

Civil Society Undermined

INTRODUCTION

The ruling elite at the dawn of independence consisted of an alliance between the landlords and the nascent industrial bourgeoisie backed by the military bureaucratic oligarchy. The nature of the ruling elite conditioned the form of the economic growth process. However, the latter in turn influenced the form in which state power was exercised. Economic growth was of a kind that brought affluence to the few at the expense of the many. The gradual erosion of social infrastructure, endemic poverty and the growing inequality between regions undermined civil society and accelerated the trend towards militarization. In this section we will examine the relationship between an increasingly coercive state structure, external dependence and the nature of economic growth during the Bhutto and Zia periods respectively.

I Contradictions and the Nature of Economic Growth: 1960-1970

The basic objective of the planning strategy during the decade of the 1960s was to achieve a high growth rate of

gross national product (GNP) within the framework of private enterprise. Investment targets were to be achieved on the basis of the doctrine of 'functional inequality'. This meant deliberately transferring income from the poorer sections of society, who were thought to have a low marginal rate of savings, to high income groups, who were expected to have a high marginal rate of savings.¹ It was thought that by thus concentrating income in the hands of the rich, the total domestic savings, and hence the level of investment, could be raised.² It was argued that in the initial period, when domestic savings would be low, the gap between the target level of investment and actual domestic savings would rise, until by the end of the Perspective Plan in 1985, the country would become independent of foreign aid.³

During the decade of the sixties, the above strategy was put into practice and at a superficial level at least, in terms of its growth targets, it was successful. For example the growth rate of GNP was 5.5% per annum; manufacturing output increased by an average annual rate of about 8 percent, and large scale manufacturing increased at over 10 percent per annum. The elite farmer strategy of concentrating new agricultural inputs in the hands of rich farmers also bore fruit by generating a growth rate in agricultural output of 3.2 percent per annum (compared to less than 1.5 percent in the⁴ previous decade). However, underlying this impressive performance in terms of aggregate growth rates was an economy which became structurally and financially so dependent on the advanced capitalist countries that the very sovereignty of the state began to be undermined. Apart from this, the nature of the growth process generated such acute inequalities between regions that the internal cohesion of society began to be seriously eroded.

The particular growth process in Pakistan generated four fundamental contradictions:

- (i) A dependent economic structure and the associated high degree of reliance on foreign aid.
 - (ii) An acute concentration of economic power in the hands of forty-three families and the resultant gulf between the rich and the poor in urban areas.
 - (iii) Growing economic disparity between regions.
 - (iv) Polarization of classes in the rural sector and a rapid increase in landlessness.
- (i) Underlying the apparently impressive figures of the growth of manufactured output (10 percent per annum in the large-scale manufacturing sector) was an inefficient and lopsided industrial structure. Growth was concentrated not in heavy industries which could impart self-reliance to the economy but rather in consumer goods produced with imported machines. Thus, by 1970-71, cotton textiles alone accounted for as much as 48 percent of value added in industry, while basic industries such as basic metals and electric and transport equipment accounted for only 11 percent of the value added in manufacturing in Pakistan. Not only was growth concentrated in consumer goods industries, but also the efficiency of these industries was very low. This was due to the high degree of protection and support given by the government in the form of high import tariffs, and overvalued exchange rate tax holidays and provision of cheap credit.⁴ Industrialist could thus earn annual profits of 50 per cent to 100 percent or more and were under no pressure to increase efficiency. Apart from this, export subsidies enabled manufacturers to export goods at an extremely

high rupee cost per dollar earned. In some cases, goods were profitably exported at dollar prices which were less than the dollar value of the raw materials embodied in the goods.⁵

Given the failure to develop a heavy industrial base and the emphasis on import-dependent consumer goods industries, the structure of Pakistan's industry induced increasing dependence on imported inputs. At the same time, the failure to increase domestic savings pushed the economy further into reliance on foreign aid. The policy of distributing income in favour of the industrialists succeeded, but the assumption that this would raise domestic savings over time failed to materialize. Griffin points out, for example, that 15 percent of the resources annually generated in the rural sector were transferred to the urban industrialists, and 63 percent to 85 percent of these transferred resources went into increased urban consumption.⁶ Far from raising the domestic savings rate to the target level of 25 percent of GNP, the actual savings rate never rose above 12 percent of GNP and in some years was as low as 3 percent to 4 percent.⁷

The low domestic savings caused by the failure of capitalists to save out of their increased income resulted during the decade of the sixties in growing dependence on foreign aid. According to government of Pakistan figures, foreign aid inflow increased from U.S. Dollars 373 million in 1950-55 to U.S. Dollars 2701 million in 1965-78⁸. This seven-fold increase in the volume of aid was accompanied by a continuing change in the composition of aid from grants to loans so that whereas 'grant and grant-type' assistance constituted 73 percent of total aid received during 1950-55, this type of assistance declined to 9 percent by 1965-70. Thus, not only had the volume of aid increased dramatically but also the

terms on which it was received became increasingly harder, the result was that debt servicing alone by the end of the sixties constituted a crippling burden. While debt servicing as a proportion of commodity export earnings was 4.2 percent in 1960-61, by 1971-72 it had become 34.5 percent. Clearly, such a magnitude of export earnings could not be spent on debt servicing in vital food and industrial inputs were to be maintained. Thus, by the end of the sixties, economic survival began to depend on getting more aid to pay back past debts. This pattern of aid dependence continues to this day. In 1986, for example, 73 percent of gross aid received was returned as payment for debt servicing charges on past debt. What is perhaps even more significant is that the conditionality clauses of 'foreign aid' specify in great detail the economic policy that the government of Pakistan is required to follow.⁹ Aid giving agencies, for example, specify policies from the price of gas and fertilizer to import policy, from the method of administering railways to the allocations to be made by the government in each sector of the economy. These increasingly comprehensive macroeconomic policy packages accompanying foreign aid seriously erode the sovereignty of Pakistan's economic decision making.

- (ii) The process of economic growth upon which Pakistan embarked during the 1960s was designed to concentrate incomes in the hands of the industrial elite on the one hand and the big landowners on the other. It is not surprising therefore that by the end of the 1960s a small group of families with interlocking directorates dominated industry, banking and insurance in Pakistan. Thus forty-three families represented 76.8 percent of all manufacturing assets (including foreign and government assets). In terms of value added, 46 percent of the value added in all large-scale manufacturing originated in firms controlled

by forty-three families.

In banking the degree of concentration was even greater than in industry. For example, seven family banks constituted 91.6 percent of private domestic deposits and 84.4 percent of earning assets. Furthermore, there is evidence to show that the family banks tended to favour industrial companies controlled by the same families in the provision of loans, State Bank compilation of balance sheets of listed companies indicates which bank these companies dealt with. In virtually all cases, banks controlled by industrial families were one of the two to four banks that were dealt with by the industries controlled by industrial families were one of the two to four banks that were dealt with by the industries controlled by the same industrial families.¹¹

The insurance industry, although smaller in size than banking, also had a high degree of concentration of ownership. The forty-three industrial families controlling 75.6 percent of assets of Pakistani insurance companies tended to favour industrial companies owned by the same group. The insurance company investments were used for providing a ready market for the shares of the families' industrial companies whenever they wished to sell shares without depressing the share price.¹²

The major industrial families and entrepreneurs were a fairly closely-knit group. Not only did many of them have caste and kinship relations, but members of the families tended to sit on each other's boards of directors. About one-third of the seats on the boards of directors of companies controlled by the forty-three families were occupied by members of other families within the forty-three.¹³

Not only were the forty-three families dominating

industry, insurance and banking, but they also had considerable power over government agencies sanctioning industrial projects. For example, PICIC (Pakistan Industrial Credit and Investment Corporation) was the agency responsible for sanctioning large-scale industrial projects. Out of the twenty-one directors of PICIC, seven were from the forty-three leading industrial families and were actively involved in the administrative institutions that directly affected their economic interests.

During the process of rapid economic growth of the 1960s while an exclusive and highly monopolistic class was amassing wealth, the majority of Pakistan's population was suffering an absolute decline in its living standards. For example, the per capita consumption of foodgrain of the poorest 60 percent of Pakistan's urban population declined from an index of 100 in 1963-64 to 96.1 in 1969-70. The decline was even greater over the same period in the case of the poorest 60 percent of rural population. In their case, per capita consumption of foodgrain declined from an index of 100 in 1963-64 to only 91 in 1969-70.¹⁴ There was an even larger decline in real wages in industry. For example, Griffin suggests that in the decade and a half ending in 1967, real wages in industry declined by 25 percent.¹⁵ S.M. Naseem, in a more recent study for the ILO, has estimated that in 1971-72 poverty in the rural sector was so acute that 82 percent of rural households could not afford to provide even 2100 calories per day per family member. (2300 calories a day per head are regarded as the minimum for a healthy active life.)

- (iii) In an economy where investment takes place on the basis of private profitability alone, there would be a cumulative tendency for investment to be concentrated

in the relatively developed regions. Consequently, regional economic disparities would tend to widen over time. This is in fact what happened in the case of Pakistan. Punjab and Sind Provinces, which had relatively more developed infrastructures, attracted a larger proportion of industrial investment than the other provinces. In Sindh, however, the growth in income was mainly in Karachi and Huderabad. Thus, economic disparities widened not only between East and West Pakistan, but also between the provinces within West Pakistan. During the 1960s the factor which accelerated the growth of regional income disparities within what is today Pakistan was the differential impact of agricultural growth associated with the so-called 'Green Revolution'. Since the yield increase associated with the adoption of high-yield varieties of foodgrain required irrigation, and since the Punjab, and Sind had a relatively larger proportion of their area under irrigation, they experienced much faster growth in their incomes, compared to Baluchistan and NWFO.¹⁶

In a situation where each of the provinces of Pakistan had a distinct culture and language, the systematic growth of regional disparities within the framework of the market mechanism created acute political tensions required a genuinely federal democratic structure with decentralization of political power at the provincial level. Only such a polity and large federal expenditures for the development of under-developed regions could ensure the unity of the country. In the absence of such a polity, the growing economic disparities between provinces created explosive political tensions.

- (iv) The failure to conduct and effective land reform in Pakistan has resulted in a continued concentration of landownership in the hands of a few bib landlords.¹⁷ Thus, in 1972, 30 percent of total farm area was owned by large landowners

(owing 150 acres and above.)¹⁸ The overall picture of Pakistan's agrarian structure has been that these large landowners have rented out most of their land to small and medium-sized tenants (i.e., tenants operating below twenty-five acres.)¹⁹ In such a situation, when the 'Green Revolution' technology became available in the late 1960s the larger landowners found it profitable to resume some of their rented out land for self-cultivation on large farms using hired labour and capital investment. It is this process of the development of capitalist farming which has generated new and potentially explosive contradictions in Pakistan's rural society. These contradictions have resulted from the highly unequal distribution of landownership.

During the period when high-yield varieties of foodgrain were being adopted, there was a rapid introduction of tractors. The number of tractors increased from 2000 in 1959 to 18,909 in 1968.²⁰ By 1975 there were 35,714 tractors with an additional 76,000 tractors being imported between 1976 to 1981.²¹ What is significant is that most of these tractors were large-sized in a country where 91 percent of the farms are below twenty-five acres, and about 51 percent of total farm area is operated in farms below 25 acres.

An important reason why large tractors were introduced was that large landowners, responding to the new profit opportunities, began to resume rented-out land for self-cultivation on large farms. Given the difficulty of mobilizing a large number of labourers during the peak season in an imperfect labour market and supervising labourers to ensure satisfactory performance, the large farmers found it convenient to mechanize even though there is no labour shortage in an absolute sense.

As result of the development of capitalism in agriculture,

polarization has occurred in the size distribution of farms, especially in the Punjab; i.e., the percentage share of large and small farms is increasing, while the percentage share of medium-sized farms (eight to twenty-five acres) is declining.²² This polarization is essentially the result of large landowners resuming their rented-out land for self-cultivation on large farms. The land resumption has had the greatest impact on medium-sized tenants.

Along with polarization in the rural class structure, landlessness has increased as many tenants are evicted following land resumption by big landowners. It has been estimated that during the decade of the 1960s, 794,042 peasants became landless labourers; i.e., 43 percent of the total agricultural labourers had entered this category following proletarianization of the poor peasantry.²³

Unlike Europe, where the growth of capitalism in agriculture was associated with the emancipation of the peasantry, in Pakistan the development of capitalist farming has intensified the dependence of the poor peasantry. The reason is that in Pakistan capitalist farming has occurred in a situation where the political and economic power of the landlords is still intact. Consequently, the big landlord is able to control local institutions for the distribution of credit and other inputs. The result is that the poor peasant in order to buy tube well water, seeds, fertilizer and pesticides and to market his output, has to depend on the good offices of the landlord. Thus, as the inputs for agricultural production become monetized and insofar as access to the market is via the landlord, the poor peasant's dependence has intensified.

As money costs of inputs increased without a

proportionate increase in yield per acre of the poor peasant (due to poor timing and inadequate inputs) his real income is being reduced. Evidence shows that both the quantity and quality of diet of poor peasants have deteriorated.²⁴

The particular from that capitalist farming in Pakistan has taken is increasing landlessness, unemployment, class polarization and poverty. Each of these features has arisen because capitalist farming is occurring in a situation where landownership is highly unequal, and where the feudal power of the landlords is intact.

II Class Composition of the Pakistan People's Party and the State Apparatus

The PPP was originally composed of radical elements of the petite bourgeoisie of the Punjab and Sind on the one hand and substantial elements of capitalist farmers on the other. The radical elements of the petite bourgeoisie were dominant in the PPP until 1972. This was evident from the manifesto, which was anti-imperialist, anti-feudal, and against monopoly capitalism. The same stratum also played a key role in devising a propaganda machine suited to the manifesto and presenting it as a 'revolutionary' program, thereby getting the support of the urban workers and the poor peasantry.

The radical stratum was drawn from diverse social origins and had differing political objectives, and its members therefore connected themselves to Bhutto in separate groups or factions. The inability of different factions of the radical petite bourgeoisie to constitute themselves into a singly block within the PPP facilitated the purges that came after 1972.

By 1972 Bhutto had consolidated his power and began to shift the balance of class forces within the PPP in favour of

the landlord group. This shift was not accidental, nor was it a personal betrayal of the radicals on Bhutto's part as it was subjectively experienced by the party cadres. Changes in the internal class composition of the PPP were objectively determined by the changed position of the PPP in relation to the state. In the pre-election period the dominance of the radical petite bourgeoisie and its political rhetoric were necessary in the PPP was to get a mass base for an election victory.

After the election, Bhutto realized that if the socialist rhetoric of the left wing of the PPP was to be implemented, it could not be done through the existing status apparatus. It would involve institutionalizing party links with the working class and the peasantry by building grass-roots organizations. This would soon generate a working class leadership which would not only threaten his own position within the party but would also unleash a momentum of class conflict that would place the PPP on a collision course with the military and the bureaucracy. Given Bhutto's own commitment to seek social democratic reforms within the framework of the state as constituted at the time, he was unwilling to take a path that would lead confrontation with the state apparatus. Consequently, the socialist rhetoric of the PPP had to be toned down, its radical petite bourgeois elements quietened or purged from the party, the rudimentary organizational links with the working class and poor peasants broken and the landlord elements of the PPP firmly established as the dominant element within the party.

The decision to purge the radical elements within the PPP and to separate it structurally from its worker-peasant base meant that Bhutto had to rely on the bourgeois state apparatus to respond to the political challenges emanating from three directions: First, the intensification of the nationalist struggle in Baluchistan; second, the

growing militancy of the working class in the Punjab and Sind: and finally, parties representing the industrial bourgeoisie.

The strategy of selective repression of the political opposition necessitated changes in the state apparatus so as to make it more effective as a coercive instrument. Bhutto brought about three types of changes:

1. He Streamlined and strengthened the internal security service and formed new para-military organization called the Federal Security Force, consisting initially of 10,000 men. This was essentially a political police force responsible directly to the prime minister.
2. An attempt was made to reduce the power and autonomy of the elite CSP (Central Services of Pakistan) cadre of the bureaucracy. This was done first by purging 1300 officers on grounds of misuse of power and filling their vacancies by pro-PPP men. Second, a new system of lateral entry was instituted. Through this, direct appointments at all levels of the administrative services were made on recommendation from the PPP leadership. By thus short-circuiting the hierarchy of the CSP and penetrating it with officers who were loyal to the PPP, large sections of the bureaucracy were politicized and made more amenable for use by the PPP.
3. In the armed forces, Bhutto conducted two purges in quick succession. He first discarded the five top generals who had dominated the government before and during the Bangladesh crisis, and second, he ousted those commanders like Lieutenant-General Gul Hassan Khan and Air Marshal Rahim Khan who had been instrumental in the transfer of power

to Bhutto himself. Thus, enemies and benefactors alike were removed on grounds that they had Bonapartist tendencies. The new chief of the army staff was Tikka Khan, who was succeeded by Zia ul Haq, whom Bhutto promoted by superseding four other generals in the hope that he would be obliged to be loyal. However, as was realized later, a coup d'état cannot be prevented by simply placing loyal generals in command. What is necessary is to change the very structure of the armed forces and its relationship to the political system. What he had to do to prevent a coup was to subordinate the armed forces as an institution to the political system. This change in the structural position of the armed forces within the state, from a position of dominance to a position of subordination to the political system, from a position of dominance to a position of subordination to the political system, could only have been achieved by organizationally linking the PPP to its mass base. This was something that Bhutto was not prepared to do.

While Bhutto in his attempt to use the state apparatus to quell political opposition was internalizing some sections of the state apparatus into his political apparatus, a parallel process of infiltration was being covertly conducted by another political party: The Jama'at-i-Islami.

The Jama'at-i-Islami is an extreme right-wing religious party composed of the most retrograde section of the urban petite bourgeoisie. It had suffered a humiliating electoral defeat in 1970, having obtained only 5 percent of the vote and three National Assembly seats. After this defeat it started concentrating on preparing for a coup by increasing its infiltration of the army and bureaucracy.²⁵ The Jama'at from its very inception was a semi-secret, extreme right-wing organization of disciplined cadres, some of whom are given combat training. After 1970 it was able to expand its influence over strategic sections of the state apparatus for a number of

reasons:

1. The earlier generations of generals in the high command were British-trained, liberal officers, drawn largely from the affluent land-owning class. However, in the 1960s a new generation of officers began to occupy command positions. These were less literate and more religious, drawn largely from the economically depressed migrants from East Punjab (like General Zia ul Haq) and the unirrigated Potwar region of West Punjab. This new generation of officers was socially more conservative than the earlier generation, was brought up in a religious culture and was highly susceptible to the puritanical ideology of the Jama'at.²⁶
2. Similarly, patterns of general recruitment in the army had changed, whereby many of the rank and file as well as the junior officers tended to come not from the prosperous central Punjab, but from the relatively impoverished northern districts of the province, where a fundamentalist religious ethos still prevails.²⁷
3. The demoralization of the armed forces following the defeat in Bangladesh had opened the way for an obscurantist ideology. In the absence of ideological work among the ranks by the left, the average soldier turned to the Islamism of the Jama'at for an explanation both of his failure as well as his future purpose.²⁸
4. The Jama'at propaganda among troops was tolerated and in some cases sanctioned by commanding officers at the battalion level and above.²⁹

It appears that the relative autonomy and internal

coherence of the state apparatus has been considerable undermined due to its infiltration by PPP sympathizers on the one hand and by Jama'at cadres on the other. The consequent factionalizing process within the armed forces and the bureaucracy is an important factor in the nature of the July 1977 coup as well as an element in the present crisis of the state.

III Socio-economic Causes of the Anti-Bhutto Movement, and the Bhutto Legacy

The essential political aspect of the nationalization of nine basic industries, banks and insurance companies was that it enable the PPP to buy the political support of a section of the urban petite bourgeoisie through provision of credit and contracts for consultancy, construction projects and production of components. The nationalization of banks particularly enabled the PPP to strengthen its support among the kulaks by providing them with low-interest loans. For example, in 1975 alone, Rs. 1,650 million were provided to kulaks. In the period 1971-72 to 1975-76, loans from nationalized commercial banks for tractors and tubewells increased by 400 percent and loans for other farm needs (so-called taccavi loans) increased by 600 percent. Similarly, government subsidies for chemical fertilizer rose from US Dollars 2.5 million to US Dollars 60 million during the period 1972 to 1976. The same rapid expansion of rural credit is indicated by loans given by the Agricultural Development Bank:

<u>1971-1972</u>	<u>1975-1976</u>
Tractors Rs. 370.41 million	Rs. 2,200 million
Tubewells Rs. 180.41 million	Rs. 860.67 million

The nationalization of banks and the subsequent credit

expansion for financing loans to industries and capitalist farming led to heavy deficit financing and an increase in the money supply. Thus, notes in circulation increased from Rs. 23,000 million in 1971-72 to Rs. 57,000 million in 1976-77. There was a sharp slowing in the growth rate of both agriculture and industry. Thus, industrial growth fell from an average of 13 percent per year during the 1960s to only 3 percent per year during the Bhutto period from 1972 to 1977. Similarly, the agricultural growth rate declined from an average of 8.65 percent in the 1960s to a mere 0.45 percent in the period 1970-75.

The sharp increase in the money supply during a period of virtual stagnation in agriculture and industry was reflected in a very sharp rise in the rate of inflation. The wholesale price index at 1959-60 prices rose from 150.3 in 1971-72 to 288.8 by 1974-75, with the sharpest increase being recorded in foodgrain prices, which rose by 200 percent over the three-year period. It appears then that, although nationalization of industry and credit expansion enabled the PPP to buy the support of a section of the urban petite bourgeoisie through the provision of jobs, contracts, licences and loans; the available funds and contracts were not large enough to enrich the entire petite bourgeoisie. In fact a section of the lower middle class that did not gain from the PPP, suffered an absolute decline in their real incomes due to the high inflation rate. It was this frustrated section of the urban petite bourgeoisie and the large lumpen proletariat which had been stricken by inflation that responded to the call for a street agitation in March 1977. Although the apparent form of the street agitation was spontaneous, it was orchestrated and given political focus at key junctures of the movement. This organizational and coordinating function was performed by the highly trained cadres of the Jama'at-i-Islami. The agitation was of course fuelled by the fact that the PPP was alleged to have rigged elections in a number of constituencies, although it was subsequently recognized that the PPP would

have won a majority even without the rigging. While internal factors were important determinants of the anti-Bhutto movement, nevertheless they must be seen in the context of the international forces at play during the last days of the Bhutto regime. Former Prime Minister Bhutto by means of his nuclear program and his diplomacy with the Arab regimes was attempting to acquire a leverage against the power of the United States in the region. His defiance in the face of U.S. disapproval of his policies occurred in a situation where his domestic political support had not been secured and institutionalized through a political party. This was a factor as important in his overthrow as the organized opposition by elements of the petite bourgeoisie. The overthrow of the Bhutto regime and the subsequent hanging of the only popularly-elected prime minister of Pakistan dramatically represented the limits of populism within a state structure dominated by the military bureaucratic oligarchy. Through his charismatic personality and populist rhetoric Mr. Bhutto had in his early years galvanized mass consciousness and unleashed powerful popular forces. His failure to institutionalize these essentially spontaneous forces within a grass roots party and the resultant failure to subordinate the military bureaucratic elite to the political system led to his tragic downfall. Yet, the style and content of Mr. Bhutto's political message has left a lasting legacy in popular consciousness:

That the poor have the right and the ability to be freed of the shackles of oppression; that they too can dream of threatening the citadels of power. His lonely defiance of military authority during his months in the death cell has given this dream an immediacy and the Bhutto name an intense emotional charge..

IV Militarization and Dependence under the Zia Regime

(i) The Fragmentation of Civil Society

Each, regime that came into power sought to legitimize

itself through an explicit ideology: The Ayub, regime propounded the ideology of modernization and economic development. The Bhutto regime sought legitimacy in the ideology of redeeming the poor (Food, Clothing and Shelter for all) through socialism. It is an index of Zia's fear of popular forces, that he initially sought justification of his government precisely in its temporary character. If anything it was the ideology of transience. (That he was there for only 90 days for the sole purpose of holding fair elections). It was this fear that impelled the Zia regime to seek (albeit through a legal process) the physical elimination of the one individual who could mobilize popular forces. It was the same fear that subsequently induced Zia to rule on the basis of military terror while propounding a version of Islamic ideology. Draconian measures of military courts, arbitrary arrests and public lashings were introduced. Thus the gradual erosion since independence of the institutions of civil society, brought the power of the State into stark confrontation with the people. Earlier in 1971, this confrontation had been a, major factor in the break-up of Pakistan and the creation of an independent Bangladesh. Now a protracted period of Martial Law under the Zia regime served to brutalize and undermine civil society in what remained of Pakistan.

As the Zia regime militarized the state structure its isolation from the people was matched by its acute external dependence. In the absence of domestic political popularity it sought political economic and military support from the United States. This pushed Pakistan into becoming a "front line state" in America's Afghan war which was an important factor in further undermining civil society.

Since 1977, with the steady inflow into Pakistan of Afghan refugees and use of Pakistan as a conduit for arms for the Afghan war, two trends have emerged to fuel the crisis of Civil society.:

- a) A Large proportion of weapons meant for the Afghan guerrillas have filtered the into arms market.
- b) There has been a rapid growth of the heroin trade. Powerful Maffia type Syndicates have emerged which operate the production, domestic transportation and export of heroin. Many Afghan refugees who now have a significant share of inter-city overland cargo services have also been integrated into the Drug Syndicates.

The large illegal arms market and the burgeoning heroin trade have injected both weapons and syndicate organizations into the social life of major urban centers. At the same time the frequent bombings in the NWFP resulting from the Afghan war, and the weakening of state authority in parts of rural Sind has under mined for many people confidence of life to its citizens. Under these circumstances it is not surprising than an increasing number of people are seeking alternative support mechanisms in their communities to seek redress against injustice and to achieve security against a redress against injustice and to achieve security against a physical threat to their persons and families. The proximate identity or group membership through which the individual seeks such security can be an ethnic, sub-religious, sub-nationalist or Biraderi (kinship) group. Thus, civil society has begun to get polarized along vertical lines. Each group, whether ethnic, sub-religious, sub-nationalist or Biraderi, has an intense emotional charge and a high degree of firepower derived from the contemporary arms market.

- (i) The Mechanism of Economic Dependence
Under the Zia Regime

The development strategy under the Martial Law regime was formulated within the framework of the IMF/ World Bank Structural Adjustment Program. This is a

comprehensive macro economic policy package which constitutes IMF/WORLD Bank conditionality and contains three principal policy guidelines:

1. Import liberalization
2. Withdrawal of subsidies
3. Exchange rate devaluation.

These guidelines are essentially interrelated and effectively propose that the economy be “opened up” to the flows of foreign goods and capital and that resource allocation in the domestic economy take place on the basis of world market prices. Import liberalization and withdrawal of subsidies from local goods means that foreign goods would be freely available locally and compete more effectively against domestically produced goods whose prices would rise as the result of subsidy withdrawal. Apart from this, formerly overvalued exchange rates constituted an implicit subsidy to domestic industrialists using imported inputs. This too would be withdrawn following exchange rate devaluation. As import expenditures following import liberalization increase and export earnings from manufactured goods using imported inputs fall, there would consequently arise an acute pressure on the balance of payments. Hence, exchange rate devaluation, which is the third element in the IMF/WB policy package, would induce a downward adjustment in the exchange rate as a device to sustain import liberalization and subsidy withdrawal.

The overall effect of this policy would be that resource allocation in the domestic economy would take place in response to world market prices. This means that the domestic resources would tend to be concentrated in the agriculture sector where the country has a comparative advantage (in a static sense) and a shift away from the strategy of industrialization, which was an emblem of national independence in the post colonial period. In such a

development strategy growth of GNP is predicated primarily on the agriculture sector and foreign exchange earnings critically dependent on agricultural exports. Accordingly while readily available agricultural goods would enable an increase in foreign exchange earnings in the short run, the decline in the terms of trade against agricultural exporters and the low ceiling to agricultural growth, would combine to restrict the growth of export earnings in the long-run. Thus, the IMF/WB policy package while it would create the capacity to service debts in the short term, would be constraining the growth of foreign exchange in the long-run, and hence maintain a continued dependence of the national economy on foreign loans.

Let us now consider how in the case of Pakistan the IMF/WE conditionality was implemented, and then examine its implications for industrialization and planning in this Country.

In Pakistan, the Sixth Five Year Plan which was formulated by the Martial Law Regime reflects the Structural Adjustment Program imposed on Pakistan's planners as a condition for the loans given by the IMF/WB. The Sixth Plan places emphasis on resource allocation based on present comparative advantage, agriculture as the basis of achieving aggregate GNP growth targets and concentration on agricultural exports. For example, the World Bank Review of Pakistan's Sixth Five Year Plan states:

“The plan's principal objectives are to achieve a major breakthrough in agricultural production, an expanding foothold in export markets for agricultural products, rapid development of selected industries in which the country has a comparative advantage.”³⁰

The Sixth Five Year Plan document itself makes clear the strategy of making agriculture (rather than industry) as the spearhead of growth in GNP:

“... . . the growth strategy of the Plan is based on a major breakthrough in agriculture production.....”³¹

The Plan document goes on to emphasize the objective of agricultural exports:

“The growth strategy of the Plan relies on a combination of policies including:

1. A major increase in agricultural yields through more efficient use of fertilizer water and farm technology.
2. An expanding foothold in export markets for wheat and rice as well as for fruits, vegetables, flowers, poultry and meat.
3. Increased self- sufficiency in oil seeds.
4. Rapid development of steel based engineering goods; modernization of textile industry and establishment of agro-industries for processing agricultural surpluses.....³²

The policy of import liberalization, subsidy withdrawal and resource allocation based on the market mechanism is indicate clearly in the World Bank Review of the Sixth Plan:

Another significant feature of the Plan is the

expanding role assigned to the private sector. With private investment project to increase more than twice as rapidly as public investment, and the involvement of the public sector in manufacturing to decline sharply, the attainment

of the overall targets of the plan will depend to a greater extent than in the past on the performance of the private sector. . . . As is recognized in the Plan, major actions in pricing, deregulation, tariffs and import liberalization and other incentives will be needed to induce the private sector to play the increased role expected of it. . . (emphasis mine)³³

The implementation of the third element ‘in the conditionality package of the IMF/WB (indicated above) namely devaluation of the rupee, was done by means of delinking the rupee from the fixed exchange rate with the dollar and putting the rupee on a “managed float” with a weighted average of the currencies of Pakistan’s major trading partners. This resulted in effectively devaluing the rupee against the dollar by 37.9 percent between January 1982 and May 1985. As suggested in the foregoing analysis the imperative to devalue the exchange rate arises as the result of pressure on the balance of payments associated with import liberalization, subsidy withdrawal and reliance on agricultural e which are subject to declining terms of trade. Thus in Pakistan, after an initial increase in foreign exchange earnings and a strong balance of payments position between 1978 to 1982, export earnings declined sharply by 17.3 percent in 1983. The balance of payments continued to deteriorate in subsequent years until in March 1985 the gross foreign exchange reserves fell drastically to dollar 883 million which is equivalent to only 1.6 months of import expenditures. One of the most important factors in the deterioration in the balance of payments, and the resultant increase in the reliance on foreign loans was a deterioration in Pakistan’s terms of trade in a situation where our exportable are mainly agricultural goods. Thus, terms of trade have been declining steadily from 87.5 in 1978-79 to 60 in 1983-84.³⁷

We have argued in the foregoing analysis that Pakistan has moved towards the implementation of the WB/JMF policy package which is prescribed for loan receiving countries, namely: Import liberalization, withdrawal of subsidies and exchange rate devaluation. The Sixth Five Year Plan has explicitly adopted the framework of resource allocation in response to world market prices on the basis of private profitability criteria, i.e., agriculture as the spearhead of growth of GNP and agricultural exports as the major instrument of foreign exchange earnings. In so far as this has occurred, the Sixth Five Year Plan represents a marginalization of planning in the process of economic growth. For the basic premise of economic plan in an underdeveloped economy is that the present comparative advantage imposes a structure of production (i.e. specialization in raw material production) that works against the long term interests of the economy and the free market mechanism merely reinforces the existing structure of production. Hence planning is thought to be necessary to pull the economy out of the existing structure of production based on specialization in agriculture towards one based on industrialization. The logic of planning is that the existing set of world prices is not an appropriate indicator for resource allocation. In so far as the Sixth Five Year Plan has explicitly adopted World Prices and Comparative advantage as the basis of resource allocation, it constitutes an abandonment of National Economic Planning in the strict sense of the term.

Conclusion

The current crisis of the state in Pakistan has arisen out of a state structure in which the dominance of the military bureaucratic oligarchy systematically constrained the development of the political process. The oligarchy devised a political framework

which, while allowing rivalry between the landlords and the industrial bourgeoisie for the division of the economic surplus, maintained the mode of appropriation of the surplus through which the existence of these elites could be perpetuated.

The predominance of the army and bureaucracy in the structure of state power in Pakistan was due to the form of the freedom struggle in the pre - Partition period on the one hand, and the nature of the Muslim League on the other. At the time of independence, the state apparatus of the colonial regime was largely intact, and it articulated the framework within which politics were to occur. The second factor in the failure to subordinate the army and bureaucracy to the political system lay in the two basic characteristics of both the Muslim League before Partition and the Pakistan People's Party during the 1970s:

- (1) Both the Muslim League in the pre-partition period as well as the Pakistan People's Party during the 1970s were movements rather than parties. They were therefore unable to establish an organizational structure on the basis of which the power of the people could be institutionalized and used to subordinate the army and the bureaucracy to the political system.
- (2) The Muslim League in the decade before Partition, and the PPP during the early 1970s, were taken over by landlords whose political interest lay in constraining the process of political development within the confines specified by the military-bureaucratic oligarchy.

The nature of economic growth occurred in an economy dominated by the landlords and the industrial bourgeoisie generated acute economic inequality between rich and poor on

the one hand and between regions on the other. These economic contradictions manifested themselves in growing political tensions between social groups and regions — tensions which could have been mitigated (although not necessarily resolved) only within a democratic political system that was responsive to the aspirations of the dispossessed classes and poorer regions. As it was, in a state structure within which the political system was severely constrained by the military-bureaucratic oligarchy, these tensions merely built up pressure on the state structure.

The growing political tensions between social groups and regions developed at a time when the relative autonomy of the military- bureaucratic oligarchy was being eroded as the result of its politicization. Thus, while the task of mediating the conflicting political forces became increasingly difficult, the ability of the military-bureaucratic oligarchy to do so became weaker. Consequently, as civil society became polarized the state increasingly used coercive forms of control, Unlike the earlier Martial Law governments, the Zia regime was unable to effectively hand over power to its civilian facade. Thus, in spite of formally declaring the end of Martial Law, the posts of Chief of Army Staff and the President continue to be held by General Zia ul Haq. This has made possible the presence of the military in the daily affairs of the State. It has also created the institutional basis of short circuiting the civil administration by the military chain of command, whenever this is felt necessary by the Chief of Army Staff. It is in this perspective that the following major elements of the crisis of state and civil society can be understood:

1. The state dominated by the repressive apparatus is highly centralized and is unable to recognize let alone grant the rights of the various nationalities. This has enhanced sub national tendencies given the fact that the army is drawn predominantly from the Punjab province.

2. The State's interpretation of religion is seen by the people as sanctifying particular class interests and justifying repression against those who dare to question it. The state is, therefore, bereft of a legitimizing ideology. For this reason the army unlike in the past cannot withdraw behind a civilian facade.
3. The prolonged military rule and the demise of the 1973 constitution have eroded the balance between the various institutions of the State, i.e., the armed forces, the bureaucracy, the judiciary, etc. There is, therefore, an institutional crisis of state authority.
4. The fragmentation of civil Society along various sub-religious, ethnic, biraderi and sub-regional lines, and the rapid arming of conflicting groups has weakened the basic function of the state: The protection of life of the ordinary citizen. This has accentuated the tendency of the individual to seek security in the most proximate identity, and to militantly assert this parochial identity as an emblem of his membership in it.

References and Notes

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9. See "The Memorandum of Agreement between the Government of Pakistan and the World Bank, 1980," (Typescript.) Also see "Economic Policy Memorandum of the Government of Pakistan for 1981-82", May, 1981. (Mimeograph).
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16. 16. For a detailed study of regional disparities within West Pakistan, see : N. Hamid and A. Hussain, "Regional Inequalities and Capitalist Development," Pakistan Economic and Social Review (Autumn 1974).
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19. Landowners with 150 acres and above rent out 75 percent of their owned area to tenants operating 25 acres or less. See A. Hussain "Impact 1960-78" (D. Phil. thesis, Sussex University, 1980).
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21. Ibid.
22. Akmal Hussain, "Impact of Agricultural Growth".
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31. The Sixth Five Year Plan 1983-88 Planning Commission, Government of Pakistan, Page 11.
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34. Government of Pakistan, Pakistan Economic Survey 1984-85 Islamabad.
35. Ibid.
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37. Ibid.