

The Formative Phase (1947/48-1957/58):

Political Developments

- Indian Independence Act 1947
- The Government of India Act 1935 with some amendments adopted as the working constitution under section 8 of the Indian Independence Act 1947.
- Establishment of a constituent assembly to frame a constitution and to serve as the national legislature before independence that held its first meeting on 11 August 1947.
- Quaid-e-Azam expired on 11 September 1948.
- Liaqat Ali Khan, the first PM of Pakistan.
- The progress in constitution making hindered by issues such as place of Islam, quantum of representations of the two wings in the federal legislature, extent of provincial autonomy, national language, form of government etc.
- The passage of the 'objectives resolution' in March 1949 that laid down the fundamental principles for the future constitution.
- Assassination of Liaqat Ali Khan at Rawalpindi on 16 October 1951.
- Khwaja Nazimuddin stepped down from the office of Governor General and assumes office of PM.
- The GG Ghulam Mohammad dismisses Khwaja Nazimuddin on 16 April 1953 and appoints Mohammad Ali Bogra as PM
- The dissolution of the constituent Assembly in 24 October 1954 by the GG.
- The dissolution was declared unlawful by the Sind High Court in Moulvi Tamizuddin case but on appeal in the SCP it was validated.
- Mohammad Ali Bogra again appointed PM (c-in- c appointed as a minister in this cabinet paving the way for military involvement in politics.
- Election of a second constituent assembly in 1955

- **Formation of a coalition government of PM Ch. Mohammad Ali**
- **Formation of 'One Unit' in West Pakistan 15 October 1955.**
- **Enactment of the new constitution on 23 March 1956.**
- **Resignation of Ch. Mohammad Ali as PM on 9 September 1956 due to betrayal of his party MPAs.**
- **Brief stints of Hussain Shaheed Suharwardi, I.I.Chundrigar and Malik Feroz Khan Noon as PM.**
- **Declaration of Martial Law on 7 October 1958**

The Formative Phase (1948/49-1958/59)

- **Non-Devaluation Decision (Sept.1949)**
- **War in Korea (mid 1950-early 1952) boom in world prices of raw materials but subsequent BOP Problem.**
- **Joining of SEATO and CENTO (1954) and inflow of aid**
- **Devaluation of Currency (1955)**
- **Stagnation in agriculture(growth rate even lower than population growth rate)**
- **Need for establishment of a Planning Agency**
- **The formation of the Development Board (DB) 1948 with Minister of Economic affairs as its chairman under the supervision of 'The Economic Coordination Committee of the Cabinet' and assisted by a 'Planning Advisory Committee. The term of reference was preparation, review and coordination of development projects.**
- **The Colombo Plan (1951-57) and an emergency 'Two-Year Priority Plan'(1951-52) due to Korean War.**
- **The DB an ineffective planning agency and conflict with Ministry of Finance further affected its efficiency.**

National Planning Board (1953)

---Mandate(Formulation of Ist Five Year Plan starting April 1954)

Handicaps

--- Poor Data Base

---Shortage of trained Expertise

--- Lack of clear demarcation between rights and responsibilities

(conflict with ministry of Finance)

--- Lack of close rapport with the operating agencies

--- Lack of close rapport with the chief Executive

--- Political instability

(change of 5 PMs between 1955-58)

Import Substitution Phase (1948-58)

Industrial Conference Dec.1948 and formulation of Ist Industrial Policy

April 1948

The Policy emphasized three points:

--Import Substitution

--Reliance on Private Sector

--Limited Role for Public Sector (Arms, atomic energy, telephone and wireless apparatus, railway wagons etc.)

Import Substitution Strategy of Industrialisation.

- a) What is import substitution strategy of Industrialisation?**
- b) Prerequisite(large domestic market)**
- c) Existence of important raw materials for the establishment of cotton textiles, sugar, cement, Jute and Fertilizer industries.**
- d) Reduce dependence on India to exert economic independence**
- e) The role of PIDC(1952)**

Policy Measures for Import Substitution Strategy

--- High wall of Tariffs (Import Duties)

--- Non-Tariff Barriers (Quotas, Licensing etc.)

(Under Infant Industry Argument)

--- Over-Valued Currency Policy

--- Reduced Tariffs on import of Capital goods and machinery.

--- The growth of domestic and foreign demand (facilitating factor)

Result: Growth of LSM

1951-1955	34% (per annum)
1956-1960	12% (per annum)

Structural Changes (1949-1959)

	<u>1949</u>	<u>1959</u>
❖ Share of manufacturing and mining(in GDP)	8%	12%
❖ Share of Industry in Employment	10%	13%
❖ Share of consumer goods in Imports	50%	34%