

# **FPCCI's**

# **Vision for 2025**

## **Targets in Global Scenario**



**The Federation of Pakistan  
Chambers of Commerce and Industry**

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## **P R E F A C E**

Medium-term planning is considered the most effective component of economic strategies in present regime of globalization which is mainly based on supply side economic policies. Economic planning determines the ultimate business competitiveness and provides the infrastructure for sustainable growth. The task of economic planning requires a nexus of nation's ideology, constitutional constraints, political system and economic resources. Hundreds of the decisions are collaborated in long-term economic planning. These decisions may be political but mainly they are technical and needs political will and political stability. No doubt, the implementation and success of these plans require political will and changing in the social environment including improvement in law and order situation.

How energy crisis should be solved, how to avoid from a severe water crisis, how the issue of food security will be addressed, how to deal with the environmental and climate changing issues, what should be patterns of tax collection, what should be the parameters of fiscal policies: all these should be integral parts of long-term economic planning.

This document reveals the trends and changing in the global patterns of development ranking. The trends show the history of global development ranking and explore the future status of big nations. Our concern is 'Pakistan'. How, we regain our status. Telling the stories and remembering the past will not provide a solution. A feasible plan with wisdom and prudence is required which also requires the political will. It must be considered as a wakeup call.

FPCCI is working to identify the feasible solutions of all such problems. Our think tank has prepared the integrated program (Economic Vision 2025) to suggest the straight path of development and find the lost status of the nation. Economic miseries of the peoples in Pakistan will significantly reduce by achieving the 'FPCCI recommended rate of growth'.

To discuss our recommendations and wisdom behind these measures, we prepared a complete presentation with quantifications of targets and fiscal analysis and projections. We are prepared to present these targets with the implementing mechanism at all the appropriate platforms.

  
(Zakaria Usman)  
President



### Role of Trade Bodies in Present Economic Scenario

During the cold war regime of 20th century, the world was divided into three parts: First part belongs to capitalistic societies which covers Western Europe, North America, Australia, New Zealand and Japan. NATO, CENTO, G5 (then G7) were offshoots of the first world. Soviet Union, China, North Korea and other Socialist countries were included in the second world, while the underdeveloped countries have been classified as third world. This distribution was not based on religion, culture or racism; economic ideology was the only base of this bipolar division of the world. The surprising aspect of this division was the disappearance of classical (supply side) school of thought in economic policies in capitalist world, where Fiscalist School of thought (demand side) played a leading role in economic development and planning during 20th century. It is notable that in most of the cases supply side approach advocate the economic freedom, deregulations, cross boarder movement of goods and services, individual liberty, business competitiveness, free market mechanism and allocation of all economic resources on the bases of 'invisible hand' of market mechanism. It does not allow any intervention from government in economic mechanism. On contrary, Fiscalist School allows governments' interventions in the form of subsidies, grants, managed interest rate, stipends and tax exemptions etc. This approach invites the intervention in business sector by monetary and fiscal policies.

Fall of Soviet Union in late 20th century led the emergence of world economies and a new era of economic transformation was originated. In fact, it was a rebirth of classical school of thought in New Economic Order (NEO). The emergence of NEO Classical regime in late 20th and early 21st century has moved the focus of policy makers on the improving productivity, competitiveness, good governance and infrastructure development. These become the major tools of economic development. The journey of NEO classical thoughts from denationalization to globalization has been passed through the stages of Denationalization, Privatization, Deregulations, Liberalization, and New Public Management including Lean government, Lean administration, and Decentralization.

Trade Bodies in Demand Management Regime during 20th century have been playing their role as collective bargaining agent of business community, partner of government in demand management policies by means of their proposals about subsidies, tax exemptions and interest rate etc, and associates of political marketing and trade diplomacy. However, their role and scope has also been changed in 'New Economic Order'. Now, they became partners in supply side policies, catalyst for capacity building, effective source of achieving competitiveness and efficient resource allocations and a proactive leader in overall socioeconomic development

The long-term trend of growth in the economies shows a very crystal picture of the future scenario and development ranking of the countries. History indicates that how global development rankings of the nations have been being changed. The causes of development may vary from time to time, but the common thing is the dynamicism and adoptability of technological advancement by the nations. The share of natural resources was more than 70 percent in the late nineteenth century, now it is less than 5 percent. The knowledge based products contribute more than 70 percent in the global trade. But the production of knowledge based products depends on the industrial competitiveness and technological advancement. The revival of historical ranking cannot be isolated with the technological advancement of the nations. Economic development, technological advancement, business competitiveness and academic excellence are the interrelated variables. In economic planning we will have to consider and incorporate this mechanism.

### Evolution of Development Planning in Pakistan

After fall of British colonialism in South Asia, Shanmukham Chetty was appointed as Head of Planning and Finance Minister of India Nehru. Chetty was not a supporter of independence and his appointment reflected that economy is important than ideology in India. On the other side, the planning in Pakistan was based on the nexus of foreign influence, ideology and Feudalism. Since its inception, Pakistan was compelled to adopt



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a 'Balance growth strategy' which indicates the need and importance of regional equality in Pakistan. The history of economic planning in Pakistan can be divided into following six regimes:

1. Conceptualization;
2. Foreign Influence;
3. Adhocism;
4. Construction of Social Accounting Matrix and Macro Econometric Models
5. Promoting PCI and PCII culture, and
6. Existence of Planning Commission as an ineffective organ of the state.

Pakistan's economic development planning began in 1948. The development board and planning advisory board jointly started the process of planning in Pakistan. The history of outcomes and fortunes of developed plans in Pakistan indicates that:

- Initially, a **Six Year Development Plan (1951-57)** was prepared on the recommendations of Colombo Consultation Committee. The plan envisaged a total expenditure of Rs. 2600 million.
- However, the **First Five Year Plan (1955-60)** was released in 1957. It was the beginning of systematic planning in Pakistan. In practice, this plan was not implemented, mainly because political instability led to adhocism in the country.
- The **Second Five Year Plan (1960-65)** surpassed its major goals when all sectors showed substantial growth.
- The **Third Five-Year Plan (1965-70)**, designed along the lines of its immediate predecessor, produced only modest growth.
- The **Fourth Five-Year Plan (1970-75)** was abandoned as East Pakistan became independent Bangladesh, and the annual development plans have replaced this five year plan.
- The **Fifth Five-Year Plan (1978-83)** was an attempt to stabilize the economy and improve the standard of living of the poorest segment of the population.
- The **Sixth Five-Year Plan (1983-88)** represented a significant shift toward the private sector.
- The **Seventh Five-Year Plan (1988-93)** could not succeed to revive the economic growth of Pakistan. This plan provided for total public-sector spending of Rs. 350 billion. Of this total, 38 percent was designated for energy, 18 percent for transportation and communications, 9 percent for water, 8 percent for physical infrastructure and housing, 7 percent for education, 5 percent industry and minerals, 4 percent for health, and 11 percent for other sectors.
- The **Eight Five Year Plan (1993-98)** was prepared by a working group established by the government but this plan promoted PCI and PCII culture and red tapism and stagnancy in the economy Pakistan.
- The **Ninth Five Year Plan (1998-2003)** has also failed to bring economy at the fast track of economic development.
- Present Government has prepared working draft of **Tenth Five Year Plan (2010-15)**. The key objectives of the Tenth Plan (2010-15) are to use the available resources in the most efficient and effective manner, overcoming serious energy and water shortages, ensuring food security, and



reducing poverty through enlarging and better targeting of income support and social protection measures and creation of productive and decent employment.

- Now, the present government is preparing Eleventh Five Year Plan along with a long-term Plan for economic development (Vision 2025). It is unfortunate that the recommended targets seem the wishful thoughts of present government because no feasible measures have been described in the documents disseminated by the Planning Commission.

In fact, the lack of coordination between economic planning and policies has become a common observation since last two decades. First lack of coordination can be clearly observed between fiscal and monetary policies. Fiscal policy is announced in the budget speech before the beginning of a new fiscal year. Monetary policy statement does not follow or coordinate with the fiscal policy parameters in Pakistan. The same phenomenon can be observed in case of supply side policies –trade, investment and industrial policies. Such lack of coordination leads the failure of economic policies. The disparity between the targets set by planning commission in 5-years medium-term development frameworks and annual budget reflects the major lack of coordination.

The unfortunate experience of medium-term and long-term planning in Pakistan indicates that successive governments in Pakistan have put greater stress on the formulation of policies and projects than on their timely and cost-effective implementation. Moreover, Pakistan’s success partially depends on foreign aid, particularly from the United States and donor agencies.

FPCCI has significantly considered and analyzed the reasons of failure of previous 10 plans (five years plans and MTFs) and we suggested the measures to avoid those mistakes which have been taken in the planning.

**Trends of Economic Growth (GDP/ Billion US \$)  
Based on historical rate of growth 2000-10**

Country	2000	2010	2015	2020	2025	2030	Growth Rate
USA	9899	14587	15948	17436	19062	20841	1.8
Japan	6667	5459	5709	5970	6244	6530	0.9
China	1198	5927	9897	16527	27600	46089	10.8
UK	1477	2262	2473	2703	2956	3231	1.8
Germany	1886	3280	3447	3623	3808	4002	1.0
India	460	1727	2538	3729	5479	8050	8.0
Pakistan	74	177	227	291	373	478	5.1
Bangladesh	47.1	100	134	178	237	316	5.9



# Trends of Economic Growth

(Who will overtake to whom?)

## Projected GDP

