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Description automatically generated**HUM111 - Pakistan Studies**

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**Section:** A

**Assignment:** 03

**Question 01: CLO: 03 Bloom Taxonomy Level: <Analyzing>**

**Main topic:**

**Current Social, Economic and Political Challenges related to Industrial Sector of Pakistan.**

**Marks: 50**

**Word count: Minimum 750-800 words**

You can also select the topic from the sample topics given below. The following is a list of sample topics you may take for your project.

1. Political and industrial growth regimes
2. Production of specialized goods and its action plan/strategy
3. ***Evolution of Industries since the creation of Pakistan.***
4. An Appraisal of Industrial progress of Pakistan.
5. Current Industrial problems/challenges and solutions for Pakistan.
6. Importance of public and private industrial partnership in Pakistan.
7. Globalization of Industrial products for the growth of Pakistan economy.
8. Reforms to revive Industrial sector due to shortage of electricity or power crises in
9. Pakistan.

Once you are done proofread everything. If possible, check for plagiarism, just to be sure that you are not at risk of losing marks due to it. When you think, the assignment is ready for submission, then upload the report on CU Online as Assignment # 3, before the Deadline.

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**Evolution of Industries since creation of Pakistan**

# **Abstract:**

The main goal of this study was to identify the factors that contribute to Pakistan's industrial sector's growth. Factors were gathered from the body of current empirical research. For the analysis, annual data from 1950 to 2017 was used. Trade (percentage of GDP) and personal remittances received (percentage of GDP) exhibited a positive and significant correlation with Industry, value added (percentage of GDP), while the lag value of Industry, value added (percentage of GDP) demonstrated a long-term negative and significant correlation with Industry, value added (percentage of GDP). However, over time, we also encountered numerous security problems at various points. Like how Pakistan had wars with India in 1998, 1965, and 1971 as well as acts of terrorism from 2011 to 2017. Graphs are used to illustrate how our industry failed during those pivotal moments.

# **Introduction:**

"Security issue" is one of Pakistan's largest business obstacles. Pakistan's industrial sector has always been vulnerable to security threats. Pakistan's industrial base was extremely poor to begin with, and things are not getting any better now. Pakistan had a tiny industrial base in 1947, the year of its separation. Of the total 955 industries, it only obtained 34; India held the rest industries. A freshly formed nation needed more industries than these to compete in the industrialized world. Over time, Pakistan made use of all its resources, both internal and foreign, to propel the country's manufacturing industry forward. However, Pakistan suffered significant economic losses because of the wars in 1948, 1965, 1971, and 1998, which also had a negative impact on the country's industrial sector.

## **2.1 Consequences of Kashmir War (1947- 1948):**

The First Kashmir War, also known as the Indo-Pakistani War of 1947–1948, was a conflict between India and Pakistan between 1947 and 1948 over the princely state of Jammu and Kashmir. It was the first of four Indo-Pakistani Wars waged by the two recently independent countries. Following its independence, Pakistan had a very poor economy, which was further undermined after a few months by the war of 1947–1948. Pakistan received a total share of about 200 million, of which 40–50% was spent on the war, leaving little money for the country's industrial sector. Pakistan failed to meet the goals set forth by the Industrial Conference of 1947 to build industries utilizing locally generated raw materials including jute, cotton, hides, and skins. Under addition to the fact that offices were being operated under tents, which was inefficient, most people avoided investing in Pakistan due to the country's underdevelopment and numerous security concerns. Consequently, the nation's industrial progress was hindered mostly by security issues. In 1950, the industrial sector's share of the GDP was a mere 6.9%.

## **2.2 Progress of Industrial sector from 1950 – 1963**

The absence of war between 1950 and 1963 allowed Pakistan's manufacturing sector to flourish. To engage in sectors that demand significant initial outlays, the government took the initiative and founded Pakistan Industrial Development Corporation (PIDC) in 1952.The main investments made by PIDC were in jute mills, cement, fertilizer, paper and paper board, and the Sui Karachi gas pipeline. Additionally, the government established an Industrial Investment and Credit Corporation as well as an Industrial Finance Corporation. The pre-existing operations that produced paper, jute, and fertilizers had a significant increase in production capacity. The export of manufactured goods increased in 1958 because of the establishment of the Export Bonus Scheme and the decrease in export levies. The agricultural processing of food goods and textiles was one of the main areas of industry development. Furthermore, in 1955–1956, a Swedish–Pakistan Institute of Technology was founded to supply skilled manpower for the country's explosive industrial boom. Along with the UN USAID, the Pakistan Industrial Technical Assistance Center (PITAC) was founded in 1957. The Industrial Policy of 1959 guaranteed that private enterprise would have the most latitude in developing the nation's resources. It also removed one of the two resumptions regarding the private sector that had been established in 1948. In 1959, the Industrial Policy placed a fresh emphasis on the private sector and the growth of agriculture-based businesses, with an emphasis on export-oriented sectors.

From 9.7% in 1954–1955, the industrial sector's share of GDP increased to 11.9% in 1959–1960. The development of heavy industries including machine tools, petrochemicals, electrical complexes, and iron and steel replaced consumer goods sectors in the 1960s. Growth, exports, and productivity all grew throughout the Second Five-Year Plan period in the industrial sector.

## **2.2 Stress on industrial sector due to operation Gibraltar**

Following significant advancements in Pakistan's industrial sector between 1950 and 1963, the sector received yet another setback in 1964.General Musa began Gibraltar operations in 1964. Even though Pakistan was successful in gaining territory from India, a large amount of money was spent on the operation, and little was put in the country's industrial sector. That year saw a decline in the industrial sector's GDP share as well.

The growth rate of large-scale manufacturing was 15.4 in 1950–1960 but dropped to 13.1 in 1963–1964.

## **2.3 Industrial damage due to 1965 War**

In 1965, Pakistan's industrial sector received another shock. This year saw the start of a devastating second war between India and Pakistan, which claimed many lives and had a negative impact on our economy. The industrial sector contributed significantly to our GDP between 1955 and 1964, but due to the great war fought between India and Pakistan, its contribution fell from 11.9 to 10.1 in 1965–1966.Between 196 and 1966, the GDP's large-scale manufacturing sector's share dropped from 13.1 to 12.2. Pakistan's economy was booming from 1955 to 1964, when military conflicts and operations caused abrupt disruptions. This indicates that Pakistan's economy is severely impacted by security issues and has suffered greatly during conflicts. The prolonged economic downturn in Pakistan was one of the war's far-reaching effects. As the Pakistan's remarkable economic expansion was terminated by the costs of the 1965 war. early in the 1960s. For our economy, the war in 1965 had proven to be too costly. That was primarily the socioeconomic and political issues resulting from the 1965 war, which had preceded the 1971 conflict that made everything worse economically and made the remaining Pakistan suffer a five-year period of economic stagnation.

## **2.4 Loss of industries due to 1971 War**

Following five years in 1965, India and Pakistan launched their third war, which severely damaged Pakistan's economy. Pakistan's economy was thriving prior to the war in 1965, but throughout the course of the following ten years (1965–1975), the GDP share of the industrial sector declined.

From 1971 to 1977, the industrial performance was underwhelming in terms of growth, exports, and production. The manufacturing sector's subpar performance was caused by several factors. East Pakistan, one of the country's wings, was split off by force. In 1970, the nation was forced to engage in combat with India. The output of large-scale industries fell because of several factors, including the suspension of foreign aid, the loss of East Pakistan's indigenous market, a decline in exports, a 131% devaluation, labor unrest, an unfavorable investment climate, floods, a recession in global trade, and a reduction in investment incentives. Throughout this time, the industrial sector's annual growth rate decreased to 2.8%. Between July 1974 and July 1977, the government implemented numerous policies aimed at restructuring the economy. The denationalization of cotton ginning, rice husking, and flour milling occurred.

Large-scale industry investment was encouraged by the private sector. In 1971, the manufacturing sector experienced an annual growth rate of 8.2%. Large-scale industrial growth decreased to an average of 4.7% in the first half of the 1970s and 2.5% in the second half. The crisis was not helped by the oil price shock of the 1970s, not by droughts, floods, or the cessation of outside aid. From 6 percent in the 1960s to 3.7 percent in the 1970s, the growth rate decreased annually. Worst of all, social justice—the primary platform upon which the Bhutto administration was elected—turned out to be incredibly flimsy.

A graph with numbers and a bar

Description automatically generated with medium confidenceWhile inflation decreased, income disparities increased over the prior period.

Statistics on Industrial Growth of Pakistan

## **2.5 Cost of Kargil War (1999) in shape of industries:**

The Kargil War, sometimes referred to as the Kargil conflict, was an armed confrontation that broke out between India and Pakistan in the Kashmiri Kargil district and other areas along the Line of Control (LOC) in May and July of 1999.The Kargil War had an impact on Pakistan's economy as well, resulting in a decline in the industrial sector's GDP share. When two countries go to war, it disrupts both and sets them back five years. The GDP grew at a slower rate of four percent. The manufacturing sector did not grow at all, whereas the agriculture sector registered higher output.

When foreign savings, which had previously filled the gap between national savings and investment, dried up in May 1998, the investment ratio dropped to 13.9 percent throughout 1998 and 1999.Large amounts of both domestic and foreign debt accumulated during the course of the decade as a result of the continuation of the fiscal (over 7% of GDP) and external (between 4 and 5% of GDP) deficits. Development spending suffered greatly, and the GDP fell from 8% in the first part of the 1990s to 3%. Spending in the social sector was reduced to make room for increased debt payment and defense spending. As total external debt increased from $20 billion in 1990 to $43 billion (47.6% of GDP) in 1998, it became unmanageable. In 1998, five percent of domestic resources were wasted.

## **2.6 Downfall of industrial sector due to terrorism**

Since September 2001, Pakistan has been a front-line state in the war on terror. Pakistan has suffered greatly because of the conflict thus far, as its economy has grown more slowly.

This essay aims to investigate Pakistan's experiences with the war on terror in the social, political, and economic spheres between 2009 and 2011. Terrorism reduces foreign direct investment, capital creation, investment, and increases risk perception, all of which have an impact on a nation's economic growth. Lower capital formation and slower GDP per capita growth are associated with an increase in terrorist strikes targeting private individuals, property, transportation, and airports. In addition to the devastation of infrastructure, the conflict has cost the nation $67.93 billion in direct economic losses. Law and order in Pakistan has worsened due to terrorist acts, especially suicide bombings. Pakistan is experiencing terrorist assaults, including suicide bombings, which have made the country's law and order situation worse. Foreign investors are also hesitant to invest there, which poses a severe threat to Pakistan's industrial sector. Pakistan has an agrarian economy, with 45% of the people relying on agriculture as their primary source of income. Terrorism also hindered the advancement of our agricultural sector. Large-scale industries contributed 4.4% and small-scale industries 7.5% of Pakistan's GDP in 2010–11. From 2009 to 2011, the Swat Valley's fruits and other agricultural products were damaged by regular curfews, shelling, and shooting.

Both unemployment and the local economy were negatively impacted by it. Foreign direct investment fell from 2009 to 2011 because of people's increased fear of terrorism and their reluctance to make investments in Pakistan. The Pakistani government's Ministry of Finance declared the nation's industrial losses from the war on terror to be $67 billion, but it did not explain how the figure was determined. Between 2001–2002 and 2010–2011, the war on terror cost a total of $67.9 billion. Pakistan's direct costs of the war on terror climbed from Rs 67 billion in 2004–05 to Rs 78 billion in 2005–06 and Rs 262 billion in 2009–10. In a similar vein, from Rs 192 billion in 2004–05 to Rs 707 billion in 2009–2010, the indirect cost rose. Our industries would be at their pinnacle if that much money was invested in them. Pakistan's manufacturing sector suffers greatly as a result of this financial loss. Pakistan's economy suffered greatly because of terrorism, and the industrial sector was severely disrupted during this time.

|  |  |  |  |
| --- | --- | --- | --- |
| Years | Billion $ | Billion Rs. | % Change |
| 2001 - 2002 | 2.669 | 163.9 | - |
| 2002 – 2003 | 2.749 | 160.8 | 3.0 |
| 2003 – 2004 | 2.932 | 168.8 | 6.7 |
| 2004 – 2005 | 3.410 | 202.4 | 16.3 |
| 2005 – 2006 | 3.986 | 238.6 | 16.9 |
| 2006 – 2007 | 4.670 | 283.2 | 17.2 |
| 2007 – 2008 | 6.940 | 434.1 | 48.6 |
| 2008 – 2009 | 9.180 | 720.6 | 32.3 |
| 2009 – 2010 | 13.560 | 1136.4 | 47.7 |
| 2010 – 2011 | 17.830 | 1528.0 | 31.5 |

**Table 1. Actual Cost of War on terror for *Pakistan* from 20001 – 2011**

# **Importance of Industrial sector in Pakistan**

## **3.1 Increase in National Income**

The greatest potential use of the nation's finite resources is made feasible by industrialization. Enhancing the amount and caliber of diverse manufactured commodities leads to a greater contribution to the gross national product.

## **3.2 High Standards of Living**

The value of production per work increases because of industrialization. Thanks industrialization, people's standards of life have increased.

## **3.3 Economic Stability**

The greatest method to give the nation's economy stability is through industrialization. One cannot attain rapid economic growth in a country that solely relies on the production and export of basic materials. People have access to a large number of investing alternatives.

## **3.4 Improvement of Balance Payment**

It contributes to the growth of manufactured products exports, which generates foreign exchange. However, domestic raw material processing reduces the need to import commodities and helps preserve foreign currency.

## **3.5 Progress in other sectors**

The process of industrialization promotes advancement in other areas of the economy. The growth of one industry influences the other industries' development and expansion.

## **3.6 Increase in Employment**

The process of industrialization promotes advancement in other areas of the economy. The growth of one industry influences the other industries' development and expansion.

## **3.7 Specialization**

Because industrialization encourages labor specialization and competence, the industrial labor force is more skilled and specialized than the agricultural sector's labor force.

## **3.8 Increase in agricultural production**

Farm equipment such as tractors, threshers, harvesters, bulldozers, trucks, sprayers, and other items are made possible by industrialization.

## **3.9 Simple to control industrial activity**

In contrast to agriculture, industrial activity is simpler to regulate. Depending on the product's cost, demand, and price, industrial output might increase or decrease.

## **3.10 Technological progress**

Greater opportunities for on-the-job training and technological advancement are brought about by industrialization.

Utilizing cutting-edge technology boosts production volume, lowers costs, and enhances product quality.

## **3.11 Control of population**

Surplus labor from the agriculture sector moves to industries that are mostly located in cities because of industrialization. Better access to healthcare and sanitary facilities can be found in cities.

## **3.12 Increase in Investment**

Workers' incomes increased because of industrialization. It enhances their ability to save money. It offers people investing opportunities.

## **3.13 Reducing pressure on land**

The creation and growth of industry reduces the undue strain that the agricultural sector places on its labor force.

## **3.14 Increase in Govt Income**

The supply of goods for both internal and external markets rise as a result of industrialization. Exporting products generates foreign exchange. Additionally, it gives the government revenue and benefits.

## **3.15 Price Stability**

It is possible to keep market price stability through the manufacturing of industrial goods. Increased industrial sector production eliminates the scarcity of goods.

## **3.16 Use of Raw Material**

Raw material produced in the agricultural sector can be utilized in industrial sector, which not only removes wastage of raw material but also supports the agricultural sector.

## **3.17 Use of Natural Resources**

In underdeveloped nations, natural resources are not fully utilized. Better industrial processes can help make the greatest use of these natural resources.

## **3.18 Political Control**

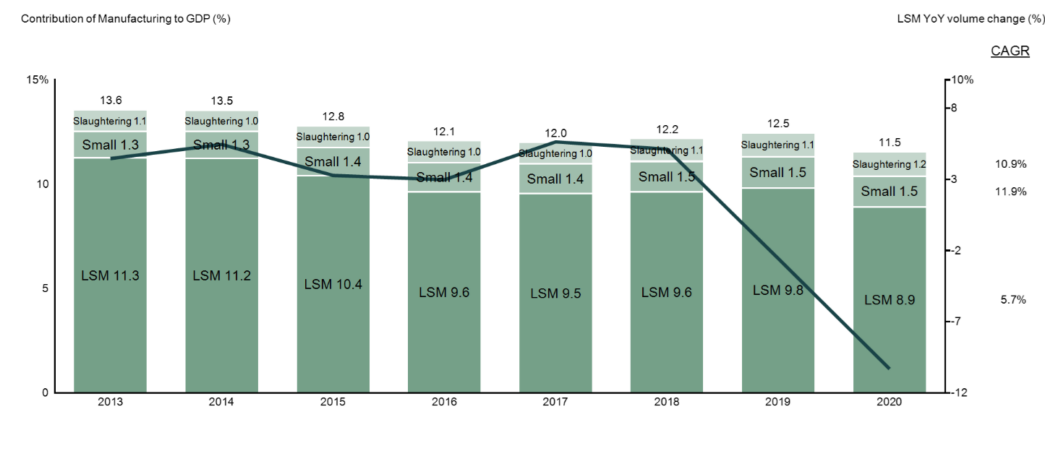
A country gains political influence through industrial development. Because of their economic success and advancements in science, nations like the United States of America, Japan, China, and the United Kingdom are seen as global leaders.

# **Industrial Sector Share**

A graph of different colored bars

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# **Negative growth rate in manufacturing**

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# **Recommendations**

Here are some suggestions to stabilize the industrial sector:

* The government needs to present a strong industrial policy that takes the needs of the world into consideration.
* There is an urgent need to build additional industrial estate in the nation to raise the industrial sector's portion of the GDP.
* Government measures should facilitate existing industrial estates to increase their economic contribution.
* Lending to industrialists on flexible terms allowed them to manage their businesses efficiently.
* To enhance the demand for local products overseas, new markets are investigated, and their quality is enhanced.
* The government of Pakistan needs to come up with a well-thought-out plan that permits some kind of concession or exemption, just like in India, where the Export-Import Bank was established to finance and support various industries, particularly textiles.
* Establishment of new technical universities and institutions to provide labor direction and equip them with industry-standard modern procedures.
* To facilitate simple access, communication channels and essential infrastructure for industry, such as transportation and highways, should be upgraded.
* Priority must be given to resolving the energy problem and ensuring that industry has an uninterrupted supply of electricity.
* The state of law and order should be enhanced to entice investors to put their capital and moment.
* It is important to focus more on growing exports.
* Products meant to replace imports are made to promote the usage of domestic goods.
* This area is supplied with realistic and current statistics.

# **Conclusion**

First and first, Pakistan's security issues need to be resolved. It is necessary to thwart Afghani intruders. Regarding the concerns and grievances of Pakistan's Baloch and Pashtun populations, the government needs to act decisively.

Foreign intelligence agencies primarily indoctrinate our youth against Pakistan and its legal system, leading them to play with dangerous people. To combat this, the government needs to take seriously its responsibility to educate the youth and to raise awareness in outlying areas to warn people about enemies' tactics.

Our foreign policy needs to be so powerful that it can counteract the international media's misinformation campaign on Pakistanis by presenting a favorable picture of the country to the globe.

To prevent enemies and spies from invading our nation, fencing needs to be installed as quickly as possible along the borders with Iran and Afghanistan.

Our armed forces should organize seminars in educational institutions to provide them with facts based on reality about the performance of our armed forces. Additionally, they must warn our people about emerging dangers like BLA, Manzoor Pashtun, etc.

To boost our industrial sector, our administration should engage with foreign companies and persuade them to invest in Pakistan. Given that CPEC has focused attention on Pakistan's creation of industrial zones at various locations, Pakistan has a tremendous opportunity to persuade global investors.

To operate in many businesses, both local and foreign investors need to feel secure, and this is feasible if our security services personally visit them and guarantee their safety and tranquility surroundings.

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