

Current Social, Economic and Political Challenges Related to Industrial Sector of Pakistan Since Partition

Industrial Sector of Pakistan: A Tale of Struggling Economy and Instable Political

Arena



PAKISTAN STUDIES PROJECT

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Abstract

Pakistan has faced diverse challenges since inception, both strategically as well as tactically in the inner and outer circles. At strategic level, the main challenge has been inconsistent policy frameworks, economic dis-order and over-reliance on other countries. Whereas, at local level it has mainly been political instability, corruption, industrial growth, literacy and lack of sustainable policies resulting into flight of capital both intellectual as well as economic.

Industry of any country is its backbone; it helps the country become self-reliant and compete; no country in the world has ever progressed without strong industrial sector. In Pakistan, since our Independence our Industrial sector has been struggling due to the lack of interest and seriousness shown by our Political Governments and foreign agenda to keep Pakistan in a shell where neither our Industry develops, nor does our country.

Industrial Sector is the engine of growth for any county; it helps in providing jobs, produces indigenous products for supporting defense, public and private sector and reducing reliance on other countries. In this research paper an effort has been made to discuss the challenges of Pakistan's Industrial Sector and its suggest a pragmatic way forward.

***Industrial Sector of Pakistan: A Tale of Struggling
Economy and Instable Political Arena.***

Introduction

Pakistan's Industry has been the weak link since its independence. At the time of independence, twenty percent of the people living in India formed the sovereign state of Pakistan; whereas, only 34 out of 921 industrial unit came to Pakistan's as their share. It was mainly because most of the industries were established by the British in areas which became part of India, this unfair distribution gave birth to relatively weak Industrial sector in Pakistan. Consequently, at the time of independence, the industry had to start from scratch; back in 1947 our industries had the capacity to cater for only 26,400 people, on the contrary, Indian industries had the capacity for 11 million workers.

Looking at the history of our industrial sector, British Rulers did in-justice by being partial to the Indians. Soon after creation of Pakistan, the development of our Industrial sector was made the top most priority of the government, by that time the Government of Pakistan had realized that it needed a powerful industrial sector to become self-reliant to compete with the world. At that time, there was a consensus amongst all the stake holders that Pakistan was going to be a country reliant on Agriculture, Industrial sector, and since then we have called our economy an Agrarian Economy.

But today after almost seventy-five years, Pakistan's Economy is weaker than ever, our industries are still weak and drowned in debt, and we are still not even close to becoming a self-reliant country whose industries are flourishing.

The gravity of these problems has worsened to such extent as to constitute a serious source of panic, in the absence of a suitable resolution applied with strength of mind, clear vision and a realistic approach that takes understanding of all elements and can examine to the core of matters while steering clear of the illusions and delusions that result from lack of expert vision and a weak understanding of the nature of all these challenges.

Today, our country, under a new leadership has chosen to tackle the challenges of past several decades that is observing an increased obligation of states in the combat against economic, social and developmental crises at all levels. This calls for total mobilization in the different fields for joint action, for conjoining well-coordinated and courteous efforts and solidarity to overcome a difficult interval where the available resources are too miserable to bring to fruition the Idea of Iqbal and the vision of Quaid-e-Azam: "A country where every man and women can live with peace and pride."

Pakistan is on cross roads, besieged by difficulties from all sides and fielding traps from all fronts, yet it is struggling to forge ahead as it fights the pressures of world superpowers to keep it in the manacles of helplessness, hesitation and vulnerability, unable to set out in the right path and board on a new civilized cycle that would link the present to the past and lay the foundations of an Economy that will not only help us grow socially, economically but also in the sector of Industry because for any country to become successful, self-reliance is the foremost thing, and to become self-reliant the Industrial Sector has to develop drastically.

CAUSES OF STRUGGLING INDUSTRY

Part I – The Impact of our Struggling Economy.

- **From the beginning**

Since its Independence Pakistan inherited a very weak financial base, the state didn't have enough money to fund its basic requirements, after creation lack of financial institutions was a great hurdle in the way of investment, so it was not easy to establish new industries in the country.

The growth of any industry depends solely on the investments and earnings so when we had no money, there was no investment thus our industries had no support, as time passed, we gradually developed our economy but there was no big difference in our industries as there were other important things needing attention.

- **Early 1960s**

Till early 1960s, Pakistan had emerged as a developing nation, although we had little resources and our economy was not at its peak, but there was a consensus between our leadership as they wanted our industry to grow and were trying their level best, yet failing to help.

- **Post 1965 War and Ayub Khan's Tenure**

Our economy quickly started to flourish under General Ayub Khan's leadership, with our economic growth averaging at **5.82 percent** during his **eleven years reign**, this marked the peak of our growth which was at **8.51 percent**; highest in our 75-year long history.

During this time period Pakistan established both **Mangla and Tarbela Dams, cement, automobile industries were also established.**

Gen Ayub not only focused on industries that manufactured goods but also established industries that helped our agriculture sector.

- **1970 Onwards**

In 1971 war both India and Pakistan lost their resources, adding to Pakistan's misery was the partition of Bengal, Pakistan was a great exporter of **Jute, but after partition, that industry became part of Bangladesh.**

Soon after, Nationalization struck our economy, the government decided to take control of the financial and physical capital that was being controlled by a small elite.

During this time period Pakistan ***established Port Qasim and Pakistan Steel Mill, but our economy started a to slow in the wake of nationalization*** with growth rate falling from ***6.8 percent*** to ***4.8 percent***, this damaged and change the upward path of our industrial growth.

- **Pre 2000s**

Our Economy recovered significantly during the reign of General Zia-ul-Haq, during his time period Pakistan utilized its strategic location to its benefit and hence there was an increase in ***foreign aid and remittances from United States of America*** for supporting them against Soviet Union in Afghanistan.

In this time period, the balance of deficit of our industries was kept under control as a result our GDP growth touched ***6.5 percent in 1980s***, but soon after the demise of Gen Zia ul Haq, Pakistan faced both financial and industrial instability, none of the upcoming governments were able to cope with the vision of predecessor.

Pakistan conducted ***Nuclear Blast in 1998***, this was a ***great landmark in our history***, but the Western lobbies started viewing Pakistan as a threat to their security as we were the only Muslim nation to attain this capability,

these lobbies in collaboration with their partners put financial sanctions on Pakistan, which slowed down the industries and ultimately made the industries inviable.

- **Early 2000s**

In 1999, General Pervaiz Musharraf took control of the country, he had to deal with high fiscal deficit and a weak economy, but soon after 9/11 attacks, Pakistan had to pay a huge price, since then we have been fighting War on terror as a front line state, this war brought great destruction to our economy, infrastructure, lifestyle, and our Industry.

During this time period, our investors ran away due to the ***sense of insecurity in the country***, we lost more than ***seventy thousands civilian lives and billions to our economy***, this was the most difficult period in our history since partition; our Industries stopped working, their dept kept on piling as time passed the country's fiscal deficit was on a new high.

- **Post war on terror, 2013 Onwards**

Pakistan paid a huge price due to war on terror, but the major war was won by Pakistan's Security forces by 2013, when country's security situation started to improve, this was the time when observers started to believe that

Pakistan's Industry might get back on track, but unfortunately due to negligence and lack of interest shown by our leadership our industrial sector did not improve.

- **Today, and Future**

Today Pakistan has a new Government in place, our security situation is better than ever, but our economy is depleting every day, Imran Khan's Government inherited a huge fiscal deficit from his predecessor and what remains to be seen is how his government will tackle the great task at hand.

Because if our Industry is ever going to develop and help our country grow, it will only be when we have a strong economy.

Part II - The Instable Political Arena

Since Pakistan's creation we have been facing instability in our Political atmosphere:

- **After Creation**

After Creation of Pakistan, Quaid-e-Azam Muhammad Ali Jinnah kept the office of Governor General for himself and appointed Liaqat Ali Khan as the First Prime Minister of Pakistan. The authority of the government was not very strong, Quaid-e-Azam sacked two Governors during this time, due to Quaid's ailing health and his early demise, the country couldn't attain political stability,

Soon after Liaqat Ali Khan was assassinated in Rawalpindi, there was total chaos in the country, this chaos was resultantly destroying our economy as well as our industry.

- **Gen Ayub's Tenure**

Soon after General Ayub Khan took over the country defeating the sister of Father of the nation; Fatima Jinnah, in controversial Elections, though in a few years the country forgot the elections as General Ayub's Policies started to help Pakistan and its economy, We started to develop as a nation, there was a sense of unity in the nation at this time, during this time there was political stability in the country,

This was a reason why our country won the 1965 war, because we were united, though the Indians out-numbered us in every capacity but still our Unity as a nation was second to none, we won that war hands down, and this period is regarded as a golden time period of our history.

- **Post 1971 War**

After the War of 1971, and the partition of Bangladesh Zulfiqar Ali Bhutto became the Prime Minister of Pakistan, this was a time when Pakistan became financially weak due to the war we had faced, Zulfiqar Ali Bhutto introduced his policies such as nationalization of economy, these policies backfired as it alarmed the investor and they stopped investing, Zulfiqar Ali Bhutto was later hanged to death on the orders of the supreme court of Pakistan and then Chief of Army Staff General Zia ul Haq took over.

- **General Zia's Tenure**

During this time Pakistan's economy developed, General Zia's policies were economic friendly and he kept an eye on the development of industries, this was the time when Pakistan economy started to grow again.

During this time the foreign relations of General Zia helped Pakistan to enter the greater strategic game in the world. Pakistan helped USA defeat the Soviet Union in Afghanistan. During this complete period, Pakistan Kept making its Nuclear Capability, in general this was a good time for our country.

- **Post Gen Zia Tenure**

After the demise of General Zia-ul-Haq Pakistan experienced peaks of political instability. In the following year, the party of Zulfiqar Ali Bhutto won, and his daughter Benazir Bhutto was made the first women Prime Minister of Pakistan. She only stayed in office for one years when, then President Ghulam Ishaq Khan dismissed her government on the allegations of corruption.

Soon after, new elections were conducted and Mian Nawaz Sharif's Party emerged a victorious, and Mian Nawaz Sharif become the Prime Minister of Pakistan, Sharif stayed in office for almost three years when President Ghulam Ishaq Khan also dissolved his Government. The Opposition parties welcomed this decision as this gave them another chance to get into government, new elections were held later that year in which Benazir's People's Party won the Elections and she become Pakistan's Prime Minister for a second term, her second term lasted for 3 years, she was dismissed from office by President Farooq Leghari. Resultantly, Mian Nawaz Sharif won the upcoming elections and stayed in office for 3 years, before being over thrown by Military dictator General Pervaiz Musharraf.

This Time Period was Politically the darkest period of our History when four governments were sent home without completing their terms, this political instability reflected on Pakistan's economy which kept depleting during this time, our industry weekend and we forgot our path that was to take us to new heights.

- **Early 2000s**

General Musharraf reign lasted for 10 years, during this time his government was Politically stable, as he was the Military head as well as the President of the country things were completely in his hands, in this time period Pakistan faced the War on terror when our economy was destroyed, our infrastructure was destroyed and we faced huge casualties in the country, this was a tough time period and General Musharraf's policies seemed logical but he was not able to implement those policies and was not able to help our economy not our industrial sector.

- **Peoples Party Government (2008-2013)**

After the assassination of Benazir Bhutto, there was a wave of sorrow through out the country which helped her Party in winning the elections in 2008. Her husband Asif Ali Zardari became the President of Pakistan, during this time

Osama Bin Laden was allegedly killed in Abbottabad, and this time period brought bad name to Pakistan internationally and our economy couldn't flourish as country faced difficult security situation.

This Government took record loans, and after their Five-Year term, Pakistan's debt was at its highest.

- **PML (N) Government (2013-2018)**

After failure of Zardari government, the people of Pakistan optimistically voted out PML(N); Mian Muhammad Nawaz Sharif joined office for third term. Right from day one he faced allegations of Election Rigging; Imran khan leader of the second largest party at that time, kept campaigning against him, and mobilizing the crowds. Nawaz Sharif was later exposed in an international corruption scandal, he faced trial in Supreme court for two years and was not able to justify his standard of living and his assets and was jailed for 10 years in prison.

- **Pakistan Tehreek-e-Insaf Government (2018- to Date)**

Punishment of Mian Nawaz Sharif provided great moral victory for the PTI as it proved the party's point that corruption was the main reason why our country has been facing poor economy and is behind in every regard,

And PTI won 2018 General Elections with majority in 3 out of 4 provinces, and also formed government in these three provinces, Imran Khan is the current Prime Minister.

PTI government inherited a huge fiscal deficit, and Pakistan faced huge economic crisis, and we will have to see how they tackle these challenges. But this is the first time in our history when both our Political and Military leadership seem to be at the same page and we hope that will steer us out of this dark economy and help us flourish as a nation.

Part III - The Way Forward

At present Pakistan is faced with economic crisis involving all time high current account deficit, return of loan installment, creation of surplus tax for supporting development and planning and above all managing inflation by controlling the prices of electricity and petrol as it inflicts uncontrollable inflation.

The points that can help our Industrial Sector as follows:

- **Lesser Tax on Local Industry**

The Government should implement a rule that the stuff prepared in our local industry shall be slammed with lesser tax as compared with the stuff that is imported, to encourage our local industry.

- **Encouragement of Investors**

The Government should formulate policies to encourage the investors to invest in the country, as this will not only help our industrial sector but will also help our economy.

- **Establishment of Industrial Research Centre**

The Government should establish a Research Organization that researches on the industries around the world and gives us a guide line to follow in order to succeed.

- **Formulation of Industrial Advisory Board**

The Government should form an advisory board of Successful and experienced Industrialist, so that the concerned people have a say in

making policies that affect them as they know their problems better than anyone else.

- **Easy Loans**

The Government should make a way to give interest free loans to small industries to support them financially and encourage the youth towards industrial sector of our country.

- **Establishment of Industrial Centers**

The Government should establish centers with task to educate the uneducated industrialist, help them grow their industry and work at their maximum capacity

- **Safety for Foreign Investors**

The Government should ensure full proof security for our foreign investors, because sense of security is the foremost requirement for any investor.

- **Privatization**

The government should Privatize those Government institutions that are drowned in debt and have become a liability for tax payers money.

- **Relaxation in Industrial Tax**

The Government should relax the tax on our local industry and fully support our local industry and good developed in these industry as they are our own, and they should have the feeling that their government is with them, because only then they will feel secure and perform their best.

- **Use of IT for Tax Collection**

The Government should encourage use of Credit cards for expanding documented economy through banking sector, the process of tax submission should be made easier, a one window operation, where technology is used to assist people.

- **FBR Reforms for Tax Collection**

The Government should bring the necessary reform in collaboration with NADRA (National Database and Registration Authority) for improving

our Tax collection base, the government should also collaborate with friendly countries for interest free investment in Oil Refineries, steel mill rehabilitation, provision of clean drinking, health and Education sector.

- **Role of our Educational Sector**

Educational sector must be aligned with the Industrial sector requirements to provide quality graduates for undertaking projects for value added and state of the art production

- **Right Person for the Right Job/ Meritocracy.**

The Government should ensure that the right person is appointed in the right office, and transparent system of hiring people for jobs is made visible so that there is a sense of trust amongst people, so they do their best in the work they are assigned.

Conclusion

This paper makes an attempt to highlight some areas which merit immediate attention of Pakistan's ruling elite, and to tackle those challenges. Implementation of the proposals enunciated in the paper will go a long way towards making improvement and strengthening the Industrial Sector of Pakistan.

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