FATIMA JINNAH LECTURE

Since late 1940s when the developing countries started gaining independence from their colonial masters , development literature was dominated by pessimists who believed that these countries were condemned to live in poverty, hunger and illiteracy. Prebisch-Singer hypothesis advanced the proposition that the developing countries produce agricultural commodities whose demand by advanced countries would be limited while they have to rely upon the advanced countries for imports of industrial products . Therefore, there would continue to be a secular decline in terms of trade of primary commodity exporters due to a combination of low income and price elasticities of demand. This decline would transfer income from poor to rich countries and thus contact with the international economy was detrimental to the welfare of the developing countries and would retard growth keeping these countries entrapped in poverty. . They proposed that the only way to avert this tendency is to protect domestic manufacturing industries by pursuing import substitution strategy. India under Nehru took the lead and as a Fabian Socialist adopted a central planned, Command and control economy dominated by the public sector and an inward looking industrialization behind high tariff walls. Other countries followed the Indian example. The Cold War bewten the Soviet union and the US also brought to fore the two alternative economic models i.e. Centrally planned allocations and market based allocations of resources . AS the Soviet economy was growing relatively rapidly the theoretical insights provided by Nurske, Singer and Prebisch guided the leaders of the newly independent countries. Unfortunately, the evidence over the next quarter of century proved that the protectionist strategy Globalization that the external environment between 1990 and 2008 was highly favorable a period in which most emerging and developing countries made great strides as chronicled by Steve Radelet in his recent book “The Great Surge”, while Pakistan has fallen behind India, Bangladesh, Sri Lanka, Vietnam etc. in the same period. Since 1995, real GDP of Emerging and Developing countries (EDCs) has grown by 4.7 percent on average annually and per capita incomes have increased by more than 70 percent between 1995-2013. On population weighted basis, excluding China, the increase is about 90 percent. Consequently, the relative share of EDCs in the global GDP (measured at purchasing power parity) has increased to 57 percent in 2014. The number of poor living at $1.90 per day has halved from 2 billion in 1990 to 897 million by 2012, bringing down the share of poor people in the total population from 37 to 13 percent in 2012. The number of people living in low human development fell from 3 billion in 1990 to slightly more than 1 billion in 2014. The share of EDCs in the world exports

rose from 24 to 41 percent in this period. International capital flows jumped from $91 billion to $1145 billion. All social indicators such as life expectancy, maternal mortality, infant mortality, adult literacy, net enrolment ratios, and average years of schooling have shown significant improvements. So, it can be ruled out that the external economic environment was one of the factors that can explain Pakistan's poor performance in this 25 year period. Other countries in the neighborhood who were lagging behind Pakistan have taken advantage of the dynamic global economy to bring improvements in the living standards of the majority of their masses.