

ECONOMIC POLICY AND PLANNING: ROLE OF THE FEDERAL CABINET, 1947-1969

This research paper is an attempt to highlight the Federal Cabinet's contribution in the formulation of Pakistan's economic policy and planning which was crucial in the early phase specifically and in later years generally. It looks into what was Cabinet's role in the formation of large number of economic institutions, how was the Cabinet effective in introducing long-term and short term economic planning and what was contribution of the Cabinet in formulating policies in the fields of agriculture, industry, trade and business, which is not generally brought to light in the academic works on politics and economy of Pakistan. Cabinets looked into the details of the periodic reports of the development schemes as well.¹ The view that Prime Ministers of Pakistan belonging to the early period did not have complete understanding of economic planning² seems to be unrealistic. They not only understood the economic affairs but also kept their Cabinets involved in formulating the economic policies. The role of the Cabinet remained important in economic decision-making during the military period of Ayub Khan as well. The Minister for Finance and Economic Affairs enjoyed a high status in all the Cabinets, besides Minister of Foreign Affairs.

In 1947, Pakistan inherited a weak economic structure which consisted of predominantly rural areas with a small number of towns. It was essentially an agricultural country with no industrial base; no banking network and small business activity controlled by the Muslims. The bulk of its population lived and worked in villages. Pakistan's main raw materials were

cotton, produced in the Western wing of Pakistan and Jute, produced in the East part of Pakistan, but at the time of independence Pakistan inherited only 14 out of 394 cotton mills and not even a single jute mill. Two ports of Pakistan i.e. Karachi and Chittagong were poorly equipped and dealt with very less cargo. Though economy depended on agriculture but agricultural methods were outdated and rudimentary.³ With all these physical problems, Pakistan faced shortage of trained staff for banks and other economic institutions. Though arrangements were made for training,⁴ yet transitional phase was difficult to pass through.

The First Parliamentary Era, 1947-1958 Formation of Economic Institutions and Planning

The first Cabinet of Pakistan tried to play its due role to bring the country out of the crises. The vision of the state with regard to the economy was well defined in the first statement of policy, approved by the Cabinet. The aims were to improve standard of living, to generate employment opportunities, to initiate industry based on agriculture and to develop agricultural facilities.⁵ All institutions related to economic affairs including planning, industry, business etc. got approval from Cabinet for formulation and were bound to submit their monthly reports to it.⁶ The Economic Committee of the Cabinet (ECC) consisting of Prime Minister (PM), Minister of Finance and Economic Affairs, Minister of Commerce and Industries, Minister of Food and Agriculture and Cabinet Secretary was responsible for designing general policy regarding the development.

The Federal Cabinet established various institutions including Development Board, formed in early 1948 under the chairmanship of the Minister for Finance, Ghulam Mohammad,⁷ Planning Advisory Board,⁸ Planning Commission set up in 1950 which was replaced by the Planning Board in 1953⁹ with Zahid Hussain as its Chairman,¹⁰ Pakistan Industrial Development Corporation¹¹ (PIDC) established in 1952 with Ghulam Farooq¹² as Chairman and finally National Economic Committee (NEC), established by Choudhury Muhammad Ali's government in

1956. It included four Federal Ministers and three Ministers of provincial Cabinets with the President Iskandar Mirza as its Head. The responsibilities of the NEC were to look after economic development of the country, to present its recommendations to the provincial governments on trade goods and economic planning and to keep the level of development as equal in the whole state.¹³

Cabinet's planning for Economic development during this phase, had its basis on choice between capitalism and socialism rather than on practical needs¹⁴ and the plans were prepared to get maximum aid from capitalist countries. Cabinets approved two major economic plans including Six Year Plan (1951-57)¹⁵ and the First Five Year Plan (1955-1960). Six Year plan was only a general statement about 'goals and a list of specific projects.'¹⁶ Work started on formulation of the First Five Year Plan in 1953 by the Planning Board, that could not acquire support of the Cabinet and there was little coordination between the two institutions. The First Five Years Plan could get final approval only in 1958 after many revisions.¹⁷ It was a comprehensive and detailed document.¹⁸ Harvard Advisory group and Ford Foundation provided support to the Planning Board¹⁹ for preparation of the plans. Top priority was given to agriculture, transport and communication, industry and mining, fuel and power, and schemes of social uplift, but the plan could not be implemented.

Industrial Development

During the first phase, government's economic policy was biased and favoured urban industrial development through 'exchange rate, trade, investment and pricing policies.'²⁰ Only 6 percent and 7 percent out of total public sector investment went in favour of agriculture during 1950-55 and 1955-60 respectively. Industrial investment was 36% during 1950-55 and 31% during 1955-60.²¹ The absence of industry from Pakistan and hold over the economic Ministries by the urban professionals, like Malik Ghulam Mohammad, Minister of Finance (1947-51), Choudhury Mohammad Ali, Minister of Finance (1951-55), Syed Amjad Ali, Minister of Finance (1955-

58), Chaudhry Nazir Ahmad, Minister of Industries, Fazlur Rehman, Minister of Commerce and others emphasized to invest maximum energies and resources on building industrial base. Liaquat Ali Khan being conscious of industrial development said: "Government must take an active part in planning, encouraging and developing industry and helping those who are desirous of taking an active share in the development of their country."²² The first industrial policy was approved by the Cabinet on December 12, 1947. It emphasized on planned industrial development and building of agriculture-related industry.²³

Though development of industries was a provincial subject under the Interim Constitution, yet on recommendation of Pakistan Industries Conference, planning related to twenty-seven industries was brought under Federal Government's jurisdiction.²⁴ On the proposal of Ministry for Industries, the Cabinet sent a bill to Constituent Assembly of Pakistan (CAP) for making a law that would make the Centre authorized for industrial planning.²⁵

The absence of planning institution resulted in growth of only manufacturing industrial sector before 1950.²⁶ Minister of Industries, Fazlur Rehman, continuously emphasized on formation of an Autonomous Corporation "to promote and develop certain specified industries."²⁷ Planning Board was a positive development in this regard, but the conflict between the Board and the Cabinet did not lead the Planning Board to get approval and to implement its policies properly and in time.

Conflict originated between consolidators and expansionists²⁸ within the Cabinet and Bureaucracy also. The chairman of PIDC, Ghulam Farooq, was an expansionist who wanted to encourage investment in heavy industry but Finance Minister Choudhury Muhammad Ali and Zahid Hussain, Chairman of Planning Board, were consolidators who believed that self-sufficiency in food was essential before investment in heavy industry. It was due to consolidators' influence that the manufacturing industry of fertilizers, medicine, petroleum

products, chemicals, light and medium engineering products and essential defence requirements besides consumer goods industry of agricultural based items, was flourished.²⁹ As consolidators like Choudhury Muhammad Ali were there within the Cabinet, the idea of heavy industry was not entertained in the 1950s³⁰ except one heavy industrial venture of Ordinance Factories at Wah. These were kept as independent entities under the direct control of the government.³¹

The Cabinet strictly managed industrial policy through control on foreign exchange earnings, licensing system, tariff structure and through the incentives including tax concessions,³² export promotion schemes, export credit guarantees and infrastructure aids including training, water and power³³ to flourish manufacturing and consumer goods industry. Government permitted import of industrial machinery on subsidized prices but only for medium and small-scale industry.³⁴ Import of all such consumer industrial items was banned which were produced in Pakistan.³⁵ The Cabinet also had strict control on credit through the Pakistan Industrial Credit and Investment Corporation ³⁶(PICIC) and Pakistan Industrial Finance Corporation (PIFCO). Minister of Industries, Nishtar Hussain directed PIFCO to extend its support to the private companies and individual industrialists."³⁷ These firms provided funds and loans to manufacturing industries and to "larger more established firms which had adequate security and a high profit rate."³⁸ Half of PICIC's loans were given to a tiny group of West Pakistani industrialists.³⁹ Besides providing incentives to indigenous industrialists, government with the approval of Cabinet permitted foreign investment in Pakistan. Teams of US investors who wanted to visit and study the new opportunities of investment and to start new projects were welcomed.⁴⁰ Cabinets looked into the matter to utilize handsome amount of foreign aid in industrial development. Cabinet's industrial policy was largely pro-West Pakistan because of strong West Pakistani Ministers. Whatever its results were, the main point is that Cabinet was very prominent in taking decisions regarding industrial development.

Business and Trade Policy

Cabinet designed the policy to have strict control on business and trade as well. Import control was relaxed during Korean-war boom (1950-53) due to availability of capital which was imposed again after the end of War. The term of trade due to import control especially on consumer goods was kept in favour of industry.⁴¹ Export policy was also decided by the Cabinet.⁴² Import and export licenses were given with the approval of government through specified economic institutions, which were bound to follow the policy formulated by the Cabinet.⁴³ Most of the import and export licenses were given to West Pakistani, mostly Karachi-based businessmen.⁴⁴ Sixty to eighty percent foreign exchange was earned through export of Jute but most of it was reinvested in West Pakistan.

Sever import restrictions and an overvalued exchange rate penalized exports of agricultural goods.⁴⁵ Minister for Industries M.A. Isphahani was against Export Incentive Scheme as it had resulted in artificial growth, but Minister of Commerce Ibrahim Rahimtoolah insisted to continue it. The latter's idea was endorsed by the Cabinet in March 1955.⁴⁶ Cabinet often looked into the trends related to import and export.⁴⁷

The control of Ministries of Finance, Commerce and Industry by West Pakistani Ministers, after exit of Commerce Minister Fazal ul Haq, resulted in pro-West Pakistan approach, where most of the development projects had been initiated. Manufacturing output was greater in West Pakistan i.e. thirty four percent from 1950 to 1955 whereas it was only twenty one percent in East Pakistan during the said period.⁴⁸ East Pakistani politicians as well as businessmen were against disparity between both parts of the country. They demanded for parity in import-export licenses. PM Suhrawardy who belonged to East Pakistan brought this issue in the Cabinet and with the Cabinet's approval parity was awarded in giving import and export licenses and in distribution of foreign exchange earnings. Minister for Commerce Abul Mansur Ahmad's role was significant in introducing this policy.⁴⁹ After getting approval from National Economic Council (NEC), it was implemented in

February 1957. A separate Directorate of Supply and Development and an office of Controller of Import and Export were opened in the East Pakistan. Cabinet allocated foreign exchange to East and West Pakistan on the ratio of forty two percent and sixteen percent respectively and advised the Planning Board to revise the Five Year Plan in order to give equal share to East Pakistan.⁵⁰

The West Pakistani businessmen and industrialists created trouble on it in 1957 and pressurized the Cabinet of Suhrawardy either to take the decisions of their choice or resign. Many Chambers and Associations including Chamber of Commerce and Industries (CCI) were established.⁵¹ They approached President Mirza and invited him at a meeting of CCI. The President of the CCI attacked on Suhrawardy's government and said that politicians had created the mess not only in political sphere but also in economic sphere. He was against parity in economic sphere.⁵²

Suhrawardy defended his government's policy later while saying that one part of the country must not be developed at the expense of the other. He also criticized that only 1/3 of the total development projects were fixed for East Pakistan.⁵³ The situation was worsened when Suhrawardy's Cabinet decided to distribute \$10 million foreign aid in favour of East Pakistan in September-October 1957 and to establish Public Shipping Corporation for Coastal trade between East and West Pakistan. The West Pakistani businessmen approached West Pakistan based President to redress the situation on which president forced Suhrawardy and his Cabinet to resign.⁵⁴

Chundrigar's predominantly West Pakistan-based Cabinet washed away the effort of eliminating economic disparity between both the parts of Pakistan by reversing all the policies and decisions of Suhrawardy's Cabinet. His Commerce Minister, Fazlur Rahman, while representing Cabinet's policy assured West Pakistan Chambers of Commerce that his government would keep politics away from economic affairs.⁵⁵ West Pakistani traders and businessmen were further facilitated

by Malik Feroze Khan Noon's government. The landlord Ministers of his Cabinet, including himself, were not in favour of giving more incentives to businessmen, but on insistence of Syed Amjad Ali, Finance Minister, a few compensations were granted to businessmen on February 20, 1958 which included lifting of price control on a lot of commodities except foodstuffs, cement, iron, steel, newsprint and mechanically propelled vehicles.⁵⁶ The control of Cabinet either by the West Pakistan or the East Pakistan based Prime Ministers resulted in a dramatically different approach towards economic affairs. If Cabinet was not an influential decision-making institution, different approaches could have not been introduced.

Agricultural Policy

Agriculture was the 'sick man'⁵⁷ of economic development during the 1950s. The absence of landlords from the Cabinet or occupying less important portfolios by them in later years, except Malik Feroze Khan Noon (1957-1958), was one of the major reasons of the neglect of agricultural field. All economic institutions, formed in this period, did not include agriculture in their priority issues. The proposal of formation of Agricultural Commission was presented by Minister of Agriculture, A.H.Dildar Ahmad and was approved by the Cabinet in September 1957 but it could not be materialized due to change of the government only after a month.⁵⁸ Later PM Malik Feroze Khan Noon said in the Cabinet meeting on February 5, 1958:

...there was no need to appoint an Agricultural Commission. In his view this Commission would serve no useful purpose. He already knew what the problems were and what the remedies were. The setting up of this Commission would be just a waste of time and money...the previous Cabinet's decision should be reversed and no further action should be taken to appoint the Agricultural Commission.⁵⁹

The fate of the idea of establishing Agricultural Bank was no more different than the fate of Agricultural Commission, summary for which was presented by Ministry of Finance in

September 1956⁶⁰ but it could not be materialized due to quick change of the Governments. First Five Year Plan, prepared by the Planning Board, emphasized on reforms in agricultural field and set high export targets on the basis of agriculture, but successive governments criminally neglected the agriculture sector. The agricultural yield decreased during the plan period that caused the revision of targets.⁶¹

No broad level reforms were introduced to uplift agricultural produce. From 1953 and onwards, Pakistan continuously faced food shortage. The area which used to produce food for most of the Indian region in colonial era had to import it then from USA, Britain and the other countries.⁶² During the Coalition government's period landlords could occupy some positions in the Federal Cabinet and tried to discuss measures for enhanced agricultural yield in the meetings. Suhrawardy's Cabinet decided that Ministry of Food in consultation with Ministry of Finance should examine the question of appointing a high-powered Committee to supervise and sanction "Grow More Food Schemes."⁶³ Provincial governments were advised, under Cabinet's decision, to make special arrangements for the distribution of fertilizers and to check smuggling.⁶⁴ The scheme could not be materialized again due to the quick change of governments.

Pre-dominated urban professionals sitting in the Cabinets, initiated policies that caused the decline in food production.⁶⁵ The policies included lower prices of agricultural products,⁶⁶ Cabinet had always determined price of major agricultural items;⁶⁷ overvalued exchange-rate policy, which made agricultural products very expensive; high export taxes etc.

Neglecting land reforms was the second main cause in terms of agricultural development. The First Five Year Plan, suggested land reforms, but the suggestion was totally ignored by the successive governments.⁶⁸ In absence of the landlords from the early Cabinets, it was easy to approve and implement land reforms initiatives, but no serious effort was made in this regard. In July 1953 Minister of Finance, Choudhury

Muhammad Ali emphasized in the Cabinet meeting to redistribute land in order to prevent a few landlords from reaping the benefits,⁶⁹ but no step was taken. The effort was revived during his premiership and his Finance Minister Syed Amjad Ali said in his budget speech on March 15, 1956, "The first phase of industrial development is over and it is now necessary to pay greater attention to agricultural development."⁷⁰ He claimed that devaluation of currency in 1955 was done in the same light. Government wanted to introduce some other agricultural reforms including subsidized prices for fertilizer, seeds and control on water logging, salinity etc. but no plan was introduced.⁷¹

Suhrawardy's government appointed a Committee, under the Chairmanship of Bengali Minister of food and Agriculture, A.H.Dildar Ahmad, to solve agricultural problems. The Committee and AL Agrarian Conference suggested for 'a constitutional amendment legalizing the state's confiscation of land without compensation'.⁷² West Pakistani landlords in the Cabinet and outside of it created loud voices against this 'un-Islamic' proposal. They founded Pakistan *Zarai* (Agricultural) Federation with the purpose to safeguard rural structure and to protect the rights of landlords.⁷³ Land reforms could not be introduced in West Pakistan. Chundrigar's Cabinet reversed this policy too and the next PM, Noon, continued with the status quo.

Performance of the Cabinet

During the first phase (1947-58) of Pakistan's independent life, the direction to Pakistan's economic growth was given by urban professionals who dominated the Cabinet. Shahid Javed Burki's belief that landlords or rural elites started sharing decision-making with urban elites after Liaquat's assassination in 1951 seems not to be true. According to him, the third element in this regard was bureaucracy.⁷⁴ Practically, landlords or rural elites could not occupy decision-making portfolios in economic sector before 1957 at least on federal level. No economic portfolio was entrusted to landlord in the Federal Cabinet during this whole period.

Nature of control on economy was direct as government did not trust businessmen.⁷⁵ Syed Akbar Zaidi's claim that bureaucracy tried to keep Pakistan on its feet economically in the first decade⁷⁶ is again only partially true. In reality the Cabinet with the help of bureaucracy did this as some bureaucrats who were part of the Cabinet, were representing Cabinet rather than bureaucracy. Both elements helped in planning the economic development in the first decade. All economic decisions were taken by the Cabinet and its Economic institutions in place of the bureaucracy.

Federal Cabinet's economic policies widened the economic gulf between East and West Pakistan, which had inherited to the new state. Cabinet came to the conclusion after long discussions that devaluation of currency would be beneficial for agriculturists and rural people and non-devaluation would be beneficial for fixed income urban dwellers⁷⁷ and of course industrialists. Ayesha Jalal stressed upon the fact that federal Cabinet decided to import military supplies at lower rates and get imports for West Pakistani industrialists.⁷⁸ This policy had negative implications for Eastern Wing. Jute trade was closely tied with India, which stopped and a recession occurred that deteriorated the relations between both the wings.⁷⁹ This was followed by devaluation of currency in 1955. Minister of Finance Choudhury Mohammad Ali in consultation with Minister of Commerce Habib Ibrahim Rahimtoolah prepared the plan for devaluation which was criticized by the ex-Minister of Commerce, Fazlul Huq.⁸⁰ Cabinet, with this decision, wanted to shift its priority to export of agricultural raw material;⁸¹ however, it benefited export of manufactured goods.

Almost all the Prime Ministers had understanding of the importance of planning and that was the reason behind the establishment of several institutions and introduction of six and five year Plans. Dobell's opinion seems to be wrong in light of the above analysis. Mistakes had been committed by them as they and their Cabinets did not have prior experience in financial matters, but most of them made sincere efforts to stabilize Pakistan's economy. It is true that last two governments attached

low priority to economic development plans and were unable and unwilling to adopt necessary policies for general economic development. Landlords were there in the Cabinets then in comparatively prominent positions but they were disinterested or perhaps could not have appropriate time to introduce agricultural reforms, though the idea of establishment of Agriculture Commission, the first institution in agriculture sector, was approved by the Cabinet but due to the change of government it could not be materialized. The neglect of agricultural sector due to different reasons was largely responsible for the failure of the First Five Year Plan.⁸² Over all, “despite some negative consequences of the economic policies pursued in the first decade by the governments, it would be fair to say that the early Cabinets initiated an era of industrial growth and development which laid the foundation of the Decade of development between the years 1958-1968.”⁸³

Ayub Khan’s Era, 1958-1969

Pakistan’s economic condition at the advent of Martial Law on October 8, 1958 was deteriorating due to political instability and neglect of economic development in the last couple of years. First Five Year Plan, whose period was due to conclude in 1960, still waited implementation. Ayub Khan’s government was deeply concerned with economic development and demonstrated its consciousness by planning in the economic field.⁸⁴ The focus of the regime was more on the neglected areas of the economy - agriculture, exports⁸⁵ and industrialization even at the expense of the poor.

Cabinet’s control on economic policy was still strong, even stronger than the previous regime. Pakistan was considered to be a model capitalist economy in 1960s. Although private sector played an important part in the economic development but the direction was defined by the Cabinet. Syed Akbar Zaidi points out that bureaucracy defined policy⁸⁶ and S.J. Burki opined that bureaucracy and military both were decision-making bodies in Ayub’s period.⁸⁷ This study realizes that Cabinet’s role was not less significant than the above mentioned two institutions. The Cabinet included significant number of military

personnel till 1962 and civil bureaucrats till its end. Economic portfolios were mostly occupied by ex-bureaucrats and professionals who played a vital role as members of the Cabinet and not as the bureaucrats. The development in this era, like the previous phase, was guided again by the Cabinet.

Economic Institutions and Planning

Government's economic institutions played active, influential and constructive role in the establishment of private sector capital in Pakistan. The Cabinet reformulated the objectives and status of all inherited institutions including Planning Board, PIDC, ECC etc. Planning Board was renamed as Planning Commission (PC) after reorganization. It was made part of President's secretariat and the President was its Chairman and his deputy in PC was Minister of finance and Economic Affairs Mohammad Shoaib. This Commission enjoyed influence in decision-making⁸⁸ and introduced an "effective mechanism of policy."⁸⁹ Besides preparing Five Year Plan and development schemes, it was also given the new responsibility to prepare schemes of installing heavy industries in consultation with the private entrepreneurs.⁹⁰ Provincial authorities were bound to bring up their suggestions to the Planning Commission regarding industrial development and working of the Second Five Year Plan after every six months or once a year.⁹¹

The status and functions of PIDC, which played important role in the industrial development during the previous regime, were redefined by the Cabinet.⁹² Cabinet advised PIDC to submit its plans, regarding the disposal of projects, to the Cabinet.⁹³ Two parallel steps were taken: On the one side status of Planning Commission was upgraded and on the other side, status of PIDC was minimized.

Economic Committee of the Cabinet (ECC) as per the decision of the Cabinet functioned as Supreme economic body in this phase unlike the previous one.⁹⁴ Its members were President Ayub Khan, Minister for Finance Mohammad Shoaib, Minister for Food and Agriculture, Lt.Gen Azam Khan (later others), Minister of Industries Abul Kasem Khan and Minister of

Commerce Z.A. Bhutto, and some officials. Its functions included approval of and overseeing the implementation of the Five Year Plan and Annual Development Program. It could sanction development schemes of all types and would report to the Cabinet periodically regarding the implementation of the plans. Besides it an Economic Coordination Committee of the Cabinet consisting of Ministers of Finance, Commerce, Industries and Natural Resources and Foreign Affairs was also working. Its charter included preparation of papers on vital economic issues.⁹⁵

The National Economic Council (NEC) was a new institution⁹⁶ which comprised of federal Ministers of Finance, Agriculture, Education, Information, Communication, Defence and Commerce, Provincial Governors, Provincial Finance Ministers and some officials. It prepared all provincial development schemes, national level development projects and annual plans.⁹⁷ The responsibility of implementation of policies and programs rested with the Executive Committee of the National Economic Council (ECNEC), chaired by the Federal Minister of Finance and included Federal Ministers in charge of development ministries, Provincial Governors or their nominees and Provincial Ministers in charge of planning and development departments.⁹⁸ The presence of provincial Governors and Finance Ministers was very significant in this only Federal institution. The point of view and problems of the provincial governments on economic matters could formally reach to the Federal government through this institution directly.

The other institutions included Agricultural Development Corporation,⁹⁹ National Finance Commission¹⁰⁰ established in March 1964 and the Economic Coordination Committee of the Cabinet formed in 1966.¹⁰¹

Planning process was institutionalized, while opening planning departments in provinces and planning cells in ministries besides establishing decision-making committees of PC. Finance Minister was member of all such committees and of NEC.¹⁰² Cabinet approved and introduced two Five Year Plans

during the military period; the Second Five Year Plan (1960-1965) and the Third Five Year Plan (1965-1970) were prepared and introduced with proper homework and planning.¹⁰³ All the economic institutions, Cabinet, Ministers and their ministries played their part in the whole process. Planning Commission was mainly responsible for preparing the plan but ECC, NEC and finally Cabinet were providing support to the Planning Commission. On request of ECC, the Ministries had expedited the finalization of schemes and programs for the Planning Commission to enable it to achieve the targets set for the Second Five Year plan.¹⁰⁴

The objectives of the Second Five Year Plan, as approved by the Cabinet, were agriculture and industrial development in particular and development in other areas in general. Planning Commission sent the Plan's outline to the Cabinet for comments. Cabinet sent it to the Central Ministries and the provincial governments and advised them to send the comments as early as possible.¹⁰⁵ After receiving comments Finance Minister summarized the major problems and presented in the meeting of ECC. The Committee suggested solutions of the problems.¹⁰⁶ The total outlay for the planning was Rs.2300 crore which also included rural development schemes.¹⁰⁷

The Third Five Year Plan was also prepared with the same efficiency and hard work of the Cabinet and other Economic institutions. But there was difference in level of success of both the plans. Second Five Year Plan was more successful than expectation. It observed 30 percent increase in national income in place of 24 percent which was fixed by the planners.¹⁰⁸ Increase in GDP was 6.7 percent per annum compared to 5.6 percent.¹⁰⁹ The reasons of fewer successes during the Third Plan period included increased military expenditure due to Pakistan-India war 1965, political uncertainty, less foreign aid and political troubles during the last years of the period. The targets were revised on recommendation of Finance Minister and suggestions of the ministries.¹¹⁰ The Fourth Plan could not be implemented as it was made for both the East and West wings of the country.¹¹¹

Table: 2-A, Targets and achievements of First three Five Year Plans

Per cent increase over plan period	First Plan (1955-60)		Second Plan (1960-65)		Third Plan (1965-70)	
	Target	Achievement	Target	Achievement	Target	Achievement
GNP	15	12	24	32	37	28
Agricultural output	14	7	14	18	28	24
Manufacturing output	42	32	51	61	61	45
Exports	33	11	15	30	57	38
Per capita GNP	7	0	10	16	22	12

Sources: Pakistan Planning Commission: The First, Second and Third Five Year Plans; *Final Evaluation of Second Five Year Plan* (Karachi, 1966) and Pakistan, C. S. O., *25 Years of Pakistan in Statistics 1947-1972* (Karachi, 1972) cited in Dharma Kumar, *The Cambridge Economic History of India* New Delhi: Cambridge University Press (expanded edition), 2005.

Industrial Policy

The Martial Law regime announced its new industrial policy in early 1959 which aimed at rational development while having basis on indigenous raw material and agriculture, development of cottage and small-scale industry on priority basis.¹¹² Cabinet kept direct and indirect control on private industrial development. It was responsible for industrial development and planning, fixation of targets and priorities, location of selected industries in specific areas, determination of the level of production and prescription of standards and quotas for exports. The Provincial Governments were given responsibility for implementing the industrial policy.¹¹³

Cabinet issued Industrial investment schedules, which contained the list of projects on a province-wise basis. The permission to install such industries mentioned in the schedule

was smooth and less time consuming. Investment permission procedure was more difficult in the Third Plan Period as investor would need permission from the ECC also.¹¹⁴ In this way, Cabinet's grip on policy-making was even greater than the first phase of the economic development which was revised in 1966 and relaxed.

There was no conflict between the Cabinet and the Economic institutions related to industrial development, unlike the first phase. Government and private sector, on encouragement of government, invested in new and major industries with more complex technology, larger capital requirement and longer pay off period. Such industries included paper, cement, chemicals and engineering industries. Intermediate and capital goods industries also flourished. One negative element of this development was its dependence on import goods; here government's policy was not successful.¹¹⁵

Under Cabinet's advice PIDC sold all such industrial units, which were complete, to private sector.¹¹⁶ It helped to remove the inflationary pressures. Cabinet advised PIDC to survey what areas of industrialization needed investment on Provincial level,¹¹⁷ so that neglected areas and major problems could be found out. It was assigned the task to invest in major projects and then privatize those projects.¹¹⁸ It completed fifty five industrial projects till 1962 and another twenty five till 1969, which were transferred to financial industrial groups¹¹⁹ This policy of the Cabinet successfully created a group of private entrepreneurs under governmental patronage.¹²⁰

Industry remained a federal subject till 1962, but with the introduction of the 1962 constitution, it was shifted to the provinces. Federal government was limited to national industrial planning and coordination.¹²¹

Cabinet planned to establish heavy industry in Pakistan both in public and private sector. Capital was invested in stabilizing ordinance factories to fulfill maximum possible military requirements, especially after the 1965 war.¹²² Power

generation capacity for heavy industries was also increased.¹²³ Under Cabinet's decision, foreign investment in industry, trade and banking was encouraged and economic Ministers and senior officials visiting foreign countries were advised to convince investors about the favourable economic conditions in Pakistan.¹²⁴

Under ECC's decisions secretaries of the Ministry of Finance, Commerce and Industries were bound to meet periodically. They were bound to review and submit a report to ECC on a quarterly basis regarding new foreign investment; problems faced and solved limiting such investments and further incentives.¹²⁵ It facilitated foreign investment. ECC took an important and beneficial step regarding Pakistanisation of foreign firms in Pakistan.¹²⁶ On Mohammad Shoaib's recommendation, ECC asked Investment promotion Bureau to prepare a program regarding Pakistanisation for each group of firms and to enforce it vigorously within five years.¹²⁷ It helped in reducing unemployment in the country.

Industry flourished during this period especially before Pakistan India War in 1965. Its contribution to GDP increased from 9.2 percent to 11.4 percent till the end of the Second Five Year Plan period.¹²⁸ The negative elements of the industrial policy, designed by Ayub and his Ministers, were the more reliance on foreign-aid, repression of the rights of the industrial workers and ban on trade-unions.¹²⁹

Trade and Business Policy

Trade activities were highly controlled and closed in the early years of Martial law. The stock market was a playground for a small number of people, supported by the economic institutions and the policy makers.¹³⁰ The Cabinet's presence was as active in making trade policy as in other fields of economy. All trade delegations going abroad needed clearance from the Ministry of Foreign Affairs.¹³¹ Trading bodies for import and export of all major items were established after getting approval of the Cabinet. Ayub Khan had mentioned that the said idea was given by him, but Commerce Minister Ghulam

Farooq (March 1965-July 1967) took a long time to be convinced, so the idea could get approval of the Cabinet after a long discussion.¹³² The general perception about military Cabinet of 'rubber stamp' only is not true. Ayub Khan would take consultation of his Ministers on important issues.

Cabinet provided incentives for exports through indirect subsidies and industrialists were given permits to establish export industries.¹³³ The philosophy of Finance Minister was reflected in designing trade policy who believed in encouraging exports, building up foreign exchange and in improving balance of payment position. Export Bonus Scheme also promoted exports especially of manufactured goods.¹³⁴ Besides it, imports were liberalized except of luxury goods and of domestically produced goods.¹³⁵ Free list of importable items was issued in 1964 which further relaxed government's control and reduced the prices of many commodities.¹³⁶ The manufacturing industries which depended on imported goods, flourished a lot in this period due to import liberalization. Foreign aid was a major factor in increase of import.¹³⁷

Minister of Commerce Zulfikar Ali Bhutto with the approval of Cabinet, took many initiatives to increase Pakistan's export. The steps included regulations for government quality control on exports, formation of export promotion centers and introduction of Bonus Voucher Schemes.¹³⁸ The later Minister of Commerce Ghulam Farooq continued the trend of introducing new initiative with the approval of Cabinet including a study program in Hong Kong to see 'how she developed its exports potentials?'¹³⁹ The Cabinet reduced or eliminated export taxes on agricultural products after the introduction of the Third Five Year Plan. Construction of some major roads was crucial in enhancing smooth internal and external trade. The Executive Committee of the NEC approved the scheme for construction of the Karakorum highway through the Indus Valley from Besham to Gilgit via Chilas at an estimated cost of Rs. 332 lakhs.¹⁴⁰ It was mainly constructed for trade purpose between Pakistan and China. The export boosted because of the effective trade and business policies of the government. Its contribution to the GNP

increased by six and seven percent in the Second and Third Plan periods respectively. It should be noted that there was no growth in the First Plan period.¹⁴¹ Ministers' share, controlled economic Ministries, was significant in this regard who always were eager to work and introduce new policies.

Agricultural Policy

The Finance Minister declared that government's economic policy would be balanced towards industry and agriculture. Greater attention was paid to agricultural development with the aim of self-sufficiency in food supplies. Ayub's Cabinet mostly consisted of urban based bureaucrats and professionals, but they did not neglect agricultural sector because of two major reasons; they might have learnt lesson from the mistakes of the past governments and second reason was rural background of Ayub Khan who belonged to a lower middle class family of Abotabad. He, personally, was interested in raising the status of poor farmers. He declared that his main purpose was to end social inequality in rural areas where many Pakistanis were working as serfs.¹⁴²

The first steps included non-inclusion of landlords in his first Cabinet, a direct blow on landed aristocracy and the second step was introduction of land reforms.¹⁴³ Further he did not want to destroy agriculture as a profession so land ceiling was reasonable.¹⁴⁴ President informed the Cabinet that there was no reason for unnecessary fear regarding land reforms as these were not based on emotional and ideological considerations but on scientific and realistic lines. He further stated that government was just towards all the concerned.¹⁴⁵ Cabinet constituted Land Reforms Commissions on 31st October 1958 which presented its report in January 1959 and Cabinet approved it within few weeks. Land ceiling was fixed for the first time in Pakistan's history and significant proportion of land was distributed among landless peasants. Although the reforms were not radical in scope but originated middle class of landlords who through Basic Democracies System played a significant role in economic decision making process on local level and in bringing green revolution.¹⁴⁶

The Federal Economic institutions had strict control on agricultural development during the whole period. National Agricultural conference was called once or twice a year by Federal Minister of Food and Agriculture where representatives of provincial governments and chairman of the Agricultural Development Corporation (ADC) were invited to review the progress made and to suggest ways and measures to the appropriate authorities for overcoming difficulties and bottlenecks.¹⁴⁷

A number of agricultural development projects were introduced for the provinces. Cabinet advised the provincial government to guide the ADC to initiate special projects for selected areas such as fruit cultivation in hilly areas, banana growth in former Sindh, coconut plantation in East Pakistan under direction of export project directors etc. and further advised that nurseries should be developed for the projects.¹⁴⁸ ECC continuously watched the activities of the Corporations through provincial governments and criticized if dissatisfied. NEC also introduced some development projects.¹⁴⁹ Cabinet introduced Price incentives schemes and price support policies for agriculturists. Water problem was tried to be settled in West Pakistan through Indus Water Treaty, ground water irrigation and treatment of water logging and salinity. All these steps increased share of agricultural products in GNP from 7 percent to 13 percent during the Second Plan period.¹⁵⁰

Cabinet's policy of the Green Revolution gave first priority to attain self-sufficiency in food production during the Third Plan period. It was decided that food shortage should be tackled on war footing. A detailed program for achieving the targets was fixed by the Agricultural Policy Committees (APCs) under the advice of NEC.¹⁵¹ Further the APCs of the two provinces were given the responsibility to prescribe production targets for each District and Division and to obtain periodical reports about the progress made in achieving the targets. Fertilizers were made available to farmers on subsidized prices and status quo in prices of fertilizers was also introduced.¹⁵² High quality seeds were provided to the farmers and modern

agricultural machinery was imported from other countries to harvest in time.¹⁵³

Besides it, under the decision of Governors Conference, subsidies were provided to industrialists for establishing industry of agricultural machinery, tube wells and water pumps within the country.¹⁵⁴ The major beneficiary in this whole process was the West Pakistan.¹⁵⁵ Third plan period was the fastest agriculture growth period since independence, but it confined mainly to West Pakistan. Green Revolution was failed in East Pakistan due to unfriendly season, lack of adequate investment for the control and development of water resources and non-installation of tube wells in absence of the big landholdings.¹⁵⁶ Unfortunately, self-sufficiency in food could not be achieved.

Table 2-b: Annual growth rate, 1958-70, at 1959-60 factor cost (% per annum)

Year	Agriculture	Manufacturing	
		large scale	small scale
1958/9	4.0	5.6	2.3
1959/60	0.3	2.7	2.3
1960/61	-0.2	20.3	2.9
1961/62	6.2	19.9	2.9
1962/63	5.2	15.7	2.9
1963/64	2.5	15.5	2.9
1964/65	5.2	13	2.9
1965/66	0.5	10.8	2.9
1966/67	5.5	6.7	2.9
1967/68	11.7	7.6	2.9
1968/69	4.5	10.6	2.9
1969/70	9.5	13.9	3.0
1958-1964 (ave)	3.0	13.3	2.7
1965-1970 (ave)	6.2	10.4	2.9

Source: Government of Pakistan, *Pakistan Economic Survey, 1984-85*, Islamabad, 1985 cited in S.Akbar Zaidi, *Issues in Pakistan's Economy* (Karachi: Oxford University Press, 2009)

2.2.1. Performance of the Cabinet

Ayub Khan's period is significant in Pakistani history from the point of view of economic development. It was a successful period of economic management; all policies were well debated, well planned and well followed though some failed.¹⁵⁷ Burki believes that Ayub was the sole decision-making authority in the economic policy making and all other groups including civil and military bureaucracy, landed aristocrats, big industrialists and merchants added later by middle sized farmers and small industrial producers were only decision-influencers not the makers.¹⁵⁸ In Mohammad Waseem's opinion bureaucracy controlled policy-making and commercial fields and decision-making was preserve of the Planning Commission, and other economic institutions.¹⁵⁹ This study reveals the fact that Ayub government's policies were not creation of Ayub's mind only. No doubt, he dominated the affairs, but his Ministers including Mohammad Shoaib, Z.A.Bhutto specifically and others including Gen Azam Khan, Gen K.N.Sheikh, Ghulam Faruque generally played their part in making and implementing economic policies. Finance Minister Mohammad Shoaib was pro-America and had continuous relations with Harvard Advisory Group (HAG), which remained in Pakistan throughout Ayub's period and performed important role in creating and guiding the Planning and Economic institutions in Pakistan.¹⁶⁰ The high level growth of his period was possible due to sharing his authority and power with his Ministers who were also economic planners.¹⁶¹

The situation changed largely in 1966 after exit of Mohammad Shoaib and Bhutto who were symbol of balanced economic policy while Mohammad Shoaib, trying to get maximum financial support from USA and West and Bhutto, who was successful to get aid from USSR and later China. The exit of both and other urban professionals left the room for the new Ministers to follow traditional economic ideology i.e. status quo. From 1966 onwards downward trend in economy was observed; one reason was the new policy-makers who were sitting in the Cabinet. Burki's point that Ayub was a sole

decision-maker is not true. If he was the sole decision-maker, exit of some Ministers from the Cabinet, could not have an impact on the policy.

Ayub's Cabinet and his economic institutions were well-knit and did not cause any controversy. Planning Commission and State Bank recommended for devaluation of currency, but Finance Minister and other Ministers opposed it. Ministers of industries and Foreign Affairs opposed devaluation on the ground that it would destroy Pakistan's image and would be harmful for industry. Following stance of the majority, the Cabinet decided not to devalue the currency.¹⁶²

Ayub's Cabinet and his government followed the theory "a poor country anxious to develop be well advised not to worry too much about distribution of income."¹⁶³ Dr. Mahbub-ul-Haq had similar opinion. He said; "the underdeveloped countries must consciously accept a philosophy of growth and shelve for the distant future all ideas of equitable distribution and welfare state ... these are luxuries which only developed countries can afford."¹⁶⁴ This ideology was reflected in the economic policies of Ayub's Cabinet. All economic reforms resulted in enhancing inequality and disparity on two levels; among the classes and between the two provinces, though overall production increased.¹⁶⁵ Industry and trade flourished a lot but it gave real benefits to entrepreneurial class.¹⁶⁶ Green revolution swelled income of landlords,¹⁶⁷ and did not give benefits to the small farmers. Land reforms, too, did not change the situation significantly.

The real problem was that above 70 percent share of budget was spent on West Pakistan based defence system and heavy amount of money was spent on developing again West Pakistan based Indus basin system. Due to this, East Pakistan was neglected. The West Pakistan based Ministers were largely responsible for introducing biased economic policies . In mid of 1961, three Bengali Federal Cabinet Ministers including Mohammad Hafizur Rahman, Minister of Commerce, Abul Kasem Khan, Minister of Industries and Mohammad Ibrahim,

Minister of Law, in a letter to the president, demanded a separate economy for East Pakistan. They were not happy with the unjust attitude of West Pakistani policy makers including Cabinet Ministers.¹⁶⁸ East Pakistan had been allocated about 1/3 of the foreign exchange for imports while it was supplying 2/3 of the country's foreign exchange earnings. East Pakistanis reacted on abolition of East Pakistan Planning Board.¹⁶⁹ It is, however, important to note that Baluchistan territory in West Pakistan could not enjoy the results of green revolution and other economic reforms.¹⁷⁰

West Pakistani members of the Cabinet including President claimed that they had done a lot to overcome disparity in both the wings. President told the Cabinet that he had already appointed East Pakistanis on important portfolios so that they could understand the bottlenecks and could know "how difficult it was to get anything done in hurry."¹⁷¹ He could not understand many causes of friction between the two wings. Ayub said in his forward to the Third Five Year Plan: "It will be our firm policy, therefore, to prevent excessive concentration of income and wealth in the hands of a few."¹⁷² Finance Minister, Abdul Qadir said, while addressing journalists that "no government has done so much for the people in East Pakistan as this regime."¹⁷³

Besides disparity, the other negative element of the development was its dependence on foreign aid. Policy makers believed that dependence on foreign aid was compulsory in earlier stage of development and that almost all developed countries of the day had in their early stages of development depended on aid.¹⁷⁴ When the flow of aid dwindled, the policy makers were troubled as it was the main source of Pakistan's economic development. Cabinet discussed the issue in detail and looked into different aspects of overcoming the crisis in its special meeting held on July 15, 1965 and decided that Pakistani administration must seek internal resources to overcome the problem and serious effort must be made to get aid from other sources than the USA.¹⁷⁵ In spite of serious efforts, the shortage of foreign aid could not be overcome.¹⁷⁶ This problem was also encountered by the succeeding regime.

Economic disparity in the country, decreasing foreign aid, heavy defense expenditure and fall in investment after the 1965 Indo-Pakistan War had put the country in a difficult situation. It was exacerbated by the absence of brilliant economists and policy - makers Z.A.Bhutto and Mohammad Shoaib. Less sharp and less experienced economists took over who could not introduce affective policies to take Pakistan out of crisis. New Finance Minister N.M.Uquailli, in the words of Ayub, “was not brilliant but has a lot of industrial and banking experience and had sound commonsense and is down to earth.”¹⁷⁷ He was submissive and followed the instructions unlike Mohammad Shoaib and Bhutto who were men of opinion and had quality to convince Ayub.

The last year of Ayub regime was crisis-oriented in economic and political front. Food shortage was one of the reasons of crisis. Commerce Minister, Abdul Ghafoor Hoti, sugar Mill owner, earned the title of *Cheeni Chor* (sugar thief). He was forced to resign as he was not ready to do so.¹⁷⁸ Ayub’s Cabinet, while he was bedridden due to pneumonia, decided to celebrate Ayub’s regime as a decade of development. This specific meeting was presided over by Khawaja Shahab ud Din.¹⁷⁹ The celebration of this decade resulted negatively as people were dissatisfied of inequality on larger scale. Ayub had to hand over the government to Yahya but new government was without any economic plan and defined policy.

Conclusion

In a nutshell, the comparison of economic policy and planning of first parliamentary phase (1947-1958) and of Ayub Khan’s period (1958-1969) makes it abundantly clear that Cabinets’ role and contribution was significant in the field of economic policy-making and planning. The general perception that civil and military bureaucracies and sometimes landlords dominated the decision-making in economic field has been challenged in the present study. Cabinet always remained an effective institution in this regard. It was dominated by urban professionals for most of the time in the first phase and consequently, economic policies initiated by these Cabinets

favoured industry, business and trade. Development was highly controlled. Agriculture was neglected during this phase. Ayub Khan's Cabinet shared power with Ayub Khan in economic arena and introduced economic policies. The policy of Ayub Khan's Cabinets was balanced towards both urban and rural areas, so economy observed growth not only in industrial and trade sectors but also in agricultural sphere. Unfortunately, whole economic development resulted in economic disparity. The dominance of one or the other group in the Cabinet had an impact on the economic policy to a large extent. If Cabinet was not playing its part in the economic policy making, the change of the groups in the Cabinet could not have an impact on the economic policies.

Notes and References

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 - 2 W.M. Dobel, "Ayub Khan as President of Pakistan," *Pacific Affairs* 42 (Autumn 1969): 297.
 - 3 Mohammad Uzair, *Economy of Pakistan: Perspective and Problems* (Karachi: Royal Book Company, 2004), 2; L.F. Rushbrook Williams, *The State of Pakistan* (London: Faber and Faber, 1962), 155 and Ian Talbot, *Pakistan: A Modern History* (Lahore: Vanguard Books, 1999), 178.
 - 4 Cabinet Meeting (Mtg), 19 August 1948, 36/CF/48, National Documentation Centre (NDC), Islamabad.
 - 5 Statement of the Industrial Policy, Approved by the Cabinet, 27 March 1948, 213/CF/47, NDC, Islamabad.
 - 6 Ibid, 24 July 1953, 144/CF/53-1 NDC, Islamabad.
 - 7 It was responsible to coordinate development plans between Centre and provinces, to make recommendations regarding priorities among development plans and to keep watch on the progress of development schemes. Cabinet Mtg, 27 March 1948, 213/CF/47, NDC, Islamabad.

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- 8 Ibid, 179-80. Its functions were to advise government on issues of planning to review progress and to educate the public regarding various schemes of development. This Board prepared various schemes of development for provinces. The cost of the projects was fulfilled by the loans and grants given by federal government to the provinces.
 - 9 This institution was responsible to prepare a comprehensive development plan covering all aspects of the national life. Cabinet approved to take services of foreign experts for the proposed Board. Cabinet decision, 22 May 1953, 144/CF/53-1, NDC, Islamabad.
 - 10 Zahid Hussain was Governor of the State Bank of Pakistan.
 - 11 It invested in those areas in which private sector was not taking interest or was slow to move. Such sectors were fertilizers, sugar, cement, coal, irrigation, hydel projects and exploration and distribution of Gas. Shahid Javed Burki, "Politics of Economic Decision making during the Bhutto Period" *Asian Survey* 14 (Dec, 1974): 1131 and Massarrate Abid, "Chaudhary Mohammad Ali Ki Wizarat-i-Uzma Pur Aik Nazar," *Journal of the Research Society of Pakistan* (April 1988): 86.
 - 12 He was an ex- bureaucrat and a strong-willed powerful individual who got so much significance that he started criticizing the Finance Minister Amjad Ali on 30 July 1957. Cabinet reacted and Ghulam Faruq was warned under decision of the Cabinet. It was decided that in future no division, department, statutory autonomous organizations like PIDC should contradict with the Cabinet or any other institution of the Government. 31 July 1957, 335/CF/57, NDC, Islamabad.
 - 13 Abid, "Chaudhary Mohammad Ali," 86.
 - 14 L.F. Rushbrook William, *The State of Pakistan* (London: Faber and Faber, 1962), 156.
 - 15 It was introduced under Colombo Plan, inaugurated in 1951 for member countries of the Commonwealth of Nations belonging to South and East Asia. Its purpose was to save these countries from communism. The plan was prepared without proper and reliable knowledge regarding population as

- well as economic and financial magnitudes. Raza, *Pakistan in Perspective*, 183.
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Viqar Ahmed and Amjad Rashid, *The Management of Pakistan's Economy 1947-82* (Karachi: Oxford University Press, 1984), 56.
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- 18 Its size was revised from Rs.11500 million to Rs.10800 million. Its main objectives were to increase national income and export by 15 percent each, food-grain production by 9 percent and to generate 2 million new jobs. Khawaja Amjad Saeed, *The Economy of Pakistan* (Karachi: Oxford University Press, 2007), 199.
- 19 Speech of Choudhury Mohammad Ali in the Constituent Assembly of Pakistan (CAP) 1955 in Ali, *The Task Before Us, Selected Speeches and Writings* (Lahore: Research Society of Pakistan, 1974), 39.
- 20 Pervez Hassan, *Pakistan's Economy at the Crossroads: Past Politics and Present Imperatives* (Karachi: Oxford University press, 1998), 132.
- 21 Swadesh R. Bose, "The Pakistan Economy since Independence (1947-70)," *The Cambridge Economic History of India Vol. II 1757-2003*, ed. Dharma Kumar (New Delhi: Oriental Longman, 2005), 1010.
- 22 Address of Liaquat Ali Khan to the first Meeting of the Planning Board on the need of a master plan on February 2, 1949 in Ziauddin Ahmad, *Liaquat Ali Khan: Builder of Pakistan* (Karachi: Royal Book Company, 1990), 248.
- 23 Cabinet Mtg, 12 December 1947, 213/CF/47, NDC, Islamabad.

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- 24 Cabinet decision, 27 March 1948, 213/CF/47 and Omar Noman, *Pakistan: Political and Economic History Since 1941* (London: Kegan Paul International, 1980), 25. Pakistan Industries Conference was held from 13 to 17 December 1947 at Karachi to attract new investors. Its final plan and program was approved by the Cabinet in its Meeting held on 12 December 1947.²⁴ The representatives of provincial governments also attended the Conference.
- 25 Cabinet Mtg, 24 February 1949, 358/CF/48, NDC, Islamabad.
- 26 Bose, "The Pakistan Economy," 1015
- 27 From Fazlur Rehman, Minister of Industries, Education Commerce and Works to Prime Minister Liaquat Ali Khan, 29 August 1949, 3(6) PMS/48, Government of Pakistan (GOP), NDC, Islamabad.
- 28 Ayesha Jalal, *The State of Martial Rule: The Origins of Pakistan's Political Economy of Defence* (Lahore: Vanguard, 1991), 249.
- 29 A.R. Kemal, "Pattern and Growth of Pakistan's Industrial Sector" in *50 Years of Pakistan's Economy: Traditional Topics and Contemporary Concerns*, ed. Shahrukh Rafi Khan (Karachi: Oxford University Press, 2006), 151 and Hasan, *Pakistan's Economy at the Crossroads*, 126-27.
- 30 Jalal, *The State of Martial Rule*, 249-50.
- 31 Mtg of the Defence Committee of the Cabinet, 25 June 1958, 189/CF/58, NDC, Islamabad.
- 32 Cabinet Mtg., 17 November 1953, 7/CF/53-11, NDC, Islamabad.
- 33 Stanley Kochanek, *Interest Groups and Development: Business and Politics in Pakistan* (Karachi: Oxford University Press, 1983), 76 and S.Akbar Zaidi, *Issues in Pakistan's Economy* (Karachi: Oxford University Press, 2009), 95.
- 34 Mohammad Wasim, *Pakistan under Martial Law 1977-1985* (Lahore: Vanguard, 1987), 192 and Jalal, *The State of Martial Rule*, 249.
- 35 Abid, "Choudhry Muhammad Ali," 73 and Bose, *The Pakistan Economy*, 1012.

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- 37 Syed Mujawar Hussain Shah, *Sardar Abdur Rab Nishtar: A Political Biography* (Lahore: Qadiria Books, 1985), 180.
- 38 Zaidi, *Issues in Pakistan*, 96.
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- 40 Cabinet Mtg, 15 September 1954, 781/CF/54, NDC, Islamabad.
- 41 Viqar Ahmad, *The Management of Pakistan's Economy*, 66 and Lewis, *Economic Policy and Industrial Growth in Pakistan*, 76.
- 42 Cabinet suggested export policy of Pakistan after reviewing international cotton position. Summary prepared for Cabinet by Ministry of Commerce and Works on "Cotton Export Policy 1949-50," 234/CF/49 NDC, Islamabad.
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- 44 Khalid b. Sayeed, *Politics in Pakistan: The Nature and Direction of Change* (New York: Praeger, 1980), 58 and Burki, "Politics of Economic," 113.
- 45 Lewis, *Economic Policy and Industrial Growth in Pakistan*, 10 and Kemal, "Pattern and Growth of Pakistan," 151.
- 46 Cabinet Mtg, 30 March 1955, 59/CF/55 NDC, Islamabad.
- 47 It expressed its concern on unsatisfactory movement of cotton and jute exports and instructed the Minister of Commerce to look into the issue. Cabinet Mtg, 30 March 1955, 59/CF/55 NDC, Islamabad.
- 48 Although only government was not responsible for it, as most private investors belonged to West Pakistan and foreign investors also started projects in the West Pakistan, yet the

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- whole blame is put on the government. Further East Pakistanis were not interested in investment in industry as they found themselves unable to compete with West Pakistani industrialists. S.J. Burki, "The Management of Crises" *Foundation of Pakistan's Political Economy: Towards an Agenda for the 1990s*, ed. W. E. James and Subroto Roy (New Delhi: np, 1993), 38.
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- 67 For details see the Cabinet File 247/CF/50, NDC, Islamabad.
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- 71 Ibid.
- 72 Jalal, *The State of Martial Rule*, 258.
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- 78 Jalal, *The State of Martial Rule*, 243.
- 79 Husain, *Pakistan: The Economy*, 88; Zaidi, *Issues in Pakistan's Economy*, 96 and Burki, "The Management of Crises," 137.
- 80 Cabinet Mtg, 2 August 1955, 222/CF/55, NDC, Islamabad.
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- 90 Decision of the Governors' Conference, 23 to 26 October 1962, 121/CF/62_IV, NDC, Islamabad.
- 91 Governors' Conference, 25 May 1962, 359/CF/62, NDC, Islamabad.
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- 93 Cabinet Mtg, 15 November 1958, 512/CF/58, NDC, Islamabad. The Secretary General gave briefing to the Cabinet regarding this particular directive.
- 94 Cabinet Mtg, 19 March 1959, 454/CF/58, NDC, Islamabad.
- 95 Ibid. Mtg of the Economic Coordination Committee of the Cabinet, 1 February 1966, 48/CF/66.
- 96 It was set up after the pattern of National Economic Committee, initiated by Choudhury Mohammad Ali's Government in 1956.
- 97 Annual Plan of 1968-69 was prepared and approved by this council. For further details see details of the Mtg of NEC 4 May 1968, 189/CF/68, NDC, Islamabad.
- 98 Viqar Ahmad, *The Management of Pakistan's Economy*, 59.
- 99 Cabinet Mtg, 23 April 1962, 121/CF/62-IV, NDC, Islamabad.
- 100 It was responsible to make recommendations for distribution of revenue between the Central and Provincial Governments and to remove the disparity between the provinces and

- different areas of the provinces. It was chaired by Finance Minister Mohammad Shoaib and included law Minister, Finance Ministers from the Provinces, Secretary Ministry of Finance, Economic Adviser to the PC and Professor Nurul Islam from Decca University. *Dawn*, 21 March 1964 and 136/CF/64.
- 101 It was responsible for coordination between foreign policy and economic and commercial policies of the country. It was chaired by secretary of the department of Foreign Affairs and included secretaries of ministry of finance, commerce, information and broadcasting, economic affairs, defence and personal secretary to the President. The committee met once in a fortnight and briefed the President and ECC on all economic and foreign policy matters. Cabinet Mtg, 22 June 1966, 229/CF/66, NDC, Islamabad.
- 102 Viqar Ahmad, *The Management of Pakistan's Economy*, 50.
- 103 Aftab Ahmad Khan, "Economic Development," 185.
- 104 Mtg of the ECC, 24 July 1959, 448/CF/59, NDC, Islamabad.
- 105 Special Mtg of the Cabinet, 29-30 December 1959, 448/CF/59, NDC, Islamabad.
- 106 Special Mtg of the Cabinet, 8 February 1960, 448/CF/59. The problems included (a) imbalance between wage and price level during the second plan period (b) inefficient production and production under monopoly condition (c) financing the plan. ECC decided that (a) the economic affairs division of the ministry of finance should undertake a detailed study in respect of measures needed to stabilize the wage and price level during Second Five Year Plan period (b) The Minister of Industries should, in consultation with the planning Commission., prepare a detailed paper on measures needed to deal with inefficient production and production under monopoly conditions.
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- 115 Bose, "The Pakistan Economy," 1018.
- 116 Cabinet Mtg, 19 November 1958, 512/CF/58, NDC, Islamabad.
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- 118 Husain, *Pakistan: The Economy of an Elitist State*, 16.
- 119 Ibid. and Husain, *Pakistan: The Economy of an Elitist State*, 16.
- 120 Economic Survey of Pakistan 1961-62 in Saeed Shafqat, *Contemporary Issues in Pakistan Studies* (Lahore: Azad Publishers, 1998), 103.
- 121 Statement of Industrial Policy, Summary for Cabinet, prepared by Ministry of Industries, Natural Resources and Works, 261/CF/63, NDC, Islamabad.
- 122 Cabinet Mtg, 20 December 1965, 422/CF/65, NDC, Islamabad.
- 123 Cabinet Mtg, 2 November 1966, 335/CF/66-II, NDC, Islamabad.
- 124 Cabinet Mtg, 20 May 1960, 98/CF/60, NDC, Islamabad.
- 125 Mtg of ECC, 5 January 1961, 98/CF/60, NDC, Islamabad.
- 126 Minister of Finance, Mohammad Shoaib, told the ECC that a large number of countries in the world did not permit foreign

- firms and companies to employ foreign nations so to employ their own population.
- 127 Mtg of ECC, 16 March 1962, 130/CF/62, NDC, Islamabad.
- 128 Jalal, *The State of Martial*, 305.
- 129 Husain, *Pakistan: The Economy of an Elitist State*, 18; Choudhury Mohammad Ali also criticized that industrial development of Ayub period was majorly due to foreign aid in Inaugural Address at a Symposium on Foreign Aid and its Impacts on Pakistan in Karachi University, February 1963, Choudhury Mohammad Ali, *The Task Before Us*, 161.
- 130 Zaidi, *Issues in Pakistan's Economy*, 6.
- 131 Mtg of Economic Coordination Committee of the Cabinet, 21 May 1966, 195/CF/66, NDC, Islamabad.
- 132 Diary of Ayub, 26 January 1967, in Craig Baxter, *Diaries of Field Marshal Mohammad Ayub Khan 1966-1972* (Karachi: Oxford University Press, 2007), 54.
- 133 Cabinet Mtg, 2 November 1966, 335/CF/66-II, NDC, Islamabad.
- 134 John Adams and Sabiha Iqbal, *Exports, Politics and Economic Development in Pakistan* (Lahore: Vanguard, 1987), 11; Kemal, 'Pattern and Growth,' 151; William, *The State of Pakistan*, 190. As finance Minister he successfully introduced many policies like treasury center decimal currency etc. and Viqar Ahmad, *The Management of Pakistan's Economy*, 249 Lewis, *Economic Policy and Industrial Growth in Pakistan*, 10.
- 135 Omar Noman, *Pakistan: Political and Economic History Since 1947* (London: Kegan Paul International, 1988), 39.
- 136 Papanek, *Pakistan's Development*, 131-32.
- 137 Bose, "The Pakistan Economy," 1017-1018.
- 138 Surendra Nath Kaushik, *Pakistan under Bhutto's Leadership* (New Delhi: Uppal, 1985), 76.
- 139 Cabinet Mtg, 2 November 1966, 335/CF/66-II, NDC, Islamabad.

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- 140 Mtg of the National Economic Council, 8-9 April 1963, 223/CF/63, NDC, Islamabad.
- 141 Amjad, *Private Industrial Investment*, 19.
- 142 Ayub Khan, *Friends Not Masters: A Political Autobiography* (London: Oxford University Press, 1967), 111.
- 143 Shahid Javed Burki, "West Pakistan's Rural Works Program: A Study in Political and Administrative Response", *Middle East Journal* 23 (1969), 331.
- 144 Ayub Khan, *Friends Not Masters*, 111.
- 145 Cabinet Mtg, 7 November 1958, 630/CF/58, NDC, Islamabad.
- 146 Burki, "Politics of Economic Decision making," 1132.
- 147 Governors' Conference, 14 and 16 January 1964, 9/CF/64, NDC, Islamabad.
- 148 Cabinet Mtg, 23 April 1962, 121/CF/62-IV, NDC, Islamabad.
- 149 It approved a power pump Irrigation Scheme in East Pakistan at a cost of Rs. 529.20 lakhs. It was decided that East Pakistan government should prepare a scheme for bringing additional land under cultivation and raising a larger winter crop through power pump irrigation and mechanized cultivation. Mtg of the Executive Committee of the National Economic Council, 2 December 1964, 490/CF/64, NDC, Islamabad.
- 150 Bose, "The Pakistan Economic," 1019.
- 151 Mtg of the Executive Committee of the National Economic Council, 21 October 1966, 437/CF/66, NDC, Islamabad.
- 152 Mtg of NEC, 14 December 1966, 475/CF/66, NDC, Islamabad; Khan, "Economic Development" in Raza, *Pakistan in Perspective*, 185 and Bose, "The Pakistan Economy," 1017
- 153 Cabinet Mtg, 27 June 1968, 205/CF/68, NDC, Islamabad.
- 154 Governors' Conference, 1 February, 1962, 116/CF/62, NDC, Islamabad.
- 155 Parvez Hasan, *Pakistan's Economy*, 167-69.
- 156 Viqar Ahmad, *The Management of Pakistan's Economy*, 88 and Husain, *Pakistan: The Economy*, 19.

- 157 Hasan, *Pakistan's Economy at the Crossroads*, 182.
- 158 Burki, "Politics of Economic Decision making," 1133.
- 159 Waseem, *Politics and the State in Pakistan*, 185.s
- 160 From BHC in Pakistan to CRO London, 2 April 1964, DO 196/316 and Shafqat, *Contemporary Issues in Pakistan*, 100-101.
- 161 Parvez Hasan, *Pakistan's Economy*, 180.
- 162 Viqar Ahmad, *The Management of Pakistan's Economy*, 81.
- 163 Harry Johnson, *Money, Trade and Growth* (London: Allen and Unwin, 1962), 153.
- 164 Haq, *The Strategy of Economic Planning*, 30.
- 165 Pandav Nayak, *Pakistan: Political Economy of a Developing State* (New Delhi: Patriot Publishers, 1988), 79.
- 166 Media wrongly publicized Dr. Mehabub ul Haq's statement that 80% share of the wealth was with 22 families. His figures stated that 80% of industrial shares were in the Control of 22 families not of the whole economy, and industry's share in economy was only 18% of GNP. The income inequality was there but it was not so intense.
- 167 Nayak, *Pakistan: Political Economy*, 96.
- 168 Ibid.
- 169 Talbot, *Pakistan: A Modern History*, 169. The income inequality, emerged on the provincial level, was not due to policy-makers of Ayub regime only. Public sector investment increased a lot in East Pakistan. It increased by 128 percent from first to second Five Year Plan period in East Pakistan, whereas it increased only by 55 percent during the same period in West Pakistan. It increased by 150 percent during Third Plan Period for East Pakistan, whereas it was 90 percent for West Pakistan. Private entrepreneurs were given a lot of incentives to invest in East Pakistan, but private sector investment decreased in East Pakistan. Jahan, *Pakistan: Failure in National*, 75-76 and Nayak, *Pakistan Political Economy*, 96, and from INR – Roger Hilsmen to NCA. Mr. Talbot, Research Memorandum, 28 March 1962, Intelligence and Research, Depart of State, DO 189/217.

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- 170 Interview with Dr. Abdul Hai Baluch (member of National Assembly from 1971 to 1977 on NAP's seat), Superintendent House, Hostel No 4, Punjab University, Lahore, 6th June 2012.
- 171 Mtg of Cabinet, 15 February 1962, 137/CF/62, NDC, Islamabad.
- 172 Government of Pakistan, Planning Commission, Third Five Year Plan, 1965-70), cited in Lawrence J White, *Industrial Concentration and Economic Power in Pakistan*, (New Jersey: Princeton University Press, 1974),43
- 173 From BHC to CRO, 9 February 1962, DO 189/217
- 174 Mtg of the Executive Committee of the National economic Council, 21 October 1966, 437/CF/66.
- 175 Special Mtg of the Cabinet, 15 July, 1965, 309/CF/65, NDC, Islamabad.
- 176 In later years of Ayub regime, American aid declined gradually from \$380 million in 1963 to \$282 million in 1968.Shafqat, *Contemporary Issues in Pakistan*, 107. For details see the books John Adams and Sabiha Iqbal, *Export, Politics and Economic Development*, 8 and Mohammad Waseem, *Politics and the State in Pakistan*, 197
- 177 Baxter, *Diaries of Ayub Khan*, 4 March 1967, 69-70.
- 178 Altaf Gauhar, *Ayub Khan: Pakistan's First Military Ruler* (Lahore: Sang-i-Meel Publications, 1993), 435.
- 179 Lawrence Ziring, *Pakistan in the Twentieth Century: A Political History* (Karachi: Oxford University Press, 1997), 311.