

# **POLITICAL ECONOMY OF BALOCHISTAN, PAKISTAN: A CRITICAL REVIEW**

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## **Abstract**

This paper aims at exploring the political economy of Balochistan and the underlying causes of social and economic development of the province. The paper presents a brief and critical account on the historical development of the Baloch nation and nationhood. The paper argues that The Baloch notwithstanding having a huge and resourceful land has failed to keep the pace of socio-economic development and modernity with other fellow nations in the region. After the independence of Pakistan and the formation of Balochistan as a province of Pakistan, the Baloch because of her political disorganization and economic backwardness failed to exert herself within the federation to grab the resource share. The story of economic and social backwardness of the Baloch and Balochistan is a multifaceted puzzle. A section of the Baloch nationalists believe that the centralist nature of Pakistani federation is such that small nationalities like the Baloch would find it hard to accommodate within the federation. That is because, the resource distribution and representation to both elected bodies and state institutions are based upon population, and Balochistan in spite of having 44% of Pakistan territory accommodates only 5% of country's total population. The paper also touches the geostrategic importance of Balochistan and underlines its economic difficulty in terms of the dearth of human resources, physical infrastructure, economic autonomy, productivity among others.

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**Keywords:** Political Economy; Resource Distribution; Socioeconomic Development; Balochistan; Pakistan

## **Introduction**

Balochistan, a federating unit of Pakistan, had remained a semi-autonomous state and a loss confederacy in pre-partition of the Sub-

Continent and before the the independence of Pakistan (Harrison, 1981; Bansal, 2006). Balochistan with immense geo-strategic importance and huge untapped natural resource reserves (oil, gas, gold, copper and others), retains 44% of total territory of Pakistan. At the eve of Independence of Subcontinent and the subsequent creation of Pakistan and India as two independent courtiers, Balochistan, formerly a princely state under the British Raj, opted to annex with Pakistan in 1948<sup>34</sup>. The conflict between the province and the federation of Pakistan has been amongst the persistent state-province contradictions in recent history of counties (Aasim, 2007). The Baloch – the inhabitants of Balochistan – revolted five times against the federation for more political and economic rights (see Harrison, 1981 and Breseeg, 2004). In order to suppress the insurgency, the state used force and applied other means that normally be used by any state to subdue the insurgency<sup>35</sup>.

Why the Balochistan-Pakistan relation has been estranged and why the former has been failed to incorporate the latter into the federation and maintained a cordial relationship? Furthermore, it is important to know that in spite of having huge resources and endowments Balochistan has remained the poorest and economically the least-developed region in Pakistan. Notwithstanding the economic potentials and massive strategic importance, Balochistan is not only presents the picture of extreme poverty, backwardness, and lagging far behind other provinces in terms of every social and economic indicators, it has gripped in the vicious circle of nationalist insurgency, and ethnic and sectarian violence.

To explore such compelling questions one needs to be aware of Balochistan's relations with the federation of Pakistan in a historical context and analyse the underlining causes of underdevelopment of Balochistan by describing the political economy of the province. This paper is an attempt to provide answers to these questions.

### **Baloch and Balochistan: a Brief History**

The Baloch is one of the oldest nations of Iranian plateau. For historians it has not been easy to locate Baloch history due mainly to the unavailability of documentary evidences. The only solution left to the researchers to trace out the origin of the Baloch is to study the cultural and linguistic affiliation of the Baloch with other ethnic groups within the region. The first plausible and somewhat comprehensive work on Baloch history and

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<sup>34</sup> The opinion is divided on the question that whether Balochistan joined the federation of Pakistan willingly or it was compelled to do so forcefully. For details on this issue see Ahmed, 1975.

<sup>35</sup> However, in case of Pakistan and the province of Balochistan, human rights violations have been recorded (see Human Rights of Commission of Pakistan Report, 2014).

language was carried out by Dames (1904) who traced the origin of the Baloch to Kerman (in present day Iran).

In later part of the 20<sup>th</sup> century, after the work of many researchers on Iranian languages, the Balochi language has now established as a member of north-western group of Iranian languages (Jahani, 2003). Along with Persian, Balochi, Zazaki Kurdish, Talyshi, Mazandarani and Gilaki are main languages of this group (Axenov, 2006). On cultural ground, Bosworth (1977) and Janmahmad (1982) consider that the Baloch have much similarity and resemblance with Parthian and Medes. Moreover, cultural, linguistic and traditional evidence indicate that the Baloch are closely related to the Median group of tribes among which Kurds are the most prominent member. However, Dasthi (2012) maintains that the Baloch have remained a distinctive ethnic group possessed their own territorial independence and the language since late antiquity while living in alliance with other nationalities and ethnic groups and sharing cultural and linguistic features with them.

The Baloch has always lived in tribal communities with frequent movement from one part of their inhabited territory to another without having a proper chain of command. Nonetheless, a significant change took place in Baloch history in the 14<sup>th</sup> century when Mir Chakar Khan Rind established the first tribal confederacy of the Baloch tribes to unite them under one loose administrative structure. His tribal confederacy stretched from Kirman to the west, Afghanistan to northeast, Sindh and Punjab up to the southeast and Arabian Sea to the south (Fred, 2002). Chakar Khan's step towards the Baloch unification was the first cogent initiative. However, after his demise the tribes failed to maintain their political unity until 1666 when the first Kalat confederacy was established. The Kalat confederacy was larger and more coherent than Chakar Khan's confederation. In early 18<sup>th</sup> century the Kalat confederacy encompassed an area from Kandahar (Afghanistan) to the north and Bandar Abbas (Iran) to the west. To the east it extended to Dera Ghazi Khan and Karachi to the southeast (Ali, 2005). Under the 6<sup>th</sup> Khan of Kalat, Mir Naseer Khan, the Kalat confederacy emerged as a strong confederation with a regular army of some 25,000 manpower, a bureaucratic setup and two legislative councils (the house of lords and house of commons) (Harrison, 1981). During his rule significant improvements took place in terms of physical and economic infrastructure. He constructed roads, ports and encouraged education and learning. The territory under Kalat confederacy achieved the highest of development and attained the architectural, cultural and economic climax (Fred, 2002). Thus with organised army and administrative structure Kalat remained somewhat a sovereign state under the shadow of Afghanistan rulers until the arrival of British, who entered into Balochistan with high imperial designs. The Kalat

confederacy lasted until when British Army entered in Balochistan On 13<sup>th</sup> November 1839 (Breseeg, 2004:159-166).

There are two distinctive views concerning relations between the British and Khanate Kalat. One is that the relations were based on amity, through agreements and treaties, but the other view is that there was a forced subjugation of the Kalat State by the British. The treaties with the State of Kalat and the revolts of Baloch tribes illustrate both these viewpoints. Zaidi (1993:288) argues in the Jinnah papers that “the history of British relations with the Kalat State and its rulers been one of the friendly alliances and treaties of mutual friendship and amity throughout”. After the occupation of the state of Kalat by the British they finally signed a treaty and recognised Nasir Khan II as the ruler of Kalat in 1841. This treaty mentions that the “British troops could be stationed in Kalat territory” (Breseeg, 2005: 160). Various other treaties were signed at different times which provided an opportunity for the British to station their forces on British Balochistan territory en route to Afghanistan. In return for these concessions Kalat would receive handsome of subsidies and guarantees of tribal autonomy (Harrison, 1981). Of all the treaties and agreements signed, the Treaty of 1876 was the most important one.

It had become expedient to sign treaty of 1876 in order to renew and reinforce the old treaty of 1854 and “to supplement the same by certain additional provisions calculated to draw closer the bond of friendship and amity between the two governments” (Zaidi, 1993:288). Article 3 of this treaty states that “the British Government to respect the Independence of Kalat” (Zaidi, 1993:288).<sup>36</sup>

In early 20<sup>th</sup> century, Baloch middle class begun to mobilise a political struggle. They established the *Anjuman-e Ithad-e-Balochistan* (the Association for the Unity of Balochistan), which was a political party and a social organisation. Its principal aims, according to Bugti (1996) and Nasir (2010) and Baloch (1987) were; 1) ending the colonisation of Balochistan from the British; 2) unifying Balochistan; 3) the abolition of the Sardari system in Balochistan; and 4) establishing an independent united Balochistan. Later on in 1931 the Kalat State National Party was formed after the Persian occupation of Western Balochistan in 1928.<sup>37</sup> The *Anjuman-*

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<sup>36</sup> Many of the Baloch believe that Kalat State enjoyed an independent status under the treaty of 1876 and the British became responsible for protecting Kalat State’s independent status.

<sup>37</sup> The Persian states weakened, and western Balochistan broke away once in the first decade of the 20<sup>th</sup> century. Bahram Khan (a Baloch ruler) extended his authority over most of the central and southern region of western Balochistan in 1915 (Bugti, 1996). Iran annexed western Balochistan to Persia once again in 1928 and this region is currently known as Seistan-Balochistan (Breseeg 2004: 195-96). It has since 1928 been part of Iran.

*e-Ithad-e-Balochistan* and Kalat State National Party (KSNP) were secular in nature and orientation, and sought a unified democratic Balochistan (Redaelli, 1997). Both parties have provided a social and political platform for the Baloch youth to work for the Baloch people and uplift them economically and socially.

The decade of 1930 was a crucial period for Balochistan, when the British were planning to leave and divide India. As the prospect of independence from British approached, the Khan and the other Baloch leaders had to decide on the future status of Balochistan (Harrison, 1981). Unlike other states, Kalat along with Nepal maintained its treaty relations directly with British crown in Whitehall. Moreover, under the 1876 agreement through which the British were allowed to operate in Balochistan pledged that the former would not violate the sovereignty of the latter (Ahmed, 1975). On the eve of British withdrawal from the Indian Sub-Continent, the Khan declared the previous status of Kalat State on 12<sup>th</sup> August 1947, two days before the creation of Pakistan (Dashti, 2012).

The Government of Kalat State Act 1947 was promulgated as the new constitution of Balochistan. Under the constitution Balochistan would establish a representative system of governance with aiming to connect the people of Balochistan with administration and other state machinery of Kalat (Talbot, 1998). The legislature was composed of two houses: the Upper House and the Lower House. Under the Act, shortly after the independence elections were held for both the houses. KNSP won the majority seats in the House of Commons.

Quaid-i-Azam Mohammed Ali Jinnah, the founding father of Pakistan and the first governor general, began to persuade the Khan to merge the territory of Balochistan with Pakistan. And subsequently given the geographical proximity, Muslim majority population, and other social, cultural and economic matters, the Khan willfully agreed to make a part it a province of Pakistan. However, Naseer (1979) argues that after the withdrawal of British from India, and the subsequent inception of Pakistan and India as two independent countries, the issue of Balochistan's merger with the state of Pakistan was not as smooth as it was understood. When the state of Kalat initially was adamant to become a part of newly independent country, Pakistan directly approached sub-ordinate states of Makuran, Kharan and Lasbela to join the country bypassing the state of Kalat. Consequently Pakistan has been successful in splitting the Baloch state. Eventually the Khan succumbed to the pressures of Pakistan and *resultantly signed* on the Agreement of Accession on 27<sup>th</sup> March 1948. Thus, Balochistan became a province of the federation of Pakistan.

## **The Political Economy of Balochistan**

The Baloch despite occupying a vast and resourceful territory has failed to keep the pace of socio-economic development and modernity with other fellow nations in the region. After the independence of Pakistan and the formation of Balochistan as a federating unit of the former, the Baloch because of her political disorganization and economic backwardness failed to exert herself within the federation to grab the resource share. The saga of economic and social backwardness of the Baloch and Balochistan is a complex conundrum. A section of the Baloch nationalists believe that the centralist nature of Pakistani federation is such that small nationalities like the Baloch would find it hard to accommodate within the federation. That is because the resource distribution and representation to both elected bodies and state institutions are based upon population, and Balochistan in spite of having 44% of Pakistan territory resides only 5% of country's total population, thus the province is not proportionately represented within the federation. Moreover, the geostrategic importance of Balochistan is very vital that is hard to ignore while analyzing the political economy of the province. Therefore, the same nationalists section maintains that the federation is only interested to enjoy the geostrategic and economic potentials of the province. And the social and economic uplift of the Baloch is not the priority of the federation.

However, given the social structure of Balochistan a pertinent question may arise that how well-entrenched the modern concept of development would be in a society that coexists with primitive tribal system. Pakistan has not been a smooth democracy thus the electoral politics has failed to prevail the political economy of the country. Therefore, during controlled-democracy that intermitted the direct military rule or dictatorial regime the nature and style of the governance remained unaccommodating. The actual political and economic powers always cling on to the centrist forces and never devolved to the regional or provincial representatives. This led to the dysfunctional political process especially at provincial level that further consolidated the already stranglehold of local elites. Nevertheless, even if the power is given to the provincial-based leadership the social structure in Balochistan with strong tribal hierarchy may hinder the socio-economic and political development of the people of Balochistan. Unlike other provinces of Pakistan where a teeming middle class has been emerging with assertive political and economic ambitions, the societal structure in Balochistan is sharply divided between a tiny but extremely powerful class of tribal chieftains and (il)legal business tycoons and remaining lower class and a small group of public sector employees. The vibrant middle class is missing in Baloch society that can have an assertive politics to further its social and economic interest. Hence, it is true that the federation has never

been interested to develop Balochistan and brought it fourth at par to other provinces. But unfavourable social and economic system of Balochistan that entrusts and makes the local elites all powerful is equally responsible for impeding the process of development in Balochistan. In other words, one may argue that it is the power nexus of the state of Pakistan and the local elites and representatives that maneuver the governance in province in such a exploitative nature that only uphold and nurture their political and economic interest at the very cost of common mass.

### **Balochistan versus the Federation**

The political relation of Balochistan has never been favourable with the federation and resultantly the former took the brunt of it in terms of insufficient resource provision from the latter and the inadequate representation in all federal institutions. But to analyse the underlying factors of this decades old odd relationship and its consequences, one needs to grasp the political economy of Balochistan.

This conjecture of politico-economic interest of Pakistani establishment in Balochistan can be best understood through David Harvey (2003) theory, what he considers the capitalist imperialism by a state. He goes on to explain that a major shift took place in mid 20<sup>th</sup> century when states initiated accumulating territory in which spatio-temporal fixes can be undertaken. Balochistan contains a vast land with highly strategic coastline and good endowment of natural resources is a viable target for Pakistan with spatio-temporal fixes interest. Looking at the military expansion in Balochistan it is not difficult to comprehend that Balochistan is not being treated as a unit of the federation by Pakistani state. Instead, the former is committed to treat the latter as her neoliberal colonialism. This territorial imperative can best be corroborated by the construction of military cantonments to the width and breadth of Balochistan, particularly at Gwadar, a highly strategic coastal town, Dera Bughti, district with the largest gas deposits in the country, and Kohlu, where it is believed that precious deposits of oil and gas reserves are untapped. In addition to this, the military's commercialisation and resource grapping is evident from state's direct involvement in coal business, gold and copper enterprises and real estate projects (Siddiqa, 2007). The territorial establishment of Pakistan military and civil bureaucracy is not without support of multinational corporations. Multinational capital, most importantly the Chinese companies, has expanded substantively in Balochistan (later in current section we show that how multinational companies are involved in exploiting Balochistan's natural resources). The deprivation along with discontent of the people of Balochistan against the state of Pakistan is increasing, as apparently they

perceive the military as a colonial force manifested in blatant self-aggrandisement.

The fact is Balochistan province is one of the poorest regions in the world and its inhabitants are among of the most deprived on earth. An average resident of Balochistan lives on less than a dollar a day, over 90% of the settlements in Balochistan have no access to clean potable drinking water or medical facilities and rural illiteracy exceeds 90%. Within Pakistan Balochistan's per capita income is less than half of the country's average meaning that an average a Baloch is likely to be twice as poor as his counterpart living in any of the other three provinces (Institute of Public Policy, 2011). It is unfortunate but true that even within the province of Balochistan; an average Baloch is twice as poor as an average Punjabi, Pashtun, or Hazara resident of the province. Even in the capital city of Balochistan, Quetta, less than one third of the households of the provincial metropolis are actually connected with the government water supply system and receive between 1-2 hours of water supply in 24 hours. The education system in the province is so inferior that those who can afford it would prefer to send their children to educational institutions outside the province; Karachi, Islamabad, Lahore or Peshawar. The same is true of medical facilities in the province; with a little affordability most people prefer to take their sick loved ones to Karachi or elsewhere for medical treatment.

In terms of economic structure, Balochistan is markedly different from the rest of Pakistan. While the rest of Pakistan is labour-abundant with redundant labour force, Balochistan barely with 5% population but with strong economic potentials can easily accommodate its indigenous labour force. While it is true that agriculture sector, like in the rest of Pakistan, continues to attract interest in Balochistan, its potential is circumscribed by the scarcity of water.<sup>38</sup> That is because, unlike other provinces of Pakistan, the greater part of Balochistan is not connected to the Indus River System to irrigate its vast and fertile land. Moreover, Balochistan receives abundance rainfall water each year. If this water was managed properly through dams and constructed channels, the province would have sufficient water to irrigate its dry but fertile land.

### **Lack of Infrastructure and Human Capital**

A very basic ingredient of economic growth is the availability of physical and economic infrastructure. Such infrastructure in Balochistan is at worst non-existent and at best inadequate. As is the case with all extractive economies, roads and railways were built for purposes of extraction and

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<sup>38</sup> See the Balochistan Conservation Strategy and technical and background papers prepared for the Balochistan Resource Management Programme.

transportation of mineral and other resources (Bengali and Pasha, 2005). Grain and fruit farmers, animal raisers, and fishermen all remain poor partly because there is no farm to market roads and no local processing facilities are available within Balochistan. The British originally built the road system for their own colonial strategic purposes, not for the purpose of the economic development of Balochistan. Recent road system along the coastal areas may serve strategic purposes but their contribution to economic development of the province is minimal (Aasim, 2007).

No improvement in living standards and alleviation of poverty are possible without improvement in educational levels and standards. High rates of illiteracy and low standards of educational progress in Balochistan are the cause of many factors. These factors include: 1. Poverty, a typical poor person cannot afford to send his children to school, because that will mean loss of income that the child could make by helping parents in their subsistence activities; 2. due to poor educational standards parents realise that the children do not benefit from education and lose interest in family activities of farming, animal raising and fishing; 3. most people in Balochistan believe that the only reason that children should be sent to a school is for them to be able to get a government job. But they also realise that government jobs are for people who have connections with higher ups in the government or are rich to be able to pay bribes. So, why bother sending your children to school (Pakistan, various issues).

There is an established correlation between lower educational levels and higher rates of poverty. Studies performed in a number of Latin American, African and Asian countries have shown that a higher percentage of GDP spent on education, resulted in better educational levels and standards, which in turn resulted in higher economic growth rates and higher living standards (Winkler and Gershberg, 2000). The educational system in Balochistan is dysfunctional and a complete and absolute failure. Educational institutions are politicised, teacher appointments are made not on merit but on political grounds, and massive cheating takes place in all educational institutions and at all levels of education.

### **Dearth of Economic Autonomy and Control over Resources**

Besides agriculture and industry, the other potentials of economic growth of Balochistan come from mineral resources, transit routes and coastal development (ADB, 2004). The people of the province have no authority to run their own economic affairs and have no control over their natural resources. The Sui Gas case can be quoted as a classic illustration of economic exploitation of Balochistan. Natural gas was discovered on Sui site in the Dera Bughti District in Balochistan in the early 1950s and supplied to all provinces of Pakistan except Balochistan, where the same was supplied

about 30 years later. The gas company that exploits and controls the gas fields is a federal government controlled company and Balochistan gets minimum share of the revenues generated. A similar case scenario can be witnessed with all other minerals and natural resources discovered in Balochistan (WB, 2007). Another example of resource exploitation of Balochistan in the hand of Pakistani authorities with the collaboration of multinational firms is the Sandak Copper and Rek – e – Dik gold-copper projects respectively in Chagi District. In 2002, the federal government entered into an agreement with a Chinese company to handover the Sandak Project. Under the agreement the Chinese company would fetch 80% of total profits back home, pay 18% to the federal government of Pakistan and disburse only 2% to Balochistan government as royalty charges (Grae, 2006). Rek – e – Dik gold-copper is the second major project in Balochistan that was given to Antofagasta of Chile and Barrick Gold of Canada. This project was aimed to exploit an estimate of 20 million ounces of gold and two billion tons of copper from Balochistan.

The economies of colonies have always been extractive in nature. The natural resources of the colony are extracted, taken in raw form to the mother country/region, where they are processed into finished products. This brings poverty and absolute deprivation for the colonised people as even unskilled jobs that arise during the processing of the raw materials are not available to them. No efforts have been made to establish such industries in Balochistan that will process locally produced raw material into finished products. There is no economic justification for transporting coal to other provinces of Pakistan to use it directly as a source of energy or convert it into other sources of energy like electricity. This is particularly relevant because Balochistan faces acute shortages of energy and longest hours of blackouts. There is no economic justification for thousands of tons of raw marble stone, chromites, baryte, iron ore, shale, copper blister and other minerals to be taken in raw form to Karachi or to other places outside of the province for processing. Equally there is no economic justification for millions of tons of Balochistan fish to be taken to Karachi for processing and canning, because nowhere along the 750 kilometer Balochistan coast any fish processing facility exists. Also there is no economic justification to waste tons of Balochistan fruit and vegetables due to the absence of fruit processing industries in Balochistan (Zaidi, 2005).

Geographically the province occupies an important geo-strategic position in southwest and northwest Asia. It is on the cultural, social, economic and geographical crossroad of the Middle East, Central Asia and the South Asia, and opposite to Straits of Hormuz. These potentials could make the province an industrial hub with a massive private industrial investment, had it been utilised by adopting vigorous industrial policy.

According to a rough estimation, around 17 million barrels of crude oil passes through the Straits of Hormuz daily. Sharing a 900 km border with Iran and 1200km with Afghanistan, the province “opens access to these mineral-rich and strategically important areas. It also marks an entry point into the resource-rich landlocked provinces of the Punjab and KP. Its geographical proximity to the oil and gas deposits of Central Asian regions adds to its strategic importance” (Gazdar, 2007: p. 8). The important strategic location places Balochistan on the cross road of a potential intra- and inter-regional trade. Nonetheless, the gross ignorance of Pakistan towards the industrial development, Balochistan remains one of the least developed regions in the world in terms of all the human development indicators despite the abundance of the natural resource.

### **Political Instability, Capital Formation and Industrialisation**

Investment and economic growth cannot take place in an environment of political instability. Due to the reasons mentioned above Balochistan remained unstable for the larger part of its history with Pakistan. Therefore, a favourable environment for capital investment in Balochistan has never been as lacking as in recent years. No domestic or foreign investor is willing to invest even in the provincial capital not to speak of the interior regions of Balochistan when there is no security and stability. In fact, in recent years, many investment opportunities have been lost and even running businesses have closed down such as Sariab Textile Mills and Harnai woolen Mills have already faded away that had provided employment opportunities to hundreds of people in Balochistan. Probably government policies and lack of security played a role in their shutting down. Hub industrial estate has not benefitted Balochistan much as far as providing employment opportunities to the people of Balochistan are concerned. In fact Hub area industries are, for the most part, extension or subsidiaries of the Karachi based industries. The industrialists wanted to have tax relief by locating in Balochistan without providing employment opportunities to the people of Balochistan (Hasnain, 2008).

Historically Balochistan with its tribal and semi-tribal social structure has had a strong politico-economic stranglehold by a chieftains and tribal *sardars*. Typical domination of tribal lords on the politics of the province marred the overall development and evolution of the political process that could lead to pave a way for the greater political participation of general masses. Therefore it will be plausible to argue that the current institutional structure is the construction of the political and economic supremacy of tiny elite. And such elitist political economy has created a rent-seeking oligarchy that has consolidated considerable economic and political power and drifted the provincial economy towards more exclusivity.

There are important contrasts between Balochistan and the rest of Pakistan in terms of comparative advantage and potential sectors of economic growth. While the rest of Pakistan is a labour-abundant economy with potential growth modes in agriculture, manufacturing as well as labour-intensive service sectors; Balochistan is relatively scarce in its endowments of human capital, agricultural growth and industrial investment. In the service sectors Balochistan's growth potential appears to be closely connected to its integration with the national economy and other regional economies. Any growth strategy for Balochistan would need to take these differences as a point of departure.

### **The Political Economy of Resource Sharing**

In a federation like Pakistan the resource sharing takes place under the game theoretic bargaining principles. In the bargaining game among various stakeholders the weaker stakeholder(s) has less probability to gain optimal resources. This leads to create a situation where the interests and preferences of a dominant group and the weaker groups are more reflected in public policies [in fiscal policy making process the federal government has higher probability of gaining more resources from national budget. The inclination of public policy making towards powerful lobbies and influential province therefore would adversely affects the resource allocation to social sector, which inherently affects poor the most, and smaller provinces. The fiscal policy decisions not only determine allocations to social and economic services it equally affect resource distribution between federal and provincial governments.

Looking at Pakistan's fiscal history one can easily notice that higher public expenditures, particularly the non-development expenditures, caused a burgeoning and unsustainable fiscal deficit. It mainly because the country is a typical example of Weingast *et al.* (1981) theory of "distributive conflicts", where the geographical diversity and social and ethnic heterogeneity make the bringing of the public sector expenses to a manageable level a formidable task. During the budget making each geographical region and vested interest groups in the realm of the federation try to maximise the projects" allocation in the favour of their respective regions, ethnic groups and classes.

Structure of Pakistan's political economy partially resembles Lockwood (2002) model. The model explicitly discusses the domination of one province over other provinces of federation in terms of population. The dominant province, the Punjab, leverages its disproportionate legislative and administrative representations for project selection and fund allocation. Punjab with 58% of country's population enjoys a paramount dominance in public policy making. During democratic regimes the province remains the

favourable destination for projects selection due to its majority seats in the National Assembly. In the same way, during dictatorial regimes, the Punjab again has the lead in attracting disproportionately a bigger part of public resources since majority of military and civil bureaucracy personnel hail from the same province. Thus in a “non-cooperative” kind of a federation where one federating unit has more than half of the country’s population excessive representation (even more than its population) in public institutions and geographical concentration inherently happens.

However, in order to avoid polarisation amongst the provinces, and for that reason to accommodate other provinces, the dominant province allows some projects to other provinces. It is worth noting that it is very unlikely for the smaller provinces to receive projects at the cost of dominant province. On the contrary, the projects allocated to the latter are in addition to what would already be given to the dominate province. This, therefore, leads to increase the size of the national budget and worsens the budget deficit.

### **Low Productivity and Poor Living Standards**

In any society prosperity and improved standards of living are achieved through improved productivity. Productivity is the output per unit of input. Labour productivity is determined by first calculating the value of the goods and services produced in a year’s time and then dividing it by either the total labour force or by the total number of hours of work spent in producing the goods and services. In Thailand during 2013, for instance, the per capita income was \$14,394 (World Bank, 2013). That year in Thailand worker productivity [GDP (PPP) per hour worked] was 8.54. Whereas in the same year the per capita income in Pakistan was \$ 4.602, and the worker productivity [GDP (PPP) per hour worked] was just 1.98, which is far lower than any of the medium income country.

Looking at the same statistics for Balochistan, the province performs far worse than the national average of Pakistan. For instance, average yearly income per person in Balochistan is about \$290 (Word Bank, 2013), and an average worker is, at the most, 1/59<sup>th</sup> as productive as a Thailand’s worker. This means that a worker in Balochistan (a shepherd, a fisherman, a farmer, daily wage labourer) produces goods and services equal to \$1 or 95 rupees per hour.

The question is why productivity is so low in Balochistan. Three principal determinants of a nation’s labour productivity growth rate are: 1. the rate at which the economy builds up its stock of capital (machinery, equipment, buildings); 2. the rate at which technology improves; and 3. the rate at which work force quality or human capital improves. Worker productivity in Balochistan is low because a worker in Balochistan is

typically illiterate and uses minimal capital and primitive technology in the production process.

The social sector in Pakistan is weak and dysfunctional, which made Pakistan a classic example of ‘economic growth without development’ where a decent rate of economic growth has been achieved without adequate social sector development. Over the last 65 years, the country as whole has not been able to progress in all dimensions of social sector development, and particularly in the province of Balochistan that lags far behind other provinces in terms of all social sector indicators lags .The poor state of social sector has been largely due to the failure of the country to translate the fruits of economic growth for the improvement of the majority of the people. It is understandable that with such a weak social sector – with low level literary rate and poor and inadequate healthcare services, for instances – Balochistan province would not pass onto a better economic development path.

Pakistan seems to have failed to understand the fact that high and sustain economic growth depends on highly skilled, healthy and educated workforce, as suggested by new growth theories and exercised by many countries. For instance, the growth and development experience of countries, like Korea, Thailand, Malaysia and Singapore, uncovers the striking fact that without social sector development economic growth is very unlikely to sustain itself. In comparison to these countries Pakistan lags far behind in almost all indicators of social and human development.

Table 1: Comparison of HDI’s Trends of Selected Countries

Country	1980	1985	1990	1995	2000	2003	2004	2005	2006	2013
Pakistan	0.386	0.441	0.443	0.463	0	0.518	0.526	0.548	0.562	0.537
India	0.428	0.456	0.494	0.517	0.561	0.576	0.585	0.6	0.609	0.586
Morocco	0.471	0.497	0.516	0.56	0.582	0.626	0.631	0.638	0.646	0.617
Indonesia	0.52	0.56	0.623	0.567	0.671	0.709	0.714	0.719	0.726	0.684
Thailand	0.644	0.663	0.692	0.721	0.75	0.764	0.772	0.782	0.786	0.722
Vietnam	0	0.559	0.595	0.645	0.688	0.703	0.709	0.714	0.718	0.638
Egypt	0.843	0.539	0.572	0.628	0.665	0.704	0.709	0.712	0.716	0.682

Source: Human Development Indices, UNDP (2006; 2013)

Table 1 Indicates that Pakistan’s position in terms of the DHI is one of the lowest in comparison to countries with similar classification of per capita income by the World Bank. For instance as latest as in 2013 the HDI in Pakistan was 0.537, which is the lowest in all seven included countries in the survey.

Among the social indicators, education and healthcare are considered to be very important for the overall development of society and are the key indicators on Human Development Index and Millennium Development Goals (MDGs).

Pakistan progress on the MDGs shows that the country has adopted 16 targets and 41 indicators against which progress towards achieving the Eight Goals of the MDG's is measured. Time series data available for 33 of these indicators reveal that Pakistan is on track to achieve the targets on 9 indicators, whereas its progress on 24 indicators is off track (UNDP, 2015).

Table 2: GDP at Constant factor Cost, overall Pakistan and provinces

Year	Pakistan	Punjab	Sindh	KPK	Balochistan
<b>1999-00</b>	26115	25420	57652	19368	27104
<b>2000-1</b>	25442	24777	55469	19088	27499
<b>2001-02</b>	25648	25260	54836	18907	28270
<b>2002-03</b>	26266	25863	57036	18515	29104
<b>2003-04</b>	27614	26919	61335	19112	31075
<b>2004-05</b>	29436	28540	65801	21290	31224
<b>2005-06</b>	30481	29820	67011	24210	26181
<b>2006-07</b>	31869	31148	72374	23112	27807
<b>2007-08</b>	32348	30859	75740	23802	29932
<b>2008-09</b>	32221	31019	71261	25810	31693
<b>2009-10</b>	32745	31333	74583	25968	29423
<b>2010-11</b>	32848	31664	73326	26869	28503

Source: SPDC (2012-13) and authors own calculation

As shown in the table 2, Balochistan although maintains a higher per capita GDP than KPK – because of its sparse population and vast resource base – however, it is important to notice that change in per capita GDP in Balochistan is far lower than other provinces. For instance, from 1999 to 2010, the per capita GDP in Balochistan has shown a marginal increment from 27104 to 28503, whereas during the same period Punjab's per capita GDP increased from 25420 to 31664 (see table 2). Hence, it may be plausible to argue that the economic growth of Balochistan remained almost stagnant, while all other provinces could maintain a medium growth rate. This therefore led to drift Balochistan from the social and economic trends of the country.

Looking at the provincial level, Balochistan is the worst performing province in most if not all areas of the MDGs. As available data shows, at the current rate of progress, no MDG can be achieved in entirety in the province and in the aftermath of the floods, and the declining national

economic and security situation in post 2007, even the achievements made so far in a few indicators or in a few districts are at risk of being undone. Balochistan's performance while completely off track and below the national average for almost all indicators, is especially of grave concern in health and education related indicators. 43% of children are underweight in Balochistan against a target of 20%, reflecting a severe lag in performance. Similarly in MDG 2, in all three indicators; net primary enrolment ratio, completion/survival rate and literacy rate performance is lower than the national average and considerably behind the targets. Balochistan is also underperforming in 5 indicators of child mortality with a staggeringly high infant mortality rate by national standards. In MDG 5, progress is especially lagging for all indicators- at 785 deaths per hundred thousand live births; the maternal mortality ratio deserves immediate attention (UNDP, 2015).

### **Lack of Democracy, Political Autonomy and Accountability**

Democracy and accountability are important prerequisites for economic growth and prosperity. Although lack of democratic institutions and accountability are problems that exist throughout Pakistan, Balochistan is particularly afflicted with this scourge. People of Balochistan have never had the opportunity to fully participate in the process of decision making about how to run their own affairs. The interference of federal agencies in Balochistan's elections and manipulate the electoral outcomes in the favour of certain political lobbies, rather than reflecting the wishes of the people of Balochistan. Moreover, the governor is also appointed by the federal government usually from outside of the province who is more loyal to the federal government rather than representing the people in Balochistan. The provincial governments installed in Balochistan were not necessarily those that are elected by the people of Balochistan, not those that are honest and sincere to work for the improvement of living conditions of the people of Balochistan, but those who are considered by the central government to be able to best serve the interests of the establishment in Balochistan. For example, the popularly elected governments in 1973 and 1997 were removed on suspicion that they were not loyal enough and or not obedient enough to the central government (Ahmed, 2004). The establishment of Pakistan wholly or partially controlled elections so that only those favoured by the 'establishment' could form a government in Balochistan. If those in power in Balochistan are brought and maintained in power by sources other than the people of Balochistan, they will be accountable to those who brought them to power, not to the people of Balochistan. This situation also contributes to corruption by the provincial rulers and also contributes to further deprivation and poverty for the ordinary people of Balochistan (Ahmed, 1990, 2004, 2010; Adeney, 2007a, 2007b).

## Conclusion

Unlike other provinces and territories that constitute the federation of Pakistan, the province of Balochistan is entirely different. Prior to the colonial rule on India, Balochistan was a loose confederacy of tribal chiefs and semi autonomous states (Harrison, 1981). After the British departure from Indian Subcontinent and the consequently formation of two independent states, India and Pakistan, Balochistan given its Muslim majority population became a part of Pakistan that in ensuing years gained the status of a province. This paper discussed that Balochistan has always been the poorest and least developed of all of Pakistan's provinces. Since the mid-1970s its share of the country's GDP has dropped from 4.9 to less than 3% of national GDP in 2000 (Bengali and Pasha, 2005). The province has the highest infant and maternal mortality rate, the highest poverty rate, and the lowest literacy rate in Pakistan (Baloch, 2007). The government has often tries to co-opt Baloch with development projects, but none has achieved any measure of success. While economic development usually dominates the rhetoric coming from the federal government, the larger issue for the people of Balochistan has been the natural resource exploitation of the province. Despite being Pakistan's most abundant province in natural gas, Balochistan has seen little benefit from it. The same resource is fully utilized in other major cities and towns of the country outside Balochistan, yet only a couple of cities in the province have access to natural gas. This is because a new constitution introduced in 1973 set provincial gas royalties at 12.5%. However, the wellhead price of gas from each province was differentiated, based on per capita provincial income in 1953. This has resulted in a wellhead price five times lower than in Sindh and Punjab, meaning that Balochistan receives less in royalties. But more importantly this phenomenon points to an unpleasant relationship between Balochistan with the federation of Pakistan, which resultantly left a great deal of impact on the political economy of the latter.

The paper highlighted that the political and economic relationship between Balochistan and the federation of Pakistan remained estranged because of certain historical facts. And this rugged state-province relationship caused Balochistan an acute shortage of resources, social and economic underdevelopment and perpetual domination of tribal chieftains on political landscape of the province. This somewhat unfavourable relationship costs Balochistan a heavy price chiefly in terms of social and economic backwardness and human misery.

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