the private sector.
3. Impose corporate rationalization programs.
4. Import substitution.
5. Export promotion.

### **IMF conditions that are directly related to industrial sector:**

1. Increase indirect taxes. This puts a burden on industries.
2. Increase petroleum and gas fuel, electricity charges.
3. Reduce development budget by 12.5% every year. First, infrastructure will stop improving. This will increase unemployment in the long-run.
4. Increase procurement price of wheat by 100% within 3 years.
5. Restrictions on government borrowing from SBP.

### **Why was this decade known as the lost decade?**

1. Our agricultural growth rate was below average, and the industrial growth rate(5.5) was low as well. Trade deficit high. Unemployment high.