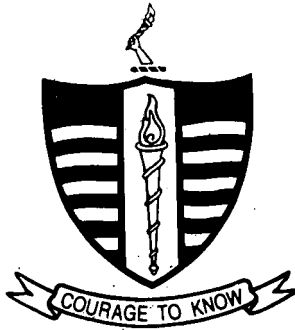


Vol. XXIV

No. 1 & 2

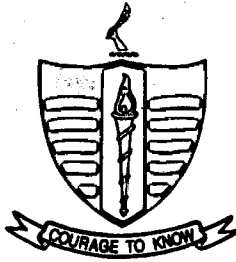
GOVERNMENT COLLEGE
**ECONOMIC
JOURNAL**



1991

Department of Economics
Government College
Lahore - Pakistan

ISSN 0424-2815



GOVERNMENT COLLEGE ECONOMIC JOURNAL

Volume: XXIV

1991

Number 1 & 2

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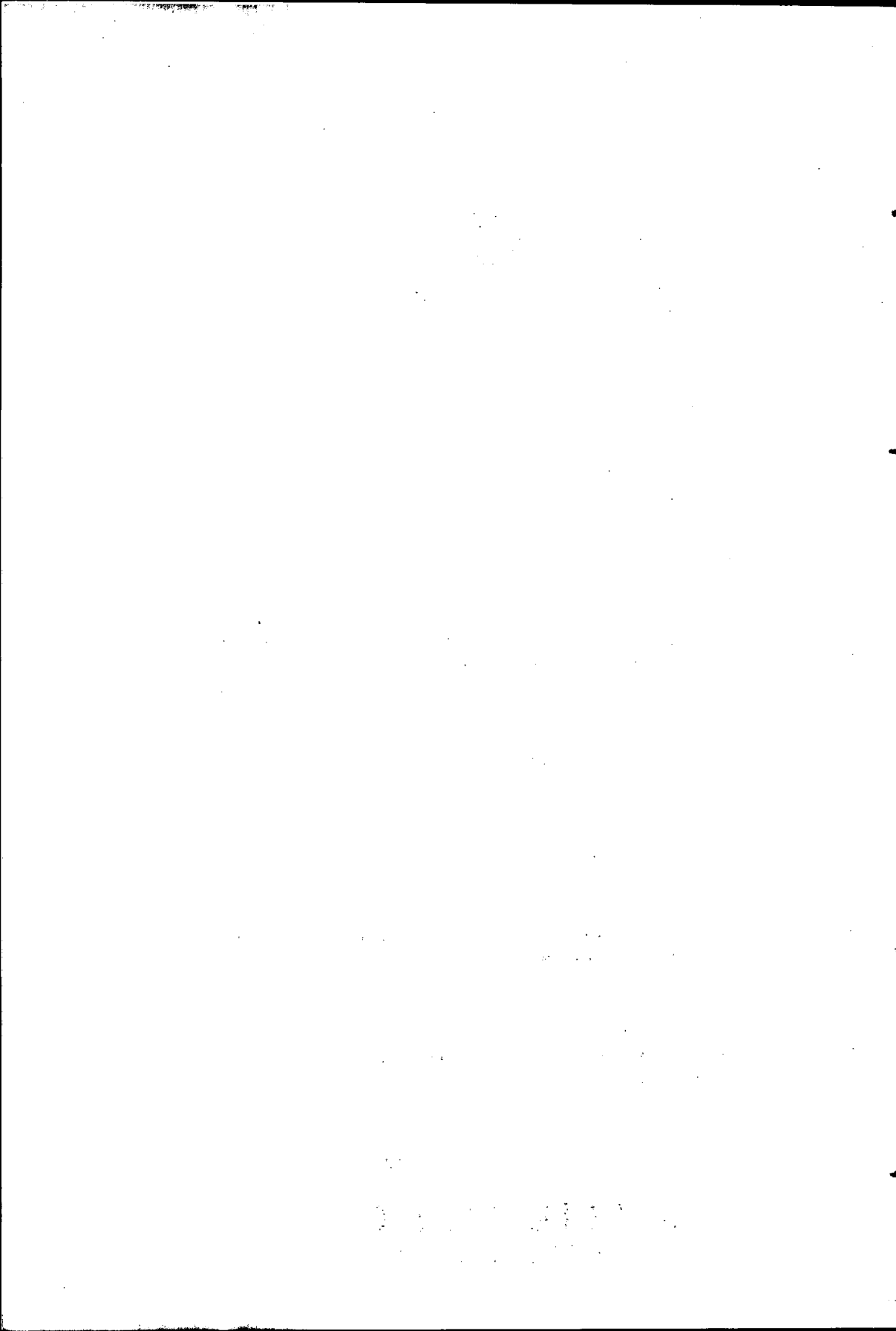
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DEPARTMENT OF ECONOMICS
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MANPOWER UTILIZATION PATTERN IN THE RURAL BARANI AREAS : SOME SUGGESTED MEASURES FOR ENHANCING EMPLOYABILITY

By

SABUR GHAYUR*

Introduction

The pressures building in the domestic labour market, a consequence of earlier neglect of employment issues in the overall policy framework, require serious consideration as how to enhance the manpower utilization capacity of the economy. The need for undertaking such an exercise is felt more now as the problem is still amenable to proper policy interventions - but further delay has the potential to retard the development process and bring serious socio-political repercussions. Manpower utilization issues are comparatively more serious in rural areas and are in the worst form in rural barani areas. In fact they owe their existence to our earlier policies which by and large favoured (i) urban areas over rural areas, (ii) the industrial sector over the agricultural sector, and (iii) irrigated areas over rain-fed (barani) areas [Ghayur, 1991]. The employment situation in rural areas and especially in the barani areas did not assume serious proportions in the past. This was mainly because of the large scale overseas migration

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of our workers from the rural areas during the period 1974-84.[1] But the reverse flow in overseas migration since mid-80's coinciding with over burdened urban centres, saturation in public sector employment and negative employment elasticity of the large scale manufacturing sector has led to a reemergence of the employment problem. This is being compounded further by a rapidly increasing population and work force.[2]

Under the existing situation efforts are needed to look into the ways and means as to how productive work opportunities can be generated in the economy and especially in rural areas with a serious consideration for the barani areas. Formulation of appropriate remedial measures need to be based on an indepth analysis of the existing employment patterns.

This paper, using a field survey data of 1985-86,[3] attempts to examine, in a broader context, the existing pattern of manpower utilisation in the barani areas of the provinces of Punjab and North-West Frontier. On the basis of the examination, an attempt is made to suggest a framework for generating productive employment/work opportunities in the rural areas which obviously contain the barani areas as well.[4]

The plan of the paper is such that this introductory part is followed by an analysis of the pattern of manpower utilization in section 2. The pockets of underutilisation of manpower (underemployment) are given in section 3. An outline for enhancing the employability of the manpower is given in section 4 and the conclusions appear in section 5.

Patterns of Manpower Utilisation

Population and Labour Force

An open unemployment rate of 14 per cent, Table-1, clearly negates the official estimates of about 4 per cent for the rural areas. This factor alone, without going into details of the pattern of employment, is indicative of the seriousness of the situation in the surveyed households and to a certain extent of the barani areas. The participation rate for the surveyed households found to be 35 per cent brings a dependency ratio of 3.3 persons to an employed worker.

Place of Employment

These higher unemployment rates are compounded further when seeing the fact that only 68 per cent of the employed, Table-2, were able to get work within the surveyed villages. About a quarter of the employed were working outside the villages and 8 per cent were working overseas. Such a situation, indicative of lesser work opportunities in the villages, has potential for pushing upward the flow of rural to urban migration. Not only those working out of the villages would tend to settle out of their villages, especially the emigrants' households, but the unemployed would be tempted to seek employment and settle afterwards out of their villages. The loss of young manpower particularly the emigrants can have adverse effect on the development and modernisation of villages and village life.

Table - 1
Labour Force, participation rates and dependency ratios

Total Population	5,819
Population Over 10 Years	4,361
Labour Force	2,026
(i) Employed	1,748
(ii) Unemployed	278
Participation Rates (%)	35
Dependency Ratios	3.3

Table - 2
Place of Employment of the Employed Labour Force

Working within Villages	1,1976
Working out of the Villages	413
Working Overseas	138
Total	1,748

Main Occupation

An element of considerable underutilisation of the manpower is easily noticeable from Table - 3. For instance, despite the fact that survey was conducted in the barani villages, largest number, 35%, of the employed reported agriculture as their main occupation. The crop sector or on-farm operations are the main area of activities of the agriculturists. Small size of farms and infrequent/lesser supplies of water, well known facts for the barani areas, can very well indicate the

extent of underutilisation of the manpower and relatively poverty prone households.

This lower level of productive utilisation pattern is also found in the second largest, 26%, reported occupation i.e. the production workers/casual workers. About one-third of such workers were reported working out of their villages.

Table - 3

Main Occupations of the Employed

	P.C.
Agriculture	
On Farm	35
Off Farm	27
Off/On Farm	2
Production/Casual	6
Workers	
Within Village	26
Outside Village	18
Service	8
Within Village	17
Outside Village	2
Business	15
Emigrants	13
	8
Total	99

Note(i) "-" indicates less than a percent and (ii) P.C. total may not add up to 100 due to rounding factor.

Other occupations reported were service, 17%, and business, 13%. Places of work of personnel engaged in service in majority of cases were out of the villages.

This pattern of employment clearly indicates not only a lower absorptive capacity of the surveyed villages, even the barani areas, but the prevalence of a considerable degree of underemployment. Such a phenomenon can only serve as counter productive for the rural barani areas.

Pockets of Underemployment

Agricultural Sector - Cropping Pattern

The cropping pattern, as can be seen in Table - 4, dominated by the wheat crop, 68%, in a barani tract is indicative of poor resource base of the respondents. Absence of any other significant source of livelihood compels the respondents to cultivate wheat, an unsuitable and uneconomical crop for a majority of the barani tract. This crop, though grown to have at least a minimum guaranteed subsistence living, is nonetheless leading to lower output and underutilisation of the manpower engaged in this sector. Legumes, berseems, cereals, round nuts and oil seeds, more suited to the topographic and climatic conditions, are generally not grown. These crops, best utilisers of summer rain-fall, if grown, can lead to gainful employment even in the crop sector of the barani areas.

Table - 4
Cropping Pattern

Wheat	68%
Gram	12%
Maize	9%
Rice	7%
Jowar	1%
Bajra	2%
Groundnut	1%

Production and Casual Workers

The element of considerable degree of underutilisation of the workers engaged in these occupations can be seen by the fact that about two - third of such workers were unskilled construction labourers (Table - 5). These workers in the absence of a regular construction work in the barani areas should be acutely underemployed.

Enhancing Employability - An Outline of the Mechanism

Manpower utilisation in the barani areas, based on the survey of the households, appear to be at the lowest ebb. The situation in irrigated region would also be not very dissimilar. Continuation of such a pattern can seriously affect the households income levels and would enhance the number of households falling below the poverty line. This would be detrimental to growth and development. Such a situation requires a policy package envisaging simultaneous action at different sectors and areas of the rural economy. These actions should aim at creating conditions conducive to employment generation on a regular and long-term basis. Ad-hoc measures

and/or direct creation of certain employment opportunities are useful for short-term but they can only contribute marginally. In fact a resort to such measures over a longer period would be counter productive. This section gives an outline of a policy package for enhancing manpower utilisation capacities of rural areas on a long term basis.

Table - 5

Activities of production/Casual Workers

Construction Worker	307	67
Driver	36	8
Mason	23	5
Crush Labour	15	3
Black Smith	12	3
Barber	6	1
Tailor	7	2
Mechanic	8	2
Brick Maker	5	1
Cobbler	3	1
Painter	1	-
Chowkidar	3	1
Butcher	1	-
Carpet Weaver	4	1
Factory Worker	5	1
Carpenter	11	2
Powerloom Worker	3	1
Wood Seller	2	-
Electrician	1	-
Mali	2	-
Hawker	5	1
	460	100

Note: "-" indicates less than 1% or nil.

Creation of Focal Points

A basic infrastructure is needed to be provided to a cluster of villages. The union councils can be picked for making them the focal points. These union councils or the focal points need to be provided with electricity, school education, road and health facilities. Provision of these infrastructural facilities should accompany the establishment of small trade and commerce centres. These centres need to be built on self financing basis by the union councils, maybe with an initial governmental grant. These centres should have a variety of shops catering for different needs of the surrounding villages. Besides retail shops comprising mainly of general stores/trades, the other shops should contain sale depots and small repair and service shops. Availability of the basic infrastructure alongwith the small commercial centres would be instrumental in enhancing income and employment opportunities at the focal points.

Establishment of Rural Development Support Centres (RDSCs)

The main hinderance for enhacing gainful work opportunities in rural areas are broadly identified as (i) low human and financial capital, (ii) lack of adequate knowledge, (iii) poor availability of supporting infrastructural facilities, (iv) marketing bottlenecks, (v) inadequate provision of extension services and (vi) absence of an affective labour market information system (LMIS). A meaningful development process accompanying larger work opportunities in rural areas is crucially linked with evolving of an integrated approach aimed at removing these bottlenecks.

Establishment of multipurpose Rural Development Support Centres (RDSCs) in rural areas comprising 15-20 union councils can adequately address the development needs and employment promotion objectives of the rural areas. The RDSCs should be built on self-financing basis but with an initial government grant mainly for constructing buildings for the commercial/trade centres. These should be owned and managed by the organising committees including the chairmen of the respective union councils. At a later stage when these RDSCs become fully operational, their own organising committees can be formed including also the chairmen of the respective union councils.

Necessary governmental support would be in the form of (i) initial financial grant, (ii) provision of basic infrastructure, (iii) linking its credit policies with the needs of these RDSCs, (iv) providing extension services and necessary guidance and counselling, and (v) encouraging and supporting skills development programmes.

Preparation of District and Tehsil Project Profiles

Identification of different types of activities (trades, commerce, repair, manufacturing, home based etc.) in different villages and areas for each Tehsil and District would facilitate in generating productive employment opportunities. On the basis of information being provided by the focal points i.e. union councils and the RDSCs the District Councils should be in a position to prepare project profiles. Their work can be supported by the concerned Development Financial Institutions (DFIs) and offices of Employment Exchanges.

Initiation of Market Oriented Skills Development Programmes

The RDSCs should be used to identify the skill requirements within their centres and surrounding areas. A feed-back from them would facilitate in designing work oriented skills development programmes. Efforts should be made to even encourage the RDSCs with a financial grant by the government and technical assistance from the National Training Bureau to initiate their own training programmes. The governmental institutions, especially ABAD, can also design on the basis of feed-back from the RDSCs, their own training programmes.

The knowledge and skills of those who are already engaged in any skilled job/work need to be upgraded. Besides orientation of skills, some education on basic accounting and management is needed to enhance the efficiency of these personnel. Intensive Mobile Training Programmes of about 2-week duration can address to such requirements adequately. The governmental institutions such as ABAD, SSIC., etc. can undertake such training programmes and take them down to the level of focal points i.e. the union councils.

Development of a Comprehensive System of Vocational Guidance and Employment Counselling

A 4-tier system comprising focal points, RDSCs, District Councils and Employment Exchanges has the potential to give answers to (i) who are unemployed, (ii) what are their characteristics, (iii) what are the areas having scope for gainful employment, and (iv) what are the training and credit needs for such activities. Availability of such information can be used to undertake proper employment counselling and vocational

guidance. This can also help in reorienting education and training towards labour market requirements.[5]

Other Supporting Initiatives

Redesigning of credit policy, especially of the agricultural credit policy, can be instrumental in generating productive employment opportunities. In the agricultural sector, more emphasis needs to be given to the short-term production loans to a large number of small cultivators. To cater for the development needs of the rural areas special cells for rural areas need to be created in the Small Industries Corporation/provincial industries departments.

School education curriculum need to include subjects such as correspondence and how to start a business/trade, etc. Similarly some vocational training, different for different areas, should also be made an integral part of school education.

Conclusions

Employment pressures emerging in the domestic labour market and especially in the rural labour markets calls for serious consideration as to how productive employment opportunities can be generated in Pakistan. Formulation of an effective policy would need to be based on a careful review of the existing situation and identification of the contributing factors. In this paper an attempt was made to suggest a broad framework for enhancing productive employment opportunities in rural areas.

The presentation of the suggested measures was preceded by an examination, in a broader context, of the existing pattern of manpower utilisation in the surveyed rural

barani household of the provinces of the Punjab and North West Frontier. A double-digit open unemployment was found to be co-existing with a considerable degree of underemployment. The employment opportunities were found to be few.

It has been argued that only a comprehensive and integrated mechanism can address to such issues. The main elements of such a mechanism are (i) creation of focal points at each union council, (ii) establishment of multi-purpose rural development support centres, (iii) preparation of project profiles for each tehsil and district, (iv) initiation of market oriented skills development programmes, (v) development of a comprehensive labour market information system, and (vi) necessary governmental support. Such a suggested mechanism essentially is based on an increasing role of the private sector, government acting only as a facilitator.

Notes

1. For details see Ghayur (1987 and 1991) and NMC (1989).
2. For details see NMC (1989).
3. Survey of 875 households from 75 barani villages of the Punjab and NWFP was conducted in 1985-86. The principal objectives of this survey were to analyse the existing pattern of employment and living conditions of the surveyed house-holds and villages, and to suggest concrete remedial measures. For details of the survey and about the study, see Ghayur (1991).
4. We have not confined the recommended measures only to the barani areas due to the fact that a few isolated measures are incapable to address employment issues of the rural areas. And only an integrated policy

framework has the potentials to deliver the goods in an effective way. Area/location specific measures would obviously emerge automatically from such a policy.

Some of the recommended measures, in a different form, also appear in the Report of the National Manpower Commission. For details see NMC (1989).

5. For details, see NMC (1989) and Ghayur (1990).

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PURCHASING POWER PARITY UNDER FIXED AND FLEXIBLE EXCHANGE RATES IN A DEVELOPING COUNTRY

By

AFTAB A. QURESHI*

I. Introduction

The term "purchasing power parity" was first introduced into the literature by a Swedish economist Gustan Cassel [Cassel, 1918] in 1918. The origins of the purchasing power parity could be traced back to Spanish writers in the sixteenth and seventeenth centuries. [Einzig, 1970]

The purchasing power parity theory [1] states that a unit of the domestic currency when converted into foreign currency, buys the same quantity of goods and services abroad, as it can purchase domestically. [Dornbuseh, et al, 1978] The purchasing power parity is an essential building block in the monetary approach to the balance of payments, the purchasing power parity theory implies that for a small country, a fixed exchange rate determines the domestic price level whereas under a flexible exchange rate the price level determines the exchange rates.

There are two versions of purchasing power parity theory, namely absolute and relative. The absolute version of

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the purchasing power parity states that the exchange rate is simply the ratio of price level between two countries, that is

$$S = \frac{P}{P^*} \quad (1)$$

Where

P = The domestic price level

P* = The foreign price level

The relative version of purchasing power parity asserts that the percentage change in the exchange rate equals the difference between the percentage change in the domestic price level and the percentage change in the foreign price level. Formally, we may write the relative version of the purchasing power parity as follows:

$$S = P - P^* \quad (2)$$

Where

S = The percentage change in the exchange rate

P = The percentage change in the domestic price level

P* = The percentage change in the foreign price level

II. Purchasing Power Parity Under Fixed Exchange Rate

Purchasing power parity under fixed exchange rate implies that the domestic price level is pegged to world price level and can move only in line with it i.e. the domestic inflation rate is the same as the world inflation rate.

Following Genberg [1978], we would estimate the equation of purchasing power parity in absolute and relative form, as

$$\ln P_t = c_0 + c_1 \ln P^*_t + U_t \quad (3)$$

$$d \ln P_t = c_2 + c_3 d \ln P^*_t + U_t \quad (4)$$

Where

P = Domestic wholesale price index (1975 = 100)

P^* = Foreign wholesale price index (1975 = 100)

t = Time

d = Denotes the change

\ln = Denotes the logarithm

U = The random error term, assumed to be normally distributed with

$$E(U_t) = 0$$

$$E(U_t^2) = \sigma^2$$

and $E(U_t U_{t+s}) = 0$, s is not equal to zero

Equation (3) and Equation (4) represent the absolute and the relative of the purchasing power parity, respectively. It is expected that $c_1 = c_3 = 1$ and constant term is equal to zero if purchasing power parity holds.

III. The Purchasing Power Parity Under Flexible Exchange Rates

The absolute and relative versions of purchasing power are examined. Following Frenkle, [1978, 1981] we would test for Pakistan both versions of the purchasing power parity by estimating the following equations:

$$\ln S_t = c_4 + c_5 \ln(P/P^*)_t + U_t \quad (5)$$

$$d \ln S_t = c_6 + c_7 \ln(P/P^*)_t + U_t \quad (6)$$

Where

S = The exchange rate (Rupees per Dollar)

P = Domestic whole sale price index (1985=100)

P* = Foreign whole sale price index (1985=100)

d = Denotes change

t = Time

ln = Denotes the logarithm

U = Random error term, assumed to be normally distributed with

$$E(U_t) = 0$$

$$E(u^2_t) = \sigma^2$$

and $E(U_t U_{t+s}) = 0$, s is not equal to zero

Equation(5) and equation (6) signifies the absolute version and the relative version of the purchasing power parity,

respectively, in the case of flexible exchange rate. If purchasing power parity, we expect the estimated value of the coefficients to be:

$$c_5 = c_7 = 1 \quad (7)$$

and $c_6 = 0 \quad (8)$

IV. Data and Results

All the data have been taken from International Statistics (various issues). Tables 1 and 2 give the regression results obtained from testing purchasing power parity for the Pakistani experience under fixed (1973-II to 1981-IV) and flexible exchange rates (1982-I to 1990IV) periods. Ordinary least square method is used to estimate the equations. We used TSP (Time Series Processor Version 3.5) computer program for estimation.

The results conform to expectations. Both versions of the purchasing power parity hold in case of Pakistan under the regime of fixed exchange rates. The results of table 1 indicate that the coefficients of $\ln P^*t$ are statistically not different from 1 there by implying one to one co-movement of Pakistan's price level with the U.S.A. price level. The strong interdependence between Pakistan's and U.S.A.'s rate of inflation suggest that international goods market is integrated.

In table 2, the results of the estimation of equation (5) and equation (6) are reported. All estimated coefficients of equation (5) are significant at the one percent level of significance.

Table I
Purchasing Power Parity Under Fixed Exchange Rate:
Quarterly Data: 1973-II to 1981-IV.

Equation No	Technique	Constant	$\ln p^*_t$	$d \ln p^*_t$	S.E.	R ²	D.W.	F
3	OLS ¹	-0.57 (-5.09)a	1.13 (39.70)a	-	.04	.98	.40	1643
3	AR1	0.07 (0.17)	1.00 (8.70)a	-	.02	.99	2.23	2223
4	OLS	0.01 (1.27)	-	0.82 (3.21)a	.02	.24	2.09	10.3
4	OLS	-	-	1.01 (7.66)a	.02	.13	2.39	977.8

(1) OLS refers to ordinary least squares; AR1 to the Cochrane-Orcutt iterative technique to take into account for first order auto correlation of the residuals. R² is the coefficient of determination, SE the standard error of the regression, F stands for F-statistics, D.W. stands for Durbin Watson statistic, numbers in the brackets are t-statistics and a is significant at the 1 percent level.

Table 2

Purchasing Power Parity Under Flexible Exchange Rate:
 Quarterly Data: 1982-I to 1990-IV.

Equation No	Technique	Dependent Variable	Constant	ln(P/P*) _t	dln- (P/P*) _t	S.E.	R ²	D.W.	F
5	OLS ¹	lnSt (250.16(a))	2.71 (18.96)a	1.25		0.06	.91	0.66	359
5	AR1	lnSt	3.33 (7.64)a	-0.39 (-1.00)		0.04	.96	2.53	423
5	AR2	lnSt	2.73 (127.32)a	1.11 (8.96)a		.06	.91	0.92	160
6	OLS	dlnSt	0.03 (3.24)a		-0.62 (-1.64)	0.02	.22	1.65	3
6	OLS	dlnSt			0.19 (-1.64)	0.04	-0.22	2.04	60

(1) OLS refers to ordinary least squares; AR1 to the Cochran-Orcutt iterative technique to take into account for first order auto correlation of the residuals. R2 is the coefficient of determination, SE the standard error of the regression, F stands for F-statistics, D.W. stands for Durbin Watson statistic, numbers in the brackets are t-statistics and a is significant at the 1 percent level.

The coefficient of $\ln(P/P^*)_t$ is statistically not different from 1 so there is a support for absolute purchasing power parity hypothesis for the case of Pakistan under flexible exchange rate. We have very poor results for the relative version of purchasing power parity.

The presence of serial correlation along with poor results of relative version of purchasing power parity under flexible exchange rate suggest that there exists deviations in purchasing power parity in the short run. To explore this, we assume that the purchasing power parity holds in the long run, that is:

$$\ln S_t = c_8 + c_9 \ln(P/P^*)_t \quad (9)$$

Where

S = Denotes the long run exchange rate

Assuming a partial adjustment mechanism that governs the behaviour of the exchange rate then:

$$\ln S_t - \ln S_{t-1} = \beta(\ln \bar{S}_t - \ln S_{t-1}) \quad (10)$$

Where

β = The coefficient of adjustment

By combining equations (9) and (10) yields equation in the estimation form as:

$$\ln S_t = c_{10} + c_{11} \ln(P/P^*)_t + c_{12} \ln S_{t-1} + U_t \quad (11)$$

Where

$$c_{12} = 1 - \beta$$

$$c_{11} = \text{Short run elasticity} = c_9 * \beta$$

$$c_9 = \text{Long run elasticity}$$

U = Random error term, assumed to be normally distributed with

$$E(U_t) = 0$$

$$E(U_t^2) = \sigma^2$$

and $E(U_t U_{t+s}) = 0$, s is not equal to zero

The results of the estimation of equation (11) are:

$$\ln S_t = 0.557 + 0.217 \ln(P/P^*)_t + 0.801 \ln S_{t-1}$$

(1.847) (1.472) (7.164)

Where the numbers in the parenthesis are the t-statistics.

$$R^2 = 0.96, S.E. = 0.04, D.W. = 2.25 \text{ \& } F = 435.$$

The short run and long run elasticities are 0.22 and 1.09, respectively. The evidence suggest that there are substantial deviations in purchasing power parity in the short run and purchasing parity holds in the long run under flexible exchange rate period. As regards the speed of asdjustment it is found that about 20 percent of discrepancy between the actual and desired exchange rates are eliminated in each quarter. Hence five quarters of time period is required in the complete adjustment of actual and desired exchange rates. This implies that deviations from puchasing power parity would disappear with the passage of time.

V. Conclusions

The purpose of this paper has been to test the validity of purchasing power parity under fixed and flexible exchange rates in Pakistan. Our results indicate that the purchasing power parity holds under fixed exchange rates and there exists substantial deviations in the short run under flexible exchange rate but they disappear through time and purchasing power parity holds in the long run.

Notes

1. For thorough reviews of the purchasing power parity including the history, theory and policy aspects of the issue, see
(a) Officer (1976), pp. 1-60.
(b) Journal of International Economics, May, 1978 issue.
and
(c) Katseli-Papaefstratiou (1979).
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REGIONAL DISPARITIES IN PAKISTAN: AN ASSESSMENT

By

DR. MOHAMMAD ASLAM*

1. Introduction

That extreme regional disparities are harmful for a country is beyond any doubt. Pakistan has paid a heavy price in the past for underestimating this problem. Though reduction in regional disparities is a constitutional requirement and successive development plans of Pakistan have incorporated this in the list of objectives, the problem has not so far been tackled on a priority basis. So the problem of regional disparities persists.

This paper aims at an assessment of the nature and extent of regional disparities in Pakistan within the constraint of paucity of published data on the subject.

2. Genesis of the Problem: A Theoretical Framework

Why regional economic disparities are caused in the first place? In terms of the classical explanation, these may surface as a result of the unhindered operation of the free enterprise system. Lenin referred to it as the 'Law of Uneven Capitalist

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Development'. Later on, Gunnar Myrdal tried to explain this phenomenon in terms of his 'Theory of Circular Cumulative Causation'. He opined that the process leading to regional inequalities may be initiated by a number of factors such as skill characteristics of a population, resource endowment, political and economic policies, or may be the result of historical factors. But once a certain region or locality excels in economic development and market forces are given a free hand, disparities tend to exacerbate as the process of growth gains momentum. Regional inequalities are thus caused in 'circular' and 'cumulative' fashion.

What are the mechanisms of the process? The developed regions become more attractive for new investment due to internal and external economies. More and more industries are clustered around such places due to convergence of infra-structural facilities such as roads, railways, telephone, telex, post-offices, bank branches, insurance companies etc. They are also facilitated by the provision of public utilities such as electricity, gas and water and the availability of skilled and trained manpower and also benefit from the accumulation of technical know-how, professional expertise and maintenance personnel. The industrialists also tend to locate their units near their places of residence for convenience of supervision and management. The areas around a capital city or the seats of federal or provincial governments are also selected as a site for establishment of industries for speedy disposal of matters which require official sanction such as import and export licences, credit facilities, approval for setting up of an industry etc.

Later on, it becomes a self-invigorating process. Labour from underdeveloped regions or areas flocks to these growth points lured by higher wages. Similarly, savings accumulated by people of underdeveloped areas are flushed out and advanced

to entrepreneurs operating in the developed regions via the banking channels. As both skilled labour and capital migrate towards the developed regions, it further retards the prospects of future growth of the less-developed areas. The composition and complexion of population in these areas also undergoes a qualitative change. Due to migration of skilled manpower and youth to these centres of growth, the population that stays back largely consists of housewives, old and retired people and children. This unfavourable change in the composition of the population minimizes the chances of future growth of these areas. Poverty begets poverty and underdevelopment builds up its own momentum. Consequently regional disparities are further accentuated.

These negative effects of development of a specific region or regions on an underdeveloped region are referred to as the 'Backwash Effect' or the 'Polarisation Effect'. On the other hand, backward or underdeveloped regions benefit from the general growth of the economy as development diffuses and its fruits reach out to these regions. This positive impact of development of a certain region on relatively less developed regions is called as the 'Spread Effect' or "Trickling Down Effect" Gunnar Myrdal however seems to think that 'Backwash Effect' of the expansion of such areas is stronger than the 'Spread Effect' resulting in further aggravation of disparities.

3. The Nature of Regional Disparities in Pakistan

Regional disparities in Pakistan have two distinct aspects: inter-provincial and intra-provincial. Pakistan is a federated state consisting of four provinces and centrally administered areas of FATA (Federally administered tribal areas,) N.A. (Northern areas) and Azad Kashmir.

Inter-provincial disparities largely imply economic disparities that exist between the four provinces of Pakistan namely Punjab, Sind, NWFP, Baluchistan and the centrally administered areas in terms of per capita incomes, economic structures, share of industries etc. Intra-Provincial disparities, on the other hand, are economic disparities that exist between various regions or localities within a provinces. Such disparities are more marked in the provinces of Sind and Punjab where development, in the past, has been concentrated around major cities and growth centres to the neglect of rural areas in the interior of these provinces.

4. The Extent of Disparities in Pakistan-An Estimation

As pointed out earlier, previous studies on regional economic disparities in Pakistan were handicapped on account of paucity of inter-provincial and intra-provincial data(1) This study relies on the available secondary data and has been conducted in terms of social and economic indicators, per capita incomes, complexion of economic structures and the estimated weights of each province by economic activity. The problem has also been assessed in terms of the distribution of industries between the provinces. In the last section, certain policy issues aimed at reduction of regional disparities are discussed.

4.1 Estimation By Social & Economic Indicators

Here certain social and economic indicators such as availability of roads, consumption of electricity, primary health care facilities, literacy rates are pressed into service to bring into sharp focus the existence of regional disparities.

The ensuing table reviews the problem of regional inequalities in terms of the imbalances in the socio-economic

infrastructure in the less developed areas such as Baluchistan, FATA, NA. and NWFP compared to all Pakistan averages. The high all Pakistan averages can be accounted for by the better position of Sind and Punjab for whom separate figures are not given.

Table - 1
Imbalances in Socio-Economic Infra-Structure

	All Pak	Balushistan	FATA	N.A.	NWFP
Literacy Rate 1981 (%)	26.2	10.3	6.4	14.7	16.7
Roads 1986/87 (Sq.Km)	0.14	0.07	0.09	0.05	0.20
Electricity Per Capita 1086/87	216	131	110	100	153
Population Per Primary Health care facility (1987)	9777	7275	2518	8233	9205

Source: Seventh Five Year Plan 1988-93 and Perspective Plan 1988-2003 P.38.

Literacy rate is only 10.3% and 6.4% in Baluchistan and FATA against national average of 26.2%. The availability of roads in kilometers per square kilometers of area is only 0.05, 0.07 and 0.09 respectively in N.A, Baluchistan and FATA compared to the national average of 0.14 kilometers. The

NWFP average is however better than the average for Pakistan as a whole. The electricity consumption in kilowatts per capita in respect of N.A, FATA and Baluchistan stood at 100, 110, and 131 respectively against the average of 216 kilowatts per capita for Pakistan as a whole. Population per primary health unit (PHU) was lower in the aforementioned underdeveloped regions compared to the average for Pakistan but it is due to the small population of these areas rather than an absolute excess of this primary health facility.

4.2 Estimation By Per Capita Incomes

Regional economic disparities may also be assessed by comparing per capita incomes of the four provinces of Pakistan.

Table - 2
Disparities In Per Capita Incomes

	1985		1987		1992/93 (Projected)	
	Per Capita Income	Index	Per Capita Income	Index	Per Capita Income	Index
All Pakistan	4,968	100	5,305	100	6,212	100
Punjab	4,782	96	5,093	96	5,849	94
Sind	6,525	131	7,037	133	8,439	136
NWFP	3,614	73	3,914	74	4,620	74
Baluchistan	4,191	84	4,181	79	4,934	79

Source: JICA study, Table 3.4

The table shows considerable inequalities in per capita incomes of the four provinces. In 1985 per capita income in NWFP was 73% and in Baluchistan 84% of the average per capita income of Pakistan. The corresponding index for Punjab

and Sind was 96% and 131% of the national average. Sind stands out as the richest province of Pakistan in terms of per capita incomes and NWFP the poorest. At the end of the Seventh Plan in 1992/93, the disparity in per capita incomes is projected to increase. Per capita income in Baluchistan will be 79% of the average for Pakistan (5% decrease) and in Punjab it will decrease to 94% of the national average compared to 96% in 1985. Sind will get richer as her per capita income will increase to 136% of the national average. Thus disparities of per capita incomes between provinces are expected to widen somewhat rather than registering a reduction.

4.3 Estimation By Economic Structures

There are also considerable differences in the economic structures of the provinces. The ensuing table-3 presents the percentage distribution of GPP by economic activity in 1985/86 and projection for 1992/93.

Baluchistan is by far the least industrialised province of Pakistan. (The contribution of manufacturing to GPP in 1985/86 stood at 3.7% and was projected to improve marginally to 4.2% by 1992/93). Sind is by far the most industrialised province. (The contribution of manufacturing to GPP stood at 27.8% in 1985/86 and was projected to increase to 30% by the end of 1992/93). On the other hand, in Sind agriculture contributes 16.1% to GPP as compared to 32%, 28.1% and 26.4% in case of Baluchistan, Punjab and NWFP respectively. It shows that Sind is not only the most industrialised province of Pakistan but also the least dependent on agriculture. Mining and quarrying is the most significant economic activity in Baluchistan compared to other provinces.

Mining and Quarrying contributes 16.6% to GPP in Baluchistan compared to 2.4%, 1.4% and 0.5% in Sind, Punjab and NWFP respectively).

Table - 3
Distribution of Gross Provincial Product by Economic Activity

	PUNJAB		SIND		NWFP		BALUCHISTAN	
	1985-1986	1992-1993 (Proj)	1985-1986	1992-1993 (Proj)	1985-1986	1992-1993 (Proj)	1985-1986	1993 (Proj)
Agriculture	28.1	24.6	16.1	13.7	26.4	23.9	32.0	27.2
Manufacturing	14.3	16.3	27.8	30.0	8.8	9.6	3.7	4.2
Mining & Quarrying	1.4	1.4	2.4	3.4	0.5	0.5	16.6	17.9
Construction	7.0	7.8	3.8	4.0	9.7	10.6	5.5	6.4
Electricity & Gas Distribution	1.8	2.0	2.7	2.8	4.5	5.2	0.7	1.3
Transport & Commu. storage	7.2	7.4	9.5	9.7	8.1	8.3	9.9	10.4
Wholesale & Retail Trade	16.5	17.1	16.7	17.0	18.1	18.4	16.3	17.1
Banking & Ins.	2.7	2.9	4.4	4.2	1.8	1.8	1.5	1.3
Ownership of Dwellings	2.9	2.5	3.2	2.6	1.7	1.5	1.5	1.3
Public Admins. & Defence	9.6	9.7	6.7	6.4	10.9	11.0	5.8	6.1
Services	8.5	8.3	6.8	6.3	9.5	9.0	6.4	6.7
GPP at Factor Cost	100.0	100.0	100.0	100.0	100.0	100.0	100.0	100.0

Source: JICA study, Table 3.3.

4.4 Estimation By the Estimated Weights of Each Province by Economic Activity

The comparison of the estimated weights of each province by major activity also makes an interesting reading. The base year is 1985-86. We have selected only three important sectors namely, agriculture, mining & quarrying and manufacturing with a view to providing more details about their sub-sectoral break up. [Table-4]

The estimated weights for provinces in agriculture are calculated by production in 1985/86. Punjab is by far the most important province in terms of agricultural production, both major as well as minor crops, with an estimated weight of 61.5% and Baluchistan the least important with an estimated weight of 6.7%. Sind ranks second but is far behind Punjab with an estimated weight of 19.8%. In the large-scale manufacturing, Sind attains a weight of 52.9% as against a mere 1.1% of Baluchistan and 5.8% of NWFP. Punjab ranks second with an estimated weight of 40.2%. In mining and quarrying, NWFP seems to be most poorly gifted with a weight of 2.1% as against 35.9%, 31.4% and 30.6% of Baluchistan, Punjab and Sind respectively. Within the mining and quarrying category, both Baluchistan and NWFP have zero weight in production of crude oil as against 56.0% and 44.0% of Punjab and Sind respectively. The production of natural gas on the other hand, is concentrated in Baluchistan and Sind with weights of 73.1% and 20.3% respectively. Coal production is also predominantly based in Baluchistan (weight 55.8%) and NWFP ranks last with a weight of 1.4%.

Table - 4

Estimated Weight of Each Province By Economic Activity In
1985/86 (Basis Year)

	Punjab	Sind	NWFP	Baluchistan	PAK
<u>Agriculture</u>	<u>61.5</u>	<u>19.8</u>	<u>12.0</u>	<u>6.7</u>	<u>100.0</u>
Major Crops	70.1	20.0	7.3	2.6	100.0
Minor Crops	61.2	11.3	16.5	11.0	100.0
Livestock	52.9	18.7	18.7	9.7	100.0
Fishing	6.4	70.0	0.3	23.3	100.0
Forestry	41.8	12.7	43.7	1.8	100.0
<u>Manufacturing</u>	<u>44.5</u>	<u>48.7</u>	<u>5.7</u>	<u>1.1</u>	<u>100.0</u>
<u>Large Scale</u>	40.2	52.9	5.8	1.1	100.0
Textiles	44.8	50.5	3.9	0.8	100.0
Chemicals	42.2	53.1	2.2	2.5	100.0
Machinery & Equipment	34.5	59.3	5.2	1.0	100.0
<u>Small Scale</u>	55.8	37.8	5.4	1.0	100.0
<u>Mining & Qurrayng</u>	<u>31.4</u>	<u>30.6</u>	<u>2.1</u>	<u>35.9</u>	<u>100.0</u>
Crude oil	56.0	44.0	0.0	0.0	100.0
Natural Gas	6.5	20.3	0.0	73.1	100.0
Coal	20.4	22.4	1.4	55.8	100.0

4.5 Estimation By Distribution of Industries

Since partition, large-scale manufacturing sector has exhibited a phenomenal expansion. But how different provinces have fared in its growth? Sind with 22.6% of the total population accounts for 52.9% of the large scale manufacturing, 53.1% of chemicals, 59.3% of the machinery and equipment and 50.5% of textiles production. On the other hand, NWFP with 15.7% of the population, accounts for only 5.8% of the large-scale production. Punjab with 56.1% of the total population accounts for 40.2% and Baluchistan with 5.1% of the total population accounts for only 1.1% of the large scale industrial production.

Sind turns out to be the most advanced province in terms of the large scale industrial production. The concentration of large scale industry in Sind particularly in District Karachi is rooted in history. After independence, Karachi became the federal capital in addition to being the only port city of Pakistan. Industrial-cum-commercial expertise also flowed to Karachi from U.P., C.P. and Bombay provinces of the Indian sub-continent. These factors promoted the industrial growth of Karachi and by 1964/65, nearly 44% of all the large scale manufacturing was concentrated at Karachi. The importance of Karachi however declined afterwards on account of shifting of the federal capital to Rawalpindi/Islamabad in the early Sixties and shifting of headquarters of financial institutions such as IDBP and PICIC to Dacca and the deliberate policy of the government of discouraging further investment in Karachi. Thus the importance of Karachi as a 'growth node' declined and by 1969/70, its share of large scale manufacturing was reduced to 38% from 44% in 1964/65.

Similar 'growth nodes' also emerged in Punjab in the Sixties. Certain favourable factors were responsible for the

surfacing of these growth points. These factors were: availability of trained manpower, development of a dynamic class of entrepreneurs and a relatively more developed infrastructure. These 'growth nodes' were the districts of Rawalpindi, Jehlum and Hazara in the surroundings of the federal capital. The district of Lahore, the capital city of Punjab and adjoining districts of Sheikhupura, Faisalabad (known as Manchester of Pakistan due to concentration of textile industry), Districts of Multan and Rahim Yar Khan famous for their land fertility. By 1969/70, Karachi, Lahore and Faisalabad accounted for 55% of the large scale industrial production in Pakistan.

5. Green Revolution and Regional Disparities

In the Fifties and early Sixties, the problem of regional disparities, was largely confined to the industrial sector. Agricultural sector either remained stagnant or exhibited small growth rates while industrial sector expanded tremendously. Agricultural sector was thus not expected to contribute to any significant extent to the widening of regional disparities. This was however no longer true after the so-called 'Green Revolution' which recorded unparalleled growth rates in agriculture in the late Sixties and early Seventies. The impact of Green Revolution on different provinces varied greatly on account of its being restricted to the irrigated areas (Punjab and Sind were the greatest beneficiaries on this account), and also to a few crops such as rice, wheat and to some extent cotton and maize which were also mainly grown in Punjab and Sind. Moreover green revolution was the result of seed-fertilizer-water package which was more accessible to relatively prosperous farmers of Punjab and Sind. It therefore not only perpetuated but also aggravated the regional inequalities.

6. Conclusion and Evolution of a Strategy for Reduction of Regional Disparities

it has been fairly established by the foregoing analysis that regional disparities do exist in Pakistan and are also expected to widen in the absence of effective remedial measures. In terms of per capita incomes, Sind emerges as the richest province while NWFP stands at the bottom. In terms of the economic structures, Sind once again turns out to be the most industrialised province of Pakistan while Baluchistan stands out as the least industrialised. Punjab excels all other provinces in agricultural production of both major as well as minor crops and Sind ranks next in importance. Intra-provincial disparities are more in evidence in the provinces of Sind and Punjab. Important 'growth nodes' such as Karachi, Hyderabad Sukkhar in Sind and Lahore, Faisalabad, Multan, Rawalpindi and Hazara in Punjab have emerged to the relative neglect of the interiors of these provinces. Green Revolution seems to have further aggravated these intra-provincial and inter-provincial disparities.

The disparities are partly explained by different factor endowment of the provinces and are partly the logical result of the free play of the market forces. Moreover it would also be unrealistic to imagine that these disparities can be completely eliminated. So long as different regions differ in factor endowment and the character of people, these disparities will persist. But these can certainly be narrowed down to safe limits through integrated and planned growth of provinces and different regions within these provinces.

Regional planning aimed at development of backward areas should form an integral part of the whole planning exercise and may be assiduously woven into an over-all

economic plan. This requires a fundamental reappraisal of the concept of planning.

"The achievement of regionally equitable growth means changing the whole conception of planning. At the moment, planning essentially involves allocating Government resources among 'sectors' of the economy such as agriculture, industry, energy, irrigation etc. The current planning exercise involves achieving consistency between sectoral growth targets and external and internal financial resources. 'Space' is assumed out of the planning exercise except for sops like Special Development Programmes, which consider investment in backward areas as marginal to the over-all plan." (Hussain, Akmal, 1988).

Giving tax incentives such as tax holidays, reduction in duty on imported raw materials, concession in excise duty has been the traditional policy to attract investment to the backward regions. Although it has paid some dividends, yet it has failed in combating the problem. The entrepreneurs instead of going deep into the heartland of backward regions, indulged in what is called as "border hopping" (the practice of establishing an industry in a backward region just across the border of a developed region with a view to taking advantage of the tax concessions, which does not benefit a backward region in a significant manner). The failure of entrepreneurs to go to the interiors can largely be explained by the inadequacy of infra-structural facilities which more than counterbalances the lure of fiscal concessions. Efforts may be focussed on identifying areas in underdeveloped regions which can be developed as 'growth nuclei' by further strengthening their infra-structural set-up.

Notes

1. Some information is however available in the study conducted by Navid Hamid and Akmal Hussain (1976). There is also an unpublished report of the government on GPP of the component provinces of Pakistan for the years 1964/65 to 1968/69. The report of the National Finance Commission of 1964 also sheds some light on the subject. There is also a lone table in the report prepared by the Panel of Economists hailing from East Pakistan, for the year 1968/69, which appeared in the 4th Plan document as an appendage.

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THE AFTERMATH OF GULF WAR-PROSPECTS FOR PAKISTANI LABOUR

By

NAZIR HUSSAIN*

1. Introduction

The recent Gulf War had some deleterious effects on Pakistani emigrants. The economy was badly affected by the Gulf War. The oil prices increased sharply and led to increase in the import bill. The mass influx of repatriates intensified the pressure on the domestic job market. Both budget and balance of payments came under severe pressure and inflation accelerated. The aftermath of Gulf War has in store a vast reconstruction of Kuwait and Iraq, depletion of their resources, an expected change in the entire socio-economic and political outlook of the Middle Eastern countries, particularly of the Gulf countries including Iran, and a tough competition for winning the reconstruction jobs. This paper tries to analyse the employment prospects for the Pakistani labour in this mixed scenario.

Pre-Gulf War Emigration Flows From Pakistan

The 1973 oil price hike stimulated massive investment programmes by oil-rich Arab nations and a surge in demand

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for expatriate workers. At first the expatriate labour came from neighbouring Arab countries. But an eastward shift followed and Pakistan was the most fortunate to reap the fruits of its contiguity to the region and its socio-cultural and religious ties with the Arab nations. Between 1975 and 1979 there was a sharp increase in Pakistani migrant workers. The emigration of labour peaked in 1981. Later an economic slowdown in the Gulf due to oil glut diminished the flows from Pakistan. The emigration phenomenon showed a gradual decline during 1983-88 period but seems to have exhibited some recovery ever since. The period from 1983-91 also witnessed spurts of return migration, the last of which was a sudden return of some 80,000 Pakistanis from Kuwait and Iraq due to the Gulf Crisis started on August 2, 1990 when Iraq suddenly invaded and annexed Kuwait.

The down turn in migration was caused by a slow-down in economic activity in the Middle East and a fall in the price of crude oil. Other factors also contributed to the worsening of the situation to make the effect more pronounced in the case of Pakistan. The entry of new countries in the Middle East labour market, supplying cheaper but at the same time more educated and English knowing labour, has contributed significantly to the down-ward trend in the migration of Pakistani workers. In addition to these factors, the completion of major infrastructural and construction projects, demand for labour shifted towards skilled categories including maintenance workers and supervisory staff rather than unskilled and semi-skilled categories of workers. Pakistan was not able to adjust the pattern of migration quickly to meet the changing requirements of Middle East. All these factors, combined together, led to the decline of Pakistani share of the total labour in Middle East from 46% in 1982 to 23% in 1986.

In spite of these trends and their effects, the Middle East is still being seen as the only safe haven for the Pakistani labour as it is believed that this region will continue to be dependent on imported labour for some time although the skills sought will shift, particularly from construction to service industries. But new opportunities may also open up to new and highly sophisticated skills. The end of the Iran-Iraq war, the end of the Gulf War, some prospects of peace in Afghanistan, labour shortage in Hong Kong and Japan will add to prospect for the Pakistani labour's absorption abroad. Most important of all these hopeful aspects is the reconstruction activities in Kuwait, Iraq and Saudi Arabia which requires a detailed and separate analysis to see what prospects lie for the Pakistani labour in the aftermath of the Gulf war.

Gulf War and Its Impacts on Pakistan

The importance of the Gulf region for Pakistan is well recognized. About 70% of home remittances emanate from this region and more than 1.4 million Pakistanis are estimated to be working there. The share of Pakistan's trade in the region is the major source of supply of crude oil and petroleum products and main market for export of Pakistani products.

Pakistan, being closer to the war-torn region, is one of the most seriously affected countries. The war had a multi-dimensional effect and its economic fallout in Pakistan has been reflected in many counts: reduced inflow of aid, investment and capital; disruption of trade; oil crisis, decline in home remittances and problem of un-employment in the wake of influx of its workers abroad, particularly in Kuwait, Iraq and Saudi Arabia.

The remittance of Pakistan have fallen. At the same time a large number of its workers in the Gulf had to return

home and face the problem of un-employment. It also reduced Pakistan's trade with the Gulf states.

The occupation of Kuwait by Iraq in August 1990, deprived Pakistan of over \$100 million annual remittances from other countries e.g Saudi Arabia, UAE, etc. The Gulf region is also an important area of operations for PIA and the National Shipping Corporation as about 30% of their revenues emanate from this region. Their operations were badly affected by the war. The suspension of regular flights to the region also caused a loss to the Postal Department of Pakistan. The impact of the Gulf war on Pakistan's economy can be summarized as follows:

- a) Increase in the prices of oil estimated to have an additional burden of over \$700 million for the current financial year alone.
- b) Home remittance during the current year are estimated to decline by about 100 million U.S. dollars.
- c) It is estimated to have worsened the current account deficit during 1990-91.
- d) It is estimated that on account of Gulf war Pakistan's exports may be lower than the original target.
- e) The government had to spend over Rs.500 million on the repatriation of Pakistanis from Kuwait.
- f) As many as over eighty thousand Pakistanis returned from Kuwait alone. Returnees from other countries of the region are not accounted for. This has caused further un-employment internally.

In view of these challenges, the government had to adopt certain measures to combat the problem. Kuwait was main supplier of petroleum products and with its occupation by Iraq alternate arrangements were made to meet the requirements. Alternate arrangements were therefore made to import these products on a longer term basis.

In spite of the above problems, some genuine hopes could also be pinned by Pakistan. Returning Pakistanis who brought their savings with them resulted in improving the foreign exchange position in the country, and provided investment opportunities in small and medium scale industries through these savings.

In the new and developing situation, it is expected that, apart from labour force, Pakistani products may also find ready market in the Gulf. Pakistan has proven good quality mineral water which can be exported substantially. Similarly, high value added processed food items may also find market in the Gulf. Pakistan may find an attractive market for its construction materials and manpower, especially skilled and highly technical categories needed for the reconstruction of the war-ravaged countries of the Gulf region.

Limits on Overseas Employment in the Gulf Region

The seven month occupation by Iraq provided Kuwait with an opportunity to modify sharply its expatriate-dominated demographic structure as the foreign workers fled away. The Kuwait Government announced that it would limit its population to one million so that the natives could be in a majority. Reducing reliance on foreign labour has therefore become a strategic necessity after the Iraqi invasion though the plan to nationalise jobs was launched a long time ago.

Despite the spread of education and training at government costs, and despite hectic job nationalisation plans, foreigners continued to dominate the Kuwaiti labour front. All this is now likely to change, with Kuwaiti citizens being asked to perform all kinds of key jobs. Reliance on foreign workers may be reduced as a strategic necessity. The invasion highlighted the sensitivity of having foreigners, however trustworthy, in crucial communication, banking, oil and investment fields.

The fact that the Kuwaitis underwent rigorous military training in the Saudi desert and played an active part in the war of liberation is seen illustrating a new awareness among the Kuwaitis. The process has already got under way with Kuwaiti banks organising training courses for exiles and authorities announcing similar plans in various specialisations. The shortage of workers created by the flight of the expatriates has prompted Kuwaiti authorities to launch plans for training citizens.

Kuwait's partners in the Gulf Cooperation Council (GCC) Saudi Arabia, Bahrain, Qatar, Oman and the United Arab Emirates (UAE) are also suffering from the same problem and have launched campaigns to train their nationals. But such efforts were hindered due to low indigenous populations and tendency of most nationals to opt for the private sector.

American firms have so far won a majority of the rebuilding projects in the Emirate following the Gulf war. British firms had won 22 percent of the contracts for the urgent phase. Contracts had also gone to companies from Norway, Sweden, France, Italy and Switzerland.

Kuwait sold part of its huge overseas assets to finance the Gulf war effort and support its refugees and has thus

curtailed its development potential. Kuwait's exiled government contributed more than \$20 billion to the US-led coalition forces. It also paid monthly wages to each of the exiled Kuwaiti families. More than 400,000 Kuwaitis fled their homes as Iraq invaded their country on August 2, 1990.

Labour and industrial policies in almost all Gulf countries will undergo drastic changes in the light of Kuwait's bitter experience. The Iraqi invasion could prove catalyst for a sweeping reorientation programme.

The key to economic recovery in Saudi Arabia, as in all the Gulf Arab economies which rely so heavily on state spending for growth, is government finances. Saudi Arabian Government was already facing a state budget deficit forecast of 25 billion Riyals before the Gulf crisis while Saudi's had to bear extra costs for the Operation Desert Shield and the build up of huge US-led coalition forces on Saudi territory.

Additional Gulf costs included 13.5 billion dollars toward US war expenses, at least six billion to help regional states affected by the war, and possibly well over 12 billion for weapons and munitions costs. Added to this were untold amounts for reconstruction of war damaged areas, insurance and compensation, which could push the total to 40 billion dollars and beyond.

Financial burdens created by the war may force Gulf Government to spend less on development, paving the way for greater role by the private sector. Gulf states have already slashed expenditure since oil prices began to fall in mid 1980s. This led to a slowdown in growth as economic activity depends mainly on government spending. Encouragement of the private sector to contribute more to the national economy is expected to be among the GCC's priorities in the next stage.

After a long period of boom in the Gulf, business sharply shrank in the mid-80s due to a decline in oil earnings and the completion of the bulk of the programme to build roads, airports, desalination plants, schools, hospitals and other infrastructure. Such projects are estimated to cost Saudi Arabia, Bahrain, Qatar, Kuwait, United Arab Emirates and Oman more than \$150 billion in the past decade. The private sector's heavy dependence on public spending and government monopoly of major industrial and services projects were the main reason for its slow expansion.

In 1975, the private sector's share of GDP was 30 percent. It rose to 60 percent in 1990, simply because the drop in government expenditure promoted the private sector to become self-reliant. New financial obligations by Gulf states could affect spending on development projects. There is also widespread expectation that oil prices will fall further to drain coffers that received only \$50 billion in 1989 compared with about \$200 billion in 1980.

Gulf economies in the post-war era are also expected to slow down in the face of heavy security burdens. Growth in the GCC was among the most rapid in the world during the oil boom of late 1970s and early 1980s spurred by massive government spending on development. The GCC states of Saudi Arabia, Kuwait, Qatar, Bahrain, Oman and the United Arab Emirates (UAE) spent more than \$150 billion in infrastructure projects in the past decade. But a decline in oil prices and output, coupled with the Iran-Iraq conflict, sharply depressed business, leading to a long period of recession.

The decline in oil revenues, which form nearly 80 percent of their income, created deficit in GCC budget and they had to shelve several projects.

The above details will show that there are some real constraints ahead for the Pakistani emigrants to seek employment in the Gulf countries.

Besides the limit on population increase, the level of wages offered will affect the employment opportunities for Pakistanis in Kuwait. During the pre-war period Pakistanis were the most expensive Asian workers. They faced tough competition from workers from Philippines, Thailand, India, etc.

Future of Emigration

Although the immediate threat of Iraqi aggression has been checked, the six Emirates of the Gulf Cooperation Council (Saudi Arabia, Kuwait, the United Arab Emirates, Qatar, Oman and Bahrain) will remain vulnerable for the foreseeable future. The need to call in help from 28 nations to counter Iraqi aggression underscored the failure of the Council to provide self-defence. Hence their requirements for defence personnel from Pakistan.

Rebuilding Kuwait will still be one of the biggest reconstruction jobs in history. At present, attention is focussed on programmes to restore power, water and sewerage, some road and air facilities, and to explore ways of saving the burning oilfields. The second phase will restore basic structures of state, including government ministries, hospitals and transport system. Complete rebuilding may however take years.

Support during the war is clearly a barometer for deciding who will get the cream of the reconstruction contracts. The United States, in the forefront of the liberation of Kuwait, is clearly in the forefront of the reconstruction also.

There is an all-round realisation that both Kuwait and Iraq need massive reconstruction and to a limited extent the eastern zone Saudi Arabia and Riyadh. Iraq will need skilled personnel for running its oil industry. Almost 80 percent of Iraq's oil refining capacity had been destroyed. Fifty percent of Iraq's power generating capacity was destroyed or damaged and most of the country's water purification and sewage systems were wrecked. Several other industrial sites, such as sugar mills, fertiliser, food processing and cement plants and iron and steel works were also hit by bombs. Iraq's roads and bridges were badly damaged too. There is a great deal to do on infrastructure and on refineries and pumping stations.

A new phenomenon of brain drain has touched the Middle Eastern region. Hundreds of thousands of skilled Arab professionals are moving to the West. It is estimated that more than 470,000 Arab professionals moved to the West between 1985 and 1990, and the exodus is likely to get new impetus in the post war period. Key professionals on the move include doctors, engineers, pharmacists, bankers, teachers and scientists, as well as skilled labourers. Some Arab states have formed strong links with industrialised countries by importing foreign expertise and sending out local talent. Many scientists had left because of economic and social instability resulting from the political situation in the Arab region.

Economic growth and development of Iran during the years after the Iran-Iraq have been influenced by several deterring external and internal factors, the most important of which are the decline of oil prices and foreign currency revenues, and problems relating to the increase in population. It launched an ambitious five year development plan (1988-93) with a total investment of Rials 26452 billion at 1988 prices.

How should Pakistan Respond

In order to meet the needs of the new economic structure that may emerge in the Middle East countries as a result of the war, the major thrust of Pakistan's manpower export policy must be towards the export of skilled workers. Accordingly, programmes for training workers in trades likely to be in demand in the Middle Eastern countries need to be intensified.

Regular campaigns and visits to the main employers in the Middle East, especially in the Gulf, may be encouraged.

Pakistani firms may actively compete to win turnkey projects in the Middle East alone or in joint ventures with firms from other countries.

The National Engineering Service of Pakistan (NESPAK), has signed agreement with the Iranian firms for cooperation in the water and power-sector. Joint ventures with Iranian companies may be promoted to export more manpower.

Pakistan's private sector should contribute more in the reconstruction of Kuwait. Companies should directly negotiate with foreign countries for sub-contracts. Pakistanis could offer services in the sectors of manpower construction and maintenance. Excellent opportunities exist in the areas of water desalination, plant maintenance, over-head wires, pipelines, transmission lines, transformers repair and maintenance, hospital supplies and hotel maintenance, oil refinery maintenance, telecommunications, port and ship handling, airport facilitations, transport and transport workshops. There is a total vacuum in the transport sector.

The unemployed graduates, doctors, engineers etc. who compete for jobs abroad advertised through various agencies

fail to succeed owing to lack of experience. On the other hand, government / semi-government / autonomous bodies are overstaffed with people having all sorts of experience and most of them can get the jobs abroad on their own or through the registered private agencies, thus creating vacancies for the unemployed ones. The policy of the Government needs to be revised according to the need of the time and the employees of the Government departments may be liberally allowed to seek jobs overseas on their own.

In view of the sudden turn in the Gulf states from pursuit of economic development to mobilisation of defence capabilities, there are possibilities of deployment of Pakistanis in the defence related activities. Pakistan already has some force in Saudi Arabia. Agreements should be made with the Gulf countries to send them young men for joining the defence forces.

A comprehensive data base should be developed so that migrants and returnees plus the funds they remit can be better monitored. So far there have been significant information gaps in this data. It is imperative that the return of migrant workers and putting their savings to better personal and national use should be facilitated by the concerned agencies. The returning migrants should also be encouraged to set up their own businesses or put their saving into other productive investments. For example allowing returnees to import the tools of their trade or providing special loans would spur new enterprises.

Incentives should be provided to migrants to send home their savings via formal channels rather than illegal or informal ones, which tend to dilute revenue. Migrant workers will be attracted to formal channels if they are efficient, simple and profitable. Low banking fees, premiums on exchange rates

and liberal foreign exchange regulations help cut out balck marketers and back-alley transfers.

The rehabilitation programme should cater to the requirements of all kinds of reurning migrants. The migrants on their return need assistance not only to get settled economically but also to deploy their accumulated savings productively.

The schemes and programmes for rehabilitation should include-

- i) Setting up of a separate cell to collect and analyse information on qualifications, skills, work preference and accumulated savings of the returnees.
- ii) Placement system for returning migrants, which should include provision for retuning of workers and organising short-term entrepreneurial training for interested returnees.
- iii) Identification and preparation of profiles of technically and commercially viable projects which the retutnees could undertake with the help of their own investible surplus.

Bahrain has played the role of an important off-shore banking centre after the demise of Beirut. The off-shore banking units in Bahrain are now feeling uneasy because Bahrain is strategically the most vulnerable and the weakest point in the region having hardly any defence capability. Banks in UAE and other Gulf countries are also feeling the pinch. The Governemnt of Pakistan may establish an off-shore banking centre in E.P.Z. Karachi on the lines that Turkey has done in Istanbul. Pakistan has bankers of international reputre who can help make it a success.

Conclusion

Since 1973, the Middle Eastern countries have assumed a special significance for Pakistan's economy as the flows of Pakistani labour to this region have had a positive and a soothing effect on the economy of Pakistan. Emigration eased the internal unemployment pressures, helped to reduce balance of payments problem and eased, to some extent, the maldistribution of incomes.

The new situation created in the Middle East, particularly in the Gulf countries, including Iran, after the recently ended Gulf war has generated a mixture of hopes and despair for Pakistani labour to migrate in the future days. While massive reconstruction may push up job demand from abroad, there is in store a tough competition for the Pakistani workers who are placed in a rather disadvantageous position because of many factors like English language, comparative wage factors, etc. At the same time, the GCC members are planning to reduce guest labour and develop their indigenous labour to avoid foreign dependence. The war has cost these countries enormously and a re-ordering of the future course may divert their investible resources towards security expenditures. There are short and long-term prospects of job loss in the Gulf countries for the Pakistani labour. It is therefore imperative for Pakistan to reorient its policy towards emigration of its labour force. Special efforts are required to train better quality workers and liberalise emigration regulations.

BOOK REVIEW

LOCAL DEVELOPMENT IN THE GLOBAL ECONOMY (THE CASE OF PAKISTAN)

By

Prevaiz Nazir
Avebury, England, 1991

In the book "Local development in the Global Economy" the author seeks to analyze local development in Pakistan and the way this development is connected with and dependent on the international economy. The empirical study of this book is based on a survey carried out in 1978 in a village (which was renamed Mallian) of district Sheikhpura, the Pakistani Punjab. The village lies between the most fertile as well as the most industrialized areas in Pakistan.

The book is written from the viewpoint of the Third World countries like Pakistan. It is interesting and informative, worth some serious thoughts and reading and raises some concrete questions on import of technology and national development, and their dependency on international market forces and the multinational corporations.

The author points out that the Import Substitution Industrialization (ISI) policy of the Pakistan's government should have made the economy more self-reliant, but the dominant class interests in the country ruled in favour of quick profits through the Import Substitution Industrialization for

consumer goods. This led to the institutionalization of the perpetual trade deficit and acute shortage of foreign currency, combined with relatively low rate of investment.

The study points out that because of low agriculture production and weak industrial base in Pakistan, the high growth rate does not reflect any deep structural transformation of the national economy and that the main obstacle to local and national development has been the lack of integration between agriculture and industrial development

The capital goods and technology producing sectors, which are weak in Pakistan are the most important determinant of the development of an integrated and self-reliant national economy, which Pakistan and such countries are not, therefore the import of capital goods and technology and exports of semi-finished and finished goods without the development of the national heavy industry for the production of capital goods and technology cannot and will not help the national economic development and cannot break the old semi-feudal socio-economic relationships, therefore in these conditions only the multinational corporations and the developed countries will gain from their influence on the local economic development of these countries.

A single global market restricts the Third World country's development, because this process of integration into the international economy facilitates development in the short-term, but restricts it in the long run. Much of the agricultural technology and equipment is produced by the MNCs, and the import and use of imported technology and capital goods would not be a problem if there was a two-way flow of these goods between the developed and the developing countries. But under the present conditions of production process in the Third world countries the penetration of the MNCs represents a restriction

of capital accumulation in these countries as well as a drain of their capital. The technology transfer to the developing countries and the economic structures into which this enters, does not create linkage effects with other sectors of the national economy. "The weak development of a capital goods industry in Pakistan, especially of industry producing inputs for agriculture, is reflected in the limited extent and scale of industrial development generated by the green revolution since the mid-60's" (Nazir, P. 59). For national interest selected involvement of the international forces, rather than no use of imported technology is stressed, this should complement instead of constraining national development.

The problems raised in the book are relevant and show the no-win situation of the Third World countries like Pakistan. On the one hand, there is a need to develop production of capital goods and technology in these countries. This calls for serious long-term economic plans for industrialization. This needs modern technology, know-how and research, and also needs a fully developed infrastructure, working habits among the work force and an army of highly qualified technocrats and scientists, i.e. educated people. This also needs a relevant amount of capital, all of which the countries like Pakistan do not have where as the MNCs and the developed countries have. On the other hand, the huge debts which these countries have accumulated restricts the economic and scientific development of these countries and at the same time makes them dependent on the global economy from which the author advocates these countries to free themselves.

Feudal and semi - feudal relationships are broken by the development of capitalist industrial norms and relationships. In countries like Pakistan, the dependency on the international markets have left influx of foreign capital, import of technology

from the MNCs and financial aid for consumer goods and for non-economic purposes have helped maintain these semi-feudal relationships rather than to destroy them. This also left the capitalist sector in these countries weak and dependent both on our agricultural raw-materials as well as the technology transfer and financial aid from the developed countries and the MNCs. The essence of the problem lies in how the policy makers in these countries use technological know-how from the MNCs in advancing and integrating their own agriculture and capital goods producing industry, which is at a primitive stage of development from the global point of view, and at the same time curb the fast growing influence of the MNCs in the Third world in order to protect their own industrial sectors. This has not been answered in the book.

The author stresses that the 'Green Revolution' in Pakistan has not helped in the development of agricultural industry. This is not true, at least in the region where the research data for the local development has been collected. Today the local farmers are actively trying to make use of the modern agricultural facilities and technology in the area. Rather their over-use of modern technology and fertilizers is having an adverse effect on the ecology and environment of the area. Also most of the industrial units developed in the area are for the production of agro-based technology like tractors and fertilizers. The reason for the lack of the use of agricultural technology extensively in Pakistan is the structure of land holding in Pakistan, over 40% of which are under the 12 acre holding limit, making them non-feasible for the use of technology in agriculture.

The reasons for the economic backwardness in countries like Pakistan and their dependence on the international market forces lies in the lack of farsight, and serious economic

planning among the policy makers of these countries who sacrifice national interest for short term gains.

Statistical data used in the book can help research students to study related topics in agriculture and economic development of Pakistan.

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