

We need a national industrial policy

The government is set to roll out a new policy on small and medium enterprises (SMEs). But there is no official word as to when Pakistan will have a national industrial policy.

Given the peculiar nature of our economy and our huge socio-economic challenges, the industrial policy must aim at exploiting agriculture and services sectors fully, providing a basis for the constant creation of jobs and quick absorption of knowledge-based workers.

Besides, it must also be structured to spread its benefits across all federating units and various income groups with a tilt towards the poor and the less-privileged.

Designing a policy with such diverse and competing objectives with tough trade-offs is not easy. It requires political harmony among provinces and between the federation and the federating units. It requires inputs from various institutions of the state, including the security establishment, simply because these institutions will have to adjust their priorities at the implementation stage.

After all, Pakistan's achievements in the defence industry are well established now and, given our peculiar geopolitical environment, the world expects this industry to grow further. So it will be naïve to think that in the future this industry will continue to progress on its own — without having been made part of our national industrial policy and without competing with other industries for financial and human capital.

With democracy still evolving in Pakistan and geopolitics playing an increasingly big role in our economy, we cannot continue to thrive with industrial hubs located mostly in Punjab and Sindh

How soon the government will be able to roll out an industrial policy is not known. But what is more important is that the policy should be framed with a futuristic mindset even if it means a little more delay.

For decades, the agriculture sector has met the needs of our growing population and has often given us some exportable surplus. Mostly we have used that surplus with little value addition and earned meagre foreign exchange that was not enough to finance even our food import bill. That means most of the time the country has remained a net importer of food items and our foreign trade has booked food trade deficits. Whereas policies meant for promoting agriculture can be blamed for it to some extent, the absence of a comprehensive industrial policy has also impeded the development of value-added products — and, by extension, the diversification of export markets. A new industrial policy should take care of it.

But it is easier said than done. In an environment where the constitutional root of the current provincial autonomy — the 18th constitutional amendment — is under threat, and political confrontation between the federation and Sindh keeps growing, fulfilling the obligations of a truly national industrial policy means political parties will have to demonstrate more maturity, sincerity of intention, wisdom and farsightedness.

Our services sector has been growing at a decent rate with the start of this century, but the process of exploitation of this growth as a catalyst for faster growth in the manufacturing sector is yet to take root.

Stronger linkages need to be built between services and manufacturing sectors with the ultimate aim of transforming our economy from quasi-agricultural, quasi-industrial to a services-led, high-manufacturing, knowledge-based economy.

That is where the tapping of a vast pool of our talented youth, proficient in the fields of communication, information and internet technologies, becomes necessary. Without that the thrust required in the form of high-quality research and innovation cannot be realised and the dreams of modernising the manufacturing sector cannot be fulfilled.

That requires a greater allocation of financial resources towards education. But how that can happen at a time when the gap between the income and expenses of the government continues to expand is a big question. Attracting foreign investment in the education sector and establishing stronger links with advanced economies can be a solution. But for that to achieve Pakistan will have to do a lot on image-building and will have to show to the world that it is moving fast towards becoming a more tolerant and inclusive society. Sadly, it is an area that remains neglected and the installation of the PTI government has not made a difference so far.

In agriculture, cotton has continued meeting the bulk of the raw material requirement of our textile industry. But occasional exceptions aside, the cotton output falls short of meeting the country's requirement year after year. Undoubtedly, boosting the cotton output is an agricultural matter. But to ensure larger and better availability of locally produced cotton, there is also a need for investing in the entire cotton sector, including research and development and the modernising of ginning units that are part of the manufacturing sector.

As the world keeps moving towards embracing more and more applications of artificial intelligence (AI), arrangements should be made for educating our existing and future industrial workforce in AI. It is the need of the hour. The sooner we do it the better it is.

The economy is currently structured in a way that our industries thrive as much, if not more, on policy concessions and subsidies as on competitive efficiency. This will have to change if the country wants to graduate from a quasi-agrarian, quasi-industrial economy to an industrial economy. Industrial economies of today use inputs and raw materials from both agricultural and industrial sectors in the most efficient ways for producing finished consumer and industrial products.

Efficiency matters more than anything else. If our industries learn to use inputs and raw materials more efficiently and modernise their production processes, there is no reason why the country cannot come up with internationally competitive brands of finished consumer and industrial goods.

Going forward, the spread of industrial hubs across Pakistan is very important. With democracy still evolving in Pakistan, challenges to our weak democracy growing and geopolitics playing an increasingly big role in our economy, we cannot continue to thrive with industrial hubs located mostly in Punjab and Sindh. In Khyber-Pakhtunkhwa and Balochistan, faster development of industrial hubs under special economic zones envisioned in the CPEC and through indigenously designed projects would pay political dividends, increase inter-provincial harmony and improve the provinces' relations with the federation necessary for economic growth and prosperity.

In the development of new industrial hubs, especially those for SMEs, the private sector should be involved in all possible ways, including part-financing of infrastructure development for this purpose. Many projects of industrial hubs can be executed through public-private partnership. — MA

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